

# MARKETBEAT

## San Antonio, TX

Industrial Q3 2017



### SAN ANTONIO INDUSTRIAL

#### Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
San Antonio Employment	1,021k	1,042k	▲
San Antonio Unemployment	3.8%	3.4%	■
U.S. Unemployment	4.9%	4.4%	■

#### Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	9.3%	7.4%	▼
YTD Net Absorption (sf)	378k	571k	▲
Under Construction (sf)	521k	1.2M	■
Average Asking Rent*	\$5.78	\$5.76	▲

\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE FOR BOTH



### Economy

San Antonio continues to be one of the most stable regional economies in the U.S. In August, the Dallas Federal Reserve reported that the San Antonio Business-Cycle Index expanded at a 4.3% annualized rate, which is evidence that San Antonio continues to benefit from its strategic geographic location, diverse economy, and quality workforce. This quarter, San Antonio maintained one of the lowest unemployment rates in the U.S. Sustained employment growth was influenced by the healthcare, leisure/hospitality, trade/transportation, and business service sector. Manufacturing around the state has reported ups and downs since oil prices collapsed, however, recent increases in oil prices and rig counts have created a belief that the energy sector has passed its bottom point and will slowly work its way back up to a positive level. According to the Dallas Fed, manufacturing continues to experience robust growth. This growth should help curtail fears of investing in San Antonio's industrial market. An increase in employment will continue to benefit the industrial market along with a geographic position that links to Mexican manufacturing centers and the global transportation hubs of Houston and Dallas/Fort Worth.

### Market Overview & Outlook

The San Antonio industrial market has experienced stable vacancy and modest rent growth over time. The third quarter ended with average asking rents of \$5.76 per square foot (psf) and overall vacancy declined to 7.4%. In 2016, leasing activity was initially affected by low oil industry confidence, however, as the year progressed, the market has welcomed large corporate occupiers including: Dollar General's 900,000-square-foot (sf) distribution center; Amazon.com's 855,000-sf order fulfillment center; Niagara Bottling's 557,000-sf facility; H-E-B Grocery's addition of 384,250 sf to their local inventory; O'Reilly Auto Parts' 380,000-sf facility in Selma; Conn's HomePlus Stores' 300,000-sf facility; Victory Packaging's 247,861-sf facility; Ace Mart expanding into 214,536 sf at 9850 Doerr Land; and Goodwill's move into 196,800 sf at Prologis Park. Historically, large corporate occupiers like the aforementioned, can boost the speculative market by generating new space needs from corresponding businesses or suppliers. This year some employers announced new or expanded operations in San Antonio, to include TJ Maxx and Marshall's plan to invest \$150 million to building a new distribution center and bring 1,000 jobs to the city. This time last year only 521,000 sf of industrial product was under construction. So far construction and new deliveries have been the highlight of the 2017, as more than 1.2 million sf is currently under construction, which is a result of demand and Tenant's preference for higher quality buildings that have higher ceiling heights, large truck courts, and modern features. Most of this new product can be seen in the northeast submarket, where more than 60% of this years new deliveries took place. Overall, these are signs of improved momentum for the remainder of 2017.

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# MARKETBEAT

# San Antonio, TX

Industrial Q2 2017



## SAN ANTONIO INDUSTRIAL

### Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
San Antonio Employment	1,012k	1,035k	▲
San Antonio Unemployment	3.7%	4.1%	■
U.S. Unemployment	4.9%	4.4%	▼

### Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	11.4%	8.9%	▼
YTD Net Absorption (sf)	-76k	133k	▲
Under Construction (sf)	718k	1.1M	■
Average Asking Rent*	\$5.74	\$5.77	▲

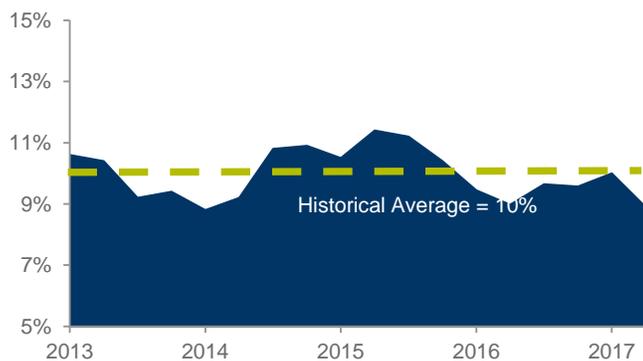
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE FOR BOTH



### Overall Vacancy



## Economy

San Antonio closed out the first half of the year as one of the United States' most stable regional economies. In June, the Dallas Federal Reserve reported that the San Antonio Business-Cycle Index expanded at a 3.1% annualized rate, which is evidence that San Antonio continues to benefit from its strategic geographic location, diverse economy, and quality workforce. This quarter, San Antonio maintained one of the lowest unemployment rates in the U.S. according to the Bureau of Labor Statistics (BLS). Sustained employment growth was influenced by the healthcare, leisure/hospitality, trade/transportation, and business service sector according to data provided by the BLS Statistics. Manufacturing around the state has reported ups and downs since oil prices collapsed, however, recent increases in oil prices and rig counts have created a belief that the energy sector has passed its bottom point and will slowly work its way back up to a positive level. According to the Dallas Fed, manufacturing continues to experience robust growth. This should help curtail fears of investing in San Antonio's industrial market in 2017. Employment growth will continue to benefit the industrial market along with a geographic position that links to Mexican manufacturing centers and the global transportation hubs of Houston and Dallas/Fort Worth.

## Market Overview & Outlook

The San Antonio industrial market has experienced stable vacancy and modest rent growth over time. The Industrial Market closed the first half of the year with average asking rents of \$5.77 per square foot (psf) and overall vacancy declined to 8.9%. In 2016, leasing activity was initially affected by low oil industry confidence, however, as the year progressed, the market welcomed large corporate occupiers including: Dollar General's 900,000-square-foot (sf) distribution center; Amazon.com's 855,000-SF order fulfillment center; Niagara Bottling's 557,000-SF facility; H-E-B Grocery's addition of 384,250 SF to their local inventory; O'Reilly Auto Parts' 380,000-SF facility in Selma; Conn's HomePlus Stores' 300,000-sf facility; Victory Packaging's 247,861-sf facility; and Goodwill's move into 196,800 SF at Prologis Park. Historically, large corporate occupiers like the aforementioned, can boost the speculative market by generating new space needs from corresponding businesses or suppliers. This year some employers have announced new or expanded operations in San Antonio, to include TJ Maxx and Marshall's plan to invest \$150 million to building a new distribution center and bring 1,000 jobs to the city. This time last year the San Antonio industrial market only had ±718k sf under construction. Construction and new deliveries were the highlight of the first half of 2017, as more than 1.1 million sf is currently under construction and more than 955,000 sf of industrial product has come online, including I-35 Logistics Center and 9850 Doerr Ln. Much of the product currently under construction can be attributed to Enterprise Industrial Park - Building III, a 359,521 sf distribution facility, Cornerstone Industrial Park - Building III, a 144,137 sf distribution facility, and over 200,000 sf of industrial facilities at Port San Antonio. Overall, these are signs of improved momentum in leasing activity for the second half of 2017.

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# MARKETBEAT

## San Antonio, TX

Industrial Q1 2017



### SAN ANTONIO INDUSTRIAL

#### Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
San Antonio Employment	998k	1,031k	▲
San Antonio Unemployment	3.8%	3.8%	■
U.S. Unemployment	5.0%	4.9%	▼

#### Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	10.2%	10.0%	▼
YTD Net Absorption (sf)	-63k	-171k	▲
Under Construction (sf)	629k	898K	■
Average Asking Rent*	\$5.58	\$6.04	▲

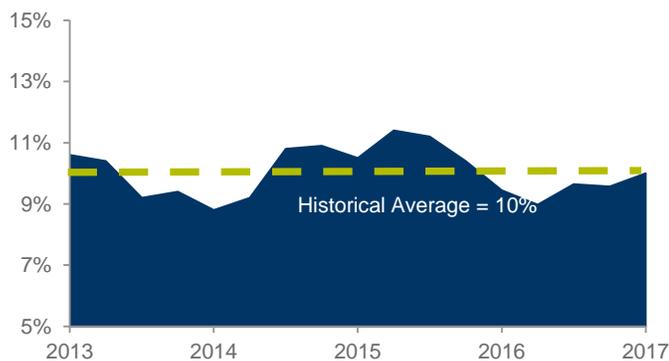
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE FOR BOTH



#### Overall Vacancy



### Economy

San Antonio entered 2017 as one of the United States' most stable regional economies. In February, the Dallas Federal Reserve reported that the San Antonio Business-Cycle Index expanded at a 2.4% annualized rate, which is evidence that San Antonio continues to benefit from its strategic geographic location, diverse economy, and quality workforce. This quarter, San Antonio maintained one of the lowest unemployment rates in the U.S. according to the Bureau of Labor Statistics (BLS). Sustained employment growth was contributed by the healthcare, leisure/hospitality, trade/transportation, and business service sector according to data provided by the BLS Statistics. Manufacturing around the state has reported ups and downs since oil prices collapsed, however, recent increases in oil prices and rig counts have created a belief that the energy sector has passed its bottom point and will slowly work its way back up to a positive level. According to the Dallas Fed, manufacturing increased to an annualized 3.3% from December '16 to February '17. This should help curtail fears of investing in San Antonio's industrial market in 2017. Employment growth will continue to benefit the industrial market along with a geographic position that links to Mexican manufacturing centers and the global transportation hubs of Houston and Dallas/Fort Worth. According to an article published by the San Antonio Business Journal, San Antonio ranks #8 among America's most recession- recovered large cities.

### Market Overview & Outlook

The San Antonio industrial market has experienced stable vacancy and modest rent growth over time. The Industrial Market started the year with average asking rent increasing to \$6.04 per square foot (PSF) from \$5.58 PSF this time last year. During the same period, overall vacancy declined to 10%. In 2016, leasing activity was initially affected by low oil industry confidence, however, as the year progressed, the market welcomed large corporate occupiers including: Dollar General's 900,000-square-foot (SF) distribution center; Amazon.com's 855,000-SF order fulfillment center; Niagara Bottling's 557,000-SF facility; H-E-B Grocery's addition of 384,250 SF to their local inventory; O'Reilly Auto Parts' 380,000-SF facility in Selma; Conn's HomePlus Stores' 300,000-SF facility; Victory Packaging's 247,861-SF facility; and Goodwill's move into 196,800 SF at Prologis Park. Historically, large corporate occupiers like the aforementioned, can boost the speculative market by generating new space needs from corresponding businesses or suppliers. As of the first quarter, there is over 898K SF under construction, with almost all being built on a speculative basis and in San Antonio's I-35/NE corridor. Overall, these are signs of improved momentum in leasing activity for 2017.

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**SAN ANTONIO INDUSTRIAL**

**Economic Indicators**

	Q4 15	Q4 16	12-Month Forecast
San Antonio Employment	992k	1,007k	▲
San Antonio Unemployment	3.9%	4.0%	■
U.S. Unemployment	5.0%	4.8%	▼

**Market Indicators (Overall, All Classes)**

	Q4 15	Q4 16	12-Month Forecast
Vacancy	10.4%	9.6%	▼
YTD Net Absorption (sf)	428k	521k	▲
Under Construction (sf)	846k	1.2M	■
Average Asking Rent*	\$5.74	\$5.98	▲

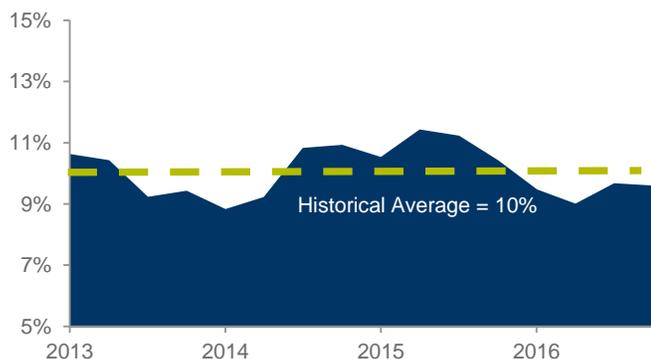
\*Rental rates reflect net asking \$psf/year

**Overall Net Absorption/Overall Asking Rent**

**4-QTR TRAILING AVERAGE FOR BOTH**



**Overall Vacancy**



**Economy**

Year-to-date, San Antonio experienced an annualized 1.8% increase in job growth, according to the Dallas Fed, with trade, transportation and utilities increasing to 1.7%. Manufacturing around the state has reported ups and downs since oil prices collapsed, however, recent increases in oil prices and rig counts have created a belief that the energy sector has passed its bottom point and will slowly work its way back up to a positive level. According to the Dallas Fed, manufacturing increased to an annualized 4.5% from August to November which should help curtail fears of investing in San Antonio's industrial market in 2017. The constant population and employment growth will continue to benefit the industrial market along with a geographic position that links to Mexican manufacturing centers and the global transportation hubs of Houston and Dallas/Fort Worth. Diversification of local jobs, increased job growth and a low unemployment rate bode well for an increasingly healthy San Antonio economy going into 2017.

**Market Overview & Outlook**

The San Antonio industrial market has experienced stable vacancy and modest rent growth over time. At the end of 2016, San Antonio's asking rent averaged \$5.98 per square foot (PSF) and produced positive absorption in each quarter of the year. At the beginning of 2016, leasing activity was initially affected by low oil industry confidence, however, as the year progressed, the market welcomed large corporate occupiers including: Dollar General's 900,000-square-foot (SF) distribution center in Q1; Amazon.com's 855,000-SF order fulfillment center; Niagara Bottling's 557,000-SF facility; H-E-B Grocery's addition of 384,250 SF to their local inventory; O'Reilly Auto Parts' 380,000-SF facility in Selma; Conn's HomePlus Stores' 300,000-SF facility; Victory Packaging's 247,861-SF facility; and Goodwill's move into 196,800 SF at Prologis Park. Historically, large corporate occupiers like the aforementioned, can boost the speculative market by generating new space needs from corresponding businesses or suppliers. At the end of the fourth quarter there were over 1.2 million SF under construction, and signs of improved momentum in leasing activity for 2017.

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# MARKETBEAT

## San Antonio, TX

Industrial Q3 2016



### SAN ANTONIO INDUSTRIAL

#### Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
San Antonio Employment	983k	1,001k	▲
San Antonio Unemployment	3.8%	3.7%	▼
U.S. Unemployment	5.2%	4.9%	▼

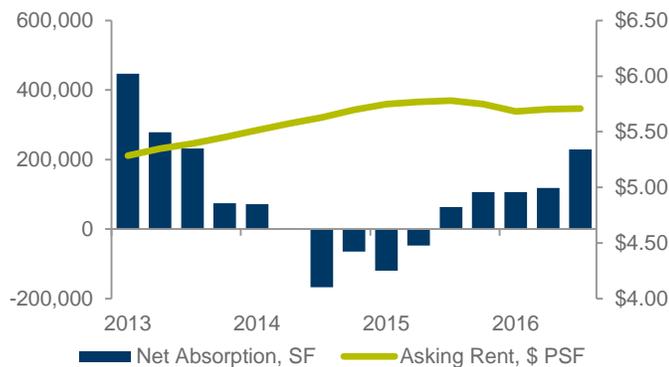
#### Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	11.2%	9.3%	▼
Net Absorption (sf)	-64k	378k	▲
Under Construction (sf)	1,449k	521k	■
Average Asking Rent*	\$5.76	\$5.78	▲

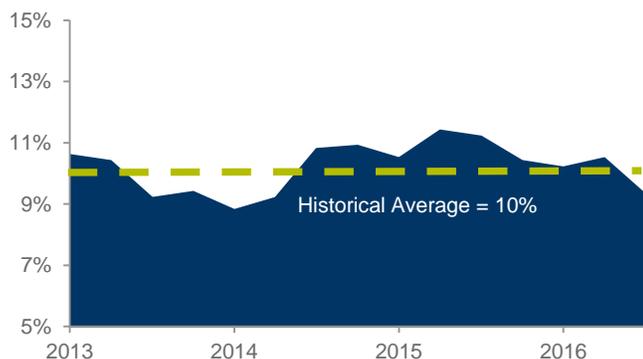
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE FOR BOTH



#### Overall Vacancy



### Economy

Making the turn into late 2016 San Antonio is persistently viewed as one of the United States' most stable regional economies. Unemployment remains at a historical low level. San Antonio will add net new jobs of between 22,300 - 27,300 for 2016, according to SABER Research Institute. Earlier this year, a research survey funded by major employers and tech industry groups counted more than 34,000 IT workers in the region. Can San Antonio aspire to a future as a widely recognized technology hub? Several high-profile office and multifamily projects under development or announced in the CBD would help position San Antonio's downtown core to accommodate such a shift. As reported by the San Antonio Express-News, USAA next year will relocate 100 employees primarily in technology, research and development, and digital capabilities to its downtown base at 700 North Saint Mary's Street. Business services, customer services, and health and human services are driving job growth in greater San Antonio, stated a Comerica Bank chief economist at a function attended by local media, while general determent from investing in oil and gas continues. Meanwhile, the homebuilding and commercial building sectors are extremely active.

### Market Overview & Outlook

The industrial market has experienced stable vacancy and modest rent growth over time. The city's most critical submarket for warehousing and distribution traces the I-10 and I-35 corridors in East/Northeast San Antonio. Three new speculative buildings totaling 430,000 square feet (SF) were delivered to the East/Northeast submarket during third quarter. New owner occupied or preleased industrial projects include Amazon.com's 855,000-SF order fulfillment center in San Marcos, TX, O'Reilly Auto Parts' 380,000-SF facility in Selma, TX, and Conn's HomePlus stores' 300,000-SF facility in San Antonio. During third quarter, there was one new construction start of 100,000 SF, adding to 190,000 SF already underway in the speculative market. Early signals of strong leasing activity for the next two quarters were present.

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# Industrial Snapshot 2Q 2016

San Antonio, TX



## SAN ANTONIO INDUSTRIAL

### Economic Indicators

	Q2 15	Q2 16	12-Month Forecast
San Antonio Employment	976k	1.00M	▲
San Antonio Unemployment	3.8%	3.6%	▼
U.S. Unemployment	5.4%	4.9%	▼

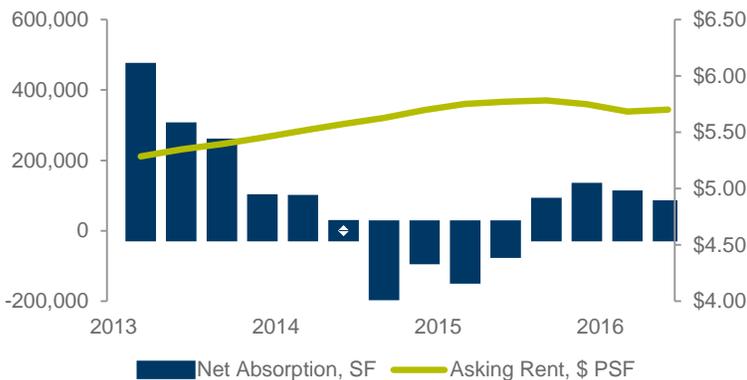
### Market Indicators (Overall, All Product Types)

	2015	2016	12-Month Forecast
Vacancy	11.4%	10.5%	▼
Net Absorption (sf)	38k	-76k	▲
Under Construction (sf)	1.39M	718k	■
Average Asking Rent*	\$5.66	\$5.74	▲

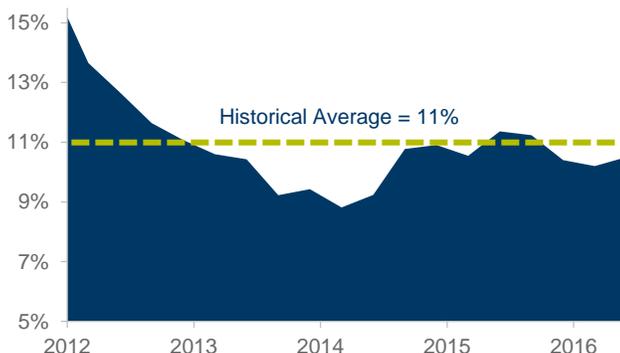
\*Rental rates reflect \$ psf/year net

### Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE FOR BOTH



### Overall Vacancy



## Economy

San Antonio at the midpoint of 2016 was one of the United States' most stable regional economies. The second quarter average unemployment rate was 3.6%. In May, annualized job growth accelerated to 4.7%. Dallas Fed researchers noted this was the best result reported among all Texas metros. The city's dynamic homebuilding, commercial and public building sectors are boosting job growth. "I see a strong San Antonio market through 2018," the regional GM for a major construction company told the San Antonio Express-News. New data described an energy industry still in retrenchment. An economist with a Texas energy industry association estimated one-third of Texas oil and gas workers had been laid off since 2014. The Dallas Fed's Texas Manufacturing Outlook Survey reflected the sixth consecutive monthly decline in manufacturing employment, with the employment index in June falling to its lowest level since November 2009. Survey respondents from the manufacturing industry spoke of decreased demand from energy industry customers. Aside from the heavy impact on this sector, the general economic forecast is positive. "The Texas economy is still feeling the weight of the reset in the energy sector," said Comerica Bank's chief economist in a report, "but that weight will gradually diminish going forward."

## Market Overview & Outlook

The industrial market has experienced stable vacancy and modest rent growth over time. Average asking rents started to rebound from a corrective decrease that occurred as below-average quality properties compete for a more value-oriented tenant. Since 1Q15, more than 1 million square feet of new, speculative, modern-quality warehouse space was delivered to a market that reported 90% occupancy on average for the past three-plus years. New owner occupied or preleased industrial projects include Amazon.com's 855,000 square-foot (SF) order fulfillment center in San Marcos, TX, O'Reilly Auto Parts' 380,000-SF facility in Selma, TX, and Conn's HomePlus stores' 300,000-SF facility in San Antonio. During 2Q, there were new construction starts of 150,000 SF and 110,000 SF in the speculative market, adding to the 325,000 SF already underway. There are preliminary signals of strong leasing activity for 3Q.

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# Industrial Snapshot Q1 2016

San Antonio, TX



## SAN ANTONIO INDUSTRIAL

### Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
San Antonio Employment	969k	998k	▲
San Antonio Unemployment	3.9%	3.7%	▼
U.S. Unemployment	5.6%	4.9%	▼

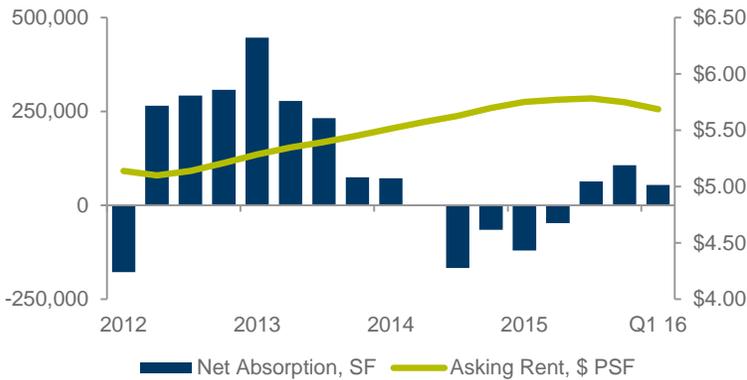
### Market Indicators (Overall, All Product Types)

	2015	2016	12-Month Forecast
Vacancy	10.5%	10.2%	▼
Net Absorption (sf)	149k	-63k	▲
Under Construction (sf)	1.56M	629k	■
Average Asking Rent*	\$5.83	\$5.58	▲

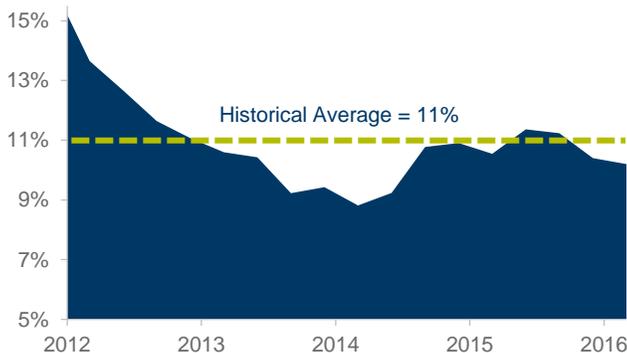
\*Rental rates reflect \$ psf/year net

### Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE FOR BOTH



### Overall Vacancy



## Economy

San Antonio entered 2016 as one of the United States' most stable regional economies. In March, unemployment was 3.7%. The Dallas Fed measured San Antonio annualized job growth at 2.9% for the first two months of 2016, which if sustained could top last year's annual growth rate of 2.7%. SABÉR Research Institute projects 2016 job growth of between 2.25% and 2.75%. Job growth has been steady despite the hard reality of \$40 per barrel oil. Throughout the crisis, San Antonio and Texas have proved to be economically diverse. Texas joined New Mexico as the only other energy producing state economy to post positive net new jobs for 2015, according to the Dallas Fed. Many oil field crew jobs that were lost are replaceable with construction jobs in the city's dynamic homebuilding, commercial and public building sectors. The China slowdown and oil price slide are causing transportation equipment and oil field equipment manufacturers to budget reduced workforce and occupancy needs, according to the Dallas Fed's Texas Manufacturing Outlook Survey. Aside from the heavy impact on these sectors, the general economic forecast is positive. "Oil and gas and manufacturing employment went down in Texas last year, but every other industry in the state was up," said a Federal Reserve senior economist at a recent economic outlook conference in San Antonio.

## Market Overview & Outlook

The industrial market is experiencing stable vacancy and modest rent growth over time. Average asking rents for the industrial market have shown a decrease, as below-average quality distribution centers address the need to compete for a more value-oriented tenant. We recognize this as the effect of more than 800,000 square feet (sf) of new, class A warehouse project deliveries in 2015 to a market that has now been 90% occupied, total, for three-plus years. In Q1, Dollar General occupied its new, 900,000 square-foot (sf) building in San Antonio. Other build to suit projects nearing completion are Amazon.com's 855,000-sf order fulfillment center in San Marcos, TX, O'Reilly Auto Parts' 380,000-sf facility in Selma, TX, and Conn's HomePlus stores' 300,000-sf facility in San Antonio. There were two new construction starts of 210,000 sf and 110,000 sf in the speculative market, and signs of good leasing activity for Q2.

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## SAN ANTONIO INDUSTRIAL

### Economic Indicators

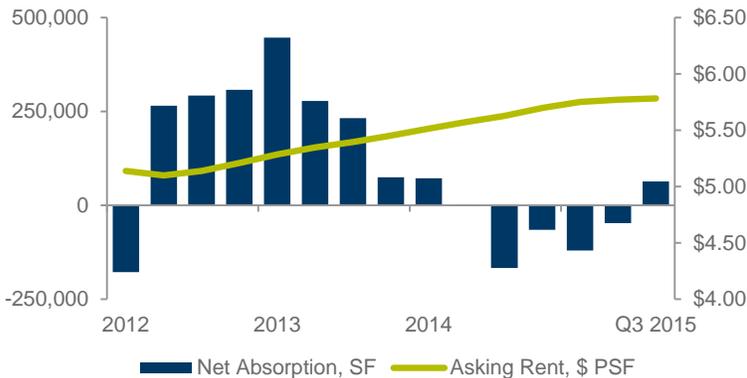
	Q3 14	Q3 15	12-Month Forecast
San Antonio Employment	951k	980k	▲
San Antonio Unemployment	4.4%	3.6%	▼
U.S. Unemployment	6.1%	5.1%	▼

### Market Indicators

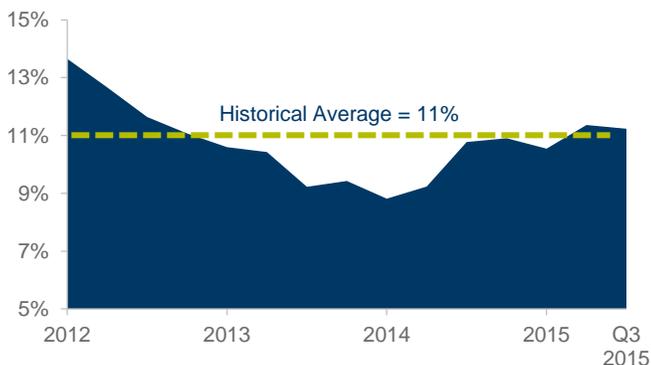
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	10.8%	11.2%	▼
Net Absorption	-509k	-64k	▲
Under Construction	729k	1.4M	■
Overall Average Asking Rent	\$5.72	\$5.76	▲

### Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

San Antonio is continuing to drive ahead as one of Texas' and the United States' economic frontrunners. Financial institutions, lifesciences, manufacturing, and transport remain important, while high-tech and energy alternatives are increasingly helping power the region's economic engine. The construction of solar farms and manufacture of solar panel parts and LEDs have made San Antonio a pioneering market in the use of new energy sources. The city's national defense and cybersecurity commands, research universities, and homegrown tech companies are forming a cogent high-tech economy and culture. In August, unemployment was 3.6% according to the Bureau of Labor Statistics, or a flat 3.5% as recorded by the Dallas Fed. In any case, San Antonio has been relatively insulated from changes felt across the U.S. as a result of depressed crude prices. In a recently published analysis, the Dallas Fed noted that real wage growth for the year ending last March 31 was 6.8%, compared with 5.4% for Texas and 4.1% for the U.S.

## Market Overview

The industrial market is experiencing increasing asking rental rates and stable vacancy rates, with build-to-suit developments serving as anchors for industrial parks planned along major truck routes. Amazon, Carrier, Caterpillar, FedEx Ground, Glazer's, and Sysco moved into new, single-tenant buildings in the last two years and in Q3, Amazon signed two deals to open a second distribution center and a new sorting facility. Dollar General's 900,000-square foot and O'Reilly's 400,000-square foot distribution centers are under construction near interstate routes. Two food manufacturers have also announced new factories.

## Outlook

Strong general economic conditions and the conservative approach of developers have helped preserve occupancy and rental rates. While low oil industry confidence may have affected new leasing, the market stabilized relatively fast. Historically, large users like those occupying new build-to-suits can be expected to jump start the speculative market by driving demand for space from corresponding businesses or suppliers.

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# MARKETBEAT INDUSTRIAL SNAPSHOT



## SAN ANTONIO, TX

A Cushman & Wakefield Research Publication

Q2 2015



### ECONOMIC OVERVIEW

Entering 2015 as a city with reinforced job growth and human capital, San Antonio is maintaining velocity as one of Texas' and the nation's economic frontrunners. The region has benefited from an increased flow of investment in tech, lifesciences, aerospace, cybersecurity, manufacturing, and transport. The development of new energy sources like solar farms and the manufacturing of solar panel parts and LEDs are diversifying factors in the local economy. Across multiple sectors, corporate investment in new distribution centers is reflecting a growing consumer base as well as significant geographic and transportation infrastructure advantages. Unemployment notched 3.5% in June for its lowest rate since the 1990s. Falling commodity prices in 2014 forced oil and gas producers, a significant factor in Texas' economy, to reduce workforce and capital spending. However, San Antonio's economy has remained relatively insulated from these events. Through May, San Antonio's year-to-date employment growth rate was 1.5 percentage point more than that of Texas. Construction led all sectors with 10.0% annualized employment growth for the three months ending May 31, followed by financial activities at 7.9%, according to a Federal Reserve Bank of Dallas report published in June. CCIM Institute recognized San Antonio as one of the few cities to receive an "A" score in its June-released U.S. Metropolitan Economic Outlook report. With strong economic indicators, San Antonio remains one of the most attractive markets in the nation.

### INDUSTRIAL MARKET

The San Antonio industrial market continues to experience low vacancy rates, coupled with an overall trend of increasing asking rental rates. Large build-to-suit projects are anchoring new developments along transportation corridors. Distribution centers for Amazon, Carrier, Caterpillar, FedEx, Glazer's, and Sysco, occupying 200,000 square feet (sf) up to more than 1 million square feet (msf), have been completed along major highway corridors. Dollar General's 900,000-sf distribution center is under construction and a 380,000-sf facility for O'Reilly is about to break ground. San Antonio is positioned at the intersection of three major interstates and rail lines serving international shipping routes from manufacturing centers in northern Mexico. The region recently qualified for the Commerce Department's Investing in Manufacturing Communities Partnership, which could help employers capture millions of dollars in federal manufacturing subsidies over the next five-plus years.

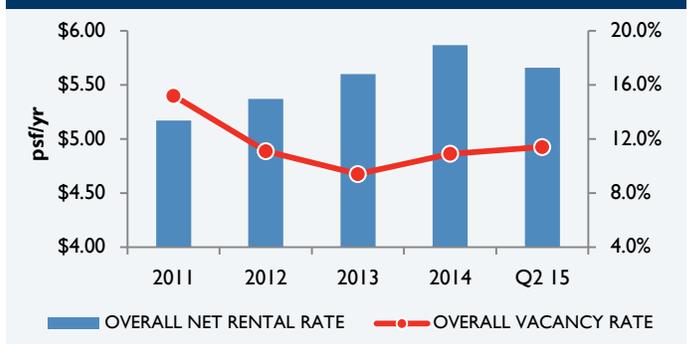
### OUTLOOK

The conservative approach of developers during the latest oil and gas boom preserved vacancy and rental rates in the industrial market. While leasing activity dipped along with oil industry confidence, the market is stable and should be able to absorb the 700,000 sf of spec, modern-quality warehouse product that is due by year-end.

### STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.2%	11.4%	2.2 pp	▲
Direct Asking Rents (psf/yr)	\$5.61	\$5.70	1.6%	▲
YTD Leasing Activity (sf)	1,267,904	422,167	-66.7%	▲

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



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# MARKETBEAT INDUSTRIAL SNAPSHOT



## SAN ANTONIO, TX

A Cushman & Wakefield Research Publication

Q1 2015



### ECONOMIC OVERVIEW

Entering 2015 as a city with reinforced job growth and human capital, San Antonio continues to keep pace as one of Texas' and the nation's economic frontrunners. The economy has benefited from an increased flow of investment in energy, tech, cybersecurity, national defense, biosciences, and real estate. Across multiple sectors, corporate investment in new distribution centers throughout the region is signaling a growing consumer base as well as significant geographic and transportation infrastructure advantages. The development of new energy sources like solar farms and the manufacturing of solar panel parts are other factors in the diversification of local industries. In February, San Antonio notched an eight-year low unemployment rate of 3.8%. The oil and gas industry, a significant factor in Texas' economy, entered a slowdown period in 2014 as a result of falling commodity prices worldwide. Oil companies announced reductions in workforce and capital spending. However, San Antonio's economy has remained relatively insulated from these events. In February, San Antonio experienced a 5.9% annualized employment growth rate, far outpacing that of Texas at 1.3%, according to the Dallas Fed's San Antonio Economic Indicators report published in April 2015. In January, Milken Institute ranked San Antonio 10th in the nation in its analysis of the Best-Performing Cities for economic growth prospects. CCIM also recognized San Antonio as one of the few cities to receive an "A" score in its most recent quarterly U.S. Metropolitan Economic Outlook report. With strong economic indicators, San Antonio remains one of the most attractive markets in the nation.

### INDUSTRIAL MARKET

San Antonio's industrial market continues to experience low vacancy rates, coupled with an overall trend of increasing asking rental rates. Large build-to-suit projects are anchoring new developments along transportation corridors. Since Q4 2013, new distribution centers for Amazon, Carrier, Caterpillar, Glazer's, and Sysco, ranging from 500,000 square feet (sf) to more than 1 million square feet (msf), have opened along San Antonio's major highway corridors. Distribution facilities for Dollar General and O'Reilly are currently under construction. New speculative industrial developments are becoming available or are planned around these sites, and are being aggressively marketed. San Antonio is positioned at the intersection of three major interstates and rail lines serving international shipping routes from manufacturing centers in northern Mexico. These features combine to make the region a candidate for increased industrial development, especially for logistical operations uses.

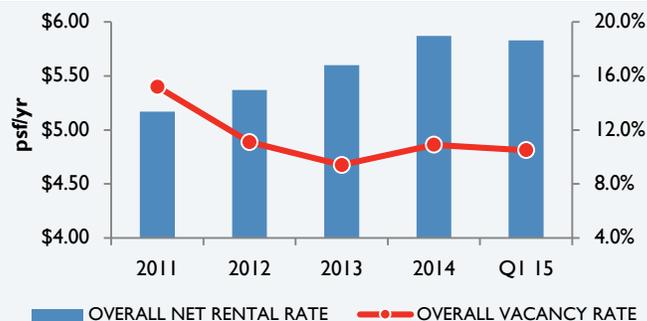
### OUTLOOK

The conservative approach of developers during the latest boom of oil production in the Eagle Ford Shale helped to preserve vacancy and rental rates in San Antonio's industrial market as oil prices have fallen and begun to stabilize. With low vacancy rates that are even lower for modern-quality inventory, the market should be ready to absorb the 700,000 sf of new, speculative construction delivering this year.

### STATS ON THE GO

	Q1 2014	Q3 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.7%	10.5%	1.8 pp	▲
Direct Asking Rents (psf/yr)	\$5.65	\$5.92	4.8%	▲
YTD Leasing Activity (sf)	652,157	326,253	-50.0%	▲

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



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