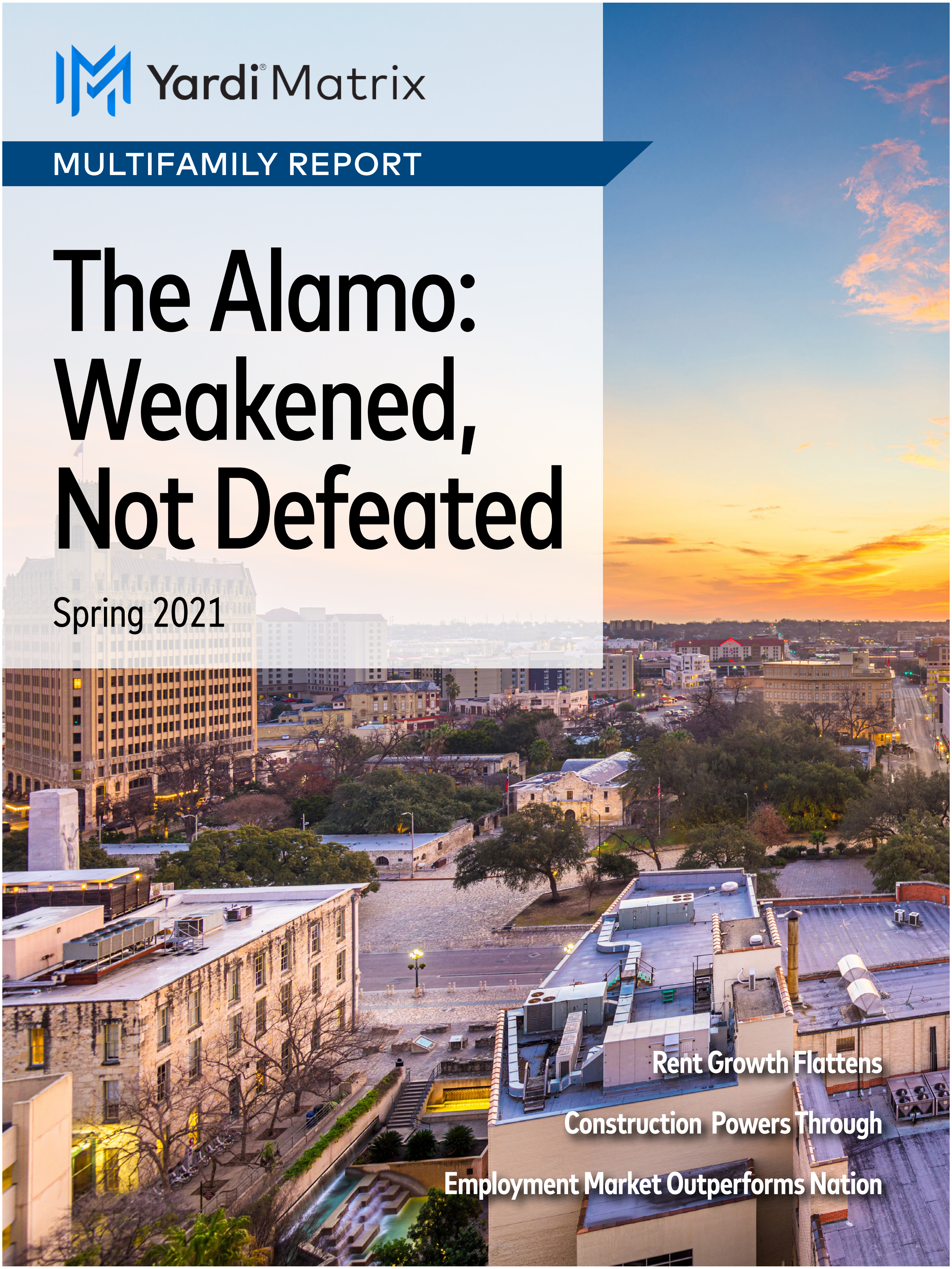
Yardi Matrix

MULTIFAMILY REPORT

The Alamo: Weakened, Not Defeated

Spring 2021



Rent Growth Flattens

Construction Powers Through

Employment Market Outperforms Nation

Yardi Matrix

Demand Persists, Supply Weakens Rent Growth

The pandemic's disruptions paired with substantial inventory expansion pressured San Antonio's multifamily fundamentals at the start of 2021. Rents remained flat on a trailing three-month basis through March at $1,056, but demand stemming from strong in-migration pushed up the occupancy rate in stabilized properties by 40 basis points during the 12 months ending in February, to 92.9%. Year-over-year, the average San Antonio rent was almost flat, up just 10 basis points through March.

Unemployment slid to 6.6% in January, 30 basis points above the U.S. average, while February preliminary data pointed to a slight uptick, to 6.8%. Yet, the employment market outperformed the country by 270 points, marking a 4.1% contraction last year. Trade, transportation and utilities, the only sector that gained jobs (up 0.8%), will likely continue to help strengthen the economy. Amazon plans to open two fulfillment centers by 2022, set to employ 1,500 people. In addition, work is underway at the Innovation Center at Port San Antonio on a new facility that could draw aerospace, cybersecurity and robotics firms.

Nearly 1,000 units came online in the first quarter and an additional 10,165 units were underway as of March. Meanwhile, $359 million in multifamily assets traded, for a price per unit that rose 13.7% from the same quarter last year, to $120,392.

Market Analysis | Spring 2021

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Author

Anca Gagiuc
Senior Associate Editor

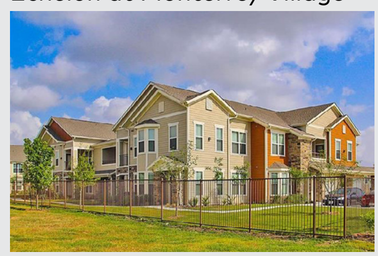
On the cover: Photo by Sean Pavone/iStockphoto.com

Recent San Antonio Transactions

Overlook at Stone Oak Park

City: San Antonio
Buyer: Univest
Purchase Price: $38 MM
Price per Unit: $104,204

Echelon at Monterrey Village



City: San Antonio
Buyer: 180 Multifamily Properties
Purchase Price: $36 MM
Price per Unit: $150,000

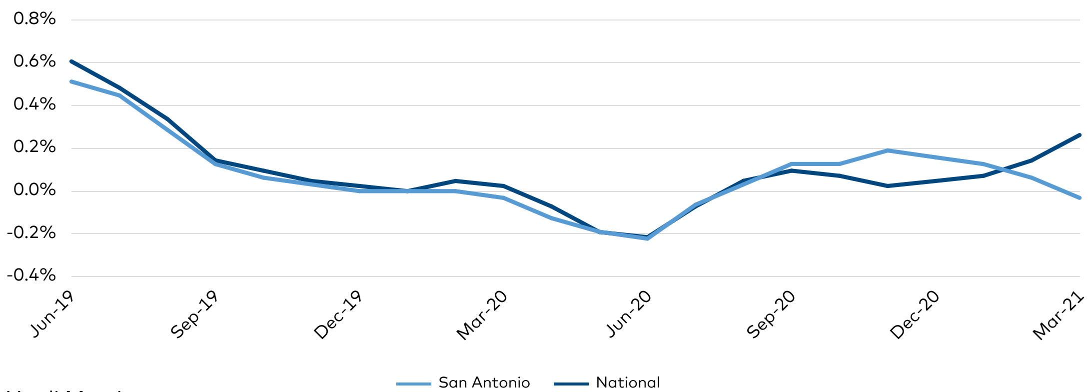
RENT TRENDS

- San Antonio rents were flat on a trailing three-month (T3) basis through March at $1,056, posting a slightly downward trend since December. Robust supply, even following the onset of the pandemic, softened performance, but demand persisted, supported by in-migration. Year-over-year through March, the average rent was up 10 basis points. Meanwhile, the occupancy rate in stabilized properties marked a 40-basis-point increase in the 12 months ending in February, to 92.9%.

- Rents in the working-class Renter-by-Necessity segment maintained a constant 0.1% increase on a T3 basis for 12 straight months, clocking in at $901 as of March. Meanwhile, rent growth in the Lifestyle segment turned positive in the third quarter of 2020, but decreased 0.1% on a T3 basis through March to $1,230. Occupancy painted a slightly different picture: Despite substantial new supply of Lifestyle assets, the rate rose by 60 basis points in the 12 months ending in February, to 93.2%; for Renter-by-Necessity properties, the rate was up only 30 basis points, to 92.7%.

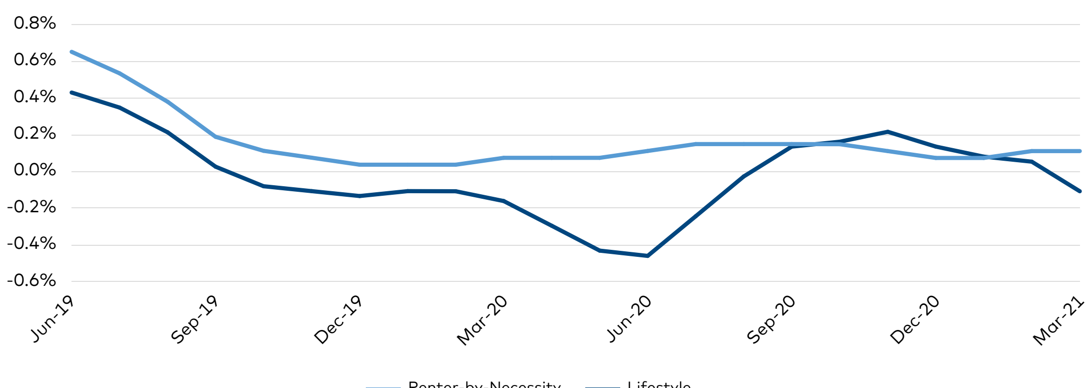
- Several submarkets with high average rents posted the weakest performance on a year-over-year basis through March, including University of Texas at San Antonio (-4.9% to $1,308) and Southtown/King William (-2.9% to $1,365). The latter also posted the metro's largest construction pipeline. In San Antonio's most sought-after area—Beckmann—rents rose by 0.5% to $1,374.

San Antonio vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

San Antonio Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- San Antonio unemployment slid to 6.6% in January, improving from the 13.3% peak of April 2020. The rate was 30 basis points above the U.S. average, with preliminary data for February pointing to a slight increase, to 6.8%.

- The employment market outperformed the nation by 270 basis points, contracting by only 4.1% in 2020. The metro's recovery could be slower than that of the rest of the state due to its reliance on leisure and hospitality, which shrunk by 6.6% during the period. Yet, SeaWorld announced plans to add 500 jobs. Trade, transportation and utilities—the metro's largest sector—expanded by 0.8% and is set to expand further. Amazon is slated to deliver a 1 million-square-foot fulfillment center this year, and another 750,000-square-foot robotic center is slated to open in 2022. The two facilities are expected to employ 1,500 people.

- Other sectors also show some recovery signs. At the Innovation Center at Port San Antonio, work has started on a $60 million, 130,000-square-foot facility that could attract more firms in aerospace, cybersecurity and robotics. Additionally, truck producer Navistar invested in properties near its manufacturing facility underway in South San Antonio, where it will house 650 employees.

San Antonio Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	192	18.1%
50	Information	19	1.8%
30	Manufacturing	52	4.9%
15	Mining, Logging and Construction	67	6.3%
80	Other Services	37	3.5%
55	Financial Activities	93	8.7%
60	Professional and Business Services	140	13.2%
90	Government	172	16.2%
70	Leisure and Hospitality	131	12.3%
65	Education and Health Services	160	15.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- San Antonio gained 32,924 residents in 2019, for a 1.3% increase, well above the 0.3% national rate. The main driver of population expansion was domestic migration.

- Between 2010 and 2019, the metro's population expanded by 18.5%, three times the 6.1% U.S. rate.

San Antonio vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
San Antonio	2,428,326	2,474,274	2,518,036	2,550,960

Sources: U.S. Census, Moody's Analytics

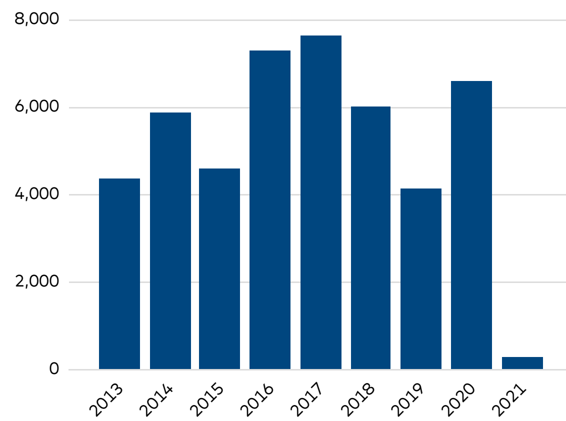
SUPPLY

- During the first quarter of the year, 924 units in three upscale properties came online in San Antonio, the equivalent of 0.4% of total stock, on par with the national average. Last year, despite turbulence brought by the pandemic, 6,605 units were delivered, representing 3.2% of stock and marking the decade's third-best year.

- In March, developers had 10,165 units under construction, 3,007 of which were in 15 fully affordable communities, with an additional 1,000 apartments in the Renter-by-Necessity segment. The remaining units underway—more than 6,000—are in projects geared toward Lifestyle renters. As of March, an additional 32,282 units were in the planning and permitting stages. Overall, Yardi Matrix expects 5,104 apartments to come online in San Antonio in 2021 and another 3,188 apartments next year.

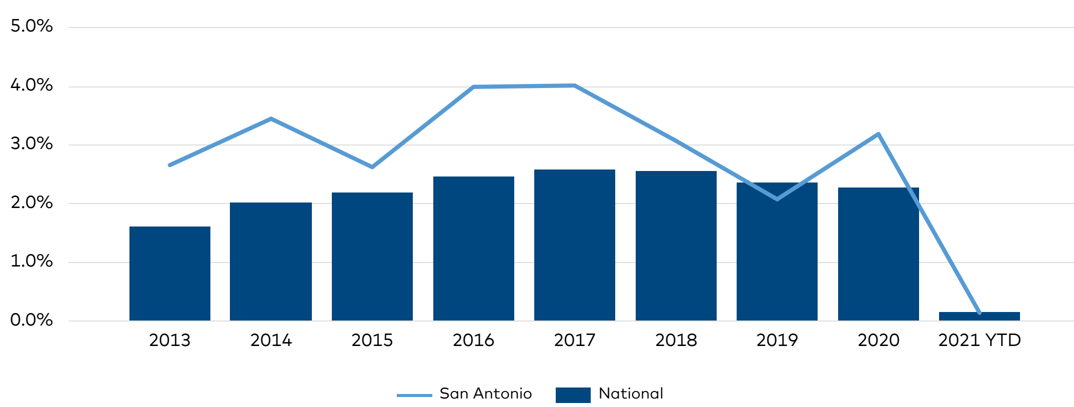
- The city core and northern suburbs encompassed the bulk of development as of March, with two submarkets comprising about one-third of units underway: Southtown/King William (1,744 units) and the Far North Side (1,549 units). The two submarkets also house properties delivered in 2021 through March—The Vecina, a 297-unit project in the Far North Side constructed by LIV Development, as well as the 341-unit Heritage Plaza in Southtown/King William, developed by Cypress Real Estate Advisors.

San Antonio Completions (as of March 2021)



Source: Yardi Matrix

San Antonio vs. National Completions as a Percentage of Total Stock (as of March 2021)

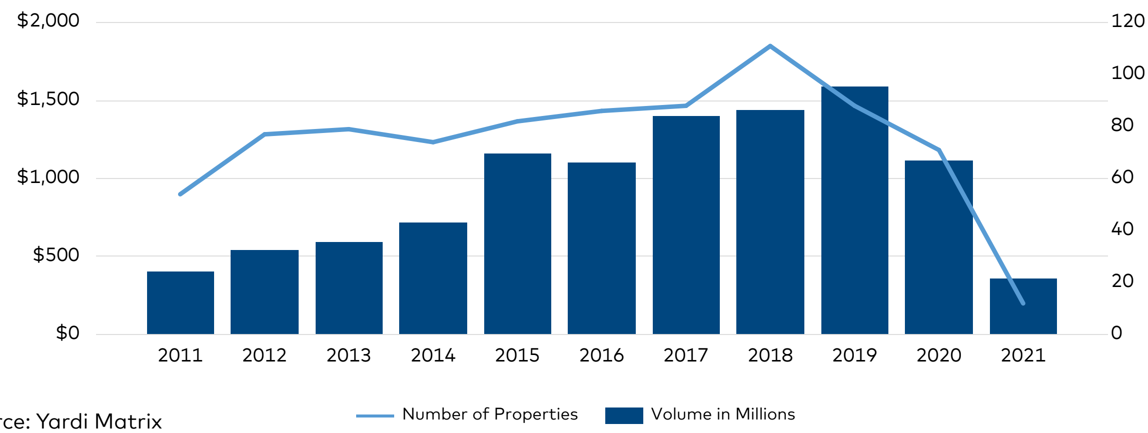


Source: Yardi Matrix

TRANSACTIONS

- San Antonio multifamily sales amounted to $359 million in the first quarter of 2021, surpassing last year's $265 million for the same period. This comes on the heels of last year's $1.1 billion transaction volume. Even so, the pandemic didn't spare the metro, with investors especially cautious during 2020's second quarter, when sales totaled just $131 million.
- Unlike 2020, when investors mainly targeted Renter-by-Necessity properties, this year recorded increased interest in upscale properties, with two-thirds of deals during the first quarter involving Lifestyle assets.
- The change in deal composition also impacted the average price per unit, up 13.7% to $120,392 when compared to the same quarter of 2020. Although the figure is well below the $170,611 national average, it marks an all-time high for San Antonio.

San Antonio Sales Volume and Number of Properties Sold (as of March 2021)



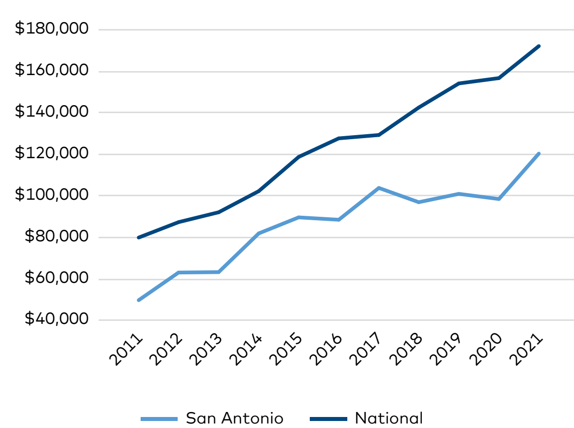
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Far North Side	289
New Braunfels	99
Hollywood Park/Welmore	98
Leon Valley-West	76
Far West Side	58
Beckmann	57
Oak Hills Country Club	53

Source: Yardi Matrix
[1] From April 2020 to March 2021

San Antonio vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

Top Texas Markets for Multifamily Development

By Corina Stef

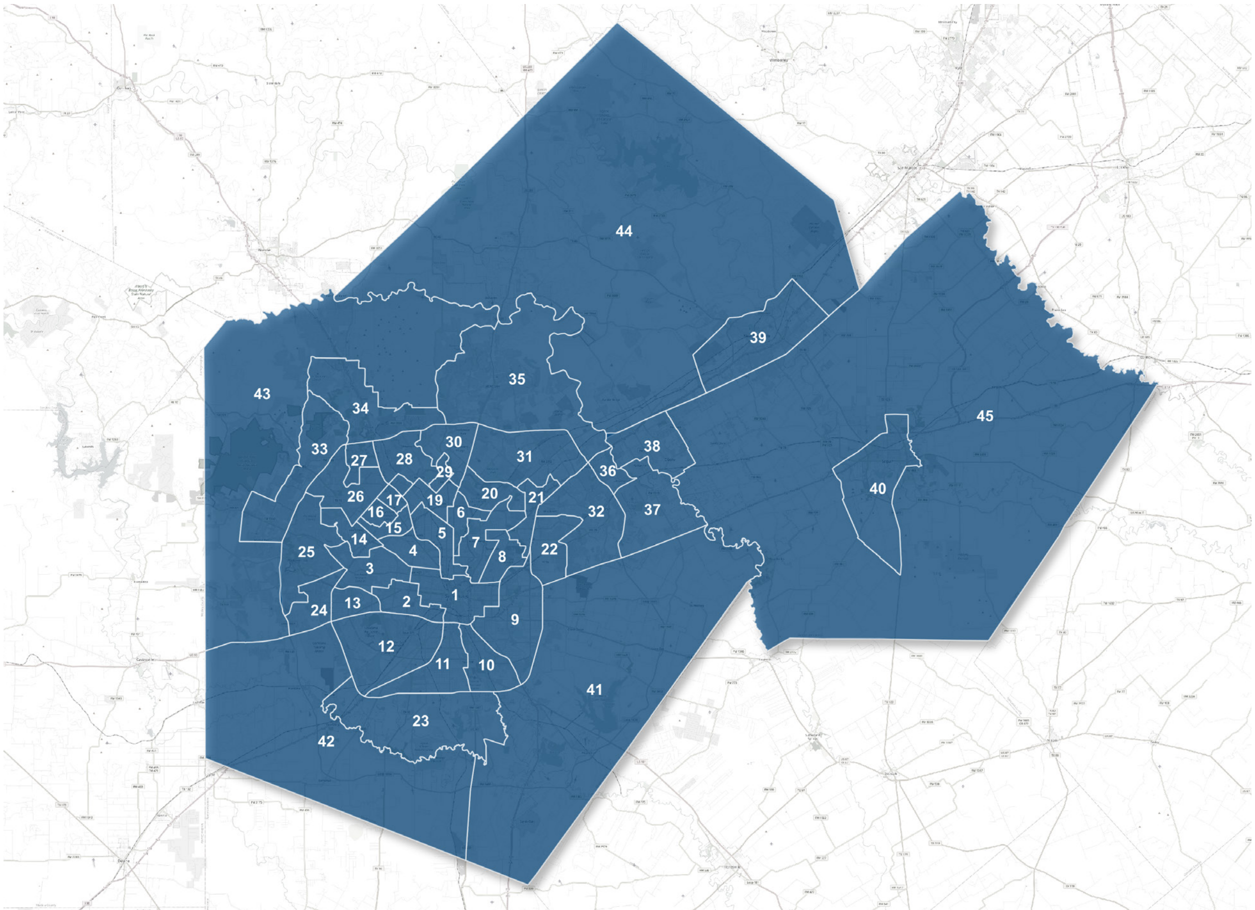
Texas officials deemed construction as essential during the pandemic, prompting developers to build big—albeit at a slower, more cautious pace. And while the health crisis caused a temporary slowdown in deliveries, the Texas multifamily market showed resiliency as no other markets have. According to Yardi Matrix data, some 6,300 units came online year-to-date through March.

Rank	Market Name	YTD Completions
1	Dallas-Fort Worth	2,127
2	Houston	1,840
3	Austin	1,329
4	San Antonio	627
5	Central East Texas	252

SAN ANTONIO

San Antonio's rental market showed resilience throughout 2020 thanks to the metro's strong multifamily fundamentals. Developers added 6,605 apartments to stock in 2020, nearly on par with this year's estimated deliveries (6,872 units). Two properties totaling 627 units came online in the first three months of the year—Cypress Real Estate Advisors' Heritage Plaza was the largest. The 341-unit community is located at 227 Dwyer Ave. in the city's Southtown/King William submarket and represents the Austin-based developer's second project in the area.

SAN ANTONIO SUBMARKETS



Area No.	Submarket
1	Southtown/King William
2	West Side
3	Southwest Research Institute
4	Balcones Heights
5	West Alamo Heights
6	Alamo Heights–Central
7	Terrell Hills
8	Fort Sam Houston
9	East Side
10	Southeast Side
11	Terrell Wells
12	Southside/Columbia Heights
13	Lackland Terrace
14	Leon Valley–East
15	Oak Hills Country Club

Area No.	Submarket
16	Oakland Estates
17	USAA Area
18	Robards
19	Castle Hills
20	North Loop
21	Longhorn
22	Windcrest
23	City South
24	Far West Side
25	Leon Valley–West
26	Northwest Side
27	University of Texas at San Antonio
28	Shavano Park
29	Hill Country Village
30	Far North Central

Area No.	Submarket
31	Hollywood Park/Welmore
32	Northeast Side
33	Helotes
34	Beckmann
35	Far North Side
36	Universal City
37	Schertz
38	Selma
39	New Braunfels
40	Seguin
41	Southeast Bexar County
42	Southwest Bexar County
43	Northwest Bexar County
44	Outlying Comal County
45	Outlying Guadalupe County

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

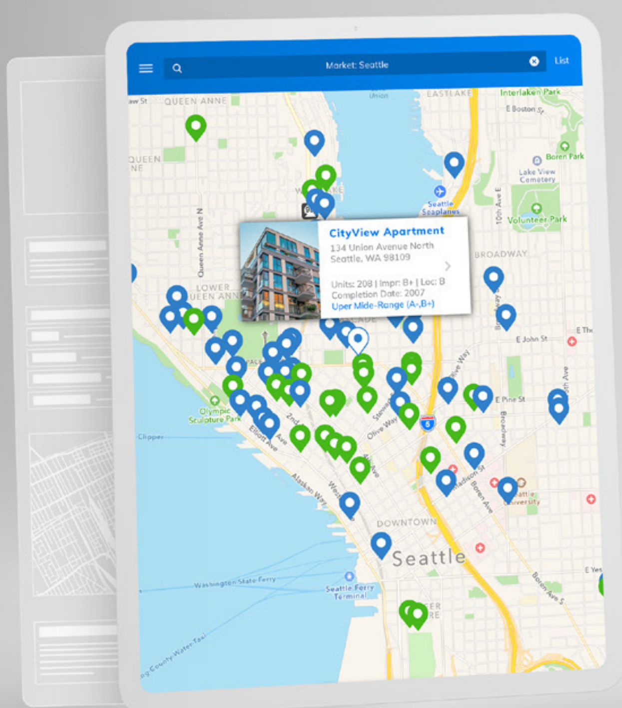
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi® Matrix

Power your business with the industry's leading source for originating,
pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population.**

Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
- Gain complete new supply pipeline information at the asset, competitive set and market level
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access exclusive aggregated and anonymized residential revenue and expense comps

See how we can help you achieve your investment goals.
Request a personalized demo at yardimatrix.com/**contact-us**

(800) 866-1144 | yardimatrix.com/multifamily

YARDI