

VIEWPOINT



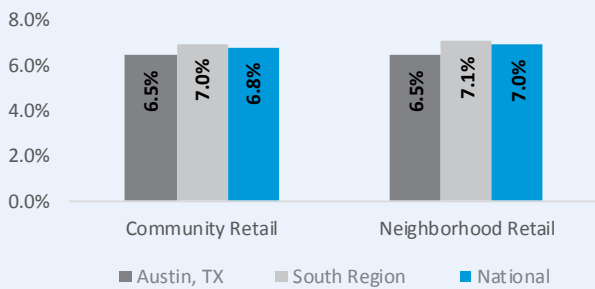
2018 AUSTIN, TX RETAIL ANNUAL REPORT

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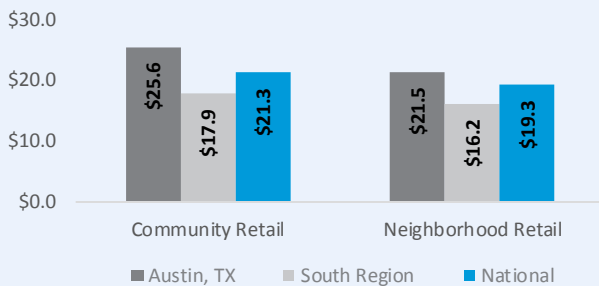
Market Rate Indicators (Y/Y)

Categories	Community Retail	Neighborhood Retail
Going In Cap Rate (%)	◀▶	◀▶
Asking Rent (\$/SF)	▲	▲
Vacancy Rate (%)	▲	▲

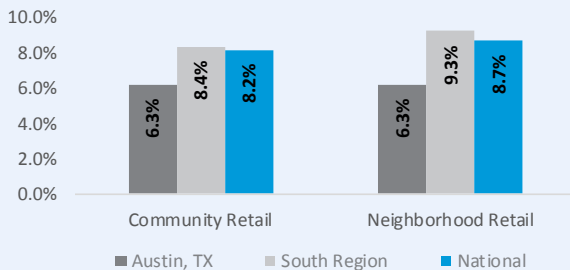
Going In Cap Rate Comparisons (%)



Asking Rents (\$/SF)



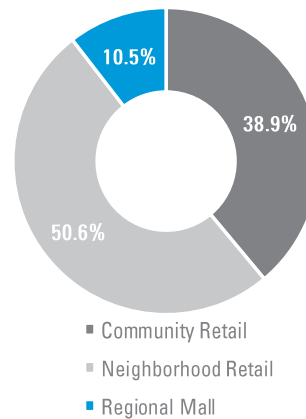
Vacancy Rates (%)



Austin, TX Retail Market Overview

Austin's population continues to grow, with unemployment remaining low compared to national figures. It continues to attract an abundance of skilled, higher wage workers. However, rising home prices and traffic concerns continue to loom on the horizon. Whether these factors will have any major influence on the economy remains to be seen, but locals and city leaders are well aware. Recent indications from city officials are that employment growth will likely begin to moderate over the next few years from the 6% to 8% rates seen in the past several years to more conservative figures in the 3% range. We expect vacancy for all retail property types to remain stable, with rents continuing to increase in the near-term. Cap and discount rates should remain relatively stable, with continued positive absorption in the market.

Distribution of Total Inventory



24,148,805 SF
Retail Inventory

0.64% - 12 Mo. Proj.
Construction/Inventory



Change In Value Next 12 Months



2% - 3.9%

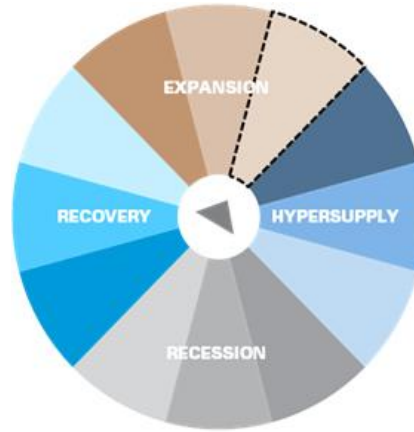
Community Retail



2% - 3.9%

Neighborhood Retail

Market Cycle: Expansion Stage 3



- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Moderate/High Employment Growth
- Decreasing Vacancy Rates
- High Absorption

Forecasts

Austin, TX 12-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Going-In Cap Rates	Remain Steady - no change	Remain Steady - no change
Discount Rate	Remain Steady - no change	Remain Steady - no change
Reversion Rate	Remain Steady - no change	Remain Steady - no change
Construction (SF)	154,000	
Years to Balance	In Balance	In Balance

Austin, TX 36-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Market Rent Change	3.00%	3.00%
Expense Rate Change	3.00%	3.00%
Change in Value	Increase 2% - 3.9%	Increase 2% - 3.9%
Annual Absorption (SF)	75,000	328,000

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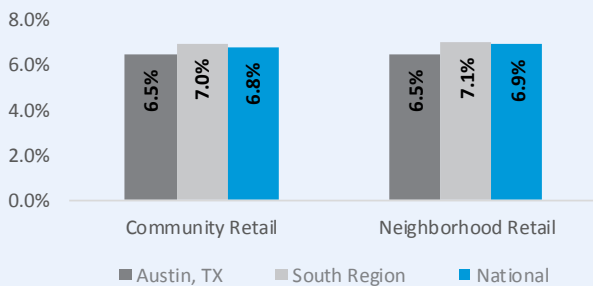
2017 AUSTIN, TX RETAIL MID-YEAR REPORT

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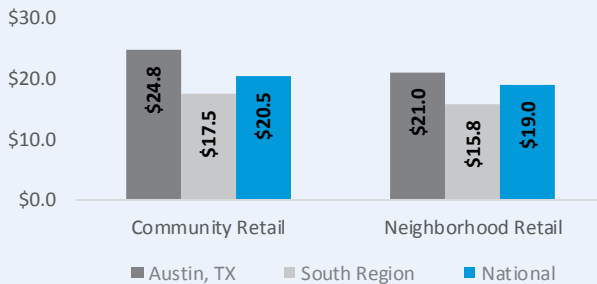
Market Rate Indicators (Y/Y)

Categories	Community Retail	Neighborhood Retail
Going In Cap Rate (%)	◀▶	◀▶
Asking Rent (\$/SF)	▲	▲
Vacancy Rate (%)	▼	▲

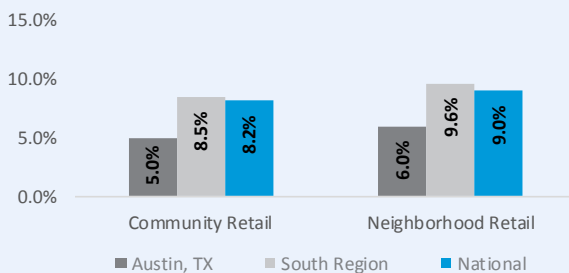
Going In Cap Rate Comparisons (%)



Asking Rents (\$/SF)



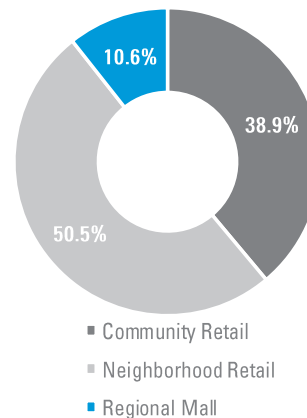
Vacancy Rates (%)



Austin, TX Retail Market Overview

Austin's growing population, low unemployment rate, and the expansion of business within the area provide a favorable climate for retail. The Central Texas retail market continues to show strong occupancy rates along with year over year rent increases. Due to this market segment strength, secondary older neighborhood centers have benefited. Recent large increases in tax assessments, however, have placed a strain on many smaller local retail tenants. Look for vacancy rates for regional mall, community retail, and neighborhood retail to decrease in 2017. Rental rates have climbed consistently over the past five years with an overall rate increase of more than 4 percent over the past year. Both cap and discount rates declined slightly in 1st half of 2017. Overall absorption has been positive since 2011 and stayed positive through 2016, with nearly 300,000 square feet absorbed this past year. Nordstrom and Restoration Hardware have opened in the Domain, a mixed-use development with multifamily residential, office, and retail space in north Austin. South Austin has several mixed-use developments with retail space under construction, including Gateway to Falconhead and Covered Bridge Village. Within suburban Austin, The Crystal Falls Town Center in Leander recently opened and The Parke in Cedar Park is set to open early in 2017. Despite a relatively tight market, developers are being very selective about new and speculative construction, and we expect this market to remain strong.

Distribution of Total Inventory



23,782,805 SF
Retail Inventory

N/A - 12 Mo. Proj.
Construction/Inventory



Change In Value Next 12 Months



2% - 3.9%

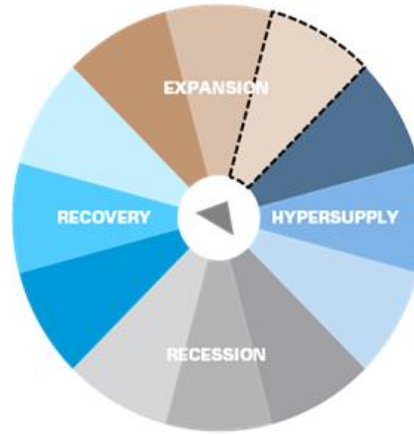
Community Retail



2% - 3.9%

Neighborhood Retail

Market Cycle: Expansion Stage 3



- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Decreasing Vacancy Rates
- Moderate/High New Construction
- High Absorption

Forecasts

Austin, TX 12-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Going-In Cap Rates	Decrease 1-24 bps	Decrease 1-24 bps
Discount Rate	Decrease 1-24 bps	Remain Steady - no change
Reversion Rate	Decrease 1-24 bps	Decrease 1-24 bps
Construction (SF)	-	
Years to Balance	In Balance	In Balance

Austin, TX 36-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Market Rent Change	3.00%	3.00%
Expense Rate Change	3.00%	3.00%
Change in Value	Increase 2% - 3.9%	Increase 2% - 3.9%
Annual Absorption (SF)	75,000	226,500

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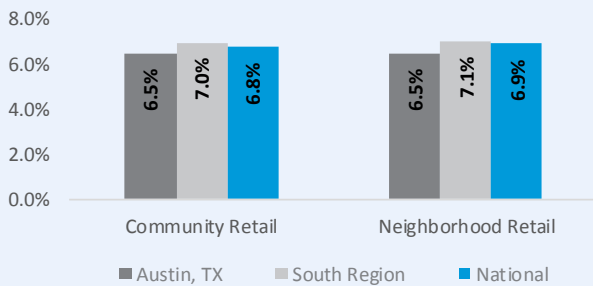
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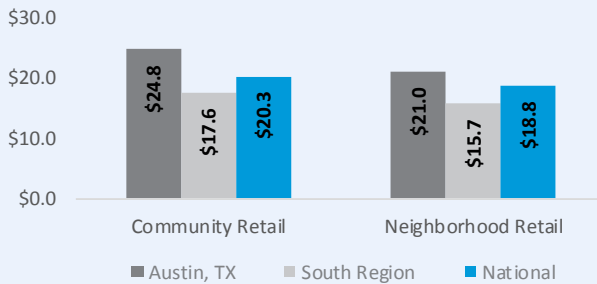
Market Rate Indicators (Y/Y)

Categories	Community Retail	Neighborhood Retail
Going In Cap Rate (%)	▼	▼
Asking Rent (\$/SF)	▲	▲
Vacancy Rate (%)	▼	▲

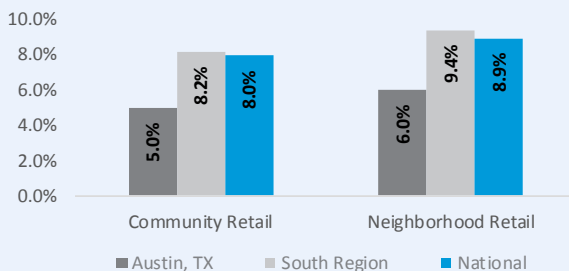
Going In Cap Rate Comparisons (%)



Asking Rents (\$/SF)



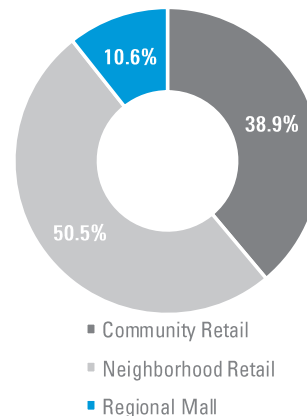
Vacancy Rates (%)



Austin, TX Retail Market Overview

Austin's growing population, low unemployment rate, and the expansion of business within the area provide a favorable climate for retail. The Central Texas retail market continues to show strong occupancy rates along with year over year rent increases. Due to this market segment strength, secondary older neighborhood centers have benefited. Recent large increases in tax assessments, however, have placed a strain on many smaller local retail tenants. Look for vacancy rates for regional mall, community retail, and neighborhood retail to decrease in 2017. Rental rates have climbed consistently over the past five years with an overall rate increase of more than 4 percent over the past year. Both cap and discount rates declined in 2016. Overall absorption has been positive since 2011 and stayed positive through 2016, with nearly 300,000 square feet absorbed this past year. Nordstrom and Restoration Hardware have opened in the Domain, a mixed-use development with multifamily residential, office, and retail space in north Austin. South Austin has several mixed-use developments with retail space under construction, including Gateway to Falconhead and Covered Bridge Village. Within suburban Austin, The Crystal Falls Town Center in Leander recently opened and The Parke in Cedar Park is set to open early in 2017. Despite a relatively tight market, developers are being very selective about new and speculative construction, and we expect this market to remain strong.

Distribution of Total Inventory



23,782,805 SF
Retail Inventory

3.15% - 12 Mo. Proj.
Construction/Inventory



Change In Value Next 12 Months



2% - 3.9%

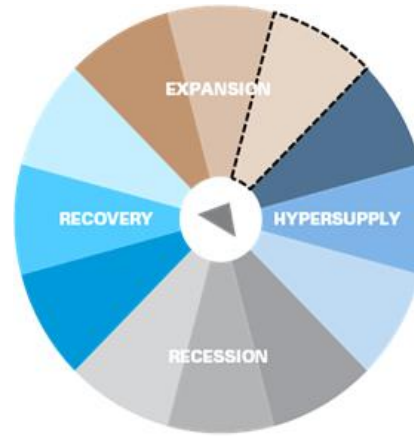
Community Retail



2% - 3.9%

Neighborhood Retail

Market Cycle: Expansion Stage 3



- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Decreasing Vacancy Rates
- Moderate/High New Construction
- High Absorption

Forecasts

Austin, TX 12-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Going-In Cap Rates	Decrease 1-24 bps	Decrease 1-24 bps
Discount Rate	Decrease 1-24 bps	Remain Steady - no change
Reversion Rate	Decrease 1-24 bps	Decrease 1-24 bps
Construction (SF)	750,000	
Years to Balance	In Balance	In Balance

Austin, TX 36-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Market Rent Change	3.00%	3.00%
Expense Rate Change	3.00%	3.00%
Change in Value	Increase 2% - 3.9%	Increase 2% - 3.9%
Annual Absorption (SF)	75,000	226,500

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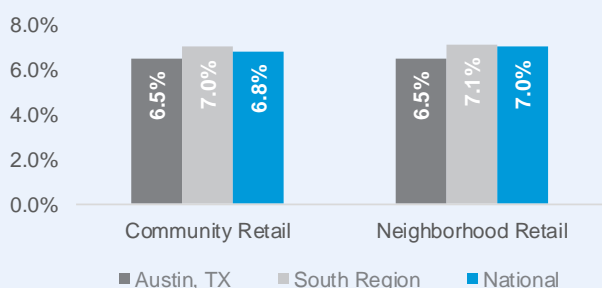
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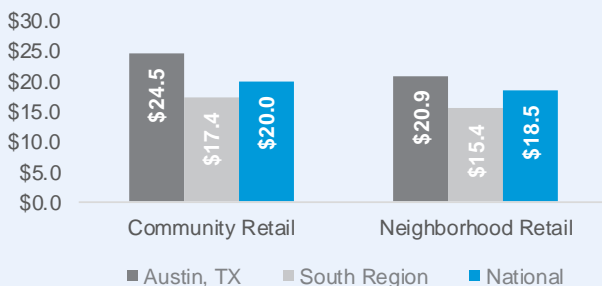
Market Rate Indicators (Y/Y)

Categories	Community Retail	Neighborhood Retail
Going In Cap Rate (%)	▼	▼
Asking Rent (\$/SF)	▲	▲
Vacancy Rate (%)	▼	▼

Going In Cap Rate Comparisons (%)

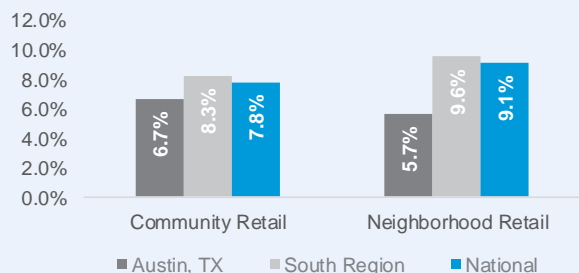


Asking Rents (\$/SF)



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Vacancy Rates (%)

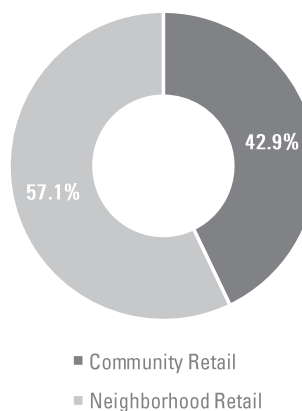


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Austin, TX Retail Market Overview

Austin's growing population, low unemployment rate, and the expansion of business within the area provide a favorable climate for retail. The Central Texas retail market continues to show strong occupancy rates along with year over year rent increases. Due to this market segment strength, secondary older neighborhood centers have benefited. Recent large increases in tax assessments, however, have placed a strain on many smaller local retail tenants. Vacancy rates for regional mall, community retail, and neighborhood retail have decreased over the past year and will likely continue in this direction as 2016 progresses. Rental rates have climbed consistently over the past five years with an overall rate increase of more than 4 percent over the past year. Both cap and discount rates declined in the first part of 2016. Overall absorption has been positive since 2011 and should stay positive through 2016, with nearly 300,000 square feet anticipated to be absorbed this year. By the end of this year Nordstrom and Restoration Hardware are set to open stores in the Domain, a mixed-use development with multifamily residential, office, and retail space in north Austin. South Austin has several mixed-use developments with retail space under construction, including Lakeview Town Center and South Lamar Plaza. Within suburban Austin, The Shops at Lakeline Village recently opened in Cedar Park and Crystal Falls Town Center in Leander is set to open this fall. Despite a relatively tight market, developers are being very selective about new and speculative construction, and we expect this market to remain strong.

Distribution of Total Inventory



21,058,000 SF Retail Inventory

3.56% - 12 Mo. Proj. Construction/Inventory

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Integra Realty Resources - Austin

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 Randy Williams, MAI, SR/WA, FRICS, Senior Managing Director, rawilliams@irr.com



Change In Value Next 12 Months



2% - 3.9%

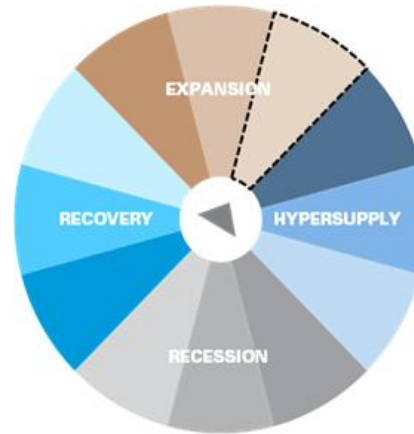
Community Retail



2% - 3.9%

Neighborhood Retail

Market Cycle: Expansion Stage 3



- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Decreasing Vacancy Rates
- Moderate/High New Construction
- High Absorption

Forecasts

Austin, TX 12-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Going-In Cap Rates	Decrease 1-24 bps	Decrease 1-24 bps
Discount Rate	Decrease 1-24 bps	Remain +/- 0%
Reversion Rate	Decrease 1-24 bps	Decrease 1-24 bps
Construction (SF)	750,000	
Years to Balance	In Balance	In Balance

Austin, TX 36-Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Market Rent Change	3.00%	3.00%
Expense Rate Change	3.00%	3.00%
Change in Value	Increase 2% - 3.9%	Increase 2% - 3.9%
Annual Absorption (SF)	75,000	226,500

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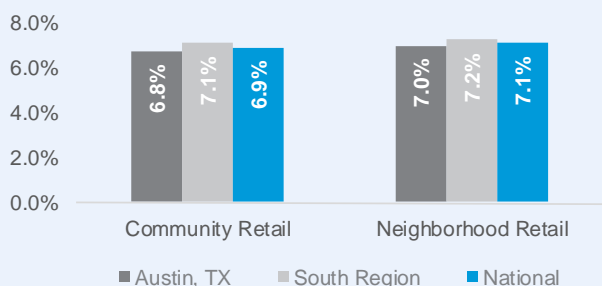
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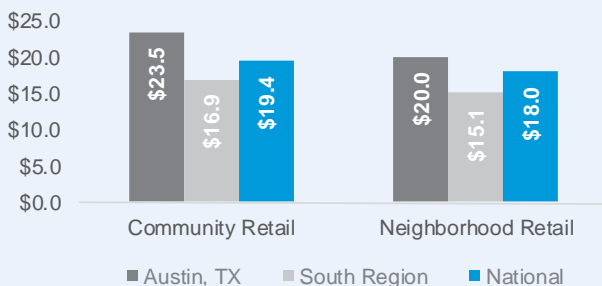
Market Rate Indicators (Y/Y)

Categories	Community Retail	Neighborhood Retail
Going In Cap Rate (%)	◀▶	◀▶
Asking Rent (\$/SF)	▲	▲
Vacancy Rate (%)	▼	▼

Going In Cap Rate Comparisons (%)

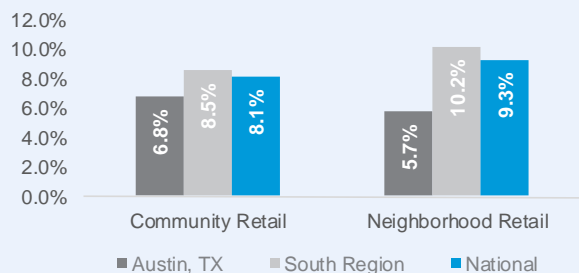


Asking Rents (\$/SF)



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Vacancy Rates (%)

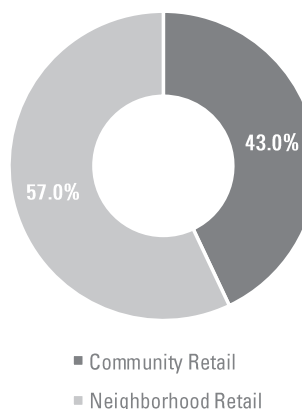


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Austin, TX Retail Market Overview

Austin provides a favorable climate for retail with a rapidly growing population, low unemployment, and expanding business within several key industry sectors. The retail market is expanding as vacancy rates fall, rental rates increase, and existing space is absorbed. Vacancy rates for regional mall, community retail, and neighborhood retail have decreased over the past year and will likely continue in this direction into 2016. Rental rates have climbed consistently over the past five years with an overall rate increase of more than 4 percent expected for 2016. Both cap and discount rates declined throughout 2015 but will likely remain relatively flat in the first part of 2016. Overall absorption has been positive for the previous five years and should stay positive through the coming year, even increasing to an estimated 350,000 square feet of total absorption for 2016. Construction within the retail sector has slowed recently with more than 1 million square feet added in 2015 but just slightly more than 300,000 square feet expected for 2016. The Domain, a mixed-use development with multifamily residential, office, and retail space in north Austin, is adding 171,000 square feet of additional retail space this year. South Austin has several mixed-use developments with retail space under construction, including Lakeview Town Center and South Lamar Plaza. Several small neighborhood retail centers are under construction in the suburban communities of Round Rock, Leander, and Cedar Park. Given continued occupancy levels, increasing rental rates, high absorption, and limited new supply, the Austin retail market should continue to expand in the coming year.

Distribution of Total Inventory



21,019,000 SF
Retail Inventory

1.52% - 12 Mo. Proj.
Construction/Inventory

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Integra Realty Resources - Austin

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Change In Value Next 12 Months



+ 2% - 3.9%

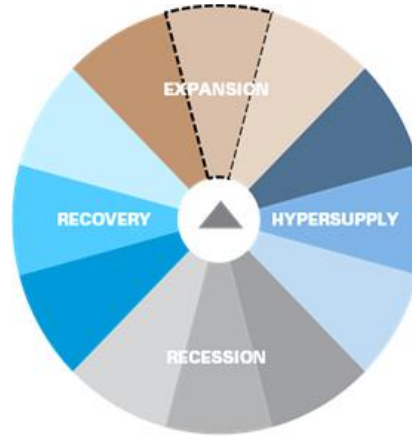
Community Retail



+ 2% - 3.9%

Neighborhood Retail

Market Cycle: Expansion Stage 2



- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Decreasing Vacancy Rates
- High Absorption
- Moderate/High New Construction

Forecasts

Austin, TX 12 Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Going-In Cap Rates	Decrease 1-24 bps	Remain Steady - no change
Discount Rate	Remain Steady - no change	Remain Steady - no change
Reversion Rate	Remain Steady - no change	Remain Steady - no change
Construction (SF)	320,000	
Years to Balance	In Balance	In Balance

Austin, TX 36 Month Retail Forecasts

Categories	Community Retail	Neighborhood Retail
Market Rent Change	Increase 3% - 4.9%	Increase 3% - 4.9%
Expense Rate Change	Increase 1% - 2.9%	Increase 1% - 2.9%
Change in Value	Increase 2% - 3.9%	Increase 2% - 3.9%
Annual Absorption (SF)	90,000	237,250

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