

Q3
2024

REAL ESTATE **MARKET** **REPORT**

NEW BRAUNFELS
CHAMBER OF COMMERCE



ECONOMIC DEVELOPMENT



INDUSTRIAL MARKET COMAL COUNTY

As one of the fastest-growing submarkets in the eight-county San Antonio metro across a variety of real estate property types, Comal County has become increasingly popular with logistics operators and developers alike. Total industrial inventory today – 19.6 million SF— is about double what it was in 2010. Comal County's headline vacancy rate has been climbing for most of the past two years due to another recent supply wave at a time when demand has slowed. Over the past 12 months, 590,000 SF have delivered versus 380,000 SF absorbed. For context, annually, absorption has averaged 800,000 SF over the past five years. At 7.9% as of the third quarter of 2024, the rate is well above the five-year average of 6.7% and poised to rise further in the quarters ahead with still 1.7 million SF underway.

Due to the importance of distribution operations to the area economy, logistics inventory makes up the bulk of recent new product. Because supply-pressure has been highest in this segment, logistics vacancies – 8.7%— are much higher than flex – 2.8%— or specialized inventory, 4.8%.

Despite so much new supply this past decade, at \$10.30/SF, the blended rate type market rent is among the most affordable in San Antonio and about \$6/SF below the Far North Central, which is directly below and enjoys a location advantage by being located much closer to the urban core. Rents have cumulatively grown by 23.0% in the past three years, but the momentum has slowed in recent quarters. Annual rent growth today stands at 3.8%, which is far below the 10-year average of 5.4%. Moving forward, rent growth is expected to slow further in the near term as still elevated competition from new supply curbs gains.

Source: CoStar, September 2024

595K

**12-MONTH
DELIVERIES
IN SQFT.**

**7.9% VACANCY
RATE**

3.8%

**12-MONTH
RENT
GROWTH**

OFFICE MARKET COMAL COUNTY

The Comal County office submarket has a vacancy rate of 5.6%. This vacancy rate is 1.7% lower than it was this time last year. There was 69,000 SF of positive absorption and 13,000 SF of net deliveries. Rents have increased by 2.6% in the past 12 months and are currently around \$34.00/SF. Roughly 140,000 SF is under construction in the Comal County office submarket. In the past year, there have been 17 sales, which have traded for approximately \$3.0 million in volume and 150,000 SF in stock.

Of the 17 sales in the past year, none were of 4 & 5 Star buildings, 6 were of 3 Star buildings, and 11 were of 1 & 2 Star buildings. Current vacancy is higher than its trailing three-year average of 5.2%. However, this figure is lower than the 10.7% trailing three-year average of the San Antonio market as a whole. The submarket is approximately 170,000 SF larger than it was three years ago, which is solely the result of construction as there have been no demolitions.

Rents have increased by 17.6% over the past three years, higher than the San Antonio market average of 11.7%. There have been 77 sales over the past three years, amounting to \$25.1 million in volume and 540,000 SF of inventory. CoStar's estimated cap rate for Comal County has averaged 9.1% over the past three years, which is lower than the current estimated cap rate of 9.9%. The total Comal County office submarket comprises 3.4 million SF of inventory.

Source: CoStar, September 2024

13.2K 12-MONTH
DELIVERIES
IN SQFT.

5.6% VACANCY
RATE

2.6% 12-MONTH
RENT
GROWTH

RETAIL MARKET COMAL COUNTY

The Comal County retail submarket has a vacancy rate of 2.0%, unchanged from where it was a year ago. There was 74,000 SF of positive absorption and 70,000 SF of net deliveries. Rents have increased 1.0% in the past 12 months and are currently around \$23.00/SF.

Roughly 300,000 SF is under construction in the Comal County retail submarket. In the past year, there have been 26 sales, which have traded for approximately \$9.3 million in volume and 150,000 SF in stock. Vacancy is 1.6% in general retail buildings, and 67,000 SF has been absorbed in this asset class over the past year. Vacancy is 1.1% in power centers, and absorption has been flat in this asset class over the past year. Vacancy is 3.6% in neighborhood centers, and there has been 91 SF of negative absorption in this asset class over the past year. Vacancy is 6.1% in other retail buildings, and 9 SF has been absorbed in this asset class over the past year.

Current vacancy is lower than its trailing three-year average of 2.1%, which is also lower than the San Antonio market trailing three-year average of 3.7%. Rents have increased 9.8% over the past three years. Meanwhile, average rents increased 11.0% in the wider San Antonio market. There have been 119 sales over the past three years, amounting to \$36.8 million in volume and 630,000 SF of inventory. CoStar's estimated cap rate for Comal County has averaged 5.7% over the past three years, which is higher than the current estimated cap rate of 5.6%. The total Comal County retail submarket comprises 10.3 million SF of inventory.

Source: CoStar, September 2024

70.7K 12-MONTH
DELIVERIES
IN SQFT.

2.0% VACANCY
RATE

1.0% 12-MONTH
RENT
GROWTH

HOSPITALITY MARKET

SAN ANTONIO METRO - NORTHEAST

San Antonio Northeast is a large submarket, and contains around 11,000 rooms spread over 150 properties. Unlike the broader market, San Antonio Northeast is characterized by fairly small hotels relative to the national norm. The average hotel in the submarket has 74 rooms, significantly lower than the 100 room per building market-wide average. The national average falls in between those two figures, at about 90 rooms per building.

Trailing 12-month occupancy is 57.2%, a level slightly below the market average of 61.3% for the same period. Twelve-month RevPAR in the San Antonio Northeast hotel submarket was essentially flat year-over-year as of August, mirroring the market-wide trend. The 310 rooms currently underway in the San Antonio Northeast submarket represent a 2.7% expansion to the existing inventory. This represents continued new development in the submarket. In the past three years, 5 projects containing around 400 rooms came online. The submarket does see sales activity, but is not a particularly active grounds for hotel investment. On average, one or two deals per year have closed in recent years.

Source: CoStar, September 2024

57.2% 12 MONTH
OCCUPANCY

\$121.12
AVERAGE
DAILY RATE

2.3 M

12-MONTH
KEY
DEMAND

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