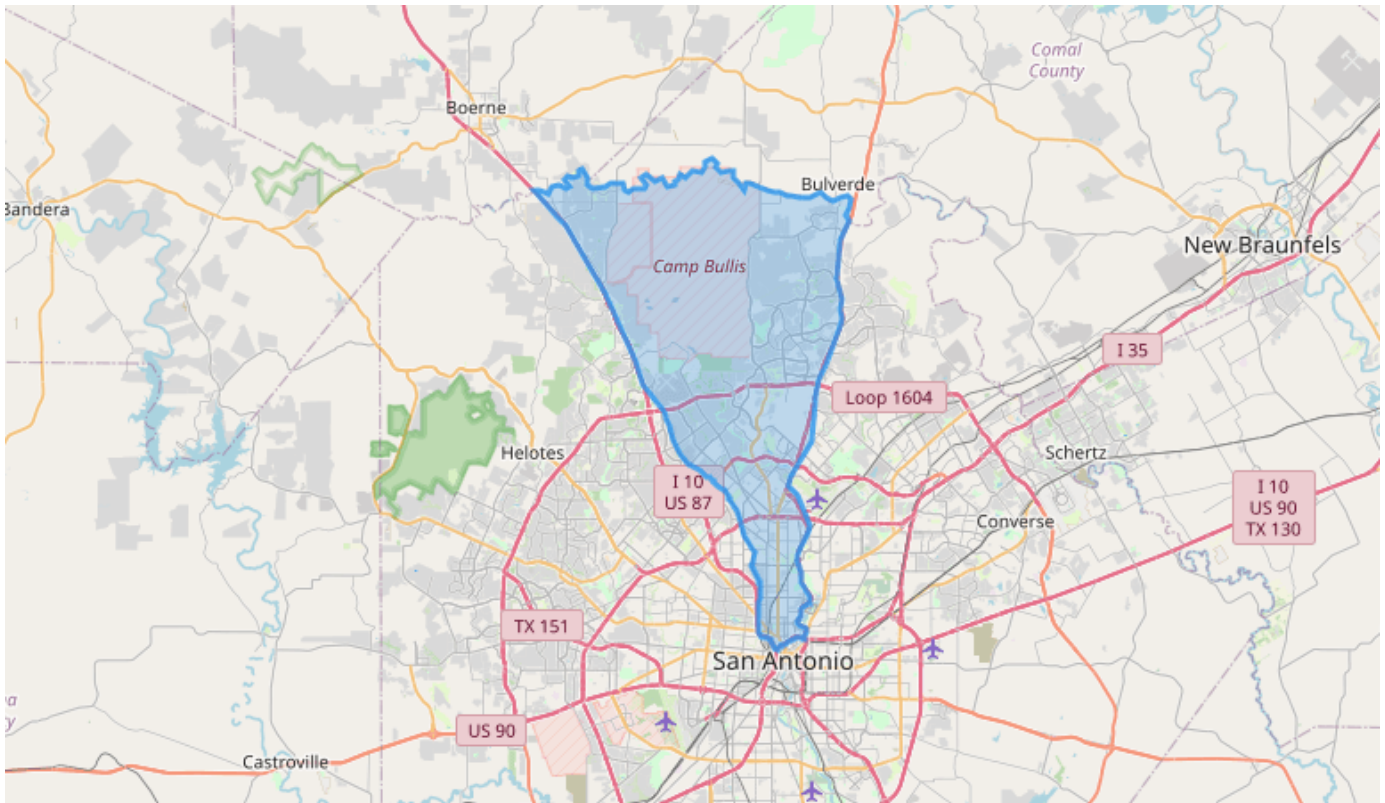


Office Report

Market
San Antonio

Submarket
Northwest

Date
9/25/2022



Contents

Submarket Analysis	2
Metro Analysis	13

Executive Briefing on Submarket Conditions

The average Asking Rent was \$21.88 in the Northwest submarket

- Rent in the Northwest submarket was up 0.2% from Q1 2022.
- Rent is expected to finish 2022 at \$21.87 in the Northwest submarket.

The average Vacancy Rate was 19.1% in the Northwest submarket

- Vacancy in the Northwest submarket drifted downward by 30 basis points.
- The Northwest submarket was among the 20 lowest vacancies nationally.
- Vacancy is expected to finish 2022 at 18.9% in the Northwest submarket.

Submarket Overview

With 9.7 million square feet, amounting to 30.3% of the total metro inventory, the Northwest submarket is the second largest of the six geographic San Antonio submarkets identified by Reis's researchers, smaller only than West. In the ten-year period beginning with Q3 2012, new additions to the submarket totaled 749,000 square feet, while 15,000 square feet were removed by developer activity. The net total gain of 734,000 square feet amounts to an annualized inventory growth rate of 0.8%, trailing slightly the metro growth rate of 1.1% over the same period.

Asking and Effective Rent

During the second quarter of 2022, asking rents climbed by 0.2% to an average of \$21.88, higher than three of the metro's six submarkets. The submarket has now experienced four consecutive quarterly gains in asking rent, for a cumulative total of 1.1%. The Northwest submarket's current asking rent levels and growth rates compare unfavorably to the metro's averages of \$22.88 and 1.2%. Effective rents, which take into account concessions offered to new lessees, climbed more quickly, up by 0.5% during the second quarter.

Competitive Inventory, Employment, Absorption

Total employment in the San Antonio metropolitan area increased by 8,200 jobs during the second quarter, while in the dominant office-using industries, employment grew by 3,200. Quarterly movement in the average occupancy level of competitive office square footage rarely mirrors the period's total employment gains or losses, but it is advisable to weigh longer-term economic and demographic trends as factors contributing to current demand. Since the beginning of Q3 2012, the average growth rate for office-using employment in San Antonio has been 2.3% per year, representing the average annual addition of 7,600 jobs. Over the same time period, the metro posted an average annual absorption rate of 253,800 square feet. During the second quarter, metropolitan absorption totaled 20,000 square feet, of which the Northwest submarket captured 24,000 square feet. The second quarter's positive absorption in the submarket follows two consecutive quarters of negative absorption, amounting to 133,000 square feet. Over the last four quarters, submarket absorption totaled negative 120,000 square feet; by comparison, the average annual absorption rate recorded since the beginning of Q3 2012 is 39,500 square feet. The submarket's average vacancy rate drifted downward by 30 basis points during the second quarter to 19.1%, which is 3.2 percentage points higher than the long-term average, and 0.1 percentage points higher than the current metro average.

Outlook

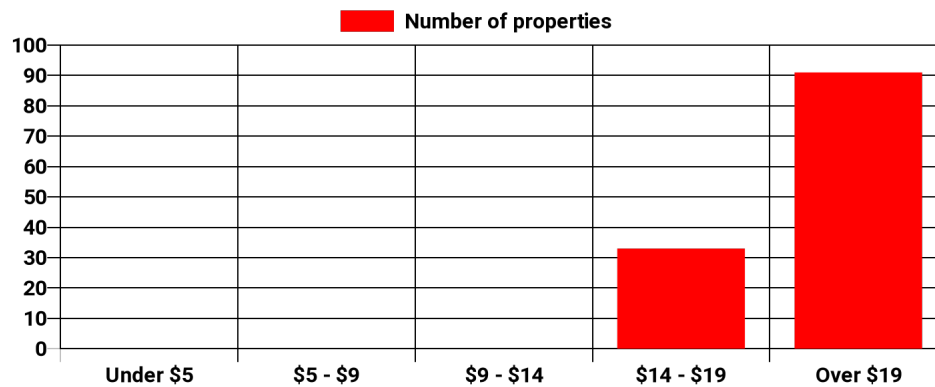
Reis is tracking office construction activity that will deliver 270,000 square feet to the submarket by the end of the year, and net total absorption will be positive 242,000 square feet. As a result, the vacancy rate will continue to drift downward to finish the year at 18.9%. During 2023 and 2024, developers are expected to deliver a total of 20,000 square feet of office space to the submarket amounting to 12.6% of the new construction introduced to San Antonio. Nonagricultural job growth during 2023 and 2024 is expected to average 1.6% annually. The Northwest submarket, however, will experience negative absorption averaging 47,000 square feet per year. The submarket vacancy rate will finish 2023 at 19.5% and will increase 0.5 percentage points to 20.0% by year end 2024. Between now and year-end 2022 asking rents are expected to remain at a level of \$21.87. Thereafter, Reis anticipates that asking rent growth will decelerate to an annualized average of 0.9% during 2023 and 2024 to reach a level of \$22.28 per square foot. Effective rents will rise by a more rapid annualized average rate of 1.3%, as landlords begin to reduce the

relative value of concessions packages.

Current Submarket Gross Rent Details

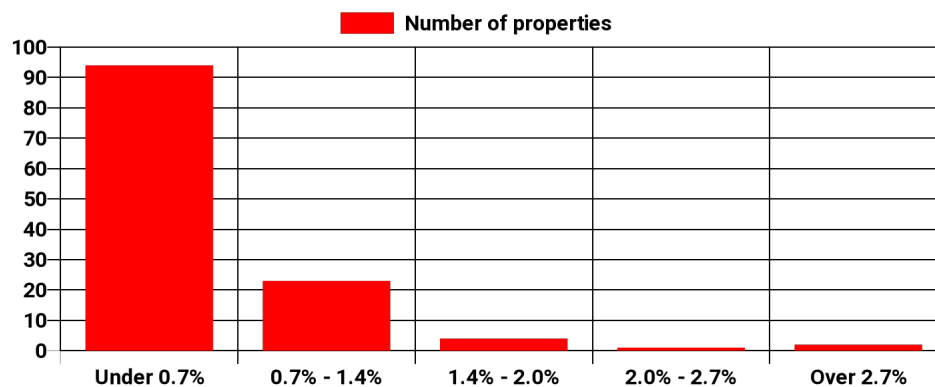
Asking Rent Distribution

Low	25%	Mean	Median	75%	High
\$17	\$19	\$20	\$20	\$21	\$24

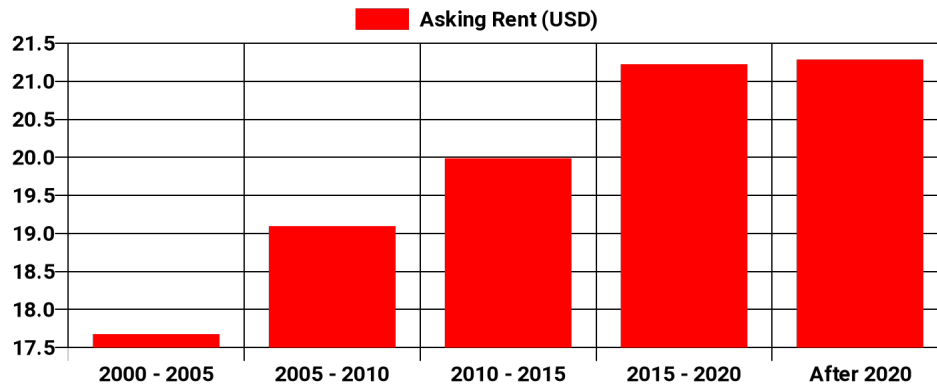


Asking Rent Growth Rate Distribution

Low	25%	Mean	Median	75%	High
-3.5%	-0.3%	0.1%	0.2%	0.6%	3.4%



Asking Rent by Age

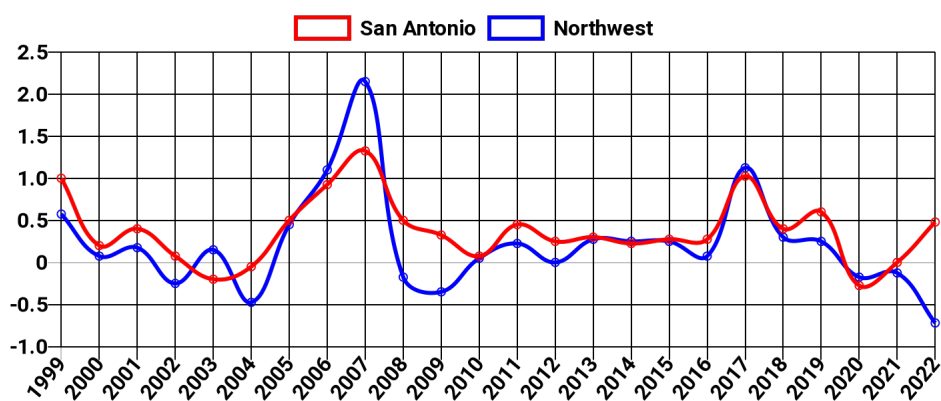


Rent Growth Comparisons (Gross Rent)

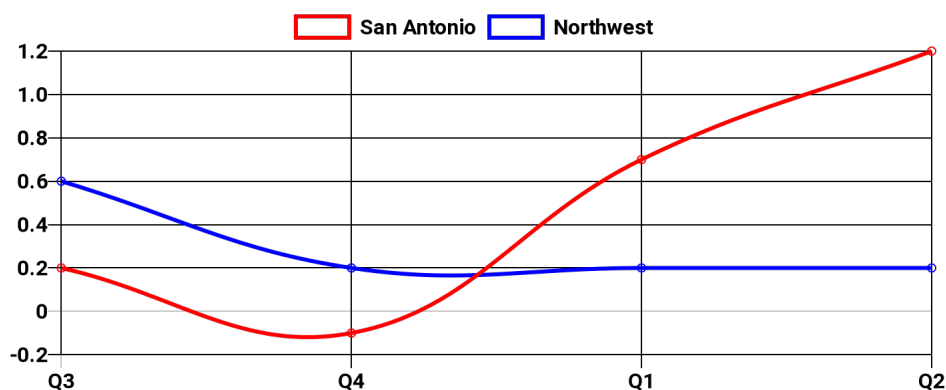
Asking Rent Growth

	Asking Rent Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0.2%	-0.1%	0.7%	1.2%	1.0%	0.8%	0.7%
Northwest	0.6%	0.2%	0.2%	0.2%	-0.3%	-0.3%	-0.2%

Asking Rent Growth Rate Trends



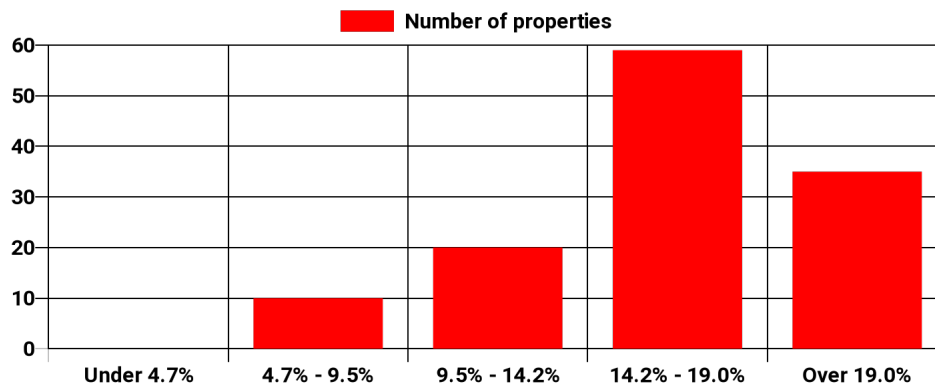
Quarterly Rent Growth Rate Trends



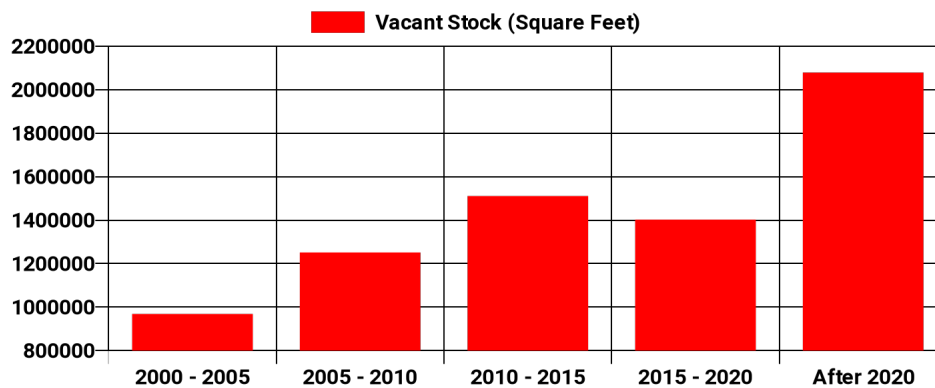
Current Submarket Vacancy Details

Vacancy Rate Distribution

Low	25%	Mean	Median	75%	High
5.5%	14.4%	16.6%	16.3%	19.5%	23.7%



Vacancy Rate by Age

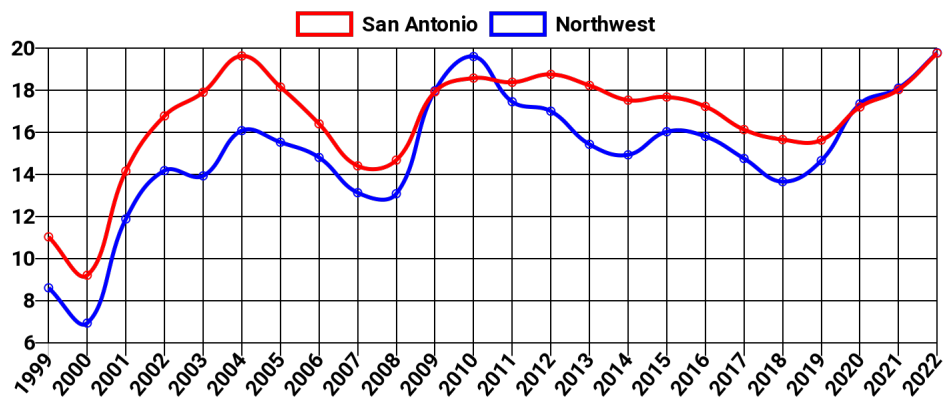


Vacancy Rate Comparisons

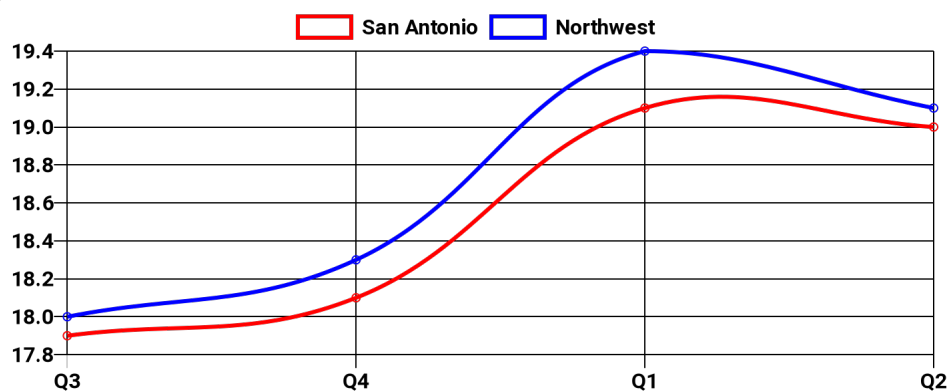
Vacancy Rates

	Vacancy Rates						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	17.9%	18.1%	19.1%	19%	19.6%	19.2%	18.6%
Northwest	18%	18.3%	19.4%	19.1%	21.9%	21.1%	19.9%

Vacancy Rate Trends



Quarterly Vacancy Rates

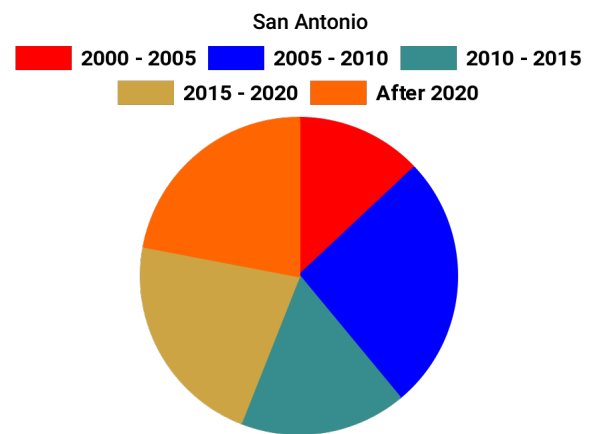
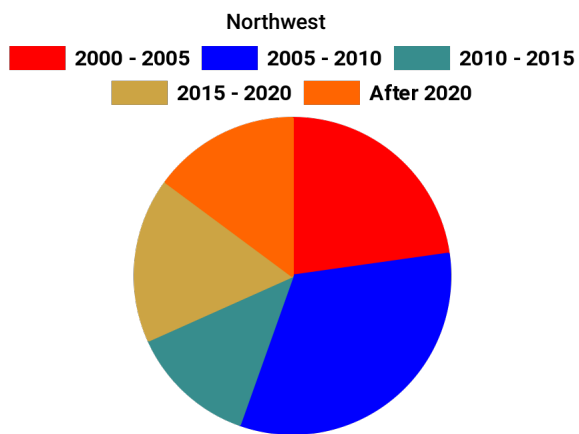


Inventory Details

Operating Expense: \$11.50

Inventory By Building Age

	2000 - 2005	2005 - 2010	2010 - 2015	2015 - 2020	After 2020
San Antonio	13%	26%	17%	22%	22%
Northwest	23%	33%	13%	17%	15%

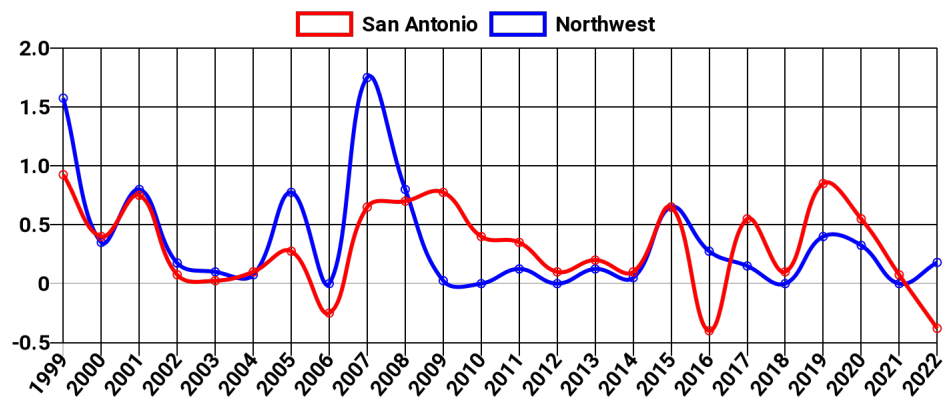


Inventory Growth Comparisons

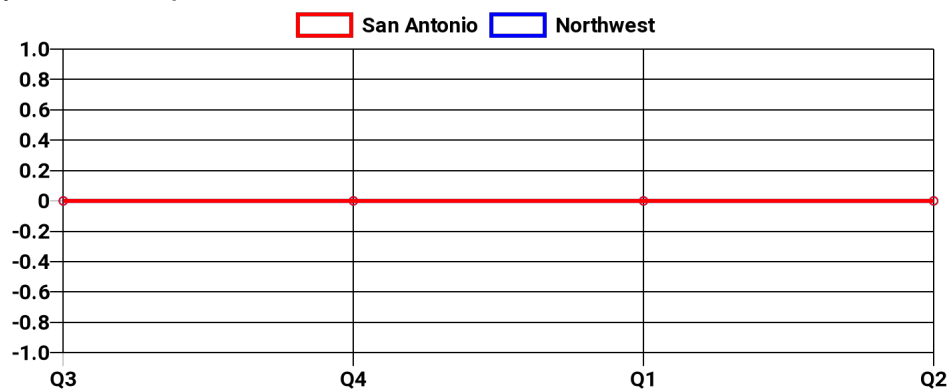
Inventory Growth Rates

	Inventory Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0%	0%	0%	0%	0.1%	0.1%	0.2%
Northwest	0%	0%	0%	0%	0.1%	0.1%	0.1%

Inventory Growth Comparisons



Quarterly Inventory Growth Comparisons



Construction Absorption Change

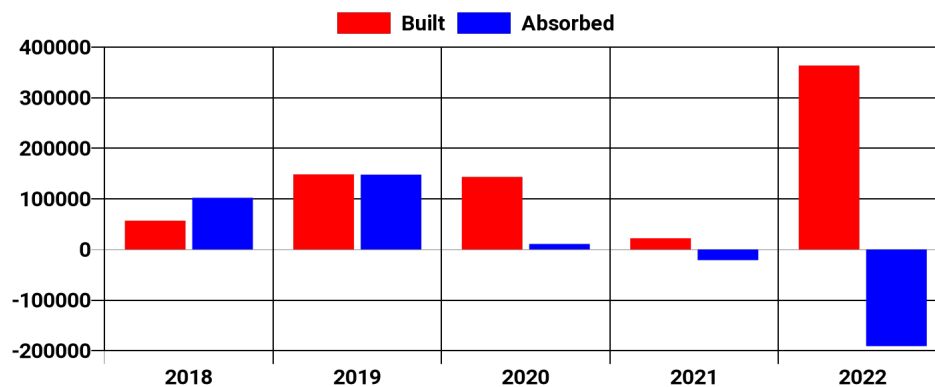
Construction and Absorption

	Square Footage Built						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0	0	0	0	14833	89786	97545
Northwest	0	0	0	0	0	19714	15136

	Square Footage Absorbed						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	47000	-57000	-330000	20000	-65667	17286	51818
Northwest	-11000	-27000	-106000	24000	-20000	-22500	-7000

	Construction/Absorption Ratio						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0	0	0	0	-0.2	5.2	1.9
Northwest	0	0	0	0	0	-0.9	-2.2

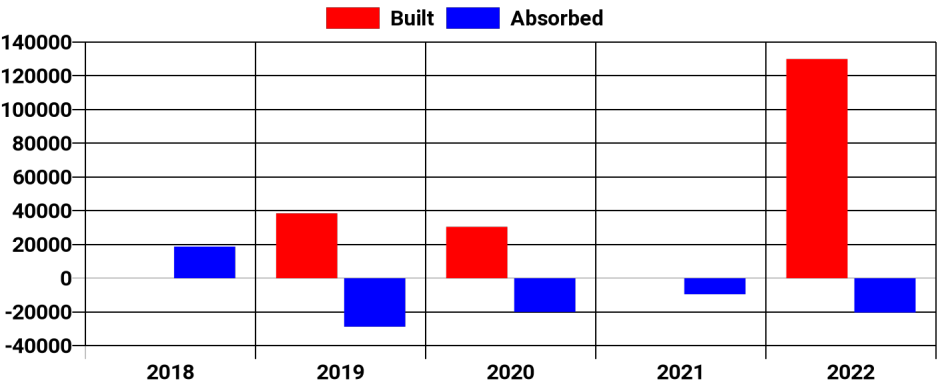
San Antonio



Market InSites

Powered by Moody's Analytics CRE and CCIM Technologies

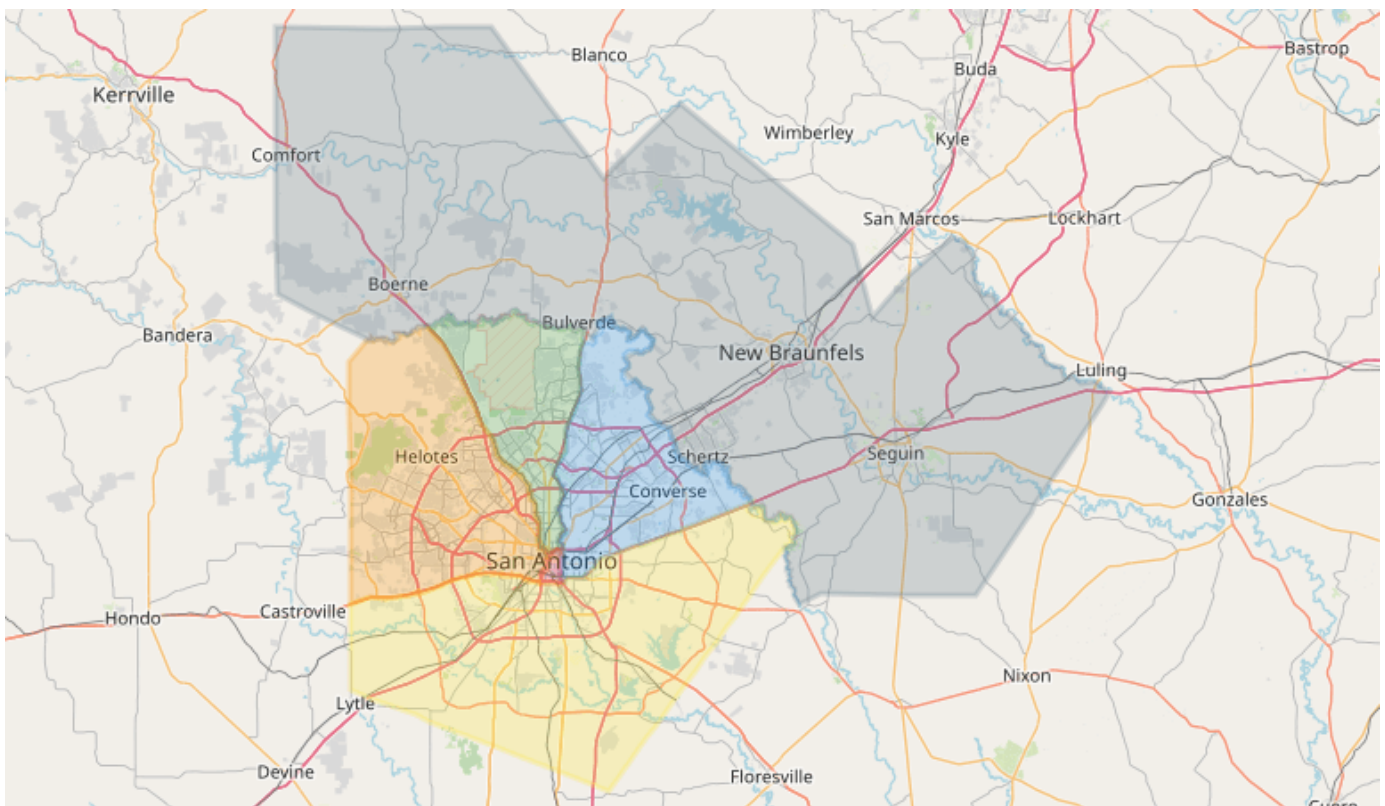
Northwest



Office Report

Market
San Antonio

Date
9/25/2022



Contents

Metro Analysis	13
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Executive Briefing on Market Conditions

The average Asking Rent was \$22.88 in the San Antonio metro

- The San Antonio metro had the second fastest rent growth in the nation, behind only Seattle.
- San Antonio metro had its fastest rent rate of increase three years.
- Rent is expected to finish 2022 at \$22.86 in the San Antonio metro.

The average Vacancy Rate was 19.0% in the San Antonio metro

- The San Antonio metro had the tenth lowest vacancy in the nation and the twelfth lowest in the Southwest.
- Vacancy in the San Antonio metro drifted downward by 10 basis points.
- Vacancy is expected to finish 2022 at 19.0% in the San Antonio metro.

Market Overview

The San Antonio office market is comprised of 32.0 million square feet in six geographic concentrations ranging in size from the 10.4 million square foot West submarket to the South submarket, which accounts for 381,000 square feet. In the ten-year period beginning with Q3 2012, the West submarket has experienced the greatest introduction of new inventory, 1.4 million square feet, amounting to 39.3% of all new competitive stock added to the market.

Asking and Effective Rent

Asking rents in the Alamo City advanced by 1.2% during the second quarter of 2022 to an average of \$22.88. Over the past four quarters, asking rents have climbed a total of 1.9%, up from \$22.45. Since the beginning of Q3 2012, the metro as a whole has recorded an annual average increase of 1.3%. Effective rents, which take into account concessions offered to new lessees, climbed more quickly, up by 1.4% during the second quarter. During the past four quarters, positive movement in asking rent was recorded in five of the metro's six submarkets, with only Outer Counties (-0.8%) failing to register an increase.

Competitive Inventory, Employment, Absorption

Total employment in the San Antonio metropolitan area grew by 8,200 jobs during the second quarter, amounting to a growth rate of 0.8%, while in the dominant office-using industries, employment grew by 3,200. Although quarterly employment changes may not have an immediate impact on lease rolls, it is prudent to consider longer-term economic and demographic performance as a factor affecting current demand for office space. Since the beginning of Q3 2012, the average growth rate for office-using employment in San Antonio has been 2.3% per year, representing the average annual addition of 7,600 jobs. During the second quarter, leasing activity generated 20,000 square feet of absorption. Over the last four quarters, market absorption totaled negative 320,000 square feet; by comparison, the average annual absorption rate recorded since the beginning of Q3 2012 is 253,800 square feet. The net increase in vacancy from one year ago is 100 basis points to a level of 19.0%. From an historical perspective, the second quarter vacancy rate is 1.7 percentage points higher than the 17.3% average recorded since the beginning of Q3 2012.

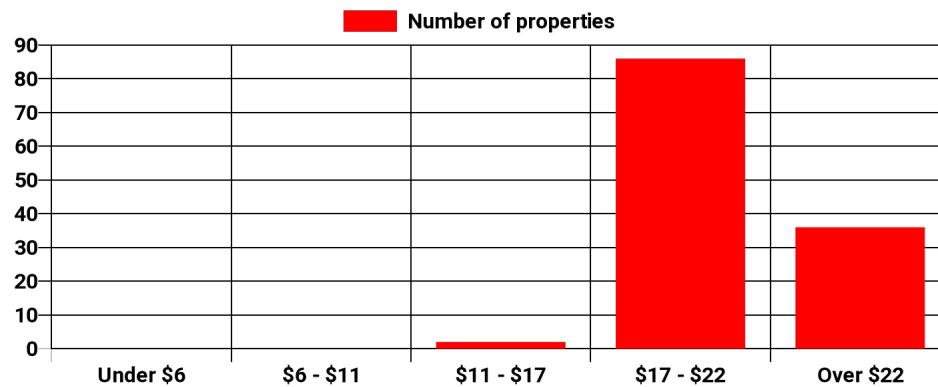
Outlook

Between now and year's end, 778,000 square feet of competitive office stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 635,000 square feet. Relative to the market inventory, this amount of absorption is not enough to move the average vacancy rate, which is expected to remain at 19.0%. During 2023 and 2024, a total of 159,000 additional square feet is projected to be introduced to the metro inventory. Nonagricultural job growth during 2023 and 2024 is expected to average 1.6% annually. The market vacancy rate will finish 2023 at 19.1% and will fall 0.1 percentage points to 19.0% by year end 2024. Between now and year-end 2022 asking rents are expected to decline -0.1% to a level of \$22.86. On an annualized basis through 2023 and 2024, asking and effective rents are projected to increase by 1.9% and 2.1%, respectively, to finish 2024 at \$23.75 and \$18.99.

Current Market Gross Rent Details

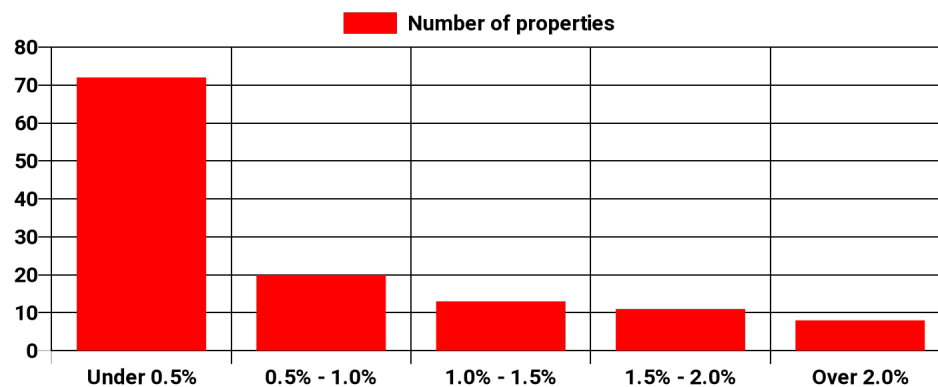
Asking Rent Distribution

Low	25%	Mean	Median	75%	High
\$16	\$18	\$20	\$20	\$22	\$28

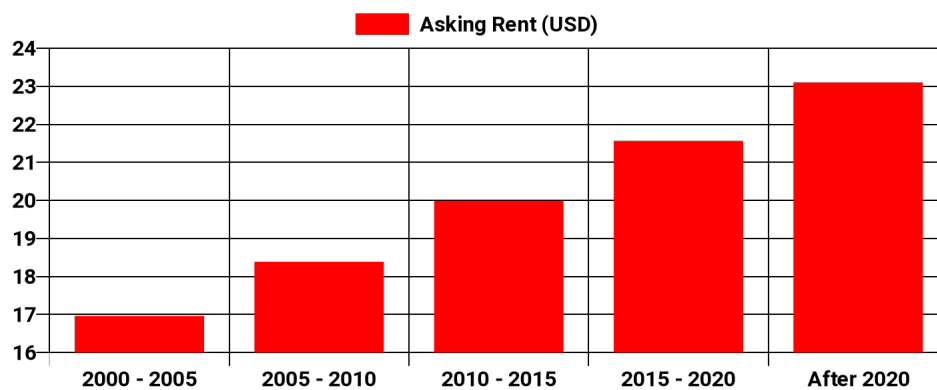


Asking Rent Growth Rate Distribution

Low	25%	Mean	Median	75%	High
-2.4%	0.1%	0.5%	0.4%	1.1%	2.5%



Asking Rent by Age

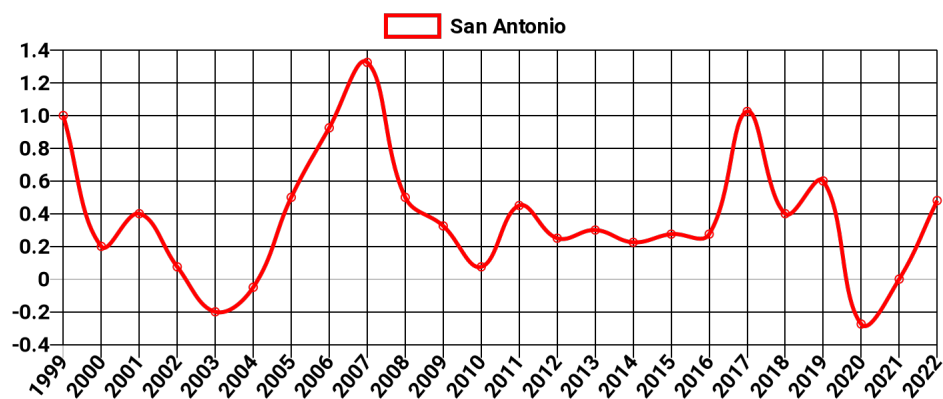


Rent Growth Comparisons (Gross Rent)

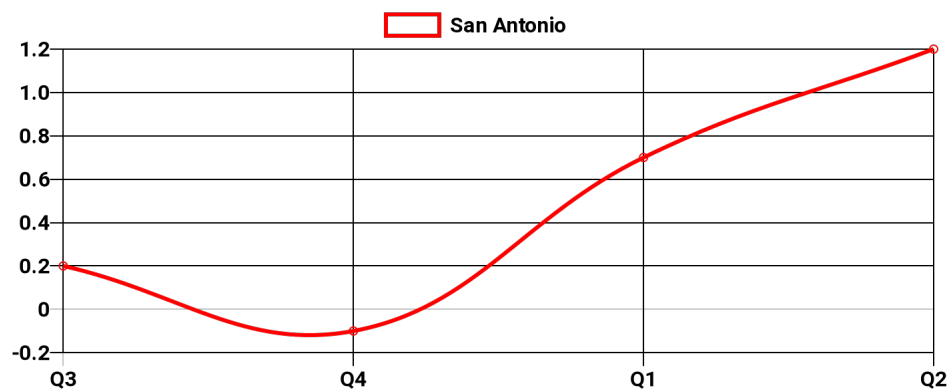
Asking Rent Growth

	Asking Rent Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0.2%	-0.1%	0.7%	1.2%	1.0%	0.8%	0.7%

Asking Rent Growth Rate Trends



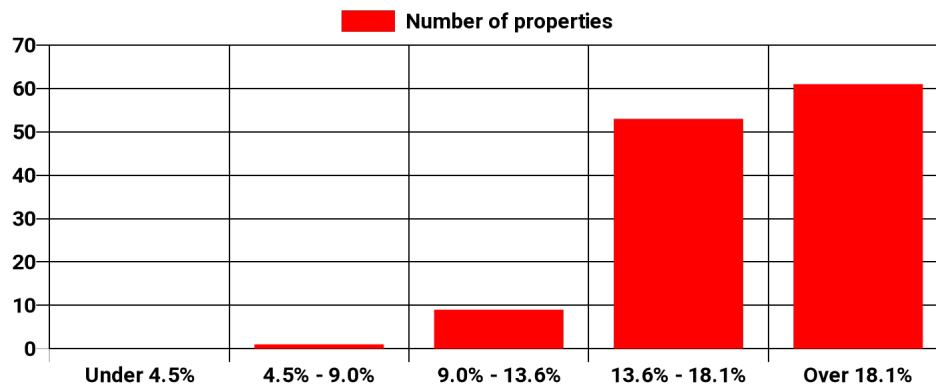
Quarterly Rent Growth Rate Trends



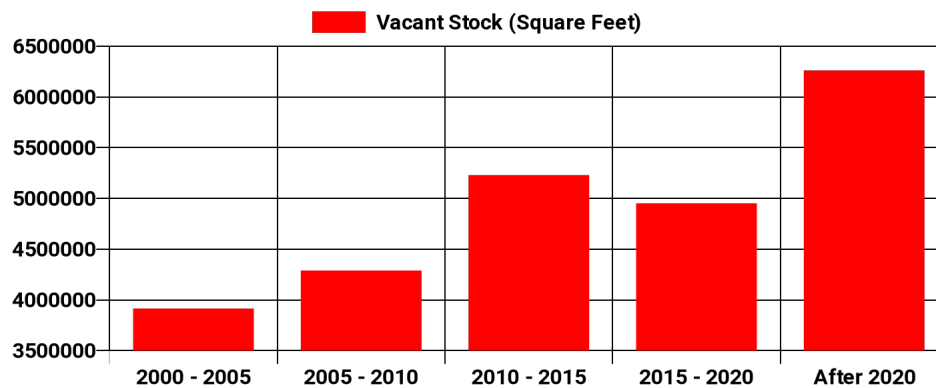
Current Market Vacancy Details

Vacancy Rate Distribution

Low	25%	Mean	Median	75%	High
8.2%	15.9%	17.3%	18.0%	19.0%	22.6%



Vacancy Rate by Age

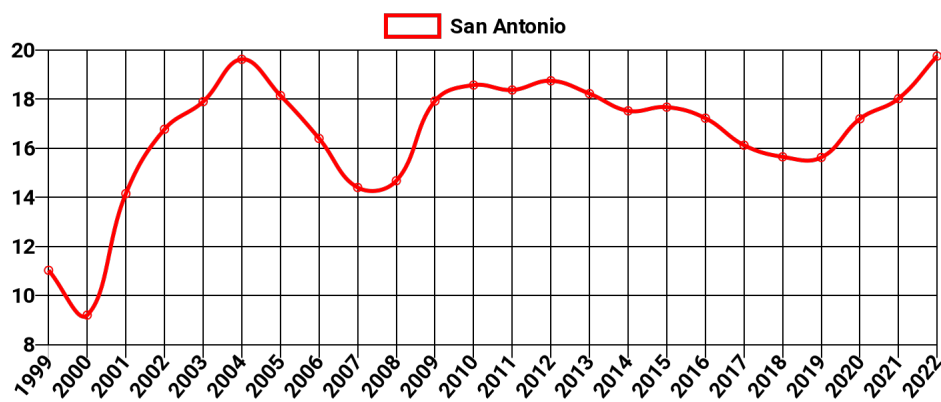


Vacancy Rate Comparisons

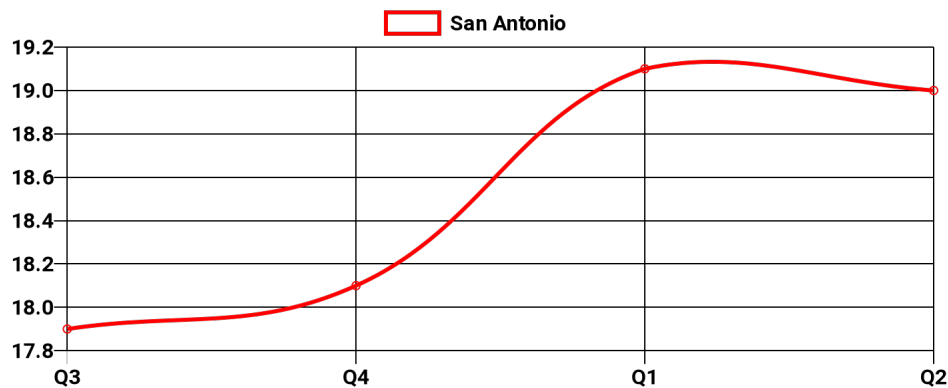
Vacancy Rates

	Vacancy Rates						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	17.9%	18.1%	19.1%	19%	19.6%	19.2%	18.6%

Vacancy Rate Trends



Quarterly Vacancy Rates



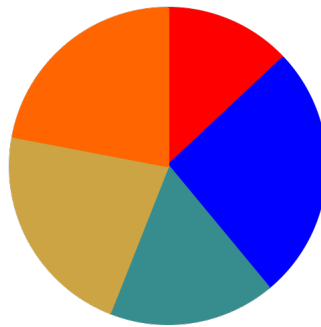
Inventory Details

Operating Expense: \$11.02

Inventory By Building Age

	2000 - 2005	2005 - 2010	2010 - 2015	2015 - 2020	After 2020
San Antonio	13%	26%	17%	22%	22%

■ 2000 - 2005
 ■ 2005 - 2010
 ■ 2010 - 2015
■ 2015 - 2020
 ■ After 2020

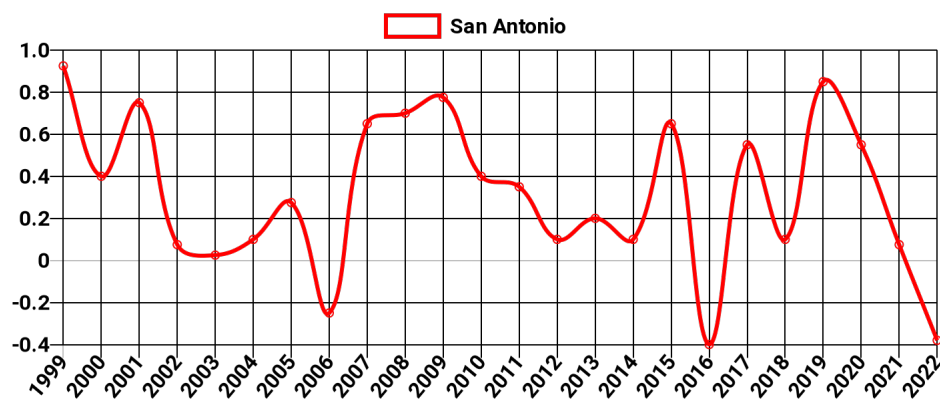


Inventory Growth Comparisons

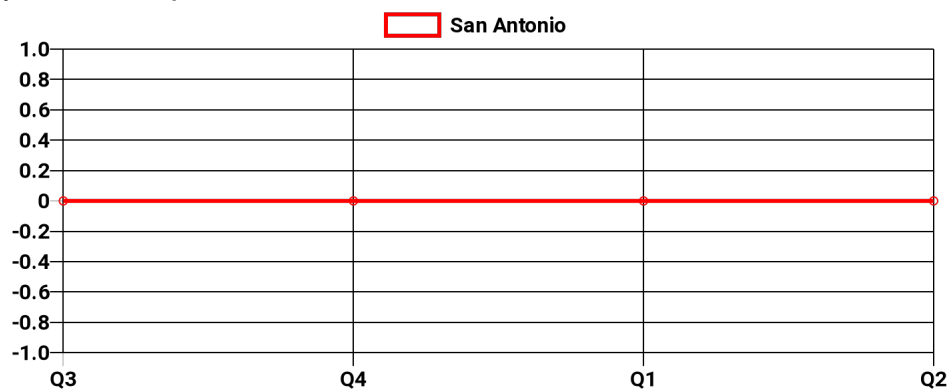
Inventory Growth Rates

	Inventory Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0%	0%	0%	0%	0.1%	0.1%	0.2%

Inventory Growth Comparisons



Quarterly Inventory Growth Comparisons



Construction Absorption Change

Construction and Absorption

	Square Footage Built						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0	0	0	0	14833	89786	97545

	Square Footage Absorbed						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	47000	-57000	-330000	20000	-65667	17286	51818

	Construction/Absorption Ratio						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
San Antonio	0	0	0	0	-0.2	5.2	1.9

San Antonio

