

INVESTMENT FORECAST

Office
San Antonio Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Inter-Metro Dynamics Continue to Shift as Investors Seek Modern, Cost-Efficient Space

Downtown faces a hurdle as suburbs benefit from medical office ecosystem. Vacancy in the CBD dropped by more than 150 basis points in 2025. However, AT&T's relocation from downtown to northwest San Antonio in 2026 will cut its footprint from 400,000 to roughly 160,000 square feet. That will create significant vacancy in the CBD, which already holds the highest rate among submarkets. This relocation, nevertheless, supports offices in northwest San Antonio, which benefits from other tailwinds as San Antonio leads major Texas metros in net absorption relative to inventory. Medical office deliveries in 2026 reflect the area's expanding healthcare ecosystem, supported by demographic tailwinds and a strong talent pipeline anchored by the Medical Education and Training Campus. Meanwhile, north-central San Antonio saw vacancy rise last year, despite ongoing new leasing, as move-ins concentrated near highway loops and airport access. Smaller tenants led activity in 2025, with average deal sizes near 3,000 square feet.

Northwest leads amid flight to more modern assets. Private buyers continued to drive sales activity, underscoring the market's reliance on local capital, while both trading activity and the average sales price slightly rose last year. In 2025, investors gravitated toward newer Class B properties, especially those built in the 2010s, reflecting a tenant preference for modern, cost-efficient space. Class B office properties built after 2000 showed consistent, improving performance in 2025. The northwest led in deal volume, supported by health care, as nearly half of medical office trades concentrated in this submarket. Buyers targeting traditional office assets may increasingly focus on medical-adjacent locations and smaller, specialized footprints, as the average deal size hovered near 40,000 square feet, potentially indicating a preference for lower capital outlays.

2026 MARKET FORECAST

+1.2%



Employment: The metro will see a modest increase of 15,000 roles, primarily driven by health services. However, the number of traditional office-using roles will shrink by 1,000 jobs.

995,000
sq. ft.



Construction: Although remaining under historical norms, completions rise compared to last year, thanks primarily to a New Braunfels project that accounted for a quarter of office construction.

-30 bps



Vacancy: San Antonio has the lowest vacancy rate among major Texas metros. New supply will continue to be well received, inching vacancy down to 13.4 percent, the lowest level since 2020.

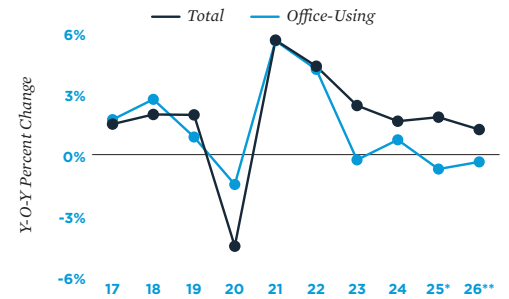
+0.5%



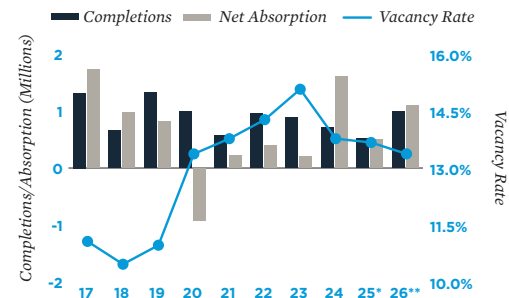
Rent: The average asking rent continues to rise, reaching \$21.70 per square foot as it moves toward its historical peak, with Class B/C assets driving much of the momentum.

INVESTMENT: *UTSA's CyManII cybersecurity hub at Tech Port is accelerating San Antonio's evolution in defense tech, driving demand from tenants and investors for nearby specialized office space.*

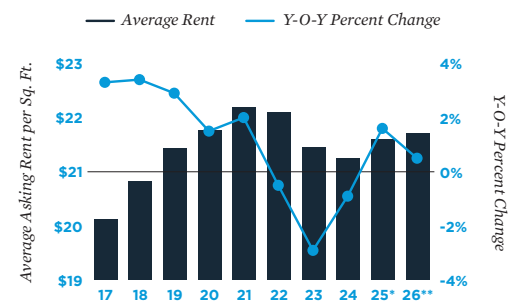
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. 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 office 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.