



MCMULLEN CENTER
San Antonio, TX

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MCMULLEN CENTER
San Antonio, TX
ACT ID Y0490051

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INVESTMENT OVERVIEW



EXECUTIVE SUMMARY

VITAL DATA				
			YEAR 1	YEAR 2
Price	\$800,000	CAP Rate	5.27%	12.13%
Down Payment	100% / \$800,000	Net Operating Income	\$42,130	\$97,059
Loan Type	All Cash	Net Cash Flow After Debt Service	-4.26% / (\$34,052)	12.13% / \$97,059
Gross Leasable Area (GLA)	7,735 SF	Total Return	-4.26% / (\$34,052)	12.13% / \$97,059
Price/SF	\$103.43			
Current Occupancy	19.00%			
Year Built / Renovated	2009			
Lot Size	0.55 acre(s)			

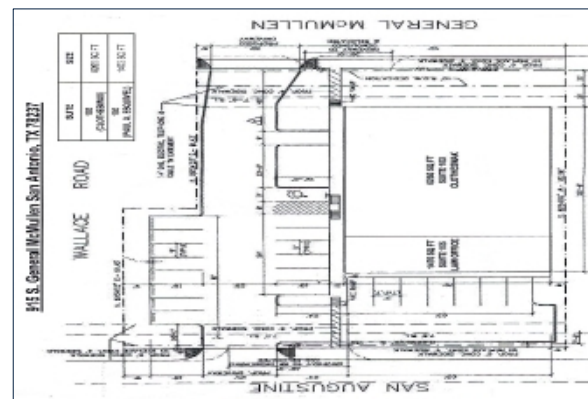
MAJOR TENANTS			
TENANT	GLA	LEASE EXPIRATION	LEASE TYPE
New Tenant	6,265		NNN

MAJOR EMPLOYERS

EMPLOYER	# OF EMPLOYEES
Zachry	15,000
Boeing	6,720
Bear County Hospital District	6,000
Usaf Medical Center	4,000
S W R I	2,683
Baptist Health System	2,300
AT&T Corp	2,242
Fite Distribution Svcs Co LP	2,120
Santa Rosa Childrens Hospital	2,061
P B X	2,000
Frost Bank	1,879
Air Force US Dept of	1,806

DEMOGRAPHICS

	1-Miles	3-Miles	5-Miles
2015 Estimate Pop	21,932	145,482	351,001
2010 Census Pop	20,573	136,826	330,067
2015 Estimate HH	6,396	43,823	113,330
2010 Census HH	6,073	41,586	106,991
Median HH Income	\$25,600	\$27,382	\$29,915
Per Capita Income	\$10,212	\$11,474	\$14,182
Average HH Income	\$34,549	\$36,860	\$41,753



INVESTMENT OVERVIEW

Repositioning Opportunity: Clothes-Max will vacate upon sale of the property and new owner will have opportunity to restructure lease with Medical tenant. The property consists of 7,735 square feet of retail near the intersection of General McMullen Drive and Castroville Road. Built in 2009, the building offers an investor immediate upside by leasing the vacant space and bringing the current rent up to market. The center is positioned directly across the street from the area's primary grocery store, HEB. Other notable retailers in the area include Rent-A-Center, Luby's, Family Dollar, O'Reilly Auto Parts, Citibank, Humana, EZ Pawn, and Wells Fargo Bank. The center has attractive monument signage on General McMullen Drive and a daytime population of over 35,000 in a three mile radius. Strong traffic counts on General McMullen Drive of over 28,000 per day and Castroville Road has an additional 23,000 per day.

INVESTMENT HIGHLIGHTS

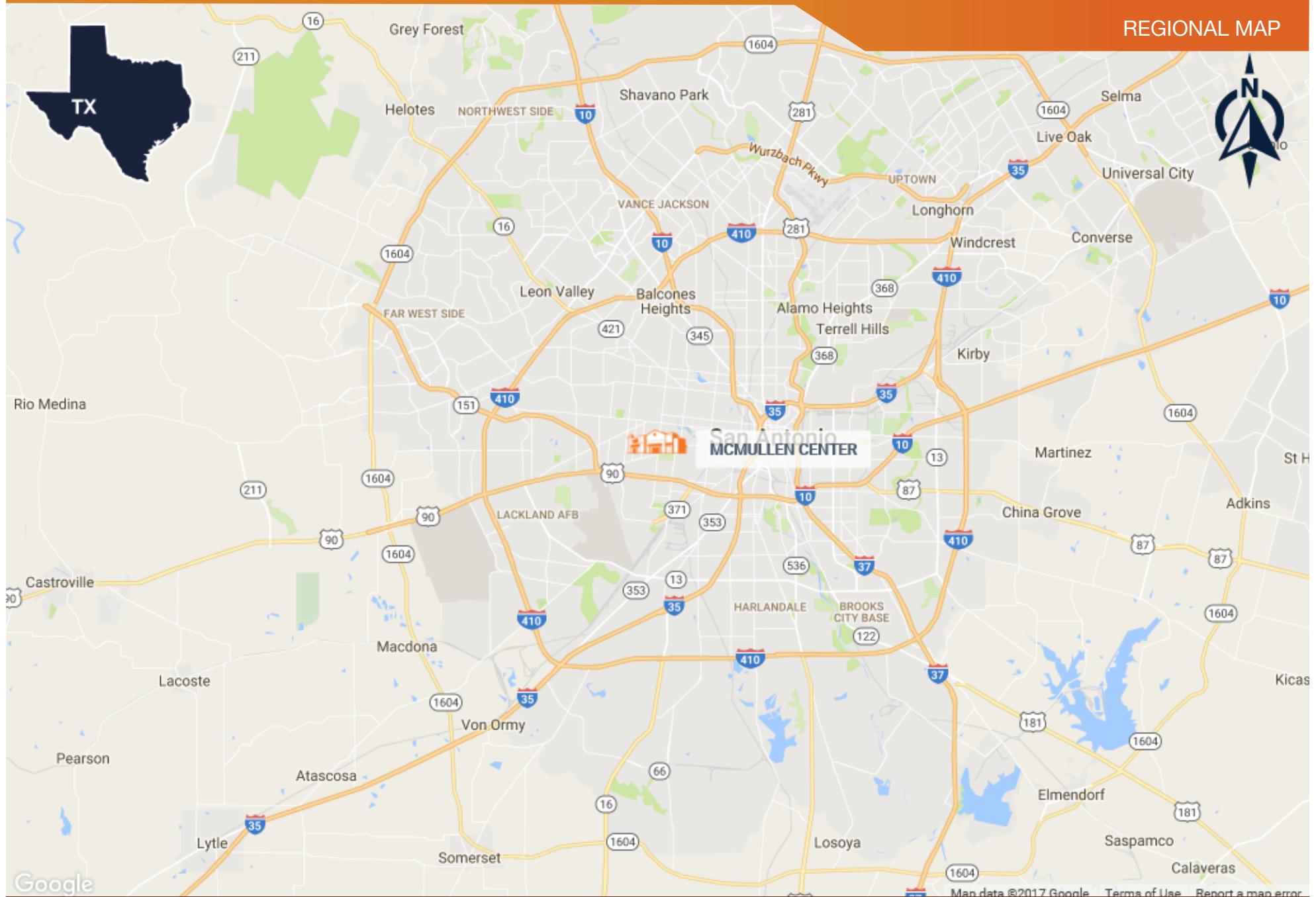
- Immediate Re-Position Opportunity
- Directly across from HEB Anchored Center
- Full Glass Storefronts on Two Exterior Walls
- Monument Signage on General McMullen
- Attractive Varied Roof Lines and Elevated Fascia

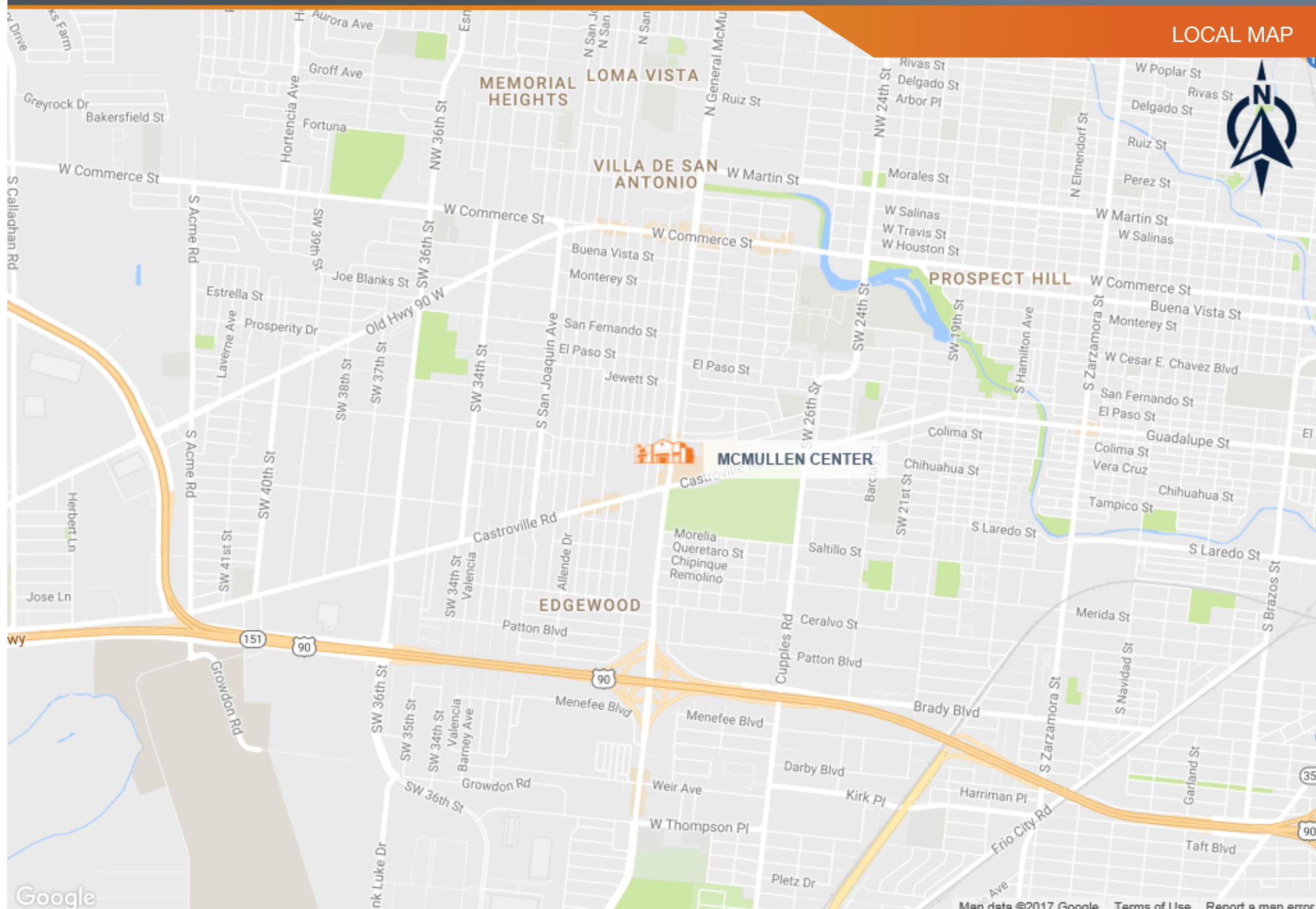


PROPERTY SUMMARY

THE OFFERING		
Property		McMullen Center
Price		\$800,000
Property Address		915 S General McMullen Dr, San Antonio, TX
Assessors Parcel Number		1119535
Zoning		Retail
SITE DESCRIPTION		
Number of Stories		1
Year Built/Renovated		2009
Gross Leasable Area		7735
Ownership		Fee Simple
Lot Size		0.55 acre(s)
Topography		Relatively Flat
Access Points		Two
CONSTRUCTION		
Foundation		Concrete Slab
Exterior		Masonry
Parking Surface		Concrete
Roof		Flat

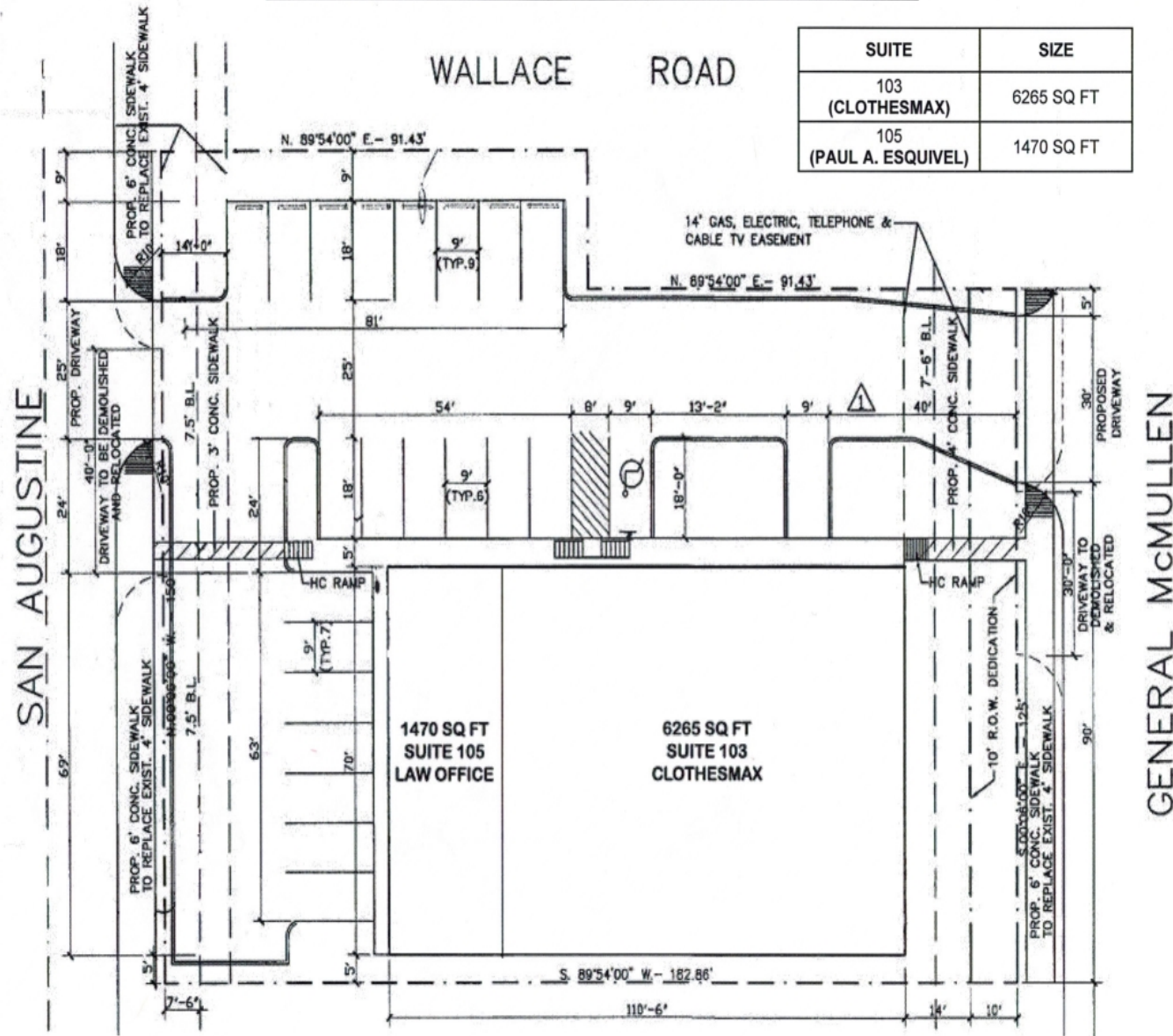








915 S. General McMullen San Antonio, TX 78237



SUITE	SIZE
103 (CLOTHESMAX)	6265 SQ FT
105 (PAUL A. ESQUIVEL)	1470 SQ FT

FINANCIAL ANALYSIS



TENANT SUMMARY

As of January, 2017

Tenant Name	Suite	Square Feet	% Bldg Share	Lease Dates Comm.	Lease Dates Exp.	Annual Rent per Sq. Ft.	Total Rent Per Month	Total Rent Per Year	Changes on	Changes to	Lease Type	Renewal Options and Option Year Rental Information
New Tenant	1	6,265	81.0%	5/31/09	Upon Sale	\$0.00	\$0	\$0	Jul-2017	\$6,265	NNN	
Hospital Clinic	2	1,470	19.0%	2/1/17	5/1/17	\$15.00	\$1,838	\$22,056	N/A	N/A	NNN	
Total		7,735				\$2.85	\$1,838	\$22,056				

Notes: Hospital clinic would like to remain in center at a rate negotiated with new owner.



OPERATING STATEMENT

Income	Year 1	Year 2	Per SF	Notes
Scheduled Base Rental Income	59,646	97,236	12.57	
Expense Reimbursement Income				
CAM	1,215	3,023	0.39	
Insurance	1,982	4,915	0.64	
Real estate Taxes	8,683	21,440	2.77	
Total Reimbursement Income	\$11,880	\$29,378	99.4%	\$3.80
Effective Gross Revenue	\$71,526	\$126,614	\$16.37	
Operating Expenses	Year 1	Year 2	Per SF	
Utilities	3,060	3,121	0.40	
Insurance	4,896	4,994	0.65	
Real Estate Taxes	21,440	21,440	2.77	
Other Expenses - Non Reimbursable	0	0	0.00	
Total Expenses	\$29,396	\$29,555	\$3.82	
Expenses as % of EGR	41.1%	23.3%		
Net Operating Income	\$42,130	\$97,059	\$12.55	

Notes and assumptions to the above analysis are on the following page.



PRICING DETAIL

Summary		
Price	\$800,000	
Down Payment	\$800,000	100%
Number of Suites	2	
Price Per SqFt	\$103.43	
Gross Leasable Area (GLA)	7,735 SF	
Lot Size	0.55 Acres	
Year Built/Renovated	2009	
Occupancy	19.00%	

Returns	Year 1	Year 2
CAP Rate	5.27%	12.13%
Cash-on-Cash	-4.26%	12.13%
Debt Coverage Ratio	N/A	N/A



Operating Data				
Income		Year 1		Year 2
Scheduled Base Rental Income		\$59,646		\$97,236
Total Reimbursement Income	19.9%	\$11,880	30.2%	\$29,378
Other Income		\$0		\$0
Potential Gross Revenue		\$71,526		\$126,614
Effective Gross Revenue		\$71,526		\$126,614
Less: Operating Expenses	41.1%	(\$29,396)	23.3%	(\$29,555)
Net Operating Income		\$42,130		\$97,059
Tenant Improvements		(\$62,650)		\$0
Leasing Commissions		(\$13,532)		\$0
Capital Expenditures		\$0		\$0
Cash Flow		(\$34,052)		\$97,059
Debt Service		\$0		\$0
Net Cash Flow After Debt Service	-4.26%	(\$34,052)	12.13%	\$97,059
Principal Reduction		\$0		\$0
Total Return		-4.26%	(\$34,052)	12.13% \$97,059

Operating Expenses		Year 1	Year 2
CAM		\$3,060	\$3,121
Insurance		\$4,896	\$4,994
Real Estate Taxes		\$21,440	\$21,440
Management Fee		\$0	\$0
Total Expenses		\$29,396	\$29,555
Expenses/Suite		\$14,698	\$14,778
Expenses/SF		\$3.80	\$3.82

MARKET OVERVIEW



Created on March 2017

POPULATION	1 Miles	3 Miles	5 Miles
■ 2020 Projection			
Total Population	22,132	148,058	355,022
■ 2015 Estimate			
Total Population	21,932	145,482	351,001
■ 2010 Census			
Total Population	20,573	136,826	330,067
■ 2000 Census			
Total Population	21,753	139,387	337,008
■ Current Daytime Population			
2015 Estimate	18,166	122,096	456,888
HOUSEHOLDS	1 Miles	3 Miles	5 Miles
■ 2020 Projection			
Total Households	6,512	45,018	115,699
■ 2015 Estimate			
Total Households	6,396	43,823	113,330
Average (Mean) Household Size	3.31	3.19	2.92
■ 2010 Census			
Total Households	6,073	41,586	106,991
■ 2000 Census			
Total Households	6,013	40,623	105,486
■ Occupied Units			
2020 Projection	6,512	45,018	115,699
2015 Estimate	6,587	46,016	119,325
HOUSEHOLDS BY INCOME	1 Miles	3 Miles	5 Miles
■ 2015 Estimate			
\$150,000 or More	0.71%	0.97%	1.56%
\$100,000 - \$149,000	2.85%	3.28%	4.42%
\$75,000 - \$99,999	4.71%	5.16%	6.32%
\$50,000 - \$74,999	12.03%	14.31%	15.44%
\$35,000 - \$49,999	15.79%	15.37%	15.26%
Under \$35,000	63.54%	60.65%	56.57%
Average Household Income	\$34,549	\$36,860	\$41,753
Median Household Income	\$25,600	\$27,382	\$29,915
Per Capita Income	\$10,212	\$11,474	\$14,182

HOUSEHOLDS BY EXPENDITURE	1 Miles	3 Miles	5 Miles
Total Average Household Retail Expenditure	\$42,662	\$44,582	\$47,286
■ Consumer Expenditure Top 10 Categories			
Housing	\$12,501	\$12,922	\$13,520
Transportation	\$8,020	\$8,443	\$8,981
Shelter	\$6,912	\$7,182	\$7,537
Food	\$4,925	\$5,057	\$5,254
Utilities	\$3,391	\$3,446	\$3,529
Health Care	\$2,811	\$2,814	\$2,927
Personal Insurance and Pensions	\$2,481	\$2,763	\$3,144
Entertainment	\$1,703	\$1,761	\$1,883
Apparel	\$1,097	\$1,183	\$1,238
Household Furnishings and Equipment	\$996	\$1,042	\$1,112
POPULATION PROFILE	1 Miles	3 Miles	5 Miles
■ Population By Age			
2015 Estimate Total Population	21,932	145,482	351,001
Under 20	32.01%	32.51%	29.62%
20 to 34 Years	21.26%	22.16%	23.35%
35 to 39 Years	5.13%	5.65%	5.97%
40 to 49 Years	11.93%	11.71%	12.13%
50 to 64 Years	16.19%	15.80%	16.32%
Age 65+	13.47%	12.16%	12.62%
Median Age	32.24	31.30	32.76
■ Population 25+ by Education Level			
2015 Estimate Population Age 25+	13,224	86,175	217,186
Elementary (0-8)	22.75%	19.08%	15.88%
Some High School (9-11)	18.67%	19.09%	16.73%
High School Graduate (12)	30.54%	32.55%	31.57%
Some College (13-15)	12.94%	15.52%	18.49%
Associate Degree Only	2.97%	3.16%	3.97%
Bachelors Degree Only	3.32%	3.82%	6.13%
Graduate Degree	2.11%	1.61%	3.19%

Source: © 2016 Experian



Population

In 2016, the population in your selected geography is 21,932. The population has changed by 0.82% since 2000. It is estimated that the population in your area will be 22,132.00 five years from now, which represents a change of 0.91% from the current year. The current population is 48.80% male and 51.20% female. The median age of the population in your area is 32.24, compare this to the US average which is 37.55. The population density in your area is 6,986.88 people per square mile.



Households

There are currently 6,396 households in your selected geography. The number of households has changed by 6.37% since 2000. It is estimated that the number of households in your area will be 6,512 five years from now, which represents a change of 1.81% from the current year. The average household size in your area is 3.31 persons.



Income

In 2016, the median household income for your selected geography is \$25,600, compare this to the US average which is currently \$54,148. The median household income for your area has changed by 14.76% since 2000. It is estimated that the median household income in your area will be \$29,046 five years from now, which represents a change of 13.46% from the current year.

The current year per capita income in your area is \$10,212, compare this to the US average, which is \$29,638. The current year average household income in your area is \$34,549, compare this to the US average which is \$77,468.



Race and Ethnicity

The current year racial makeup of your selected area is as follows: 71.58% White, 1.04% Black, 0.07% Native American and 0.15% Asian/Pacific Islander. Compare these to US averages which are: 70.98% White, 12.77% Black, 0.19% Native American and 5.25% Asian/Pacific Islander. People of Hispanic origin are counted independently of race.

People of Hispanic origin make up 96.42% of the current year population in your selected area. Compare this to the US average of 17.53%.



Housing

The median housing value in your area was \$56,841 in 2016, compare this to the US average of \$185,104. In 2000, there were 4,012 owner occupied housing units in your area and there were 2,001 renter occupied housing units in your area. The median rent at the time was \$301.



Employment

In 2016, there are 3,170 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 38.47% of employees are employed in white-collar occupations in this geography, and 60.27% are employed in blue-collar occupations. In 2016, unemployment in this area is 7.10%. In 2000, the average time traveled to work was 29.00 minutes.

SAN ANTONIO

Market Highlights

Strong population growth

- San Antonio will add nearly 189,800 residents over the next five years.

Robust job creation

- More than 100,000 jobs are expected to be generated through 2020.

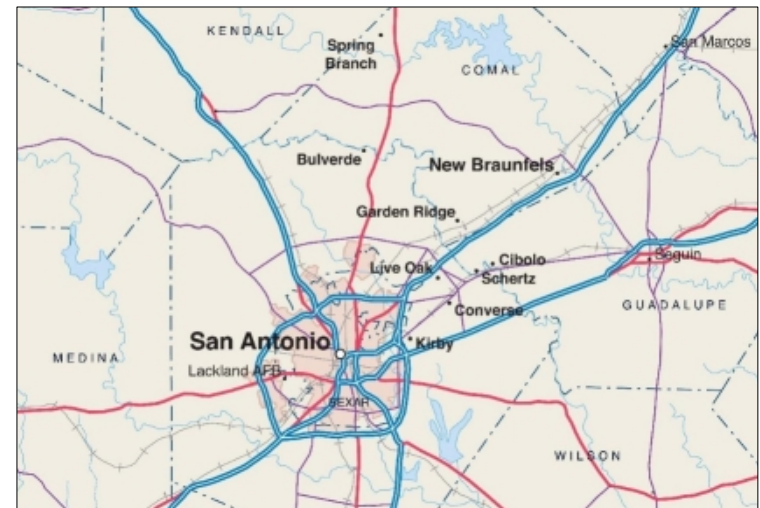
Low cost of living

- San Antonio residents enjoy a low cost of living and no state personal income taxes.



Geography

The San Antonio metro is located in the southern portion of central Texas, with the Edwards Plateau to the northwest and the Gulf Coastal Plains to the southeast. The metro covers 412 square miles straddling the Interstate 35 Corridor, one of the fastest-growing areas in the state.



San Antonio Metro

SAN ANTONIO

Metro

The San Antonio metro covers eight counties — Bandera, Atascosa, Kendall, Comal, Bexar, Guadalupe, Medina and Wilson — and contains approximately 2.3 million residents. Six incorporated cities and towns have populations greater than 20,000. San Antonio is the largest, with more than 1.4 million residents.

Infrastructure

San Antonio serves as a major gateway between the United States and Mexico. Situated only 145 miles from Laredo, San Antonio is an easy drive on Interstate 35 from the border. The area is further enhanced by an extensive transportation network that provides shipping options to domestic and international businesses.

Also bolstering San Antonio's trade is the air cargo component of the international airport, which consists of two Foreign Trade Zones. Air Cargo East features 104,000 square feet of warehouse space and 1.1 million square feet of aircraft apron. Air Cargo West provides 65,300 square feet of warehouse space and 248,140 square feet of aircraft apron to attract companies.

The Port of San Antonio covers 1,900 acres and features a sizable aerospace and industrial complex, as well as an international logistics platform. Rail service to the port and throughout the region is provided by BNSF and Union Pacific.

The San Antonio Metro is:

- 75 miles from Austin
- 145 miles from Laredo
- 190 miles from Houston
- 250 miles from Dallas

Airports

- San Antonio International Airport
- Kelly Field

Major Roadways

- Interstates 10, 35, 37 and 410
- U.S. 281 and 90
- State Highway 151 and Loop 1604

Rail

- Freight – UNSF and Union Pacific
- Passenger – Amtrak

Ports

- Port of San Antonio



Largest Cities in Metro by Population

San Antonio	1,416,100
New Braunfels	65,600
Schertz	36,100
Seguin	27,300
Canyon Lake	24,300
Converse	20,600

* Forecast

Sources: Marcus & Millichap Research Services; U.S. Census Bureau; Experian

SAN ANTONIO

Economy

San Antonio's economy is anchored by three major industries: healthcare, tourism and national defense. Despite the importance of these sectors, San Antonio continues to make great strides in diversifying its economic base. The energy sector has become more prominent with NuStar Energy and Tesoro; however, lower oil prices will hinder production from the Eagle Ford Shale.

San Antonio is the clear leader in Texas when it comes to benefiting from military spending. Fort Sam Houston, Lackland Air Force Base, Randolph Air Force Base and Camp Bullis are among the many military installations located in the metro.

Education and healthcare play vital roles in the local economy. An important component of the healthcare industry is South Texas Medical Center, a

conglomerate of hospitals, clinics and research and higher-education facilities. The center, which employs thousands of workers, is directly responsible for the area's growing biomedical industry.

As the most-visited city in Texas, San Antonio's travel and tourism industry remains a key economic driver. Destinations such as the Alamo and River Walk make the city highly identifiable and popular. The leisure and hospitality segment will be a large employment generator over the next five years.



* Forecast

Sources: Marcus & Millichap Research Services; BLS; Moody's Analytics; U.S. Census Bureau

SAN ANTONIO

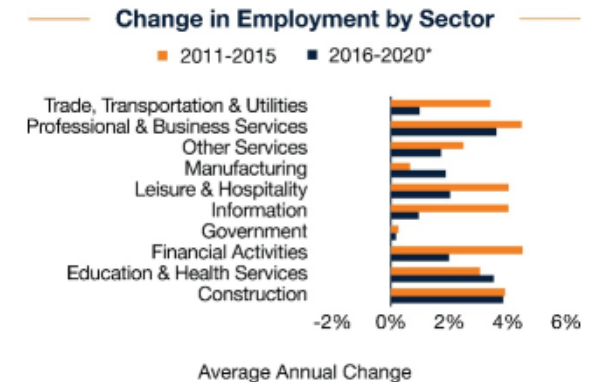
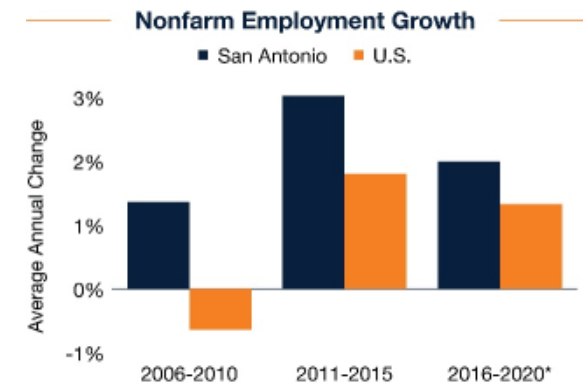
Labor

The San Antonio metro attracts businesses seeking to take advantage of lower costs of living and doing business, which will continue to drive strong population gains over the long term. The expanded infrastructure needed to meet this growth will bolster employment in the construction industry; the sector will expand at an annual average rate of 3.8 percent over the next five years.

The largest industry in San Antonio is trade, transportation and utilities, which accounts for 171,300 jobs, or approximately 17 percent of total employment in the metro. The second-largest employment sector in the local economy is government, supported by the military; another 17 percent of payrolls are in this segment.

Education and health services companies employ the third-largest share of San Antonio workers, with its standing heavily influenced by the South Texas Medical Center, the largest medical research and care provider in southern Texas. The education and health services sector is forecast to post 3.5 percent annual job growth during the next five years.

The leisure and hospitality sector plays a crucial role, employing 126,700 residents. Tourism in San Antonio is related not only to the U.S. economy, but also to the Mexican economy. San Antonio is the only non-border town in the United States to have such a correlation. Substantial employment increases of 2 percent annually are projected for the industry through 2020. During this time, every sector in the metro will grow.



* Forecast

Sources: Marcus & Millichap Research Services; BLS; Moody's Analytics

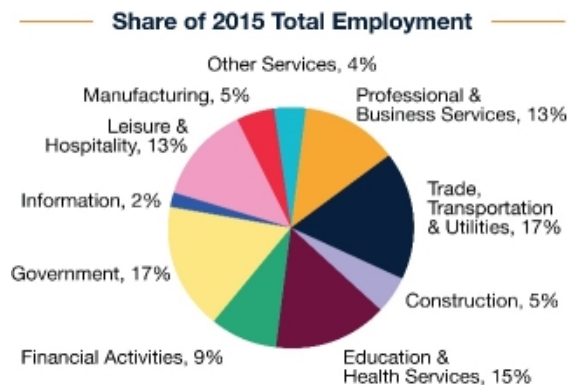
SAN ANTONIO

Employers

A strong, diverse private sector fosters the San Antonio economy. Major corporate headquarters in San Antonio include five Fortune 500 companies. The largest of these, the United Services Automobile Association or USAA, leads the financial services segment, which also includes Wells Fargo and JPMorgan Chase. Energy companies Valero and Tesoro are also headquartered in the metro.

The region is home to one of the largest military concentrations in the nation. The defense sector in San Antonio employs approximately 90,000 people and injects billions of dollars into the metro's economy. San Antonio is receiving greater interest from manufacturers. As a result, the local manufacturing base is forecast to grow by 1.9 percent annually through 2020. Helping to drive these gains is Toyota Motor Manufacturing Texas, which hires thousands of workers.

The healthcare industry rounds out the top employers in San Antonio. The leader in total jobs and healthcare employment is South Texas Medical Center, which has several thousand local workers on payroll. Other large healthcare employers include Baptist Health System and Methodist Healthcare System. Kenetic Concepts, which provides wound care solutions, is expanding.



Major Employers
South Texas Medical Center
USAA
Wells Fargo
Baptist Health System
Southwest Research Institute
Methodist Healthcare System
JPMorgan Chase
Christus Santa Rosa Health System
Toyota Motor Manufacturing Texas
H-E-B



* Forecast

Sources: Marcus & Millichap Research Services; BLS; Moody's Analytics; Experian

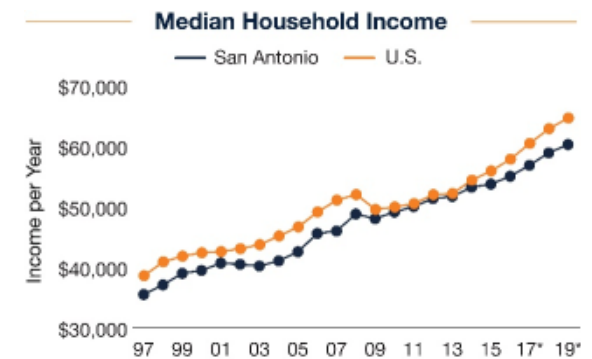
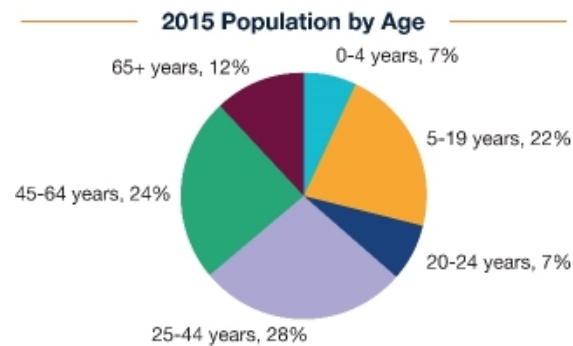
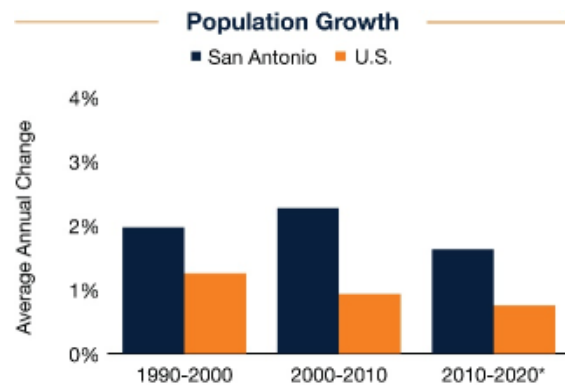


Demographics

The San Antonio metro's population, at more than 2.3 million, will grow 1.6 percent annually over the next five years, double the U.S. average. The city of San Antonio will register the largest absolute increase, while areas such as Schertz, located along the Interstate systems, will lead in percentage growth.

Area residents are relatively young, with 29 percent of the population younger than age 20, and just 12 percent of the population are in their retirement years of age 65 and older. This compares with the national rates of 26 percent and 14 percent, respectively. The low median age of 34.3 years is due in large part to the area's strong military presence and its sizable student population; the region houses a multitude of educational institutions of higher learning. More than 26 percent of residents age 25 and older have at least a bachelor's degree.

The median household income in San Antonio, at \$53,900 per year, falls slightly below the U.S. median of \$56,100 annually. The median home price in the metro hovers around \$200,800, which is below the national median and the other Texas metros. This has resulted in 63 percent of area households owning their home. Incomes are projected to increase at a faster pace than home prices over the next five years, making homeownership more attainable for some residents.



Sources: Marcus & Millichap Research Services; Moody's Analytics; U.S. Census Bureau; AGS; Experian

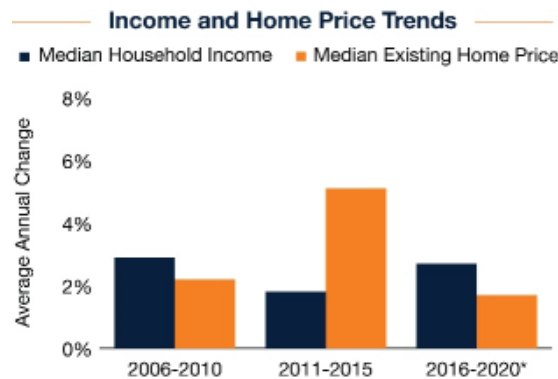
SAN ANTONIO

Quality of Life

With more than 300 days of sunshine annually and an average temperature of around 69 degrees, San Antonio's mild climate makes it easy to enjoy the numerous outdoor activities, including golf at one of more than 50 courses. Hispanic culture and history abounds in such places as La Villita, the Spanish Governor's Palace, San Fernando Cathedral, Jose Antonio Navarro State Historical Park and the Alamo. Tradition blends with more modern attractions, such as the River Walk, a 2.5-mile stretch of parks, cafes, nightclubs and hotels.

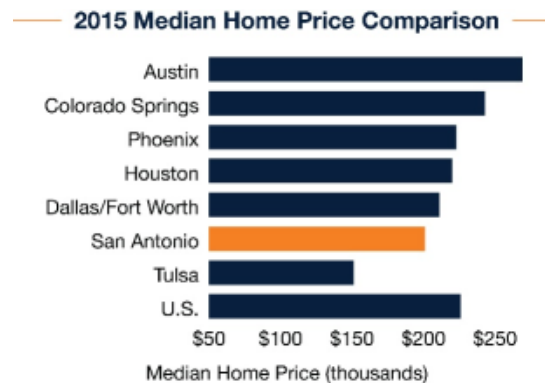
Local residents and tourists can enjoy theme parks including SeaWorld San Antonio, the world's largest marine life park, and Six Flags Fiesta Texas. The Schlitterbahn Waterpark in New Braunfels is the largest waterpark in the world. The metro is also home to numerous sporting events and teams, including the NBA's San Antonio Spurs, the WNBA's San Antonio Silver Stars, the AHL's Rampage and AA baseball's Missions. Arena football is offered by the San Antonio Talons, and the University of Texas San Antonio Roadrunners play NCAA Division 1 football.

Art enthusiasts can visit many museums and cultural centers in San Antonio. McNay Art Museum and the San Antonio Museum of Art, for instance, display a wide variety of works. Additionally, the new Tobin Center for the Performing Arts recently opened in 2014.



* Forecast

Sources: Marcus & Millichap Research Services; National Association of Realtors®; Moody's Analytics; U.S. Census Bureau





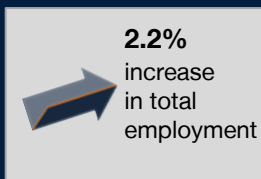
SAN ANTONIO METRO AREA

Vacancy Falls Amid Heightened Retailer Demand

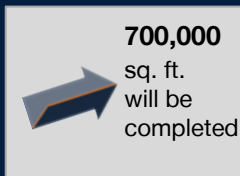
Builders move forward with projects amid tightening conditions. Steady population growth and favorable demographic trends continue to bode well for the San Antonio retail market, and vacancy will squeeze further in the months to come as tenant demand remains robust. Retail deliveries have fallen over the last 18 months, as completions have been mostly limited to build-to-suit and single-tenant space. Wal-Mart and H-E-B have accounted for a large share of completions as they carry out expansion plans, and additional locations are slated for delivery this year. Tightening conditions at area multi-tenant properties, however, are encouraging builders to move forward with sidelined projects. In the second quarter, developers broke ground on Shaenfield Ranch in the western portion of the metro and along the recently expanded loop. The first phase of the project will contain 43,000 square feet of multi-tenant space in addition to a few pad sites. With tenant demand strong and a majority of projects coming online mostly pre-leased, expanding retailers will take space at existing centers, tightening conditions to the lowest level in more than 10 years by the end of 2016.

Buyer interest strengthening as operations improve. Transaction activity has remained relatively stable during the last two years, and deal flow has been limited only by the number of assets available for sale. Buyers are scouring the metro for upside potential, though few opportunities are available as existing owners take advantage of the opportunity to create additional value through building improvements and retenanting vacant space. However, the buyer pool is strong, and those investors who do bring assets to market will be met with a high degree of interest, increasing the chance to meet sales objectives. In the last year, properties in the northern portion of the metro realized significant buyer attention, though the expansion and opening of the outer loop in the northwest and western portions of the metro has brought more attention to these areas in the last 12 months. Cap rates in these submarkets range from 7 to 8.5 percent, depending largely on property location, tenant credit and lease terms. Population and job growth in this area of the metro will continue to encourage retail development and expansion, boding well for investors.

2016 Retail Forecast



Employment: This year, employment in the metro will expand by 2.2 percent from 2015 as 21,500 workers are added to staffs. Area employment advanced 2.7 percent last year when 25,900 jobs were generated.



Construction: Area developers will complete 700,000 square feet of retail space this year, matching last year's deliveries.



Vacancy: Vacancy will remain tight this year as more than 1.9 million square feet of retail space is absorbed, and the rate will fall to 4.2 percent by the end of this year, down 120 basis points from 2015. Last year, vacancy declined 40 basis points.



Rents: Tight conditions will encourage rent growth to resume this year, and the average asking rent will rise 1.4 percent year over year to \$15.23 per square foot at year end. In 2015, the average ticked down 0.1 percent.

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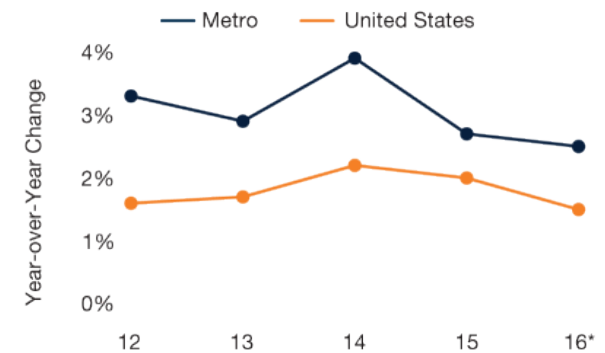
Economy

- San Antonio employers have added 9,800 positions year to date for an annual headcount expansion of 23,100 jobs, or growth of 2.4 percent year over year. This follows a gain of 29,400 workers in the previous 12-month period.
- Job additions in the last year were led by the leisure and hospitality sector, which created more than 5,200 jobs during the annual time frame. The education and health services sector followed, generating 5,100 positions over the same span.
- Steady job growth over the past few years continues to encourage sound retail sales growth, which advanced 2.6 percent annually in June as metro residents spent more than \$42 billion.
- Outlook: This year, employment in the metro will expand by 2.2 percent from 2015 as 21,500 workers are added to staffs. Area employment advanced 2.7 percent last year when 25,900 jobs were generated.

Construction

- The completion of approximately 200,000 square feet of retail space in the second quarter brought the 12-month total to nearly 1 million square feet. In the prior annual time period, builders brought 717,000 square feet of space online.
- Wal-Mart continues to expand in the metro, opening its second Supercenter so far this year in the second quarter. The 155,000-square-foot store was delivered in the Boerne Stage Crossing center, following the completion of a 182,000-square-foot location in Guadalupe County during the first quarter.
- The largest project underway in the market is the 119,000-square-foot H-E-B in Comal County. Developers started construction on the grocery store in the third quarter of 2015 and plan to deliver the building later this fall.
- Outlook: Area developers will complete 700,000 square feet of retail space this year, matching last year's deliveries.

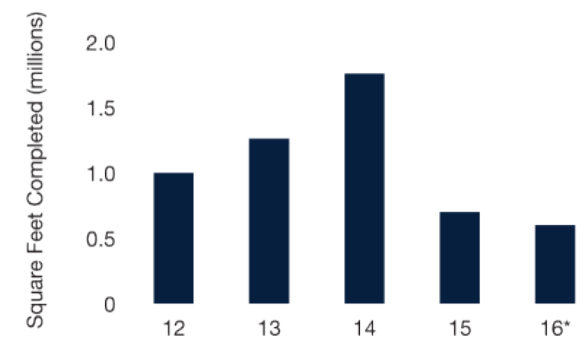
Employment Trends



* Forecast

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Economy.com

Retail Completions



* Forecast

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

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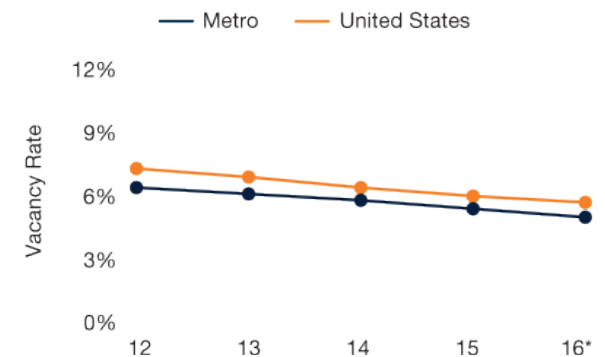
Vacancy

- Property conditions tightened during the second quarter, squeezing 70 basis points to 4.5 percent during the three-month period. This is a 130-basis-point decline from the middle of 2015. The vacancy rate dipped 30 basis points during the prior yearlong period.
- Vacancy in the metro ranged from a low of 1.1 percent in Wilson County to a high of 10.7 percent in Guadalupe County in the second quarter. Just one submarket realized an increase in vacancy over the last 12 months, with the rate rising 10 basis points to 1.6 percent in Atascosa County.
- The average vacancy rate fell 290 basis points over the last four quarters in the CBD to 3.4 percent in June, the strongest decline in the last year. The rate also plummeted 200 basis points in Kendall and Wilson counties, to 1.4 percent and 1.1 percent, respectively.
- Outlook: Vacancy will remain tight this year as more than 1.9 million square feet of retail space is absorbed, and the rate will fall to 4.2 percent by the end of this year, down 120 basis points from the end of last year. In 2015, vacancy declined 40 basis points.

Rents

- As vacancy constricts at retail centers along high-traffic routes, space available for lease in the metro is farther from these high-demand areas. As a result, the average asking rent realized a third straight quarter of decline, reaching \$14.81 per square foot at the end of June, a 2.6 percent annual dip.
- The average asking rent ranges from a low of \$7.59 per square foot in Bandera County to a high of \$23.00 per square foot in Medina County. The CBD and Kendall County also recorded above-average rent, reaching \$22.73 per square foot and \$18.11 per square foot in the second quarter.
- One-third of all submarkets in the metro realized a decline in average asking rent over the last 12 months, with the South San Antonio area recording the steepest drop. Here, the average fell 13.5 percent annually to \$12.05 per square foot.
- Outlook: Tight conditions will encourage rent growth to resume this year, and the average asking rent will rise 1.4 percent year over year to \$15.23 per square foot at year end. In 2015, the average ticked down 0.1 percent.

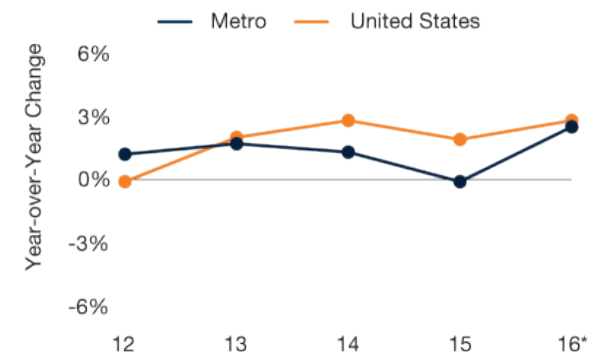
Vacancy Rate Trends



* Forecast

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

Asking Rent Trends



* Forecast

Sources: Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

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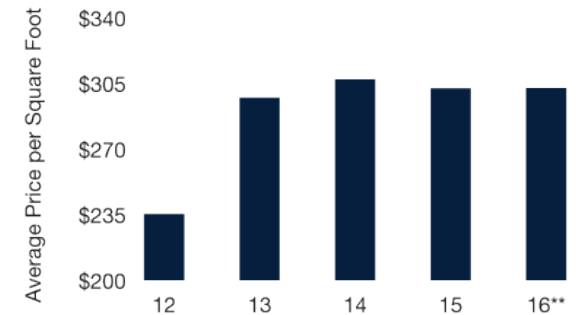
Single-Tenant Sales Trends**

- Single-tenant transaction velocity dipped 2 percent during the last 12 months as fewer available listing weighed on deal flow. In the previous period, sales grew nearly 8 percent.
- Record pricing continued into June as the average reached \$303 per square foot. Nationally recognized fast-food brands and restaurants frequently traded above \$400 per square foot during the period.
- Cap rates compressed as low as the mid-4 percent area for some high-demand fast-food establishments. Meanwhile, drugstores traded closer to the mid-5 percent area and dollar stores changed hands approximately 100 basis points higher.
- Outlook: Single-tenant investors' interest remains strong, but a limited number of properties available for sale will continue to restrict sales velocity in the months to come. However, a number of fast-food retailers are opening new locations in the metro this year, benefiting single-tenant investors in search of safety plays.

Multi-Tenant Sales Trends**

- Multi-tenant retail property sales remained limited over the last 12 months as owners are reluctant to bring assets to market as improving property operations continue to boost NOIs.
- Increased competition for retail assets lifted the average price over the last four quarters to \$219 per square foot. As vacancy tightens and rent growth resumes, NOI growth will continue to appreciate area property prices.
- Multi-tenant property cap rates averaged in the mid-7 percent area over the last four quarters. Initial yields for shopping centers in the norther portion of the metro are capturing significant interest and typically trade in the low-7 percent area.
- Outlook: Some owners who purchased assets during the prior peak will soon be faced with the decision to refinance or sell retail properties. Those who choose to list will be met with strong buyer interest and may chase yield in tertiary markets for reinvestment opportunities.

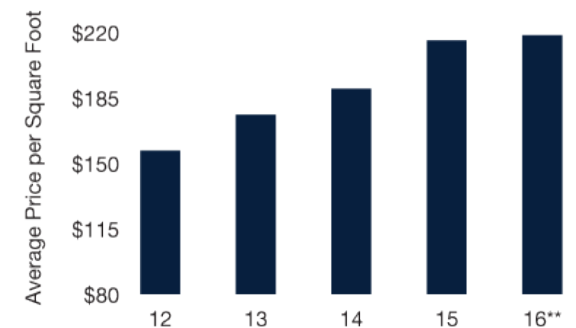
Single-Tenant Sales Trends



** Trailing 12-month period through 2Q

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

Multi-Tenant Sales Trends



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Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics



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Capital Markets

- Global capital markets have remained stable over the past few weeks, even as Brexit and the continued devaluation of the Chinese yuan have induced bouts of volatility into stock and bond markets. Meanwhile, U.S. economic data has proved resilient, with increases in retail sales and steady hiring supporting a measured pace of growth. Additionally, higher bond prices have lowered prospective yields, boosting the appeal of commercial real estate.
- As the current economic cycle has continued, retail vacancy descended to 5.8 percent by the end of the second quarter. A focus on net-leased construction for pre-leased tenants and mixed-use developments has limited development activity in relation to prior cycles, supporting robust increases in average asking rents. Builders will deliver 46 million square feet of retail space this year, with more than two-thirds of new supply slated as single-tenant structures. This environment will sponsor a fourth straight year of average asking rent growth, with advancement projected to exceed inflation over the same period.
- Capital markets remain highly competitive, with a broad assortment of fixed-rate products available through commercial banks, life-insurance companies and CMBS lenders. Loans are generally offered at terms up to 10 years at maximum leverage of 65 to 75 percent. For 10-year terms, rates will typically reside in the high-3 to mid-4 percent range, depending on leverage and underwriting criteria. Floating bridge loans and financing for repositionings are typically underwritten with LTVs above 80 percent, while pricing at 300 basis points above Libor for recourse deals and extending to 470 basis points above Libor for non-recourse transactions.

Local Highlights

- Denver-based Natural Grocers opened its first San Antonio-area location in the second quarter. The 15,000-square-foot store was opened on NW Military Highway and a second location is already underway on New Braunfels Avenue.
- Several fast-food retailers are opening new locations in the metro, including Chick-fil-A, In-N-Out, Popeye's, Taco Bell, Whataburger and Raising Cane's. The completion of these properties could bring new opportunities for single-tenant retail investors.
- The expansion of Loop 1604 in the Northwest portion of the metro opened in the second quarter. Three overpasses have been opened for travelers to bypass traffic lights at the intersections of Braun Road, New Guilbeau and Shaenfield Road.
- The former Joske's building in downtown San Antonio reopened as the Shops at Rivercenter in the first quarter after a three-year, multimillion-dollar renovation. Fifty stores and a restaurant will call the new shopping center home, with retailers such as Macy's, H&M, U.S. Polo Assn., among many others, opening new locations here.
- H-E-B plans to open two locations in the metro during 2017. One store is planned in the growing western side of the market, near the intersection of Alamo Ranch Parkway and Alamo Parkway, while the second will be in the northeast, near Loop 1604 and Bulverde Road.



INFORMATION ABOUT BROKERAGE SERVICES

Texas law requires all real estate license holders to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.

11-2-2015

TYPES OF REAL ESTATE LICENSE HOLDERS:

- **A BROKER** is responsible for all brokerage activities, including acts performed by sales agents sponsored by the broker.
- **A SALES AGENT** must be sponsored by a broker and works with clients on behalf of the broker.

A BROKER'S MINIMUM DUTIES REQUIRED BY LAW (A client is the person or party that the broker represents):

- Put the interests of the client above all others, including the broker's own interests;
- Inform the client of any material information about the property or transaction received by the broker;
- Answer the client's questions and present any offer to or counter-offer from the client; and
- Treat all parties to a real estate transaction honestly and fairly.

A LICENSE HOLDER CAN REPRESENT A PARTY IN A REAL ESTATE TRANSACTION:

AS AGENT FOR OWNER (SELLER/LANDLORD): The broker becomes the property owner's agent through an agreement with the owner, usually in a written listing to sell or property management agreement. An owner's agent must perform the broker's minimum duties above and must inform the owner of any material information about the property or transaction known by the agent, including information disclosed to the agent or subagent by the buyer or buyer's agent.

AS AGENT FOR BUYER/TENANT: The broker becomes the buyer/tenant's agent by agreeing to represent the buyer, usually through a written representation agreement. A buyer's agent must perform the broker's minimum duties above and must inform the buyer of any material information about the property or transaction known by the agent, including information disclosed to the agent by the seller or seller's agent.

AS AGENT FOR BOTH - INTERMEDIARY: To act as an intermediary between the parties the broker must first obtain the written agreement of *each party* to the transaction. The written agreement must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. A broker who acts as an intermediary:

- Must treat all parties to the transaction impartially and fairly;
- May, with the parties' written consent, appoint a different license holder associated with the broker to each party (owner and buyer) to communicate with, provide opinions and advice to, and carry out the instructions of each party to the transaction.
- Must not, unless specifically authorized in writing to do so by the party, disclose:
 - that the owner will accept a price less than the written asking price;
 - that the buyer/tenant will pay a price greater than the price submitted in a written offer; and
 - any confidential information or any other information that a party specifically instructs the broker in writing not to disclose, unless required to do so by law.

AS SUBAGENT: A license holder acts as a subagent when aiding a buyer in a transaction without an agreement to represent the buyer. A subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first.

TO AVOID DISPUTES, ALL AGREEMENTS BETWEEN YOU AND A BROKER SHOULD BE IN WRITING AND CLEARLY ESTABLISH:

- The broker's duties and responsibilities to you, and your obligations under the representation agreement.
- Who will pay the broker for services provided to you, when payment will be made and how the payment will be calculated.

LICENSE HOLDER CONTACT INFORMATION: This notice is being provided for information purposes. It does not create an obligation for you to use the broker's services. Please acknowledge receipt of this notice below and retain a copy for your records.

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