MARKETVIEW

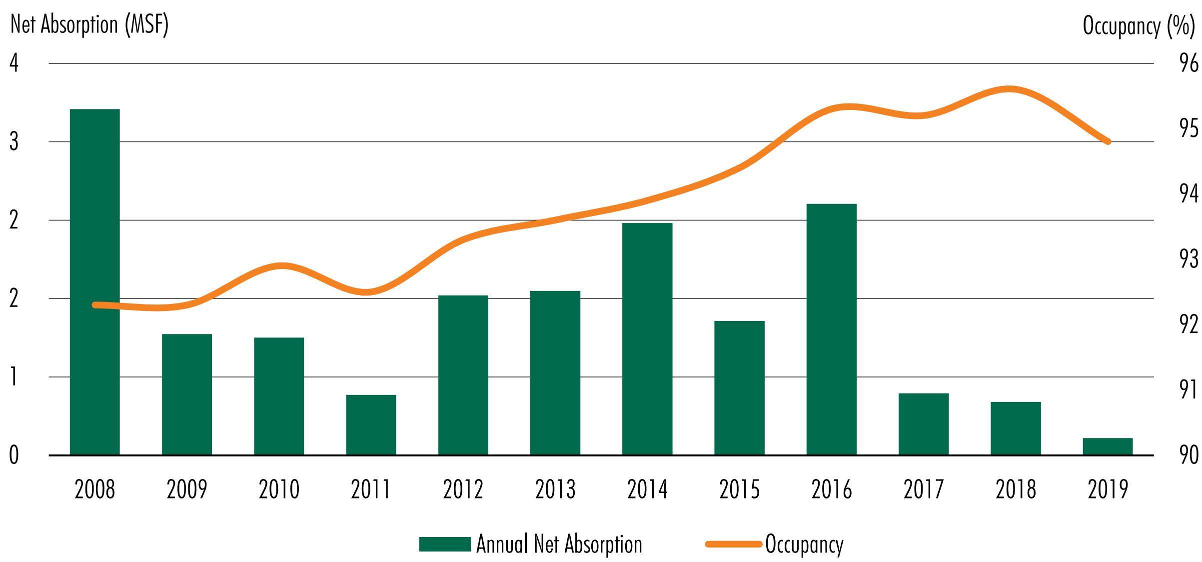
San Antonio Retail, Q1 2019

New retailers hit the ground in first quarter, drawing attention across the market

Occupancy	Under Construction	Completions	Net Absorption
94.8%	1,649,230 SF	363,371 SF	164,633 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q1 2019.

RECYCLING OLD SPACE

With several big-box retail closures over the last year, large blocks of space have come back to the market, initiating an opportunity for retailers to get creative. Gyms, trampoline parks and furniture stores took reign this quarter, showing no signs of a retail glut. Office Furniture Liquidations took over 45,000 sq. ft. of space at the former Lacks Home Furnishings, which had been vacant for several years. Fitness chain, TruFit, increased its market presence with multiple deals signed in former superstores including Target and Sears.

ASKING RENTS CULTIVATE

Overall average asking rates matured with a healthy increase of $0.42 per sq. ft quarter-over-quarter. Strong consumer demands and leasing activity heightened asking rates by over $2.00 per sq. ft. since Q4 2018 in Comal County, Kendall County, Central Business District, and Bandera County.

DELIVERIES RAMP UP

Eight projects totaling over 363,000 sq. ft. delivered this quarter, with a remaining 1.6 million sq. ft. currently underway. San Antonio's first IKEA store, which anchors 289,000 sq. ft. at the Live Oak Town Center, delivered this quarter in the Northeast submarket. The Swedish retailer opened its doors in February, bringing in thousands of customers and over 250 new jobs. With the success of IKEA, CBRE Research anticipates solid retail growth in the Northeast.

UNEMPLOYMENT REMAINS UNCHANGED

According to Moody's Analytics, the unemployment rate for the San Antonio-New Braunfels market stood at 3.4% in Q1 2019, showing no change from 2018. Though there was no fluctuation in the unemployment rate, the San Antonio market is expected to move at a healthy pace due to its low cost of living and doing business.

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Figure 2: Market Snapshot

		Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
ATASCOSA COUNTY	Absorption (Net, SF)	-1,600	-	-5,000	0	6,555
	Avg. Asking Rent (Annual,NNN, $/SF)	23.00	23.00	24.00	24.00	24.00
	Under Construction (SF)	-	-	-	-	-
	Rentable Building Area (RBA)	1,023,400	1,023,400	1,033,705	1,033,705	1,033,705
	Occupancy Rate (%)	99.2	99.2	98.7	99.2	99.8
COMAL COUNTY	Absorption (Net, SF)	78,930	-2,895	67,979	-2,681	34,415
	Avg. Asking Rent (Annual,NNN, $/SF)	17.09	17.83	18.00	18.00	22.00
	Under Construction (SF)	95,094	94,483	82,474	30,511	10,240
	Rentable Building Area (RBA)	5,617,219	5,662,017	5,644,036	5,731,033	5,714,049
	Occupancy Rate (%)	97.1	96.7	97.5	96.5	96.9
KENDALL COUNTY	Absorption (Net, SF)	31,322	-100	1,500	22,020	10,428
	Avg. Asking Rent (Annual,NNN, $/SF)	13.66	13.80	14.00	14.50	20.00
	Under Construction (SF)	-	10,000	10,000	-	-
	Rentable Building Area (RBA)	1,178,391	1,179,191	1,184,597	1,180,597	1,180,597
	Occupancy Rate (%)	98.1	98.1	98.3	98.3	96.0
CENTRAL BUSINESS DISTRICT	Absorption (Net, SF)	-17,649	8,570	-73	1,039	11,703
	Avg. Asking Rent (Annual,NNN, $/SF)	33.68	25.00	26.00	26.00	28.00
	Under Construction (SF)	-	-	20,000	20,000	-
	Rentable Building Area (RBA)	3,903,729	3,866,381	3,866,381	3,837,714	3,693,170
	Occupancy Rate (%)	98.2	98.0	97.8	97.9	97.9
WILSON COUNTY	Absorption (Net, SF)	2,583	8,600	8,208	0	-
	Avg. Asking Rent (Annual,NNN, $/SF)	18.84	17.93	18.50	18.50	18.50
	Under Construction (SF)	-	-	-	-	-
	Rentable Building Area (RBA)	395,545	395,545	395,545	426,384	427,084
	Occupancy Rate (%)	95.8	97.9	100.0	100.0	100.0
MEDINA COUNTY	Absorption (Net, SF)	3,862	-	1,814	0	195
	Avg. Asking Rent (Annual,NNN, $/SF)	16.66	16.66	17.25	17.25	17.25
	Under Construction (SF)	-	-	-	-	-
	Rentable Building Area (RBA)	647,421	647,421	647,421	647,421	647,421
	Occupancy Rate (%)	87.5	87.5	87.8	87.8	87.8
NORTH CENTRAL	Absorption (Net, SF)	-122,028	19,562	31,175	-79,556	-41,910
	Avg. Asking Rent (Annual,NNN, $/SF)	17.74	25.00	25.50	25.50	26.00
	Under Construction (SF)	97,202	118,370	24,048	47,496	88,631
	Rentable Building Area (RBA)	20,902,726	20,849,223	21,046,202	21,028,779	21,153,877
	Occupancy Rate (%)	94.2	94.6	94.8	94.6	93.8

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Figure 2: Market Snapshot

		Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
NORTHWEST	Absorption (Net, SF)	442,414	20,718	45,044	255,058	-87,304
	Avg. Asking Rent (Annual,NNN, $/SF)	12.70	25.00	25.50	26.00	26.00
	Under Construction (SF)	66,286	511,626	607,539	566,564	768,385
	Rentable Building Area (RBA)	32,576,539	32,485,187	32,616,589	32,946,476	32,750,156
	Occupancy Rate (%)	96.4	96.4	95.9	96.0	95.2
SOUTH	Absorption (Net, SF)	16,111	5,468	-51,939	-6,755	-3,603
	Avg. Asking Rent (Annual,NNN, $/SF)	13.48	20.00	21.00	21.00	21.00
	Under Construction (SF)	144,565	10,690	23,990	13,300	154,430
	Rentable Building Area (RBA)	9,752,017	9,731,673	9,828,076	10,024,099	9,993,678
	Occupancy Rate (%)	96.3	96.9	96.8	96.7	96.8
NORTHEAST	Absorption (Net, SF)	-28,950	36,896	-103,357	-23,490	304,342
	Avg. Asking Rent (Annual,NNN, $/SF)	11.99	25.00	25.50	26.00	26.00
	Under Construction (SF)	-	-	707,344	707,344	503,744
	Rentable Building Area (RBA)	11,835,255	11,876,662	11,923,703	11,912,550	12,206,539
	Occupancy Rate (%)	94.5	94.9	92.9	92.8	92.5
GUADALUPE COUNTY	Absorption (Net, SF)	39,860	-6,554	-20,802	12,976	-70,188
	Avg. Asking Rent (Annual,NNN, $/SF)	6.20	13.08	13.50	13.50	14.00
	Under Construction (SF)	16,000	103,000	182,957	202,957	123,800
	Rentable Building Area (RBA)	3,182,104	3,206,509	3,250,078	3,279,725	3,337,266
	Occupancy Rate (%)	95.2	95.0	95.7	97.9	91.3
BANDERA COUNTY	Absorption (Net, SF)	-	-	-	-	-
	Avg. Asking Rent (Annual,NNN, $/SF)	11.48	17.09	18.00	18.00	20.00
	Under Construction (SF)	-	-	-	-	-
	Rentable Building Area (RBA)	168,086	168,086	168,086	185,286	185,286
	Occupancy Rate (%)	100.0	100.0	100.0	100.0	90.7
SAN ANTONIO TOTAL						
	Absorption (Net, SF)	444,855	90,265	-25,451	178,611	164,633
	Avg. Asking Rent (Annual,NNN, $/SF)	14.97	23.33	23.88	24.08	24.50
	Under Construction (SF)	419,147	848,169	1,658,352	1,588,172	1,649,230
	Rentable Building Area (RBA)	91,182,432	91,091,295	91,604,419	92,233,769	92,322,828
	Occupancy Rate (%)	95.7	95.9	95.6	95.5	94.8

Source: CBRE Research, Q1 2019.

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.

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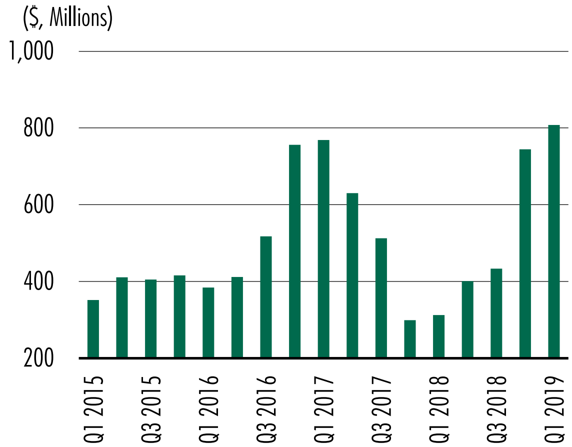
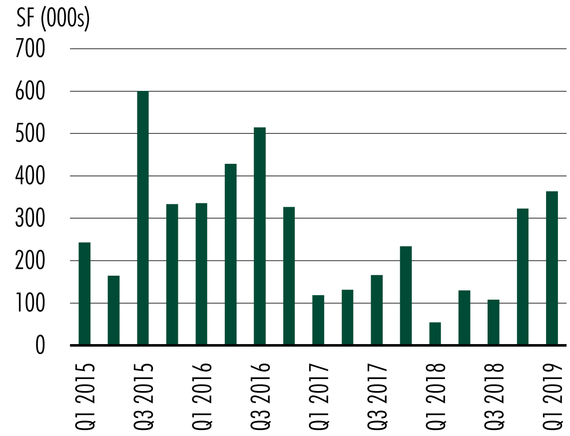
Figure 3: Retail Investment Sales Volume



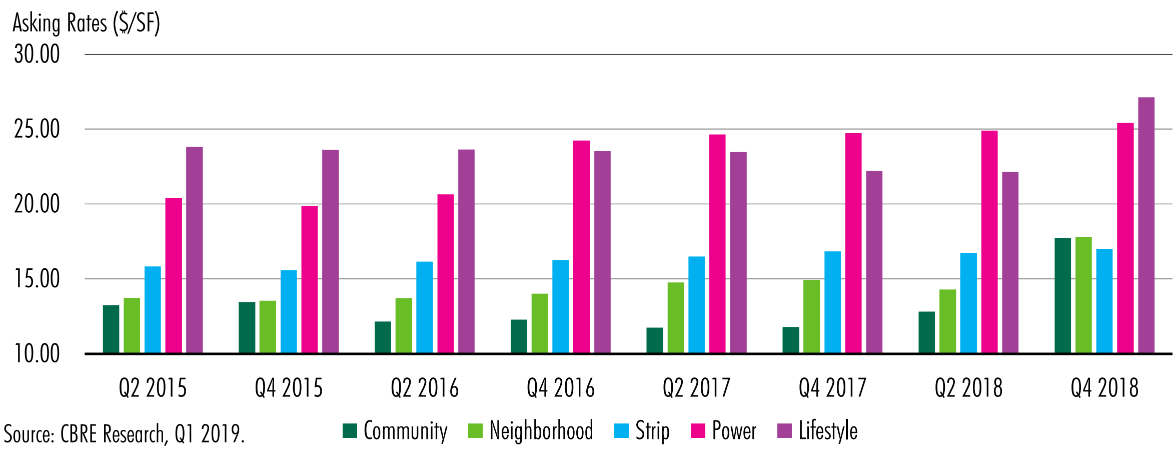
Source: Real Capital Analytics, Q1 2019.

Figure 4: Deliveries



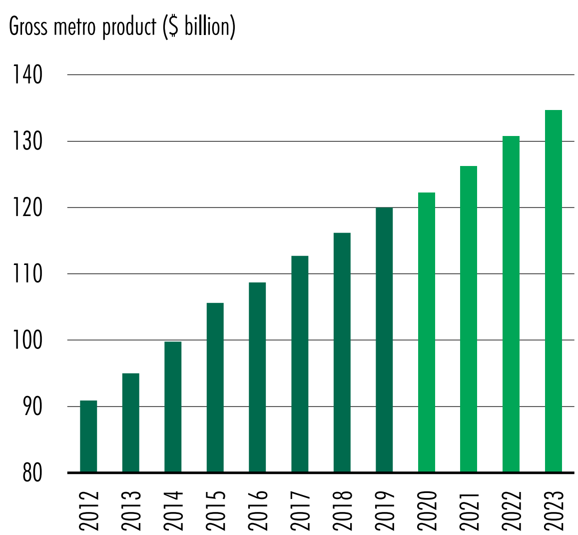
Source: CBRE Research, Q1 2019.

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



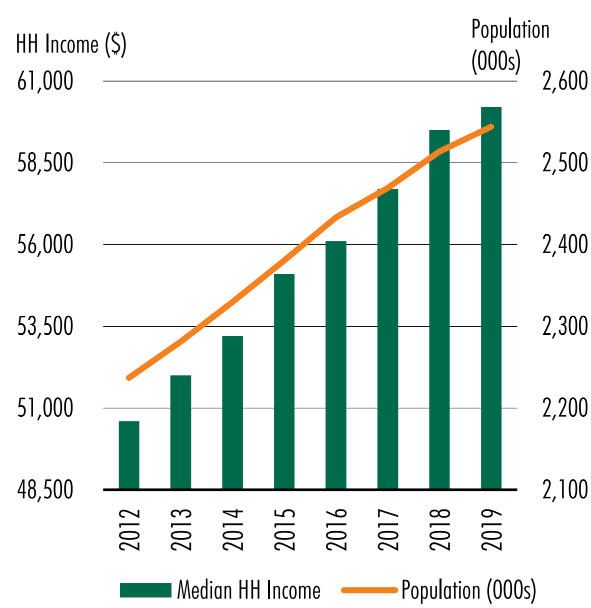
Source: CBRE Research, Q1 2019.

Figure 6: Gross Metro Product



Source: Bureau of Labor Statistics, Q1 2019.

Figure 7: Population Growth and Purchasing Power



Source: Moody's Analytics, Q1 2019.

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

CONTACTS

Paige Suvalsky
Research Analyst
paige.suvalsky@cbre.com

E. Michelle Miller
Research Operations Manager
michelle.miller@cbre.com

CBRE OFFICES

CBRE San Antonio
200 Concord Plaza Drive, Suite 800
San Antonio, TX 78216

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