

SAN ANTONIO OFFICE MARKET

Q3 2024



TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE
UNEMPLOYMENT RATE	4.0	4.3	↓	4.4
NET ABSORPTION (THOUSANDS SF)	18.1	(36.7)	↑	67.2
OVERALL VACANCY RATE	13.3%	12.3%	↑	10.1%
DIRECT VACANCY RATE	12.5%	11.0%	↑	9.4%
OVERALL VACANT SF (MSF)	7.8	7.5	↔	5.9
DIRECT VACANT SF (MSF)	5.2	4.9	↔	5.5
UNDER CONSTRUCTION (MSF)	0.13	0.70	↓	1.2
RENT, FULL SERVICE (PSF)	\$29.90	\$28.57	↑	\$27.53
SALES VOLUME (MILLIONS)	\$201.3	\$33.5	↑	\$136.3

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

OFFICE MARKET STANDS NEUTRAL IN Q3 2024

The San Antonio office market has remained relatively stable, with approximately 18,000 square feet of positive net absorption. Although this is a decline from the 130,000 square feet of positive net absorption recorded in the previous quarter, it is an improvement compared to the 37,000 square feet of negative net absorption reported in Q3 2023.

Vacancy rates improved by 40 basis points over Q3 to 13.3%, although this still reflects an increase from 12.3% in Q3 2023. Construction activity has remained unchanged this quarter, with only the River Mill project in New Braunfels currently underway.

According to the PwC and ULI *Emerging Trends Report for 2025*, San Antonio ranks 13th in the Top 15 markets for Overall Real Estate Prospects. This city is categorized as part of the Sunbelt market, which is recognized as a leading market to watch in 2025. The report states that the “Sunbelt Markets are large and diverse but still relatively affordable for big metro areas, forming powerhouse economies that attract a wide range of businesses. Despite their large population bases, most are among the fastest-growing markets in the country. Moreover, their economic performance has been solid through thick and thin.”

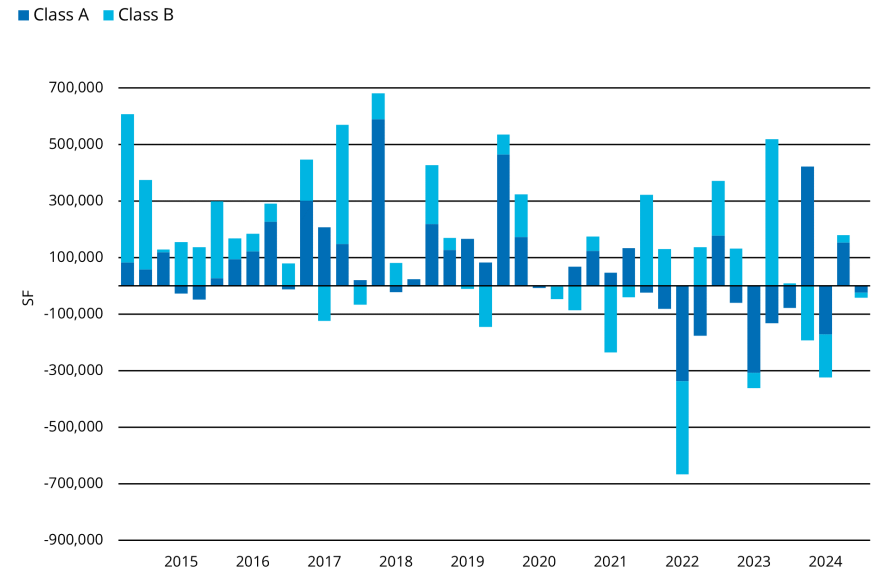


NET ABSORPTION

Net Absorption Trends Down

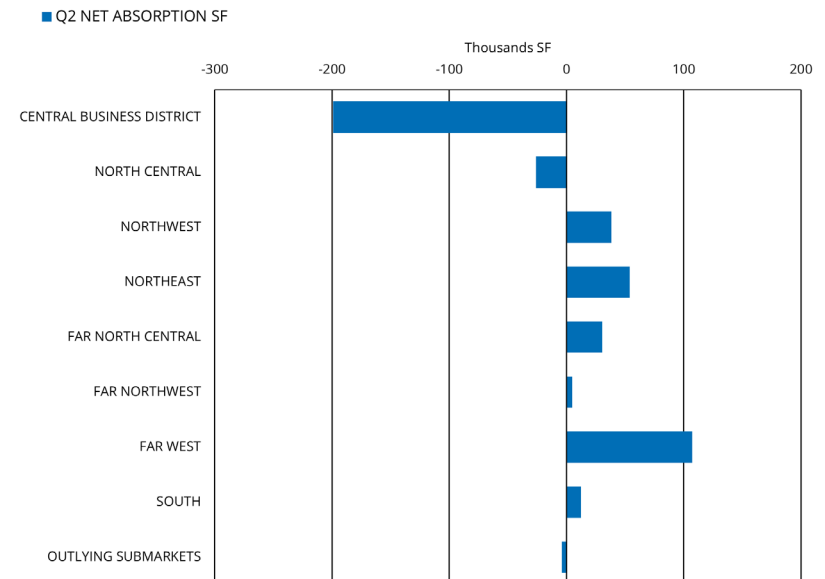
- San Antonio’s net absorption totaled approximately positive 18,000 square feet, which is a decrease from last quarter’s 130,000 square feet of positive absorption, however an increase from last year’s (Q3 2023) negative 37,000 square feet.
- Class A office totaled over 23,000 square feet of negative net absorption and has a trailing 12 months of over 380,000 square feet of positive net absorption. Class B office totaled over 18,000 square feet of negative net absorption and had a trailing 12 months of over 337,000 square feet of negative net absorption. Class C office space experienced a total of approximately 60,000 square feet of positive net absorption. This growth was primarily driven by a 12,000 square foot lease at 403 S WW White Road with Westcare Texas, along with two additional leases of 10,000 square feet each at 400 Pearl Parkway and 310 Kitty Hawk Road.
- The Far West Submarket experienced the highest positive net absorption, approximately 107,000 square feet, while the Central Business District faced the steepest negative net absorption of around 200,000 square feet.
- In this quarter, a significant event impacted net absorption. Visionworks relocated from their 157,000 square foot office downtown to a smaller 30,000 square foot premises at Ridgewood Park in the Far North Central Submarket. On the positive side, Guidehouse signed a lease for 107,000 square feet at the Reserve at Westover Hills in the Far West submarket.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

NET ABSORPTION BY SUBMARKET



Source: CoStar, Transwestern

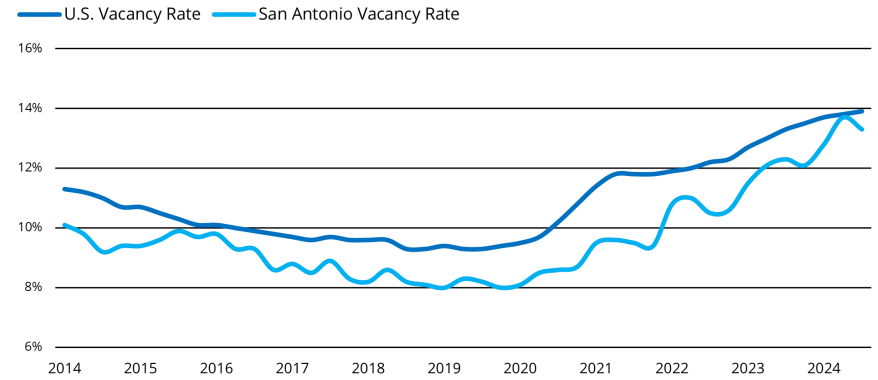


VACANCY

Vacancy Continues to Rise

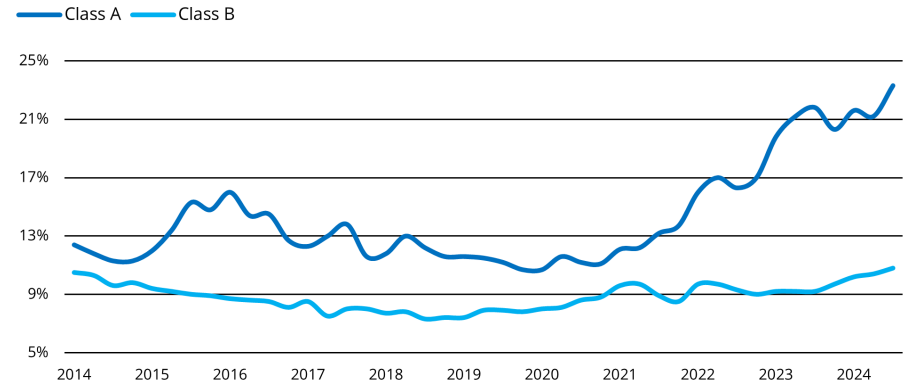
- Overall, the vacancy rate dropped to 13.3% this quarter, a decrease of 40 basis points from the previous quarter. However, compared to last year, the vacancy rate has increased by 100 basis points from 12.3% in Q3 2023.
- The Central Business District experienced a significant increase in vacancy rates, rising to 22.4%, which represents a 350 basis point change from the previous quarter. This increase is primarily due to Visionworks vacating their 157,000 square foot space at IBC Centre, as well as PwC leaving their 12,000 square foot space at the Burns Building. Both tenants are relocating further north along the 281 corridor.
- Class A office vacancy rates increased by 210 basis points to 23.3% compared to last quarter. This represents a 150 basis point increase from the same time last year.
- Class B office vacancies rose by 40 basis points to 10.8% from the previous quarter, a 160 basis point increase compared to last year.
- Transwestern calculates market vacancy across Class A, B, and C office properties that exceed 10,000 square feet.

OVERALL VACANCY RATE



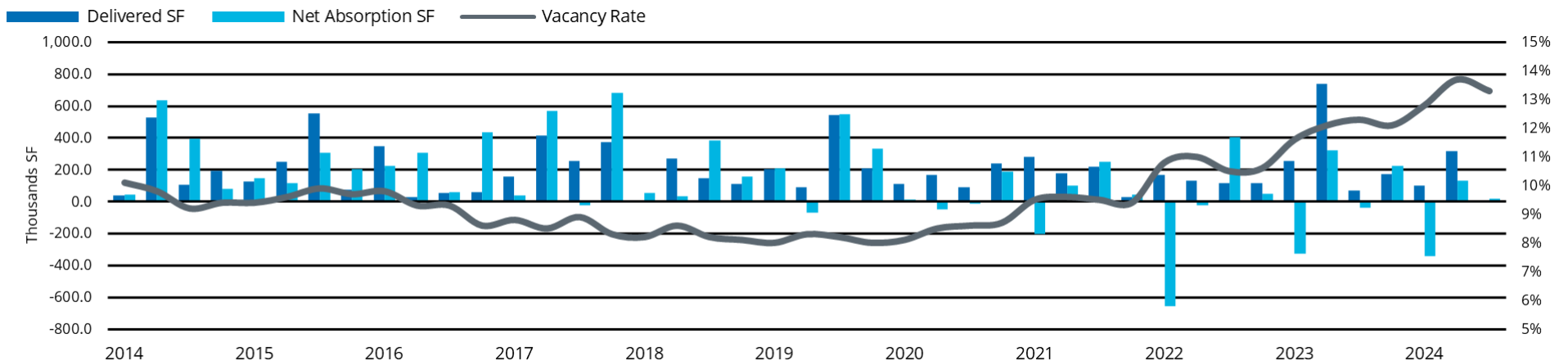
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern



UNDER CONSTRUCTION

Office Construction Continues to Slow

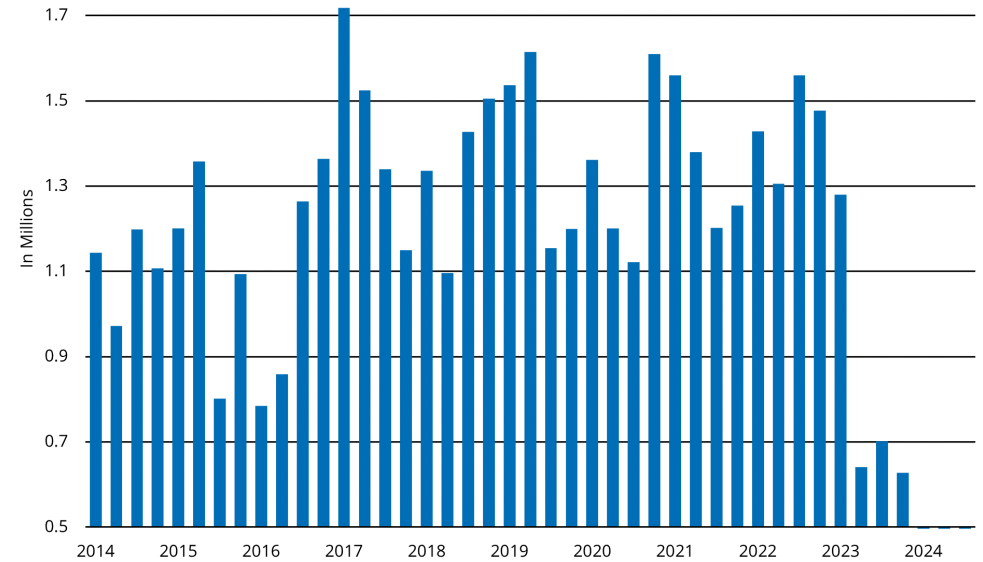
- San Antonio’s office construction remains unchanged in Q3 2024, with only 130,000 square feet in the pipeline and no deliveries scheduled for this quarter.
- Currently under construction is Casey Development’s mixed-use project in Comal County, which includes 130,000 square feet of office space named River Mill.
- Despite a decrease in interest rates, construction costs continue to rise following the post-COVID period. As a result, San Antonio is not expected to see an increase in construction activity for the remainder of the year.

SALES

Office Sales Activity Trends Up

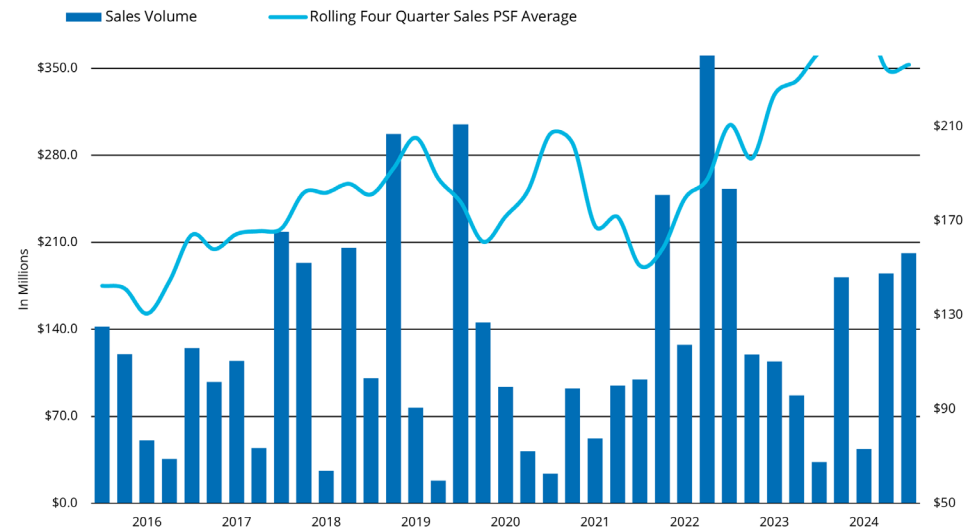
- San Antonio experienced approximately \$201 million in sales volume, based on recorded sales prices, which translates to a price of \$253 per square foot this quarter. This reflects a \$20 psf increase from the previous quarter, while remaining steady compared to last year.
- One Thousand Oaks Tower, which was originally listed for sale by Gemini Rosemont in 2022, was brought to market again in 2023 and sold to Caisson Real Estate in August 2024.
- Rosa Verde Tower, situated in the Central Business District, was formerly a medical office tower. It has now been sold to Goodwill Industries, which plans to use the entire building as its office space. This 143,077 SF building is now reflected in Transwestern’s research as office inventory rather than medical office.
- SageView Partners purchased a 57,000 square foot office building, Ridgewood Business Park, located in the Far North Central submarket. This acquisition adds the 13th building to their portfolio, and there are rumors of more office properties in their acquisition pipeline.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

SALES VOLUME



Source: Real Capital Analytics, Transwestern






MARKET INDICATORS

All Classes | Q3 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	12-MONTH ROLLING NET ABSORPTION SF	ASKING RENT PSF
CENTRAL BUSINESS DISTRICT	7,773,156	1,727,975	22.2%	1,739,953	22.4%	-	(199,055)	(210,553)	\$29.14
NORTH CENTRAL	14,107,266	1,720,374	12.2%	1,772,757	12.6%	-	(25,950)	312,287	\$28.03
NORTHWEST	18,951,378	1,611,795	8.5%	1,778,215	9.4%	-	38,253	54,218	\$29.79
NORTHEAST	4,082,720	726,708	17.8%	822,408	20.1%	-	53,911	(41,034)	\$26.79
FAR NORTH CENTRAL	3,404,054	495,307	14.6%	550,444	16.2%	-	30,487	(52,369)	\$35.13
FAR NORTHWEST	2,270,686	365,644	16.1%	365,644	16.1%	-	4,980	(32,478)	\$37.28
FAR WEST	6,007,433	642,160	10.7%	652,151	10.9%	-	107,094	10,228	\$31.67
SOUTH	2,277,330	289,874	12.7%	289,874	12.7%	-	12,356	(2,161)	\$27.99
OUTLYING SUBMARKETS	2,151,808	57,286	2.7%	120,247	5.6%	130,000	(3,950)	6,913	\$31.46
TOTAL	61,025,831	7,637,123	12.5%	8,091,693	13.3%	130,000	18,126	45,051	\$29.81



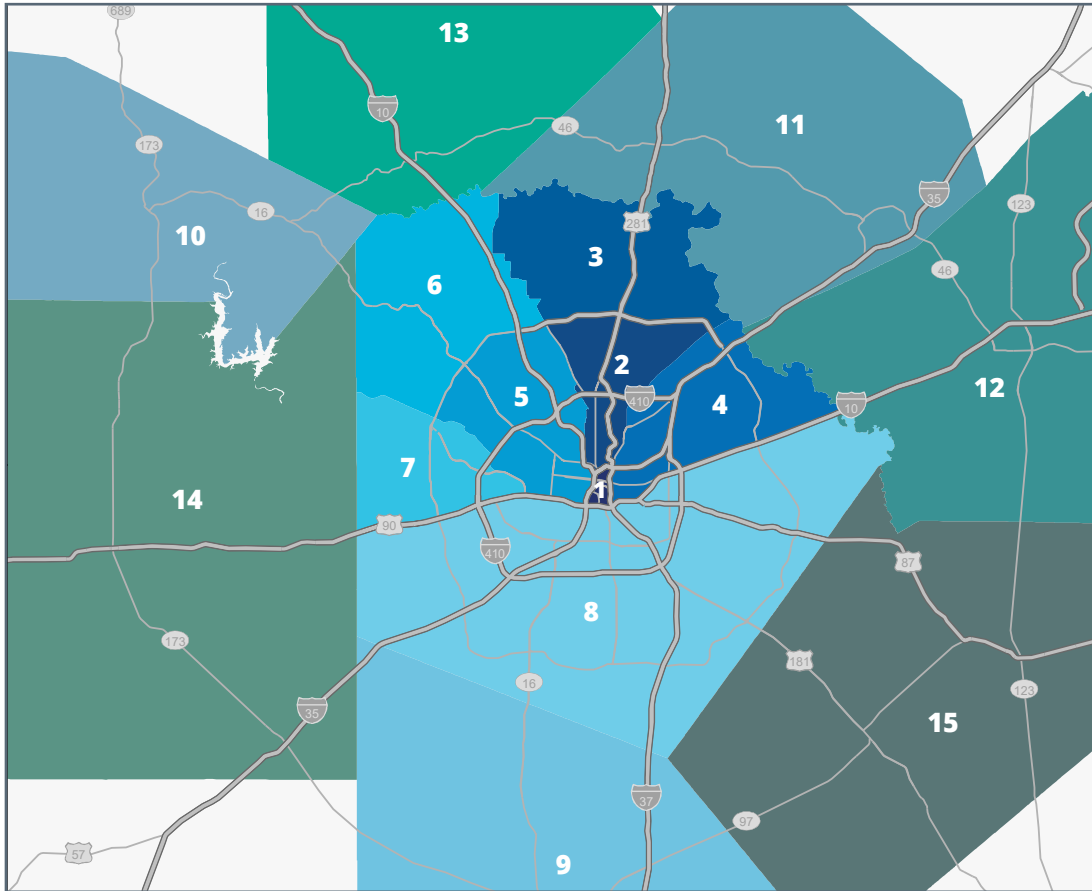
NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
GUIDEHOUSE	The Reserve At Westover Hills	Far West	New	107,000
KCI/SOLVENTUM 	Farinon Business Park	Northwest	Renewal	41,723
VISIONWORKS	Ridgewood Park	Far North Central	New	29,582
CHEROKEE NATION	Oak Park	North Central	New	19,951
DATAPPOINT SURVEYING AND MAPPING 	Network Tech Center	Northwest	Renewal	15,332
US ARMY CORP OF ENGINEERS	Northwood Tower	Northeast	New	14,221
VIZRT	Promenade Two at Elian	Far North Central	New	13,077
TD SYNnex	Heritage Oaks at Inwood	North Central	New	10,961
OLD REPUBLIC TITLE 	Heron At Cresta Bella	Far Northwest	New	10,450

NOTABLE SALES

PROPERTY	SUBMARKET	BUILDING SF	YR BUILT	STORIES	CLASS	BUYER	SELLER
ROSA VERDE TOWERS	Central Business District	143,077	1972	10	B	Goodwill Industries	Ackerman & Co
ONE THOUSAND OAKS	North Central	142,131	1984	10	B	Caisson Real Estate	Gemini Rosemont
RIDGEWOOD BUSINESS PARK	Far North Central	57,276	2014	2	B	SageView Partners	Peakstone
GREENSPPOINT OFFICE PARK	Northwest	41,117	1985	2	B	Kenneth W Smith	Stephen M Slifer

 = Transwestern transaction



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

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com.

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