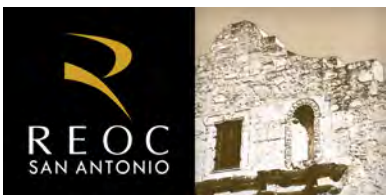


# The Source

Better information, better decisions.

## Industrial Building Market Snapshot San Antonio Metropolitan Area

### Third Quarter 2017



office 210 524 4000  
fax 210 524-4029  
reocsanantonio.com  
reocsanantonioblog.com  
8023 Vantage Dr, Suite 1200  
San Antonio, TX 78230-4726

The San Antonio industrial market continued on a positive note during the third quarter with 251,669 square feet of positive net absorption, despite a few large tenant move-outs. AceMart (213,864 sf) claimed the top spot for the largest lease in the third quarter to fill the newly completed building called Schertz 1 in the Verde Enterprise Business Park area. While the inventory grew after a few smaller projects reached completion, an active leasing environment caused the citywide vacancy rate to tighten slightly to 11.7% compared to 11.8% last quarter although vacancy has loosened compared to 8.3% recorded in the same quarter last year.

While there is still nearly 1.5 million square feet of industrial space making its way through the development pipeline, only 112,704 square feet of new service center was delivered in the third quarter. The citywide vacancy rates for distribution warehouse facilities tightened to 12.0% compared to 12.6% last quarter while the vacancy rate for service center/flex properties loosened to 10.6% compared to 8.4%.

Citywide			Central Business District			Suburban (Non CBD)		
	3Q 2017	3Q 2016		3Q 2017	3Q 2016		3Q 2017	3Q 2016
<b>All Property Types</b>			<b>All Property Types</b>			<b>All Property Types</b>		
Inventory	41,037,805	37,684,095	Inventory	304,439	233,395	Inventory	40,733,366	37,450,700
Direct Vacant	4,816,742	3,142,206	Direct Vacant	28,548	0	Direct Vacant	4,788,194	2,561,142
%Vacant	11.7%	8.3%	%Vacant	9.4%	0.0%	%Vacant	11.8%	6.8%
Average Rent	\$5.57	\$5.92	Average Rent	\$4.20	\$3.52	Average Rent	\$5.58	\$5.86
3Q Absorption	251,669	(118,478)	3Q Absorption	0	0	3Q Absorption	251,669	(224,597)
YTD Absorption	939,785	1,349,224	YTD Absorption	(28,548)	0	YTD Absorption	968,333	760,243
<b>Distribution / Warehouse</b>			<b>Distribution / Warehouse</b>			<b>Distribution / Warehouse</b>		
Inventory	32,636,357	30,107,648	Inventory	258,439	233,395	Inventory	32,377,918	29,874,253
Direct Vacant	3,930,667	2,561,142	Direct Vacant	28,548	0	Direct Vacant	3,902,119	2,561,142
%Vacant	12.0%	8.5%	%Vacant	11.0%	0.0%	%Vacant	12.1%	8.6%
Average Rent	\$4.58	\$4.77	Average Rent	\$4.20	\$3.52	Average Rent	\$4.58	\$4.82
3Q Absorption	316,881	(224,597)	3Q Absorption	0	0	3Q Absorption	316,881	(224,597)
YTD Absorption	1,074,965	1,230,738	YTD Absorption	(28,548)	0	YTD Absorption	1,103,513	1,230,738
<b>Service Center/Flex Combined</b>			<b>Service Center/Flex Combined</b>			<b>Service Center/Flex Combined</b>		
Inventory	8,401,448	7,576,447	Inventory	46,000	0	Inventory	8,355,448	7,576,447
Direct Vacant	886,075	581,064	Direct Vacant	0	0	Direct Vacant	886,075	0
%Vacant	10.5%	7.7%	%Vacant	0	0	%Vacant	10.6%	0.0%
Average Rent	\$10.07	\$10.22	Average Rent	n/a	\$0.00	Average Rent	\$10.07	\$9.21
3Q Absorption	(65,212)	106,119	3Q Absorption	0	0	3Q Absorption	(65,212)	0
YTD Absorption	(135,180)	118,486	YTD Absorption	0	0	YTD Absorption	(135,180)	0

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.

## Current Quarter Lease Transactions

Tenant	Building	Size	Submarket
Ace-Mart	Schertz 1	213,864	North East
Fidelity National Title	Enterprise Industrial Park Bldg. II	80,265	North East
Boral	Eisenhower Point Bldg. 3	53,483	North West
Chadwell Supply	Enterprise Industrial Park Bldg. II	46,134	North East
Forum Industries	1400 Currency	40,340	North East
CJL	Port San Antonio - 309 Clarence Tinker	33,489	South
Border Cash & Carry	639 Lanarck Drive	32,260	North East
Maverick Underground	622 Seguin Street	30,000	North East
Techline Pipe	18864 FM 2252	21,640	North East

## Current Quarter Sale Transactions

Building	Buyer	Size	Submarket
Schertz 1 9850 Doerr Lane	HPI Real Estate	213,846	North East
11122 Iota Drive	Diesel Town	48,416	North East
City Park East Distribution, Bldg A	EJMV Interests LLC	40,800	North East
1930 Hormel	Takumi Stamping	31,926	North East
4546 Sinclair	Roade Properties, LTD	29,000	South

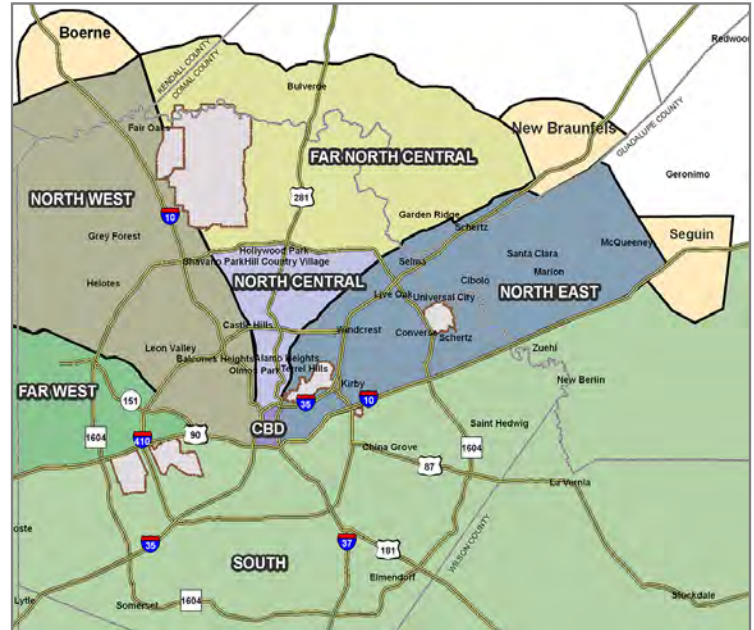


## New Development



Clockwise from top left: Eisenhower Point 3, Eisenhower Point 4, Enterprise Industrial Park III, IH-35 Distribution Center.

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

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

### 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.

