

SAN ANTONIO MEDICAL OFFICE MARKET

Q1 2024



TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE
UNEMPLOYMENT RATE %	3.8	3.9	↓	4.6
NET ABSORPTION (THOUSANDS SF)	44.1	(4.2)	↑	46.6
OVERALL VACANCY RATE	13.8%	13.7%	↔	14.3%
DIRECT VACANCY RATE	13.5%	13.7%	↔	14.3%
OVERALL VACANT SF (MSF)	1.99	1.94	↔	1.98
UNDER CONSTRUCTION (THOUSANDS SF)	62	270.9	↓	261.3
RENT, FULL SERVICE (PSF)	\$29.62	\$27.77	↑	\$26.85
SALES VOLUME (MILLIONS)	\$46.6	\$27.4	↑	\$23.2

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

VACANCY RATES REMAINS STEADY AND RENT GROWTH CONTINUES UPWARD

The San Antonio Medical Office market had a strong start to the year, with most key metrics showing positive results. Overall vacancy remained the same, positive net absorption, under construction inventory declined, and San Antonio unemployment improved.

Construction activity has seen a slight increase from zero square feet in the last quarter to 62,000 square feet, although it is still lower than the 270,000 square feet recorded last year (Q1 2023) and the peak of 400,000 square feet in Q2 of 2022. With construction slowing down in the past few quarters, the San Antonio medical office market is showing signs of normalization in the commercial real estate sector.

MARKET INDICATORS

All Classes of Space | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	TOTAL VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	TOTAL NET ABSORPTION SF	12 MONTH ROLLING NET ABSORPTION SF	ASKING RENT PSF
CORE MED CENTER (NW)	3,454,698	500,275	14.5%	503,165	14.6%	0	45,482	44,625	\$27.80
NORTHWEST	844,572	276,490	32.7%	276,490	32.7%	0	1,738	8,593	\$25.11
NORTH CENTRAL	1,561,997	221,590	14.2%	228,761	14.6%	0	15,295	14,870	\$25.62
NORTHEAST	5,769,595	709,610	12.3%	712,500	12.3%	0	29,271	69,688	\$27.11
CBD	1,138,926	188,070	16.5%	188,070	16.5%	0	(11,954)	29,907	\$25.19
FAR NORTH CENTRAL	1,514,248	138,531	9.1%	159,625	10.5%	0	15,957	61,013	\$30.86
FAR NORTHWEST	229,907	47,751	20.8%	49,310	21.4%	0	(6,886)	(19,386)	\$35.56
FAR WEST	894,436	187,296	20.9%	201,262	22.5%	0	5,535	24,582	\$32.99
SOUTH	990,886	52,103	5.3%	55,873	5.6%	0	(4,332)	(20,596)	\$26.65
OUTLYING COUNTIES	1,417,827	115,387	8.1%	117,787	8.3%	62,000	(1,993)	56,126	\$32.68
TOTAL	14,362,394	1,933,855	13.5%	1,986,705	13.8%	62,000	42,631	224,797	\$28.11

Source: CoStar, Transwestern



RELEVANT NEWS

Texas Public Radio, March 2024
Two major medical facilities open on 1604 in San Antonio's Far West and Northwest sides

The Baptist Hospital System reached a major milestone with its new \$300 million medical facility at Westover Hills.

Tenants began moving into the medical office building at the Baptist Neighborhood Hospital-Westover Hills near Loop 1604 and Wiseman Boulevard.

Next door, a full-service hospital with 100 beds should be open by the end of June.

RELEVANT NEWS

KSAT12, Nov 2023
Construction underway for new 4-story tower at CHRISTUS Santa Rosa Hospital - Westover Hills

A new four-story tower is under construction on the campus of CHRISTUS Santa Rosa Hospital - Westover Hills in far west Bexar County. The tower will accommodate 30 new private post-partum rooms, a newborn nursery, a new obstetrics emergency room unit equipped with private rooms, 44 new adult intensive care beds, 20 neonatal intensive care beds and an expanded pharmacy. The new tower is expected to be completed in early 2025.

RELEVANT NEWS

Yahoo Finance, April 2024
Methodist Healthcare Ministries invests over \$180 million to advance health equity across South Texas

Methodist Healthcare Ministries of South Texas, Inc. (MHM) is investing \$181.1 million to advance health equity, strengthen communities and impact systemic change across its 74-county service area. That amount includes direct services, community investments, the development of community partnerships and advocacy initiatives that create a more level playing field for individuals to thrive. The organization's 2024 commitment represents an increase of 21% from its 2023 investment.

RELEVANT NEWS

KSAT12, Jan 2024
University Health breaks ground on Palo Alto Hospital

San Antonio's South Side will soon be home to a state-of-the-art hospital for a rapidly growing community. Located next to Texas A&M-San Antonio's campus, the 68-acre and five-story complex is slated to open in 2027 and carry 166 inpatient beds - which can be expanded to 286, a University Health press release said. The hospital will also have a 24/7 emergency department, labor and delivery units, a NICU, operating rooms, and radiology and lab services. Complex is slated to open in 2027

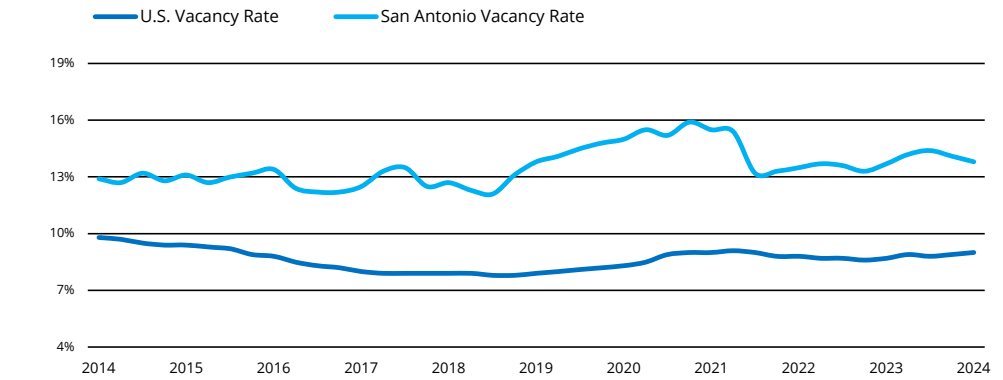


VACANCY

Vacancy Remains Steady in Q1

- San Antonio Medical Office vacancy reflects a 10-basis-point increase from Q1 2023. However, the change from Q4 2023 to Q1 2024 reflects a decrease of 30 basis points.
- Vacancy in Q3 of 2023 rose to 14.4% due to the delivery of approximately 170,000 square feet in Q2 and Q3. With delivered properties now occupied and few new projects under construction, vacancy decreased to 13.8% at the end of Q1.
- Class A vacancy rises to 23.8%, which is a 30-basis points increase from last quarter, but a 40-basis point decrease from Q1 2023.
- Class B vacancy fell to 11.4%, which is a 30 basis point decrease from last quarter, but a 10 basis point increase from Q1 of 2023.

MEDICAL OFFICE VACANCY RATE

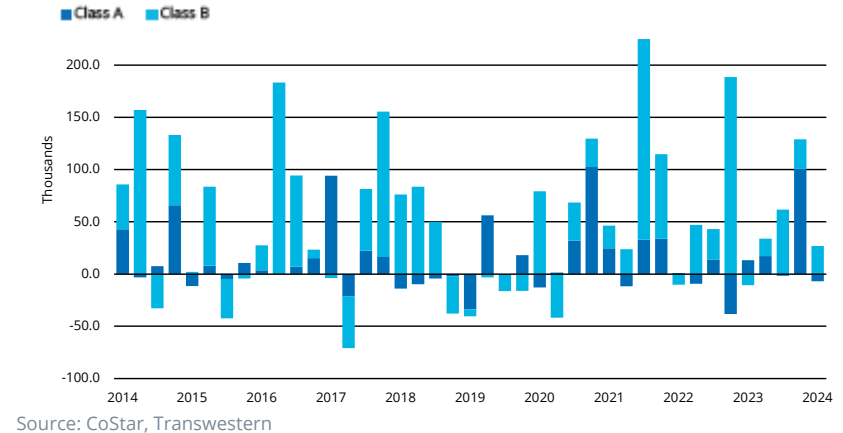


NET ABSORPTION

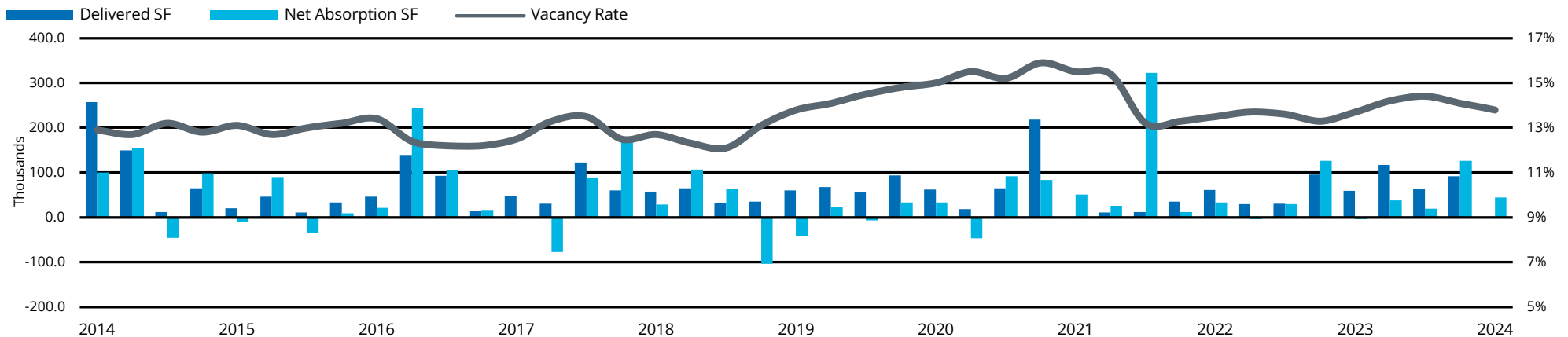
Medical Office Demand Remains Positive

- Net Absorption totaled approximately a positive 44,000 square feet. Most coming from the Northwest Submarket, specifically in the Texas Medical Center of San Antonio.
- Leasing activity in the San Antonio Market totaled approximately 163,000 square feet, with the majority concentrated in the Northwest submarket (over 80,000 square feet) and North Central (approximately 32,500 square feet).

NET ABSORPTION BY CLASS



DELIVERY IMPACT ON KEY INDICATORS





UNDER CONSTRUCTION

Construction Pipeline Ticks Up But Still Low

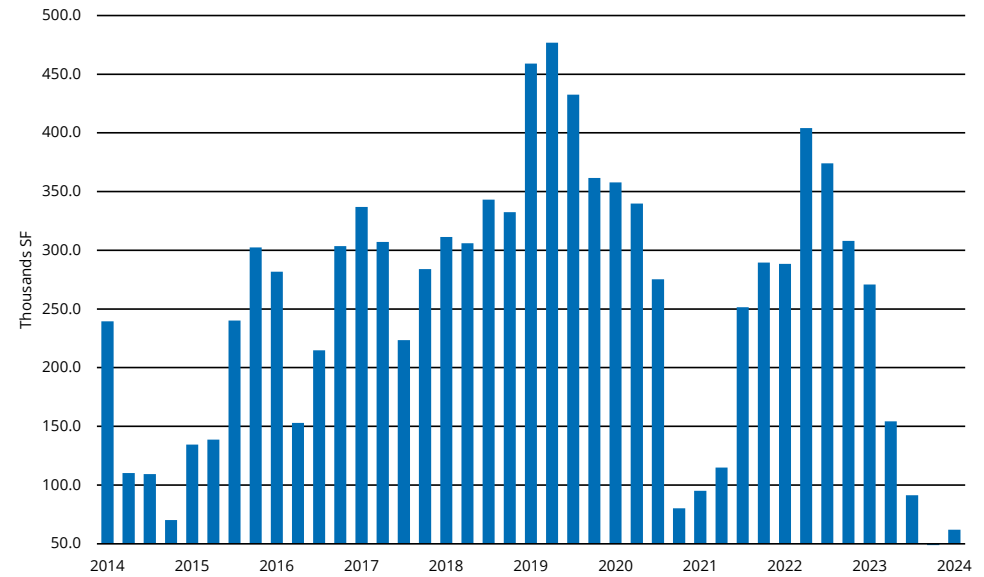
- The under-construction projects have increased to 62,000 square feet from zero square feet last quarter. However, this is still below the Q2 2022 peak of 400,000 square feet and last year's (Q1 2023) 270,000 square feet. This increase includes two projects. The first project is One Seven Business Park in Boerne, which features 40,000 square feet of medical office and office space on the west side of Interstate-10. The second project is a 22,000 square foot garden-style medical office in Cibolo, Texas.
- The construction pipeline includes 12 proposed properties, mostly concentrated in the Far West, Northwest, and Far Northwest Submarkets. New speculative medical office development in San Antonio will continue to remain slow in the current lending environment.

SALES

Sales Volume Slows

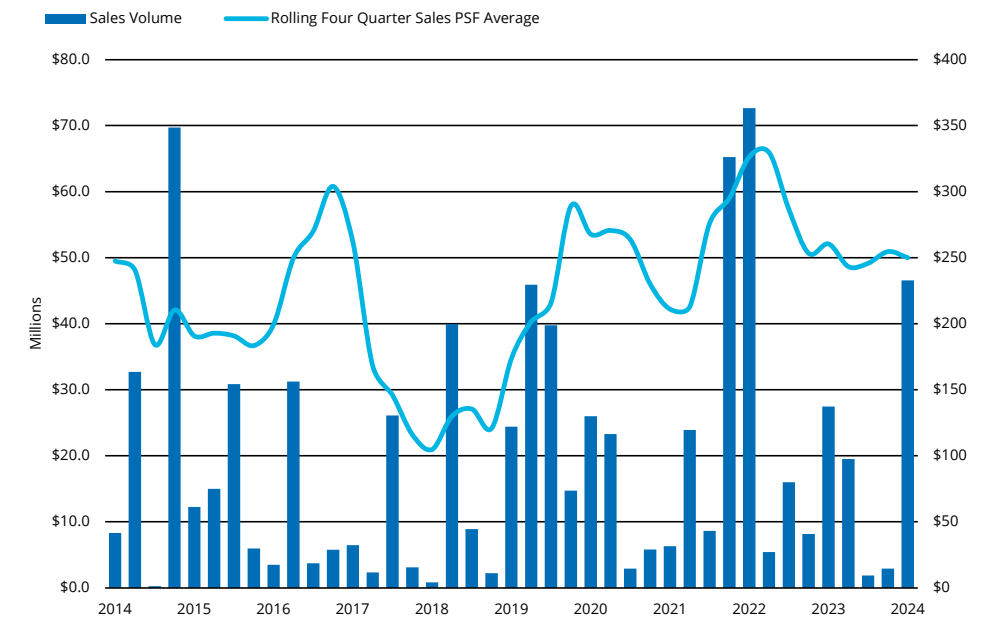
- San Antonio witnessed seven medical office building trades this quarter, with an average price per square foot of \$251. This reflects a 12% increase from the previous quarter but a 7% decrease from Q1 of 2023.
- The most notable transaction was Healthpeak Properties' acquisition of Physicians Realty Trust in the first quarter of this year which included 16 million square feet nationwide. With this acquisition, Healthpeak totals 40 million square feet in Medical Outpatient buildings and 12 million square feet of Life Science Buildings. Two buildings in San Antonio were a part of this acquisition: 9522 Huebner Road (22,832 square feet) and 18600 Hardy Oaks Blvd (54,933 square feet).

UNDER CONSTRUCTION



Source: CoStar, Transwestern





SALES VOLUME



Source: CoStar, Transwestern



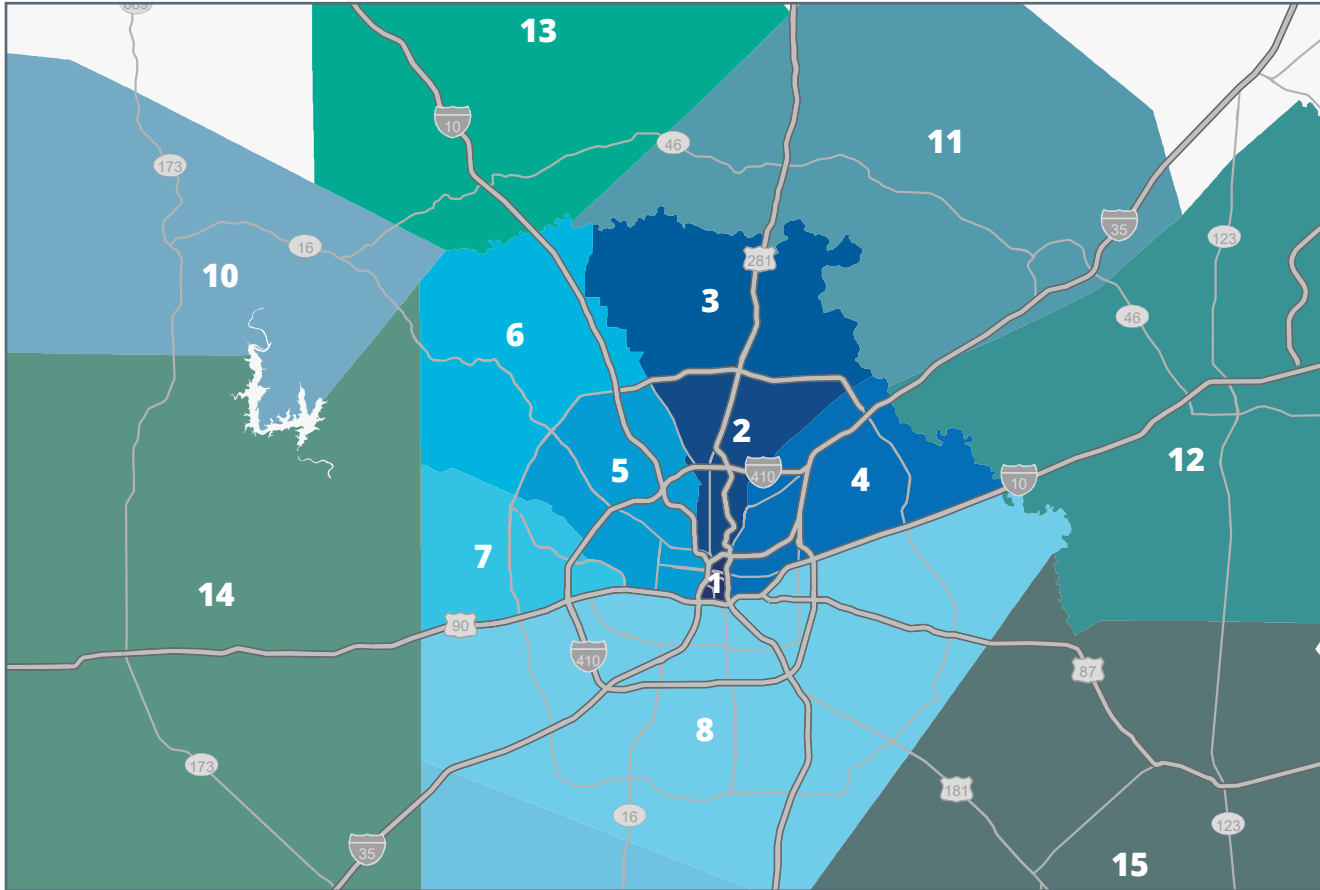
NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
CHRISTUS SANTA ROSA HEALTHCARE 	Santa Rosa Pavilion	CBD	Expansion	16,018
VHS SAN ANTONIO PARTNERS	Medical Center Tower II	Northwest	Renewal	7,108
CHRISTUS SANTA ROSA HEALTHCARE 	Christus Santa Rosa NW Tower I	Northwest	Expansion	6,640
RSA SCHERTZ 	Schertz Medical Office Building	Guadalupe County	Renewal	6,406
UNIVERSITY HEALTH SYSTEMS 	Westgate Medical Center	Northwest	Expansion	5,875
SPCSA, PLLC	Westover Hills Baptist Medical Center	Northwest	Renewal	4,629

NOTABLE SALES

ADDRESS	SUBMARKET	BUILDING SF	YEAR BUILT	BUYER	SELLER
FOUNDATION MEDICAL OFFICE - 9522 HUEBNER RD	Northwest	22,832	2006	Healthpeak Properties	Physicians Realty
SOUTH TEXAS SPINE & SURGICAL - 18600 HARDY OAK BLVD	Northwest	54,933	2002	Healthpeak Properties	Physicians Realty
BROOKS MEDICAL PLAZA - 8005 S NEW BRAUNFELS AVE	South	23,100	2013	John Browning	Laub Realty
18331 MEISNER DR	North Central	28,495	2019	John Hogg	Concord Property Corp
CHRISTUS SURGERY CENTER - 1738 E COMMON ST	Comal County	18,644	2003	Christus Health	Long View Equity Partners

 = Transwestern deal



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 medical 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 hospital facilities and those properties owned and occupied by a government agency.

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. An integrated approach formed from fresh ideas drives value for clients across commercial real estate services, development, investment management and opportunistic programs for high-net-worth investors. The firm operates through 30+ U.S. offices and global alliances with BNP Paribas Real Estate and Devcore. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

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