

Market Analysis for Capstone Team Project

Executive Summary

The proposed site is a raw land purchase of approximately 48.91 acres located in the City of San Antonio, Bexar County, Texas. The site is located on the north side of Eisenhauer Road about 0.3 miles west of the intersection of Eisenhauer and Walzem Road. Located within the city limits of the San Antonio full-purpose jurisdiction and per a Zoning Verification Letter dated 9/10/2021, the site is zoned MF-33 (Multifamily), C-2 (Commercial), and BP (Business Park) and will utilize MF-33 and BP designations. Due to the zoning designation of MF-33 (multifamily, 33 units max per acre), a multifamily development is being contemplated on the southern end of the site fronting Eisenhauer Rd. The team has pulled CoStar data for multifamily properties within a 3-mile radius of the site. Although there has been some softening within the submarket (90% occupancy, year-over-year rent growth at -0.9%), the multifamily asset class is showing signs of stabilization. Likewise, permit activity for new construction starts has plummeted in the past year, which highlights an opportunity to deliver a new property in several years with limited competition. The team has analyzed demographic data from ArcGIS and Tapestry to determine the ideal unit mix and product type for maximum absorption and rental income.

The multifamily development is planned as a gated garden-style community totaling 462 units. The units available will be a mix of one-, two-, and three-bedroom units tailored to suit the demographics of the area. Amenities will include a pool, fitness center, clubhouse, and dog park. As the City of San Antonio continues to push for increased affordable housing development in the area, it is recommended the property be structured/ financed as a public facility corporation which will allow it to receive a 100% tax abatement in perpetuity from the city. As a part of the PFC tax abatement program in San Antonio, 60% of the units will have rent caps subject to 80% of the area median income. Additionally, 10% of the units will have rent caps subject to 60% of the area median income, with the remaining 30% of the units offered at market rate. Ample parking will exist on site per zoning requirements and will also include covered parking spots tenants can rent at a monthly premium. Sustainable building practices will be adhered to for this development to include LEED certification.

The back half of the site (north) is well suited for an office/warehouse business park and is permissible through the BP designation as part of the existing zoning. Although vacancies for traditional industrial warehouses/ offices have seen an uptick within the submarket (11.7%), the team believes it can deliver a differentiated product for small businesses that serve the local community. The tenants may include dog daycare, sports/ clothing supplies, flooring companies, window/ glass companies, auto repair parts, security systems, paint supplies, fitness centers/small gyms, etc.

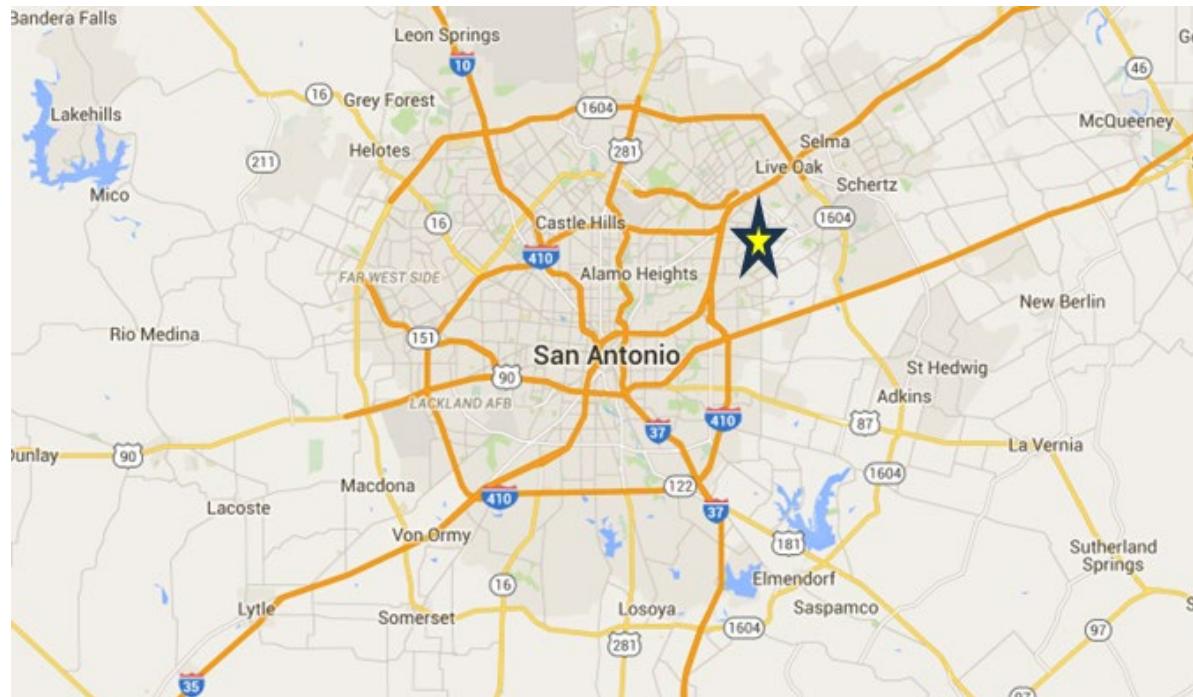
This report will cover various analyses performed regarding demographic trends, supply dynamics, locational attributes, employment, competitive sites, and overall relative value. These analyses were performed on the proposed development to support recommendations on items such as product type, product size, location, rental rates, and other related items that will give the site a competitive advantage within the submarket.

Multifamily Development Overview

Product and Location Description

Project Overview

The subject property is located on the burgeoning northeast side of San Antonio, just outside loop 410/IH-35 (approximately 1.7 miles east of the freeway). The airport is only 7.2 miles away, Fort Sam Houston 7.5 miles away, Randolph Airforce base 8 miles away, and Rackspace technologies only 2 miles away. The site is just a 20-minute drive from downtown San Antonio as well. The property is in an excellent submarket near well-established neighborhoods including Camelot, Park Village, East Terrell Heights, and East Village. The site is located within Northeast ISD, which has an overall grade of 84 according to great schools. Major employers in the area include the San Antonio International Airport, Amazon & HEB Fulfillment Centers, United States Postal Service, USAA, Randolph Airforce Base, and Fort Sam Houston Army Base. The site is zoned MF-33 which allows for multifamily development of 33 units per acre of density. City utilities are available on-site and include public sewer, water, cable, and electricity.



Housing Product Type

The development will be a multi-building garden-style development consisting of 462 total units. The community will be gated to conform with neighboring sites and to establish a sense of security for residents and the overall submarket. The unit mix will be roughly 25% 3 bedrooms, 35% 2 bedrooms, and 40% 1 bedrooms tailored to the demographics of the area and targeting young couples/families with 2-4 people per household. As a part of the PFC (Public Facility Corporation) tax abatement program in San Antonio, rent caps will be required as followed:

- 60% of the units will have rent caps subject to 80% of the area median income.
- 10% of the units will have rent caps subject to 60% of the area median income.
- 30% will be market-rate units available to whomever qualifies.

A 100% tax abatement will exist throughout the ownership of the property.

There are parking requirements of 1.5 acres for each 70 units, so ample parking will exist on site per zoning requirements and will also include covered parking spaces at a monthly premium. The building heights will conform with the surrounding area of single-family homes and be no more than 3 stories. Sustainable building practices will be adhered to for this development to include LEED certification.

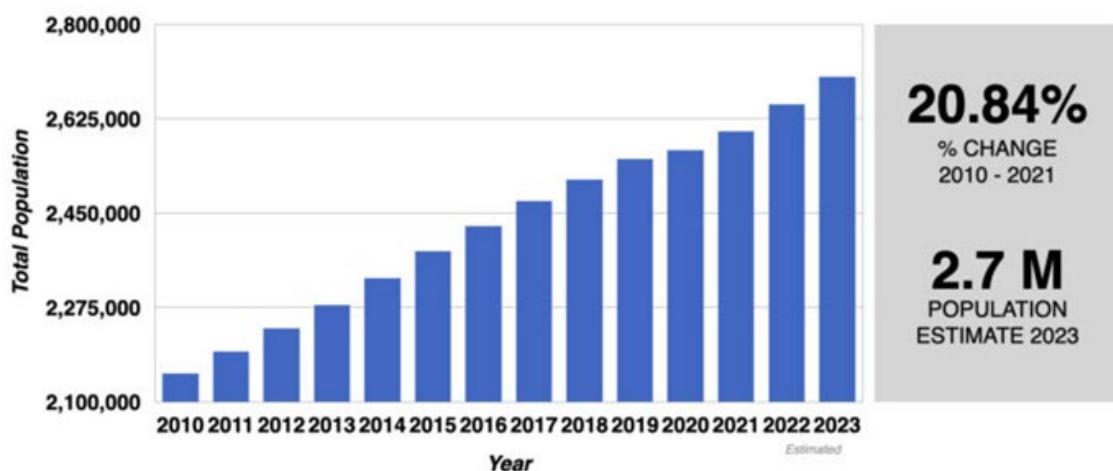


Demographic and Employment Trends

Overall San Antonio MSA

The overall city of San Antonio has seen population growth of over 20% in the past 10 years, making it the 7th largest city in the county.

POPULATION GROWTH SAN ANTONIO METRO AREA



Below are corporate headquarters located in the City of San Antonio. These basic industries have drastically increased the need for service jobs in the area. As a result of this increase in basic jobs, median incomes have surged 37% in the past decade highlighting the need for more affordable housing to accommodate non-basic employees in the area.

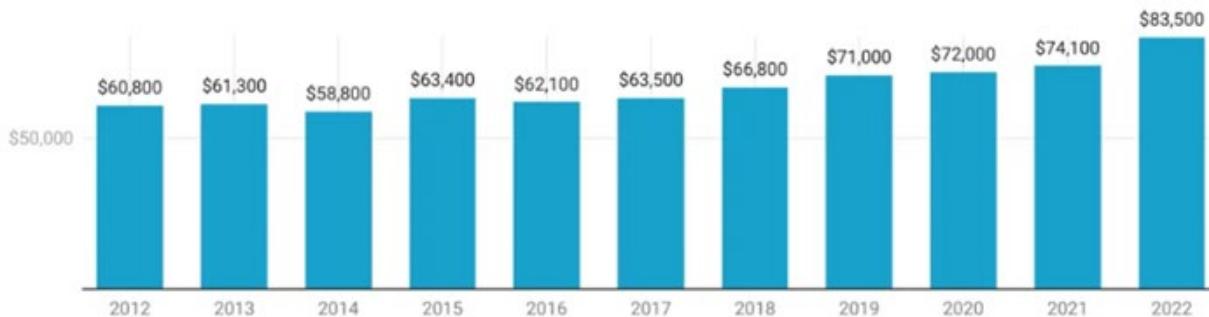
Corporate Headquarters in San Antonio		
Employer	Sector	# of Local Employees
H-E-B	Super Market Chain	20,000
USAA	Financial Services	17,000
Bill Miller Bar-B-Q	Fast Food Chain	4,190
Cullen / Frost Bankers	Financial Services	3,982
Valero Energy	Oil Refiner & Gasoline Mktg.	3,700
Rackspace	IT Managed Hosting Solutions	3,300
CPS Energy	Utilities	3,022
Toyota Motoring Manufacturing	Auto Manufacturing	2,900
Clear Channel Communications	TV & Radio Stations	2,800
Southwest Research Institute	Applied Research	2,715
Harland Clarke	Check Printing	1,500
KCI	Medical Supplies	1,400
HVHC	Optical Manufacturing	1,200
Security Service Federal Credit Union	Financial Institution	1,111
SWBC	Insurance	1,009
Tesoro	Oil Refiner & Gasoline Mktg.	800
NuStar Energy	Energy	550

San Antonio area employment (number in thousands)	Jul. 2024	Change from Jul. 2023 to Jul. 2024	
		Number	Percent
Total nonfarm	1,178.0	18.9	1.6
Mining and logging	7.3	0.2	2.8
Construction	68.1	2.4	3.7
Manufacturing	63.2	2.2	3.6
Trade, transportation, and utilities	207.6	2.1	1.0
Information	17.2	-0.7	-3.9
Financial activities	100.6	0.6	0.6
Professional and business services	160.5	-0.7	-0.4
Education and health services	182.1	6.2	3.5
Leisure and hospitality	148.8	0.6	0.4
Other services	42.9	1.3	3.1
Government	179.7	4.7	2.7

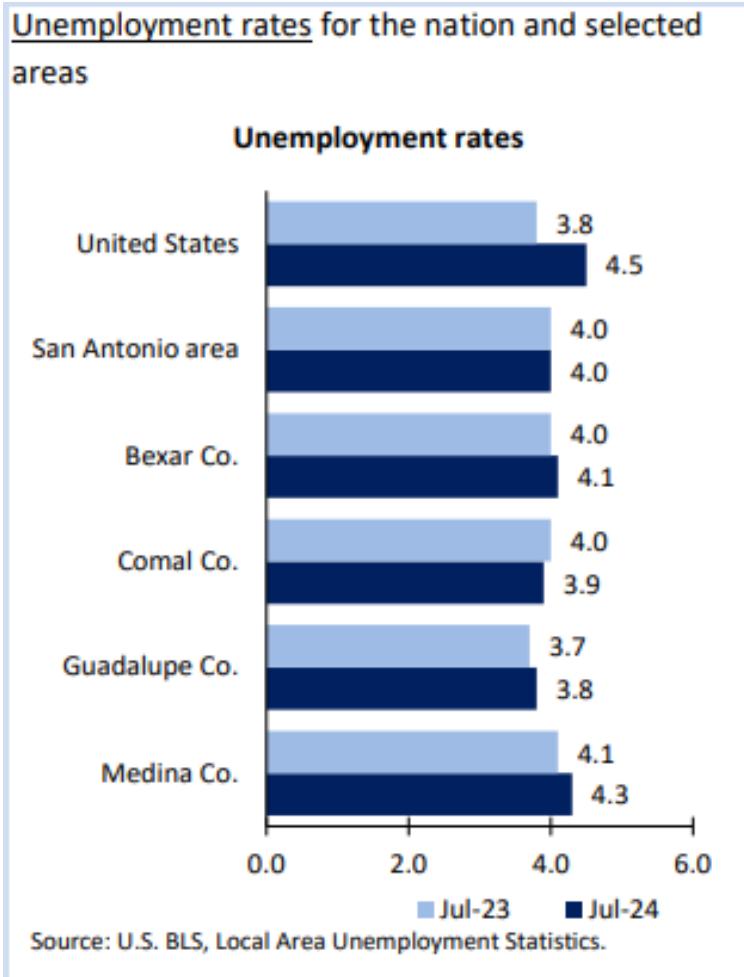
Source: U.S. BLS, Current Employment Statistics.

San Antonio-New Braunfels Area Median Income 2012-2022

The region's area median income has increased by about 37% over the past decade.



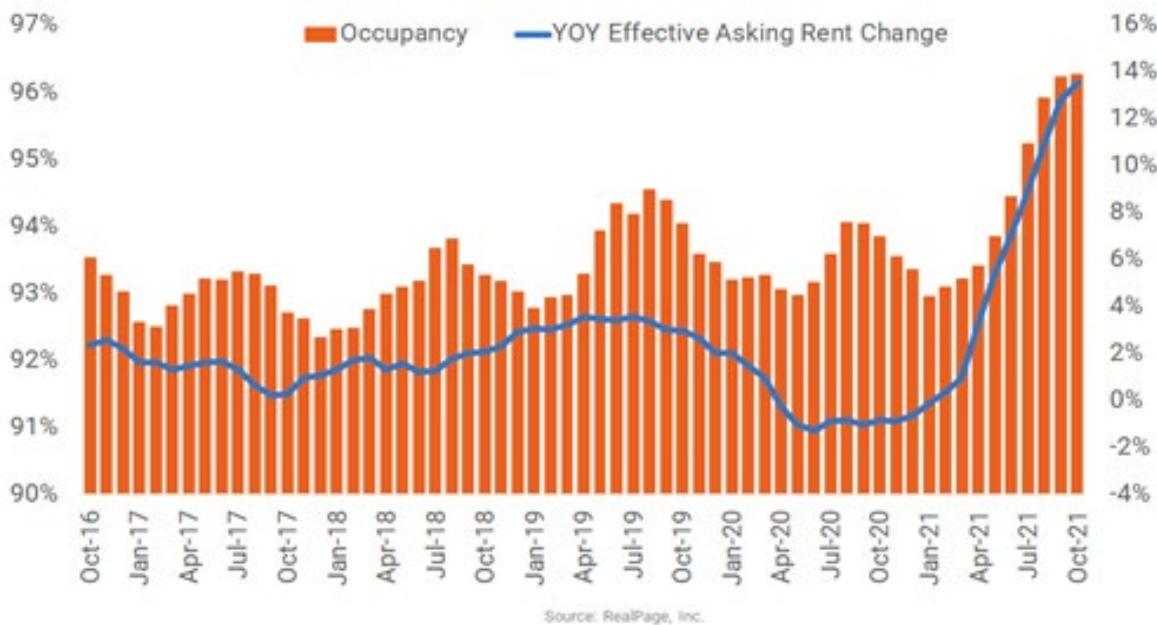
Additionally, San Antonio's unemployment rate has remained low near 4.0% vs. the national average of 4.5%



San Antonio will continue to see considerable population and employment growth over the next decade. Below are some overall trends and statistics that support the need for additional affordable housing units in the area:

- According to the city council's 10-year plan for growth, they estimate a total of 28,000 rental units will need to be added to the market
- Market-wide occupancy has remained stable near 90% with apartment rents up 12% since 2021
- 30 residential communities under construction will bring an additional 7,868 units to the market over the next few years
- Another 18,665 units have been proposed but this is still far under the city's goal of 28,000 rental units
- Area median incomes have surged 37% in the past decade highlighting the need for more affordable units in the market
- A \$150 million housing bond was recently passed and earmarked for affordable housing development and preservation in San Antonio

Low unemployment, promising demographic trends, job growth/ diversity, and supply constraints make San Antonio an attractive market for the foreseeable future. Historical frictional vacancy within the San Antonio MSA prior to the pandemic shows stable occupancy (93%) and rental growth rates (3%), which should be indicative of the future once the capital markets stabilize.



Northeast San Antonio Submarket

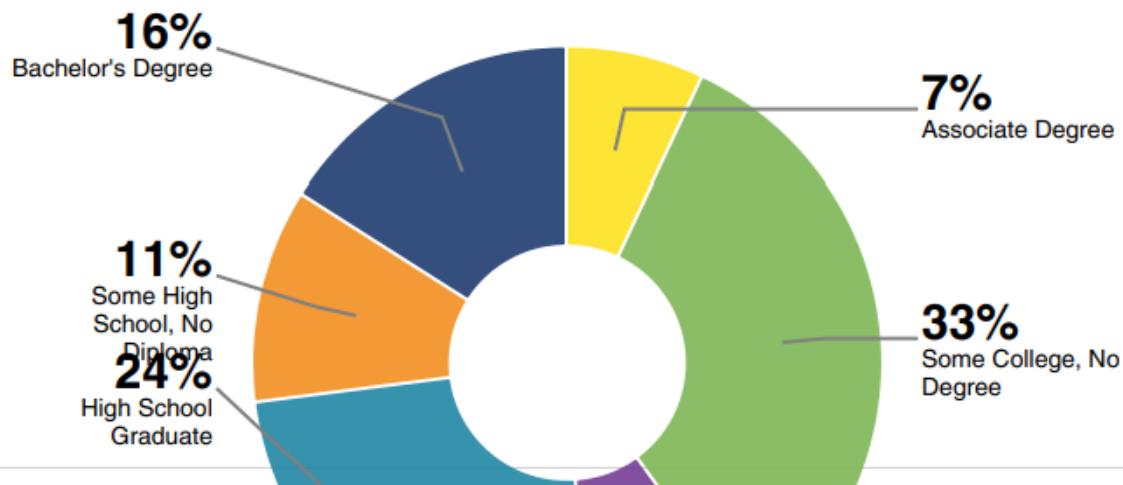
Income and Education

The northeastern portion of San Antonio lacks affordable housing with modern amenities that cater to a younger demographic. Most of the highly amenitized apartments are class A properties with significantly higher rents relative to what would be considered affordable for those making at or below the area median income of just under \$60,000. As part of the PFC tax abatement program in San Antonio, 60% of the units will have rent caps subject to 80% of the area median income and 10% will be subject to 60% of area median income (assuming a family only spends 1/3 of their income on housing). Nearly 26% of households in a 2-mile radius make between \$25k-\$50k and 20% make less than \$25k, highlighting the need for affordable units in the area. The unit mix will be 25% 3 bedrooms, 35% 2 bedrooms, and 40% 1 bedrooms tailored to capture the market of young families with 2-4 people per household. 42% of the submarket (10-mile radius) are renters and the average monthly rent is \$1,087. With elevated interest rates, renting is significantly cheaper than owning in this area with median home values at \$213,647. The median age is 36.8 with an average annual income near \$59,872. Total PITI (Principal, Interest, Taxes, Insurance) for those seeking to buy a home at current interest rates in the area would equate to roughly \$1,424/ month, which is significantly above average rents in the area.

Income

	2 mile	5 mile	10 mile
Avg Household Income	\$69,675	\$77,913	\$80,297
Median Household Income	\$54,031	\$59,651	\$59,872
< \$25,000	3,514	15,974	58,838
\$25,000 - 50,000	4,586	23,288	70,332
\$50,000 - 75,000	3,479	19,790	59,354
\$75,000 - 100,000	2,168	12,635	37,060
\$100,000 - 125,000	1,418	10,184	29,325
\$125,000 - 150,000	903	5,035	16,892
\$150,000 - 200,000	915	4,661	18,165
\$200,000+	478	4,529	17,966

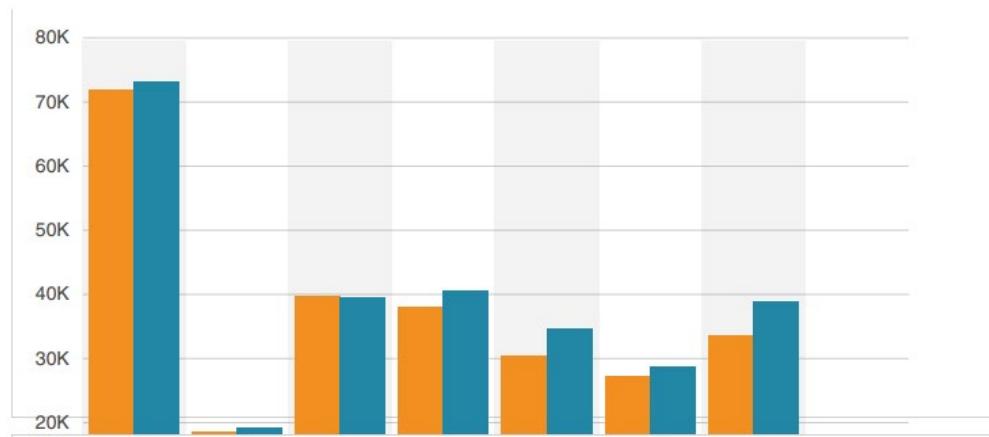
Educational Attainment



The graphic above provides information regarding educational attainment. This submarket has nearly 70% of the population with no college degree. 46% of the submarket makes less than \$50k, and the 2-mile radius median income is just \$54,031.

Target Demographic

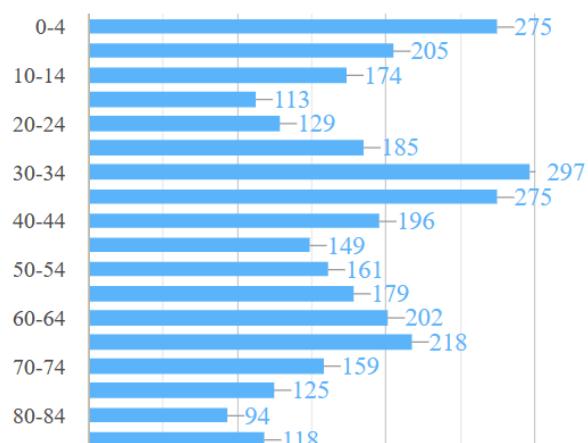
Our target population is young couples and families that want space but can't afford a home in the area due to lack of downpayment and/or qualifying income. Additionally, being inside the 1604 loop, proximity to major employers, and easy access to IH-35 makes this an ideal location for multifamily development. The chart below shows distribution by age skewing heavily to a younger subset.



To the right, we see age distribution for a small subset of households in the area. Also, below is a chart showing household size, which further justifies the decision to have 60% of the subject site's unit mix as 2- and 3-bedroom units. The square footage of the proposed units will also be larger in square footage than the competition, which will be shown in a chart later in this report. We can infer from these two charts that many those in their late 20s to mid-30s are likely parents of younger children (see ages 0-4). We can also see that there is a significant percentage of people between 40 and 55. It is possible this older demographic may find the subject site attractive as they would

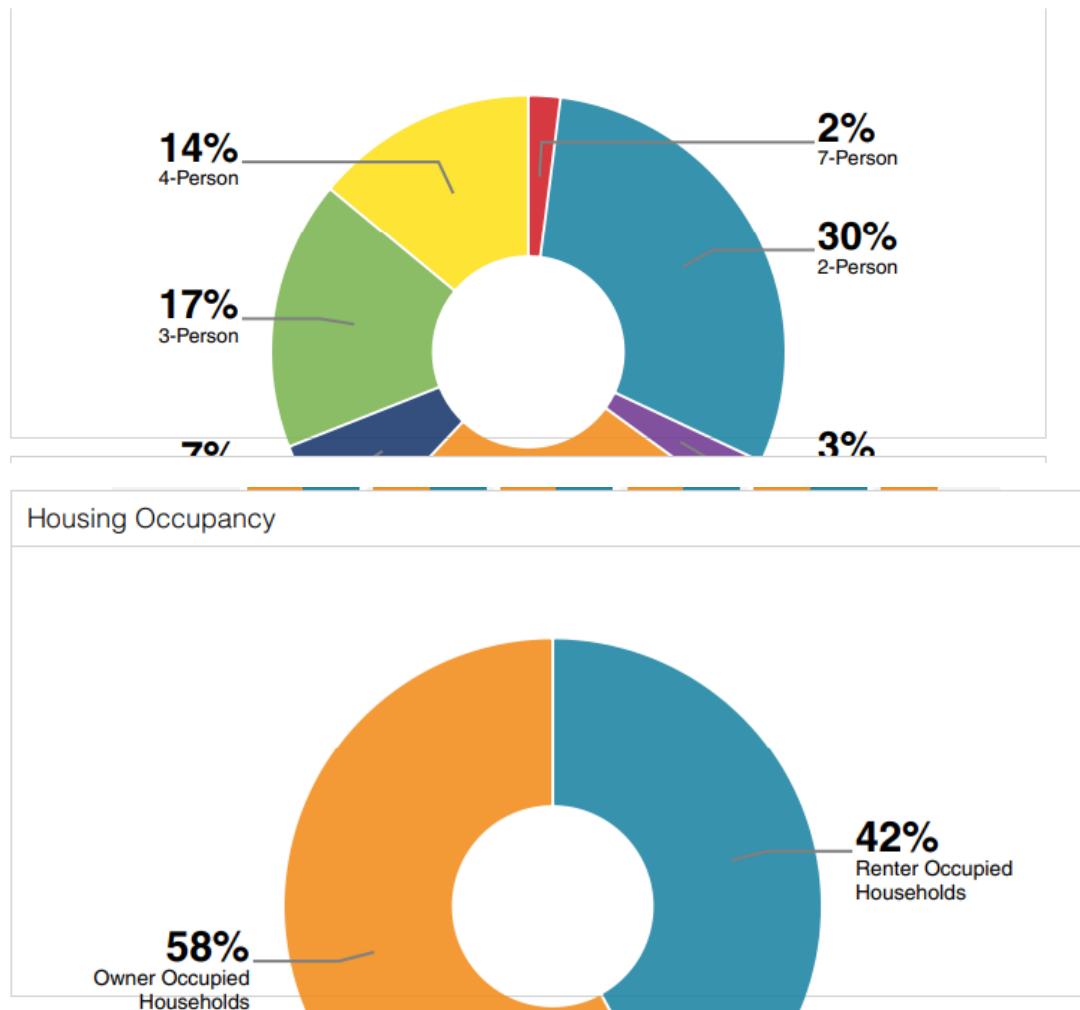
be smaller and easier to maintain than a full-sized single family residential home in the area (empty nesters). However, the target demographic are those between the ages of 25-40 that cannot afford a home, but need space for their families.

Roughly 42% of households are renters in the area, which has continued to increase over the past 5 years. The data below was used to justify the unit mix recommendation for the property. In a 10-mile radius,



Population by Age Level. Median Age 39.54. Households: 1,721.

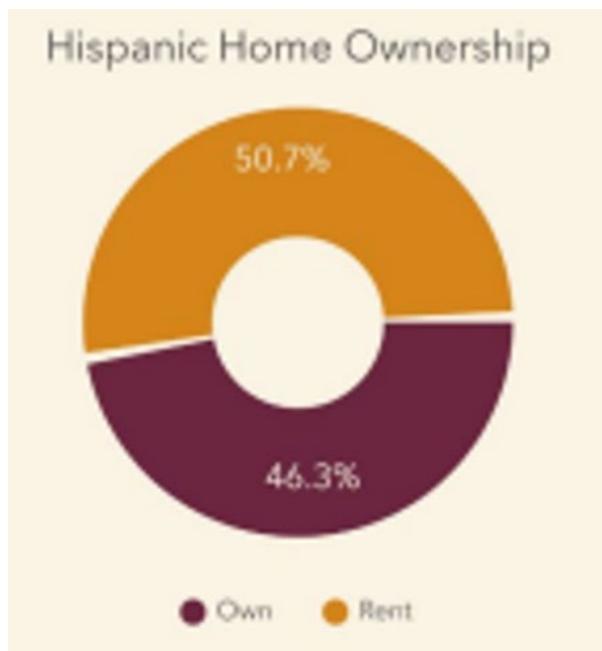
20% of renters are 2 person, 17% 3 person, and 14% are 4 person households. The graphic, "Housing by Age of Householder", shows that almost 50% of renters in the submarket are between the ages of 25 and 44. Many of the direct competitors identified later in this report show unit mixes heavily weighted towards 1-bedroom units and only a few apartments that offer 3 bedroom options. The development team views this as an opportunity to cater to families that need more space at an affordable price point.



Another key data point is that 36% of the population are of Hispanic origin. All marketing language in the website or brochures must be in English and Spanish. The property management team should also be bilingual or at least have basic communication skills in Spanish. Many of the apartments in the area have names of Hispanic origin as well, which should also be considered in theming and naming the site.

Population By Race	2 mile	5 mile	10 mile
White	16,231	103,212	341,339
Black	9,095	42,900	90,824
American Indian/Alaskan Native	726	3,461	11,410
Asian	1,787	7,476	19,056
Hawaiian & Pacific Islander	121	690	1,383
Two or More Races	21,850	105,563	344,614
Hispanic Origin	28,176	132,720	446,626

Below is another exhibit showing majority of Hispanics in the area rent, highlighting the demand from this demographic.



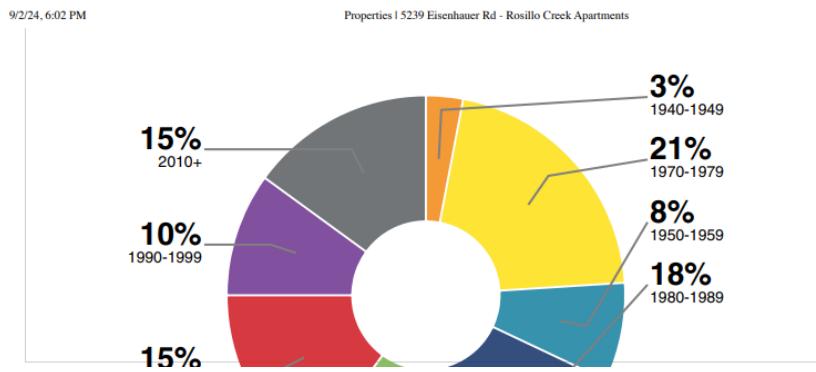
Aged Housing Inventory

Here is another chart highlighting home values and age in the area. The median home value is \$213,647, and the median year built is 1981. Only 15% of homes in the area were built after 2010, and 47% were built before 1990. Given affordability issues and aged housing inventory, a more compelling case for a new multifamily development emerges.

Housing			
	2 mile	5 mile	10 mile
Median Home Value	\$173,179	\$183,118	\$213,647

[ps://product.costar.com/detail/all-properties/5008917/demographics](http://product.costar.com/detail/all-properties/5008917/demographics) 1/1

2/24, 6:02 PM	Properties 5239 Eisenhauer Rd - Rosillo Creek Apartments		
	2 mile	5 mile	10 mile
Median Year Built	1981	1984	1981



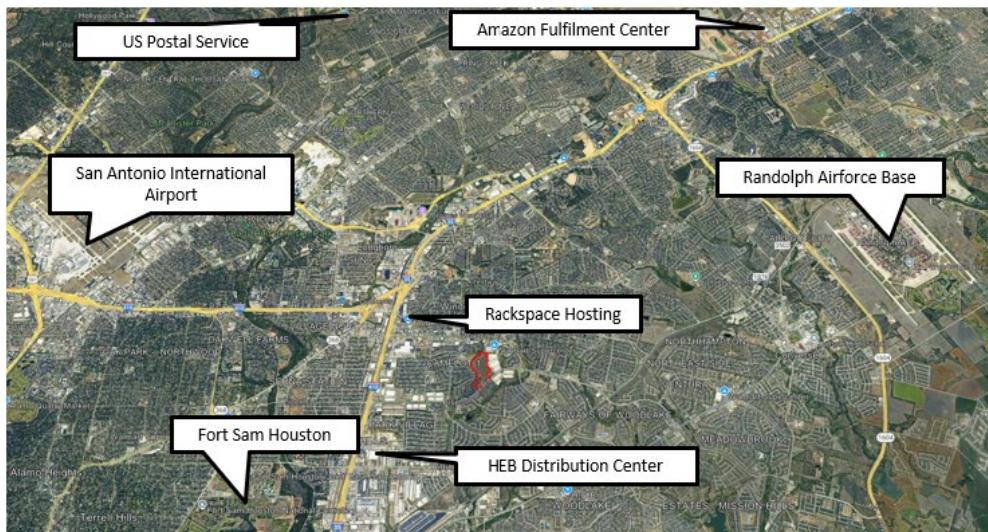
Finally, here is a more granular breakdown of the 2-, 5-, and 10-mile radius demographic statistics. Average household size increases closer to the site, which helps justify 60% of the units being 2- and 3-bedroom units. Annual household growth of 1.3% will increase demand within the submarket. With limited inventory coming online in the next 3 years, this presents an excellent opportunity to capture this increased demand.

Households			
	2 mile	5 mile	10 mile
2020 Households	17,234	94,372	296,683
2024 Households	17,460	96,096	307,934
2029 Household Projection	18,589	102,404	330,423
Annual Growth 2020-2024	0.8%	0.8%	0.8%
Annual Growth 2024-2029	1.3%	1.3%	1.5%
Owner Occupied Households	10,468	59,698	184,660
Renter Occupied Households	8,121	42,705	145,764
Avg Household Size	2.8	2.6	2.5
Avg Household Vehicles	2	2	2
Total Specified Consumer Spending (\$)	\$470.9M	\$2.7B	\$8.7B

Employment and Population Growth

NE San Antonio continues to see robust growth being close to I-35, a primary transportation towards Austin. In migration from California and New York continue to grow the need for housing, with the city projecting a 34% increase in population by 2030 and the need for 28,000 additional rental units. Basic job growth continues to expand creating the need for many additional service jobs. This highlights the continued need for affordable housing in San Antonio.

Major employers in the submarket include the San Antonio International Airport, Amazon & HEB Distribution Centers, USPS, USAA, Fort Sam Houston, and Randolph Airforce Base.



Here is a more exhaustive list of major employers within a 15-mile radius (less than 30-minute drive) from the subject site:

Other Major Regional Employers in San Antonio		
Employer	Sector	# of Local Employees
Lackland Air Force Base	Military	37,097
Fort Sam Houston - US Army	Military	32,000
Northside ISD	School District	12,751
Randolph Airforce Base	Military	11,068
North East ISD	School District	10,052
City of San Antonio	San Antonio	9,145
Methodist Healthcare System	Health Care Services	8,118
San Antonio ISD	School District	7,000
Baptist Health System	Health Care Services	6,498
JP Morgan Chase	Financial Services	5,200
Wells Fargo	Financial Services	5,153
ATT	Phone, Wireless, & Internet Services	4,200
Christus Santa Rosa Health Care	Health Care Services	3,360
CPS Energy	Utilities	3,022
Rackspace	IT Managed Solutions	3,300
Boeing	Aerospace & Manufacturing	2,800
Frost Bank	Financial	1,972
Accenture	Prof Services / Tech Services	1,800
WellMed Medical Mgmt Inc.	Medical Mgmt	1,200
Walmart Distribution Center	Distribution	1,000
Randolph-Brooks Federal Credit Union	Financial Institution	928
Caterpillar	Manufacturing	900
Gunn Automotive Group	Automobile Dealer	803

The employment detail above shows that the top ten employers (by employee count) are in military, education, government, and healthcare. Other major employers are in distribution, financial services, and manufacturing. Many of these service-related jobs within a 3-mile radius make at or under the median income of \$59k for the northeast submarket. This supports the need for an affordable housing development to serve this cohort. The development team also compiled police and military pay scales considering proximity to Fort Sam Houston and Randolph Airforce base:

Cadet	\$56,000
Patrol Officer	\$58,452-\$79,620
Detective	\$81,852-\$88,500
Sergeant	\$92,964-\$96,708
Lieutenant	\$104,112-\$108,324
Captain	\$119,472-\$124,284
Deputy Chief	\$165,372
Assistant Chief	\$178,596

Source: <https://sapdcareers.com/pay-scales/>

These salaries help support our ability to meet the PFC guidelines of 80% of AMI as shown below (assuming 30% of monthly pay is spent on housing):

Area Median Income	\$59,500
80% Affordability Requirement	\$47,600
30% Annual Rule	\$14,280
Monthly Rate	\$1,190

Location, Traffic, and School Systems

This parcel of land is situated in the northeast side of San Antonio off Eisenhauer Road. This is sits about 1.6 miles west of 410/35 South corridor. For what we have planned for this particular piece of property, the situation between multiple other industrial tracts and large roads allows for easy accessibility and convenience for residents.

When taking a look at education systems, this property is within the North East Independent School District of San Antonio. This school district is decently rated and currently has 59,9007 students in grades PK, K-12 with a student teacher ratio of 16 to 1. According to state test scores, 45% of students are at least proficient in math and 58% in reading. North East ISD is currently serving close to 430,000 individuals in the northeast Bexar County area and is sitting at one of the largest school districts in Texas. However, they are continuing to face declines in average daily attendance due to its competition of private charter schools and its aging population.

Location from surround schools in the North East Independent School District

Elementary School

- Camelot Elementary School: 1.3 Miles (3 min drive)
- Walzem Elementary School: 2.9 Miles (7 min drive)
- Mary Lou Hartman Elementary: 1.3 Miles (3 min)
- Ed White Middle School: 1.3 Miles (3 min drive)
- Roosevelt High School: 1.7 Miles (4 min drive)

As previously stated, the site sits just 0.3 miles west of the intersection of Eisenhauer Road and Walzem Road in northeastern San Antonio. Situated on the north side of Eisenhauer Rd, the site will have direct access to Eisenhauer, as well as access to Parkcrest Drive via the 53' Easement Agreement for Access that was filed by the Seller in July of 2024. See below for distances from major landmarks:

- 0.3 mi. West of Eisenhauer / Walzem intersection
- 1.7 mi. East of IH-35/Loop 410 intersection
- 7.2 mi. To SA International Airport
- 7.5 mi. Fort Sam Houston
- 8 mi. To Randolph Air Force Base / Loop 1604
- 7.5 miles to IH-10
- 10 mi. to Downtown

With momentary access to IH-35 / Loop 410 the site allows for the versatility required for both Multifamily and Business Park applications. A part of town that was once largely industrial / warehouse, the area has seen an uptick in Single-Family residential development. With the City's *SA Tomorrow Comprehensive Plan* calling out the Northeast I-35 & Loop 410 Regional Center to be "evolving away from its industrial roots" the uses of BP/Flex space and adding multifamily to an area dominated by SF homes appears to fit the bill. With these new uses in mind, a TIA will likely be required to confirm the increase in trips. While this may not result in the responsibility to construct public improvements, a Rough Proportionality contribution may be required to cover future necessary traffic infrastructure upgrades.

Eisenhauer Road is classified as a Secondary Arterial Type A by CoSA's Major Thoroughfare Plan. The Plan shows a ROW width of 86 feet and does not indicate any plans for ROW take at platting. The site fronts approximately 900' along Eisenhauer Road giving the MF parcel good front door exposure and access. Eisenhauer Rd is a 4-lane road with a middle left turn lane spanning the entire frontage and beyond.

With access to the northern BP parcel being via the existing 53' Access Agreement out to Parkcrest Drive, then onto Walzem Road. Walzem Rd is also listed as a Secondary Arterial Type A by CoSA's Major Thoroughfare Plan. It is also an 86'-wide four-lane ROW with a central left turn lane that runs toward IH-35/Loop 410, adding medians as it approaches the freeway.

The site is within walking distance (<1 mile) of two grocery store options including the HEB at the SE corner of the Walzem Road / Montgomery Drive intersection, as well as a Walmart Supercenter just north of the site on Parkcrest Drive. Just northwest of the site is the Windcrest Shopping Center for more localized retail, while larger retail centers including the likes of Sam's Club, Costco, and Ikea can be found approximately 4-5 miles north on IH-35 in the Live Oak area. The famous Alamo Quarry Market can also be accessed to the west about 7 miles down 368 to Eisenhauer Road west of Loop 410.

While much of San Antonio's major entertainment options reside on the west side of the city, the northeast side also offers quite a few destinations. Morgan's Wonderland Water Park is about 4.5 miles up IH-35 from the site, while Retama Park Race Track sits about 9 miles north. Just north of Downtown is the San Antonio Zoo, SA Botanical Gardens, and Sunken Garden Theater only about 9 miles to the southwest. The University of Incarnate Word and Trinity University are also located down in this area.



Supply-Side Dynamics, Rental Assumptions, and Competitive Set

Northeast San Antonio Multifamily Market Fundamentals

The Northeast San Antonio multifamily market has shown incredible resilience over the past several years. From April 2023 to April 2024, the overall San Antonio MSA saw an increase in vacancy of 2.1%, while the northeastern submarket saw a decrease in vacancy of 0.3%. As noted previously, economic diversity and the strong presence of the military and industrial sectors have buoyed steady historical rent growth of 2.4%. CoStar estimates a forecasted rent growth average of 2.7% due to steady population and job growth. Rent growth has also outperformed the metro-wide average from April 2021-April 2024. Over the past 5 years, the market has absorbed an average of 400 multifamily units annually, indicating strong and consistent demand for rental housing. The historical average of annual deliveries was 353 units with a forecast of 149 units/ year. As permit activity and projected deliveries have plummeted over the past year due to broader macro-economic concerns and financing constraints, demand has continued to remain robust. This lack of inventory presents an opportunity to deliver apartments in several years with limited competition. The Northeast Submarket has approximately 21,000 units of inventory today and is the fourth largest San Antonio. Although the submarket has limited barriers to entry related to inexpensive land, there are currently 0 projects underway. Convenient access to major highways combined with relative affordability makes this area a popular destination for families. Home values are lower than the overall MSA, but considerable downpayment and interest rates have priced many families out of home ownership. Overall submarket vacancy is currently at 11.2% with -0.4% rent growth. Although the market has softened recently, the historical average vacancy is 8.6% with average rent growth of 2.4%.

Overview

Northeast San Antonio Multi-Family

KEY INDICATORS

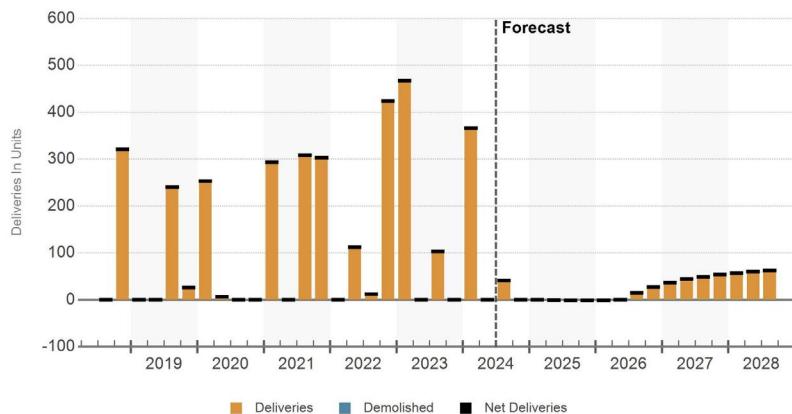
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	7,438	11.4%	\$1,320	\$1,299	123	41	0
3 Star	9,707	11.6%	\$1,096	\$1,078	(11)	0	0
1 & 2 Star	4,079	10.0%	\$989	\$982	4	0	0
Submarket	21,224	11.2%	\$1,156	\$1,139	116	41	0

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.3%	8.6%	11.2%	11.6%	2024 Q2	5.8%	2022 Q1
Absorption Units	115	289	97	1,186	2006 Q1	(235)	2002 Q1
Delivered Units	437	353	149	1,382	2006 Q1	0	2018 Q3
Demolished Units	0	4	6	100	2006 Q4	0	2024 Q2
Asking Rent Growth (YOY)	-0.4%	2.4%	2.7%	10.2%	2022 Q2	-2.1%	2010 Q1
Effective Rent Growth (YOY)	-0.6%	2.4%	2.6%	10.9%	2022 Q1	-2.0%	2009 Q4
Sales Volume	\$9.1M	\$53M	N/A	\$234.8M	2018 Q4	\$0	2015 Q2

Construction

Northeast San Antonio Multi-Family

DELIVERIES & DEMOLITIONS

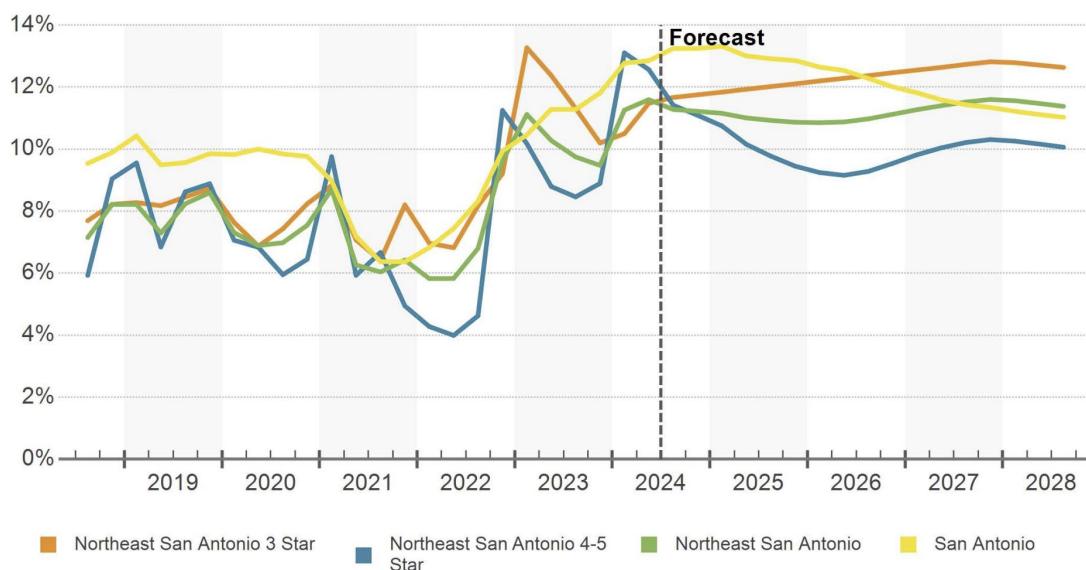


The subject site is planned to deliver as a Class 4 (B+) property which is forecasted to have the lowest vacancy rate within Northeast San Antonio and the entire MSA through 2028.

Vacancy

Northeast San Antonio Multi-Family

VACANCY RATE



Immediate Submarket Multifamily Fundamentals and Competitive Set (5-mile radius)

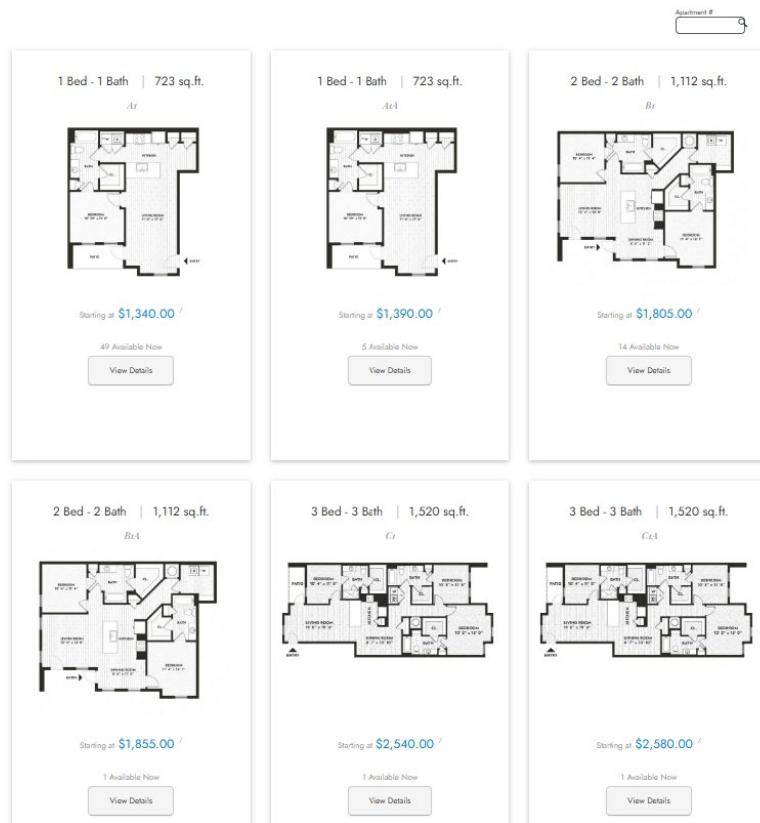
Class A (Class 5) apartments in the area have average asking rents near \$1,320 which is significantly above the proposed subject property average rent of \$1,088. The proposed development would be classified as a Class B+ (4 star) property to serve consumers at a lower price point. Many of the recent deliveries shown below are Class A apartments with rents well-above the direct competitive set.

RECENT DELIVERIES

Property Name/Address	Rating	Units	Stories	Start	Complete	Developer/Owner
1 Ridgeview 7239 Converse Ridge Ln	★★★★★	41	2	Jun 2023	Jul 2024	- -
2 Alta Rolling Oaks 6710 N Loop 1604 E	★★★★★	366	3	Jul 2022	Mar 2024	Wood Partners Wood Partners
3 The Willows at Kendall B... 5735 Cool River Way	★★★★★	103	1	Jun 2022	Jul 2023	- Premium Partners, LLC
4 Caroline at Longhorn Qu... 5206 Wurzbach Pky	★★★★★	355	3	Aug 2021	Feb 2023	The Morgan Group Bitterblue Group
5 View Homes at Skybrooke 7309 Walkers Loop	★★★★★	100	2	Mar 2022	Jan 2023	David Weekley Homes -
6 7927 Dial Ike Dr	★★★★★	12	2	Jun 2022	Jan 2023	- Yacobi Properties LLC
7 Avasa at 1604 6730 N Loop 1604 E	★★★★★	424	3	Jul 2021	Oct 2022	- Venterra Realty
8 6934 Crestway Rd	★★★★★	12	2	Sep 2021	Jul 2022	-

Here is a sample of current rent prices at Alta Rolling Oaks, which was delivered in March 2024:

Floor Plans



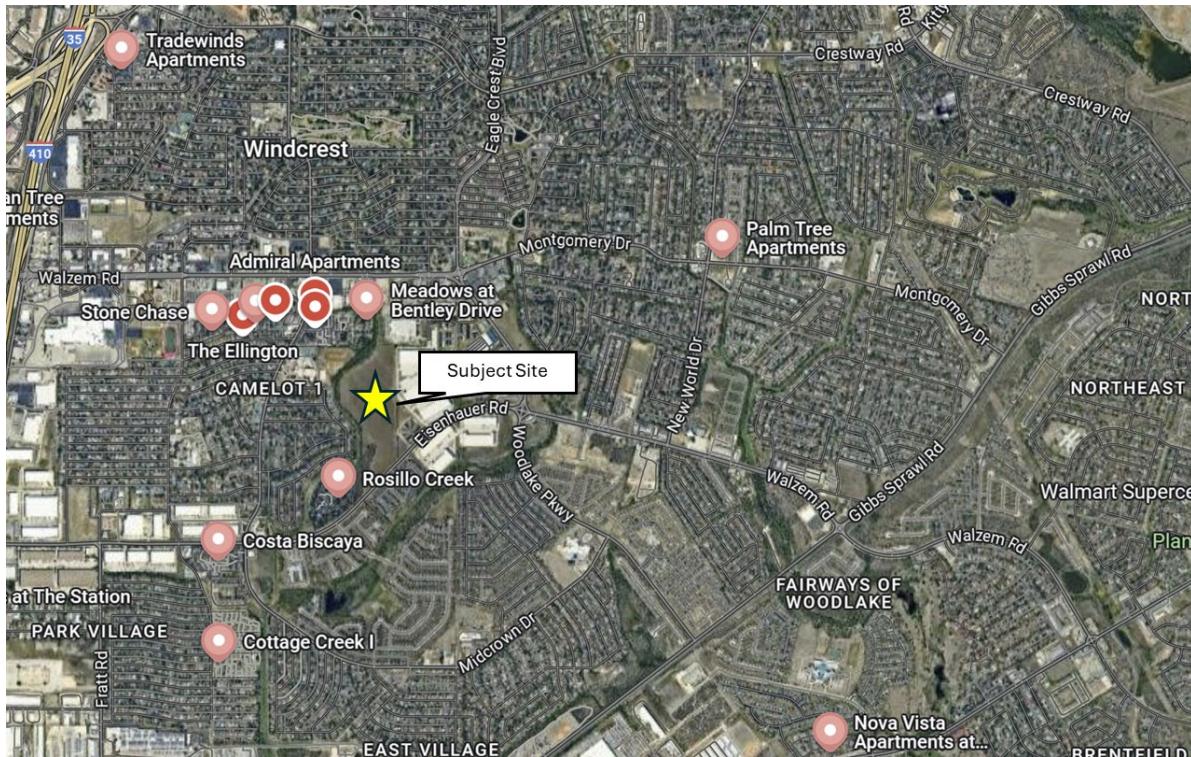
Source: <https://altarollingoaks.securecafe.com/onlineleasing/alta-rolling-oaks0/floorplans>

For reference, the subject property rents will be \$950 for 1 bedrooms, \$1,115 for 2 bedrooms, and \$1,269 for 3 bedrooms (see below for direct competitive set).

Direct Competitive Set and Relative Value

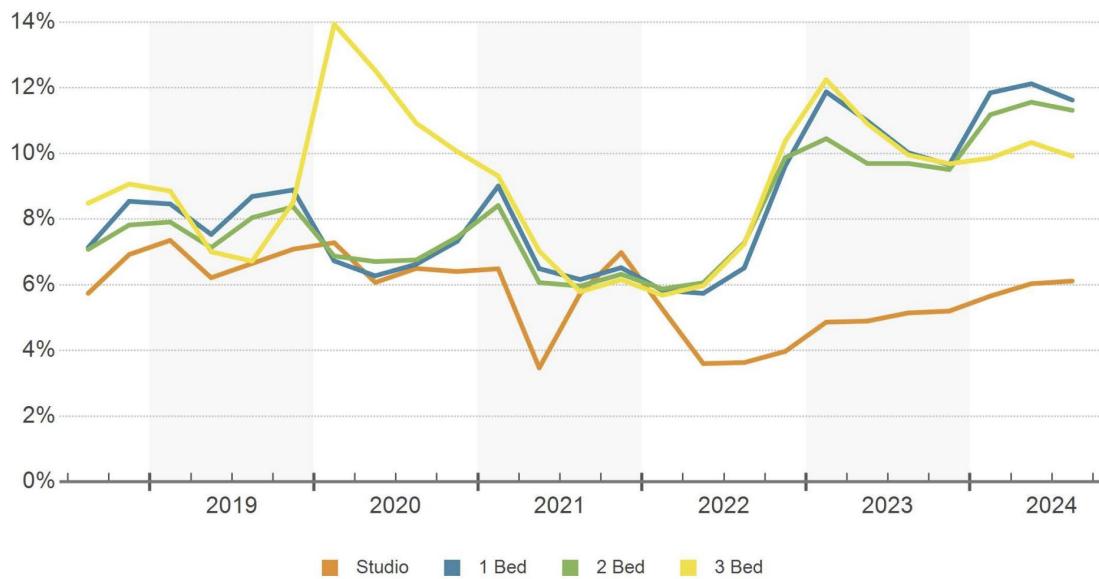
Below is a direct competitive set of other Class B properties within a 5-mile radius of the site:

Market Averages/Totals	Subject Apartments	Rosillo Creek	The Ellington	Tradewinds Apartments	Stone Chase	Alamo Estates	Costa Biscaya	Nova Vista
Direct/Indirect	Sub	Dir	Dir	Dir	Ind	Dir	Dir	Ind
Year Built / Renovated	2025	2000	2009	2012	2013	2008	2003	2009
Style	Garden	Garden	Garden	Garden	Garden	Garden	Garden	Garden
Distance from Subject	0.0 miles	0.4	17	3.6	18	15	0.9	4.4
Total Units	2,359	462	192	348	250	228	180	475
1Br Units	1,178	185	80	234	130	144	102	235
2Br Units	962	161	112	114	120	84	51	200
3Br Units	219	116	0	0	0	0	27	40
Avg. Rent	\$1,095	\$1,088	\$1,053	\$1,041	\$1,054	\$1,256	\$1,030	\$1,020
Avg. Price / Sqft	\$1,135	\$1,120	\$1,133	\$1,164	\$1,130	\$1,167	\$1,130	\$1,111
Occupancy %	92%	93%	92%	93%	93%	92%	88%	92%
Average Sqft by Unit Type								
1Bedroom Avg.	657	675	672	520	685	651	651	639
2Bedroom Avg.	964	1000	887	910	987	936	913	918
3Bedroom Avg.	1249	1275				1250	1261	1150
Adjusted Rates by Sqft								
1Bedroom Avg.	\$148	\$141	\$144	\$171	\$145	\$169	\$141	\$119
2Bedroom Avg.	\$126	\$112	\$126	\$149	\$113	\$163	\$117	\$105
3Bedroom Avg.	\$107	\$100					\$110	\$101
Adjusted Rates by Unit Type								
1Bedroom Avg.	\$957	\$950	\$965	\$888	\$934	\$1,100	\$918	\$913
2Bedroom Avg.	\$1,210	\$1,115	\$1,115	\$1,355	\$1,120	\$1,523	\$1,071	\$1,095
3Bedroom Avg.	\$1,334	\$1,269					\$1,378	\$1,269



7 properties in the immediate vicinity of the site were evaluated to determine rental pricing. 5 were designated as direct comps (Class B), and 2 were designated as indirect comps (Class A). Although the monthly average rent is higher than the direct competition, the unit size (sq ft) is larger than the direct competition. Therefore, the average price per sq ft is lower than all the competition aside from Costa Biscaya. Costa Biscaya is an older property with inferior amenities and deferred maintenance, justifying a higher rental premium for the subject site. The competition was also developed over a decade ago, making the subject site an attractive new property for prospective tenants. Planned amenities are to include a pool, clubhouse, fitness center, business center, and dog park which will be superior to the competition as well. It is also interesting to note that the unit mix within the competitive set is heavily weighted towards 1- and 2-bedroom units. There are few options for larger households that need 3 bedrooms. Alamo Estates, Costa Biscaya, and Nova Vista are the only properties offering 3-bedroom options with limited inventory. Additionally, Nova Vista is an indirect comp offering units at a much higher price point targeting a different consumer. It is important to note that the subject site's unit mix (25% 3 bedrooms, 35% 2 bedrooms, and 40% 1 bedrooms) has a larger proportion of 3 bedrooms than the competition, which causes our blended overall average rent to be higher than most of the competition. However, as noted in the demographic analysis and due to limited supply of 3-bedroom options, there is an opportunity to fill a void in the market and increase top line revenue. 3-bedroom unit vacancy has trended lower in recent years due to lack of supply, and also vacancy plunged during the pandemic as families sought additional space (see chart below). Garden-style communities seem to be in favor for consumers in this submarket as they offer amenities and space for families with small children/ pets.

VACANCY BY BEDROOM



Proposed Future Supply

PROPOSED

	Property Name/Address	Rating	Units	Stories	Start	Complete	Developer/Owner
1	Tacara at Arion Park Arion Pky	★★★★★	300	3	Oct 2024	Aug 2025	Casey Development LTD Casey Development LTD
2	Residences at Thousand Oaks Dr 4500 Thousand Oaks Dr	★★★★★	250	2	Dec 2024	Dec 2025	- Golden State Properties Llc

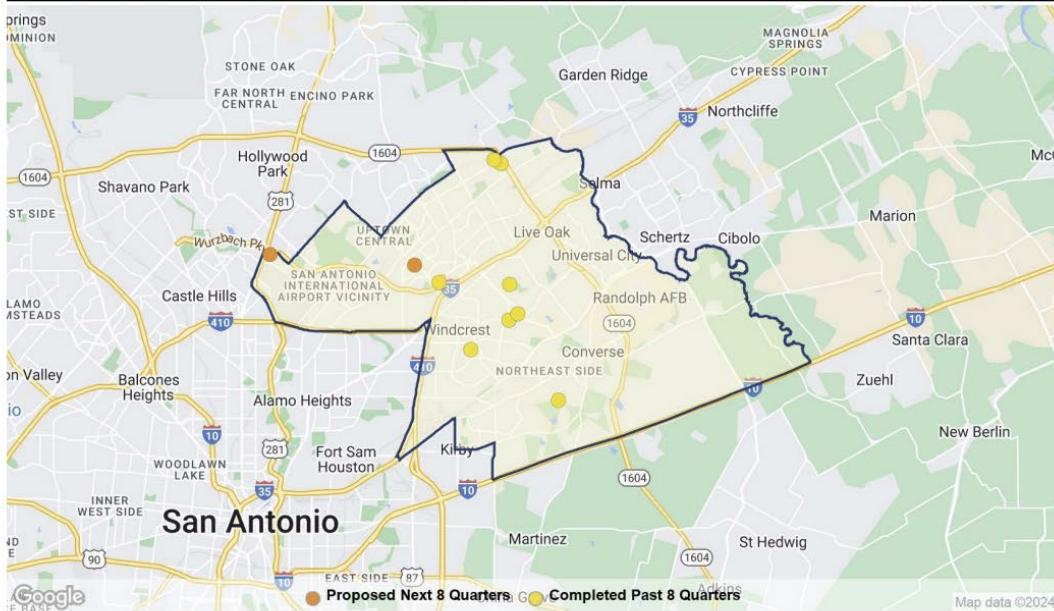
These properties have been proposed but have no approved site plans. Due to high interest rates, lower loan-to-cost ratios, and tighter credit markets, future projects have come to a halt. However, the fact that projects are still being proposed bodes well for the long-term demand and fundamentals of the submarket. The past 8 quarters of deliveries have mostly been smaller projects of less than 105 units.

Construction

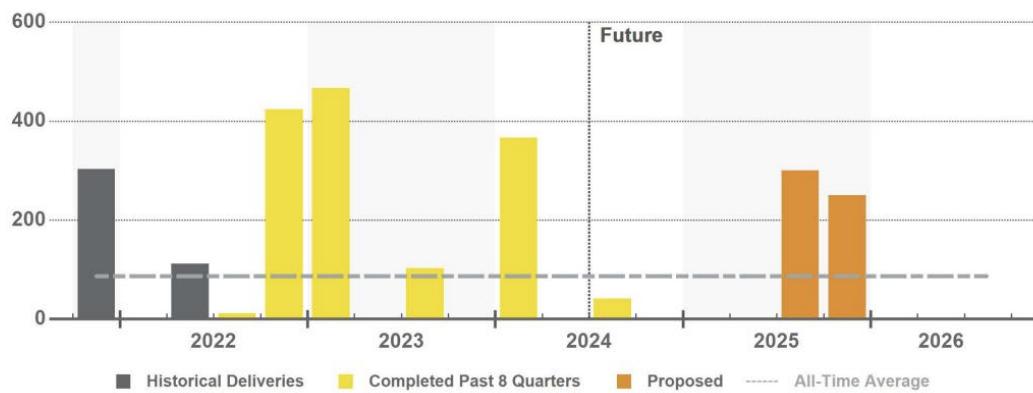
Northeast San Antonio Multi-Family

All-Time Annual Avg. Units	Delivered Units Past 8 Qtrs	Delivered Units Next 8 Qtrs	Proposed Units Next 8 Qtrs
348	1,413	0	550

PAST 8 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED



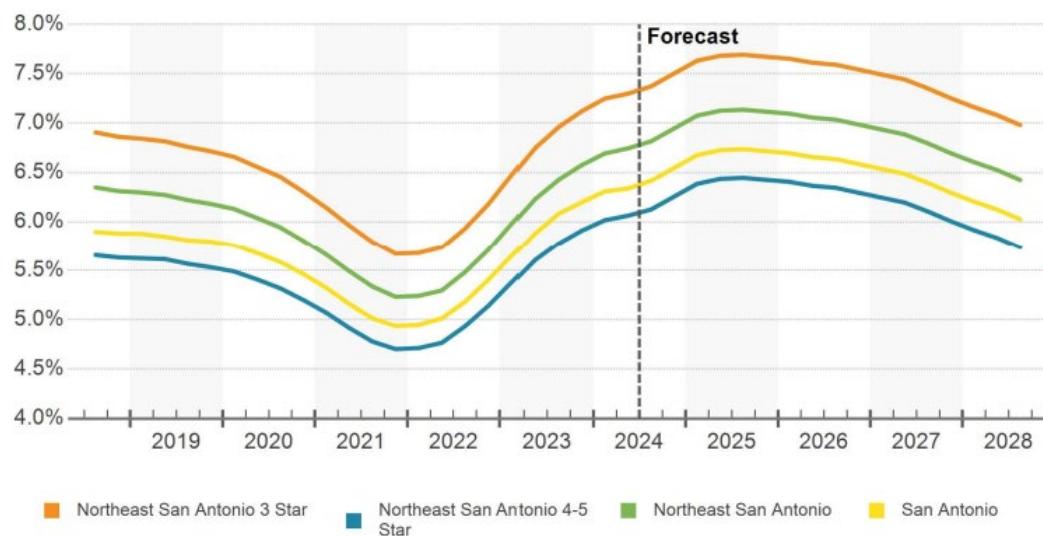
PAST & FUTURE DELIVERIES IN UNITS



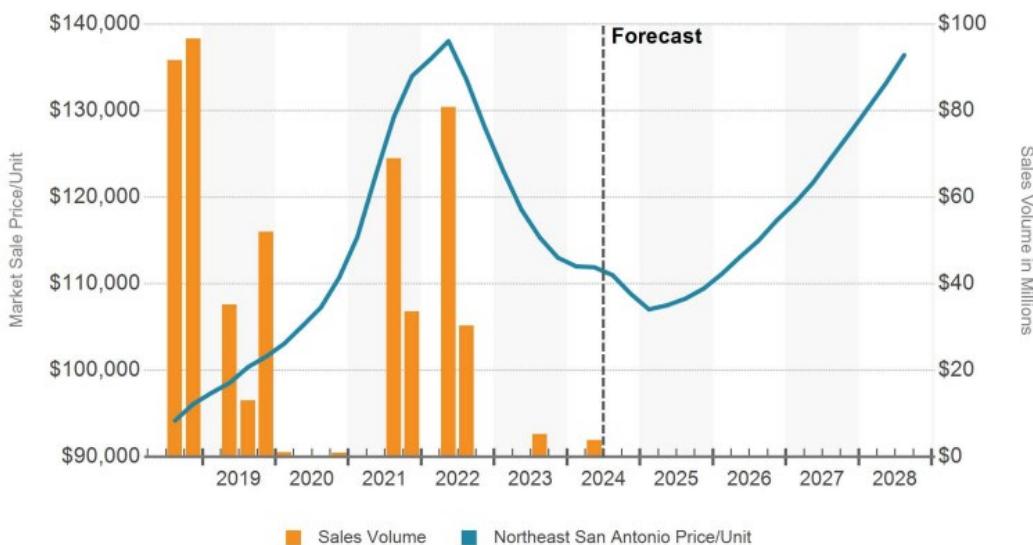
Sales Volume and Future Value

Although capital markets remained tight with investors finding it difficult to achieve financing, a total of 9 sales took place last year v the historical average of 8 per year. As interest rates decline, investment activity should pick up which will result in cap rate compression towards the end of 2025. Long-term cap rates for Class 4 (B+) multifamily should stabilize at just under 6%. This should also result in higher market sale price per unit by the time the subject property is stabilized at roughly 93-95% occupancy. Limited proposed development, rental growth, and lower cap rates should all contribute to a successful disposition in the future. Northeast San Antonio Class 4-5 start apartments will continue to achieve lower cap rates than any other through the San Antonio MSA due to its superior location and demand.

MARKET CAP RATE



SALES VOLUME & MARKET SALE PRICE PER UNIT



Business Park/ Flex Industrial Development Overview

Product and Location Description

Project Overview

The site is situated just 1.7 miles east of I-35, with easy access to loop 410 and 1604. The proposed business park will be located on the back half (north end) of the property, with shared access off Eisenhauer Rd with the neighboring light industrial site. There is also a 53 ft access easement located on the north side of the property that will allow secondary access to another major thoroughfare, Walzem Rd. Surrounding land uses include Walmart Supercenter and light industrial park, which makes this site an ideal candidate for flex industrial.



Although vacancy for traditional industrial warehouses/ offices has seen an uptick within the submarket (10.5%), the team believes it can deliver a differentiated product for small businesses that serve the local community. The tenants may include dog daycare, sports/ clothing supplies, flooring companies, window/ glass companies, auto repair parts, security systems, paint supplies, fitness centers/ small gyms, etc. Below is an example of the envisioned product:



Source: <https://hellowoodlands.com/new-industrial-warehouse-and-flex-office-business-park-planned-for-south-montgomery-county/>

Northeast San Antonio Industrial Market Fundamentals

Due to its premier location, Northeast San Antonio is the largest industrial submarket in Central Texas. Major logistics routes converge in this submarket, with I-35 spanning the United States from north to south, and I-10 spanning the United States from East to West. Major industrial absorption events from last year included MEI Riggin & Crafting (190,000 sf), Chik-fil-A (190,000 sf), and Amazon's 4 million sf distribution center. The overall vacancy rate across industrial is 10.5%, but the subcategory of flex space is just 7.9%. Flex space also boasts the highest market asking rent (\$14.82/ sf) compared to logistics (\$8.38/ sf) and specialized industrial (\$10.75/ sf), and currently has no properties under construction.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	35,774,456	12.7%	\$8.38	17.8%	(65,126)	0	1,723,839
Specialized Industrial	9,647,848	3.5%	\$10.75	4.0%	(22,809)	0	0
Flex	3,772,489	7.9%	\$14.82	9.5%	(21,263)	0	0
Submarket	49,194,793	10.5%	\$9.30	14.6%	(109,198)	0	1,723,839

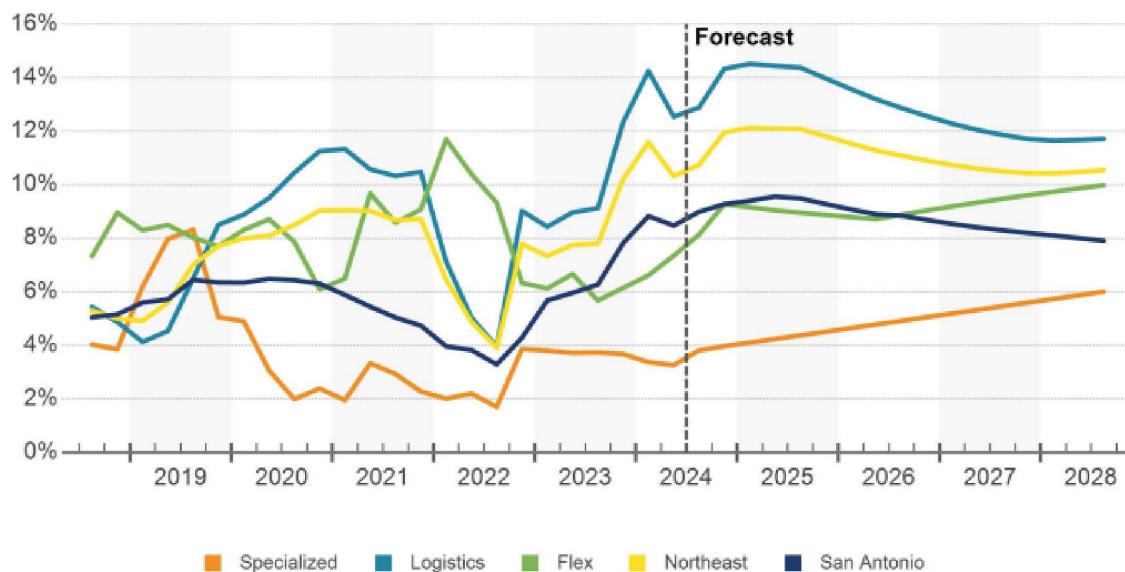
Flex industrial space has remained the most resilient subcategory of industrial space within the northeast submarket. Although 12-month net absorption is down year-over-year, 77,000 sf was still absorbed with annual rent growth at 3%. Flex space occupancy is projected to outperform logistics and the overall Northeast industrial submarket through 2028.

Vacancy

Vacancy within the flex space continues to be below the overall industrial vacancy within Northeast San Antonio and the broader MSA. Vacancy is forecasted to stabilize at roughly 9% in the next 5 years, although this could be overly conservative with the influx of demand from job and population growth. The development team expects vacancy to return to the long-term historical average of 7.4% in the coming years.

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.8%	7.4%	11.0%	11.6%	2024 Q1	3.9%	2022 Q3
Net Absorption SF	(1.1M)	471,169	495,741	3,563,896	2022 Q3	(1,324,473)	2023 Q3
Deliveries SF	1.5M	737,303	866,244	2,557,042	2007 Q3	71,622	2012 Q4
Market Asking Rent Growth	4.0%	3.7%	4.2%	9.7%	2022 Q2	-1.1%	2010 Q3
Sales Volume	\$28.3M	\$48M	N/A	\$154.7M	2022 Q3	\$1M	2006 Q2

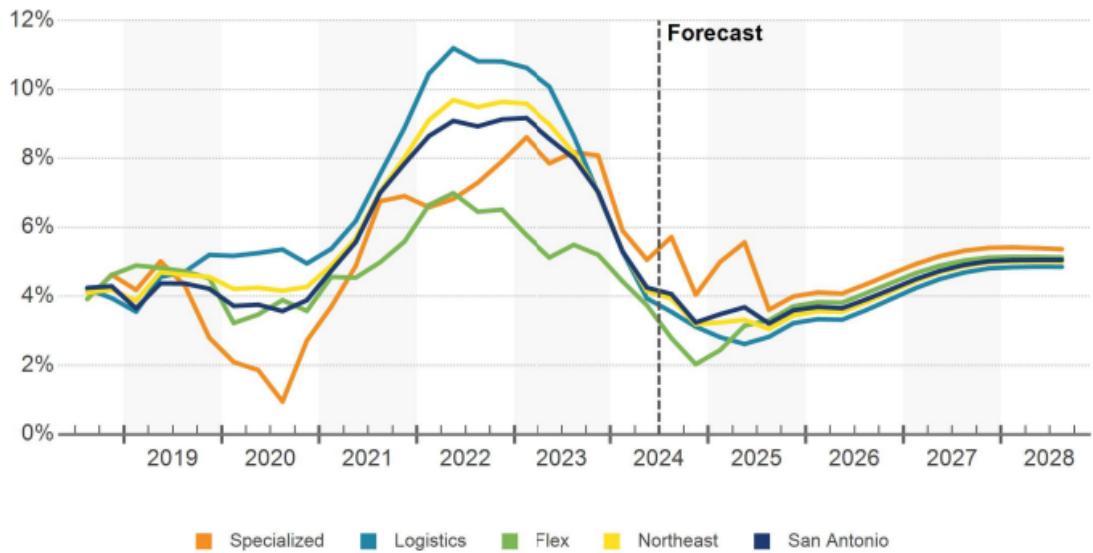
VACANCY RATE



Rental Rates

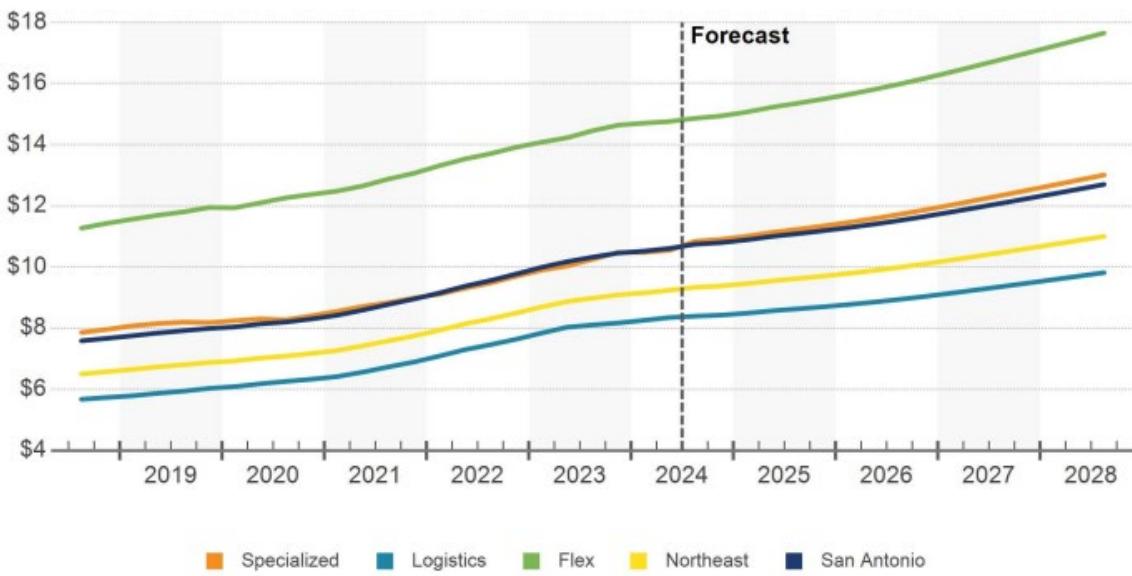
Rental rates in Northeast San Antonio are slightly below those of the overall MSA (\$9.30/sf v \$10.70/sf). The development team views this as a positive attribute, and prospective tenants will continue to seek space in the area due to its relative affordability. It is also important to note that asking year-over-year rent growth in NE San Antonio has outpaced the overall MSA by 20 basis points. Flex space asking rents have continued to normalize over past few years, with the rate of growth decreasing from 6% at the end of 2022, to roughly 3% in 2024. As demand increases and limited supply being developed, rental growth is expected to increase to 5% by 2026 when the subject property is delivered.

MARKET ASKING RENT GROWTH (YOY)



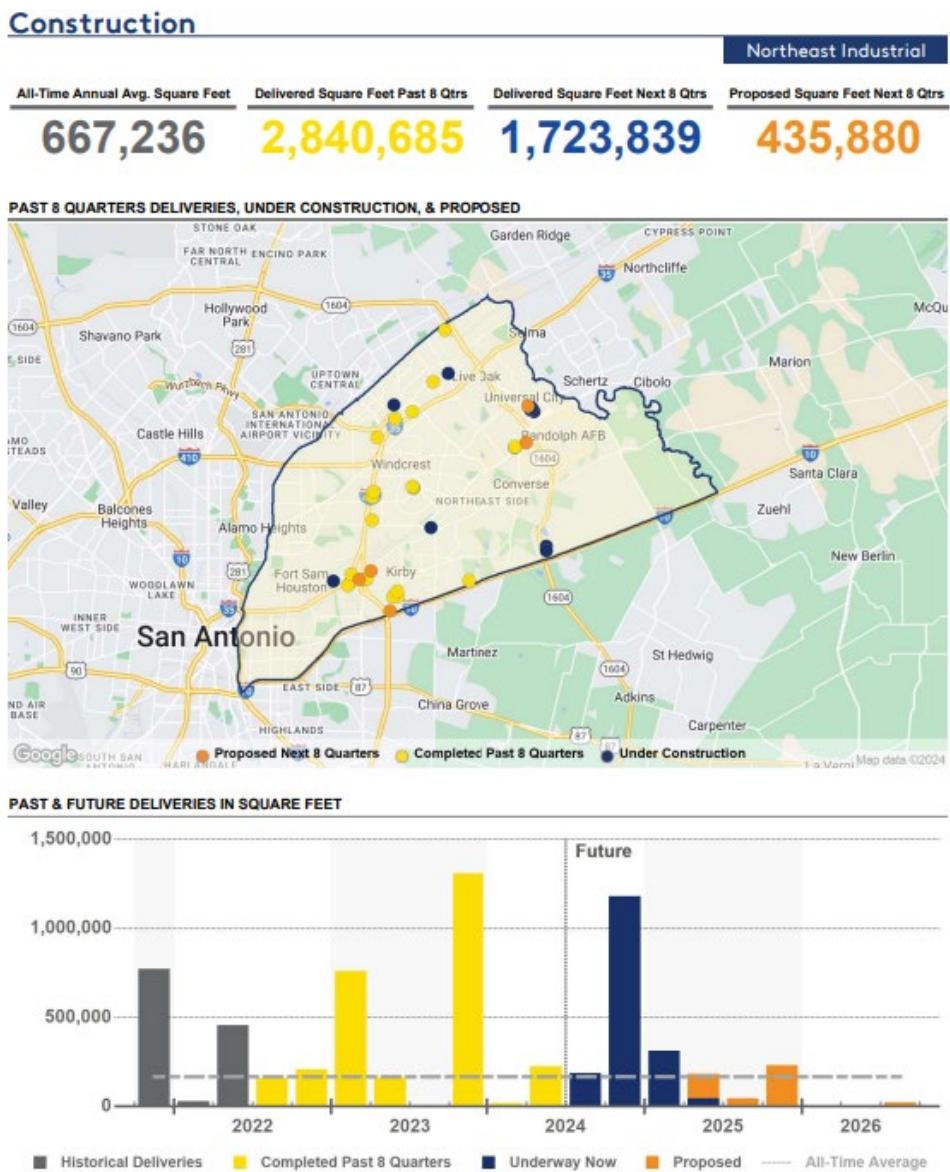
On a nominal basis, flex space will continue to outperform its industrial subcategory peers by a substantial margin. Market asking rent/sf is expected to reach \$16/sf in 2026 once the property is constructed.

MARKET ASKING RENT PER SQUARE FEET



Supply and Construction

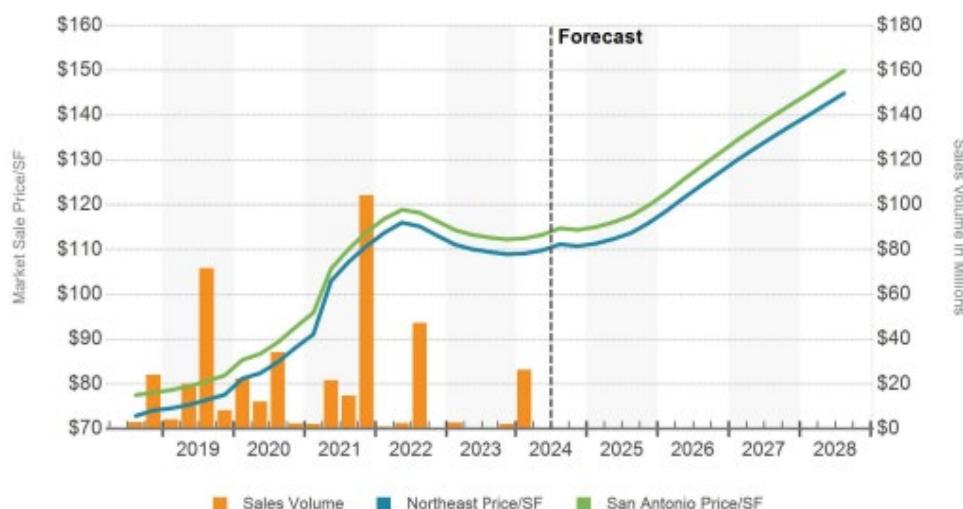
During 2024, the availability rate of flex space has trended down below 10%, indicating strong demand and lack of supply. This trend is expected to continue due to lack of new supply and nearly 1,000,000 sf of industrial space that was demolished/removed from the market in late 2023. The overall industrial market has seen a tremendous amount of new supply with 1.6 million sf being delivered in spring 2024, with another 1.7 million sf underway. However, the majority of these new deliveries have been in the logistics space with relatively few in the flex space. Additionally, most of these new deliveries will hit the market by early 2025, with few proposed afterwards. With the subject property delivering in 2026, maximum occupancy and rental rates are expected due to lack of new competition.



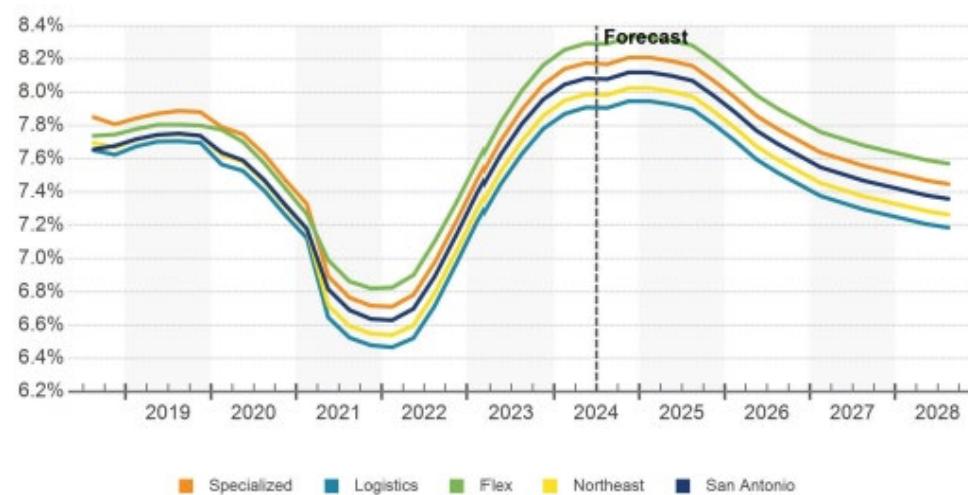
Sales Volume and Future Value

The San Antonio market experienced the third-largest transaction volume on record for the city regarding investment sales of industrial space. There was a total of 53 transactions worth nearly \$250 million, 10 of which involved flex space. Market price per sq ft is slightly less in the Northeast submarket than the overall MSA, but the development team views this as positive. The relative affordability should result in fewer days on market and lower cap rates. The Northeast submarket tends to produce lower market cap rates than the overall MSA due to its premier location and access to I-35 and I-10. Although flex space has the highest market cap rates, it boasts nearly 50% higher rent/ sf than the other industrial subcategories. This will result in higher net operating income that should help offset the affect the higher cap rates have on reversionary value. The development team is projecting market cap rates to normalize at 7.5% by 2028 for flex space. There also could also be additional cap rate compression due to the location of the site and improving market demand fundamentals.

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET CAP RATE



Works Cited

- https://www.bls.gov/regions/southwest/summary/blssummary_sanantonio.pdf
- **Economic Development Home
(sanantonio.govhttps://www.bls.gov/regions/southwest/summary/blssummary_sanantonio.pdfv)**
- https://www.bls.gov/regions/southwest/summary/blssummary_sanantonio.pdf
- **CoStar Report Prepared by Broadway Bank (Andrew Ozuna; Senior VP Commercial Real Estate Manager)**
- [FY 2023 Income Limits Documentation System - Median Income Calculation for San Antonio-New Braunfels, TX HUD Metro FMR Area \(huduser.gov\)](#)
- [San Antonio-New Braunfels 2022 Area Median Income jumps to \\$83,500 \(sanantonioreport.org\)](#)
- [Microsoft Word - Examples of uses permitted 06-10-20 \(sanantonio.gov\)](#)
- [Maps \(sanantonio.gov\)](#)
- [San Antonio Real Estate Market 2023 | Trends, Predictions & Stats \(realwealth.com\)](#)
- [San Antonio's Apartment Market Thrives | RealPage Analytics](#)
- [Report: San Antonio apartment rents are up 12% since 2021 - San Antonio Business Journal \(bizjournals.com\)](#)
- [ArcGIS Business Analyst](#)