MARKETBEAT

SAN ANTONIO

Office Q3 2022

	YoY Chg	12-Mo. Forecast
15.1% Vacancy Rate	▲	▲
-124K Net Absorption, SF	▼	▼
$24.13 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
1.1M San Antonio Employment	▲	▲
3.7% San Antonio Unemployment Rate	▼	▼
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW: San Antonio economy continues to improve

Although there has been growing economic concerns with rising interest rates and inflation, San Antonio is positioned better than most cities due to their low unemployment rate and strong performance in key employment sectors. San Antonio benefits from a friendly business environment that has allowed them to attract new companies which has helped fuel the city's growth. This impressive growth has led to a year-over-year increase of approximately 50,000 jobs. In addition, San Antonio's unemployment rate continued to decline as it decreased to 3.7% in the third quarter. With its low cost of living and stable mix of employment sectors, the San Antonio Metropolitan Statistical Area (MSA) continues to show significant improvement.

SUPPLY AND DEMAND: Leasing activity slows as vacancy rates increase slightly

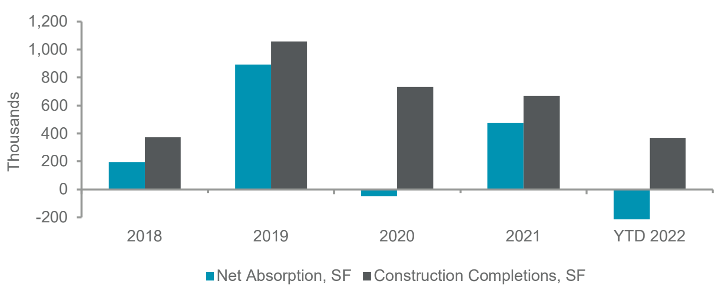
After seeing favorable leasing activity throughout the first two quarters of 2022, leasing activity slowed down in the third quarter. Approximately 390,000 square feet (sf) of new leasing activity was completed which was down 47% from the second quarter. Like other markets, much of this is due to a growing uncertainty in the market as companies deal with both hybrid work and inflation worries. Despite these concerns, citywide vacancy rates only increased 30 basis points up to 15.1% for the quarter, with direct vacancy coming in at 13.4%. After a positive second quarter, net absorption dropped back into negative territory with approximately 124,000 sf of negative net absorption recorded citywide. Net absorption for Class A buildings, however, faired much better as just under 80,000 sf of positive absorption was recorded.

As of Q3 2022, 1.4 million square feet (msf) of office space was under construction citywide with deliveries totaling 53,000 sf for the quarter. Nearly all the office construction is taking place outside of the CBD, making up 97% of the total square feet under construction.

PRICING: Rent growth comes to a halt

Average full-service rents remained mostly stable over the prior quarter as they decreased slightly to $24.13 per square foot (psf). The citywide Class A asking rates trended downward as well. This was largely due to an influx of sublease availabilities which brought the rate down to $27.62 psf. Average full-service rents in the San Antonio Central Business District (CBD) closed the quarter at $26.61 psf with Class A rents in that submarket coming in at $30.52 psf. For the first time in 2022, San Antonio saw a slight decrease in overall asking rental rates across the board.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT

MARKETBEAT

SAN ANTONIO

Office Q3 2022

CUSHMAN & WAKEFIELD

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	7,775,327	459,418	960,494	18.3%	-46,152	-653,674	69,970	45,960	$26.61	$30.52
Far North Central	3,396,166	123,796	555,216	20.0%	-41,364	-33,923	177,271	0	$29.82	$30.11
Far Northwest	1,153,394	86,234	127,008	18.5%	-6,097	-18,967	15,466	550,000	$30.00	$30.22
Far West	2,957,150	9,991	314,729	11.0%	-107,636	-129,830	15,030	60,000	$27.40	$29.76
North Central	12,466,431	31,345	2,047,763	16.7%	161,622	31,738	678,950	79,265	$23.65	$27.45
Northeast	4,164,082	3,184	635,067	15.5%	-25,941	-93,603	174,847	226,291	$23.72	$28.62
Northwest	16,000,997	130,982	1,957,224	13.1%	-37,847	25,656	534,387	229,221	$23.44	$26.30
South	1,996,711	0	90,725	4.5%	-20,223	555	24,864	200,000	$21.98	-
SAN ANTONIO TOTALS	**49,910,258**	**844,950**	**6,688,226**	**15.1%**	**-123,638**	**-872,048**	**1,690,785**	**1,390,737**	**$24.13**	**$27.62**

Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
321 W Commerce St	CBD	Texas Public Radio	45,960	New
19031 Ridgewood Pkwy	Far North Central	Undisclosed	29,182	Sublease
5682 Randolph Blvd	Northeast	AVTS	20,800	New

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Centerview Crossing Office Park	Northwest	Bow River Capital Partners / Dogwood Commercial	251,915
Ashford Oaks	Northwest	Woodside Capital Partners / Water Street Properties	190,819

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
7600 Broadway St	North Central	Morgan Stanley	53,000	Embrey Partners, Ltd.

KEY UNDER CONSTRUCTION Q3 2022

PROPERTY	SUBMARKET	EXPECTED COMPLETION	SF	OWNER / DEVELOPER
North Rim Corporate Campus	Northwest	November 2022	550,000	Fasken Oil & Ranch
Jefferson Bank HQ	North Central	November 2022	280,000	Milam Real Estate LLC
WatersEdge	South	July 2023	200,000	Cambridge Development Group

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