# MARKET REPORT

**RETAIL**

*San Antonio Metro Area*

IPA | INSTITUTIONAL PROPERTY ADVISORS

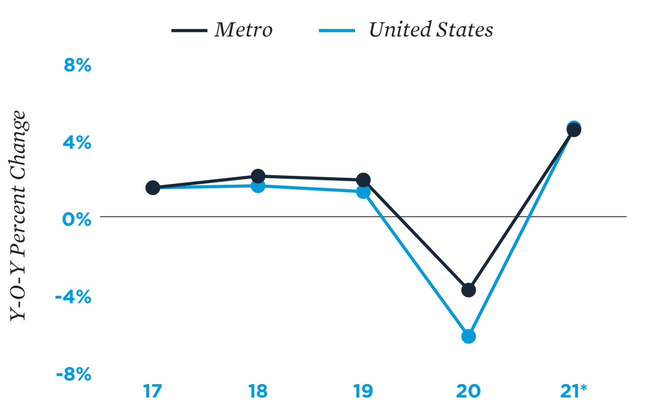
**3Q/21**

## Retail Landscape Remains Bifurcated, But South San Antonio and the CBD Are Bright Spots

**Uneven conditions indicate variation in rebound timetables.** After a historically difficult period for retailers amid pandemic-related shutdowns and economic uncertainty, the vacancy rate in San Antonio this June rested 170 basis points above the trailing-10-year low. The pace of rising availability has slowed, however, with vacancy up just 10 basis points since September 2020. Additionally, some submarkets have been more resilient while others have a steeper recovery hill to climb. In the second quarter of 2021, availability was up year over year in half of the metro's 12 submarkets, with eight different locales posting annual asking rent declines. Drops exceeded 5 percent in five of those submarkets. On the other end of the spectrum, the CBD has shown improvement, with vacancy tightening and the average rent surging by more than 13 percent from July 2020 to June 2021.

**Growth potential on south side luring tenants.** Retail space absorption in South San Antonio during the January through June 2021 period equaled almost 150,000 square feet, the highest six-month log since the first half of 2016. As a result, the vacancy rate plunged by 90 basis points over the first two quarters. The increase in leasing is likely a product of expectations for future employment and household growth. Port San Antonio, Navistar, Amazon and Cuisine Solutions highlight the list of recently announced projects or expansions in the area. Job additions related to these developments and a general uptick in foot traffic bode well for retail demand. Availability could tighten further as well, with submarket inventory expanding by only 0.3 percent in 2021.

### Employment Trends




* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2021 Outlook

**47,000 JOBS**
*will be created*

### EMPLOYMENT:

San Antonio's employment base remained relatively intact last year, losing only 3.8 percent of payrolls compared with the national 6.2 percent reduction. The metro's pace of growth this year will still mirror the U.S., despite a smaller recovery margin.

**940,000 SQ. FT.**
*will be completed*

### CONSTRUCTION:

After completions exceeded 1.2 million square feet in each of the past two years, deliveries will taper in 2021. Inventory is projected to grow by less than 1 percent, which will lessen headwinds on the supply side.

**20 BASIS POINT**
*increase in vacancy*

### VACANCY:

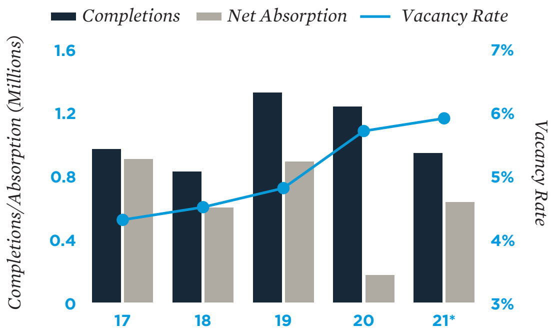
The vacancy rate is expected to rise for the fourth consecutive year, albeit a much smaller increase will take place than the 90-basis-point jump registered in 2020. At the end of this year, availability will be at 5.9 percent.

**1.4% INCREASE**
*in asking rent*

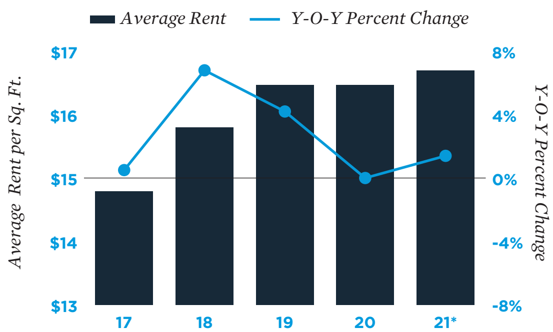
### RENT:

After the market's average asking rent held steady last year amid unprecedented challenges, growth will be restored in 2021. The mean rate will reach $16.70 per square foot this year, approximately 1.4 percent below the all-time high.

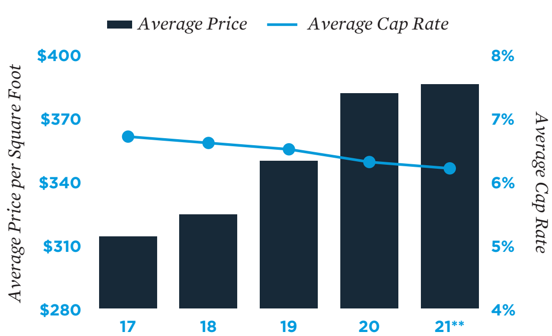
## Supply and Demand




## Rent Trends




## Sales Trends




** Forecast ** Through 2Q*

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

## 2Q21 — 12-Month Period

### CONSTRUCTION

**998,000 square feet completed**

- Inventory grew 0.9 percent during the 12-month period ended in June, about on par with the previous year. Activity has moderated, however, with just 388,000 square feet added in the first half of 2021.
- Guadalupe County led all submarkets over the past year with a stock enlargement of 2.6 percent as 109,000 square feet reached completion.

### VACANCY

**40 basis point increase in vacancy Y-O-Y**

- Both the multi-tenant and single-tenant segments witnessed year-over-year vacancy elevations of at least 40 basis points. The overall rate of availability lifted to 5.8 percent in the second quarter.
- Vacancy soared 130 basis points in North Central San Antonio to the highest rate among submarkets at 7.8 percent.

### RENT

**2.0% decrease in the average asking rent Y-O-Y**

- Rent increased over the first half of 2021, signaling that the recovery is underway. Nevertheless, the average asking rate in June was $16.60 per square foot, which is below the level recorded one year prior.
- The average multi-tenant and single-tenant rate fell by 3.7 percent and 1.5 percent, respectively, as the entire retail sector faced obstacles.

## Investment Highlights

- Twice as many single-tenant properties changed hands during the 12-month period ended in June compared with the previous year. Particularly, older properties traded more frequently. The average sale price for single-tenant assets in San Antonio inched up to $459 per square foot while the mean cap rate eased to 5.9 percent.
- The North Central, South and Northeast submarkets registered significantly higher trade volumes of single-tenant assets. Out-of-state buyers were searching for facilities in these areas, favoring fast-food and convenience stores and accepting minimum cap rates in the 5 percent band.
- Transaction activity in the multi-tenant segment rose by 10 percent annually during the four-quarter-period ended in June. The mean per square foot sale price climbed 4 percent to $270. Trades recorded during that 12-month span had an average cap rate of 6.6 percent.
- Northeast and Northwest San Antonio dominated multi-tenant deal flow over the past four quarters, combining for more than half of the transactions that took place in the metro. New construction shopping centers here have commanded the strongest pricing in the market.

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*Price: $250*