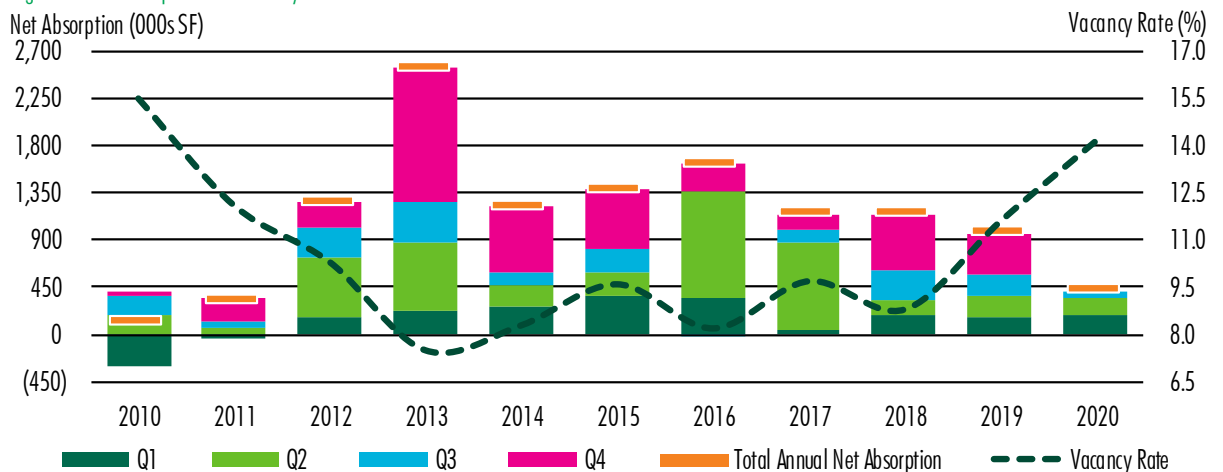


Q3 2020

# Spec deliveries cause uptick in vacancy

▲ Vacancy 14.2%
▼ Net Absorption 57,577 SF
▼ Avg. Asking Rate \$5.91 PSF
▼ Under Construction 1,836,209 SF
▲ Completions 841,161 SF

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2020.

**RAMP UP IN DELIVERIES CAUSE VACANCY TO SOAR QUARTER-OVER-QUARTER**

Four speculative projects delivered in Q3 2020, adding over 841,000 sq. ft. of vacant warehouse/distribution product to the San Antonio industrial market. This caused vacancy to increase by roughly 160 basis points from 12.6% in Q2 2020 to 14.2% in Q3 2020. 13 projects remain underway totaling 1.8 million sq. ft., with the lion's share stemming from the Northeast submarket.

**WAREHOUSE/DISTRIBUTION ASKING RATES FALL SLIGHTLY**

Warehouse/distribution asking rates fell slightly quarter-over-quarter from \$5.22 in Q2 2020 to \$5.12 per sq. ft. in Q3 2020. On the upside, Class B rates remained the same quarter-over-quarter at \$5.06 per sq. ft. while Flex/R&D rates grew \$0.60 to \$10.19 per sq. ft. quarter-over-quarter.

**U.S. OUTLOOK ON COVID-19**

Following the summer's wave of COVID-19 cases that restrained economic activity in July, key indicators suggest activity rebounded in August and into September. As of August, the labor market recovered nearly half the jobs it lost in February and April—representing a much faster recovery than previous recessions—as many firms brought back furloughed workers. We expect this bounce back to continue with overall economic losses limited to 5% this year following a 33% decline in the second quarter. A key item to watch is business sector health as bankruptcies are ticking up and the beleaguered hospitality sector must now contend with slower traffic moving into the autumn months. On the upside, it is likely a vaccine will be ready for distribution in early 2021.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	NNN Avg. Asking Lease Rate (\$/SF/YR)**			Under Construction (SF)	Deliveries (SF)	Q3 2020 Net Absorption
				Warehouse/ Distribution	Flex R&D	Industrial Avg.			
				CBD	361,991	0.0%			
Class A	0	-	-	N/A	N/A	N/A	-	-	0
Class B	0	-	-	N/A	N/A	N/A	-	-	0
North Central	6,417,730	11.8%	12.5%	5.69	10.86	7.14	-	-	55,791
Class A	960,752	13.0%	9.5%	6.93	N/A	6.93	-	-	-66,147
Class B	4,008,914	14.3%	14.8%	5.57	11.23	7.20	-	-	106,210
Northeast	27,965,428	15.4%	20.9%	5.06	7.14	5.23	995,209	689,368	32,731
Class A	10,233,217	20.3%	22.5%	5.29	10.50	5.36	801,583	689,368	-36,110
Class B	10,957,441	14.3%	24.3%	5.64	6.27	5.71	193,626	-	3,425
Northwest	5,784,705	8.2%	11.1%	6.07	10.87	8.14	-	-	-33,447
Class A	483,677	4.4%	5.3%	N/A	13.51	13.51	-	-	14,996
Class B	3,063,466	6.2%	11.3%	5.34	10.57	9.44	-	-	-25,040
South	8,323,785	16.7%	19.4%	4.55	12.00	4.80	841,000	151,793	2,502
Class A	3,344,565	19.5%	22.2%	4.99	N/A	4.99	787,000	-	2,502
Class B	3,294,337	16.7%	21.0%	4.82	12.00	5.29	54,000	151,793	0
<b>San Antonio Total</b>	<b>48,853,639</b>	<b>14.2%</b>	<b>18.2%</b>	<b>5.12</b>	<b>10.19</b>	<b>5.91</b>	<b>1,836,209</b>	<b>841,161</b>	<b>57,577</b>
<b>Class A</b>	<b>15,022,211</b>	<b>19.1%</b>	<b>21.0%</b>	<b>5.31</b>	<b>12.67</b>	<b>5.50</b>	<b>1,588,583</b>	<b>689,368</b>	<b>-84,759</b>
<b>Class B</b>	<b>21,324,158</b>	<b>13.5%</b>	<b>20.1%</b>	<b>5.06</b>	<b>10.41</b>	<b>6.40</b>	<b>247,626</b>	<b>151,793</b>	<b>84,595</b>
<b>Warehouse/Dist.</b>	<b>42,135,328</b>	<b>14.8%</b>	<b>17.3%</b>				<b>1,836,209</b>	<b>841,161</b>	<b>-52,726</b>
<b>Flex/R&amp;D</b>	<b>6,718,311</b>	<b>9.9%</b>	<b>12.3%</b>				<b>-</b>	<b>-</b>	<b>110,303</b>

\*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner-occupied properties. Source: \*\*Rental Rates Updated and Republished January 2021. CBRE Research, Q3 2020.

Figure 3: Largest Q3 2020 Positive Space Absorptions

Total SF	Submarket	Building	Building Class	Tenant
50,000	North Central	Green Mountain Business Park Bldg 7	A	Undisclosed
38,925	North Central	Arion Business Park 14	B	Undisclosed
38,000	Northeast	3000 E Houston St	C	Undisclosed

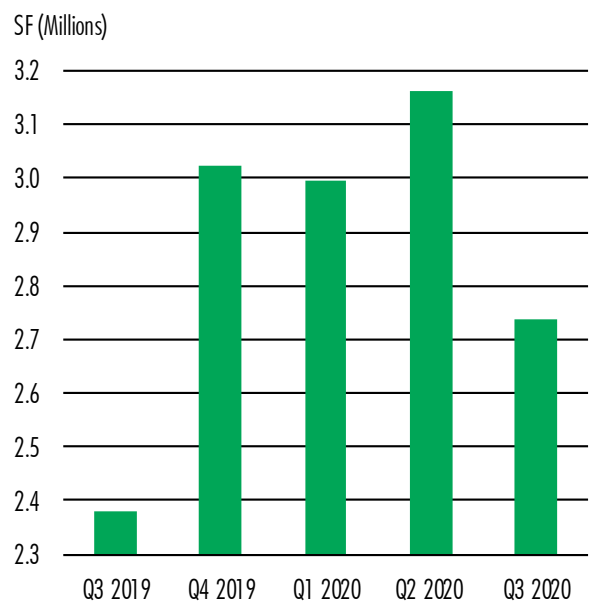
Source: CBRE Research, Q3 2020.

Figure 4: Largest Q3 2020 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant
77,600	North Central	Green Mountain Business Park Bldg 2	A	Rooster Group
40,000	Northeast	Nickcase Business Center	A	Undisclosed
38,547	North Central	3660 Thousand Oaks Dr	A	Undisclosed

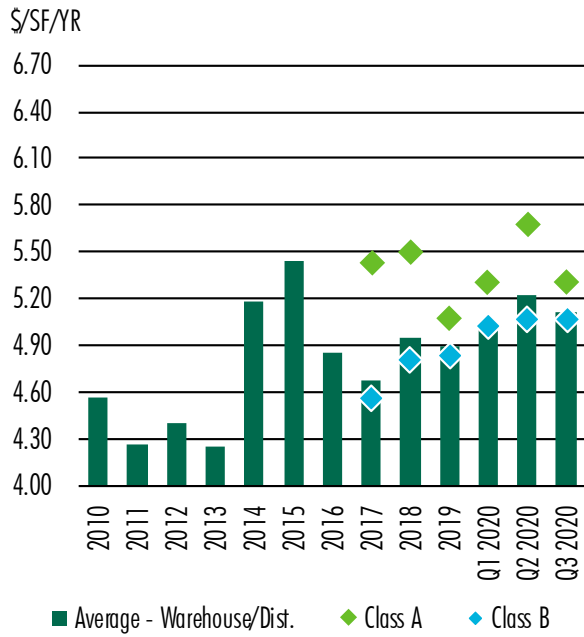
Source: CBRE Research, Q3 2020.

Figure 5: Active Users/Tenants in the Market



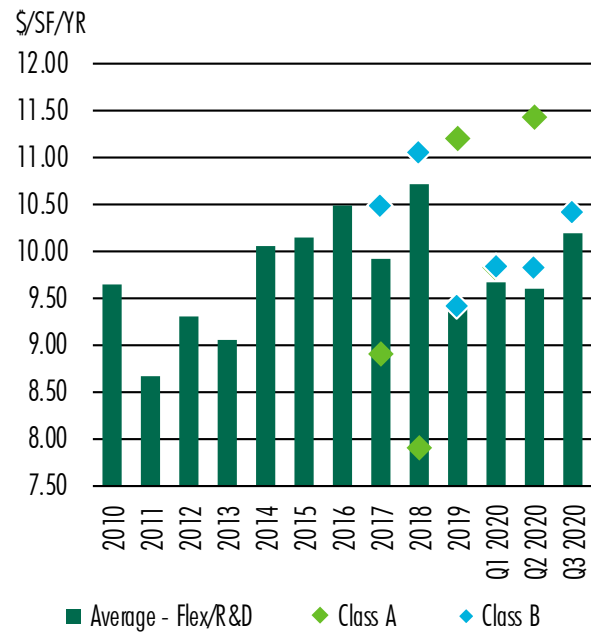
Source: CBRE Research, Q3 2020.

Figure 6: Avg. Asking Rates, NNN – Warehouse/Distribution



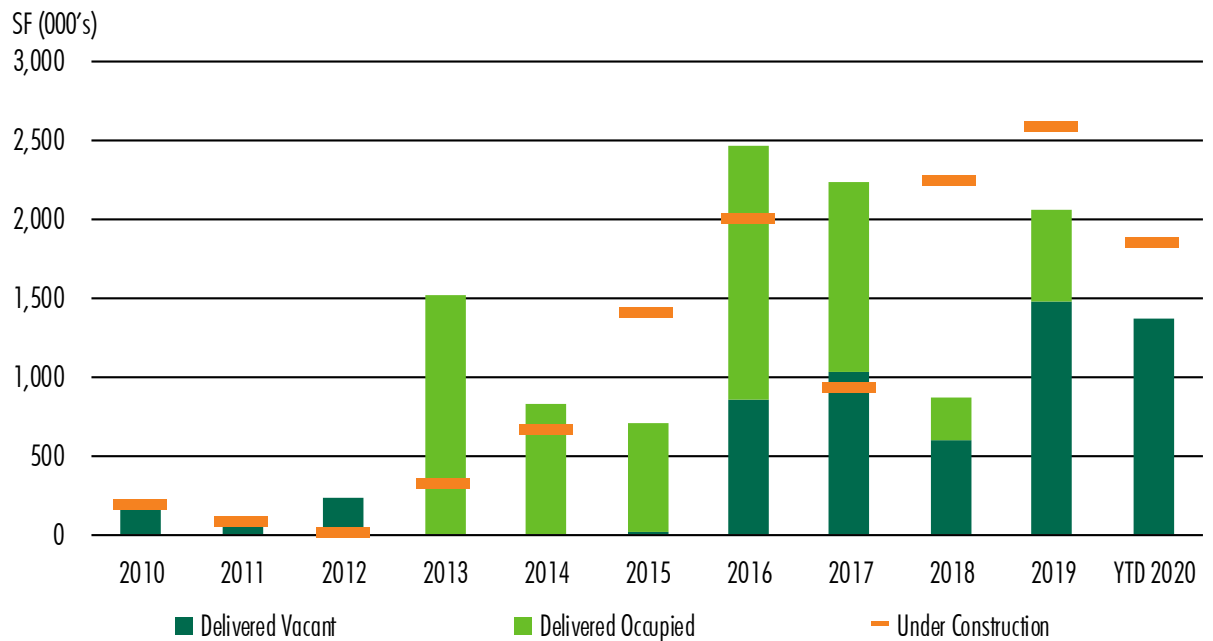
Source: CBRE Research, Q3 2020.

Figure 7: Avg. Asking Rates, NNN – Flex/R&D

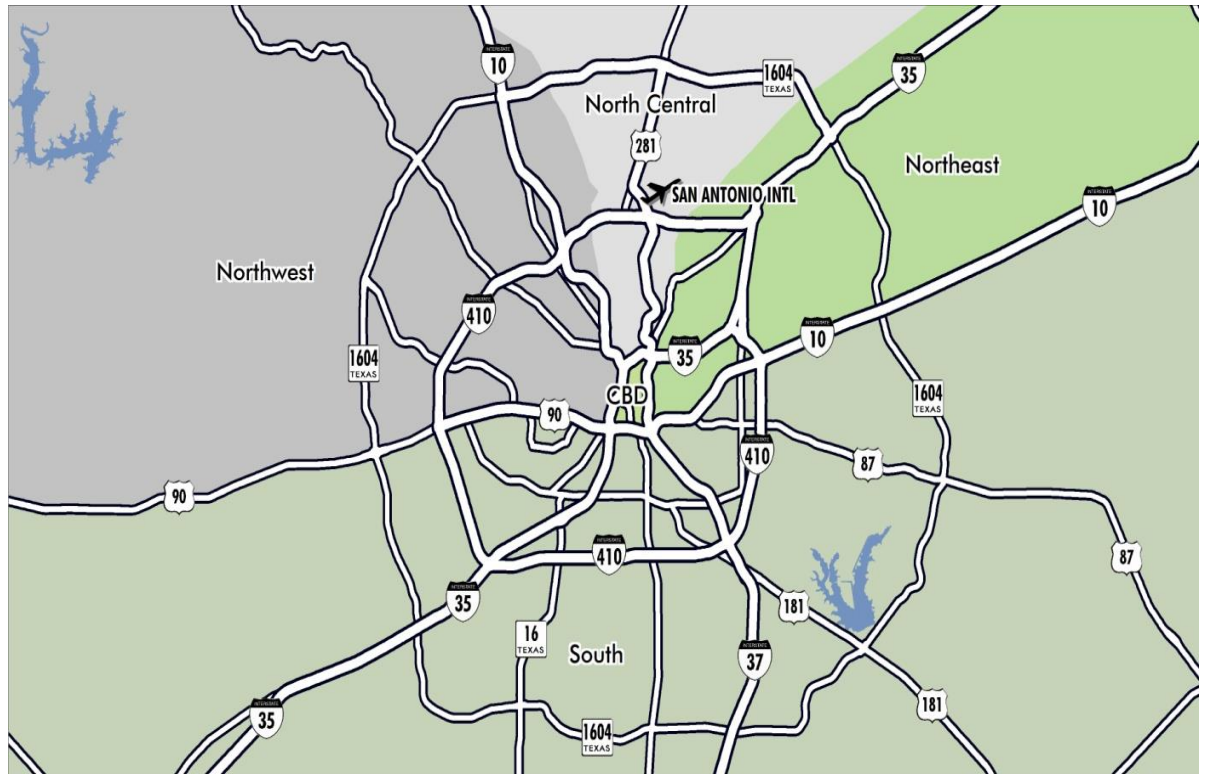


Source: CBRE Research, Q3 2020.

Figure 7: Construction



Source: CBRE Research, Q3 2020.



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\*Q3 2020 MarketView rental rates improved after original publication and republished with new rental rates in January 2021.

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