

A blue-tinted photograph of the San Antonio skyline. The Tower of the Americas is prominent on the left. The text is overlaid in white on the image.

# San Antonio 1Q 2023 Multifamily Market Report

**Welcome to the San Antonio Multifamily Market Report. This comprehensive analysis provides valuable insights into the multifamily sector's performance and emerging trends. Our data-driven approach equips investors and stakeholders with the knowledge to make informed decisions and maintain a competitive edge. We invite you to explore this resource and leverage its findings to refine your investment strategy.**

# Supply and Demand

## Completions in 1Q 2023

In the first quarter of 2023, the San Antonio multifamily market received 1,402 new units, with the majority of the supply (222 units) concentrated in the Southwest San Antonio submarket.

## Annual Supply Trends

The San Antonio multifamily market saw an increase of 3,005 units in the 2022 calendar year, resulting in a 1.3% expansion of the local inventory base. The Far North Central San Antonio submarket was the greatest contributor to this expansion, accounting for 22% of overall inventory growth.

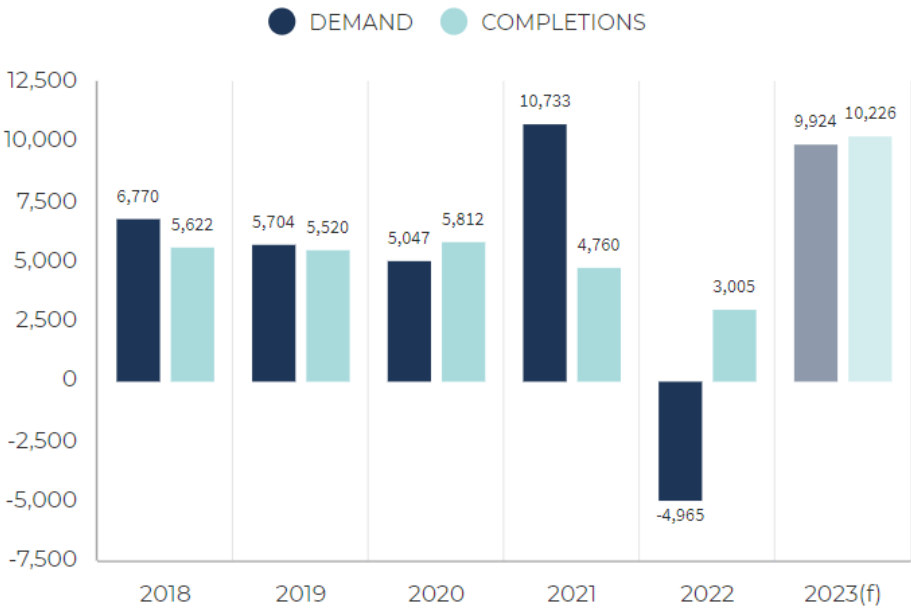
## Units Under Construction

Over the past two years, San Antonio has experienced a substantial uptick in its construction pipeline. As of the first quarter of 2023, developers were in the process of constructing 16,824 units, an amount that constitutes 7.6% of the existing inventory. Among the more than 7,000 units slated for delivery this year, a significant portion will be located in the Southwest San Antonio submarket, emphasizing the area's desirability among renters.

## Annual Absorption Trends

Over the past five years, the San Antonio apartment market has consistently exhibited positive annual absorption, with the exception of 2022, when it registered negative absorption for the first time in this timeframe. As of the first quarter of 2023, the Southwest San Antonio and Far North Central San Antonio submarkets demonstrated robust demand, contributing to a positive quarterly absorption figure. This was in contrast to the remaining submarkets, which faced comparatively weaker demand during the same period.

# ANNUAL DEMAND VS COMPLETIONS



# Occupancy and Rent Trends

## ▼ Occupancy Trends

The San Antonio-New Braunfels apartment market has maintained an average occupancy rate of 94% over the past five years, though it decreased to 92.5% in the first quarter of 2023. Class A units boasted the highest occupancy at 93.1%, followed by Class C units at 92.7% and Class B units at 92.0%. Despite Class B units traditionally exhibiting the most substantial occupancy rates over the past five years, they experienced the most notable decline from the previous year.

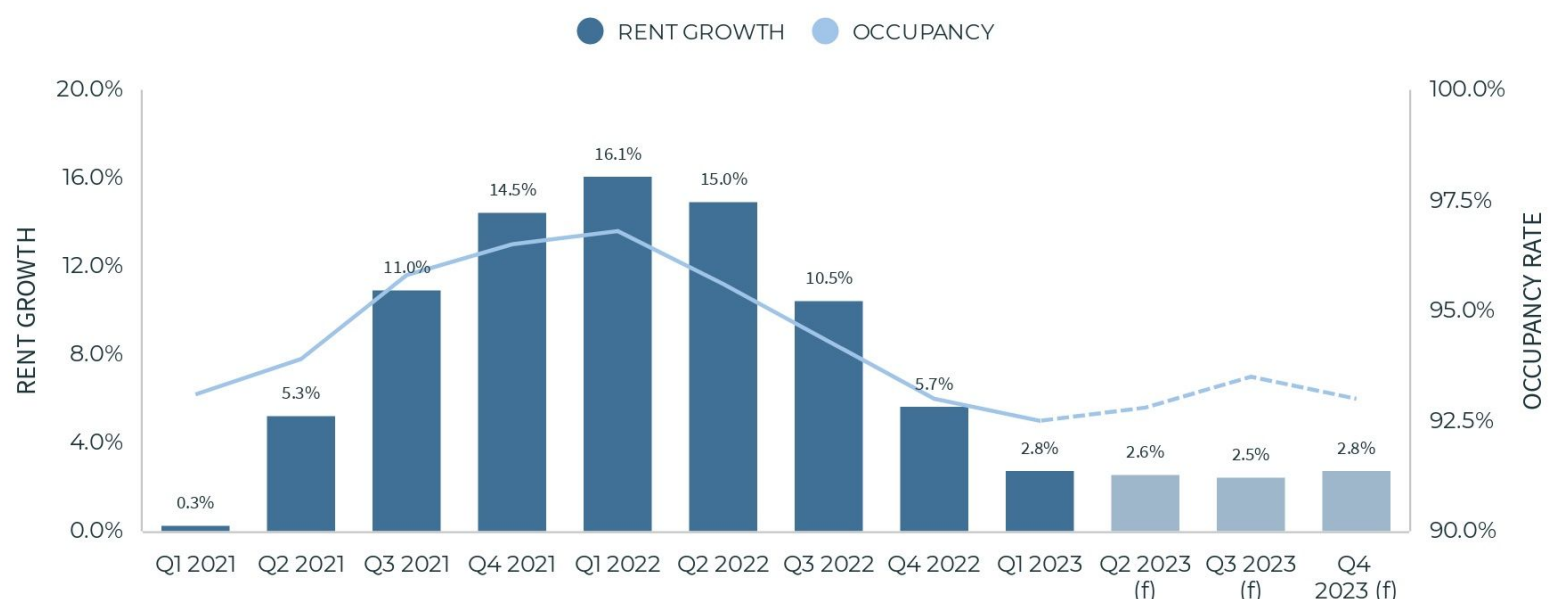
In terms of submarkets, the first quarter of 2023 showcased the strongest occupancy levels in Central San Antonio and Far North Central San Antonio. However, the New Braunfels/Schertz/Universal City area has consistently maintained the highest occupancy over the past five years. Moving forward, occupancy rates are anticipated to stabilize around 93% this year.

## ▼ Rental Trends

As of the first quarter of 2023, the San Antonio-New Braunfels rental market recorded an average rental rate of \$1,264 per month. The prevailing economic climate has led to a deceleration in rent growth within the San Antonio market in recent quarters. In 1Q 2023, asking rent for new leases registered a year-over-year increase of 2.8%, falling below the market's five-year average of 4.9%.

Amidst an influx of new supply exerting pressure on operators' capacity to elevate rents, Class A units registered a 2.9% year-over-year increase in the first quarter of 2023. This figure represents a significant decline from the substantial 20.5% annual rent increase observed in the same quarter just one year prior. Class C rents followed at 3.9% YoY, and Class B units at 2.3% YoY. The most notable annual rent change performances over the past year were identified in the Northeast San Antonio and Southwest San Antonio submarkets. In the foreseeable future, the annual rent change in the San Antonio-New Braunfels region is expected to remain at a level akin to the present one.

## RENT AND OCCUPANCY TRENDS



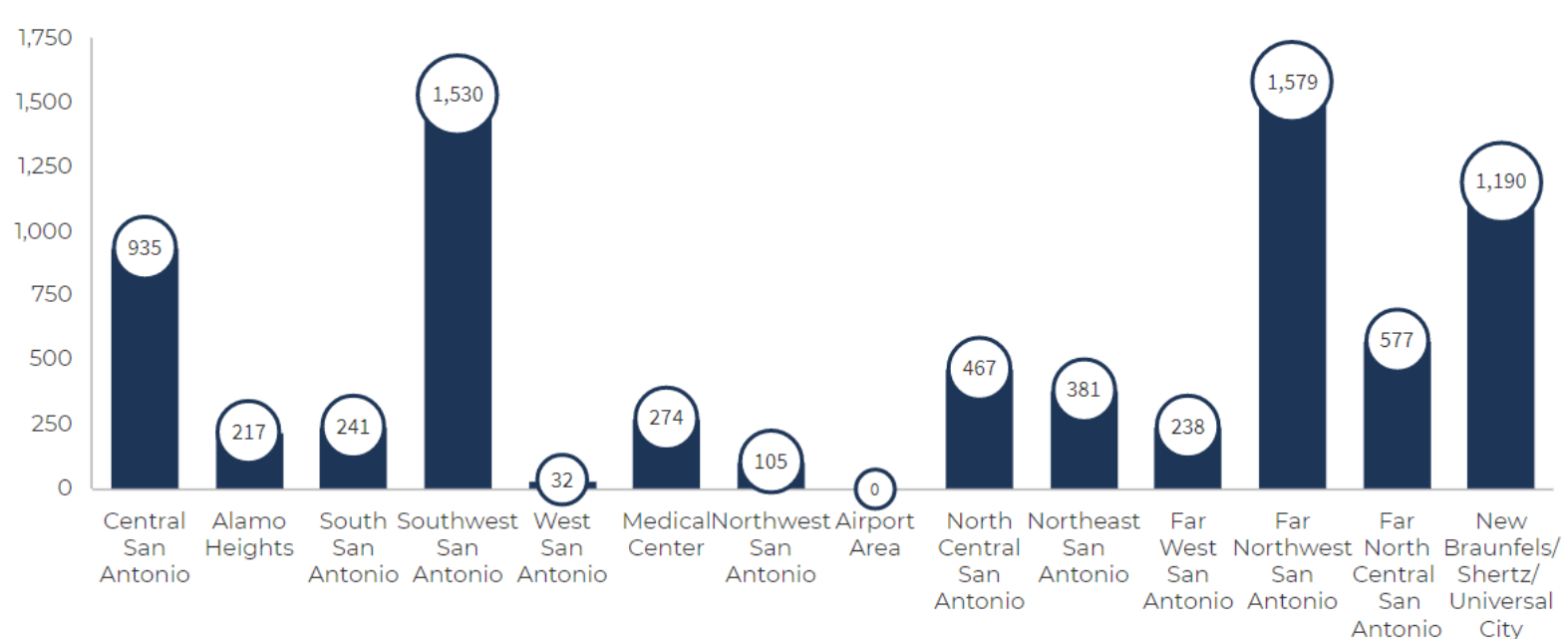
# Submarket Analysis

Despite facing short-term challenges, San Antonio's demand drivers maintain stability, and the long-term outlook remains optimistic. Over the past year, only two submarkets experienced positive net absorption; however, demand has been robust in submarkets with active supply pipelines. In the coming year, new supply is anticipated to surge, reaching the highest volume of deliveries since record-keeping commenced in 1993.

Marketwide occupancy is reverting to seasonal patterns. Class C units exhibited the most robust rent growth, whereas Class B units demonstrated the weakest performance. Rent growth was most pronounced in the Northeast and Southwest San Antonio submarkets, while the Far Northwest and Far West San Antonio submarkets saw the most modest growth.

Submarket Name	1Q23 Occupancy Rate	Annual Change	1Q23 Effective Rent	Annual Change
Central San Antonio	93.7%	-3.0%	\$1,514	3.0%
Alamo Heights	93.0%	-3.9%	\$1,458	2.7%
South San Antonio	91.6%	-4.5%	\$1,080	3.9%
Southwest San Antonio	91.4%	-5.0%	\$1,112	4.0%
West San Antonio	91.3%	-5.5%	\$1,016	2.2%
Medical Center	92.2%	-4.2%	\$1,158	3.2%
Northwest San Antonio	92.9%	-3.3%	\$1,174	3.7%
Airport Area	91.6%	-5.4%	\$1,116	3.1%
North Central San Antonio	93.2%	-3.6%	\$1,292	1.8%
Northeast San Antonio	92.4%	-4.5%	\$1,133	6.5%
Far West San Antonio	92.4%	-4.4%	\$1,304	0.8%
Far Northwest San Antonio	92.6%	-4.3%	\$1,470	0.1%
Far North Central San Antonio	93.5%	-4.2%	\$1,470	3.1%
New Braunfels / Schertz / Universal City	92.9%	-4.5%	\$1,331	3.5%

## UNITS BY SUBMARKET DELIVERING IN 2023



# Sales Activity

The San Antonio apartment market witnessed a decline in transaction dollar volumes, with a total of approximately \$2.5 billion in the year ending 1st quarter 2023, marking a 35.8% drop year-over-year. In the 1st quarter of 2023, there were 14 transactions, totaling \$393.8 million, reflecting a decrease of 49.3% compared to the previous year. Moreover, the number of transactions reduced by 54.8% in the past year, with 82 apartment properties exchanging hands.

The average price per unit in San Antonio stood at around \$139,677, which represents a decline of 3.2% annually. The San Antonio average price per unit was lower than the Southwest region's average of \$207,738 and the U.S. overall average of \$245,640.

## Transaction Trends

### Transaction Volume

**\$393.8M**

1Q 2023 Transaction Volume

### Pricing

**139.7K**

1Q 2023 Price Per Unit (*T4 Quarter*)

**-49.3%**

Annual Volume Change

**3.2%**

Annual Price Change

### Top Buyers (Prev. 24 Mos)

1. SPI Advisory
2. River Rock Capital
3. PEM Real Estate Group
4. GV&A RE Investments
5. DB Cap Mgmt

### Top Sellers (Prev. 24 Mos)

1. Fortress
2. GV&A RE Investments
3. NRP Group
4. Cambridge Dev Group
5. The Carlyle Group Inc (CA)

# Economy

San Antonio labor market has made a strong recovery from the pandemic, with nonfarm payrolls exceeding pre-pandemic levels according to recent Bureau of Labor Statistics data. However, as of recent, growth has slowed, with March's numbers falling below the 12-month average. Unemployment rate has gone up slightly from the same period last year, reaching 3.9% in March 2023, yet it still remains well below the long-term average of 5.3%.

The Leisure and Hospitality sector has shown significant strength, adding 11,900 jobs over the past year. The Education and Health services, and Financial Activities sectors have also followed closely seeing an accelerated growth rate of 8,100 and 4,900 jobs from the previous year, respectively. Historically, San Antonio's economic drivers have been in slow-growth industries like healthcare, government, military, aerospace repair, and manufacturing. To stimulate the economy in New Braunfels and retain skilled talent, city leaders are launching a new economic development plan that focuses on attracting high-wage jobs, such as those offered by Continental Automotive's new \$110 million manufacturing center, which is expected to employ 500 workers by 2026.

## Major Economic Developments



**FGF brands to invest over \$129M**

**\$129M**  
Total Investment

**600**  
new positions

**West Side of SA**  
Location



**\$400M Toyota Assembly Plant Expansion**

**40,000**  
Jobs over 10 years

**1,500**  
High-Paying Jobs retained

**\$400M**  
Investment

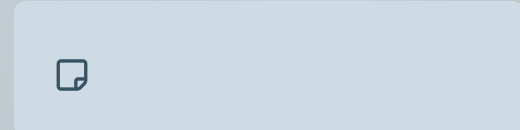


**Civic Park Project To Create 6K Jobs**

**\$880M**  
Investment

**6,141**  
new jobs created

**300K SF**  
of office, retail, and hotel space



# Market Outlook

San Antonio's apartment market will experience short-term challenges, but San Antonio's stable employment base in sectors such as healthcare, government, military, and aerospace manufacturing will help alleviate any severe consequences. However, these consistent demand drivers could also constrain potential growth. Occupancy and rent change are projected to decelerate in 2023 but are anticipated to revert closer to long-term norms by 2024 and beyond. Over the next 12 months, new supply is set to accelerate, with 10,226 units scheduled for delivery. The majority of this development will be concentrated in Far Northwest San Antonio and the New Braunfels / Schertz / Universal City areas.





**Michael Watson**

**Managing Director**

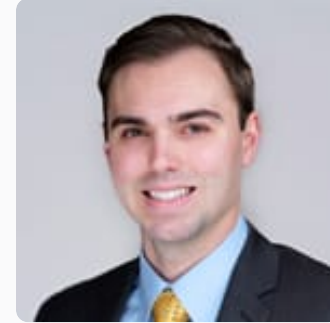
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