

SAN ANTONIO MEDICAL OFFICE MARKET

Q3 2024



TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE
UNEMPLOYMENT RATE %	4.0	4.3	↓	4.7
NET ABSORPTION (THOUSANDS SF)	62.8	18.7	↓	49.2
OVERALL VACANCY RATE	14.5%	14.4%	↔	14.4%
DIRECT VACANCY RATE	14.1%	14.1%	↔	14.1%
OVERALL VACANT SF (MSF)	2.16	2.07	↔	2.01
UNDER CONSTRUCTION (THOUSANDS SF)	132.1	91.2	↑	238.7
RENT, FULL SERVICE (PSF)	\$30.04	\$28.11	↑	\$27.21
SALES VOLUME (MILLIONS)	\$81.9*	\$1.9	↑	\$24.9

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

*Sales volume total only represents reported sales prices. Two significant sales occurred in Q3 without a reported sales price.

SAN ANTONIO MEDICAL OFFICE TRENDS POSITIVE

The San Antonio Medical Office Market has remained steady this quarter, consistent with Q2 2024. Overall vacancy rates have not changed from the previous quarter, while net absorption has shown a positive trend of 62,000 square feet. The amount of space under construction has decreased this quarter, with 114,000 square feet delivered.

Notable developments this quarter include Goodwill Industries' purchase of the Rosa Verde Tower in downtown San Antonio, which they plan to convert into their office building, thereby reducing the medical office inventory in the CBD. Additionally, UT Health is merging with UTSA. According to an article released by UTSA, the merger is "to create a premier university that brings all of our individual academic, research and clinical strengths together to build a unified and profoundly impactful university of the future."

MARKET INDICATORS

All Classes of Space | Q3 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 MEDICAL CENTER (NW)	3,454,698	522,052	15.1%	522,052	15.1%	0	(12,070)	10,132	\$30.01
CENTRAL BUSINESS DISTRICT	701,495	281,651	40.2%	281,651	40.2%	0	9,519	23,859	\$26.98
NORTH CENTRAL	1,562,854	231,041	14.8%	231,041	14.8%	0	(25,303)	27,567	\$28.64
NORTHWEST	5,769,595	732,723	12.7%	732,723	12.7%	0	(45,993)	(10,563)	\$28.82
NORTHEAST	1,339,465	173,044	12.9%	173,044	12.9%	0	46,337	98,229	\$28.11
FAR NORTH CENTRAL	1,514,248	164,709	10.9%	189,803	12.5%	0	(12,070)	23,174	\$32.98
FAR NORTHWEST	229,907	27,839	12.1%	33,605	14.6%	0	-	(3,681)	\$38.15
FAR WEST	942,444	155,022	16.4%	164,429	17.4%	70,110	97,106	91,987	\$34.61
SOUTH	990,886	64,541	6.5%	71,338	7.2%	0	(17,753)	(13,842)	\$28.61
OUTLYING SUBMARKETS	1,417,827	115,464	8.1%	117,864	8.3%	62,000	10,918	5,652	\$32.92
TOTAL	14,865,909	2,099,768	14.1%	2,156,403	14.5%	132,110	62,761	242,382	\$30.04

Source: CoStar, Transwestern



RELEVANT NEWS

San Antonio Report, June 2024
Westover Hills Baptist Hospital to open in far West San Antonio

A new hospital with an emergency room, as well as services in cardiology, orthopedics, obstetrics and surgery is opening in a growing area of San Antonio this summer. Westover Hills Baptist Hospital, located at Wiseman Boulevard and Loop 1604, will bring 92 beds and six operating rooms to the city's far West Side in late July.

The four-story, 350,000-square-foot general acute care hospital is located on 72 acres and built with expansion in mind.

RELEVANT NEWS

SABJ, April 2024
The new Christus hospital president believes the high-growth area is positioned to be a major medical hub

Christus Santa Rosa Health System has landed a new president to oversee the completion of a major expansion of its Westover Hills hospital campus.

Derrick Cuenca, who will head up the finish-out of that landmark project, believes further expansion may be needed to keep pace with the continued spike in population and its impact on medical providers in Far West San Antonio.

RELEVANT NEWS

KSAT12, July 2024
Methodist Hospital ranks No. 1 in San Antonio, No. 18 in Texas on U.S. News & World Report list

Methodist Hospital was named the best hospital in San Antonio in new U.S. News & World Report rankings. Baptist Medical Center was the No. 2 hospital in the San Antonio metro area, performing well in seven procedures/conditions

RELEVANT NEWS

San Antonio Express, Sept 2024
Meet the new CEO guiding University Health's expansion

Ed Banos stepped into the role after longtime CEO George Hernández retired in July. Two months into his job as the new president and CEO of University Health, Ed Banos was ready for the long Labor Day Weekend.

He said he'd been "running fast" since July 1, when George Hernández retired after 19 years leading the sprawling public health system. And Banos was a week closer to being able to watch the Steelers – his hometown team.



VACANCY

Vacancy Remain Steady This Quarter

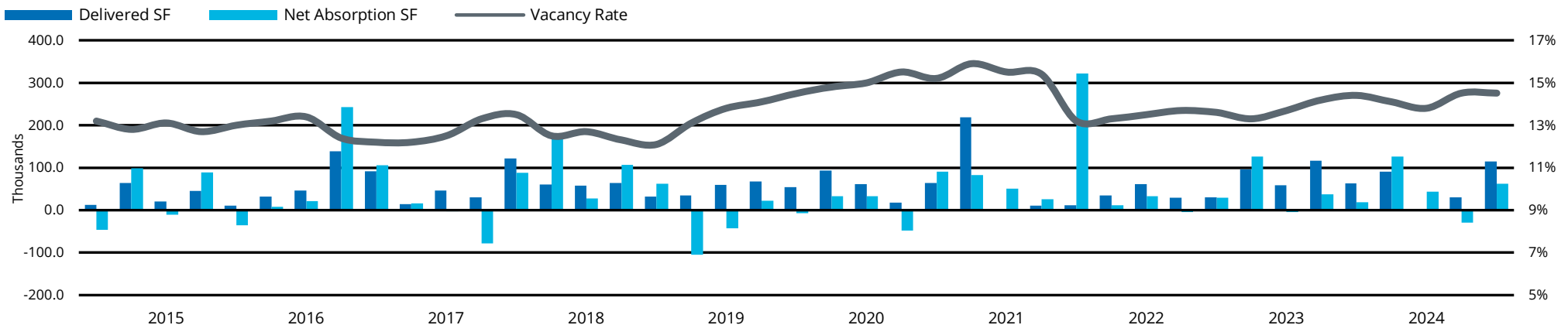
- The overall vacancy rate for San Antonio Medical Office remains steady this quarter at 14.5% and is only a 10 basis point increase from year (Q3 2023).
- Class A vacancy rate improved to 16.6% this quarter, reflecting an 80 basis point drop from last quarter and a 260 basis point drop compared to Q3 2023.
- Class B vacancy rate increased to 14.5% this quarter, reflecting a 20 basis point rise from the previous quarter and a 130 basis point increase compared to Q3 2023.

NET ABSORPTION

Net Absorption Trends Positive

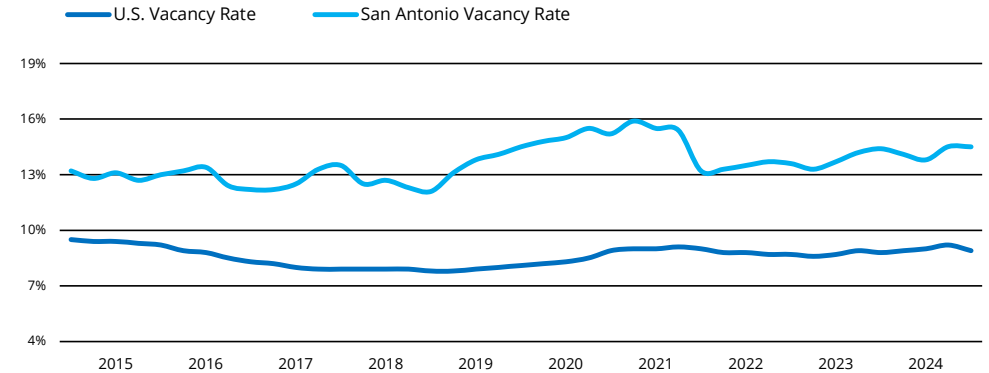
- San Antonio Medical Office net absorption totaled approximately 63,000 square feet in the 3rd quarter of 2024, which increased from last quarter's negative 29,000 square feet.
- Class A medical office experienced around 44,000 square feet of positive absorption, while Class B accounted for about 22,000 square feet of positive absorption.
- The Far West submarket experienced a positive absorption of 97,000 square feet, primarily due to the delivery of the 84,000 SF Westover Hills Baptist Medical Office, which was 89% pre-leased at delivery and is largely occupied by Baptist Health.
- The Northeast submarket saw positive net absorption of 46,000 square feet, largely due to the delivery of a 30,000 square foot building fully leased to Hillside Primary Care.

DELIVERY IMPACT ON KEY INDICATORS



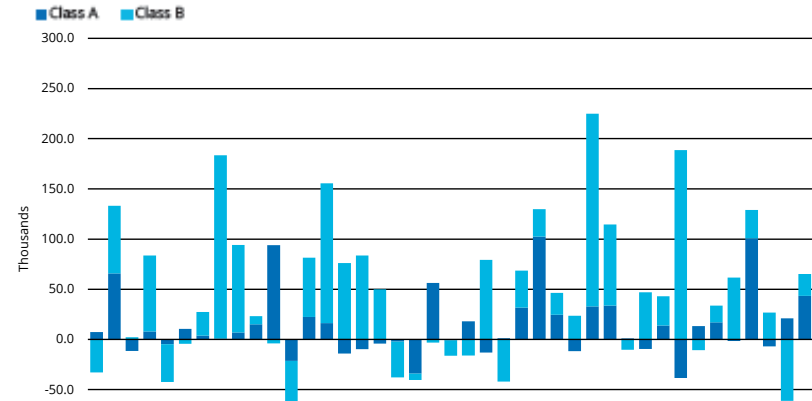
Source: CoStar, Transwestern

MEDICAL OFFICE VACANCY RATE



Source: CoStar, Transwestern

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern



RENTAL RATES

Rental Rates Continue to Clime

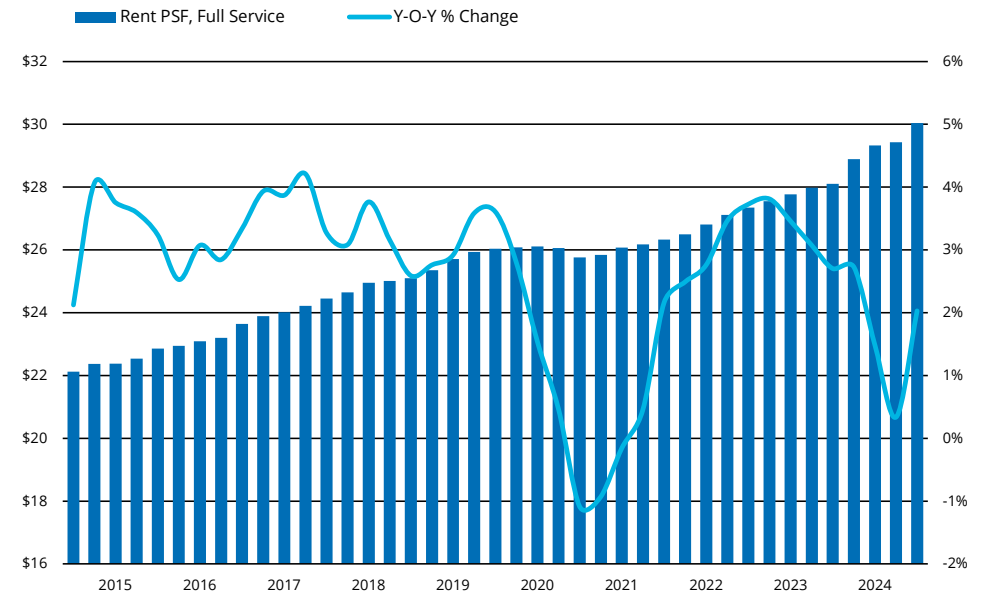
- Medical office rental rates continue to increase, reaching an average of \$30.04 this quarter, up by \$0.61 from last quarter. The quarter-over-quarter change has slowed to a 2% increase, however, the average has been approximately 2.7% since Q1 2022.
- The rental rates in the Far Northwest submarket have decreased to \$38.15 per square foot on a full-service basis, reflecting a drop of \$1.33 from last quarter. This decline is primarily attributed to the lack of leasing activity during that period.

UNDER CONSTRUCTION

Construction Pipeline Shrinks

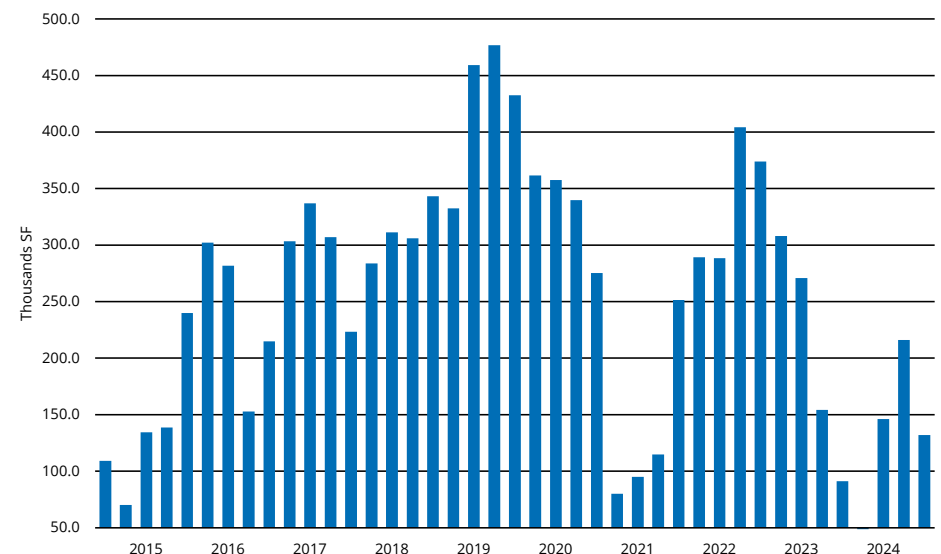
- San Antonio currently has 132,110 square feet under construction, with 114,000 square feet delivered this quarter. The primary project delivered was the Westover Hills Baptist Medical Office, which covers 84,000 square feet, and Baptist Healthcare occupies the majority of the building.
- The Far West submarket currently has 2 projects under construction, with the largest being a 60,000-square-foot building project across the street from CHRISTUS Santa Rosa Hospital.
- Outlying submarkets comprise the remainder of the construction pipeline, which consists of smaller medical office projects under 40,000 square feet.

MARKET RENT



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

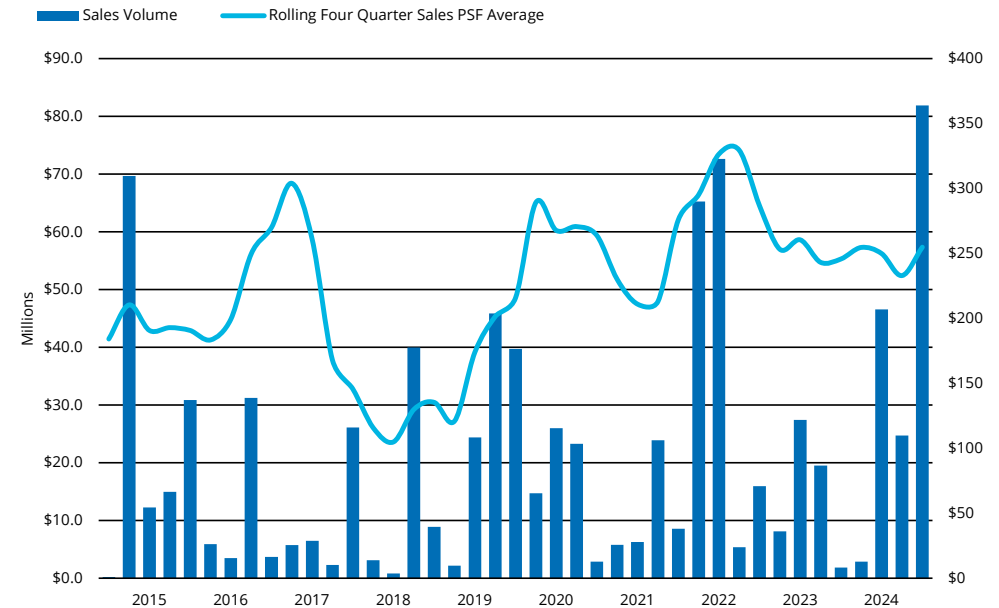


SALES

New Medical Office Redevelopment in CBD

- San Antonio recorded several transactions this quarter, with the average sale price increasing to \$340 per square foot (based on the sole transaction with a recorded sales price), bringing the rolling four-quarter average up to \$255 per square foot.
- The most significant sale was the Rosa Verde Tower in Downtown San Antonio, which Ackerman & Co. sold to Goodwill Industries. Goodwill will occupy the building and convert the medical office space into general office space, removing 143,000 square feet from the medical office inventory.

SALES VOLUME



Source: CoStar, Transwestern

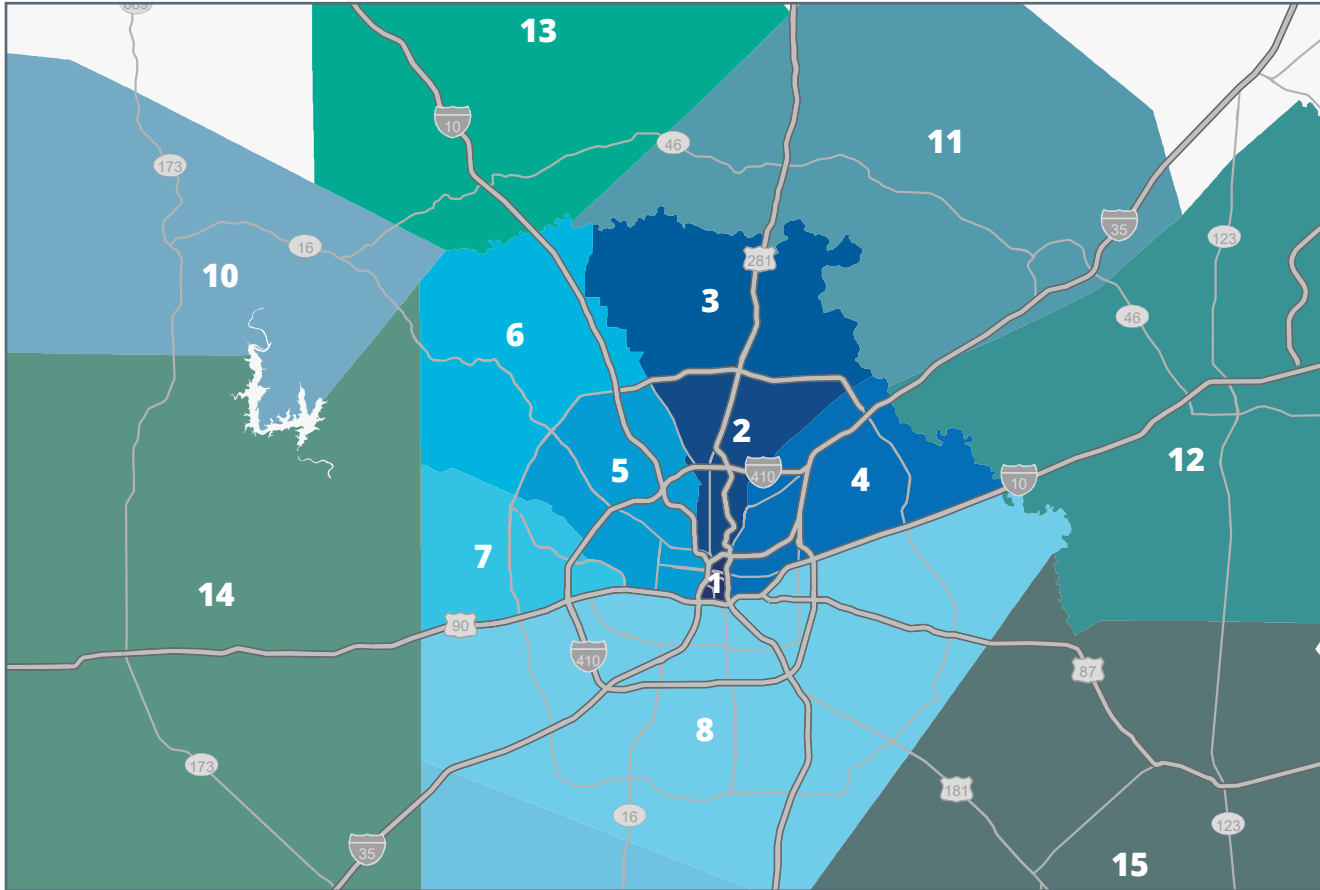
NOTABLE LEASES

TENANT	BUILDING	SUBMARKET	TYPE	SF LEASED
WELLMED	10622 State Highway 151 Frontage Road	Far West	Sublease	12,419
TEXAS ENT	21 Spurs Lane	Northwest	New	10,905
FAMILY CARE CENTER	19106 N Highway 281	Far North Central	New	8,697
CHRISTUS TRINITY CLINIC	11212 State Highway 151	Far West	New	8,496

NOTABLE SALES

BUILDING	ADDRESS	SUBMARKET	BUILDING SF	YEAR BUILT	BUYER	SELLER
9618 HUEBNER ROAD	9618 Huebner Rd	Northwest	55,345	2016	Hammes Partners	HTH Capital, Ltd.
ROSA VERDE TOWER	343 W Houston Street	CBD	143,077	1972	Goodwill Industries	Ackerman & Co
HARDY OAK MEDICAL PAVILION	18707 Hardy Oak Blvd	Far North Central	116,838	2009	Nuveen	Healthcare Realty Trust Incorporated
LOUIS PASTEUR PROFESSIONAL BUILDING	7540 Louis Pasteur Dr	Northwest	26,812	1973	Virus Reference Laboratory	Winter Street 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.

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