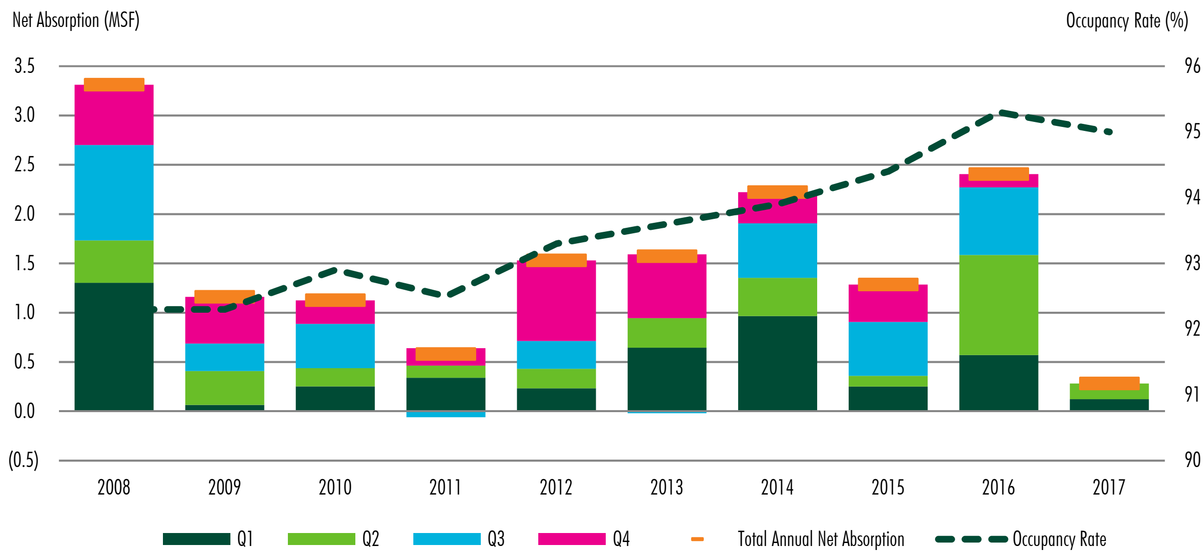
San Antonio Retail, Q2 2017

Rising rates: continuing economic strength shows no sign of slowing down

▼ Occupancy 95.0%	▲ Under Construction 331,253 SF	▲ Avg. Asking Rate $14.44 PSF	▲ Net Absorption 158,323 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q2 2017.

OCCUPANCY STABILIZES; HOLDING FIRM AT 95.0%

Within San Antonio's tightening retail market, modest net absorption could not hinder high occupancy rates. The prevalence of steadying rent and long term lease signings ensure space will remain filled, and availability taken off the market quickly.

PEARL DEVELOPMENT GROWTH CONTINUES WITH THE PLANNED SUMMER OPENING OF THE BOTTLING DEPARTMENT FOOD HALL

With a planned July 2017 opening, the Bottling Department Food Hall's 5,500 sq. ft. facility will sit atop the Jazz, TX nightclub and provide eclectic food choices from Bud's Southern Rotisserie, Tenko, Maybelle's, and a variety of others.

ABSORPTION AND CONSTRUCTION PIPELINE INCREASE DUE TO A FAST-PACED Q2 2017

Grocer openings, big box absorption, and healthy retail demand in San Antonio all contributed to a busy end to the first half of the year. As the region gains economic strength, it is expected that development activity will forge ahead.

BIG BOX AVAILABILITY CONTRACTS AS HIGH QUALITY SPACES ARE SCOOPED UP

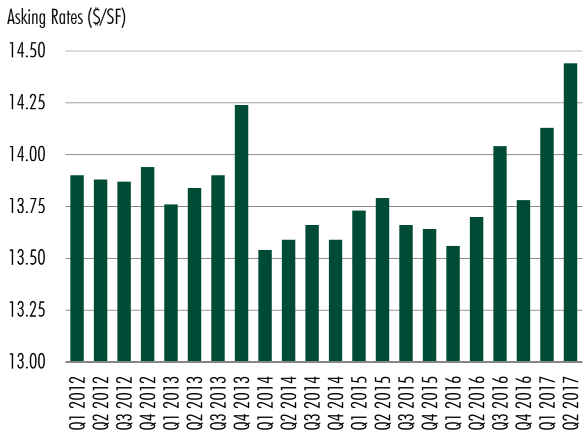
Big box net absorption increased this quarter as higher valued locations were taken off market by various home goods and discount retailers. As national retailers continue to announce closures, we expect that Class A availability will increase slightly, while remaining spaces will be split up to reduce footprint.

Figure 2: Market Snapshot

	Q1 2017	Q2 2017
ATASCOSA COUNTY		
Absorption (Net, SF)	(7,600)	3,445
Avg. Asking Rent (Annual, Net, $/SF)	9.29	9.18
Under Construction (SF)	10,000	-
Occupancy Rate (%)	98.9	98.3
COMAL COUNTY		
Absorption (Net, SF)	56,258	9,271
Avg. Asking Rent (Annual, Net, $/SF)	17.49	17.30
Under Construction (SF)	28,175	28,175
Occupancy Rate (%)	96.1	95.6
KENDALL COUNTY		
Absorption (Net, SF)	9,118	(21,531)
Avg. Asking Rent (Annual, Net, $/SF)	13.10	11.93
Under Construction (SF)	-	-
Occupancy Rate (%)	99.2	95.8
CENTRAL BUSINESS DISTRICT		
Absorption (Net, SF)	(4,019)	27,331
Avg. Asking Rent (Annual, Net, $/SF)	15.82	16.72
Under Construction (SF)	-	-
Occupancy Rate (%)	98.6	98.5
WILSON COUNTY		
Absorption (Net, SF)	(8,600)	(2,583)
Avg. Asking Rent (Annual, Net, $/SF)	18.38	18.46
Under Construction (SF)	-	-
Occupancy Rate (%)	98.3	95.5
MEDINA COUNTY		
Absorption (Net, SF)	(6,000)	(6,001)
Avg. Asking Rent (Annual, Net, $/SF)	23.00	23.00
Under Construction (SF)	-	-
Occupancy Rate (%)	93.9	84.6
NORTH CENTRAL		
Absorption (Net, SF)	(21,301)	(1,349)
Avg. Asking Rent (Annual, Net, $/SF)	18.12	18.87
Under Construction (SF)	-	70,000
Occupancy Rate (%)	95.7	95.0
NORTHWEST		
Absorption (Net, SF)	147,182	50,187
Avg. Asking Rent (Annual, Net, $/SF)	13.54	12.89
Under Construction (SF)	184,800	189,278
Occupancy Rate (%)	95.3	94.6
SOUTH		
Absorption (Net, SF)	(30,242)	13,517
Avg. Asking Rent (Annual, Net, $/SF)	14.80	14.94
Under Construction (SF)	11,420	33,740
Occupancy Rate (%)	96.8	96.3
NORTHEAST		
Absorption (Net, SF)	(16,325)	88,521
Avg. Asking Rent (Annual, Net, $/SF)	12.56	12.32
Under Construction (SF)	23,000	-
Occupancy Rate (%)	93.6	93.0
GUADALUPE COUNTY		
Absorption (Net, SF)	(1,533)	(5,235)
Avg. Asking Rent (Annual, Net, $/SF)	4.49	8.75
Under Construction (SF)	10,060	10,060
Occupancy Rate (%)	97.9	95.7
BANDERA COUNTY		
Absorption (Net, SF)	5,250	2,750
Avg. Asking Rent (Annual, Net, $/SF)	8.94	8.94
Under Construction (SF)	-	-
Occupancy Rate (%)	95.8	95.1
SAN ANTONIO MARKET TOTAL		
Absorption (Net, SF)	**122,188**	**158,323**
Avg. Asking Rent (Annual, Net, $/SF)	**14.13**	**14.44**
Under Construction (SF)	**267,455**	**331,253**
Occupancy Rate (%)	**95.8**	**95.0**

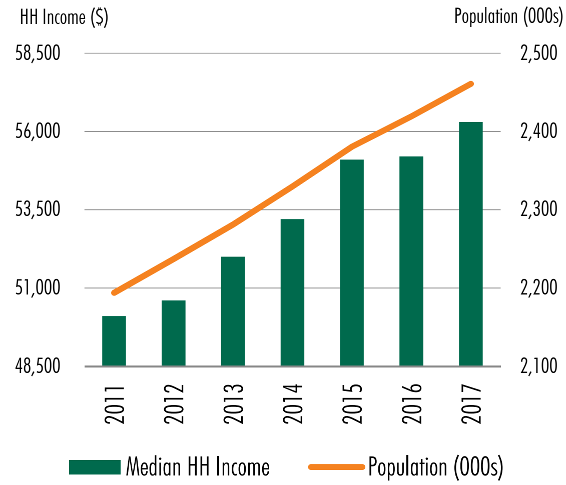
Source: CBRE Research, Q2 2017.

Figure 3: Asking Annual Rents, NNN Avg.



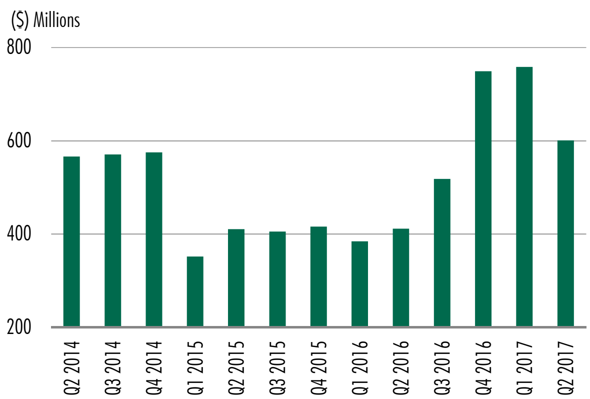
Source: CBRE Research, Q2 2017.

Figure 4: Population Growth and Purchasing Power



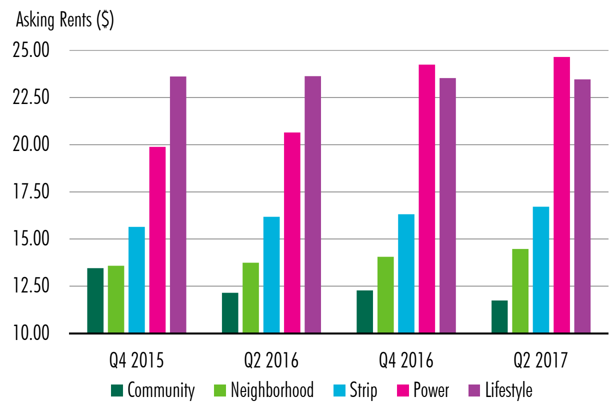
Source Moody's Analytics, Q2 2017.

Figure 5: Retail Investment Sales Volume



Source: Real Capital Analytics, Q2 2017.

Figure 6: Asking Annual Rents by Center Type

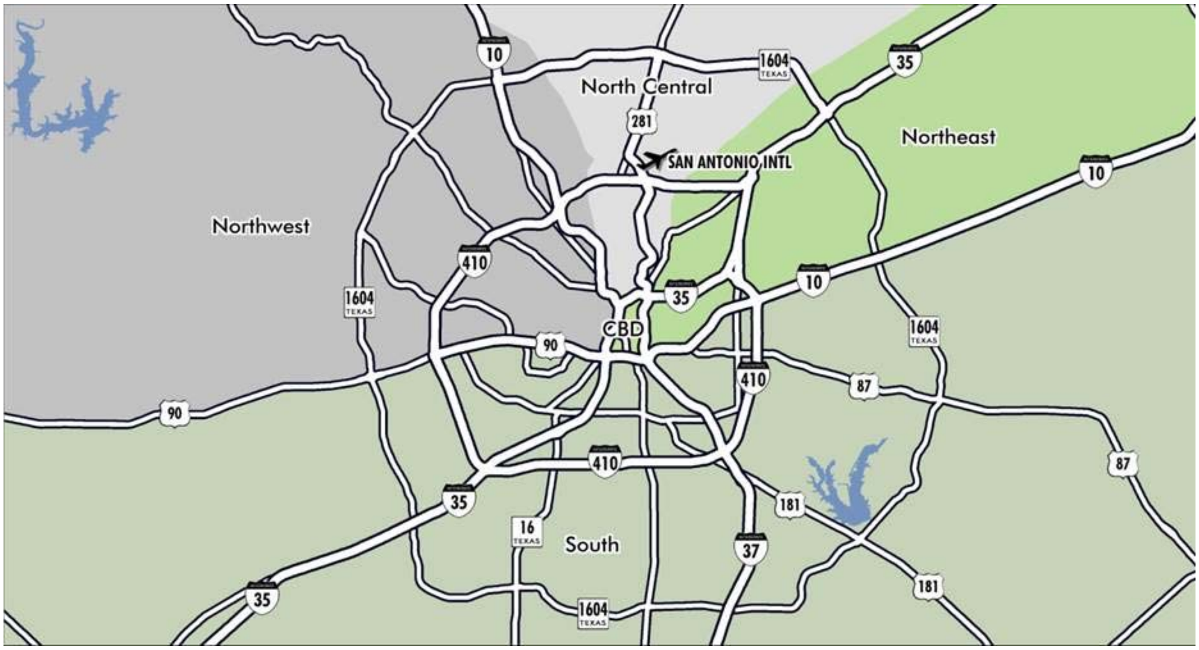


Source: CBRE Research, Q2 2017.

Figure 7: Top 10 Largest Available Big Box Spaces

Submarket	Address	City	Former Use	Available (SF)
Northwest	12621 I-10	San Antonio	Target	96,100
Northwest	622 NW Loop 410	San Antonio	Sears	85,380
Northwest	6301 NW Loop 410	San Antonio	Multiple	76,670
South	165 SW Military Drive	San Antonio	Academy	61,037
Northwest	5776 Stemmons Drive	San Antonio	Floor & Decor	59,000
Northwest	8203 State Highway 151	San Antonio	Gander Mountain	48,663
Northwest	618 NW Loop 410	San Antonio	Multiple	44,400
North Central	21115 N Highway 281	San Antonio	Sports Authority	42,057
Northeast	7517 Loop 1604	Live Oak	Multiple	39,944
Northeast	2935 Pat Booker Road	San Antonio	Gold's Gym	37,690

Source: CBRE Research, Q2 2017.



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