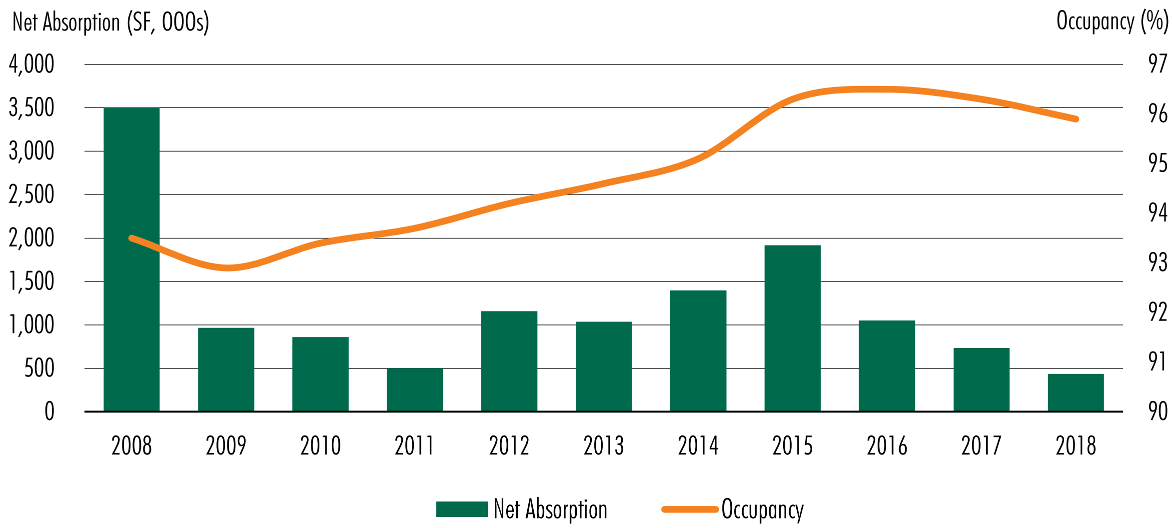
Austin Retail, Q4 2018

Despite lax quarter, Austin retail remains robust heading into new year

Occupancy	Under Construction	Deliveries	Net Absorption	Avg. Asking Rate
▼ 95.9%	▼ 565,884 SF	▲ 224,476 SF	▼ (247,420) SF	▼ $20.50 PSF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q4 2018.

ROBUST POPULATION GROWTH SPURS RETAIL STRENGTH

The Austin retail market continues to benefit from the metropolitan area's population and employment growth. As 2018 came to a close, market fundamentals dipped as a plethora of new product was brought online. Despite occupancy rates dipping 10 basis points (bps) below 96%, the market remains eager to provide retail services to the ever-expanding population.

KENDRA SCOTT CONTINUES TO SET ENCHANTING EXAMPLE

Kendra Scott, founder and CEO of the wildly successful homegrown jewelry chain, opened a new flagship store in the heart of the South Congress district in Q4 2018. Customers can valet their cars and enjoy coffee and pastries while they peruse all the products for sale in the store. The store is expected to continue to drive the So-Co district.

UNEMPLOYMENT IN AUSTIN REMAINS ONE OF LOWEST IN THE STATE

Austin's unemployment rate for October was 2.7%, a full 100 basis points below the state average. With the overall population and purchasing power of residents in the metro continuing to climb, it is anticipated that the demand for retail space will remain strong leading into 2019.

RETAIL FUNDAMENTALS DIP DURING Q4 2018

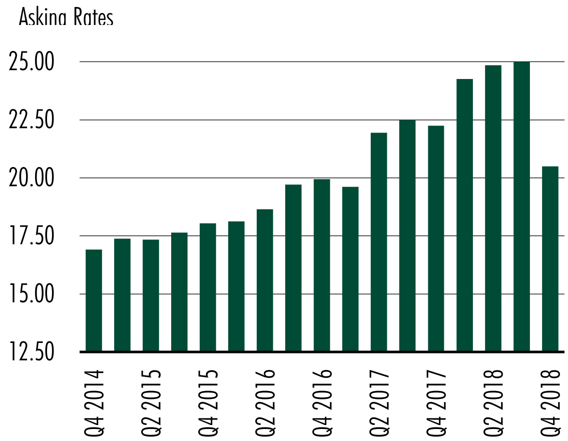
With the delivery of approximately 225,000 sq. ft. of new retail product to the market, market fundamentals slipped in Q4 2018 as the average asking rent fell to $20.50 per sq. ft. and total absorption for 2018 registered approximately 435,000 sq. ft. However, with 565,000 sq. ft. of new product underway, developers continue to demonstrate their faith in the burgeoning retail demand in the Austin metro.

Figure 2: Historical Market Statistics

		2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
BASTROP COUNTY	Absorption (Net SF)	(16,461)	(626)	4,633	11,733	1,526	17,266
	Asking Rent, Avg. Annual	N/A	21.00	24.00	24.00	23.50	23.50
	Delivered Construction (SF)	-	-	-	-	-	-
	Occupancy Rate (%)	96.7	97.1	96.8	97.2	97.2	97.2
CALDWELL COUNTY	Absorption (Net SF)	(1,525)	6,203	-	-	1,950	8,153
	Asking Rent, Avg. Annual	N/A	9.25	9.25	9.25	9.00	9.00
	Delivered Construction (SF)	-	-	-	-	-	-
	Occupancy Rate (%)	97.1	97.5	94.2	94.4	94.9	94.9
CBD	Absorption (Net SF)	9,080	(3,709)	(3,482)	(12,931)	(5,830)	(25,952)
	Asking Rent, Avg. Annual	N/A	26.75	32.00	32.00	42.50	42.50
	Delivered Construction (SF)	-	-	-	-	36,000	36,000
	Occupancy Rate (%)	98.7	94.4	98.7	97.7	97.3	97.3
CEDAR PARK	Absorption (Net SF)	394,795	(21,699)	20,210	17,108	2,167	17,786
	Asking Rent, Avg. Annual	N/A	22.50	26.00	26.00	21.25	21.25
	Delivered Construction (SF)	372,515	-	-	11,500	37,171	48,671
	Occupancy Rate (%)	96.8	95.5	97.0	97.0	96.8	96.8
CENTRAL	Absorption (Net SF)	(35,491)	(7,631)	1,045	24,446	(20,635)	(2,775)
	Asking Rent, Avg. Annual	N/A	22.00	26.00	26.00	22.25	22.25
	Delivered Construction (SF)	-	-	-	-	-	-
	Occupancy Rate (%)	94.2	95.2	93.7	93.8	93.6	93.6
EAST	Absorption (Net SF)	(28,767)	8,785	(1,700)	(9,826)	(13,600)	(16,341)
	Asking Rent, Avg. Annual	N/A	25.00	30.00	30.00	24.50	24.50
	Delivered Construction (SF)	32,600	-	-	27,000	-	27,000
	Occupancy Rate (%)	97.4	94.5	97.1	96.9	96.5	96.5
FAR NORTHEAST	Absorption (Net SF)	71,182	17,226	514,100	9,835	(37,414)	503,747
	Asking Rent, Avg. Annual	N/A	20.50	22.00	22.00	18.50	18.50
	Delivered Construction (SF)	112,872	-	522,531	-	29,722	552,253
	Occupancy Rate (%)	96.8	95.2	98.1	97.7	96.2	96.2
FAR NORTHWEST	Absorption (Net SF)	(4,542)	56,189	5,052	22,190	35,739	119,170
	Asking Rent, Avg. Annual	N/A	17.75	18.00	18.00	17.00	17.00
	Delivered Construction (SF)	15,000	-	-	-	-	-
	Occupancy Rate (%)	92.2	95.2	94.3	95.2	96.2	96.2
GEORGETOWN	Absorption (Net SF)	69,161	8,806	19,179	11,711	(17,625)	22,071
	Asking Rent, Avg. Annual	N/A	11.50	24.00	24.00	13.50	13.50
	Delivered Construction (SF)	58,200	100,068	-	-	71,805	171,873
	Occupancy Rate (%)	95.4	95.2	96.2	96.2	95.3	95.3
HAYS COUNTY	Absorption (Net SF)	68,409	(13,582)	(13,211)	15,290	(5,816)	(17,319)
	Asking Rent, Avg. Annual	N/A	22.25	24.00	24.00	22.75	22.75
	Delivered Construction (SF)	26,000	245,150	-	65,446	-	310,596
	Occupancy Rate (%)	98.0	95.2	97.8	97.8	97.9	97.9
NORTH	Absorption (Net SF)	(36,779)	20,453	17,518	20,625	(13,058)	45,538
	Asking Rent, Avg. Annual	N/A	20.50	24.00	24.00	19.00	19.00
	Delivered Construction (SF)	27,988	-	13,650	-	-	13,650
	Occupancy Rate (%)	97.1	95.2	96.6	96.7	96.5	96.5
NORTHEAST	Absorption (Net SF)	19,660	(120,033)	(93,468)	(59,019)	(31,509)	(304,029)
	Asking Rent, Avg. Annual	N/A	18.50	20.00	20.00	16.75	16.75
	Delivered Construction (SF)	11,000	-	-	12,800	-	12,800
	Occupancy Rate (%)	94.0	93.0	91.1	91.8	90.5	90.5
NORTHWEST	Absorption (Net SF)	125,701	22,004	10,446	82,769	(20,931)	94,288
	Asking Rent, Avg. Annual	N/A	24.75	26.00	26.00	24.75	24.75
	Delivered Construction (SF)	36,600	-	-	-	-	-
	Occupancy Rate (%)	96.8	94.7	97.2	98.7	98.2	98.2
ROUND ROCK	Absorption (Net SF)	91,810	(1,126)	61,001	55,830	(39,291)	76,414
	Asking Rent, Avg. Annual	N/A	21.25	25.00	25.00	21.75	21.75
	Delivered Construction (SF)	171,194	14,000	-	34,700	22,500	71,200
	Occupancy Rate (%)	93.6	95.0	94.3	94.1	93.0	93.0
SOUTH & SOUTHEAST	Absorption (Net SF)	3,623	(775)	1,687	2,815	(100,600)	(96,873)
	Asking Rent, Avg. Annual	N/A	23.00	24.00	24.00	22.00	22.00
	Delivered Construction (SF)	11,050	38,700	-	38,700	10,000	87,400
	Occupancy Rate (%)	97.3	95.1	97.3	96.1	96.2	96.2
SOUTHWEST	Absorption (Net SF)	7,149	(19,457)	(5,261)	(17,898)	16,120	(26,496)
	Asking Rent, Avg. Annual	N/A	26.00	28.00	28.00	29.75	29.75
	Delivered Construction (SF)	56,390	11,000	-	25,600	47,000	83,600
	Occupancy Rate (%)	97.7	94.7	97.8	95.6	95.5	95.5
WEST CENTRAL	Absorption (Net SF)	(3,063)	(8,230)	2,990	(389)	1,387	(4,242)
	Asking Rent, Avg. Annual	N/A	28.75	32.00	32.00	29.75	29.75
	Delivered Construction (SF)	-	-	-	-	-	-
	Occupancy Rate (%)	99.1	94.7	98.3	97.8	98.1	98.1
AUSTIN TOTAL	**Absorption (Net SF)**	**733,942**	**(57,202)**	**540,739**	**174,289**	**(247,420)**	**410,406**
	Asking Rent, Avg. Annual	**N/A**	**21.75**	**24.75**	**24.75**	**20.50**	**20.50**
	Delivered Construction (SF)	**931,409**	**408,918**	**536,181**	**215,746**	**254,198**	**1,415,043**
	Occupancy Rate (%)	**96.3**	**96.2**	**96.4**	**96.6**	**95.9**	**95.9**

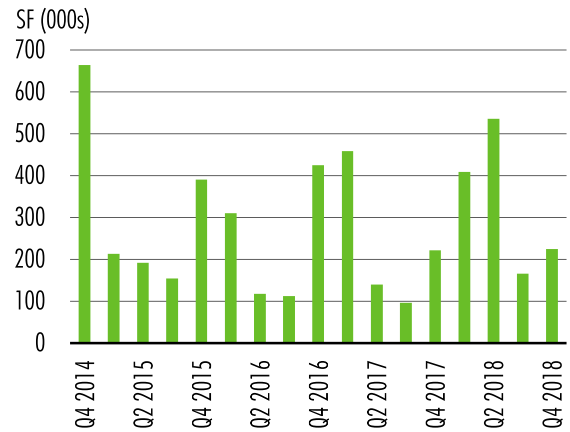
Source: CBRE Research, Q4 2018.

Figure 3: Asking Annual Rents, NNN Avg.



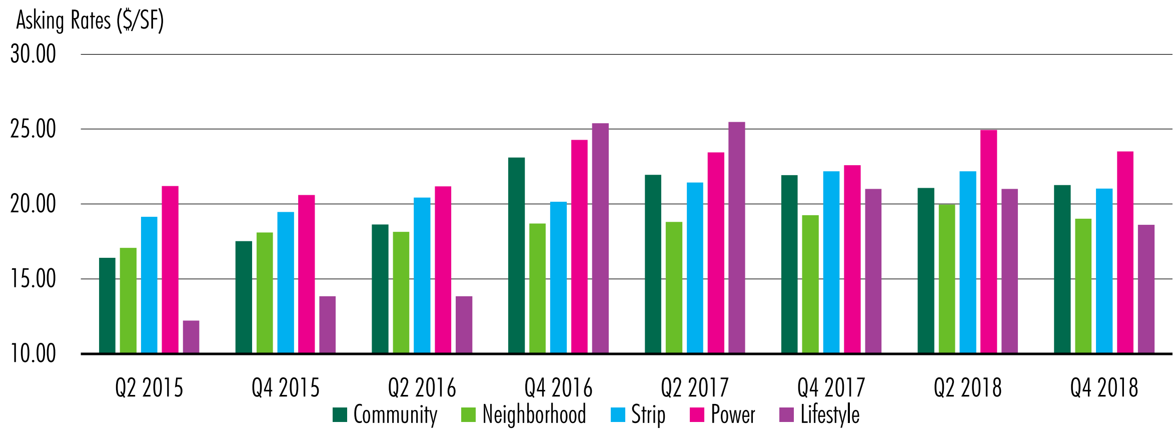
Source: CBRE Research, Q4 2018.

Figure 4: Deliveries



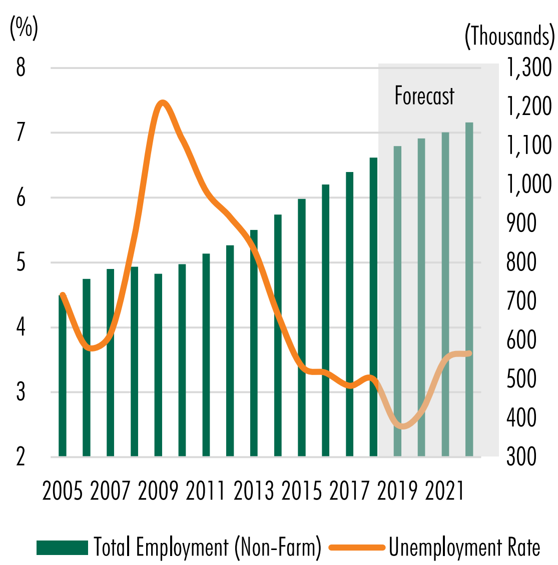
Source: CBRE Research, Q4 2018.

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



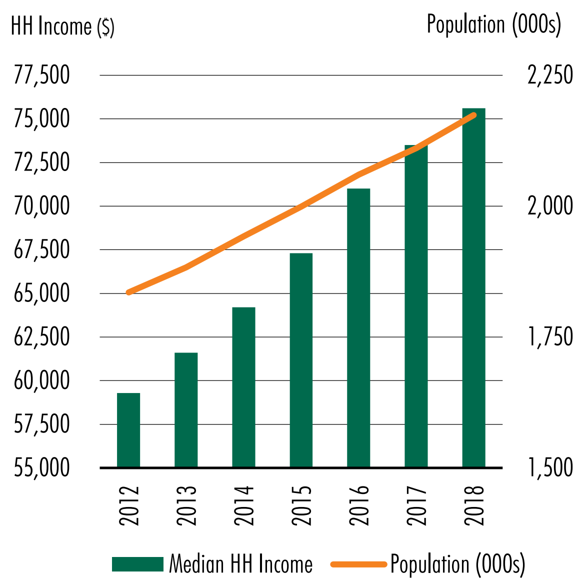
Source: CBRE Research, Q4 2018.

Figure 6: Austin Labor Force & Unemployment

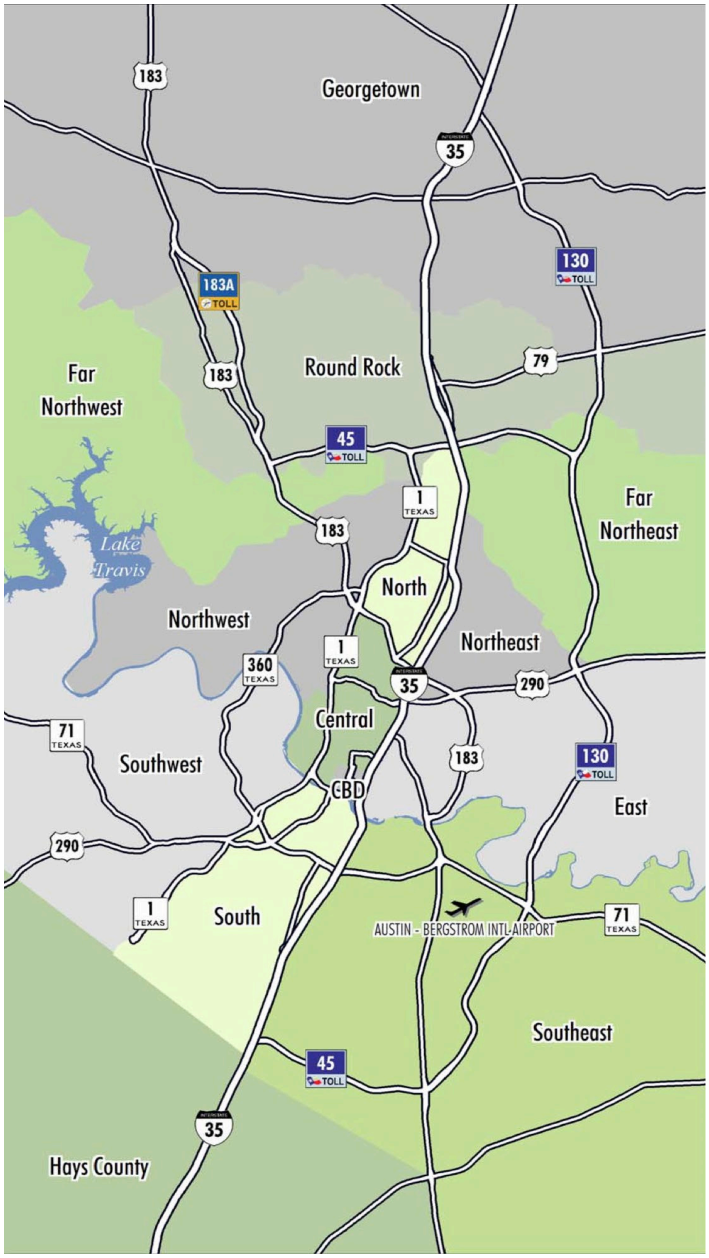


Source: U.S. Bureau of Labor Statistics, Moody's Analytics, Q4 2018.

Figure 7: Population Growth and Purchasing Power



Source: Moody's Analytics, Q4 2018.



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