Market Highlights

Vacancy down year-over-year. Overall vacancy is at 10.1%, down from 10.3% this time last year. San Antonio’s overall vacancy rate has been remarkably consistent, ranging between 9.6% and 10.8% for the last two years. The vacancy rate for Class A space is at 11.7%, down 10 basis points from this time in 2018. Meanwhile, the gross average asking rental rate increased, growing to $23.11 per sq. ft., up $0.67–3.0% year-over-year. Of the 1.7 million sq. ft. currently under construction, 61% of that space is already spoken for.

H-E-B’s HQs expansion. The Historic and Design Review Commission approved design plans for a new state-of-the-art tech center to be constructed on the H-E-B campus downtown. The 170,000-sq.-ft. facility is set to begin construction in summer 2020 with completion by summer 2022. At five stories and 96 feet tall, the structure will exceed by 12 feet the height allowed under rules of the River Improvement Overlay, which is 84 feet. Commission approval was granted since the building will not be located near one- or two-story residential structures in the neighborhood or the San Antonio River. As part of this expansion, the project is expected to bring 1,000 workers to the headquarters.

Strong quarterly job growth. In 2019, San Antonio’s labor force expanded 2.1%, slightly above 2018’s 2.0%. Job growth in the fourth quarter showed construction posting strong gains at 15.2% or 2,160 net jobs; leisure and hospitality registered at 12.5% or 4,190 jobs; and manufacturing listed an increase of 9.6% or 1,200 jobs. In December, the metro unemployment rate dropped to 3.0%, while the state jobless rate ticked up to 3.5%, and the nation remained at 3.5%. Recent solid job growth and a lower unemployment rate suggests continued growth in the San Antonio economy.

Market Activity

<table>
<thead>
<tr>
<th>Year-to-Date</th>
<th>January</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Vacancy</td>
<td>10.1%</td>
</tr>
<tr>
<td>Availability</td>
<td>12.8%</td>
</tr>
<tr>
<td>Net Absorption (SF)</td>
<td>-196,524</td>
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<tr>
<td>Leasing Activity (SF)</td>
<td>146,527</td>
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<tr>
<td>Deliveries (SF)</td>
<td>22,719</td>
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<tr>
<td>Under Construction (SF)</td>
<td>1,730,836</td>
</tr>
<tr>
<td>Gross Avg Asking Rent</td>
<td>$23.11</td>
</tr>
</tbody>
</table>

Supply & Demand

Under Construction

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