

Leasing activity, absorption tick upward in Q2

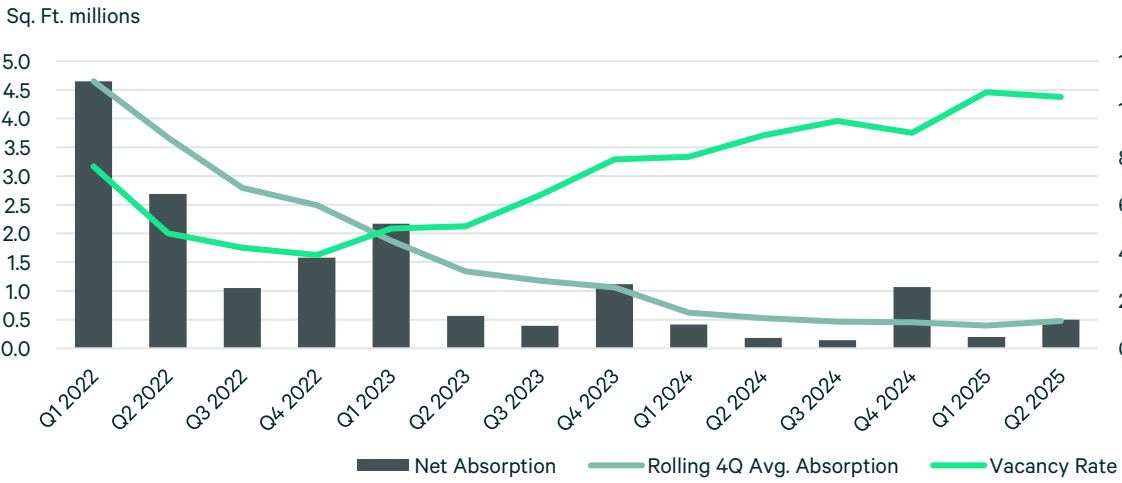


Note: Arrows indicate change from previous quarter.

KEY HIGHLIGHTS

- Marketwide vacancy dipped by 20 basis points to 10.5% in the second quarter as several large tenants relocated or expanded into larger spaces, bringing total net absorption just under 500,000 sq. ft.
- Meanwhile, new deliveries stalled, allowing the market to start to absorb the 5.8 million sq. ft. delivered over the preceding four quarters.
- Leasing activity climbed to 1.6 million sq. ft. following a meager 654,148 sq. ft. in Q1. Although activity is modestly ticking upward, 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.

FIGURE 1: Historical Net Absorption Trend and Vacancy



Source: CBRE Research, Q2 2025

SUPPLY AND DEMAND

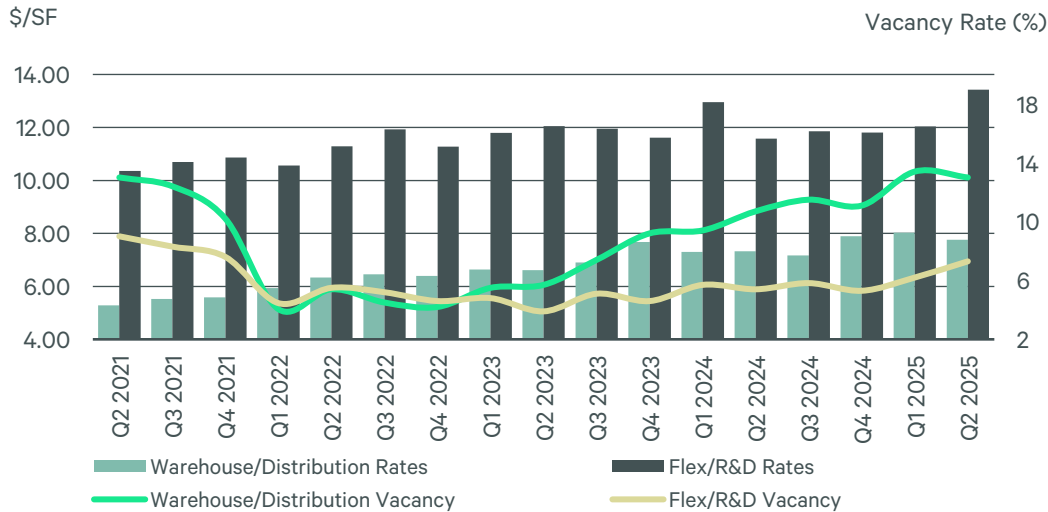
Industrial vacancy has climbed steadily from a ten-year low of 3.4% in Q3 2022; since then, developers have responded to post-pandemic demand for bulk user space by adding 16 million sq. ft. of new product to the market. As in previous quarters, vacancy is concentrated amongst recent speculative deliveries in the distribution segment, which is 13.5% vacant as of Q2 2025. Manufacturing vacancy remains minimal at 1.6%, and Flex/R&D vacancy inched upward to 7.0%.

DEVELOPMENT PIPELINE

Construction stalled in Q2 with no new deliveries coming to the market and no new buildings breaking ground; starts have diminished over the past several quarters in response to elevated supply.

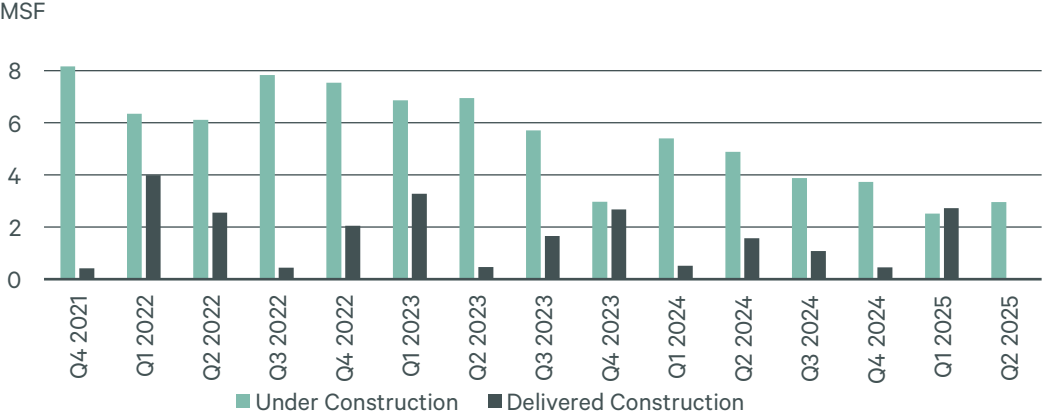
Just under 3.0 million sq. ft. is currently underway, which is 46.3% pre-committed*. Product underway is comprised of 1.4 million sq. ft. in the Northeast submarket and 1.6 million sq. ft. in the South submarket, including JCB’s highly anticipated 720,000 sq. ft. manufacturing facility and Toyota’s new 500,000 sq. ft. Rear Axle manufacturing facility.

FIGURE 2: Asking Rates & Vacancy, Warehouse/Distribution & Flex/R&D



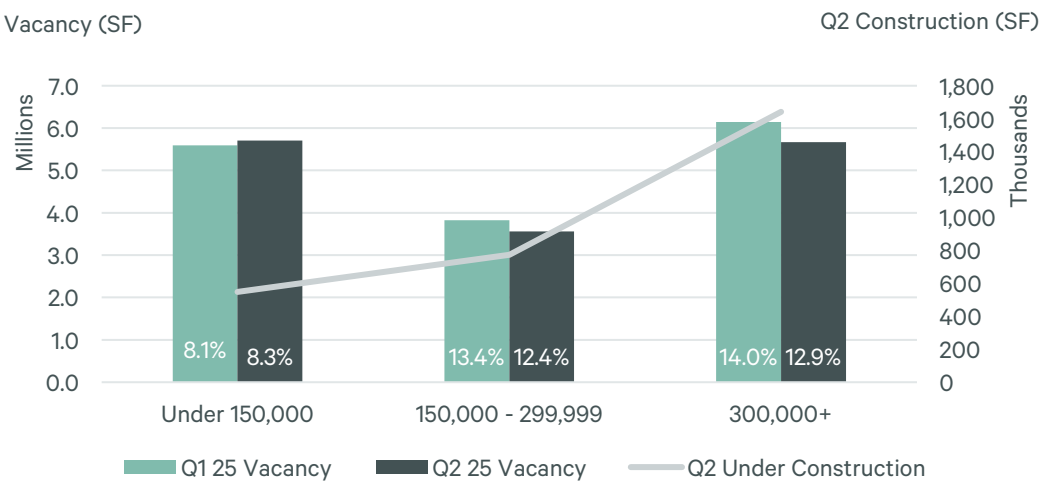
Source: CBRE Research, Q2 2025.

FIGURE 3: Historical Construction & Deliveries



Source: CBRE Research, Q2 2025.

FIGURE 4: Quarter-over-quarter Vacancy by Property Size Tranche



Source: CBRE Research, Q2 2025

OVERVIEW OF ECONOMIC TRENDS

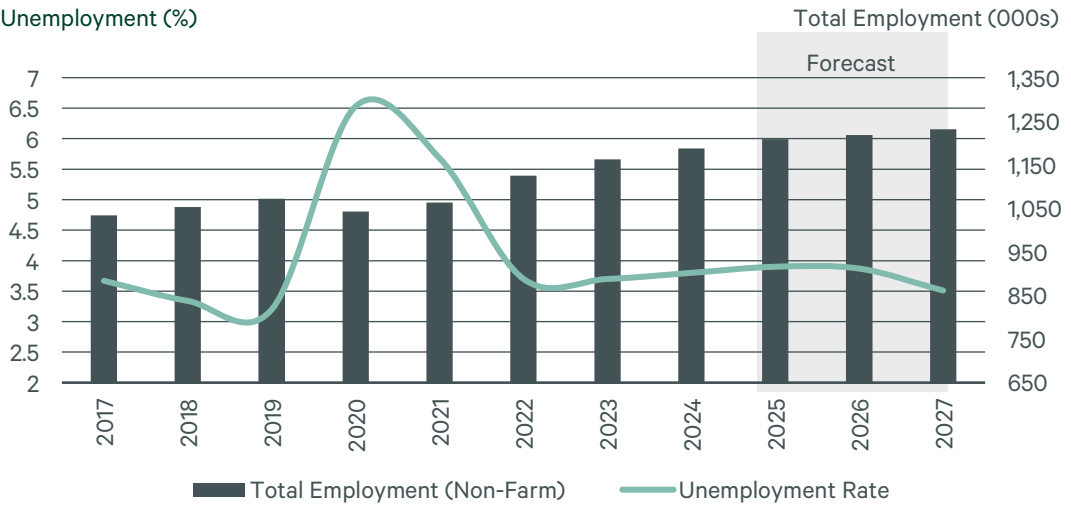
Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a more steady economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

SAN ANTONIO MARKET FUNDAMENTALS

As of April 2025, San Antonio demonstrated robust economic growth: the city's labor force grew at an annual rate of 6.3%, considerably surpassing the statewide rate of 2.6% and the national rate of 1.1%. Additionally, San Antonio wages saw a year-over-year increase of 9.3%.

FIGURE 5: San Antonio Labor Force and Unemployment



Source: Oxford Economics, June 2025.

FIGURE 6: Notable Q2 2025 Positive Space Absorptions

Occupier	Property	Total SF
[Confidential]	[Confidential Northeast Submarket]	306,000
Omega Air Refueling Svcs	Corporate Drive Industrial Park 1	147,420
Reece	Interpark Logistics Center 1	119,600
Southern Warehousing*	Prologis Rittiman East 18	84,000

Source: CBRE Research, Q2 2025.

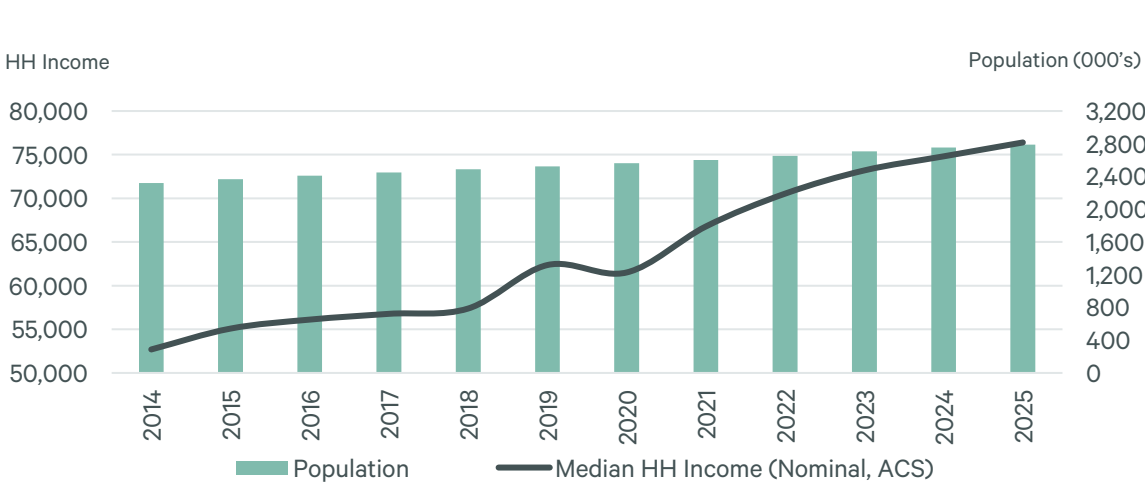
FIGURE 7: Notable Q1 2025 Negative Space Absorptions

Occupier	Property	Total SF
Facil*	Interchange 35 Logistics Center	(98,280)
Southern Warehousing*	Rittiman West 2	(78,750)
Gibson Plumbing	Logistics Commerce Center	(59,800)

Source: CBRE Research, Q2 2025.

*Tenant relocated within market.

FIGURE 8: Population Growth & Household Purchasing Power



Source: Oxford Economics, June 2025.

FIGURE 9: San Antonio Industrial Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Asking Rate, NNN Avg. Annual (\$/SF)**	Under Construction (SF)	Q2 2025 Deliveries (SF)	Q2 2025 Net Absorption
CBD	2,152,612	8.9	8.8	7.54	-	-	-
Class A	-	-	-	-	-	-	-
Class B	305,706	2.1	2.1	13.20	-	-	-
North Central	12,580,292	7.6	9.2	12.44	-	-	135,830
Class A	1,794,502	33.4	39.7	11.98	-	-	119,600
Class B	5,928,711	4.6	5.6	13.28	-	-	23,690
Northeast	85,117,568	13.6	14.5	7.58	1,350,423	-	656,320
Class A	38,530,851	24.6	24.9	7.50	880,617	-	709,335
Class B	24,768,778	4.9	6.9	7.67	469,806	-	10,588
Northwest	16,264,438	5.9	7.5	12.16	-	-	(46,079)
Class A	1,363,626	34.8	35.9	11.87	-	-	3,662
Class B	7,255,589	4.6	6.7	12.56	-	-	(2,078)
South	25,521,645	4.7	4.7	7.94	1,614,183	-	(166,514)
Class A	9,899,243	6.3	6.6	19.00	1,614,183	-	(173,514)
Class B	9,307,493	3.1	3.1	18.00	-	-	(4,000)
San Antonio Total*	141,636,555	10.5	11.4	8.48	2,964,606	-	498,402
Class A	51,588,222	21.7	22.2	7.90	2,494,800	-	659,083
Class B	47,566,277	4.4	5.9	10.65	469,806	-	28,200

Source: CBRE Research, Q2 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.

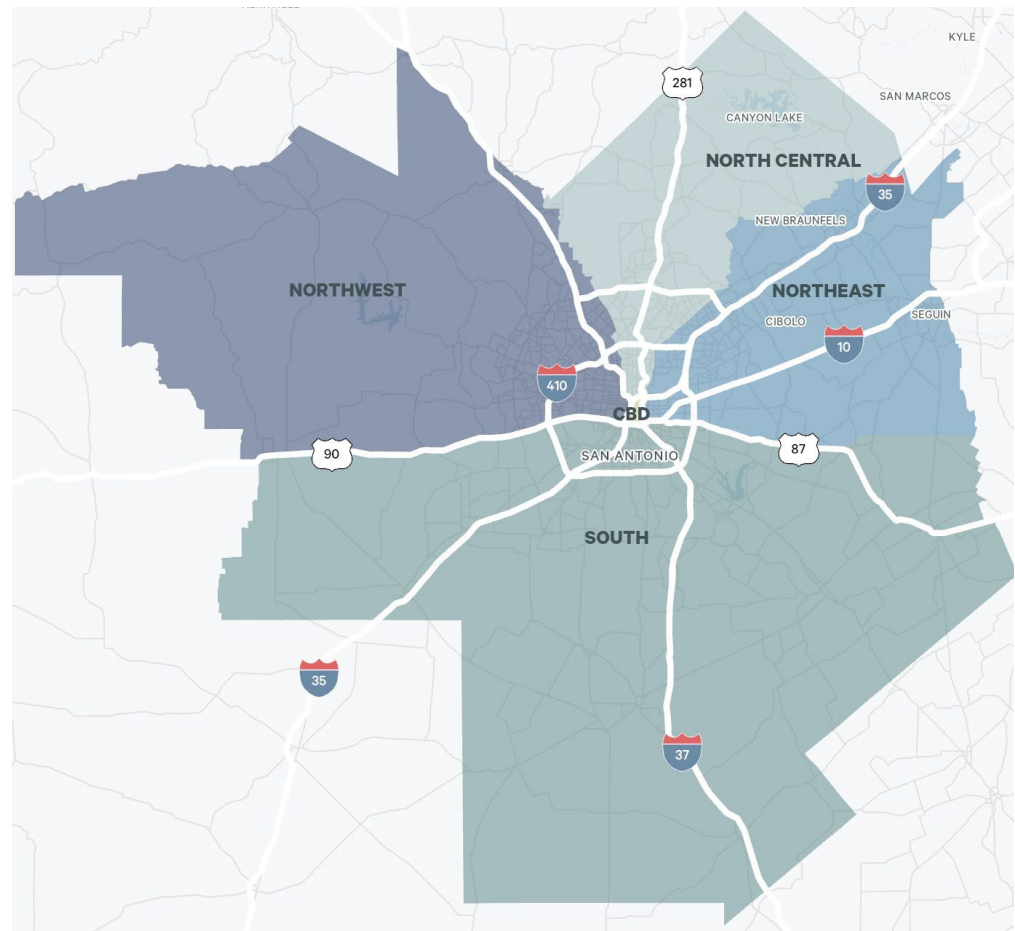
**Because Flex/R&D space commands higher rates per square foot than distribution space, the inclusion of older Class B Flex/R&D space in surveyed rental rates creates the illusion that Class B rates are higher than Class A rates. In fact, Class A rates for like kind assets remain higher than their Class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

FIGURE 10: San Antonio Market Statistics, Distribution/Logistics & Flex/R&D, Manufacturing

Submarket	DISTRIBUTION/LOGISTICS					FLEX/R&D					MANUFACTURING				
	Total Vacant (SF)	Vacancy Rate (%)	NNN \$/SF	Q2 2025 Net Absorption (SF)	YTD 2025 Total Net Absorption (SF)	Total Vacant (SF)	Vacancy Rate (%)	NNN \$/SF	Q2 2025 Net Absorption (SF)	YTD 2025 Total Net Absorption (SF)	Total Vacant (SF)	Vacancy Rate (%)	NNN \$/SF	Q2 2025 Net Absorption (SF)	YTD 2025 Total Net Absorption (SF)
	Total RBA(SF)					Total RBA(SF)					Total RBA(SF)				
CBD	21,228					-					108,755				
		1.9%	12.27	(2,400)	(2,400)		-	-	-	20,000		18.5%	-	(78,755)	(78,755)
	1,142,348					361,050					587,264				
North Central	610,307					273,555					48,148				
		7.9%	13.32	145,779	117,555		8.7%	12.16	(9,949)	(15,363)		2.9%	-	-	0
	7,727,873					3,158,051					1,641,633				
Northeast	11,108,710					303,237					205,234				
		16.3%	7.49	687,293	379,122		8.4%	9.85	8,358	12,153		1.6%	7.25	(39,331)	230,054
	68,209,270					3,610,793					12,766,835				
Northwest	706,408					233,632					25,915				
		6.9%	8.42	(22,711)	31,769		6.8%	16.02	(23,368)	(77,251)		1.0%	8.89	-	(2,000)
	10,200,583					3,411,369					2,652,486				
South	1,190,974					11,433					0				
		6.7%	7.60	(161,280)	64,967		1.6%	19.00	(5,234)	(4,918)		0.0%	-	-	0
	17,842,481					727,123					6,875,044				
San Antonio Total	13,637,627					821,857					388,052				
		13.0%	7.76	646,681	591,013		7.3%	13.42	(30,193)	(65,379)		1.6%	10.31	(118,086)	149,299
	105,122,555					11,268,386					24,523,262				

Source: CBRE Research, Q2 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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