

Multifamily Metro Outlook:

San Antonio - Q1 2022

Overview:

- San Antonio's robust economic growth prospects were interrupted by the COVID-19 outbreak, but the metro is recovering. The metro was in the midst of a long-term expansion of the area's economy, and it likely has returned to that growth path, albeit possibly somewhat slower as it will have to contend with the outbreak's countervailing forces, which are a bit more pronounced than in the typical market. Those forces include the stabilizing impact of the metro's large military and health care engines, countered by volatile energy and sluggish tourism segments.
- While San Antonio has one of the most attractive demographic and economic forecasts in the nation over the next five years, its apartment market is not quite as exceptional, though conditions remain quite favorable for an expansion of multifamily rental demand once the outbreak is eradicated. The volume of apartments underway, coupled with available land and lower than average incomes will likely result in a healthy apartment market, though not a blockbuster.

Market Strengths:

- San Antonio's job and population growth trends are quite favorable for the rental market. In-migration has averaged more than 28,000 residents per year for the past four years. Population is forecasted to grow at twice the national rate, and even faster in the 20-34-year-old prime renting cohort.
- San Antonio military and health care sectors are both large and stabilizing segments of its economy. Aside from being a regional medical center for area residents, the metro's Army base is the primary training center for all U.S. Army medics.

Market Weaknesses:

- San Antonio has had a high level of rental units recently come online, which were poorly timed given the pre-outbreak easing of job growth rates in the metro and the steep decline in oil prices (though drilling is just a small fraction of economic activity in the metro, its an important growth engine). Future development is also high and will hold the market back, though only marginally.
- An important potential negative in the San Antonio picture is the profile of demand. Per capita income in the metro is 21% below the national average, which means that demand is primarily for affordable product and there is limited potential for exceptional price appreciation in the metro.
- Single family housing remains affordable in San Antonio and is often a competitive substitute to the multifamily market for residents. And there is significant new inventory with around 10,500 single-family permits issued in 2020, 13,900 in 2021, and 13,700 more expected for 2022.

Development:

- Condos are not a significant concern in San Antonio. The remarkably low level of condo development in the area has been focused on niche markets. Fewer than 2,500 units have been delivered since the start of 2006, and fewer than 50 are underway and due to be completed by Q4 2023.
- For-rent development in the metro has been active to meet the needs of the growing metro. More than 36,200 units have been delivered since the start of 2017, and another 12,100 units are currently underway. While this housing will almost certainly be necessary, the level of development will not allow for a significant tightening of rental conditions in the metro over the forecast horizon.

Outlook:

- San Antonio's apartment rental market weathered the COVID-19 economic shocks admirably well, and it should continue to be a steady performer once the nation resumes steady growth. The metro saw a large number of new units delivered over the past several quarters during the same period in which job growth also slightly eased, but near-term prospects appear to be supportive of the rental market. Upcoming supply will likely result in some easing of rent growth and vacancy rates, but the underlying strength of the area's economy and demographics should prevent larger problems.
- Over the next several years, San Antonio will expand economically, which will likely result in higher levels of demand for apartments. The metro's exceptional demographic and economic growth prospects will support significant additions to for-rent inventory. In addition to job growth, which is forecasted to be twice national rates, is the metro's exceptional young cohort: the age 20-34 cohort is 22% of the population (compared to 20.7% nationally) and the age <20 cohort is 30.3% (compared to 26.8% nationally). Given the large military presence in the metro, and growing regional health care sector, a return to the metro's long term economic expansion is highly likely once the nation navigates through a national recovery.

Five Year Metro Area Growth Forecast

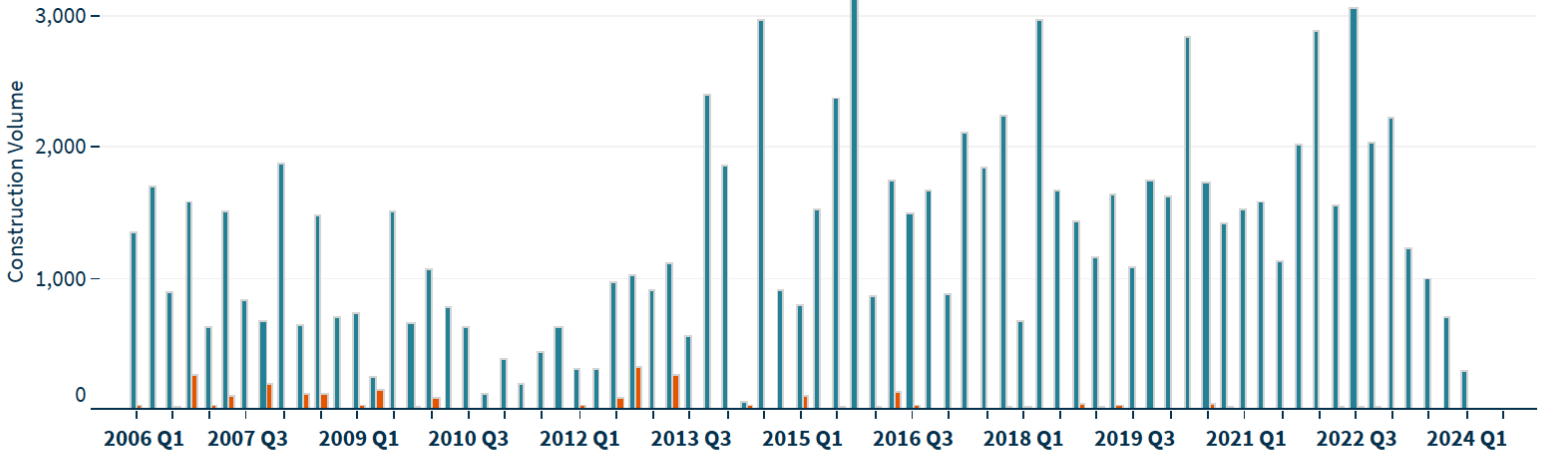
	Q4 2021	Q4 2026	San Antonio (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,620	2,777	1.17%	0.47%
Households (000s)	966	1,043	1.56%	0.90%
Renting Cohort (Ages 20-34) (000s)	577	609	1.09%	-0.30%
Total Employment (000s)	1,086	1,179	1.65%	1.08%
Median Household Income	\$63,994	\$74,972	3.22%	3.30%
Median SF Home Price	\$300,587	\$295,806	-0.32%	1.93%
Net Migration	19,777	17,858		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



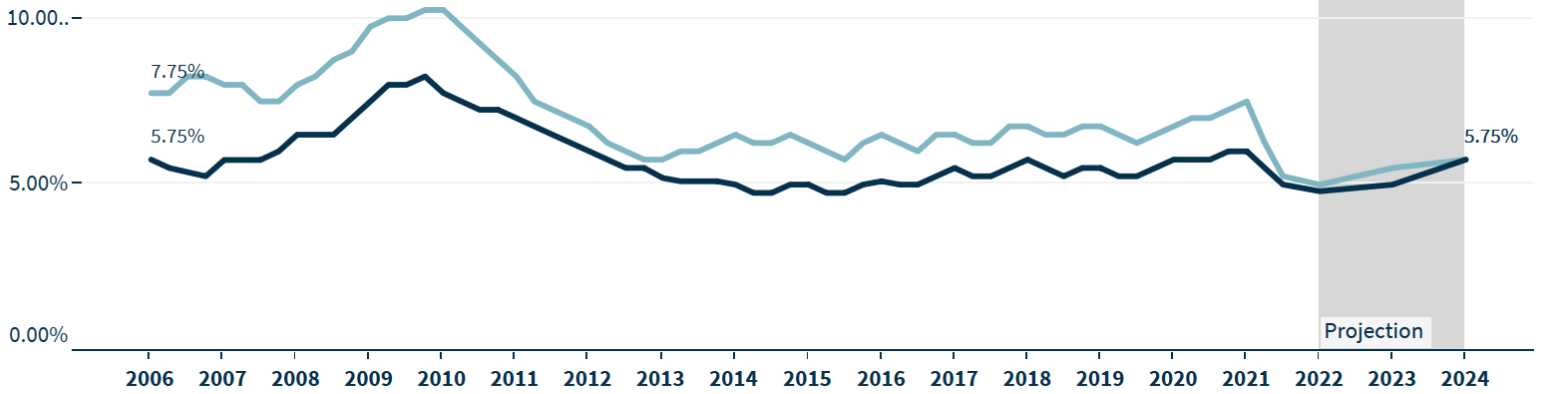
Vacancy & Rent Composite Estimates

Vacancy Rates

San Antonio | National

Q1 2022 Vacancy Rate:

5.00%

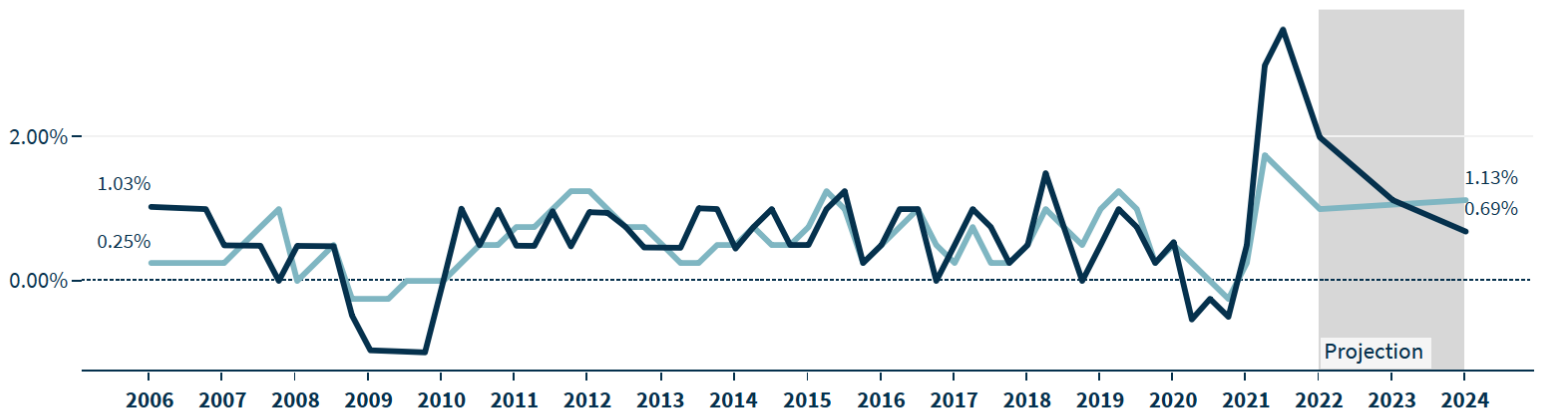


Asking Rent Growth

San Antonio | National

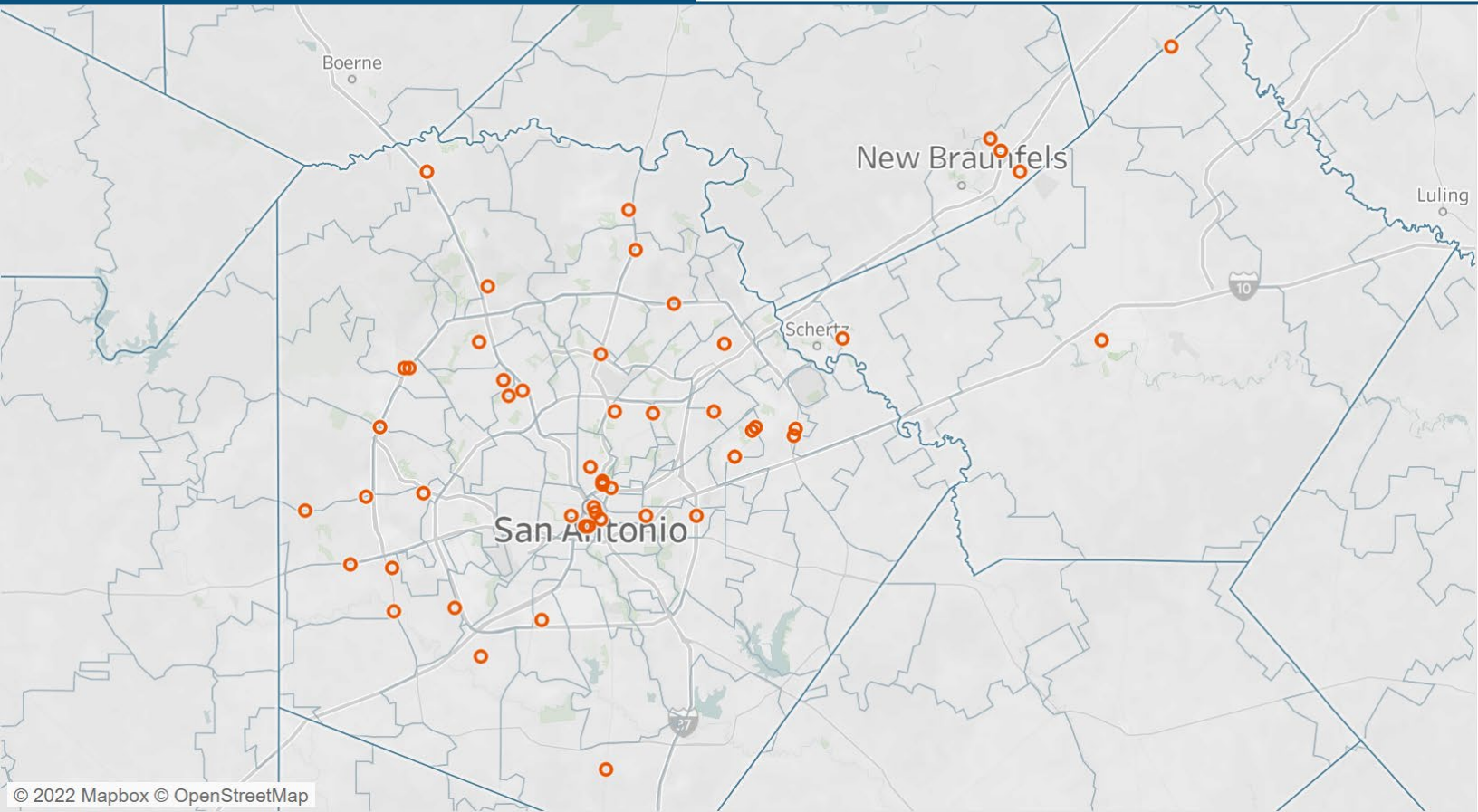
Q1 2022 Asking Rent:

\$1,080



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Airport Area	1	64	0.05M
Alamo Heights	1	64	0.05M
Central San Antonio	11	2,493	3.18M
Far North Central San Antonio	2	444	0.43M
Far Northwest San Antonio	4	1,224	1.25M
Far West San Antonio	4	1,002	1.14M
Medical Center	3	294	0.30M
New Braunfels/Schertz/Universal City	10	2,724	2.93M
North Central San Antonio	1	312	0.31M
Northeast San Antonio	3	329	0.35M
San Marcos	1	296	0.49M
South San Antonio	5	1,316	1.54M
Southwest San Antonio	5	1,537	1.67M
Grand Total	51	12,099	13.70M

Multifamily: ESR Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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