

San Antonio Office

Q4 2024

San Antonio Office | Q4 2024

Quarterly Market Report

San Antonio's Office Market Stabilizes with Positive Absorption and Rate Increases Amid Limited New Supply

Executive Summary

Q4 in Review

San Antonio's office market showed signs of stability in late 2024, with net absorption turning positive for the quarter at 131,578 sq. ft., marking a rebound from negative absorption in the first half of the year. However, annual absorption remained essentially flat, highlighting the ongoing flight to quality as Class A properties outperformed Class B space. Notable large leases, such as the Galen School of Nursing move to Vista Corporate Center and Guidehouse's lease at The Reserve at Westover Hills, further underscored this trend. Meanwhile, new office supply remained constrained, with no deliveries in Q4 and a moderate 434,098 sq. ft. under construction—though this represents a 25% quarterly uptick, it remains well below historic levels.

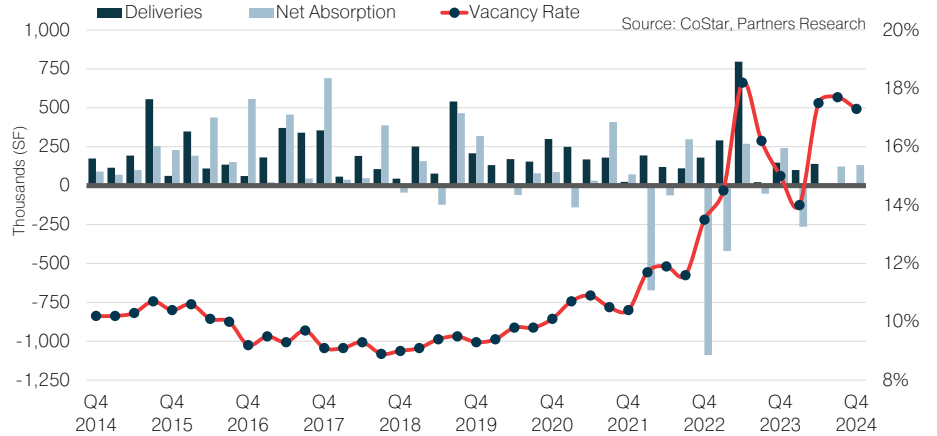
Leasing activity dipped slightly, totaling 603,866 sq. ft. in Q4, down 6% from the prior quarter. Despite this, the vacancy rate declined to 17.3% due to positive absorption and a significant reduction in sublease space, which now stands at 399,103 sq. ft.—a sharp drop from its peak of 1.3 million sq. ft. in early 2022. On the rental front, San Antonio's average full-service asking rent increased to \$24.33 per sq. ft., up almost 4% year over year.

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.

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.

Supply & Demand



Key Market Indicators

	CURRENT Q4 2024	PRIOR QUARTER Q3 2024		PRIOR YEAR Q4 2023	
Vacancy Total	17.3%	17.7%	↓	17.1%	↑
Vacancy Direct	16.5%	16.8%	↓	15.8%	↑
Availability Total	19.5%	19.7%	↓	21.6%	↓
Availability Direct	18.5%	18.6%	↓	20.1%	↓
Net Absorption (SF)	131,578	122,988	↑	240,988	↓
Leasing Activity (SF)	603,866	640,274	↑	637,087	↓
Construction (SF)	434,098	346,098	↑	105,700	↑
Deliveries (SF)	0	0	—	147,264	↓
Avg Asking Rent (Gross)	\$24.33	\$24.29	↑	\$23.49	↑
Inventory (SF)	48,935,942	47,268,495	↑	48,830,242	—

Market Overview

Net Absorption Positive for the Quarter, but Essentially Flat for the Year

Net absorption—move-ins minus move-outs—was 131,578 sq. ft. for the quarter. This was an improvement from the first and second quarters which recorded negative of 12,162 and 263,829 sq. ft., respectively. When looking at the year as a whole, the flight to quality is apparent with Class A properties recording a healthy 160,363 sq. ft. while Class B properties had a negative 181,778 sq. ft. This was illustrated in the Galen School of Nursing taking 157,470 sq. ft. of Class A space at the Vista Corporate Center and Guidehouse taking 107,094 sq. ft. at The Reserve at Westover Hills.

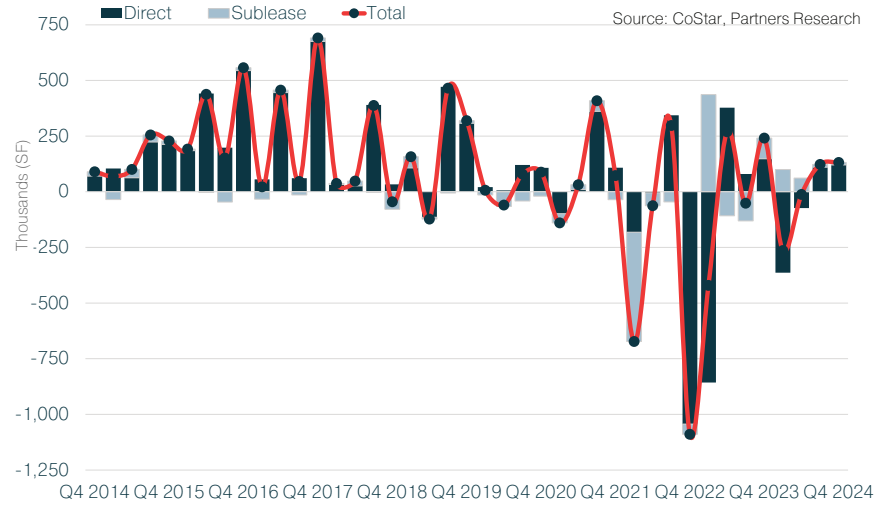
Deliveries nearly Nonexistent for the Year, While Pipeline increased Moderately in late 2024

There were no new deliveries for the quarter and there is only a moderate 434,098 sq. ft. currently underway. This was a 25% uptick over the past quarter, but still well below the historic norm.

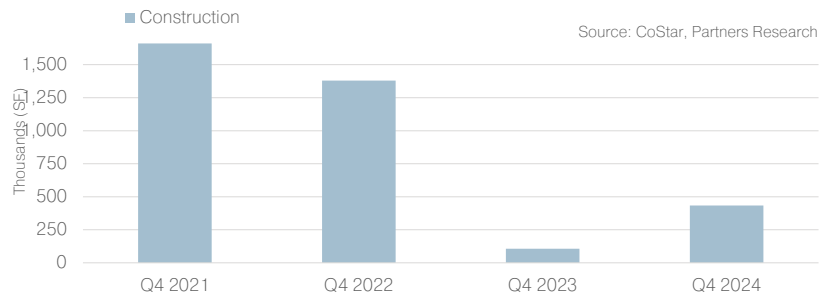
Leasing Activity Dipped Slightly for Both the Quarter and Year Over Year

Leasing activity came in at 603,866 sq. ft. in Q4 2024, this was down 6% from the previous quarter and down 5% from Q4 2023. Notable large leases in late 2024 include, Spectrum renewing leases of 121,296 sq. ft. at 1900 Blue Crest and 74,898 sq. ft. at 12238 Silicon Dr.

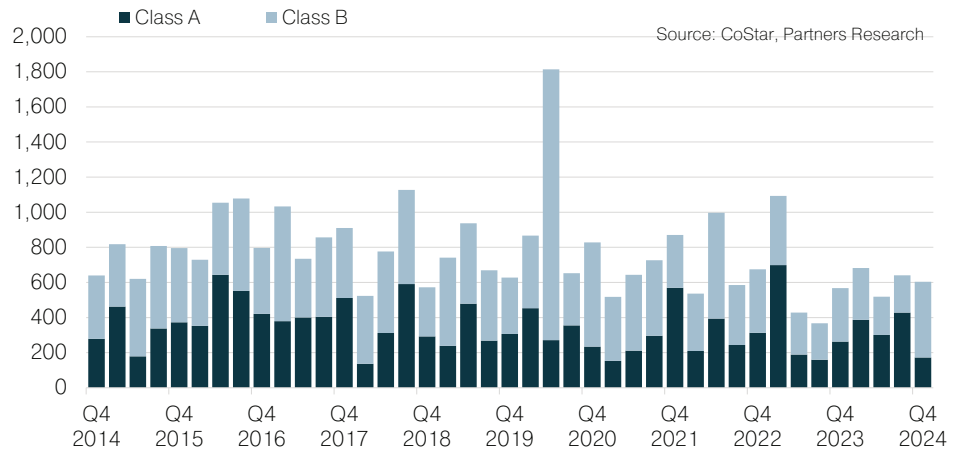
Net Absorption



Deliveries



Leasing Activity



Vacancy Rate Decreases to 17.3%

The overall vacancy rate in San Antonio's office market is at 17.3%. With positive absorption over the past two quarters and no new deliveries, the vacancy rate has been declining, still year over year it is up 20 basis points from Q4 2023. Also, vacant sublease space, which has been a drag on the market has decreased significantly over recent quarters and now stands at 399,103 sq. ft., well below the peak level of 1.3 million sq. ft. in Q1 2022.

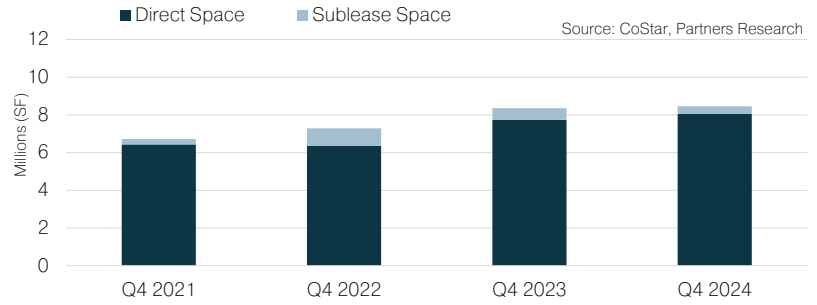
Investment Sales Trends Remain Subdued

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q4 2024 at \$59.4 million. For the past year, 60 office properties were sold with an average \$248 price per sq. ft. and an average cap rate of 9.8%. Notable sale transactions in late 2024 include Sageview Partners acquired the 381,393 sq. ft./three building office portfolio of Forum One, Two and Three. The portfolio was 86% occupied at the time of sale. Also, an individual investor acquired Energy Plaza I & II, totaling 180,508 sq. ft. The properties were 89.7% leased at the time of the sale.

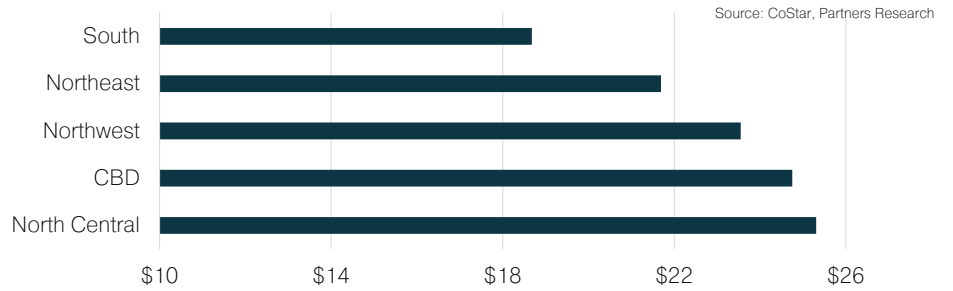
Rent Growth Reaches All-Time Highs Again

San Antonio's full-service average rent stands at \$24.33 per sq. ft., which is up 4% over the past year. Asking rents for Class A and Class B space are at \$27.56 per sq. ft. and \$22.09 per sq. ft., respectively. Despite limited demand over the past few quarters, Class A rates went up about 4% over the past year, while Class B rates were flat.

Vacancy



Overall Gross Asking Rent (\$/PSF)



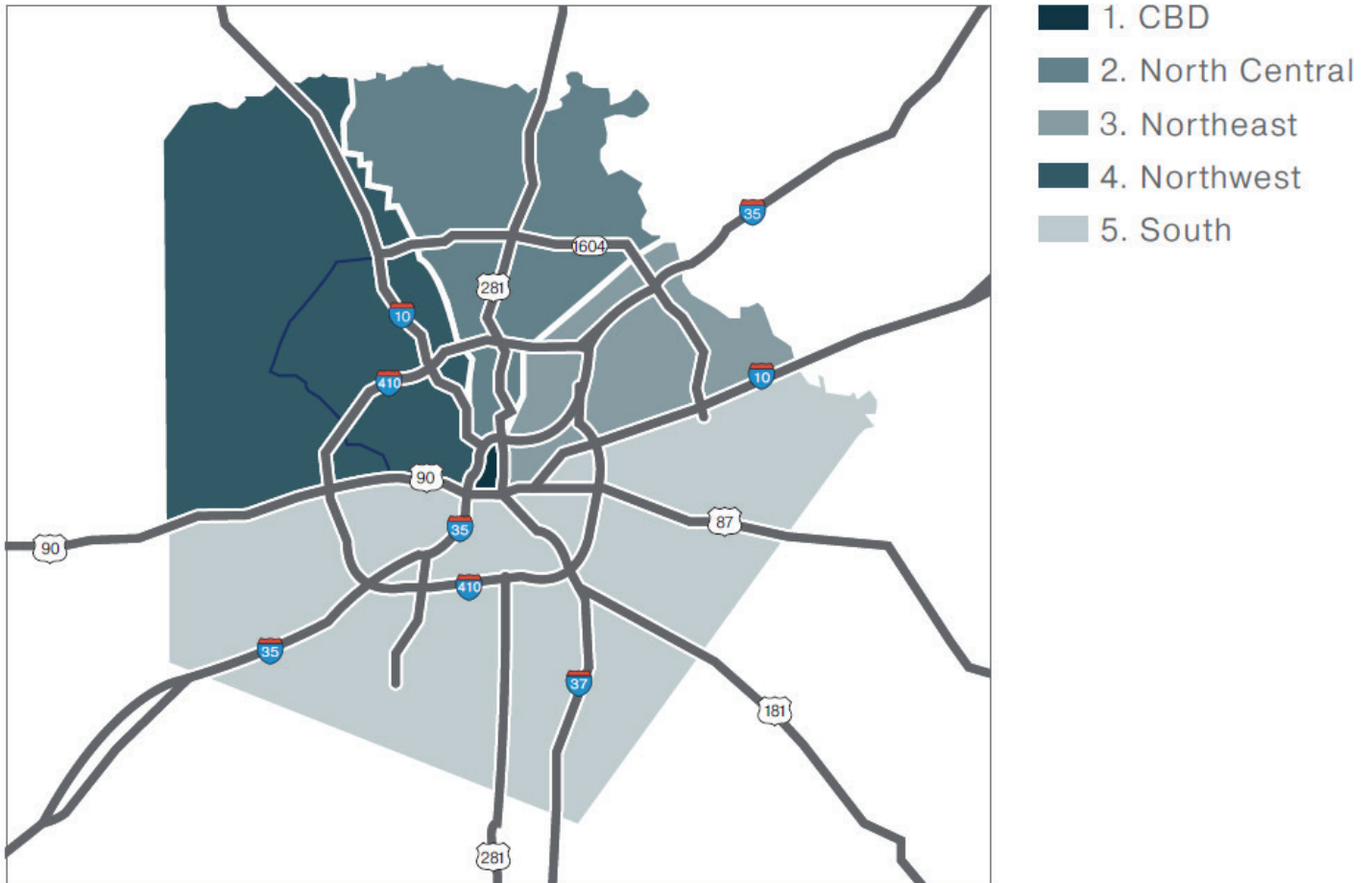
Market Overview

Submarket Stats

Submarket Statistics (Total reflects Class A/B Only)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	Q4 2024 Leasing Activity (SF)	Q4 2024 Deliveries (SF)	Overall Gross Avg Asking Rent (\$/PSF)
CBD Total	6,622,785	26.7%	26.7%	51,228	-194,207	27,167	0	24.75
Class A	3,853,952	34.6%	34.7%	-19,120	-322,794	6,593	0	25.00
Class B	2,768,833	15.7%	15.7%	70,348	128,587	20,574	0	24.50
North Central Total	16,445,217	15.3%	17.9%	-143,336	179,383	268,316	0	25.31
Class A	7,550,760	15.8%	18.1%	53,350	182,425	112,407	0	29.23
Class B	8,894,457	14.9%	17.7%	-196,686	-3,042	155,909	0	22.47
Northeast Total	3,813,102	19.5%	20.4%	41,896	-72,573	81,845	0	21.69
Class A	1,247,544	19.2%	19.3%	45,292	39,127	5,000	0	24.19
Class B	2,565,558	19.6%	20.9%	-3,396	-111,700	76,845	0	20.35
Northwest Total	20,284,231	15.6%	18.7%	159,440	170,823	226,538	0	23.55
Class A	7,214,839	17.1%	20.8%	84,385	364,013	48,781	0	26.18
Class B	13,069,392	14.8%	17.5%	75,055	-193,190	177,757	0	21.51
South Total	1,770,607	15.0%	17.4%	22,350	-104,841	0	0	18.68
Class A	586,318	35.1%	35.1%	0	-102,408	0	0	-
Class B	1,184,289	5.1%	8.6%	22,350	-2,433	0	0	18.68
Suburban Total	42,313,157	15.8%	18.5%	80,350	172,792	576,699	0	24.30
Class A	16,599,461	17.3%	20.0%	183,027	483,157	166,188	0	27.59
Class B	25,713,696	14.8%	17.5%	-102,677	-310,365	410,511	0	21.90
San Antonio Market Total	48,935,942	17.3%	19.5%	131,578	-21,415	603,866	0	24.33
Class A	20,453,413	20.6%	22.8%	163,907	160,363	172,781	0	27.56
Class B	28,482,529	14.9%	17.2%	-32,329	-181,778	431,085	0	22.09

Market Overview

San Antonio Office 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