

# San Antonio Industrial

## Q4 2024

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## Quarterly Market Report

### San Antonio Industrial Market Ends 2024 Strong with Rising Leasing Activity and Record-High Rents

#### Executive Summary

##### Q4 in Review

San Antonio's industrial market demonstrated resilience in Q4 2024, with healthy net absorption and steady leasing activity despite a year-over-year rise in vacancy rates. Net absorption surged to 816,416 sq. ft. in Q4, a substantial improvement from the 16,104 sq. ft. absorbed in the previous quarter. While the Flex segment faced challenges with negative net absorption for the year, Manufacturing and Warehouse/Distribution spaces contributed positively, driven by significant move-ins such as International Paper, The Reynolds Company, and Bob Mills Furniture. Quarterly leasing activity increased 4% year-over-year, reaching 1.7 million sq. ft., with Warehouse/Distribution spaces leading at 89% of total leasing velocity.

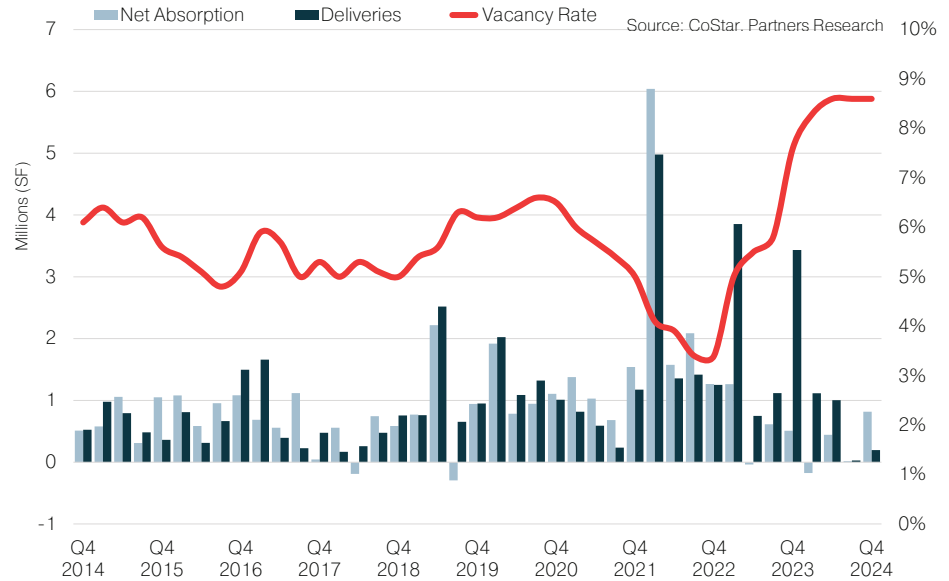
Construction activity showed a dramatic slowdown in deliveries, with only 196,629 sq. ft. completed in Q4—a 94% decline from the same period last year. However, the construction pipeline grew moderately, with 4.6 million sq. ft. underway, 50% of which is pre-leased. Vacancy rates held steady at 8.6% quarter-over-quarter but rose 210 basis points year-over-year, driven by elevated vacancy in Warehouse/Distribution spaces.

Despite mixed indicators, the market's strong leasing activity, ongoing construction, and sustained investment interest underline the industrial sector's critical role in San Antonio's economic landscape.

##### San Antonio Economic Update

The San Antonio unemployment rate ticked up to 3.9% in November. The unemployment rates in Texas and the U.S. both rose to 4.2%. The San Antonio Business-Cycle Index, a gauge of economic conditions in the metro area, increased an annualized 1.7% in November.

#### Supply & Demand



#### Market Indicators

	CURRENT Q4 2024	PRIOR QUARTER Q3 2024		PRIOR YEAR Q4 2023	
Vacant Total	8.6%	8.6%	■	7.5%	▲
Vacant Direct	8.3%	8.3%	■	7.3%	▲
Available Total	10.8%	11.0%	▼	10.1%	▲
Available Direct	10.4%	10.7%	▼	9.5%	▲
Net Absorption (SF)	816,416	16,104	▲	360,901	▲
Leasing Activity (SF)	1,667,589	1,013,218	▲	1,607,118	▲
Construction (SF)	4,559,997	5,694,856	▼	3,799,265	▲
Deliveries (SF)	196,629	29,072	▲	3,327,937	▲
Avg Asking Rent (NNN)	\$8.61	\$8.46	▲	\$8.13	▲
Inventory (SF)	160,759,680	160,071,827	▲	157,562,229	▲

## Market Overview

San Antonio payrolls rose in November, growing an annualized 2.2% (2,200 jobs). From August to November, payrolls grew 1.3% (3,800 jobs), with gains led by leisure and hospitality (4.8%, or 1,700 jobs), education and health services (3.2%, or 1,400 jobs), and professional and business services (2.2%, or 900 jobs). Government, manufacturing and mining sectors lost jobs.

### Net Absorption Healthy, Trending Upward in the Fourth Quarter

Net absorption—move-ins minus move-outs—was a healthy 816,416 sq. ft., up from the 16,104 sq. ft. in absorbed in Q3 2024. For the year, Flex has struggled with negative net absorption (165,382 sq. ft.), while Manufacturing and Warehouse/Distribution have been positive with 332,002 sq. ft. and 934,482 sq. ft., respectively. Recent notable move-ins include International Paper taking 138,495 sq. ft. at Centerpoint Logistics Building 5, The Reynolds Company taking 132,000 sq. ft. at 6413 Tri County, Bob Mills Furniture taking 114,369 sq. ft. at 17975 I-35 and Mako Freight subleasing 112,205 sq. ft. Cornerstone Logistics Crossing.

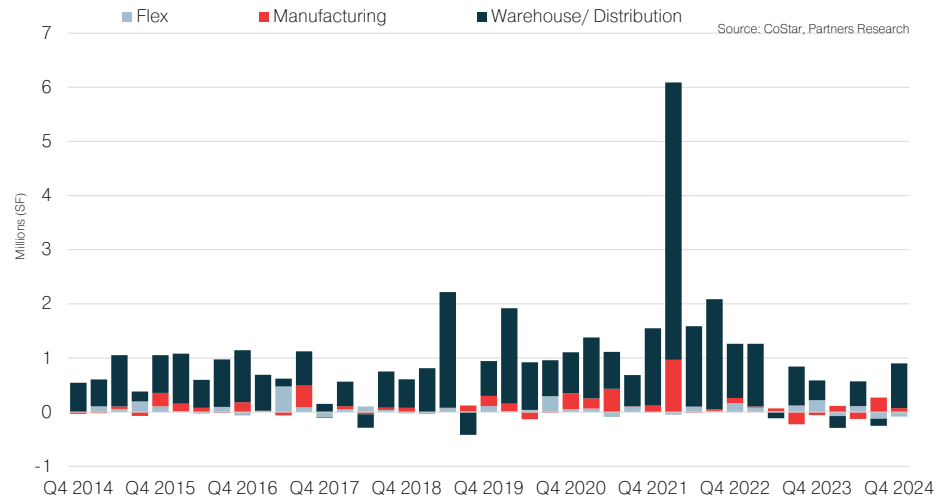
### Construction Deliveries Slowed Dramatically Over Past Year, While Pipeline Increases Moderately

Construction deliveries were low for the quarter, with 196,629 sq. ft. completed, this is down 94% from the 3.3 million sq. ft. completed one year ago. The under construction pipeline has been trending is up moderately over the past few quarters, with 4.6 million sq. ft. underway, this is up 20% from last year's level.

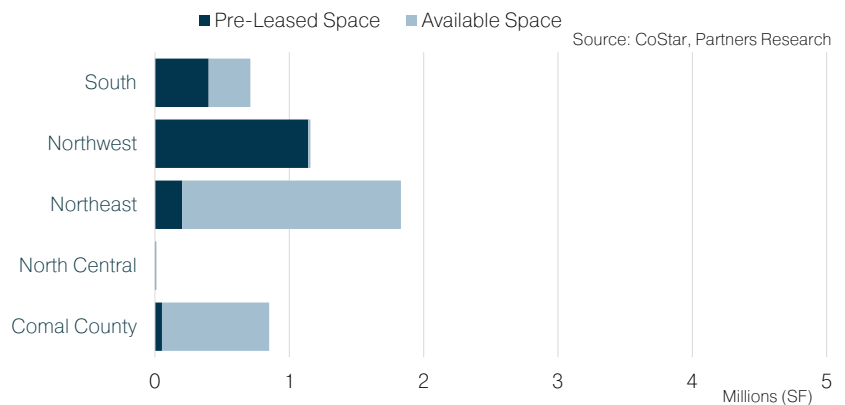
### Vacancy Rate Unchanged at 8.6%

The overall vacancy rate in San Antonio's industrial market is 8.6%. Quarter-over-quarter, the vacancy rate was unchanged but increased year-over-year 210 basis points from 7.5%. Flex, Manufacturing, and Warehouse/Distribution space have vacancy rates of 6.7%, 3.2%, and 10.1%, respectively. With 50% of construction pipeline pre-leased, the total vacancy rate is expected to increase slightly over the next few quarters.

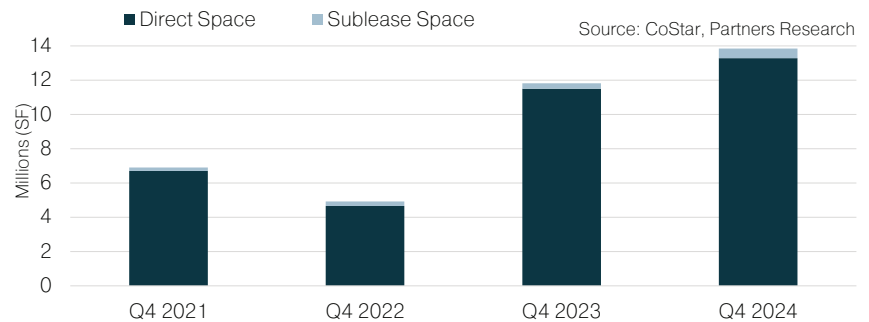
## Net Absorption



## Construction



## Vacancy | YOY



## Leasing Up 4% Compared to One Year Ago

Quarterly leasing velocity—comprised of new leases and renewals—stood at 1.7 million sq. ft.—up 4% from 1.6 million sq. ft. in Q4 2023. The Warehouse/Distribution sector accounted for the majority of leasing activity (89%), with limited activity for Flex and Manufacturing properties (10% and 1%, respectively). Recently signed leases include Omega Air Refueling Services signing a 147,620 sq. ft. lease at the Corporate Drive Industrial Complex, MacDiscount signing a 129,521 sq. ft. lease at the Mid City Industrial Park and Reece signing a 119,600 sq. ft. lease at the Interpark Logistics Center.

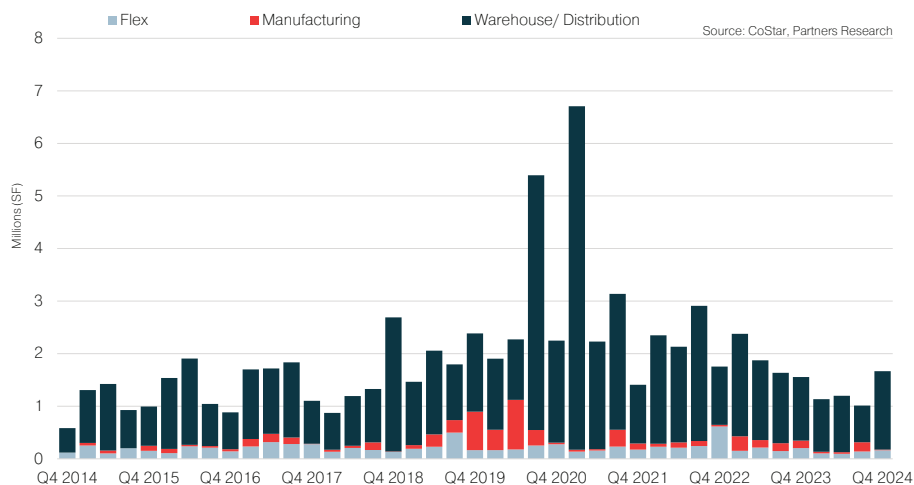
## Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q4 2024 at \$146 million. Over the past year, 138 deals were completed in San Antonio's industrial market with an average transaction price of \$112 and an average cap rate of 8.0%. Recent notable sales include Evergen Equity purchasing Two Winnco Center. The 313,000 sq. ft. distribution facility is 100% leased to H-E-B and Flour. Also, Exeter purchased Selma Industrial Park Building II, a 307,250 sq. ft. warehouse leased by Berlin Packaging, Westport Axle and Made in Cookware.

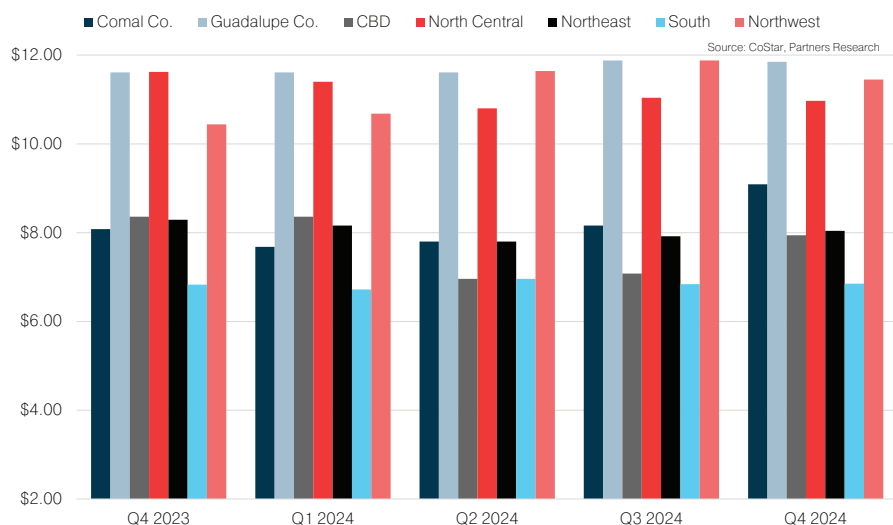
## Record-High Asking Rents Move Slightly Higher

The average monthly rental rate (NNN) for San Antonio's industrial market increased slightly to \$8.61 per sq. ft. —a record-high for the metro's industrial sector—but only up 1.8% over the past quarter. The average monthly rate for Flex Space stood at \$12.77 per sq. ft., while Manufacturing and Warehouse/Distribution Space rates were at \$7.90 per sq. ft. and \$7.96 per sq. ft., respectively.

## Leasing



## Overall Average Asking NNN Rents



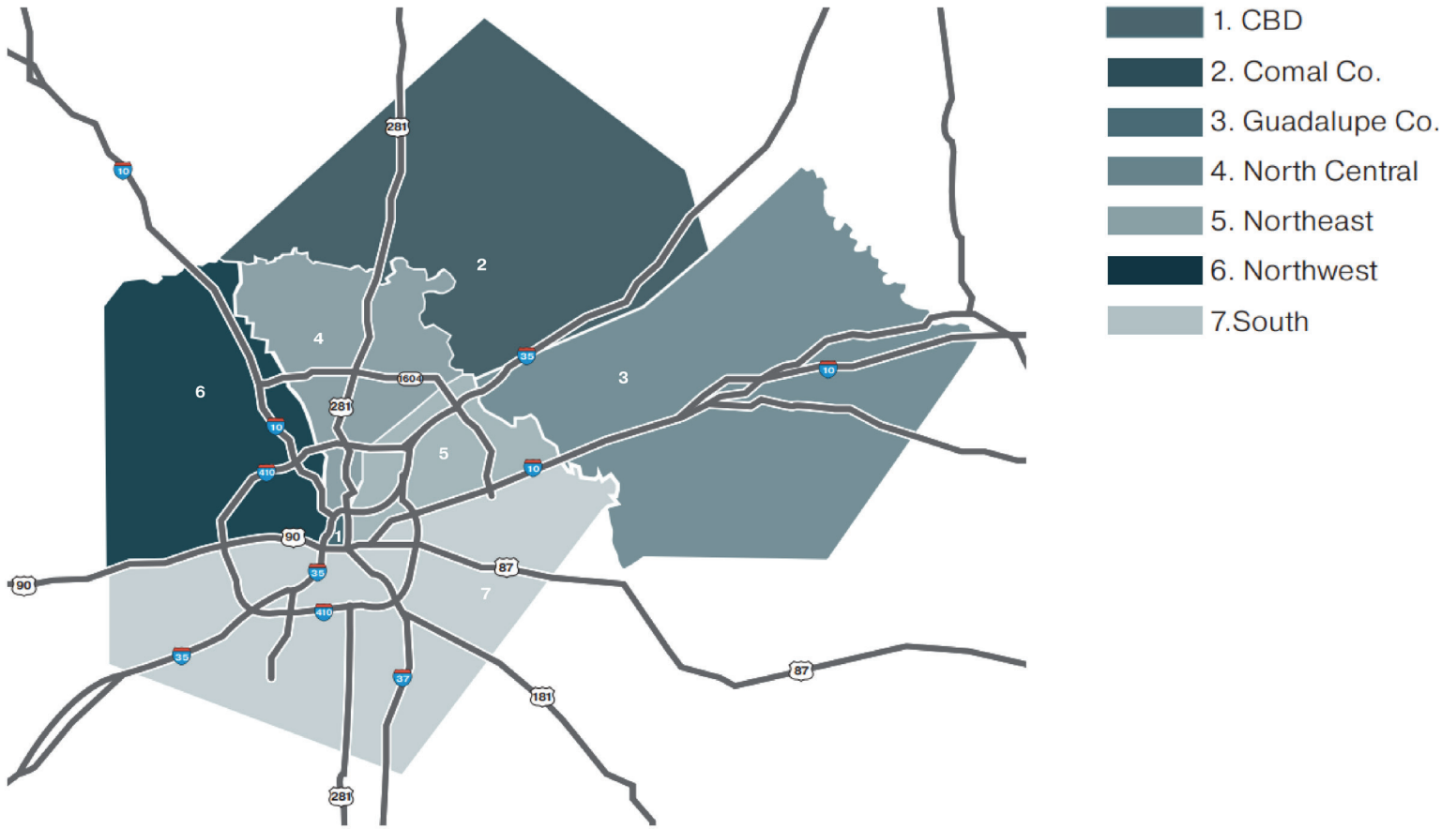
# Market Overview

## Submarket Stats

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2024 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q4 2024 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (NNN)
San Antonio Market Total	160,759,680	8.60%	10.80%	816,416	1,101,102	196,629	2,147,010	4,559,997	8.61
Flex	13,879,351	6.70%	7.90%	-83,434	-165,382	0	137,632	659,535	12.77
Manufacturing	27,059,351	3.20%	4.30%	73,883	332,002	0	125,000	0	7.90
Warehouse/Distribution	119,820,978	10.10%	12.60%	825,967	934,482	196,629	1,884,378	3,900,462	7.96
CBD Total	3,229,094	4.10%	4.30%	59,615	56,266	0	0	0	7.94
Flex	644,581	7.00%	7.00%	43,738	32,603	0	0	0	9.00
Manufacturing	682,934	2.90%	2.90%	-20,000	0	0	0	0	13.00
Warehouse/Distribution	1,901,579	3.60%	4.20%	35,877	23,663	0	0	0	6.49
Comal County Total	19,046,729	10.90%	14.10%	282,667	393,029	196,629	12,000	850,100	9.09
Flex	451,464	2.10%	2.10%	-3,932	-6,520	0	0	0	16.75
Manufacturing	2,598,079	0.00%	0.00%	138,365	358,280	0	0	0	6.25
Warehouse/Distribution	15,997,186	12.90%	16.60%	148,234	41,269	196,629	12,000	850,100	10.12
Guadalupe County Total	14,235,921	4.90%	4.90%	-27,889	156,558	0	738,272	0	11.85
Flex	463,331	27.40%	27.40%	-114,369	-59,239	0	43,200	0	12.00
Manufacturing	5,543,106	0.40%	1.30%	0	101,200	0	125,000	0	9.00
Warehouse/Distribution	8,229,484	6.70%	6.70%	86,480	114,597	0	570,072	0	11.65
North Central Total	15,454,066	8.10%	9.60%	9,134	-74,734	0	689,215	11,335	10.97
Flex	3,905,590	7.30%	7.90%	-27,664	-153,367	0	0	11,335	12.83
Manufacturing	1,614,388	0.60%	1.30%	35,554	65,521	0	0	0	9.09
Warehouse/Distribution	9,934,088	9.60%	11.70%	1,244	13,112	0	689,215	0	10.40
Northeast Total	45,668,023	8.60%	14.00%	393,127	97,287	0	241,297	1,830,889	8.04
Flex	2,621,634	7.40%	9.50%	20,761	-16,581	0	18,432	0	11.99
Manufacturing	4,839,187	2.20%	5.20%	-11,200	-6,198	0	0	0	8.92
Warehouse/Distribution	38,207,202	9.50%	15.30%	383,566	120,066	0	222,865	1,830,889	7.58
Northwest Total	22,403,818	4.70%	6.40%	-33,540	52,446	0	0	1,157,867	11.45
Flex	5,223,434	4.90%	7.90%	-5,143	-41,048	0	0	648,200	13.32
Manufacturing	2,723,271	4.00%	7.30%	-84,639	-59,979	0	0	0	8.00
Warehouse/Distribution	14,457,113	4.70%	5.60%	56,242	153,473	0	0	509,667	10.17
South Total	40,722,029	11.60%	11.70%	133,302	420,250	0	466,226	709,806	6.85
Flex	569,317	2.50%	3.10%	3,175	78,770	0	76,000	0	12.75
Manufacturing	9,058,386	6.50%	6.70%	15,803	-126,822	0	0	0	4.84
Warehouse/Distribution	31,094,326	13.20%	13.30%	114,324	468,302	0	390,226	709,806	6.79

# 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.

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