FORESITE
INVESTMENT SALES

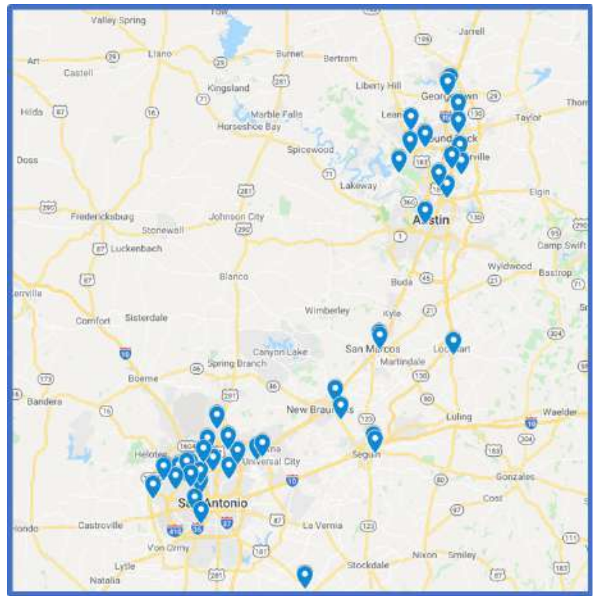
AUSTIN & SAN ANTONIO

RETAIL MARKET OVERVIEW

Prepared by Foresite Investment Sales

Q2 2020

ON THE MARKET

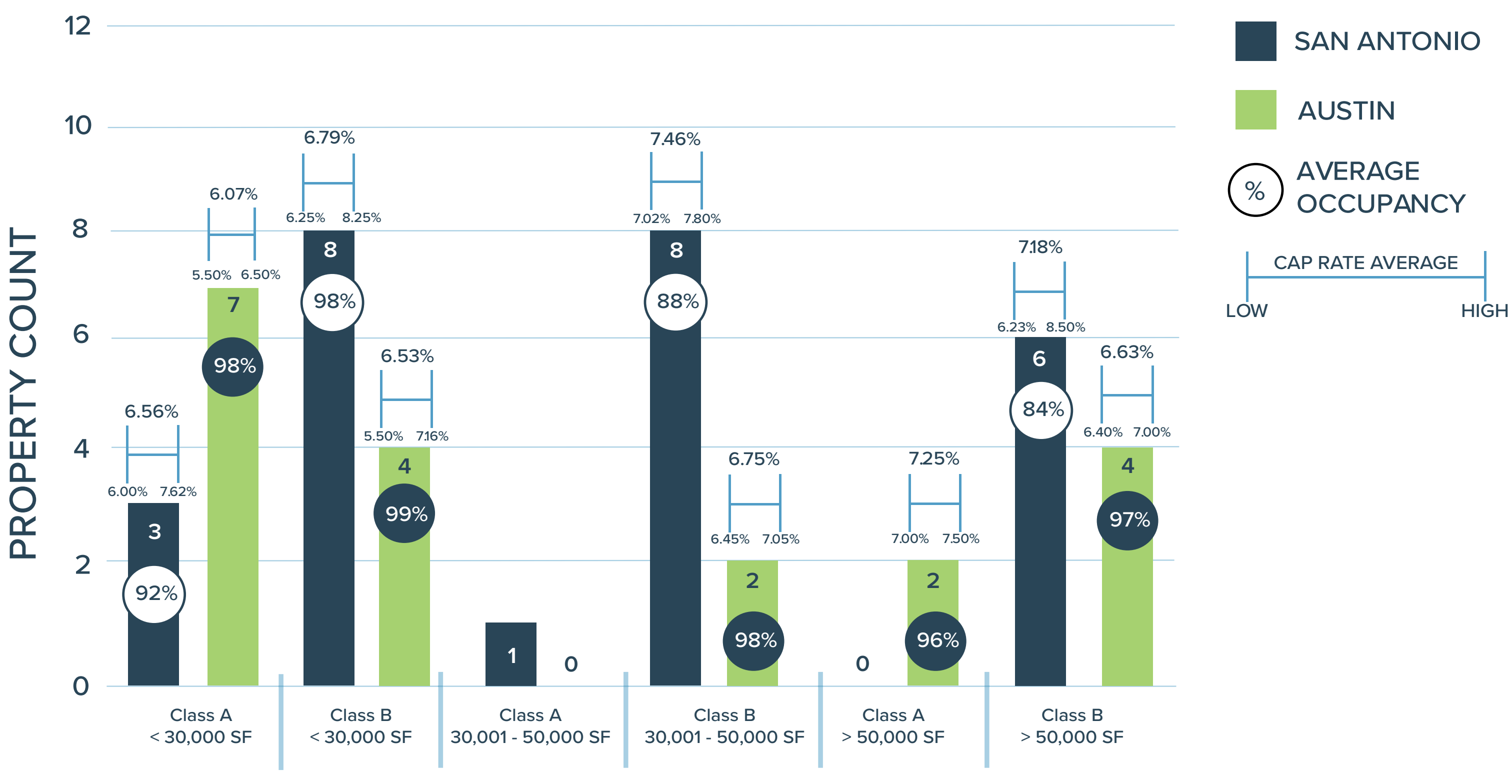


The data set displayed below consists of Class A and B retail centers that were on the market in both the San Antonio and Austin MSA's in Q2.

- Out of the **45** properties, **5** new listings came to market during the quarter, **6** went under contract, and **8** sold after an average of **231** days on the market.

- San Antonio's average asking retail cap rate is **7.02%** and Austin's is **6.67%.**

- The average spread between the highest and lowest asking cap rates for San Antonio is **165** basis points. The average spread of asking cap rates for Austin is **85** basis points.

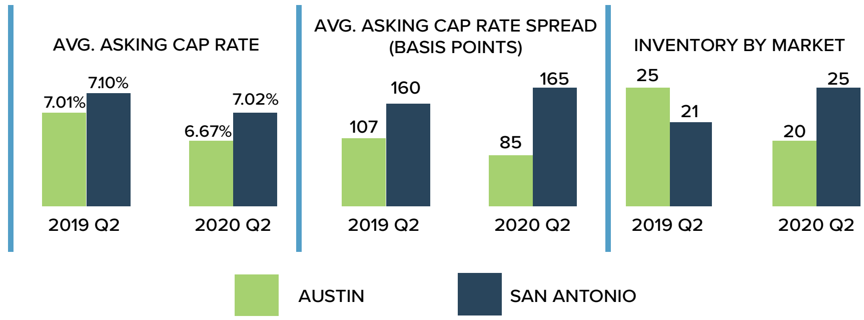


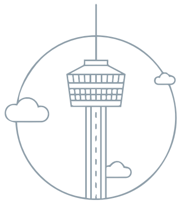
HOW TO READ THE GRAPH ABOVE:
- The graph above displays all of the Class A and B multi-tenant retail properties that were publicly listed for sale during the quarter.
- The properties are categorized by size, class, and market.
- Each bar represents how many properties there are in each size, class, category and market.
- The modified box and whisker plot above each bar shows the range and average cap rates for all the advertised properties in each category.
- Average occupancy is displayed for each set.

MARKET ACTIVITY

ON MARKET DATA - YOY
2019 Q2 / 2020 Q2

	2019 Q2	2020 Q2
CLASS A & B SHOPPING CENTERS	46	45
NEW LISTINGS	10	5
WENT UNDER CONTRACT	11	6
REDUCED PRICE	6	6
SOLD (AVG DAYS ON MARKET)	5 (142)	8 (174)





RETAIL CENTER SALES TRAILING 12 MONTHS
Sample of 50 Properties

$2.5M - $5M

	AVG CAP RATE		AVG PPSF		AVG OCCUPANCY	
	2020	2019	2020	2019	2020	2019
SAN ANTONIO	7.21%	7.05%	$216	$193	87%	81%
AUSTIN	6.95%	6.70%	$247	$306	91%	94%

$5.1 - $10M

	AVG CAP RATE		AVG PPSF		AVG OCCUPANCY	
	2020	2019	2020	2019	2020	2019
SAN ANTONIO	7.61%	7.25%	$267	$125	94%	82%
AUSTIN	7.06%	6.19%	$268	$260	83%	95%

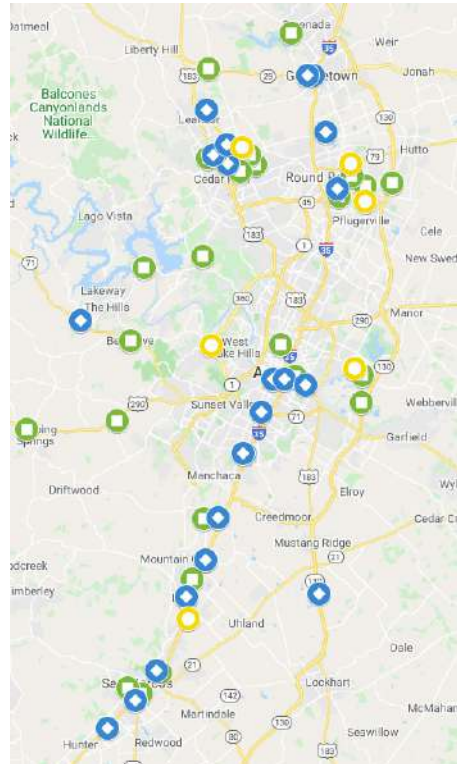
$10M +

	AVG CAP RATE		AVG PPSF		AVG OCCUPANCY	
	2020	2019	2020	2019	2020	2019
SAN ANTONIO	7.63%	6.60%	$186	$118	93%	93%
AUSTIN	7.01%	6.65%	$218	$244	96%	92%

RETAIL DEVELOPMENTS

SAN ANTONIO / NEW BRAUNFELS

AUSTIN / SAN MARCOS



Proposed Preleasing | Under Construction | Developments Delivered in Last 6 Months

LEASING ACTIVITY

Austin's retail occupancy remained around 95.8% as of mid-May, which is equal to the city's occupancy one year ago.

San Antonio's retail occupancy is 94.7%, which is **90 basis points lower** than this time last year.

The average asking rate for retail space in Austin is $21.74 per square foot. This is **down 2%** from Q2 2019 when it was $22.17.

The average asking rate for retail space in San Antonio is $16.60 per square foot, **up 12%** from 2019 Q2 when it was $14.81.

Austin has about 1.5 million square feet of retail space currently under construction. The availability rate is 49%.

San Antonio has about 1.1 million square feet under construction. The availability rate is 50%.

SOURCE: THE TEXAS A&M REAL ESTATE CENTER

COMMERCIAL CONSTRUCTION UPDATES

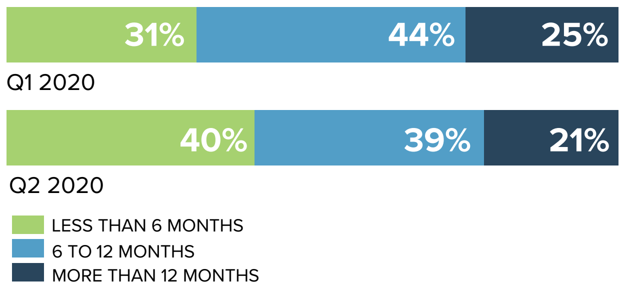
COMMERCIAL CONSTRUCTION INDEX

After conducting a survey in April, the U.S. Chamber of Commerce *Commercial Construction Index* revealed a drop in contractors' confidence and outlook for the construction industry during the COVID-19 pandemic. The index dropped 18 points from 74 in Q1 to 56 in Q2.

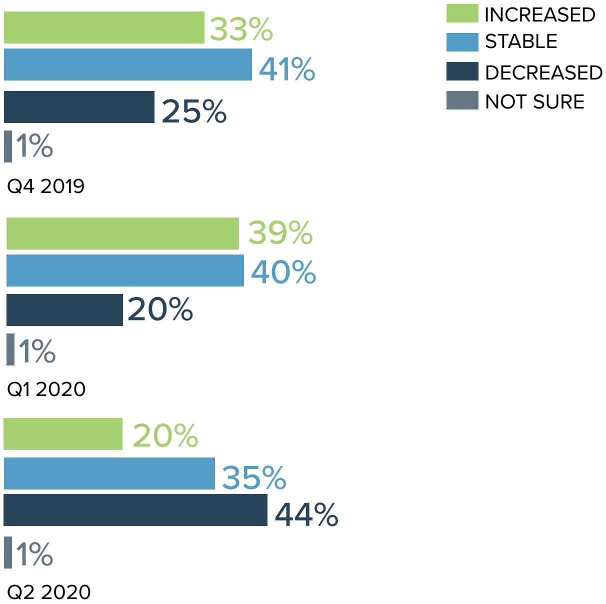
There are three main indicators: backlog, new business confidence, and revenue. Two of the three main indicators fell 26 points; confidence in new business dropped from 76 in Q1 to 50 in Q2 and contractors' revenue expectations over the next twelve months dropped from 70 in Q1 to 44 in Q2. Only 16% of the contractors surveyed express high confidence in the market's ability to provide new business opportunities in the next 12 months (down from 54% in Q1). The backlog indicator only dropped three points to 73. 60% of contractors surveyed reported they have at least six months of backlog, however, many projects have been delayed and 73% of contractors surveyed believe delays will continue into the fall.

CURRENT VS. IDEAL BACKLOG

AMOUNT OF BACKLOG REPORTED



CHANGE IN BACKLOG IN THE LAST THREE MONTHS



COVID-19

COVID-19

ECONOMIC IMPACT

JANUARY 8
The Centers for Disease Control and Prevention (CDC) issues an official Health Advisory and a level 1 travel notice

practice usual precautions

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 30
The WHO declares a *public health emergency of international concern*

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 19
The S&P 500 closes at a record high of **3386.15**.

FEBRUARY 28
Stock markets report largest single week declines since 2008 Financial Crisis

FEBRUARY 29
First confirmed COVID death in US. Gov. Inslee declares a state of emergency for Washington

MARCH 3
The Federal Reserve made an unscheduled rate cut of 50 basis points.

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 11
The WHO declares COVID-19 to be a pandemic

MARCH 13
President Trump declares a National Emergency

MARCH 15
The Fed announced it would drop interest rates to zero and buy at least $700 billion in government and mortgage related bonds.

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 17
"**14,500** store locations temporarily closed, about 5% of retail square footage in the US" Neil Saunders, managing director of GlobalData Retail.

MARCH 18
San Antonio retail temporary closes

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

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 20
Tax Day moves from April 15 to July 15

Stay-At-Home Orders now apply to over 20% of the population of the United States

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 22
Texas Gov. Abbott issued a statewide shelter-in-place order

MARCH 23
The Federal Reserve Announces New Measures to Support Economy

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 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 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.

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)

COVID-19 (CONT.)

APRIL 2
Second Historic Rise in Initial Unemployement Claims
For the week ending March 28, initial unemployment claims rose to over 6.6 million, double the previous week's number.

APRIL 3
The Small Business Administration announced the Paycheck Protection Program.

APRIL 9
The Federal Reserve announced actions to provide up to $2.3 trillion in loans to support the economy.

APRIL 15
The Small Business Administration announced in a statement that it had run out of money for the Paycheck Protection Program

APRIL 16
5 million more Americans filed for initial unemployment claims in the week ending April 11

APRIL 23
New jobless claims numbers show another 4.4 million Americans filed claims in the week ending April 18

APRIL 24
Paycheck Protection Program and Health Care Enhancement Act is signed into law. The Act increases amounts appropriated for the PPP and provides additional economic injury disaster loans to fund health care provides and testing.

APRIL 27
Texas Gov. Greg Abbott announced that the state's stay-at-home order will expire on April 30. Retail establishments were also given the green light to resume business on May 1, including restaurants, shopping malls and movie theaters.

APRIL 28
The total number of coronavirus cases in the U.S. reached 1 million, and the nationwide death toll rose to 57,071.

APRIL 28
President Trump invoked the Defense Production Act to order meat and poultry processors to continue operating.

APRIL 29
The Federal Reserve pledged to leave rates unchanged until the economy is back on track

APRIL 29
An advanced estimate released by the Bureau of Economic Analysis showed that Real GDP decreased 4.8% in the first quarter of 2020.

APRIL 30
3.8 million workers in the U.S. filed for first-time employment benefits last week, bringing the national jobless total to 30.3 million in the six weeks since the virus' outbreak.

MAY 1
Texas economy to start reopening in phases. Retail stores, restaurants, theaters, and malls may reopen at a limited capacity of 25%. Restaurants may begin dine-in service, but parties must be seated at least six feet apart.

MAY 1
Employees of Target, Whole Foods, Amazon, Instacart, FedEx and Walmart staged "sickout" protests over coronavirus safety.

MAY 7
Around 3 million more workers filed for unemployment benefits for the first time for the week ending April 30.

MAY 8
A monthly employment report released by the Department of Labor showed that the U.S. economy lost 20.5 million jobs in April, and the unemployment rate reached 14.7 percent.

MAY 18
Texas plans a second phase for reopening, allowing businesses to operate at 50% capacity.

MAY 24
This week, the total number of flights topped 100,000 for the first time since March 22.

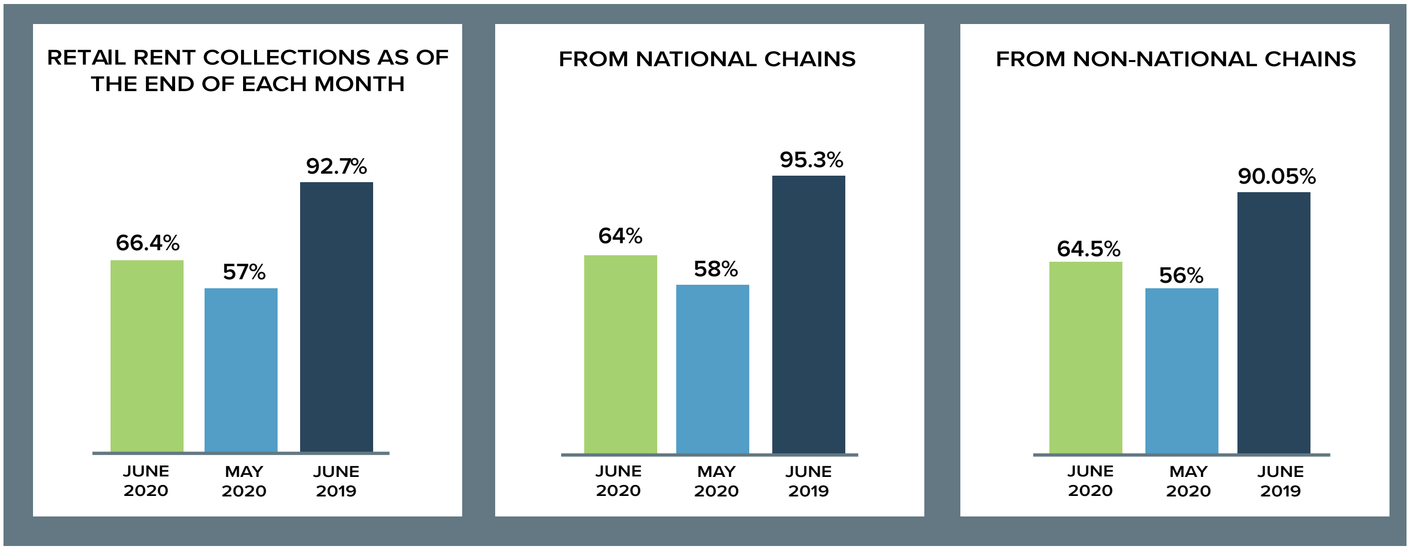
MAY 30
The U.S. Unemployment Rate fell to 13.3% in May from 14.7% in April. 2.5 million jobs were added in May.

JUNE 12
Texas restaurants may open to 75% occupancy.

JUNE 19
May Retail Sales were released, showing a 17.7% month-over-month increase from April to May.

JUNE 25
Gov. Abbott announced the rollback of Texas' reopening plans. Restaurants must limit occupancy at 50% and bars will have to close by noon on June 26.

RENT COLLECTIONS



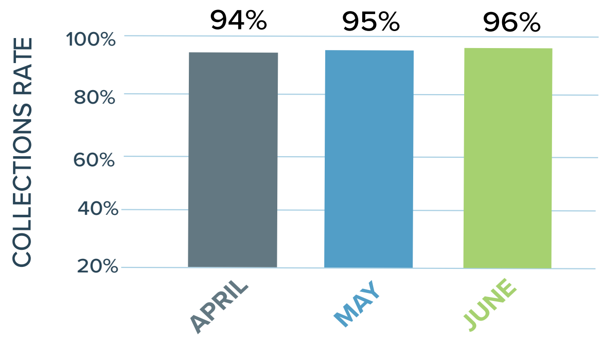
NOTE: NATIONAL CHAINS ARE THOSE WITH MINIMUM GROSS MONTHLY RENT OF $250,000 OR THAT LEASE 10 OR MORE LOCATIONS

SOURCE: DATEX PROPERTY SOLUTIONS

According to Datex Property Solutions, shopping center owners collected 66.4% of the rent owed in June. Big-box operators, movie theaters, gyms, and mall retailers were the most likely tenants to not pay.

Coresight Research predicts that 20,000 to 25,000 US stores will permanently close this year. So far in 2020, more than 4,000 retail stores have closed. The researchers believe 55% to 60% of the stores that permanently close will be located in a mall. Coresight increased their initial prediction in March of 15,000 stores.
9,300 retail locations were closed in 2019, which was up over 50% from the total closures in 2018 (5,844). 8,069 closed in 2017.

FORESITE PROPERTY MANAGEMENT RENT COLLECTIONS



Note: 5 percent of the tenants negotiated rent deferment with landlords during the second quarter. The figures above show the rent collected after the lease amendments.

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/

RENT COLLECTIONS (CONT.)

A NOTE FROM OUR PROPERTY MANAGEMENT TEAM

BETHANY BABCOCK, MBA
MANAGING BROKER

We are fortunate to have one of the most experienced commercial property management teams in Texas. However, March was unprecedented for even our most senior staff. As our tenants were ordered to close their doors, our phones began ringing and did not stop for weeks straight. The team was thrust into acting as a mediator of sorts between lenders, tenants, owners, vendors and more in order to create short term solutions and workarounds.

Within just a few days, it was clear that the market would be divided into a few distinct categories: local tenants vs. national tenants and local banks vs. national banks. It is my opinion that those categories will become more prominent and featured in our market moving forward from the crisis.

The properties with local tenants and local banks were nimble and adjusted to the rapidly changing information. Our team was able to quickly communicate with stakeholders and propose solutions that kept the properties moving. With those properties, we were able to make decisions a week at a time based on the circumstances.

Conversely, the properties with national tenants and national banks did not fare as well. National tenants sent form letters demanding, not requesting, relief with no solidarity or transparency. A few had even seen increased sales and took an opportunistic approach to improving their bottom line. Larger banks and servicers created challenging steps for landlords and tenants to seek relief. These steps proved burdensome for overworked and tired tenants who were already drowning in new regulations and short staffed day-to-day operations. The PPP program provided an essential lifeline for many of our smaller tenants and, once again, the local banks stepped up to protect smaller businesses.

Industry wide, retail landlords reported rent collections between 50-60% during the shutdown. Our most challenging month was April, with about 70% of rents received (which eventually increased to 90% as tenants caught up in the following months). While I never pictured a time we would celebrate such a figure, it was relatively good news for our clients. By May, we had achieved rent collection levels equal to those prior to the shutdown. Our team did a good job in crisis management, but the real credit goes to our tenants. We are fortunate that the majority of our tenants and lenders were local or regional.

The crisis is far from over and we continue to learn and evolve, but it is clear that small businesses and small banks are emerging as the heroes of this crisis. They have been the first to be impacted and, if I had to guess, they will be the first to recover as they continue to reinvent themselves.

TENANT SPOTLIGHT

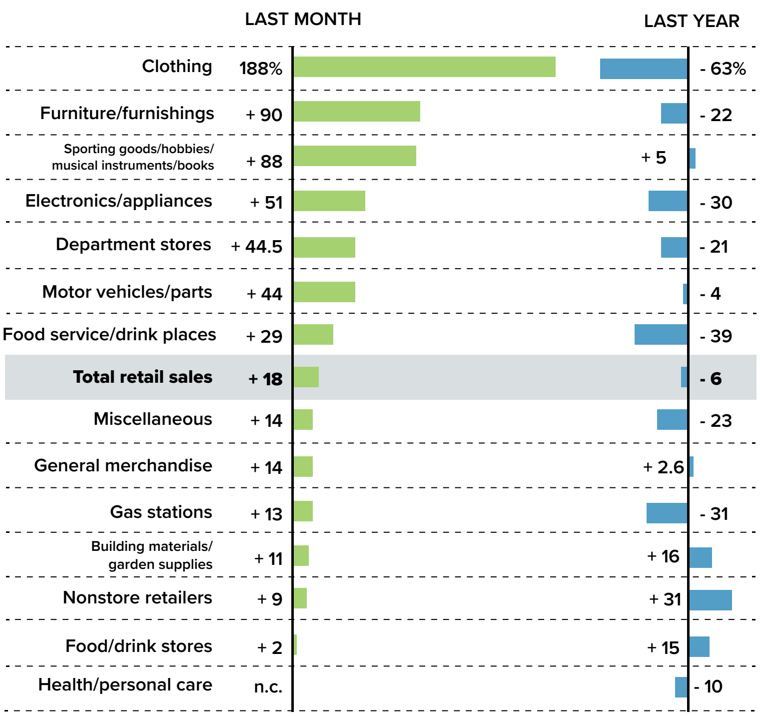
EVO ENTERTAINMENT

Over the course of the pandemic, stellar operators within the retail sector have been able to lessen adverse affects on their businesses by deploying a variety of entreprenuerial strategies. One of these tenants is EVO Entertainment.

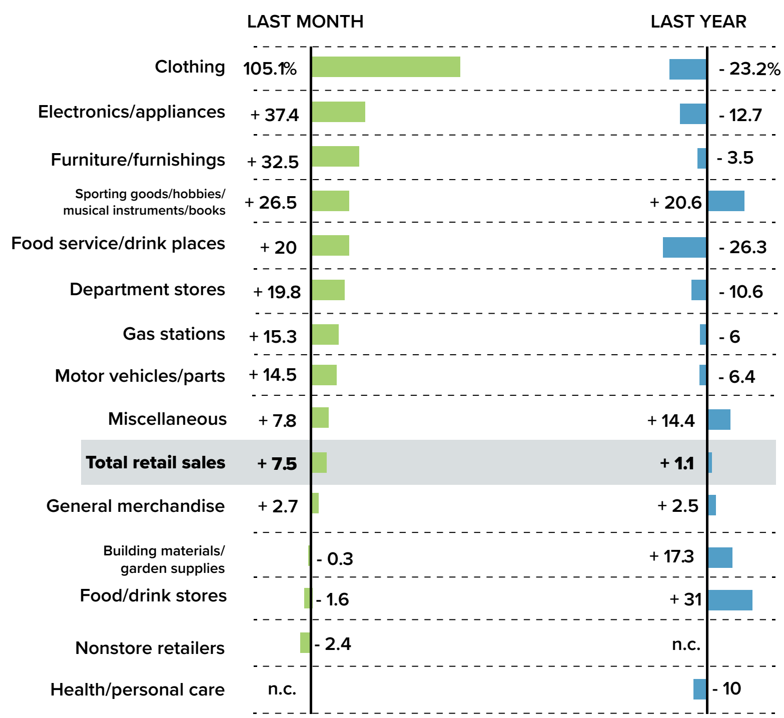
This group, led by CEO Mitch Roberts, converted movie theatre parking lots into drive-in movie theatres, hosted local graduation ceremonies, and rolled out a four-step relaunch plan in response to the COVID-19 pandemic. “Our current climate has challenged us to adapt and develop innovative ways to continue to provide entertainment to our communities,” EVO Entertainment Group CEO Mitch Roberts said in a statement. Like other opportunistic operators, EVO Entertainment was able to quickly pivot during the shutdown, helping to save jobs and boost the local economy.

RETAIL SALES

CHANGE IN MAY RETAIL SALES FROM:



CHANGE IN JUNE RETAIL SALES FROM:



SOURCE: COMMERCE DEPARTMENT | BY THE NEW YORK TIMES

U.S. retail and food services sales rose 17.7 percent in May, following a record decline of 14.7 percent in April. This is the highest month-to-month increase on record and reflected the opening economy. At the beginning of the second quarter, there was an estimated 54.8% square feet of retail space closed across the United States. All 50 states had begun reopening by the end of April.

Jerome Powell, chair of the Federal Reserve, explained that even though we saw a partial rebound in May, "levels of output and employment remain far below their pre-pandemic levels, and significant uncertainty remains about the timing and strength of the recovery. Until the public is confident that the disease is contained, a full recovery is unlikely. The longer the downturn lasts, the greater the potential for longer-term damage from permanent job loss and business closures."

May's spike came after retail sales fell by a record 14.7% in April and 8.2% in March. While the sharp increase in sales shows a strong consumer demand, the 17.7% increase was 6.1% below May 2019 retail sales. U.S. retail and food services sales rose 7.5 percent in June and 1.1% higher than they were in June 2019.

"While [the June Retail Sales] report gives the illusion of a fearless consumer spending lavishly, the reality is more sobering: consumers are increasingly fearful amid new spikes in COVID-19 cases and a looming fiscal cliff," said Lydia Boussour, senior U.S. economist at Oxford Economics.

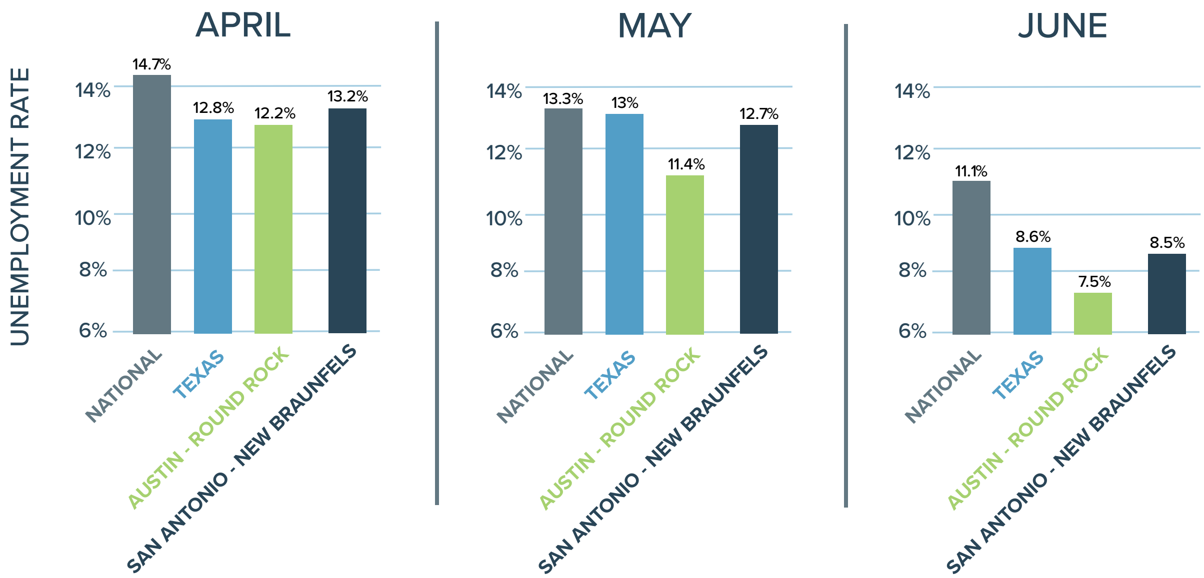
Economic recovery is being obstructed as the number of new COVID-19 cases continues to increase across the nation. The country set a new daily record of reported cases on June 26, surpassing the previous worst day in April. Several states have walked back their reopening plans by reclosing stores, restaurants and bars.

Total sales for the April 2020 through June 2020 period were down 8.1% from the same period a year ago.

EMPLOYMENT INFORMATION: LABOR FORCE

According to The Texas Workforce Commission, the Texas economy added 291,000 private sector positions during the month of May. In May, Texas saw a decrease in the state unemployment rate to 13%, national is 13.3%. 176,400 of the jobs were added by the Leisure and Hospitality sector. Education and Health Services added 51,900. Trade, Transportation, and Utilities added 20,700.

UNEMPLOYMENT RATE

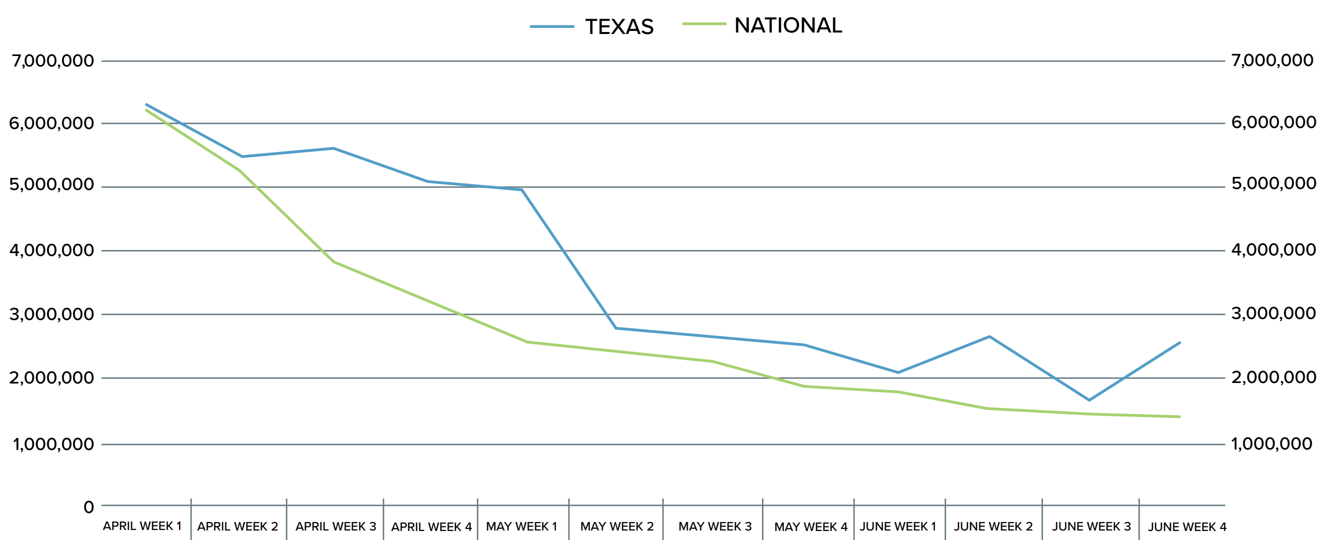


According to Bureau of Labor Statistics, the number of unemployed persons fell by 3.2 million to 17.8 million in June. However, there are still 12 million more unemployed Americans than there were in February.

Initial unemployment claims in Texas climbed as the number of COVID-19 cases continue to increase.

In the U.S., initial unemployment claims over the quarter reached nearly 50 million, but weekly numbers are declining.

INITIAL UNEMPLOYMENT CLAIMS FOR UNEMPLOYMENT BENEFITS (BY WEEK)



KEY INDICATORS

JUNE 2019 RATES

INDEX RATES

5-Year Treasury............................1.73%
10-Year Treasury...........................2.15%
1-Month LIBOR..............................2.40%
10-Year Swap...............................2.17%

JUNE 2020 RATES

INDEX RATES

5-Year Treasury............................0.29%
10-Year Treasury...........................0.64%
1-Month LIBOR..............................0.19%
10-Year Swap...............................0.62%

Commercial - Life Companies

TERM	AMORTIZATION	LTV	SPREAD	RATE
5-YEAR	25-30	65% - 75%	310 - 360	3.54% - 4.04%
10-YEAR	25-30	50% - 65%	285 - 335	3.52% - 4.02%
10-YEAR	25-30	65% - 75%	285 - 335	3.52% - 4.02%
15-YEAR	15-25	65% - 75%	280 - 330	3.53% - 4.03%
LONGER	FULLY AMORTIZING	65% - 75%	270 - 320	3.52% - 4.02%

Commercial - CMBS

TERM	AMORTIZATION	LTV	SPREAD	RATE
5-YEAR	30	65% - 75%	365 - 415	4.09% - 4.59%
10-YEAR	30	65% - 75%	340 - 390	4.07% - 4.57%

SOURCE: NORTHMARQ

CMBS LOANS

In June, over 100 members of the House of Representatives drafted a letter to the Federal Reserve asking for their support in the CMBS market. The politicians stated their concern that “CMBS borrowers could face a historic wave of foreclosures starting this fall, impacting local communities and destroying jobs for Americans across the country.” The Representatives were asking for support for smaller banks that have a higher exposure to commercial real estate loans than larger institutions since becoming more active post-financial crisis. Many CMBS borrowers have been unable to negotiate debt relief and may lose their properties to foreclosure. Trepp LLC stated that delinquencies had more than tripled in May (10.1%) when compared to April (3.6%) and the delinquency rate for retail loans is up to 18.11% in June, nearly five times higher than the start of the second quarter.

Going forward, capital for retail CMBS loans is going to be limited. “The higher-quality transactions with great tenants are going to get done, albeit at lower leverage and tighter loan structures,” says Jay Wardlaw, Regions Bank Capital Markets managing director. Manus Clancy, senior managing director of applied data, research and pricing for Trepp says only “rock solid deals are getting done.”

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 where he facilitated multiple retail shopping center transactions. He graduated from Texas Tech University in 2012 with a Bachelor's degree in Business Administration. Garrett continues to focus on representing sellers of retail centers throughout the state of Texas.

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Alexandria Tatem

Head of Research

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.

210.816.2734 / ATATEM@FORESITECRE.COM

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.