

	YoY Chg	12-Mo. Forecast
15.1% Vacancy Rate	▲	▲
-128K Net Absorption, SF	▼	▲
\$23.62 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
1.05M San Antonio Employment	▼	▲
6.2% San Antonio Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: Pandemic-era trends favor San Antonio

San Antonio is uniquely positioned to outperform in the post-pandemic period thanks to a low cost of living, ample housing and a diverse, stable mix of employment sectors. Total employment in the metro as of Q1 2021 is down by 4.0% compared to one year earlier. By comparison, U.S. total employment is down by 5.6% during that period. Office-using employment in San Antonio, a more reliable predictor of forthcoming office demand, has recouped all pandemic-related losses, and is up by 3.7% on a year-over-year (YOY) basis. The market also stands to benefit from the pandemic-era emphasis on housing supply. Single-family permitting levels are increasing at double-digit rates to start 2021 as developers rush to accommodate above-average population growth.

SUPPLY AND DEMAND: Class A showing resilience, new supply commensurate with demand

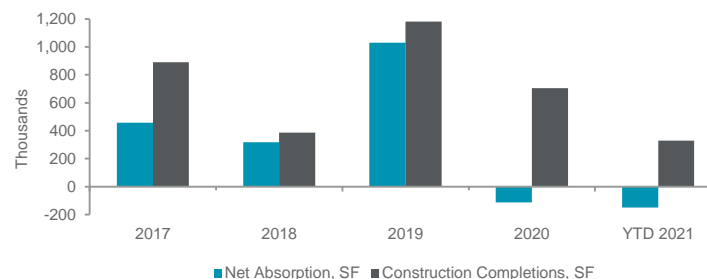
The relatively rapid reopening of the Texas economy and return-to-office strategies adopted by key local industries (defense, healthcare, finance) and employers (USAA, Wells Fargo, etc.) will lift the medium-term outlook for the San Antonio office market. As of Q1 2021, net absorption remains negative, but the extent of the negative net absorption is concentrated among lower-quality assets. Class A properties recorded positive 308,065 square feet (sf) of net absorption over the past year. Credit Human was the largest move-in of the quarter, taking 210,000 sf in the North Central submarket.

As a generally low-barrier-to-entry market, supply risk is always a challenge in San Antonio. During Q1 2021, the total volume of construction underway in the market amounted to 1.5 million square feet (msf), which is equal to 3.2% of San Antonio's existing inventory. Despite relatively high construction activity, new supply remains generally commensurate with the depth of current and forecast demand in the market. The Northwest submarket—home to a diverse set of employers and the market's medical cluster—continues to attract the lion's share of development activity, with one-third of the market's under-construction volume targeting this submarket. The largest completion of the quarter was the Credit Human Tower in North Central and the largest under-construction property is the Jefferson Bank Headquarters (230,000 sf), which is expected to deliver in North Central during Summer 2022.

PRICING: Rental growth rates return to positive territory for the quarter

One result of a generally active construction market is relatively tepid rental growth rates. However, following two consecutive quarters of negative rent growth, YOY rental growth rates returned to positive territory during Q1 2021. On a YOY basis, asking rents for all asset classes, \$23.62 per square foot (psf), increased by 1.7%; Class A asking rents (\$27.89 psf) increased by 2.6%; and Class B asking rents (\$21.81 psf) rose by 1.9%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	7,405,477	23,182	1,006,963	13.9%	-135,601	-135,601	29,245	0	\$25.05	\$27.87
Far North Central	3,399,366	80,521	397,049	14.0%	-133,089	-133,089	32,146	221,849	\$32.01	\$31.56
Far Northwest	1,088,690	69,086	278,358	31.9%	4,282	4,282	1,739	242,886	-	-
Far West	3,058,408	10,591	209,277	7.2%	14,299	14,299	5,905	106,000	\$25.67	\$30.30
North Central	12,209,850	54,852	1,998,597	16.8%	112,248	112,248	110,562	73,000	\$23.40	\$27.49
Northeast	3,955,352	3,184	638,099	16.2%	-21,873	-21,873	21,877	230,000	\$24.11	\$28.77
Northwest	15,193,581	78,776	2,277,497	15.5%	40,065	40,065	168,382	499,998	\$23.06	\$27.56
South	1,672,867	0	109,413	6.5%	-7,852	-7,852	15,434	168,587	\$17.00	-
SAN ANTONIO TOTALS	47,983,591	320,192	6,915,253	15.1%	-127,521	-127,521	385,290	1,542,320	\$23.62	\$27.89

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4372 N Loop 1604 W	Northwest	Cornerstone Home Lending	25,766	Renewal*
401 E Houston St	CBD	Saferide	9,083	New-Sublease
777 E Sonterra Blvd	Far North Central	Streamline Innovations	8,175	New-Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
145 Navarro St	CBD	CPS Energy of San Antonio / B.H. Management	201,805	\$10.5M / \$52
146 Navarro St	CBD	CPS Energy of San Antonio / B.H. Management	100,000	\$5.2M / \$52

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1703 Broadway St	North Central	Credit Human	221,000	Silver Ventures
20327 W Interstate 10	Far Northwest	N/A	55,046	Rogasa / RA Builders
200 Austin Hwy	Northeast	N/A	28,355	Ridgemont Properties

KEY UNDER CONSTRUCTION Q1 2021

PROPERTY	SUBMARKET	EXPECTED COMPLETION	SF	OWNER / DEVELOPER
1900 Broadway St	North Central	July 2022	230,000	Milam / Joeris
19500 IH-10 W	Northwest	March 2022	219,000	Cromwell Street / Frasken, Oil & Ranch
RidgeWood Plaza II	Far North Central	March 2021	121,849	Worth & Associates

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