INVESTMENT FORECAST

Multifamily
San Antonio

**IPA** | INSTITUTIONAL PROPERTY ADVISORS

2024

Strong Population Inflows Help Alamo City Weather Supply Headwinds Long-Term
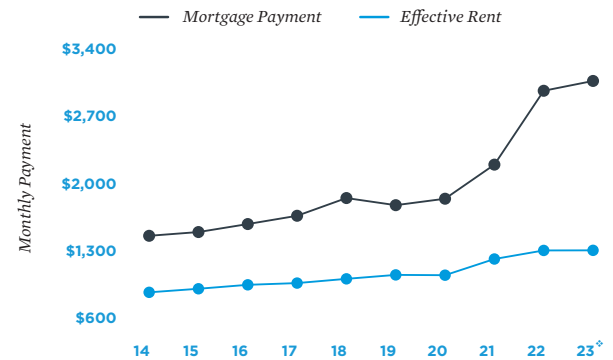
Class A properties sustain low vacancy. Demand for multifamily space has stayed strong in San Antonio. Positive net absorption was noted in 22 of the last 23 years, and total occupied stock will reach a record high in 2024. The increasing metro vacancy rate noted in 2024 will largely be due to an influx of new units, moving the metric up for the third straight year. Prolonged renter demand, however, suggests conditions will tighten again long-term, particularly as multifamily starts slow. Over the next five years, the metro's resident count is expected to expand by nearly 100,000 people, aiding multifamily demand. The Class A segment, which faces the most competition from new deliveries, had the lowest metro vacancy rate among property tiers exiting 2023, demonstrating the level of renter demand that exists for top-tier units. Still, areas like Central and Far Northwest San Antonio that expect the highest levels of construction will likely note elevated vacancy through 2024, while supply and demand realign locally. Long-term corporate investments, like JCB's planned expansion breaking ground in 2024 that will necessitate the addition of 1,500 new personnel, should help maintain a steady level of in-migration, growing the renter pool.

Institutions maintain San Antonio presence. Despite persistent capital market headwinds, large-scale transaction activity was still recorded in San Antonio last year. Buyers targeting properties with more than 100 units were active in areas proximate to major commuter routes, such as suburbs near Interstate 10 leading into the urban core, and around the Interstate 410 Beltway. Going forward, opportunities to acquire assets in these areas could rise as San Antonio was the only major Texas market to note pricing growth in 2023 — a dynamic that may motivate some owners to list properties. Elsewhere, New Braunfels is likely to garner additional interest, as the municipality claimed the lowest vacancy rate among submarkets at the onset of 2024. Supply additions slated for the area could place some upward pressure on local vacancy, but will also provide additional options for buyers seeking newly-built assets. The area's proximity to Austin and its lower average effective rent than neighboring San Marcos are likely to backstop renter demand, especially from commuters between the two metros.
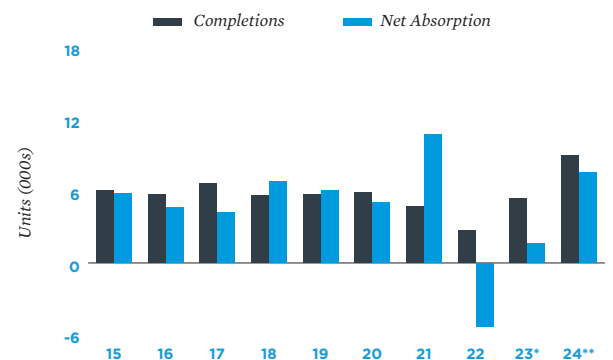
Employment Trends

■ *Employment* — *Y-O-Y Percent Change*
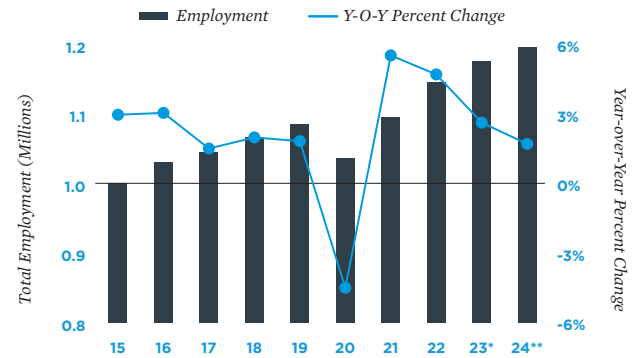
Housing Affordability Gap

— *Mortgage Payment* — *Effective Rent*

Supply and Demand

■ *Completions* ■ *Net Absorption*

21.6%
2023 share of local population between 20 and 34 years old

27.8%
of local population hold bachelor's degree or higher ⌘

$335,200
2023 median home price ✧
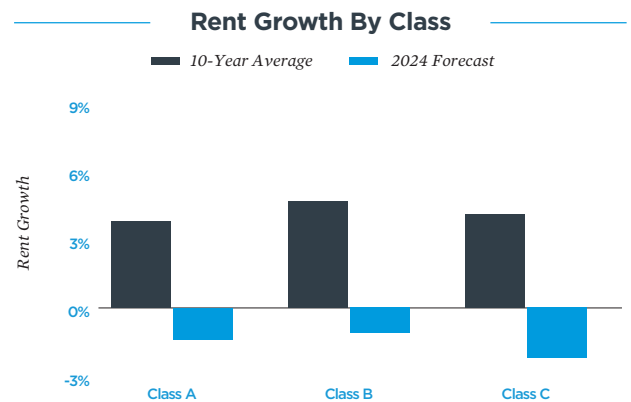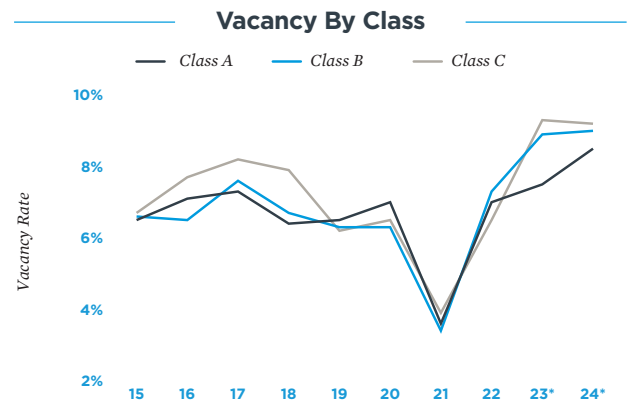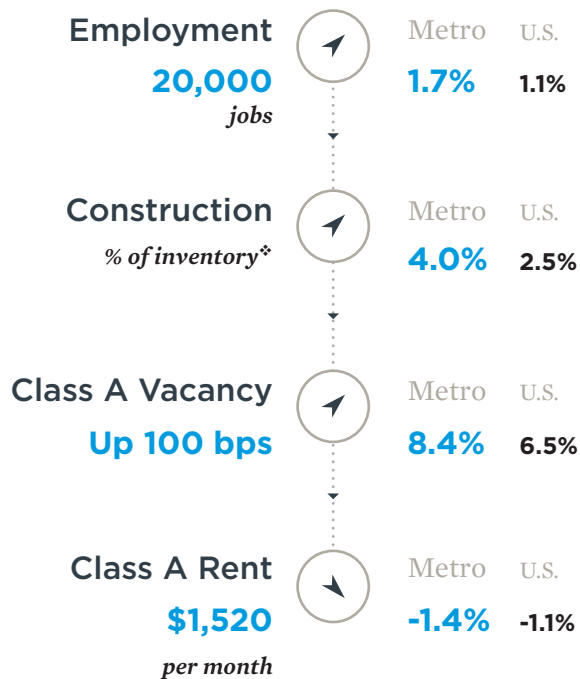
Investment Outlook

Among the four major Texas metros, San Antonio has the highest supply score, but the lowest rent growth ranking this year. The market's demand metric also retreated by one spot relative to the 2023 Index, reflecting some near-term hurdles. Nevertheless, San Antonio is among the top 15 metros nationally for job gains.

San Antonio continues to be a target for national investors amid strong employment growth and a comparatively high yield score of 4, which exceeds many other Sun Belt metros. As a result, the market ties for the greatest liquidity Index ranking with a 6 this year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

2024 MARKET FORECAST

		Metro	U.S.
Employment **20,000** *jobs*		**1.7%**	**1.1%**
Construction *% of inventory* ❖		**4.0%**	**2.5%**
Class A Vacancy **Up 100 bps**		**8.4%**	**6.5%**
Class A Rent **$1,520** *per month*		**-1.4%**	**-1.1%**

Vacancy By Class

— Class A — Class B — Class C

Vacancy Rate

Rent Growth By Class

■ 10-Year Average ■ 2024 Forecast

Rent Growth
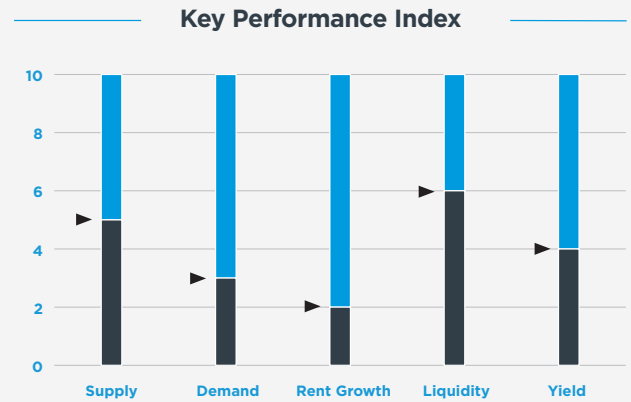
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* Estimate ** Forecast
❖ *Arrow reflects completions trend compared with 2023*
Sources: IPA Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics