INVESTMENT FORECAST

Multifamily

San Antonio

IPA | INSTITUTIONAL PROPERTY ADVISORS

2025

Sizable Contingent of Young Professionals Underpinning Demand For Luxury Units

Affluent renters account for significant share of in-migration. San Antonio continues to grow at its borders with a near record number of apartments slated to open, heaviest in New Braunfels, Far Northwest and South San Antonio. Most of this pipeline, however, is comprised of Class B properties, allowing existing Class A assets to absorb much of the demand for luxury units this year. The metro continues to be popular with Gen Z and other young professionals, drawn by a lower cost of living compared with the Northeast and West Coast, as well as job opportunities at large companies headquartered here, such as USAA, Valero and H-E-B. Many migrating to San Antonio are unmarried, well educated and fall into the renter-by-choice demographic — a dynamic that has allowed Class A vacancy to hold below the metrowide average since 2023. Notably, submarkets in the western half of San Antonio have been highly sought-after by renters, especially in the Northwest where the median age is under 30. This area's proximity to The University of Texas at San Antonio, combined with a direct travel route to downtown, allowed Class A vacancy here to enter 2025 in the mid-6 percent band. This local rate is likely to hold below the metrowide mean throughout this year.

Institutional interest may shift slightly. With a higher share of 20- to 34-year-olds than the national average and a Class A vacancy rate below the U.S. mean, San Antonio may attract additional interest from active buyers in 2025. While institutional investor activity was constrained over the last couple of years, some transactions within the $15 million-plus price tranche still occurred. Most recent luxury apartment trades have been in the northern half of San Antonio, though elevated development here may sway this momentum in the near term. Going forward, sales velocity for this property type may improve northwest of the metro, from the CBD to the far western outskirts. Class A vacancy here entered 2025 at the lowest rate across the metro. With many young renting professionals seeking highly amenitized living spaces specifically west of downtown, luxury vacancy here may continue its downward trend this year. Demand for Class A space will be further aided by the local construction pipeline, which is largely comprised of Class B product.

21.8%

2024 share of local population between 20 and 34 years old

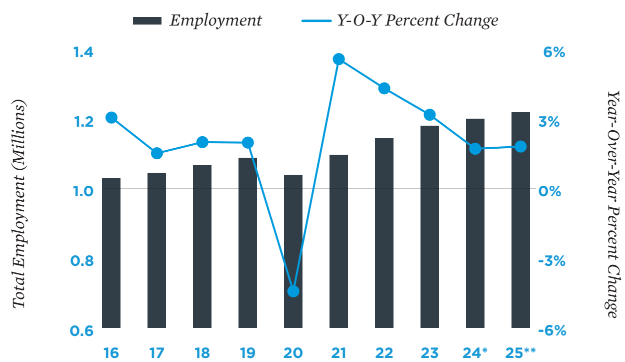
29.6%

of local population hold bachelor's degree or higher ⌘

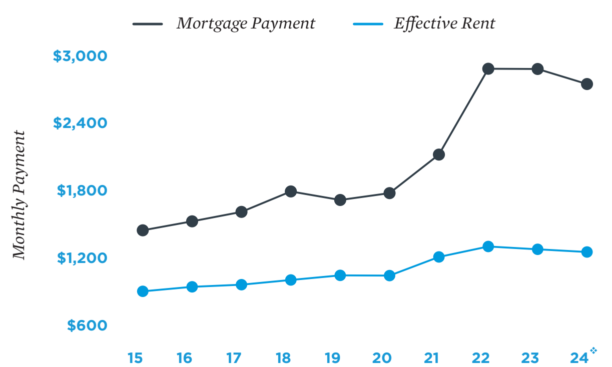
$319,600

2024 median home price ❖

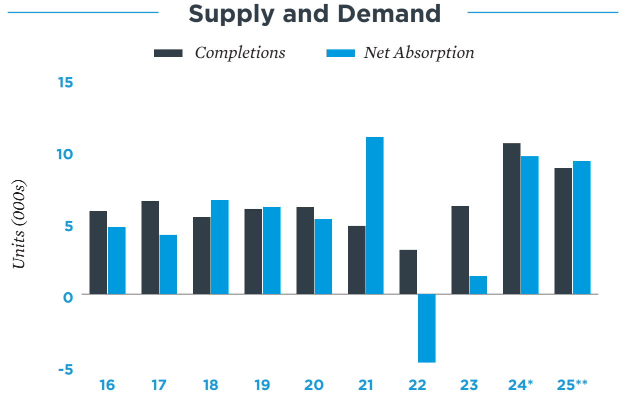
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ❖ Through 3Q

⌘2024: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

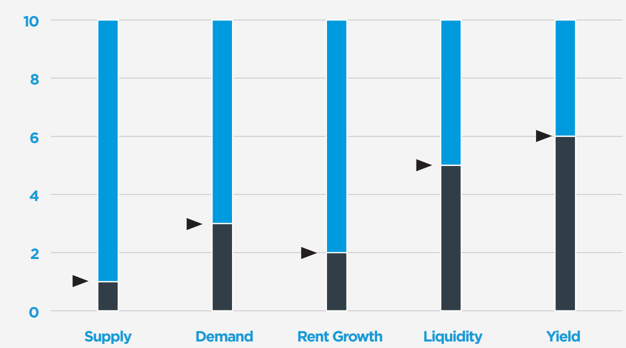
Investment Outlook

San Antonio joins nearby Austin and five other markets in recording a supply KPI of 1 this year — a drastic drop from the year before. Yet, the metro's demand and rent growth readings hold firm at 3 and 2, respectively. While San Antonio's vacancy rate is above 8 percent, it is falling this year, helping encourage a modest mean rent increase.

Though San Antonio is smaller than Austin by apartment inventory, it records a comparable liquidity KPI of 5 this year, with a higher yield index value of 6. Last year, assets changed hands in the Alamo City at a mean cap rate over 6 percent.

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

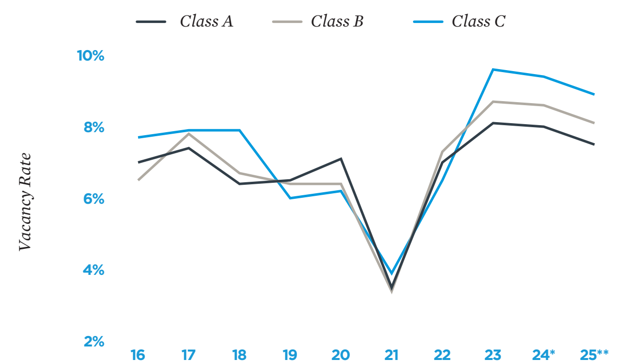
Key Performance Index



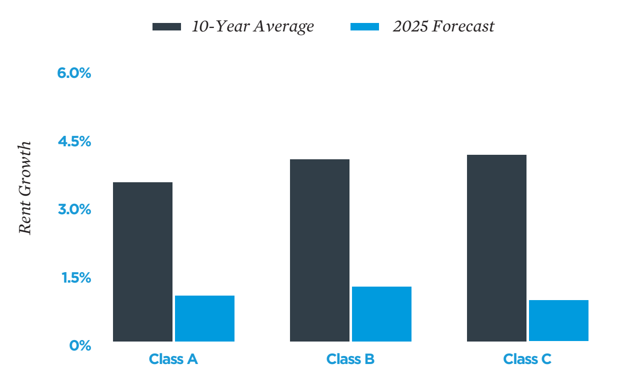
2025 MARKET FORECAST

	Metro	U.S.
Employment 21,500 *jobs*	1.8%	1.1%
Construction *% of inventory*❖	3.7%	2.1%
Class A Vacancy Down 50 bps	7.4%	6.1%
Class A Rent $1,512 *per month*	1.0%	2.8%

Vacancy by Class



Rent Growth by Class



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** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2024

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics