MARKETVIEW

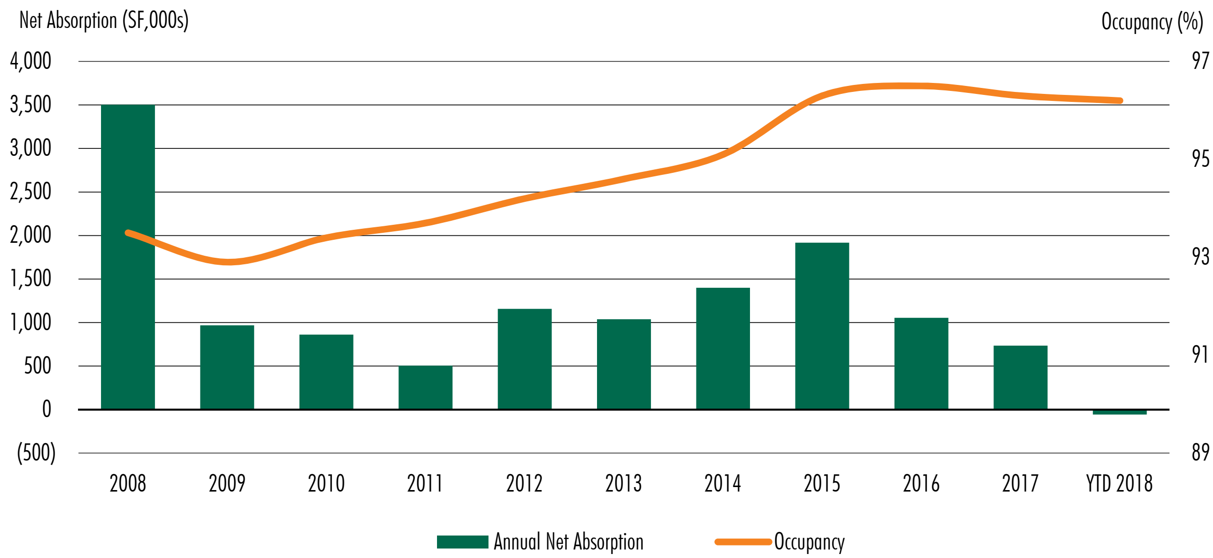
Austin Retail, Q1 2018

High occupancy with flat absorption; leasing activity awaits push from construction deliveries

Occupancy	Under Construction	Completions	Net Absorption
96.2%	629,446 SF	408,918 SF	(57,202) SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q1 2018.

OCCUPANCY REMAINS AT ALL-TIME HIGHS; HOLDING STEADY AT 96%

Austin's tightening retail market, strong construction pipeline and heavily pre-leased deliveries have caused occupancy to remain at an all-time high. However, as completions take longer to come online, occupancy and rental rates are expected to level off in the short-term before picking back up later in the year.

TWO MAJOR PROJECT DELIVERIES COME ONLINE

In Q1 2018, Belterra Village and Oak Meadows Marketplace were delivered to the market, responsible for a combined 311,500-sq.-ft. Located in Austin and Georgetown respectively, tenants include Randalls Grocery, Sky Cinemas, and Hat Creek Burger.

RETAIL AND MIXED-USE PROJECTS CONTINUE TO LOOK TOWARDS SOUTHWEST AUSTIN

With the prevalence of available land south of Highway 290, developers and retailers alike continue to focus on the projected growth and population gains of southwest Austin. As multi-family communities continue to break ground, the demand for restaurant and amenity based retail are expected to increase.

TOYS R US ANNOUNCES SURPRISE LIQUIDATION OF ITS NATIONWIDE PORTFOLIO

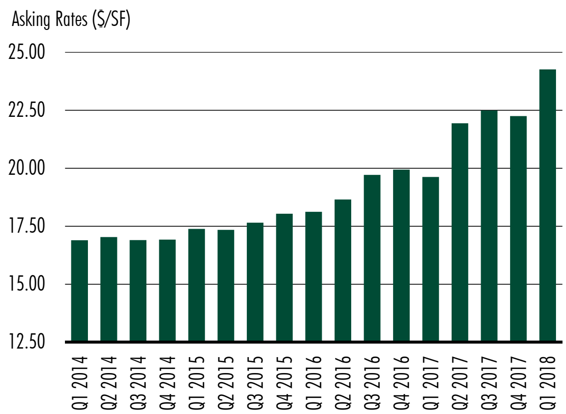
In March, Toys R Us filed a motion seeking bankruptcy court approval to begin liquidation of its 735 U.S and Puerto Rico stores. The closures are expected to occur within the first nine months of 2018. In the Austin area alone, the retailer is responsible for four locations, accounting for over 125,000-sq.-ft. of space.

Figure 2: Historical Market Statistics

	2017	YTD 2018
BASTROP COUNTY		
Absorption (Net, SF)	(16,461)	(626)
Delivered Construction (SF)	-	-
Occupancy Rate (%)	96.7	97.1
CALDWELL COUNTY		
Absorption (Net, SF)	(1,525)	6,203
Delivered Construction (SF)	-	-
Occupancy Rate (%)	97.1	97.5
CENTRAL BUSINESS DISTRICT		
Absorption (Net, SF)	9,080	(3,709)
Delivered Construction (SF)	-	-
Occupancy Rate (%)	98.7	94.4
CEDAR PARK		
Absorption (Net, SF)	394,795	(21,699)
Delivered Construction (SF)	372,515	-
Occupancy Rate (%)	96.8	95.5
CENTRAL		
Absorption (Net, SF)	(35,491)	(7,631)
Delivered Construction (SF)	-	-
Occupancy Rate (%)	94.2	95.2
EAST		
Absorption (Net, SF)	(28,767)	8,785
Delivered Construction (SF)	32,600	-
Occupancy Rate (%)	97.4	94.5
FAR NORTHEAST		
Absorption (Net, SF)	71,182	17,226
Delivered Construction (SF)	112,872	-
Occupancy Rate (%)	96.8	95.2
FAR NORTHWEST		
Absorption (Net, SF)	(4,542)	56,189
Delivered Construction (SF)	15,000	-
Occupancy Rate (%)	92.2	95.2
GEORGETOWN		
Absorption (Net, SF)	69,161	8,806
Delivered Construction (SF)	58,200	100,068
Occupancy Rate (%)	95.4	95.2
HAYS COUNTY		
Absorption (Net, SF)	68,409	(13,582)
Delivered Construction (SF)	26,000	245,150
Occupancy Rate (%)	98.0	95.2
NORTH		
Absorption (Net, SF)	(36,779)	20,453
Delivered Construction (SF)	27,988	-
Occupancy Rate (%)	97.1	95.2
NORTHEAST		
Absorption (Net, SF)	19,660	(120,033)
Delivered Construction (SF)	11,000	-
Occupancy Rate (%)	94.0	93.0
NORTHWEST		
Absorption (Net, SF)	125,701	22,004
Delivered Construction (SF)	36,600	-
Occupancy Rate (%)	96.8	94.7
ROUND ROCK		
Absorption (Net, SF)	91,810	(1,126)
Delivered Construction (SF)	171,194	14,000
Occupancy Rate (%)	93.6	95.0
SOUTH & SOUTHEAST		
Absorption (Net, SF)	3,623	(775)
Delivered Construction (SF)	11,050	38,700
Occupancy Rate (%)	97.3	95.1
SOUTHWEST		
Absorption (Net, SF)	7,149	(19,457)
Delivered Construction (SF)	56,390	11,000
Occupancy Rate (%)	97.7	94.7
WEST CENTRAL		
Absorption (Net, SF)	(3,063)	(8,230)
Delivered Construction (SF)	-	-
Occupancy Rate (%)	99.1	94.7
AUSTIN MARKET TOTAL		
Absorption (Net, SF)	**733,942**	**(57,202)**
Delivered Construction (SF)	**931,409**	**408,918**
Occupancy Rate (%)	**96.3**	**96.2**

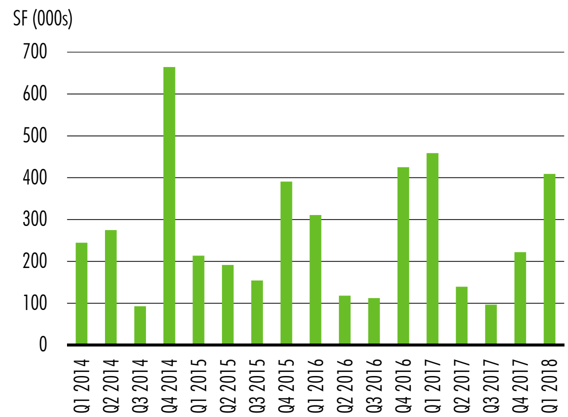
Source: CBRE Research, Q1 2018.

Figure 3: Asking Annual Rents, NNN Avg.



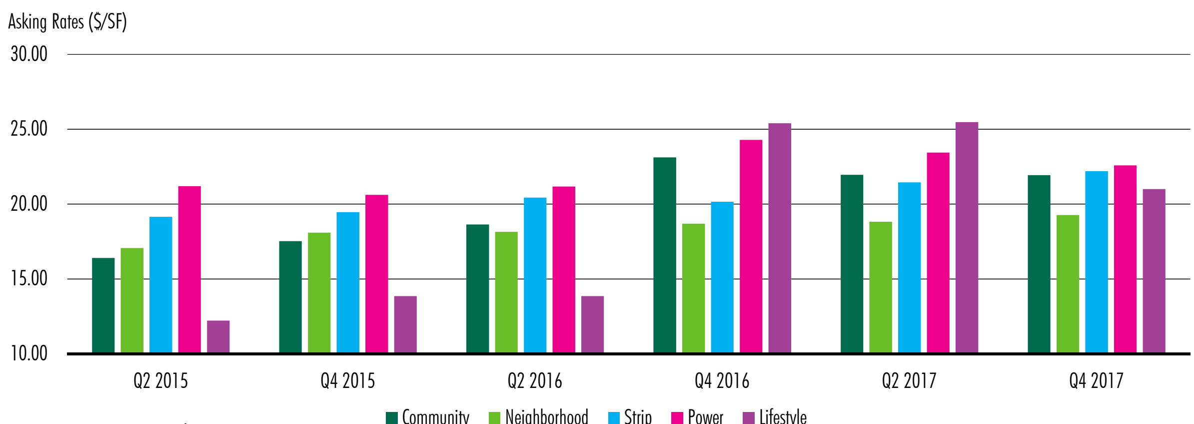
Source: CBRE Research, Q1 2018.

Figure 4: Deliveries



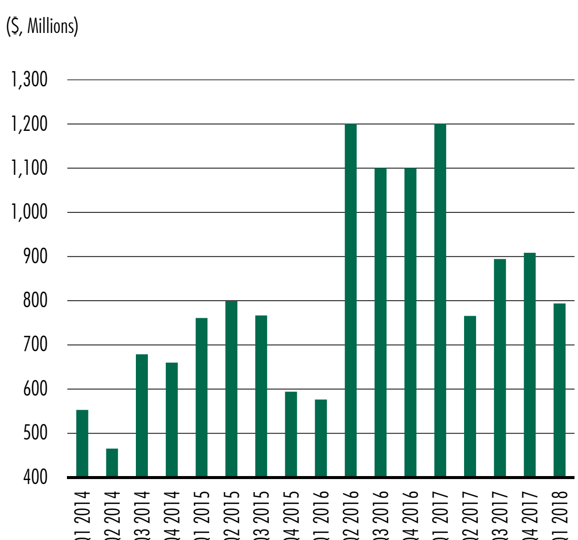
Source: CBRE Research, Q1 2018.

Figure 5: Asking Annual Rents by Center Type, NNN Avg.



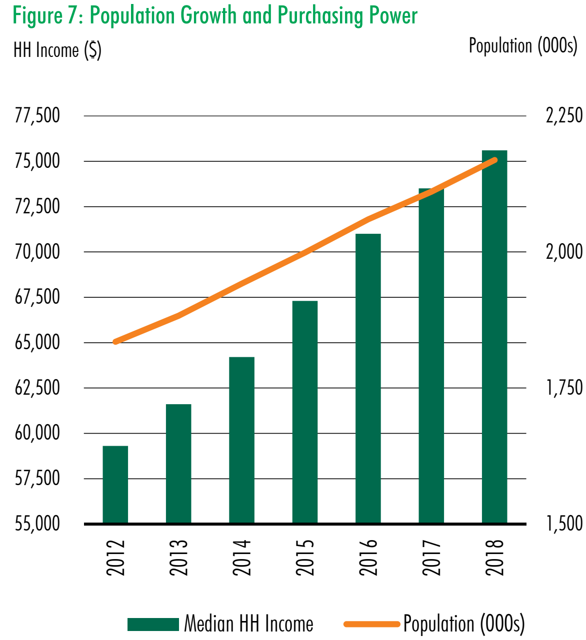
Source: CBRE Research, Q1 2018.

Figure 6: Retail Investment Sales Volume

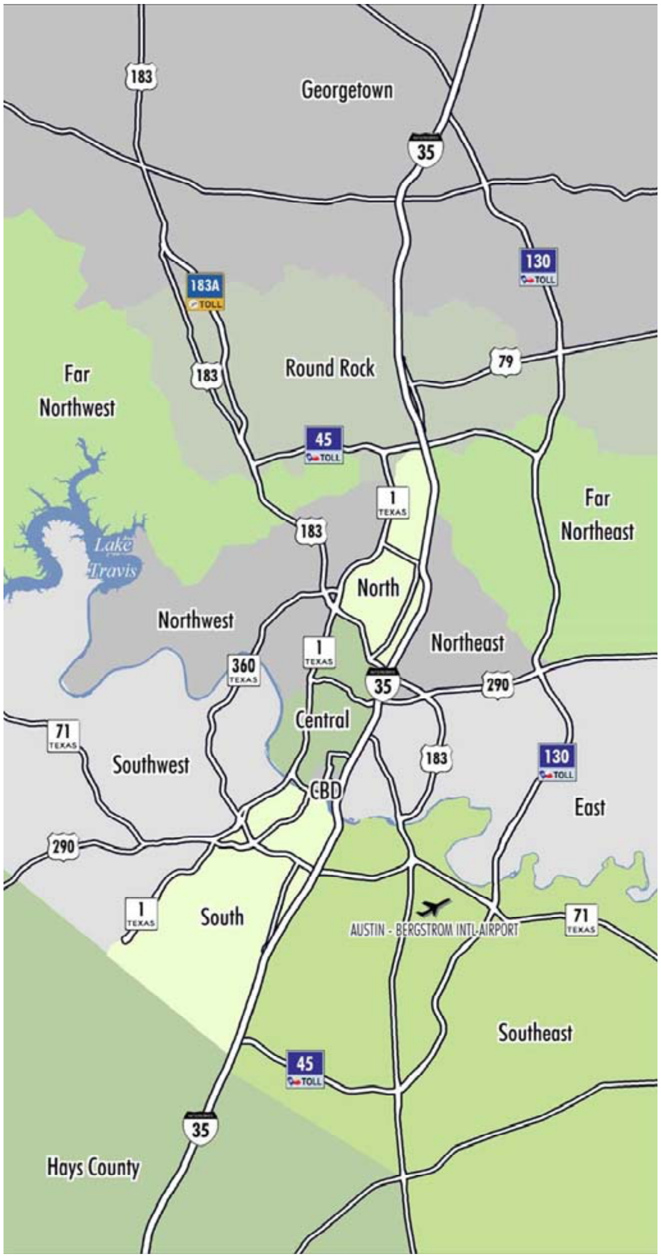


Source: Real Capital Analytics, Q1 2018.

Figure 7: Population Growth and Purchasing Power



Source Moody's Analytics, Q1 2018.



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