

San Antonio Retail

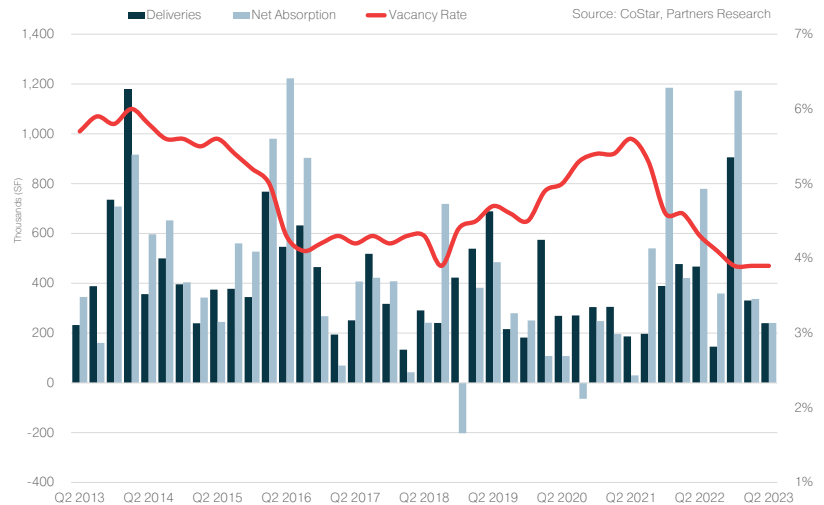
Q2 2023

San Antonio Retail market continues at sub-4% vacancy.

Q2 In Review

By the end of Q2 2023, the overall vacancy rate in the San Antonio retail market remained flat from Q1 2023 at 3.9%. The unchanged vacancy rate is partially due to high construction and financing costs slowing project starts and completions in recent months. Construction decreased 11% from the prior quarter (1.0 million sq. ft.) with 920,084 sq. ft. in the pipeline as of Q2 2023. In addition, deliveries decreased 27% quarter-over-quarter from 330,612 sq. ft. in Q1 2023 to 239,842 sq. ft. in Q2 2023. Despite the decreases, year-to-date net absorption and delivery statistics fundamentals at 577,605 sq. ft. and 570,454 sq. ft., respectively—indicating balanced market fundamentals. Rent growth continues to keep pace with inflation, currently standing at \$18.90 per sq. ft.

Supply & Demand



San Antonio Economic Update

San Antonio's unemployment rate increased to 4.0% in May 2023, slightly up from 3.8% in April 2023. The metro's jobless rate beat the nation's rate (3.7%) but was lower than the state's rate (4.1%). Professional and business services saw the most growth (3,987 jobs, 33.5%), while leisure and hospitality experienced the largest decline (97 jobs, 0.8%) among the sectors. San Antonio wages also increased by an annualized 3.0% in May 2023—moving the average hourly wage up to \$27.94.

Key Market Indicators

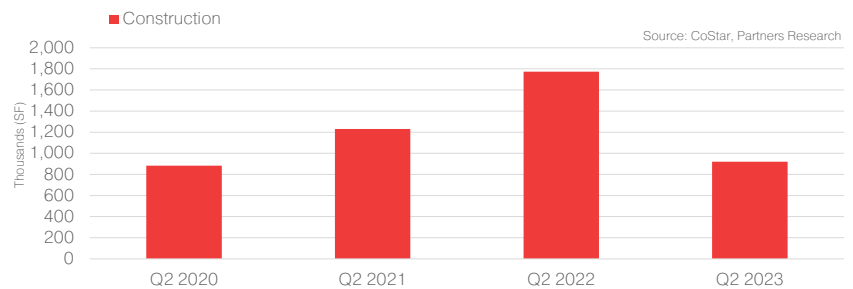
	CURRENT Q2 2023	PRIOR QUARTER Q1 2023		PRIOR YEAR Q2 2022	
Vacant Total	3.9%	3.9%	—	4.3%	↓
Net Absorption (SF)	240,426	337,179	↓	778,866	↓
Leasing Activity (SF)	447,200	598,989	↓	714,374	↓
Deliveries (SF)	239,842	330,612	↓	466,957	↓
Construction (SF)	920,084	1,031,119	↓	1,773,800	↓
Inventory (SF)	120,421,698	120,181,856	↑	118,800,212	↑
Avg Asking NNN Rent (\$)	18.90	18.58	↑	18.03	↑

01

Construction and Deliveries Decrease Year-Over-Year

The San Antonio retail market ended the quarter with 920,084 sq. ft. in the construction pipeline, slightly down from the previous quarter's 1.0 million sq. ft. Partially due to high financing costs, construction activity has slowed throughout Q2 2023. As recently cited by The Real Deal, real estate developers have noted that interest rates on construction loans are up over 300 basis points posing challenges for new projects. New construction starting in Q2 2023 included a 34,306-sq.-ft. retail center (The Shops at Sawmill Glade) at the intersection of Old FM 471 and Sawmill Glade in May 2023, and a 21,459-sq.-ft. strip center (Roadrunner Creek) at the intersection of UTSA Boulevard and UTEX Boulevard in May 2023. Deliveries decreased 27% quarter-over-quarter from 330,612 sq. ft. in Q1 2023 to 239,842 sq. ft. in Q2 2023.

Construction

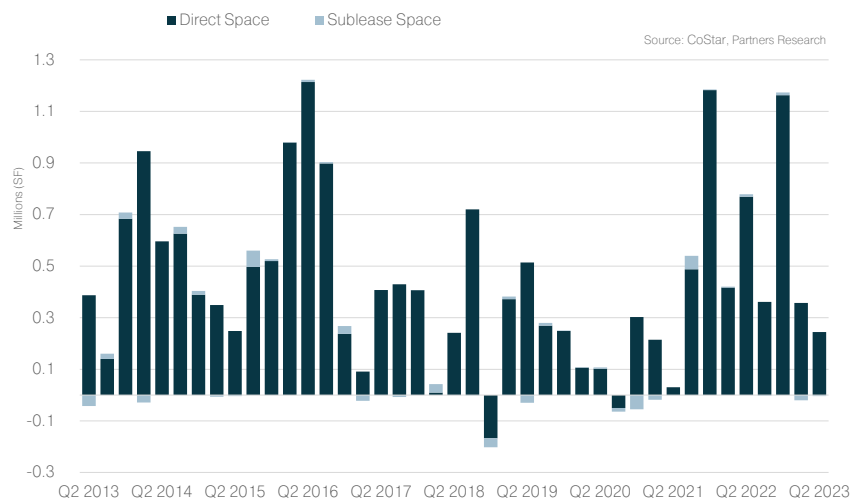


02

Positive Net Absorption in Q2 2023

Net absorption—move-ins minus move-outs—for the quarter was at 240,426 sq. ft. at the end of Q2 2023. Although 29% down quarter-over-quarter, net absorption has not dipped into negative territory since Q3 2022 (-63,989 sq. ft.)—marking 11 straight quarters of positive absorption. Year-to-date, net absorption is at 577,605 sq. ft. in the San Antonio retail market. In addition, the overall vacancy rate in the San Antonio retail market as of Q2 2023 remained unchanged from Q1 2023 at 3.9%. In Q2 2023, San Antonio had the second-lowest retail vacancy rate (3.9%) behind Austin's retail vacancy rate (3.1%) among the state's four largest metro areas.

Net Absorption



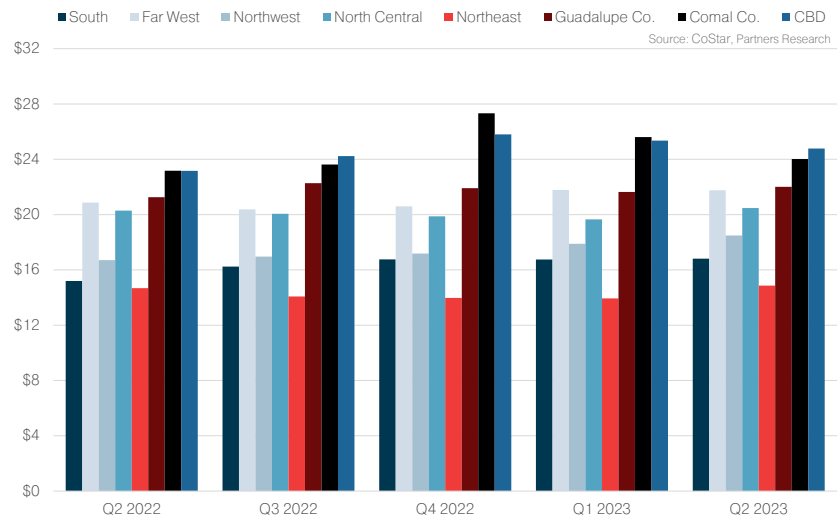
Market Overview

03

Asking Rents Increase 5% Year-Over-Year

At the end of Q2 2023, San Antonio retail triple-net average rates stood at \$18.90 per sq. ft., up 2% quarter-over-quarter from \$18.58 per sq. ft., and up 5% year-over-year from \$18.03 per sq. ft. Overall, rent growth continues to trend upward, although at a slower pace than Q2 2022, when 8% year-over-year rent growth was recorded in the San Antonio retail market. On the quarter, the CBD submarket had the highest average rate at \$24.78 per sq. ft. On the other hand, the Northeast submarket had the lowest average rate at \$14.86 per sq. ft.

Overall Gross Asking Rent (\$/SF)



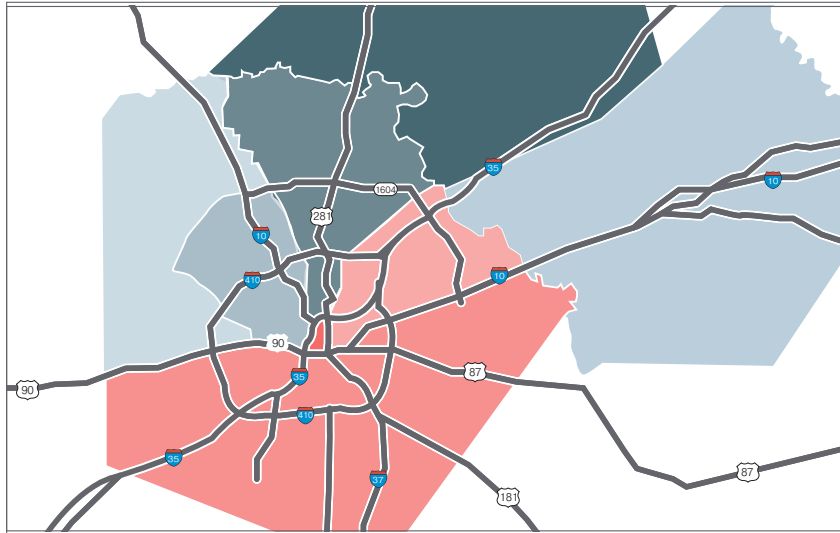
04

Submarket Stats

Submarket Statistics	Net Rentable Area (SF)	Vacancy (%)	Q2 2023 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q2 2023 Leasing Activity (SF)	Q2 2023 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
San Antonio Total	120,421,698	3.9	240,426	577,605	447,200	239,842	570,454	920,084	18.90
CBD	4,576,044	3.1	36,399	31,258	20,098	10,920	10,920	0	24.78
Comal Co.	8,145,334	2.1	16,731	91,671	14,983	20,188	102,084	149,875	24.02
Guadalupe Co.	5,680,782	2.9	1,930	185,828	34,263	0	183,455	135,775	22.01
North Central	26,927,407	4.9	68,843	74,152	110,031	43,116	59,076	73,134	20.47
Northeast	16,105,661	4.6	7,239	-18,278	60,482	0	15,432	38,429	14.86
Northwest	34,530,468	3.9	2,618	49,626	168,497	25,480	30,802	294,924	18.49
Far West	9,877,662	3.6	1,868	55,021	29,294	27,384	55,931	172,246	21.76
South	14,578,340	2.6	104,798	108,327	9,552	112,754	112,754	55,701	16.81

05

San Antonio Retail Submarkets



- 1. CBD
- 2. Comal County
- 3. Guadalupe County
- 4. North Central
- 5. Northeast
- 6. Northwest
- 7. Northwest/Far West
- 8. South

partners

Alex Babcock

Senior Market Analyst/Marketing

713 275 9618

alex.babcock@partnersrealestate.com