

San Antonio Retail Report 1st Qtr 2009



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Overview

Population growth continues to expand the San Antonio region. According to figures recently released by the U.S. Census Bureau, San Antonio experienced a 2.3% population increase between July 2007 and July 2008. The area's population of two million supports the local retail market but the drag from the national recession has begun to impact retailers.

Vacancies created by the closures of Circuit City, Linens 'N' Things and Mervyn's resulted in nearly 156,000 square feet of negative absorption in the first quarter. The citywide vacancy rate increased to 13.8% which is up compared to 11.4% recorded last year at this time due, in large part, to the 3.5 million square feet of new construction delivered in 2008.

Speculative construction, slowed considerably by a debilitating lack of capital, coupled with the decision of national chains to delay expansion plans, delivered less than 225,000 square feet of new retail space to the market in the first quarter of 2009 led by the completion of Stone Ridge Shopping Center (350,000 sf) anchored by local grocer H-E-B. San Antonio's relatively stable economy continues to foster growth and attract new

TRENDS:

Vacancy Rate



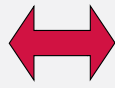
Net Absorption



Construction



Asking Rents

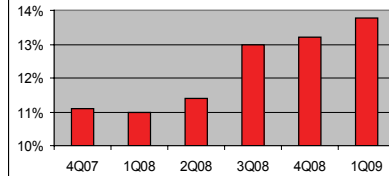


retailers and restaurants to the area. Approximately 1.8 million square feet of retail projects is still under construction including a new Lowe's and adjacent retail at City-Base at Goliad (392,040 sf), The Village at the Rim (260,000 sf), The Pinnacle at Encino Commons (123,400 sf) anchored by Spectrum Club, and Woodlake Crossing (305,231 sf) which will come online in the second quarter anchored by Target, Best Buy, Ross Dress for Less and others.

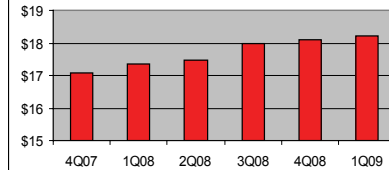
Despite the increased vacancy, the citywide average quoted triple net rental rate for retail space in San Antonio continued to climb hitting \$18.23 per square foot annually - up twelve cents from last quarter and eighty-six cents compared to a year ago for annual 5.0% increase. Through the remainder

of 2009, rents are expected to flatten while landlords offer more rental concessions to attract tenant activity.

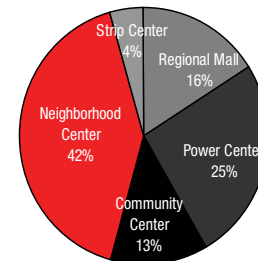
Overall Vacancy (%)



Average Asking Rental Rate



Market Inventory %



Major Lease Transactions

Tenant	Building	Size	Submarket
Chela's Fiesta Restaurant	Woodlake Plaza	6,581	Northwest
GSA (US Census)	Madison's Market	6,500	Far West
Once Upon A Child	Park Oaks Shopping Center	5,600	Core North Central
Sushi Zushi (Renewal)	Stone Oak Plaza	5,001	Far North Central
Old England's Lion & Rose	Forum at Olympia Parkway	4,093	Northeast
Musical Arts Center	The Plaza at Concord Park	4,170	Far North Central

*All rents are per SF/per YR unless otherwise noted.

Shallow Recession in Austin Presents Opportunities...

Marcus & Millichap

AUSTIN, Texas, July 14, 2009 - Austin currently boasts the strongest employment market of any major metropolitan area in the country, though significant weakening in the office sector is projected due to overbuilding, according to a second-quarter Office Research Report by Marcus & Millichap, the nation's largest real estate investment services firm. In the fourth quarter of last year, 1.1 million square feet of speculative office projects came online, increasing the amount of vacant space on the market by nearly 14 percent.

"Aggressive investors with a high risk tolerance remain active in Austin, seeking assets with vacant space that can be filled

after a shallow downturn concludes," says J. Michael Watson, regional manager of the Austin office of Marcus & Millichap.

Following are some of the most significant aspects of the Austin Office Research Report:

- Payrolls in Austin are expected to contract 0.4 percent this year as 3,300 jobs are eliminated. Office users will account for 1,500 of those cuts.
- Builders are shelving several office projects in 2009 due to slow leasing activity associated with the economic downturn. As a result, only 830,000 square feet will be added to stock,

down from 2.4 million square feet last year.

• A decrease in venture capital spending and limited demand for large blocks of space will result in a 310 basis point rise in vacancy this year to 21.9 percent, the highest rate since 2004.

• As vacancy pushes above 20 percent, owners are expected to significantly decrease rents to fill space. By year end, asking rents are forecast to drop to \$24.66 per square foot, while effective rents will soften to \$20.72 per square foot, annual declines of 6.2 percent and 7.1 percent, respectively.