

San Antonio Industrial

Q1 2024

San Antonio Industrial | Q1 2024

San Antonio Industrial Market Maintains Record Rental Rates Amidst Growth

San Antonio industrial market maintains record rental rates amidst growth

Executive Summary

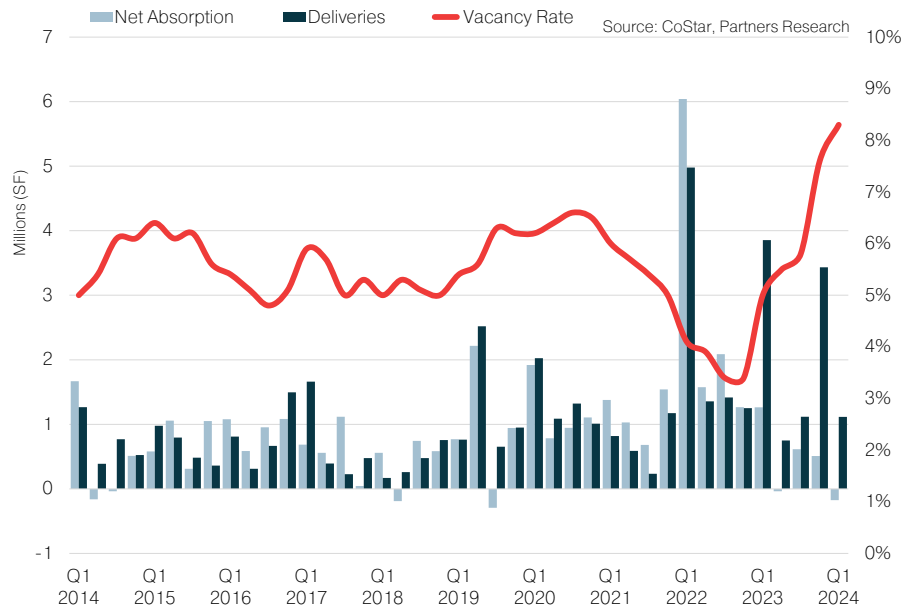
Q1 in Review

By the end of Q1 2024, the overall vacancy rate in the San Antonio industrial market rose 300 basis points year-over-year from 5.3% to 8.3%. Due to an uptick in vacant sublease space, net absorption was soft for the quarter. Outside of negative sublease absorption, the direct net absorption rate remained positive. Forward-looking indicators like leasing activity and the construction pipeline indicate mixed market fundamentals are likely over the next few quarters. Still, the average monthly rental rate (NNN) held steady at \$0.70 per sq. ft.—a record-high for the metro’s industrial sector.

San Antonio Economic Update

The San Antonio unemployment rate ticked up to 3.9% in February. This matches the 2023 high of 3.9% reached in October. The jobless rate was the same in the region, the state and the U.S. San Antonio payrolls increased an annualized 2.3% in February (2,249 jobs). Job gains were driven by government (9.7%, or 1,416 jobs) and construction (5.8T, or 314 jobs). All other sectors experienced positive monthly growth except mining (-4.5%, or 27 jobs), education and health services (-2.8%, or 427 jobs), and trade, transportation and utilities (-1.3%, or 225 jobs). Year-to-date total nonfarm employment grew 0.2% in San Antonio compared with gains of 3.1% in Texas and 1.9% in the U.S.

Supply & Demand



Key Market Indicators

	CURRENT Q1 2024	PRIOR QUARTER Q4 2023		PRIOR YEAR Q1 2023	
Vacant Total	8.3%	7.6%	▲	5.3%	▲
Vacant Direct	8.0%	7.3%	▲	5.2%	▲
Available Total	11.6%	10.4%	▲	10.7%	▲
Available Direct	11.0%	9.8%	▲	10.3%	▲
Net Absorption (SF)	-174,091	508,182	▼	1,290,982	▼
Leasing Activity (SF)	1,126,256	1,540,529	▼	1,992,297	▼
Construction (SF)	5,171,958	3,780,631	▼	7,414,905	▼
Deliveries (SF)	1,114,661	3,432,522	▼	3,973,055	▼
Avg Asking Rent (NNN)	\$0.70	\$0.70	■	\$0.68	▲
Inventory (SF)	156,585,863	155,829,389	▲	149,588,397	▲

Market Overview

Positive Net Absorption in Q1

Net absorption—move-ins minus move-outs—was negative 174,091 sq. ft. for the quarter. This number is slightly misleading as the negative absorption was largely the result of over 500,000 sq. ft. of new vacant sublease space. Direct net absorption remained a healthy 344,776 sq. ft. For the sublease negative net absorption, the majority of that was due to Amazon vacating 350,000 sq. ft. at 8210 Aviation Landing. Notable move-ins for the first quarter include Ross Dress For Less taking 152,880 sq. ft. at in the Northeast submarket at E Loop 1604 and Simwon America taking 150,212 sq. ft. at Brooks Global Crossing in the South submarket.

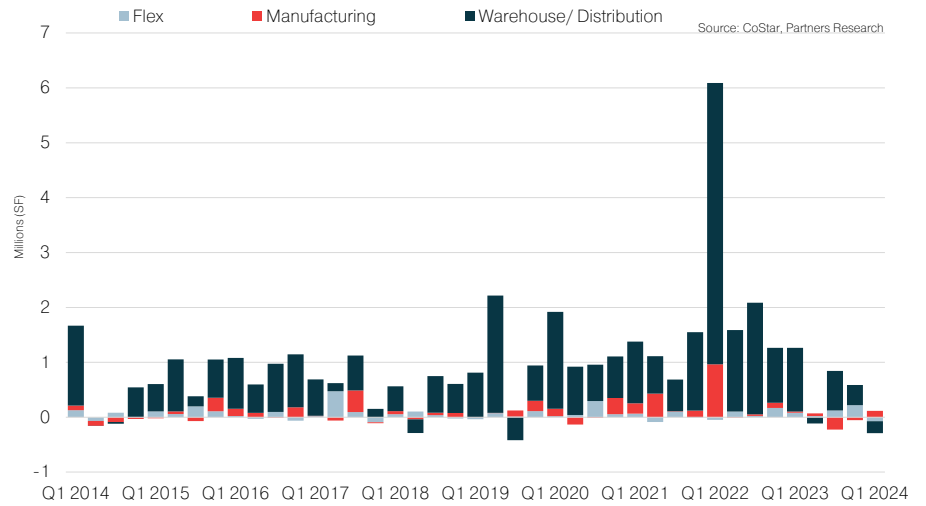
Deliveries Top 1 Million Sq. Ft. But Down 72% from Last Year

By the end of Q1 2024, deliveries in the San Antonio industrial market were 1.1 million sq. ft., this is down significantly from recent quarters and by 72% in comparison to the 4 million sq. ft. delivered one year ago. The level of under construction projects, likewise, has come down from last year. There is currently 5.2 million sq. ft. underway, this is down 30% from one year ago when 7.4 million sq. ft. was in the construction pipeline. Some of the most notable completions in early 2024 included the Interpark Logistics Center building 2, a 155,475-sq.-ft. industrial property in the North Central submarket and the H-E-B 139,694 sq. ft. industrial property in the South submarket.

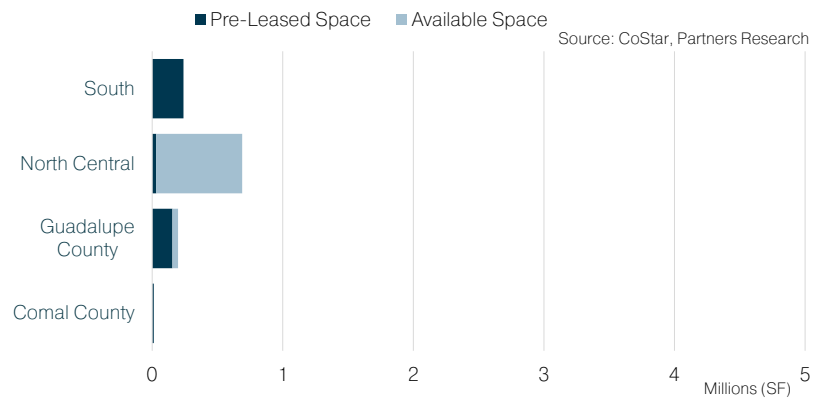
Vacancy Rate Increases to 8.3%

The overall vacancy rate in San Antonio's industrial market is 8.3%. Quarter-over-quarter, the vacancy rate increased 70 basis points from 7.6%. Year-over-year, the vacancy increased 300 points from 5.3%. The increase in the total vacancy rate was primarily due to a roughly 500,000 sq. ft. increase in vacant sublease space and about 700,000 sq. ft. of new vacant construction that was delivered to the market in early 2024. Flex, Manufacturing, and Warehouse/Distribution space have vacancy rates of 4.8%, 2.7%, and 10.0%, respectively.

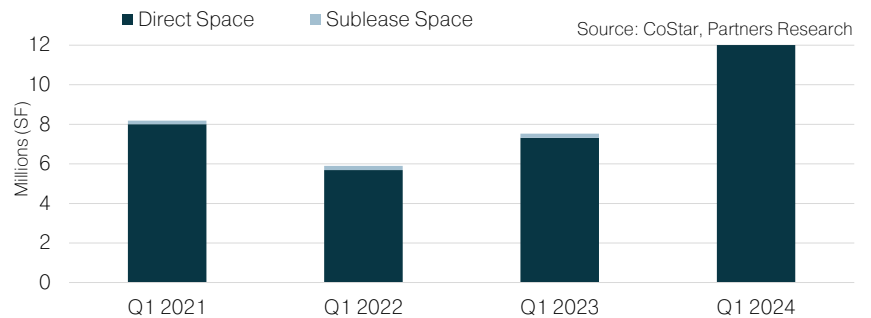
Net Absorption



Deliveries



Vacancy



Leasing Down 44% Year-Over-Year

Quarterly leasing velocity—comprised of new leases and renewals—stood at 1.1 million sq. ft.—27% down from 1.5 million sq. ft. in Q4 2023. Notable leases signed in early 2024 include The Home Depot signing a lease for a yet-to-be-built 400,000 sq. ft. distribution property in the South submarket at 15720 Old Corpus Christi Rd and Mercado Libre signing a lease for 122,824 sq. ft. at Foster Commercial Center, also in the South submarket.

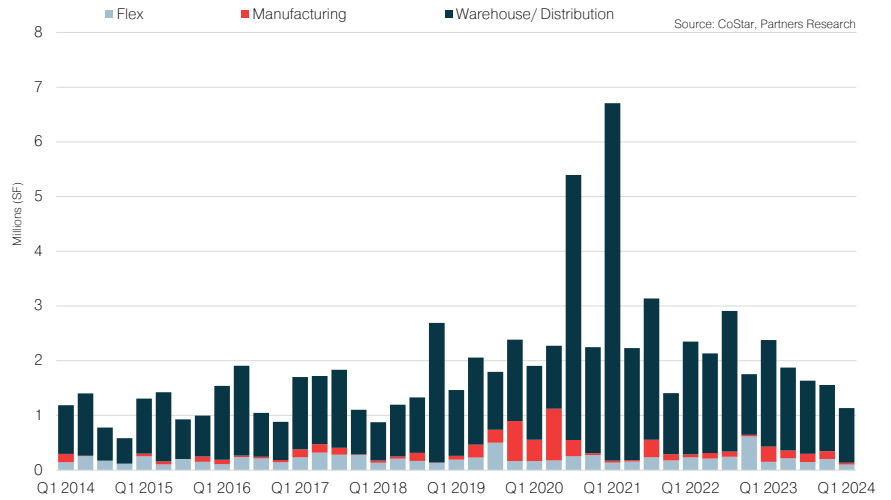
Investment Sales Volume Down But Prices Holding Firm

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q1 2024 at \$26.7 million. Over the last year, 101 industrial properties were sold with an average price of \$111 per sq. ft. and an average cap rate of 8.5%. Notable transactions in the first quarter included the Phelan Development sold the Mid City Industrial Park, a three-property industrial park totaling 352,890 sq. ft. to the Welcome Group. Electronic Data Carriers occupied one of the three buildings at the time of closing. The remaining facilities were 100% vacant. Also, Calfrac sold 11226 IH-10 E, a 76,355-sq.-ft. industrial property to Stream Realty. The property was 100% vacant at the time of sale.

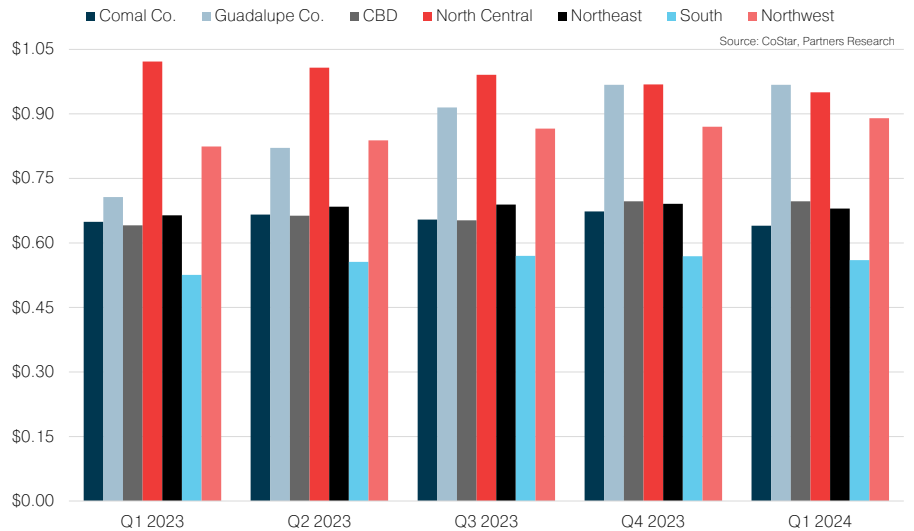
Record-High Asking Rent

The average monthly rental rate (NNN) for San Antonio's industrial market remained flat at \$0.70 per sq. ft. —a record-high for the metro's industrial sector—3% up from the previous year's \$0.68 per sq. ft. The average monthly rate per square foot for Flex Space stood at \$1.17 per sq. ft., while Manufacturing and Warehouse/Distribution Space rates were at \$0.53 per sq. ft. and \$0.64 per sq. ft., respectively. The Guadalupe County and North Central submarkets command the highest overall monthly average rate at \$0.97 per sq. ft., followed by the Northwest submarket at \$0.95 per sq. ft.

Leasing Activity



Average Monthly Rental Rate (NNN)



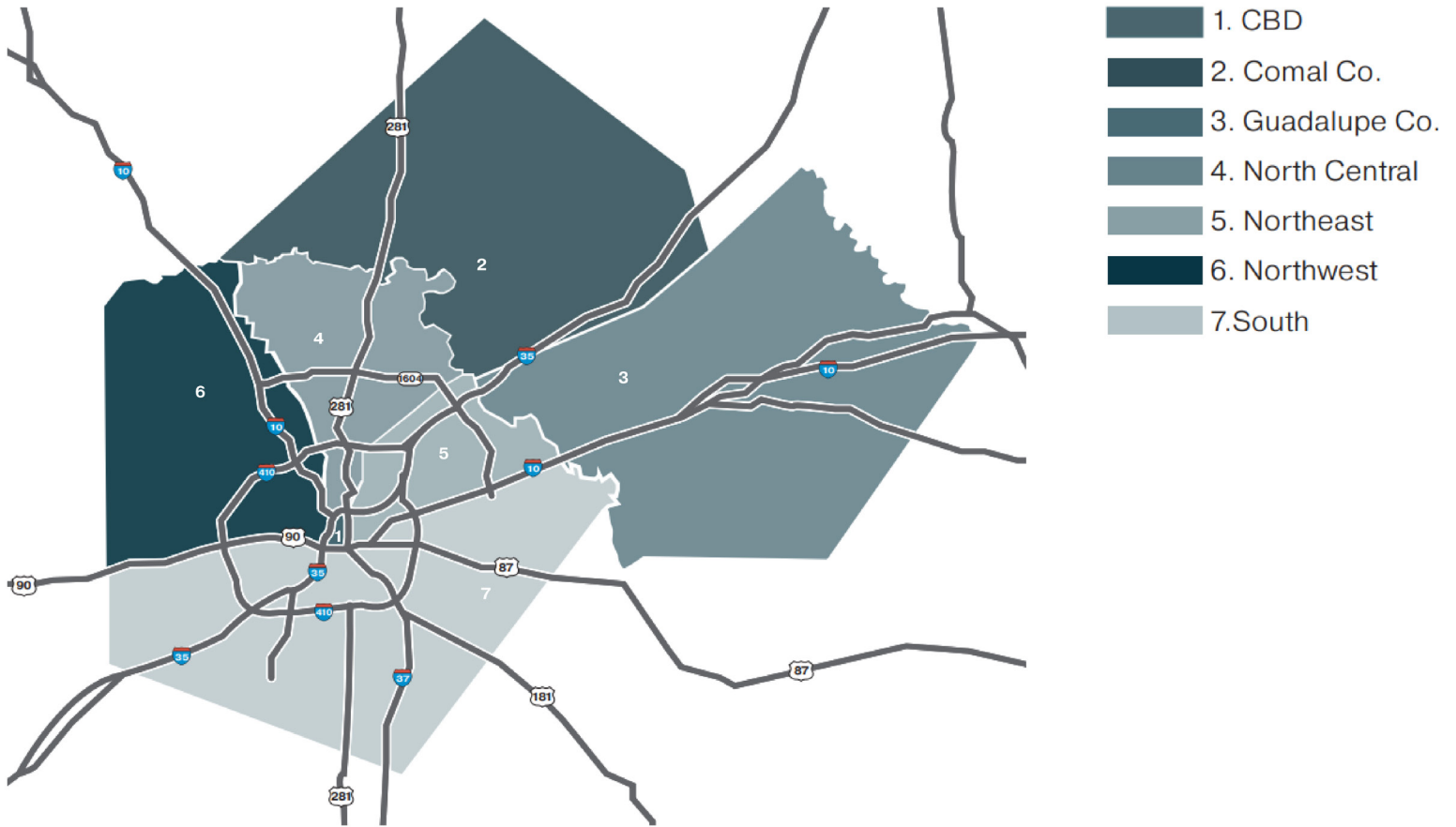
Market Overview

Submarket Stats

Submarket Statistics (Total reflects Flex/Manf/ WD)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	Q1 2024 Deliveries (SF)	Under Construction (SF)	YTD Deliveries (SF)	Overall Average Asking Rent (NNN/MO)
San Antonio Market Total	156,585,863	8.30%	11.60%	-174,091	-174,091	1,114,661	1,114,661	5,171,958	0.70
Flex	13,737,281	4.80%	7.80%	-73,972	-73,972	18,432	18,432	606,200	1.17
Manufacturing	26,725,473	2.70%	4.40%	115,623	115,623	125,000	125,000	0	0.53
Warehouse/Distribution	116,123,109	10.00%	13.70%	-215,742	-215,742	971,229	971,229	4,565,758	0.64
CBD Total	3,267,738	6.20%	6.70%	1,156	1,156	0	0	0	0.70
Flex	638,080	14.30%	14.30%	1,156	1,156	0	0	0	0.00
Manufacturing	682,934	2.90%	2.90%	0	0	0	0	0	0.00
Warehouse/Distribution	1,946,724	4.70%	5.50%	0	0	0	0	0	0.70
Comal County Total	18,160,175	8.80%	16.20%	34,406	34,406	12,000	12,000	1,632,581	0.64
Flex	437,688	1.20%	1.20%	-2,588	-2,588	0	0	0	1.45
Manufacturing	2,495,623	12.80%	12.80%	40,000	40,000	0	0	0	0.57
Warehouse/Distribution	15,226,864	8.30%	17.60%	-3,006	-3,006	12,000	12,000	1,632,581	0.67
Guadalupe County Total	13,245,363	0.90%	5.90%	147,123	147,123	155,000	155,000	633,272	0.97
Flex	292,962	8.40%	19.60%	0	0	0	0	43,200	1.00
Manufacturing	5,543,106	0.00%	0.90%	125,000	125,000	125,000	125,000	0	0.75
Warehouse/Distribution	7,409,295	1.40%	8.70%	22,123	22,123	30,000	30,000	590,072	0.98
North Central Total	15,400,233	7.80%	9.10%	-37,448	-37,448	689,215	689,215	20,000	0.95
Flex	3,829,533	3.70%	5.80%	-53,258	-53,258	0	0	0	1.10
Manufacturing	1,697,177	4.00%	7.50%	13,415	13,415	0	0	0	0.64
Warehouse/Distribution	9,873,523	10.00%	10.60%	2,395	2,395	689,215	689,215	20,000	0.89
Northeast Total	44,448,092	8.30%	13.60%	2,193	2,193	18,432	18,432	1,727,893	0.68
Flex	2,731,182	5.50%	10.80%	322	322	18,432	18,432	0	1.32
Manufacturing	4,871,333	2.00%	2.00%	0	0	0	0	0	0.59
Warehouse/Distribution	36,845,577	9.30%	15.30%	1,871	1,871	0	0	1,727,893	0.60
Northwest Total	22,195,292	5.50%	8.00%	-129,689	-129,689	0	0	532,000	0.89
Flex	5,315,067	4.30%	7.20%	-21,265	-21,265	0	0	487,000	1.10
Manufacturing	2,759,048	3.80%	12.60%	-57,192	-57,192	0	0	0	0.46
Warehouse/Distribution	14,121,177	6.30%	7.50%	-51,232	-51,232	0	0	45,000	0.88
South Total	39,868,970	12.60%	12.60%	-191,832	-191,832	240,014	240,014	626,212	0.56
Flex	492,769	3.10%	3.10%	1,661	1,661	0	0	76,000	0.94
Manufacturing	8,676,252	1.20%	3.80%	-5,600	-5,600	0	0	0	0.41
Warehouse/Distribution	30,699,949	16.00%	16.00%	-187,893	-187,893	240,014	240,014	550,212	0.56

Market Overview

San Antonio Industrial Submarkets



Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

Steve Triolet

SVP of Research and Market Forecasting

tel 214 223 4008

steve.triolet@partnersrealestate.com

partners

HOUSTON

+ 713 629 0500

1360 Post Oak Blvd #1900

Houston, Texas 77056

PARTNERSREALESTATE.COM