

San Antonio Industrial

Q4 2023

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Quarterly Market Report

Year-to-date deliveries surpass 9 million sq. ft.

Executive Summary

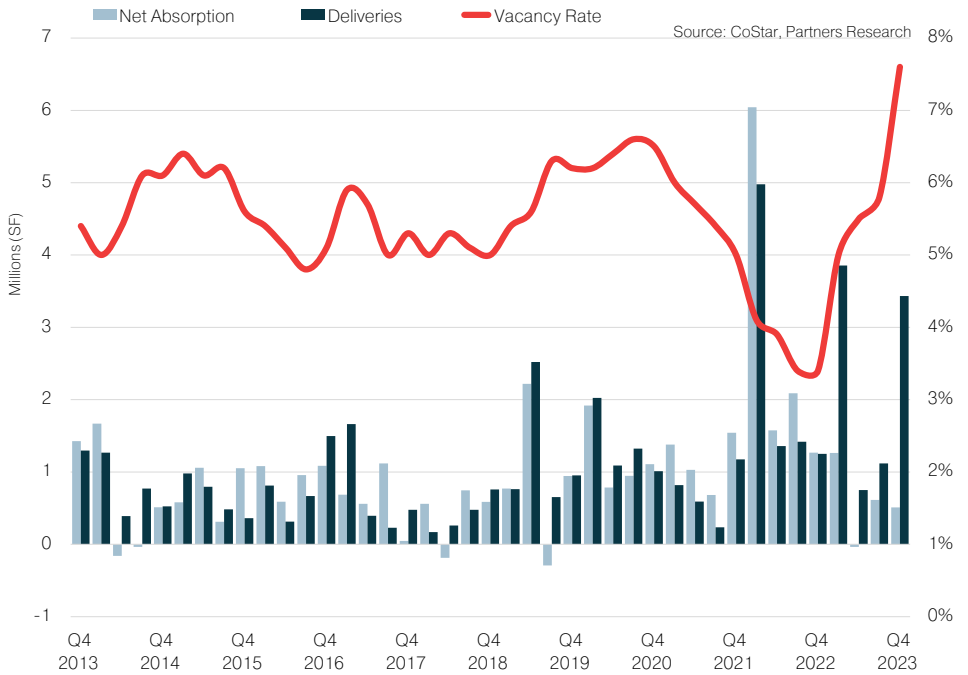
Q4 in Review

By the end of Q4 2023, the overall vacancy rate in the San Antonio industrial market rose 420 basis points year-over-year from 3.4% to 7.6%. Demand for Flex space continues to grow—year-over-year, the Flex vacancy rate decreased 120 basis points from 5.5% to 4.3%. However, Warehouse/Distribution continues to drive San Antonio’s industrial market—contributing 367,161 sq. ft. (72%) towards the fourth quarter’s positive absorption. Net absorption is at 508,182 sq. ft.—bringing the year-to-date total to 2.3 million sq. ft. Deliveries are at 3.4 million sq. ft. Year-to-date, deliveries reached a record-high of 9.1 million sq. ft.—with the South accounting for 47% of deliveries in 2023. Lastly, the average monthly rental rate (NNN) reached \$0.70 per sq. ft.—a record-high for the metro’s industrial sector.

San Antonio Economic Update

San Antonio’s unemployment rate decreased to 3.8%, slightly down from 3.9% in September 2023, according to the latest release of San Antonio’s Economic Indicators. The metro’s jobless rate lagged the state and national rates at 4.1% and 3.9%, respectively. In October, San Antonio’s labor force increased by an annualized 3.6%, as strong job growth offset gains in the labor force, leading to a lower employment rate. The largest gains by sector included: manufacturing (+729 jobs, 15.5%), leisure and hospitality (+1,623 jobs, 14.6%), and government (# of jobs, 5.8%). The largest declines by sector included: financial activities (-200 jobs, -0.5%), education and health services (-299 jobs, -2.0%), and other services (-17 jobs, -0.5%).

Supply & Demand



Key Market Indicators

	CURRENT Q4 2023	PRIOR QUARTER Q3 2023		PRIOR YEAR Q4 2022	
Vacant Total	7.6%	5.8%	▲	3.4%	▲
Vacant Direct	7.3%	5.6%	▲	3.2%	▲
Available Total	10.4%	10.0%	▲	9.4%	▲
Available Direct	9.8%	9.7%	▲	8.8%	▲
Net Absorption (SF)	508,182	613,357	▼	1,265,562	▼
Leasing Activity (SF)	1,540,529	1,635,560	▼	1,754,004	▼
Construction (SF)	3,780,631	7,117,153	▼	9,465,068	▼
Deliveries (SF)	3,432,522	1,117,096	▲	1,250,479	▲
Avg Asking Rent (NNN)	\$0.70	\$0.69	▲	\$0.69	▲
Inventory (SF)	155,829,389	152,396,867	▲	146,676,729	▲

Market Overview

Positive Net Absorption in Q4

Net absorption—move-ins minus move-outs—is at 508,182 sq. ft., 60% down from the prior year’s 1.2 million sq. ft. Year-to-date, is at 2.3 million sq. ft. Flex space and Warehouse/Distribution space recorded positive net absorption of 219,686 sq. ft. and 367,161 sq. ft. respectively. Manufacturing space logged negative absorption of -54,704 sq. ft. Despite the decrease, San Antonio’s industrial market experienced notable move-ins such as Southern Warehousing occupying a 273,344-sq.-ft. distribution center at 4787 Rittiman Road in April, and Love’s Travel Stops & Country Stores filling a 253,000-sq.-ft. warehouse at 21548 South Farm to Market 471 in December.

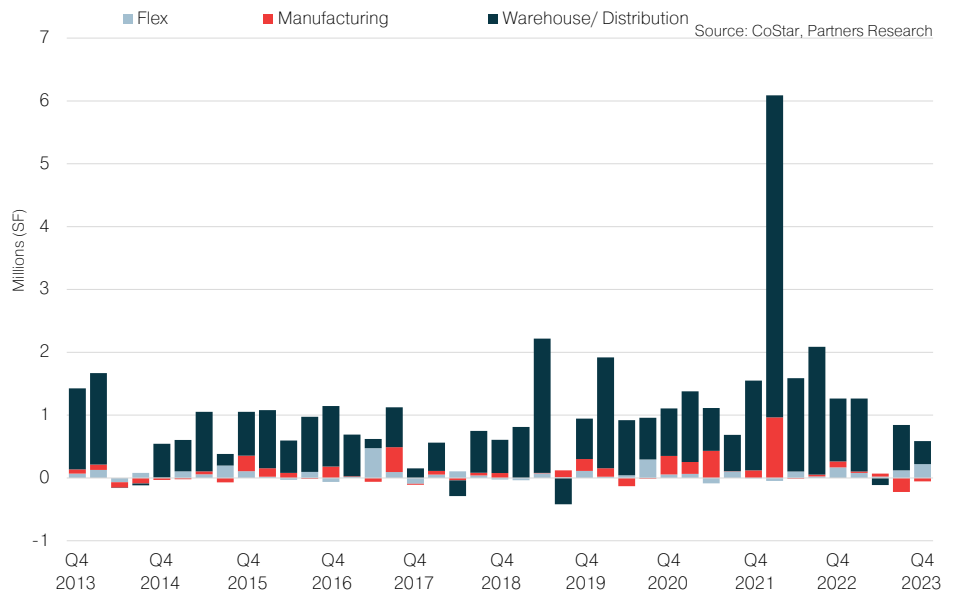
Deliveries Surpass 3 Million Sq. Ft.

By the end of Q4 2023, deliveries in the San Antonio industrial market increased to 3.4 million sq. ft., surging year-over-year from 1.2 million sq. ft. Year-to-date deliveries reached 9.1 million sq. ft.—a record-high for the metro’s industrial sector—slightly above the prior year-to-date statistic of 9.0 million sq. ft. The South submarket secured its lead, accounting for 4.2 million sq. ft. (47%) of deliveries by the end of 2023. Some of the most notable completions in 2023 included a 560,660-sq.-ft. distribution center at 810 Rosillo Creek Boulevard (South submarket) in March 2023, and a 528,040-sq.-ft. distribution center along Interstate Highway 10 Frontage Road in November 2023. Construction is at 3.7 million sq. ft., 60% down from 9.4 million sq. ft. the prior year. Over the prior three years, construction averaged 7.0 million sq. ft. annually.

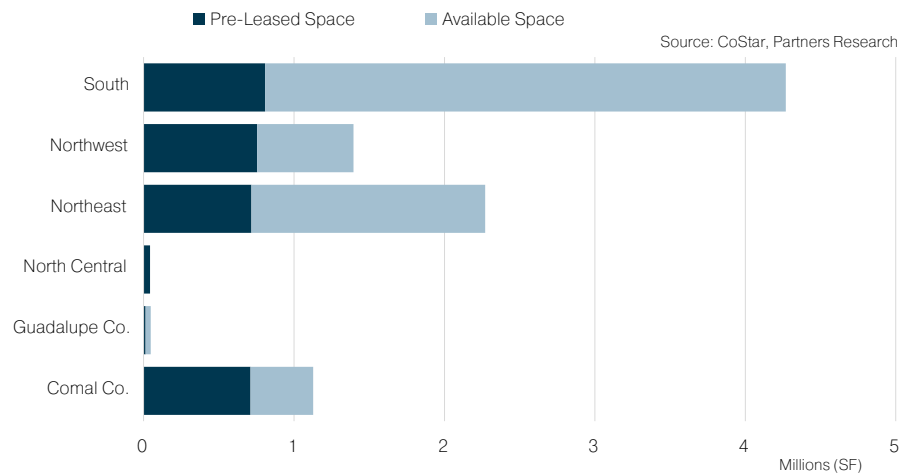
Vacancy Rate Increases to 7.6%

The overall vacancy rate in San Antonio’s industrial market is 7.6%. Quarter-over-quarter, the vacancy rate increased 180 basis points from 5.8%. Year-over-year, the vacancy increased 420 points from 3.4%. Only 34% of year-to-date deliveries are fully leased, contributing to the increase in the overall vacancy rate. Flex, Manufacturing, and Warehouse/Distribution space have vacancy rates of 4.3%, 2.7%, and 9.1%, respectively. Flex space was the only product type to experience a decrease in its vacancy rate (120 basis points) year-over-year. According to Steve Triolet, Senior Vice President of Research at Partners, this is due to Flex’s affordability coupled with the metro’s strategic location.

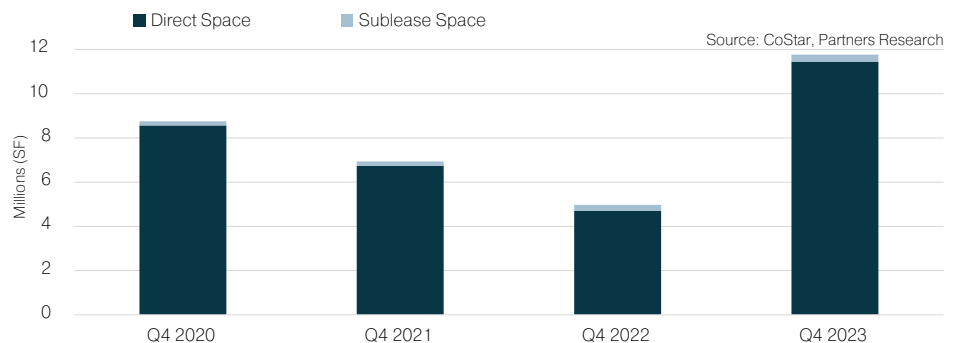
Net Absorption



Deliveries



Vacancy



Leasing Down 12% Year-Over-Year

Quarterly leasing velocity—comprised of new leases and renewals—stood at 1.5 million sq. ft.—12% down from 1.7 million sq. ft. in Q4 2022. Despite the decrease, industrial leasing activity in San Antonio remains consistent compared to its 10-year average of 1.8 million sq. ft.—a 346,076 sq. ft. difference. Year-to-date, leasing activity is at 7.4 million sq. ft., compared to the prior year-to-date figure of 9.1 million sq. ft. By the end of the year, 111 deals were signed, averaging 51,343 sq. ft., with notable exceptions in April by Southern Warehousing (273,334 sq. ft.), and Weyerhaeuser (252,600 sq. ft.) in October.

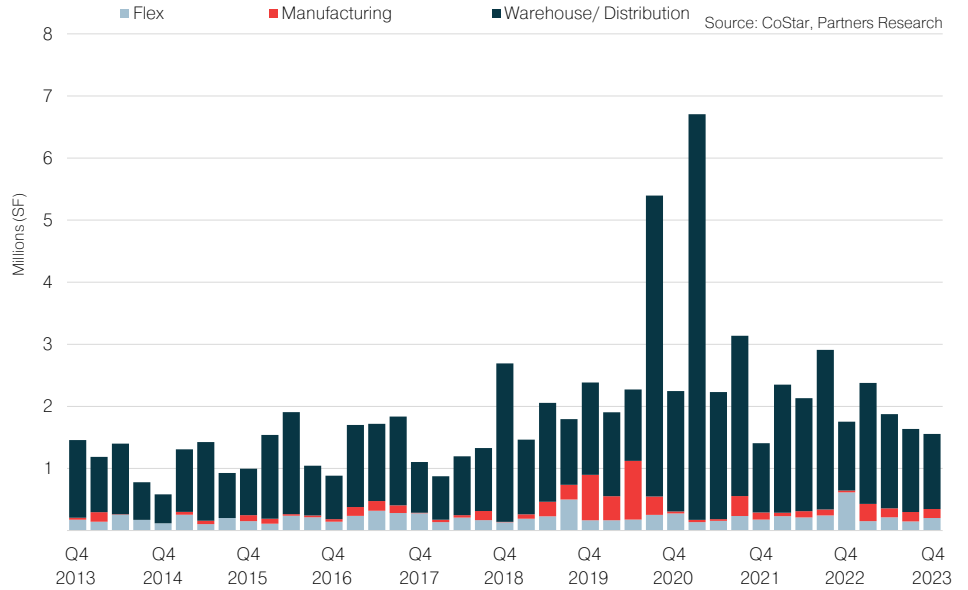
Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q4 2023 at \$34.6 million, 81% down from \$185 million in Q4 2022. By year-end, 222 deals were completed in San Antonio's industrial market with an average transaction price of \$110 and an average cap rate of 7.9%. Notable transactions in 2023 included CREA Investments and NCA Realty Partners acquiring 490,083-sq.-ft. distribution center (Connection Park Logistics Center) at 6851 Cal Turner Drive from Triten Real Estate Partners in September, and Mohr Capital acquiring a 439,809-sq.-ft. distribution center (Foster Ridge 2) at 7015 Lancer Boulevard from Becknell Industrial in March.

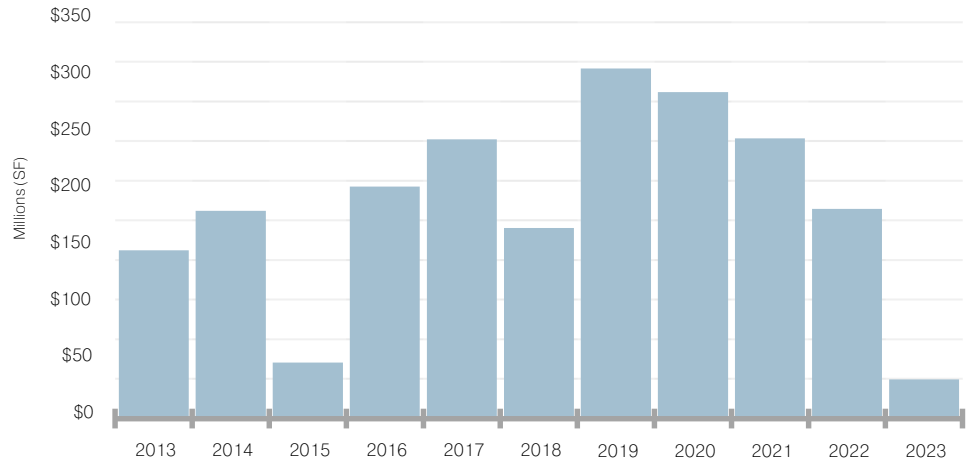
Record-High Asking Rent

The average monthly rental rate (NNN) for San Antonio's industrial market increased to \$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 \$1.19 per sq. ft., while Manufacturing and Warehouse/Distribution Space rates were at \$0.56 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 \$0.87 per sq. ft.

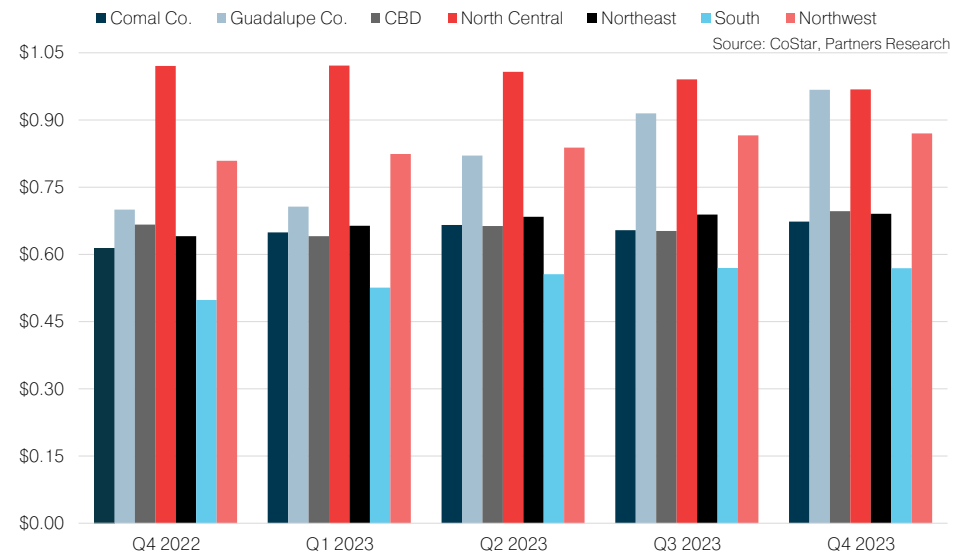
Leasing Activity



Cumulative Sales Volume



Average Monthly Rental Rate (NNN)



Market Overview

Submarket Stats

Submarket Statistics (Total reflects Flex/Manf/ WD)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2023 Net Absorption (SF)	2023 YTD Net Absorption (SF)	Q4 2023 Deliveries (SF)	Under Construction (SF)	YTD Deliveries (SF)	Overall Average Asking Rent (NNN/MO)
San Antonio Market Total	155,829,389	7.60%	10.40%	508,182	2,346,750	3,432,522	9,152,660	3,780,631	0.70
Flex	13,620,708	4.30%	6.90%	219,686	443,663	86,900	301,900	563,000	1.19
Manufacturing	26,445,844	2.70%	3.80%	-54,704	-208,686	11,900	23,800	125,000	0.56
Warehouse/Distribution	115,762,837	9.10%	12.30%	367,161	2,133,877	3,333,722	8,826,960	3,092,631	0.64
CBD Total	3,244,283	5.90%	6.40%	-91,650	-121,241	0	0	0	0.70
Flex	614,625	13.10%	13.10%	0	-26,445	0	0	0	0.00
Manufacturing	682,934	2.90%	2.90%	0	-20,000	0	0	0	0.00
Warehouse/Distribution	1,946,724	4.70%	5.50%	-91,650	-74,796	0	0	0	0.70
Comal County Total	18,194,498	8.90%	11.70%	197,356	288,893	542,533	1,127,033	664,721	0.67
Flex	437,688	0.70%	0.00%	25,354	25,354	0	0	0	1.31
Manufacturing	2,492,395	14.40%	10.90%	-97,231	-343,280	0	0	0	0.57
Warehouse/Distribution	15,264,415	8.30%	12.10%	294,587	632,173	542,533	127,033	664,721	0.72
Guadalupe County Total	13,179,481	0.80%	5.30%	4,975	136,081	11,900	47,800	666,000	0.97
Flex	276,962	8.90%	19.10%	0	3,780	0	0	0	1.00
Manufacturing	5,393,106	0.00%	0.40%	11,900	23,800	11,900	23,800	125,000	0.75
Warehouse/Distribution	7,509,413	1.00%	8.20%	-6,925	108,501	0	24,000	541,000	0.98

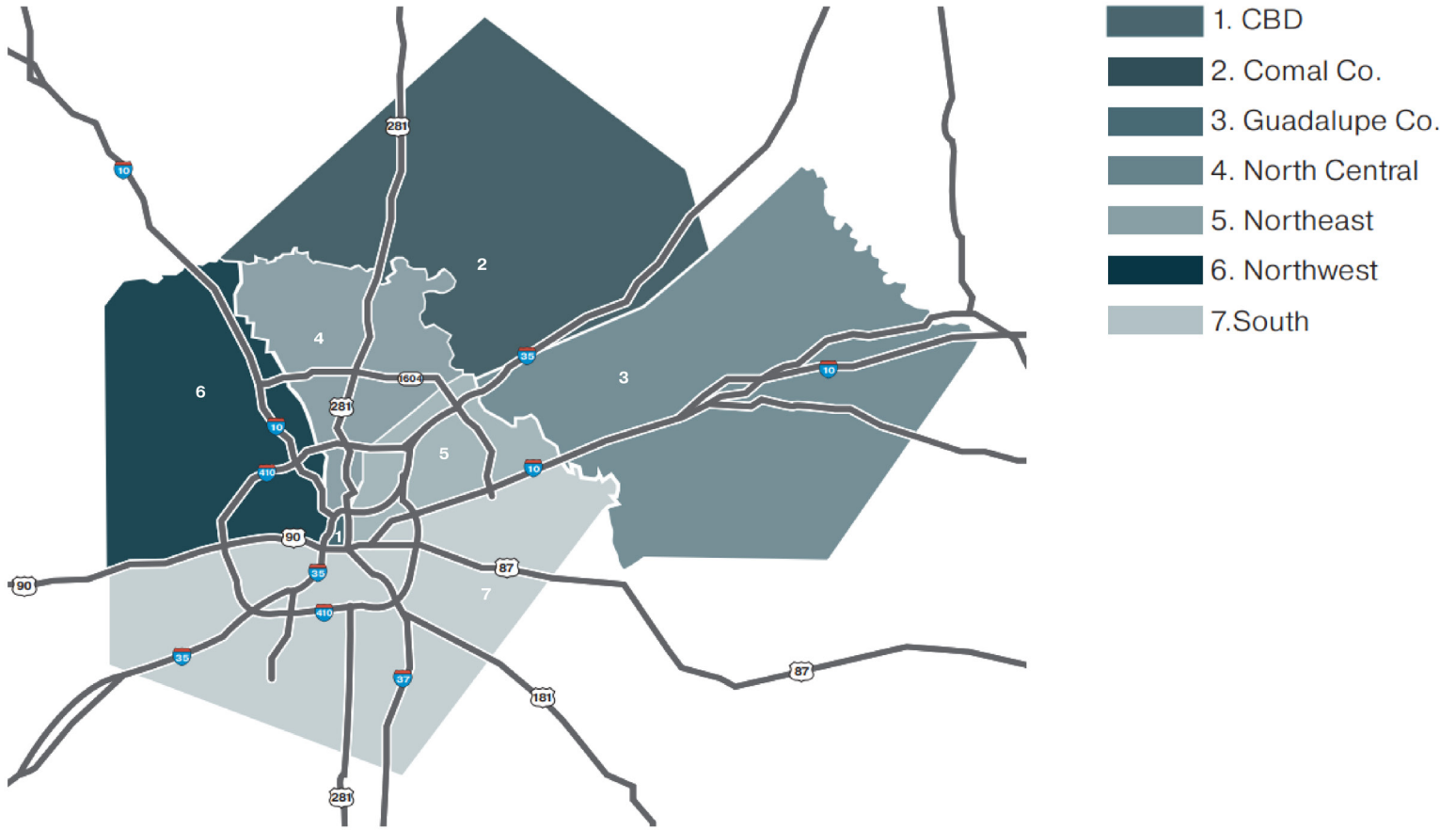
Market Overview

Submarket Stats

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North Central Total	14,727,801	3.50%	9.60%	207,460	52,016	42,900	42,900	709,215	0.97
Flex	3,867,194	3.00%	6.00%	163,070	89,310	42,900	42,900	0	1.12
Manufacturing	1,745,586	4.60%	4.20%	37,816	39,767	0	0	0	0.80
Warehouse/Distribution	9,115,021	3.50%	11.90%	6,574	-77,061	0	0	709,215	0.89
Northeast Total	44,358,886	8.30%	12.00%	22,553	463,814	1,357,775	2,270,438	722,789	0.69
Flex	2,715,407	5.10%	10.50%	-14,712	44,190	0	28,000	0	1.32
Manufacturing	4,861,098	2.00%	2.00%	-23,225	32,478	0	0	0	0.64
Warehouse/Distribution	36,782,381	9.30%	13.40%	59,097	383,896	1,357,775	2,242,438	722,789	0.60
Northwest Total	22,058,226	5.00%	7.00%	135,448	910,577	533,461	1,395,277	532,000	0.87
Flex	5,216,063	4.00%	5.50%	41,011	207,605	44,000	151,000	487,000	1.15
Manufacturing	2,669,313	1.80%	8.80%	2,000	56,924	0	0	0	0.46
Warehouse/Distribution	14,172,850	5.90%	7.30%	92,437	646,028	489,461	1,244,277	45,000	0.88
South Total	40,066,214	11.50%	12.30%	32,040	616,630	943,953	4,269,212	485,906	0.57
Flex	492,769	3.40%	2.90%	4,963	99,869	0	80,000	76,000	0.94
Manufacturing	8,601,412	1.10%	3.40%	14,036	1,625	0	0	0	0.49
Warehouse/Distribution	30,972,033	14.50%	14.90%	13,041	515,136	943,953	4,189,212	409,906	0.57

Market Overview

San Antonio Industrial Submarkets



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