

# SAN ANTONIO INDUSTRIAL | Q3 2021

## QUARTERLY MARKET REPORT

San Antonio Industrial market records record-breaking leasing activity through first three quarters of 2021

OCTOBER 2021

### EXECUTIVE SUMMARY

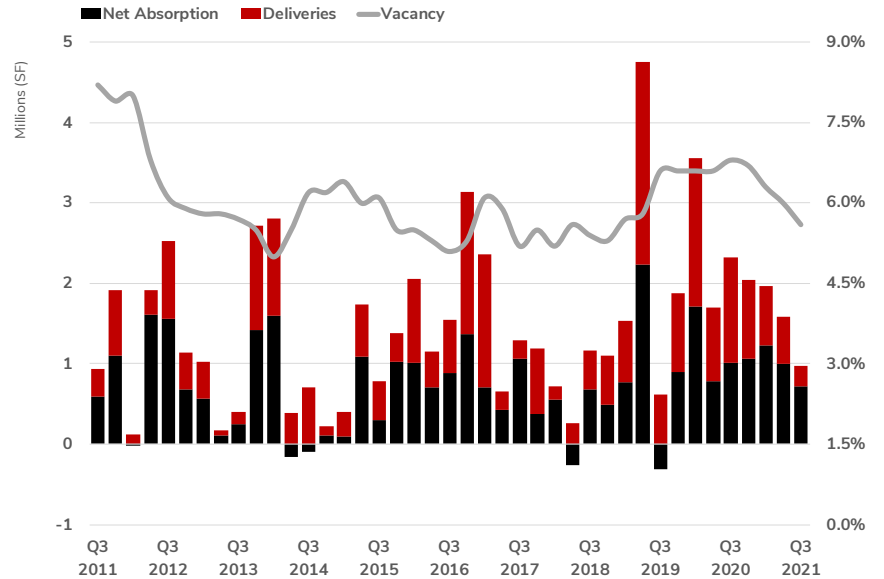
#### STRONG INDUSTRIAL MARKET

Q3 2021 marks the fourth consecutive quarter that demand for industrial space has outpaced supply. Third quarter overall net absorption was at 718,000 sq. ft., with 250,000 sq. ft. delivered during the same time period in the San Antonio metro. With 1.6 million sq. ft. delivered since the beginning of the year, 9.7 million sq. ft. under construction, and another 4.7 million sq. ft. planned through 2022, according to CoStar, the demand for industrial real estate may continue to outpace supply. According to commercial real estate association NAIOP's most recent Industrial Space Demand Forecast, the nationwide push toward industrial development is likely to continue for the rest of the year and through 2022—including San Antonio.

#### CRUDE PRICES SURGE ABOVE \$81 A BARREL

While net payrolls declined from July to August, jobs in San Antonio expanded an annualized 3.5% (9,110 jobs) in the three months ending in August, with gains across most sectors. Manufacturing led the growth (14.5%, or 1,725 jobs) and was followed by financial activities (10.6%, or 2,370 jobs). The only industry that posted net declines was construction (-14.3%, or 2,150 jobs). As of August 2021, 78.7% of jobs lost due to the pandemic had been recovered. As of the end of September 2021, the number of weekly drilling rigs operating in U.S. oil fields increased by seven as crude prices climbed above \$75 per barrel. The rig count rose to 528, nearly double the 266 rigs operating a year ago and the highest since April 2020. The tally, however, remains far below the peak of almost 1,100 at the end of 2018, according to oilfield services firm Baker Hughes. The rig count is a leading indicator of the nation's oil and gas production. As of the publication date of this report, crude prices climbed above \$81 per barrel, the highest in seven years.

### SUPPLY & DEMAND



### MARKET INDICATORS

	CURRENT Q3 2021	PRIOR QUARTER Q2 2021	PRIOR YEAR Q3 2020
Vacant Total	5.6%	6.0% ↓	6.8% ↓
Vacant Direct	5.5%	5.8% ↓	6.6% ↓
Available Total	8.1%	8.1% —	9.4% ↓
Available Direct	10.1%	10.2% ↓	11.2% ↓
Net Absorption (SF)	717,676	997,204 ↓	1,008,932 ↓
Leasing Activity (SF)	2,274,516	1,860,439 ↑	5,387,388 ↓
Construction (SF)	9,693,167	8,626,106 ↑	3,374,285 ↑
Deliveries (SF)	249,837	589,411 ↓	1,309,019 ↓
Avg Asking Rent (Gross)	\$0.55	\$0.53 ↑	\$0.52 ↑
Inventory (SF)	132,291,006	132,041,169 ↑	129,734,443 ↑

## MARKET OVERVIEW

### VACANCY RATE TIGHTENS TO 5.6%

San Antonio's industrial vacancy rate dropped 40 basis points quarter-over-quarter to 5.6% and decreased 120 basis points year-over-year. The vacancy rate for Class A properties is at 14.5%, plummeting from 21.0% this time last year. Total inventory for Class A space represents 16.6 million sq. ft., up from 15.1 million sq. ft. as of Q3 2020, a 10.3% increase. The drop in the vacancy rate is due in part to the record-breaking level of leasing activity three-quarters through 2021 at 10.3 million sq. ft.—up almost 100% through the first nine months of 2021 compared with the same period in 2019, the year of the start of the pandemic. In total, 20 new lease transactions of more than 50,000 sq. ft. were executed over the nine-month period. Some of the largest leases in 2021 include: Aisin for 500,000 sq. ft. at 565 Bolton Road in Guadalupe County in May; Amazon for 409,685 sq. ft. at 1150 Schwab Road in Comal County in January; and United Alloy for 200,000 sq. ft. in Seguin in January.

### NEW \$400M MANUFACTURING FACILITY

AISIN Corp. has completed construction of its 500,000-sq.-ft. AW Texas manufacturing facility in Cibolo, Guadalupe County. The plant will originally employ around 500 workers representing a significant win for the region's growing auto manufacturing industry. The facility is ultimately expected to create about 400 more new full-time jobs in the future in addition to its current footprint.

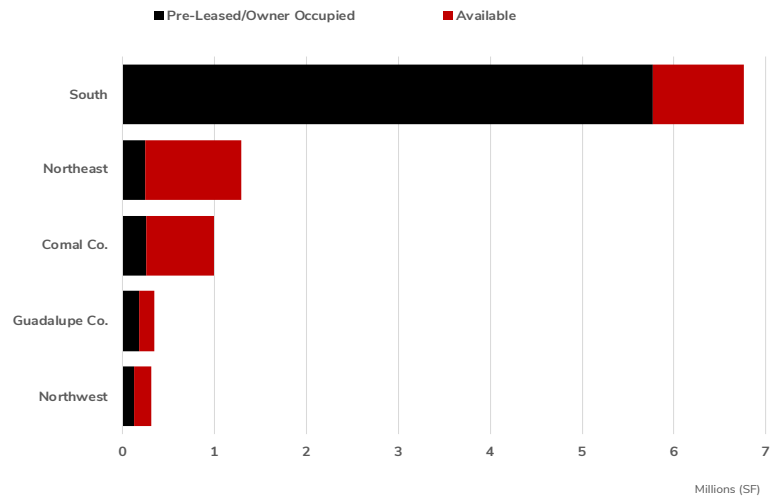
### INVESTMENT SALES ACTIVITY

Real Capital Analytics data reports the third quarter sales volume for San Antonio industrial properties was \$42.5 million, compared to third quarter 2020 at \$141.8 million. The primary capital composition for buyers in Q3 2021 was made up of 47.4% private investors, 21.5% cross-border investors (a transaction is defined as cross-border if the buyer or major capital partner is not headquartered in the same country where the property is located), and 16.4% user/other. For sellers, the majority was 70.7% private and 15.1% institutional investors. In a recent transaction, Comet Signs has sold its corporate headquarters facility located at 5003 Stout Drive in the South submarket of San Antonio, but it will

## NET ABSORPTION

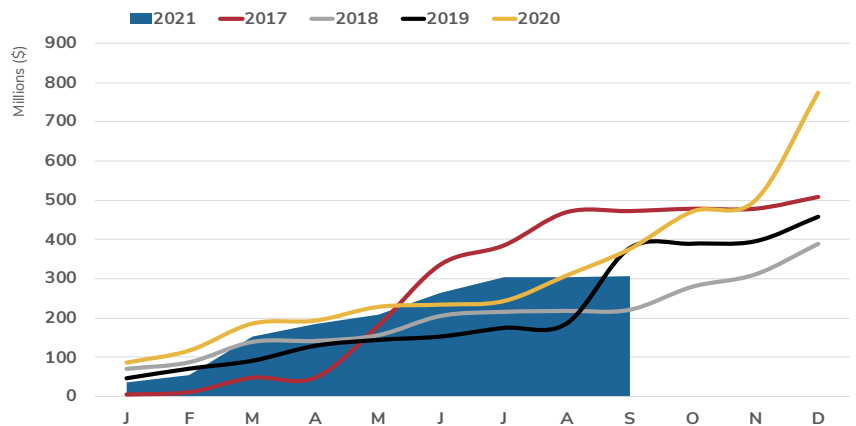


## CONSTRUCTION



## CUMULATIVE MONTHLY SALES VOLUME

SOURCE: REAL CAPITAL ANALYTICS



continue to occupy the property. Exeter 5003 Stout LP acquired the 166,000-sq.-ft. warehouse from the custom sign maker. As part of the transaction, Comet Signs entered into a long-term lease with the buyer to remain in the facility. Financial terms of the sale were not disclosed.

### WESTPORT INDUSTRIAL PARK

Local developer Koontz Corp. is building Westport Industrial Park, a 374,400-sq.-ft. industrial project located at 438 S. Callaghan Road near State Highway 151 in San Antonio's Northwest submarket. Westport Industrial Park will consist of four 93,600-sq.-ft. buildings that will be built on a 35-acre site. Construction of Phase I, which will include the first two buildings, is scheduled to begin during the first quarter of 2022 and to be complete by the end of next year. NAI Partners San Antonio is leasing the property.

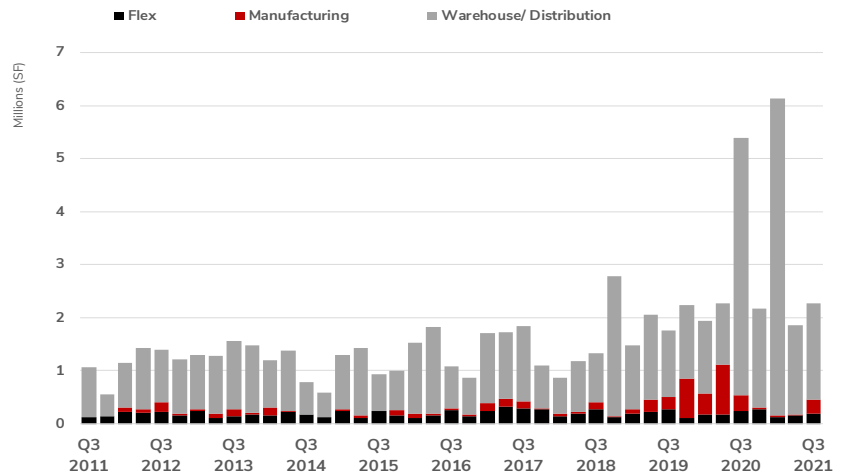
### AVERAGE ASKING NNN RENT

Monthly rental rates for the San Antonio market on average was \$0.55 per sq. ft., as of the end of Q3 2021, up quarter-over-quarter from \$0.53, and year-over-year from \$0.52. The monthly average rate for Flex space is currently at \$1.03 per sq. ft.; Manufacturing rates are at \$0.52; and Warehouse/Distribution space sits at \$0.49. The North Central (\$0.89 PSF) and CBD (\$0.80 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.

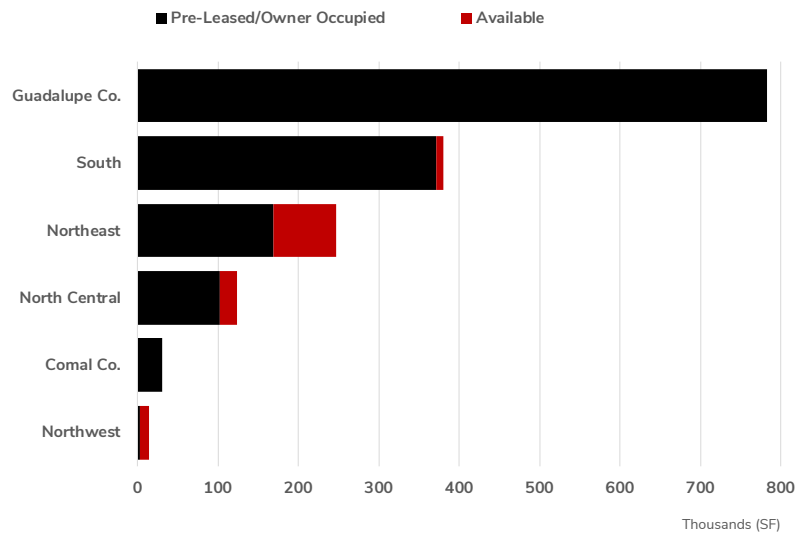
### OUTLOOK

The outlook for the industrial market in San Antonio remains reasonably strong. Nationally, industrial properties have many investors interested in a new class of ownership and higher return expectations. In the face of a global pandemic that has significantly impacted global trade, the growth of Amazon, a healthy single-family market, and strong demand for manufacturers—activity has accelerated from pandemic lows to record highs over the past year. And given the continued shift towards ecommerce likely to occur post-pandemic, demand and rent growth could continue to see a strong bounce back during the recovery.

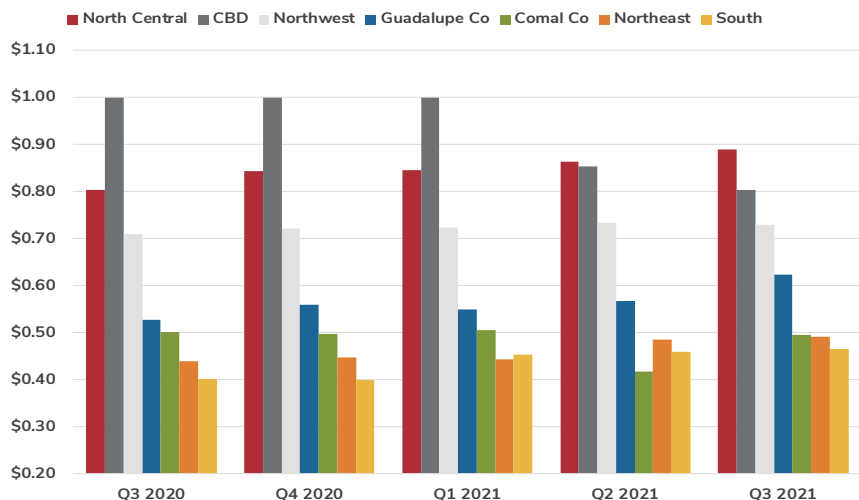
## LEASING ACTIVITY



## DELIVERIES YEAR-TO-DATE



## AVERAGE ASKING MONTHLY NNN RENT



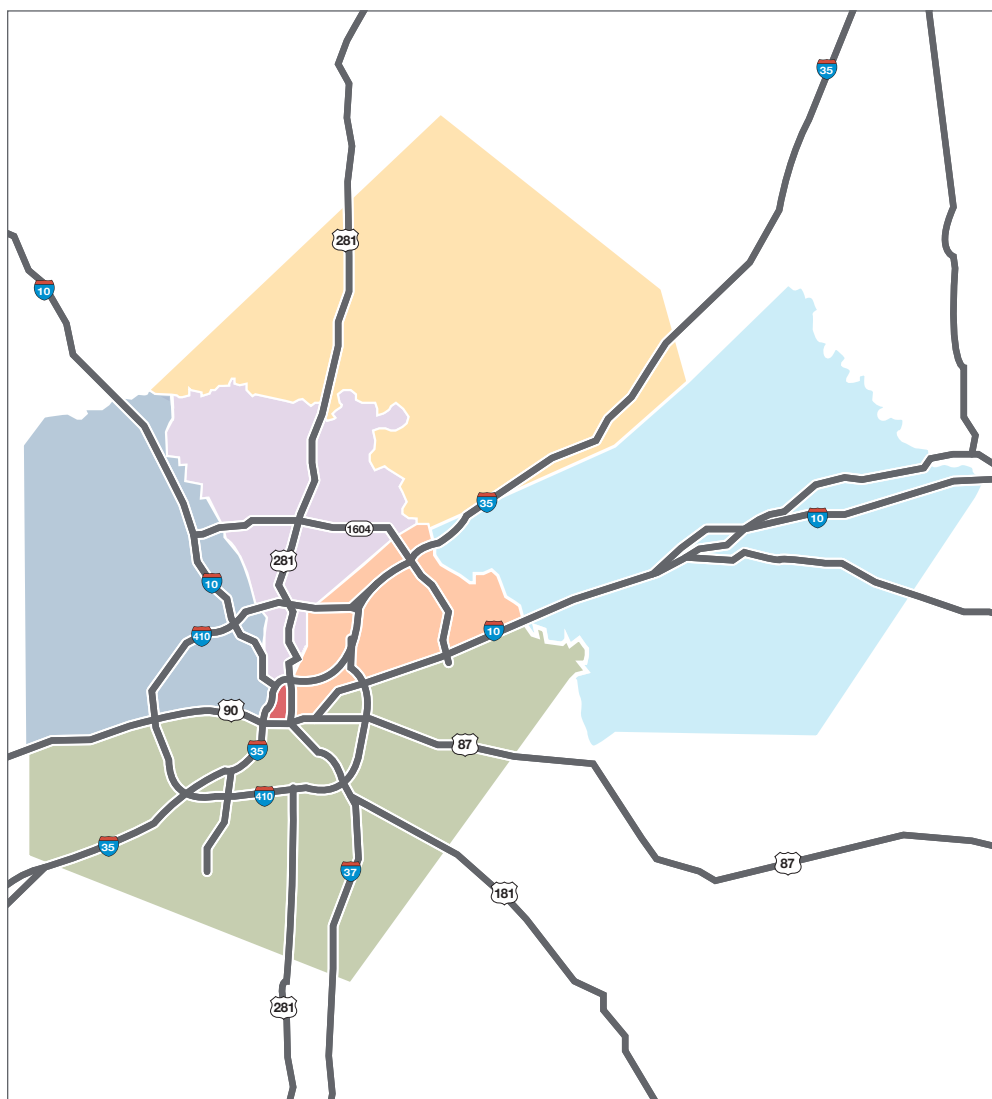
# MARKET OVERVIEW

## SUBMARKET STATS

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q3 2021 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q3 2021 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/MO/PSF)
<b>San Antonio Market Total</b>	<b>132,291,006</b>	<b>5.6</b>	<b>8.1</b>	<b>717,676</b>	<b>2,942,007</b>	<b>249,837</b>	<b>1,576,968</b>	<b>9,693,167</b>	<b>0.55</b>
Flex	12,396,138	6.5	8.2	161,797	223,924	122,459	164,429	0	1.03
Manufacturing	25,442,573	3.1	3.3	5,448	605,961	0	773,161	935,000	0.52
Warehouse/Distribution	94,452,295	6.2	9.3	550,431	2,112,122	127,378	639,378	8,758,167	0.49
<b>CBD Total</b>	<b>3,175,188</b>	<b>3.1</b>	<b>3.3</b>	<b>-6,600</b>	<b>19,171</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.80</b>
Flex	476,128	4.2	4.2	-6,600	13,400	0	0	0	-
Manufacturing	682,934	0.0	0.0	0	0	0	0	0	-
Warehouse/Distribution	2,016,126	3.9	4.2	0	5,771	0	0	0	0.80
<b>Comal County Total</b>	<b>16,156,444</b>	<b>2.8</b>	<b>9.5</b>	<b>363,336</b>	<b>985,654</b>	<b>30,000</b>	<b>30,000</b>	<b>989,071</b>	<b>0.50</b>
Flex	409,484	7.4	12.7	0	5,000	0	0	0	1.10
Manufacturing	3,144,183	0.9	0.9	-12,000	-6,300	0	0	0	0.85
Warehouse/Distribution	12,602,777	3.1	11.4	375,336	986,954	30,000	30,000	989,071	0.47
<b>Guadalupe County Total</b>	<b>11,915,710</b>	<b>2.0</b>	<b>4.4</b>	<b>17,275</b>	<b>644,556</b>	<b>82,408</b>	<b>782,408</b>	<b>348,871</b>	<b>0.62</b>
Flex	244,807	0.0	7.3	3,314	5,835	0	0	0	1.13
Manufacturing	5,282,832	1.7	1.7	-13,500	644,960	0	700,000	0	0.50
Warehouse/Distribution	6,388,071	2.4	6.3	27,461	-6,239	82,408	82,408	348,871	0.60
<b>North Central Total</b>	<b>14,397,279</b>	<b>5.4</b>	<b>5.8</b>	<b>120,692</b>	<b>299,306</b>	<b>107,429</b>	<b>123,679</b>	<b>0</b>	<b>0.89</b>
Flex	3,821,885	6.1	7.0	66,455	98,490	92,459	108,709	0	1.11
Manufacturing	1,708,410	9.2	8.4	-14,000	-20,774	0	0	0	0.70
Warehouse/Distribution	8,866,984	4.3	4.8	68,237	221,590	14,970	14,970	0	0.75
<b>Northeast Total</b>	<b>39,240,576</b>	<b>9.9</b>	<b>11.0</b>	<b>92,203</b>	<b>354,693</b>	<b>0</b>	<b>246,761</b>	<b>1,286,377</b>	<b>0.49</b>
Flex	2,482,936	7.5	8.4	46,772	6,993	0	11,600	0	0.95
Manufacturing	4,964,717	3.5	3.4	77,011	51,588	0	73,161	35,000	0.41
Warehouse/Distribution	31,792,923	11.1	12.3	-31,580	296,112	0	162,000	1,251,377	0.46
<b>Northwest Total</b>	<b>19,775,335</b>	<b>3.8</b>	<b>7.7</b>	<b>95,593</b>	<b>57,858</b>	<b>0</b>	<b>14,120</b>	<b>311,755</b>	<b>0.73</b>
Flex	4,564,026	6.9	8.9	32,005	74,355	0	14,120	0	1.04
Manufacturing	2,728,487	1.6	8.4	0	-31,450	0	0	0	0.67
Warehouse/Distribution	12,482,822	3.1	7.1	63,588	14,953	0	0	311,755	0.57
<b>South Total</b>	<b>27,630,474</b>	<b>4.3</b>	<b>6.9</b>	<b>35,177</b>	<b>580,769</b>	<b>30,000</b>	<b>380,000</b>	<b>6,757,093</b>	<b>0.47</b>
Flex	396,872	5.7	9.7	19,851	19,851	30,000	30,000	0	0.66
Manufacturing	6,931,010	4.2	2.8	-32,063	-32,063	0	0	900,000	0.53
Warehouse/Distribution	20,302,592	4.3	8.1	47,389	592,981	0	350,000	5,857,093	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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