

New construction expected to slow further in 2026

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **5,413**

UNITS DELIVERED (YTD) **6,877**

MARKET FUNDAMENTALS



VACANCY RATE **11.8%**

YEAR-OVER-YEAR CHANGE **+20bps**

ASKING RENTS **\$1,105**

YEAR-OVER-YEAR CHANGE **-4.5%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$126,400**

SAN ANTONIO MULTIFAMILY Q4 2025

HIGHLIGHTS

- Operating fundamentals in San Antonio continued to face supply-side pressures throughout 2025. Rents and occupancy have declined for the past three years as operators faced increasing competition. However, new supply is beginning to taper down to more sustainable levels.
- Vacancy decreased by 20 basis points in the fourth quarter, ending the year at 11.8%. Year over year, the vacancy rate increased 20 basis points.
- Average asking rents in San Antonio have trended downward since peaking in 2022. During the fourth quarter, rents decreased 1.9% to \$1,105 per month. Annually, rents are down 4.5%.
- Sales activity in the San Antonio market remained consistent from 2024 to 2025. For transactions where pricing was available, the median sale price in 2025 was \$126,400 per unit, with cap rates averaging in the mid-5% range.

SAN ANTONIO MULTIFAMILY MARKET OVERVIEW

San Antonio's multifamily market is entering the early stages of a supply correction following the aggressive development cycle that peaked in 2024. For much of the past three years, operators have weathered persistent downward pressure on rents and occupancy as a large volume of newly delivered units competed for tenants. While operating fundamentals remain softer than long-term norms, conditions appear to be stabilizing as construction activity slows and demand continues to absorb recently completed projects. Demand remained resilient in 2025, with approximately 5,400 units absorbed during the year, helping to contain vacancy increases. The market's underlying renter demand should remain durable, supported by the metro's steady employment expansion, population growth, and relative affordability. As a result, San Antonio is gradually transitioning from a period defined by rapid supply growth toward one characterized by rebalancing.

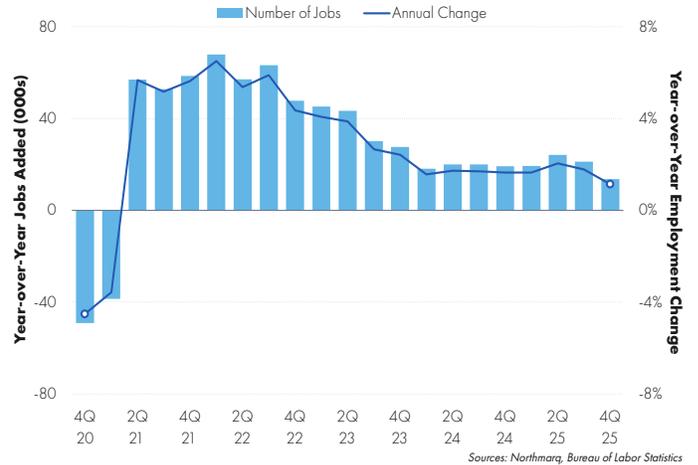
Investment activity in 2025 closely tracked levels from the past two years, although cap rates compressed by 50 basis points from the prior year. The market's current conditions have also opened opportunities for value-oriented acquisitions. Annual sales data reflects an increasing proportion of lower-tier properties in the sales mix. In 2025, Class C properties accounted for approximately 45% of the total transactions, a larger share of the average mix than in recent years. Class A properties accounted for less than 20% of total sales in 2025, down from a longer-term average of closer to 30%. Investors are increasingly targeting older vintage properties where pricing adjustments and operational repositioning may offer upside once rent growth returns. This type of investment activity was seen especially in the North and Northwest submarkets, which together accounted for nearly half of all San Antonio sales.

EMPLOYMENT

- The San Antonio job market has maintained annual growth for nearly five consecutive years, but the pace of growth has been decelerating since the 2021 hiring peak. During the past 12 months, total employment has expanded by 13,600 positions, reflecting 1.1% annual growth.
- Some of the region’s blue-collar sectors posted steady gains that fueled overall growth. The mining, logging, and construction and manufacturing sectors posted gains of 1.1% and 1.0%, respectively in 2025.
- Industrial Electric Manufacturing, which produces equipment to deliver electricity from the grid to the end-user, is in negotiations with Bexar County officials. The company is proposing a 500,000-square-foot factory, that would result in creating 3,000 jobs. The factory would develop in two phases, scheduled to be completed by 2028 and 2030.
- **FORECAST:** San Antonio employers are forecast to increase payrolls by 1.3% in 2026, adding approximately 15,000 new hires supported by healthcare, manufacturing, and logistics.

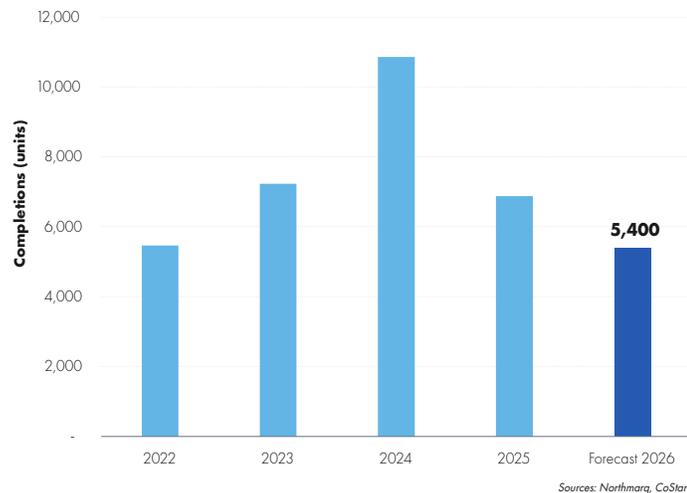
Employment expanded by 13,600 positions in 2025.

EMPLOYMENT OVERVIEW



Permitting totals are down 65% annually.

DEVELOPMENT TRENDS



DEVELOPMENT & PERMITTING

- Multifamily project completions have fallen sharply from peak levels recorded in 2024. For the full year, fewer than 6,900 units delivered in San Antonio, a 37% decline from 2024.
- The number of units under construction is also declining, with approximately 5,400 units currently underway. The majority of these units are located in the South Central, Far West, and Far Northeast submarkets.
- Multifamily permitting continued to decline for the third consecutive year, with permits issued for just 1,300 units during the full year, the lowest annual total since 2015. Permitting totals are down 90% compared to the 2022 peak.
- **FORECAST:** New supply in San Antonio is expected to contract further in 2026 as the market corrects from prior periods of rapid expansion. About 5,400 units are slated for completion in 2026, marking a projected 21% annual decline from 2025.

In 2025, roughly 6,900 units were delivered.

VACANCY TRENDS



VACANCY

- The vacancy rate in San Antonio improved during the fourth quarter, declining by 20 basis points to 11.8%. The vacancy rate is up 20 basis points annually, after some fluctuation over the past six quarters.
- The Far Northwest submarket continued to post vacancy improvements in 2025. During the fourth quarter, the rate fell 30 basis points to 9.9%.
- Elevated absorption totals have limited vacancy increases in the past two years. The market posted absorption of roughly 7,600 units in 2024 and an additional 5,400 units were absorbed in 2025.
- **FORECAST:** As new construction slows, healthy absorption levels should persist, resulting in vacancy improvement in 2026. The vacancy rate is forecast to finish the year at 10.9%, an annual decrease of 90 basis points.

RENTS

- Asking rents declined for a second consecutive year. In the fourth quarter, average rent fell to \$1,105 per month, down 1.9% from the previous quarter. Annually, rents declined by 4.5%.
- Rent declines were consistent across classes. In the top tier, rents on stabilized Class A units fell to approximately \$1,240 per month on average.
- As rents declined across most of the market, the Kerrville submarket emerged as a top performer in 2025. Kerrville was the top rent performer, recording quarterly growth of 2.8% and annual growth of 3.5%, reaching \$1,180 per month.
- **FORECAST:** Rents are forecast to re-enter positive growth territory in 2026, preceded by an anticipated tightening in vacancy conditions. By year-end, San Antonio rents are projected to average \$1,116 per month, a 1.0% annual increase.

Kerrville recorded annual rent growth of 3.5%.

RENTS TRENDS

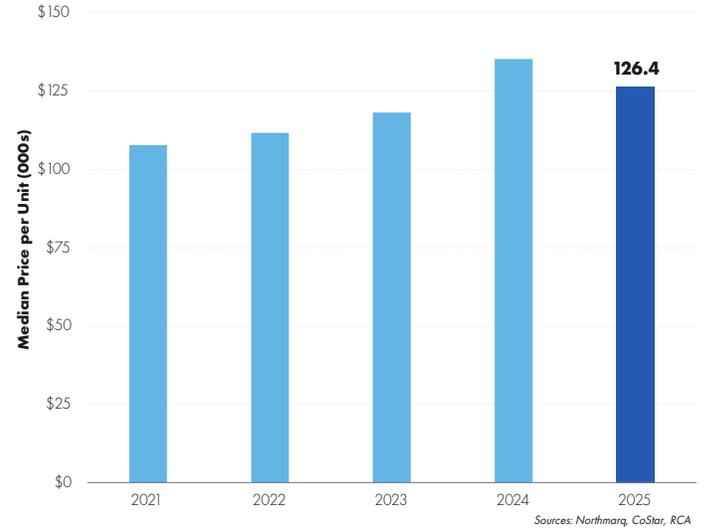


MULTIFAMILY SALES

- Sales activity in San Antonio accelerated through the fourth quarter, with 20 multifamily transactions closed during the period. Sales for the full year were just shy of 2024 levels, totaling 68 properties and roughly 12,500 units, with a median sale price of \$126,400 per unit.
- The sales mix contained older stock relative to sales in 2023 and 2024. Of the properties sold in 2025, the average year built was 1987, compared to 1999 in both 2023 and 2024.
- Cap rates on closed deals averaged 5.5% in 2025. This marks a roughly 50-basis-point decline from the 6.0% average recorded in 2024.

The median sale price in 2025 was \$126,400 per unit.

INVESTMENT TRENDS

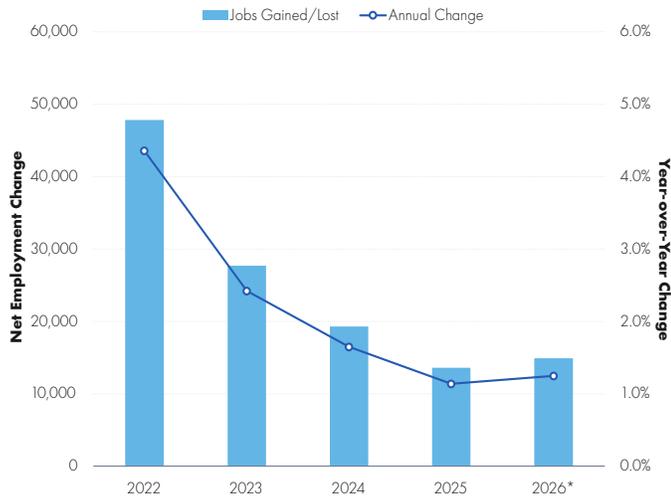


LOOKING AHEAD

The next phase of San Antonio’s multifamily cycle will likely be defined by improving balance between supply and demand rather than rapid growth. The 2026 development pipeline is thinning, with apartment completions forecast to drop by 21% annually. With fewer projects competing for renters in the coming years, recently delivered inventory is expected to achieve occupancy gains within tighter timeframes. The year ahead is expected to mark the first annual vacancy decline since 2021, providing a measure of relief to operators who have been impacted by the competitive pressures of new inventory. With vacancy expected to tighten by 90 basis points, there may be an opportunity to implement modest rent increases, particularly in areas such as the Far Northwest and Kerrville submarkets, which have been among the market’s top performing submarkets in recent years.

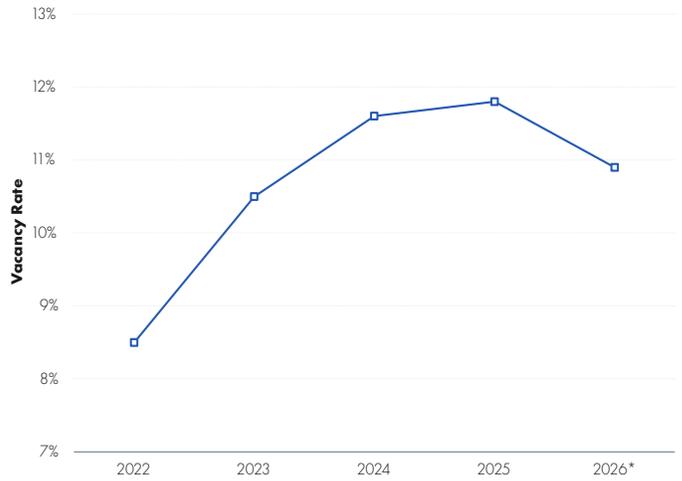
For investors, the current environment may represent a transitional window while fundamentals begin to stabilize. As rent performance regains traction, investor sentiment is expected to broaden. In the near-term, investment activity is likely to remain focused on value-add acquisitions and workforce housing that benefits from San Antonio’s relative affordability. As the market moves beyond its peak supply cycle, limited new development should position San Antonio for rent growth and steadier investment performance heading into 2026. Over the long-term, as supply levels shift back toward equilibrium, San Antonio should draw increasing interest from core and core-plus capital seeking long-term exposure to one of Texas’s more affordable markets. Apartment units delivered at the 2024 supply peak should be approaching stabilization and ready to be marketed for sale, which could lead to an increase in Class A sales in 2026.

EMPLOYMENT FORECAST



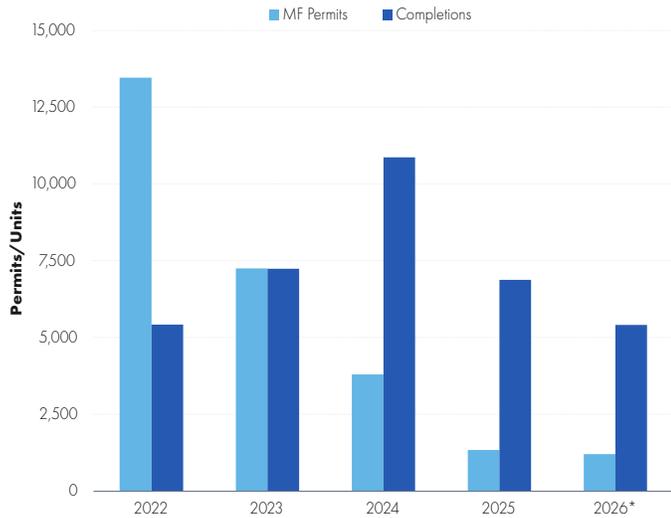
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



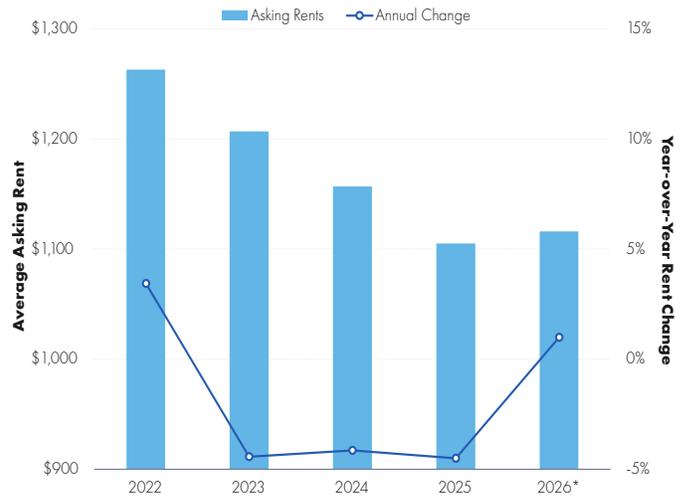
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, CoStar

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS



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