SAN ANTONIO RETAIL | Q1 2022
QUARTERLY MARKET REPORT

San Antonio Retail Market starts 2022 strong as demand outpaces supply

APRIL 2022

EXECUTIVE SUMMARY

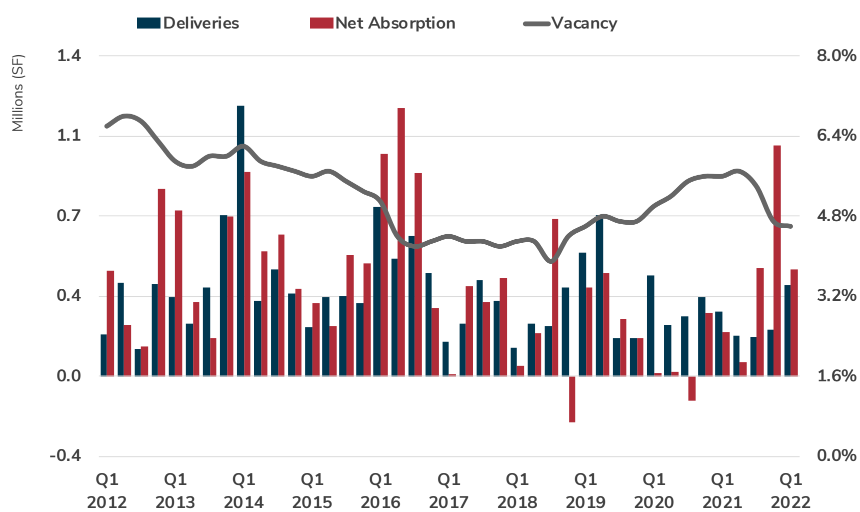
CONSISTENT RETAIL DEMAND

As the first quarter of 2022 ended, the San Antonio retail market showed signs of improvement. Namely, leasing volume increased in the first quarter by almost 100% to 878,000 sq. ft., compared to Q1 2021 at 449,000 sq. ft. Additionally, net absorption—the measure of total square feet occupied in existing buildings (indicated as a move-in) less the total space vacated (shown as a move-out) over a given period—totaled 475,000 sq. ft. in Q1 2021—a 67% increase from a year ago at this time. San Antonio's retail market has remained resilient, despite the coronavirus pandemic. Vacancies have remained tight, and net absorption has stayed positive for six consecutive quarters. With 411,000 sq. ft. delivered so far in 2022, 763,000 sq. ft. under construction, and another 3 million sq. ft. of proposed projects announced, the demand for retail real estate may continue to increase outpace supply.

SAN ANTONIO ECONOMY REMAINS POSITIVE

The metro's unemployment rate remained constant in January at 4.1%, one of the lowest rates since the start of the pandemic. For comparison, the state's jobless rate was at 4.8%, while the nation's rate increased slightly to 4.0%. San Antonio payrolls expanded among the major sectors, with leisure and hospitality leading three-month growth (12.0%, or 3,723 jobs). In March and April 2020 combined, 138,332 jobs were lost in the metro as the pandemic hit. As of January 2022, 99.5% of those jobs had been recovered. San Antonio's dining activity fell briefly near the beginning of 2022 but has since strongly recovered. While January 2022 saw dining levels fall as far as 15.2% below 2019 levels, local dining activity is now 21.0% higher than it was three years ago.

SUPPLY & DEMAND



MARKET INDICATORS

	CURRENT Q1 2022	PRIOR QUARTER Q4 2021		PRIOR YEAR Q1 2021	
Vacancy (%)	4.6	4.7	↓	5.6	↓
Net Absorption (SF)	474,544	1,037,067	↓	283,449	↑
Leasing Activity (SF)	878,190	661,761	↑	449,249	↑
Deliveries (SF)	410,555	208,716	↑	354,301	↑
Construction (SF)	763,491	950,190	↓	903,762	↓
Inventory (SF)	116,737,186	116,326,631	↑	115,470,028	↑
Avg Asking NNN Rent ($)	16.52	16.80	↓	15.94	↑

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MARKET OVERVIEW

DEMAND CONTINUES TO OUTPACE SUPPLY

The San Antonio retail market realized net absorption of 475,000 sq. ft. in Q1 2022, the third consecutive quarter that demand outpaced supply. Prior to Q3 2021, supply had surpassed net absorption since Q4 2019, or seven straight quarters. So far, in 2021, a total of 411,000 sq. ft. was delivered to the market, with almost 80% of that space spoken for. Of the 763,000 sq. ft. still in the pipeline, about 36% of space is available.

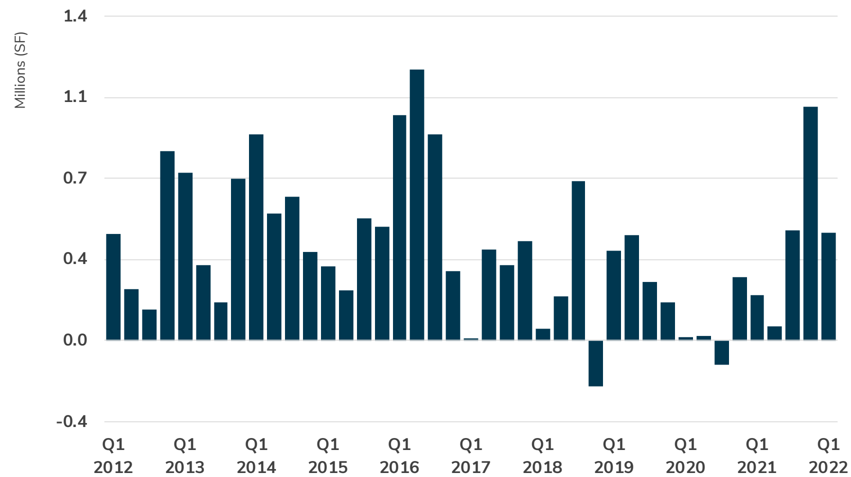
INVESTMENT SALES TRENDS

Real Capital Analytics data reports that the cumulative monthly sales volume in the greater San Antonio area is at $73 million as of February 28, 2022, almost four times the amount compared to this time last year at $19 million. The primary capital composition for buyers in 2022 is made up of 52% REIT/listed and 17% institutional investors. For sellers, the majority were 38% institutional and 31% REIT/listed investors. A recent noteworthy transaction included Reserve at Mockingbird Heights acquiring the 247,576-sq.-ft. New Braunfels Marketplace retail community center at 651 N. I-35 in March. The property was 95.6% leased at the time of sale to major tenants Golds Gym, Santikos Entertainment, Ashley HomeStore, and Tuesday Morning.

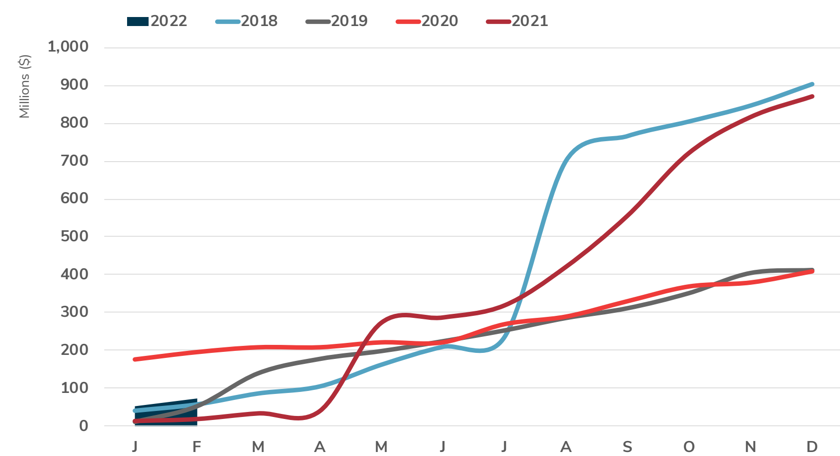
SAN ANTONIO AREA HOUSING MARKET REMAINING STEADY IN 2022

According to the San Antonio Board of Realtors, home sales are still moving forward in the San Antonio metro area. The average price saw a 16% increase to $361,889, and the median price increased to $314,000, a 20% increase from 2021. Even with these large increases, the area saw a 9% increase in total closed sales, with 2,681 homes sold. The month closed with 3,437 new listings, 4,054 active listings, and 3,209 pending sales. The price per square foot increased to $176, a 20% increase from 2021. The average home stayed on the market for 38 days, a decrease of 14 days from 2021. Bexar County reported that the average price for the area increased 14.1% to $333,258 and the median price increased to $290,000, a 16% increase. 1,853 homes were sold, a 7.7% increase from 2021. 99.7% of homes were sold for list price and the price per square foot increased to $164.

NET ABSORPTION

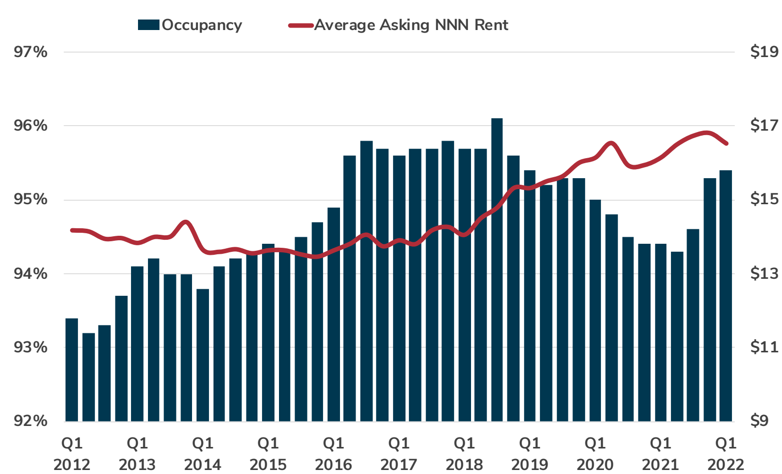


CUMULATIVE MONTHLY SALES VOLUME



Source: Real Capital Analytics

OCCUPANCY & AVERAGE ASKING RENT



MARKET OVERVIEW
SUBMARKET STATS

Submarket	Net Rentable Area (SF)	Vacancy (%)	Q1 2022 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q1 2022 Leasing Activity (SF)	Q1 2022 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN ($/PSF)
San Antonio Total	116,737,186	4.6	474,544	474,544	878,190	410,555	410,555	763,491	16.52

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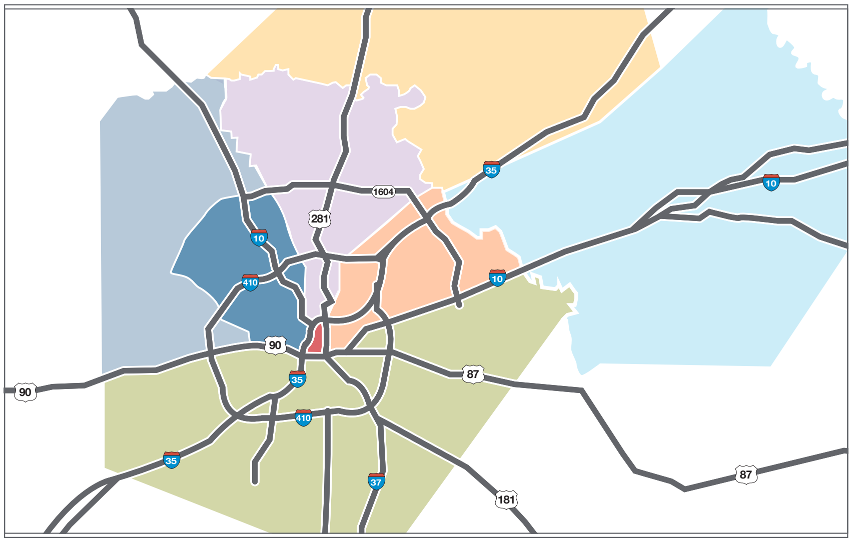
CBD	4,559,438	3.6	-11,040	-11,040	0	0	0	19,516	21.78
Comal Co.	8,066,395	2.1	-6,039	-6,039	16,755	18,960	18,960	122,222	20.46
Guadalupe Co.	5,405,519	5.4	205,664	205,664	142,614	166,242	166,242	36,304	21.97
North Central	25,862,569	6.0	174,226	174,226	235,856	65,121	65,121	27,720	18.89
Northeast	15,853,153	4.7	83,324	83,324	82,963	91,030	91,030	30,601	11.35
Northwest	34,472,438	4.7	-31,165	-31,165	357,908	49,064	49,064	310,449	16.62
Far West	9,299,200	5.4	32,571	32,571	19,689	20,138	20,138	198,337	20.97
South	13,218,474	2.9	27,003	27,003	22,405	0	0	18,342	14.66



SAN ANTONIO RETAIL SUBMARKETS

1. CBD
2. Comal County
3. Guadalupe County
4. North Central
5. Northeast
6. Northwest
7. Northwest/Far West
8. South

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