

FIGURES | SAN ANTONIO RETAIL | Q4 2022

# Occupancy continues to trend upward as retail market strengthens

▲ 95.4%  
Occupancy Rate

▲ 329,096  
SF Net Absorption

▲ 808,221  
SF Under Construction

▶ \$28.00  
NNN / Lease Rate

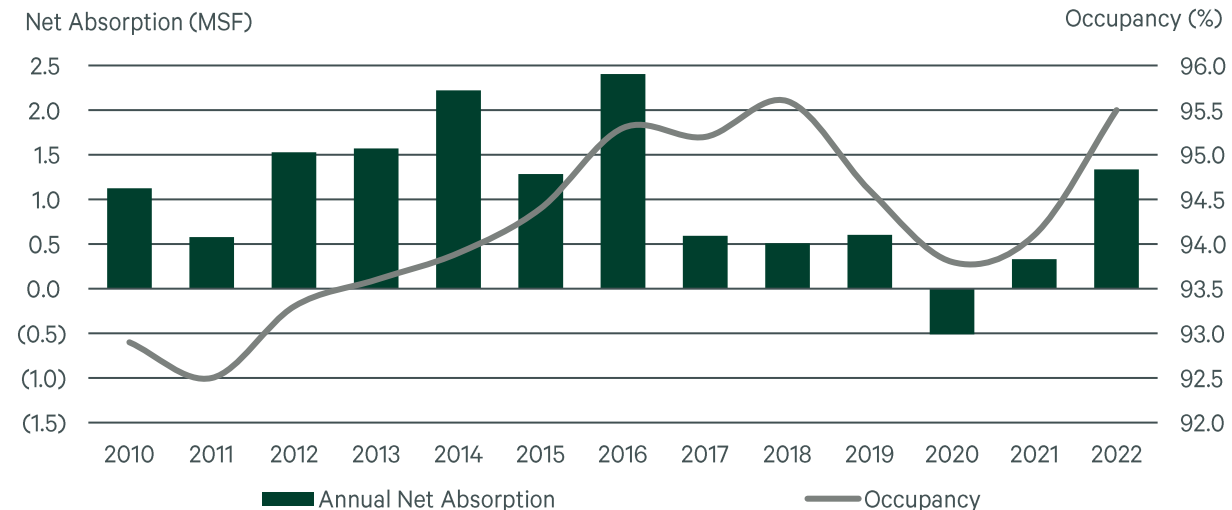
Note: Arrows indicate change from previous quarter.

## HIGHLIGHTS

- Market-wide occupancy grew to 95.4% in Q4 2022, up 10 basis points (bps) from the previous quarter.
- Healthy leasing activity continued to tighten vacancies, with six submarkets registering occupancy increases across the San Antonio-New Braunfels metro area this quarter.
- New residents pushed population growth rates to nearly 1.0% year-over-year and 6.8% over the last five years.
- Retail development remained strongest in the suburbs where demand is highest, particularly near new housing projects.
- Nine projects totaling 223,585 sq. ft. delivered in Q4 2022.

The San Antonio retail market remained strong in Q4 2022, marking the seventh consecutive quarter of positive net demand. Despite concerns of inflation, travel and leisure activity did not show signs of a slowdown, with total New Years Eve restaurant reservations rising 64.3% compared to the pre-pandemic holiday in 2019. Moreover, the San Antonio International Airport registered over 9.4 million passengers in 2022, reporting an annual increase of 26.8%.

FIGURE 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q4 2022.

FIGURE 2: San Antonio Retail Market Statistics

		Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
ATASCOSA COUNTY	Absorption (Net, SF)	(6,691)	-	949	-	-	3,000
	Under Construction (SF)	-	-	-	-	-	-
	Rentable Building Area (RBA)	993,890	993,890	1,004,530	1,004,530	1,004,530	1,004,670
	Occupancy Rate (%)	98.9	98.9	97.9	97.9	97.9	98.2
COMAL COUNTY	Absorption (Net, SF)	22,077	(2,400)	(3,739)	3,251	8,086	128,830
	Under Construction (SF)	169,018	122,222	122,222	205,208	256,223	122,001
	Rentable Building Area (RBA)	5,440,612	5,356,393	5,361,721	5,362,162	5,174,047	5,308,269
	Occupancy Rate (%)	97.2	97.6	97.7	97.8	97.9	97.9
KENDALL COUNTY	Absorption (Net, SF)	(8,711)	(1,094)	2,394	46,174	(1,500)	(1,447)
	Under Construction (SF)	30,000	-	-	-	14,534	14,534
	Rentable Building Area (RBA)	1,158,501	1,154,053	1,154,054	1,156,454	1,156,454	1,148,454
	Occupancy Rate (%)	95.2	95.1	95.3	99.3	99.1	99.1
CENTRAL BUSINESS DISTRICT	Absorption (Net, SF)	(1,857)	22,440	14,042	19,065	(33,332)	4,156
	Under Construction (SF)	-	-	12,000	12,000	22,920	12,000
	Rentable Building Area (RBA)	3,370,594	3,730,594	3,730,594	3,817,243	3,832,586	3,843,506
	Occupancy Rate (%)	95.8	96.6	96.7	97.0	96.1	96.0
WILSON COUNTY	Absorption (Net, SF)	(7,108)	(8,879)	-	27,360	-	8,450
	Under Construction (SF)	-	-	-	-	-	-
	Rentable Building Area (RBA)	427,037	427,037	427,037	427,037	427,037	427,037
	Occupancy Rate (%)	93.8	91.7	91.7	98.1	96.4	98.3
MEDINA COUNTY	Absorption (Net, SF)	-	-	(2,051)	3,882	0	4,551
	Under Construction (SF)	-	-	-	-	-	-
	Rentable Building Area (RBA)	653,194	653,194	653,194	653,194	653,194	651,988
	Occupancy Rate (%)	91.5	91.5	97.8	98.4	98.4	99.1
NORTH CENTRAL	Absorption (Net, SF)	(25,920)	34,756	39,170	40,621	23,456	9,737
	Under Construction (SF)	65,121	65,121	10,230	21,430	21,430	21,200
	Rentable Building Area (RBA)	19,569,278	19,570,998	19,745,345	19,703,957	19,698,541	19,726,077
	Occupancy Rate (%)	92.1	92.1	92.3	93.1	93.3	93.4

Source: CBRE Research, Q4 2022.

FIGURE 2: San Antonio Retail Market Statistics

		Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
NORTHWEST	Absorption (Net, SF)	74,953	78,839	114,621	78,943	8,681	881
	Under Construction (SF)	394,804	325,977	239,645	287,290	96,500	164,847
	Rentable Building Area (RBA)	29,446,977	29,761,438	29,758,814	29,752,654	29,775,792	29,672,332
	Occupancy Rate (%)	93.9	94.6	95.4	95.4	95.5	95.7
FAR WEST	Absorption (Net, SF)	9,716	12,960	15,577	4,413	8,941	156,204
	Under Construction (SF)	61,138	182,279	199,972	104,701	105,201	113,315
	Rentable Building Area (RBA)	3,011,245	3,003,245	2,988,988	2,988,926	2,901,381	2,913,877
	Occupancy Rate (%)	89.8	89.0	90.8	90.6	90.6	94.7
SOUTH	Absorption (Net, SF)	26,888	(36,682)	147,146	10,620	(24,556)	(3,172)
	Under Construction (SF)	-	-	10,542	10,542	33,340	123,094
	Rentable Building Area (RBA)	9,869,837	9,619,447	9,761,053	9,772,811	9,669,482	9,680,297
	Occupancy Rate (%)	93.8	95.1	97.4	97.5	97.2	97.2
NORTHEAST	Absorption (Net, SF)	35,020	7,943	30,274	54,511	74,904	18,543
	Under Construction (SF)	99,527	82,527	10,382	10,382	10,382	-
	Rentable Building Area (RBA)	12,112,122	12,138,644	12,218,072	12,233,780	12,270,741	12,240,731
	Occupancy Rate (%)	94.4	94.5	94.4	94.9	95.4	94.1
GUADALUPE COUNTY	Absorption (Net, SF)	14,722	6,084	160,510	7,913	3,489	(637)
	Under Construction (SF)	160,000	160,000	20,000	186,455	186,455	237,230
	Rentable Building Area (RBA)	3,334,600	3,334,600	3,475,289	3,476,789	3,169,989	3,189,706
	Occupancy Rate (%)	92.4	92.7	93.3	93.7	97.0	96.4
BANDERA COUNTY	Absorption (Net, SF)	-	-	-	-	-	-
	Under Construction (SF)	-	-	-	-	-	-
	Rentable Building Area (RBA)	173,567	173,567	173,567	173,567	173,567	173,567
	Occupancy Rate (%)	100.0	100.0	100.0	100.0	100.0	100.0
<b>SAN ANTONIO TOTAL</b>	<b>Absorption (Net, SF)</b>	<b>133,089</b>	<b>113,967</b>	<b>518,893</b>	<b>296,753</b>	<b>68,169</b>	<b>329,096</b>
	<b>Under Construction (SF)</b>	<b>979,608</b>	<b>943,126</b>	<b>624,993</b>	<b>838,008</b>	<b>746,985</b>	<b>808,221</b>
	<b>Rentable Building Area (RBA)</b>	<b>89,921,454</b>	<b>89,917,100</b>	<b>90,452,258</b>	<b>90,523,104</b>	<b>89,907,341</b>	<b>89,980,511</b>
	<b>Occupancy Rate (%)</b>	<b>93.9</b>	<b>94.1</b>	<b>94.8</b>	<b>95.2</b>	<b>95.3</b>	<b>95.4</b>

Source: CBRE Research, Q4 2022.

## OVERVIEW OF MARKET FUNDAMENTALS

The job market continued to bounce back from the COVID-induced slump in the second half of 2022. According to the Federal Reserve Bank of Dallas, roughly 180,000 jobs have been added since April 2020, surpassing the numbers of jobs lost due to implications from the pandemic.

The Dallas Fed also reported that San Antonio payrolls increased by 4,966 jobs from October to November 2022. Private sector hourly wages increased at a steady pace from \$27.61 in August to \$27.83 in October. The other services sector saw a 31.1% increase in jobs from October to November, while leisure and hospitality jobs rose 10.3%. Conversely, mining was the only sector to experience a decline in payrolls from the same time period, with only a 0.4% decrease.

### ASKING RATES & OCCUPANCY

Market-wide occupancy grew to 95.4% in Q4 2022 – 10 basis points (bps) up from the previous quarter. Healthy leasing activity continued to tighten vacancies, with six submarkets registering occupancy increases across the San Antonio-New Braunfels metro area this quarter. Overall asking rates remained robust, with an average of \$28.00 NNN per sq. ft. this quarter.

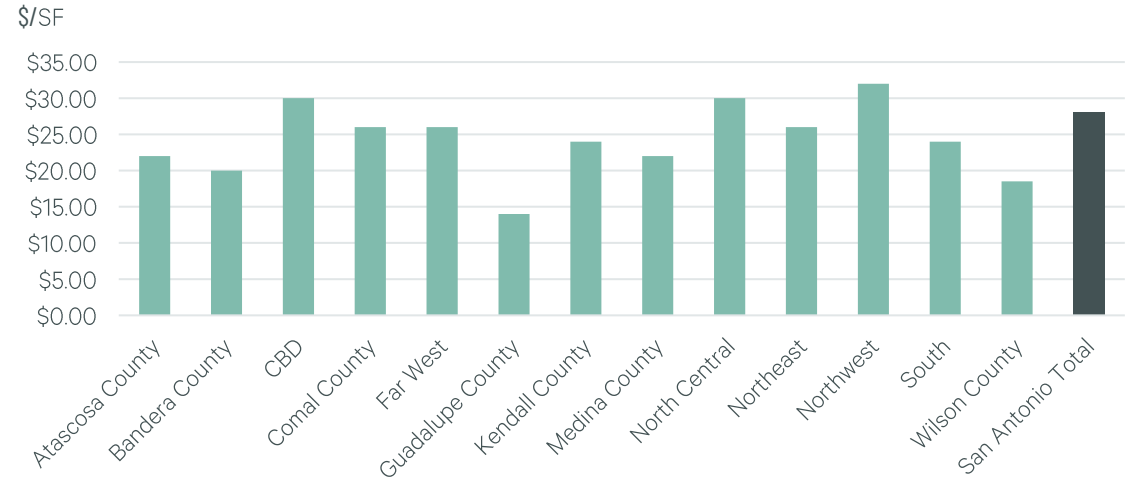
- The Comal County and Far West submarkets registered the most amount of space absorbed this quarter.

### DEVELOPMENT

Nine projects totaling 223,585 sq. ft. delivered in Q4 2022. New construction is on the horizon, with 31 projects totaling over 808,000 sq. ft. currently underway.

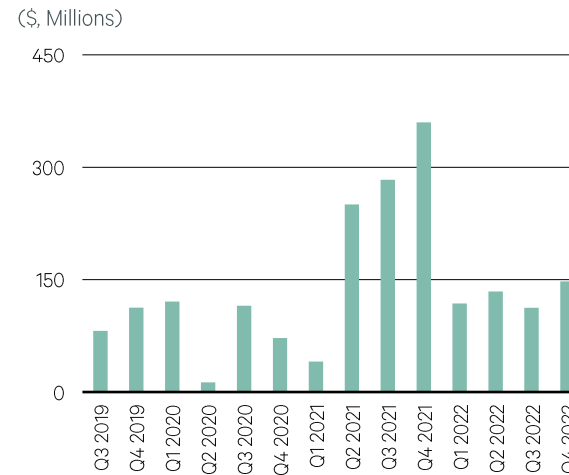
- Retail development remained strongest in the suburbs where demand is highest, particularly near new housing projects.
- The Guadalupe, Northwest and South submarkets held the lion’s share of new development, with a combined 525,171 sq. ft. of space under construction across the three areas.

FIGURE 3: Average Asking Rents by Submarket (Annual, NNN, \$/SF)



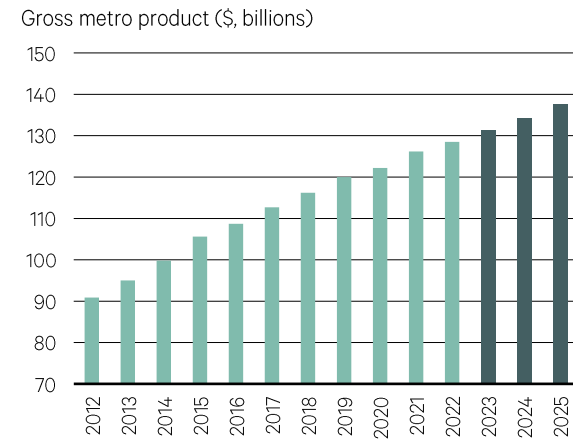
Source: CBRE Research, Q4 2022.

FIGURE 4: Retail Investment Sales Volume



Source: Real Capital Analytics, Q4 2022.

FIGURE 5: Gross Metro Product



Source: Oxford Economics, Q4 2022.

## OVERVIEW OF ECONOMIC TRENDS

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market. Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.”

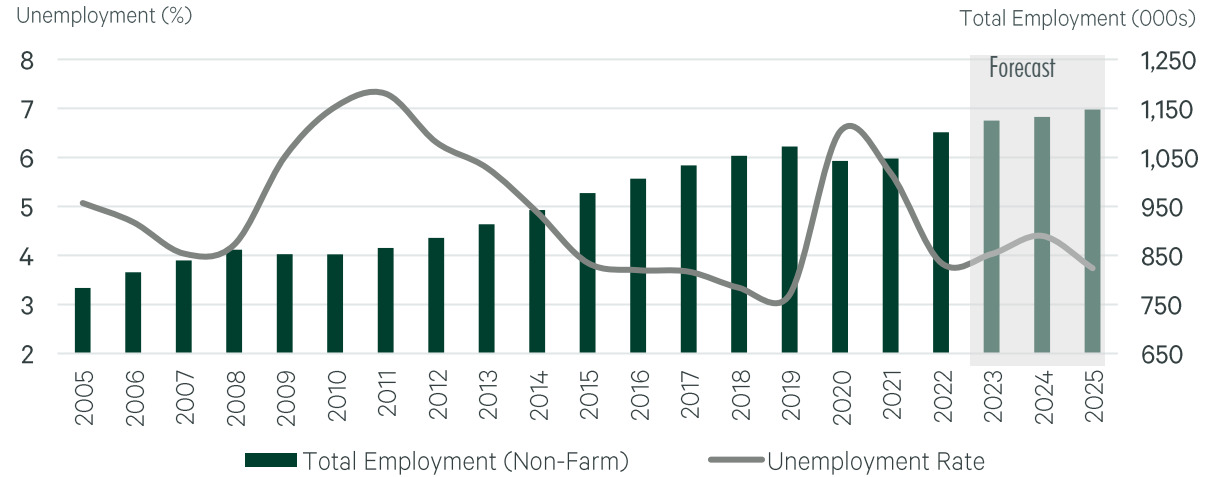
### UNEMPLOYMENT TRENDS

Unemployment continued to dwindle toward pre-pandemic numbers in October. Over the next 24 months, unemployment is expected to rise from 3.9% in Q4 2022 to 4.4% by Q4 2024, according to data from Oxford Economics. Though unemployment will likely increase over the next two years, it is expected to remain below 5.0% and will likely fall further to under 4.0% by Q4 2025.

### POPULATION GROWTH

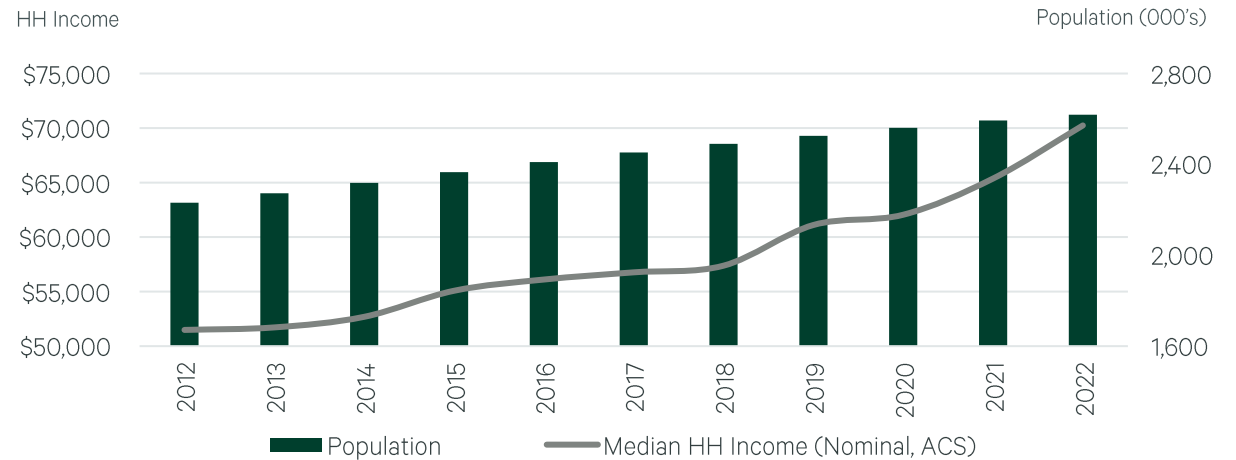
New residents pushed population growth rates to nearly 1.0% year-over-year and 6.8% over the last five years. Additionally, the median household income stood at \$70,910, growing nearly 6.2% year-over-year.

FIGURE 6: San Antonio Labor Force and Unemployment



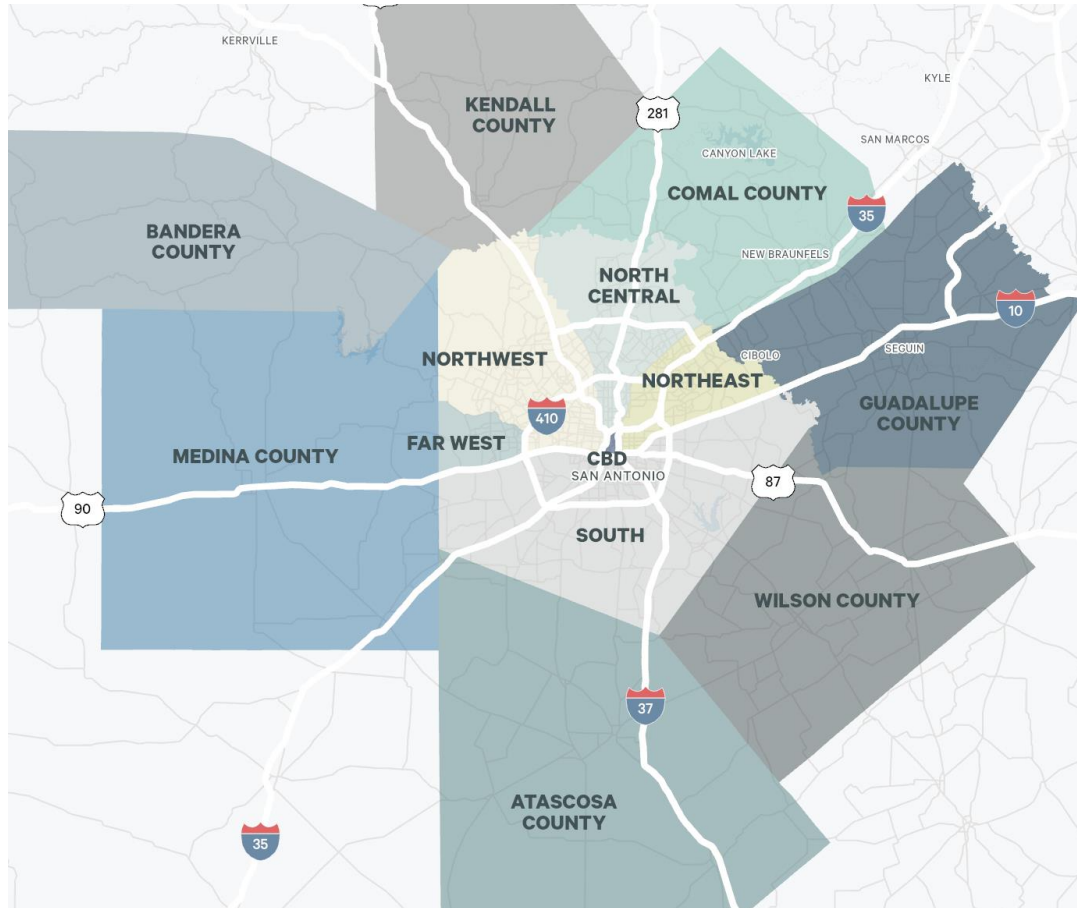
Source: Oxford Economics, December 2022.

FIGURE 7: Population Growth & Household Purchasing Power



Source: Oxford Economics, December 2022.

## Market Area Overview



### Definitions

**Available Sq. Ft.:** Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the Total Building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days.

### Survey Criteria

Includes all retail buildings 10,000 sq. ft. and greater in size in greater metropolitan area of San Antonio, TX. Buildings which have begun construction as evidenced by site excavation or foundation work. Auto dealerships are excluded.

### Contacts

Paige Suvalsky

Field Research Manager  
paige.suvalsky@cbre.com

E. Michelle Miller

Head of Research, South-Central Division  
michelle.miller@cbre.com

### CBRE SAN ANTONIO Retail

1803 Broadway, Suite 825  
San Antonio, TX 78215

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