

San Antonio 3Q23 Multifamily Market Report



\$1,269
AVERAGE RENT



91.9%
AVERAGE OCCUPANCY RATE



\$992.3M
YTD SALES VOLUME



-2.3%
YOY RENT CHANGE



-2.4 POINTS
YOY OCCUPANCY CHANGE



33
YTD INDIVIDUAL TRANSACTIONS

Supply & Demand

3Q23

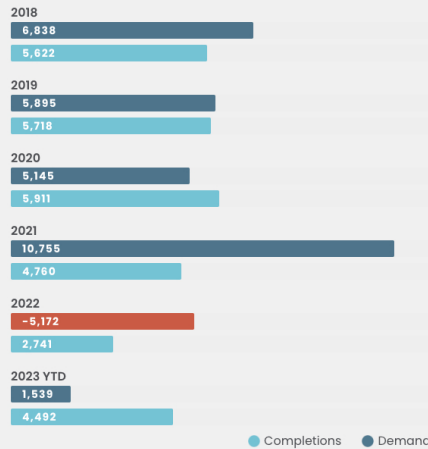


1,171 Units
QUARTERLY DEMAND
YTD: 1,539



1,833 Units
QUARTERLY COMPLETIONS
YTD: 4,492

Annual Demand Vs Completions



Demand Trends

- Although positive, the San Antonio-New Braunfels market has witnessed a somewhat subdued apartment demand in 2023 relative to previous years. The traditionally robust demand observed in prior 3rd quarters fell below historical standards, with the market registering a modest net gain of 748 units this year.
- The demand was most pronounced in the submarkets that have seen the largest supply influx over the past year: Southwest San Antonio and Far Northwest San Antonio.



Completion Trends

- Through the end of the third quarter of 2023, the San Antonio market added 4,492 new units, contributing to a 2.2% expansion in the local inventory base.
- The bulk of the supply was concentrated in Southwest San Antonio and Far Northwest San Antonio. The annual new supply average stood at 4,954 units, with the annual inventory growth averaging 2.3% over the preceding five years.



Demand Outlook

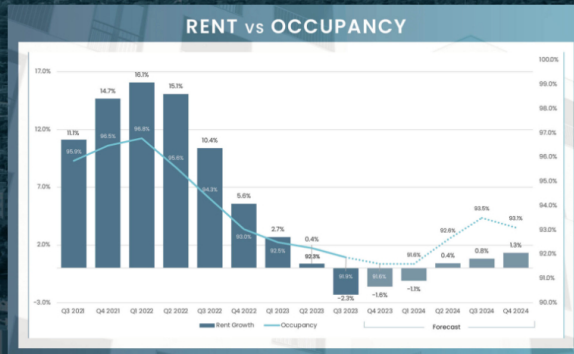
- The impending influx of over 12,000 new units in the next four quarters is poised to present a considerable challenge for the San Antonio market.
- Despite this, demand projections remain optimistic. Anticipated to either match or slightly surpass the record supply in the coming year, demand is particularly expected to remain strong in northern suburbs with high construction activity, like Far Northwest San Antonio and New Braunfels/Schertz/Universal City.



New Supply Outlook

- By the end of Q2 2023, the San Antonio market had over 17,000 units under construction, with 12,000 of these units anticipated to be completed within the next four quarters – a historic high for the market.
- The wave of scheduled deliveries in the coming year will mainly hit Far Northwest San Antonio, New Braunfels/Schertz/Universal City, and Central San Antonio, pressuring operators to maintain occupancy in these areas.

Occupancy & Rent Trends



RENT VS OWN MONTHLY PAYMENT



\$2,592

Average Monthly Mortgage Payment



\$1,269

Average Monthly Rent

* The Average mortgage payment is based off a median home sales price of \$324,750 as reported by the San Antonio Association of Realtors as of May 2023.

OCCUPANCY TRENDS

The San Antonio-New Braunfels market has seen a tepid apartment demand in 2023, particularly when juxtaposed with the vibrancy of preceding years. The typically buoyant 2nd and 3rd quarters didn't align with historical vigor, and the net gain hovered at a mere 748 units in the 3rd quarter of 2023. This scenario, where supply overtakes demand, nudged the marketwide occupancy down by 0.4 points quarter-over-quarter and a more noticeable 2.4 points year-over-year, resting at 91.9% as the third quarter concluded. The occupancy scenario painted a lackluster picture across asset classes, albeit Class A properties fared relatively better with a 92.8% occupancy rate in the 3rd quarter of 2023, outshining Class B at 91.6% and Class C at 91.5%. The submarket analysis too reflected a similar pattern of weakened occupancy, with figures meandering from a low of 90.2% in Southwest San Antonio to a peak of 93.3% in New Braunfels/Schertz/Universal City.

RENTAL TRENDS

Over the recent five-year span, the San Antonio-New Braunfels market has navigated through substantial fluctuations in rent growth, swinging between a 1.0% dip to a notable 16.1% ascent. As the curtains fell on the third quarter, the rate for new lease rents receded by 2.3% annually. Amidst the cascade of fresh apartment offerings, Class A unit rent growth hit a standstill, marking a 2.1% year-over-year descent, as operators shift their focus towards sustaining occupancy amidst the prevailing market conditions. The ripple of annual rent downswing spared no asset class, albeit the economical Class C segment weathered the storm relatively well with a mere -0.4% contraction over the year.

On delving into San Antonio's submarket dynamics, a pervasive trend of annual rent shrinkage emerged across 13 out of 14 submarkets. Standing alone against the tide, the South San Antonio submarket registered a slender 0.6% annual uptick in rents. In a contrasting scenario, the Far Northwest submarket bore the brunt of a significant annual rent contraction, plummeting 6.0% over the year.

Submarket Rent & Occupancy

Show entries

Search:

Submarket	Average Occupancy	Annual Occupancy Change	Average Monthly Rent	Annual Rent Change
Airport Area	91.4%	-2.5%	\$1,124	-0.4%
Alamo Heights	92.2%	-2.2%	\$1,485	-1.5%
Central San Antonio	92.7%	-1.1%	\$1,508	-1.1%
Far North Central San Antonio	92.8%	-2.7%	\$1,485	-2.3%
Far Northwest San Antonio	92.5%	-1.1%	\$1,483	-4.6%
Far West San Antonio	92.1%	-2.0%	\$1,271	-6.0%
Medical Center	90.9%	-3.5%	\$1,161	-1.6%
New Braunfels/Schertz/Universal City	93.3%	-2.3%	\$1,352	-2.3%
North Central San Antonio	93.0%	-2.8%	\$1,301	-1.7%
Northeast San Antonio	91.6%	-2.5%	\$1,125	-1.2%
Northwest San Antonio	91.2%	-2.9%	\$1,191	-0.4%
South San Antonio	91.1%	-2.1%	\$1,110	0.6%
Southwest San Antonio	90.2%	-3.5%	\$1,107	-2.9%
West San Antonio	91.4%	-1.9%	\$1,030	-1.8%

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◀ Previous Next ▶

Units by Submarket Delivering in 2023



19,450

Number of Units Under Construction



12,016

Number of Units UC Delivering In the Next 4 Quarters

Units Under Construction

Airport Area - 0
Alamo Heights - 217
Central San Antonio - 1,948
Far North Central San Antonio - 1,265
Far Northwest San Antonio - 4,412
Far West San Antonio - 1,362
Medical Center - 294
New Braunfels/Schertz/Universal City - 3,779
North Central San Antonio - 1,255
Northeast San Antonio - 666
Northwest San Antonio - 300
South San Antonio - 2,149
Southwest San Antonio - 1,479
West San Antonio - 324

Units Delivering Next 4Q

Airport Area - 0
Alamo Heights - 80
Alamo Heights - 1,549
Far North Central San Antonio - 590
Far Northwest San Antonio - 2,923
Far West San Antonio - 404
Medical Center - 212
New Braunfels/Schertz/Universal City - 2,220
North Central San Antonio - 800
Northeast San Antonio - 402
Northwest San Antonio - 90
South San Antonio - 1,300
Southwest San Antonio - 1,188
West San Antonio - 258

Sales Activity

Throughout the current year, the transaction landscape in the San Antonio-New Braunfels market for individual multifamily property sales has retracted, tallying at approximately \$992.3 million. This figure represents a 61% year-over-year decline. Simultaneously, the frequency of transactions dwindled by 56 when compared to the same time frame from the preceding year, encapsulating 33 apartment property exchanges since the year's onset. Despite these descending trends, the per unit prices have showcased resilience, inching up by 1.9% and clocking in around \$185,000 as the third quarter wrapped up. Nonetheless, this metric trails behind the average unit prices observed both in the South region (\$202,600) and on the broader U.S. canvas (\$225,200). This pricing scenario potentially earmarks San Antonio-New Braunfels as a fertile ground for investment pursuits, buoyed by its comparative affordability.

▲ Most Active Buyers (Previous 24 Months)

1. River Rock Capital
2. DB Capital Management
3. MLG Capital
4. Harbor Group
5. PEM Real Estate Group

▲ Most Active Sellers (Previous 24 Months)

1. Fortress
2. GV&A RE Investments
3. Internacional Realty
4. NRP Group
5. Regional Investment & Management

*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

\$992.3M

YTD Transaction Volume

-61%

Y-O-Y Change

33

Individual Transaction Count

\$154.6K*

Price Per Unit

15%

Annual Price Change

* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M +

Economy

As of August 2023, the labor market in the San Antonio region demonstrates continued resilience, with a notable change in employment across various sectors according to the latest BLS data. Total non-farm employment continues to be robust. The government sector led the growth with 8,300 new jobs, marking a 4.9% increase. Following this, the education and health services sector added 6,200 jobs, a 3.6% increase, while the leisure and hospitality sector grew by 3.8%, adding 5,400 jobs. Financial activities and construction sectors also saw a positive uptick with 3,200 and 1,700 new jobs, growing by 3.2% and 2.7% respectively. The overall job market in San Antonio remains healthy, though the unemployment rate in August 2023 stood at 4.3%, a bit higher than the national average of 3.8%. The city's diverse economic sectors continue to provide a stable employment landscape, which, coupled with a relatively lower cost of living, makes San Antonio a viable locale for a broad spectrum of the workforce. The sustained growth in most sectors reflects a balanced and adaptable economy capable of weathering the

Top 5 Employment Sector Annual Change



EDUCATION & HEALTH SERVICES



LEISURE & HOSPITALITY

ebbs and flows inherent in a dynamic job market.



26.2K
AUGUST ANNUAL JOBS CREATED



2.3%
AUGUST 2023 EMPLOYMENT GROWTH



4.3%
AUGUST 2023 UNEMPLOYMENT RATE
3.8% US AUGUST RATE



FINANCIAL ACTIVITIES



TRADE,
TRANSPORTATION &
UTILITIES

Hover over icons to view data

Search:

Sector	Change from August 2022 to August 2023	Percent Change
Government	8,300	4.9%
Education and health services	6,200	3.6%
Leisure and hospitality	5,400	3.8%
Financial activities	3,200	3.2%
Trade, transportation, and utilities	1,800	0.9%
Construction	1,700	2.7%
Other services	1,200	3.0%
Mining & logging	400	5.8%
Information	400	2.1%
Manufacturing	(900)	-1.6%
Professional and business services	(1,500)	-0.9%

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Cost of Living Comparison

The cost-of-living index in San Antonio, TX, stands at a modest 91.2, showcasing a market that's more affordable relative to the national average. A significant contributor to this affordability is the housing sector, with a housing index of 78.1 and a median home sales price of \$334,100, which has seen a year-over-year decrease of 4.4%. When compared to a tech hub like Austin, TX, San Antonio offers a more cost-effective living arrangement, particularly in housing, which is 29.8% less expensive. Additionally, utilities in San Antonio are 5.7% less, although transportation and health costs are slightly higher, at 4.8% and 4.6% respectively. The comparison in transportation and health costs indicates a balanced trade-off between the two Texas cities. The average mortgage payment in San Antonio stands at \$2,592, as opposed to the average rent of \$1,269, presenting a favorable scenario for renters. This economical landscape, coupled with the moderate cost of essential utilities, makes San Antonio an attractive option for a variety of individuals seeking affordability without significantly compromising on the quality of life, especially when compared to its pricier neighbor, Austin.

Austin, TX vs. San Antonio, TX

Cost of Living Comparison

Groceries:

1.6% Less

Housing:

29.8% Less

Utilities:

5.7% More

Transportation:

4.8% Less

91.2

Cost of Living Index

\$2,592

Average Mortgage
(vs Average Rent: \$1,269)

78.1

Housing Index Score

87.3

Utilities Index Score

91.5

Gas Index Score

**Health:
4.6% Less**

\$334,100

**Median Home Sale Price
(YoY Change: -4.4%)**

The "Cost of Living" index score provides a comparative assessment of the relative expense involved in maintaining a standard of living in a specific area, benchmarked against a national index score of 100.



Market Outlook

In alignment with numerous markets across the U.S., San Antonio is forecasted to experience subdued rent growth and occupancy rates in the near term. The city's solid employment foundation in health care, government, military, and aerospace manufacturing and repair sectors acts as a cushion against potential economic uncertainties. A notable challenge for San Antonio is the influx of new supply, with over 12,000 new units projected to enter the market in the upcoming four quarters. However, demand is anticipated to align with, or slightly surpass, this significant supply increase in the year ahead, particularly in northern suburbs like Far Northwest San Antonio and New Braunfels/Schertz/Universal City where new construction is robust. Historically, occupancy rates in San Antonio have trailed the national average, a trend expected to persist in the projected outlook. This presents some headwinds for the San Antonio apartment market, as cooling demand in the short term may pose challenges. Despite these challenges, the stable employment base across various sectors is expected to mitigate major impacts. For the remainder of 2023, a slowdown in both occupancy and rent change is projected for the market. These metrics, however, are expected to gradually stabilize, aligning closer to long-term averages by 2024 and beyond.

Sources: RealPage; BLS; MSCI; The Council for Community And Economic Research (C2ER)

TO GAIN FURTHER INSIGHTS INTO THE SAN ANTONIO MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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