



MULTIFAMILY REPORT

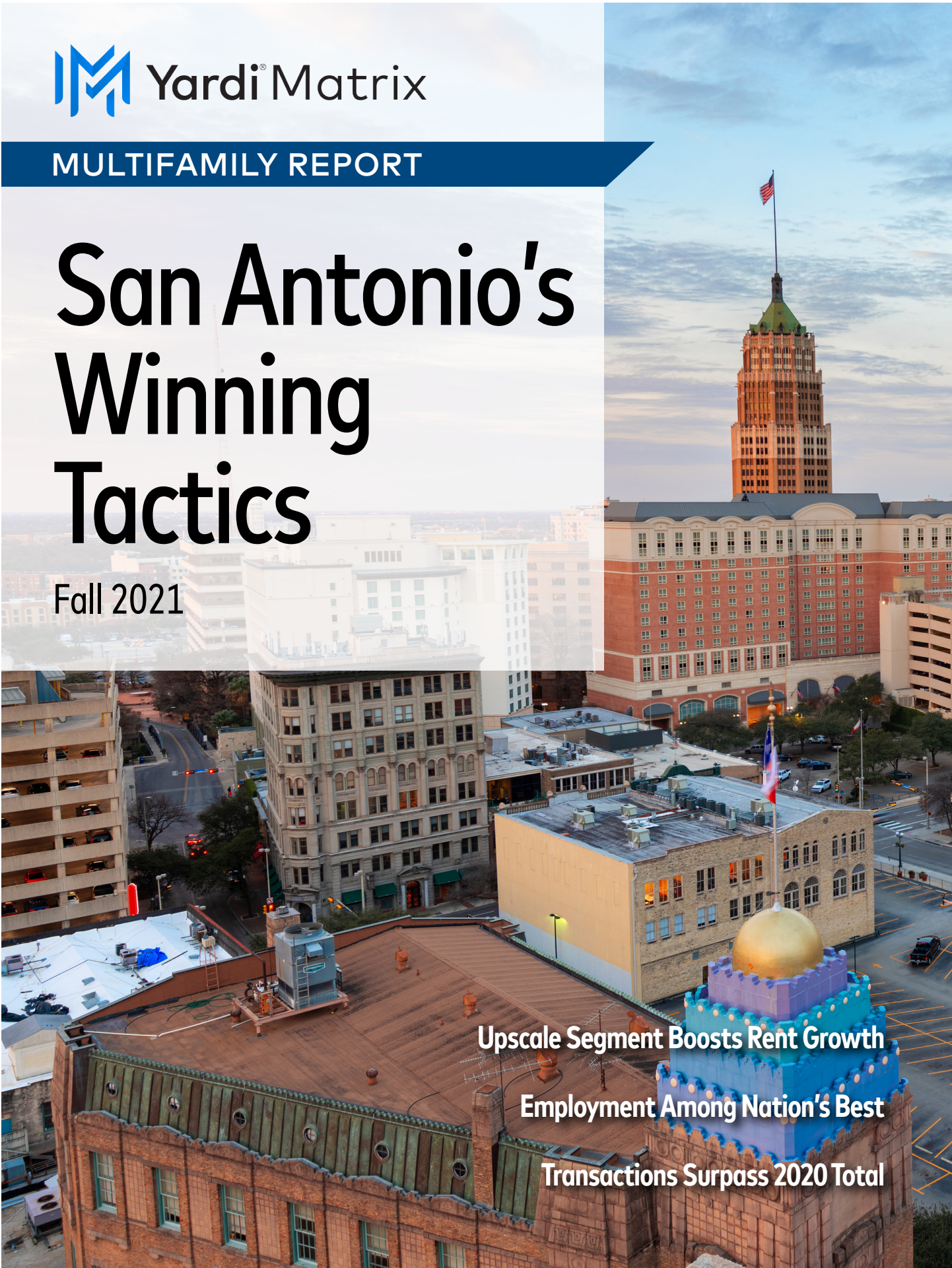
San Antonio's Winning Tactics

Fall 2021

Upscale Segment Boosts Rent Growth

Employment Among Nation's Best

Transactions Surpass 2020 Total



SAN ANTONIO MULTIFAMILY



Rents, Transactions Shoot Up

San Antonio proved resilient following the onset of the pandemic and the city's multifamily market benefited from an influx of work-from-home employees. Its population expanded by 1.6% in 2020, boosting rents further. The average rate rose 1.5% on a trailing three-month basis through August, to \$1,149. Occupancy in stabilized properties rose 1.0% in the 12 months ending in July, to 93.9%.

The unemployment rate in San Antonio stood at 5.4% in July, on par with the national rate and outpacing the 6.2% Texas average. Employment marked the second-consecutive month of positive year-over-year expansion, rising 2.8% through June for 63,500 jobs across sectors, which placed San Antonio as one of the nation's best among major metros. Professional and business services led gains, also sustained by work-from-home policies, and added 26,000 jobs during the period. Leisure and hospitality (17,300 jobs) came in second, boosted by the reopening of SeaWorld San Antonio, Six Flags Fiesta Texas and other leisure destinations.

Strong demand encouraged more development, with 3,767 units delivered in 2021 through August and another 11,463 apartments underway. Transaction activity amounted to \$1.4 billion through August, already above last year's total. Increased investor interest in the metro has helped push the price per unit up by 20.0% year-over-year, to almost \$130,000.

Market Analysis | Fall 2021

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Recent San Antonio Transactions

Reserve at Canyon Creek



City: San Antonio
Buyer: The Connor Group
Purchase Price: \$55 MM
Price per Unit: \$176,008

MELA



City: San Antonio
Buyer: ApexOne Investment Partners
Purchase Price: \$55 MM
Price per Unit: \$152,778

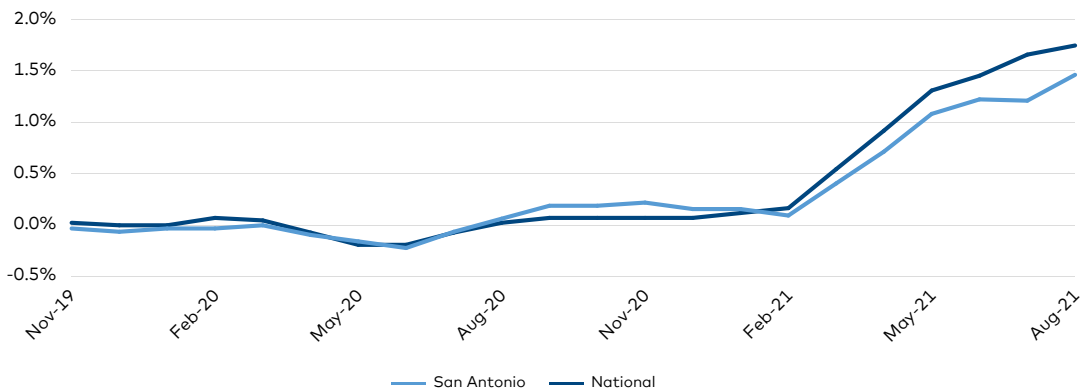
RENT TRENDS

- ▶ San Antonio rents rose 1.5% on a trailing three-month (T3) basis through August, to \$1,149. That was 20 basis points below the 1.7% U.S. rate, which brought the national average to \$1,539. On a year-over-year basis, San Antonio rents improved by 8.9%, primarily boosted by the Lifestyle segment, which marked an 11.6% increase, more than double the 5.2% figure in the Renter-by-Necessity segment.
- ▶ Even though recent deliveries and the construction pipeline mainly comprise Lifestyle projects, upscale demand remained one step ahead, with the average rent in the segment up 2.0% on a T3 basis through August, to \$1,372, while RBN rents increased 0.8% to \$943. The occupancy rate in stabilized properties confirms the trend: Lifestyle

apartments posted a 150-basis-point increase in the 12 months ending in July to 94.4%, while RBN occupancy rose just 50 basis points, to 93.4%. Overall, the occupancy rate in San Antonio increased by 1.0% to 93.9%.

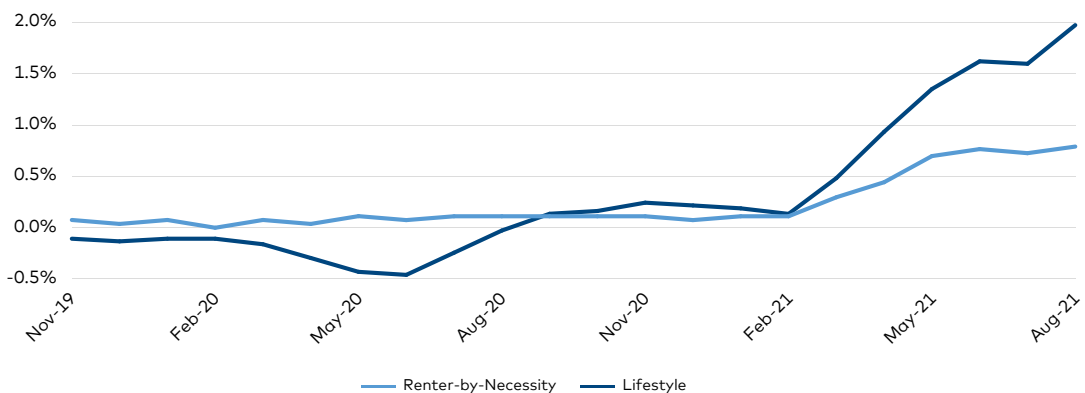
- ▶ Northwestern submarkets Helotes and Beckmann posted the best performances in the 12 months ending in August, with rates rising 14.3% to \$1,275, and 11.7% to \$1,513. The latter is also San Antonio's most expensive submarket. Despite a robust construction pipeline, rents in Southtown/King William were next in line, following a 5.6% increase, to \$1,463. Just 17 of the 45 submarkets tracked by Yardi Matrix posted rents below the \$1,000 mark in August.

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's unemployment rate improved to 5.4% in July, according to preliminary data from the Bureau of Labor Statistics, on par with the national average and outperforming the 6.2% Texas rate.
- ▶ Employment posted sustained performance, expanding by a solid 2.8%, or 63,500 jobs, across sectors, in the 12 months ending in June. Meanwhile, the U.S. rate rose 0.3%. Although San Antonio doesn't have the name recognition of its Texas counterparts, this rate placed it in the second spot behind Austin, among major U.S. metros. Of all sectors, education and health services was the only one to lose jobs (-900 positions).
- ▶ Unlike most metros across the country, job recovery was not led by leisure and hospitality (17,300 jobs). The sector came in second, boosted by the reopening of SeaWorld San Antonio and Six Flags Fiesta Texas. Professional and business services led job gains, with the addition of 26,000 jobs (19.7% expansion), also boosted by work-from-home policies.
- ▶ Trade, transportation and utilities, the metro's largest sector, improved steadily, with the number of passengers at San Antonio International Airport surpassing 800,000 in July. However, the spike in COVID-19 cases brought by the delta variant is putting a dent in this performance.

San Antonio Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	158	14.7%
70	Leisure and Hospitality	126	11.8%
40	Trade, Transportation and Utilities	185	17.3%
90	Government	176	16.4%
80	Other Services	37	3.5%
30	Manufacturing	52	4.9%
55	Financial Activities	95	8.9%
15	Mining, Logging and Construction	63	5.9%
50	Information	18	1.7%
65	Education and Health Services	162	15.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ San Antonio benefited from the work-from-home economy and gained 39,772 residents in 2020, which represents a population expansion of 1.6%, 30 basis points above the rate recorded in 2019.
- ▶ Meanwhile, the U.S. population expanded by 0.4%.

San Antonio vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
San Antonio	2,474,274	2,518,036	2,550,960	2,590,732

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

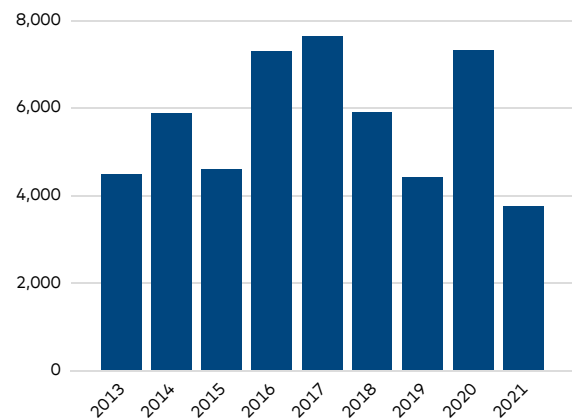
SUPPLY

- ▶ In 2021 through August, 3,767 units came on-line in San Antonio, 1.8% of total stock and 50 basis points above the national average. Developer focus remained on upscale projects, which comprised the bulk of deliveries through August (3,571 units); the RBN segment was boosted by just 196 units in two fully affordable communities.
- ▶ The construction pipeline had 11,463 units underway and an additional 38,407 units in the planning and permitting stages as of August. By the end of the year, another 3,087 units were slated for completion, but the ripple effects brought by the delta variant could cause some project delays.
- ▶ Similar to recent deliveries, the construction pipeline remained geared toward the Lifestyle renter: Of all the units underway, 7,091 were in Lifestyle projects and 3,443 were part of 17 fully affordable properties, with an additional 929 units across three market-rate RBN projects.
- ▶ Development activity remained most intense in core areas and the northern suburbs, with the top two submarkets holding a quarter of

all units underway: Far North Side (1,564 units) and Southtown/King William (1,515 units).

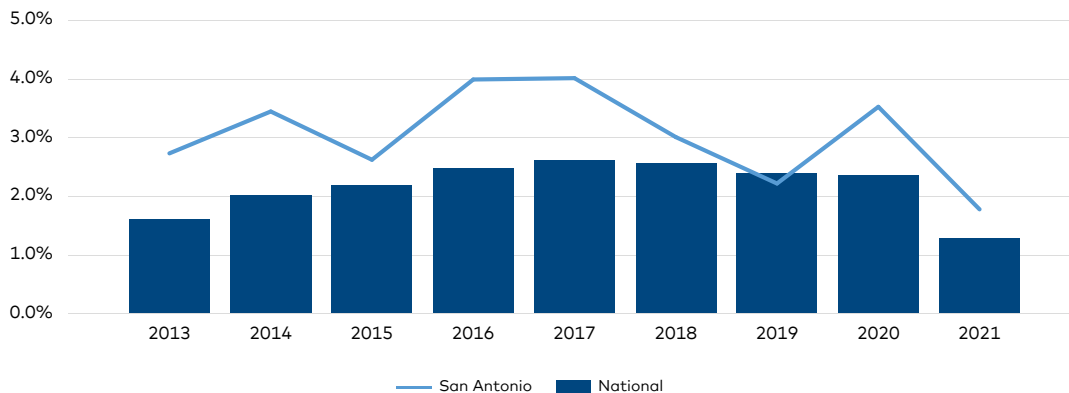
- ▶ The largest project delivered in 2021 through August was The Tower at La Cantera Parkway, a 500-unit Lifestyle property in Beckmann. Western Rim Property Services built it with aid from a \$50.6 million construction loan funded by Regions Bank.

San Antonio Completions (as of August 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

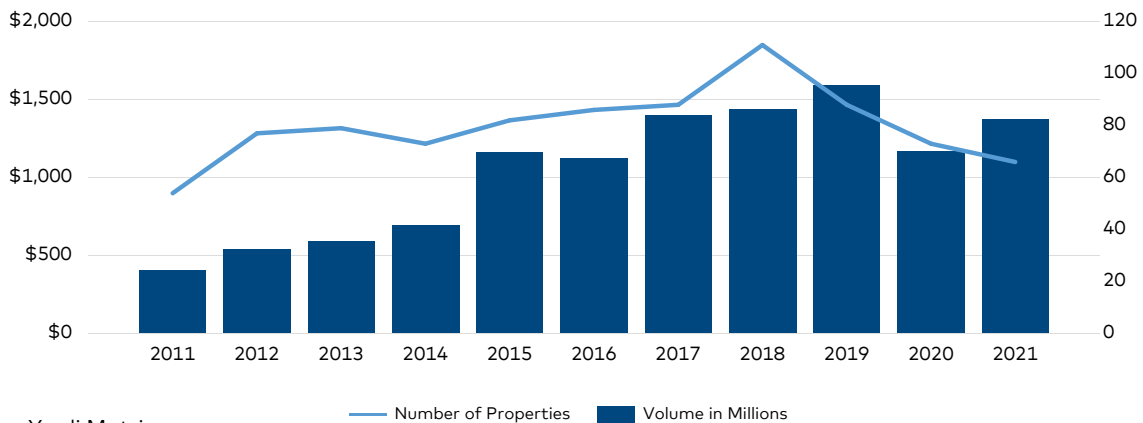
TRANSACTIONS

- ▶ Investors traded \$1.4 billion in multifamily assets in 2021 through August, which is nearly triple the volume recorded during the same period in 2020 and already above the year's \$1.2 billion total. The metro's resilience and rising rental demand increased San Antonio's appeal among investors.
- ▶ Sales distribution was almost equal between segments, with 35 of the 66 properties that traded being in the Renter-by-Necessity segment. This brought an organic price per unit

growth—up by 20.0% year-over-year, to \$129,699. Despite the price bump, San Antonio remains a fairly affordable metro, trailing the national per-unit price of \$176,903.

- ▶ Far North Side was by far the most sought-after area (\$444 million). New Braunfels (\$190 million) followed, the submarket's location along Interstate 35 making it a coveted destination, in no short part due to its proximity to Austin.

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



Source: Yardi Matrix

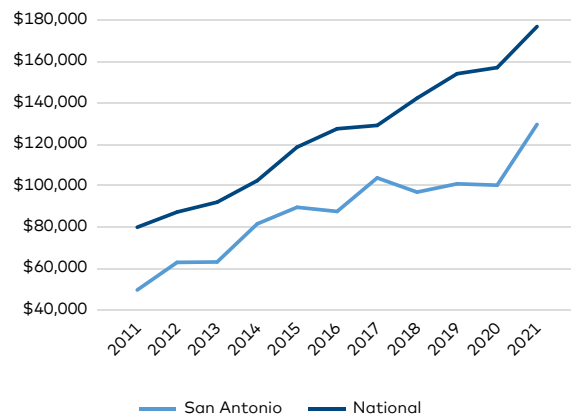
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Far North Side	444
New Braunfels	190
Oak Hills Country Club	115
Far West Side	115
Beckmann	114
Oakland Estates	99
Hollywood Park/Welmore	97

Source: Yardi Matrix

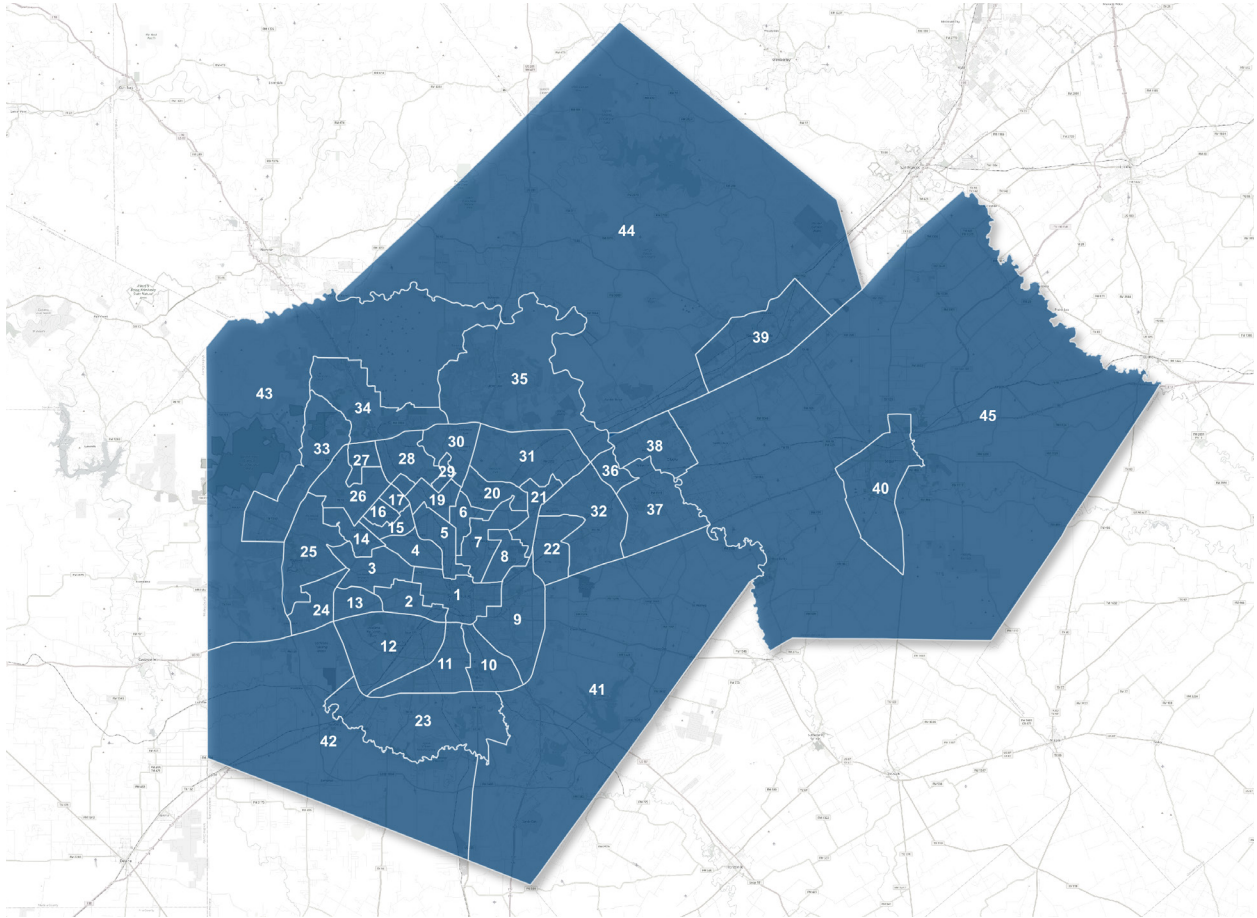
¹ From September 2020 to August 2021

San Antonio vs. National Sales Price per Unit



Source: Yardi Matrix

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.

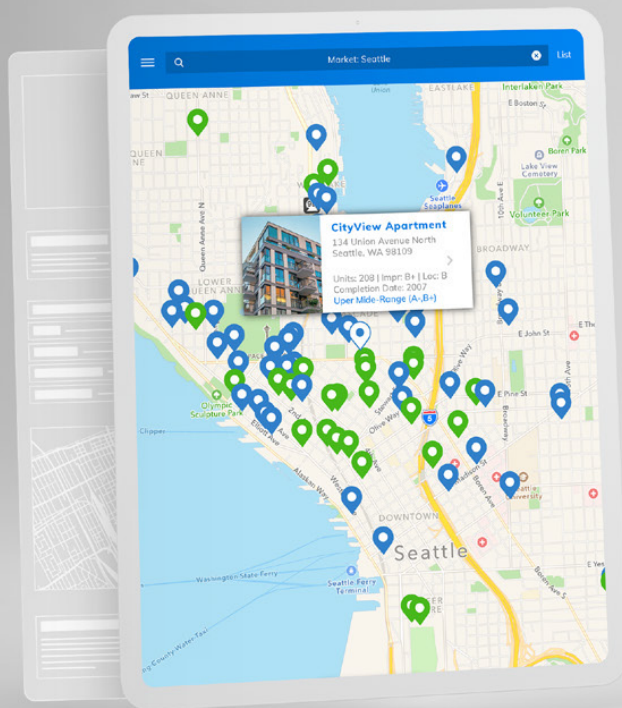
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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



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