Market Report

MULTIFAMILY 2Q/26

San Antonio Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
15,000 — Jobs will be created
1.3% — Increase Y-O-Y

CONSTRUCTION
4,300 — Units will be added
1.8% — Inventory increase Y-O-Y

VACANCY
7.3% — Vacancy rate
40 — BPS decrease Y-O-Y

RENT
$1,180 — Average effective rent by year-end
2.1% — Increase Y-O-Y

Industrial Growth and Urban Revitalization Could Anchor Demand Drivers

Downtown redevelopment carries meaningful potential. Project Marvel, if executed as proposed, could catalyze demand for apartments in Central San Antonio following a three-year stretch when local inventory grew by 14 percent. The plan calls for a new Spurs arena, a mixed-use residential and retail development, and improved walkability across roughly 50 acres near the Alamo District, which has historically drawn multifamily investor interest to surrounding neighborhoods. The project remains a plan in progress as of mid-2026, with key land acquisitions still pending and no formal development agreement yet executed.

Concession usage has expanded sharply over the past four years. Metrowide, the share of units offering concessions rose to 46 percent in the first quarter of 2026, signaling a meaningful landlord response to supply pressure. Concessions are most prevalent in the metro's outer submarkets, while core growth corridors — including West San Antonio, North-Central, and the area around SAT — exhibit less reliance on incentives. Among quality tiers, apartments built after 2000 and Class C rentals are leaning most heavily on concessions. Incentives for lower-tier leases should remain frequent, as a recent wave of affordable-housing projects competes with Class C properties for tenants.

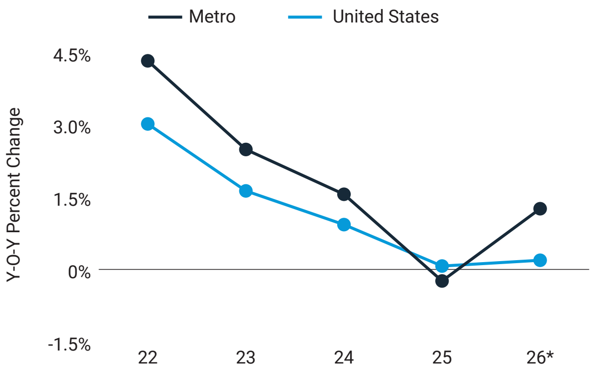
EMPLOYMENT

Job growth is rebounding, with a net gain of 6,400 roles year-to-date April 2026. Trade and utility firms led hiring, reinforcing renter demand in submarkets with connectivity to interstates, such as Northwest, Northeast, and North-Central San Antonio, as well as the New Braunfels corridor. The $300 million Lackland Air Force Base expansion and new South San Antonio manufacturing operations, including those of Toyota, JCB, and Industrial Electric Manufacturing, will drive employment growth beyond 2026.

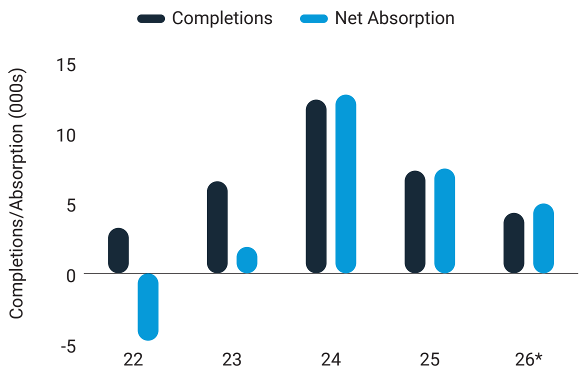
CONSTRUCTION

Development is easing in several submarkets, particularly in far North-Central, far West, and North-Central San Antonio, which should aid lease-up and renewal efforts for existing Class A properties in these areas. In contrast, the New Braunfels-Schertz-Universal City corridor remains the metro's primary growth node, accounting for roughly 30 percent of 2026 deliveries. Here, upward vacancy movement is likely over the near term after local vacancy rose 110 basis points during the past year ended in March.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



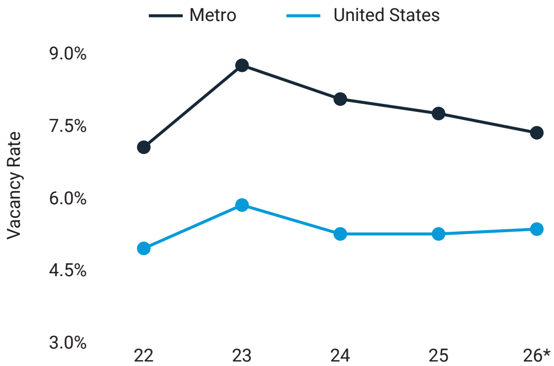
* Forecast

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

VACANCY

Vacancy rates are compressing in select submarkets, a trend that has supported a slight decline in metrowide vacancy over the past year. Specifically, Northwest San Antonio recorded a 110-basis-point decline in the Class B and C local rates to 6.5 percent as of March, driven mostly by new demand for units in those classes. North-Central remains the least vacant submarket at 6.4 percent, with its rate trending down. Limited construction in these submarkets should position both for continued vacancy compression.

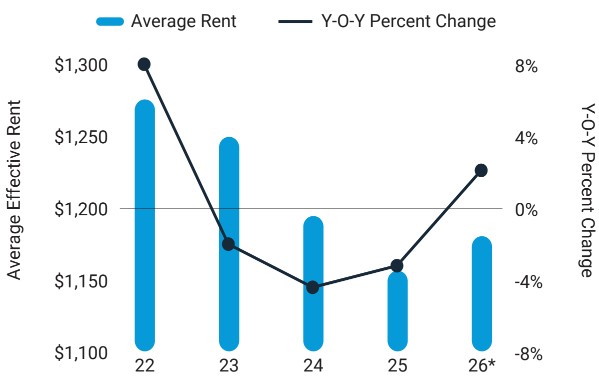
VACANCY TRENDS



RENT

Metrowide rent performance remains pressured by elevated concession use, particularly across Class B and C units. As such, Class C properties experienced the most significant softening in effective rents, with declines over 9 percent in Far-West, South San Antonio, and Alamo Heights. Class A showed relative resilience, with sub-35 percent concession use and mean rent growth of 2.8 percent in the area around SAT and North-Central San Antonio, signaling demand for luxury rentals in northern submarkets.

RENT TRENDS



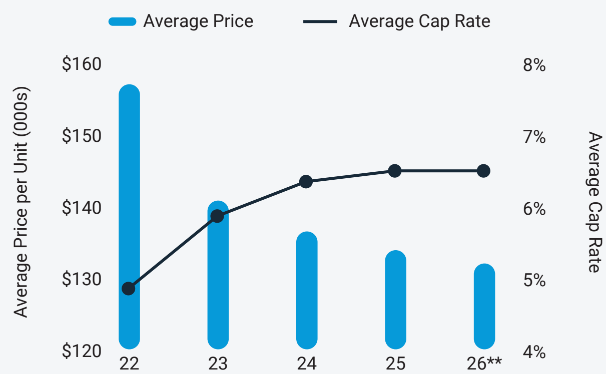
* Forecast ** Through 1Q

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

INVESTMENT HIGHLIGHTS

- Yield profiles have improved for San Antonio rental properties following a multiyear stretch of downward pricing movement that coincided with rising cap rates. This is aiding sales activity, which grew modestly over the past 12 months ending in March. Private investors have pulled back relative to prior cycles, while institutional participation has increased, with a 50 percent rise in transactions above $10 million over the past year. Still, deals in the $1 million to $10 million range still account for the largest share of trades.
- Recent investment activity has been concentrated in northern submarkets, particularly Northwest San Antonio and the medical center. Investor demand for local assets is being supported by improving fundamentals, with vacancy declining year-over-year to 6.5 percent and 7.8 percent, respectively. Central San Antonio has also drawn notable interest, primarily in Class C assets, supported by ongoing revitalization efforts, including large-scale initiatives that reinforce long-term redevelopment potential.
- Investor attention is likely to expand toward South San Antonio, where a growing base of manufacturing investment is expected to support job creation beyond 2026. Assets trading over the past year, predominantly Class B and C, were largely acquired by private investors, aligning with workforce housing demand tied to these employment nodes. With Class B and C vacancy rates in March at 7.0 percent and 7.8 percent, respectively, growth in manufacturing should position these segments for vacancy reductions.

SALES TRENDS



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