

SAN ANTONIO INDUSTRIAL | Q1 2021 QUARTERLY MARKET REPORT

San Antonio Industrial market remains robust as vacancy declines

APRIL 2021

EXECUTIVE SUMMARY

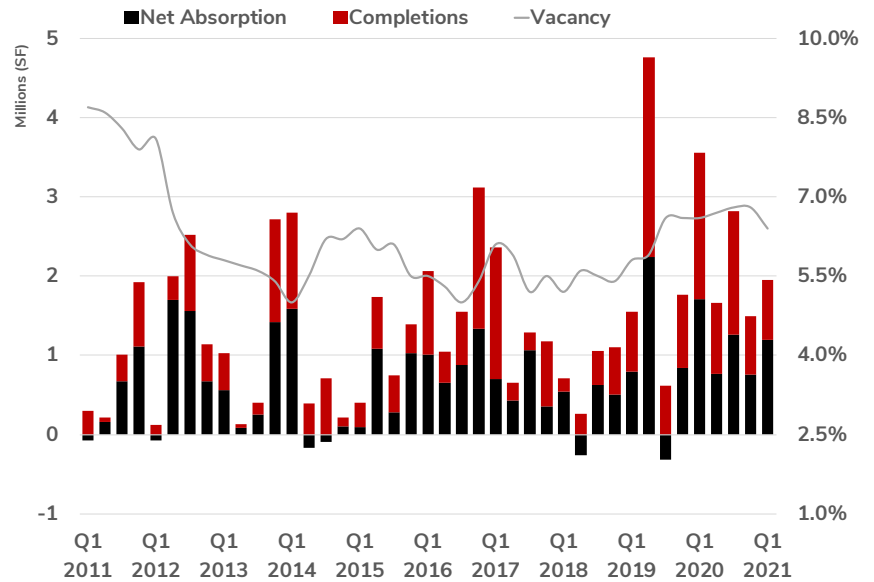
VACANCY RATE AT 6.4%

The San Antonio industrial market's overall vacancy rate decreased 40 basis points quarter-over-quarter at 6.4% and was down by 20 basis points year-over-year. Class A space ended the first quarter at 18.3% vacancy, down from 18.6% this time last year, based on a total inventory of 17.0 million sq. ft. in 103 existing industrial properties. In addition, overall net absorption registered 1.2 million sq. ft., up from 760,000 sq. ft. this time last quarter, although down from 1.7 million sq. ft. this time last year. There is 8.0 million sq. ft. under construction that includes Project Star at 3.8 million sq. ft., Amazon at 1.0 million sq. ft., and Navistar at 900,000 sq. ft. Triple net average monthly asking rents recorded \$0.57 per sq. ft. in the first quarter, up slightly from this time last quarter at \$0.56 and higher than last year at \$0.50 per sq. ft.

ECONOMIC INDICATORS

The Federal Reserve Bank of Dallas reported that while San Antonio's metro unemployment rate ticked down, jobs contracted. The metro's unemployment rate fell in January to 6.3%, compared to the state and national unemployment rates also declining in January to 6.8% and 6.3%, respectively. Job growth by industry was mixed in recent months. The Texas Workforce Commission recently released the annual benchmark revision to job growth from April 2019 to September 2020. This resulted in a revision to the Dallas Fed estimate of 2020 job growth from -6.4 percent to -4.3 percent for San Antonio. Employment fell across all sectors in 2020, with the most significant declines occurring in mining and leisure and hospitality.

SUPPLY & DEMAND



MARKET INDICATORS

	CURRENT Q1 2021	PRIOR QUARTER Q4 2020	PRIOR YEAR Q1 2020
Vacant Total	6.4%	6.8% ↓	6.6% ↓
Vacant Direct	6.2%	6.6% ↓	6.4% ↓
Available Total	8.8%	9.2% ↓	8.9% ↓
Available Direct	8.5%	8.9% ↓	8.5% —
Net Absorption (SF)	1,198,249	760,490 ↑	1,708,056 ↓
Leasing Activity (SF)	5,916,935	1,976,414 ↑	1,943,001 ↑
Construction (SF)	8,009,276	6,656,486 ↑	4,018,284 ↑
Deliveries (SF)	753,970	729,222 ↑	1,851,018 ↓
Avg Asking Rent (Gross)	\$0.57	\$0.56 ↑	\$0.50 ↑
Inventory (SF)	131,413,199	130,659,229 ↑	127,468,804 ↑

DEMAND OUTPACING SUPPLY

The San Antonio industrial market has grown to 131.4 million sq. ft., expanding the metro's inventory by 16.1%—or 18.2 million sq. ft.—in the last five years. The amount of industrial space delivered to the market during Q1 2021 was 754,000 sq. ft., compared to the quarter's 1.2 million sq. ft. of net absorption. Net absorption is the measure of total square feet occupied in existing buildings, (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a given period. 2020 full-year net absorption registered at 4.5 million sq. ft. and was comprised almost entirely of Warehouse/Distribution space.

\$140M DATA CENTER PROJECT

Microsoft Corp. is said to have plans in the works to build a data facility in the Far West submarket of San Antonio. Construction is scheduled to begin on the 79,385-sq.-ft. facility at 15000 Lambda Drive at Texas Research Park in Q2 2021 with a planned completion date of Q1 2022. The project is dubbed SAT46 and is estimated to have cost of \$140 million. Public records show that Microsoft owns 173 acres at Texas Research Park and an additional 1 million sq. ft. of real estate throughout San Antonio.

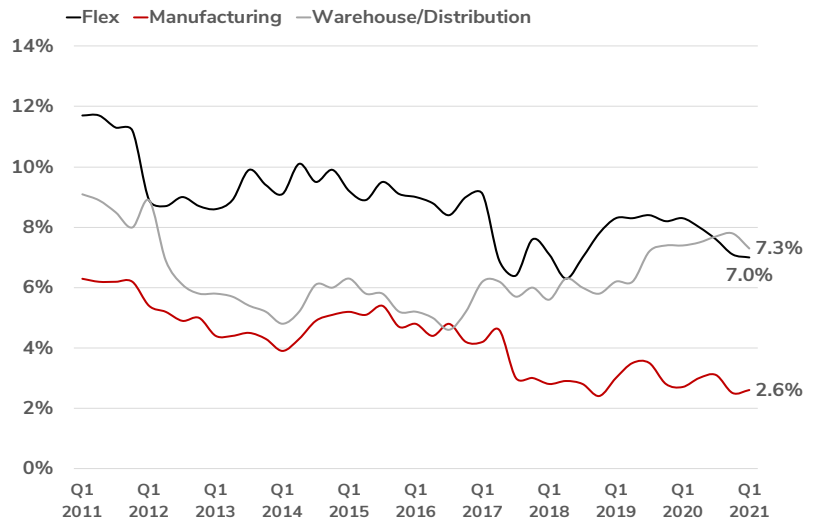
INVESTMENT SALES ACTIVITY

Real Capital Analytics data reports the first quarter sales volume for San Antonio industrial properties was \$99.4 million, compared to first quarter 2020 at \$184.0 million. The primary capital composition for buyers in Q1 2021 was made up of 45.3% institutional investors, 29.5% private, and 25.2% user/other. For sellers, the majority was 67.4% private and 32.6% user/other investors. A significant transaction in Q1 involved Exeter Property Group LLC purchasing two office and warehouse buildings in 1727 Cornerway Blvd. The larger building, completed in Q4 2020, is 207,492 sq. ft. The smaller building, which delivered this year, is 73,161 sq. ft., for a combined total of 280,653 sq. ft. The seller is an affiliate of Soto-Fis Investments LLC.

LEASING ACTIVITY

The volume of square footage signed during the first quarter was at 5.9 million sq. ft.—up from the previous quarter's 2.0 million sq. ft. Top transactions during the first quarter included Amazon signing

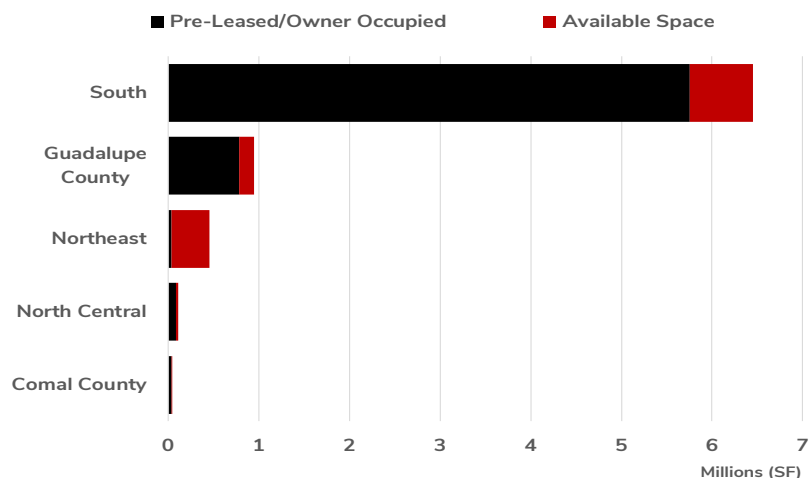
VACANCY



NET ABSORPTION



CONSTRUCTION



a deal for 3.8 million sq. ft. at 6806 Cal Turner Dr. in the South submarket dubbed Project Star (under construction); Amazon's 1.0 million sq. ft. distribution space lease at 10360 U.S. 90 Highway in the South submarket (under construction); and No7 Labs lease for 180,000 sq. ft. at 1228 Cornerway Blvd. – Building #2 in Cornerstone Industrial Park in the Northeast submarket. In addition, Famsa USA signed an industrial lease at 17745 Lookout Road – Enterprise Industrial Park II in Schertz. The firm has agreed to take 95,931 sq. ft. in the 359,251-sq.-ft. industrial building with a scheduled move in date of Q2 2021.

ECOMMERCE AND MANUFACTURING IN SCHERTZ

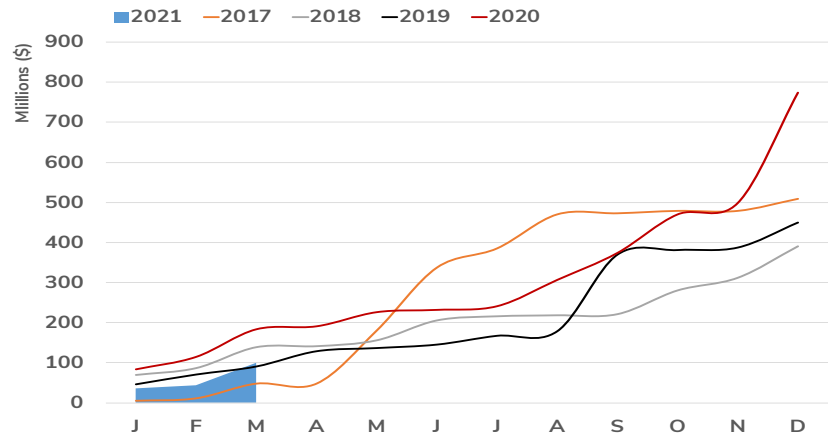
Schertz is a community with access to a skilled manufacturing workforce of over 70,000. Over the past five years, numerous top Fortune 100 companies have chosen to make major investments in Schertz. Caterpillar, Amazon.com, FedEx, and Sysco have together invested hundreds of millions of dollars and constructed over 3 million sq. ft. of space in the community. As consumer spending increases, so does the need for warehousing/distribution services. Within a 60-minute drive time, fulfillment centers in Schertz can reach over 2.3 million customers. Additionally, Schertz has a relatively young industrial building inventory, with new facilities coming on the market regularly.

AVERAGE ASKING NNN RENT

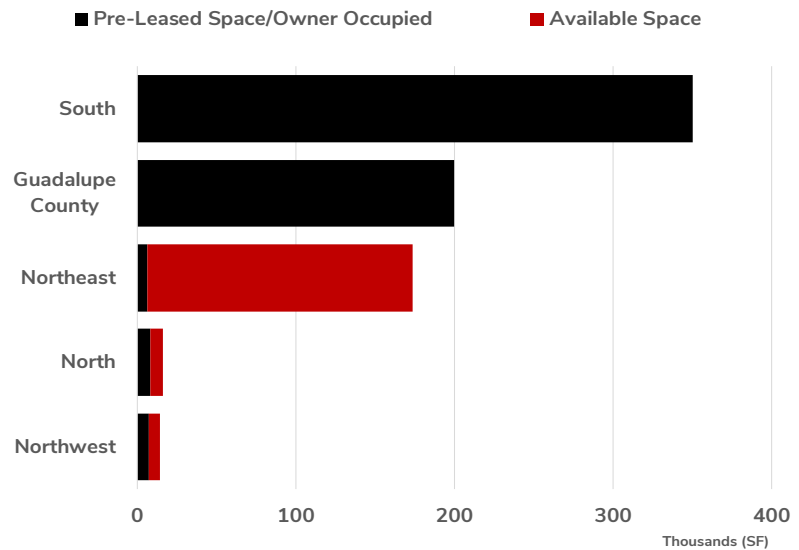
Monthly rental rates for the San Antonio market on average was \$0.57 per sq. ft., as of the end of Q1 2021, up slightly quarter-over-quarter, although up year-over-year from \$0.50. The monthly average rate for Flex space is currently at \$1.18 per sq. ft.; Manufacturing rates are at \$0.42; and Warehouse/Distribution space sits at \$0.48. The North Central (\$0.85 PSF) and Northwest (\$0.72 PSF) submarkets currently have two of the highest monthly overall average rates, followed by the Guadalupe County (\$0.55). Rental rates may remain elevated, as developers experience rising costs associated with bringing high-quality new projects to the market.

CUMULATIVE MONTHLY SALES VOLUME

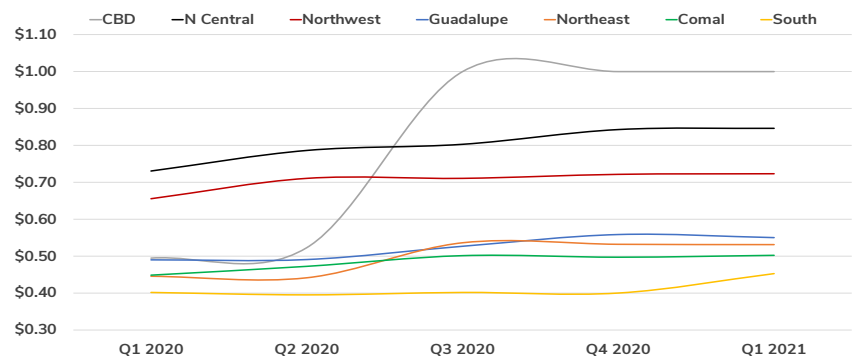
SOURCE: REAL CAPITAL ANALYTICS



DELIVERIES YEAR-TO-DATE



AVERAGE ASKING MONTHLY NNN RENT



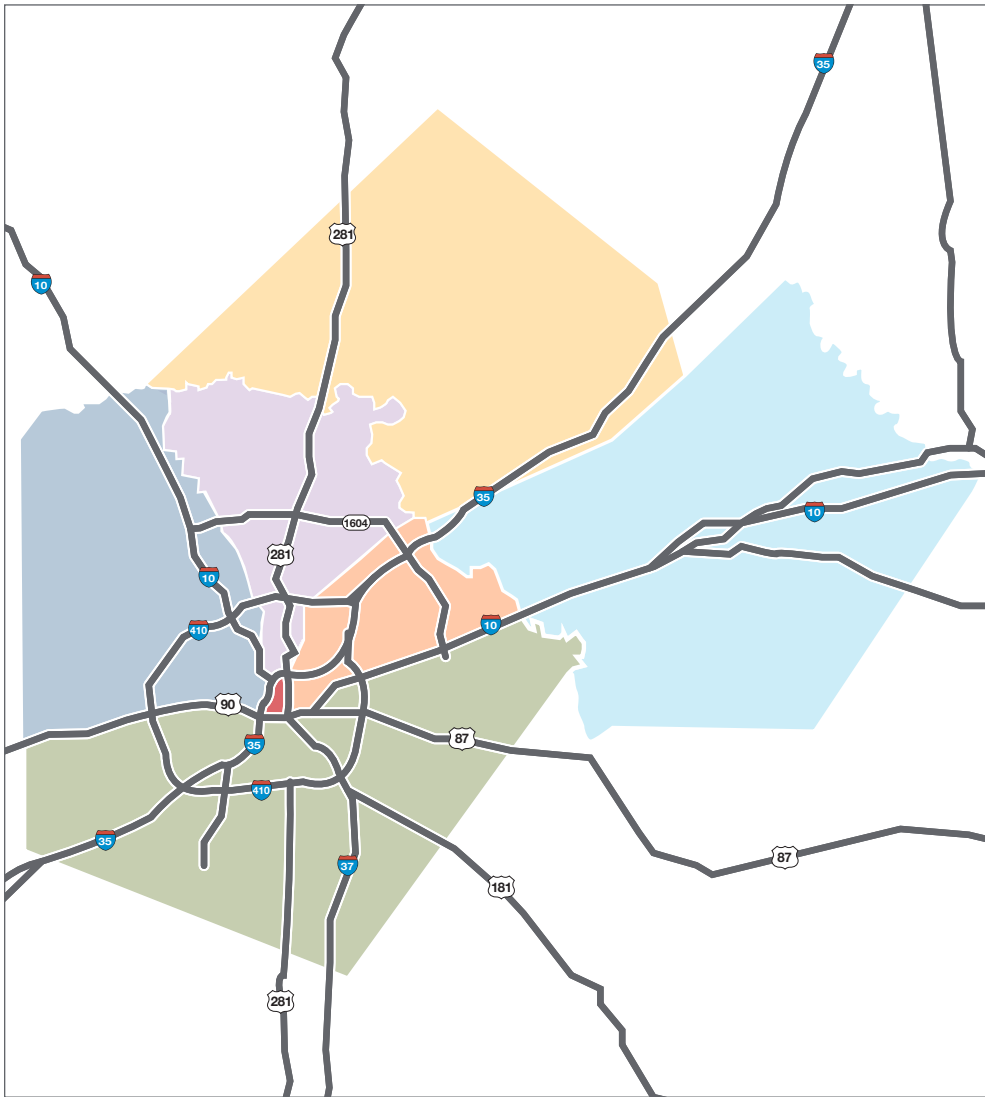
MARKET OVERVIEW

SUBMARKET STATS

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2021 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q1 2021 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/MO/PSF)
San Antonio Market Total	131,413,199	6.4	8.8	1,198,249	1,198,249	753,970	753,970	8,009,276	0.57
Flex	12,454,856	7.0	9.7	51,975	51,975	41,970	41,970	92,459	1.18
Manufacturing	24,871,457	2.6	3.6	169,860	169,860	200,000	200,000	1,473,161	0.42
Warehouse/Distribution	94,086,886	7.3	10.0	976,414	976,414	512,000	512,000	6,443,656	0.48
CBD Total	3,180,889	3.9	3.9	2,138	2,138	0	0	0	1.00
Flex	456,128	2.9	2.9	0	0	0	0	0	-
Manufacturing	666,179	0.0	0.0	0	0	0	0	0	-
Warehouse/Distribution	2,058,582	5.3	5.3	2,138	2,138	0	0	0	1.00
Comal County Total	16,081,314	6.5	7.3	370,152	370,152	0	0	42,000	0.50
Flex	409,484	7.4	12.7	5,000	5,000	0	0	0	1.10
Manufacturing	3,148,920	0.8	0.8	0	0	0	0	0	0.38
Warehouse/Distribution	12,522,910	7.9	8.8	365,152	365,152	0	0	42,000	0.52
Guadalupe County Total	11,137,371	1.0	3.5	184,654	184,654	200,000	200,000	950,279	0.55
Flex	244,807	2.4	9.7	0	0	0	0	0	1.25
Manufacturing	4,758,829	0.7	0.6	200,000	200,000	200,000	200,000	500,000	0.50
Warehouse/Distribution	6,133,735	1.2	5.6	-15,346	-15,346	0	0	450,279	0.54
North Central Total	14,482,357	7.0	7.8	-23,100	-23,100	16,250	16,250	107,429	0.85
Flex	3,778,082	7.6	8.9	-12,922	-12,922	16,250	16,250	92,459	1.13
Manufacturing	1,708,410	8.6	9.4	-10,774	-10,774	0	0	0	0.67
Warehouse/Distribution	8,995,865	6.4	7.0	596	596	0	0	14,970	0.65
Northeast Total	39,217,422	10.3	13.1	159,864	159,864	173,600	173,600	457,044	0.53
Flex	2,649,341	7.3	13.5	1,054	1,054	11,600	11,600	0	1.57
Manufacturing	4,932,076	2.9	4.9	12,084	12,084	0	0	73,161	0.32
Warehouse/Distribution	31,636,005	11.7	14.4	146,726	146,726	162,000	162,000	383,883	0.44
Northwest Total	19,846,285	3.7	7.2	77,549	77,549	14,120	14,120	0	0.72
Flex	4,561,712	7.2	9.1	58,843	58,843	14,120	14,120	0	0.95
Manufacturing	2,745,437	1.6	8.0	-31,450	-31,450	0	0	0	0.67
Warehouse/Distribution	12,539,136	2.8	6.4	50,156	50,156	0	0	0	0.58
South Total	27,467,561	4.8	8.0	426,992	426,992	350,000	350,000	6,452,524	0.45
Flex	355,302	3.5	4.8	0	0	0	0	0	0.66
Manufacturing	6,911,606	3.7	3.3	0	0	0	0	900,000	0.44
Warehouse/Distribution	20,200,653	5.1	9.4	426,992	426,992	350,000	350,000	5,552,524	0.45

MARKET OVERVIEW

SAN ANTONIO INDUSTRIAL SUBMARKETS



- 1. CBD
- 2. Comal County
- 3. Guadalupe County
- 4. North Central
- 5. Northeast
- 6. Northwest
- 7. South

Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

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Q1 2021

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