Yardi® Matrix

San Antonio's Slow Trot

May 2024

Investment Volume Still Limited

Rents Still Down as Nation Rebounds

Employment Growth Ahead of US

IM Yardi Matrix

Fundamentals Oscillating In San Antonio

San Antonio's multifamily market was a mixed bag at the start of the second quarter. Rent growth marked the eighth consecutive month in negative territory, down 0.1% on a trailing three-month basis through March, to $1,259, while the national rate rose 0.2%, to $1,721. On a year-over-year basis, the metro's rent decline was at -1.9%, while the U.S. rate rose 0.9%. Meanwhile, occupancy decreased, down 140 basis points year-over-year, to 91.4%.

San Antonio unemployment stood at 4.1% in February, lagging the state and U.S. rates, which both held at 3.9%, according to preliminary data from the Bureau of Labor Statistics. In 2023, the job market expanded 2.7%, or 36,700 jobs, outperforming the 2.0% national rate. Two sectors lost jobs—information and manufacturing—but the losses were limited, at just 400 jobs combined. Moreover, the latter is poised for expansion, as JCB announced plans for a manufacturing facility that will create 1,500 jobs over the next five years. Education and health services and government led employment gains, accounting for half of the positions added in 2023.

San Antonio's supply expanded by 1,035 units during the first quarter of 2024. The pipeline had 21,103 units under construction, but activity is softening, with fewer construction starts recorded during the period compared to last year's corresponding time frame. Meanwhile, investment volume totaled just $124 million, for a price per unit of $105,384 in March, well behind the $196,096 U.S. figure.

Market Analysis | May 2024

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On the cover: Photo by Jacob Boomsma/iStockphoto.com

Recent San Antonio Transactions

Maddox Hills

City: San Antonio
Buyer: Timberlane
Purchase Price: $59 MM
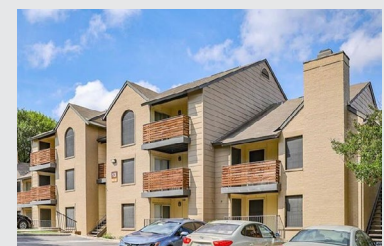Price per Unit: $176,398

Avasa at 1604

City: San Antonio
Buyer: Venterra Realty
Purchase Price: $56 MM
Price per Unit: $131,588

Aspire

City: San Antonio
Buyer: Lone Star Capital Group
Purchase Price: $28 MM
Price per Unit: $84,044

Renata

City: San Antonio
Buyer: 29th Street Capital
Purchase Price: $26 MM
Price per Unit: $91,144

RENT TRENDS

➤ San Antonio rents contracted 0.1% on a trailing three-month (T3) basis through March, to $1,259, marking the eighth consecutive month of negative performance. Meanwhile, the U.S. rate rebounded, increasing 0.2%, to $1,721, following five straight months of contraction. While the average national asking rate was still up 0.9% on a year-over-year basis through March, recording the largest gain in 20 months, rents in the Alamo continued to lag, down by 1.9%. Rents declined across segments, with Lifestyle rates down 0.2% on a T3 basis, to $1,450. Renter-by-Necessity figures were also down, at -0.1% to $1,064.

➤ Meanwhile, the average occupancy rate in stabilized properties fell 140 basis points in the 12 months ending in February, to 91.4%, which makes San Antonio's rental market loose compared to other metros on Yardi Matrix's top 30 list. The drop was higher in the working-class segment, down 200 basis points to 90.3%, while Lifestyle occupancy decreased 80 basis points, to 92.4%.

➤ On a year-over-year basis, rents grew in 14 of the 45 submarkets tracked by Yardi Matrix, including Hollywood Park/Wetmore (3.3% to $1,274) and in the Far North Central (0.6% to $1,400). The most sought-after submarkets were Southtown/King William (-1.1% to $1,620), Beckmann (-3.5% to $1,553) and the Far North Side (-1.6% to $1,513).

➤ The average rent in the metro's single-family rental segment recorded an annual decrease of 0.3% in March, while occupancy fell 2.5% as of February.

San Antonio vs. National Rent Growth (Trailing 3 Months)
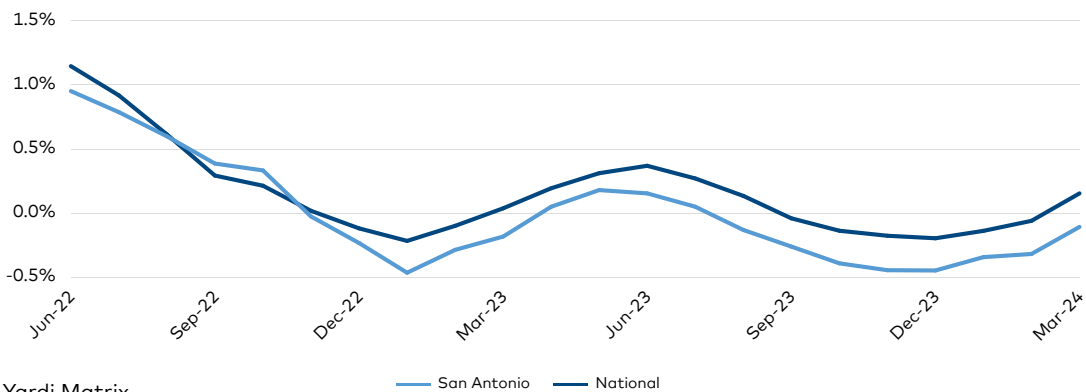
Source: Yardi Matrix

San Antonio Rent Growth by Asset Class (Trailing 3 Months)
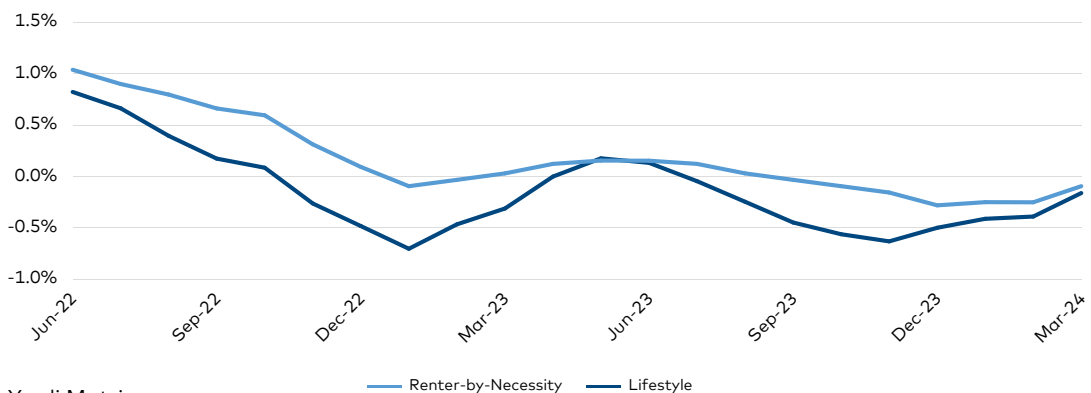
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ San Antonio's unemployment rate rose to 4.1% in February, according to data from the Bureau of Labor Statistics, a 20-basis-point drop year-over-year and a 100-basis-point slide from December's rate. Meanwhile, the U.S. figure clocked in at 3.9%, on par with the state. Among other major Texas metros, San Antonio's unemployment rate ranked second, trailing Austin (3.7%) and outpacing Dallas (4.2%) and Houston (4.6%).

➤ In 2023, San Antonio's employment growth continued to soften, up 36,700 jobs, or 2.7% year-over-year. This rate put the metro on par with Miami and Nashville and remained well above the U.S. rate (2.0%). Job growth was led by education and health services (9,700 jobs) and

government (8,500 jobs); combined, these two sectors accounted for half of all positions added in 2023. The metro's largest sector—trade, transportation and utilities will continue to grow, as San Antonio International Airport expanded its connectivity with direct flights to Frankfurt, Germany and Querétaro, Mexico.

➤ Information (-100 jobs) and manufacturing (-300 jobs) recorded minor losses. The latter will soon expand, as JCB announced plans for a 720,000-square-foot manufacturing facility in Bexar County, which will create 1,500 jobs over the next five years. In addition, the metro made its first appearance on the Urban Land Institute & PwC's Top 10 Real Estate Markets to Watch list.

San Antonio Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	181	15.2%
90	Government	188	15.8%
70	Leisure and Hospitality	148	12.4%
15	Mining, Logging and Construction	73	6.1%
60	Professional and Business Services	164	13.8%
40	Trade, Transportation and Utilities	213	17.9%
55	Financial Activities	104	8.7%
80	Other Services	40	3.4%
50	Information	19	1.6%
30	Manufacturing	58	4.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ San Antonio gained 41,409 residents in 2022, up 1.6%. Growth was four times the national average and also more than double the growth rate recorded in the metro in 2021.

➤ Between 2020 and 2022, the metro's population expanded by 60,651 residents or 2.4%.

San Antonio vs. National Population

|	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
San Antonio	2,468,193	2,510,211	2,529,453	2,570,862

Source: U.S. Census

SUPPLY

➤ Developers delivered 1,035 units throughout the first quarter, accounting for 0.5% of existing rental stock and 10 basis points above the national average. Strong demand for apartments kept developers focused on upscale assets, with the entire new stock comprising Lifestyle units.

➤ The construction pipeline had 21,103 units underway and another 40,000 units in the planning and permitting phases. While the pipeline's composition tilted heavily toward Lifestyle properties (70.9%), it also included RBN (3.4%) and fully affordable communities (25.7%).

➤ Development is softening, as during the first quarter of the year, developers broke ground on four new properties totaling 800 units. During the first quarter of 2023, 1,454 units across six properties started construction in San Antonio.

➤ Of the 45 submarkets tracked by Yardi Matrix, developers were active in 33. Moreover, eight of these had at least 1,000 units under construction, led by New Braunfels (2,013 units), Northwest Bexar County (1,540 units) and Southtown/King William (1,478 units). The former and the latter were also in top four most expensive areas in San Antonio by average rent in March.

➤ The largest property delivered through March was the 355-unit Caroline at Longhorn Quarry, located in an Opportunity Zone in northeastern submarket Longhorn. The property is owned by Morgan Group, includes 178 affordable units and was built with aid from a $39 million construction loan issued by JPMorgan Chase.

San Antonio Completions (as of March 2024)
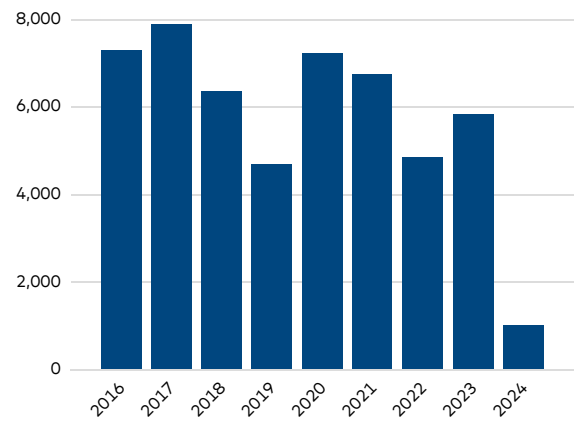
Source: Yardi Matrix

San Antonio vs. National Completions as a Percentage of Total Stock (as of March 2024)


San Antonio | National
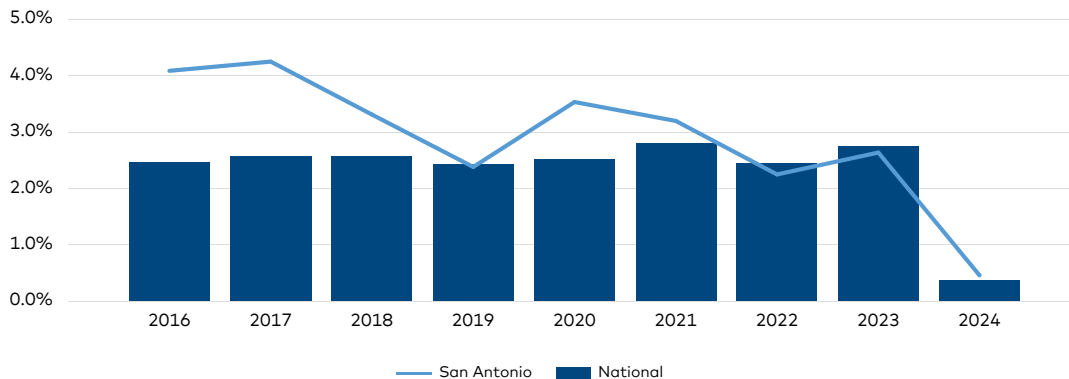
Source: Yardi Matrix

TRANSACTIONS

➤ Investment activity remained tepid, with sales recorded during the first quarter of 2024 totaling just $124 million, a 62.3% drop from the figure registered over the same period last year. In 2023, transaction volume in San Antonio amounted to just $684 million, the lowest volume reported in the past decade.

➤ During the first three months of the year, eight properties changed ownership, five of which were RBN assets. The sales composition, com-

bined with high interest rates contributed to a 12.6% drop in the average price per unit from the 2023 figure, to $105,384 in 2024, trailing the $196,096 U.S. rate.

➤ Among the assets that traded in San Antonio in early 2024 was Avasa at 1604, a 424-unit Lifestyle property located in Hollywood Park/Wetmore. Venterra Realty acquired it from D.R. Horton for $55.8 million, with aid from a $41.8 million Freddie Mac loan originated by Walker & Dunlop.

San Antonio Sales Volume and Number of Properties Sold (as of March 2024)
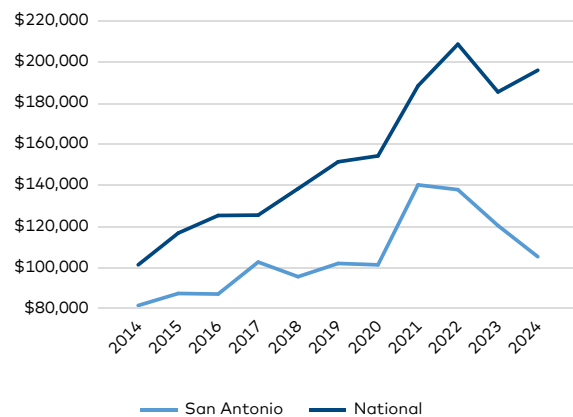

Source: Yardi Matrix

Number of Properties   Volume in Millions
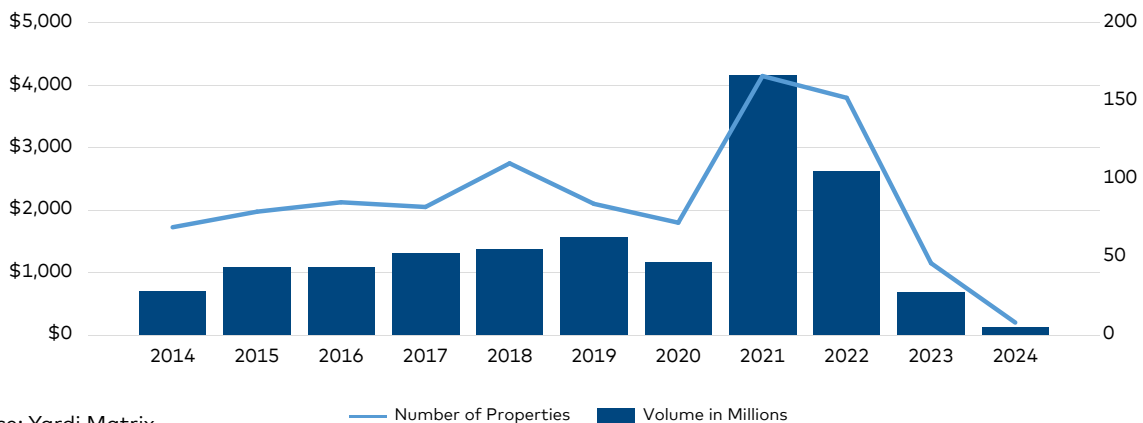
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
USAA Area	103
Hollywood Park/Wetmore	80
Beckmann	67
Far North Side	57
Oak Hills Country Club	31
Fort Sam Houston	31
Balcones Heights	28

Source: Yardi Matrix
[1] From April 2023 to March 2024

San Antonio vs. National Sales Price per Unit

San Antonio   National

Source: Yardi Matrix

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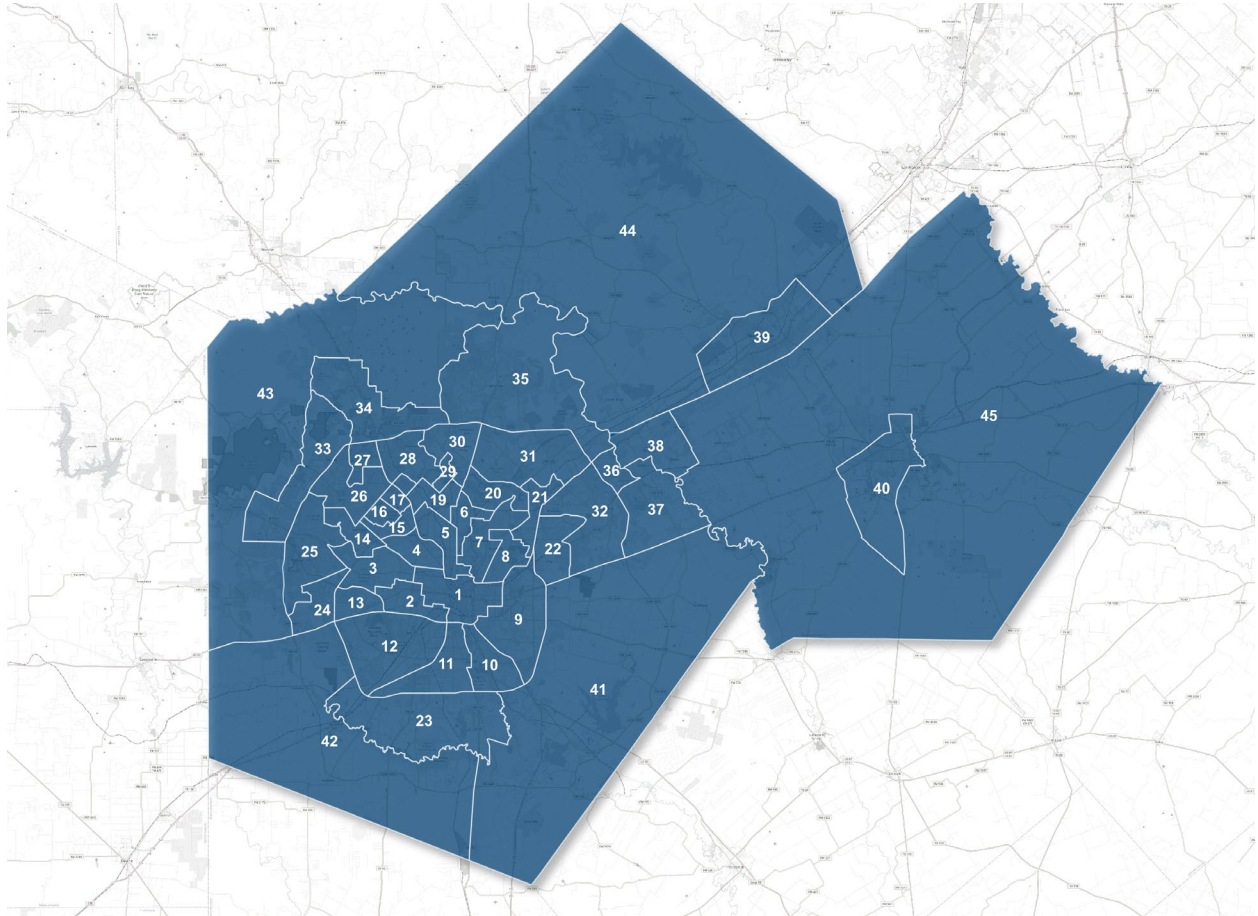
Area No.	Submarket
1	Southtown/King William
2	West Side
3	Southwest Research Institute
4	Balcones Heights
5	West Alamo Heights
6	Alamo Heights–Central
7	Terrell Hills
8	Fort Sam Houston
9	East Side
10	Southeast Side
11	Terrell Wells
12	Southside/Columbia Heights
13	Lackland Terrace
14	Leon Valley–East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

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.
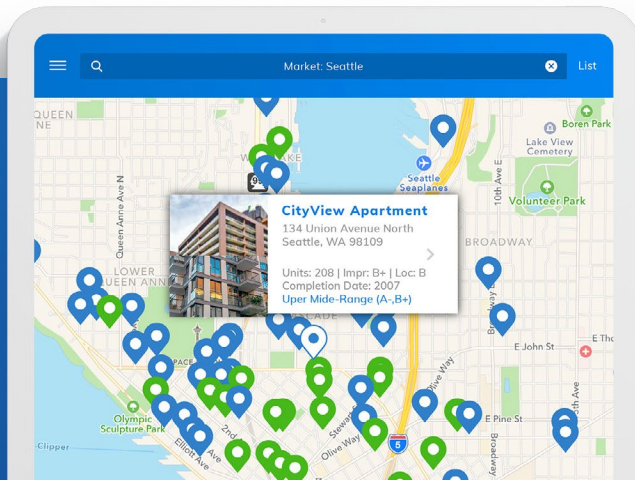
Yardi® Matrix

Power your business 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

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Upper Mide-Range (A-,B+)

Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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