MARKETVIEW

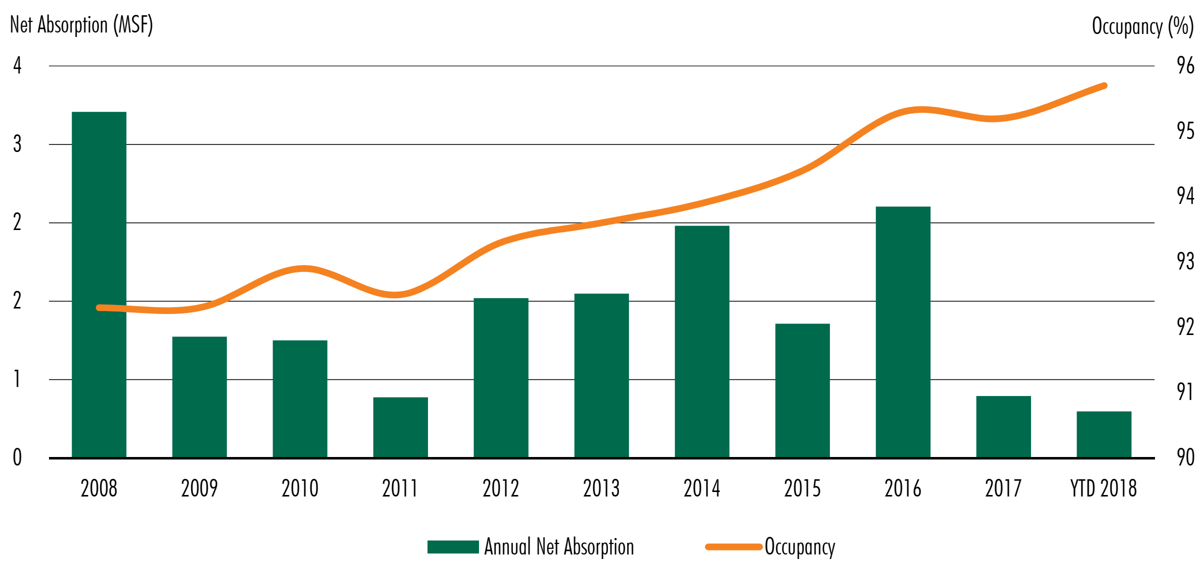
San Antonio Retail, Q1 2018

Construction gains and pipeline deliveries lead San Antonio retail expansion

Occupancy	Under Construction	Completions	Net Absorption
95.7%	419,147 SF	54,605 SF	444,855 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%

San Antonio's tightening retail market, measured construction pipeline and heavily pre-leased deliveries have caused occupancy to remain at an all-time high. Strong developer-lender relationships, made up primarily of local and regional players with strong track records in the area, have allowed for projects to stay on schedule and a robust pipeline to continue.

IKEA BREAKS GROUND

In March, IKEA broke ground on its 289,000-sq.-ft. location at Live Oak Town Center. Scheduled to open in Q2 2019, the store will encompass 31 acres at the southwest corner of I35 and Northeast Loop 1604. It is expected to create 500 construction jobs during the build, and employ 250 people once the doors are open.

SAN ANTONIO UNEMPLOYMENT RATE CONTINUES ITS DECLINE

The San Antonio unemployment rate declined to 3.8% at the end of 2017, level with state-wide trends and a large improvement over the 7.5% rate seen in the area during the Great Recession. Healthcare and social-assistance hiring was robust, with 6,300 new jobs for the year.

TOYS R US ANNOUNCES SURPRISE LIQUIDATION OF ITS NATIONWIDE PORTFOLIO

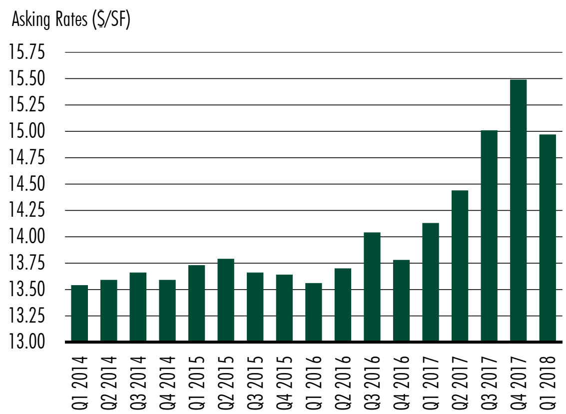
In March, Toys R Us filed a motion seeking bankruptcy court approval to begin liquidation of its 735 U.S and Puerto Rico stores. The closures are expected to occur within the first nine months of 2018. In the San Antonio area alone, the retailer is responsible for six locations, accounting for over 160,000-sq.-ft. of space.

Figure 2: Market Snapshot

	2017	YTD 2018
ATASCOSA COUNTY		
Absorption (Net, SF)	7,136	(1,600)
Avg. Asking Rent (Annual, Net, $/SF)	22.00	23.00
Under Construction (SF)	-	-
Occupancy Rate (%)	99.4	99.2
COMAL COUNTY		
Absorption (Net, SF)	45,065	78,930
Avg. Asking Rent (Annual, Net, $/SF)	17.36	17.09
Under Construction (SF)	86,155	95,094
Occupancy Rate (%)	95.7	97.1
KENDALL COUNTY		
Absorption (Net, SF)	(17,150)	31,322
Avg. Asking Rent (Annual, Net, $/SF)	13.08	13.66
Under Construction (SF)	-	-
Occupancy Rate (%)	95.4	98.1
CENTRAL BUSINESS DISTRICT		
Absorption (Net, SF)	10,730	(17,649)
Avg. Asking Rent (Annual, Net, $/SF)	22.11	33.68
Under Construction (SF)	-	-
Occupancy Rate (%)	98.3	98.2
WILSON COUNTY		
Absorption (Net, SF)	(12,591)	2,583
Avg. Asking Rent (Annual, Net, $/SF)	17.40	18.84
Under Construction (SF)	-	-
Occupancy Rate (%)	95.2	95.8
MEDINA COUNTY		
Absorption (Net, SF)	(14,943)	3,862
Avg. Asking Rent (Annual, Net, $/SF)	16.66	16.66
Under Construction (SF)	-	-
Occupancy Rate (%)	84.5	87.5
NORTH CENTRAL		
Absorption (Net, SF)	(26,829)	(122,028)
Avg. Asking Rent (Annual, Net, $/SF)	18.26	17.74
Under Construction (SF)	34,050	97,202
Occupancy Rate (%)	94.8	94.2
NORTHWEST		
Absorption (Net, SF)	388,325	442,414
Avg. Asking Rent (Annual, Net, $/SF)	12.64	12.70
Under Construction (SF)	78,870	66,286
Occupancy Rate (%)	95.0	96.4
SOUTH		
Absorption (Net, SF)	(36,849)	16,111
Avg. Asking Rent (Annual, Net, $/SF)	16.12	13.48
Under Construction (SF)	166,545	144,565
Occupancy Rate (%)	96.1	96.3
NORTHEAST		
Absorption (Net, SF)	247,153	(28,950)
Avg. Asking Rent (Annual, Net, $/SF)	12.56	11.99
Under Construction (SF)	-	-
Occupancy Rate (%)	94.7	94.5
GUADALUPE COUNTY		
Absorption (Net, SF)	(5,604)	39,860
Avg. Asking Rent (Annual, Net, $/SF)	6.20	6.20
Under Construction (SF)	-	16,000
Occupancy Rate (%)	93.7	95.2
BANDERA COUNTY		
Absorption (Net, SF)	8,000	-
Avg. Asking Rent (Annual, Net, $/SF)	11.48	11.48
Under Construction (SF)	-	-
Occupancy Rate (%)	100.0	100.0
SAN ANTONIO MARKET TOTAL		
Absorption (Net, SF)	**592,443**	**444,855**
Avg. Asking Rent (Annual, Net, $/SF)	**15.49**	**14.97**
Under Construction (SF)	**365,620**	**419,147**
Occupancy Rate (%)	**95.2**	**95.7**

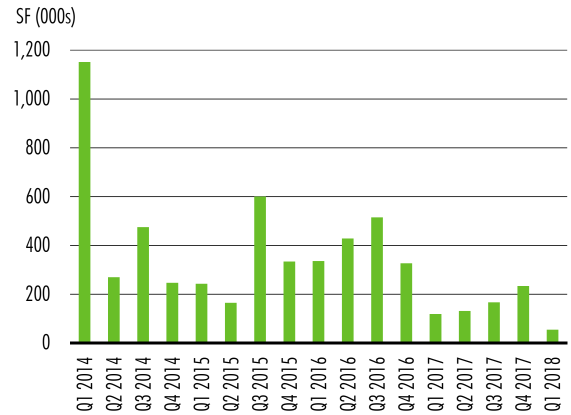
Source: CBRE Research, Q1 2018.

Figure 3: Asking Annual Rents, NNN Avg.



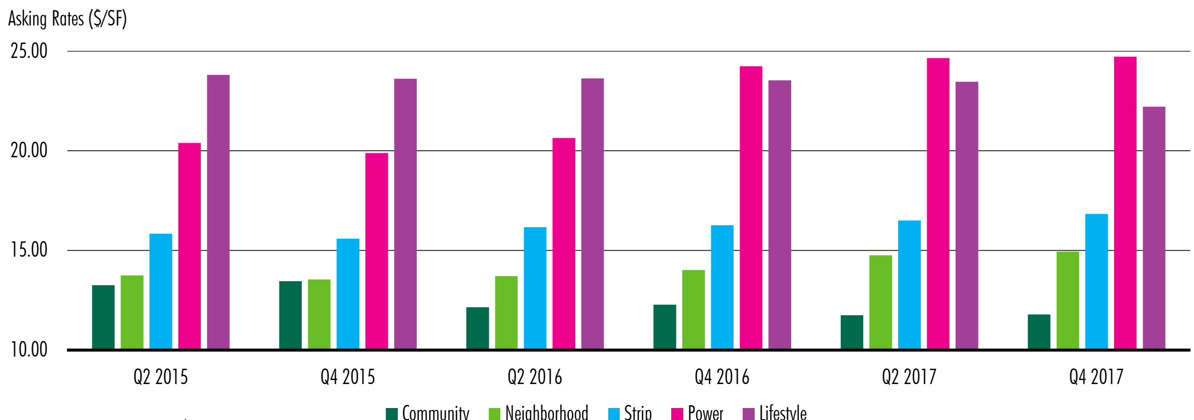
Source: CBRE Research, Q1 2018.

Figure 4: Deliveries



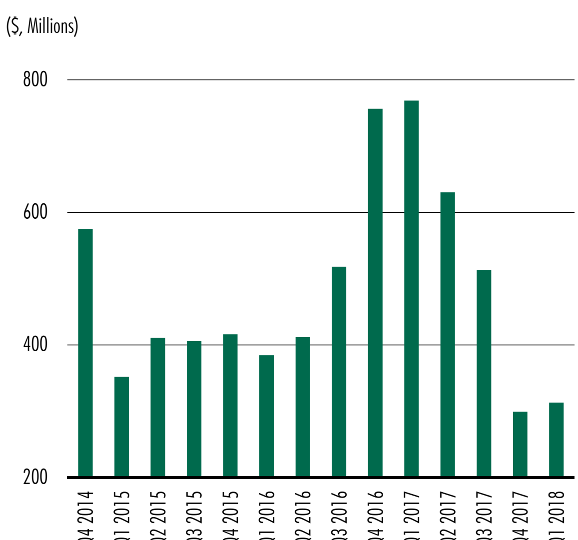
Source: CBRE Research, Q1 2018.

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



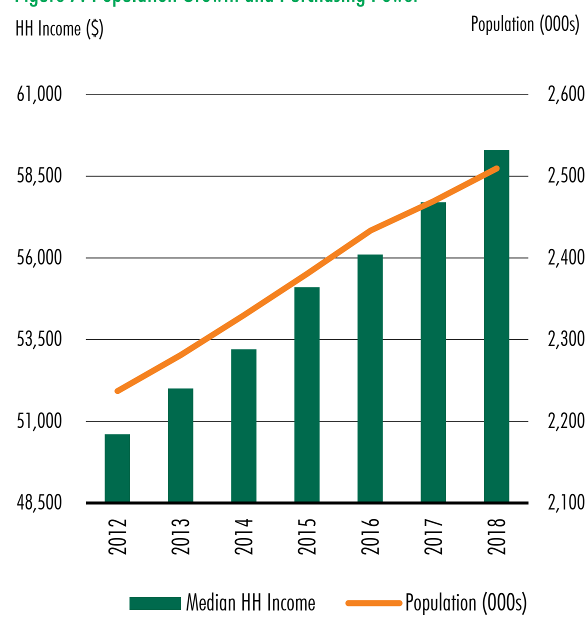
Source: CBRE Research, Q1 2018.

Figure 6: Retail Investment Sales Volume

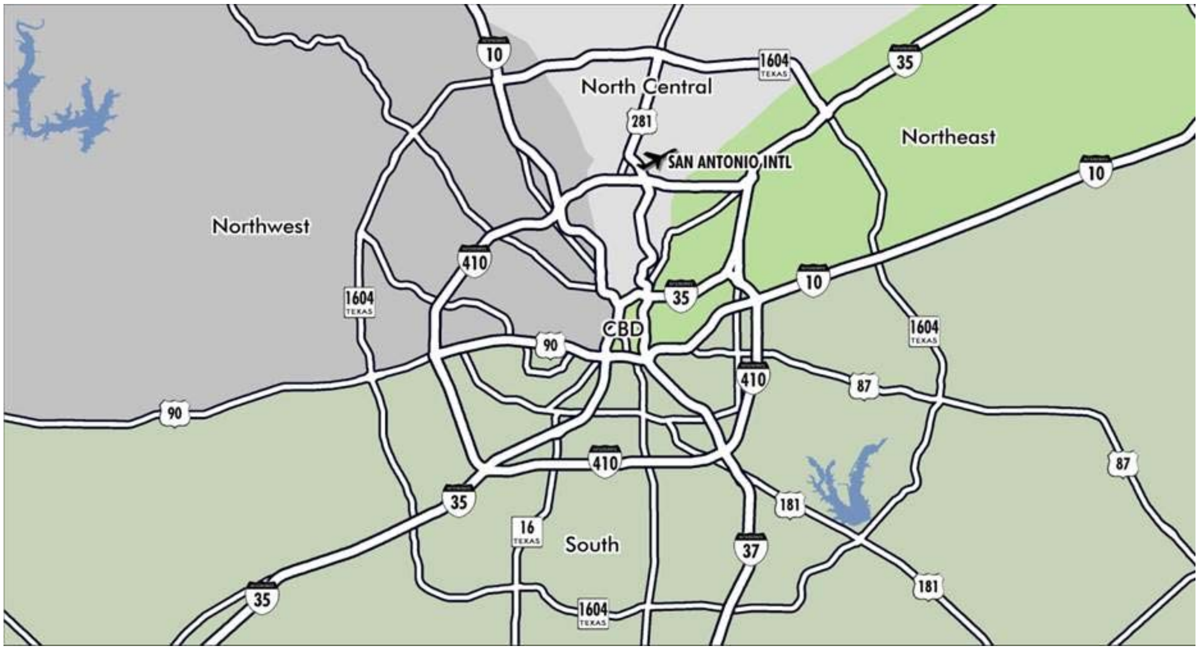


Source: Real Capital Analytics, Q1 2018.

Figure 7: Population Growth and Purchasing Power



Source Moody's Analytics, Q1 2018.



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