

# San Antonio Industrial | Q3 2022

## Quarterly Market Report

October 2022

San Antonio's industrial vacancy rate drops to 3.5% as leasing activity reaches record levels.

### Executive Summary

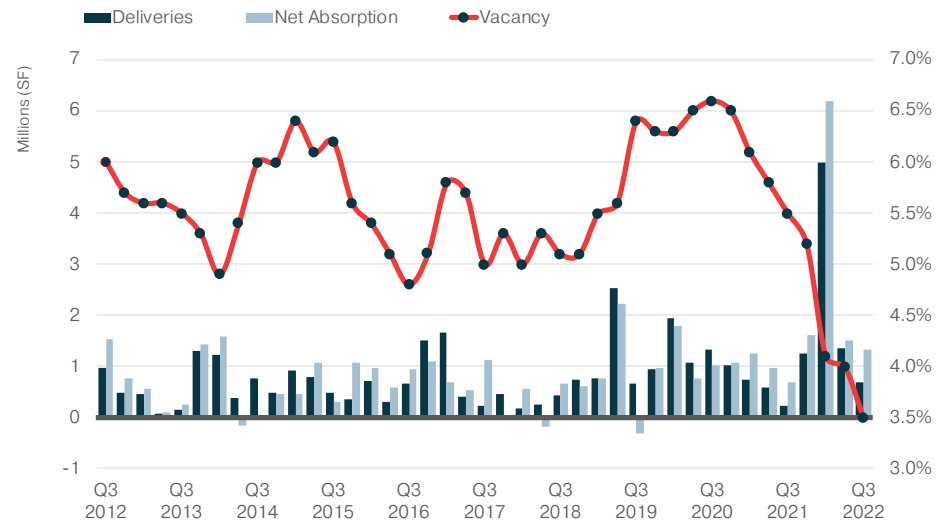
#### Industrial market records continued growth

Q3 2022 marks the eighth consecutive quarter that demand for industrial space, represented by net absorption (1.3 million sq. ft.), outpaced supply (679,000 sq. ft.) in the San Antonio metro—a streak not seen since Q1 2014 or almost nine years. Leasing was also strong again, with the San Antonio area recording 2.1 million sq. ft. of activity, comparable to last quarter at 2.0 million sq. ft., although down 36% from this time last year at 3.1 million sq. ft. With 7 million sq. ft. delivered so far in 2022, 8.1 million sq. ft. under construction, and another 6.8 million sq. ft. proposed through 2023, the demand for industrial real estate may continue to overtake supply.

#### San Antonio economy slowed down in August

The San Antonio unemployment rate remained at 3.7% in August. The metro's unemployment figure was the same as the U.S rate of 3.7% but below the state's 4.1%. This month, the San Antonio labor force experienced marginal growth at a 0.7% annualized rate. San Antonio payrolls contracted 1.4% from July to August (1,293 jobs). Financial activities grew the most among the major sectors at 12.7% (982 jobs). On the other hand, construction had the greatest decline at 14.2% (761 jobs), followed by the government sector at 11.6% (1,792 jobs). Since the worst of the pandemic in April 2020, San Antonio has gained approximately 170,096 jobs, and numbers remain above pre-pandemic employment. San Antonio wages stayed steady in August. The three-month moving average of hourly wages in San Antonio declined slightly to \$27.61, below the state average of \$29.92 and the national average of \$32.24.

### Supply & Demand



Source: CoStar, Partners Research

### Key Market Indicators

	CURRENT Q3 2022	PRIOR QUARTER Q2 2022		PRIOR YEAR Q3 2021	
Vacant Total	3.5%	4.0%	↓	5.5%	↓
Vacant Direct	3.4%	3.8%	↓	5.4%	↓
Available Total	8.6%	8.2%	↑	7.5%	↑
Available Direct	8.1%	7.8%	↑	7.2%	↑
Net Absorption (SF)	1,328,213	1,512,174	↓	673,881	↑
Leasing Activity (SF)	2,095,015	1,980,669	↑	3,148,743	↓
Construction (SF)	8,121,663	7,560,839	↑	10,062,795	↓
Deliveries (SF)	678,669	1,357,058	↓	234,652	↑
Avg Asking Rent (Gross)	\$0.66	\$0.61	↑	\$0.60	↑
Inventory (SF)	143,731,934	143,053,265	↑	135,467,502	↑

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# Market Overview

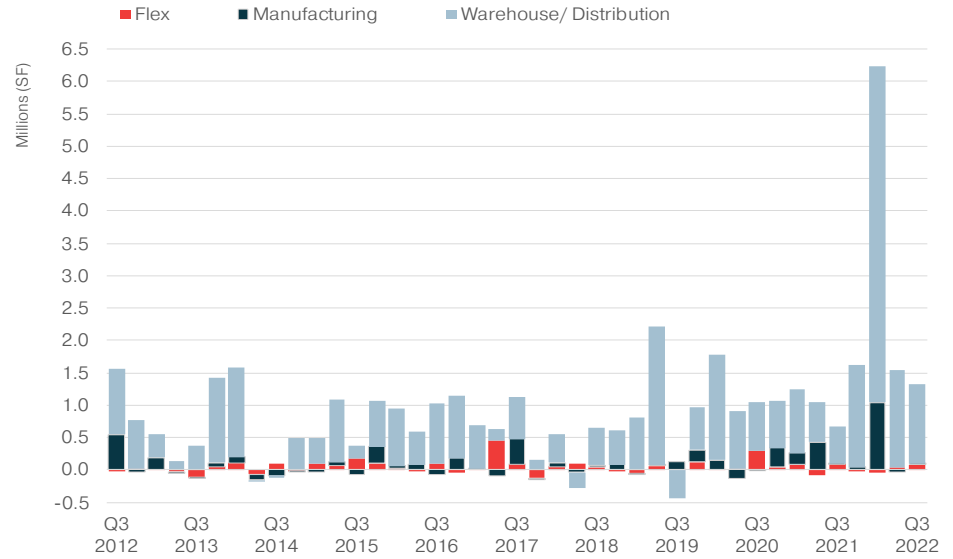
## Vacancy rate tightens to 3.5%

San Antonio’s industrial vacancy rate dropped 50 basis points quarter-over-quarter from 4.0% and decreased 200 basis points year-over-year from 5.5%. The vacancy rate for Class A properties is at 6.4%, dropping significantly from 14.3% in Q3 2021. Total inventory for Class A space represents 24.4 million sq. ft., up from 17.5 million sq. ft. as of this time last year—an impressive 40% increase. The drop in the overall vacancy rate is partly due to the record-breaking leasing activity in 2022 at 6.3 million sq. ft.—in addition to 2021’s 13.5 million sq. ft. 107 lease transactions, comprised of both new leases and renewals, were executed in Q3 2022. Some of the largest recent leases include Tesla moving into 439,809 sq. ft. at Becknell-Foster Ridge 2 in the South submarket; 133,875 sq. ft. leased at Port San Antonio; Berlin Packaging leasing 120,000 sq. ft. at Selma Industrial Park in Comal County; and 112,025 sq. ft. leased at Cornerstone Industrial Park in the Northeast submarket. In addition, VeriTrust Corp., a provider of document management services, signed a 40,800-sq.-ft. industrial lease at 5410 Dietrich Road in Cornerstone Industrial Park in the Northeast submarket. Partners represented the tenant.

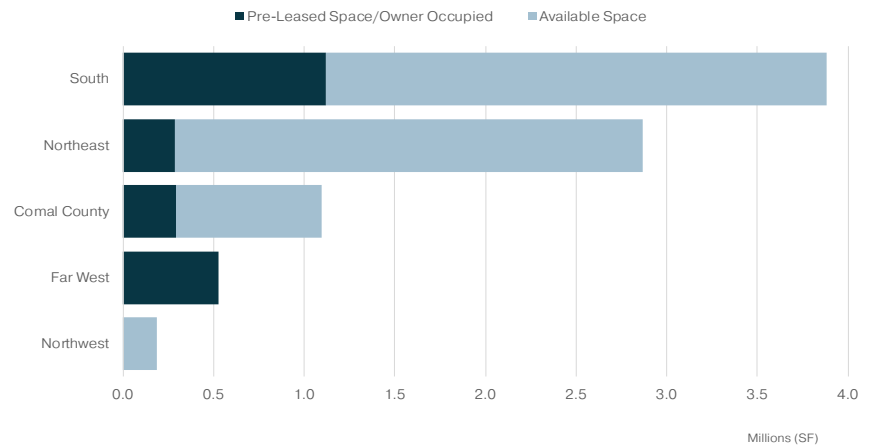
## New industrial spec development

NorthPoint Development has broken ground on a 2.2 million sq. ft. industrial park in San Antonio that could bring 1,950 new jobs to the area. The six-building development is planned for 175 acres in the China Grove neighborhood, which is nine miles east of downtown San Antonio. The first phase of Foster Commerce Center is getting started on a speculative basis—meaning without any tenants signed on—and will include two buildings totaling 650,000 sq. ft. that are expected to be completed in Q2 2023. The park will be less than 25 minutes from major manufacturing plants for Toyota and Navistar and about 1 hour and 15 minutes from Tesla’s new electric vehicle factory in Austin, Texas.

## Net Absorption



## Under Construction



## Deliveries



## Investment sales trends

Real Capital Analytics data reports the quarterly sales volume for Q3 2022 in the San Antonio area at \$95 million, down 8% from Q3 2021 at \$103 million. The primary capital composition for buyers in 2022 was made up of 53% institutional investors, 24% private, and 18% cross-border. For sellers, the majority were 51% private investors, 33% REIT/listed, and 16% institutional. In a recent significant transaction, Westcore acquired Eisenhower Business Park, a 377,318-sq.-ft. industrial development in Northeast San Antonio for \$36.6 million. The newly built, four-building property was 95% leased at the time of sale.

## Self-driving systems plant opens

Continental Automotive Systems, which manufactures parts for autonomous driving systems, has completed a \$110 million, 215,000-sq.-ft. facility on 48 acres at 440 Kohlenberg & IH-35 in New Braunfels. The company expects to increase production, add more workers in 2023, and hire around 580 employees over the next four years.

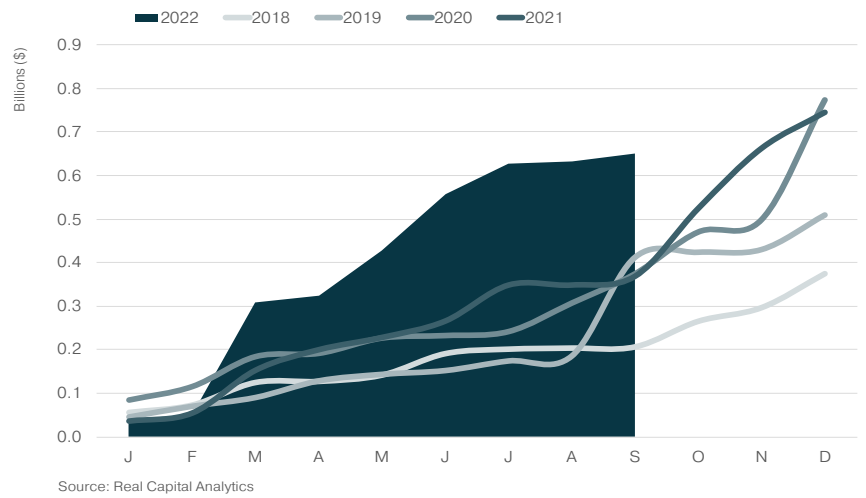
## Maruichi plans \$75M facility

Maruichi Stainless Tube Texas Corp. is planning to build a 125,000-sq.-ft., state-of-the-art manufacturing facility in Seguin. Maruichi expects the project to break ground in Q1 2023 and be completed in Q1 2024. The \$75 million project is anticipated to create 106 new jobs over a two-year period. Products produced by the company are used in power plants, the chemical industry, the semiconductor industry, hydrogen gas stations, the automotive industry, and structural machinery.

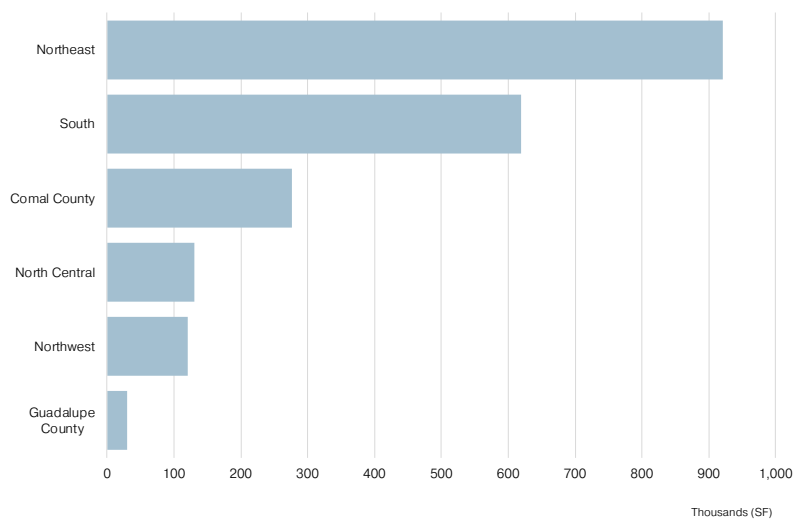
## Average asking NNN rent

On average, monthly asking rental rates for the San Antonio market was \$0.66 per sq. ft., as of Q3 2022, up quarter-over-quarter from \$0.61 and up year-over-year from \$0.60. The monthly average rate for Flex space is currently at \$1.10 per sq. ft.; Manufacturing rates are at \$0.58, and Warehouse/Distribution space sits at \$0.57. The North Central (\$1.01 PSF) and Northwest (\$0.82 PSF) submarkets currently have two of the highest monthly overall average rates, followed by Guadalupe County (\$0.68 PSF). As developers experience rising costs associated with bringing high-quality new projects to the market, rental rates may remain elevated.

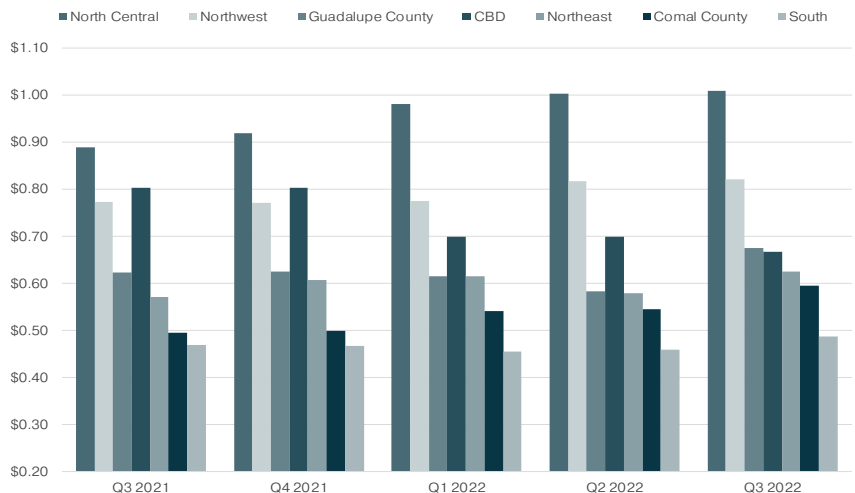
## Cumulative Monthly Sales Volume



## Leasing Activity



## Overall NNN Asking Rent (\$/PSF/MO)



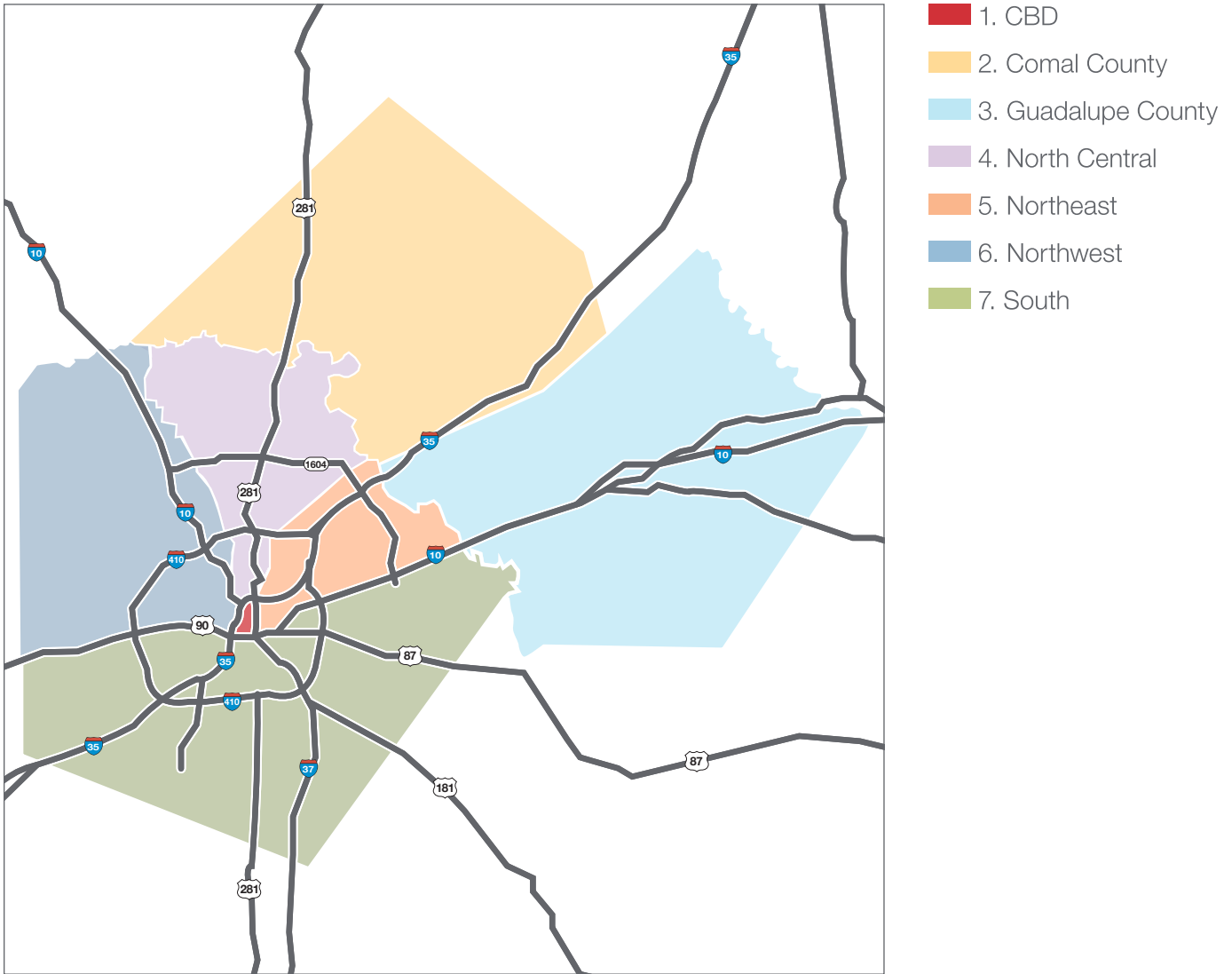
# Market Overview

## Submarket Stats

Submarket Statistics	Total Inventory (SF)	Total Vacancy (SF)	Total Availability (%)	Q3 2022 Net Absorption (SF)	2022 YTD Net Absorption (SF)	2022 YTD Deliveries (SF)	Under Construction (SF)	NNN Avg Asking Rent (\$/PSF)/MO
<b>San Antonio Market Total</b>	<b>143,731,934</b>	<b>3.5</b>	<b>8.6</b>	<b>1,328,213</b>	<b>9,027,114</b>	<b>7,016,446</b>	<b>8,121,663</b>	<b>0.66</b>
Flex	12,875,303	6.5	9.2	86,959	93,132	10,800	487,432	1.10
Manufacturing	26,665,129	2.3	3.8	8,137	1,032,560	935,000	0	0.58
Warehouse/Distribution	104,191,502	3.5	9.7	1,233,117	7,901,422	6,070,646	7,634,231	0.57
<b>CBD Total</b>	<b>3,214,599</b>	<b>2.5</b>	<b>3.8</b>	<b>0</b>	<b>13,300</b>	<b>0</b>	<b>0</b>	<b>0.67</b>
Flex	522,268	10.4	10.4	0	0	0	0	1.10
Manufacturing	682,934	0.0	0.0	0	0	0	0	-
Warehouse/Distribution	2,009,397	1.3	3.3	0	13,300	0	0	0.67
<b>Comal County Total</b>	<b>16,841,742</b>	<b>4.6</b>	<b>11.6</b>	<b>169,405</b>	<b>148,515</b>	<b>567,099</b>	<b>1,029,952</b>	<b>0.59</b>
Flex	409,484	0.0	5.4	30,222	30,222	0	0	1.10
Manufacturing	2,830,639	1.4	4.1	-24,814	-12,824	0	0	0.91
Warehouse/Distribution	13,601,619	5.4	13.3	163,997	131,117	567,099	1,029,952	0.58
<b>Guadalupe County Total</b>	<b>12,530,713</b>	<b>2.7</b>	<b>3.2</b>	<b>8,813</b>	<b>-1,001</b>	<b>180,325</b>	<b>0</b>	<b>0.68</b>
Flex	279,343	8.9	17.0	-24,730	-10,506	10,800	0	0.86
Manufacturing	5,351,962	1.4	1.4	0	0	0	0	0.50
Warehouse/Distribution	6,899,408	3.3	4.0	33,543	9,505	169,525	0	0.58
<b>North Central Total</b>	<b>14,465,702</b>	<b>4.4</b>	<b>6.3</b>	<b>70,003</b>	<b>55,037</b>	<b>0</b>	<b>0</b>	<b>1.01</b>
Flex	3,687,952	5.8	7.9	-11,462	-9,524	0	0	1.74
Manufacturing	1,729,260	9.4	10.4	0	-32,979	0	0	0.83
Warehouse/Distribution	9,048,490	2.8	4.9	81,465	97,540	0	0	0.86
<b>Northeast Total</b>	<b>41,863,557</b>	<b>4.0</b>	<b>10.6</b>	<b>425,371</b>	<b>2,920,981</b>	<b>587,566</b>	<b>2,865,880</b>	<b>0.62</b>
Flex	2,498,450	9.0	17.4	78,680	37,050	0	228,432	0.96
Manufacturing	4,958,467	2.9	2.9	51,866	37,366	35,000	0	0.59
Warehouse/Distribution	34,406,640	3.8	11.1	294,825	2,846,565	552,566	2,637,448	0.55
<b>Northwest Total</b>	<b>20,509,622</b>	<b>3.4</b>	<b>5.1</b>	<b>39,318</b>	<b>327,640</b>	<b>0</b>	<b>711,758</b>	<b>0.82</b>
Flex	5,081,037	5.7	5.8	24,813	56,558	0	259,000	1.22
Manufacturing	2,677,475	7.0	7.9	-18,915	5,196	0	0	0.50
Warehouse/Distribution	12,751,110	1.7	4.3	33,420	265,886	0	452,758	0.68
<b>South Total</b>	<b>34,305,999</b>	<b>2.5</b>	<b>10.0</b>	<b>615,303</b>	<b>5,562,642</b>	<b>5,681,456</b>	<b>3,514,073</b>	<b>0.49</b>
Flex	396,769	9.1	9.1	-10,564	-10,668	0	0	0.89
Manufacturing	8,434,392	0.2	3.4	0	1,035,801	900,000	0	0.46
Warehouse/Distribution	25,474,838	3.2	11.9	625,867	4,537,509	4,781,456	3,514,073	0.49

# Market Overview

## San Antonio Industrial Submarkets



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