

Absorption slows as occupiers exercise caution

▲ 10.7%

Vacancy Rate

▼ 195,031

SF Net Absorption

▲ 2.7M

SF Construction Delivered

▼ 2.5M

SF Under Construction

▼ \$8.40

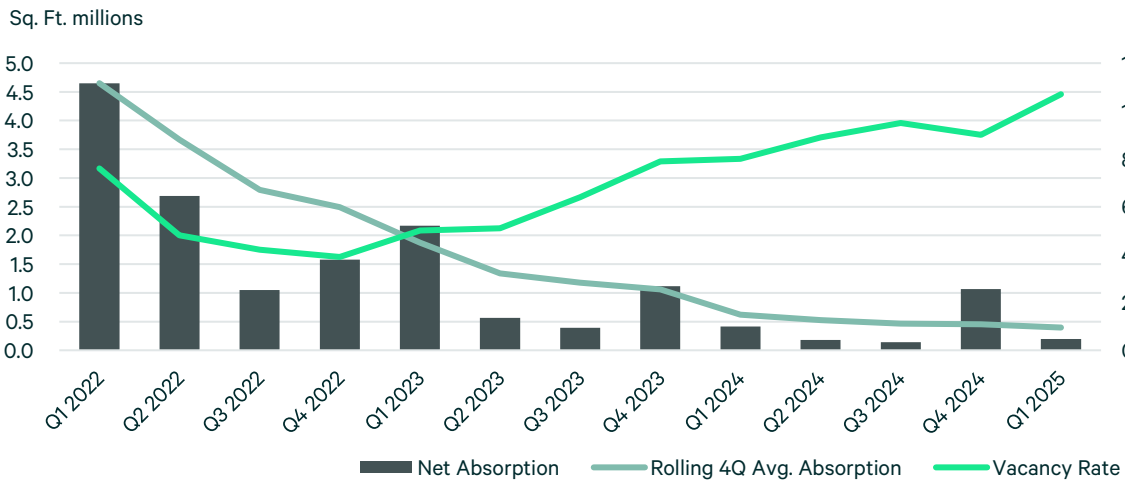
NNN/YR Lease Rate

Note: Arrows indicate change from previous quarter.

KEY HIGHLIGHTS

- Several consecutive quarters of occupier caution was reflected in suppressed absorption in Q1. Deal cycles have lengthened amid lingering economic uncertainty, and tenants have opted in many cases to renew in place rather than occupying newly delivered or newly finished-out space. Total Net Absorption fell to 195,031 sq. ft. in Q1, approximately consistent with the rolling four-quarter average trendline but a significant drop from 1.1 million sq. ft. in Q4.
- 2.7 million square feet of new deliveries hit the market in Q1, which helped to push vacancy up to 10.7% in a 170-basis point (bp) increase over Q4. Vacancy continues to be concentrated amongst new deliveries and in larger buildings, climbing 270 bps to 14.0% in buildings larger than 300,000 sq. ft. By contrast, properties under 150,000 sq. ft. are 8.1% vacant and have seen the majority of leasing activity.
- Deal sizes are also trending downward: by deal count, the majority of leases signed in Q1 were under 100,000 sq. ft.
- Rental rates dipped slightly but are expected to grow as speculative deliveries lease up and new construction slows.

FIGURE 1: Historical Net Absorption Trend and Vacancy



Source: CBRE Research, Q1 2025

SUPPLY AND DEMAND

Marketwide vacancy grew to 10.7% in the first quarter of 2025 alongside slowing absorption and a surge in new deliveries hitting the market. Occupiers continue to proceed with caution, having taken a “wait-and-see” approach over the last several quarters amidst economic and tariff-related uncertainty. Many occupiers have opted to renew in place rather than move into newly constructed space, suppressing absorption and prolonging vacancy in new, speculative distribution space.

In spite of softening absorption and vacancy numbers, demand remains steady: CBRE is tracking just under 2.0 million square feet of active tenant demand as of Q1, mostly comprised of occupiers seeking Distribution & Logistics space in the 50,000–100,000 sq. ft. range. As occupiers await economic clarity, deal timelines have stretched, further slowing absorption.

Industrial vacancy has climbed steadily from a ten-year low of 3.4% in Q3 2022; since then, developers have responded to post-pandemic demand for bulk user space by adding 16 million sq. ft. of new product to the market. As in previous quarters, vacancy is concentrated amongst recent speculative deliveries in the distribution segment, which is 13.4% vacant as of Q1 2025. Manufacturing vacancy remains minimal at 0.9%, and Flex/R&D vacancy inched upward to 6.2%.

FIGURE 3: Largest Q1 2025 Positive Space Absorptions

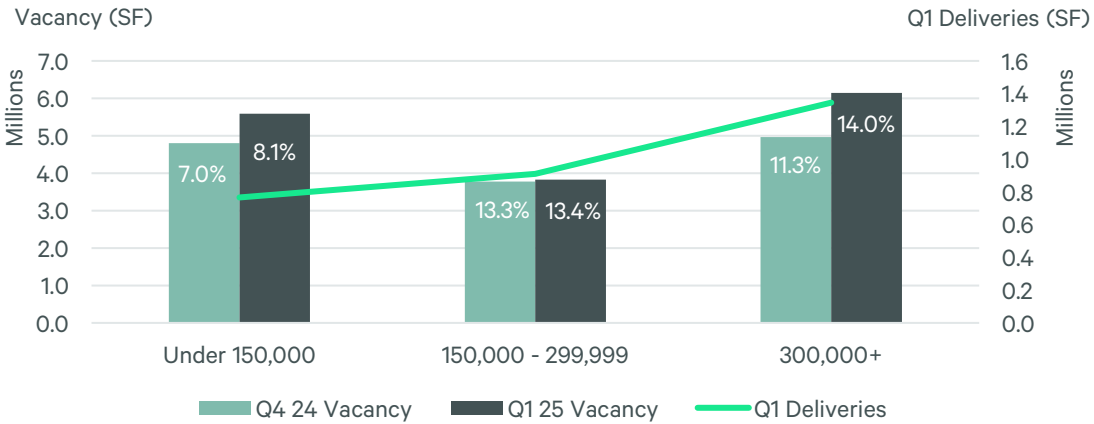
Occupier	Property	Total SF
Leviat	6500 N I-35 (Build-to-Suit)	264,434
MAC Discount	Mid City Business Park 1	129,521
Monterrey Iron & Metal	402 Tayman	56,000

FIGURE 6: Largest Q1 2025 Negative Space Absorptions

Occupier	Property	Total SF
Conn’s	Prologis Cornerstone 1	(306,000)
Leviat	Eisenhower Point Business Park 1	(68,250)
Cody Company, Inc.	7951 E Evans Rd	(67,778)

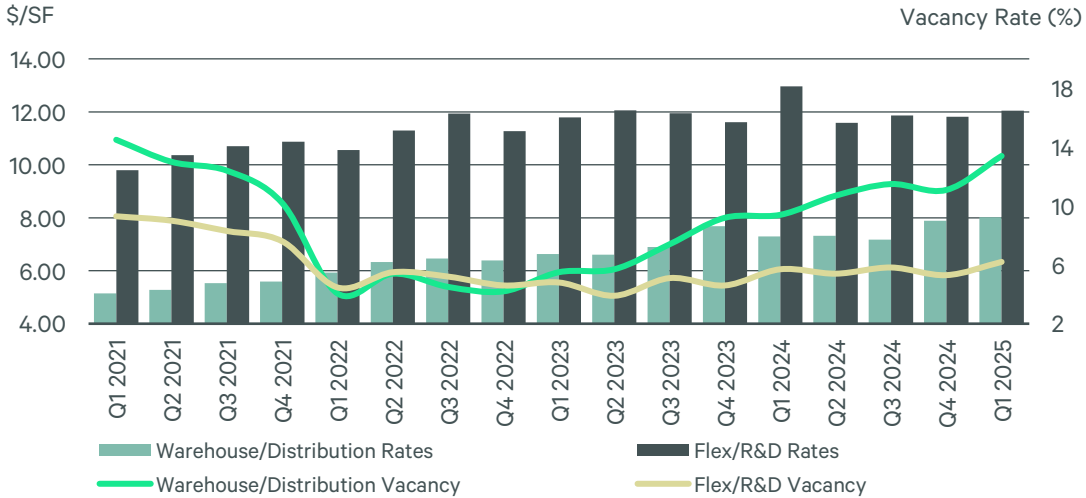
Source: CBRE Research, Q1 2025.

FIGURE 2: Quarter-over-quarter Vacancy by Property Size Tranche



Source: CBRE Research, Q1 2025

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



Source: CBRE Research, Q1 2025.

DEVELOPMENT PIPELINE

New deliveries surged to 2.7 million sq. ft. in Q1 2025, following 3.7 million sq. ft. of deliveries throughout all of 2024 and bringing total Industrial inventory to 141.2 million sq. ft. New starts have diminished slightly in response to elevated supply, with 1.1 million sq. ft. breaking ground in Q1 in the Northeast and South submarkets, which added 697,617 sq. ft. and 394,183 sq. ft., respectively.

A total of 2.5 million sq. ft. is currently underway, which is 36.7% pre-committed*. Product underway is comprised of 1.4 million sq. ft. in the Northeast submarket and 1.1 million sq. ft. in the South submarket, including JCB’s highly anticipated 720,000 SF manufacturing facility.

SAN ANTONIO MARKET FUNDAMENTALS

San Antonio’s population continues to boom largely thanks to migration from other states, growing by just under 205,000 people from April 2020 to July 2024. 59% of population growth came from domestic migration. San Antonio was the nation’s fastest growing city in 2023 according to census data In Q4 2023, San Antonio made its debut 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.

OVERVIEW OF ECONOMIC TRENDS

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

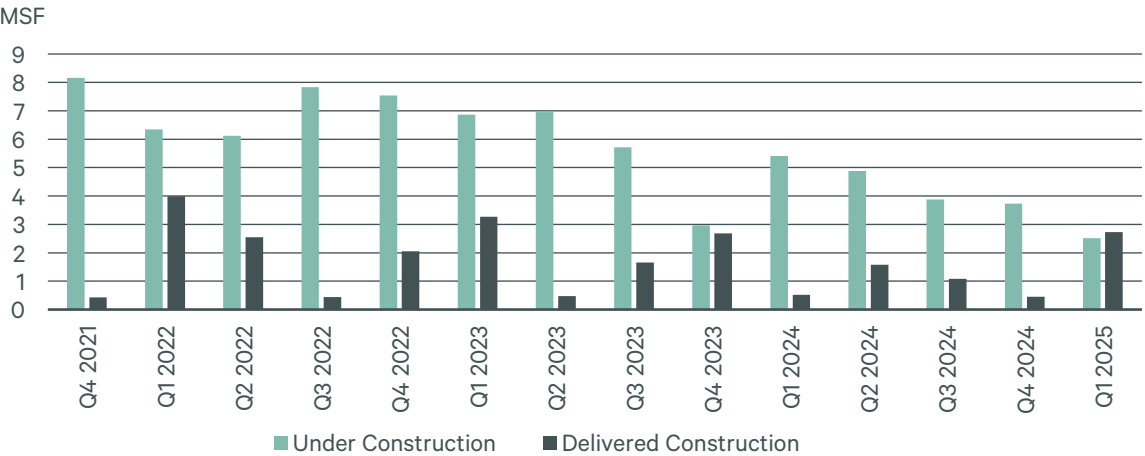
*Includes JCB’s 720,000 sq. ft. owner/user facility.

FIGURE 5: San Antonio Labor Force and Unemployment



Source: Oxford Economics, December 2024.

FIGURE 6: Historical Construction & Deliveries



Source: CBRE Research, Q1 2025.

FIGURE 7:: San Antonio Industrial Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Asking Rate, NNN Avg. Annual (\$/SF)**	Under Construction (SF)	Q1 2025 Deliveries (SF)	Q1 2025 Net Absorption
CBD	2,152,612	4.7	5.2	7.48	-	-	
Class A	-	-	-	0.00	-	-	-
Class B	305,706	2.1	2.1	13.20	-	-	-
North Central	12,580,292	8.3	9.7	11.87	-	-	(33,638)
Class A	1,794,502	40.1	41.7	11.64	-	-	23,254
Class B	5,928,711	4.2	5.9	12.43	-	-	(53,846)
Northeast	84,990,484	14.1	14.9	7.74	1,403,547	2,725,370	(34,991)
Class A	38,533,253	26.3	26.2	7.68	893,741	2,725,370	(72,072)
Class B	24,683,778	4.6	6.6	8.01	509,806	-	71,479
Northwest	16,316,671	5.5	7.0	11.57	-	-	(1,403)
Class A	1,415,859	32.7	33.8	9.75	-	-	43,718
Class B	7,255,589	4.6	5.7	13.09	-	-	(33,592)
South	25,492,912	4.1	4.1	7.71	1,114,183	-	245,063
Class A	9,847,010	4.6	4.9	14.41	1,114,183	-	169,837
Class B	9,330,993	3.0	3.0	18.00	-	-	14,500
San Antonio Total*	141,532,971	10.7	11.4	8.40	2,517,730	2,725,370	195,031
Class A	51,590,624	22.8	22.9	8.04	2,007,924	2,725,370	164,737
Class B	47,504,777	4.2	5.6	9.94	509,806	-	(1,459)

Source: CBRE Research, Q1 2025.

*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.

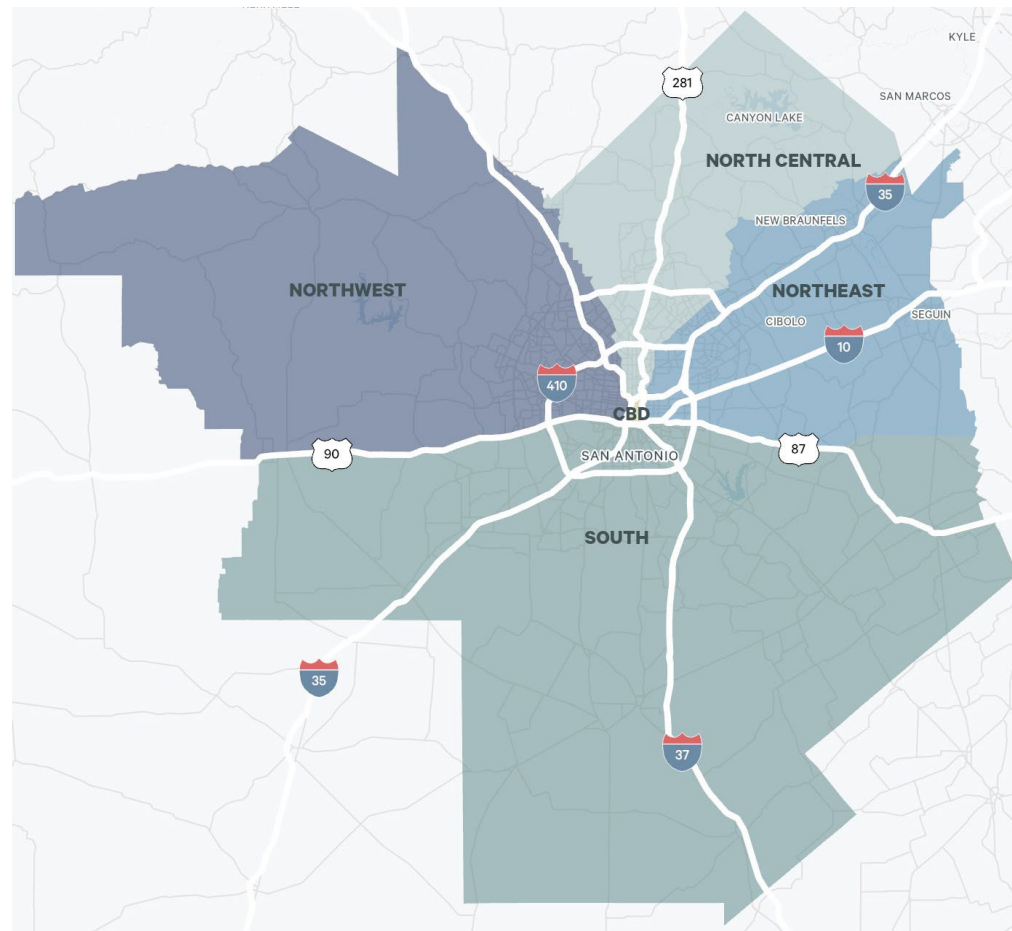
**Because Flex/R&D space commands higher rates per square foot than distribution space, the inclusion of older Class B Flex/R&D space in surveyed rental rates creates the illusion that Class B rates are higher than Class A rates. In fact, Class A rates for like kind assets remain higher than their Class B counterparts across the market.

FIGURE 8: San Antonio Market Statistics, Distribution/Logistics & Flex/R&D, Manufacturing

Submarket	DISTRIBUTION/LOGISTICS					FLEX/R&D					MANUFACTURING				
	Total Vacant (SF)	Vacancy Rate (%)	NNN \$/SF	Q4 2024 Net Absorption (SF)	YTD 2024 Total Net Absorption (SF)	Total Vacant (SF)	Vacancy Rate (%)	NNN \$/SF	Q4 2024 Net Absorption (SF)	YTD 2024 Total Net Absorption (SF)	Total Vacant (SF)	Vacancy Rate (%)	NNN \$/SF	Q4 2024 Net Absorption (SF)	YTD 2024 Total Net Absorption (SF)
	Total RBA(SF)					Total RBA(SF)					Total RBA(SF)				
CBD	18,828					-					20,000				
		1.6	12.54	-	-		-	-	20,000	20,000		3.4	-	-	-
	1,142,348					361,050					587,264				
North Central	742,286					263,606					13,048				
		9.6	12.32	(28,224)	(28,224)		8.3	11.77	(5,414)	(5,414)		0.8	-	-	-
	7,752,917					3,158,051					1,641,633				
Northeast	11,639,380					214,021					165,903				
		17.1	7.72	(308,171)	(308,171)		6.0	9.25	3,795	3,795		1.3	7.25	269,385	269,385
	68,126,672					3,590,576					12,742,566				
Northwest	668,701					210,264					25,915				
		6.5	10.02	54,480	54,480		6.2	13.97	(53,883)	(53,883)		1.0	8.89	(2,000)	(2,000)
	10,230,508					3,411,369					2,674,794				
South	1,029,694					6,199					-				
		5.8	7.53	226,247	226,247		0.9	15.00	316	316		-	-	-	-
	17,865,981					727,123					6,822,811				
San Antonio Total	14,098,889					694,090					224,866				
		13.4	8.02	(55,668)	(55,668)		6.2	12.04	(35,186)	(35,186)		0.9	7.98	267,385	267,385
	105,118,426					11,248,169					24,469,068				

Source: CBRE Research, Q1 2025.
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.

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.

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