

San Antonio Retail

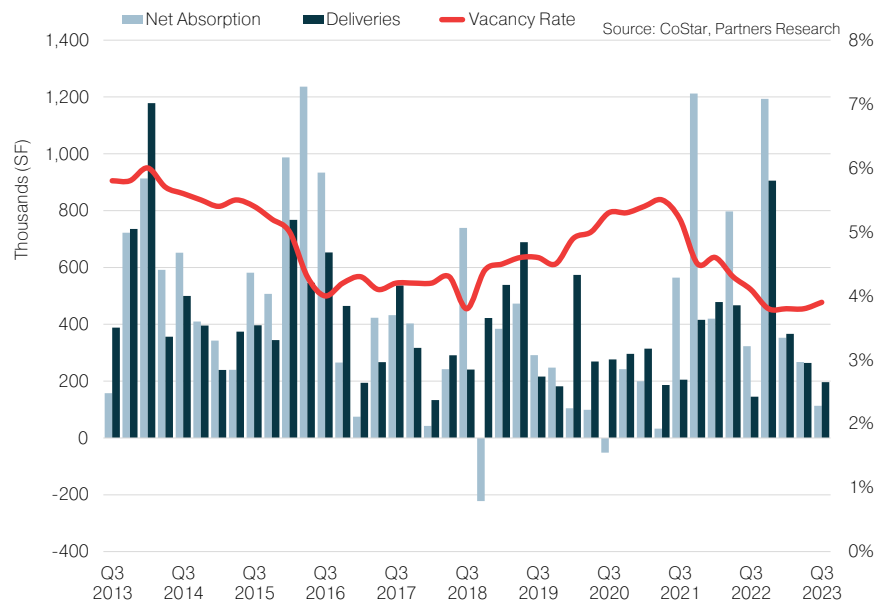
Q3 2023

San Antonio Retail Records 12th Straight Quarter of Positive Absorption

Q3 In Review

By the end of Q3 2023, the overall vacancy rate in the San Antonio retail market rose 10 basis points from 3.8% to 3.9%. Net absorption is at 113,478 sq. ft. Year-to-date, net absorption amounted to 733,589 sq. ft. Deliveries are at 196,498 sq. ft., increasing 35% from the prior year's 145,422 sq. ft. Year-to-date, deliveries are at 826,600 sq. ft. The third quarter's deliveries slightly outpaced net absorption by 83,020 sq. ft.—contributing to the slight increase in vacancy. In addition, leasing activity increased 29% to 589,023 sq. ft. The Northwest submarket contributed 202,472 sq. ft. (34%) to the third quarter's leasing velocity—snatching up prospective tenants such as WSS (14,000 sq. ft.), Five Below (13,000 sq. ft.), and Relentless Breed (10,599 sq. ft.) Year-to-date, leasing activity totaled 1.6 million sq. ft. Lastly, the average asking rent rose to a record-high (\$18.95 per sq. ft.), increasing 5% from \$25.18 per sq. ft. in Q2 2023.

Supply & Demand



San Antonio Economic Update

San Antonio's unemployment rate remained flat at 3.9% from July to August. The metro's jobless rate was lower than the state's rate of 4.1% and slightly higher than the nation's rate of 3.8%. In August, San Antonio's labor force increased an annualized 4.5%; these gains offset payroll growth, leading to a steady unemployment rate. The largest gains by sector included: leisure and hospitality (2,677 jobs, 25.6%), other services (371 jobs, 11.3%), and construction (326 jobs, 6.3%). The largest declines by sector included: professional and business services (-1,058 jobs, -7.5%), trade, transportation, and utilities (-878 jobs, -5.0%), financial services (-179 jobs, -2.1%), and manufacturing (-97 jobs, -2.0%).

Key Market Indicators

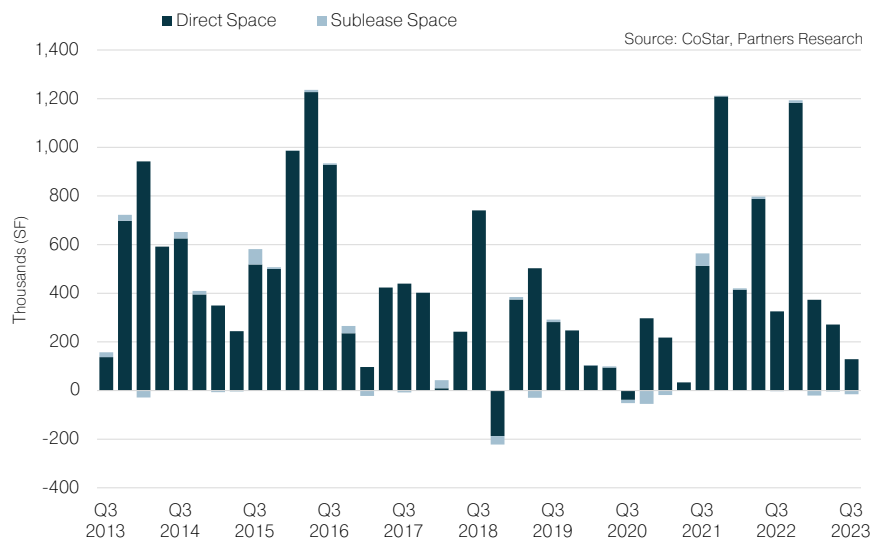
	CURRENT Q3 2023	PRIOR QUARTER Q2 2023		PRIOR YEAR Q3 2022	
Vacant Total (%)	3.9%	3.8%	▲	4.1%	▼
Net Absorption (SF)	113,478	267,340	▼	322,793	▼
Leasing Activity (SF)	589,023	456,574	▲	637,730	▼
Deliveries (SF)	196,498	263,842	▼	145,422	▲
Construction (SF)	919,730	863,228	▲	1,735,345	▼
Inventory (SF)	121,877,322	121,680,824	▲	120,145,112	▲
Avg Asking NNN Rent (\$)	18.95	18.79	▲	18.08	▲

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12 Straight Quarters of Positive Net Absorption

Net absorption—move-ins minus move-outs—is at 113,478 sq. ft. Although down 58% quarter-over-quarter, net absorption has not dipped into negative territory since Q3 2020 (51,821 sq. ft.)—marking 12 straight quarters of positive net absorption. Year-to-date, net absorption amounted to 733,589 sq. ft. Move-ins within Q3 2023 included DD’s Discounts filling 23,500 sq. ft. of retail space at 12635 West Interstate 10 in August, and H-E-B occupying 55,000 sq. ft. of retail space at 850 FM 1103 in July 2023. On the quarter, deliveries outpaced quarterly net absorption by 83,020 sq. ft., which slightly increased the overall vacancy rate from 3.8% to 3.9%. Forecasts indicate that the overall vacancy rate will stabilize throughout the next five years—ranging between 3.9% and 4.1%.

Net Absorption

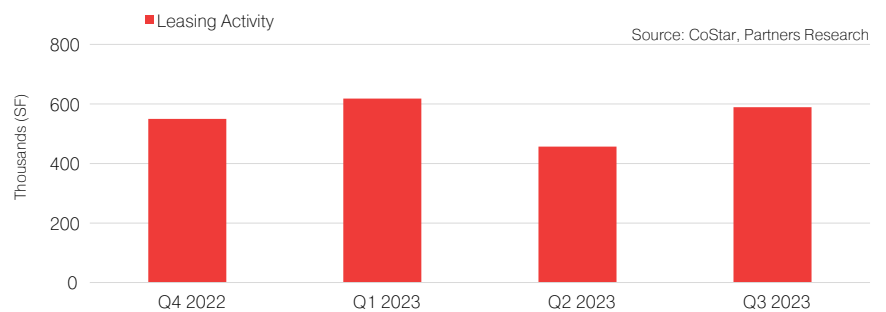


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Leasing Activity Increases 29% Quarter-over-Quarter

Quarterly leasing velocity—which is comprised of both new leases and renewals—stood at 589,023 sq. ft., up 29% from 456,574 sq. ft. in Q2 2023. Year-to-date, leasing activity registered at 1.6 million sq. ft. The Northwest submarket inked 202,472 sq. ft.—or 34%—of total leasing activity within the third quarter, rostering future tenants such as WSS (14,000 sq. ft.), Five Below (13,000 sq. ft.) and Relentless Breed (10,599 sq. ft.) These deals were executed in July, August, and September, respectively. One of the largest deals of Q3 was Pueblo Super Market signing a lease for 26,000 sq. ft. of retail space at 3719-3815 Blanco Road in July.

Leasing Activity

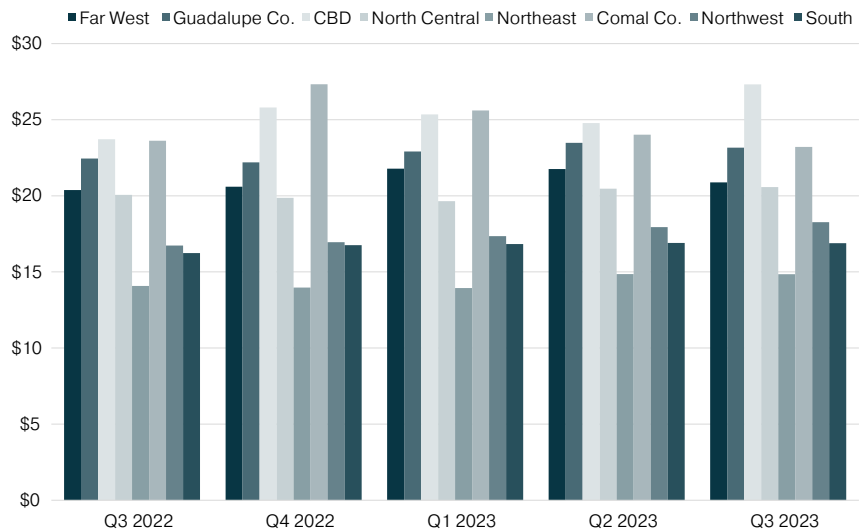


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Record-High Asking Rents

As of Q3 2023, the average asking rent currently stands at \$18.95 per sq. ft.—a record-high for the San Antonio retail market—up from \$18.79 per sq. ft. last quarter. On the quarter, the CBD submarket had the highest average rate at \$27.32 per sq. ft. On the other hand, the Northeast submarket had the lowest average rate at \$14.85 per sq. ft. Asking rents are projected to remain on an upward trajectory—reaching roughly \$24.00 per sq. ft. by Q3 2028.

Overall Gross Asking Rent (\$/SF)



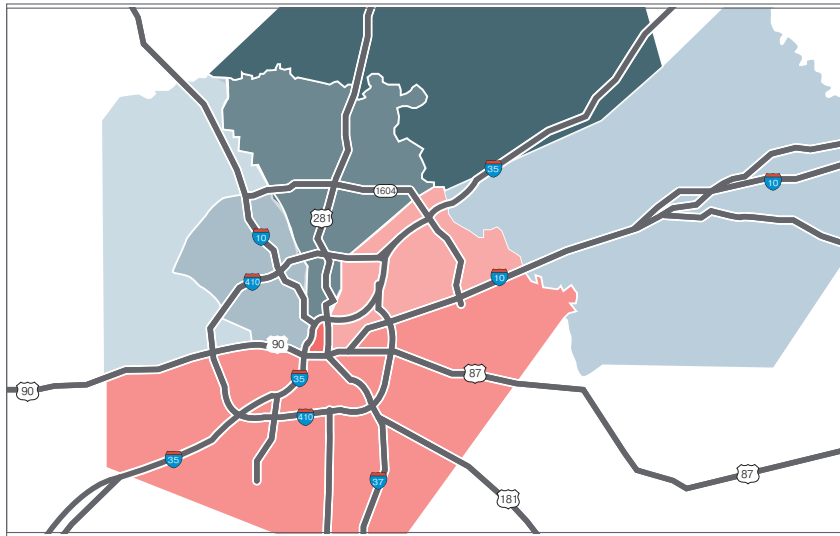
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Submarket Stats

Submarket Statistics	Net Rentable Area (SF)	Vacancy (%)	Q3 2023 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q3 2023 Leasing Activity (SF)	Q3 2023 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
San Antonio Total	121,877,322	3.9	113,478	733,589	589,023	196,498	826,600	919,730	18.95
CBD	4,582,810	3.6	-22,284	8,974	14,496	0	0	0	27.32
Comal Co.	8,286,391	2.2	22,139	112,810	25,412	28,027	130,111	121,848	23.21
Guadalupe Co.	6,029,495	2.5	73,956	270,006	12,870	65,000	266,901	166,775	23.16
North Central	27,233,190	5.2	-43,246	31,590	157,121	31,475	90,551	50,777	20.57
Northeast	16,295,983	4.8	-25,479	-47,759	99,483	5,000	20,432	56,279	14.85
Northwest	34,681,644	3.7	111,417	158,543	202,472	41,093	71,895	238,831	18.27
Far West	10,072,096	3.6	-29,389	47,134	47,463	0	78,133	155,422	20.88
South	14,695,713	2.6	26,364	152,291	29,706	25,903	157,657	129,798	16.89

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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