

San Antonio Retail, Q2 2018

# Population growth fuels retail development, occupancy gains

Occupancy **95.9%**

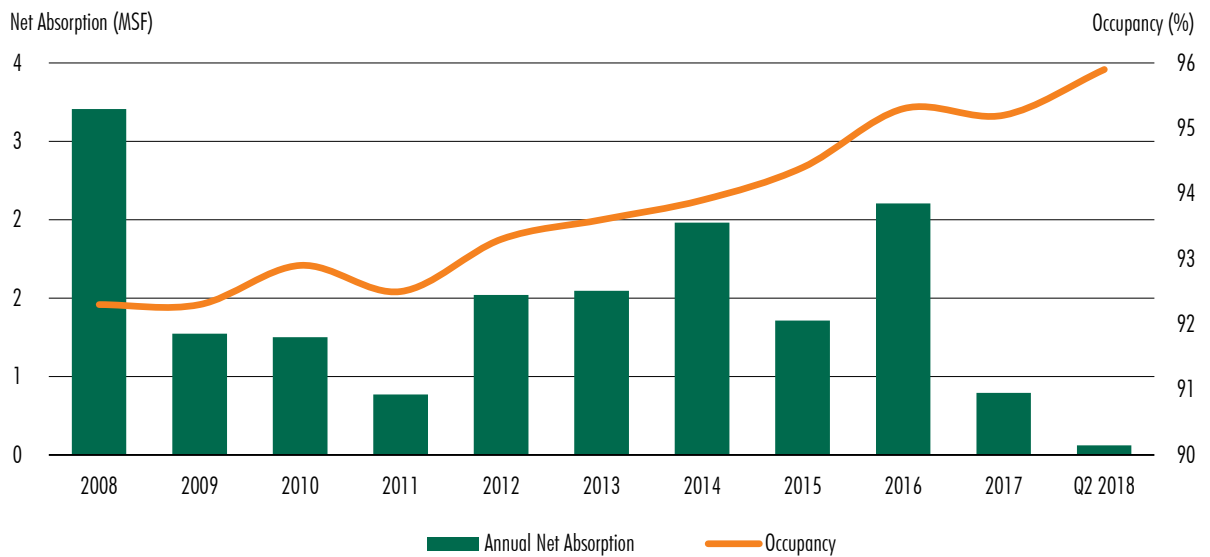
Under Construction **848,169 SF**

Completions **129,678 SF**

Net Absorption **90,265 SF**

Figure 1: Net Absorption and Market Occupancy

\*Arrows indicate trend from previous quarter.



Source: CBRE Research, Q2 2018.

**OCCUPANCY CONTINUES TO TIGHTEN**

The dearth of new space has fueled leasing demand for existing vacancies in San Antonio’s compressing retail availability. The overall market’s vacancy has dipped to 4.1%, compared to 4.3% from the prior quarter and 4.8% during Q4 2017. Demand-based construction is one of the main reasons that San Antonio’s current retail market features record-high occupancy and new construction starts nearing a millions sq. ft.

**CIBOLO CROSSING BREAKS GROUND**

Santikos Entertainment, the anchor tenant of the \$285 million, 116-acre mixed-use Cibolo Crossings development, broke ground in May on its 87,000-square-foot family entertainment center. It is expected to include 12 theater screens replete with 1,500 reclining seats, 16 bowling lanes, laser tag, and a full-service bar and restaurant and even a build-your-own pizza concept.

**SAN ANTONIO POPULATION GROWTH #1 IN THE NATION**

San Antonio proper boasted the highest numeric population gain in the nation from 2016-2017, according to the U.S. Census Bureau, adding some 24,200 new residents. This surge has pushed the population within city limits to 1.5 million – a new record – and remains on-track to add another million residents by 2040.

**MORE SEARS CLOSINGS ARE ANNOUNCED**

Once the largest U.S. retailer, Sears has slashed its store count in half over the past five years. The embattled department store chain is quietly closing another 72 stores, in addition to the 166 stores already planned for the chopping block this year. The Sears store at North Star Mall will close its doors by the end of the summer.

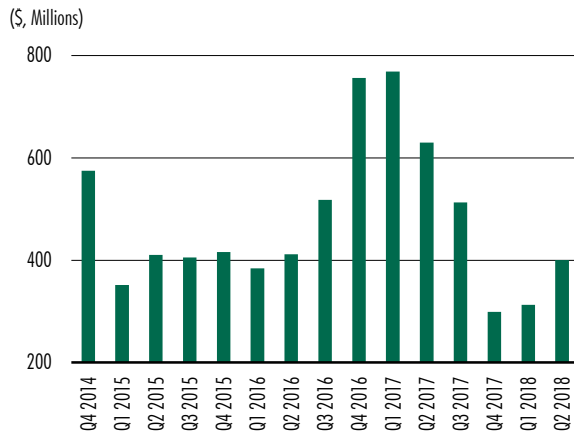
**Figure 2: Market Snapshot**

	2017	Q2 2018
<b>ATASCOSA COUNTY</b>		
Absorption (Net, SF)	7,136	-
Avg. Asking Rent (Annual, Net, \$/SF)	22.00	23.00
Under Construction (SF)	-	-
Occupancy Rate (%)	99.4	99.2
<b>COMAL COUNTY</b>		
Absorption (Net, SF)	45,065	(2,895)
Avg. Asking Rent (Annual, Net, \$/SF)	17.36	17.83
Under Construction (SF)	86,155	94,483
Occupancy Rate (%)	95.7	96.7
<b>KENDALL COUNTY</b>		
Absorption (Net, SF)	(17,150)	(100)
Avg. Asking Rent (Annual, Net, \$/SF)	13.08	13.80
Under Construction (SF)	-	10,000
Occupancy Rate (%)	95.4	98.1
<b>CENTRAL BUSINESS DISTRICT</b>		
Absorption (Net, SF)	10,730	8,570
Avg. Asking Rent (Annual, Net, \$/SF)	22.11	25.00
Under Construction (SF)	-	-
Occupancy Rate (%)	98.3	98.0
<b>WILSON COUNTY</b>		
Absorption (Net, SF)	(12,591)	8,600
Avg. Asking Rent (Annual, Net, \$/SF)	17.40	17.93
Under Construction (SF)	-	-
Occupancy Rate (%)	95.2	97.9
<b>MEDINA COUNTY</b>		
Absorption (Net, SF)	(14,943)	-
Avg. Asking Rent (Annual, Net, \$/SF)	16.66	16.66
Under Construction (SF)	-	-
Occupancy Rate (%)	84.5	87.5
<b>NORTH CENTRAL</b>		
Absorption (Net, SF)	(26,829)	19,562
Avg. Asking Rent (Annual, Net, \$/SF)	18.26	25.00
Under Construction (SF)	34,050	118,370
Occupancy Rate (%)	94.8	94.6
<b>NORTHWEST</b>		
Absorption (Net, SF)	388,325	20,718
Avg. Asking Rent (Annual, Net, \$/SF)	12.64	25.00
Under Construction (SF)	78,870	511,626
Occupancy Rate (%)	95.0	96.4
<b>SOUTH</b>		
Absorption (Net, SF)	(36,849)	5,468
Avg. Asking Rent (Annual, Net, \$/SF)	16.12	20.00
Under Construction (SF)	166,545	10,690
Occupancy Rate (%)	96.1	96.9
<b>NORTHEAST</b>		
Absorption (Net, SF)	247,153	36,896
Avg. Asking Rent (Annual, Net, \$/SF)	12.56	25.00
Under Construction (SF)	-	-
Occupancy Rate (%)	94.7	94.9
<b>GUADALUPE COUNTY</b>		
Absorption (Net, SF)	(5,604)	(6,554)
Avg. Asking Rent (Annual, Net, \$/SF)	6.20	13.08
Under Construction (SF)	-	103,000
Occupancy Rate (%)	93.7	95.0
<b>BANDERA COUNTY</b>		
Absorption (Net, SF)	8,000	-
Avg. Asking Rent (Annual, Net, \$/SF)	11.48	17.09
Under Construction (SF)	-	-
Occupancy Rate (%)	100.0	100.0
<b>SAN ANTONIO MARKET TOTAL</b>		
<b>Absorption (Net, SF)</b>	<b>592,443</b>	<b>90,265</b>
<b>Avg. Asking Rent (Annual, Net, \$/SF)</b>	<b>15.49</b>	<b>23.33</b>
<b>Under Construction (SF)</b>	<b>365,620</b>	<b>848,169</b>
<b>Occupancy Rate (%)</b>	<b>95.2</b>	<b>95.9</b>

The spike in rental rates reflects the improved tracking of higher quality assets in the dataset. This includes converting base data from CBRE Research Third Party information service providers.

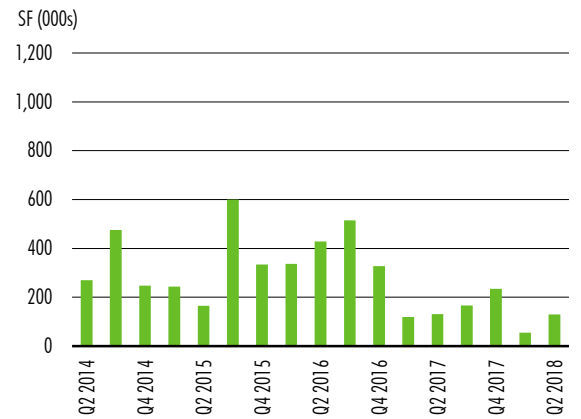
Source: CBRE Research, Q2 2018.

Figure 3: Retail Investment Sales Volume



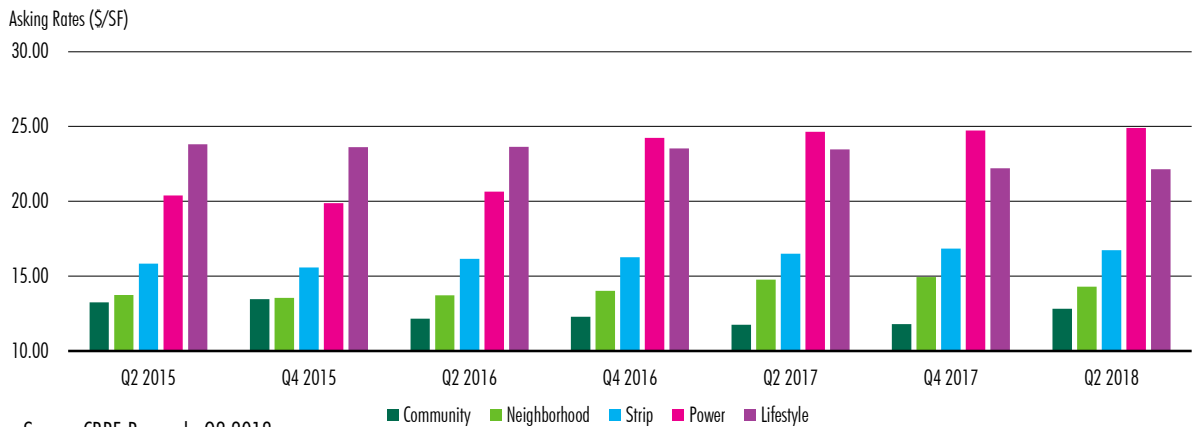
Source: Real Capital Analytics, Q2 2018

Figure 4: Deliveries



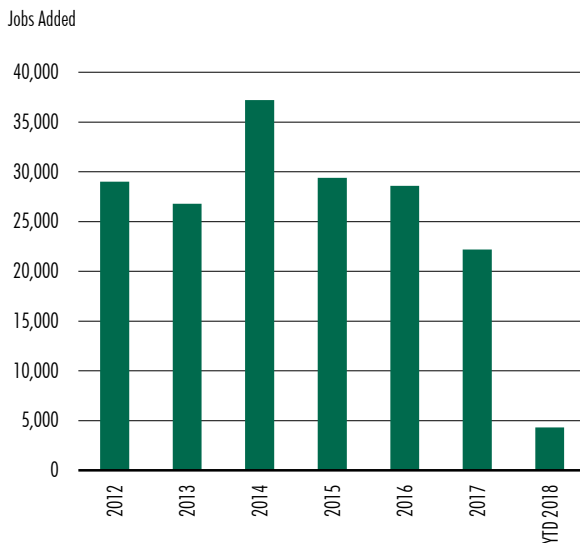
Source: CBRE Research, Q2 2018.

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



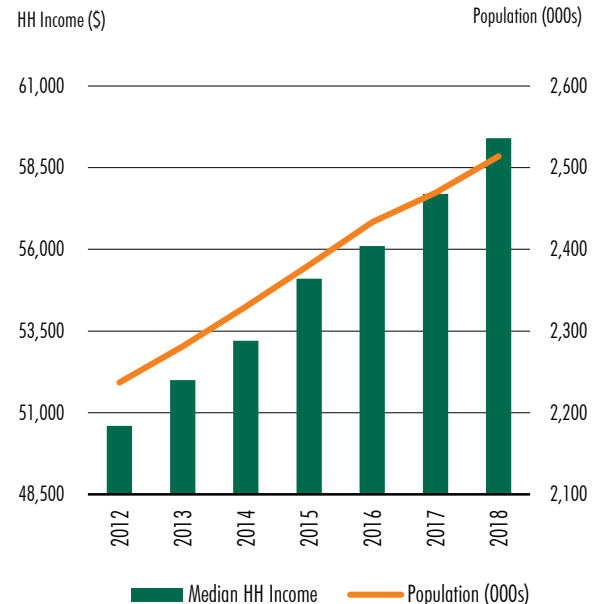
Source: CBRE Research, Q2 2018.

Figure 6: Employment



Source: Bureau of Labor Statistics, Q2 2018.

Figure 7: Population Growth and Purchasing Power



Source: Moody's Analytics, Q2 2018.



*\*The Retail dataset includes properties 10,000-sq.-ft. and up.*

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