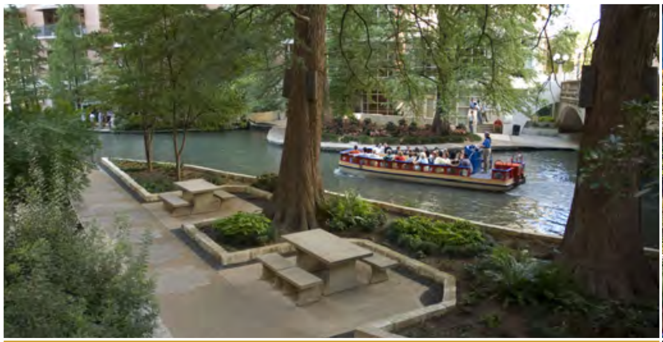


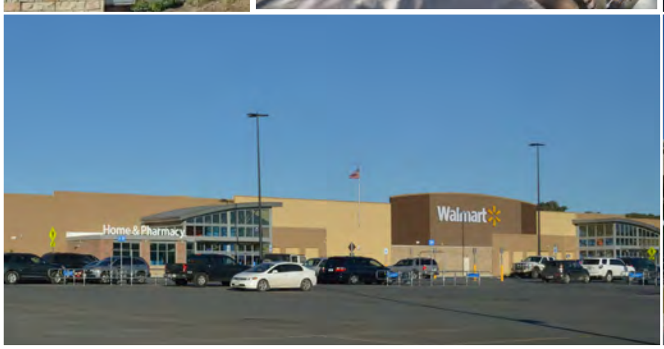
The Source

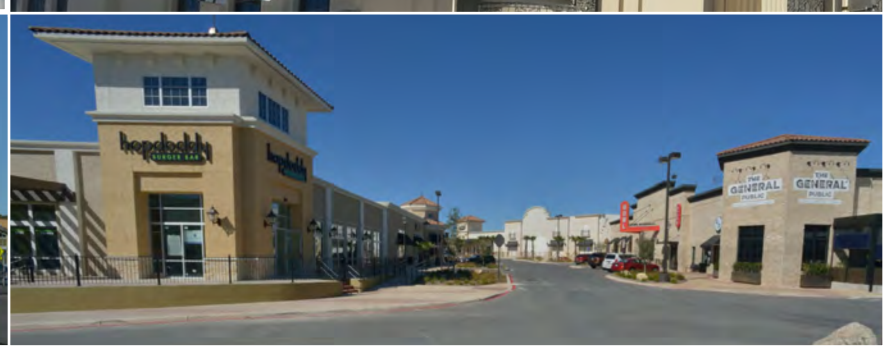
Better information, better decisions.

Retail Market Update

San Antonio Metropolitan Area

Third Quarter 2017





REOC SAN ANTONIO

office 210 524 4000
fax 210 524-4029
reocsanantonio.com
reocsanantonioblog.com

8023 Vantage Drive, Suite 1200
San Antonio, TX 78230-4726

Retail 3Q 2017

Despite the noted disruption in the retail industry, the San Antonio retail market remained steadfast in the third quarter with strong absorption gains and a healthy dip in the citywide vacancy rate. Although the list of nationwide store closures has reportedly topped 10,000, with apparel retailers being especially hard hit, the San Antonio retail market recorded 137,594 square feet of positive net absorption. Year-to-date, the market has experienced 204,777 square feet of total net gain.

Just as "recession-proof" retailers were highly valued a decade ago, landlords now seek "online-proof" tenants – those who offer goods and services that cannot be easily ordered online and delivered directly to consumers' doorsteps. As an example, local activity in the third quarter was led by Urban Air (31,400 sf) in New Braunfels and World Gym (25,000 sf) at Westpark Plaza in the North West sector.

New leases and expansions tightened the citywide vacancy rate to 7.2% compared to 7.5% last quarter and 8.0% recorded in the same quarter last year. By category, Neighborhood Centers saw the greatest gain with 69,801 square feet of positive net absorption which improved the vacancy rate to 10.7%. Strip centers followed with more than 45,000 square feet which moved vacancy to 10.2%. The Regional centers property type was the only category to see negative absorption due to Career Point vacating 40,544 square feet at Wonderland of the Americas.

Citywide

	3Q 2017	3Q 2016
All Types		
Inventory	50,434,592	47,956,476
Direct Vacant	3,606,972	3,826,022
%Vacant	7.2%	8.0%
Average Rent	$16.62	$16.65
3Q Absorption	137,594	(53,553)
YTD Absorption	204,777	693,589
Regional Malls		
Inventory	7,430,208	7,430,208
Direct Vacant	82,856	45,739
%Vacant	1.1%	0.6%
3Q Absorption	(39,979)	0
YTD Absorption	(31,175)	493,111
Power Centers (250K+ sf)		
Inventory	13,757,864	12,800,531
Direct Vacant	740,484	735,360
%Vacant	5.4%	5.7%
Average Rent	$21.07	$22.53
3Q Absorption	39,824	(13,918)
YTD Absorption	(34,845)	67,762
Community Centers (100K-249K sf)		
Inventory	6,921,749	6,577,529
Direct Vacant	421,568	447,263
%Vacant	6.1%	6.8%
Average Rent	$15.48	$16.80
3Q Absorption	22,616	(38,852)
YTD Absorption	48,815	(48,784)
Neighborhood Centers (30K-99K sf)		
Inventory	19,072,798	18,639,695
Direct Vacant	2,031,253	2,234,485
%Vacant	10.7%	12.0%
Average Rent	$15.26	$14.83
3Q Absorption	69,801	(4,444)
YTD Absorption	152,254	151,247
Strip Centers (Less than 30K sf)		
Inventory	3,251,973	2,508,513
Direct Vacant	330,811	363,175
%Vacant	10.2%	14.5%
Average Rent	$17.61	$15.01
3Q Absorption	45,332	3,661
YTD Absorption	69,728	30,253

CBD/South

	3Q 2017	3Q 2016
All Types		
Inventory	6,693,710	6,883,412
Direct Vacant	416,091	351,076
%Vacant	6.2%	5.1%
Average Rent	$19.55	$16.25
3Q Absorption	19,008	17,130
YTD Absorption	(36,762)	483,480
Regional Malls		
Inventory	1,854,483	1,854,483
Direct Vacant	5,942	0
%Vacant	0.3%	0.0%
3Q Absorption	0	0
YTD Absorption	0	488,363
Power Centers		
Inventory	1,433,062	1,433,062
Direct Vacant	77,543	57,794
%Vacant	5.4%	4.0%
Average Rent	$23.36	$22.10
3Q Absorption	1,826	(5,497)
YTD Absorption	(13,199)	5,632
Community Centers		
Inventory	814,703	964,703
Direct Vacant	27,915	18,645
%Vacant	3.4%	1.9%
Average Rent	$14.09	$15.00
3Q Absorption	0	3,500
YTD Absorption	(6,270)	(1,418)
Neighborhood Centers		
Inventory	2,450,309	2,490,011
Direct Vacant	296,053	250,559
%Vacant	12.1%	10.1%
Average Rent	$15.53	$13.50
3Q Absorption	9,182	23,127
YTD Absorption	(22,733)	(4,484)
Strip Centers		
Inventory	141,153	141,153
Direct Vacant	8,638	24,078
%Vacant	6.1%	17.1%
Average Rent	$22.82	$15.17
3Q Absorption	8,000	(4,000)
YTD Absorption	5,440	(4,613)

Non-CBD/North

	3Q 2017	3Q 2016
All Types		
Inventory	43,740,882	41,073,064
Direct Vacant	3,190,881	3,474,946
%Vacant	7.3%	8.5%
Average Rent	$16.34	$16.69
3Q Absorption	118,586	(70,683)
YTD Absorption	241,539	210,109
Regional Malls		
Inventory	5,575,725	5,575,725
Direct Vacant	76,914	45,739
%Vacant	1.4%	0.8%
3Q Absorption	(39,979)	0
YTD Absorption	(31,175)	4,748
Power Centers		
Inventory	12,324,802	11,367,469
Direct Vacant	662,941	677,566
%Vacant	5.4%	6.0%
Average Rent	$20.39	$22.58
3Q Absorption	37,998	(8,421)
YTD Absorption	(21,646)	62,130
Community Centers		
Inventory	6,107,046	5,612,826
Direct Vacant	393,653	428,618
%Vacant	6.4%	7.6%
Average Rent	$15.48	$16.96
3Q Absorption	22,616	(42,352)
YTD Absorption	55,085	(47,366)
Neighborhood Centers		
Inventory	16,622,489	16,149,684
Direct Vacant	1,735,200	1,983,926
%Vacant	10.4%	12.3%
Average Rent	$15.24	$14.95
3Q Absorption	60,619	(27,571)
YTD Absorption	174,987	155,731
Strip Centers		
Inventory	3,110,820	2,367,360
Direct Vacant	322,173	339,097
%Vacant	10.4%	14.3%
Average Rent	$17.46	$15.00
3Q Absorption	37,332	7,661
YTD Absorption	64,288	34,866

Analysis by REOC San Antonio based on data provided by Xceligent and approved by the San Antonio Retail Advisory Board.

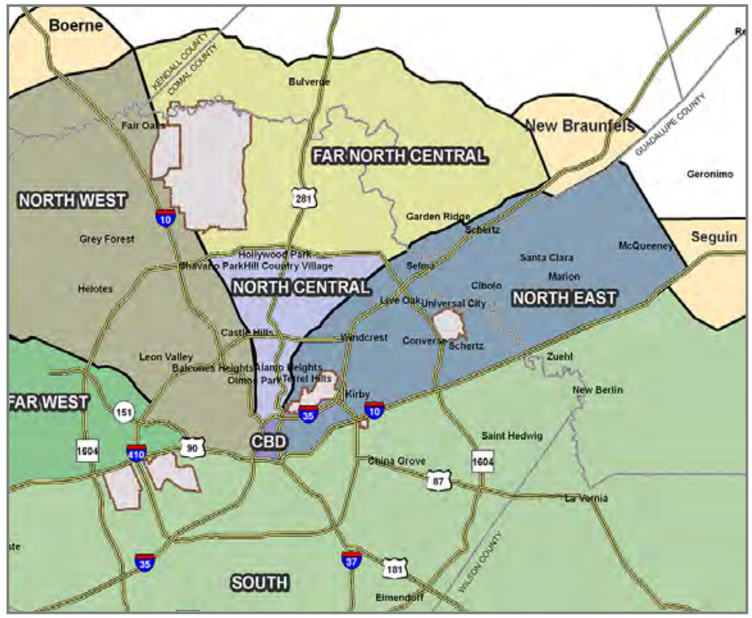
Statistical information is calculated on multi-tenant centers totaling 20,000 sf and larger (including both leaseable and separately owned inline space).

Rental rates reflect non-weighted strict average asking rates quoted on an annual triple net basis (excluding regional malls).

New Development

Clockwise from top left: Academy at I-35 & Zarzamora, Casablanca Theater at Alamo Ranch, Plaza at Vance Jackson, and Potranco West

Submarket Map



Definitions

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

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.

Criteria

This study includes San Antonio area retail centers 20,000 square feet or larger including both leaseable and separately-owned inline space.

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) - Unachored centers less than 30,000 sf serving the immediate residential area.

Services

REOC San Antonio is actively involved in all aspects of commercial real estate: project leasing, acquisition and disposition, buyer and tenant representation, site selection, property management, construction supervision, development, research, marketing and consulting.

For additional information about our services, please contact:
Blake Bonner, Senior Vice President, Director of Brokerage
Direct Line: 210-524-1305 Email: bbonner@reocsanantonio.com

REOC SAN ANTONIO
Commercial Real Estate Since 1974
office 210 524 4000
fax 210 524 4029
reocsanantonio.com
reocsanantonioblog.com
8023 Vantage Dr, Suite 1200
San Antonio, TX 78230-4726