



The City of San Antonio
The Shining Star of the Lone Star State

An Overview

Geography

San Antonio, capital of Bexar County, is in south-central Texas located on the Balcones Escarpment at the headwaters of the San Antonio River. The city is approximately 80 miles southwest of Austin and 200 miles west of Houston. The San Antonio MSA is the 24th largest metropolitan area in the country with 2,558,143 people across 505 square miles, according to the 2020 Census. The metropolitan area encompasses Alamo Heights, Castle Hills, Converse, Kirby, Leon Valley, Live Oak, Schertz, Terrell Hills, Universal City, and Windcrest

History

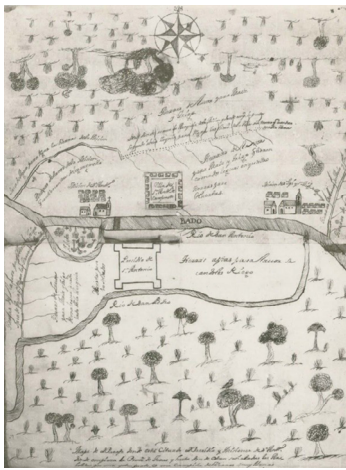


Figure 1: Map of San Antonio, Texas, 1730

In 1691, Spanish explorers arrived at the region known today as San Antonio, which was then a Payaya Indian camp. 27 years later, San Antonio was founded on May 1st, 1718, when the Mission San Antonio de Valero was constructed by a Spanish expedition from Mexico. The Alamo was one of five missions established in the area and was named for St. Anthony of Padua. San

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Antonio de Béxar, a presidio, was then founded nearby on May 5th, 1718, located on the river’s west bank, and served as a rest stop for travelers between the Rio Grande and East Texas missions.

San Fernando de Béxar was founded in 1731 by Canary Island settlers near the presidio, where a civilian community had been envisioned during the time the presidio and mission were built. Raids by Apache and Comanche tribes plagued the colony in its early years. In 1793, the mission was secularized and turned into a military garrison.

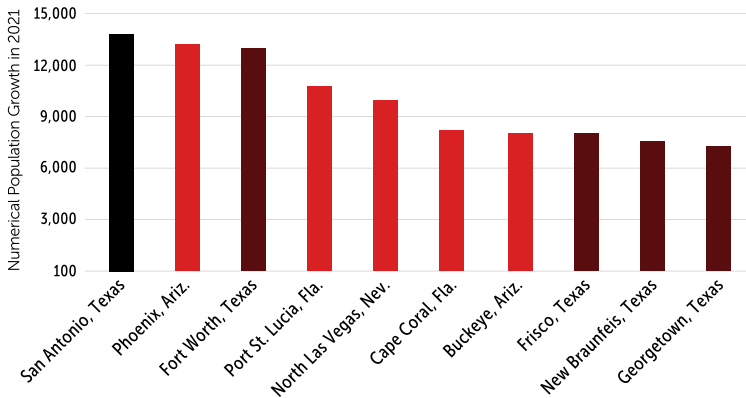
From 1773 to 1824, San Fernando de Béxar served as the province capital; however, its political power withered shortly thereafter. It was renamed San Antonio in 1837, after it became a county seat of the Republic of Texas

Demographics

San Antonio is the second largest city in Texas and the seventh largest city in the United States, as of 2020, with a population of 1,598,964 and a population density of 3,296 people per square mile.



San Antonio's population has risen by 20.46% since the 2010 census. In 2021, San Antonio added more people than any other U.S. City, according to CoStar.



Source: 2021 Vintage Population Estimates, Census Bureau
 Figure 2: San Antonio, Texas Population Growth

Texas has been experiencing a surge in population and could possibly overtake California as the most populated state by 2035. While San Antonio will not likely surpass Houston anytime soon, its surge in development will allow it to retain its position as Texas' second largest city for the foreseeable future. San Antonio's population has exponentially grown since 1970, from 650,000 to over 1.5 million in 2020.

Business Climate

San Antonio is a diverse, progressive, and globally competitive city with a clear strategy for national and international economic growth. The National Civic League designated San Antonio an All-America City in 2012. The City of San Antonio has a "AAA" general obligation bond rating from all three major rating agencies, indicating that it is in good financial shape. San Antonio is named No. 1 on the Milken Institute's ranking of the Best-Performing Cities.

According to the U.S Bureau of Labor Statistics, the unemployment rate has returned to a stable 3.5% as of May 2022, compared to pre-pandemic lows of sub 3%. According to the Dallas Federal Reserve, San Antonio lost 130,511 jobs in March and April of 2020 due to city lockdowns; however, more than 83% of those positions had been reclaimed as of June 2022. While some businesses were

SAN ANTONIO, THE COUNTRY'S SEVENTH-LARGEST CITY, IS SEEING STRONG ECONOMIC GROWTH IN 21ST-CENTURY INDUSTRIES SUCH AS **BIOSCIENCE AND HEALTHCARE, AEROSPACE, IT/CYBERSECURITY, AND GREEN TECHNOLOGIES.**

not able to endure the pandemic lockdowns, an ample number of new businesses arose. San Antonio, the country's seventh-largest city, is seeing strong economic growth in 21st-century industries such as Bioscience and Healthcare, Aerospace, IT/Cybersecurity, and Green Technologies.

- San Antonio's Biotech and Healthcare industries contribute substantially to the local economy.
- With the presence of various Aviation and Aerospace firms, including the Military, the Aerospace industry remains a prominent economic powerhouse in San Antonio.
- For more than 200 years, the Military has had a strong presence in San Antonio featuring multiple military command bases.
- The city is also a Cybersecurity hotspot with national recognition as a leader in the industry.
- San Antonio has positioned itself to be at the vanguard of the United States' New Energy Economy with a commitment to green industry investment and job creation.

Quality of Life

- Forbes ranks San Antonio 44th in the nation for job growth, 48th for best place for business and careers, and 55th for the



cost of doing business.

- The metro area is ranked by U.S. News & World Report as the 41st best place to live and the 24th best place to retire in the country.
- WalletHub ranks the San Antonio metro area among the top 70 best cities in the country for jobs.
- Cost of living in San Antonio is just 2% above the national average.



San Antonio Real Estate Market:

In 2022 to 2023, the real estate market in San Antonio is expected to surpass those of other Texas cities, with home prices expected to climb by 13.5% from May 2022 to April 2023, according to Zillow. In 2020, Curbed named San Antonio one of the top five places in the nation where homes could be a solid investment.

After two years, it appears that Curbed's prediction that the San Antonio real estate market would outperform was correct. According to the San Antonio Board of Realtors (SABOR), the median price of a single-family house in San Antonio has climbed by 20% in the last year (as of June 2022); however, days on market have increased from 26 to 29 this year.

Home prices in San Antonio increased by around 20% year-over-year, with median home price exceeding \$340,000 for the first time in history. However, industry experts believe that home prices are still undervalued in the city. With increasing home sales, high prices, and tightened inventory, San Antonio is becoming a prominent place for investors.

Key Insights:

- Zillow Home Value Index (ZHVI) for San Antonio is \$301,294, as of June 2022.
- Over the past five years home values in San Antonio have

increased by nearly 61%.

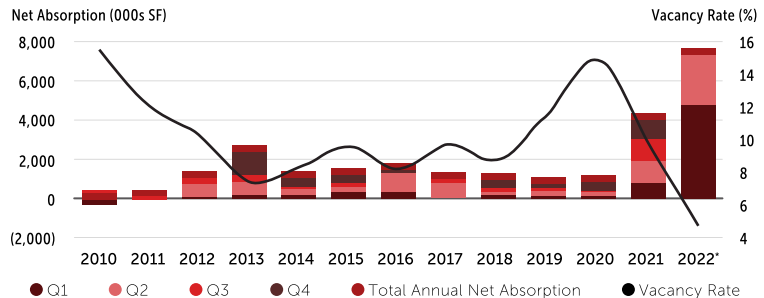
- Price per square foot of the median single-family home listed for sale in San Antonio is \$179/SF, as of June 2022.
- Of the 179 neighborhoods in San Antonio, Realtor.com reports that The Dominion is the most expensive neighborhood with a median listing price of \$1.2MM.
- The most affordable neighborhood in San Antonio to buy a home is Highland Hills where the median listing price is \$190,000.



San Antonio Commercial Real Estate Market:

San Antonio Industrial Market

San Antonio asking rents for industrial space grew by 7% year-over-year as of May 2022, according to NAI. Leasing activity was strong again, with the San Antonio region recording 2 million SF of activity, comparable to last quarter and this time last year. 6.2 million SF of industrial space has been delivered YTD in 2022 with 7.4 million SF under construction and another 8.1 million SF proposed through 2023, signifying the demand for industrial assets may continue to overwhelm supply.



Source: CBRE Research, Q2, 2022

Figure 3: San Antonio Industrial Market 2022, Net Absorption and Vacancy Rate



Key Insights:

- Total annual net absorption for the industrial market increased from 4.1 million SF in 2021 to over 7.5 million SF so far in 2022. This is the highest net absorption recorded by San Antonio.
- Currently, vacancy rate is 4.5%, down from 10% in 2021 and 15% in 2020.
- The market-wide average asking rental rate grew to \$7.15/SF as of May 2022, up \$0.15/SF quarter-over-quarter. Asking rate for warehouse & distribution centers increased by \$0.40/SF quarter-over-quarter.
- So far in 2022, construction of new industrial space remains strong with projects currently underway totaling over 6.1 million SF. Of the projects under construction, roughly 24% is built-to-suit and 76% is speculative.
- Deliveries ramped up with 12 projects totaling 2.5 million SF, completing construction in Q2 2022.
- Most of this positive movement was recorded due to high demand from 3rd party logistic companies and last mile distributors who are seeking new or additional space in the market

San Antonio Office Market

According to the National Association of Realtors, San Antonio has been identified as one of America's top ten commercial office markets of 2021. Office space occupancy has dropped slightly in the last year,

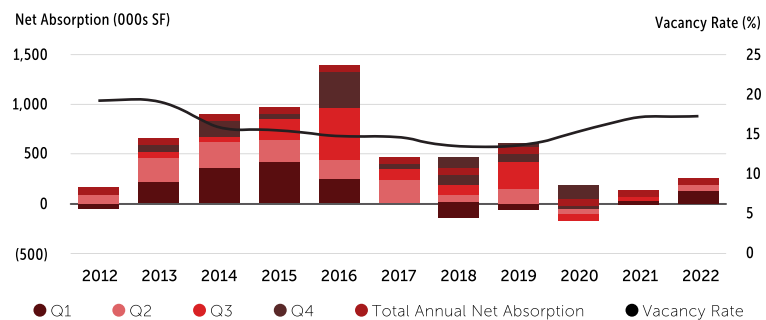
from 89.5% to 88.2%.

On the other hand, downtown has roughly

83% occupancy, due to the large quantity of new construction delivered during the pandemic.

San Antonio's office rents are rising, while vacancy rates are holding steady. Office market rent in San Antonio increased from \$26.85/

SF in Q2 2021 to \$27.17/SF in Q2 2022. In the Central Business District, office market rent increased from \$26.44/SF in Q2 2021 to \$26.82/SF in Q2 2022. Suburban office parks have more than five times the inventory of office space compared to the Central Business District.



Source: CBRE Research, Q2, 2022

Figure 4: San Antonio Office Market 2022, Net Absorption and Vacancy Rate

Key Insights:

- Over 91,000 SF of positive net demand was tracked by CBRE Research in Q2 2022, marking the fourth consecutive quarter of positive net absorption.
- Deliveries slowed in the second quarter, with one project completion in the Far West submarket. While construction starts flattened in Q2 2022, pre-leasing activity picked up, particularly in the North Central submarket. Approximately 68.6% of office space under construction is already pre-leased. Though construction leveled out this quarter, 34 projects totaling roughly 3.4 million SF are in proposal stages.
- Overall vacancy rate was recorded at 17.2%. Far West area saw the highest vacancy rate at 30.5%, whereas lowest vacancy rate of 2.8% was recorded in the South region.
- Market rent in Q2 2022 was \$27.17, a slight increase of \$0.06/SF from Q1 2022.

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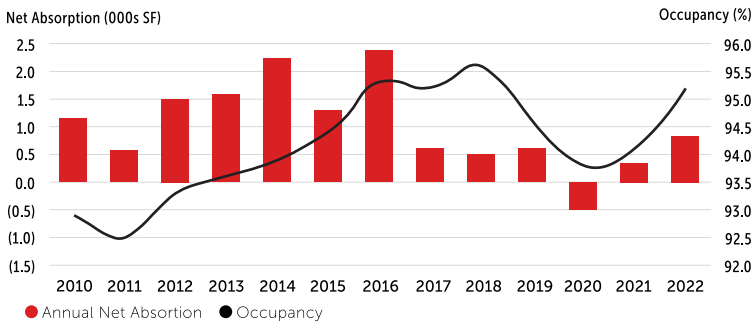


San Antonio Retail Market

The San Antonio retail market has recovered from the pandemic, with occupancies and rentals aligning to those seen prior to the pandemic. According to Foresite CRE's Q2 2022 retail report, occupancy is at 95.6%, up from 94.3% during the peak of the pandemic and 95% in 2019. Average asking rent for retail has recovered to \$17.22/SF, approaching pre-pandemic rents of \$17.94/SF.

Looking at retail center sales, 46 class A & B multi-tenant retail centers were publicly marketed in Q2 2022, with an average market cap rate of 6.46%. Asking prices are slightly lower than pre-pandemic prices, according to Foresite CRE.

San Antonio's positive net absorption of retail hit a 5-year high in 2022 YTD. Retail net absorption in San Antonio is positive 750,000 SF YTD, while vacancy rates and market rent continue to climb. Occupancy is currently 95.2% and market rent has increased from \$19.82/SF in Q2 2021 to \$20.68/SF in Q2 2022



Source: CBRE Research, Q2, 2022

Figure 5: San Antonio Retail Market 2022, Net Absorption and Vacancy Rate

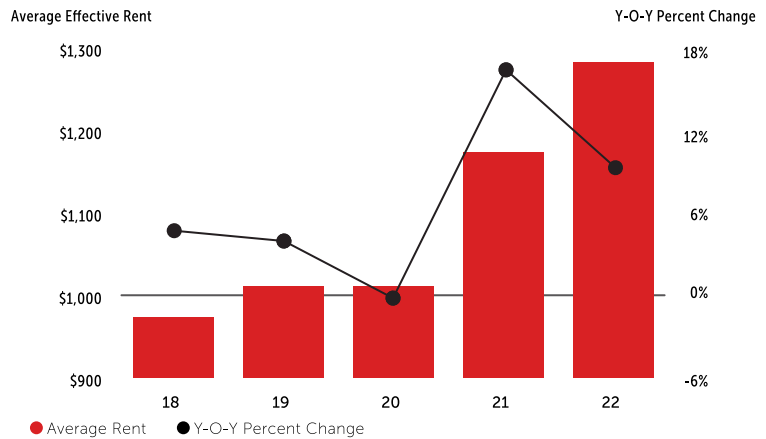
Key Insights:

- San Antonio's retail market has experienced a steady recovery so far in 2022. For the first time since 2019, San Antonio's retail market has seen occupancy rates above 95%.

- Market rent has steadily increased since the pandemic with the Northwest submarket recording the highest rent in the city at \$32/SF, while Guadalupe County recorded the lowest rent at \$14/SF.
- In Q2 2022, vacancy rate was recorded at 4.8%, down from 5.6% in Q4 2020.
- Market rent in Q2 2022 was \$20.68/SF, an increase of \$0.36/SF from Q1 2022.
- Market rent growth (YoY) was 4.3% in Q2 2022 compared to 2.7% in Q2 2021.

San Antonio Multifamily Market

At the start of 2021, the pandemic's disruptions, along with significant inventory expansion, put a strain on San Antonio's multifamily market. Following the pandemic, the market rebounded sharply with effective rents increasing to an average of \$1,212 per month with an occupancy rate increasing by 3.7% to 96.9% in March of 2022. According to Marcus & Millichap, rises in mean rents across the 14 submarkets ranged from 9.4% to 22.7% in 2021. In general, the outlying areas performed better, with the Far West and Far Northwest submarkets leading the pack.



Source: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Figure 6: San Antonio Multifamily Market 2022, Average Rent and Y-O-Y Percent Change



In the San Antonio multifamily market, units absorbed increased from 4,467 in 2019 to 7,040 in 2020 to 11,668 in 2021. Number of units absorbed drastically increased over the last three years; however, units delivered decreased in 2021 to 4,187. Previously, units delivered increased from 4,834 in 2019 to 7,730 in 2020. The discrepancy in supply and demand is a driving factor for the increase in effective rent in San Antonio as well as many other cities throughout the country.

Key Insights:

- For the first time in eight years, the annual construction completion totals as of May 2022 was below 5,000 units, and construction will remain mild in the near term. Less than 9,000 rentals have broken ground, with scheduled finalization dates into 2023, according to Marcus & Millichap.
- Increases in the job market and population have resulted in a significant increase in the absorption of units in 2021. San Antonio recorded the highest absorption in 2021 since 2012.
- It is expected that market supply and demand would strike a balance in the next five years driven by strong economic drivers and continued job and population growth.
- So far in 2022, San Antonio has seen a 17.4% increase year-over-year in the average net effective rent.
- In 2021, San Antonio's multifamily sales volume totaled \$712 million, an increase of 10.5% from 2020. Investors are increasingly interested in San Antonio as the market combines high-growth prospects with value to create an attractive atmosphere for capital.



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