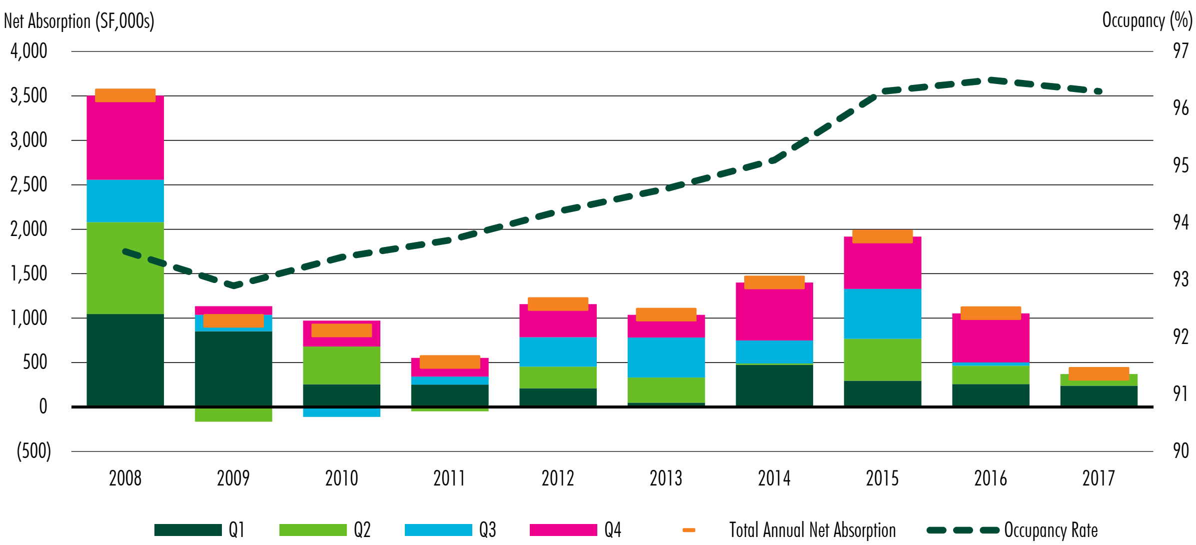
Austin Retail, Q2 2017

Strong fundamentals fuel growing development pipeline

Occupancy	Under Construction	Avg. Asking Rate	Net Absorption
96.3%	896,004 SF	$21.94 PSF	132,360 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q2 2017.

STEADY DEMAND CONTINUES FROM BIG BOX EXPANSIONS

Austin retail demand remained strong throughout the first half of 2017, absorbing 372,000 sq. ft. Big box retailers including Austin Couch Potato, Petco, and Rooms to Go all occupied large blocks in Q2 2017 contributing to positive net absorption in the Central, Northwest, and Far Northeast submarkets. As a result, occupancy increased 10 basis points quarter-over-quarter and sits well above the 10-year average of 94.4%.

These healthy fundamentals have spurred more construction activity, which hasn't been this elevated since 2013. The majority of recent development activity is strip centers and second phases of larger projects. The largest concentration of construction is in Round Rock with eight projects totaling 217,000 sq. ft. The largest projects are both mixed-use developments including Plaza Saltillo in East Downtown and Belterra Village in West Austin/Dripping Springs. Both developments are focusing heavily on entertainment and restaurant tenants.

POPULATION GAINS TRANSLATE INTO GROWING RETAIL SALES

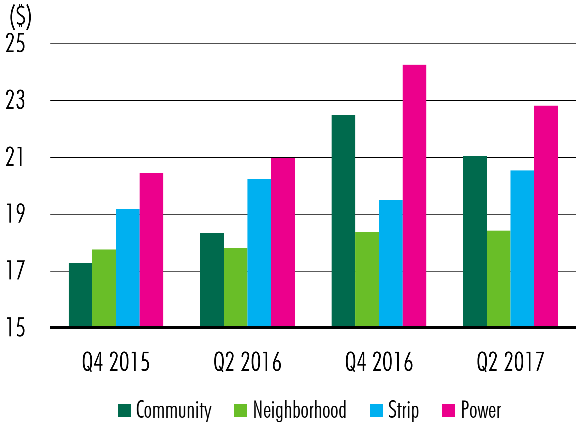
Austin saw some of the fastest population gains in the nation from 2015 to 2016 which has helped boost spending. Austin gross retail sales have steadily increased since 2010, and, 2016 sales growth increased by 5.6%, according to data released from the Texas Comptroller. Continued healthy consumer spending will further sustain Austin's stable retail demand.

Figure 2: Market Snapshot

Market	Number of Centers	Net Rentable Area (SF)	Vacancy (%)	Asking Rate, NNN Avg. Annual ($/SF)	Under Construction (SF)	Delivered Construction (SF)	Q2 2017 Net Absorption (SF)
Bastrop County	75	2,795,693	1.9	21.01	0	0	11,623
Caldwell County	17	628,209	3.2	12.51	0	0	0
CBD	64	1,846,167	4.0	26.24	0	0	(6,487)
Cedar Park	153	7,145,523	3.6	25.58	11,200	0	(871)
Central	186	6,672,114	3.7	21.75	0	0	5,812
East	90	3,237,409	2.2	22.00	125,000	0	(6,684)
Far Northeast	77	3,406,905	6.5	18.08	12,000	60,150	62,965
Far Northwest	83	3,199,982	2.7	18.72	0	0	22,494
Georgetown	146	5,182,767	3.8	16.04	125,050	45,000	12,418
Hays County	195	6,964,522	3.7	22.78	251,800	0	37,785
North	157	5,770,765	2.9	20.03	0	0	(28,878)
Northeast	61	2,244,219	4.0	17.41	11,000	0	19,415
Northwest	120	5,612,891	5.2	22.83	19,000	0	46,387
Round Rock	159	5,651,591	3.0	23.07	217,327	24,244	9,935
South	226	8,167,514	4.3	28.17	16,000	0	11,643
Southeast	54	1,953,586	6.8	24.11	59,750	0	(3,037)
Southwest	184	7,974,040	3.1	26.04	47,877	10,021	(59,166)
West Central	34	860,428	2.7	29.75	0	0	(2,994)
Austin Total	2,081	79,314,325	3.7	21.94	896,004	139,415	132,360

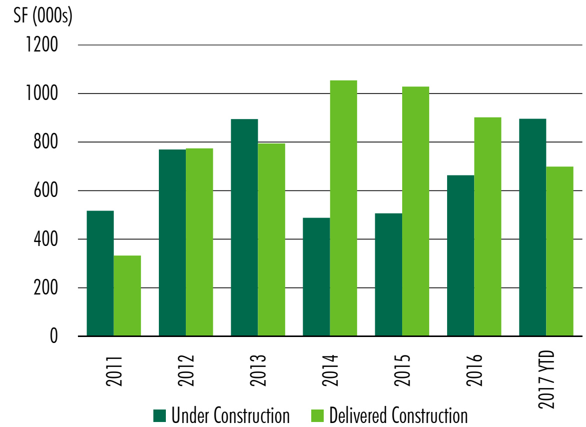
Source: CBRE Research, Q2 2017.

Figure 3: Asking Annual Rents, NNN Avg.



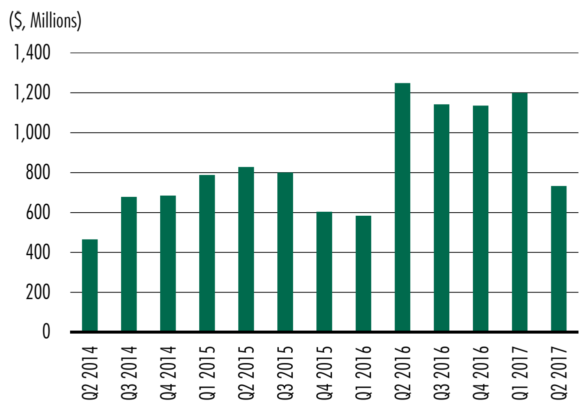
Source: CBRE Research, Q2 2017.

Figure 4: Construction



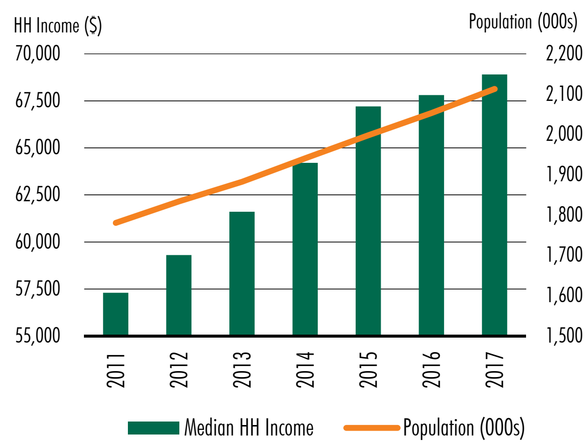
Source: CBRE Research, Q2 2017.

Figure 5: Retail Investment Sales Volume



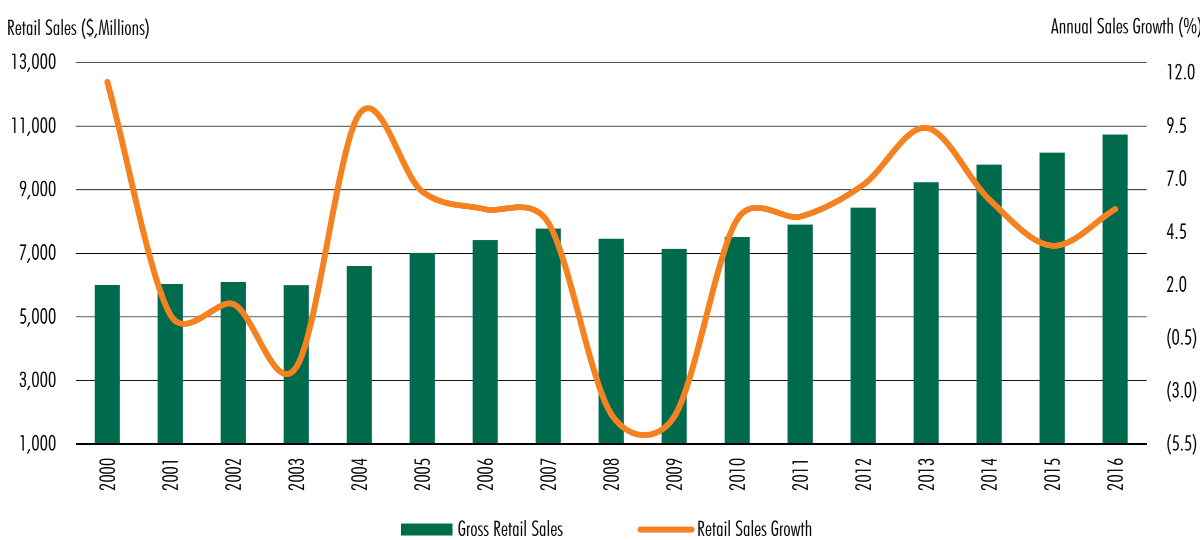
Source: Real Capital Analytics, Q2 2017.

Figure 6: Population Growth and Purchasing Power

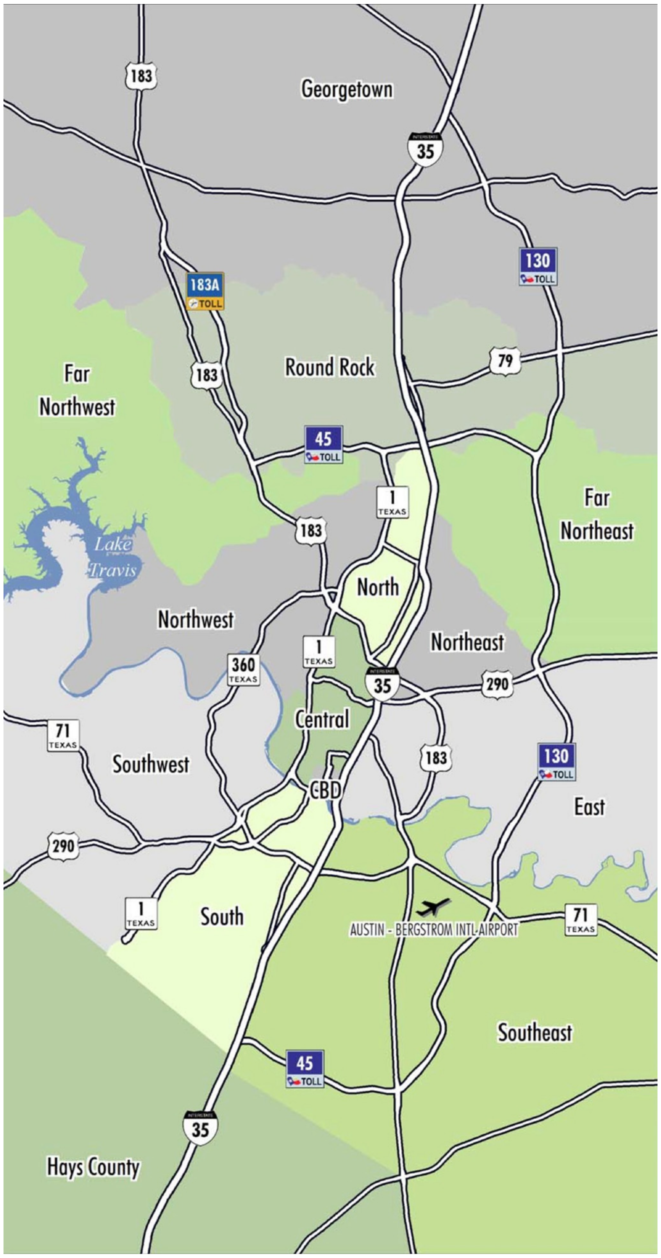


Source Moody's Analytics, Q2 2017.

Figure 7: Austin MSA Retail Sales



Source: Texas Comptroller of Public Accounts, Federal Reserve Bank of Dallas, Q2 2017.



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