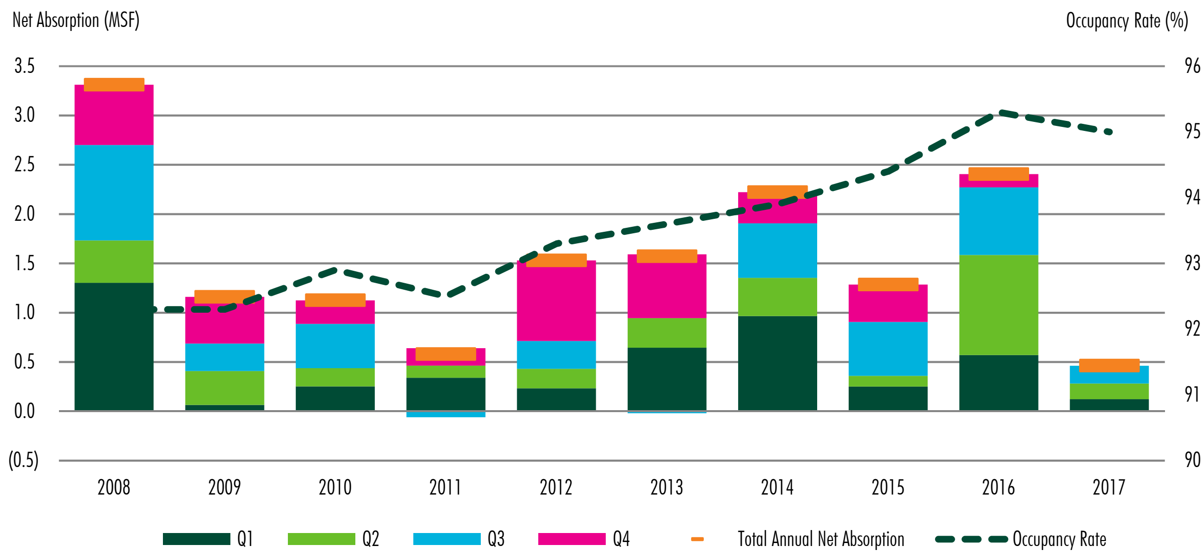
San Antonio Retail, Q3 2017

Firing on all cylinders; strong growth and rising metrics detail strength of Alamo City retail

Occupancy 95.0%	Under Construction 376,661 SF	Avg. Asking Rate $15.01 PSF	Net Absorption 181,491 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q3 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.

H-E-B GRAND OPENING AS ADDITIONAL PHASES OF CONSTRUCTION CONTINUE AT BULVERDE MARKETPLACE

Opened in August, the 117,000 sq.-ft. H-E-B anchors the sprawling, 104 acre master-planned, mixed use development. Located in Northcentral San Antonio, it will include 500,000 sq.-ft. of retail, restaurant, and office space at full build out.

LIDL ANNOUNCES FIRST SAN ANTONIO LOCATION

German grocer Lidl has announced their first San Antonio location, a 30,000 sq.-ft. Texas flagship at the corner of Alamo Ranch and Lone Star Parkways. Acting as the anchor for a new shopping center, construction expected to begin later this year, delivering in Q3 2018.

CONSTRUCTION, ABSORPTION, AND ASKING RATES CONTINUE TO CLIMB

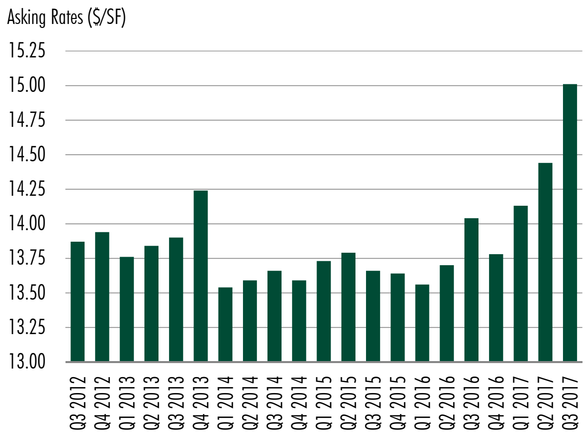
Retail product in San Antonio continues to show strength as occupancy rates remain high, rents continue to increase, and the construction pipeline remains robust. With multiple ground breakings, grand openings, and a strong economy, San Antonio is full speed ahead going into the final quarter of 2017.

Figure 2: Market Snapshot

	Q1 2017	Q2 2017	Q3 2017
ATASCOSA COUNTY			
Absorption (Net, SF)	(7,600)	3,445	11,291
Avg. Asking Rent (Annual, Net, $/SF)	9.29	9.18	9.18
Under Construction (SF)	10,000	-	-
Occupancy Rate (%)	98.9	98.3	99.4
COMAL COUNTY			
Absorption (Net, SF)	56,258	9,271	(10,578)
Avg. Asking Rent (Annual, Net, $/SF)	17.49	17.30	17.48
Under Construction (SF)	28,175	28,175	41,283
Occupancy Rate (%)	96.1	95.6	95.2
KENDALL COUNTY			
Absorption (Net, SF)	9,118	(21,531)	(12,736)
Avg. Asking Rent (Annual, Net, $/SF)	13.10	11.93	12.90
Under Construction (SF)	-	-	-
Occupancy Rate (%)	99.2	95.8	94.6
CENTRAL BUSINESS DISTRICT			
Absorption (Net, SF)	(4,019)	27,331	(5,170)
Avg. Asking Rent (Annual, Net, $/SF)	15.82	16.72	22.11
Under Construction (SF)	-	-	-
Occupancy Rate (%)	98.6	98.5	98.5
WILSON COUNTY			
Absorption (Net, SF)	(8,600)	(2,583)	3,886
Avg. Asking Rent (Annual, Net, $/SF)	18.38	18.46	19.44
Under Construction (SF)	-	-	-
Occupancy Rate (%)	98.3	95.5	96.5
MEDINA COUNTY			
Absorption (Net, SF)	(6,000)	(6,001)	(812)
Avg. Asking Rent (Annual, Net, $/SF)	23.00	23.00	22.00
Under Construction (SF)	-	-	-
Occupancy Rate (%)	93.9	84.6	84.4
NORTH CENTRAL			
Absorption (Net, SF)	(21,301)	(1,349)	(10,129)
Avg. Asking Rent (Annual, Net, $/SF)	18.12	18.87	18.46
Under Construction (SF)	-	70,000	44,050
Occupancy Rate (%)	95.7	95.0	94.8
NORTHWEST			
Absorption (Net, SF)	147,182	50,187	113,679
Avg. Asking Rent (Annual, Net, $/SF)	13.54	12.89	12.47
Under Construction (SF)	184,800	189,278	113,153
Occupancy Rate (%)	95.3	94.6	94.9
SOUTH			
Absorption (Net, SF)	(30,242)	13,517	11,044
Avg. Asking Rent (Annual, Net, $/SF)	14.80	14.94	15.93
Under Construction (SF)	11,420	33,740	178,175
Occupancy Rate (%)	96.8	96.3	96.5
NORTHEAST			
Absorption (Net, SF)	(16,325)	88,521	73,877
Avg. Asking Rent (Annual, Net, $/SF)	12.56	12.32	12.64
Under Construction (SF)	23,000	-	-
Occupancy Rate (%)	93.6	93.0	93.8
GUADALUPE COUNTY			
Absorption (Net, SF)	(1,533)	(5,235)	7,139
Avg. Asking Rent (Annual, Net, $/SF)	4.49	8.75	5.97
Under Construction (SF)	10,060	10,060	-
Occupancy Rate (%)	97.9	95.7	93.2
BANDERA COUNTY			
Absorption (Net, SF)	5,250	2,750	-
Avg. Asking Rent (Annual, Net, $/SF)	8.94	8.94	11.48
Under Construction (SF)	-	-	-
Occupancy Rate (%)	98.4	100	100
SAN ANTONIO MARKET TOTAL			
Absorption (Net, SF)	**122,188**	**158,323**	**181,491**
Avg. Asking Rent (Annual, Net, $/SF)	**14.13**	**14.44**	**15.01**
Under Construction (SF)	**267,455**	**331,253**	**376,661**
Occupancy Rate (%)	**95.8**	**95.0**	**95.0**

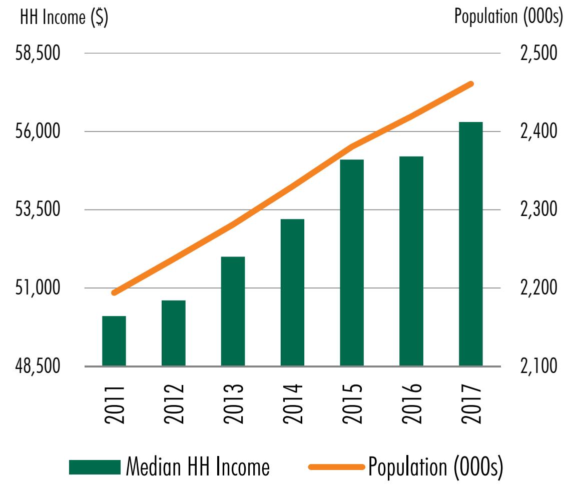
Source: CBRE Research, Q3 2017.

Figure 3: Asking Annual Rents, NNN Avg.



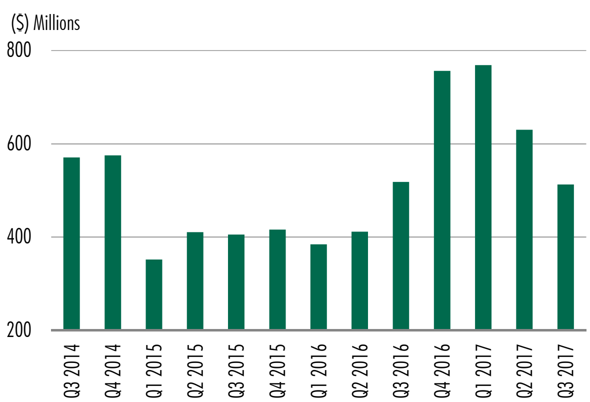
Source: CBRE Research, Q3 2017.

Figure 4: Population Growth and Purchasing Power



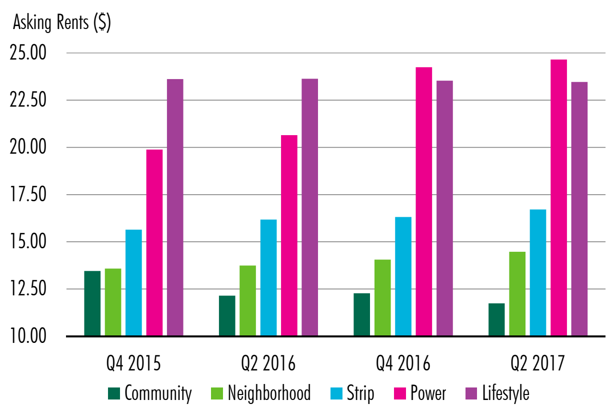
Source Moody's Analytics, Q3 2017.

Figure 5: Retail Investment Sales Volume



Source: Real Capital Analytics, Q3 2017.

Figure 6: Asking Annual Rents by Center Type

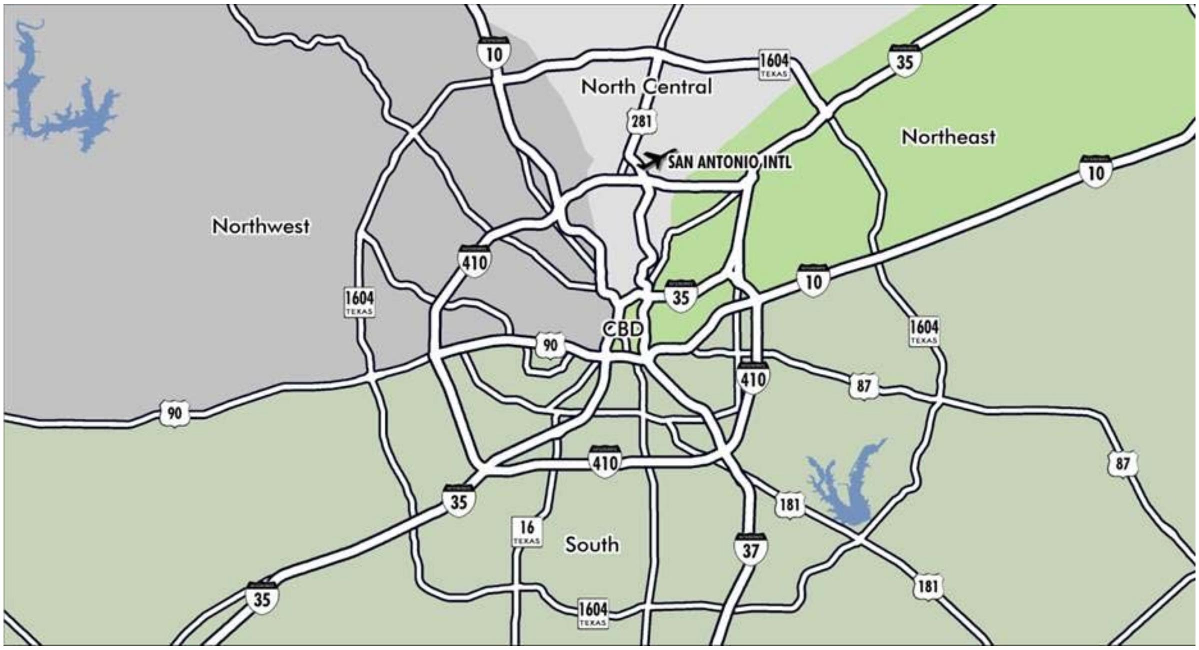


Source: CBRE Research, Q3 2017.

Figure 7: Top 10 Largest Available Big Box Spaces

Submarket	Address	City	Former Use	Available (SF)
Northwest	622 NW Loop 410	San Antonio	Sears	85,380
Northwest	6301 NW Loop 410	San Antonio	Multiple	76,670
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
Northwest	14602 Huebner Rd	San Antonio	Multiple	35,000
Northeast	6212 Woodglen Dr	San Antonio	Office Max	30,162
Northwest	11791 Bandera Rd	San Antonio	Multiple	28,844

Source: CBRE Research, Q3 2017.



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