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Retail Market Snapshot San Antonio Metropolitan Area

Second Quarter 2014



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OVERVIEW

Employment growth continues to drive demand for housing which, in turn, fuels the local retail market. For the twelve months ending June 2014, the greater San Antonio metro area added 22,500 jobs which equates to annual growth rate of 2.5%. Gains throughout the market continue to support the local economy and stimulate the expansion of existing businesses which keeps the overall outlook positive for the San Antonio area.

Looking ahead, available space will continue to dwindle, especially while development remains dominated by Walmart and other user-driven activity. However, development in high-growth and well-established niche markets is heating up.

CITYWIDE			CBD / SOUTH			NON-CBD / NORTH		
	2Q 2014	2Q 2013		2Q 2014	2Q 2013		2Q 2014	2Q 2013
All Types			All Types			All Types		
Inventory	47,164,952	46,489,788	Inventory	6,375,326	6,365,096	Inventory	40,789,626	40,124,692
Direct Vacant	4,679,243	4,925,390	Direct Vacant	757,115	702,425	Direct Vacant	3,922,128	4,222,965
%Vacant	9.9%	10.6%	%Vacant	11.9%	11.0%	%Vacant	9.6%	10.5%
Average Rent	\$16.58	\$15.95	Average Rent	\$15.50	\$17.23	Average Rent	\$16.67	\$15.84
2Q Absorption	108,746	118,705	2Q Absorption	(13,799)	(3,033)	2Q Absorption	122,545	121,738
YTD Absorption	371,043	94,487	YTD Absorption	41,853	2,878	YTD Absorption	329,190	91,609
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	289,313	417,707	Direct Vacant	170,000	247,444	Direct Vacant	119,313	170,263
%Vacant	3.9%	5.9%	%Vacant	9.1%	13.3%	%Vacant	2.1%	3.2%
2Q Absorption	0	24,150	2Q Absorption	0	0	2Q Absorption	0	24,150
YTD Absorption	75,104	24,150	YTD Absorption	50,000	0	YTD Absorption	25,104	24,150
Power Centers (250K+ sf)			Power Centers			Power Centers		
Inventory	12,285,283	12,314,699	Inventory	847,358	847,358	Inventory	11,437,925	11,467,341
Direct Vacant	737,396	657,940	Direct Vacant	26,209	20,115	Direct Vacant	711,187	637,825
%Vacant	6.0%	5.3%	%Vacant	3.1%	2.4%	%Vacant	6.2%	5.6%
Average Rent	\$25.89	\$23.66	Average Rent	\$23.00	\$20.00	Average Rent	\$26.05	\$24.07
2Q Absorption	13,542	77,387	2Q Absorption	(4,250)	799	2Q Absorption	17,792	76,588
YTD Absorption	100,915	110,552	YTD Absorption	(4,250)	4,785	YTD Absorption	105,165	105,767
Community Centers (100K-249K sf)			Community Centers			Community Centers		
Inventory	6,901,364	6,604,825	Inventory	964,703	964,703	Inventory	5,936,661	5,640,122
Direct Vacant	632,945	812,170	Direct Vacant	85,079	94,836	Direct Vacant	547,866	717,334
%Vacant	9.2%	12.3%	%Vacant	8.8%	9.8%	%Vacant	9.2%	12.7%
Average Rent	\$19.64	\$19.25	Average Rent	\$17.00	\$21.00	Average Rent	\$19.89	\$19.16
2Q Absorption	33,579	4,124	2Q Absorption	0	(1,100)	2Q Absorption	33,579	5,224
YTD Absorption	32,493	12,406	YTD Absorption	0	(2,167)	YTD Absorption	32,493	14,573
Neighborhood Centers (30K-99K sf)			Neighborhood Centers			Neighborhood Centers		
Inventory	18,165,703	18,023,622	Inventory	2,511,543	2,517,913	Inventory	15,654,160	15,505,709
Direct Vacant	2,714,821	2,732,190	Direct Vacant	466,362	329,834	Direct Vacant	2,248,459	2,402,356
%Vacant	14.9%	15.2%	%Vacant	18.6%	13.1%	%Vacant	14.4%	15.5%
Average Rent	\$15.26	\$15.06	Average Rent	\$14.43	\$16.09	Average Rent	\$15.34	\$14.96
2Q Absorption	61,807	16,576	2Q Absorption	(9,549)	984	2Q Absorption	71,356	15,592
YTD Absorption	164,653	(45,114)	YTD Absorption	(3,897)	(4,916)	YTD Absorption	168,550	(40,198)
Strip Centers (Less than 30K sf)			Strip Centers			Strip Centers		
Inventory	2,375,757	2,419,797	Inventory	190,602	174,002	Inventory	2,185,155	2,245,795
Direct Vacant	304,768	305,383	Direct Vacant	9,465	10,196	Direct Vacant	295,303	295,187
%Vacant	12.8%	12.6%	%Vacant	5.0%	5.9%	%Vacant	13.5%	13.1%
Average Rent	\$16.07	\$15.63	Average Rent	\$18.25	\$20.00	Average Rent	\$15.99	\$15.36
2Q Absorption	(182)	(3,532)	2Q Absorption	0	(3,716)	2Q Absorption	(182)	184
YTD Absorption	(2,122)	(7,507)	YTD Absorption	0	5,176	YTD Absorption	(2,122)	(12,683)

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).

LOOKING AHEAD

Although retail development remains well-below pre-recession levels, construction activity is heating up. Several projects are underway to expand existing retail trade areas. Construction at The Rim, for example, is bringing 259,656 square feet of space online by the end of this year with 98% already pre-leased to a strong tenant line-up. TopGolf (65,000 sf) is also under construction in the same quadrant of the I-10/Loop 1604 interchange. Limited development is also on the rise in well-established niche areas across the city.

Population growth and pent up demand has also prompted expansion in the Far North community of Bulverde where site work continues at Singing Hills. The 250-acre mixed-use, master-planned community located in the northwest quadrant of the US 281 & Hwy 46 interchange will be anchored by Walmart which plans to open in September 2015. Additional retailers, restaurants and service providers are currently negotiating to fill pad sites and inline retail space.

Looking ahead, available space will continue to dwindle, especially while development remains dominated by Walmart and other user-driven activity along with smaller, pre-leased projects.

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.

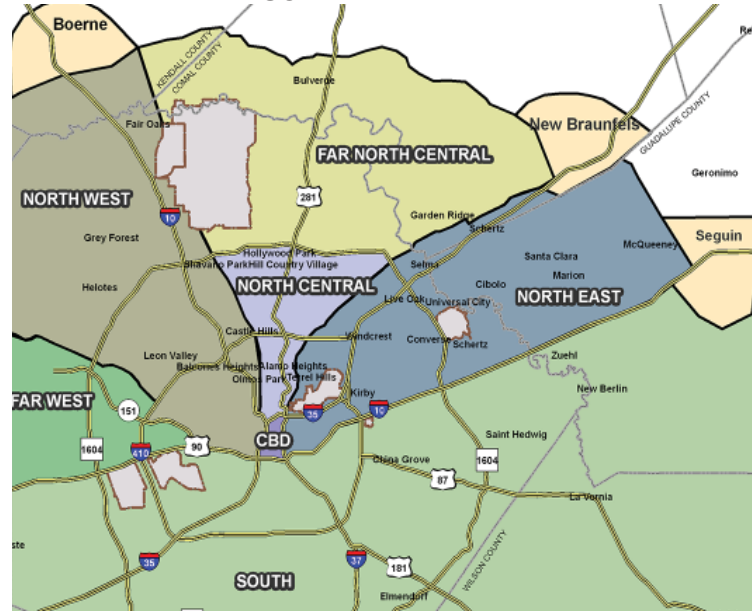
Sublease Space

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.

SUBMARKET MAP



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.

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:
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