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Retail Market Update San Antonio Metropolitan Area Third Quarter 2013



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Keeping the San Antonio retail market moving forward in the third quarter, tenant activity continued to backfill anchor space within area shopping centers. US Foods, for example, re-tenanted a 54,318-square-foot portion of the former Target store located in The Concourse Shopping Center situated along US 281 just south of Loop 410 in the North Central sector. In all, new leases and expansions generated 187,038 square feet of positive net absorption for the three-month period of July through September which raised the year-to-date total net gain to 263,583 square feet.

Tenant demand for retail space has moved the citywide vacancy level to a seven-year low. According to the survey of nearly 47 million square feet of area retail lease space, the vacancy rate for area shopping centers currently stands at 10.7% which is stable compared to 10.6% last quarter and improved compared to 11.8% recorded in the same quarter last year.

Steady demand and tightened vacancy supported a \$0.28-cent increase in the citywide average quoted triple net rental rate which closed the quarter at \$16.23 per square foot per year – up \$0.44 compared to a year ago for a moderate annual increase of 2.8%.

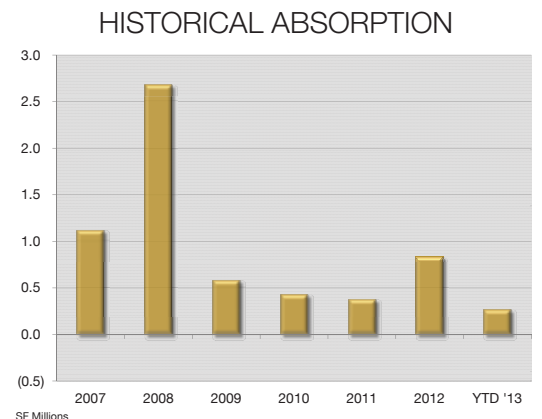
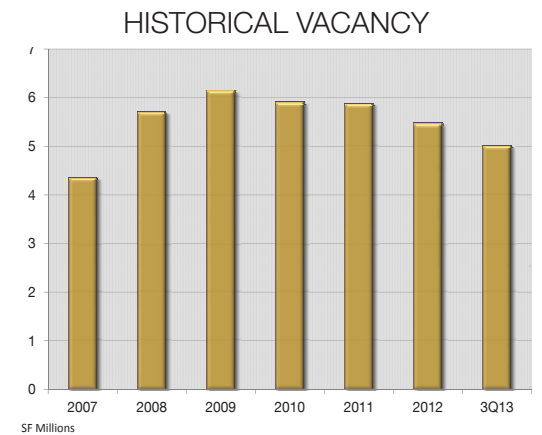
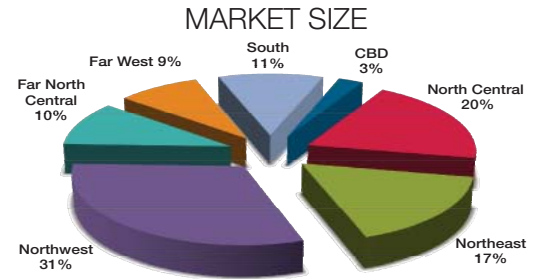
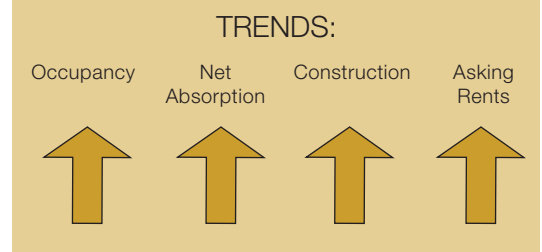
Vacancy and rental rates vary by location and product type. On a year-over-year basis, all property types except Power Centers showed improvement in both vacancy and rental rates. Power Centers continue to dominate the market with the lowest vacancy and highest rents, however, the vacancy rate slipped to 6.4% compared to 5.3% last quarter and 6.0% recorded a year ago. Countering positive activity, some newly vacated spaces have yet to be filled like the 26,000-square-foot hole created by Blast Fitness at Alamo Quarry Market. It is a prime location within one of San Antonio's premier power centers - it is not likely to remain vacant long.

Nearly 600,000 square feet of big box retail space has been delivered to the market in the form of four Walmart Supercenters located at IH-35 & Palo Alto, Foster Road & Binz-Engleman, Bandera Road & Leslie Road, and Culebra Road & Tezel. While these stand-alone stores are not included in the tracked set of shopping center lease space, their construction indicates the beginning of a new development cycle in the local retail market. There is additional 1.4 million square feet of big box retail space under construction including several more Walmart stores, two Sam's stores and the recent ground-breaking of the H-E-B grocery store in Stone Oak.

Within the statistical set of tracked properties, development has been largely user driven and mostly limited to expansion of existing centers. Westover Marketplace, for example, recently added 60,000 square feet of space to accommodate Toys 'R Us & Dollar Tree. There have been similar expansions throughout the market such as at The Vineyard to accommodate Mattress Pro (10,500 sf) and at The Legacy to make room for The Vitamin Shoppe. Ground up development includes two centers in the Northwest sector - Dominion Ridge (56,747 sf) located along IH-10 adjacent to CVS and Chase Bank, and Helotes Town Center (50,000 sf) situated in the shadow of the new Helotes Walmart at Bandera Road and Leslie Road.

Investment activity has been relatively slow through most of 2013 but third quarter activity featured the joint venture purchase of the H-E-B anchored Culebra Market Shopping Center (232,126 sf) by USAA Realco and Cencor Realty. Investor interest remains strong in San Antonio retail assets but investment activity has been limited by the lack of properties on the market.

As consumers and retailers gear up for the critical holiday season, the local retail market is expected to see a solid performance in the fourth quarter supported by San Antonio's stable economy, growing population, steady job growth and new single-family and multi-family housing development.



| CITYWIDE | | | CBD / SOUTH | | | NON-CBD / NORTH | | |
|--|------------|------------|-----------------------------|-----------|-----------|-----------------------------|------------|------------|
| | 3Q 2013 | 3Q 2012 | | 3Q 2013 | 3Q 2012 | | 3Q 2013 | 3Q 2012 |
| All Types | | | All Types | | | All Types | | |
| Inventory | 46,934,874 | 46,749,479 | Inventory | 6,365,096 | 6,367,481 | Inventory | 40,569,778 | 40,381,998 |
| Direct Vacant | 5,007,231 | 5,509,290 | Direct Vacant | 773,502 | 627,934 | Direct Vacant | 4,233,729 | 4,881,356 |
| %Vacant | 10.7% | 11.8% | %Vacant | 12.2% | 9.9% | %Vacant | 10.4% | 12.1% |
| Average Rent | \$16.23 | \$15.79 | Average Rent | \$16.76 | \$16.60 | Average Rent | \$16.20 | \$15.75 |
| 3Q Absorption | 187,038 | 458,873 | 3Q Absorption | 1,144 | 133,554 | 3Q Absorption | 185,894 | 325,319 |
| YTD Absorption | 263,583 | 751,586 | YTD Absorption | 16,522 | 235,357 | YTD Absorption | 247,061 | 516,229 |
| Regional Malls | | | Regional Malls | | | Regional Malls | | |
| Inventory | 7,436,845 | 7,126,845 | Inventory | 1,861,120 | 1,861,120 | Inventory | 5,575,725 | 5,265,725 |
| Direct Vacant | 332,707 | 528,206 | Direct Vacant | 247,444 | 178,600 | Direct Vacant | 85,263 | 349,606 |
| %Vacant | 4.5% | 7.4% | %Vacant | 13.3% | 9.6% | %Vacant | 1.5% | 6.6% |
| 3Q Absorption | 0 | 0 | 3Q Absorption | 0 | 0 | 3Q Absorption | 0 | 0 |
| YTD Absorption | 24,150 | 68,211 | YTD Absorption | 0 | 74,120 | YTD Absorption | 24,150 | (5,909) |
| Power Centers(250K+ sf) | | | Power Centers | | | Power Centers | | |
| Inventory | 12,169,683 | 12,113,613 | Inventory | 847,358 | 671,711 | Inventory | 11,322,325 | 11,441,902 |
| Direct Vacant | 777,125 | 722,419 | Direct Vacant | 17,214 | 3,986 | Direct Vacant | 759,911 | 718,433 |
| %Vacant | 6.4% | 6.0% | %Vacant | 2.0% | 0.6% | %Vacant | 6.7% | 6.3% |
| Average Rent | \$24.49 | \$24.99 | Average Rent | \$23.00 | \$22.30 | Average Rent | \$24.61 | \$25.13 |
| 3Q Absorption | 44,153 | 117,118 | 3Q Absorption | 2,901 | 11,634 | 3Q Absorption | 41,252 | 105,484 |
| YTD Absorption | 123,485 | 243,743 | YTD Absorption | 7,686 | 11,634 | YTD Absorption | 115,799 | 232,109 |
| Community Centers (100K-249K sf) | | | Community Centers | | | Community Centers | | |
| Inventory | 6,937,056 | 6,385,427 | Inventory | 964,703 | 722,738 | Inventory | 5,972,353 | 5,662,689 |
| Direct Vacant | 767,216 | 800,661 | Direct Vacant | 94,836 | 73,381 | Direct Vacant | 672,380 | 727,280 |
| %Vacant | 11.1% | 12.5% | %Vacant | 9.8% | 10.2% | %Vacant | 11.3% | 12.8% |
| Average Rent | \$20.28 | \$18.97 | Average Rent | \$21.00 | \$19.56 | Average Rent | \$20.28 | \$17.69 |
| 3Q Absorption | 43,979 | 47,338 | 3Q Absorption | 0 | 10,106 | 3Q Absorption | 43,979 | 37,232 |
| YTD Absorption | 57,360 | 150,626 | YTD Absorption | (2,167) | 10,106 | YTD Absorption | 59,527 | 140,520 |
| Neighborhood Centers (30K-99K sf) | | | Neighborhood Centers | | | Neighborhood Centers | | |
| Inventory | 17,992,518 | 18,826,987 | Inventory | 2,517,913 | 2,947,479 | Inventory | 15,474,605 | 15,879,508 |
| Direct Vacant | 2,839,128 | 3,057,109 | Direct Vacant | 404,589 | 351,854 | Direct Vacant | 2,434,539 | 2,705,255 |
| %Vacant | 15.8% | 16.2% | %Vacant | 16.1% | 11.9% | %Vacant | 15.7% | 17.0% |
| Average Rent | \$15.18 | \$14.13 | Average Rent | \$16.08 | \$14.60 | Average Rent | \$15.09 | \$14.05 |
| 3Q Absorption | 77,578 | 274,902 | 3Q Absorption | (2,534) | 109,174 | 3Q Absorption | 80,112 | 165,728 |
| YTD Absorption | 39,817 | 258,021 | YTD Absorption | 5,050 | 130,361 | YTD Absorption | 34,767 | 127,660 |
| Strip Centers (Less than 30K sf) | | | Strip Centers | | | Strip Centers | | |
| Inventory | 2,398,772 | 2,296,607 | Inventory | 174,002 | 164,433 | Inventory | 2,224,770 | 2,132,174 |
| Direct Vacant | 291,055 | 400,895 | Direct Vacant | 9,419 | 20,113 | Direct Vacant | 281,636 | 380,782 |
| %Vacant | 12.1% | 17.5% | %Vacant | 5.4% | 12.2% | %Vacant | 12.7% | 17.9% |
| Average Rent | \$15.62 | \$15.16 | Average Rent | \$20.00 | \$16.11 | Average Rent | \$15.53 | \$15.77 |
| 3Q Absorption | 21,328 | 19,515 | 3Q Absorption | 777 | 2,640 | 3Q Absorption | 20,551 | 16,875 |
| YTD Absorption | 18,771 | 30,985 | YTD Absorption | 5,953 | 9,136 | YTD Absorption | 12,818 | 21,849 |

Analysis by REOC San Antonio based on 2013 data provided by Xceligent and approved by the San Antonio Industrial Advisory Board. 2012 data provided by REOC San Antonio. Statistical information is calculated on multi-tenant centers totaling 20,000 s.f. and larger (including both leaseable and separately owned inline space as well as regional malls). Rental rates reflect non-weighted strict average asking rates quoted on an annual triple net basis (excluding regional malls).

SIGNIFICANT LEASE TRANSACTIONS

| Tenant | Building | Size | Submarket |
|---------------|--|--------|---------------|
| US Foods | Portion of former Target / The Concourse | 54,318 | North Central |
| Sears Outlet | Portion of former Mervyn's / Ingram | 38,597 | North West |
| The Tile Shop | DeZavala Crossing | 32,000 | North West |

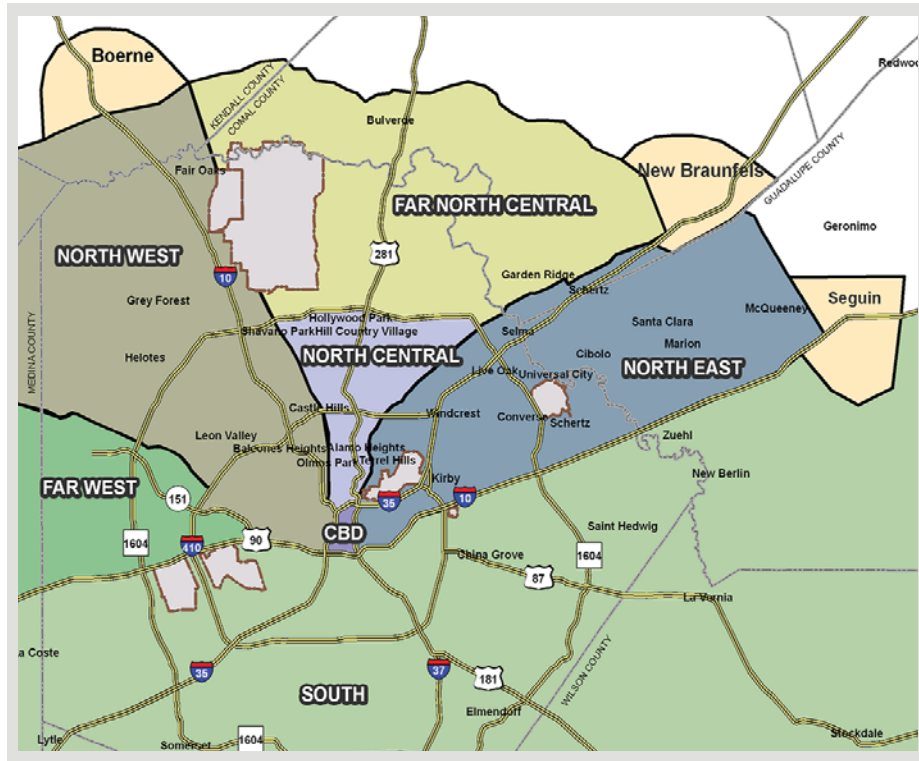
RECENT SALE TRANSACTIONS

| Building | Buyer | Size | Submarket |
|----------------|--------------------------------|---------|------------|
| Culebra Market | USAA Realco / Cencor Realty JV | 232,126 | Far West |
| Camelot Plaza | LG Acquisitions LLC | 91,267 | North East |

NEW DEVELOPMENT

| Building | Comments | Size | Submarket |
|---------------------|------------------------------|--------|------------|
| Dominion View | Adjacent to CVS & Chase Bank | 56,747 | North West |
| Helotes Town Centre | Walmart shadow retail | 50,000 | North West |

SUBMARKET MAP



DEFINITIONS

Absorption (Net)
The change in occupied space in a given time period expressed in square feet.

Average Asking Rental Rate
Non-weighted strict average rental rate quoted on an annual triple net basis.

Triple Net
Additional expenses such as real estate taxes, operating costs and insurance premiums, paid by tenant over and above the agreed per square foot base rental rate.

Direct Vacancy
Space currently available for lease directly with the landlord or building owner; excludes sublease space.

SF/PSF
Square foot/per square foot, used as a unit of measurement

Sublease
Arrangement in which a tenant leases rental property to another and the tenant becomes the landlord to the subtenant.

Sublease Space
Total square footage being marketed for lease by a tenant; sublease space is not considered in the overall occupancy or absorption numbers – only direct leases are included.

PROPERTY TYPES

Regional Mall (RM) - Enclosed centers with a total area greater than 500,000 sf. Tenant mix ranges from kiosk and food court to major department stores.

Power Center (PC) - Usually greater than 250,000 sf featuring a mix of big box tenants (typically large national retailers) along with inline shop space and often supported by entertainment components such as theaters, fitness and restaurants.

Community Centers (CC) - Generally range between 100,000 sf and 250,000 sf and usually anchored by grocery store or other significant junior anchor tenant(s).

Neighborhood Center (NC) - Generally range between 30,000 sf and 100,000 sf; tenant mix usually local and regional retailers.

Strip Centers (SC) - Unanchored centers less than 30,000 sf serving the immediate residential area.

CRITERIA

This study includes San Antonio area office buildings 20,000 square feet or larger excluding owner-occupied, single-tenant, government and medical-only office buildings.

SERVICES

REOC San Antonio is actively involved in all aspects of commercial real estate brokerage, landlord representation, site location, tenant and buyer representation, property management and consulting.

For additional information, please feel free to contact Kim Gatley, Senior Vice President & Director of Market Research.

