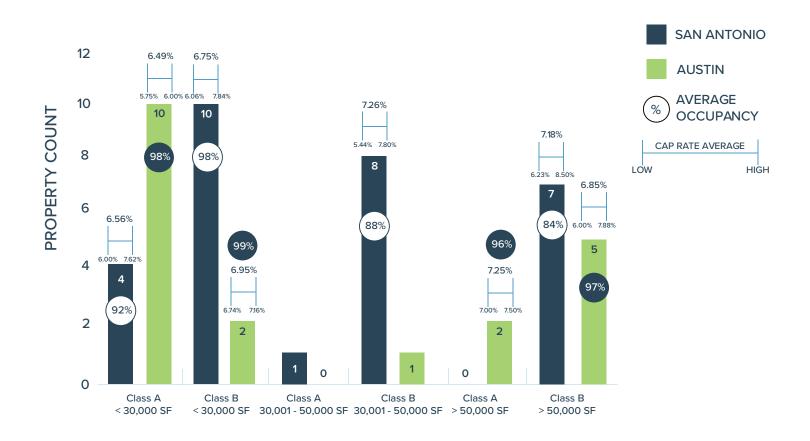




ON THE MARKET

- 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

12 MONTHS es

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.

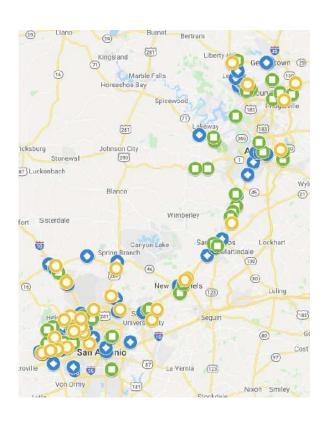
Do you want your development to be featured on the next report?

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 †

JANUARY 21

The Washington State Dept of Health announces the first confirmed case of COVID-19 in the United States. The patient traveled from Wuhan City, China.

JANUARY 31

The Trump administration announced the United State would temporarily ban the admission of people who were in China 14 days prior to their attempted travel to the U.S.

FEBRUARY 28

Stock markets report largest single week declines since 2008 Financial Crisis

MARCH 3

The Federal Reserve made an unscheduled rate cut of 50 basis points.

MARCH 11

The WHO declares COVID-19 to be a pandemic

MARCH 15

The Fed announced it would drop interest rates to zero and buy at least \$700 billion in government and mortgage related bonds.

IANUARY 8

The Centers for Disease Control and Prevention (CDC) issues an official Health Advisory and a level 1 travel notice

practice usual precautions

JANUARY 30

The WHO declares a public health emergency of international concern

FEBRUARY 19

The S&P 500 closes at a record high of 3386.15.

FEBRUARY 29

First confirmed COVID death in US Gov. Inslee declares a state of emergency for Washington

MARCH 9, 12, 16 & 18

The S&P 500 Index declines by 7%, triggering a Level 1 market-wide circuit breaker trading halt. U.S. equity markets resume after 15 minutes.

MARCH 13

President Trump declares a National Emergency

MARCH 17

"14,500 store locations temporarily closed, about 5% of retail square footage in the US" Neil Saunders, managing director of GlobalData Retail.

MARCH 19

Texas Gov. Abbott issued a public health disaster for the state of Texas. The order shut down retail, and ordered a ban on gathering in groups larger than 10

MARCH 21

Millions of Americans file for unemployment, the highest level of initial unemployment claims in US history. The previous high was 695,000 in October of 1982.

MARCH 23

The Federal Reserve Announces New Measures to Support Economy

MARCH 27

CARES Act signed into law, the largest single spending bill in the history of the United States. The law provides nearly \$2 trillion in tax relief, spending, grants, and capital to offset economic effects of the pandemic.

MARCH 29

President Trump announces an extension of the Stay at Home guidelines to April 30.

4.8 billion square feet of retail has closed across the US (54.8% of the total)

MARCH 16

President Trump announces guidelines for the public, including limiting gatherings to fewer than 10 people, avoiding discretionary travel, and avoiding eating and drinking at bars and restaurants

MARCH 18

San Antonio retail temporary closes

24,050 stores have temporarily closed in the United States, 10.5% of all stores

MARCH 20

United States

Tax Day moves from April 15 to July 15 Stay-At-Home Orders now apply to over 20% of the population of the

MARCH 22

Texas Gov. Abbott issued a statewide shelter-in-place order

MARCH 24

The Dow Jones Industrial Average rose 2,112.98 points to close at 20,704.91, an 11% gain, the largest one-day percentage gain since 1933.

The S&P 500 Index rose 209.93 points to 2,447.33, an increase of over 9%

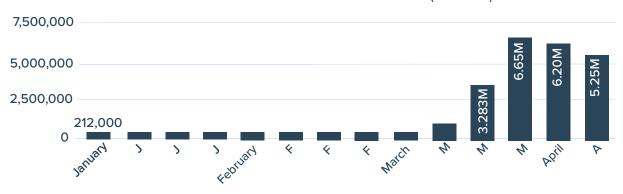
MARCH 28

267,000 Texans filed for unemployment benefits. There were over 430,000 initial claims in two weeks of March, about 4 percent of the Texas workforce.



ECONOMIC INDICATORS

INTIAL 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.



- 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.

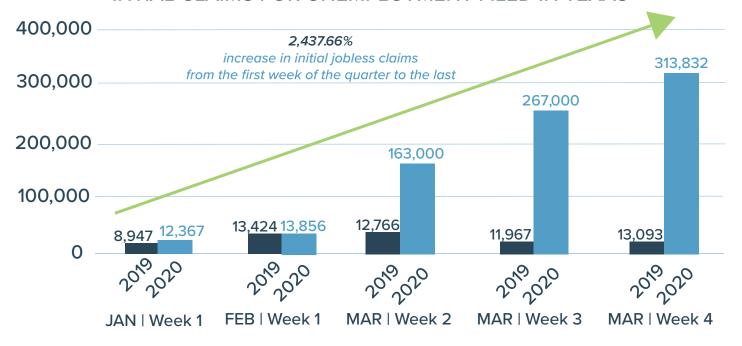
"15,000 stores to permanently close in 2020"
- Deborah Weinswig, CEO of Coresight Research, a global research firm





TEXAS EMPLOYMENT FIGURES

INTIAL 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.





RETAIL SALES

YEAR-OVER-YEAR BY CATEGORY (MARCH 2020)

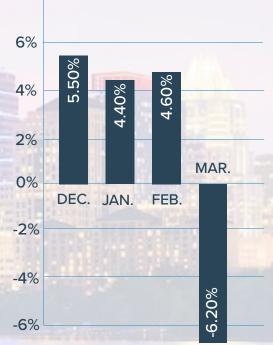


SOURCE: US CENSUS BUREAU

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.

YEAR-OVER-YEAR RETAIL SALES



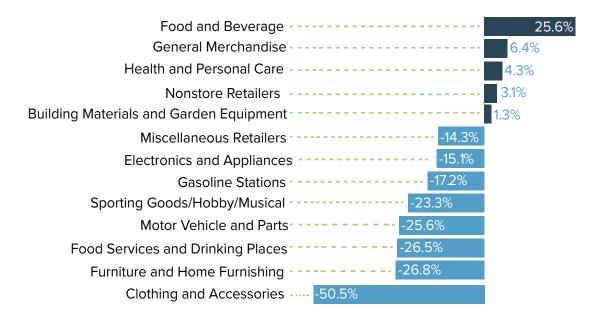
SOURCE: US CENSUS BUREAU



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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