

San Antonio 2024 Market Forecast

MARKET SNAPSHOT



AVERAGE RENT
\$1,225 4Q 2023
\$1,252 4Q 2024



2024 RENT CHANGE
2.2%



OCCUPANCY RATE
90.2% 4Q 2023
90.1% 4Q 2024



2024 OCCUPANCY CHANGE
-10 BASIS POINTS



EMPLOYMENT*
1.16M 2023
1.18M 2024



UNEMPLOYMENT RATE**
3.8% 2023
3.7% 2024

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- San Antonio's apartment market in 2024 is poised to transition from recovery to stability, with a future shift towards growth as new unit deliveries decrease and demand, supported by robust economic drivers, stabilizes.
- Construction is active across a wide range of San Antonio's submarkets, with development occurring in 12 out of the 16 identified areas. The North San Antonio submarket is leading in terms of volume, contributing nearly 20% of the units expected to be delivered in 2024.
- Absorption is forecast to almost triple from 3,400 units in 2023 to over 9,000 in 2024, driven by job growth and increasing wages.
- San Antonio's multifamily market retains long-term investment appeal, bolstered by a positive economic outlook, significant job growth, and major industrial developments.

Supply & Demand

2024 FULL YEAR FORECAST

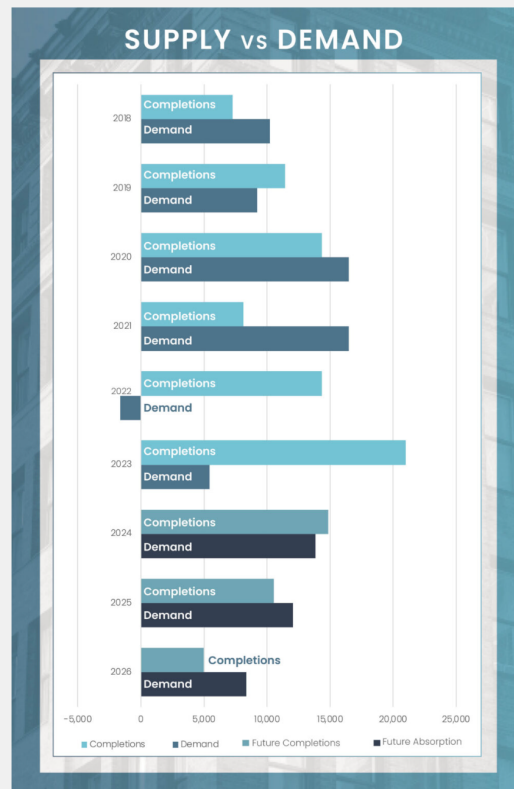


9,084 Units
 FORECASTED ABSORPTION



10,574 Units
 FORECASTED NEW SUPPLY

Annual Demand Vs Completions



Demand / Occupancy Outlook

In 2023, San Antonio's multifamily market was marked by a recovery in absorption, with 3,400 units absorbed, a significant turnaround from the negative absorption of 1,200 units in 2022. As we look ahead to 2024, the market is expected to experience an even greater surge in absorption, driven by an expanding job market and increasing wages. Projections indicate that absorption could reach around 9,000 units, nearly tripling the figure from 2023. This increase is anticipated to significantly reduce the current imbalance between new supply and demand, which has been a challenge for market fundamentals over the past two years.

Downtown San Antonio is poised to be a key contributor, potentially accounting for over a third of the market's absorption. While the overall occupancy rate, currently at 90.2%, might face a slight decline of 10 basis points by the end of the year, most submarkets are expected to maintain stable occupancy rates. This suggests a positive outlook for the San Antonio multifamily market in 2024, reflecting both its resilience and potential for growth.

New Supply Outlook

The San Antonio apartment market is currently undergoing a significant expansion, highlighted by the addition of approximately 7,000 apartment units in 2023. A closer look at the ongoing developments reveals that a significant number of units, totaling 17,399, are currently under construction. Out of these, 10,567 units are anticipated to be completed in the coming twelve months, which will increase the apartment inventory by 4.9%.

Construction is active across a wide range of San Antonio's submarkets, with development occurring in 12 out of the 16 identified areas. The North San Antonio submarket is leading in terms of volume, contributing nearly 20% of the units expected to be delivered in 2024. Alongside this, other areas like Comal County, Southeast San Antonio, Far West San Antonio, and Northeast San Antonio are also key centers of activity. Each of these submarkets is poised to see their housing inventories grow by over 1,000 units this year.

Occupancy & Rent Trends

RENT VS OWN MONTHLY PAYMENT



\$2,801

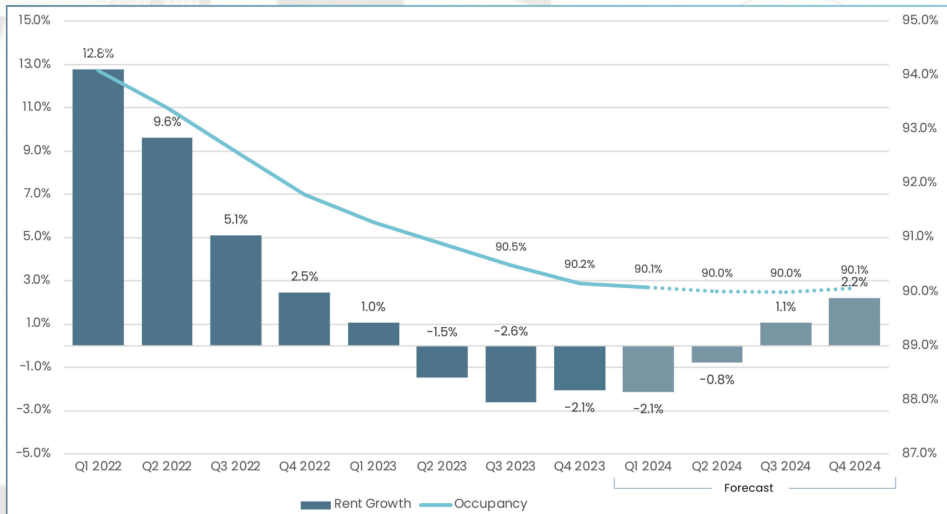
Average Monthly Mortgage Payment



\$1,225

Average Monthly Rent

RENT vs OCCUPANCY



2024 RENT TRENDS OUTLOOK

The last quarter of 2023 marked the third consecutive quarter of negative rent growth for San Antonio, culminating in a 2.1% annual decrease. This trend, influenced by ongoing supply side pressure, is expected to persist through the first half of 2024, a period typically characterized by slower leasing activity. However, a change is anticipated later in the year, as absorption is forecasted to gain momentum. This increase in absorption is expected to offset the significant supply-demand imbalance that has defined the San Antonio market over the past two years. A robust leasing season in the spring and summer is projected to reverse the trend, leading to a positive rent growth of 2.2% by the year's end.

Performance will vary across San Antonio's 16 submarkets. Kendall County, with a smaller inventory, is expected to experience a rent growth of 3.0% by the final quarter. In contrast, Midtown San Antonio, which has seen a continuous influx of new supply, is predicted to lag behind with a 1.9% growth rate. The overarching narrative for San Antonio's apartment market in 2024 is one of transition from recovery to stability. Looking beyond 2024, as the number of new units delivered decreases and demand, bolstered by the metro's strong economic drivers, stabilizes, the market is likely to shift towards growth.

Submarket Rent & Occupancy

Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Atascosa County	88.8%	88.5%	-0.3%	\$1,042	\$1,071	2.7%
Comal County	92.3%	92.3%	0.0%	\$1,464	\$1,492	1.9%
Downtown San Antonio	92.8%	92.8%	0.1%	\$1,388	\$1,423	2.5%
Far West San Antonio	90.1%	90.0%	-0.1%	\$1,234	\$1,258	2.0%
Guadalupe County	93.4%	93.4%	0.0%	\$1,203	\$1,231	2.3%
Kendall County	93.0%	93.1%	0.0%	\$1,332	\$1,371	3.0%
Medina County	96.1%	96.1%	0.0%	\$889	\$916	3.0%
Midtown San Antonio	89.8%	89.8%	-0.1%	\$1,752	\$1,786	1.9%
North Central San Antonio	86.5%	86.3%	-0.3%	\$1,149	\$1,176	2.4%
North San Antonio	90.4%	90.4%	-0.1%	\$1,298	\$1,326	2.2%
Northeast San Antonio	90.4%	90.3%	-0.1%	\$1,115	\$1,141	2.3%
Northwest San Antonio	90.1%	90.0%	-0.1%	\$1,238	\$1,265	2.2%
Southeast San Antonio	90.1%	89.9%	-0.2%	\$1,103	\$1,129	2.3%
Southwest San Antonio	90.3%	90.2%	0.0%	\$955	\$978	2.5%
Westside San Antonio	90.7%	90.6%	-0.1%	\$918	\$941	2.6%
Wilson County	89.8%	89.5%	-0.3%	\$1,205	\$1,237	2.7%
Market	90.2%	90.1%	-0.1%	\$1,225	\$1,252	2.2%

Submarket Construction Pipeline



213,606

4Q 2023 Unit Inventory



17,399

Number of Units Under Construction



10,567

Number of Units UC Delivering In the Next 4 Quarters

Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering In the Next 4 Quarters
Atascosa County	379	0	0%	0.0%	0
Comal County	9,979	2,066	21%	11.9%	1,276
Downtown San Antonio	6,590	1,356	21%	7.8%	740
Far West San Antonio	27,738	3,383	12%	19.4%	1,069
Guadalupe County	3,569	1,218	34%	7.0%	773
Kendall County	2,006	192	10%	1.1%	191
Medina County	505	0	0%	0.0%	0
Midtown San Antonio	3,208	1,025	32%	5.9%	911
North Central San Antonio	15,954	30	0%	0.2%	29
North San Antonio	36,672	3,172	9%	18.2%	2,057
Northeast San Antonio	20,819	916	4%	5.3%	915
Northwest San Antonio	59,513	1,590	3%	9.1%	1,017
Southeast San Antonio	13,050	1,486	11%	8.5%	1,218
Southwest San Antonio	4,678	965	21%	5.5%	371
Westside San Antonio	8,514	0	0%	0.0%	0
Wilson County	432	0	0%	0.0%	0
Market	213,606	17,399	8.1%	100.0%	10,567

Sales Activity

Preliminary data from MSCI shows that 2023 ended on a low note for sales of conventional multifamily assets in San Antonio. Despite the usual end-of-year rush to record sales and the time taken by data services to consolidate transactions, it appears unlikely that any late surge would significantly change the overall trend. The final quarter of 2023 registered a sales volume of \$156.2 million, the lowest for a fourth quarter in over ten years. The annual transaction volume totaled \$1.2 billion, spread over 39 individual asset sales, marking a 59% reduction in dollar volume from the previous year. However, this figure is in line with the annual average seen before the pandemic.

The assets traded in 2023 were predominantly of high caliber, as indicated by the year-over-year increase in the price per unit (PPU). Looking forward to 2024, if interest rates stabilize or decline, San Antonio's enduring appeal as a prime multifamily investment destination could offer promising opportunities for informed investors. The potential for more attractively priced deals to appear on the market presents a favorable scenario for those looking to capitalize on long-term investment prospects in this market.

▲ Most Active Buyers (Previous 24 Months)

1. River Rock Capital
2. Ilan Investments
3. MLG Capital
4. DB Cap Mgmt
5. CWS Capital Partners

▲ Most Active Sellers (Previous 24 Months)

1. Fortress
2. Internacional Realty
3. Greenlaw Partners LLC
4. CBRE Investment Mgmt
5. Churchill Forge Proprs

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

TRANSACTION VOLUME

\$1.2B (p)

2023 Transaction Volume

-59%

Y-O-Y Change

39 YTD

Individual Transaction Count

\$151.9k*

Price Per Unit

12.2%

Annual PPU Price Change

* Trailing 4Q average PPU

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

P=Preliminary

Employment Forecast

EMPLOYMENT SECTOR FORECAST



Forecasted 2024 Employment Sector Growth

Sector	Employment Change 2023 to 2024	Percent Change
Overall Employment	16,600	1.4%
Manufacturing	800	1.4%
Construction	1,200	1.9%
Trade, Transport, & Utilities	1,100	0.6%
Information	300	1.6%
Financial Activities	1,000	1.0%
Professional & Business Services	(200)	-0.1%
Education & Health Services	5,100	2.9%
Government	3,500	1.9%
Leisure & Hospitality	2,800	1.9%
Natural Resources & Mining	1,100	13.7%
Other Services	(100)	-0.2%

Edit

Economic Outlook

San Antonio's economic outlook for 2024 is looking bright, with significant job growth on the horizon, contributing to the stabilization of the apartment market. The city is poised to add 16,600 new jobs, which is expected to further reduce the local unemployment rate. As of the end of 2023, this rate stood at 3.8%, closely aligning with the national average, and it's anticipated to 3.7%.

The metro's attractiveness as a destination for domestic migrants plays a crucial role in bolstering its economy. San Antonio's economic strength is underpinned by the presence of four military bases, a substantial medical industry, and the headquarters of major firms such as USAA and H-E-B. These elements contribute significantly to the market's economic stability and growth.

Additionally, San Antonio is increasingly becoming a hub for industry leaders. Notable developments, such as the \$265 million investment by the global manufacturer JCB in South San Antonio, are testament to this trend. Projects like these are expected to be a major economic stimulus for San Antonio in the coming years, enhancing its appeal as a vibrant and growing market, both for businesses and residents alike.

Sources: Costar; Yard Matrix; BLS; MSCI; Moody's Analytics; BizJournal

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



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