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Industrial Building Market Snapshot

San Antonio Metropolitan Area

Fourth Quarter 2014

REOC SAN ANTONIO

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OVERVIEW

According to the survey of more than 33.5 million square feet of industrial lease space, the San Antonio industrial market closed 2014 with a vacancy rate of 7.2% - only slightly higher than where it began the year, despite the delivery of more than 377,000 square feet of new supply. Availabilities are rather limited for companies looking to relocate or expand here in San Antonio but there is nearly 550,000 square feet of industrial space currently under construction with additional projects proposed.

Clearly, demand for industrial space remains strong even if gross leasing activity seems a little flat due to the lack of available space. Activity in the fourth quarter did flatten which resulted in 36,237 square feet of negative net absorption. Results for the year, however, remained positive with 505,802 square feet of net gain in occupied space. Distribution Warehouse properties experienced 387,986 square feet of positive net absorption which outperformed the 117,816 square feet registered in the Service Center/Flex property type by a ratio of more than three to one.

While the citywide vacancy rate stands at 7.2%, Distribution Warehouse properties boast an even tighter vacancy rate of 5.8%. Much of the remaining vacant warehouse space suffers from some sort of functional obsolescence which makes it challenging to lease. Meanwhile, the Service Center/Flex market closed the year with a vacancy rate of 11.6% which is improved compared to 12.1% recorded in the same quarter a year ago.

CITYWIDE

	4Q 2014	4Q 2013
All Property Types		
Inventory	33,525,736	33,548,079
Direct Vacant	2,397,202	2,294,405
%Vacant	7.2%	6.8%
Average Rent	$7.76	$7.58
4Q Absorption	(36,237)	1,299,611
YTD Absorption	505,802	2,478,132
Distribution / Warehouse		
Inventory	25,856,452	25,633,726
Direct Vacant	1,507,021	1,332,906
%Vacant	5.8%	5.2%
Average Rent	$5.74	$5.28
4Q Absorption	14,797	1,220,169
YTD Absorption	387,986	2,112,516
Service Center/Flex Combined		
Inventory	7,669,284	7,914,353
Direct Vacant	890,181	961,499
%Vacant	11.6%	12.1%
Average Rent	$9.35	$9.26
4Q Absorption	(51,034)	79,442
YTD Absorption	117,816	365,616

CENTRAL BUSINESS DISTRICT

	4Q 2014	4Q 2013
All Property Types		
Inventory	233,395	233,395
Direct Vacant	0	28,548
%Vacant	0.0%	12.2%
Average Rent	N/A	$3.60
4Q Absorption	0	0
YTD Absorption	28,548	11,912
Distribution / Warehouse		
Inventory	233,395	233,395
Direct Vacant	0	28,548
%Vacant	0.0%	12.2%
Average Rent	N/A	$3.60
4Q Absorption	0	0
YTD Absorption	28,548	11,912
Service Center/Flex Combined		
Inventory	0	0
Direct Vacant	0	0
%Vacant	0	0
Average Rent	0	0
4Q Absorption	0	0
YTD Absorption	0	0

NON-CBD

	4Q 2014	4Q 2013
All Property Types		
Inventory	33,292,341	33,314,684
Direct Vacant	2,397,202	2,265,857
%Vacant	7.2%	6.8%
Average Rent	$7.76	$7.61
4Q Absorption	(36,237)	1,299,611
YTD Absorption	477,254	2,466,220
Distribution / Warehouse		
Inventory	25,623,057	25,400,331
Direct Vacant	1,507,021	1,304,358
%Vacant	5.9%	5.1%
Average Rent	$5.74	$5.31
4Q Absorption	14,797	1,220,169
YTD Absorption	359,438	2,100,604
Service Center/Flex Combined		
Inventory	7,669,284	7,914,353
Direct Vacant	890,181	961,499
%Vacant	11.6%	12.1%
Average Rent	$9.35	$9.26
4Q Absorption	(51,034)	79,442
YTD Absorption	117,816	365,616

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
KACO New Energy	Binz-Engleman Distribution Center I	30,400	North East
Hobsonn Enterprises	Interstate Business Park 5	21,550	North East
Southern Warehousing	San Antonio Distribution Center I	20,930	North East
Gardner-Holditch, Inc.	Thousand Oaks Business Park 2	20,333	North Central
Arbor Contact Carpet	Lanark Distribution Center II	16,000	North East
Total Media Solutions (Expansion)	3535 N PanAm Expressway	13,350	North East
Gulf Tire Distributors	San Antonio Distribution Center I	12,600	North East

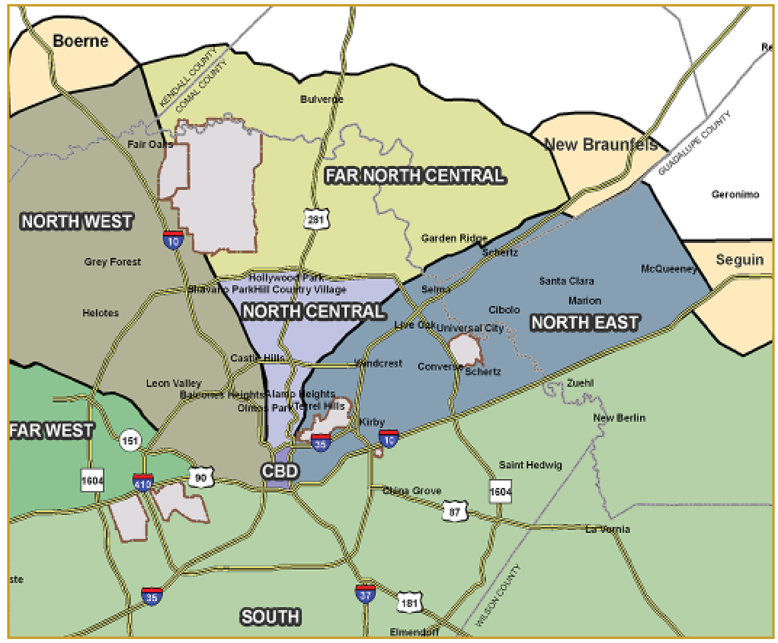
CURRENT QUARTER SALE TRANSACTIONS

Building	Buyer	Size	Submarket
Schertz Industrial Park	Bell North Investments LLC	43,200	North East
Caliber Collision Center	Cross Development CC Blanco Rd, LLC	40,384	North Central
5150 Service Center Drive	Urrea Properties, LLC	29,860	North East

DEVELOPMENT

Clockwise from top left: Enterprise Industrial Park, Tri-County 3, San Antonio Wholesale Produce Market, Alamo Ridge Business Park I & II

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

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.

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

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:
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