

# INVESTMENT FORECAST

Office  
San Antonio Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Outlying Property Fundamentals Strengthen; Consumer Spending Resilient Despite Headwinds

**Retailers zero in on prominent pockets of residential expansion.** Local population growth has stayed above the pre-pandemic metric for the past three years, accompanied by a growing need for essential retailers, with grocery-anchored centers showing strong performance. Consumer demand in 2025 will likely heighten in New Braunfels and Far Northwest San Antonio after over 5,800 apartment units were completed in both areas last year, with 5,300 absorbed on net. Additionally, about one-fifth of the population growth in 2024 was from the age 20 to 34 cohort, driving a need for entertainment- and health-related venues. The three largest move-ins planned for 2025 will be a movie theater in Far West San Antonio, a sporting goods store in Comal County and a gym in Northwest San Antonio. As young professionals continue to migrate to the metro and employers bolster return-to-office policies, retailers in the CBD and Northwest San Antonio could receive additional weekday foot traffic, especially after both submarkets reported triple-digit office vacancy compression last year.

**Gains in outer suburbs may shift investor attention.** Investment sales over the last three years has been centered around the largest submarket by inventory, Northwest San Antonio. Here, an inventory of nearly 41 million square feet aids in liquidity. A diversity of properties allows for a variety of strategies, ranging from value-add executions on older buildings to the purchase of new net-leased assets. Property fundamentals here weakened slightly last year, however, which may allow other submarkets to capture local buyer interest. Outlying Comal County represents one such area, as the area recorded a more than 30 percent increase to its average asking rent from 2020 to 2024. More gains are also expected as New Braunfels' population expands.

## 2025 MARKET FORECAST

+1.4%



**EMPLOYMENT:** Employment growth continues to moderate this year, as employers add 17,000 roles on net. Recent job expansion has been strongest in the education and health service sector.

620,000  
sq. ft.



**CONSTRUCTION:** Completions will fall below 1 million square feet for the second year in a row, increasing inventory by 0.5 percent — the smallest boost since at least 2007.

+10 bps



**VACANCY:** Net absorption below the long-term average is balanced by a supply pullback, translating to a small increase in vacancy that places the year-end rate at 4.1 percent.

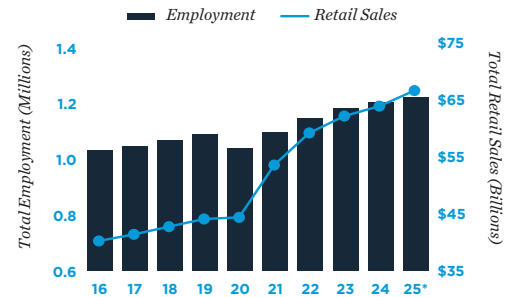
+0.9%



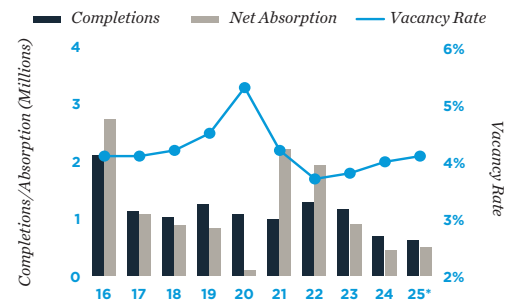
**RENT:** Rent growth will be recorded this year after a slight decline was registered in 2024. At an average of \$19.50 per square foot the year-end marketed rate is up roughly 17 percent from 2019.

**INVESTMENT:** Institutional buyers have been most active in the northern half of San Antonio, especially in the areas within a few miles of Route 281, with a handful of \$10-million-plus properties traded in the last two years.

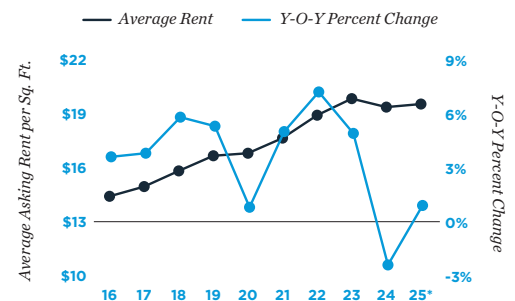
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

San Antonio Office:

**Bruce Bentley III**

Senior Vice President, Regional Manager

8200 IH-10 W, Suite 603

San Antonio, TX 78230

Tel: (210) 343-7800 | bruce.bentley@marcusmillichap.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.