

SAN ANTONIO INDUSTRIAL MARKET

Q1 2023

TRENDLINES

	Q1 2023	Q1 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE
UNEMPLOYMENT RATE	3.8	4.1	↓	4.5
NET ABSORPTION (THOUSANDS SF)	1,268.8	6,113.6	↓	1,329.8
OVERALL VACANCY RATE	5.3%	4.3%	↑	5.7%
DIRECT VACANCY RATE	5.2%	4.2%	↑	5.6%
OVERALL VACANT SF (MSF)	8.1	6.3	↑	7.7
DIRECT VACANT SF (MSF)	7.9	6.0	↑	7.5
UNDER CONSTRUCTION (MSF)	7.4	6.4	↑	6.6
RENT, NNN (PSF)	\$7.39	\$7.08	↑	\$6.23
SALES VOLUME (Millions)	\$168.6	\$345.6	↓	\$171.5

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

INDUSTRIAL MARKET CONTINUES TO PERFORM

The San Antonio industrial market steadily maintains healthy performance indicators. Q1 2023 marks the 6th consecutive quarter of positive net absorption exceeding 1M SF. The overall vacancy rate (industrial & flex combined) increased to 5.3% reflecting a 170-bps increase compared to last quarter. Over 2M SF of leasing activity occurred throughout the market with major concentrations in the Northeast (+615,000 SF), South (+616,000 SF), and Comal County (+358,000 SF).

The San Antonio industrial market outlook remains positive throughout the remainder of 2023. Tenant demand is strong, and a large construction pipeline is supporting the market demand.



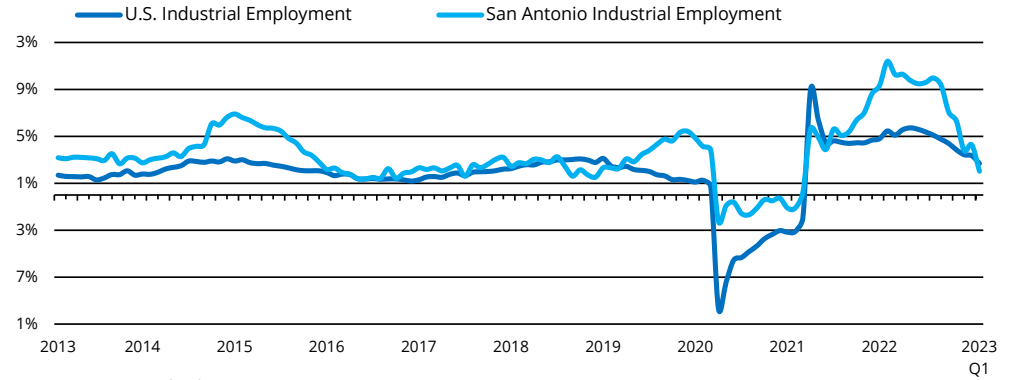


ECONOMY

Unemployment Increases in Q1

- The San Antonio economy added 7,800 industrial-using jobs during the 12-months ending February 2023.
- 2,500 jobs were added in manufacturing, 2,100 jobs were added in construction, and 200 jobs were added in wholesale trade. However, trade, warehousing, and utilities lost 800 jobs while trade, transportation, and utilities gained 3,800 jobs.
- The quarterly unemployment rate in San Antonio decreased to 3.8%, in February 2023, which is a 40-basis point decrease compared to 4.2% in February 2022.
- San Antonio’s diverse economy, lower real estate costs, and growing labor force continue to make it an attractive place for tenants and investors.

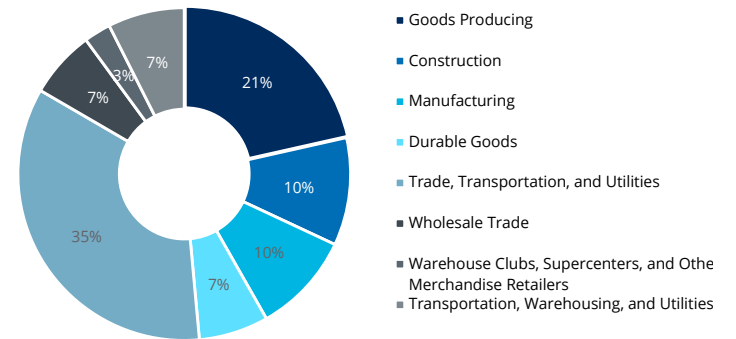
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

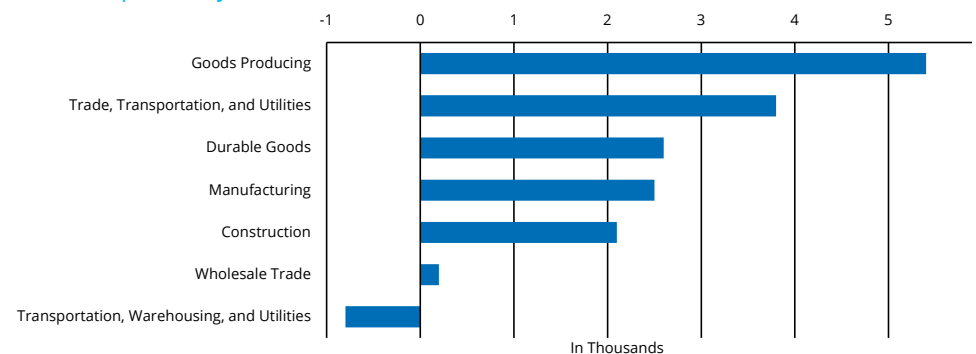
San Antonio | February 2023



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

San Antonio | February 2023



Source: Bureau of Labor Statistics, Transwestern

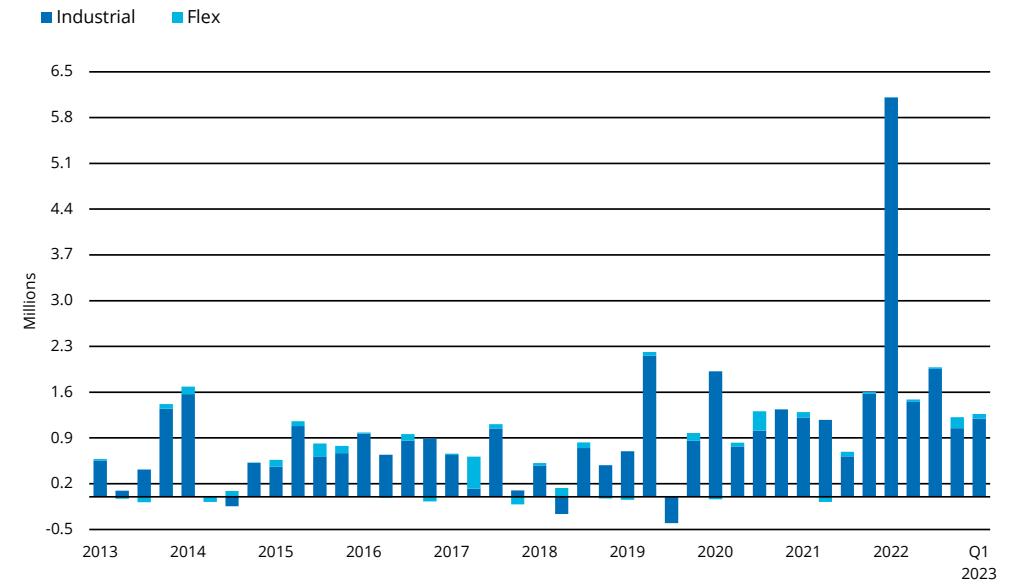


NET ABSORPTION

Net Absorption Remains Positive

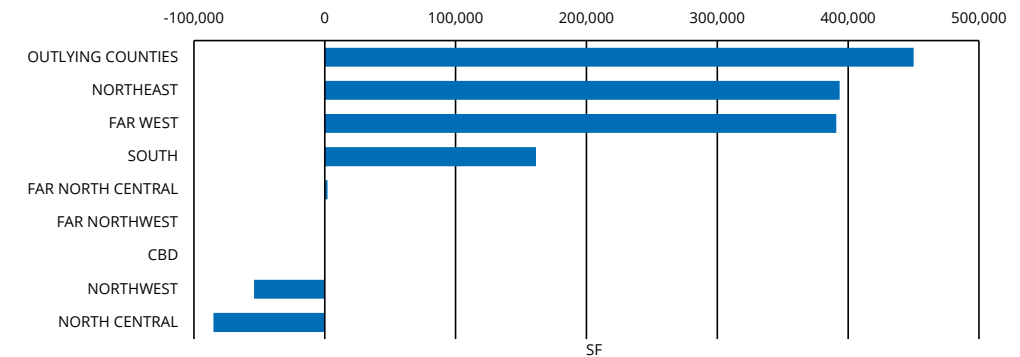
- Net absorption totaled positive 1.26M SF; Over 1 M SF in industrial product and over 73,000 SF in flex product. The submarkets with the largest positive absorption are Comal County (462,000 SF), Northeast (389,000 SF), Far West (390,000 SF), and South submarkets (158,000 SF).
- Examples include: Dollar General signing a new lease at Connections Distribution Center, in the South submarket, for 267,840 SF; Cornerstone Logistics Crossing welcomed two new tenants, EvTerra (electronics recycling industry), and Water Energy Services (water recycling industry), for a total of 198,961 SF; White Cap Supply, a building materials provider, nearly tripled the size of their footprint in San Antonio with a 127,512 SF lease at Centerpoint Logistics Park Building 3.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

INDUSTRIAL AND FLEX NET ABSORPTION BY SUBMARKET



Source: CoStar, Transwestern

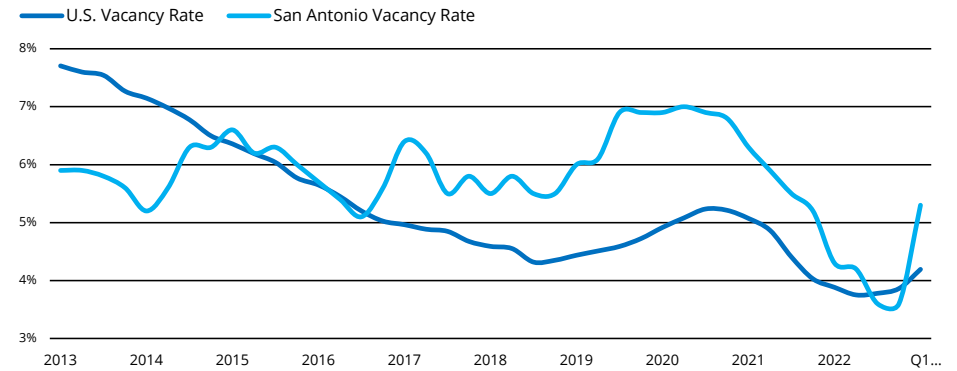


VACANCY

Vacancy Rate Increases in Q1

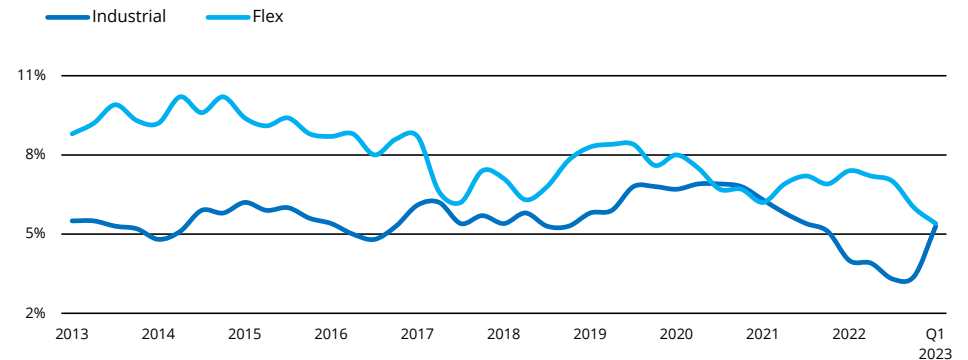
- The combined overall vacancy rate of industrial and flex reached 5.3% in Q1, reflecting a 170-bps increase from Q4 2022, and 100-bps increase compared to Q1 2022. Direct vacancy in Q1 2023 is 5.2% and less than 250,000 SF of vacant sublease space.
- Industrial vacancy increased to 5.3% in Q1 2023, reflecting a 190-bps increase from Q4 2022, and 130-bps increase compared to Q1 2022. Direct vacancy in Q1 2023 is 5.2% with less than 160,000 SF of vacant sublease space.
- Flex vacancy reduced to 5.4% in Q1, reflecting a 60-bps decrease from Q4 2022, and a 200-bps decrease compared to Q1 2022. Direct vacancy in Q1 2023 is 4.7% with less than 100,000 SF of vacant sublease space.

OVERALL VACANCY RATE



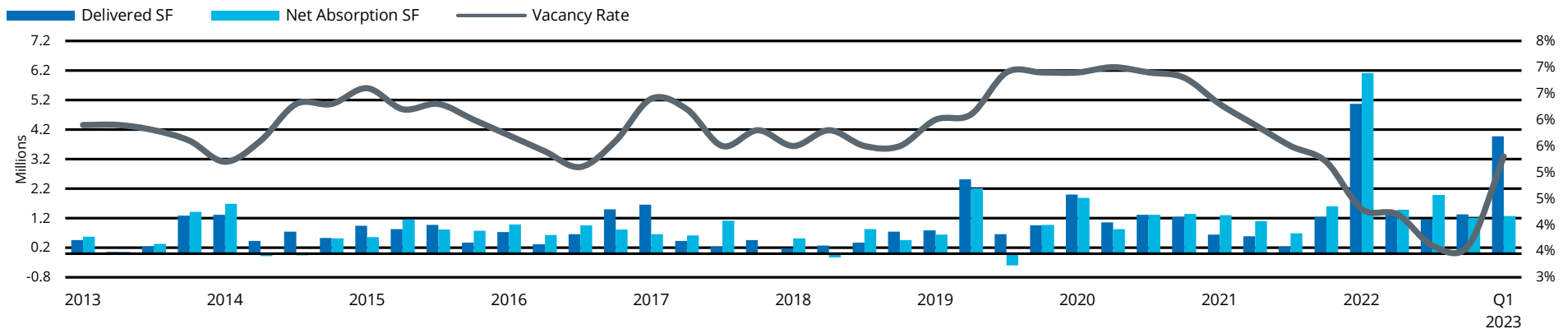
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

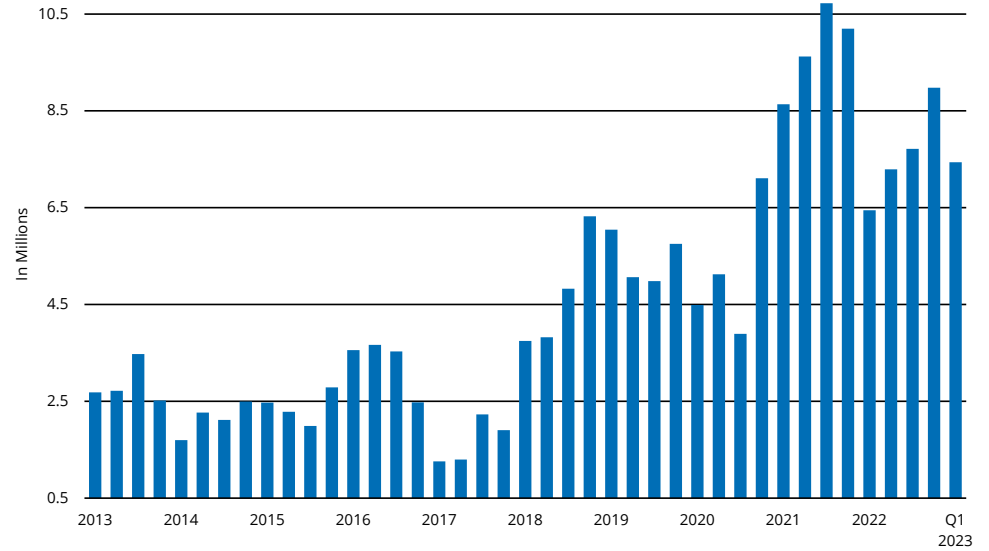


UNDER CONSTRUCTION

Construction Pipeline Reaches 7.4M SF

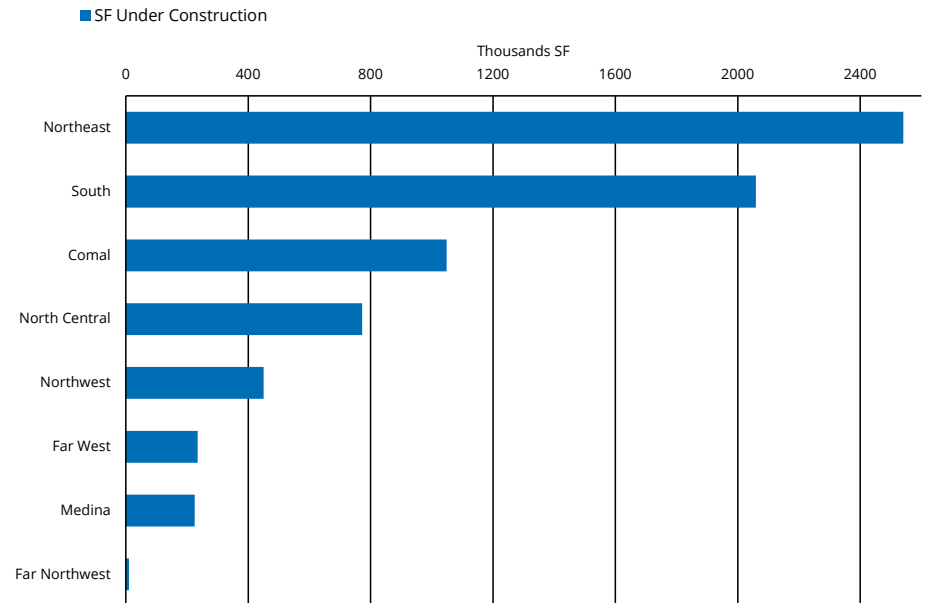
- There are 42 industrial buildings under construction in Q1, totaling 7.4M SF. 18 buildings are between 100,000 – 200,000 SF. 6 buildings are between 200,000 – 400,000 SF, and 5 buildings are over 400,000 SF.
- There are 2 flex buildings under construction in Q1; 10665 Shaenfield Rd in the Far Northwest & P1926 Gulfmart St in the North Central submarket. Both total 53,500 SF and are expected to deliver in August 2023.
- Notable construction projects include Foster Commerce Center Building 2 (408,402 SF) and Rise at Loop 410 Industrial Park (360,452 SF) in the South, Galleria Industrial Park (528,040 SF) and Core5 Logistics Center- Building B (468,280 SF) in the Northeast, Leon Creek Logistics Center 1 (136,080 SF) in the Northwest, and Selma Industrial Park Building III (429,633 SF) in Comal County.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

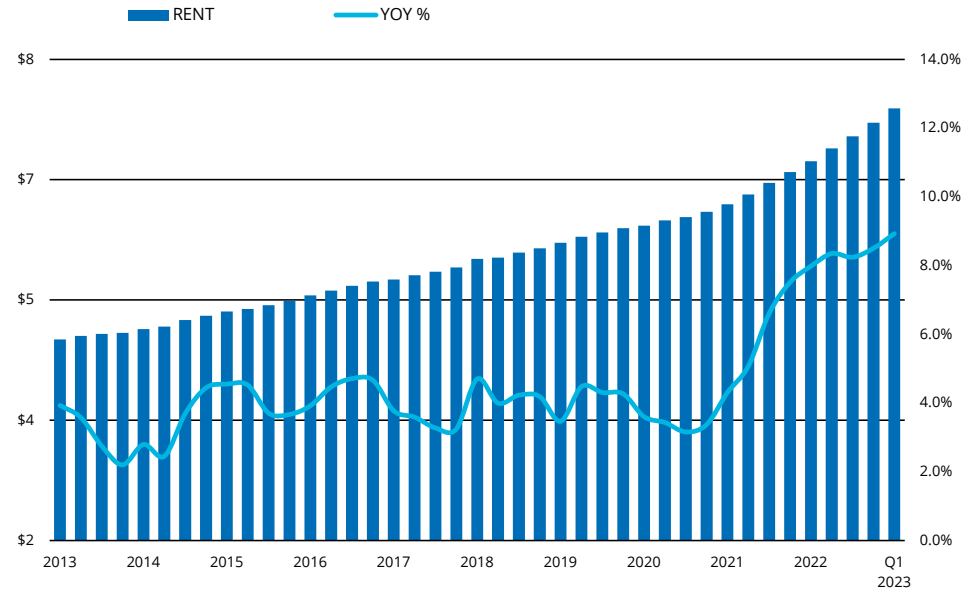


RENTAL RATES

Rates Continue to Increase in Q1

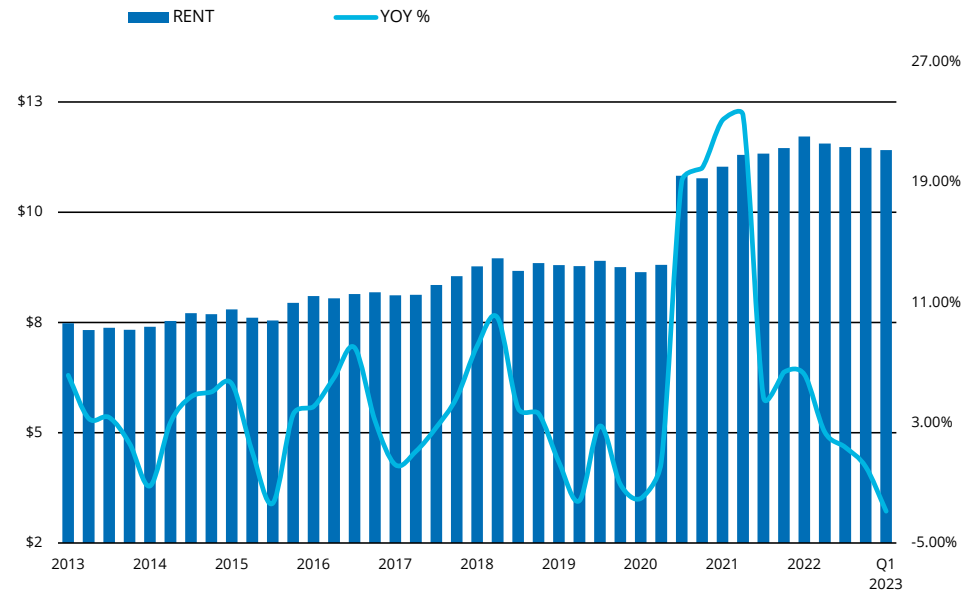
- Industrial space rates averaged \$7.09 PSF and rates for flex space averaged \$11.80 PSF in Q1. Average rent for both product types is \$7.39 PSF. The largest industrial inventory submarkets with the lowest industrial rates include South (\$6.50 PSF), Northeast (\$6.71 PSF), and Comal County (\$7.66 PSF). Each of those submarkets has over 150,000 SF of positive industrial net absorption.
- Three submarkets comprise approximately 72% of the flex industrial market: North Central, Northwest and Northeast. These large submarkets are commanding flex rates of \$11.50, \$12.50 and \$10.80 respectively.

INDUSTRIAL RENT NNN PSF



Source: CoStar, Transwestern

FLEX RENT NNN PSF



Source: CoStar, Transwestern

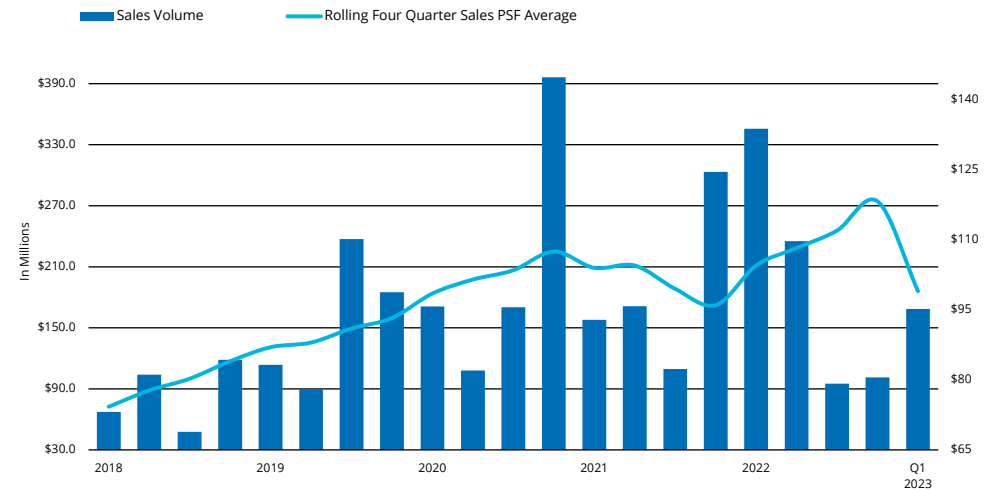


SALES

Sales Volume Reaches \$168M

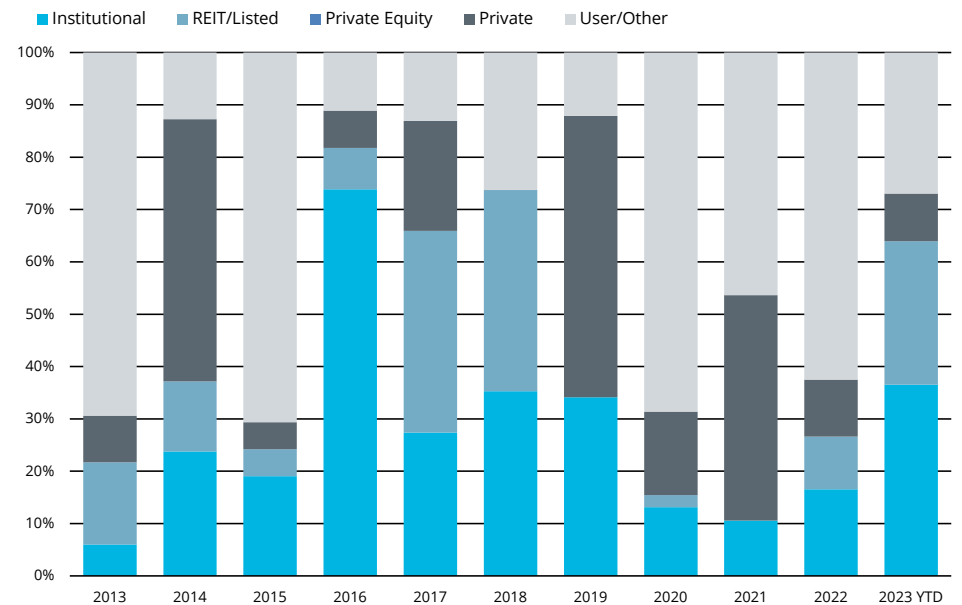
- Industrial building sales totaled at least \$168M. Q1 brings the rolling four quarter sales average to \$99 PSF, compared to Q1 2022 at \$105 PSF.
- The average sales price for Q1 decreased by more than 50% from the previous quarter to \$52 PSF.
- Mohr Capital acquired Foster Ridge 2 (439,809 SF) from Becknell Industrial. The property was 100% occupied by Tesla at the time of sale. UBS Asset Management acquired 110 Cascade Dr (300,500 SF) from Cold Creek Solutions. The cold storage building can accommodate up to four tenants who can independently control the temperature of their space.
- Transaction volume is expected to slow for the remainder of 2023 due to interest rate hikes and economic uncertainty.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
INSULATION DISTRIBUTORS	City Park East Distribution Center	Northeast	Renewal	25,200
DIXIE CARPET INSTALLATIONS	Eisenhower Point Business Park - Bldg 2	Northeast	New	106,356
AERUS ENTERPRISES LLC	Reindeer Business Park	Northwest	New Lease	10,008
SURLEAN MEAT CO.	110 Cascade Dr	South	New Lease	76,889
GENCURE	Merchants Ice Building	Northeast	Expansion	13,189
MAVERICK BEVERAGE COMPANY	Eisenhower Point Business Park - Bldg 3	Northeast	New	88,560
HOME IMPROVEMENT WAREHOUSE	Reindeer Business Park	Northwest	Renewal	10,204
NBF DISTRIBUTORS	8102-8146 Interchange Pky	Northeast	New	21,000
TEXAS CHILLER SYSTEMS	Centergate on the Circle	Northeast	New	30,493
FARSOUND AVIATION	Westport Industrial Park	Far West	New	27,998
SCREENFAST	Rittiman West Industrial Park	Northeast	Renewal	13,950
CHAMPION AIR	2709 Bulverde Rd	Bulverde	Renewal	30,222
LENNOX INDUSTRIES	Interwest Business Park - Bldg III	Northwest	Renewal	14,761
DATA OPTICS CABLE	Data Park Center	North Central	Renewal	16,005
WHITE CAP	Centerpoint Logistics Park - Bldg III	Northeast	New	127,512
SOUTHERN WAREHOUSING	Prologis Interchange East Distribution Center	Northeast	Renewal	66,468
WINSTON WATER COOLER OF SA	3703 N Panam Expy	Northeast	Renewal	40,000
WESTPORT AXLE CO	Selma Industrial Park Building III	Selma	New	115,760
MEI RIGGINGS	Rittiman West Business Park Bldg 5	Northeast	New	30,000
CUSTOM PIPING SYSTEMS	9615 Ball St	Northeast	New	29,772
MEI RIGGINGS	Rittiman East Building 13	Northeast	New	27,500
KAMPS	FM 1346 Industrial	South	New	13,020
GOOD HEART BRANDS SPECIALTY FOODS	Macro Distribution Center - Bldg 3	Northeast	New	17,477
TOTAL MEDIA SOLUTIONS	Cornerstone Business Park	Northeast	Renewal	24,000
SOUTHERN WAREHOUSING	4958 Stout Dr	South	New	67,560
FERGUSON ENTERPRISES	Eisenhower Point Business Park	Northeast	Renewal	42,474
PIERCE MANUFACTURING COMPANY	6203 Woodlake Center	Northeast	New	25,034
TAPRITE FASSCO MFG	Downs Distribution Center	Northwest	Renewal	48,000
TRADESMAN PARTNERS	15143 Tradesman Dr	Northwest	Renewal	10,500



NOTABLE SALES

PROPERTY	SUBMARKET	BUILDING SF	YR BUILT	LAND AC	BUYER	SELLER
320 LOMBRANO ST (PART OF PORTFOLIO)	North Central	45,500	1963	2.40	Realty Income Corporation	CIM Group, LP
211 NEW LAREDO HWY	South	148,851	1978	17.89	Harbor Capital	LIT Industrial Texas
5411 IH-10	Northeast	108,000	2007	7.61	TradeLane Properties	Link Logistics Real Estate
1803 GRANDSTAND DR	Northwest	133,500	2007	8.50	TradeLane Properties	Blackstone
8151 INTERCHANGE PKY	Northeast	72,000	2005	6.42	TradeLane Properties	Blackstone
8161 INTERCHANGE PKY	Northeast	137,500	2005	9.75	TradeLane Properties	Blackstone
5101 S ZARZAMORA ST	South	50,660	1977	3.46	Levi Benkert	Ignacio Alvares
1734 CENTENNIAL BLVD	South	92,362	1960	2.97	Aaron Dickerson	Ignacio Alvares
1228 CORNERWAY BLVD	Northeast	180,000	2006	11.33	TradeLane Properties	Blackstone
7015 LANCER BLVD	South	439,809	2022	30.60	Mohr Capital	Becknell Industrial
110 CASCADE DR	South	300,500	2023	71.04	UBS Asset Management	Cold Creek Solutions
1431 FM 1101 (PART OF PORTFOLIO)	Comal County	300,500	1995	13.86	GIC Real Estate	STORE Capital Corporation
11500 N LOOP RD (PART OF PORTFOLIO)	North Central	36,613	1980	2.01	GIC Real Estate	STORE Capital Corporation
1002 SCHRIEWER (PART OF PORTFOLIO)	Guadalupe County	24,000	1985	2.50	GIC Real Estate	STORE Capital Corporation
711 CULEBRA RD	Northwest	36,160	1956	1.80	James Tawil	Cornerstone Church
326 W JONES AVE (PART OF MULTI-PROPERTY SALE)	CBD	39,726	1970	3.47	McCombs Enterprises	CPS Energy
1203 CAMDEN ST (PART OF MULTI-PROPERTY SALE)	CBD	38,024	1970	3.45	McCombs Enterprises	CPS Energy
1475 ACKERMAN RD	Northeast	12,300	1980	4.16	Hiland Dairy Foods Company LLC	New Dairy Texas Llc



MARKET INDICATORS

Industrial Space | Q1 2023

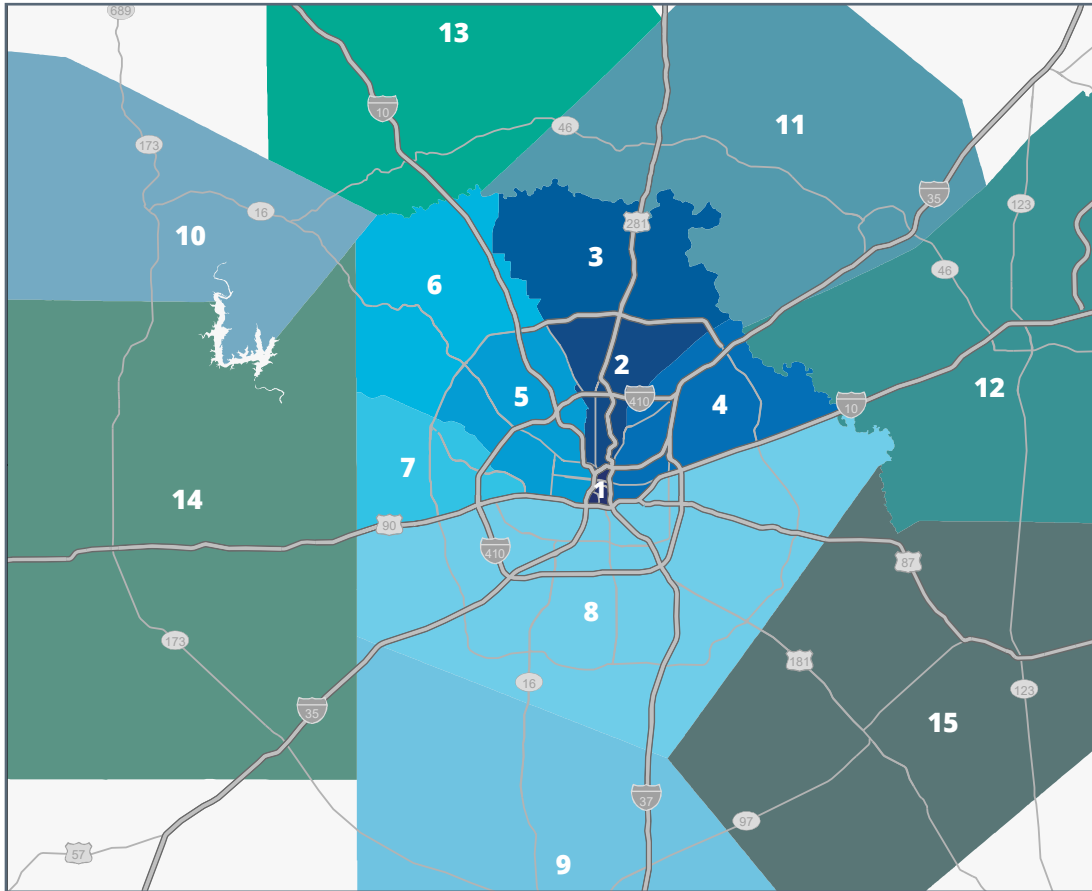
SUBMARKET	NO. OF BLDGS	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANT SF	OVERALL VACANCY RATE	OVERALL OCCUPANCY	UNDER CONSTRUCTION SF	Q1 NET ABSORPTION SF	12-MONTHS ROLLING NET ABSORPTION SF	RENT PSF, NNN
CBD	83	2,593,737	84,854	3.3%	84,854	3.3%	96.7%	0	0	(17,806)	\$9.09
NORTH CENTRAL	304	9,789,705	423,273	4.3%	431,079	4.4%	95.6%	729,215	(53,577)	48,629	\$7.64
NORTHWEST	307	10,238,601	543,538	5.3%	543,538	5.3%	94.7%	637,560	(100,993)	13,617	\$8.04
NORTHEAST	646	40,003,330	2,009,281	5.0%	2,061,490	5.2%	94.8%	2,540,759	389,171	2,004,405	\$6.71
FAR NORTH CENTRAL	10	805,840	0	0.0%	0	0.0%	100.0%	0	0	0	\$9.00
FAR NORTHWEST	30	746,234	15,574	2.1%	15,574	2.1%	97.9%	0	0	-2,074	\$9.50
FAR WEST	29	3,825,010	28,410	0.7%	28,410	0.7%	99.3%	235,006	390,930	378,630	\$7.50
SOUTH	314	37,379,942	2,946,817	7.9%	3,019,471	8.1%	91.9%	1,911,367	158,079	1,857,221	\$6.50
COMAL COUNTY	246	16,926,196	910,769	5.4%	910,769	5.4%	94.6%	1,048,473	462,452	1,109,607	\$7.66
GUADALUPE COUNTY	157	12,565,129	190,788	1.5%	200,788	1.6%	98.4%	0	(19,482)	137,336	\$7.89
KENDALL COUNTY	34	1,199,563	6,000	0.5%	6,000	0.5%	99.5%	0	0	29,078	\$8.27
ATASCOSA COUNTY	63	1,387,118	80,927	5.8%	90,927	6.6%	93.4%	60,000	(36,936)	18,275	\$9.27
WILSON COUNTY	11	178,797	20,967	11.7%	20,967	11.7%	88.3%	0	0	0	\$6.00
MEDINA COUNTY	22	1,089,294	5,000	0.5%	5,000	0.5%	99.5%	225,000	0	79,385	\$7.80
BANDERA COUNTY	6	209,515	4,200	2.0%	4,200	2.0%	98.0%	0	(4,200)	-4,200	\$8.00
OUTLYING COUNTIES TOTAL	539	33,555,612	1,218,651	3.6%	1,238,651	3.7%	96.3%	1,333,473	401,834	1,369,481	\$7.84
TOTAL	2,262	138,938,011	7,270,398	5.2%	7,423,067	5.3%	94.7%	7,387,380	1,185,444	5,652,103	\$7.09



MARKET INDICATORS

Flex Space | Q1 2023

SUBMARKET	NO. OF BLDGS	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANT SF	OVERALL VACANCY RATE	OVERALL OCCUPANCY	UNDER CONSTRUCTION SF	Q1 NET ABSORPTION SF	12-MONTHS ROLLING NET ABSORPTION SF	RENT PSF, NNN
CBD	9	588,180	54,300	9.2%	54,300	9.2%	90.8%	0	0	0	\$14.69
NORTH CENTRAL	148	3,623,549	136,166	3.8%	188,624	5.2%	94.8%	42,900	(31,413)	(7,642)	\$11.50
NORTHWEST	114	3,320,769	209,212	6.3%	215,960	6.5%	93.5%	0	46,877	91,696	\$12.50
NORTHEAST	96	2,626,605	154,762	5.9%	191,896	7.3%	92.7%	0	4,291	228,820	\$10.80
FAR NORTH CENTRAL	3	61,500	4,800	7.8%	4,800	7.8%	92.2%	0	2,032	(2,770)	\$12.00
FAR NORTHWEST	9	118,075	0	0.0%	0	0.0%	100.0%	10,625	0	0	\$12.50
FAR WEST	14	1,573,262	9,534	0.6%	9,534	0.6%	99.4%	0	0	0	\$12.33
SOUTH	13	396,769	25,467	6.4%	25,467	6.4%	93.6%	0	3,278	(197)	\$12.69
COMAL COUNTY	17	409,484	0	0.0%	0	0.0%	100.0%	0	0	30,222	\$11.28
GUADALUPE COUNTY	17	296,843	0	0.0%	0	0.0%	100.0%	0	24,730	11,500	\$11.47
KENDALL COUNTY	11	224,395	32,087	14.3%	32,087	14.3%	85.7%	0	23,564	(7,877)	\$10.20
ATASCOSA COUNTY	2	58,088	0	0.0%	0	0.0%	100.0%	0	0	0	\$13.85
WILSON COUNTY	1	43,124	0	0.0%	0	0.0%	100.0%	0	0	0	-
MEDINA COUNTY	1	32,760	0	0.0%	0	0.0%	100.0%	0	0	0	\$14.00
BANDERA COUNTY	0	0	-	-	-	-	-	-	-	-	-
OUTLYING COUNTIES TOTAL	49	1,064,694	32,087	3.0%	32,087	3.0%	97.0%	0	48,294	33,845	\$12.16
TOTAL	455	13,373,403	626,328	4.7%	722,668	5.4%	94.7%	53,525	73,359	343,752	\$11.80



San Antonio Office Submarkets

- 1 CBD
- 2 North Central
- 3 Far North Central
- 4 Northeast
- 5 Northwest
- 6 Far Northwest
- 7 Far West
- 8 South
- 9 Atascosa County
- 10 Bandera County
- 11 Comal County
- 12 Guadalupe County
- 13 Kendall County
- 14 Medina County
- 15 Wilson County

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the San Antonio metropolitan area. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

ABOUT TRANSWESTERN

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