

SAN ANTONIO INDUSTRIAL | Q1 2022

QUARTERLY MARKET REPORT

San Antonio Industrial market vacancy rate tightens to 4.2%

APRIL 2022

EXECUTIVE SUMMARY

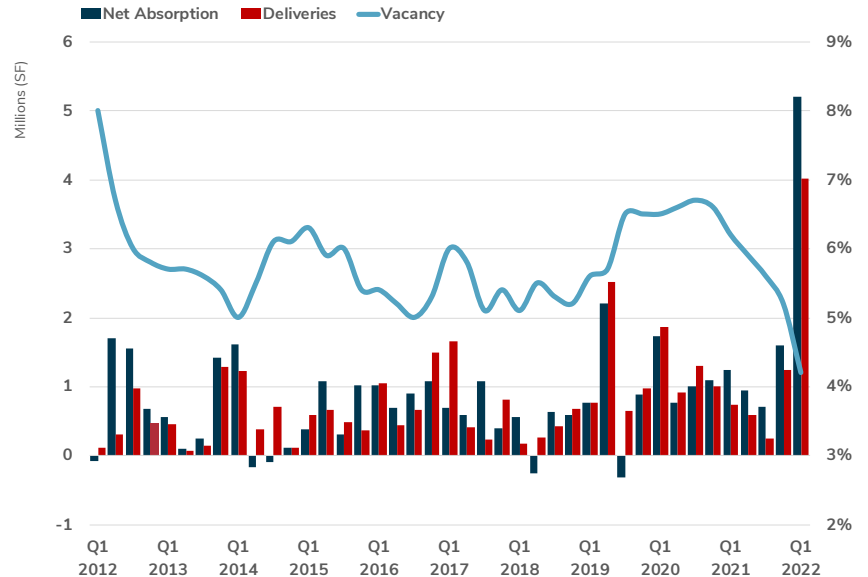
INDUSTRIAL MARKET RECORDS EXPLOSIVE GROWTH

Q1 2022 marks the sixth consecutive quarter that demand for industrial space, represented by net absorption (5.2 million sq. ft.), outpaced supply (4.0 million sq. ft.) in the San Antonio metro—a streak not seen since Q3 2013 or almost nine years. Leasing was also strong again, with the San Antonio area recording a 55% increase of 2.1 million sq. ft. of activity, up from 1.4 million sq. ft. in Q4 2021. With 4.0 million sq. ft. delivered in Q1 2022, 8.5 million sq. ft. under construction, and another 5 million sq. ft. proposed through 2033, the demand for industrial real estate may continue to overtake supply.

SAN ANTONIO ECONOMY IS CONFIDENT

The metro's unemployment rate remained constant in February at 4.1%, one of the lowest rates since the start of the pandemic. For comparison, the state's jobless rate fell slightly to 4.7%, and the nation's rate fell to 3.8%. San Antonio's labor force expanded an annualized 7.5% in February, well above Texas' gain of 3.4% and the nation's gain of 2.3%. San Antonio payrolls expanded an annualized 5.5% (14,430 jobs) in the three months ending in January. Among the major sectors, health and education services (13.4%, or 5,269 jobs) led three-month growth, followed closely by leisure and hospitality (12.6%, or 3,954 jobs). Industries that posted contractions the past three months were manufacturing (-8.1 %, or 1,082 jobs) and government (-3.3%, or 1,444 jobs). In March and April 2020 combined, 138,332 jobs were lost in the metro as the pandemic hit. As of February 2022, all jobs had been recovered, and employment was 0.3% above pre-pandemic levels.

SUPPLY & DEMAND



MARKET INDICATORS

	CURRENT Q1 2022	PRIOR QUARTER Q4 2021	PRIOR YEAR Q1 2021
Vacant Total	4.2%	5.2% ↓	6.2% ↓
Vacant Direct	4.1%	5.1% ↓	6.1% ↓
Available Total	8.1%	7.5% ↑	8.4% ↓
Available Direct	7.8%	7.3% ↑	8.2% ↓
Net Absorption (SF)	5,204,655	1,595,121 ↑	1,240,333 ↑
Leasing Activity (SF)	2,119,098	1,366,744 ↑	6,706,677 ↓
Construction (SF)	8,535,297	9,840,909 ↓	8,035,009 ↑
Deliveries (SF)	4,013,419	1,236,986 ↑	737,720 ↑
Avg Asking Rent (Gross)	\$0.61	\$0.60 ↑	\$0.57 ↑
Inventory (SF)	139,189,155	135,163,736 ↑	133,087,502 ↑

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VACANCY RATE TIGHTENS TO 4.2%

San Antonio's industrial vacancy rate dropped 100 basis points quarter-over-quarter from 5.2% and decreased 200 basis points year-over-year. The vacancy rate for Class A properties is at 5.6%, plummeting from 17.4% compared to Q1 2021. Total inventory for Class A space represents 22 million sq. ft., up from 17.4 million sq. ft. as of this time last year—an impressive 27% increase. The drop in the overall vacancy rate is partly due to the record-breaking level of leasing activity in 2021 at 13.4 million sq. ft.—up 13.4% compared to the same period in 2020. In total, 121 lease transactions were executed in Q1 2022. Some of the largest leases include 207,500 sq. ft. leased at Cornerstone Business Park in the Northeast submarket; Daryl Flood taking 121,200 sq. ft. at Cornerstone Industrial Park in the Northeast submarket; 98,200 sq. ft. leased at Interchange 35 Logistics Center in the South submarket; and Kroger signed a 68,008 sq. ft. full-building lease in Centerpoint Logistics Park-Building 1 at 4235 Milling Road in the Northeast submarket.

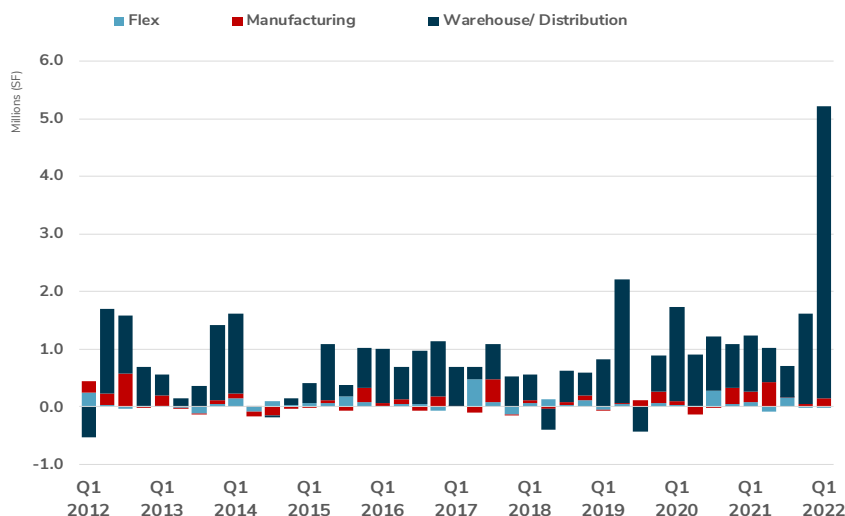
COLD STORAGE FACILITY BREAKS GROUND

Cold Creek Solutions has broken ground on a 300,500-sq.-ft. facility located at 110 Cascade Drive at the intersection of Interstate 10 and Loop 410 in the South submarket of San Antonio. The facility will feature convertible spaces with temperatures ranging from -20 to 55 degrees Fahrenheit to accommodate a range of food uses. Completion is scheduled for Q4 2022. This is the second cold storage project for Cold Creek Solutions in Texas. The company's first project, a 374,560-sq.-ft. facility in Denton is scheduled to be completed in August 2022.

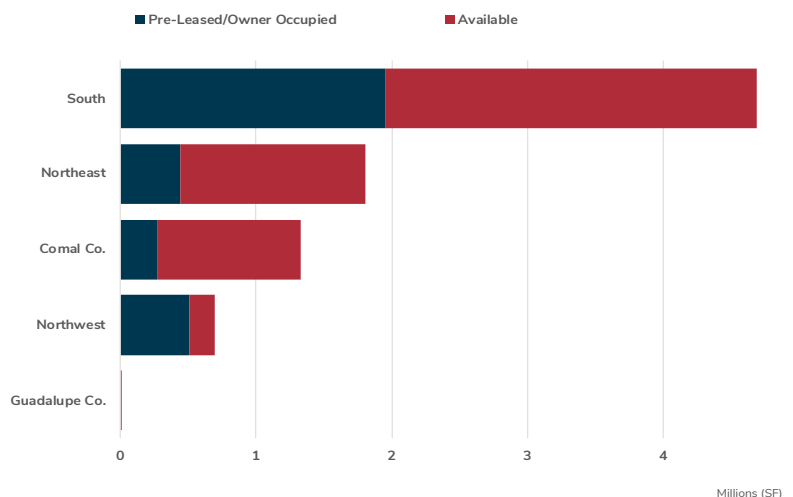
INVESTMENT SALES ACTIVITY

Real Capital Analytics data reports the quarterly sales volume as of Q1 2022 in the San Antonio area at \$205 million, up 35% from the Q1 2021 of \$152 million. The primary capital composition for buyers in the first quarter was made up of 74% institutional investors, 13% private, and 10% REIT/listed. For sellers, the majority were 74% REIT/listed investors and 26% private. A recent significant transaction, 1331 N. Pine St., a 162,871-sq.-ft. warehouse in Northeast San Antonio, sold in an investment sale for an undisclosed sales price. The property was 100% leased at the time of purchase.

NET ABSORPTION

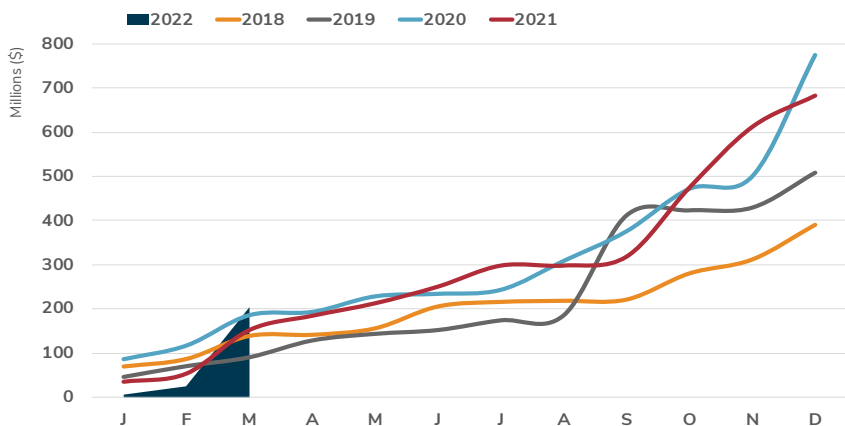


CONSTRUCTION



CUMULATIVE MONTHLY SALES VOLUME

SOURCE: REAL CAPITAL ANALYTICS



OAKMONT 410

Oakmont Industrial Group announced that its Oakmont 410 project—the largest-ever industrial spec development in San Antonio—has broken ground, with an expected completion date of December 2022. Oakmont 410 will deliver 639,595 sq. ft of cross-dock space upon completion. The development is situated on a 40-acre parcel in a prime logistics location near the critical I-410/I-10 intersection. NAI Partners was named the leasing agent for the industrial project.

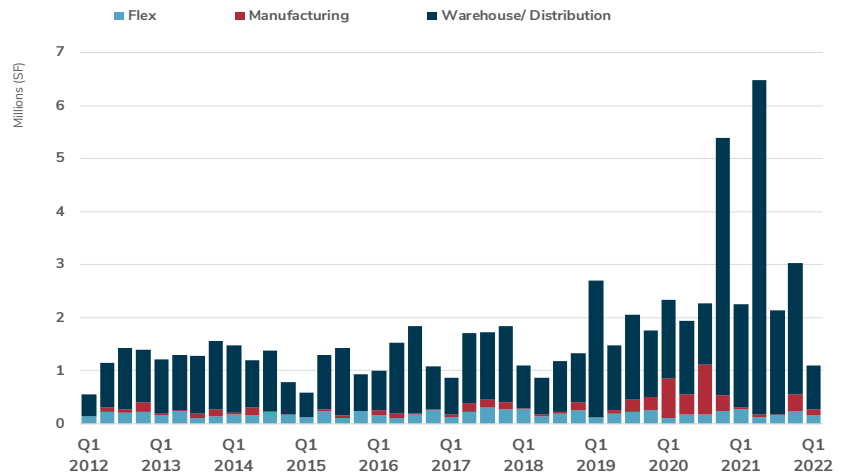
ELON MUSK’S BORING CO. AND SAN ANTONIO TRANSPORTATION PROJECT

The Alamo Regional Mobility Authority and The Boring Company are in discussions for a high-capacity transportation project that will reduce traffic congestion on roadways. The City of San Antonio’s transportation planning agency is in talks with the Boring Company to potentially construct a loop of tunnels between San Antonio International Airport and downtown. The proposal calls for building a tunnel 30 feet below ground that would use Tesla vehicles to carry passengers between the two locations. If approved, construction could begin in 12 months, finish the first phase in 18 months, and complete the project in three years. The cost could be between \$247 million and \$289 million, with utilities and real estate issues potentially increasing the price of the expenditure.

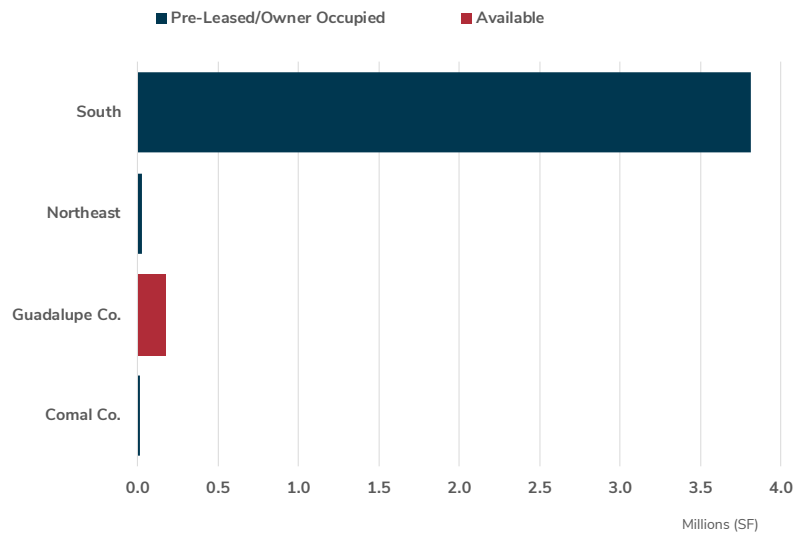
AVERAGE ASKING NNN RENT

Monthly rental rates for the San Antonio market on average were \$0.61 per sq. ft., as of Q1 2022, up quarter-over-quarter from \$0.60 and year-over-year from \$0.57. The monthly average rate for Flex space is currently at \$1.10 per sq. ft.; Manufacturing rates are at \$0.53, and Warehouse/ Distribution space sits at \$0.52. The North Central (\$0.94 PSF) and Northwest (\$0.74 PSF) submarkets currently have two of the highest monthly overall average rates, followed by the CBD (\$0.70). As developers experience rising costs associated with bringing high-quality new projects to the market, rental rates may remain elevated.

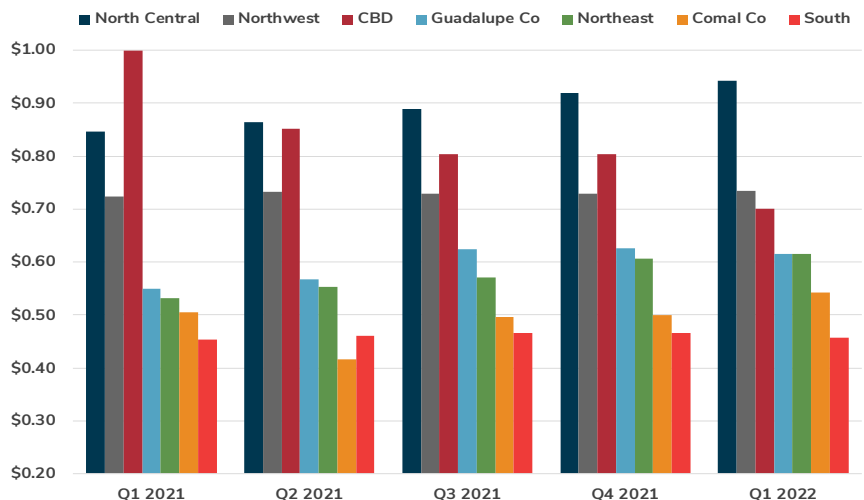
LEASING ACTIVITY



DELIVERIES YEAR-TO-DATE



AVERAGE ASKING MONTHLY NNN RENT



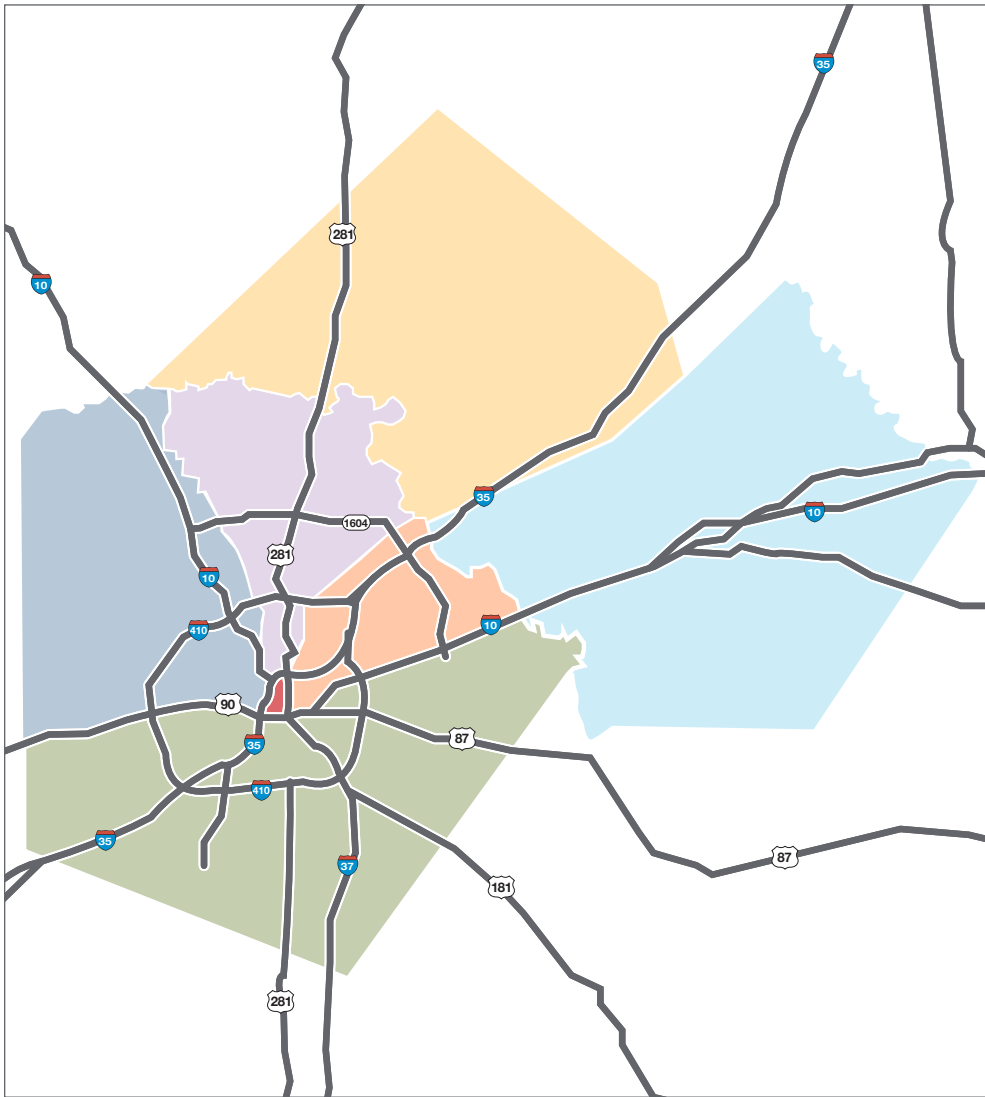
MARKET OVERVIEW

SUBMARKET STATS

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2022 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q1 2022 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/MO/PSF)
San Antonio Market Total	139,177,155	4.2	8.1	5,204,655	5,204,655	4,013,419	4,013,419	8,535,297	0.61
Flex	12,652,999	6.8	9.7	-15,403	-15,403	0	0	498,232	1.10
Manufacturing	25,457,965	2.3	2.4	146,882	146,882	0	0	935,000	0.53
Warehouse/Distribution	101,066,191	4.4	9.3	5,073,176	5,073,176	4,013,419	4,013,419	7,102,065	0.52
CBD Total	3,175,188	1.5	1.5	13,300	13,300	0	0	0	0.70
Flex	476,128	4.2	4.2	0	0	0	0	0	-
Manufacturing	682,934	0.0	0.0	0	0	0	0	0	-
Warehouse/Distribution	2,016,126	1.3	1.3	13,300	13,300	0	0	0	0.70
Comal County Total	16,253,760	2.0	9.9	26,020	26,020	0	0	1,339,111	0.54
Flex	409,484	7.4	12.7	0	0	0	0	0	1.10
Manufacturing	3,144,183	0.9	0.5	-2,769	-2,769	0	0	0	0.85
Warehouse/Distribution	12,700,093	2.1	11.9	28,789	28,789	0	0	1,339,111	0.51
Guadalupe County Total	12,353,555	3.0	4.0	-34,101	-34,101	169,525	169,525	10,800	0.62
Flex	244,807	0.0	9.9	3,424	3,424	0	0	10,800	1.03
Manufacturing	5,351,962	1.4	1.7	0	0	0	0	0	0.50
Warehouse/Distribution	6,756,786	4.3	5.5	-37,525	-37,525	169,525	169,525	0	0.55
North Central Total	14,399,804	4.8	4.8	-2,715	-2,715	0	0	0	0.94
Flex	3,746,508	5.5	5.4	-1,010	-1,010	0	0	0	1.13
Manufacturing	1,708,824	7.6	7.9	-688	-688	0	0	0	0.78
Warehouse/Distribution	8,944,472	4.0	3.9	-1,017	-1,017	0	0	0	0.83
Northeast Total	40,829,310	7.0	9.6	1,226,627	1,226,627	29,165	29,165	1,802,679	0.62
Flex	2,386,679	11.7	20.0	-17,716	-17,716	0	0	228,432	1.10
Manufacturing	4,964,615	2.8	3.3	3,991	3,991	0	0	35,000	0.43
Warehouse/Distribution	33,478,016	7.3	9.7	1,240,352	1,240,352	29,165	29,165	1,539,247	0.52
Northwest Total	20,313,875	4.5	5.9	117,839	117,839	0	0	696,758	0.74
Flex	4,992,521	6.1	7.9	-101	-101	0	0	259,000	1.09
Manufacturing	2,677,475	6.7	8.2	11,800	11,800	0	0	0	0.48
Warehouse/Distribution	12,643,879	3.4	4.7	106,140	106,140	0	0	437,758	0.60
South Total	31,851,663	2.2	10.2	3,857,685	3,857,685	3,814,729	3,814,729	4,685,949	0.46
Flex	396,872	6.4	10.9	0	0	0	0	0	0.89
Manufacturing	6,927,972	0.3	0.3	134,548	134,548	0	0	900,000	0.49
Warehouse/Distribution	24,526,819	2.7	12.9	3,723,137	3,723,137	3,814,729	3,814,729	3,785,949	0.49

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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