

San Antonio

The lull in leasing activity continues while the flood of sublease space starts to slow

- The trend of negative absorption throughout 2020 continued into Q4
- Increases in sublease vacancy slowed through the final quarter of the year.
- With so much still unknown, tenants and investors alike continue to struggle with planning occupancy strategies for the future.

Absorption remained negative once again this quarter, finishing at -158,394 s.f. Occupiers and investors continue to struggle with the challenges of COVID-19 and its effect on their ability to plan for the future. Fortunately, the flood of new sublease space that the market had been experiencing since COVID-19 arrived in the U.S. at the beginning of the year has started to slow. Of the 402,938 s.f. of sublease space that is currently on the market, only about 40,000 s.f. was added during Q4, while roughly 57,000 s.f. of sublease space was leased at Ridgewood Park.

Direct average asking rental rates remained stable quarter-over-quarter, closing out the year at \$27.09 p.s.f. on a full-service basis. This seems to affirm the sentiment amongst the brokerage community that landlords would rather give in on concessions than see their rental rates drop.

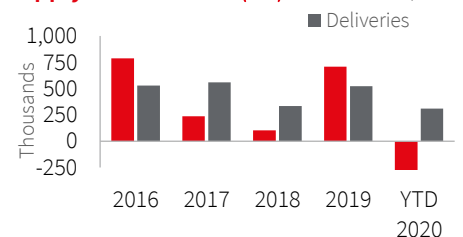
With a full pipeline of new construction, including the 53,000-s.f. 7600 Broadway delivering in Q3 2021, the growth pattern in asking rental rates that we saw through most of 2020 is likely to continue as more high-end space continues to deliver to the market. While much of the leasing activity throughout the market remains expiration-date driven, we are starting to see interest in the market begin to pick back up, especially amongst the locally-run tenant base. The larger national tenants appear to continue to have more of a wait-and-see outlook with regard to occupying space. The majority of leasing activity has been in the 1,000 to 4,000-s.f. range.

Outlook

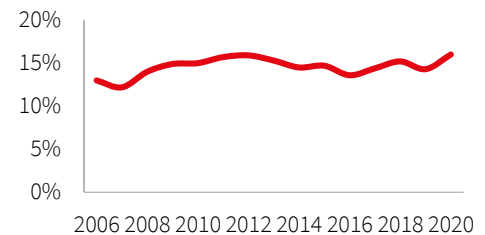
The development pipeline remains full, with roughly 860,000 s.f. of new construction underway throughout the city. Some of that space has begun to see some preleasing activity, however the majority of it remains available. Given San Antonio's low cost of living and cost of business, there is sentiment that the city is well-positioned for a swift recovery.

Fundamentals	Forecast
YTD net absorption	-336,773 s.f. ▼
Under construction	859,186 s.f. ▲
Total vacancy	16.0% ▲
Sublease vacancy	402,938 s.f. ▼
Direct asking rent	\$27.09 p.s.f. ▼
Sublease asking rent	\$26.23 p.s.f. ▼
Concessions	Increasing ▲

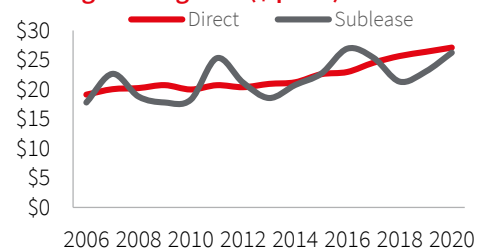
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



JLL Research Report

Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
CBD	Totals	4,930,277	-51,595	-69,707	-1.4%	10.4%	10.7%	\$33.32	0	170,440
Downtown	Totals	4,930,277	-51,595	-69,707	-1.4%	10.4%	10.7%	\$33.32	0	170,440
Comal County	Totals	385,628	0	-26,996	-7.0%	13.8%	13.8%	\$28.99	0	0
Far North Central	Totals	2,237,269	37,362	136,316	6.1%	10.2%	12.2%	\$36.57	0	220,000
Far Northwest	Totals	740,704	-4,574	-72,996	-9.9%	6.5%	15.9%	\$28.46	0	0
Far West	Totals	554,692	-9,991	-9,991	-1.8%	9.8%	11.6%	\$25.17	0	0
Midtown	Totals	1,757,331	5,840	63,578	3.6%	16.6%	17.3%	\$41.70	251,200	53,000
North Central	Totals	8,475,622	-114,302	-241,659	-2.9%	20.0%	20.5%	\$24.00	0	135,296
Northeast	Totals	2,123,213	2,652	60,268	2.8%	17.9%	17.9%	\$19.83	0	22,000
Northwest	Totals	9,588,592	-28,486	-195,659	-2.0%	13.4%	15.5%	\$25.74	60,000	84,890
South	Totals	1,011,571	4,700	20,073	2.0%	12.4%	12.6%	\$19.66	0	174,000
Suburban	Totals	26,874,622	-106,799	-267,066	-1.0%	15.5%	16.9%	\$26.30	311,200	689,186
San Antonio	Totals	31,804,899	-158,394	-336,773	-1.1%	14.7%	16.0%	\$27.09	311,200	859,626
CBD	A	2,328,513	-37,196	-25,488	-1.1%	8.1%	8.7%	\$39.49	0	140,440
Downtown	A	2,328,513	-37,196	-25,488	-1.1%	8.1%	8.7%	\$39.49	0	140,440
Comal County	A	252,588	0	-27,321	-10.8%	19.8%	19.8%	\$29.25	0	0
Far North Central	A	1,348,258	57,635	165,382	12.3%	8.7%	10.6%	\$38.36	0	220,000
Far Northwest	A	504,871	-9,668	-78,958	-15.6%	3.5%	17.2%	\$39.00	0	0
Far West	A	203,810	-9,991	-9,991	-4.9%	8.6%	13.5%	\$30.00	0	0
Midtown	A	1,221,848	3,440	51,151	4.2%	18.7%	19.4%	\$45.40	251,200	53,000
North Central	A	2,875,343	-36,104	-56,229	-2.0%	18.3%	19.0%	\$28.03	0	135,296
Northeast	A	394,240	298	12,380	3.1%	16.2%	16.2%	\$18.13	0	22,000
Northwest	A	3,090,235	11,910	-146,296	-4.7%	14.4%	20.3%	\$30.02	60,000	0
South	A	90,000	13,000	13,000	14.4%	0.0%	0.0%	\$0.00	0	174,000
Suburban	A	9,981,193	30,520	-76,882	-0.8%	14.7%	17.9%	\$31.63	311,200	604,296
San Antonio	A	12,309,706	-6,676	-102,370	-0.8%	13.4%	16.1%	\$32.81	311,200	744,736
CBD	B	2,320,548	-9,404	-39,796	-1.7%	13.7%	13.9%	\$25.96	0	30,000
Downtown	B	2,320,548	-9,404	-39,796	-1.7%	13.7%	13.9%	\$25.96	0	30,000
Comal County	B	133,040	0	325	0.2%	2.4%	2.4%	\$25.41	0	0
Far North Central	B	889,011	-20,273	-29,066	-3.3%	12.5%	14.6%	\$31.91	0	0
Far Northwest	B	235,833	5,094	5,962	2.5%	12.9%	12.9%	\$25.50	0	0
Far West	B	350,882	0	0	0.0%	10.4%	10.4%	\$23.93	0	0
Midtown	B	460,772	0	12,427	2.7%	13.8%	14.5%	\$27.25	0	0
North Central	B	4,971,281	-84,085	-181,377	-3.6%	21.6%	22.0%	\$22.33	0	0
Northeast	B	1,067,548	1,502	54,345	5.1%	17.5%	17.5%	\$21.25	0	0
Northwest	B	5,859,591	-39,141	-45,654	-0.8%	13.3%	13.6%	\$24.03	0	84,890
South	B	627,656	0	15,373	2.4%	16.5%	16.8%	\$0.00	0	0
Suburban	B	14,595,614	-136,903	-167,665	-1.1%	16.3%	16.8%	\$23.43	0	84,890
San Antonio	B	16,916,162	-146,307	-207,461	-1.2%	16.0%	16.4%	\$23.67	0	114,890
CBD	C	281,216	-4,995	-4,423	-1.6%	1.9%	1.9%	\$0.00	0	0
Downtown	C	281,216	-4,995	-4,423	-1.6%	1.9%	1.9%	\$0.00	0	0
Midtown	C	74,711	2,400	0	0.0%	0.0%	0.0%	\$0.00	0	0
North Central	C	628,998	5,887	-4,053	-0.6%	15.5%	15.5%	\$18.72	0	0
Northeast	C	661,425	852	-6,457	-1.0%	19.5%	19.5%	\$19.72	0	0
Northwest	C	638,766	-1,255	-3,709	-0.6%	9.4%	9.6%	\$17.38	0	0
South	C	293,915	-8,300	-8,300	-2.8%	7.3%	7.3%	\$19.66	0	0
Suburban	C	2,297,815	-416	-22,519	-1.0%	13.4%	13.5%	\$19.05	0	0
San Antonio	C	2,579,031	-5,411	-26,942	-1.0%	12.1%	12.2%	\$19.05	0	0