

INVESTMENT FORECAST

Office
San Antonio Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

New Office Developments Highlight Build-to-Suit Pattern; Shift in Demand Aids CBD

Robust demand outpacing supply. An increase in supply additions will place modest pressure on vacancy in San Antonio this year; however, most of the large offices entering the market will be fully leased. The 2025 construction pipeline is concentrated outside of the CBD, with nearly 50 percent of new space opening in New Braunfels. As Comal County keeps growing, firms wanting to move into this submarket will likely choose the build-to-suit path to align property amenities and location with their needs rather than occupying existing space. Meanwhile, a strong office-using core of major tenants, including USAA, Bank of America and AT&T, will continue to help keep vacancy in check within the CBD. Upcoming move-ins will also help vacancy, with Amegy Bank upsizing their local corporate office to a 44,000-square-foot space in the downtown area. Decisions such as this, combined with an ongoing shift back to in-office work, will likely support further vacancy tightening in the CBD after the rate fell 350 basis points last year.

Cap rate compression to be accompanied by cautious optimism. Trade volume within Loop 1604 is most apparent in the Northwest and North Central submarkets, where around 70 percent of all local office inventory is located. Properties within the Northwest area may continue to be highly sought-after, as the submarket reported a 190-basis-point vacancy contraction last year, pushing the local rate down to 12.2 percent. This area was also home to the largest number of Class A trades over the last two years, particularly near the Denman Estate Park, where many highly amenitized buildings are clustered. Elsewhere, transaction velocity within the CBD accelerated last year and is poised to hold that momentum through 2025, especially as strengthening fundamentals encourage institutions to return from the sidelines and deploy larger amounts of capital.

2025 MARKET FORECAST

+1.4%



EMPLOYMENT: The metro's overall employment base will increase by 17,000 roles by December. Approximately 2,000 of these positions will be traditionally office-using roles.

1,030,000
sq. ft.



CONSTRUCTION: Completions will exceed 1 million square feet for the second time in five years, increasing local inventory by 1.3 percent. As of January, 86 percent of this space was fully pre-leased.

-60 bps



VACANCY: Demand exceeds delivery volume for a second straight year. This dynamic will allow local vacancy to contract to 13.5 percent, the lowest rate since 2020.

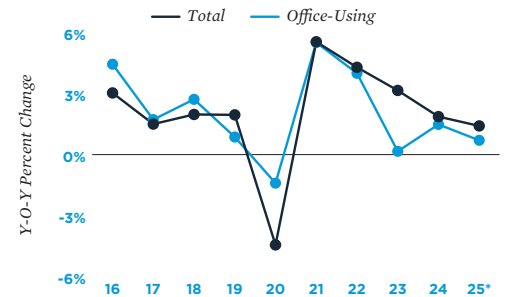
-0.1%



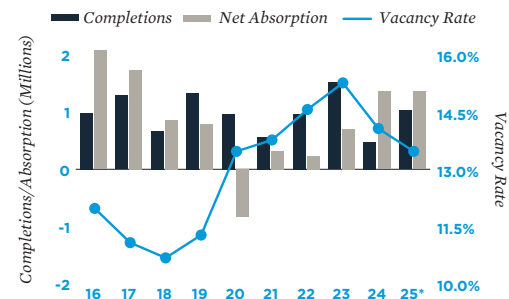
RENT: The average asking rent falls slightly to \$21.35 per square foot, continuing a negative trend that began in 2022 as older lower-cost properties account for larger shares of the vacant stock.

INVESTMENT: Investors bullish on areas between San Antonio and Austin may be interested in the quickly growing New Braunfels. Owners here may benefit from businesses attracted to the city's expanding population.

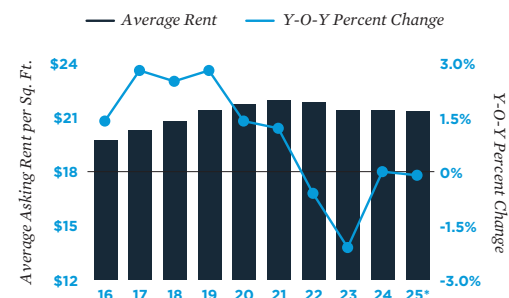
Employment Trends



Supply and Demand



Rent Trends



* Forecast

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

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.