

	YoY Chg	12-Mo. Forecast
14.0% Vacancy Rate	▲	▼
271K Net Absorption, SF	▲	▲
\$23.82 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
1.1M San Antonio Employment	▼	▲
5.5% San Antonio Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Despite Delta variant, San Antonio economic picture continues to brighten

San Antonio's pandemic-resilient economic drivers—namely, a low cost of living, ample housing and a diverse, stable mix of employment sectors— as well as economic development initiatives that have resulted in a number of corporate relocations to San Antonio continue to support the market's fundamentals. Total employment in the metro as of Q3 2021 is up by 5.8% compared to one year earlier. By comparison, total employment in Texas and the United States is up by 5.5% and 4.4%, respectively, 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 7.7% on a year-over-year (YOY) basis. Leisure and hospitality, the sector most directly impacted by the recession, remains below its pre-crisis peak, but up substantially from last year.

SUPPLY AND DEMAND: San Antonio office market rebound kicks into gear during Q3

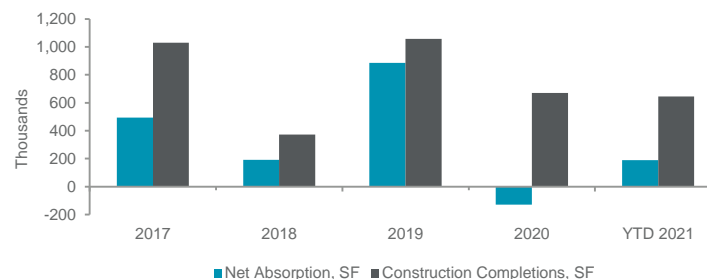
The data is unambiguous: San Antonio's office market posted incredibly strong numbers during Q3 2021, signaling a robust rebound from the depths of the pandemic-driven recession. Net absorption came in at over 270,000 square feet (sf), the largest quarterly gain since the end of 2019. In fact, the pace of absorption during the most recent quarter exceeded the market's post-Great Recession average of about 164,000 sf of net absorption per quarter. Absorption swung to positive territory in the CBD: 66,381 sf in Q3 compared to -47,703 sf in Q2. The average office vacancy rate continued to decline, hitting 14.0% in Q3. The Class A vacancy rate increased significantly during the quarter due to the heavy volume of new supply hitting the market (882,000 sf over the past four quarters).

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 Q3 2021, 203,295 sf of new office space delivered, which includes the completion of RidgeWood Plaza II in the Far North Central submarket. There is currently about 1.0 million square feet (msf) of space in the construction pipeline, the majority of which is targeting the Northeast and Far Northwest submarkets.

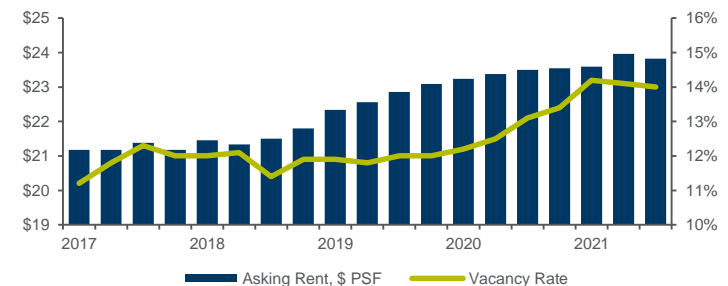
PRICING: All-class rent growth moderates, Class A rent growth plunges.

The pace of rent growth moderated on an annualized basis during Q3, increasing by 1.4% from \$23.50 per square foot (psf) in Q3 2020 to \$23.96 psf in Q2 2021 and \$23.82 in Q3 2021. Class A asking rents, on the other hand, tumbled significantly, ending Q3 at \$27.53 psf, which was down 3.0% on a year-ago basis. New supply pressure appears to be taking a toll on the higher quality properties in the San Antonio market.

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	7,705,434	41,688	868,303	11.8%	66,381	-151,421	185,240	0	\$24.83	\$25.68
Far North Central	3,292,045	69,964	475,713	16.5%	34,209	-90,402	134,966	170,000	\$31.37	\$30.54
Far Northwest	1,088,690	69,086	89,284	14.5%	167,743	193,356	5,075	242,886	-	-
Far West	3,094,335	10,591	248,876	8.4%	26,440	7,447	20,032	69,600	\$23.27	\$30.30
North Central	12,429,163	63,319	2,113,113	17.5%	-129,043	-97,260	414,980	53,000	\$23.79	\$27.27
Northeast	3,980,205	3,184	592,478	15.0%	15,133	-2,973	65,629	340,709	\$24.26	\$28.81
Northwest	15,265,549	59,432	2,036,919	13.7%	83,613	227,152	446,826	166,666	\$23.05	\$27.31
South	1,865,012	0	86,148	4.6%	6,981	102,909	114,148	0	\$17.00	-
SAN ANTONIO TOTALS	48,720,433	317,264	6,510,834	14.0%	271,457	188,808	1,386,896	1,042,861	\$23.82	\$27.53

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
18302 Talavera Rdg	Far Northwest	Medtronic	145,025	Renewal
Project Tech 2	South	GSA	80,312	New
Offices at the Mall	Northwest	University Health	40,544	New

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Lincoln Center	Northwest	Boyd Watterson / Primera Partners	157,933
Northwest Atrium	Northwest	Water Street Mgmt / Synermark Properties	93,540

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Credit Human Tower	North Central	Credit Human	221,000	Silver Ventures
Project Tech 2	South	GSA	168,587	Port Authority of San Antonio
RidgeWood Plaza II	Far North Central	N/A	121,849	Worth & Associates

KEY UNDER CONSTRUCTION Q3 2021

PROPERTY	SUBMARKET	EXPECTED COMPLETION	SF	OWNER / DEVELOPER
Jefferson Bank HQ	North Central	July 2022	230,000	Milam / Joeris
19500 IH-10 W	Northwest	March 2022	219,000	Cromwell Street / Frasken, Oil & Ranch
Parkline Office 1	Northwest	October 2021	166,666	KDC

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