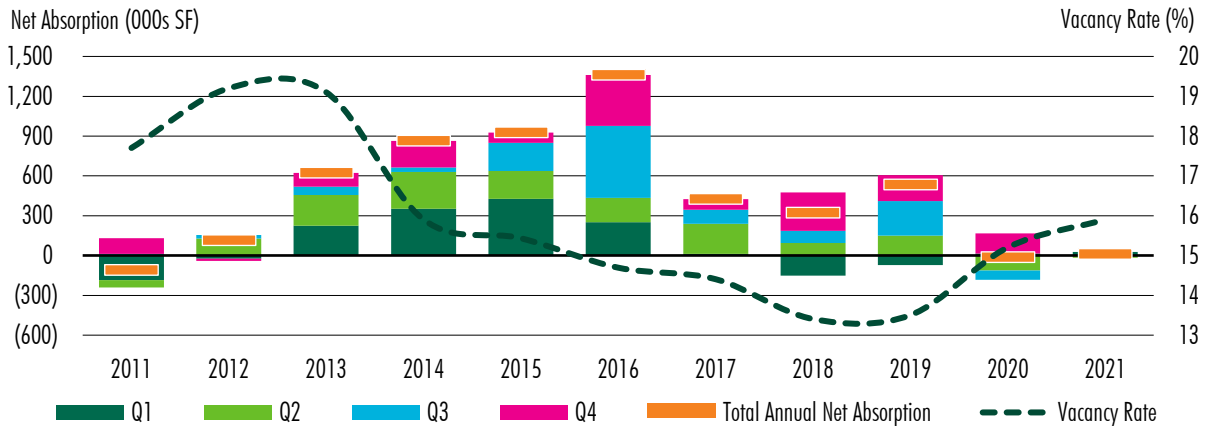


Q2 2021

**Market activity flattens
quarter-over-quarter**

▲ Vacancy **15.9%**
 ▼ Net Absorption **(15,876) SF**
 ▲ Avg. Asking Rate **\$21.68 PSF**
 ▼ Under Construction **1,025,198 SF**
 ▲ Completions **168,587 SF**

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2021.

ACTIVITY SLOWS DOWN AS SUMMER BEGINS

The San Antonio office market remained relatively quiet in Q2 2021 with 15,876 sq. ft. of market-wide negative net absorption at the close of the quarter. As employees adjust to a post-pandemic lifestyle, leasing decisions remain on hold for many companies until the workplace returns to a sense of normalcy. On the upside, several employers have set target dates at the beginning of Fall to reopen offices. This may spark positive demand and influence other companies to return to the workplace as well.

NEW DEVELOPMENTS ON THE HORIZON

While leasing activity slowed down, 168,587 sq. ft. of Class A office space delivered in Q2 2021. Over 1.0 million sq. ft. remains underway with the lion's share of new construction in the Northwest and North Central/Midtown submarkets. Additionally, over 3.2 million sq. ft. of office product is in proposal stages.

NNN RENTS ESCALATE

Market-wide triple net (NNN) rents grew slightly from \$19.20 to \$19.25 per sq. ft. quarter-over-quarter. Class A rents in the CBD continued to show strong growth with NNN rents standing at \$36.69 per sq. ft. at the end of Q2 2021. The North Central/Midtown corridor along Broadway saw substantial rent growth with new construction rents ranging from \$28.00 - \$38.00 NNN; 59.3% of office properties under construction are pre-leased.

U.S. OUTLOOK ON COVID-19

2021 will exhibit the highest economic growth since the early 1980s, with GDP growth hitting 7% as the pandemic fades and society and commerce normalize. The key impediment to greater growth is a shortage of key inputs, such as labor, microchips, and raw materials.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Avg. FSG Asking Rate (\$)	Under Construction (SF)	Q2 2021 Deliveries (SF)	Q2 2021 Net Absorption	YTD 2021 Net Absorption
CBD	5,222,238	12.3%	13.7%	26.92	148,769	-	(39,800)	(64,725)
Class A	2,537,902	15.6%	17.0%	29	148,769	-	(44,603)	(39,265)
Class B	2,050,254	10.2%	11.3%	22.75	-	-	4,367	(12,053)
North Central	10,308,830	17.8%	22.4%	22.55	203,459	-	14,454	20,739
Class A	4,237,024	17.4%	19.8%	29.3	203,459	-	164	(11,226)
Class B	4,768,509	18.6%	26.5%	22.55	-	-	7,401	17,073
Far North Central	2,244,262	12.0%	17.0%	-	221,849	-	16,617	6,068
Class A	1,626,553	10.5%	16.8%	-	221,849	-	16,366	9,817
Class B	617,709	15.9%	17.3%	-	-	-	251	(3,749)
Northeast	2,403,120	14.7%	26.4%	21.06	230,000	-	(508)	(21,622)
Class A	833,764	14.4%	27.4%	26	230,000	-	2,953	(768)
Class B	1,216,976	13.0%	24.1%	21.73	-	-	(5,814)	(10,146)
Northwest	10,555,764	17.7%	24.2%	20.21	303,890	-	(10,972)	67,198
Class A	3,856,692	21.1%	29.6%	25.5	84,890	-	3,657	69,041
Class B	5,105,037	16.9%	21.4%	20.4	219,000	-	(10,515)	9,589
Far West	920,275	9.7%	20.6%	23	66,000	-	0	0
Class A	614,434	4.5%	4.5%	-	-	-	0	0
Class B	305,841	20.2%	53.0%	23	66,000	-	0	0
South	721,639	12.6%	14.4%	17	-	168,587	4,333	2,786
Class A	255,029	31.5%	31.5%	-	-	168,587	0	-
Class B	317,956	0.5%	6.2%	-	-	-	0	(1,547)
San Antonio Total	32,376,128	15.9%	21.3%	21.68	1,173,967	168,587	(15,876)	10,444
Class A	13,961,398	16.8%	21.6%	28.39	888,967	168,587	(21,463)	27,599
Class B	14,382,282	15.8%	22.0%	21.59	285,000	-	(4,310)	(833)

*FSG rent averages include only properties with corresponding quoted rents. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner occupied properties.

Source: CBRE Research, Q2 2021.

Figure 3: Significant Leases of Q2 2021

Lease (Tenant)	Property	Total SF
GH	One Countryside Place	15,089
Pro-Vigil	The Century Building	13,541
South Texas Radiology	Colonnade	12,387

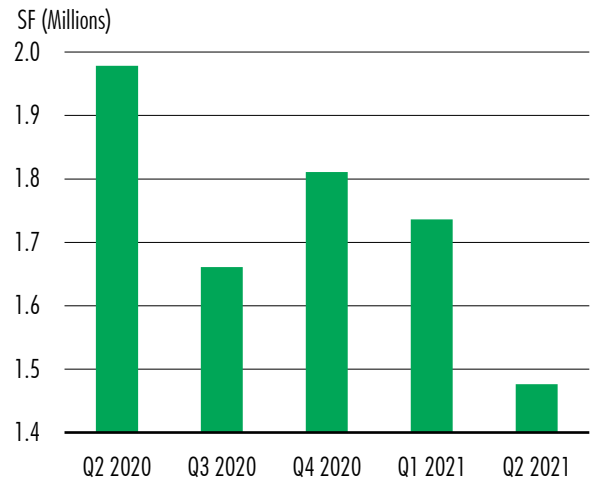
Source: CBRE Research, Q2 2021.

Figure 4: Significant Sales of Q2 2021

Sale (Building)	Address	Total SF
TITAN Building	2700 NE Loop 410	104,608
Accenture Federal Services Building	10931 Laureate Dr	89,928
7410 Blanco	7410 Blanco Rd	31,536

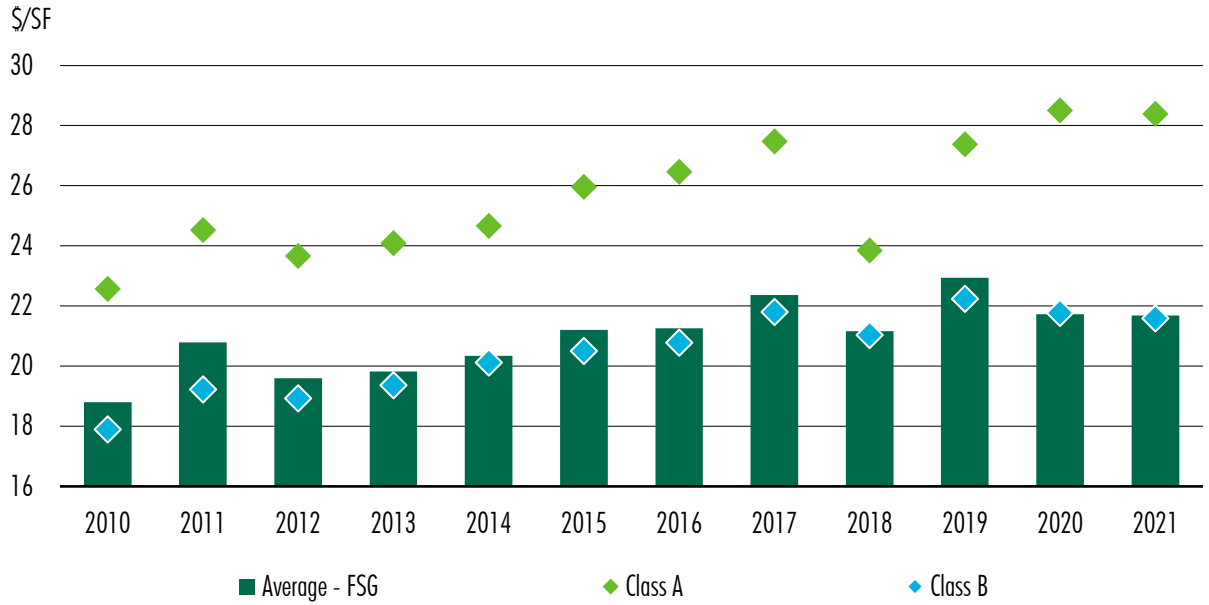
Source: CBRE Research, Real Capital Analytics, Q2 2021.

Figure 5: Active Users/Tenants in the Market



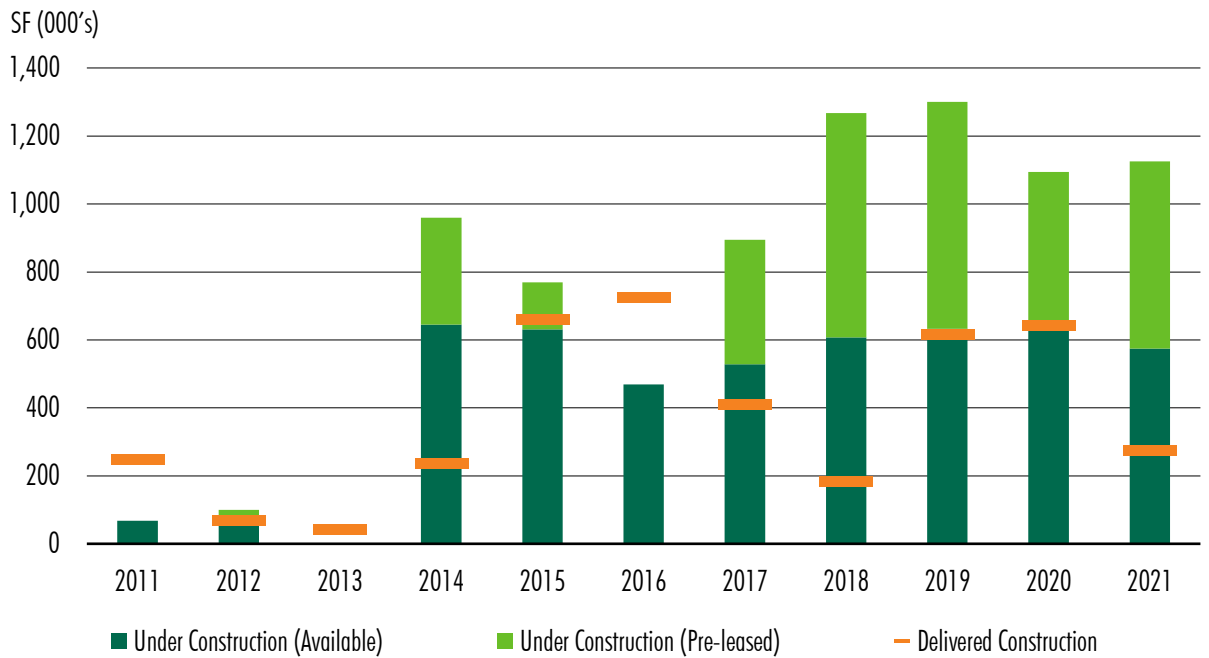
Source: CBRE Research, Q2 2021.

Figure 6: Asking Rates, Avg. Annual – Full Service Gross (FSG)

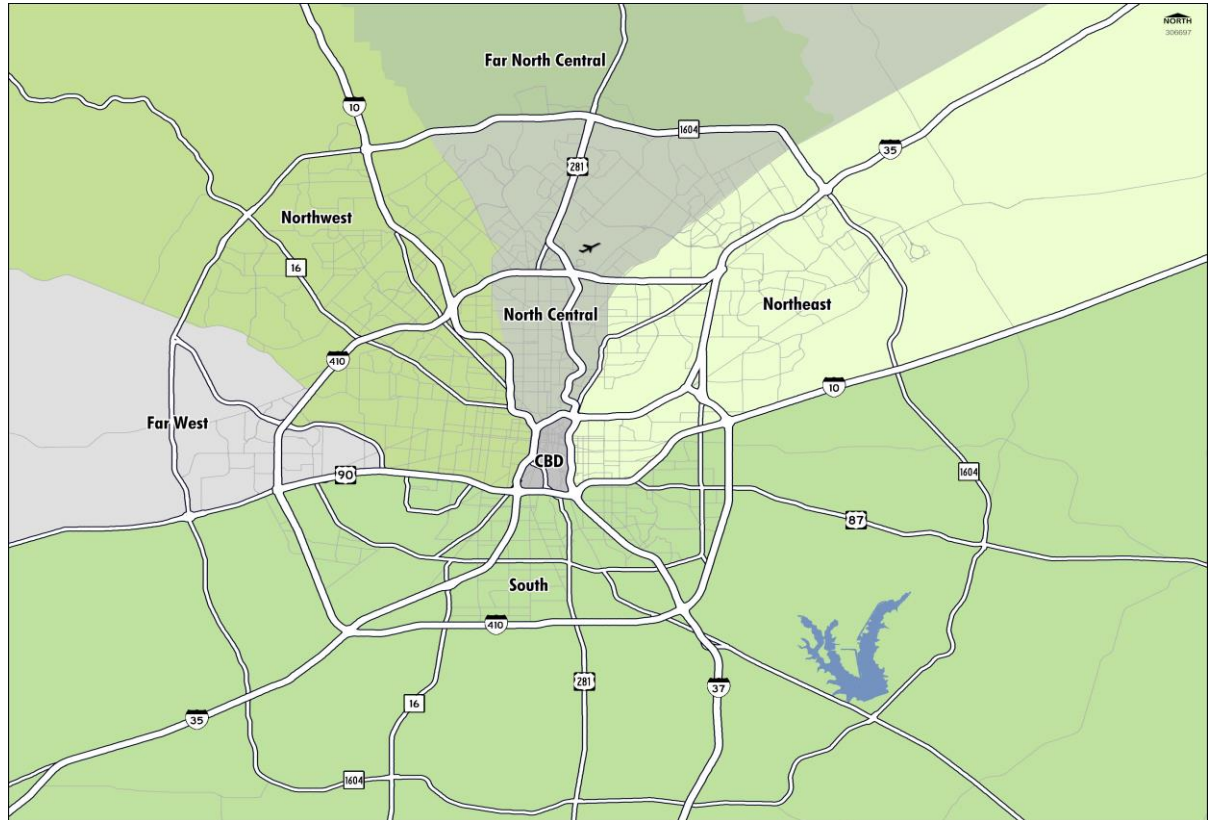


Source: CBRE Research, Q2 2021.

Figure 7: Development Pipeline and Availability



Source: CBRE Research, Q2 2021.



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