

FIGURES | SAN ANTONIO INDUSTRIAL | Q1 2024

# Absorption tapers in Q1; vacancy and availability remain flat quarter-over-quarter

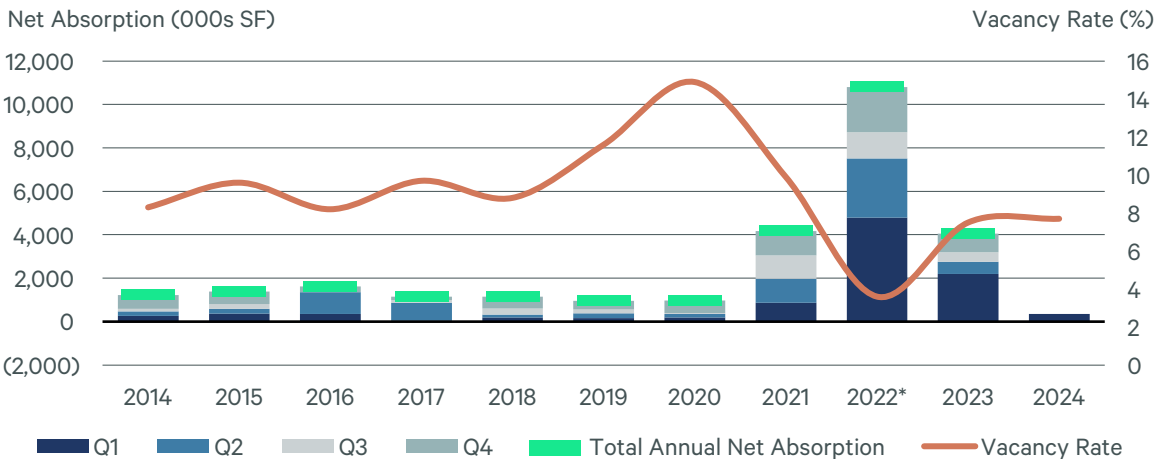


Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

- Q1 2024 marked the 30th consecutive quarter of positive net demand for the San Antonio industrial market.
- Market-wide net absorption totaled 352,659 sq. ft. in Q1 2024, marking the lowest Q1 absorption rate since the beginning of the pandemic.
- Vacancy and availability rates remained relatively flat quarter-over-quarter: vacancy increased by 20 basis points (bps) to 7.7%, while availability increased by 10 bps to 8.9%.
- Three owner-occupied buildings delivered this quarter, totaling 517,305 sq. ft. of new industrial product.
- Developers began construction on 2.6 million square feet of new projects, with speculative projects accounting for 84.4% of the total square footage breaking ground in the first quarter.
- Over 5.4 million sq. ft. of industrial product is currently underway, with 17.0% of the pipeline pre-leased.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q1 2024.

As of Q2 2022, owner-occupied properties are now included in our tracked inventory to better reflect the entire market.

FIGURE 2: San Antonio Industrial Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Asking Rate, NNN Avg. Annual (\$/SF)	Under Construction (SF)	Q1 2024 Deliveries (SF)	Q1 2024 Net Absorption	YTD 2024 Total Net Absorption
CBD	2,151,911	4.7	4.0	12.00	-	-	-	-
Class A	-	-	-	-	-	-	-	-
Class B	366,955	16.9	17.8	12.00	-	-	-	-
North Central	12,286,162	2.9	3.5	11.83	689,215	-	(10,567)	(10,567)
Class A	1,091,818	4.9	4.9	9.50	689,215	-	35,700	35,700
Class B	6,203,369	3.3	3.9	12.48	-	-	(36,477)	(36,477)
Northeast	79,822,799	9.9	11.0	7.88	4,150,645	264,694	105,293	105,293
Class A	34,075,408	17.5	18.0	7.16	4,105,645	264,694	360,601	360,601
Class B	24,271,545	5.9	7.1	9.02	45,000	-	(165,895)	(165,895)
Northwest	16,788,420	6.3	9.0	11.47	-	-	(112,998)	(112,998)
Class A	1,415,859	46.6	44.0	9.63	-	-	(2,728)	(2,728)
Class B	7,576,602	2.7	7.4	13.83	-	-	(33,814)	(33,814)
South	26,193,112	4.3	5.4	6.34	564,212	252,611	370,931	370,931
Class A	9,281,922	3.5	7.2	18.07	564,212	-	12,918	12,918
Class B	10,380,581	3.2	3.3	5.47	-	252,611	361,897	361,897
San Antonio Total*	137,242,404	7.7	8.9	8.43	5,404,072	517,305	352,659	352,659
Class A	45,865,007	15.2	16.3	7.43	5,359,072	264,694	406,491	406,491
Class B	48,799,052	4.6	6.0	10.09	45,000	252,611	125,711	125,711

Source: CBRE Research, Q1 2024.

\*As of Q2 2022, owner-occupied properties are now included in CBRE Research's tracked inventory for San Antonio Industrial to better reflect the entire market.

FIGURE 3: San Antonio Market Statistics, Distribution/Logistics & Flex/R&D, Manufacturing

Submarket	DISTRIBUTION/LOGISTICS					FLEX/R&D					MANUFACTURING				
	Total Vacant (SF) Total RBA (SF)	Vacancy Rate (%)	NNN \$/SF	Q1 2024 Net Absorption (SF)	YTD 2024 Total Net Absorption (SF)	Total Vacant (SF) Total RBA (SF)	Vacancy Rate (%)	NNN \$/SF	Q1 2024 Net Absorption (SF)	YTD 2024 Total Net Absorption (SF)	Total Vacant (SF) Total RBA (SF)	Vacancy Rate (%)	NNN \$/SF	Q1 2024 Net Absorption (SF)	YTD 2024 Total Net Absorption (SF)
CBD	61,950	5.1	12.00	-	-	20,000	5.5	-	-	-	20,000	3.4	-	-	-
	1,203,597					361,050					587,264				
North Central	116,640	1.6	9.98	42,750	42,750	180,719	5.7	12.62	(53,317)	(53,317)	64,454	3.9	-	-	-
	7,494,547					3,154,498					1,637,117				
Northeast	7,499,614	11.7%	7.14	1,739	1,739	296,091	7.9	12.61	(19,546)	(19,546)	136,819	1.1	7.25	123,100	123,100
	63,860,805					3,760,124					12,047,324				
Northwest	780,222	7.5	10.02	10,425	10,425	140,858	3.9	13.92	(44,942)	(44,942)	130,396	4.5	8.89	(78,481)	(78,481)
	10,339,499					3,566,191					2,882,730				
South	1,015,718	5.5	6.25	296,963	296,963	29,112	3.8	19.68	56,376	56,376	76,960	1.1	-	17,592	17,592
	18,334,466					775,581					7,026,068				
San Antonio Total	9,474,144	9.4	7.30	351,877	351,877	666,780	5.7	12.96	(61,429)	(61,429)	428,629	1.8	6.79	62,211	62,211
	101,232,914					11,617,444					24,180,503				

Source: CBRE Research, Q1 2024.  
As of Q2 2022, owner-occupied properties are now included in CBRE Research’s tracked inventory for San Antonio Industrial to better reflect the entire market.

OVERVIEW OF MARKET FUNDAMENTALS

San Antonio made its debut in Q4 2023 as a top-ten city to watch in PwC’s *Emerging Trends in Real Estate 2024* report. The report classified San Antonio as a “Super Sun Belt” market, citing its affordability relative to factors including size, diversity and quality of life. According to the Federal Reserve Bank of Dallas, San Antonio saw job growth at an annualized rate of 2.3% in Q1, continuing a pattern of solid growth over the previous two quarters. Jobs grew by 3.4% in 2023, placing San Antonio in the top 10 of the largest 50 metro areas. Oxford Economics forecasts 1.4% job growth in 2024, driven primarily by the Education & Health, Hospitality, and Finance/Real Estate sectors.

ASKING RATES & VACANCY

On a quarter-over-quarter basis, market-wide average asking rents increased 1.2% to \$8.43 per sq. ft. in Q1 2024. Warehouse/distribution rents decreased by 4.9% quarter over quarter to \$7.30, and Flex/R&D rents increased 11.6% to \$11.61 per sq. ft.

The vast majority of new construction has been focused on Class A bulk distribution spaces. Because Flex/R&D spaces command higher rates per square foot than distribution spaces, the inclusion of older Class B Flex/R&D spaces in surveyed rental rates creates the illusion that Class B rates are higher than Class A rates. In fact, Class A rates for like kind assets remain higher than their Class B counterparts across the market.

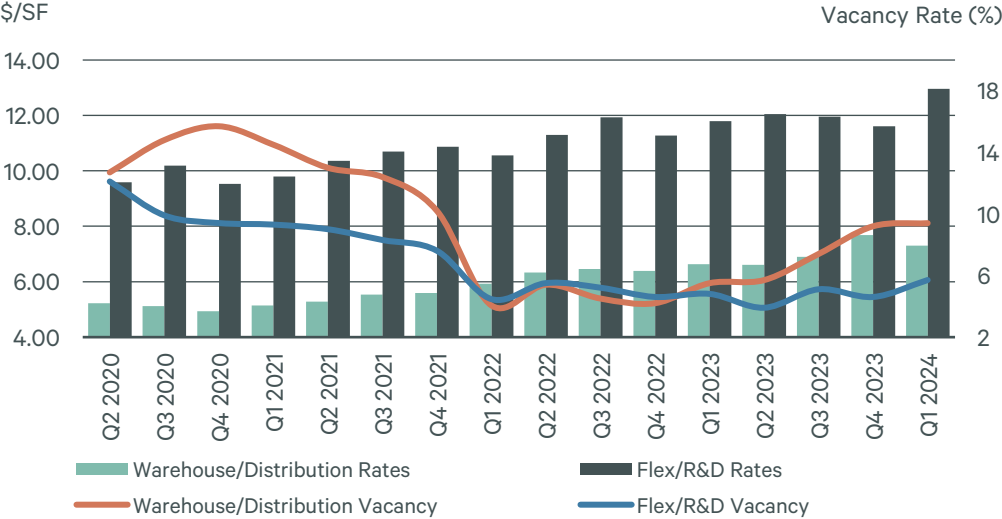
Market-wide vacancy grew by 20 bps to 7.7% in Q1 2024, increasing slightly from 7.5% in Q4 2023. Vacancy increased most notably in Flex/R&D properties, increasing by 110 bps to 5.7%; Flex/R&D space accounted for 61,429 sq. ft. of negative net absorption in Q1 2024, concentrated among Class B and C spaces in the North Central and Northeast submarkets. Warehouse/distribution vacancy was nearly flat, ticking upward by 10 basis points to 9.4%, and Manufacturing vacancy remained minimal at 1.8%.

DEVELOPMENT PIPELINE

Developers have responded to elevated demand for bulk user space by delivering 21.7 million sq. ft. of industrial product to the market from 2020 to present. After a record-breaking 8.1 million sq. ft. delivered in 2023, Q1 2024 deliveries tapered to 517,305 sq. ft., comprised entirely of three owner-user properties.

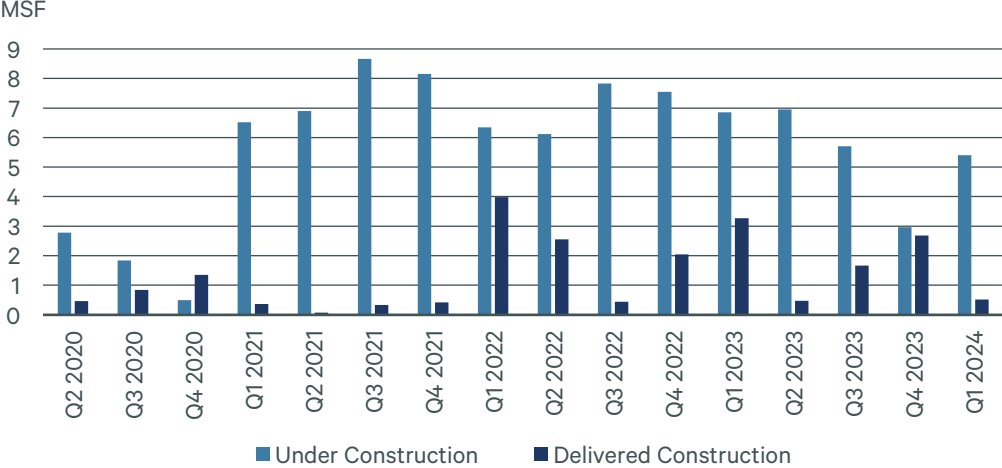
Developers broke ground on ten new buildings totaling 2.6 million sq. ft. during the first quarter; 84.4% of the net rentable area breaking ground was speculative space. The total construction pipeline comprises 5.4 million sq. ft., which was 17.0% pre-leased at the close of the first quarter. In October, UK-based heavy equipment manufacturer JCB announced plans to construct a 720,000-sq.-ft. factory, its second in North America, on a 400-acre site in the South submarket, citing the city’s well-established skilled labor market along with its excellent access to ports and interstate highways.

FIGURE 4: Asking Rates & Vacancy, Warehouse/Distribution & Flex/R&D



Source: CBRE Research, Q1 2024.

FIGURE 5: Historical Construction & Deliveries



Source: CBRE Research, Q1 2024.

OVERVIEW OF ECONOMIC TRENDS

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make two, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

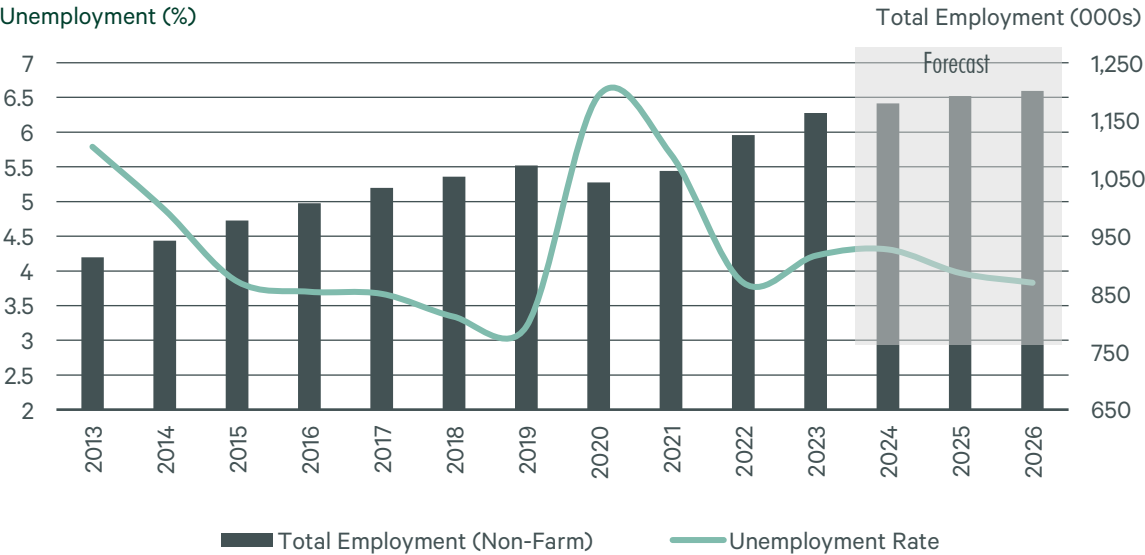
EMPLOYMENT TRENDS

San Antonio’s unemployment rate of 5.1% remains below the national average of 5.4%. Wages increased by 4.3% in February, outpacing the national average of 4.0%, but trailing the statewide rate of 7.4%.

POPULATION GROWTH

San Antonio’s population grew by 1.2% (31,400 people) in 2023; one-third of population growth was due to net in-migrating residents.

FIGURE 6: San Antonio Labor Force and Unemployment



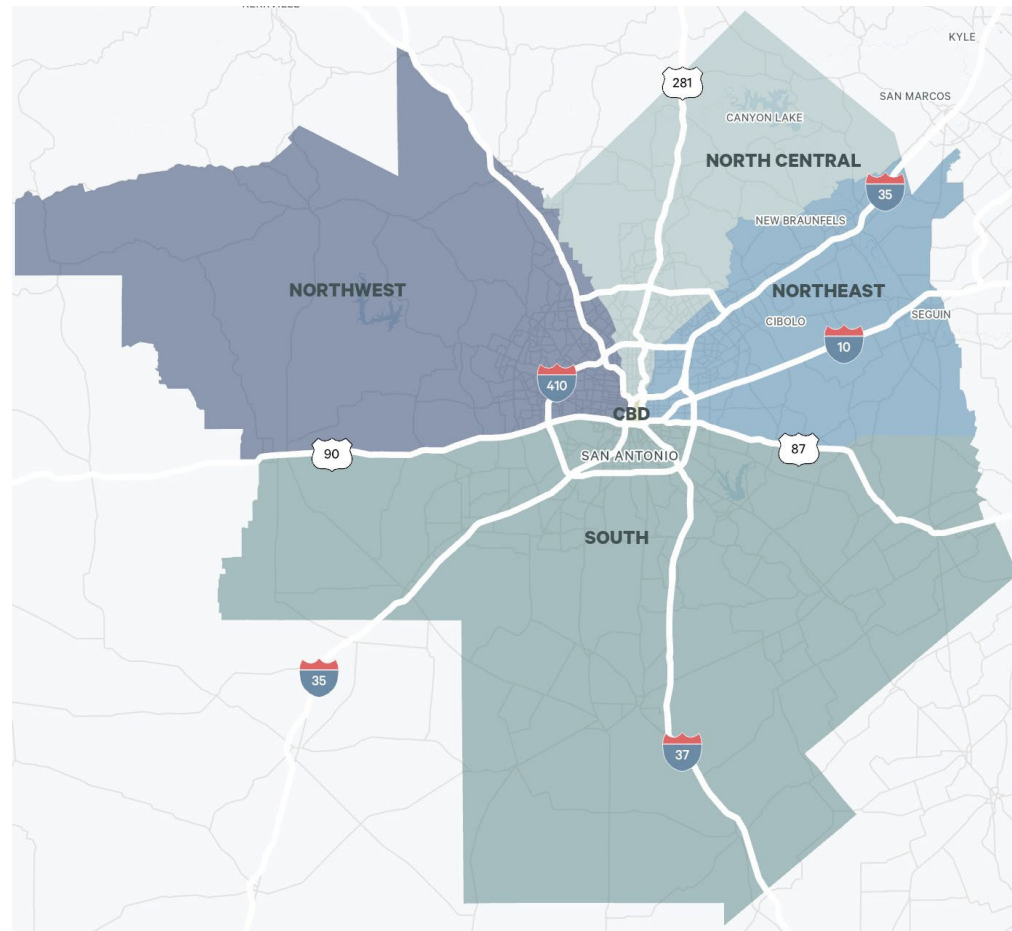
Source: Oxford Economics, March 2024.

FIGURE 7: Largest Q1 2024 Positive Space Absorptions

Lease (Tenant)	Property	Total SF
Love’s Truck Solutions (Owner/User)	21548 FM 471 South	252,611
Chick-Fil-A	Selma Industrial Park III	189,221
Ross Dress for Less	Northpoint Business Park V	152,880

Source: CBRE Research, Q1 2024.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the Total Building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes known market relevant industrial buildings 20,000 sq. ft. and greater in size in the greater metropolitan area of San Antonio, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Kim Thaker

Field Research Analyst  
Central Texas  
kim.thaker@cbre.com

Paige Suvalsky

Field Research Manager,  
Central Texas  
paige.suvalsky@cbre.com

CBRE SAN ANTONIO OFFICE

1803 Broadway, Suite 825  
San Antonio, TX 78215

© 2024 CBRE, Inc. All rights reserved. This information has been obtained from sources believed reliable but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy, completeness, or reliability of the information contained herein. You should conduct a careful, independent investigation of the property and verify all information. Any reliance on this information is solely at your own risk. CBRE and the CBRE logo are service marks of CBRE, Inc. All other marks displayed on this document are the property of their respective owners, and the use of such marks does not imply any affiliation with or endorsement of CBRE. Photos herein are the property of their respective owners. Use of these images without the express written consent of the owner is prohibited.

Nothing in this report should be construed as an indicator of the future performance of CBRE’s securities or of the performance of any other company’s securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

