

SAN ANTONIO, TX MULTIFAMILY REPORT

2023 | MIDYEAR

A photograph of the San Antonio skyline at dusk. The sky is a deep blue, and the city lights are beginning to glow. In the foreground, there are green trees and a concrete overpass. The Berkadia logo is in the bottom right corner.

BERKADIA[®]



Jobs Added / Lost

LAST 12 MONTHS

39,500

↑ 3.5%

NEXT 12 MONTHS*

11,000

↑ 0.9%

Unemployment

MIDYEAR 2023

3.7%

↑ 30 BPS YOY

MIDYEAR 2024*

3.6%

↓ 10 BPS YOY

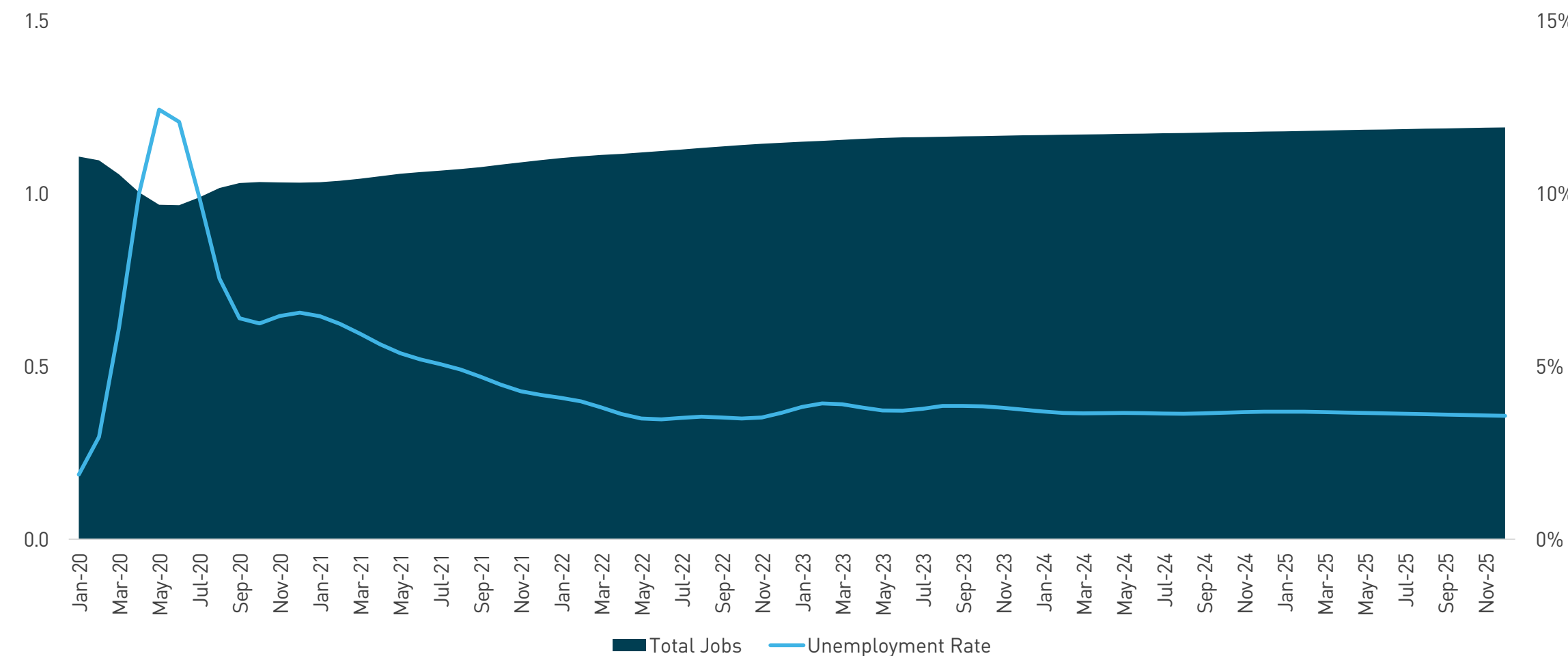
*Projected

SAN ANTONIO, TX EMPLOYMENT

San Antonio has a diverse economy, with no industry dominating the others, though key sectors related to healthcare, military, logistics, and hospitality work together in synchronicity to create opportunities for residents. Over the 12 months that ended in June 2023, San Antonio employers added 39,500 jobs, an expansion of 3.5%. San Antonio's leisure and hospitality sector both recovered from pandemic job losses and expanded during this time, with 11,400 jobs annually, at least two times the volume added by any other sector. Jobs recovered as a result of increased convention activity, resumed annual events, and the return overall domestic travel, tourism revenue and hotel occupancy lagged, but could rebound

by year-end. Inflationary pressure will slow employment growth over the next six months for this industry and for San Antonio overall. The healthcare and private education sector will emerge with the highest volume of job gains, with 5,000 new positions added between January and December. Top contributors to sector growth include Methodist Healthcare, the largest private health employer, who is building a new's West Side hospital that will create 280 jobs and Baptist Health System, who is also expanding into the Northwest San Antonio with a hospital that is estimated to create 500 jobs. The need for hospitals in the northwest part of the region was exacerbated by pandemic population growth.

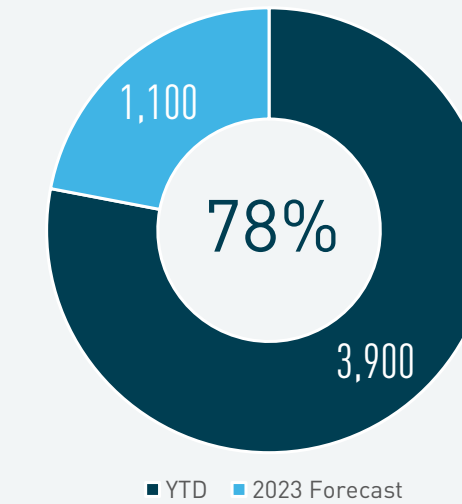
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION & HEALTH SERVICES INDUSTRY



15%
OF ALL JOBS IN THE METRO

\$90,100
AVERAGE ANNUAL SALARY

Top Private Education & Health Services Employers

Methodist HEALTHCARE	12,000 JOBS
BAPTIST HEALTH SYSTEM	6,500 JOBS
WELLMED®	3,000 JOBS

In The News

- [Methodist Healthcare's new Westover Hills hospital to create 280 jobs](#)
- [Baptist Health System's new campus will add 500 jobs](#)
- [UT Health San Antonio undergoing multi-project, \\$1 billion expansion](#)



SAN ANTONIO, TX DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES
5,715

ABSORPTION
4,333

2024 Units*

DELIVERIES
12,898

ABSORPTION
12,665

*Projected

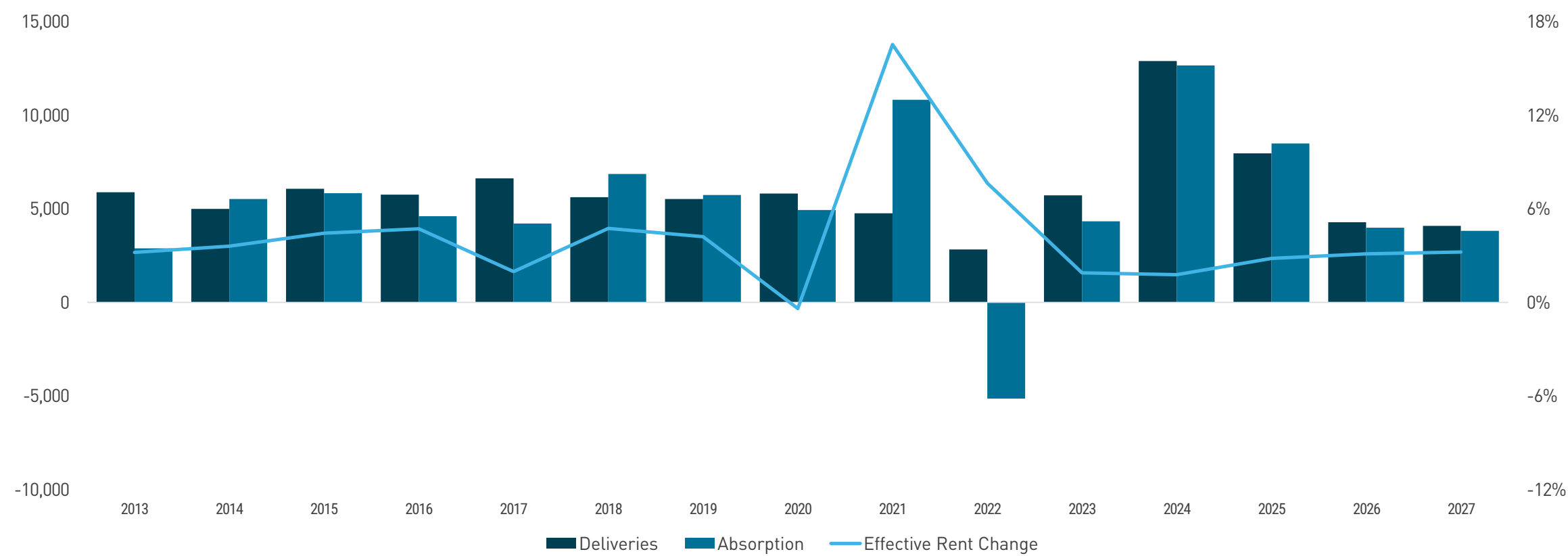
Multifamily activity rose during the first half of 2023 after a year of below average absorption and deliveries during 2022. Developers picked up the pace during the first two quarters of 2023 and brought 3,080 units to market, which is more than the entirety of last year.

Builders continued to focus on areas that were popular during the pandemic: the far north and west suburbs, where residents had the best of both space and amenity options. They also invested in submarkets along major transit corridors to capture an increasing employment base as San Antonio positions itself as a logistics hub betwixt Houston and Austin. Development activity will remain steady over the next six months and culminate in

the delivery of 5,715 units to round out 2023, just below the pre-pandemic five-year average of 5,919 units. At midyear, San Antonio's pipeline was stacked with 21,440 units, and though it is around half of Dallas-Fort Worth's, it still ranked among the top 10% of metros with the heaviest pipelines nationwide.

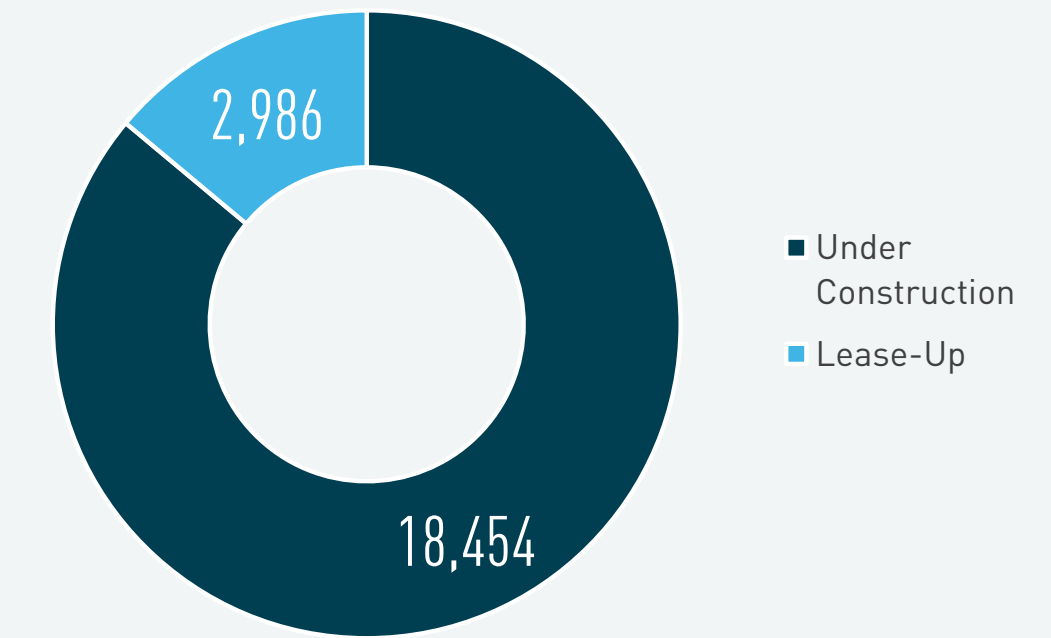
Absorption in the first half of 2023 set the pace for increasing renter interest with 1,194 net move-ins, all of which occurred in the second quarter. This is more than all of 2022, a product of a tight housing market. Operators should see 4,333 net move-ins total for 2023, with demand 75% denser in the metro's perimeter suburban submarkets.

Deliveries, Absorption, & Effective Rent Change

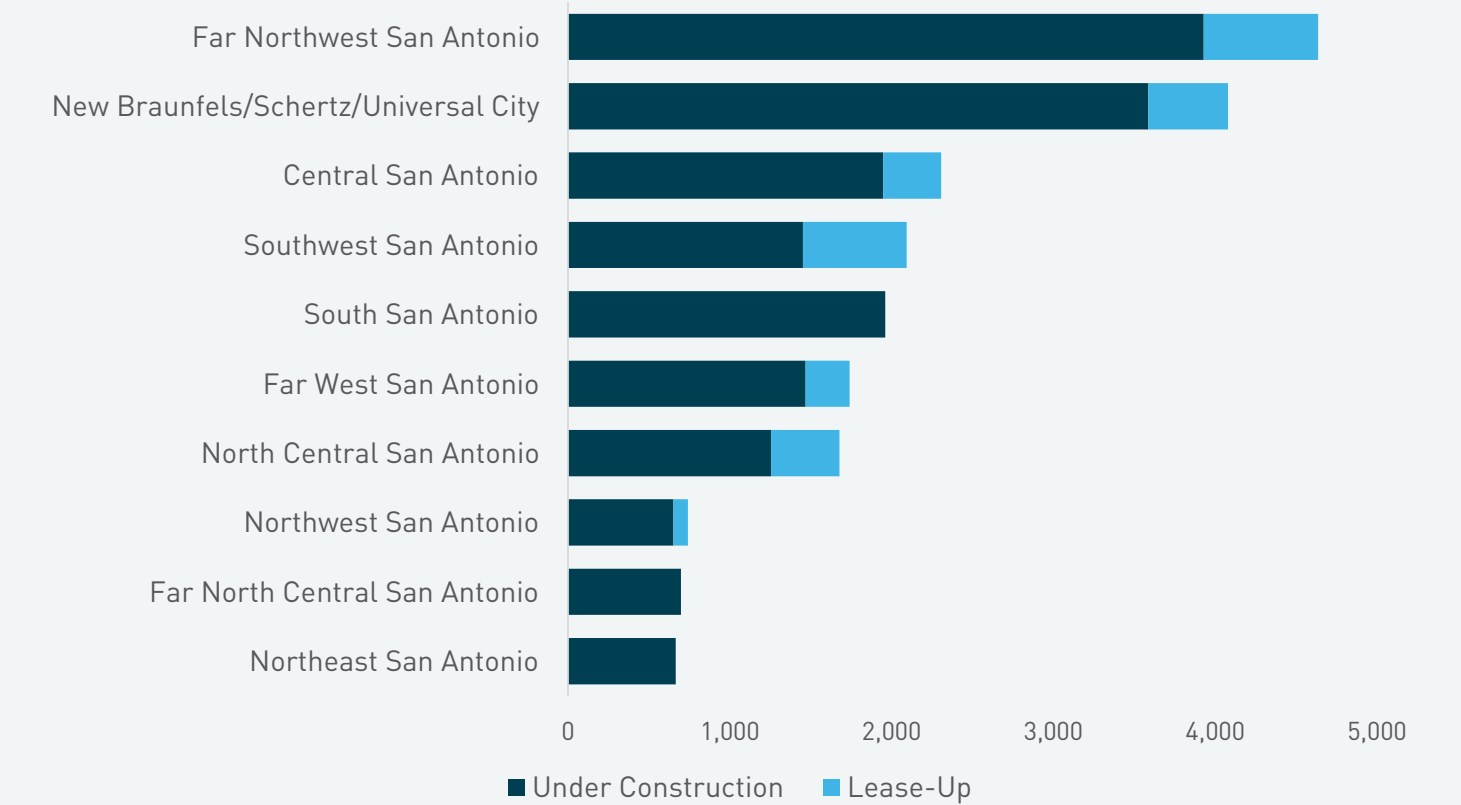


Source: RealPage

Market Pipeline



Top Submarket Pipelines

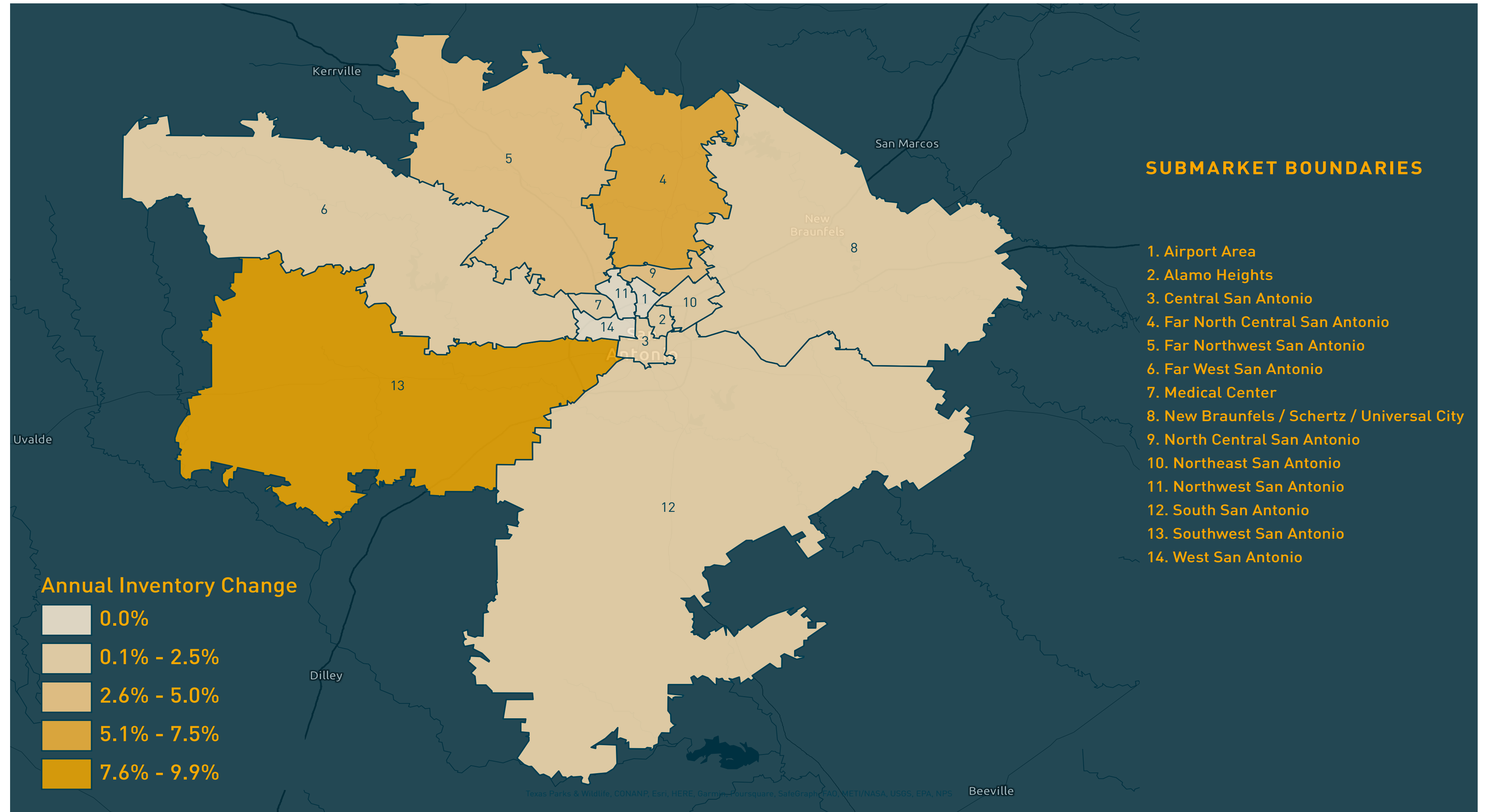




SAN ANTONIO, TX

SUBMARKET ANNUAL INVENTORY CHANGE

Southwest San Antonio's multifamily inventory increased 9.9% from June 2022 to 2023 with an addition of 1,224 units. The submarket encompasses a leading employment hub, the 1,900-acre Port San Antonio which has around 80 companies and 18,000 employees in logistics, cybersecurity, and advanced manufacturing. The submarket is also home to Lackland Airforce Base, which has nearly 47,000 active-duty members and civilian employees. Port San Antonio's tech industry created more than 2,000 jobs since October 2022, in well-paying industries within tech, defense, and aerospace. The port has been more successful leasing office space than San Antonio's downtown, which spurred multifamily developers to accommodate the growing workforce. Developers also flocked to build near the \$70 million Boeing Center, a 130,000-square-foot e-sports and concert venue that opened last April, which helps create a live-work-play destination.





SAN ANTONIO, TX RENT & OCCUPANCY

Effective Rent

Q2 2023

\$1,272

↑ 1.8% YOY

Occupancy

Q2 2023

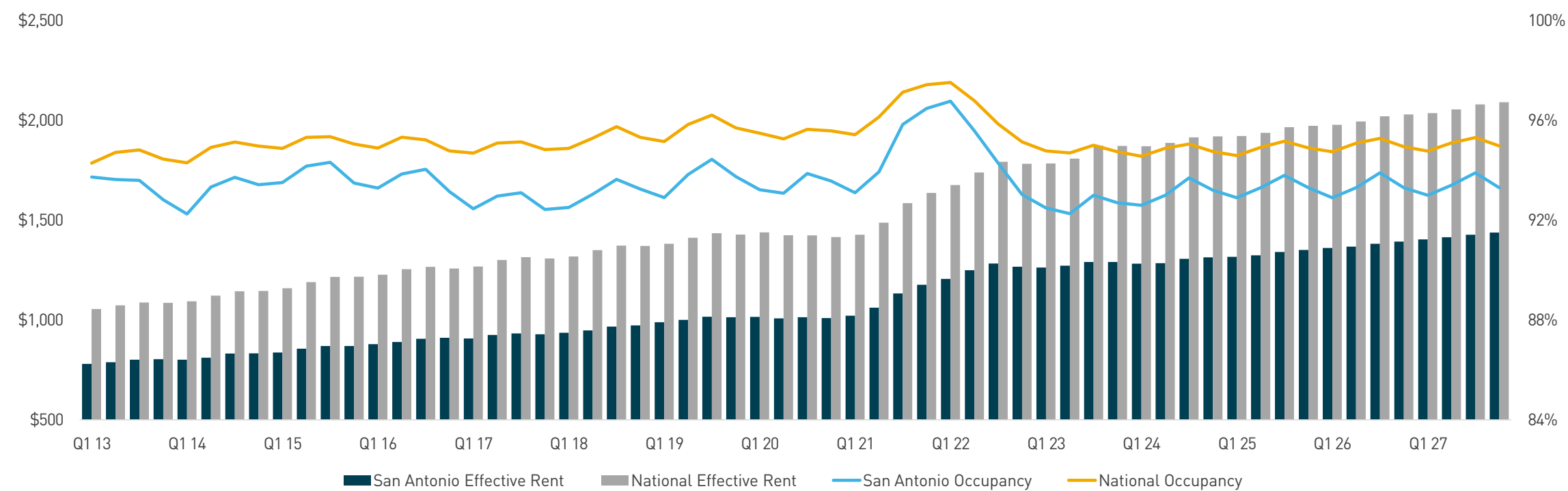
92.3%

↓ 330 BPS YOY

San Antonio is amid a period of recovery for both annual effective rent increases and occupancy after a market-record rent increase in the second quarter of 2022 shattered demand in the second part of the year. Though San Antonio is the most affordable multifamily market in the Texas Triangle, the 17.7% increase created a cost-of-living burden for many renters, as it outpaced the market's wage increases when paired with other inflationary pressures. The negative absorption in the second half of 2022 bled into multifamily indicators during the second quarter of 2023. Though the average effective rent increased annually to \$1,272 per month in the second quarter of 2023, the 1.8% increase appeared dampened compared to the 4.3% average annual

increase during the second quarter from 2015 to 2019. Additionally, the metro's average occupancy rate dipped 330 basis points over the past 12 months to 92.3%. As San Antonio's more gradual multifamily rent increases rebuild consumer confidence through the rest of 2023 and into 2024, the return of demand should continue to elevate both annual rent growth and occupancy rates. Forecasts show occupancy levels close to the pre-pandemic norm around 93% as soon as midyear 2024. Should the elevated pipeline come to fruition, annual effective rent increases may take longer to return to pre-pandemic norms, though increased construction costs and upcoming political events may change that.

San Antonio vs. National Effective Rent & Occupancy



Source: RealPage

Submarket Performance

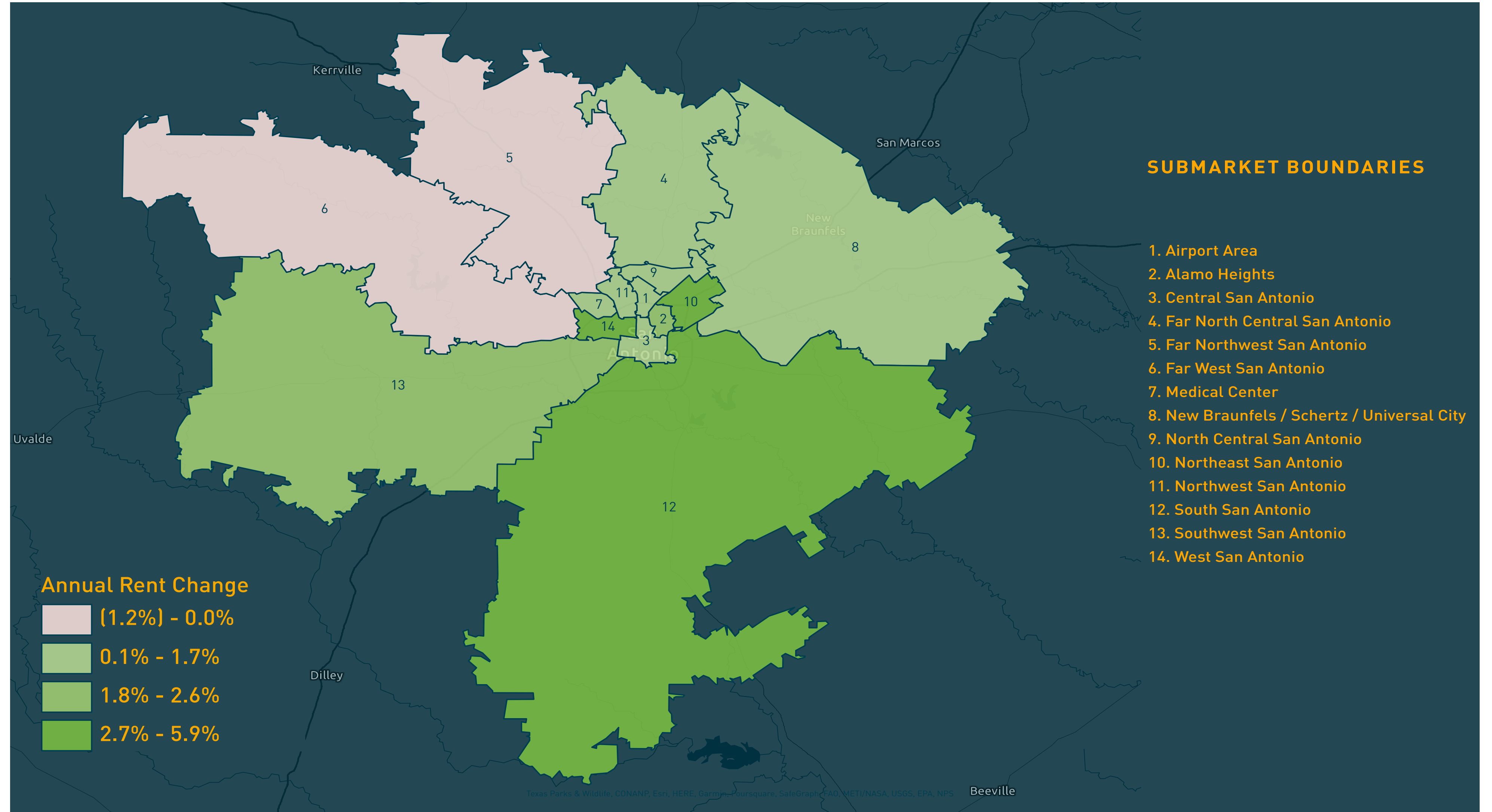
SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Airport Area	91.9%	-310	\$1,120	1.2%
Alamo Heights	92.4%	-370	\$1,493	2.6%
Central San Antonio	93.5%	-150	\$1,518	1.2%
Far North Central San Antonio	93.6%	-280	\$1,487	1.1%
Far Northwest San Antonio	92.6%	-280	\$1,485	-1.2%
Far West San Antonio	92.5%	-310	\$1,306	-0.5%
Medical Center	91.4%	-400	\$1,165	1.7%
New Braunfels/Schertz/Universal City	92.7%	-370	\$1,347	1.4%
North Central San Antonio	92.9%	-360	\$1,289	1.3%
Northeast San Antonio	92.2%	-380	\$1,141	5.9%
Northwest San Antonio	92.1%	-320	\$1,182	0.1%
South San Antonio	91.5%	-310	\$1,107	4.1%
Southwest San Antonio	90.5%	-450	\$1,098	2.6%
West San Antonio	92.0%	-330	\$1,030	4.0%



SAN ANTONIO, TX

SUBMARKET ANNUAL RENT CHANGE





The Northeast San Antonio submarket's effective rate increased the most, at 5.9% year over year, which placed the monthly effective rent at \$1,141 in the second quarter of 2023. Northeast San Antonio's effective rent during the second quarter of 2022 was 16% lower than market average, so landlords were emboldened to raise rents as they saw fit year-over-year to something more comparable, given inventory age and demand, to the five surrounding submarkets, which had an average effective rate of \$1,250 per month. Northeast San Antonio should continue to post increases over the metro average thanks to stable growth in supply and demand, and from general development along I-35. Following the close of interstate expansion construction, the I-35 corridor is slated to be a key gateway for employer and population growth between Austin and San Antonio, from which the submarket will benefit heavily.




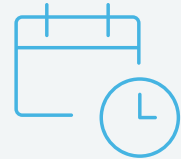
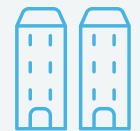
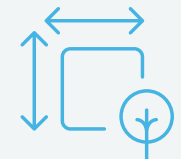


SAN ANTONIO, TX SALES

2023 Year to Date*

	VOLUME Nondisclosure		PRICE PER UNIT (AVG) Nondisclosure
	TRANSACTIONS 18		CAP RATE (AVG) Nondisclosure

What's Trading?*

	UNITS (AVG) 265		YEAR BUILT (AVG) 1990s
	BUILDINGS (AVG) 12		ACRES (AVG) 13.23

Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
American Landmark	Tampa, FL
River Rock Capital	Lawrence, NY
Berkshire Residential Investments	Boston, MA
GVA Real Estate Investments	Austin, TX
SPI Advisory	Dallas, TX

Top Sellers**

SELLER	LOCATION
Kobrinsky Group	Salinas, CA
Benjamin E Sherman & Sons Inc	Deerfield, IL
Fortress	New York, NY
Fulton Property Group	Alamo Heights, TX
Alliance Residential Co	Phoenix, AZ

**Past 24 Months

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Sources: RealPage; Moody's Analytics; Real Capital Analytics

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