

# The Source

Better information, better decisions.

## Office Building Market Snapshot San Antonio Metropolitan Area

### First Quarter 2014



office 210 524 4000  
fax 210 524-4029  
reocsanantonio.com  
reocsanantonioblog.com

1826 N Loop 1604 W Suite 250  
San Antonio, TX 78248-4531

## OVERVIEW

New leases and expansions inked in the first quarter helped to generate 335,672 square feet of positive net absorption which is more than accumulated for all of last year and, particularly, a marked improvement compared to the flat performance recorded in the last three months of 2013 which yielded less than 35,000 square feet. Overall, positive gains were widespread and resulted in the lowering of the citywide vacancy rate which improved to 18.4% compared to 19.5% last quarter and 19.8% recorded in the same quarter a year ago.

The employment base in the greater San Antonio area continues to grow showing a 1.9% increase for the twelve-month-period ending March, according to Texas Workforce. Although growth in the highest office-using sectors, like Professional and Business Services and Financial Activities, has remained rather flat over the past year, gains throughout the region continue to fuel the local economy stimulating expansion of existing businesses and keeping the overall outlook positive.

CITYWIDE			CENTRAL BUSINESS DISTRICT			NON-CBD		
	1Q 2014	1Q 2013		1Q 2014	1Q 2013		1Q 2014	1Q 2013
<b>All Classes</b>			<b>All Classes</b>			<b>All Classes</b>		
Inventory	28,417,306	28,051,679	Inventory	5,728,263	5,655,355	Inventory	22,689,043	22,396,324
Direct Vacant	5,222,040	5,550,560	Direct Vacant	1,596,113	1,681,014	Direct Vacant	3,625,927	3,869,546
%Vacant	18.4%	19.8%	%Vacant	27.9%	29.7%	%Vacant	16.0%	17.3%
Average Rent	\$19.77	\$19.34	Average Rent	\$19.86	\$19.36	Average Rent	\$19.76	\$19.34
1Q Absorption	335,672	120,762	1Q Absorption	120,222	21,196	1Q Absorption	215,450	99,566
YTD Absorption	335,672	120,762	YTD Absorption	120,222	21,196	YTD Absorption	215,450	99,566
<b>Class A Space</b>			<b>Class A Space</b>			<b>Class A Space</b>		
Inventory	9,927,703	9,814,303	Inventory	1,994,170	1,994,170	Inventory	7,933,533	7,820,133
Direct Vacant	1,010,221	1,256,445	Direct Vacant	163,257	287,136	Direct Vacant	846,964	969,309
%Vacant	10.2%	12.8%	%Vacant	8.2%	14.4%	%Vacant	10.7%	12.4%
Average Rent	\$25.27	\$24.87	Average Rent	\$23.30	\$22.40	Average Rent	\$25.56	\$25.27
1Q Absorption	163,164	74,115	1Q Absorption	53,573	3,723	1Q Absorption	109,591	70,392
YTD Absorption	163,164	74,115	YTD Absorption	53,573	3,723	YTD Absorption	109,591	70,392
<b>Class B Space</b>			<b>Class B Space</b>			<b>Class B Space</b>		
Inventory	15,199,862	14,932,573	Inventory	2,759,870	2,690,110	Inventory	12,439,992	12,242,463
Direct Vacant	3,376,732	3,444,605	Direct Vacant	1,071,129	1,038,849	Direct Vacant	2,305,603	2,405,756
%Vacant	22.2%	23.1%	%Vacant	38.8%	38.6%	%Vacant	18.5%	19.7%
Average Rent	\$19.89	\$19.50	Average Rent	\$19.73	\$18.98	Average Rent	\$19.92	\$19.57
1Q Absorption	179,110	77,788	1Q Absorption	66,649	23,590	1Q Absorption	112,461	54,198
YTD Absorption	179,110	77,788	YTD Absorption	66,649	23,590	YTD Absorption	112,461	54,198
<b>Class C Space</b>			<b>Class C Space</b>			<b>Class C Space</b>		
Inventory	3,289,741	3,304,803	Inventory	974,223	971,075	Inventory	2,315,518	2,333,728
Direct Vacant	835,087	849,510	Direct Vacant	361,727	355,029	Direct Vacant	473,360	494,481
%Vacant	25.4%	25.7%	%Vacant	37.1%	36.6%	%Vacant	20.4%	21.2%
Average Rent	\$14.77	\$14.56	Average Rent	\$17.01	\$17.50	Average Rent	\$14.50	\$14.28
1Q Absorption	(6,602)	(31,141)	1Q Absorption	0	(6,117)	1Q Absorption	(6,602)	(25,024)
YTD Absorption	(6,602)	(31,141)	YTD Absorption	0	(6,117)	YTD Absorption	(6,602)	(25,024)

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

Statistical Information is calculated for multi-tenant office bldgs 20,000 sf and larger (excluding Single-Tenant, Owner-Occupied, Gov't and Medical Buildings).

Rental rates reflect non-weighted strict average asking rental rates quoted on an annual full-service basis. Rents quoted on a non-full-service basis (such as NNN) have been calculated up to reflect the full-service rate.

## RECENT LEASE TRANSACTIONS

Tenant	Building	Size	Submarket
State of Texas/Attorney General's Office	One Alamo Center	58,000	CBD
Convergent Contact Solutions, Inc.	Century Building	47,489	North Central
USAA	One Riveralk Place	46,339	CBD
Silver Spring Network	Bank of America Plaza	11,467	CBD
Mortenson Construction	Ridgewood Business Center	11,442	Far North

## RECENT SALE TRANSACTIONS

Building	Buyer	Size	Submarket
Cherry Ridge Office Park	Boller Properties	113,548	North West
4500 Lockhill Selma	Lockhill Selma Property Interests, Ltd.	99,098	North West
Trailcrest Office Centre	Trailcrest Partners Ltd.	40,690	Far North
Viewpoint Office Building	Victor Igunbola	29,178	North Central

## WHAT'S NEW



Clockwise from top left: WestRidge South, 250 W Nottingham, Pape-Dawson HQ, Quarry Village Phase II, Avnet at RidgeWood, Lockhill Crossing (planned)

## DEFINITIONS

### Absorption (Net)

The change in occupied space in a given time period expressed in square feet (sf).

### Average Asking Rental Rate

Non-weighted strict average rental rate quoted on an annual full-service basis; rents quoted on a non-full-service basis (such as NNN) have been calculated up to reflect a full-service rate.

### 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

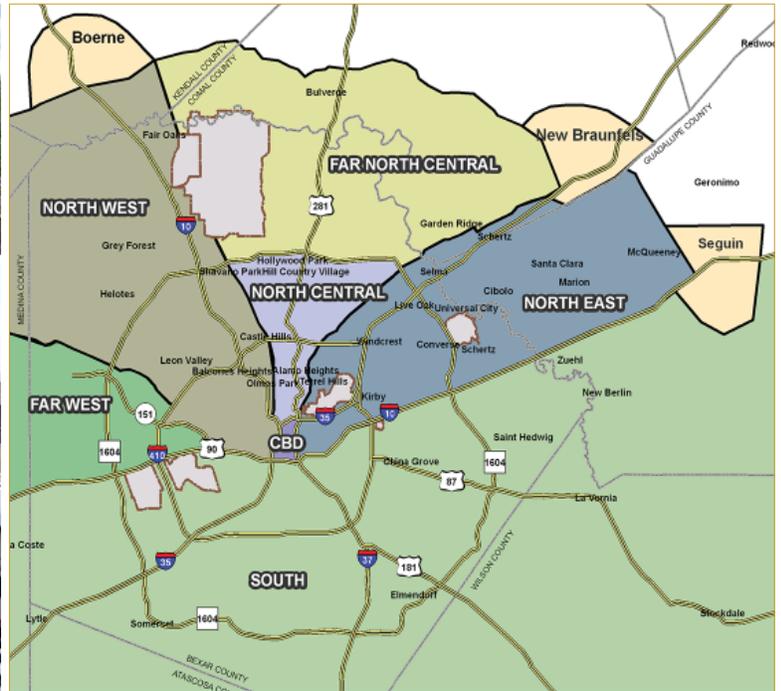
### Sublease

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.

## SUBMARKET MAP



## PROPERTY TYPES

**Class A** - top-tier office buildings situated in prime locations along major thoroughfares featuring high quality standard interior finish and excellent amenities which command premium rental rates.

**Class B** - well-located but perhaps older office buildings with average standard interior finish and some amenities which command average market rental rates.

**Class C** - older office buildings in secondary locations with few, if any, amenities.

## CRITERIA

This study includes San Antonio area office buildings 20,000 square feet or larger excluding owner-occupied, single-tenant, government and medical-only office buildings.

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

## 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:  
Blake Bonner, Senior Vice President, Director of Brokerage  
Direct Line: 210-524-1305 Email: bbonner@reocsanantonio.com

