



MULTIFAMILY REPORT

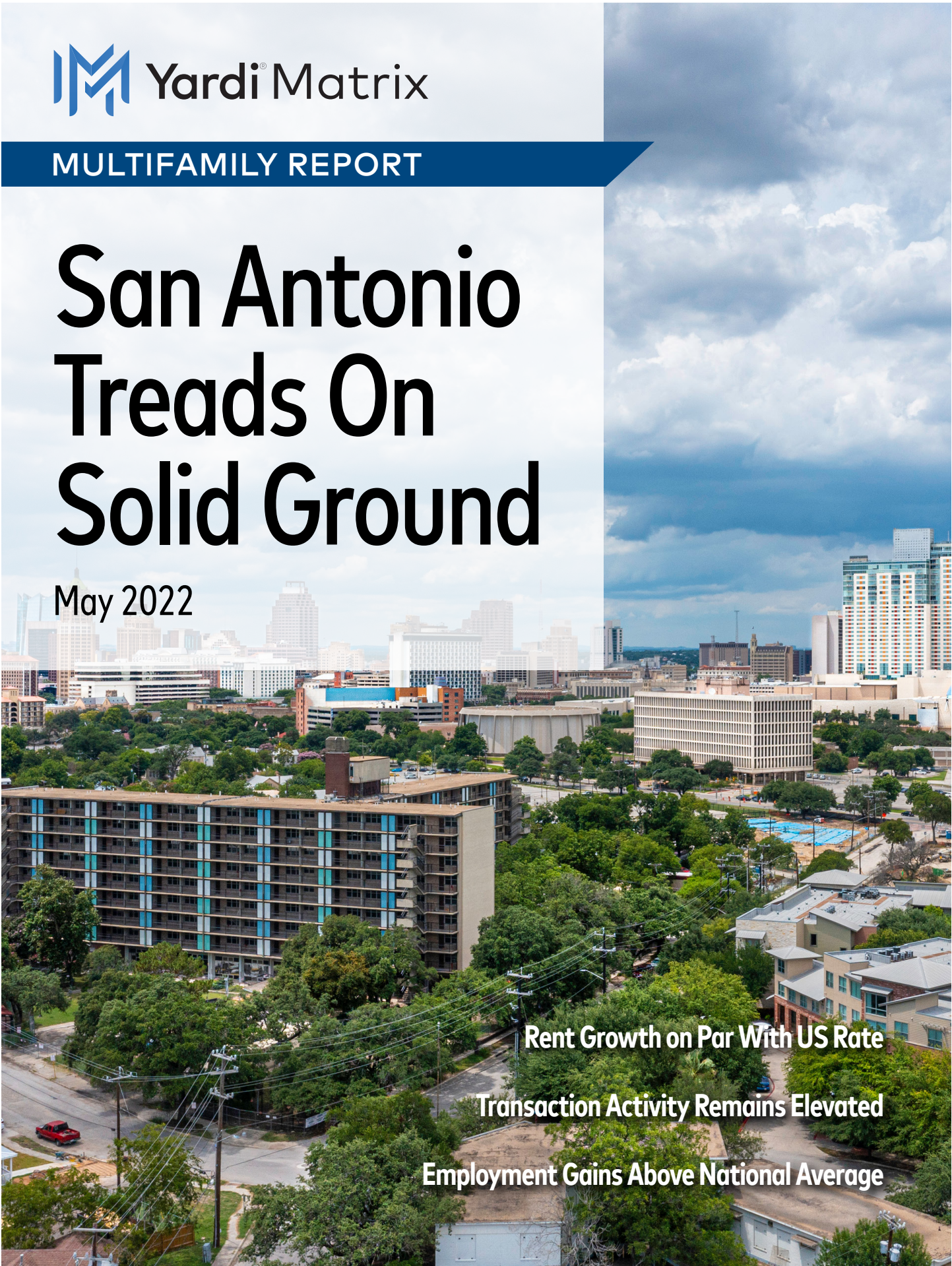
San Antonio Treads On Solid Ground

May 2022

Rent Growth on Par With US Rate

Transaction Activity Remains Elevated

Employment Gains Above National Average



SAN ANTONIO MULTIFAMILY



High Demand Boosts Rents, Occupancy

San Antonio posted healthy multifamily fundamentals going into the second quarter, supported by its economic recovery and robust demographic expansion. Combined with a slowing pipeline, rent growth is likely to remain elevated. Rates rose 0.7% on a trailing-three-month basis through March, to \$1,247, while occupancy climbed 170 basis points in the 12 months ending in February, to 95.1%.

San Antonio unemployment improved to 4.2% in February, 40 basis points behind the U.S. rate, but ahead of the state (4.7%) and almost on par with Dallas-Fort Worth (4.1%). Employment expanded by 5.2% (69,900 jobs) in the 12 months ending in February, 50 basis points ahead of the U.S. figure. The Alamo is one of the 14 cities that have surpassed pre-pandemic employment levels, according to a Brookings Institution study. Leisure and hospitality (24,000 positions) led job gains, followed by professional and business services (13,100 jobs). Last year, the metro's military and health-care sectors acted as primary stabilization forces against an unstable energy sector and slow-to-recover tourism industry.

Developers delivered 860 units in the first quarter of the year and had nearly 12,000 units under construction. Meanwhile, investors traded \$518 million in multifamily assets, for a price per unit that rose 3.4% year-over-year, to \$119,395.

Market Analysis | May 2022

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

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Anca Gagiuc

Senior Associate Editor

Recent San Antonio Transactions

Lincoln Village



City: San Antonio
Buyer: River Rock Capital
Purchase Price: \$81 MM
Price per Unit: \$109,601

Legacy Heights



City: San Antonio
Buyer: RangeWater Real Estate
Purchase Price: \$58 MM
Price per Unit: \$188,094

Maxwell Townhomes



City: San Antonio
Buyer: Orion Real Estate Partners
Purchase Price: \$54 MM
Price per Unit: \$170,701

Verandas at Shavano

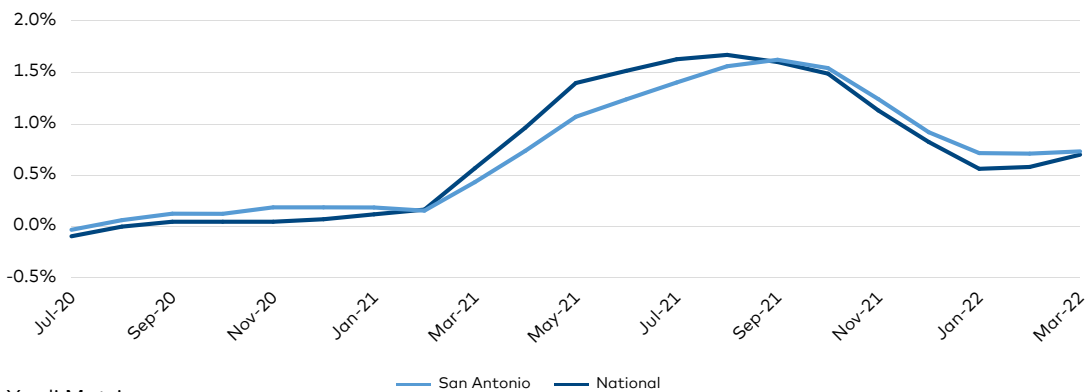


City: San Antonio
Buyer: MLG Capital
Purchase Price: \$42 MM
Price per Unit: \$144,106

RENT TRENDS

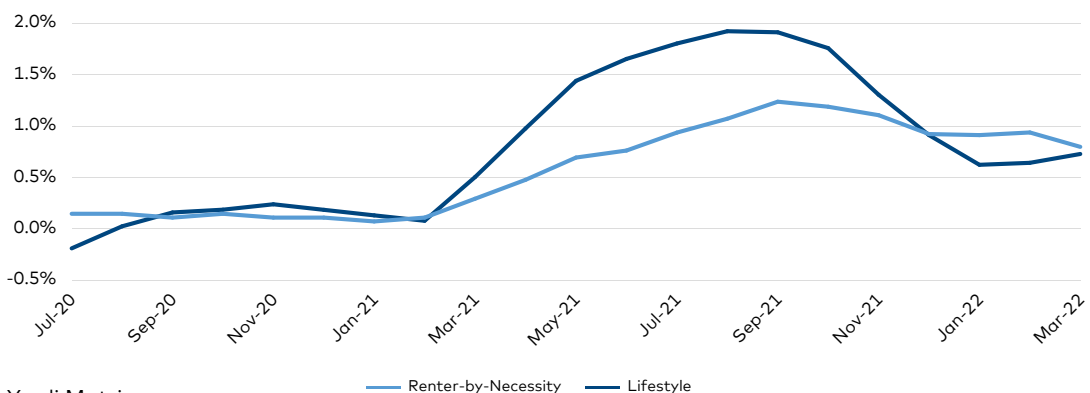
- ▶ For the third-consecutive month, San Antonio rents rose 0.7% on a trailing three-month (T3) basis, through March, on par with the national rate. Still, the metro's \$1,247 figure keeps it in the affordable market pool and below the \$1,642 U.S. rate. On a year-over-year basis, San Antonio rents were up 14.4%, 40 basis points behind the 14.8% U.S. rate.
- ▶ Demand was slightly stronger for Renter-by-Necessity units, as illustrated by the rent performance, up 0.8% on a T3 basis through March, to \$1,016. Lifestyle rents rose 0.7%, to \$1,481.
- ▶ Occupancy in stabilized properties signals strengthening demand for upscale apartments: The rate rose 190 basis points in the 12 months ending in February, to 95.7%, while RBN units marked a 140-basis-point increase during the period, to 94.4%. Overall, occupancy stood at 95.1% in February, following a 170-basis-point rise.
- ▶ Of the 45 submarkets tracked by Yardi Matrix, just 10 posted average rents below the \$1,000 mark, from 21 last year. Southtown/King William (15.9% year-over-year to \$1,645) and Beckmann (15.0% to \$1,609) remained the most expensive submarkets. The former also has one of the most robust construction pipelines in the metro. Of all submarkets, six reported rents of 20.0% or more, led by Terrell Wells, Helotes and Terrell Hills.
- ▶ San Antonio's single-family rental sector trailed the other metros in the Texas Triangle, with rents up 12.2% year-over-year through March and occupancy down by 2.3%.

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 stood at 4.2% in February, a 10-basis-point improvement from January and 40 basis points behind the U.S. figure, according to data from the Bureau of Labor Statistics. The figure placed the metro ahead of the state (4.7%) and Houston (5.3%), but behind Austin (3.3%) and almost on par with Dallas-Fort Worth (4.1%).
- ▶ The Alamo has resumed a growth path, albeit at a slower pace. Employment registered a 5.2% expansion in the 12 months ending in February (69,900 jobs), 50 basis points above the national rate. San Antonio is one of the 14 cities that have surpassed pre-recession employment, according to a Brookings Institution study, where its diverse economy earned it the ninth spot in overall growth.
- ▶ All sectors expanded, except for information, down by 400 jobs. Gains were led by leisure and hospitality (24,000 positions), followed by professional and business services (13,100).
- ▶ Throughout 2021, the metro's military and health-care sectors acted as primary stabilization forces against the unstable energy and slow-to-recover tourism segments. The metro is a well-established and still growing regional medical center, with the Westover Hills area especially sought after. In addition, San Antonio's Army base is the primary training center for all U.S. Army medics.

San Antonio Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	135	12.3%
60	Professional and Business Services	156	14.2%
40	Trade, Transportation and Utilities	194	17.7%
65	Education and Health Services	170	15.5%
80	Other Services	40	3.6%
55	Financial Activities	96	8.8%
90	Government	175	16.0%
15	Mining, Logging and Construction	63	5.7%
30	Manufacturing	52	4.7%
50	Information	17	1.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ San Antonio gained 39,772 residents in 2020, a demographic growth of 1.6%, 30 basis points above the 2019 rate and four times the 0.4% U.S. rate.
- ▶ Between 2010 and 2020, The Alamo's population expanded by 20.3%, well above the 6.5% national rate.

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

Source: U.S. Census

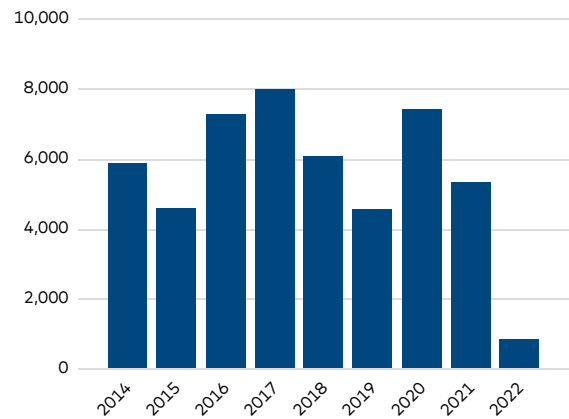
SUPPLY

- ▶ As of March, the construction pipeline consisted of 11,962 units under construction and 41,000 apartments in the planning and permitting stages. By the end of the year, 7,546 units are slated to come online. Construction delays will most likely affect deliveries, as developers are facing increasing problems that include rising construction materials costs, labor shortages and supply chain issues.
- ▶ Developers delivered 860 units in the first quarter of 2022, the equivalent of 0.4% of total stock and 8 basis points above the U.S. average. Of these, 600 units were in two fully affordable communities. Since 2020, San Antonio's inventory has expanded by nearly 14,000 units.
- ▶ The composition of projects underway is fairly balanced between property segments: 44% in RBN projects—some 4,500 units in fully affordable communities and just 929 market-rate projects—and 56% in Lifestyle properties.
- ▶ Construction activity is spotty across the metro—of the 45 submarkets tracked by Yardi Matrix, 25 had projects underway, and the top five submarkets account for nearly half of the under-construction pipeline. In the Far North Side and Southtown/King William submarkets,

developers had more than 1,000 units under construction in each. These submarkets are also some of the most expensive in San Antonio.

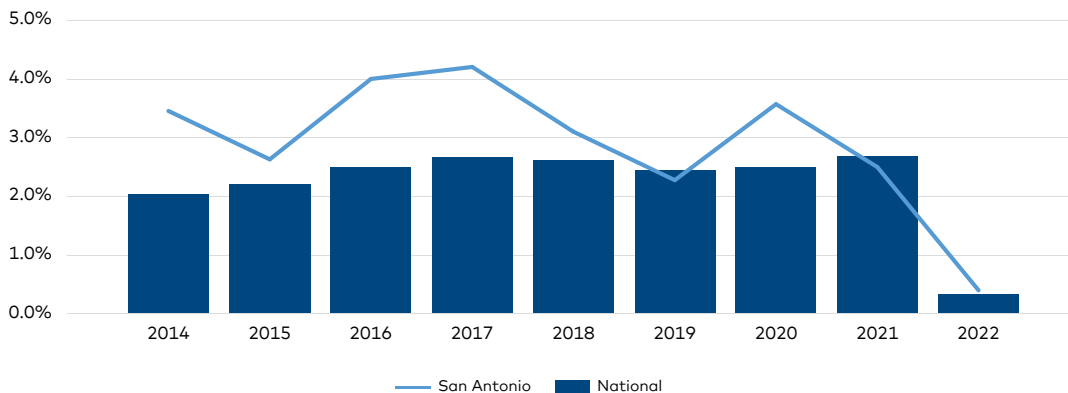
- ▶ The largest project underway as of March was Stone Oak, a 398-unit property located in the Far North Side submarket. The Abacus Capital Group asset is slated for completion in mid-2023.

San Antonio Completions (as of March 2022)



Source: Yardi Matrix

San Antonio vs. National Completions as a Percentage of Total Stock (as of March 2022)



Source: Yardi Matrix

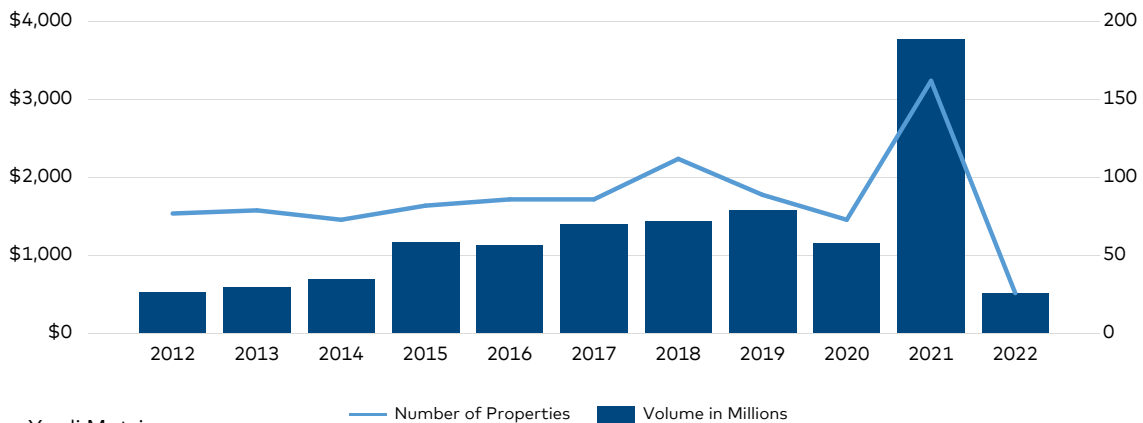
TRANSACTIONS

- ▶ Investors started the year on a high note in San Antonio, with \$518 million in multifamily assets trading in the first quarter. The amount is slightly below the \$616 million total of 2021's first quarter. This sustained transaction activity comes on the heels of the most bountiful year in sales volume. In 2021, the total reached an all-time high of \$3.8 billion.
- ▶ The composition of sales during 2022's first quarter shows robust demand for value-add plays; of

the 26 properties that changed hands, 20 were RBN assets. Even so, property values continued to rise, with the price per unit marking a 3.4% year-over-year increase in March, to \$119,395. San Antonio remains one of the nation's relatively affordable markets; the national average per-unit price stood at \$213,402 in March.

- ▶ Northern submarkets Beckmann (\$543 million) and the Far North Side (\$419 million) recorded the highest investment volumes in the 12 months ending in March.

San Antonio Sales Volume and Number of Properties Sold (as of March 2022)



Source: Yardi Matrix

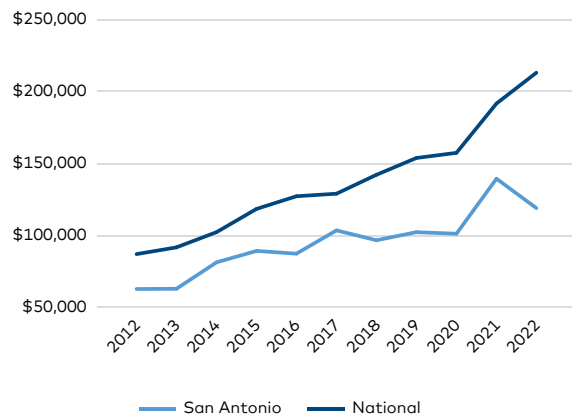
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Beckmann	543
Far North Side	419
Southtown/King William	269
Leon Valley-West	244
Oakland Estates	239

Source: Yardi Matrix

¹ From April 2021 to March 2022

San Antonio vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Multifamily Markets by Units Delivered in 2021

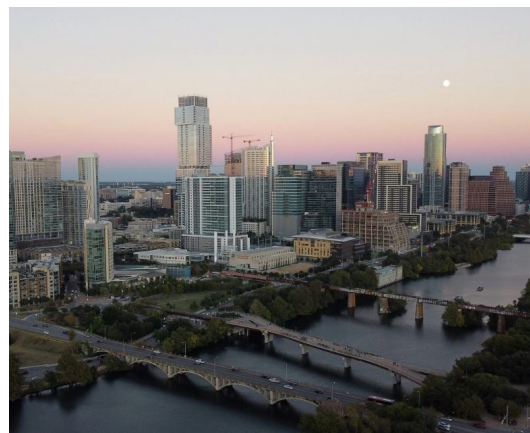
By Anca Gagiuc

In the ranking below, we present the top 10 markets for deliveries in 2021 by the number of units, based on Yardi Matrix data. To get a clearer picture, we'll be comparing their performance with data not just from 2020 but also from 2019. Combined, 146,483 units came online in these 10 metros, accounting for roughly 42 percent of the national volume. The figure is also above the 2020 and 2019 volumes recorded in these metros, when the number of units delivered amounted to 122,521 and 120,808 units.

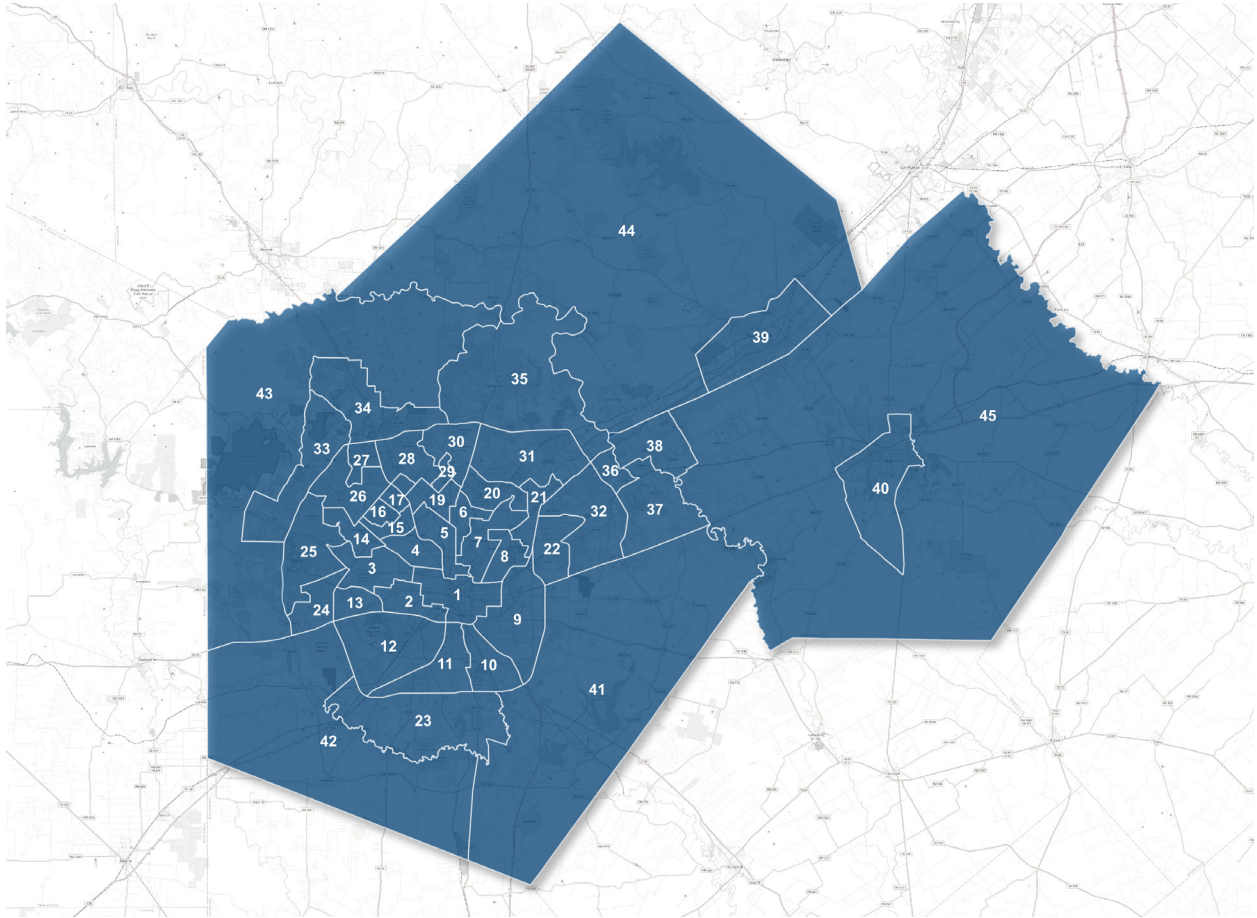
Rank	Metro	Units Delivered 2021	Percentage of Stock 2021	Units Delivered 2020	Percentage of Stock 2020
10	Phoenix	10,058	2.9	9,143	2.7
9	Charlotte	10,692	5.5	6,151	3.3
8	Los Angeles	10,883	2.4	11,369	2.6
7	Orlando	12,948	5.0	6,864	2.8
6	Washington, D.C.	13,148	2.3	12,822	2.3
5	Atlanta	13,653	2.9	10,540	2.3
4	Austin	14,367	5.3	13,363	5.2
3	Miami Metro	16,221	4.7	11,132	3.4
2	Houston	19,878	2.9	14,403	2.2
1	Dallas	24,635	3.0	26,734	3.4

Austin, Texas

On the heels of the 13,363 units delivered in 2020, Texas' capital marked a new record high in 2021, with 14,367 units added to the multifamily inventory, 5.3 percent of total stock. In contrast, in 2019, just 8,980 units came online in the metro. Austin has been one of the fastest growing metros in the country, its population marking a 32.9 percent expansion during the decade. Paired with the fact that in 2021 the metro ranked first among major metros in economic expansion, demand for housing was through the roof. The Lifestyle segment was favored, expanding by 13,080 units.



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 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 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, 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.



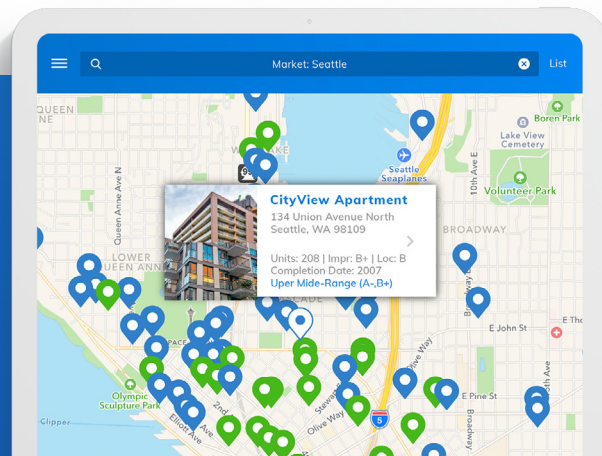
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with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
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