



AUSTIN & SAN ANTONIO

RETAIL MARKET OVERVIEW

Prepared by Foresite Investment Sales

Q1 2020



ON THE MARKET

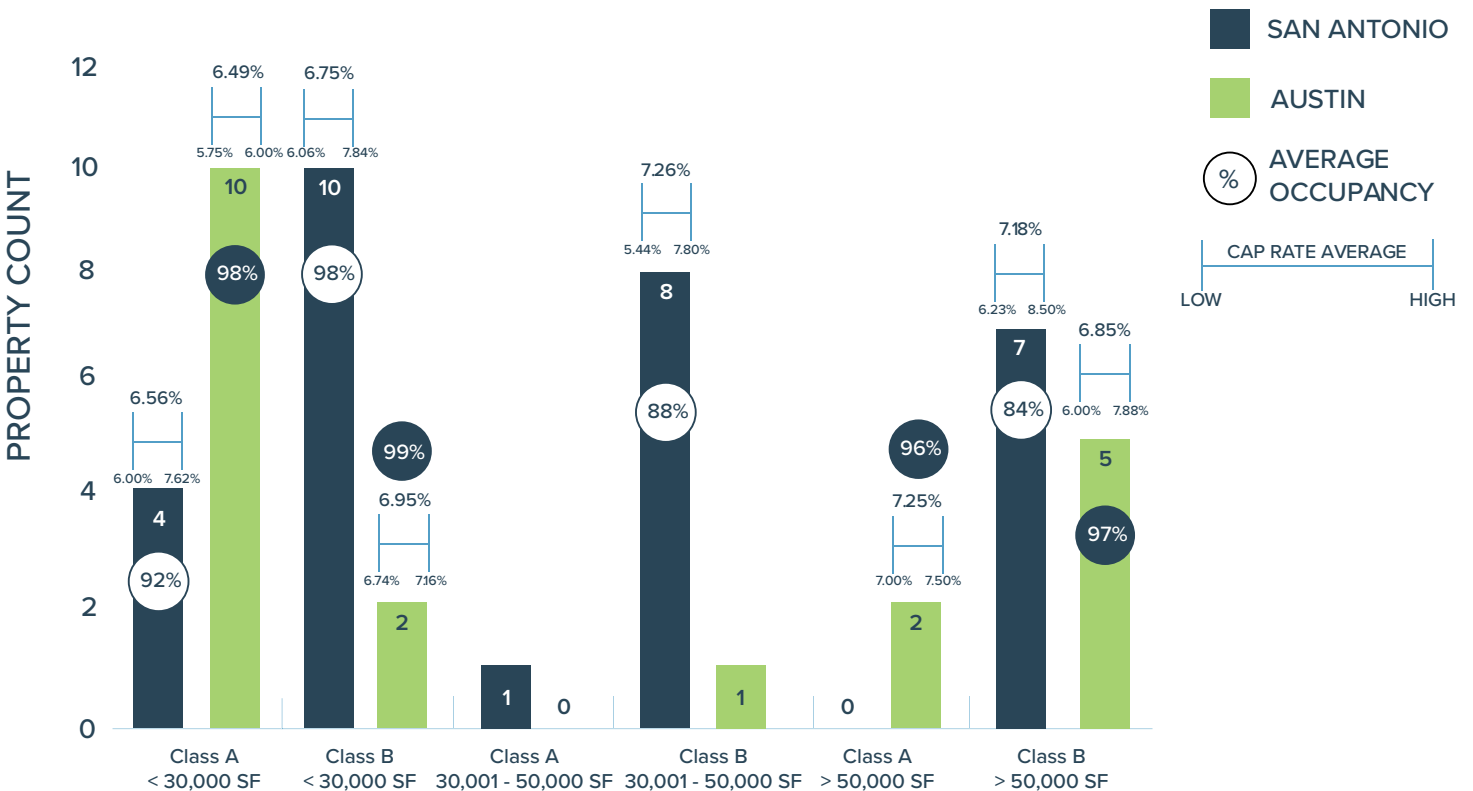
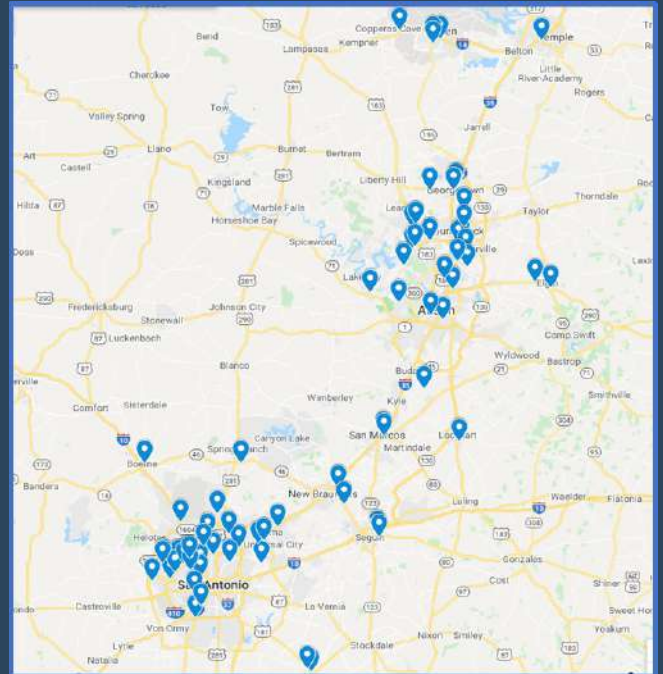
- The data set displayed below consists of retail centers that were on the market in both the San Antonio and Austin MSA's in Q1.

- Out of the 50 properties, 18 new listings came to market during the quarter, 7 went under contract, and 8 sold after an average of 216 days on the market.

- San Antonio's average multi-tenant retail cap rate is 6.94% and Austin's is 6.89%.

- The average spread for San Antonio's cap rates is 201 basis points. The average spread for Austin is 122 basis points, a tighter range likely due to higher demand in that market.

- The average days a property stays on the market before it is sold increased significantly from 165 days in Q4 2019 to 216 days at the end of Q1 2020. The widening gap of deals on the market might be a reflection of the increased bid/ask gap between buyers and sellers.



MARKET ACTIVITY

RETAIL CENTER SALES TRAILING 12 MONTHS

Sample of 50 Properties



		AVG CAP RATE	AVG PPSF	AVG OCCUPANCY
\$2.5M - \$5M	SAN ANTONIO	7.05%	\$238	89%
	AUSTIN	6.91%	\$252	97%
\$5.1M - \$10M	SAN ANTONIO	7.48%	\$242	95%
	AUSTIN	7.06%	\$292	97%
\$10M+	SAN ANTONIO	7.62%	\$248	93%
	AUSTIN	7.38%	\$223	96%

NOTEWORTHY DEVELOPMENT PROJECTS

San Antonio, TX



Potranco & 211 is set to become a new site for HEB. The intersection is home to several projects including a new QuikTrip, Bill Millers, McDonald's, Starbucks and Sud's Deluxe Car Wash. The new developments will service the explosive population growth on the northwest side. Highway 211 will be extended north to meet FM 471 and it will be expanded to four lanes on the south of Potranco Road.

Kyle, TX



Kyle Town Center is a 65 acre mixed use development that will include medical, hotel, multifamily, and retail space totaling over 300,000 square feet. There will be eleven apartment buildings with over 300 units. The development is currently anchored by Evo Entertainment and Home Depot. Endeavor is the developer.

*Do you want your development to be featured on the next report?
Submit your project to: info@foresitecre.com*

RETAIL DEVELOPMENTS

NEW RETAIL DEVELOPMENTS



- Proposed Preleasing
- ◆ Under Construction
- Developments Delivered in last six months

11 Developments Started in Q1

8 Developments Delivered in Q1

Average Asking Rent for New Retail Centers
\$33.46/SF/Year for in-line, small shop space

ABSORPTION

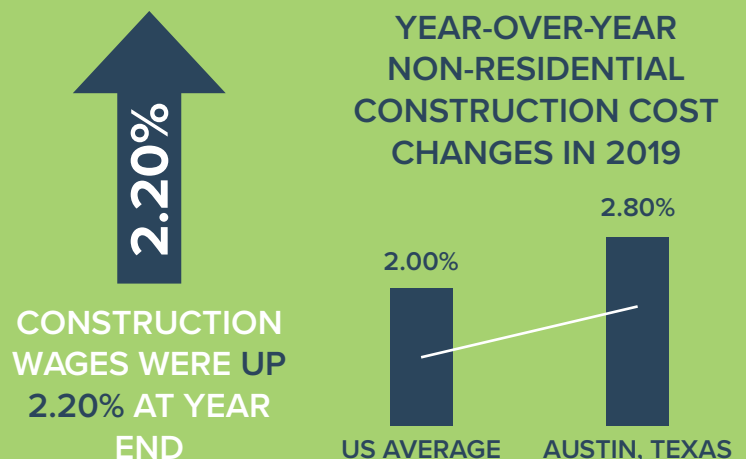
Austin’s retail vacancy increased slightly from 4.2% at the end of 2019 to 4.5% at the end of Q1. Before Covid, San Antonio’s vacancy was expected to increase to 5.4% in 2020 after averaging 5.2% in 2019.

Asking rent growth has slowed so much that Austin’s asking rent averaged no growth in 2019. San Antonio averaged 1% asking rent growth in 2019.

According to the Texas A&M Real Estate Center, “square footage under construction increased and then flattened out in 2019.” There is a low level of newly constructed retail centers in Austin, however new construction activity had a modest increase starting in the end of 2019.

We may not see the same activity in San Antonio. Levels of new construction in San Antonio have been flat and the constructions starts have decreased even before the Covid-19 pandemic and are not expected to start increasing until later in 2020.

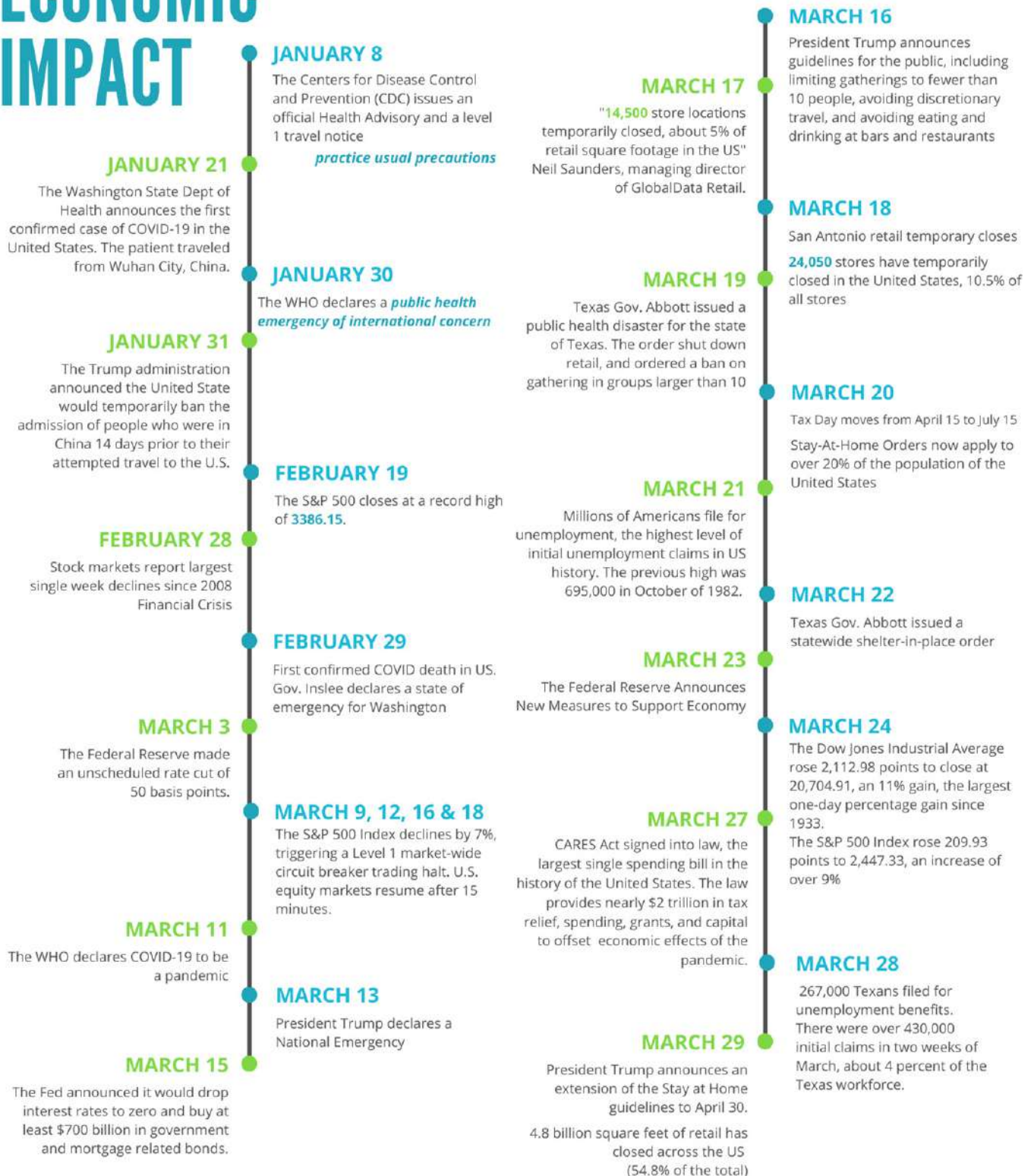
Source: The Texas A&M Real Estate Center



COVID-19

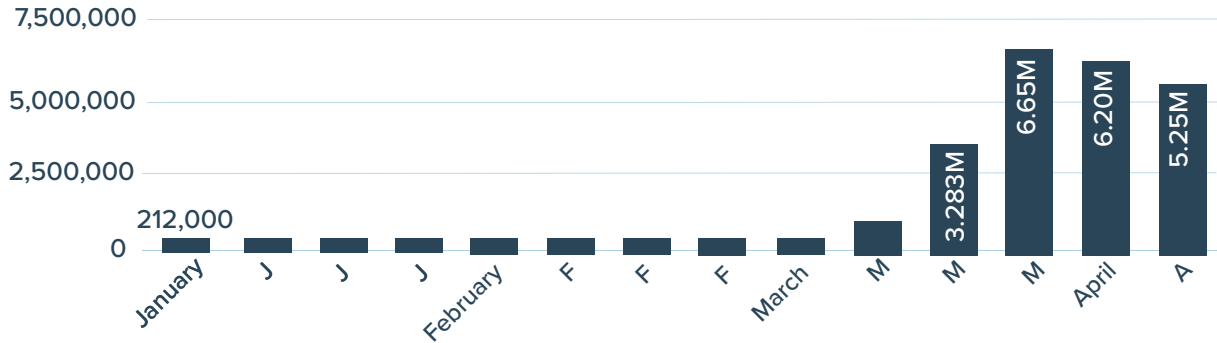
COVID-19

ECONOMIC IMPACT



ECONOMIC INDICATORS

INITIAL CLAIMS FOR UNEMPLOYMENT BENEFITS (BY WEEK)

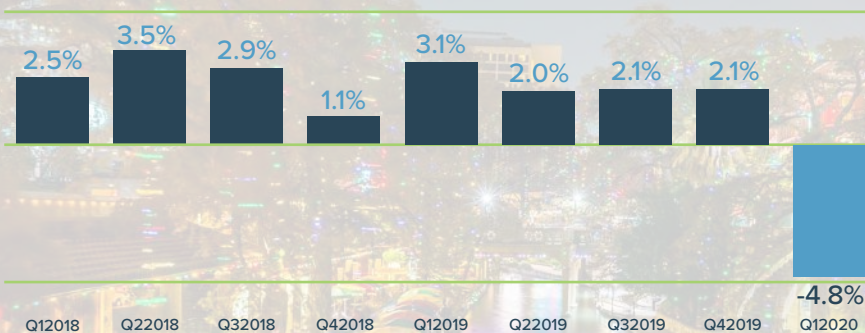


HIGHEST LEVEL OF INITIAL UNEMPLOYMENT CLAIMS IN U.S. HISTORY | PREVIOUS HIGH WAS 695,000 IN OCTOBER OF 1982

The latest job report showed that **5.25 million** workers applied for unemployment benefits in the first week of April, bringing the total number of workers who applied for unemployment benefits to **21 million** in the last four weeks. The unemployment rate is likely **around 15%**, the highest level since the **Great Depression in the 1930's**.

The rate of job losses finally appears to be slowing, but many more layoffs and furloughs are expected to continue into early May.

U.S. GDP GROWTH Q1 2020: -4.8%



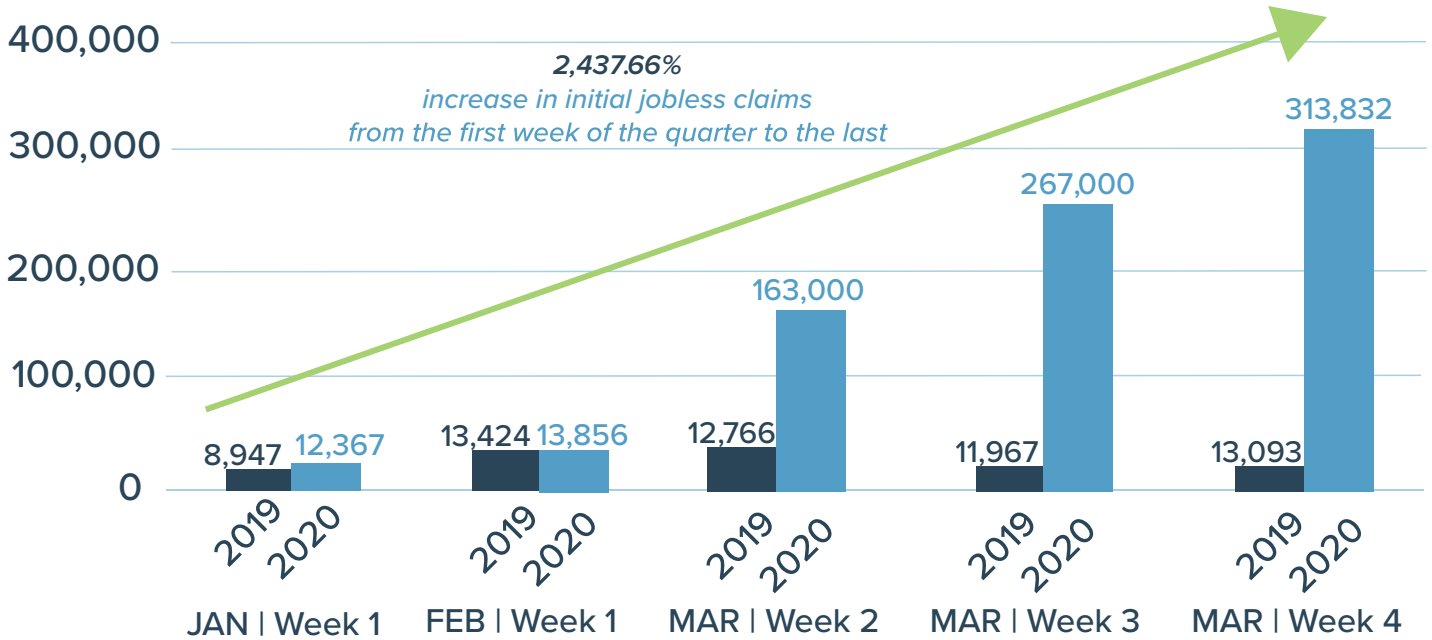
SOURCE: US BUREAU OF ECONOMIC ANALYSIS

- While the definition of a recession is two consecutive quarters of negative growth, the significant decline of GDP in the first quarter is enough to signal a coming recession. In a matter of weeks, the US economy went from the longest period of economic expansion to a recessionary environment. The Q1 data only includes two weeks of a partial economic shutdown, so we should see a more holistic picture in Q2.

“15,000 stores to permanently close in 2020”
- Deborah Weinswig, CEO of Coresight Research, a global research firm

TEXAS EMPLOYMENT FIGURES

INITIAL CLAIMS FOR UNEMPLOYMENT FILED IN TEXAS



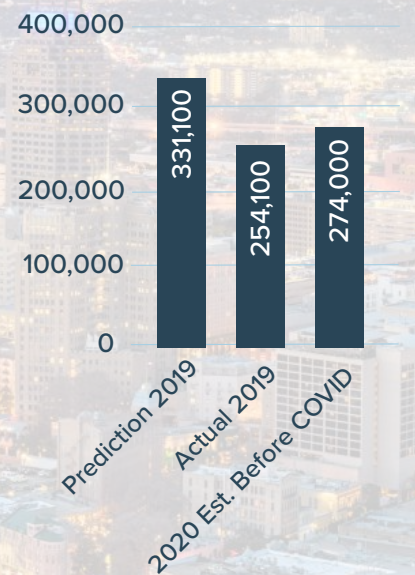
The Federal Reserve Bank of Dallas predicted the state would add **331,100** jobs in 2019 and the report from January 31 shows **254,100** jobs were added last year.

At the beginning of the quarter, the Federal Reserve Bank of Dallas predicted that Texas employment would grow **2.1%** this year, roughly the same as the **2.0%** in 2019. Based on this forecast, Texas employment would have added **274,000** jobs in 2020.

San Antonio added **24,400 jobs (2.3%)** in 2019 and Austin added **25,700 jobs (2.4%)**.

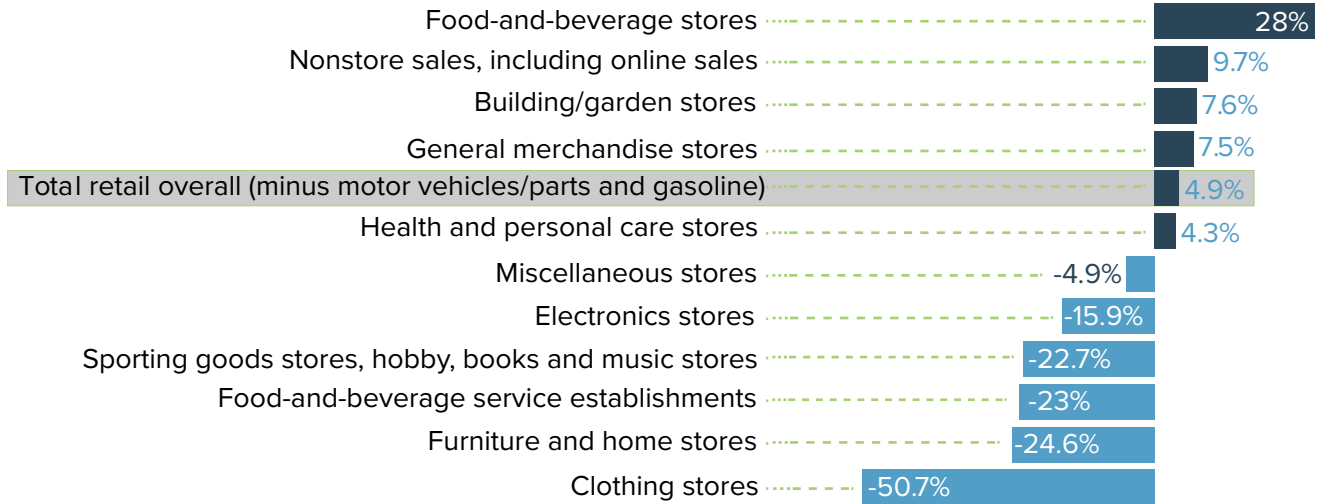
2019 had the slowest employment growth rate that Austin has recorded since 2010, but the city maintained the lowest unemployment rate in the state at **2.7%** while San Antonio's unemployment rate fell to **3.1%** at the end of 2019 Q4.

TEXAS JOB GROWTH FIGURES



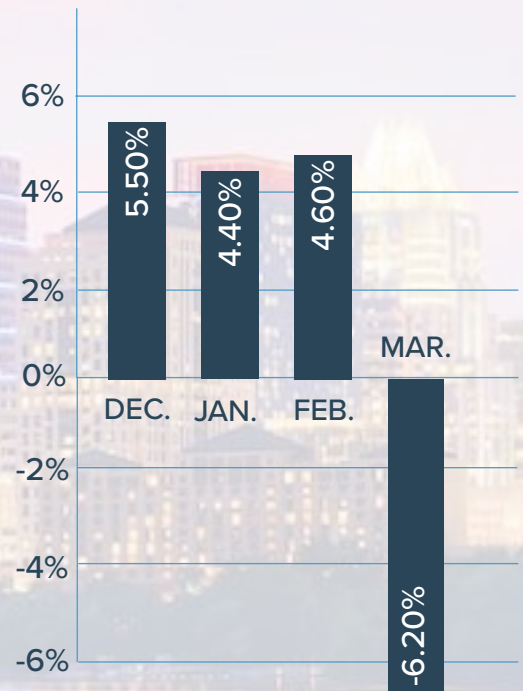
RETAIL SALES

YEAR-OVER-YEAR BY CATEGORY (MARCH 2020)



SOURCE: US CENSUS BUREAU

YEAR-OVER-YEAR RETAIL SALES



March year-over-year sales (including automobiles/parts and gasoline) dropped by **6.2%**, following February's **4.6%** year-over-year increase.

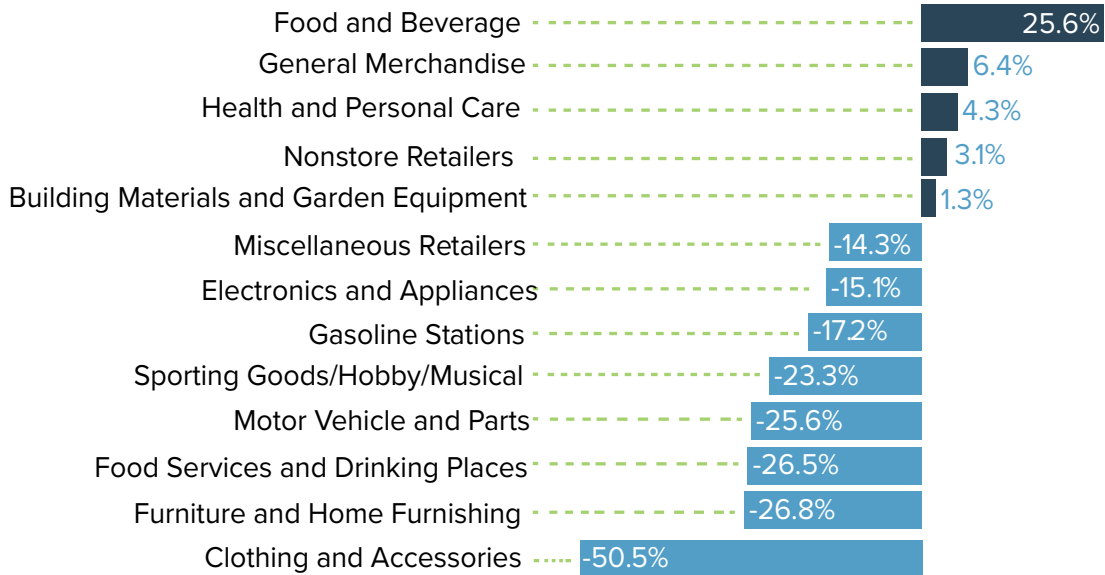
Total sales for the January through March period were up **1.1%** from the same period one year ago.

SOURCE: US CENSUS BUREAU

RETAIL SALES (CONT.)

MONTH-OVER-MONTH BY CATEGORY | FEB. 2020 TO MAR. 2020

TOTAL RETAIL SALES DOWN 8.7%



SOURCE: US CENSUS BUREAU

According to the U.S. Census Bureau, month-over-month retail sales fell by a record **8.7%** (seasonally adjusted rate) in March. The grocery segment saw the largest increase of **26.9%**. Sales at traditional and discount department stores fell **23.9%**, furniture stores fell **26.8%**, sporting goods fell **23.3%** and apparel sales fell the most at **50.5%**. Online sales rose **3.1%**. Restaurants and bars fell **26.5%**. Building and Garden stores rose as spending on building materials increased **1.3%**. Vehicles sales were down **25.6%**, and gasoline station sales were down **17.2%**. Electronics fell **15.1%** and miscellaneous fell **14.3%**.

KEY INDICATORS

MARCH 2019 RATES

INDEX RATES

5-Year Treasury.....	2.24%
10-Year Treasury.....	2.41%
1-Month LIBOR.....	2.48%
10-Year Swap.....	2.67%

MARCH 2020 RATES

INDEX RATES

5-Year Treasury.....	0.36%
10-Year Treasury.....	0.65%
1-Month LIBOR.....	0.92%
10-Year Swap.....	0.65%

Commercial - Life Companies

TERM	AMORTIZATION	LTV	SPREAD	RATE
5-YEAR	25-30	65% - 75%	315 - 340	3.51% - 3.76%
10-YEAR	25-30	50% - 65%	285 - 310	3.50% - 3.75%
10-YEAR	25-30	65% - 75%	285 - 310	3.50% - 3.75%
15-YEAR	15-25	65% - 75%	305 - 330	3.76% - 4.01%
LONGER	FULLY AMORTIZING	65% - 75%	295 - 320	3.75% - 4.00%

Commercial - CMBS

TERM	AMORTIZATION	LTV	SPREAD	RATE
5-YEAR	30	65% - 75%	365 - 415	4.45% - 4.95%
10-YEAR	30	65% - 75%	340 - 390	4.62% - 5.12%

SOURCE: NORTHMARQ

COVID-19 Resources for Retailers

Foresite put together a non-branded website in response to the coronavirus and current economic slowdown that features helpful resources for restaurants and retailers to utilize in this difficult time. We will continue to update the website as we hear from Federal and State officials on new or updated resources available. Please feel free to pass this along to any tenants you believe might find this helpful, as well as to local business owners that may be struggling right now.

<https://www.covidinfocenter.com/>

MEET THE TEAM



Garrett Wood

Vice President of Investment Sales

Garrett Wood joined Foresite in 2017 after working as an Investment Sales agent at Edge Realty Partners in Austin, Texas where he facilitated multiple retail shopping center transactions. He graduated from Texas Tech University in 2012 with a Bachelor's degree in Business. Garrett specializes in the brokerage of shopping centers and other retail and special use property transactions in Texas with a focus on the Austin and San Antonio Markets.

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Alexandria Tatem

Investment Sales Associate

Joined Foresite in 2019 after graduating from the University of Central Arkansas with a Bachelor's degree in Finance. In college, Alexandria worked for the Arkansas Center for Research in Economics where she compiled data into clear and detailed reports that was used in testimonies to the state legislature, year-long studies, and published reports.

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Chad Knibbe, CCIM

Principal, Co-Owner

Was a key player in the launching of Foresite in 2014 and later founded the investment sales division of Foresite Commercial Real Estate in 2018. Prior to Foresite, Chad was a Senior Vice President at Marcus & Millichap where he ranked as the #1 retail agent for the central Texas region. He is a graduate of Baylor University and lives in Spring Branch with his wife, three daughters and son.

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FORESITE COMMERCIAL REAL ESTATE

Foresite is a full-service brokerage firm that offers leasing, management, and investment sales services. Coming together from various national brokerage firms, the team brings their decades of experience and impressive track records to form the Investment Sales Division. The team concentrates on bringing a high level of dependability and communication to clients as well as a high energy approach to marketing properties.



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