

SAN ANTONIO OFFICE MARKET

Yardi® Matrix

Market Analysis

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Urban Revival Sparks Opportunities



San Antonio is growing steadily, supported by a **diversifying economy**. While the military continues to have a big presence, industries such as health care, insurance and manufacturing are expanding. However, **growth remains slow in the office market**, especially when contrasted against the state's booming cities of Austin, Dallas and Houston. San Antonio's office-using job market shrank by 7,000 over the past year. Companies cutting workers include C.H. Guenther & Son Inc., which laid off hundreds after being acquired by Chicago-based investment firm PPC Partners. In addition, financial companies including JPMorgan Chase & Co. and USAA Bank have reduced their footprints.

There is growth to be found. Well-established businesses such as Credit Human—formerly known as the San Antonio Federal Credit Union—are expanding into the market and will create hundreds of new jobs in the coming quarters. In addition, the University of Texas at San Antonio's major downtown expansion, the \$450 million redevelopment of The Alamo and San Pedro Creek Culture Park's first phase will act as **catalysts for office development**.

The metro's strong development pipeline totaled more than **1.5 million square feet under construction** as of September, which will produce a 4.5% increase in total stock. Half of the projects under construction are in the Central Business District (CBD), despite the submarket's high vacancy rate (17.0% as of September)—largely caused by businesses relocating to the suburbs. Its current office inventory comprises mostly Class B space.