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Regaining strength

Datapoint Drive area noting surge of activity in office market

San Antonio Business Journal - March 18, 2005 by [Randy Lankford](#)

The health of the commercial real estate market in the South Texas Medical Center is aiding in bringing new life to an area that has languished for decades.

San Antonio's burgeoning \$7.5 billion medical industry revolves around the South Texas Medical Center, which is home to 45 medical and medically related institutions serving some 4.5 million patients a year.

The area is bordered by Fredericksburg Road on the east. But now health care providers and other businesses are setting up shop in the neighborhood east of Fredericksburg -- an area once known for computers and technology, and one that has struggled since the demise of **Datapoint Corp.**, for which one of its major streets is named.

Driving along Gardendale Drive, Pete Tassos of Sullivan Commercial Realty says, "When you look around this neighborhood, it's almost all health care."

Tassos is the leasing agent for the 140,000-square-foot Datapoint Office Complex just east of Fredericksburg Road.

When Datapoint Corp. began crumbling in the 1980s and '90s, the street that bears its name virtually fell off the San Antonio business map.

"It was stagnant for a while," says Tassos, who's been involved in the revitalization for approximately a year.

Tassos has seen the neighborhood rebound as doctors and patient services seek office space near San Antonio's medical hub.

"Physicians want and need to be in or at least near the Medical Center," he says. "They need the facilities that are there. They need to be able to refer their patients there for treatment and services."

Private practices and ancillary patient services are mushrooming around the fringes of the Medical Center as space inside its boundaries becomes more sparse.

"Parking is a problem in the Medical Center," Tassos continues. "Doctors want to have ample parking for their patients so they're looking for alternatives. There's just not much room left in there."

The three-building Datapoint Complex at 8400, 8410 and 8550 Datapoint Drive is home today to

the **San Antonio Endoscopy Center, Hand and Microsurgery Associates,** Gastroenterology Clinic of San Antonio and Michele Thiet, M.D. Medaphase and San Antonio Preventative and Diagnostic Medicine are across the street at 8401 Datapoint. **Humana Military Healthcare Services** takes up 13,965 square feet in two buildings at 8415 Datapoint. A number of smaller medical offices dot the Datapoint landscape.

Tech, too

But Datapoint Drive's turnaround isn't just because of health care.

Rackspace Managed Hosting, occupying 66,000 square feet at 9725 Datapoint Drive, found the neighborhood perfect for its needs.

"We were occupying four floors in two different buildings downtown," says Lanham Napier, president of Rackspace. "We needed a big enough space where we could all be together. That's what we found here. Communications have certainly improved since we moved in December."

Napier says he was looking for a "home court advantage" for the managed Web hosting firm. The Rackspace management team chose the Datapoint Drive location because it was near where the majority of what Napier calls "Rackers" (Rackspace employees) live.

"A huge chunk of our staff lives within five miles of here," he says. "We wanted to be where things were growing. We also wanted a product environment that would knock our customer's socks off."

Formerly headquarters to Builders Square, Rackspace's new home comes complete with an eye-catching auditorium, conference rooms and meeting spaces. Until Rackspace moved in, the building had been vacant since Builders Square left town about a decade ago.

What Datapoint Drive also offered Rackspace was a large block of unoccupied space that could be finished out for its needs.

"We're a service company," Napier says. "We're full of tech geeks. There are a lot of 'Star Wars' and 'Matrix' posters on the walls. We wanted a physical environment where people would want to come to work; somewhere that reflected our value system. We're here to have some fun. We're pretty darn happy to be here."

Still, Tassos expects much of the area's revitalization will result from continued medical growth rather than companies seeking large blocks of space.

"Rackspace is kind of a special case," says Tassos. "It's the 800-pound gorilla. They needed a huge amount of unified space. Most of the other businesses (that are) either here now or moving in soon are related to health care."

Market impact

The entire San Antonio office market experienced an uptick in leasing at the end of 2004. It was the fifth straight gain.

Grubb & Ellis Research reported almost 700,000 square feet taken by tenants in the fourth quarter which drove the city's vacancy rate down to 20 percent. Of the six San Antonio submarkets, the northwest, which includes the Datapoint neighborhood, was the leader with more than 207,000 square feet in gains.

Gains in office occupancy are leading to gains in residential occupancy. As San Antonio grows, so does its traffic, causing Medical Center employees to want to live close to work.

"They can't build multi-unit housing fast enough," Tassos says. "Condos, apartments, townhomes are going up left and right."

Existing residential units are getting a facelift as well as property owners try to compete with

sparkling new facilities by painting, landscaping and quickly addressing any repair needs.

The neighborhood isn't just growing. It's getting safer too. According to San Antonio Police Department (SAPD) statistics, rapes, assaults, burglaries and larceny dropped sharply between 2003 and 2004. Vehicle burglary and vehicle theft, however, were higher for the period. Population growth may account for a higher incidence of certain crimes but a lower overall crime rate in the area.

"It's a domino effect. Most of San Antonio's grow is to the Northwest. As businesses move in this direction, so do their employees," adds Tassos. "More consumers living in a particular part of town leads to more infrastructure businesses like grocery stores and dry cleaners moving in. As more of those services become available, the neighborhood becomes even more attractive to even more people and they decide they want to live here too. It's cause and effect."

Choice Homes of Arlington has been quick to recognize the trend. Area Manager Joseph Pack says the Townhomes Of Turtle Creek, a new mid-range townhome development on Datapoint Drive, is selling briskly.

"I hope we can find several more parcels of land and do this over and over again," Pack laughs. "Our success at Turtle Creek has been far beyond what we could have ever imagined."

Pack agrees that the Medical Center is the driving force behind the neighborhood's growth, and points to a rebounding economy enabling businesses to expand, developers to build and consumers to buy. "The future looks great for this area."

Both Pack and Tassos say that nearby USAA and the **University of Texas at San Antonio** (UTSA) also contribute to the housing growth of the neighborhood.

While it's impossible to say how many live in the Datapoint area, the potential population of employees from the Medical Center and USAA and students at UTSA is estimated at 64,000 -- more than Sugar Land, the 37th largest city in Texas according to the 2000 U.S. census.

"The Medical Center isn't going to go away," says Tassos. "This area is going to continue to evolve and grow. There's going to continue to be a demand for office space near the Medical Center and continue to be a demand for housing near those offices. I don't see it changing."

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