

# MARKET REPORT

Multifamily  
San Antonio Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

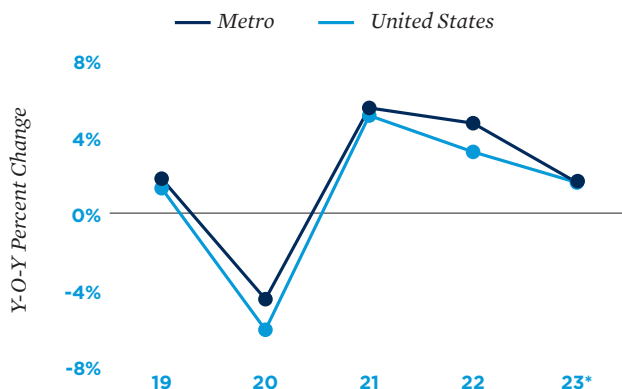
3Q/23

## Construction Leads to Higher Vacancy Near-Term, but the Metro is Primed for Renter Demand

**New supply slated for growing submarkets.** As of August, over 20,000 units were underway in San Antonio with delivery dates stretching into 2025. Mounting supply pressure has elevated vacancy, and the metric will increase by at least 100 basis points for the second year in a row. New supply is generally well-positioned, however, as Far Northwest San Antonio and New Braunfels-Schertz-Universal City are slated to welcome nearly 40 percent of units in the next three years. Both areas are home to fast-growing populations, warranting a development surge. Renter demand is strong in Far Northwest San Antonio, as vacancy here was under the overall metro rate in June, despite local supply doubling since 2007. New Braunfels-Schertz-Universal City was similarly positioned. While marketwide vacancy will increase near-term, the submarkets expecting the bulk of deliveries over the next three years are home to growing renter demand.

**High-end units maintain a lower-than-average vacancy rate.** Renter demand for Class A space in San Antonio was notably outperforming other apartment segments as of June. Top-tier properties noted vacancy at 7.1 percent at the end of the second quarter, 70 basis points below the Class C rate and 100 basis points below the Class B metric. The metro has continued to add high-paying jobs in traditionally office-using sectors, which is expected to contribute to the median household income increasing by 2.8 percent in 2023. New supply may create some headwinds for Class A units by increasing competition.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

## Multifamily 2023 Outlook



**18,000  
JOBS**

*will be created*

### EMPLOYMENT:

In the first seven months of the year, San Antonio added roughly 13,600 positions on net. Hiring velocity began to slow in June and July, but total employment will still expand 1.6 percent by year-end.



**5,600  
UNITS**

*will be completed*

### CONSTRUCTION:

Eight of the last 10 years have logged completion totals of at least 5,000 units. In 2023, this pattern will continue as inventory expands by 2.5 percent, in line with the trailing two-decade average.



**100  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Reaching its most elevated mark since 2010, vacancy will increase to 8.0 percent. This will be the highest rate among the four major Texas markets. Elevated vacancy is predominantly driven by suburban properties.



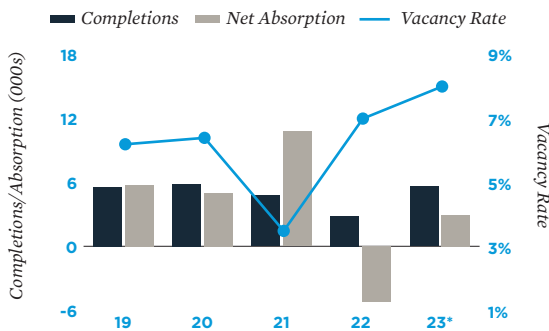
**1.8%  
INCREASE**

*in effective rent*

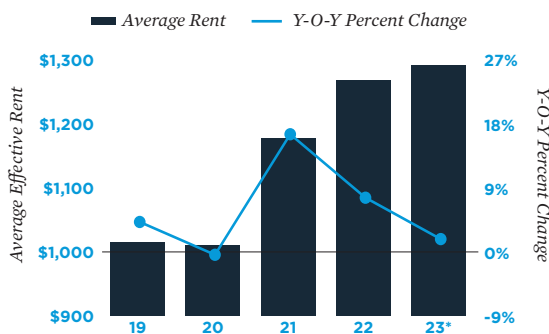
### RENT:

The mean effective rent in San Antonio climbs in 2023. By year-end, the metric will reach \$1,290 per month, nearly \$400 lower than the neighboring Austin metro, which continues to attract regional households seeking reduced living costs.

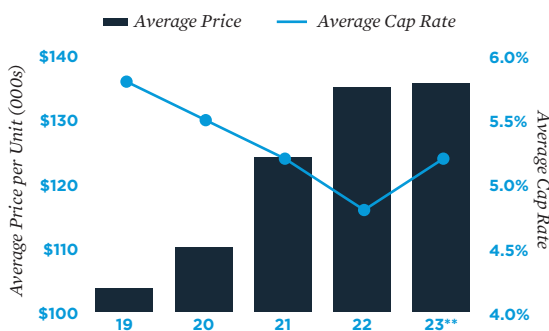
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

## 2Q 2023 - 12-Month Period

**CONSTRUCTION**  
**4,494 units completed**

- Inventory grew by 2.1 percent during the trailing 12 months ended in June, a significantly faster pace than the last period's 1.5 percent uptick.
- Completions during the yearlong span ended in the second quarter were generally spread across the metro. Southwest San Antonio received the most new units, expanding local stock by 9.9 percent.

**VACANCY**  
**330 basis point increase in vacancy Y-O-Y**

- Each of the last three quarters welcomed at least 1,000 new units, and incoming supply contributed to sustained vacancy increases. The rate ended the second quarter at 7.7 percent.
- All 14 of San Antonio's submarkets recorded year-over-year vacancy increases of at least 150 basis points.

**RENT**  
**1.8% increase in the average effective rent Y-O-Y**

- The average effective rent inched up to \$1,272 per month in June. Gains in both the CBD and suburban areas were limited, increasing to \$1,518 and \$1,247 per month, respectively.
- Northeast San Antonio recorded the greatest effective rent gain, as the mean here rose by 5.9 percent to \$1,141 per month.

### Investment Highlights

- During the trailing 12 months ended in June, the average price per unit in San Antonio increased to \$135,500. This price point was over 30 percent higher than the 2019 mean. Still, the metro maintained the lowest average price per unit among the four major Texas markets, paired with one of the two mean cap rates over 5 percent in the state.
- In the first six months of the year, institutional buyers were still trading in the \$15 million-plus price tranche, despite tightening lending conditions. Investors from outside the market looking to establish a footprint in Texas were active in the first half of 2023. Several bulk or portfolio sales took place in suburban areas, such as Northwest and Far West San Antonio. Many of these properties were pre-2000 Class B or C assets with more than 200 units, purchased by out-of-state buyers.
- Investors seeking properties with limited supply pressure near the CBD could target assets in the Alamo Heights or Medical Center submarkets going forward. Medical Center, in particular, had a lower-than-average mean asking rent of \$1,165 per month exiting the second quarter, potentially drawing budget-oriented renters.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.