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Industrial Building Market Snapshot San Antonio Metropolitan Area

First Quarter 2014



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OVERVIEW

After turning in a tremendous performance in 2013, the San Antonio industrial market recorded a positive but measured start in 2014. According to the survey of nearly 33.7 million square feet of industrial lease space, new leases and expansions inked in the first three months of the year netted 230,787 square feet of positive absorption. The first quarter gain marked a twelfth consecutive quarter of positive net absorption. Over that period, the citywide vacancy rate tightened from 13.2% to 6.7% which is down from 6.8% last quarter and 9.1% recorded in the same quarter last year. With vacancy on the decline, rental rates are on the rise. The citywide average quoted triple net rental rate for industrial space increased to \$7.58 per square foot per year – up \$0.19 cents or 2.6% compared to the first quarter of 2013.

San Antonio is on the radar screens of a wide variety of industrial users. In response to stable demand and shrinking vacancy, a new development cycle continues to grow. User-driven build-to-suit activity continues to expand the overall industrial presence and add jobs to the San Antonio area. The development pipeline now also includes several speculative projects including Enterprise Industrial Park (315,362 sf) situated along Lookout Road in Schertz where Keystone Automotive Industries, Inc. recently pre-leased 127,773 square feet. Construction also continues at Tri-County 3 & 4 - a two-building complex totaling 63,360 square feet located at FM 3009 & Tri-County Parkway. Additionally, groundwork began on the first two buildings at Alamo Ridge Business Park totaling roughly 158,000 square feet. Ultimately, the project, located on Fairgrounds Parkway in the Alamo Downs Business Park near the intersection of Loop 410 & Culebra Road on the city's Northwest side, could be expanded up to five buildings spanning approximately 400,000 square feet.

CITYWIDE			CENTRAL BUSINESS DISTRICT			NON-CBD		
	1Q 2014	1Q 2013		1Q 2014	1Q 2013		1Q 2014	1Q 2013
All Property Types			All Property Types			All Property Types		
Inventory	33,668,050	32,015,187	Inventory	233,395	233,395	Inventory	33,434,655	31,781,792
Direct Vacant	2,270,372	2,913,519	Direct Vacant	28,548	40,460	Direct Vacant	2,241,824	2,873,059
%Vacant	6.7%	9.1%	%Vacant	12.2%	17.3%	%Vacant	6.7%	9.0%
Average Rent	\$7.58	\$7.39	Average Rent	\$3.60	\$3.48	Average Rent	\$7.61	\$7.43
1Q Absorption	230,787	318,855	1Q Absorption	0	0	1Q Absorption	230,787	318,855
YTD Absorption	230,787	318,855	YTD Absorption	0	0	YTD Absorption	2,466,220	318,855
Distribution / Warehouse			Distribution / Warehouse			Distribution / Warehouse		
Inventory	25,745,455	23,913,652	Inventory	233,395	233,395	Inventory	25,512,060	23,680,257
Direct Vacant	1,276,103	1,691,244	Direct Vacant	28,548	40,460	Direct Vacant	1,247,555	1,650,784
%Vacant	5.0%	7.1%	%Vacant	12.2%	17.3%	%Vacant	4.9%	7.0%
Average Rent	\$5.28	\$4.90	Average Rent	\$3.60	\$3.48	Average Rent	\$5.32	\$4.95
1Q Absorption	247,791	156,805	1Q Absorption	0	0	1Q Absorption	247,791	156,805
YTD Absorption	247,791	156,805	YTD Absorption	0	0	YTD Absorption	247,791	156,805
Service Center/Flex Combined			Service Center/Flex Combined			Service Center/Flex Combined		
Inventory	7,922,595	8,101,535	Inventory	0	0	Inventory	7,922,595	8,101,535
Direct Vacant	994,269	1,222,275	Direct Vacant	0	0	Direct Vacant	994,269	1,222,275
%Vacant	12.5%	15.1%	%Vacant	0	0	%Vacant	12.5%	15.1%
Average Rent	\$9.26	\$9.19	Average Rent	0	0	Average Rent	\$9.26	\$9.19
1Q Absorption	(17,004)	162,050	1Q Absorption	0	0	1Q Absorption	(17,004)	162,050
YTD Absorption	(17,004)	162,050	YTD Absorption	0	0	YTD Absorption	(17,004)	162,050

Analysis by REOC San Antonio based on data provided by Xceligent and approved by the San Antonio Industrial Advisory Board.

Statistics based on all multi-tenant industrial facilities 20,000 square foot and larger excluding single-tenant, owner-occupied and government buildings.

Average rental rates reflect non-weighted strict average asking rental rates quoted on a triple net annual basis.

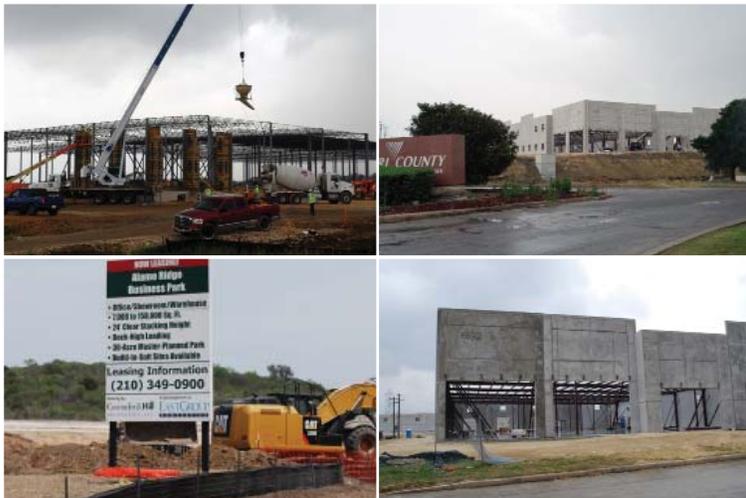
LEASE TRANSACTIONS

Tenant	Building	Size	Submarket
VTECH (Renewal)	Coliseum Distribution Center #1	208,000	North East
Builders First Choice	San Antonio Distribution Center #14	83,250	North East
Metafrio	Tri-County Distribution Center I	40,000	North East
Cooled Insulation	Northwest Business Center	25,000	North West
Aldez Containers	Pan Am Distribution Center 1	20,000	North East
Westbrook Metals	Binz-Engleman Distribution Center	16,800	North East

SALE TRANSACTIONS

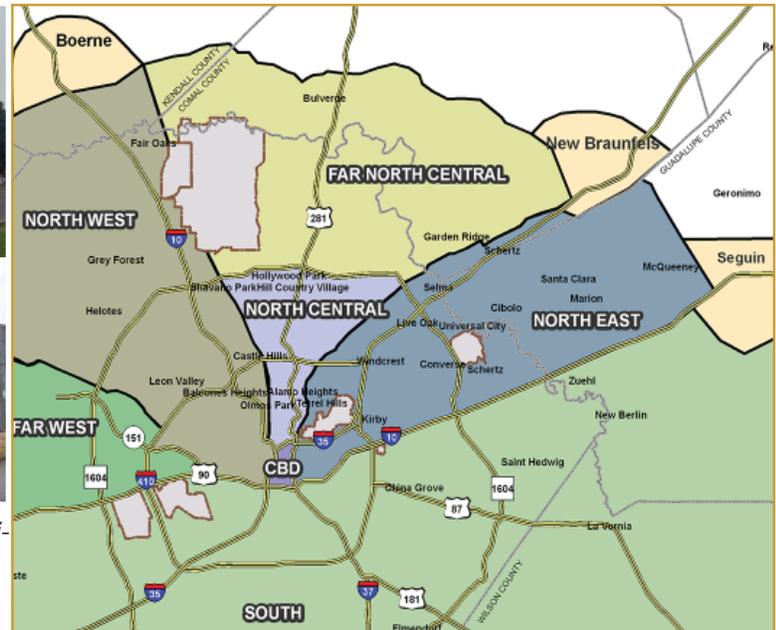
Building	Buyer	Size	Submarket
Lanark Distribution Center	TA Associates	236,420	North East
4958 Stout Drive	Lone Star Tooling Solutions	176,676	South
Northwest Business Center at Alamo Downs	Live Oak-Gottesman	87,042	North West

WHAT'S NEW



Clockwise from top left: Enterprise Industrial Park, Tri-County 3, Tri-County 4, Alamo Ridge Business Park

SUBMARKET MAP



PROPERTY TYPES

Distribution Warehouse – bulk warehouse facilities usually larger than 50,000 sf consisting of less than 30% office finish and featuring higher clear heights and dock loading.

Service Center – office showroom or light manufacturing space consisting of 30% or more office finish/air-conditioned space and featuring optional grade/dock loading, attractive landscaping, generous parking and generally 12' – 18' clear heights.

Flex – new generation of service center product designed with flexibility to serve as either office or warehouse space based on use of windows versus overhead doors. The majority of Flex space in the San Antonio area has been built since the late 1990's and is finished as 100% office

CRITERIA

This study includes industrial buildings in all major industrial parks and developments, as well as other San Antonio area industrial buildings 20,000 square feet or larger. These figures do not include owner-occupied buildings.

SERVICES

REOC San Antonio is actively involved in all aspects of commercial real estate: project leasing, acquisition and disposition, buyer and tenant representation, site selection, property management, construction supervision, development, research, marketing and consulting.

For additional information about our services, please contact:
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DEFINITIONS

Absorption (Net)

The change in occupied space in a given time period

Average Asking Rental Rate

Rental rate as quoted from each center's owner/leasing/management company. Industrial rental rates quoted on an annual triple net basis.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner; excludes sublease space.

SF/PSF

Square foot/per square foot, used as a unit of measurement

Sublease

Arrangement in which a tenant leases rental property to another and the tenant becomes the landlord to the subtenant.

Sublease Space

Total square footage being marketed for lease by a tenant; sublease space is not considered in the overall occupancy or absorption numbers – only direct leases are included.

Sublease Vacancy

Space currently available in the market for sublease through the tenant to a third party for the remainder of the tenant's lease term.

For more information about this report, please contact Kim Gatley, Senior Vice President & Director of Research.

