



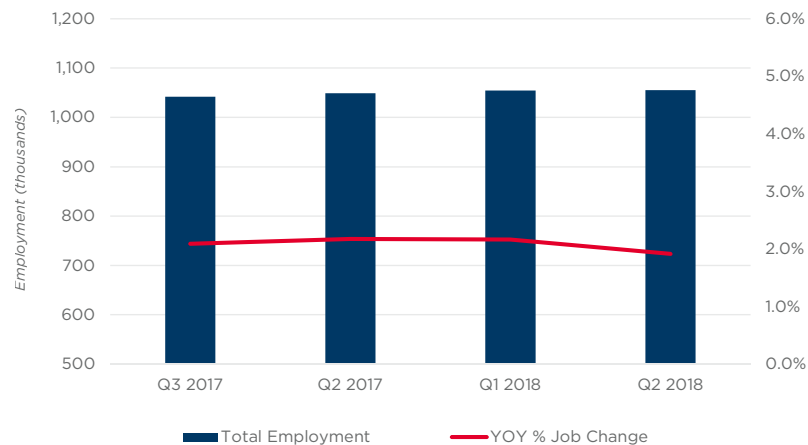
## SAN ANTONIO, TX

### EMPLOYMENT & UNEMPLOYMENT TRENDS

The San Antonio added a hefty **19,800 net jobs year-over-year as of the second quarter** and the unemployment rate remains extremely low, indicating strong demand for additional labor. From an infrastructure perspective, the metro is adapting to its job and demographic growth. San Antonio International was ranked among the U.S.' fastest-growing airports in 2018, with increasing nonstop connectivity to more than 50 metros. United Airlines is adding nonstop flights to Newark, NJ and Frontier more than doubled its services in the metro.

### SAN ANTONIO JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics  
Note: Q2 data is an average of April and May

### JOB GROWTH & UNEMPLOYMENT RATE

**+1.9**  
% YOY

Average Q2 employment grew by 19,800 jobs.

**-13**

BPS YOY

Average Q2 unemployment decreased to 3.4%.

### ECONOMIC EXPANSION

The following are select job announcements from second quarter 2018:

- ✓ **Boeing** is planning on expanding operations in the metro in order to provide on-demand maintenance services.
- ✓ The \$65 million **Methodist Women's Hospital** at South Texas Medical Center campus opened. It is part of the campus' \$270 million overhaul.
- ✓ **Task Us Inc.** is planning on expanding by opening a \$13 million outsource process center that **will add 450 jobs** by 2021, with approximately 300 of those jobs added within a year.
- ✓ **The Hut Group** is relocating its U.S. Divisional Ingenuity HQ from Salt Lake City to San Antonio in 2019, **including 160 jobs.**
- ✓ **Nissei Plastic Machinery America** opened a \$21 million, 115,000-square-foot production facility.
- ✓ **Lockheed Martin Corp.** is the first to sign a lease at Project Tech, Port San Antonio's new \$20 million, 90,000-square-foot cybersecurity-focused building. Project Tech can support 300 jobs.

	2016	2017	2018F	FORECAST
<b>U.S EMPLOYMENT (% Change)</b>	1.9%	1.6%	1.6%	↑
<b>MSA EMPLOYMENT (% Change)</b>	2.9%	2.3%	2.2%	↑
<b>MSA UNEMPLOYMENT RATE (%)</b>	3.8%	3.5%	3.3%	↓

Forecast is 12-month outlook

### OUTLOOK

- Per the US Census Bureau, the metro was the nation's **fastest-growing city** from 2016 to 2017. The metro is projected to **add nearly 87,000 jobs by 2023** and the unemployment rate is projected to be at 4.2% or less.
- Mayor Nirenberg's growth plan includes adding 70,000 jobs in the metro by year-end 2020 and creating ConnectSA, a group that will devise a **transportation plan** to vote upon in 2019.

## MULTIFAMILY TRENDS

The multifamily market is showing positive momentum through mid-2018. Strengthening fundamentals including job and wage growth will help boost rent gains in the next 12 months.

**+2.5**  
% YOY

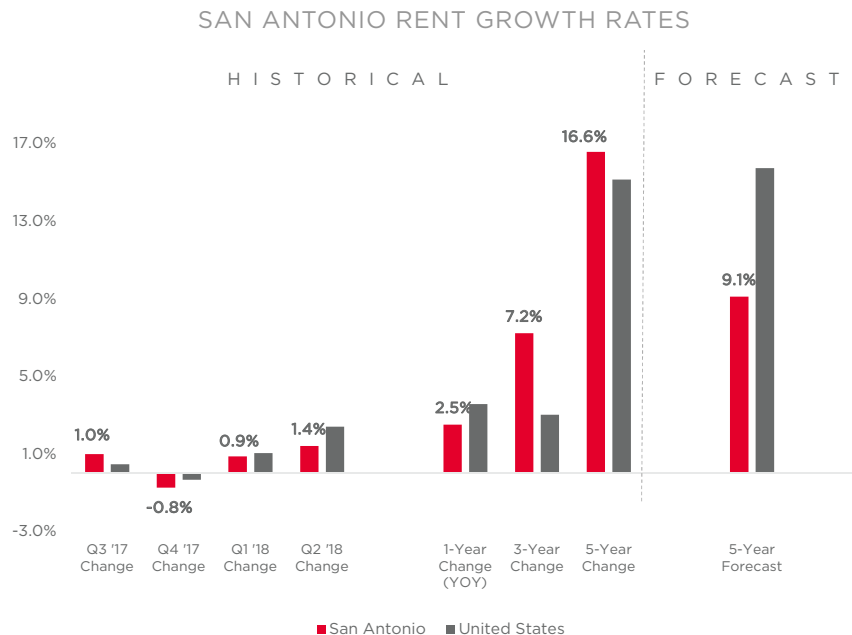
Average effective rent increased to \$945.

**+0**  
BPS YOY

Vacancy remained stable at 6.6%.

## HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Consistent with national trends, San Antonio's rent growth rate dipped in fourth quarter 2017, but that trend did not prevent the metro from gaining ground year-over-year with a 2.5% average increase as of the second quarter. The market is projected to break the \$1,000 ceiling by year-end 2021.



Source: AXIOMetrics

## DEVELOPMENT / INVENTORY

Fewer than 7,000 units are currently under construction in the San Antonio metro. Approximately 2,300 have delivered year-to-date, which is less than half of the 5,800 total units that delivered in 2017. The largest properties under construction are: **The Rim** (384 units), **Mission Escondida Luxury Apartments** (360 units), **Medio Springs Ranch** (348 affordable units), **Encore SoFlo** (339 units), and **Bulverde** (338 units).

## DEMOGRAPHIC FUNDAMENTALS

San Antonio's percent renter household rate is 90 basis points above that of the nation, which bodes well for the local multifamily market. More than 30,300 renter households will enter the market between 2017 to 2022, creating tremendous multifamily demand.

### POPULATION



2000: 1,711,577  
2010: 2,142,508  
2017: 2,405,892  
2022: 2,583,434

### PERCENT RENTER HOUSEHOLDS



2000: n/a  
2010: 36.0%  
2017: 37.2%  
2022: 37.2%

### MEDIAN HOUSEHOLD INCOME



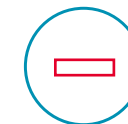
2000: \$39,090  
2010: \$49,129  
2017: \$54,426  
2022: \$64,399

## MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term:



**RENTS**



**VACANCY**



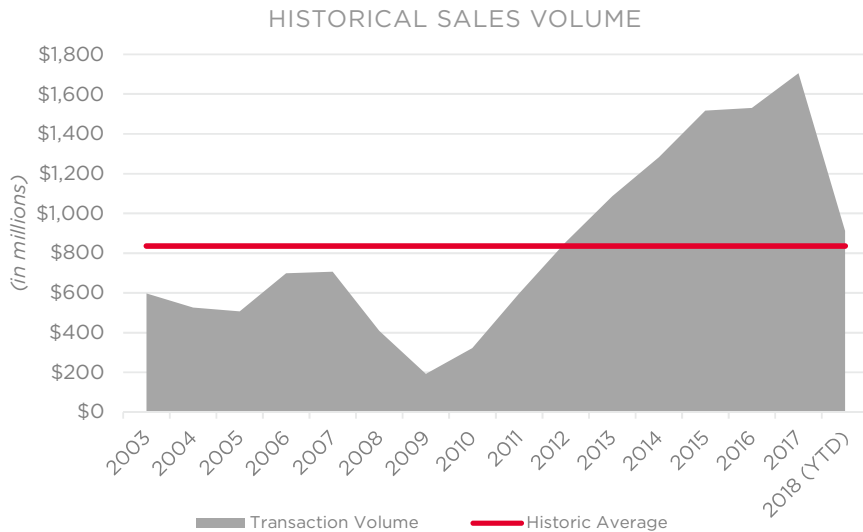
**PIPELINE % GROWTH**

Forecast is 12-month outlook



**INVESTMENT ACTIVITY**

San Antonio's total sales volume among multifamily deals \$2.5 million or greater increased by 31% when comparing the first half of 2018 to the first half of 2017. The market exceeded \$900 million in June 2018, which is the level the market reached in August of 2017. The overwhelming majority of investors in the market through mid-2018 are in the Private Capital segment.



Source: Real Capital Analytics

**MOST ACTIVE MARKET PLAYERS**

**TOP FIVE SAN ANTONIO BUYERS - 2018 YEAR TO DATE**

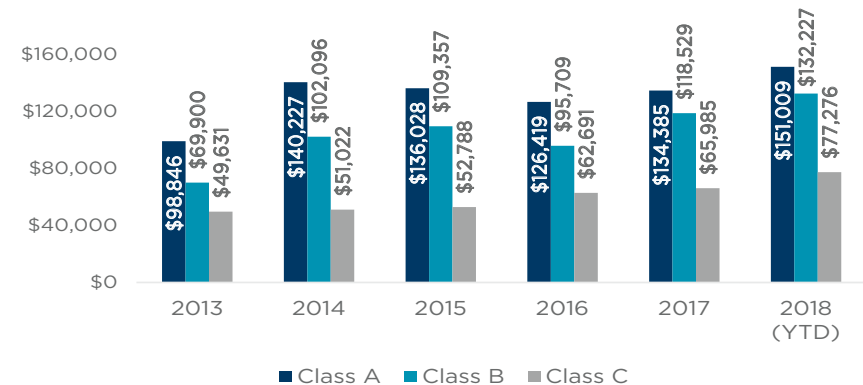
RANK	BUYER	TOTAL VOLUME	NO. PROPERTIES
1	FPA Multifamily, LLC	\$80 - \$100 million	1
2	The Accend Companies	\$60 - \$80 million	1
3	Knightvest Management	\$40 - \$60 million	2
4	B & M Management Company	\$40 - \$60 million	1
5	Benimax Investment Group, Inc.	\$40 - \$60 million	1

**NOTABLE SALES - YEAR TO DATE**

PROPERTY	YEAR	UNITS	SELLER	BUYER	PPU
<b>CLASS A</b>					
<b>The Flats at Big Tex</b>	2016	336	The Lifshutz Companies	The Accend Companies	Undisclosed
<b>Ridgeline at Rogers Ranch</b>	2016	299	Embrey Partners	Benimax Investment Group	Undisclosed
<b>Eilan</b>	2008	539	Lone Star Funds	FPA Multifamily	Undisclosed
<b>Retama Ranch</b>	1999	246	Cortland Partners	Knightvest Management	Undisclosed
<b>CLASS B</b>					
<b>Three Fountains</b>	1998	272	Adams LaSalle Realty	Westmount Realty Capital	Undisclosed
<b>Monterra</b>	1999	352	Cortland Partners	Knightvest Management	Undisclosed
<b>Alamo Park</b>	1983	309	SB Pacific Group	Achieve Properties	Undisclosed

**PRICING & CAP RATES**

The market's mid-quartile cap rates range from 5.2% to 5.9% with a median of 5.6%. These cap rates are 30 to 70 basis points lower than that of the nation during the same period.

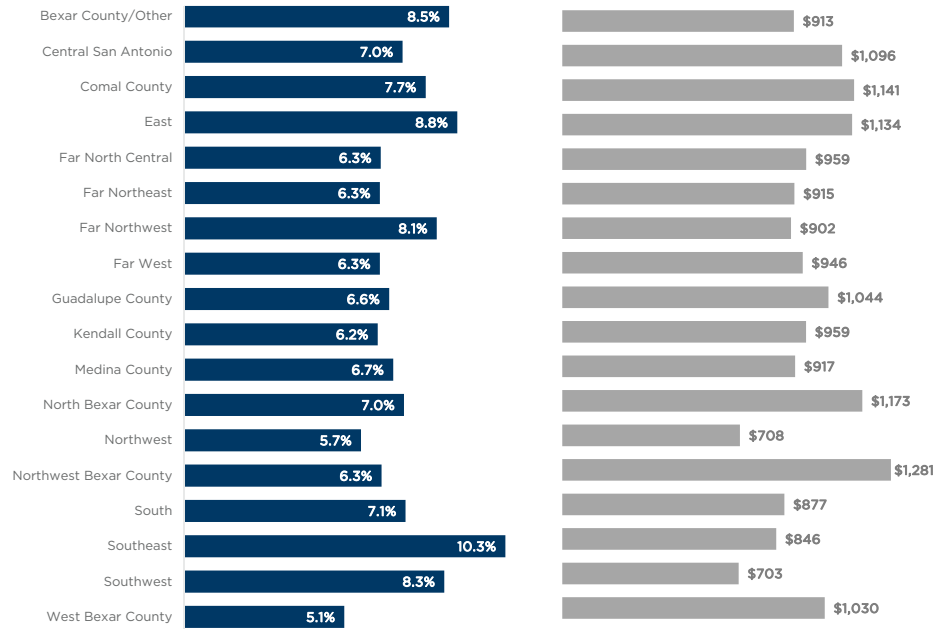


Source: Real Capital Analytics, CoStar, Cushman & Wakefield Research

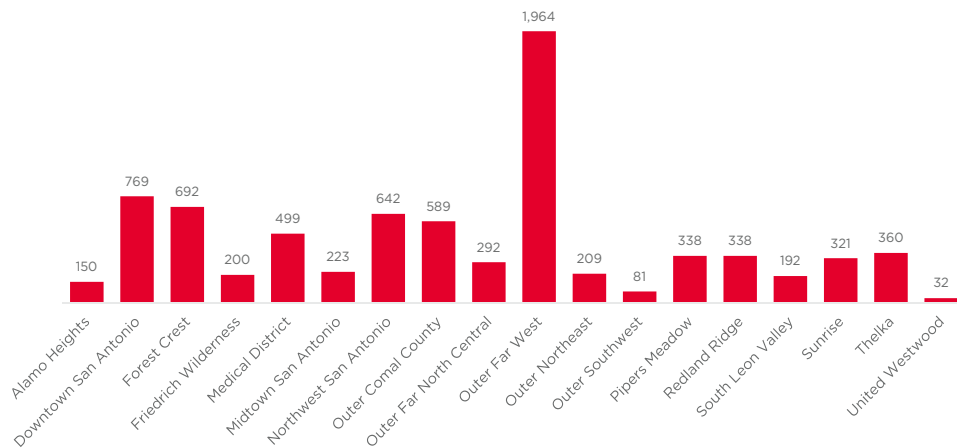


**SUBMARKET OVERVIEW**

RENTS & VACANCY BY SUBMARKET



UNITS UNDER CONSTRUCTION BY SUBMARKET



Source: AXIOMetrics, CoStar, Cushman & Wakefield Research

**SELECT SUBMARKET NEWS**

**Downtown**

- **DC Partners** is constructing Thompsen Hotel and The Arts Residences, which is a 20-story tower with 58 condominiums, 162 hotel rooms, retail space, a restaurant. The \$116 million is projected to be complete in first quarter 2020.
- **USTA** is ramping up construction at its downtown campus redevelopment including the Science and Engineering Building (SEB) and Large-Scale Structural Testing Facility (LSSTF).
- **KDC Real Estate** is constructing the 23-story Frost Bank Tower that will house the bank's headquarters on the first 16 floors and will include a 1,000-car garage.

**Northwest**

- **University Village** is a \$320 million mixed-use development that includes the potential for 24 acres of open space, 120,000 square feet of retail, 320,000 square feet of Class A office, and 1,000 multifamily units.

**East Side**

- **Stream Realty** and **McCombs Properties** is currently constructing Phase I of Gateway10 Business Park, which is a 180,000-square-foot warehouse. The park will include 75 acres of industrial and 33 acres of commercial space. **Koontz Corp.** is also building a 327,000-square-foot distribution center at Foster Road to be complete in first quarter 2019.

**River North**

- **Silver Ventures** is constructing a pair of highrise and mid-rise buildings, Pearl Broadway Office Towers, with a total of 310,000 square feet and projected completion date in Spring 2019.

**Far West Side**

- **Weingarten Realty** broke ground on approximately 20,000 square feet of retail space at Stevens Ranch, a 2,400-acre master-planned community.