

# San Antonio Industrial

## Q1 2023

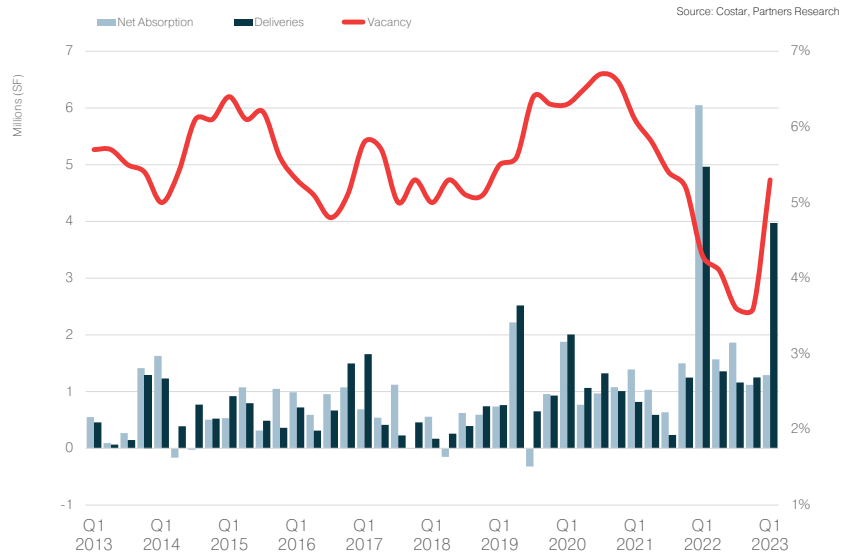
# Executive Summary

San Antonio Industrial records 15<sup>th</sup> straight quarter of positive absorption.

## Q1 2023 in Review

By the end of Q1 2023, leasing remained strong in the San Antonio industrial market, recording 1.9 million sq. ft. of activity—a considerable spike from the prior quarter’s 1.2 million sq. ft. Although still strong, construction experienced a 17% decrease (7.4 million sq. ft.), due in part to the decline in construction job growth. Net absorption of 1.2 million sq. ft. was recorded during the quarter, while 3.9 million sq. ft. was delivered—a delta of 2.7 million sq. ft. Notably, the prior quarter’s square footage difference between absorption and deliveries was 100,000 sq. ft. The significant quarterly increase in deliveries contributed to the vacancy rate jumping from 3.5% to 5.3%—a 47% increase from the previous quarter.

## Supply & Demand



## San Antonio’s Economic Landscape: Bright Outlook for 2023

The San Antonio unemployment rate increased to 3.9% in February—ticking up 3.6% last November. The metro’s jobless rate beat the national rate (3.6%), but was lower than the state’s rate (4.0%). Professional and business services saw the most growth (1,638 jobs, or 12.9%) in February, while construction experienced the largest decline (670 jobs, or 12%) between the sectors. San Antonio witnessed an annualized growth of 4.1% from Q1 2022 to Q1 2023. With population growth of 20% over the last decade, experts predict a bright future ahead for the seventh-largest city in the nation.

## Key Market Indicators

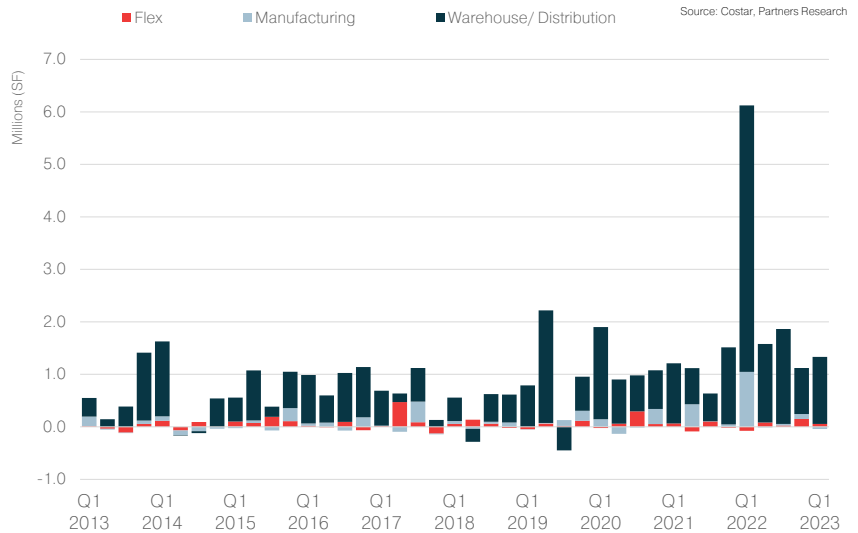
	CURRENT Q1 2023	PRIOR QUARTER Q4 2022		PRIOR YEAR Q1 2022	
Vacant Total	5.3%	3.6%	▲	4.3%	▲
Vacant Direct	5.2%	3.4%	▲	4.1%	▲
Available Total	10.7%	9.7%	▲	6.9%	▲
Available Direct	10.3%	9.1%	▲	6.6%	▲
Net Absorption (SF)	1,290,982	1,119,754	▲	6,047,879	▼
Leasing Activity (SF)	1,992,297	1,265,586	▲	2,322,668	▼
Construction (SF)	7,414,905	8,951,845	▼	6,141,900	▲
Deliveries (SF)	3,973,055	1,250,479	▲	4,964,354	▼
Avg Asking Rent (NNN/MO)	\$0.68	\$0.68	▬	\$0.62	▲
Inventory (SF)	149,588,397	145,615,342	▲	141,848,254	▲

## 01

### 15 Straight Quarters of Positive Absorption

Net absorption (move-ins minus move-outs) registered at positive 1.2 million sq. ft.—predominantly comprised of Warehouse/Distribution space—at the end of the quarter, down 77% from 5.2 million sq. ft. one year ago. Although, net absorption is not at its peak (6 million sq. ft. in Q1 2022), it has remained consistently positive for 15 straight quarters, dating back to Q3 2019.

### Net Absorption

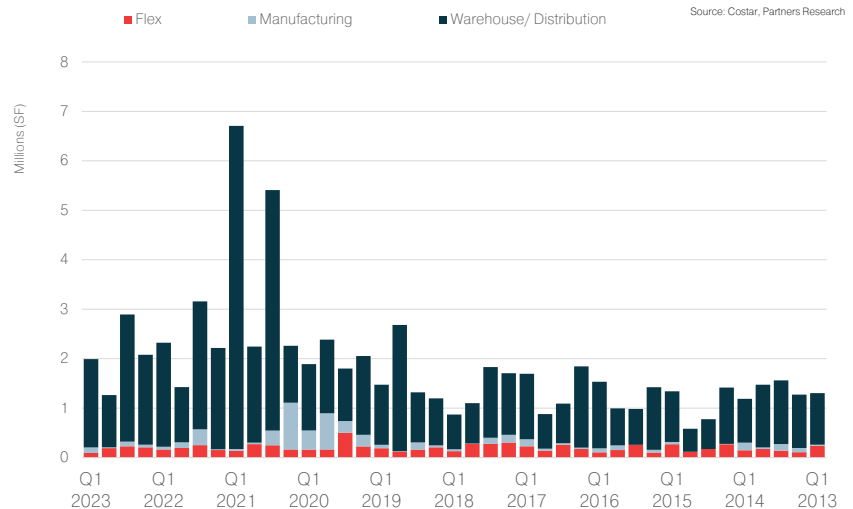


## 02

### Leasing Up 57% From Previous Quarter

Leasing activity saw a significant boost (57%) quarter-over-quarter, totaling just under 2 million sq. ft. after a slower fourth quarter. The volume of signed lease transactions during the first quarter—comprised of new leases and renewals—was 1.9 million sq. ft., compared to the previous quarter's 1.2 million sq. ft., and a year ago at \$2.3 million sq. ft. In a notable transaction, Cold Creek Solutions—a specialty warehouse developer based in Dallas—recently finished building and sold a 300,000-sq.-ft. cold storage facility on the Far East Side of San Antonio at 110 Cascade Drive. The lack of facilities dedicated to storing perishable goods at optimal temperatures makes this facility a valuable addition to San Antonio's industrial market.

### Leasing Activity

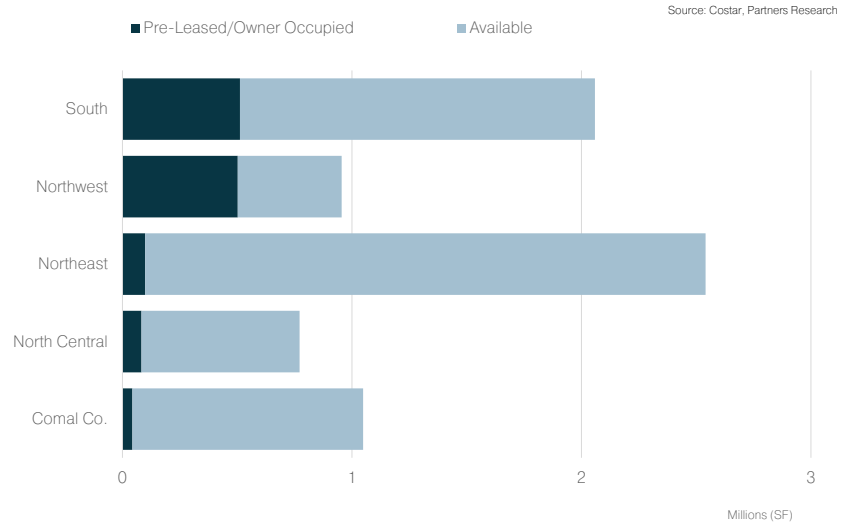


## 03

### 7.4 Million Sq. Ft. in the Pipeline

San Antonio’s industrial construction pipeline remains strong with a total volume of 7.4 million sq. ft, consisting of 7.1 million sq. ft. of Warehouse/Distribution space and 300,000 sq. ft. of Flex space. The Northeast market leads construction, with 2.5 million sq. ft.—or 34% of all space under development— followed by the South market with 2.0 million sq. ft. (28%). Meanwhile, San Antonio’s deliveries totaled 3.9 million sq. ft., with the South submarket leading with 2.2 million sq. ft.—56% of the total. Exciting upcoming projects slated for early 2023 include a 560,500-sq.-ft. industrial park building situated along Interstate 10, near the Loop 410 Interchange; and a 490,000-sq.-ft. logistics center located at 6851 Cal Turner Drive.

### Construction

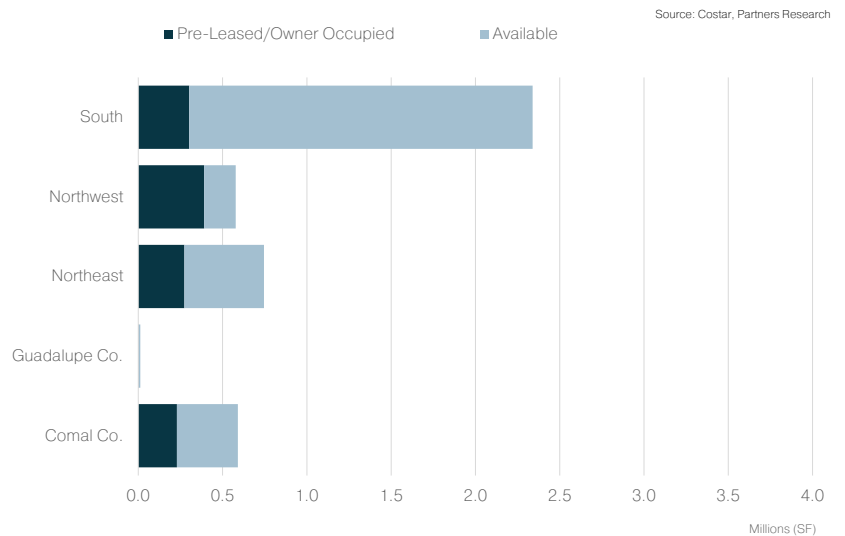


## 04

### Vacancy Climbs to 5.3%

Three months into 2023, overall vacancy in the San Antonio industrial market is at 5.3%, up 170 basis points from 3.6% during the previous quarter. The uptick in the vacancy rate is largely due to the increase in deliveries. Supply is expected to outstrip demand throughout 2023, and experts predict vacancy to rise to 6% by the end of 2023 as a result.

### Deliveries

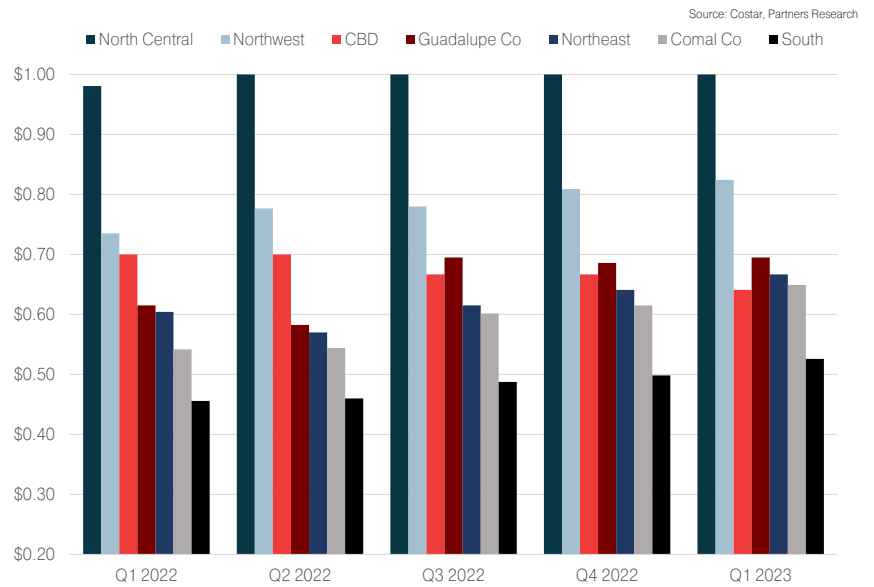


## 05

### Rent Growth Cools Down from New Supply

The average monthly rental rate remained at \$0.68 per sq. ft. as of the end of Q1 2023, showing no change from Q4 2022. The monthly average rate for Flex space is currently at \$0.91 per sq. ft.; Manufacturing rates are at \$0.51; and Warehouse/Distribution space sits at \$0.46. The North Central and the Northwest still hold their place as the top two submarkets with the highest monthly overall asking rents at \$1.02 and \$0.82, respectively—followed by Guadalupe County at \$0.70 per sq. ft. Year-over-year rent growth has exceeded 9%, but is expected to cool down to 3% by the end of Q4 2024.

### Average Asking Monthly NNN Rent

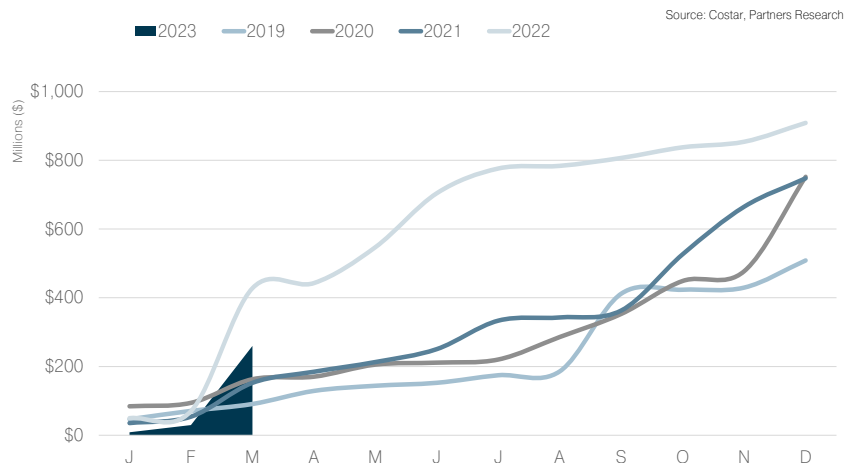


## 06

### Investment Sales Trends

Real Capital Analytics data reveals that the Q1 2023 industrial sales volume in San Antonio was \$259 million. This is a 39% decrease compared to Q1 2022 sales volume of \$427 million. In 2023, the majority of buyers comprised of 98% private and 2% cross-border, while most sellers included 54% private and 45% institutional. Mohr Capital, a privately held real estate investment firm, was responsible for one of the largest industrial acquisitions of the quarter, buying a cross dock warehouse—Foster Ridge II—covering 439,809 sq. ft. at 7015 Lancer Blvd. This site has been 100% leased by Austin-based electric vehicle manufacturer—Tesla—since Q4 2022. This deal was closed in March 2023, and the sale price was not disclosed.

### Cumulative Monthly Sales Volume



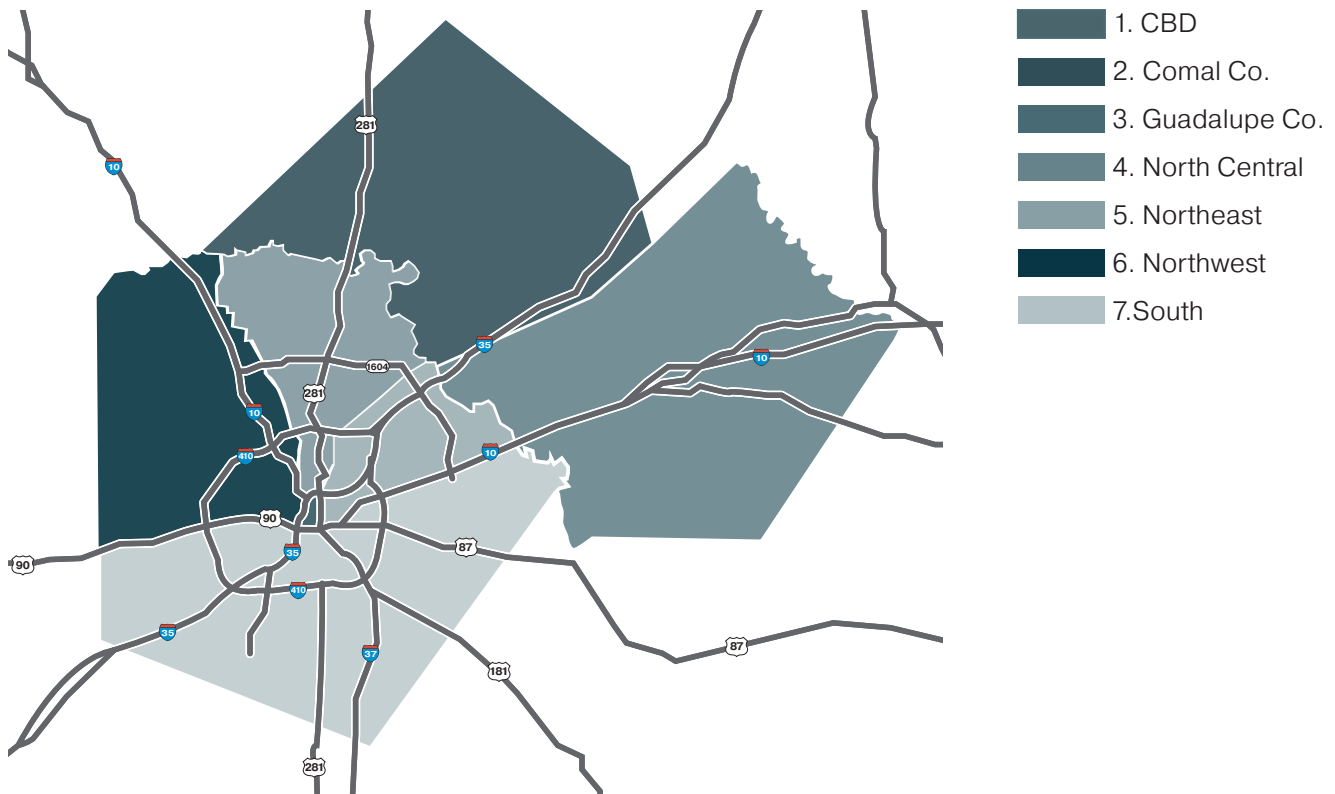
## 07

### Submarket Stats

Submarket Statistics (Total reflects Class A/B)	Total Inventory (SF)	Total Vacancy (SF)	Total Availability (%)	Q1 2023 Net Absorption (SF)	Q1 2023 YTD Net Absorption (SF)	Q1 2023 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Gross Avg Asking Rent (\$/PSF)
<b>San Antonio Market Total</b>	<b>149,588,397</b>	<b>4.2</b>	<b>8.1</b>	<b>1,290,982</b>	<b>1,291,482</b>	<b>3,973,055</b>	<b>3,973,055</b>	<b>7,414,905</b>	<b>0.61</b>
Flex	12,973,882	5.3	7.6	54,402	54,402	0	0	312,525	1.21
Manufacturing	26,670,986	2.0	4.1	-40,695	-40,195	0	0	0	0.55
Warehouse/Distribution	109,943,529	6.1	12.5	1,277,275	1,277,275	3,973,055	3,973,055	7,102,380	0.61
<b>CBD Total</b>	<b>3,201,583</b>	<b>1.5</b>	<b>1.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.70</b>
Flex	588,180	9.2	9.2	0	0	0	0	0	0
Manufacturing	682,934	0.0	0.0	0	0	0	0	0	0
Warehouse/Distribution	1,930,469	2.3	3.2	0	0	0	0	0	0.64
<b>Comal County Total</b>	<b>17,701,112</b>	<b>2.0</b>	<b>9.9</b>	<b>462,452</b>	<b>462,452</b>	<b>590,343</b>	<b>590,343</b>	<b>1,048,473</b>	<b>0.54</b>
Flex	409,484	0.0	6.6	0	0	0	0	0	0.94
Manufacturing	2,828,639	0.3	11.6	6,000	6,000	0	0	0	0.60
Warehouse/Distribution	14,462,989	6.2	15.6	456,452	456,452	590,343	590,343	1,048,473	0.66
<b>Guadalupe County Total</b>	<b>13,027,090</b>	<b>3.0</b>	<b>4.0</b>	<b>5,248</b>	<b>5,748</b>	<b>12,000</b>	<b>12,000</b>	<b>0</b>	<b>0.62</b>
Flex	296,843	0.0	9.4	24,730	24,730	0	0	0	0.86
Manufacturing	5,369,306	0.3	0.3	-13,500	-13,000	0	0	0	0.75
Warehouse/Distribution	7,360,941	2.5	2.3	-5,982	-5,982	12,000	12,000	0	0.58
<b>North Central Total</b>	<b>14,420,827</b>	<b>4.8</b>	<b>4.8</b>	<b>-72,958</b>	<b>-72,958</b>	<b>0</b>	<b>0</b>	<b>772,115</b>	<b>0.94</b>
Flex	3,685,049	5.2	7.6	-29,381	-29,381	0	0	42,900	1.25
Manufacturing	1,731,606	8.9	11.5	0	0	0	0	0	0.77
Warehouse/Distribution	9,004,172	3.1	11.3	-43,577	-43,577	0	0	729,215	0.88
<b>Northeast Total</b>	<b>42,589,939</b>	<b>7.0</b>	<b>9.6</b>	<b>393,462</b>	<b>393,462</b>	<b>745,783</b>	<b>745,783</b>	<b>2,540,759</b>	<b>0.62</b>
Flex	2,530,008	7.6	12.5	4,291	4,291	0	0	0	1.43
Manufacturing	4,961,238	3.0	3.0	-14,753	-14,753	0	0	0	0.42
Warehouse/Distribution	35,098,693	5.5	14.0	403,924	403,924	745,783	745,783	2,540,759	0.57
<b>Northwest Total</b>	<b>20,844,503</b>	<b>4.5</b>	<b>5.9</b>	<b>336,814</b>	<b>336,814</b>	<b>390,866</b>	<b>390,866</b>	<b>1,142,191</b>	<b>0.74</b>
Flex	5,051,549	4.8	5.0	46,877	46,877	0	0	269,625	1.07
Manufacturing	2,651,489	6.7	6.7	0	0	0	0	0	0.46
Warehouse/Distribution	13,141,465	3.1	8.4	289,937	289,937	390,866	390,866	872,566	0.78
<b>South Total</b>	<b>37,803,343</b>	<b>2.2</b>	<b>10.2</b>	<b>165,964</b>	<b>165,964</b>	<b>2,234,063</b>	<b>2,234,063</b>	<b>1,911,367</b>	<b>0.46</b>
Flex	412,769	7.0	7.0	7,885	7,885	0	0	0	0.89
Manufacturing	8,445,774	0.4	2.6	-18,442	-18,442	0	0	0	0.45
Warehouse/Distribution	28,944,800	10.3	14.5	176,521	176,521	2,234,063	2,234,063	1,911,367	0.53

## 09

### San Antonio Industrial Submarkets



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