

# SAN ANTONIO INDUSTRIAL | Q2 2021 QUARTERLY MARKET REPORT

San Antonio Industrial vacancy shrinks again to lowest mark in two years

**JULY 2021**

## EXECUTIVE SUMMARY

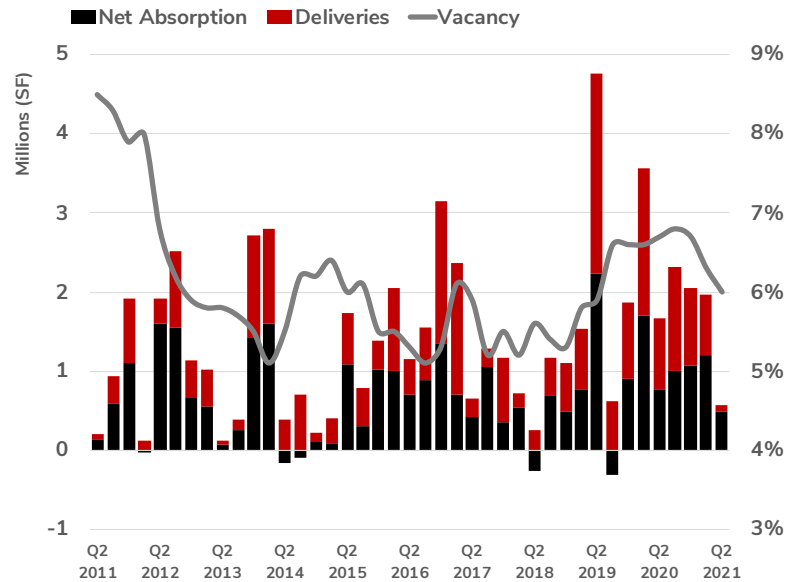
### VACANCY RATE DECREASES TO 6.0%

San Antonio's average industrial vacancy rate decreased 30 basis points quarter-over-quarter to 6.0% and decreased 70 basis points year-over-year. The vacancy rate for Class A properties is at 16.7%, down from 18.4% this time last quarter. Total inventory for Class A space represents 16.5 million sq. ft., up from 13.9 million sq. ft. as of Q2 2020, an 18.4% increase. The drop in the vacancy rate is due in part to the record-breaking level of leasing activity in the previous quarter, Q1 2021, at 6.0 million sq. ft. Second quarter overall net absorption was at 506,000 sq. ft., with 73,000 sq. ft. delivered during the same time period. Triple net average monthly asking rents recorded \$0.53 per sq. ft. in the second quarter, unchanged from this time last quarter and slightly higher than last year's \$0.52 per sq. ft. Construction is at an all-time high with 8.7 million sq. ft. in progress including Project Star at 3.8 million sq. ft., Amazon at 1.0 million sq. ft., and Navistar at 900,000 sq. ft.

### ECONOMIC INDICATORS

The Federal Reserve Bank of Dallas reported that San Antonio's metro unemployment rate declined to 5.7% in May, the lowest since March 2020. The state's jobless rate fell to 6.5%, and the nation's rate ticked down to 5.8%. Net payrolls in San Antonio expanded an annualized 4.5% (11,445 jobs) in the three months ending in May. Leisure and hospitality led the growth (18.7%, or 5,050 jobs) and was followed by construction (16.4%, or 2,180 jobs). Industries that posted net declines were financial activities (-6.0%, or 1,445 jobs), and professional and business services (-2.2%, or 830 jobs). In March and April 2020 combined, 130,511 jobs were lost as the pandemic hit. As of April 2021, 76.4% of those jobs had been recovered.

## SUPPLY & DEMAND



## MARKET INDICATORS

	CURRENT Q2 2021	PRIOR QUARTER Q1 2021	PRIOR YEAR Q2 2020
Vacant Total	6.0%	6.3% ↓	6.7% ↓
Vacant Direct	5.9%	6.2% ↓	6.5% ↓
Available Total	8.0%	8.6% ↓	9.1% ↓
Available Direct	7.7%	8.4% ↓	8.9% ↓
Net Absorption (SF)	495,202	1,206,429 ↓	771,986 ↓
Leasing Activity (SF)	1,732,486	6,024,140 ↓	2,266,953 ↓
Construction (SF)	8,744,204	7,995,105 ↑	4,668,204 ↑
Deliveries (SF)	73,161	753,970 ↓	901,873 ↓
Avg Asking Rent (Gross)	\$0.53	\$0.53 —	\$0.52 ↑
Inventory (SF)	131,441,151	131,367,990 ↑	128,325,406 ↑

**DEMAND OUTPACING SUPPLY**

Demand has outpaced supply for the past three quarters, in turn lowering the vacancy rate to levels not seen in over two years. The San Antonio industrial market has grown to 131.4 million sq. ft., expanding the metro’s inventory by 16%—or 8 million sq. ft.—in the past five years. The amount of industrial space delivered to the market during Q2 2021 included one property at 73,000 sq. ft. compared to the previous quarter’s 506,000 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. 2021 year-to-date net absorption registered at 1.7 million sq. ft. and was comprised almost entirely of Warehouse/Distribution space.

**423,000-SF SPEC INDUSTRIAL PARK BREAKS GROUND**

Cornerstone Logistics Crossing, a two-building speculative industrial park in northeast San Antonio has broken ground. The 28.8-acre development is planned to include a 224,220-sq.-ft. building and a 199,040-sq.-ft. building. Construction on the Class A project is scheduled to finish by Q4 2021. The developer is Scannell Properties.

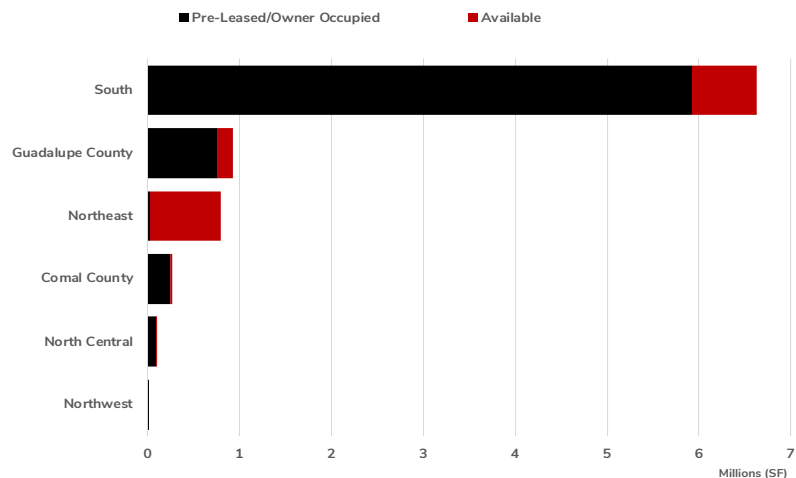
**INVESTMENT SALES ACTIVITY**

Real Capital Analytics data reports the second quarter sales volume for San Antonio industrial properties increased to \$82.6 million, compared to second quarter 2020 at \$48.3 million. The primary capital composition for buyers in Q2 2021 was made up of 51.8% private investors, 23.4% private, and 13.0% user/other. For sellers, the majority was 75.2% private and 16.9% user/other investors. A significant transaction in Q2 involved MDH Partners acquiring South Park Building IV, a 151,793-sq.-ft., Class A warehouse on 11.5 acres at 7042 Industrial Way in the South submarket. The building is currently 60% leased to tenants such as CEVA Logistics and Glazer’s Beer & Beverage. The seller was IGX Industrial Group Southwest.

**NET ABSORPTION**

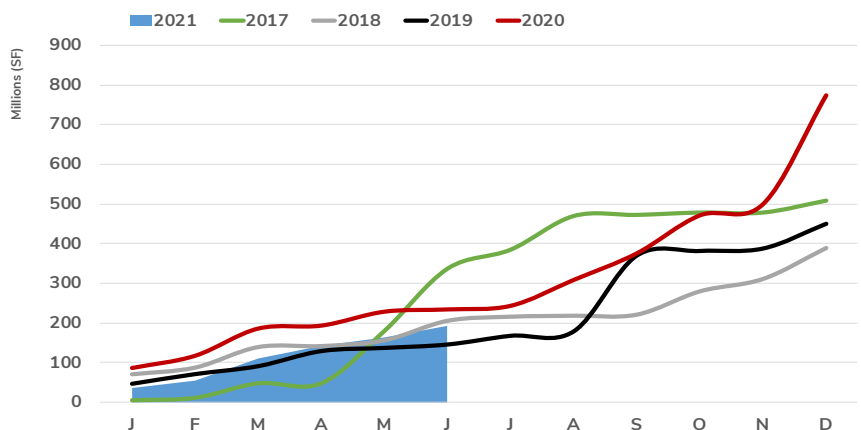


**CONSTRUCTION**



**CUMULATIVE MONTHLY SALES VOLUME**

SOURCE: REAL CAPITAL ANALYTICS



## LEASING ACTIVITY

The volume of square footage signed during the second quarter was at 1.7 million sq. ft.—down from the previous quarter’s 6.0 million sq. ft. Top transactions during the second quarter included 327,600 sq. ft. taken at 6655 Lancer Blvd. in the South submarket; Amazon signing a deal for 125,814 sq. ft. at 2218 Corner Ridge in the Northwest submarket; 114,100 sq. ft. leased at 4210 N IH 35 Highway in the Northeast submarket; and Southern Warehouse inking a deal for 83,250 sq. ft. at 3703 N. Panam Expressway in the Northeast submarket.

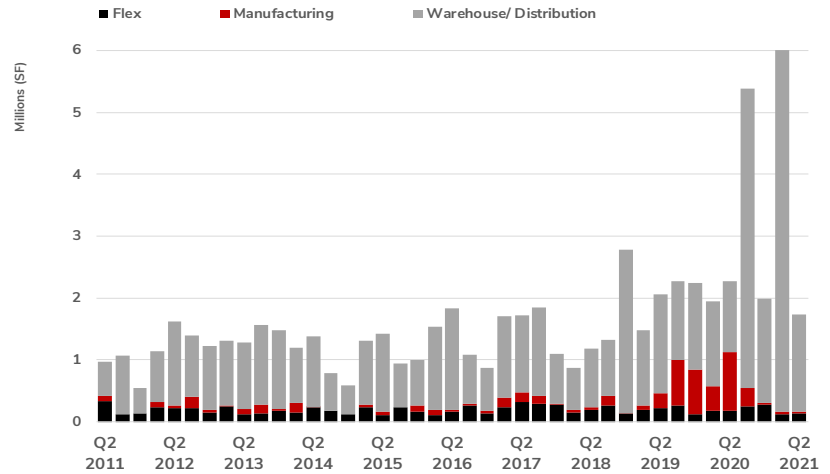
## PROPOSED \$1 MILLION CYBERSECURITY MANUFACTURING PARK

A \$1 million cybersecurity manufacturing innovation park at Port San Antonio has been proposed, inspired by the expertise of a new research institute at the University of Texas at San Antonio (UTSA). U.S. Rep. Joaquin Castro is seeking federal funding to further the cybersecurity industry in San Antonio, submitting the project on behalf of UTSA and Port San Antonio to the House Appropriations Committee. The innovation park would bring more manufacturers to Texas, strengthening the state’s reputation as a global powerhouse in the area of cybersecurity manufacturing.

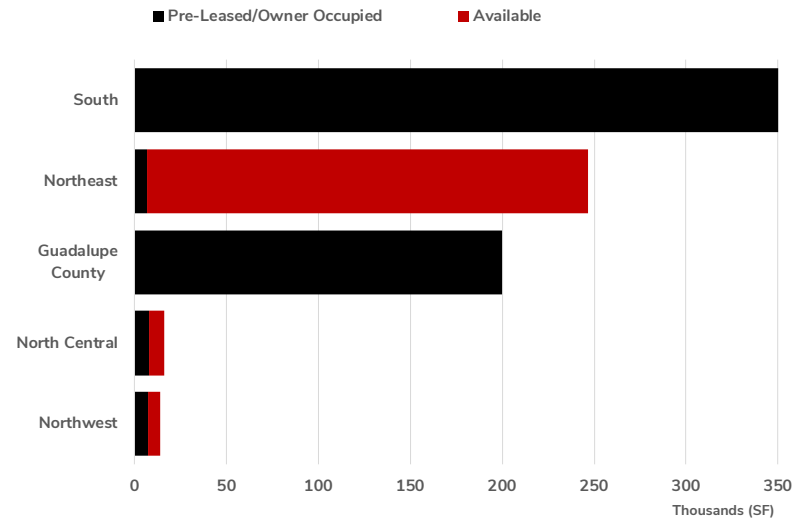
## AVERAGE ASKING NNN RENT

Monthly rental rates for the San Antonio market on average was \$0.53 per sq. ft., as of the end of Q2 2021, unchanged quarter-over-quarter, although up year-over-year from \$0.52. The monthly average rate for Flex space is currently at \$1.02 per sq. ft.; Manufacturing rates are at \$0.45; and Warehouse/Distribution space sits at \$0.47. The North Central (\$0.86 PSF) and CBD (\$0.85 PSF) submarkets currently have two of the highest monthly overall average rates, followed by the Northwest (\$0.73). Rental rates may remain elevated, as developers experience rising costs associated with bringing high-quality new projects to the market.

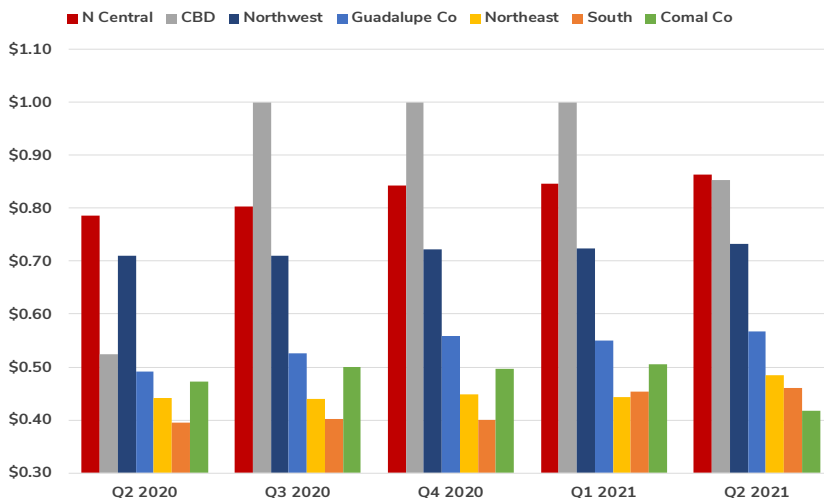
## LEASING ACTIVITY



## DELIVERIES YEAR-TO-DATE



## AVERAGE ASKING MONTHLY NNN RENT



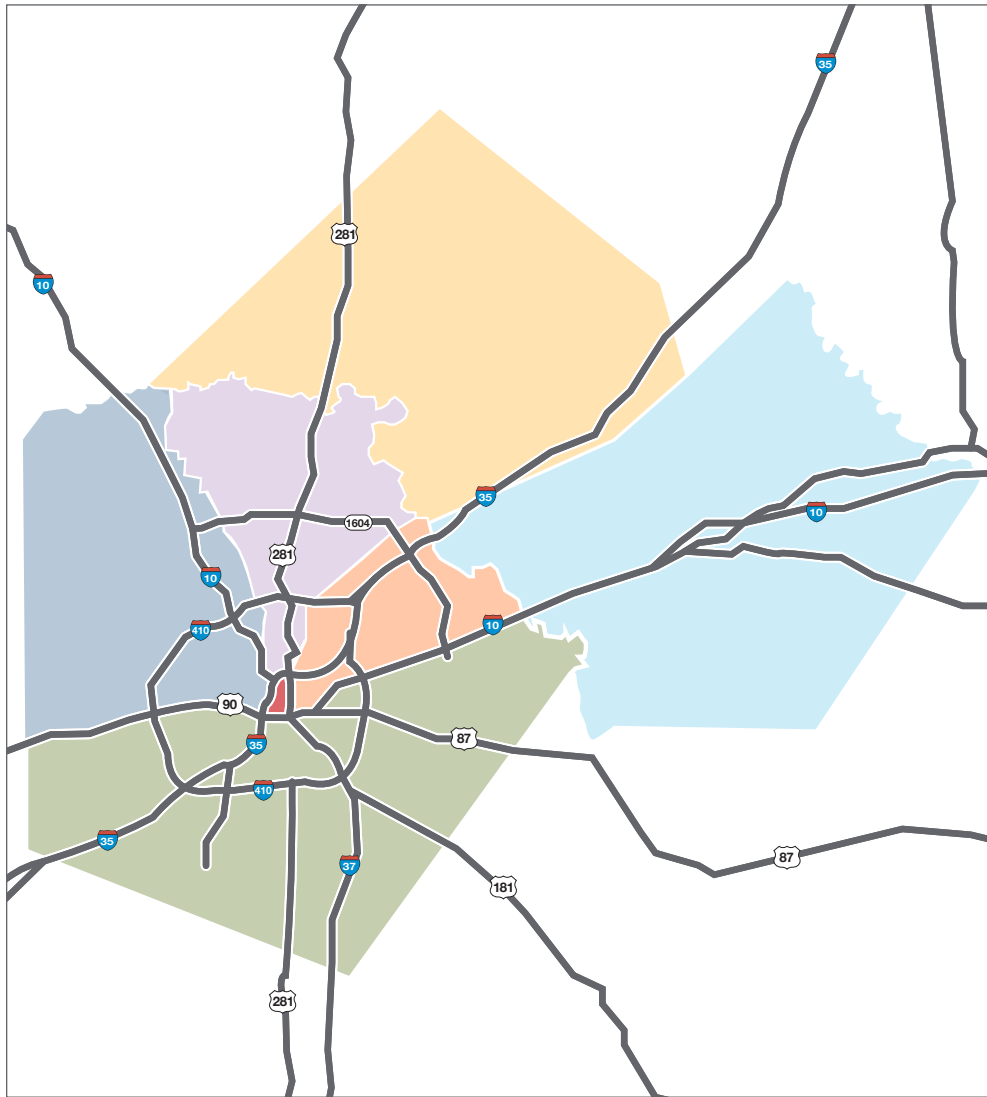
# MARKET OVERVIEW

## SUBMARKET STATS

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q2 2021 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q2 2021 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/MO/PSF)
<b>San Antonio Market Total</b>	<b>131,441,151</b>	<b>6.0</b>	<b>8.0</b>	<b>495,202</b>	<b>1,701,631</b>	<b>73,161</b>	<b>827,131</b>	<b>8,744,204</b>	<b>0.53</b>
Flex	12,292,550	6.9	8.8	-12,295	46,515	0	41,970	122,459	1.02
Manufacturing	24,894,550	3.1	3.9	-69,347	100,513	73,161	273,161	1,530,000	0.45
Warehouse/Distribution	94,254,051	6.6	9.0	576,844	1,554,603	0	512,000	7,091,745	0.47
<b>CBD Total</b>	<b>3,201,788</b>	<b>2.9</b>	<b>1.9</b>	<b>3,633</b>	<b>5,771</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.85</b>
Flex	456,128	2.9	2.9	0	0	0	0	0	-
Manufacturing	682,934	0.0	0.0	0	0	0	0	0	-
Warehouse/Distribution	2,062,726	3.8	2.3	3,633	5,771	0	0	0	0.85
<b>Comal County Total</b>	<b>16,109,702</b>	<b>4.9</b>	<b>6.6</b>	<b>252,166</b>	<b>622,318</b>	<b>0</b>	<b>0</b>	<b>267,000</b>	<b>0.50</b>
Flex	409,484	7.4	12.7	0	5,000	0	0	0	1.10
Manufacturing	3,144,183	0.5	0.5	5,700	5,700	0	0	0	0.38
Warehouse/Distribution	12,556,035	5.9	7.9	246,466	611,618	0	0	267,000	0.40
<b>Guadalupe County Total</b>	<b>11,213,387</b>	<b>1.6</b>	<b>3.8</b>	<b>-58,173</b>	<b>127,281</b>	<b>0</b>	<b>200,000</b>	<b>931,279</b>	<b>0.57</b>
Flex	244,807	1.4	8.6	2,521	2,521	0	0	0	1.13
Manufacturing	4,765,432	1.6	1.4	-41,540	158,460	0	200,000	500,000	0.50
Warehouse/Distribution	6,203,148	1.5	5.6	-19,154	-33,700	0	0	431,279	0.54
<b>North Central Total</b>	<b>14,343,257</b>	<b>5.6</b>	<b>6.4</b>	<b>201,714</b>	<b>178,614</b>	<b>0</b>	<b>16,250</b>	<b>107,429</b>	<b>0.86</b>
Flex	3,742,382	5.5	8.0	44,957	32,035	0	16,250	92,459	1.07
Manufacturing	1,708,410	8.4	9.2	4,000	-6,774	0	0	0	0.71
Warehouse/Distribution	8,892,465	5.2	5.1	152,757	153,353	0	0	14,970	0.69
<b>Northeast Total</b>	<b>39,249,147</b>	<b>10.2</b>	<b>12.6</b>	<b>96,146</b>	<b>262,490</b>	<b>73,161</b>	<b>246,761</b>	<b>796,143</b>	<b>0.48</b>
Flex	2,522,735	9.3	10.4	-43,280	-35,391	0	11,600	0	0.99
Manufacturing	4,964,717	5.0	5.4	-37,507	-25,423	73,161	73,161	0	0.41
Warehouse/Distribution	31,761,695	11.0	13.9	176,933	323,304	0	162,000	796,143	0.46
<b>Northwest Total</b>	<b>19,765,966</b>	<b>4.3</b>	<b>6.6</b>	<b>-116,184</b>	<b>-37,735</b>	<b>0</b>	<b>14,120</b>	<b>15,100</b>	<b>0.73</b>
Flex	4,561,712	7.6	8.7	-16,493	42,350	0	14,120	0	0.99
Manufacturing	2,717,268	1.6	8.1	0	-31,450	0	0	0	0.69
Warehouse/Distribution	12,486,986	3.6	5.5	-99,691	-48,635	0	0	15,100	0.60
<b>South Total</b>	<b>27,557,904</b>	<b>4.3</b>	<b>6.7</b>	<b>115,900</b>	<b>542,892</b>	<b>0</b>	<b>350,000</b>	<b>6,627,253</b>	<b>0.46</b>
Flex	355,302	3.5	9.7	0	0	0	0	30,000	0.66
Manufacturing	6,911,606	3.7	3.6	0	0	0	0	1,030,000	0.44
Warehouse/Distribution	20,290,996	4.5	7.6	115,900	542,892	0	350,000	5,567,253	0.46

# 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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Q2 2021

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