OCTOBER 2026

ISSUE 22

CRE marketwire

INTEL FROM THE SAN ANTONIO & AUSTIN
RETAIL COMMERCIAL REAL ESTATE MARKETS



Interest Rates and Retail CRE

How Five Years of Rate Changes Influenced Retail Cap Rates and Market Activity pg. 9

Alamo Ranch Parkway Freeway

How a $134 Million Infrastructure Project Could Shape West Side Retail Growth pg. 13

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Foresite Commercial Real Estate
Investment Sales | Leasing |
Property Management

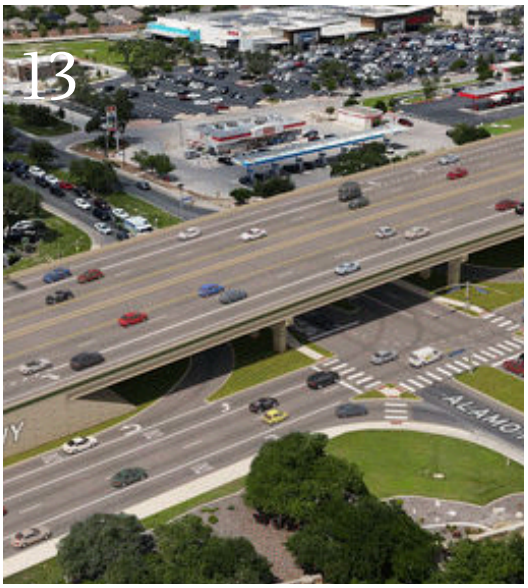
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Does the refinancing wall affect central strip centers?

This report contains real data and analytics on the San Antonio and Austin commercial real estate markets covering all metrics of shopping centers and retail buildings, including retail occupancy and cap rates. Sourced from our proprietary extensive research efforts in aggregating hundreds of data points, interviewing active investors and property owners, and adding insights from experts in the segment, this is a comprehensive look at the current condition of the local retail commercial real estate market.

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FORESITE
COMMERCIAL REAL ESTATE

Letter from the editor

ACTIVITY COOLS, BUT LEASING MOMENTUM RETURNS

The San Antonio and Austin retail markets continue to demonstrate strong fundamentals, supported by high occupancy and ongoing expansion from established tenants. Tenants took a more cautious approach to decision making during the first half of the year. However, leasing activity began to gain momentum in the third quarter, with leases progressing toward signature and businesses planning additional locations for openings early next year.

While transaction velocity has slowed, there is still a significant number of new listings coming to the market. They are being priced at about 30 basis points higher than this time last year. Sellers are competing for a smaller pool of active buyers, contributing to a gradual increase in asking cap rates. However, pricing has yet to fully adjust to current financing costs and buyer return expectations. San Antonio pricing for new listings had a small increase in cap rates, while Austin experienced a sharper decline in new listings alongside rising cap rates. Buyers continue to account for fluctuating lending rates of 6.50% to 7.50% or higher when evaluating investment opportunities.

Construction of new developments has increased slightly, with several new retail projects pre-leasing and delivering in Central Texas. Construction costs have increased 4.6% year over year. Labor demand remains strong, with construction recording the second-highest industrial employment growth in Texas.

Alex Tatem is the Head of Research for Foresite Commercial Real Estate and is also an active investment sales agent.

Texas employment grew 1.3% year over year compared with 0.2% nationally, with unemployment at 3.8% in Austin and 4.3% in San Antonio. Job gains were concentrated in health care, construction and manufacturing.

The Consumer Price Index (CPI) rose 3.7% year over year in September, keeping inflation elevated and influencing the Federal Reserve's interest rate decisions. Meanwhile, U.S. retail sales increased for the 12th consecutive month, rising 6.3% year over year and reflecting continued consumer spending. Respondents to the Consumer Sentiment Survey reported that high prices and borrowing costs continued to make consumers more hesitant to make major purchases.

Sellers are facing a higher-rate environment, but Central Texas retail fundamentals remain intact. Strong local employment, rising San Antonio rents, and experienced operators still expanding keep demand for well-located space healthy, even as investment sales activity slows.



FORESITE
INVESTMENT SALES

CURRENT ISSUE'S

KEY POINTS

ON THE MARKET

- 63 class A & B multi-tenant retail properties were publicly marketed during the third quarter of 2026.
- Sixteen new listings came to market during the quarter. Four properties went under contract. Seven reduced their price. Two properties sold in San Antonio and Austin markets combined.
- San Antonio's average asking cap rate for all multi-tenant retail was 6.83%.
- The average listing cap rate for all product sizes in Austin is 6.32%.
- Third quarter activity continued to cool from the pace set earlier in the year, with fewer new listings coming to market across both San Antonio and Austin. San Antonio retail investment sales held steady on pricing and volume, while Austin saw a sharper pullback in listings paired with rising cap rates.

LEASING AND VACANCY

- Leasing activity continued to slow in the first half of the year but started to pick back up in the third quarter. Although tenants are still cautious and slower to make decisions, leases are moving forward for signature and businesses are planning additional locations, with the goal to be open by the beginning of next year.
- Austin retail rents are stabilizing this year around $30 per square foot after post-covid volatility.
- San Antonio's starting retail rents increased to mid-to-high $20's psf, a notable increase from last year's average of $22.50 psf.
- Tenant expansion is driven by experienced operators opening additional locations.

LABOR MARKET

- The Texas labor market continues to outperform the national average, with employment increasing 1.3% year over year, compared with just 0.2% nationally.
- Austin's unemployment rate is 3.8%. San Antonio's is 4.3%.
- U.S. employment increased by 29,000 jobs in September, following August's gain of 162,000 jobs, which exceeded expectations.
- Construction employment growth remains strong on a year over year basis.

RETAIL SALES

- U.S. retail sales rose for the 12th straight month in September 2026, driven by a solid back-to-school shopping season and steady consumer spending on essentials.
- Total sales for the third quarter were up 5.5 percent from the same period a year ago.
- Value-focused retailers are leading U.S. store expansions in 2026 as consumers prioritize affordability amid persistent inflation and economic uncertainty.

KEY INDICATORS

- The Consumer Price Index (CPI) rose by 3.4% year-over-year in August.
- University of Michigan index of consumer sentiment reported that high prices and borrowing costs continued to make consumers more hesitant to make major purchases.
- Federal Reserve raised its benchmark interest rate by a quarter point to a target range of 3.75% to 4.00% in September, marking its first rate hike since July 2023.

On The Market

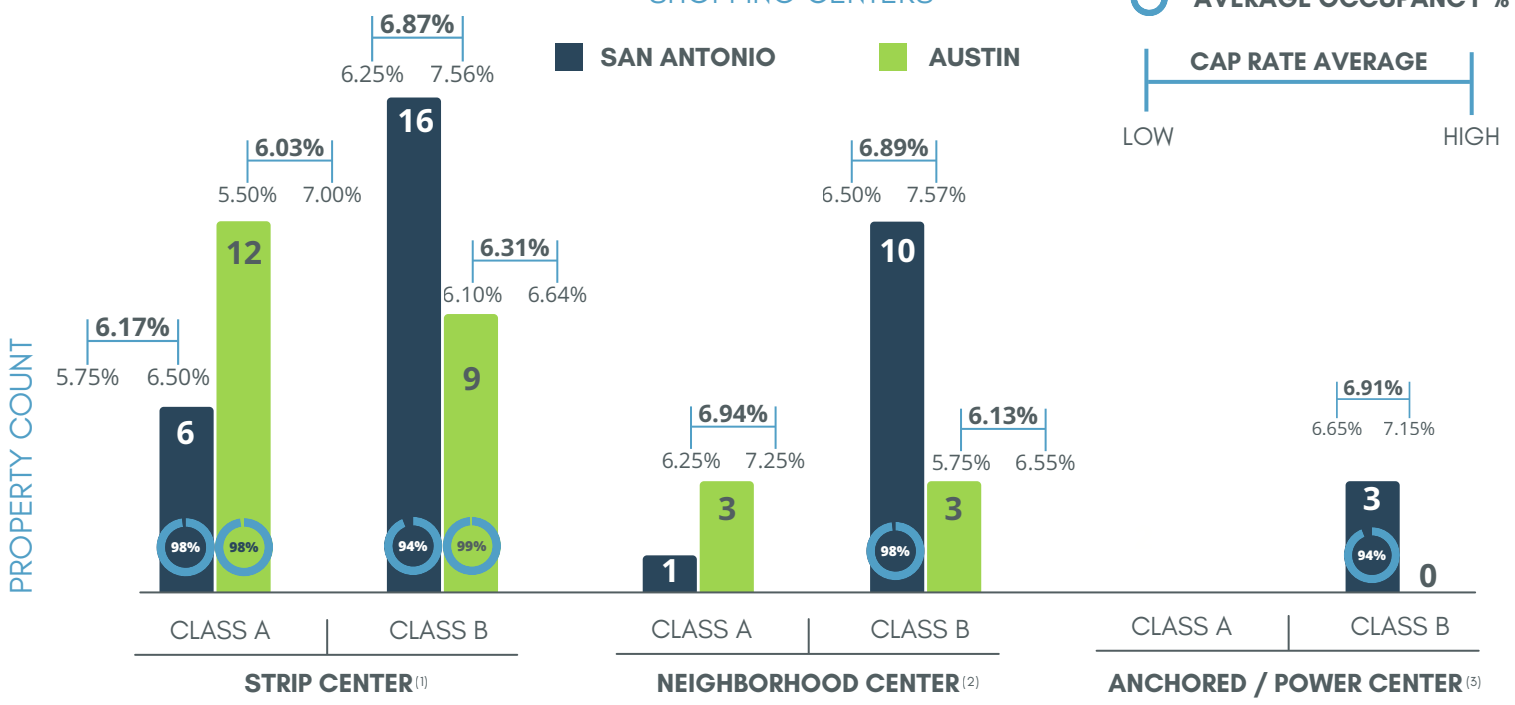
Map shows properties available for sale during the third quarter of 2026



- The dataset below consists of **Class A and B** retail centers that were **publicly listed** on the market during the **third quarter of 2026**.
- Out of the 63 properties, **16 new listings** came to market during the quarter, 4 went under contract, 7 reduced their list price, and 8 sold.
- **San Antonio's** average multi-tenant retail asking cap rate for all product sizes **is 6.83%.** The average asking cap rate for all product sizes in **Austin is 6.32%.**
- Third quarter activity continued to cool from the pace set earlier in the year, with fewer new listings coming to market across both San Antonio and Austin. San Antonio retail investment sales held steady on pricing and volume, while Austin saw a sharper pullback in listings paired with rising cap rates.

PUBLICLY MARKETED

SHOPPING CENTERS



CLASSIFICATION METHOD

(1) Unanchored retail, generally under 25,000 square feet oriented in a straight line
(2) Unanchored retail, generally under 75,000 square feet with a mixture of local and regional tenants
(3) Over 75,000 square feet, anchored with a national tenant, may include inline retail or big box stores only

Source: Foresite Research Services



AVERAGE ASKING CAP RATE & FED RATE ACTIONS

SAN ANTONIO & AUSTIN MULTI-TENANT RETAIL . Q3 2019 - Q3 2026

Cap Rates: Five Years in Context

Fed Policy and Retail Cap Rates

The Fed Funds rate doesn't move cap rates directly. It influences banks' cost of capital first, and lending pricing follows with a lag. Five years of data across San Antonio and Austin's retail market make that mechanism visible, and the timing is instructive.

Record low interest rates for borrowers and strong buyer demand drove cap rates lower through the Q3 2022 floor, well before the Fed's rate hikes had fully worked through the market. San Antonio compressed from a 7.12% peak in Q2 2021 to 6.03%, while Austin moved from 6.52% to 5.72%. The Fed did not begin raising rates until March 2022, meaning the market had already begun pricing in a higher cost of capital before the first hike.

What followed was a standoff between buyers and sellers. Eleven rate hikes between March 2022 and July 2023 took the Fed Funds rate from near zero to above 5%, but asking cap rates barely moved. Sellers were reluctant to reset pricing to reflect the new interest rate environment, while buyers were underwriting to a materially higher cost of capital.

The disagreement showed up more clearly in transaction volume than in pricing, with the number of listings falling as fewer owners tested a market that was increasingly difficult to clear at their expectations.

The first rate cut in Q3 2024 coincided with a meaningful increase in market activity. Combined listing counts rebounded from 74 to 87 per quarter, reaching multi-year highs before easing somewhat into 2026 as some of the accumulated supply worked through the market. Asking cap rates, however, have remained relatively stable. San Antonio is now at 6.76%, while Austin is at 6.24%, keeping both markets within a relatively narrow range compared with the volatility in interest rates.

Austin's behavior through the cycle is particularly notable. Cap rates remained below 6% for roughly two years despite financing costs moving significantly higher.

The pattern holds across the full cycle: rate decisions show up in transaction volume before they show up in price. That makes listing activity, not the headline cap rate, the leading indicator worth watching next.

Source: Foresite Research Services

Current Trends

The average asking cap rate for Class A shopping centers in San Antonio is 6.39%. The average for Class B is 6.97%. Cap rates in San Antonio have compressed from 6.56% and 7.13% one year ago, respectively.

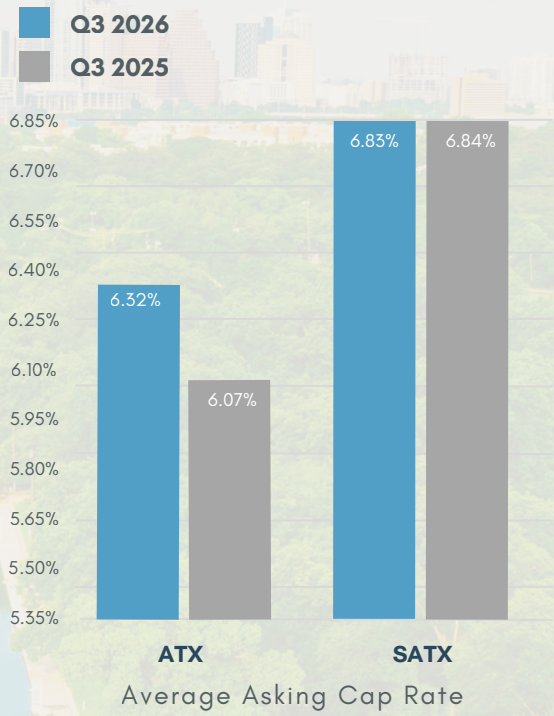
The average asking cap rate for Class A shopping centers in Austin is 6.24%. The average for Class B is 6.48%. Cap rates are up from in Austin from 5.99% and 6.22% one year ago, respectively.

	SATX	ATX
# of Listings	49	25
Avg Cap Rate Class A	6.57%	6.02%
Avg Cap Rate Class B	6.93%	6.02%
Average Occupancy	96.09%	98.64%

CHANGES TO LISTED PROPERTIES

	Q3 2025	Q3 2026
Class A & B Centers	74	63
New Listings	19	16
Went Under Contract	9	4
Reduced Price	6	7
Sold	15	8

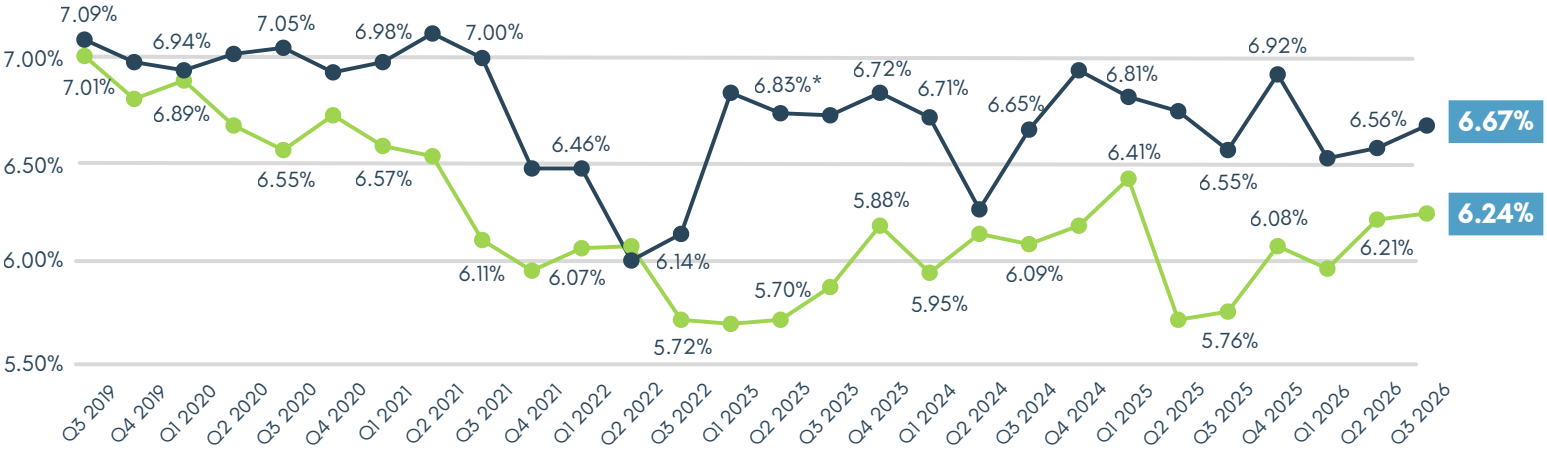
*San Antonio & Austin Markets Combined



Average Asking Cap Rate

AVERAGE STARTING ASKING PRICE

AVERAGE ASKING CAP RATE FOR NEW LISTINGS



Source: Foresite Research Services

*Q1 2023 San Antonio unadjusted asking cap rate was 7.12%. Data was adjusted to remove several power centers that came to the market at the same time.



Retail Pricing

RETAIL CENTER SALES TRAILING 12 MONTHS (2025 Q4 TO 2026 Q3)*

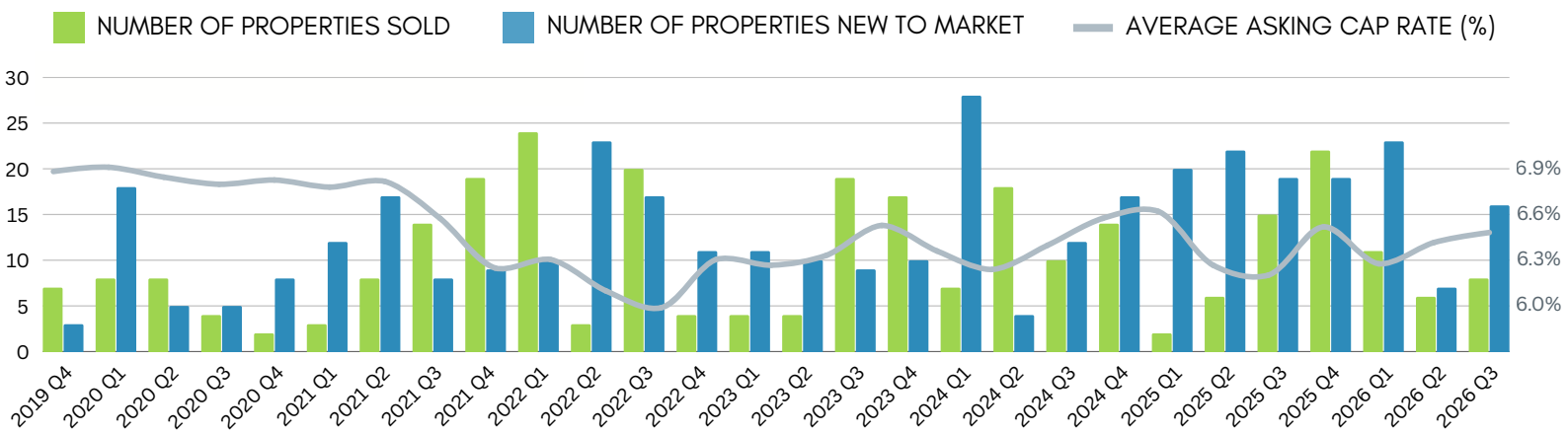
UNDER $5M	AVERAGE CAP RATE		AVERAGE PPSF		AVERAGE OCCUPANCY	
	2026	2025	2026	2025	2026	2025
SAN ANTONIO	7.21%	7.17%	$284	$279	97%	97%
AUSTIN	6.47%	6.39%	$379	$344	98%	90%

OVER $5M	AVERAGE CAP RATE		AVERAGE PPSF		AVERAGE OCCUPANCY	
	2026	2025	2026	2025	2026	2025
SAN ANTONIO	6.94%	6.89%	$342	$322	97%	93%
AUSTIN	6.73%	6.67%	$398	$365	99%	92%

*Sample of 50 Properties.

Source: Foresite Research Services

COMBINED SAN ANTONIO AND AUSTIN - NEWLY LISTED AND SOLD



Transaction velocity peaked at the end of 2025 following a year of pent-up demand. Since then, transaction velocity has cooled through 2026 to low levels last seen in early 2025. Average asking cap rates on new listings moved to 6.46%, up 7 bps from Q2 and 30 bps year over year, as sellers continue to reprice toward where debt costs and buyer yield requirements sit. Occupancy remained strong across the board, signaling that the pullback in transaction volume is a capital markets story rather than a fundamentals one.

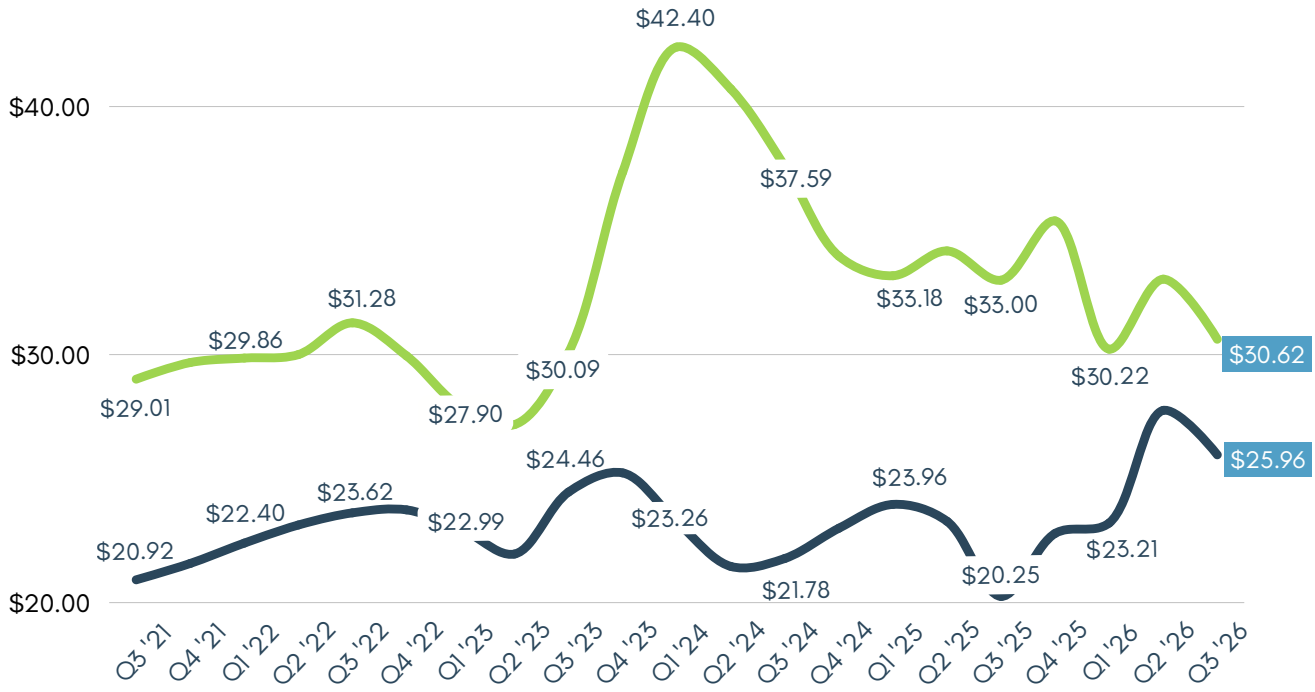
The gap between new listings and closed sales has widened notably in 2026, with new supply continuing to enter the market while absorption has slowed. This suggests that sellers are increasingly competing for a smaller pool of active buyers, creating more room for buyers to negotiate on pricing and terms. The gradual rise in asking cap rates reflects this adjustment, but pricing has yet to fully align with current financing costs and buyer return expectations.

Source: Foresite Research Services

Leasing Activity

Tenant expansion is driven by experienced operators opening additional locations

STARTING RENT TRENDS

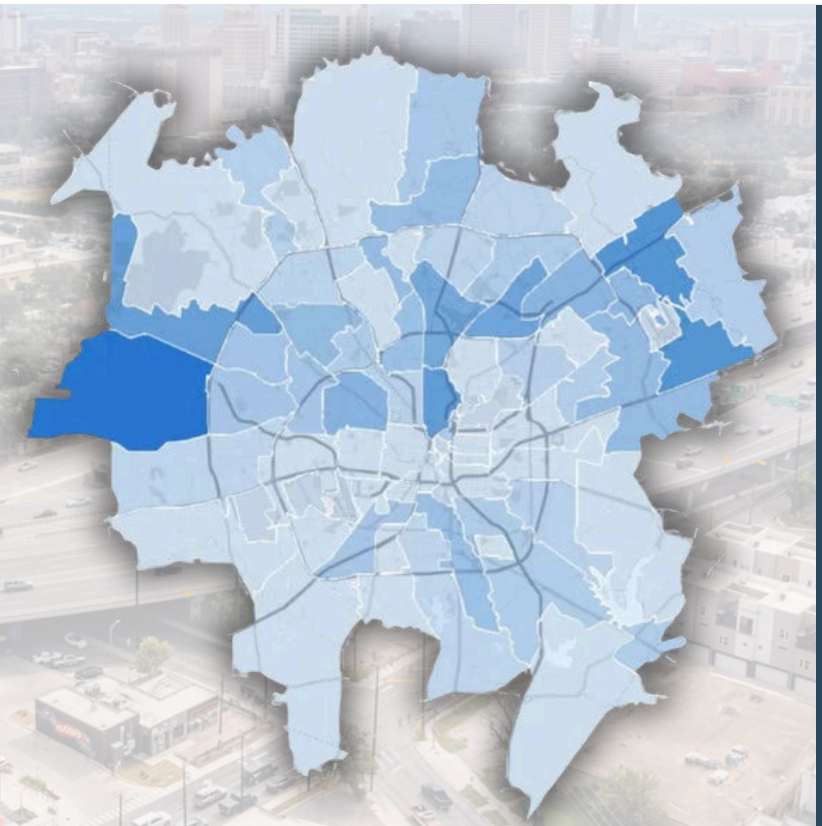


$30.62
AUSTIN

$25.96
SAN ANTONIO

Source: Compstak
3 month moving average includes reported concessions

San Antonio MSA - Tenant Inquiries



Darker areas indicate higher leasing inquiries based on inbound calls to Foresite for the year of 2026.

ABSORPTION

San Antonio's starting retail rents increased to $25.96 per square foot, a notable increase from last year's average of $22.50 psf.

Austin's starting retail rents are stabilizing this year around $30 per square foot after post-covid volatility.

Leasing activity continued to slow in the first half of the year but started to pick back up in the third quarter. Although tenants are still cautious and slower to make decisions, leases are moving forward for signature and businesses are planning additional locations, with the goal to be open by the beginning of next year.

New Developments

Texas Commercial Construction Cost Overview

Construction costs continue to rise, with the Historical Cost Index (HCI) increasing 1.58% quarter over quarter and 4.59% year over year. Materials led the quarterly increase at 1.62%, compared with 1.51% for installation. Labor demand remains strong, with construction recording the second-highest industrial employment growth in Texas in May 2026, behind only mining and logging.

Over the past decade, material costs have risen 65.46%, nearly double the 34.40% increase in installation costs. San Antonio followed a similar trend, with its total index increasing 1.43% for the quarter and 4.39% year over year. Locally, material costs rose 4.95% annually, compared with 3.13% for installation.

The following sections examine national HCI trends and San Antonio's construction cost indices.

Source: Gordian Quarterly Construction Costs Insights Report

NATIONAL DATA

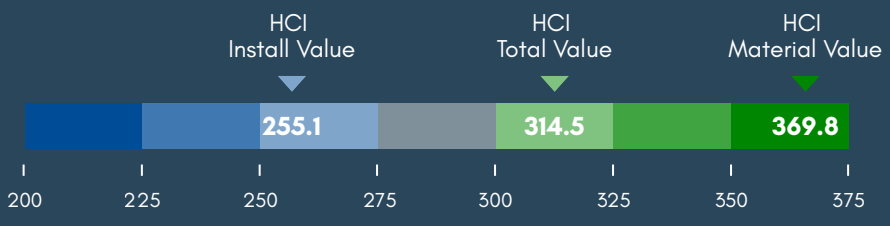
Historical Cost Index

HCI AND HCI 10-YEAR DATA

CONSTRUCTION COST CHANGES BY CATEGORY

TIME PERIOD	HCI TOTAL VALUE	HCI MATERIAL VALUE	HCI INSTALL VALUE
Quarter over quarter	+1.58%	+1.62%	+1.51%
Year over year	+4.59%	+4.49%	+4.72%
5 year total difference	+22.18%	+25.36	+17.61%
10 year total difference	55.71%	65.46%	34.40%

NATIONAL HCI INDEX VALUES



LOCAL DATA

San Antonio Construction Costs

1.58%
QUARTER OVER QUARTER CONSTRUCTION PRICE INCREASE

4.59%
YEAR OVER YEAR CONSTRUCTION PRICE INCREASE

1.62%
QUARTER OVER QUARTER CONSTRUCTION MATERIAL PRICE INCREASE

4.95%
YEAR OVER YEAR CONSTRUCTION MATERIAL PRICE INCREASE

> Starting rates for new construction retail properties is generally between $45-55 psf and Tenant Improvement Allowance varies widely by landlord and project, but generally is around $50 psf. Most tenants that are expanding right now are experienced operators looking for additional locations, not new businesses opening their first store.

Joe Houston
Leasing Associate, Foresite CRE



Grease Traps: Hidden Money Pit?

BY KARA WALTERS, ASSOCIATE AT FORESITE CRE

I recently stopped by to visit a tenant to check in on the business and subtly feel out whether a lease renewal was in the cards. We wandered back into the kitchen, and I noticed something odd: two grease traps. The business owner noticed my curious look and quickly launched into a frustrating story of how they came to be.

When she leased the space, she hired a contractor to handle the plumbing. He told her there was no existing grease trap and charged her thousands to install one. Months later, the kitchen started to smell. A second plumber came to investigate and found that the first contractor had installed a brand-new grease trap and tiled over an existing one. She had paid for work she didn't need and then had to deal with the additional cost and disruption of tearing up her kitchen floor to fix the mess.

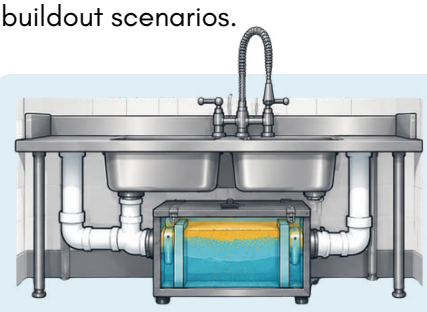
It was an expensive lesson in what you don't know can absolutely hurt you. And it's exactly why every food and beverage tenant (every broker who represents them) needs to understand grease traps before signing a lease or breaking ground.

Who Needs a Grease Trap?

If your concept involves a commercial kitchen (cooking, frying, or high-volume dishwashing), you almost certainly need one. Requirements apply broadly to restaurants, cafés, cafeterias, bars, and any establishment where fats, oils, and grease (FOG) enter the drainage system in quantities that can clog lines or disrupt municipal sewage treatment. Lower-intensity uses like a coffee-only concept or grab-and-go shop may fall below the threshold, but the moment a commercial kitchen line enters the picture, assume a grease trap is required and verify with your local municipality's FOG program before signing a lease.

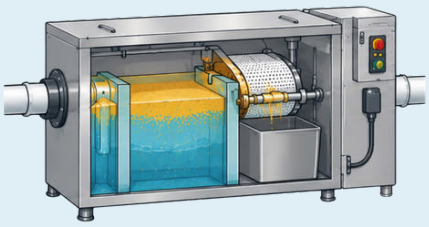
The Three Types of Grease Traps

Not all grease traps are created equal. There are three primary types, each suited to different kitchen volumes and buildout scenarios.



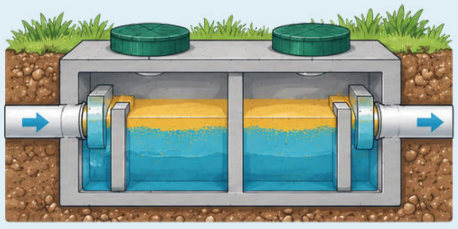
Manual (Passive Hydromechanical) Traps

- Most common for smaller operations.
- Installed directly beneath sink.
- Relatively low upfront cost.
- Ideal for lower-volume concepts, like sandwich shops, cafes, or bakeries.
- Requires manual cleaning, typically every 1-3 months.
- Can become a maintenance burden if neglected.



Automatic Grease Removal Units (AGRUs)

- Most technically advanced.
- Automatically skims & separates grease, sending it to an external collection container.
- Higher upfront cost than a manual trap, but significantly lower long-term service & pumping costs.
- Worth the investment for high-volume operations seeking less maintenance.



In-Ground Gravity Interceptors

- Large underground tanks, often 1,000+ gal.
- Handle the highest flow volumns.
- Require periodic pumping by a licensed hauler.
- Common in multi-tenant retail centers.
- Installed in a parking lot or along the rear of the property, with individual tenant spaces plumbed to connect to it.
- May be dedicated to one tenant or shared, which can create complications around maintenance responsibility and capacity.

Sizing: It's Not a Guessing Game

Size is determined by fixture count, wastewater flow rate, hours of operation, and cooking volume. As a general benchmark, a typical sit-down restaurant with 50 to 150 seats requires a 1,000 to 1,500 gallon interceptor, while fast food operations with high-volume fryers often size up to 2,000 to 3,000 gallons. Smaller concepts may qualify for a single 1,500-gallon trap or an under-sink unit.

*The critical takeaway: **sizing matters in both directions.** An undersized trap backs up, fails inspections, and triggers compliance violations. An oversized trap wastes capital.*

How Tenants Can Minimize the Cost

Grease traps represent a real line item in any Food and Beverage buildout, but there are smart ways to manage the expense.



START WITH SECOND-GENERATION RESTAURANT SPACE.
An existing grease trap, properly sized and in good condition, can save a tenant tens of thousands of dollars in buildout costs. When evaluating a second-gen space, confirm the trap's size, age, access point location, and whether it meets current code requirements for your intended use.



NEGOTIATE TI TO COVER INFRASTRUCTURE UPGRADES.
If the existing trap needs to be upsized or relocated to accommodate your concept, that's a legitimate item for the tenant improvement allowance conversation. Landlords who want a strong food tenant in their center are often willing to negotiate.



VERIFY WHAT'S ALREADY THERE BEFORE THE FIRST CONTRACTOR SHOWS UP.
The two grease trap tenant's story is a cautionary tale. A simple pre-construction investigation (pulling records, checking with the previous tenant's plumber, or having a trusted contractor assess the space) could have saved her thousands and months of headaches.



CLARIFY MAINTENANCE OBLIGATIONS IN THE LEASE.
In most NNN and gross lease structures, grease trap maintenance, pumping, and repair fall on the tenant. But the language isn't always clear. Make sure the lease defines who is responsible for what, including what happens if an inherited trap requires significant repair early in the tenancy.



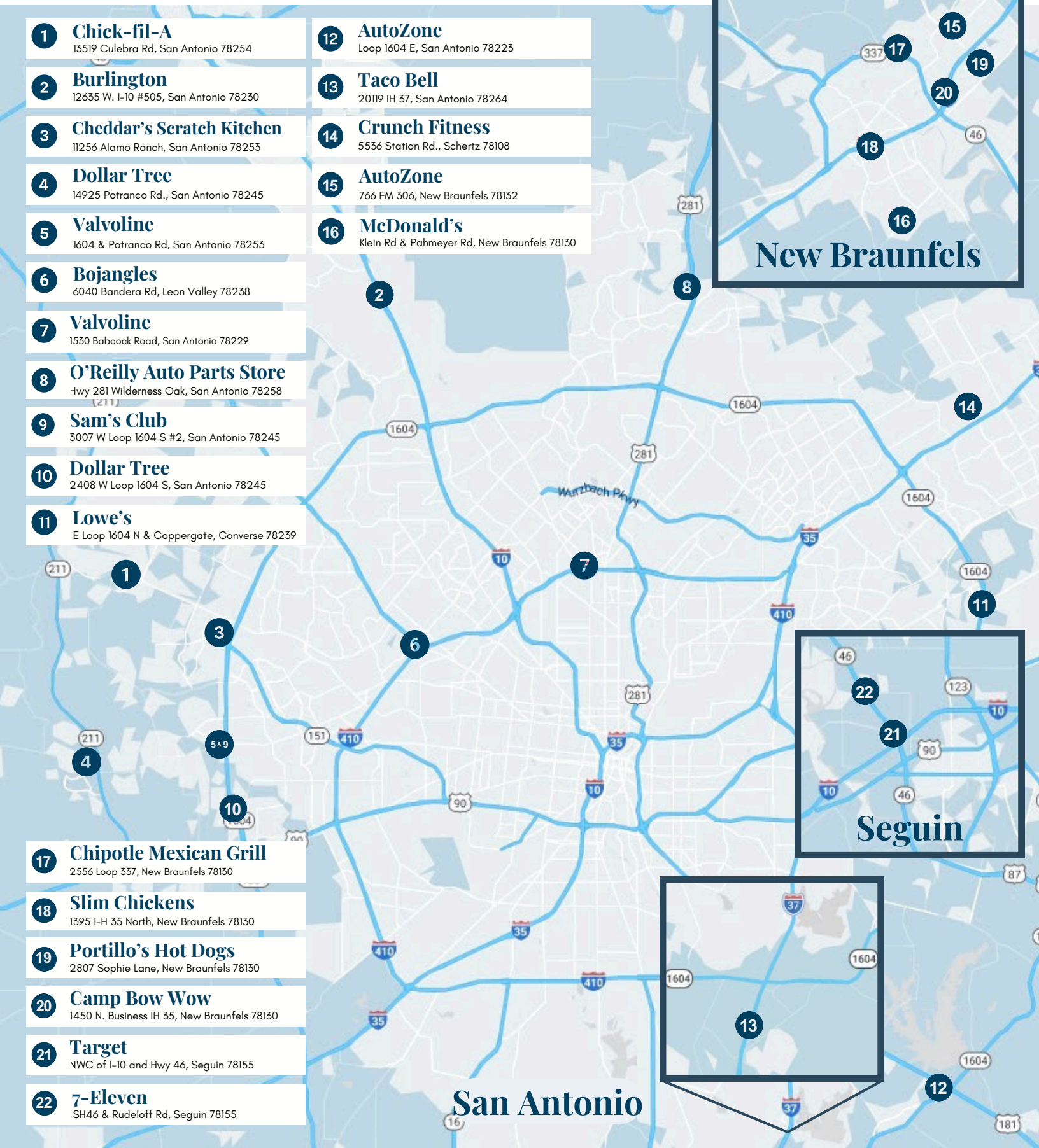
RIGHT-SIZE FOR YOUR ACTUAL CONCEPT.
Work with a plumber who understands your kitchen design and menu format, not just one who defaults to maximum code requirements. Oversizing is wasteful; undersizing is costly. A well-scoped plumbing plan early in the process is money well spent.

The tenant who was scammed by a contractor eventually got her kitchen sorted. The buried trap was excavated, the problem was resolved, and she's still in business (although a little wiser, and understandably cautious about unvetted contractors).

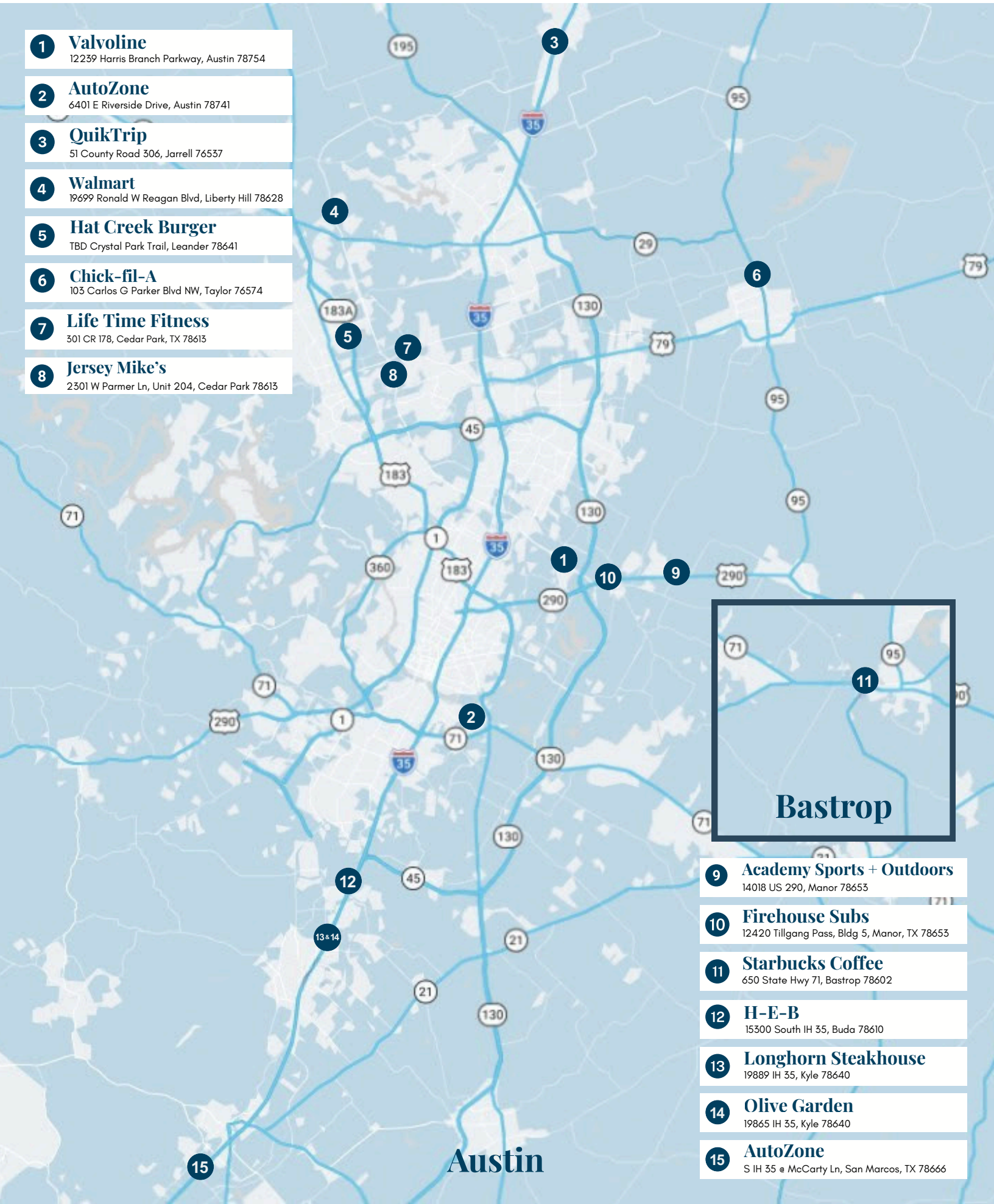
In food and beverage leasing, the difference between a smooth buildout and an expensive nightmare often comes down to the details that get overlooked before the lease is signed. Grease traps aren't glamorous, but they're foundational if you're in the Food and Beverage industry. Understanding what type you need, what size your use requires, and what's already in the ground before you build out isn't just good practice. It can be the difference between a smooth opening and an expensive surprise hiding under the kitchen floor.

New and Coming Soon!

New and expanding concepts in and around San Antonio and Austin



1. **Chick-fil-A**
   13519 Culebra Rd, San Antonio 78254
2. **Burlington**
   12635 W. I-10 #505, San Antonio 78230
3. **Cheddar's Scratch Kitchen**
   11256 Alamo Ranch, San Antonio 78253
4. **Dollar Tree**
   14925 Potranco Rd., San Antonio 78245
5. **Valvoline**
   1604 & Potranco Rd, San Antonio 78253
6. **Bojangles**
   6040 Bandera Rd, Leon Valley 78238
7. **Valvoline**
   1530 Babcock Road, San Antonio 78229
8. **O'Reilly Auto Parts Store**
   Hwy 281 Wilderness Oak, San Antonio 78258
9. **Sam's Club**
   3007 W Loop 1604 S #2, San Antonio 78245
10. **Dollar Tree**
    2408 W Loop 1604 S, San Antonio 78245
11. **Lowe's**
    E Loop 1604 N & Coppergate, Converse 78239
12. **AutoZone**
    Loop 1604 E, San Antonio 78223
13. **Taco Bell**
    20119 IH 37, San Antonio 78264
14. **Crunch Fitness**
    5536 Station Rd., Schertz 78108
15. **AutoZone**
    766 FM 306, New Braunfels 78132
16. **McDonald's**
    Klein Rd & Pahmeyer Rd, New Braunfels 78130
17. **Chipotle Mexican Grill**
    2556 Loop 337, New Braunfels 78130
18. **Slim Chickens**
    1395 I-H 35 North, New Braunfels 78130
19. **Portillo's Hot Dogs**
    2807 Sophie Lane, New Braunfels 78130
20. **Camp Bow Wow**
    1450 N. Business IH 35, New Braunfels 78130
21. **Target**
    NWC of I-10 and Hwy 46, Seguin 78155
22. **7-Eleven**
    SH46 & Rudeloff Rd, Seguin 78155



1. **Valvoline**
   12239 Harris Branch Parkway, Austin 78754
2. **AutoZone**
   6401 E Riverside Drive, Austin 78741
3. **QuikTrip**
   51 County Road 306, Jarrell 76537
4. **Walmart**
   19699 Ronald W Reagan Blvd, Liberty Hill 78628
5. **Hat Creek Burger**
   TBD Crystal Park Trail, Leander 78641
6. **Chick-fil-A**
   103 Carlos G Parker Blvd NW, Taylor 76574
7. **Life Time Fitness**
   301 CR 178, Cedar Park, TX 78613
8. **Jersey Mike's**
   2301 W Parmer Ln, Unit 204, Cedar Park 78613
9. **Academy Sports + Outdoors**
   14018 US 290, Manor 78653
10. **Firehouse Subs**
    12420 Tillgang Pass, Bldg 5, Manor, TX 78653
11. **Starbucks Coffee**
    650 State Hwy 71, Bastrop 78602
12. **H-E-B**
    15300 South IH 35, Buda 78610
13. **Longhorn Steakhouse**
    19889 IH 35, Kyle 78640
14. **Olive Garden**
    19865 IH 35, Kyle 78640
15. **AutoZone**
    S IH 35 @ McCarty Ln, San Marcos, TX 78666



PROJECTED 2049 PEAK-PERIOD TRAVEL TIMES

WITHOUT IMPROVEMENTS **22–23** MINUTES → **3–5** MINUTES WITH FREEWAY PROJECT

Alamo Ranch Parkway's Freeway Conversion

What a $134M Upgrade Means for West Side Retail

The Corridor

Alamo Ranch Parkway (ARP), stretching from Loop 1604 toward Calaveras Way, has become one of the most important commercial corridors on San Antonio's far West Side. As residential development has continued to move west, ARP has evolved into a major retail and transportation corridor serving one of the city's fastest-growing submarkets.

The Project

The Alamo Regional Mobility Authority (ARMA), operating under Bexar County, is planning to convert approximately three miles of Alamo Ranch Parkway from a signalized surface road into a freeway. The $134 million project will add new mainlanes within the existing median, with overpasses planned at Alamo Parkway, Lone Star Parkway, and Roft Road/Del Webb Boulevard.

Why Now?

The growth along Alamo Ranch Parkway has been significant. Traffic counts more than quadrupled between 2010 and 2020 and doubled again between 2015 and 2020. That increase closely follows the substantial amount of residential development that has occurred across the far West Side during the same period.



The Alamo Regional Mobility Authority's freeway conversion of Alamo Ranch Parkway (Loop 1604 to Calaveras Way) breaks ground late 2027

ARMA's modeling also illustrates the current and future impact of congestion. Without improvements, peak-period travel between Westwood Loop and Roft Road is projected to take approximately 22 to 23 minutes by 2049. With the freeway project in place, that same trip is projected to take approximately 3 to 5 minutes.

For a corridor that has become increasingly important to both residents and businesses, the project is less about creating new demand and more about providing the infrastructure needed to support demand that already exists.

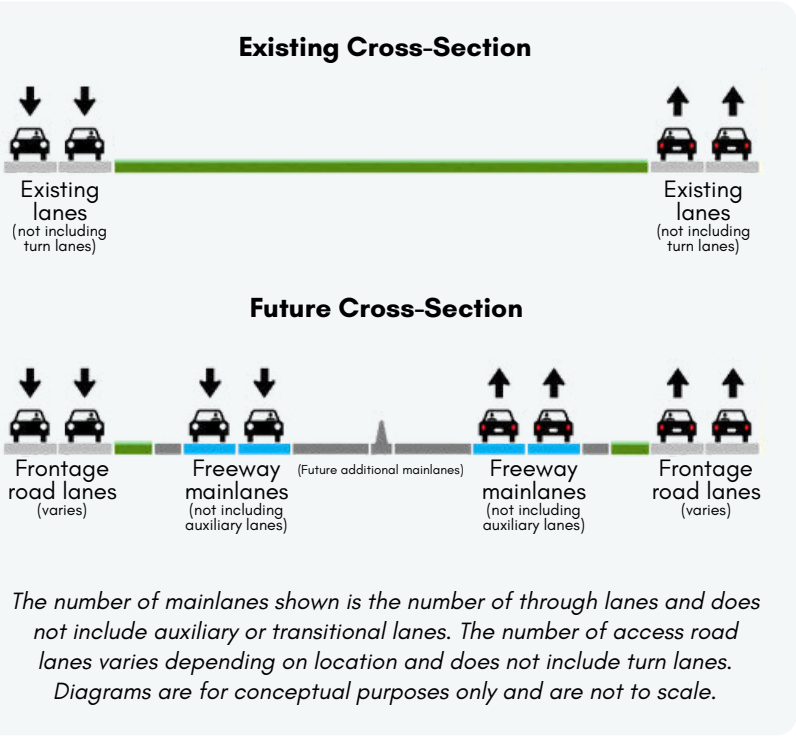
The Retail Impact

For retail owners and investors, several aspects of the project are worth watching. Preservation of frontage road access is a significant positive for existing retail. Unlike a project that reroutes traffic away from existing centers or limits access, the current design is intended to maintain the existing roadway as frontage roads. Retail centers should retain their existing curb cuts and visibility while benefiting from the removal of through traffic from the surface road. Maintaining that access is particularly important for the established shopping centers and outparcels along the corridor.

This is primarily a growth-following project. The traffic and rooftops are already here. The infrastructure is catching up with the growth that has taken place rather than being built in anticipation of an entirely new development area. From an investment standpoint, that provides a different dynamic than a speculative infrastructure project where future demand is still uncertain.

The Calaveras Way gap is another piece to watch. There is an approximately 600-foot gap in ARP just west of Calaveras Way that remains privately owned and undeveloped. Once that connection is completed, ARP will provide a more continuous high-capacity route toward Talley Road and ultimately SH 211, increasing connectivity for areas farther west.

The next transportation improvement is already taking shape. Once the freeway is completed, the existing signalized intersection at the Loop 1604 southbound ramp is expected to become a bottleneck. TxDOT has acknowledged the issue and is planning a direct connector to address it. While details are still developing, the additional project reinforces the importance of this corridor as a long-term regional transportation route.



The number of mainlanes shown is the number of through lanes and does not include auxiliary or transitional lanes. The number of access road lanes varies depending on location and does not include turn lanes. Diagrams are for conceptual purposes only and are not to scale.

What This Means for Retail Investors

For owners and investors along Alamo Ranch Parkway, the freeway conversion represents more than a traffic improvement. It is another investment in the infrastructure supporting one of San Antonio's fastest-growing areas. The project should improve mobility while preserving the access that existing retail centers depend on. At the same time, continued residential growth farther west should create additional demand for retail, services, and other commercial uses along the corridor.

Alamo Ranch Parkway is evolving from a busy suburban arterial into a much more significant regional connection. For retail investors, that makes both existing properties along the corridor and future development opportunities farther west worth watching as the project moves toward construction.

The project is still several years from completion, so the full impact on individual properties will depend on access, surrounding development, and how the corridor continues to grow. However, the combination of existing population growth, continued development and significant transportation investment makes ARP one of the corridors we will continue to watch closely on the West Side.

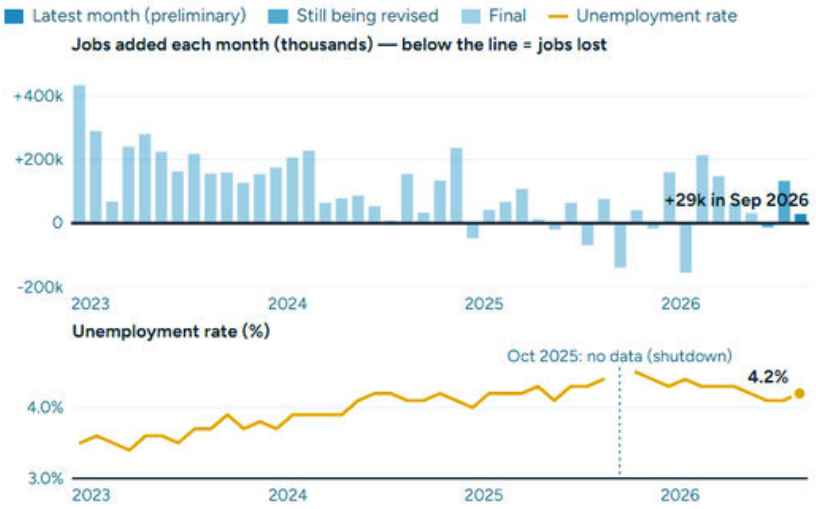
> As anyone who lives in this area knows, Alamo Ranch Parkway experiences severe recurring congestion, which is expected to continue to increase, especially if and when the gap to the west of Calaveras Way is closed at some point in the future. Traffic counts in the corridor doubled between 2015 and 2020, and more than quadrupled between 2010 and 2020. The new freeway lanes will provide sufficient capacity for current and expected future traffic to significantly reduce delays and travel times, and it is also expected to improve safety in the corridor.
>
> **The Texas Highway Man**



THE STATE OF UNEMPLOYMENT

U.S. JOB GROWTH SLOWED IN SEPTEMBER, WHILE TEXAS CONTINUED TO OUTPERFORM THE NATION AMID MIXED EMPLOYMENT TRENDS.

SEPTEMBER 2026

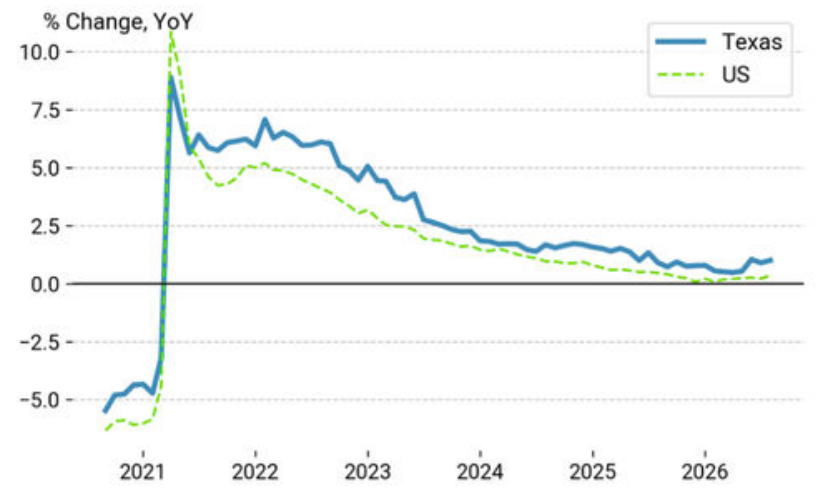


Measured (BLS survey estimates); latest two months will be revised. Source: BLS (newest months direct from BLS: CES0000000001, LNS14000000; history via FRED: PAYEMS, UNRATE). Seasonally adjusted.

Unemployment Rate

4.2%	4.2%	3.8%	4.3%
United States	Texas *	Austin *	San Antonio *

U.S. AND TEXAS EMPLOYMENT GROWTH, AUGUST 2026



Source: U.S. Bureau of Labor Statistics and the Federal Reserve Bank of Dallas

U.S. employment increased by 29,000 jobs in September, following August's gain of 162,000 jobs, which exceeded expectations. June and July employment figures were also revised upward by a combined 55,000 jobs. The labor force participation rate rebounded in August, while the unemployment rate remained unchanged.

Job gains were concentrated in health care, construction and manufacturing. Annual wage growth slowed to its lowest level since May 2021. The Texas labor market continues to outperform the national average, with employment increasing 1.3% year over year, compared with just 0.2% nationally.

San Antonio experienced a strong rebound in employment following a decline in June, while job growth broadly improved across most other Texas metros. Sectoral employment trends remain mixed and volatile month to month. Construction and financial activities contracted in July, although construction employment growth remains strong on a year over year basis.

"Americans are frustrated by the lack of opportunities right now," said Heather Long, chief economist at Navy Federal Credit Union. "Wage growth fell to a new 5-year low and is being wiped out entirely by inflation. That stings heading into the holidays."

Retail Sales

NATIONAL TRENDS

U.S. retail sales rose for the 12th straight month in September 2026, driven by a solid back-to-school shopping season and steady consumer spending on essentials.

While overall retail spending remains strong, retailers are adjusting their expansion strategies to reflect changing consumer priorities. As shoppers become more value-conscious amid persistent inflation and economic uncertainty, discount, off-price and value-focused retailers are leading U.S. store growth in 2026. Grocers are also expanding, supported by steady demand for essential goods.

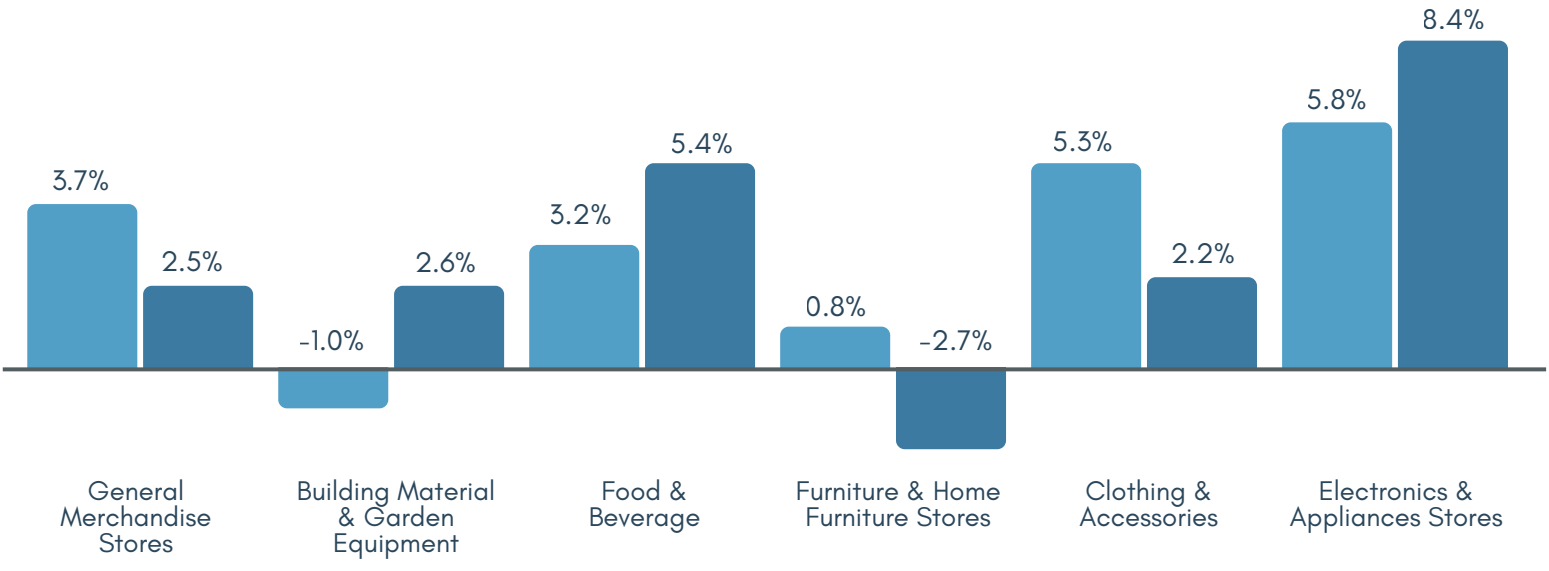
Low vacancy rates and limited new construction continue to create favorable conditions for existing landlords and well-positioned retail sites. The Q3 Retail Expansion Report by ICSC notes that growth is strongest among value-oriented retailers, grocery-anchored shopping centers, smaller store formats and experiential tenants, while traditional big-box and pharmacy retailers continue to pull back.

> **Households remain budget conscious, concentrating on everyday essentials even as higher gasoline prices continue to absorb a larger share of family budgets. Retailers continued to prioritize affordability, leaning on promotions and value pricing to keep everyday products within reach.**
>
> **The National Retail Federation President and CEO Matthew Shay**

- Retail sales for September were up 0.8% from the previous month, and up 6.3% from a year ago.
- Total sales for the third quarter were up 5.5 percent from the same period a year ago.

Key Retail Categories

YEAR OVER YEAR RETAIL SALES GROWTH



Source: U.S. Department of Commerce

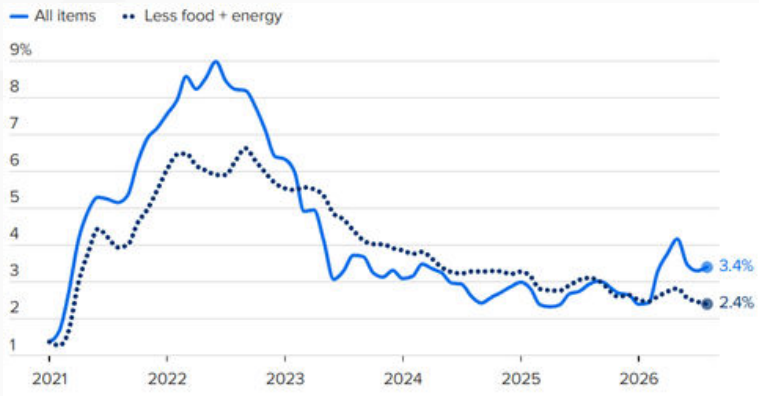
Key Indicators

CONSUMER PRICE INDEX

The Consumer Price Index (CPI) rose by 3.4% year-over-year in August. The high inflation rate contributed to the Fed's decision to increase interest rates at their September meeting. Inflation for energy increased 2.1% over the month and the index for gasoline rose 3.9% in August. The index for all items less food and energy rose 0.3 percent after increasing 0.2 percent in July.

U.S. CONSUMER PRICE INDEX

Year-over-year percent change January 2021 - August 2026



Source: U.S. Bureau of Labor Statistics
Chart: Gabriel Cortés / CNBC
Data as of Sept. 11, 2026

> **"You've seen supply shocks create a sticky situation,"** says Jeffrey Schulze, head investment strategist at the Franklin Templeton Institute, referring to oil supply disruptions in the Middle East, AI-related electronics shortages, and tariff shocks. **"But as we move toward 2027, some of these risks are going to start to moderate," he says. That moderation may already be underway. "I think you see softening across the board [in September]."**

The Survey of Professional Forecasters projects Q3 2026 headline CPI annualized at 2.3% and Core CPI at 2.7%.

CONSUMER SENTIMENT

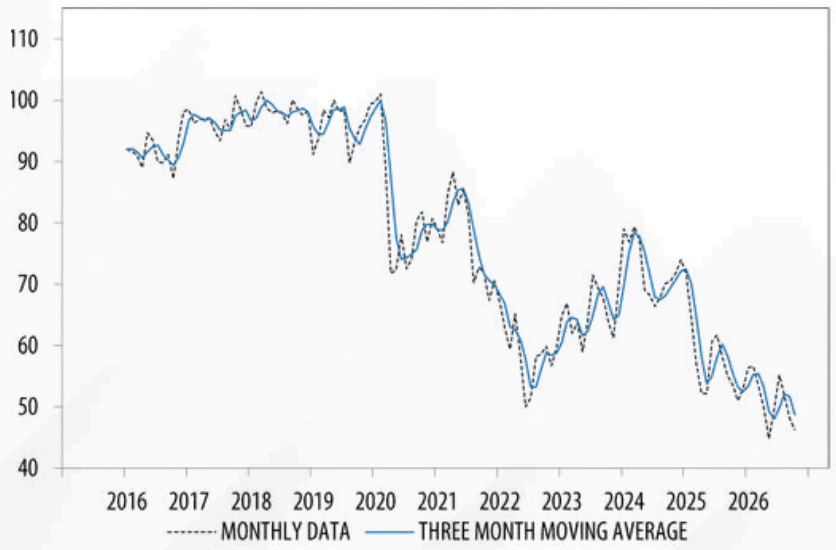
The University of Michigan Index of Consumer Sentiment fell to a preliminary reading of 46.3 in October 2026, nearly 14% below its year ago level. The decline marks the third consecutive monthly decrease and the lowest reading in five months, as persistent cost of living pressures and high borrowing costs continue to weigh on consumer confidence.

Consumers reported a sharp decline in their assessment of current economic conditions, with the index falling to 44.7 from 50.9 the previous month. Respondents reported that high prices and borrowing costs continued to make consumers more hesitant to make major purchases.

Year ahead inflation expectations edged up to 4.7% from 4.6%. Sentiment also weakened among political independents and lower income consumers, offsetting slight improvements among Democrats and Republicans.

UNIVERSITY OF MICHIGAN INDEX OF CONSUMER SENTIMENT

MONTHLY | JAN. 2016-OCTOBER 2026



Source: University of Michigan Surveys of Consumers

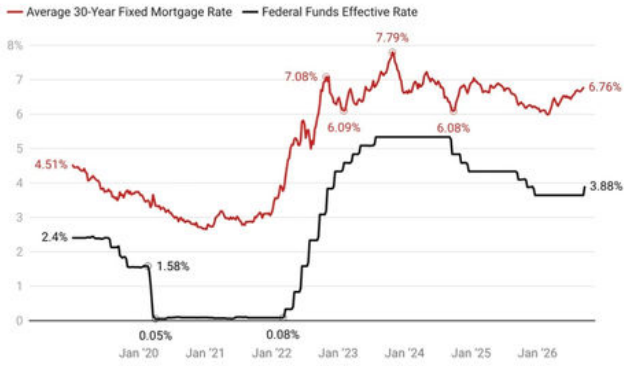
Index Rates

THE FED

Federal Reserve unanimously raised its benchmark interest rate by a quarter point to a target range of 3.75% to 4.00% on September 16, 2026, marking its first rate hike since July 2023.

Mortgage Rates and Fed Policy Rate

The Fed has raised its benchmark interest rate for the first time in three years, responding to persistent elevated inflation.



Source: Freddie Mac/Federal Reserve Board of Governors

> *Economic activity is expanding at a solid pace. While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient. Productivity growth is strong, and capital investment is robust. Job gains have kept pace with the workforce, and the unemployment rate has changed little. Inflation remains elevated. Today's policy action will support a timelier return to the Committee's 2 percent goal. The Committee will deliver price stability.*
>
> September Fed Statement

INDEX RATES
SEPTEMBER 2026

4.80%	3.76%
5- YEAR TREASURY	30 DAY AVG SOFR
5.29%	**5.05%**
10- YEAR TREASURY	10-YEAR SWAP

INDEX RATES
SEPTEMBER 2025

3.66%	4.31%
5- YEAR TREASURY	30 DAY AVG SOFR
4.12%	**3.67%**
10- YEAR TREASURY	10-YEAR SWAP

COMMERCIAL - LIFE COMPANIES

TERM	AMORTIZATION	LTV	SPREAD	RATE
5 - YEAR	25-30	50% - 75%	150-220	6.57%-7.27%
10 - YEAR	25-30	50% - 75%	140-220	6.66%-7.46%
15-20 - YEAR	Fully Amortizing	60% - 75%	150-220	6.76%-7.46%

COMMERCIAL - CMBS

TERM	AMORTIZATION	LTV	SPREAD	RATE
5 - YEAR	30	65% - 75%	210-250	7.17%-7.57%
10 - YEAR	30	65% - 75%	185-225	7.11%-7.51%

Source: Northmarq
October 15, 2026

Does The Refinancing Wall Affect Central Texas Strip Centers?

BY CHAD KNIBBE, CCIM



Chad Knibbe is the President, Managing Partner, & Director of Investment Sales of Foresite Commercial Real Estate.

Most of the national conversation about maturing commercial debt has been about office towers and multi-family investments. That is understandable, but that does not mean that other commercial real estate product types have been sheltered from this risk.

Many Central Texas retail center owners are dealing with the same issues of variable rate loans or expiring terms. Roughly $76.6 billion in securitized loans face hard maturities this year, and retail sits right behind office in exposure. But more importantly, that figure is based on public data, and the loans that make up the majority of the private market are not in that number at all.

They are the $2 million to $8 million regional bank and life company loans written on neighborhood centers in 2021 and 2022, when the cost of debt was at all time lows and the prevailing and naive expectation was that they would stay there forever.

That clearly has not been the case, and many commercial real estate borrowers are dealing with the challenge of refinancing their debt at rates that are twice as high as the expiring loans.

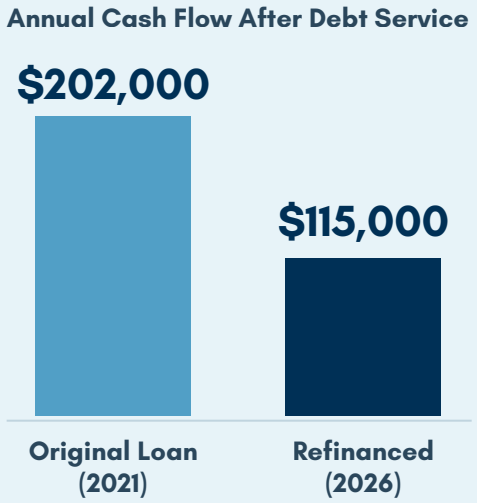
Take a well-located San Antonio strip center for example bought in 2021 for $8 million at a 6.25 percent cap, with $500,000 of net operating income. Assume the buyer put down 35 percent and borrowed $5.2 million at four percent fixed on a 30-year amortization with a five-year term. Debt service ran about $298,000 a year, a coverage ratio of 1.68. By any standard of that time, that was a conservative deal, and would have produced an after debt cash flow of approximately $202,000 and a 7.2% leveraged cash return.

Fast forward to 2026. Five years of amortization brings the balance to roughly $4.7 million. Now assume NOI has held at $500,000. With the ten-year Treasury above 5 percent, a new quote on a center like this comes in around 6.8 percent interest on a 25-year schedule. At a 1.30 coverage requirement, that supports about $4.62 million in new proceeds.

The gap at closing is modest, roughly $85,000. That is not the number that should concern owners. Annual debt service goes from $298,000 to about $385,000, and cash flow after debt service falls from roughly $202,000 to $115,000. That is a 43 percent reduction in what the property actually puts in the owner's pocket, and it is permanent for the life of the new loan.

The Cost of Refinancing in 2026

Metric	2021 Loan	Refinanced (2026)
Purchase price	$8,000,000	$8,000,000
Net operating income (NOI)	$500,000	$500,000
Loan amount	$5,200,000	$4,620,000
Interest rate	4.0%	6.8%
Amortization	30 years	25 years
Annual debt service	$298,000	$385,000
Cash flow after debt service	**$202,000**	**$115,000**



-43%

Less annual cash flow

But there is also the affect on the property's value. At today's San Antonio average transacting cap rates near 6.77 percent, that same $500,000 of income values the center at about $7.4 million, below the 2021 basis when the prioperty was purchased. In Austin, where starting rents are down roughly 9 percent year over year, even assuming flat NOI may be optimistic.

It is also worth giving lenders some credit here. The extensions granted over the past two years have generally been sound credit decisions, not a way to avoid the problem. These centers are performing. San Antonio retail vacancy is near 4 percent, tenants are paying, and giving a borrower another two years can allow amortization and rent growth to close some of the gap. Regional banks know these borrowers, understand their businesses, and have worked with them through multiple cycles. When you have a good operator and a performing property, giving them time to work through a temporary gap can be the right decision for everyone involved.

What has changed is the assumption underneath those extensions. Through 2024 and 2025, the reasonable expectation was that rates would be lower by the time the extension ran out. With the Fed raising rates again in September and likey again before the end of 2026, and the forward curve no longer promising relief, both sides have to solve for today's rate rather than waiting for a better one. That is why extensions now come with principal paydowns and reserves attached. The lender still needs to see a clear path to repayment, and today's higher rates make that math harder to ignore.

On our side of the desk, we are seeing the consequence already: more deals getting structured around the existing debt than around the asking price. If you are holding a 3.5 or 4 percent assumable loan, understand that the loan itself may now be worth more than the equity in the deal in certain circumstances, and use that to your advantage. And if you are a buyer with cash, this is a market where patience and certainty can create opportunities that were much harder to find a few years ago.



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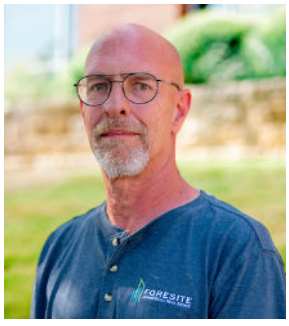
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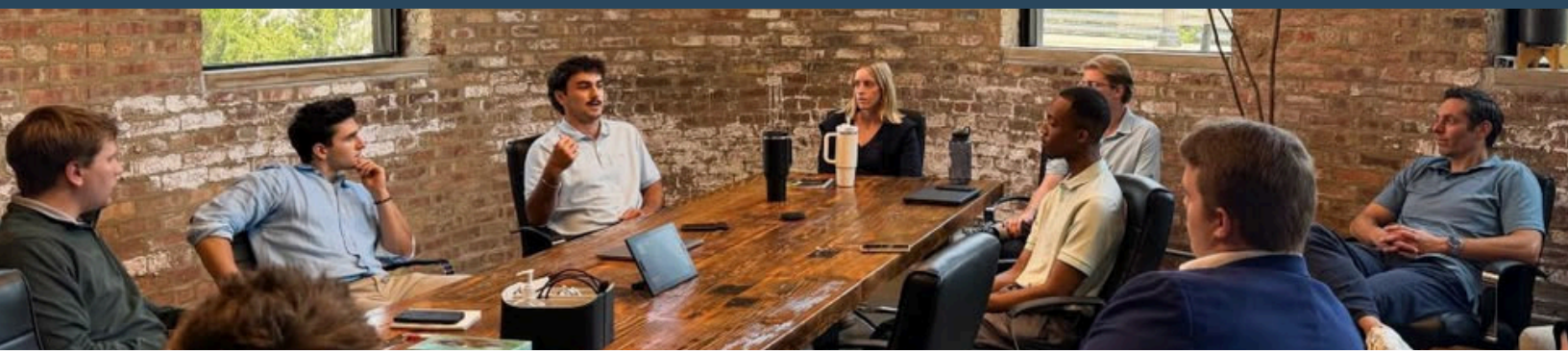
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