

San Antonio Retail

Q3 2024

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Quarterly Market Report

Tight vacancy and limited space propel San Antonio retail market to new highs

Executive Summary

Q3 in Review

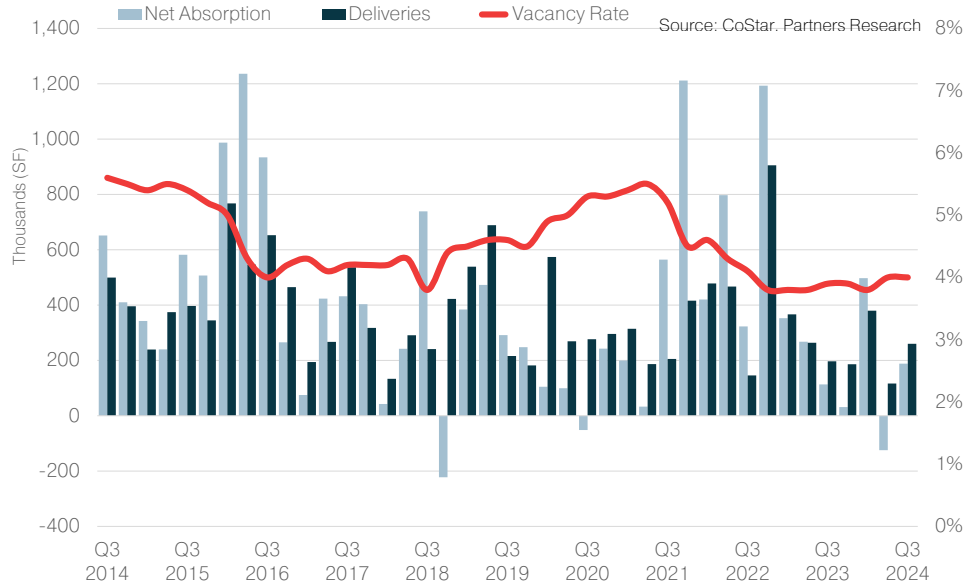
San Antonio's retail market continues to experience robust demand, though leasing activity has dropped by 20% from last year due to limited second-generation space. Net absorption for Q3 reached 187,982 sq. ft., rebounding from last quarter's negative figures and largely mirroring new construction deliveries. The market's vacancy rate remains tight at 4.0%, unchanged from last quarter and marking eight consecutive quarters at or below this level. New deliveries increased this quarter, yet the construction pipeline is down year-over-year, supporting landlord-friendly conditions. Investment activity remains strong, with average prices per sq. ft. increasing to \$248, while rental rates increased 5% over the past year to an all-time high of \$19.90 per sq. ft.

San Antonio Economic Update

San Antonio payrolls increased an annualized 10.1% in August (9,403 jobs). Job gains were driven mainly by government (39.3%, or 5,258 jobs), but also by leisure and hospitality (8.6%, or 989 jobs), education and health services (5.9%, or 863 jobs), manufacturing (17.6%, or 849 jobs), and trade, transportation and utilities (4.7%, or 807 jobs). All sectors experienced monthly growth except for information (-5.3%, or 75 jobs). Year-to-date total nonfarm employment grew 1.5% in San Antonio, slower than Texas (2.2%) but higher than the U.S. (1.4%).

The San Antonio unemployment rate remained 3.8%. The unemployment rate in Texas was higher at 4.1%, as was the U.S. rate, at 4.2%.

Supply & Demand



Market Indicators

	CURRENT Q3 2024	PRIOR QUARTER Q2 2024		PRIOR YEAR Q3 2023	
Vacancy Rate (%)	4.0	4.0	▬	3.7	⬆️
Net Absorption (SF)	187,982	-124,681	⬆️	251,026	⬇️
Leasing Activity (SF)	579,415	778,263	⬇️	724,033	⬇️
Deliveries (SF)	260,311	116,577	⬆️	256,704	⬆️
Construction (SF)	825,717	940,360	⬆️	886,595	⬇️
Inventory (SF)	124,861,291	124,600,980	⬆️	123,925,543	⬆️
Avg Asking NNN Rent (\$)	19.90	19.83	⬆️	18.90	⬆️

Market Overview

Leasing Activity Largely Limited to New Construction

Leasing activity has been healthy but is down 20% from last year, largely due to limited-option, second generation space to backfill. Notable leases recently signed include Academy Sports leasing 63,315 sq. ft. at the Singing Hills Shopping Center; The Lodge Card Club committing to 27,278 sq. ft. at the Colonies North Shopping Center; Mexico Ceaty opening a new 21,000 sq. ft. restaurant at River Center Mall; and HomeSense moving into 30,256 sq. ft. of space at the Northwoods Shopping Center later this year.

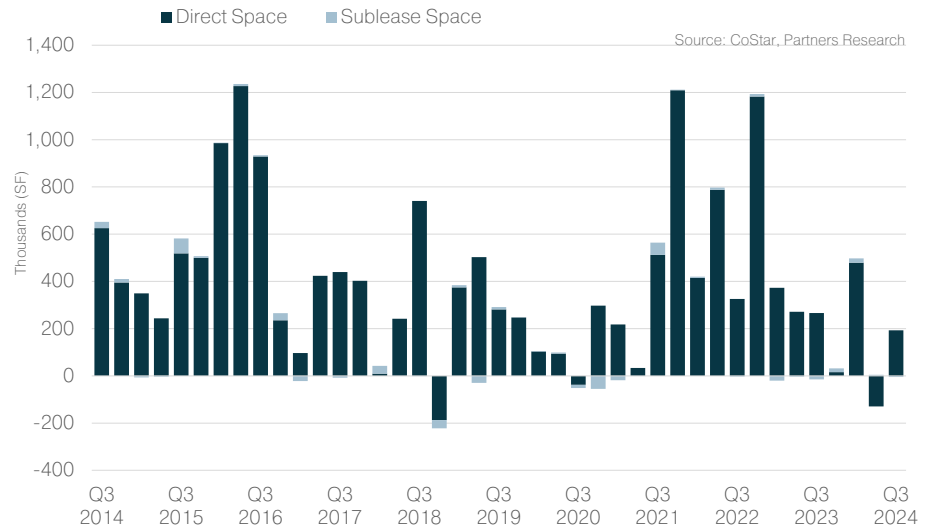
Net absorption Bounced Back Over Past Quarter

Net absorption was 187,982 sq. ft. for the quarter, a big improvement from the negative absorption in the second quarter and largely in line with new construction deliveries. For the year so far, net absorption has been a healthy 560,537 sq. ft. Notable new leases for 2024 include a new 108,890-sq.-ft. Life-time Fitness at The Legacy shopping center; La Reina Night Club signing a 27,356-sq.-ft. lease at 410 West Shopping Center; and DHL taking 25,000 sq. ft. at Fiesta Trails.

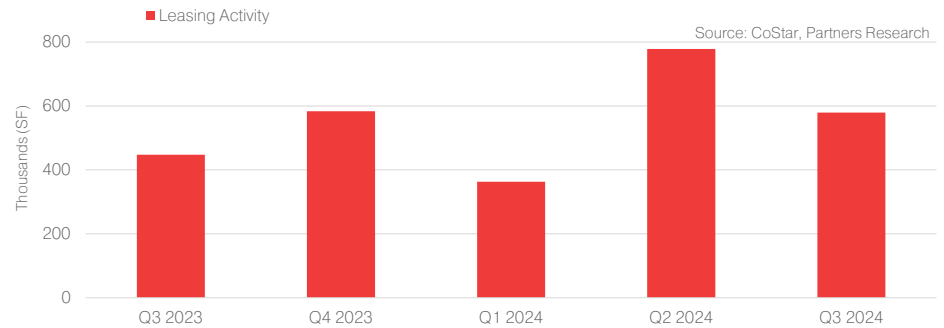
Vacancy Rate Remains Extremely Low at 4.0%

The overall vacancy rate in San Antonio's retail market is at 4.0%. This is unchanged over the past quarter and only up slightly (30 basis points) over the past year. Like most major retail markets across the country, vacancy is near a record low, giving retail tenants looking to expand with limited options. San Antonio has maintained 4% or lower vacancy rate over eight consecutive quarters.

Net Absorption



Leasing Activity | Quarter-over-Quarter



Deliveries Up for Quarter, but Construction Pipeline Down

New deliveries for third quarter of 2024 totaled 260,311 sq. ft. The current under construction pipeline of 825,717 sq. ft. is down 7% below Q3 2023 when it stood at 886,595 sq. ft. With this level of construction and vacancy near a historic low, market fundamentals are expected to remain strongly landlord favorable for the foreseeable future.

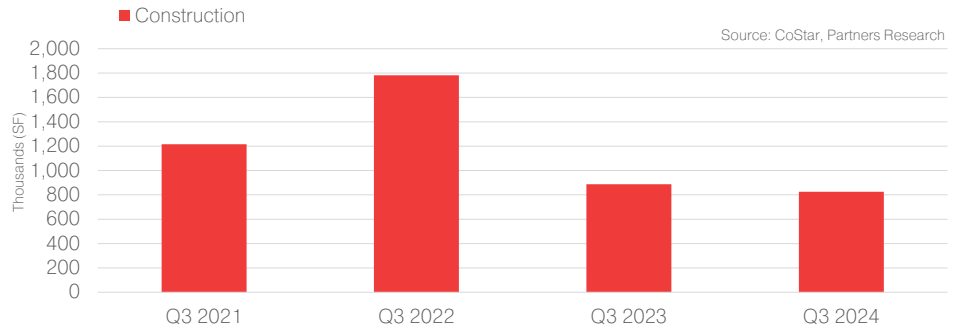
Investment Sales Trends

Over the past year, 188 Retail properties were sold in the San Antonio retail market with an average transaction price of \$248 and an average cap rate of 6.1%. Notable recent sales include the Sterling Organization purchasing the Village at Stone Oak, a 179,806-sq.-ft. shopping center from SITE Centers; Bridge33 Capital purchasing a 135,000-sq.-ft. Lowe's at Bandera Pointe; and Beam Real Estate purchasing the 102,587-sq.-ft. Rios Crystal Mall from BE Rios.

Rental Rates Up Slightly, Reaching All-time Highs

The average monthly rental rate (NNN) for San Antonio's Retail market is \$19.90 per sq. ft. This is up 5% over the past year and surpasses the previous all-time highs. With near historically low vacancy rates and limited construction underway, rates are expected to increase moderately over the next few quarters.

Construction | YOY



Overall Average Asking NNN Rents



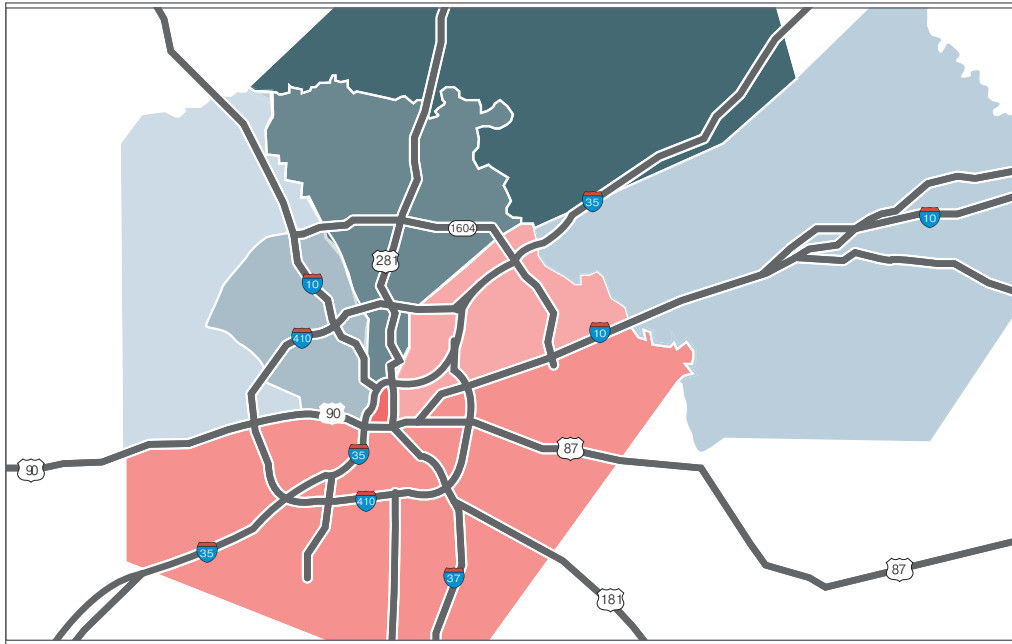
Market Overview

Submarket Stats

Submarket	Net Rentable Area (SF)	Vacancy (%)	Q3 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Q3 2024 Leasing Activity (SF)	Q3 2024 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
CBD	4,566,760	3.4	9,415	8,783	34,525	0	0	0	26.57
Comal Co.	8,502,226	2.6	-7,687	55,331	18,847	0	90,190	291,883	28.34
Guadalupe Co.	6,114,859	2.4	9,258	86,133	9,847	8,000	63,246	5,312	23.70
North Central	27,505,281	4.5	63,578	246,914	172,272	29,626	50,342	87,031	21.07
Northeast	16,636,564	5.3	69,643	1,260	105,514	24,674	56,530	10,573	17.90
Northwest	35,332,444	4.1	-130,474	-46,223	151,221	20,980	168,253	190,350	18.10
Far West	11,011,462	3.7	183,876	188,730	53,399	177,031	221,105	227,506	19.76
South	15,191,695	3.2	-9,627	19,609	33,790	0	107,000	13,062	16.23
San Antonio Total	124,861,291	4.0	187,982	560,537	579,415	260,311	756,666	825,717	19.90

Market Overview

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

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

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