

	YoY Chg	12-Mo. Forecast
15.1% Vacancy Rate	▲	▲
-8,905 Net Absorption, SF	▼	▲
\$23.96 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
1.1M San Antonio Employment	▲	▲
5.9% San Antonio Unemployment Rate	▲	▼
5.9% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: Pandemic economic resiliency pays off in Q2

San Antonio's pandemic-resilient economic drivers—namely, a low cost of living, ample housing and a diverse, stable mix of employment sectors—coupled with the San Antonio Economic Development Foundation's recently crafted \$55 billion economic development impact plan will continue to drive positive market fundamentals through the long-term. Total employment in the metro as of Q2 2021 is up by 8.5% compared to one year earlier. By comparison, total employment in Texas is up by 6.8% during the same 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 an astounding 10.4% on a year-over-year (YOY) basis. Leisure and hospitality, the sector most directly impacted by the recession, remains meaningfully below its pre-crisis peak, but up by 2.3% from the prior quarter.

SUPPLY AND DEMAND: Absorption points to a burgeoning office market recovery

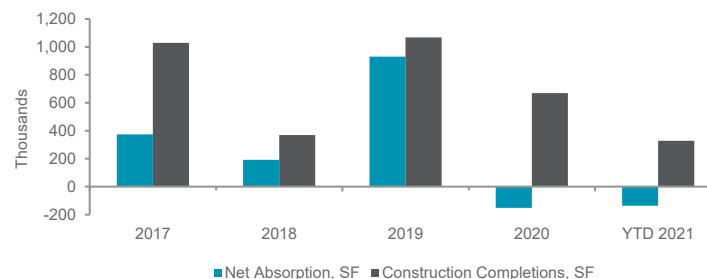
The economic re-opening and the return-to-office movement boosted San Antonio's office market in Q2, although elevated new supply levels continued to weigh on the market's short-term fundamentals. As of Q2 2021, net absorption of office space was only slightly negative at -8,905 square feet (sf), following the -125,522 sf of net absorption reported during Q1. The average office vacancy rate during Q2 remained unchanged at 15.1%. Despite higher vacancy rates—due to greater exposure to new supply—the Class A segment of the office market continued to show remarkable strength in Q2, with three consecutive quarters of positive net absorption.

Supply risk remains a challenge in low-barrier-to-entry San Antonio, a feature that has recently been offset by skyrocketing construction costs and supply shortages in raw materials. During Q2 2021, 55,046 sf of new office space delivered, which reflects the completion of the mixed-use Heron at Cresta Bella in the Far Northwest submarket. There is currently about 1.0 million square feet (msf) of space in the construction pipeline, the majority of which is targeting the Northwest submarket.

PRICING: Rental growth strong thanks to Class B insulation from new supply

Due to the relative balance in new supply and net absorption during Q2 2021, asking rental rates for all asset classes surged by 2.5% on an annualized basis, increasing from \$23.38 per square foot (psf) in Q2 2020 to \$23.59 in Q1 2021 and \$23.96 in Q2 2021. Class A asking rents ended Q2 at \$28.12 psf, which was virtually flat from one year ago. Class B asking rents, on the other hand, ended the quarter at \$21.85 psf, a stellar YOY increase of 3.9% thanks to lower new supply pressure.

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	7,459,145	20,487	1,057,361	14.5%	-47,703	-183,304	153,761	0	\$26.31	\$30.60
Far North Central	3,168,895	76,252	392,840	14.8%	8,478	-124,611	56,718	221,849	\$30.92	\$30.58
Far Northwest	1,088,690	69,086	257,027	30.0%	21,331	25,613	5,075	242,886	-	-
Far West	3,079,940	10,591	261,569	8.8%	-33,292	-18,993	7,379	82,892	\$23.27	\$30.30
North Central	12,421,526	59,373	2,074,541	17.2%	-80,465	31,783	297,632	131,000	\$23.70	\$27.53
Northeast	3,970,567	3,184	629,140	15.9%	3,767	-18,106	40,711	230,000	\$24.12	\$28.80
Northwest	15,261,653	59,432	2,193,367	14.8%	103,474	143,539	271,047	499,998	\$23.42	\$27.66
South	1,692,867	0	93,908	5.5%	15,505	7,653	26,606	168,587	\$17.00	-
SAN ANTONIO TOTALS	48,143,283	298,405	6,959,753	15.1%	-8,905	-136,426	858,929	1,577,212	\$23.96	\$28.12

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
12500 San Pedro Ave	North Central	GH	15,089	New
8930 Four Winds Dr	Northeast	One Consulting	10,000	New
12746 Cimarron Path	Northwest	Action Behavior Centers	8,491	New

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF
2700 NE Loop 410	Northeast	Alamo Area Council of Gov't / Berridge Investments	104,608
10931 Laureate Drt	Northwest	Korda Group / TPG Capital	89,928

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 Q2 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
Project Tech 2	South	2021	168,587	Port Authority of San Antonio

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