



MULTIFAMILY REPORT

San Antonio Recalibrates

October 2024

Employment Gains Sustain Demand

Rents Slide Under Supply Pressure

Investment Activity Remains Muted

SAN ANTONIO MULTIFAMILY



Rents, Occupancy Fall Under Robust Supply

San Antonio's strong job and population growth supports its fundamentals, but high supply and economic uncertainty continue to pressure rents and investment activity. The average advertised asking rent slid 0.1% on a trailing three-month basis through August, to \$1,257. The figure was also down 2.4% year-over-year, while the U.S. rate improved 0.8%. Occupancy in stabilized properties decreased 80 basis points year-over-year, to 91.4%, as of July.

Job growth decelerated 2.4%, or 23,800 net jobs, in the 12 months ending in June, trailing only Las Vegas (3.5%) among major markets and well above the 1.3% U.S. rate. Only the information sector lost jobs, down 800 positions. Meanwhile, San Antonio's unemployment rate marked a 20-basis-point month-over-month improvement to 4.0% in July, according to preliminary data from the Bureau of Labor Statistics, outperforming the U.S. (4.3%) and Texas (4.1%). Education and health services led job gains, adding 6,200 positions. UT San Antonio and UT Health San Antonio have announced a merger by 2025, which would create the state's third-largest public research university. In addition, the data center industry is growing rapidly.

Deliveries in 2024 through August totaled 5,944 units, with another 17,531 units underway, even as starts slowed. Meanwhile, investors traded just \$270 million in multifamily assets, for a price per unit down some 10% year-to-date, to \$108,416, as of August.

Market Analysis | October 2024

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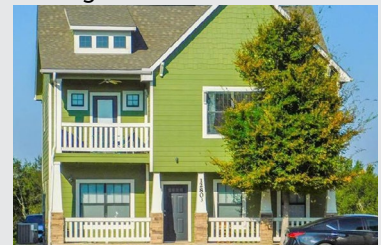
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Recent San Antonio Transactions

Cottages at Leon Creek



City: San Antonio
Buyer: Bow River Capital
Purchase Price: \$52 MM
Price per Unit: \$183,568

Elevate at Sundance



City: New Braunfels, Texas
Buyer: Viking Capital
Purchase Price: \$30 MM
Price per Unit: \$121,005

Jones & Rio



City: San Antonio
Buyer: Waymaker Ventures
Purchase Price: \$17 MM
Price per Unit: \$90,750

Vivid

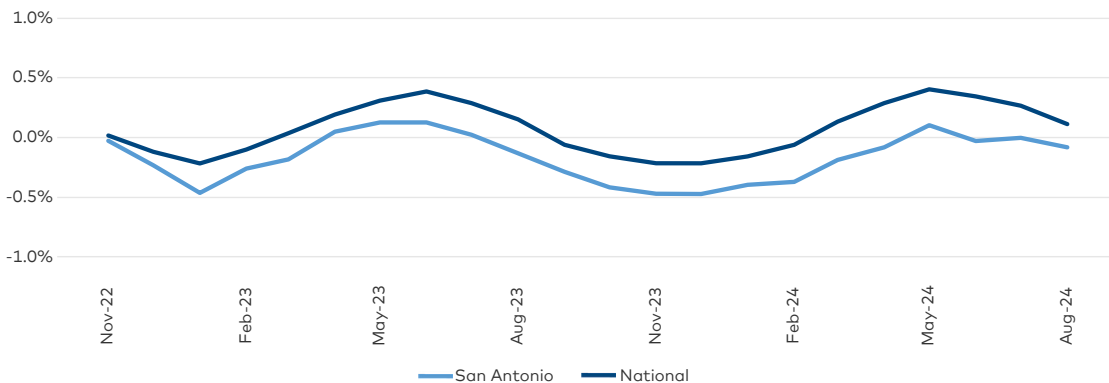


City: San Antonio
Buyer: Trinnium Equity Group
Purchase Price: \$9 MM
Price per Unit: \$88,154

RENT TRENDS

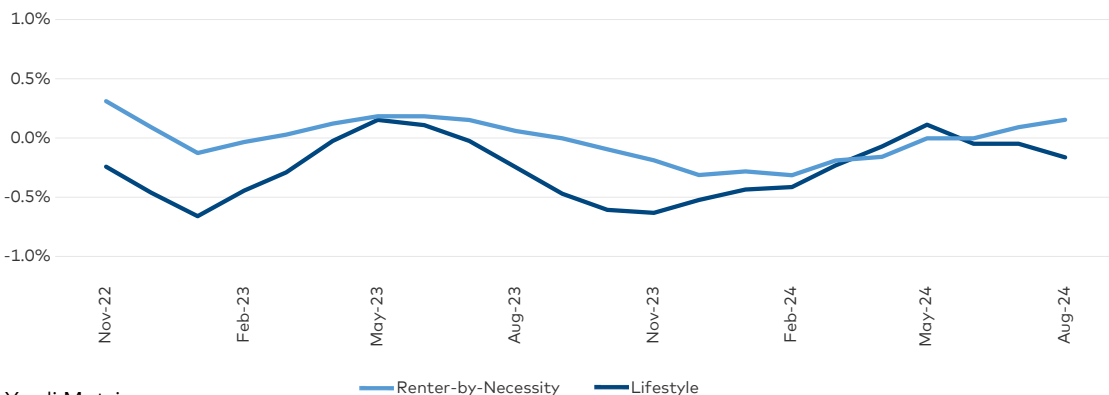
- ▶ The San Antonio average advertised asking rent decreased 0.1% on a trailing three-month (T3) basis through August, to \$1,257, while the U.S. rate moderated to a 0.1% uptick, to \$1,741. Since 2023, rent growth has fallen back into typical seasonal patterns but is being pressured by high supply. Year-over-year, San Antonio rents dropped 2.4%, while the national rate rose 0.8%.
- ▶ Working-class Renter-by-Necessity units led rent growth, up 0.2% on a T3 basis through August, to \$1,066, while advertised asking rents in the Lifestyle segment fell 0.2%, to \$1,442.
- ▶ Robust stock expansion continued to dent occupancy, too, with the rate in stabilized properties at 91.4% in July, following an 80-basis-point year-over-year decline. Despite high levels of up-scale product, Lifestyle occupancy decreased just 30 basis points, to 92.4%, while RBN occupancy dropped 130 basis points, to 90.2%.
- ▶ Year-over-year, rent movement was negative in nearly all submarkets, including the most expensive: Southtown/King William (-1.2% to \$1,607), Beckmann (-2.9% to \$1,557) and the Far North Side (-3.4% to \$1,492). Growth was recorded only on the Southeast Side (0.6% to \$1,132), East Side (0.1% to \$1,040) and western submarket Lackland Terrace (1.3% to \$950).
- ▶ San Antonio single-family advertised asking rents also declined, down 1.5% year-over-year in August, to \$1,971, while occupancy increased 0.9%, to 93.7% as of July.

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 ticked down to 4.0% in July from 4.2% in June, according to BLS data. It outperformed the U.S. (4.3%), as well as Texas (4.1%), and ranked second among major Texas metros—below Austin (3.6%) and ahead of Dallas (4.1%) and Houston (4.8%).
- ▶ Job growth decelerated to 2.4% in the 12 months ending in June but remained second only to Las Vegas (3.5%) among major metros, and nearly double the 1.3% U.S. rate. San Antonio gained 23,800 net jobs during this period, with only information recording a loss (800 jobs). Growth was highest in education and health services (6,200 jobs). Following steady growth in enrollment in the last few years, UT San Antonio and UT Health

San Antonio announced a merger by 2025, which will create the state's third-largest public research university. Combined, the two will enroll 40,000 students, employ almost 16,000 workers and have a direct economic impact of more than \$6 billion.

- ▶ The San Antonio data center market is growing rapidly. Stream Data Centers broke ground on the third project on a campus, which at full build-out will include up to five AI-ready buildings and 1.5 million square feet of space. JCB also broke ground on a 720,000-square-foot factory on the South Side. Microsoft filed plans for a third project, a 244,000-square-foot building near Castorville. The former two are slated for completion this year.

San Antonio Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	184.9	15.5%
90	Government	186.3	15.7%
70	Leisure and Hospitality	151.1	12.7%
15	Mining, Logging and Construction	75.3	6.3%
30	Manufacturing	63.4	5.3%
80	Other Services	43.4	3.6%
40	Trade, Transportation and Utilities	206.9	17.4%
60	Professional and Business Services	160.9	13.5%
55	Financial Activities	100.2	8.4%
50	Information	17	1.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ San Antonio's population rose every year between 2013 and 2022, for an overall 17.2% expansion, nearly three times the 6.3% national rate.
- ▶ In 2022, the population was up 1.6%, surpassing the U.S. (0.4%) and markets such as Atlanta (1.2%), Houston (1.3%) and Nashville (1.5%).

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

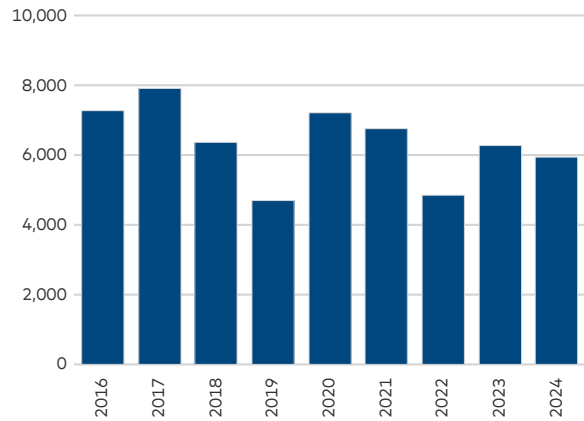
SUPPLY

- ▶ Developers added 5,944 units to San Antonio's inventory in 2024 through August, close to last year's overall total of 6,294. This volume represented 2.6% of stock, above the 1.7% U.S. rate.
- ▶ Lifestyle apartments accounted for two-thirds of this year's completions so far, with all first-quarter deliveries adding to the segment. Starting in the second quarter, developers began delivering fully affordable properties, too, for an overall 30% share of the year-to-date completions.
- ▶ The construction pipeline has thinned to 17,531 units underway as of August, and 42,000 in the planning and permitting phases. By composition, the Lifestyle stock will continue to post higher growth, as upscale units accounted for 72% of the pipeline. Fully affordable communities accounted for 22% and RBN for 6%, respectively.
- ▶ Construction starts through August dropped to 1,854 units across nine projects. During the same period last year, developers broke ground on a much more consistent 7,517 units across 25 properties.
- ▶ Activity was widespread across the map as of August, with 35 of the 45 submarkets tracked by Yardi Matrix each having more than 75

units underway. Five submarkets had more than 1,000 units underway each, led by New Braunfels (1,879) and Beckmann (1,238).

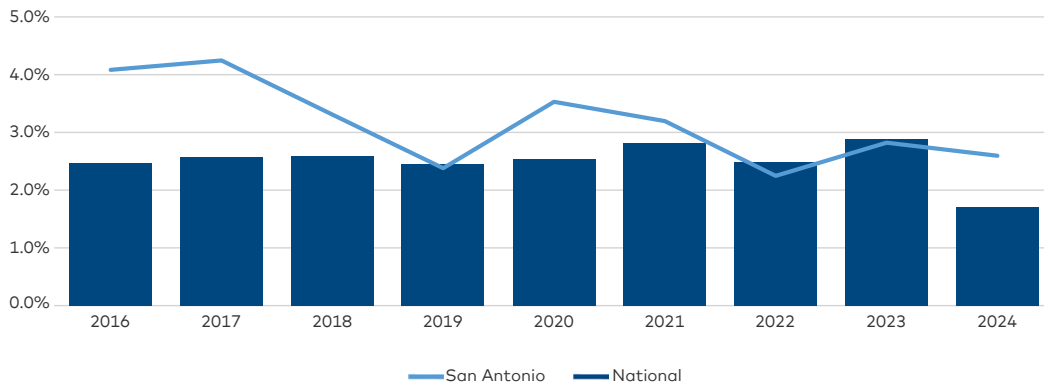
- ▶ The largest project delivered through August was the 386-unit Encore Grayson in Terrell Hills. Owned by Encore Enterprises, the Lifestyle asset holds a \$51 million construction loan issued in 2021 by Citizens Bank National Association.

San Antonio Completions (as of August 2024)



Source: Yardi Matrix

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

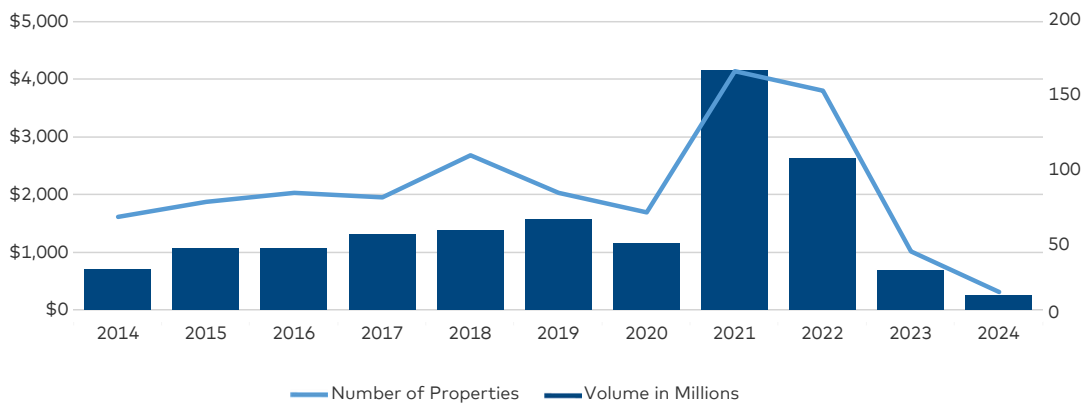


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investment activity remained mostly muted in 2024 through August, totaling just \$270 million, the lowest level of the past decade. Interest rate cuts, however, are sparking optimism that activity will pick up.
- ▶ San Antonio's average price per unit dropped 10% year-to-date as of August, to \$108,416. The U.S. figure was virtually flat, at \$184,269. The metro's sales composition favored value-add properties (63%), which contributed to the per-unit price decline.
- ▶ Notable sales recorded in San Antonio in 2024 through August include the transaction between buyer Bow River Capital and seller RangeWater Real Estate in July. The traded asset was the 284-unit Cottages at Leon Creek, a Lifestyle BTR property built in 2012 in the University of Texas at San Antonio submarket. The transaction holds a \$39.1 million loan originated by Delaware Life Insurance Co.

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



Source: Yardi Matrix

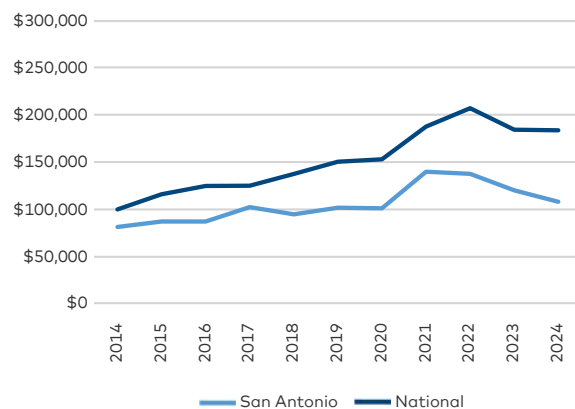
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Hollywood Park/Welmore	69
Far North Side	57
New Braunfels	56
University of Texas at San Antonio	52
USAA Area	34
Balcones Heights	34
North Loop	20

Source: Yardi Matrix

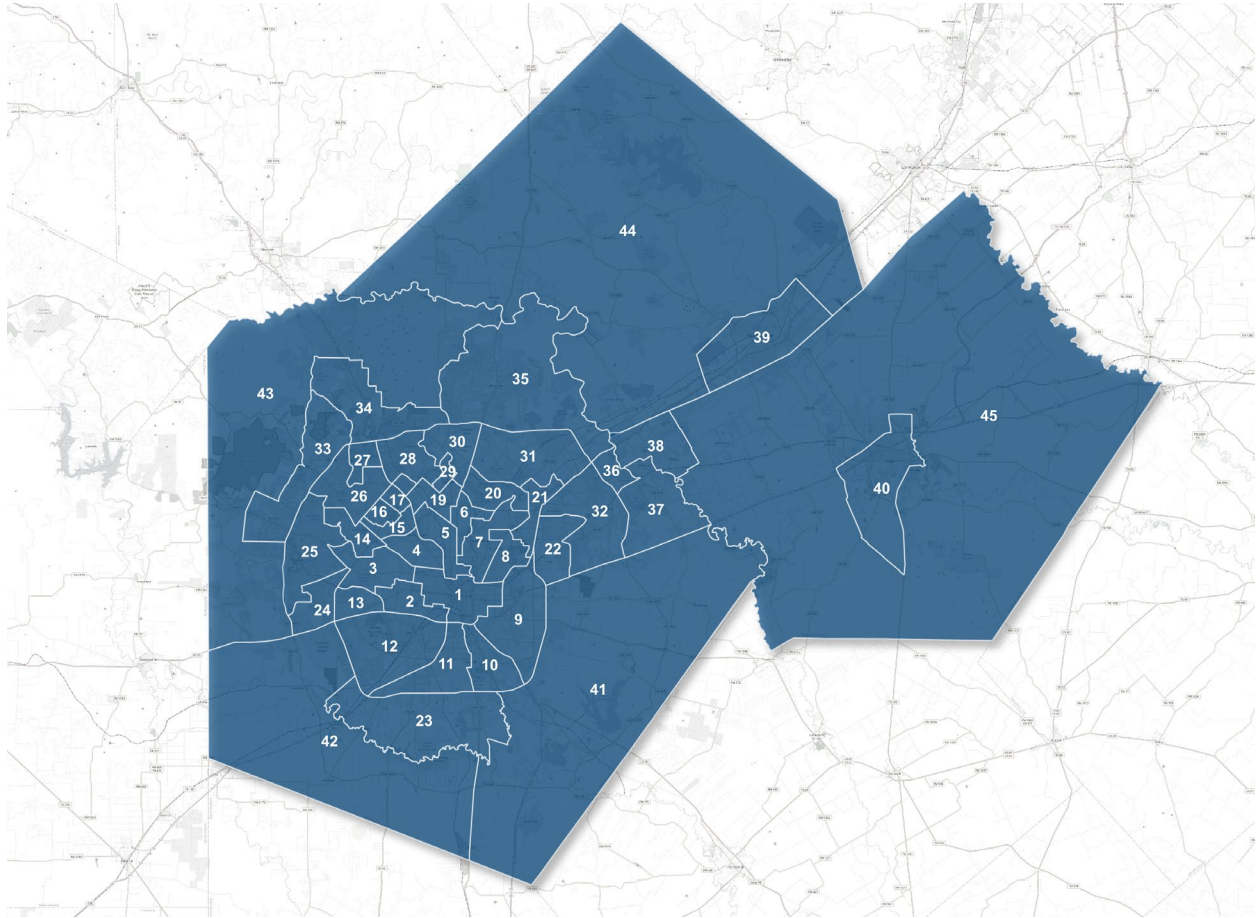
¹ From September 2023 to August 2024

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 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.

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