



CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **5,494**

UNITS DELIVERED (YTD) **1,881**

MARKET FUNDAMENTALS



VACANCY RATE **13.4%**

YEAR-OVER-YEAR CHANGE **+220bps**

ASKING RENTS **\$1,091**

YEAR-OVER-YEAR CHANGE **-5.9%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$132,600**

SAN ANTONIO MULTIFAMILY Q1 2026

MARKET INSIGHTS

Most 2026 deliveries landed in first quarter

HIGHLIGHTS

- A recovery driven by shrinking new supply appears to be taking shape at a pivotal moment as San Antonio's multifamily market works through one of its most challenging operating environments in over a decade.
- Vacancy reached a recent high in the first quarter. The rate jumped 160 basis points during the last three months to 13.4%, reflecting the cumulative impact of elevated deliveries and uneven demand.
- Asking rents declined to \$1,091 per month and reached the lowest level since 2021. Rents declined across all asset classes. North Central was the only submarket to record annual growth.
- Multifamily investment sales continued at a measured pace in the first quarter, with distressed sales activity increasing. Cap rates widened to an average of 6.0%, reflecting shifting fundamentals and higher risk pricing.

SAN ANTONIO MULTIFAMILY MARKET OVERVIEW

San Antonio's multifamily market is navigating a period of acute stress, with vacancy and rent metrics reflecting the cumulative impact of years of elevated deliveries against a demand environment that has struggled to keep pace. Vacancy surged 160 basis points during the first quarter and 220 basis points year over year. First-quarter negative absorption of 1,700 units was the primary driver, though trailing 12-month absorption remained positive at 745 units, underscoring how subdued demand has been in recent periods. Rent pressure has been broad-based, as asking rents declined for the fourth consecutive quarter to a five-year low, with declines across all asset classes. The North Central submarket stood apart, recording both annual vacancy improvement and rent growth, and serving as a pocket of resilience in an otherwise challenged market.

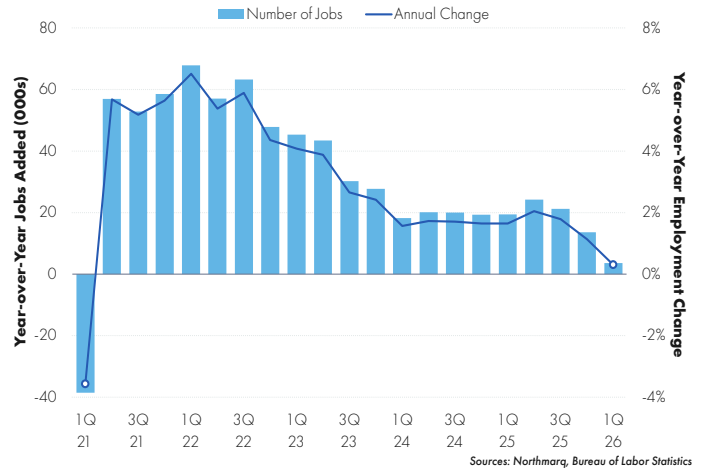
The multifamily investment market in San Antonio reflects the challenges of the current operating environment. Distressed and foreclosure activity increased during the quarter as property income fell short of lender thresholds, introducing forced sales that added to transaction volume. The first quarter median sale price was \$132,600 per unit across 12 reported transactions. A notable undercurrent in sales data is a shift toward newer-vintage assets, as a large share of San Antonio apartment stock was acquired and repositioned over the past five years. Cap rates widened to an average of 6.0% in the first quarter, up 50 basis points from the 5.5% average recorded in 2024, reflecting weaker fundamentals and higher investor risk pricing.

EMPLOYMENT

- The San Antonio job market is decelerating after nearly five years of healthy growth. During the past 12 months, total employment expanded by just 3,600 positions, reflecting a 0.3% increase.
- The trade, transportation, and utilities sector remained a primary driver of growth, adding 4,600 jobs and increasing 2.2% year over year. Still, government payrolls declined by 3,300 positions, offsetting much of that growth.
- The recent UTSA–UT Health merger includes 40,000 students, 16,000 employees, six campuses, a \$2.2 billion budget and more than \$6 billion in direct annual economic impact. It will also offer the nation's first dual MD/MS degree in artificial intelligence.
- **FORECAST:** San Antonio employment has lagged state and national averages, but the long-term outlook remains supported by cybersecurity investment, healthcare expansion, and the ongoing integration of UTSA and UT Health. Employment is forecast to increase 0.7% in 2026.

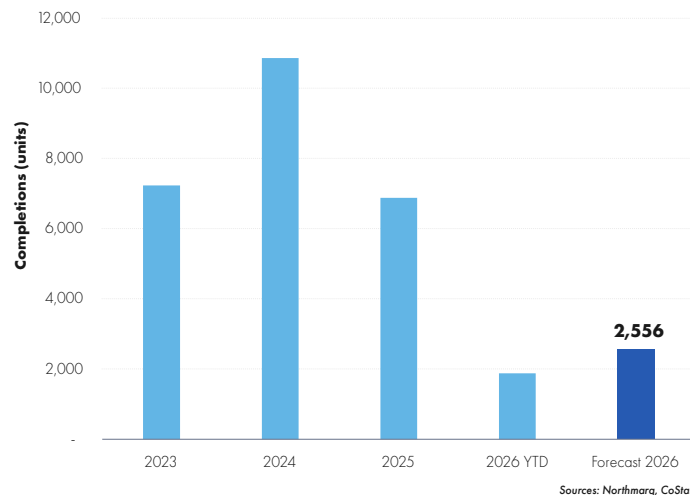
Year over year, employment expanded by 3,600 jobs.

EMPLOYMENT OVERVIEW



The number of units under construction is shrinking.

DEVELOPMENT TRENDS

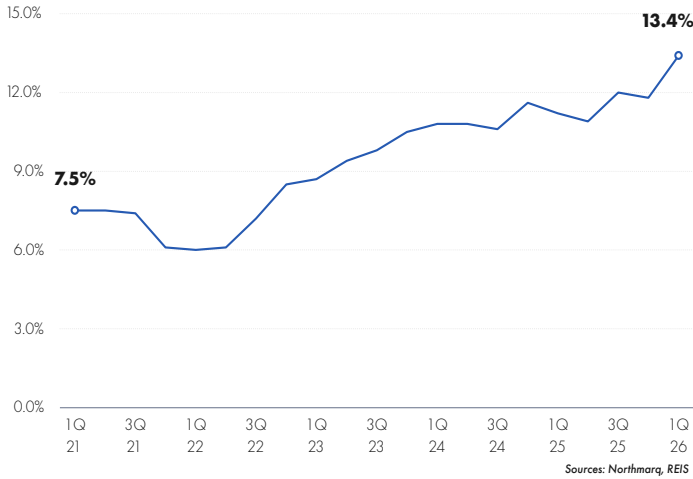


DEVELOPMENT & PERMITTING

- Multifamily projects are beginning to clear the construction pipeline. Nearly 1,900 units were delivered in the first quarter, accounting for the large majority of projects scheduled for completion in 2026. Only about 800 additional units are scheduled to deliver this year.
- The number of units under construction is also shrinking, with approximately 5,500 units currently underway across San Antonio. South Central and Far West remain the most active submarkets, with roughly 900 and 620 units under construction, respectively.
- The pace of multifamily permitting continues to slow, with permits issued for just 300 units during the first quarter. Full-year permitting is projected to total approximately 1,200 units, which would mark the lowest annual total in more than a decade.
- **FORECAST:** As development activity cools, approximately 2,600 units are scheduled to deliver in 2026, a 63% decline from 2025 and the slowest pace of new multifamily supply in San Antonio since 2011.

The Far Northwest submarket posted vacancy improvements.

VACANCY TRENDS



VACANCY

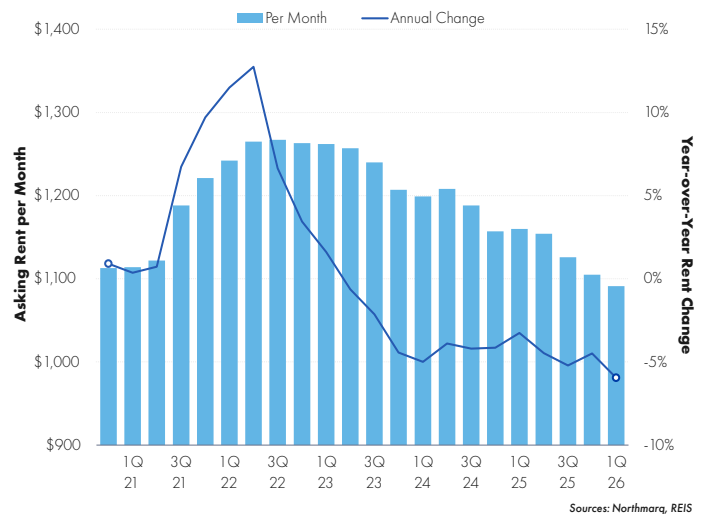
- The vacancy rate in San Antonio rose 160 basis points during the first quarter to 13.4%, reaching a recent high. Vacancy is up 220 basis points from the same period last year.
- The Far Northwest submarket continued to post vacancy improvements, with the vacancy rate improving 240 basis points year over year to 9.0%. The North Central submarket also improved, with vacancy declining 180 basis points to 10.6%.
- Weak absorption alongside elevated new supply has contributed to rising vacancy. San Antonio posted negative absorption of 1,700 units during the first quarter. Over the trailing 12 months, net absorption was positive at 745 units.
- FORECAST:** A slowing pace of new construction supports potential improvement in vacancy, but absorption remains volatile and the key variable to watch. By year-end 2026, vacancy is forecast to compress slightly to 13.0%.

RENTS

- Asking rents declined for the fourth consecutive quarter, falling 1.3% from the prior quarter to \$1,091 per month, reaching the lowest level in the last five years. Year over year, rents are down 5.9%.
- Rents declined across all asset classes. In the top tier, stabilized Class A rents fell to \$1,231 per month, down 6.5% annually. In the Class B and Class C segments, rents declined to \$1,112 and \$1,118 per month, respectively, representing annual decreases of 6.4% and 5.7%.
- Showing resilience as the broader market navigates the current cycle, the North Central submarket recorded annual rent gains alongside vacancy improvements. Rents in North Central increased 1.4% year over year to \$1,265 per month.
- FORECAST:** While rent performance has softened, the worst of the downturn has likely passed. A slowdown in supply may tighten vacancy, but improvements will be gradual if absorption remains subdued. Rents are forecast to finish 2026 at \$1,094 per month, down 1.0% from year-end 2025.

The North Central submarket recorded annual rent gains.

RENTS TRENDS

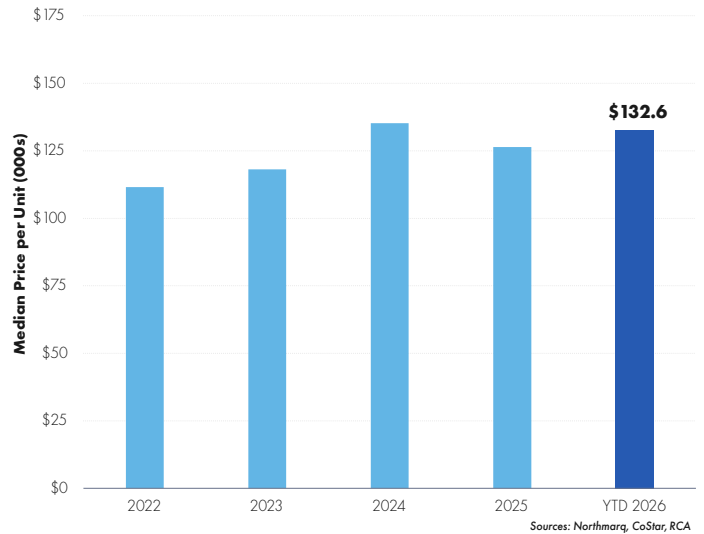


MULTIFAMILY SALES

- Multifamily sales continued in the first quarter, with 12 reported transactions closing at a median sale price of \$132,600 per unit, up 5% from last year. Foreclosure and distress sales have increased in recent periods as property revenues have fallen below pro forma expectations.
- Among properties sold year-to-date, the average year built was 1996, compared to 1988 for properties sold last year. Over the past five years, 43% of the San Antonio inventory has changed hands, and roughly half of these acquisitions were repositioned after purchase.
- Cap rates on closed deals averaged 6.0% in the first quarter of 2026. This marks an increase of roughly 50 basis points from the average recorded in 2024, when San Antonio multifamily fundamentals were stronger.

The year-to-date median sale price is \$132,600 per unit.

INVESTMENT TRENDS

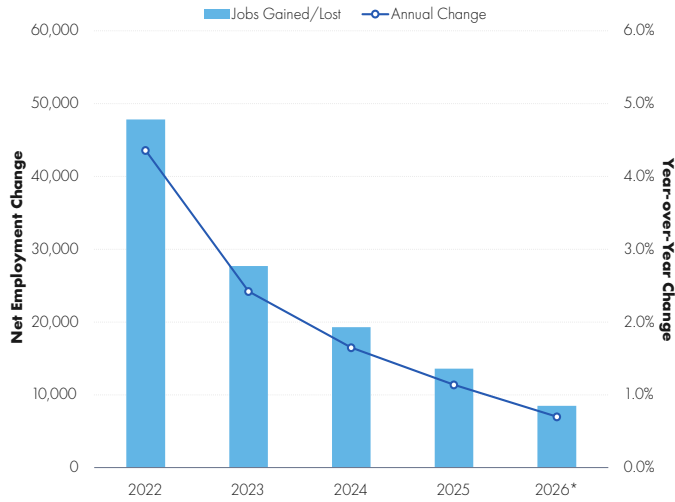


LOOKING AHEAD

The path toward stabilization in San Antonio runs through the supply side of the equation. Deliveries are forecast to total just 2,600 units for the full year, a 63% decline from 2025 and the slowest pace of new multifamily supply the market has completed since 2011. With only 800 units scheduled to deliver over the remainder of 2026, near-term pressure from new completions is diminishing. Permitting activity has also stepped down sharply, with full-year 2026 estimates pointing to the lowest annual total in over a decade. This contraction in the pipeline, including both proposed projects and those underway, establishes a structural foundation for recovery, though the pace of improvement will be determined largely by demand. Absorption has been variable in recent periods, leaving demand a key driver of near-term performance.

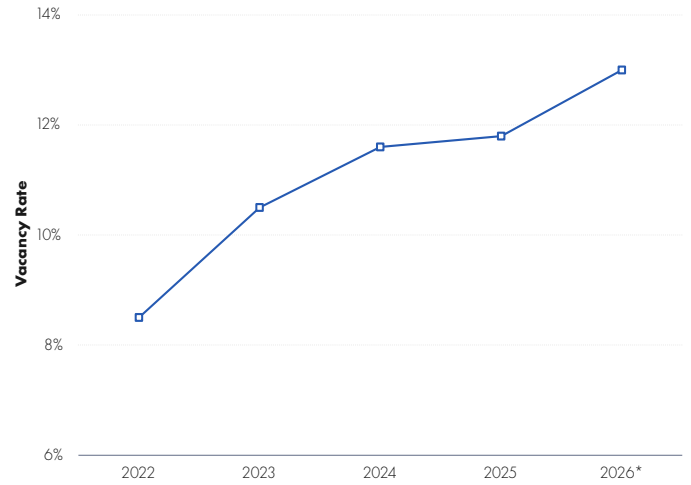
The investment outlook for San Antonio hinges on how quickly the distressed sale cycle runs its course. Forced sales introduced by income shortfalls have repriced risk in the market, with cap rates now averaging 6.0% and likely to rise until vacancy begins a sustained decline and rent trends stabilize. For patient capital, this repricing creates an entry point not widely available in this market in the prior cycle. The market has a deep base of value-add buyers, many of whom repositioned assets acquired during the past five years and may become more active as distressed opportunities increase. As fewer aged properties remain in the available inventory, the shift toward newer-vintage assets observed in the first quarter may continue. As new supply contracts, San Antonio's investment market should gradually rebalance toward a more stable transaction environment.

EMPLOYMENT FORECAST



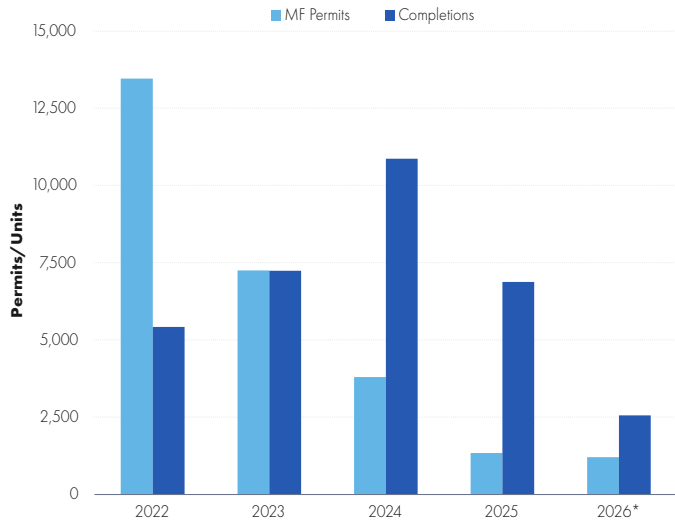
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



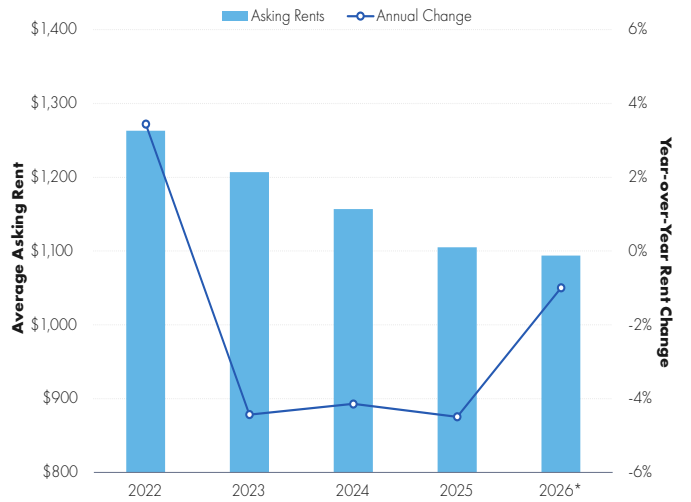
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, CoStar

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS



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