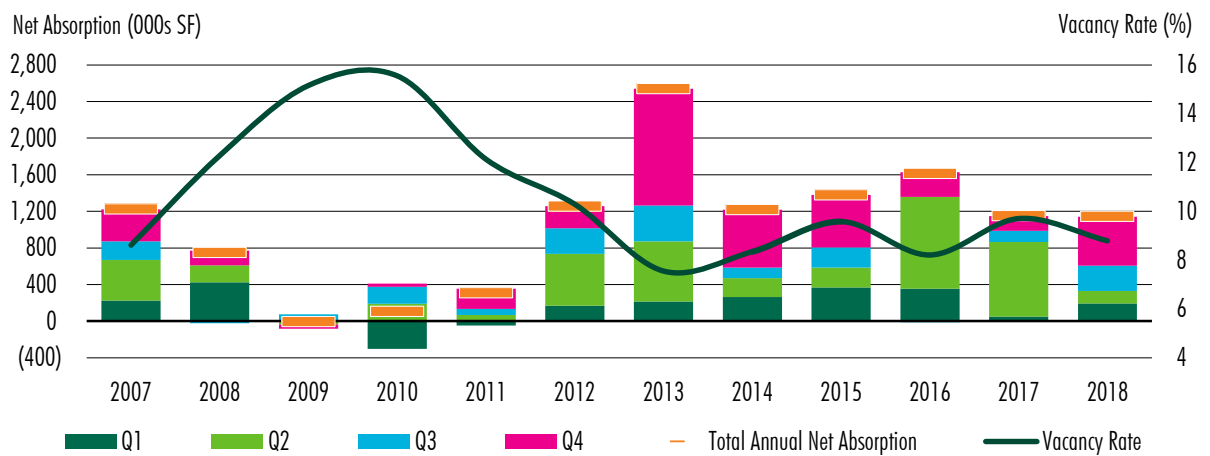


San Antonio Industrial, Q4 2018

Vacancy dwindles as tenants move to the Alamo City

▼ Vacancy 8.8%
▲ Net Absorption 537,687 SF
▲ Avg. Asking Rate \$5.88 PSF
▲ Under Construction 2,229,932 SF
▼ Deliveries 122,707 SF

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2018.

TWO SUBMARKETS HEAT UP

Significant activity in the Northeast and South submarkets pushed market-wide absorption to over 1.1 million sq. ft. at the close of 2018. Southern Warehousing & Distribution expanded their market presence by 111,800 sq. ft. in the Northeast submarket. San Antonio-based Comet Signs moved into 166,000 sq. ft. of space at 5003 Stout Drive in the South submarket. In addition to the strong quarterly absorption, multiple leases were signed in Q4 2018 and are set to occupy in 2019. Calendar Club and Dealer Tire inked two deals totaling 324,000 sq. ft. at the I-35 Logistics Center in the Northeast submarket. The two companies are expected to take occupancy in early 2019.

LARGE MOVE INS SHRINK VACANCY

Several large tenants took occupancy in Q4 2018, decreasing the market-wide vacancy rate by 90 basis points (bps) from 9.7% in Q3 2018 to 8.8% in Q4 2018. With over 300,000 sq. ft. of net absorption, the Northeast submarket registered a vacancy decrease of 230 basis points quarter-over-quarter. Class B space in the North Central submarket experienced a slight uptick in vacancy, stemming from a combination of smaller move outs in flex R&D space.

ASKING RENTS INCREASE

San Antonio's flourishing industrial market sparked increases in weighted average asking NNN rents for both warehouse and flex R&D space. Rates in the South submarket trended upward into the \$5.00 NNN range for both Class A and B properties. This is largely due to increased demand in the area. Flex R&D space in the Northeast submarket saw rents increase to over \$10.00 NNN per sq. ft. in the fourth quarter. With an influx of manufacturers coming to the market, demand for versatile space has increased, which has pushed flex R&D prices up in recent years.

CONSTRUCTION TO DELIVER IN 2019

Deliveries cooled off in the fourth quarter with two speculative developments totaling 122,707 sq. ft. completing in Q4 2018. Additions to the development pipeline included Phase II of Gateway 10 Business Park, which added 175,055 sq. ft. of space underway to the Northeast submarket. Several projects are slated to deliver in the first quarter of 2019, including the 400,400-sq.-ft. Logistics Commerce Center park and the 350,000-sq.-ft. building at Brooks City Base.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	**Net Avg. Asking Lease Rate (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q4 2018 Net Absorption
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
CBD	513,761	5.1	5.1	N/A	N/A	N/A	-	-	0
Class A	0	N/A	N/A	N/A	N/A	N/A	-	-	0
Class B	125,631	0.0	0.0	N/A	N/A	N/A	-	-	0
North Central	6,262,892	4.5	7.6	8.83	10.07	9.53	50,000	-	63,259
Class A	963,124	0.3	4.3	7.00	N/A	7.00	50,000	-	101,931
Class B	3,834,191	4.6	8.1	10.22	10.55	10.41	-	-	(12,218)
Northeast	25,907,937	10.3	14.3	4.64	10.37	5.19	1,056,957	42,957	342,378
Class A	7,940,223	11.1	15.0	4.89	7.83	5.12	775,402	-	34,191
Class B	10,021,665	11.4	16.2	4.36	10.18	4.95	281,555	42,957	112,203
Northwest	6,272,474	5.9	11.1	5.18	11.16	10.09	-	-	(33,950)
Class A	519,156	4.1	4.1	N/A	N/A	N/A	-	-	0
Class B	3,461,464	7.2	16.1	5.00	11.42	10.42	-	-	(28,701)
South	7,673,912	9.7	15.8	5.15	12.00	5.25	1,122,975	79,750	166,000
Class A	2,931,178	10.3	13.4	5.85	N/A	5.85	957,600	-	0
Class B	3,939,593	8.6	16.7	5.14	12.00	5.27	165,375	79,750	166,000
San Antonio Total	46,630,976	8.8	13.1	4.93	10.64	5.88	2,229,932	122,707	537,687
Class A	12,353,681	9.8	13.3	5.50	7.88	5.60	1,783,002	0	136,122
Class B	21,382,544	8.9	14.7	4.80	10.90	5.91	446,930	122,707	237,284
Warehouse/Dist.	38,498,942	8.7	13.1				1,846,432	122,707	479,552
Flex/R&D	7,389,426	9.9	14.5				81,500	0	58,135

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner-occupied properties. Source: CBRE Research, Q4 2018.

Figure 3: Largest Q4 2018 Positive Space Absorptions

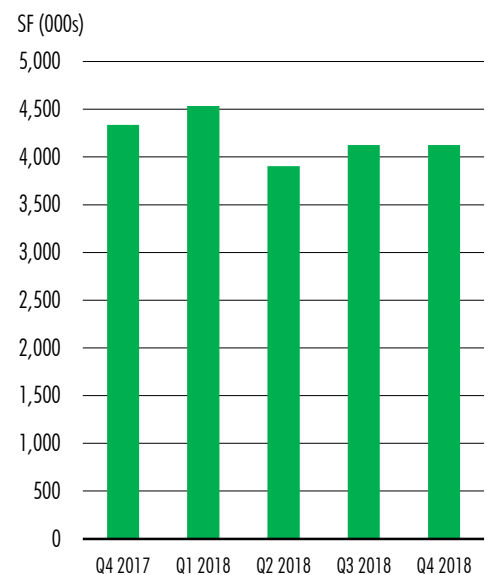
Total SF	Submarket	Building	Building Class	Tenant/Industry
166,000	South	5003 Stout Dr.	B	Comet Signs
111,800	Northeast	3030 Aniol St.	B	Southern Warehousing & Distribution
84,000	Northeast	Rittiman East Industrial Park	B	Hot Shot Final Mile

Figure 4: Largest Q4 2018 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant/Industry
37,134	Northeast	Crosswinds Business Park	B	Alorica, Inc.
32,000	Northeast	Perrin Creek Corporate Center	B	Hot Shot Final Mile
16,166	Northeast	1935 Shipman Dr.	B	Undisclosed

Source: CBRE Research, Q4 2018.

Figure 5: Active Users/Tenants in the Market



Source: CBRE Research, Q4 2018.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

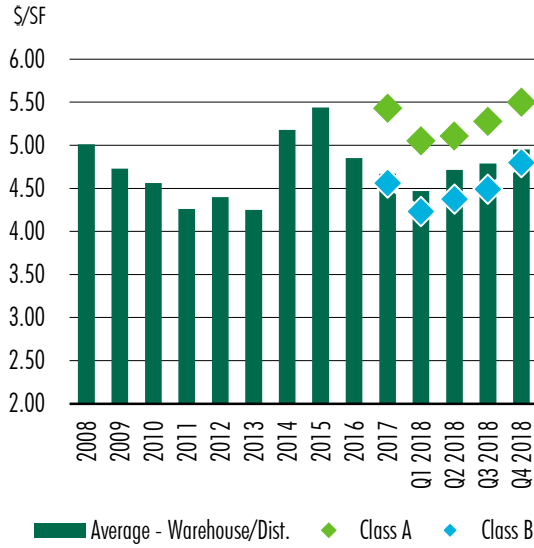
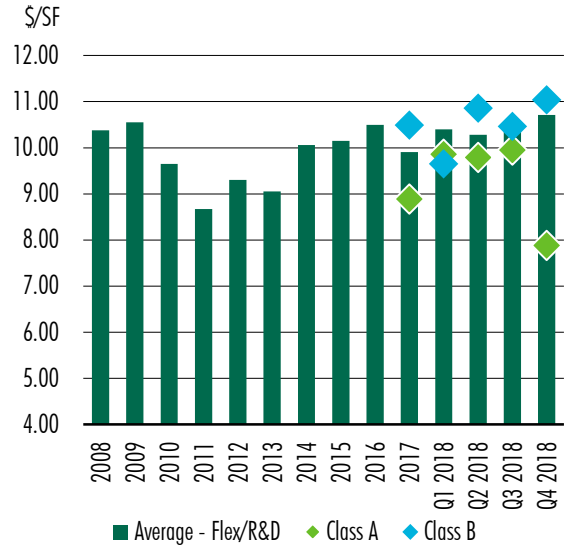
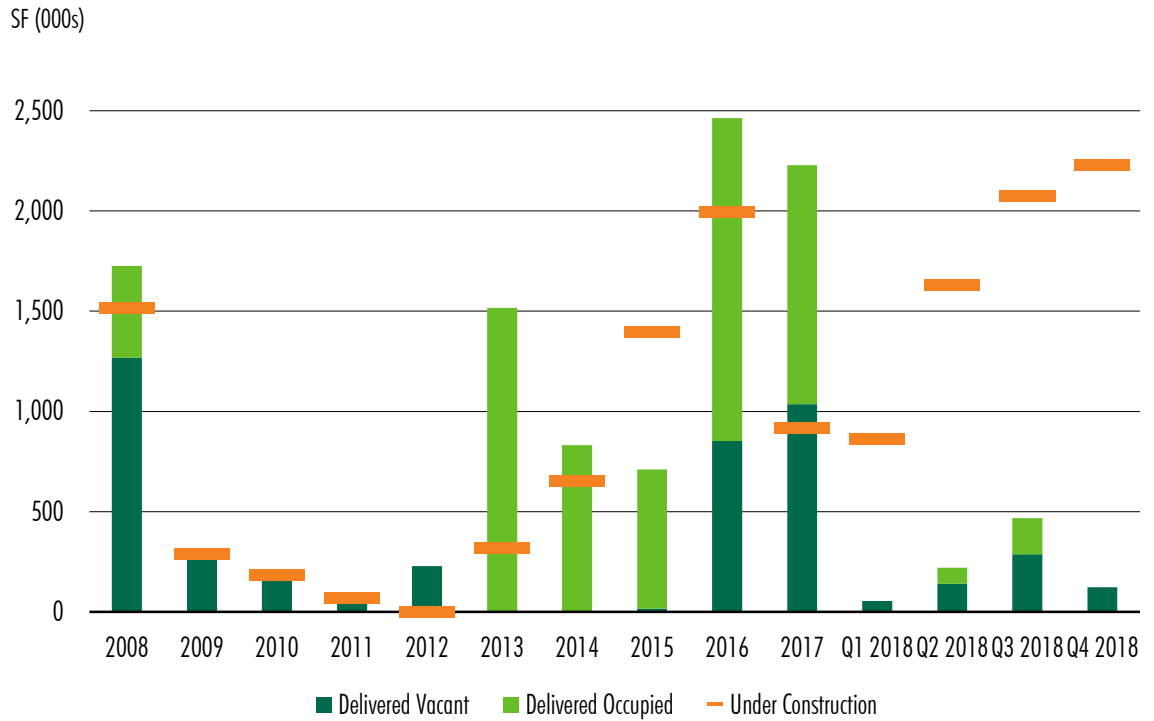


Figure 7: Asking Rates, NNN Avg. Annual – Flex/R&D

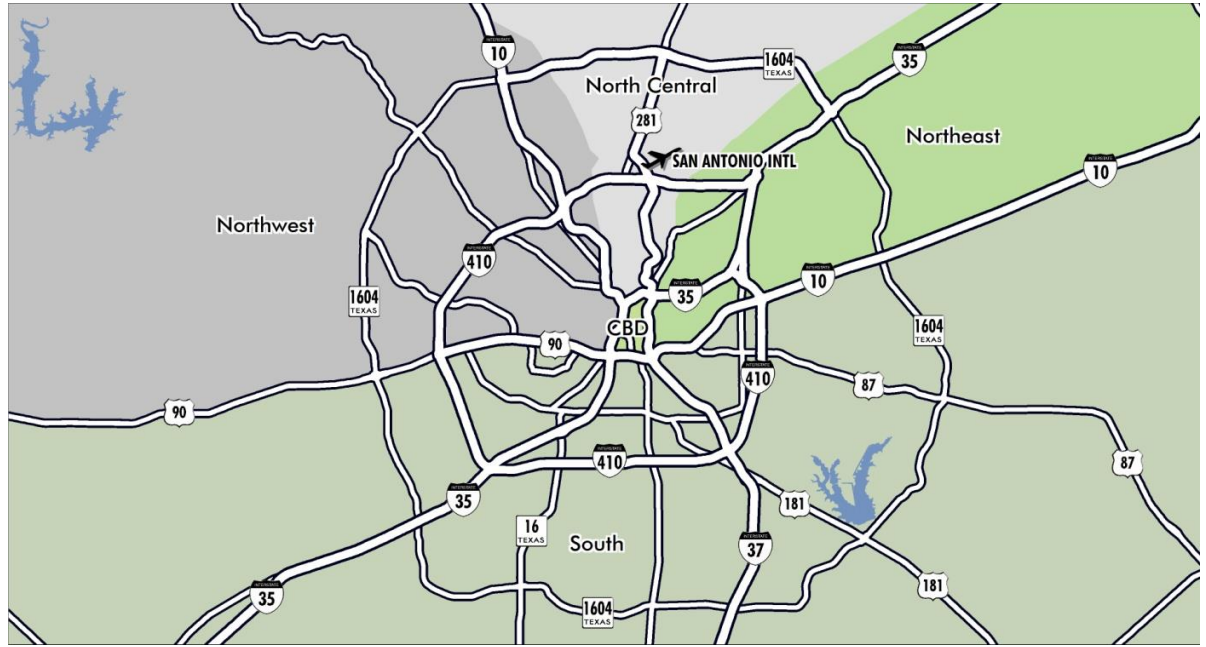


*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals and averages are inclusive of all classes of data.
Source: CBRE Research, Q4 2018.

Figure 8: Construction



Source: CBRE Research, Q4 2018.



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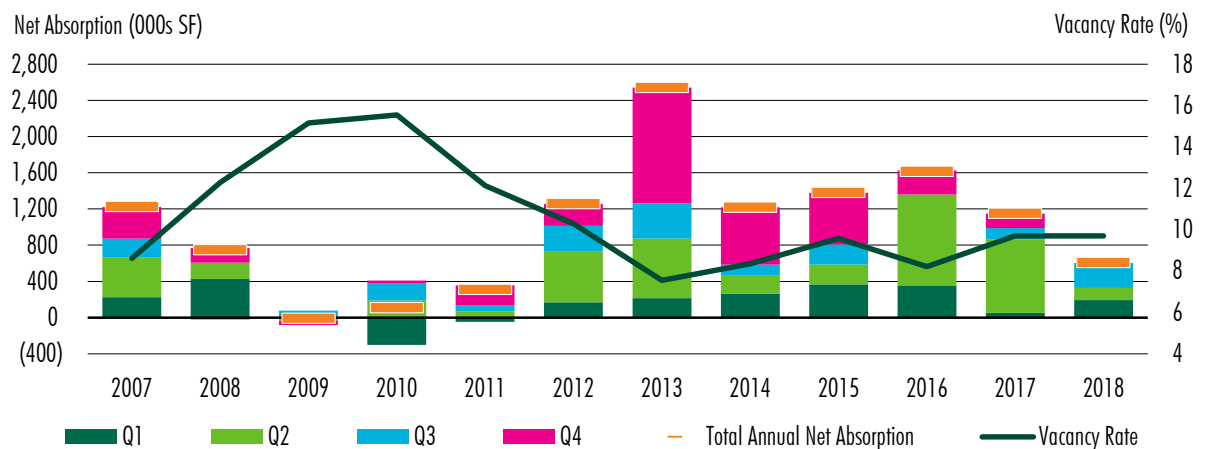
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San Antonio Industrial, Q3 2018

Breaking new ground: construction pipeline expands

▲ Vacancy 9.7%
▲ Net Absorption 276,491 SF
▼ Avg. Asking Rate \$5.62 PSF
▲ Under Construction 2,075,184 MSF
▲ Deliveries 466,943 SF

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2018.

HEALTHY ABSORPTION ACTIVITY

The San Antonio industrial market experienced healthy market movement in the third quarter of 2018. Marketwide absorption totaled 276,491 sq. ft., with 429,536 sq. ft. of movement derived from Class B product. Overall Class A product experienced negative absorption accounting for -77,998 sq. ft. in the third quarter. This is due to retail giant, A*GACI, relocating to 4958 Stout Drive.

MARKETWIDE VACANCY UNDER 10%

The San Antonio market registered a slight uptick in vacancy going from 9.0% to 9.7% quarter-over-quarter. With an influx of large tenants entering the San Antonio market, positive absorption has trended up the last seven quarters, stabilizing overall vacancy below 10% for an ongoing five-year period.

ASKING RENTS EXPERIENCE DECREASE

Weighted average asking NNN rents for industrial (warehouse) space registered a slight decrease quarter-over-quarter, shifting from \$5.79 to \$5.62 per square foot in Q3 2018. This stemmed from a decrease in Class C asking rents. With more Class A and B inventory delivering in the market, the desire for quality product

continued this quarter. Both Class A and B warehouse and distribution space saw increases in asking rents by over \$0.10 per sq. ft. quarter-over-quarter.

NEW SPEC DEVELOPMENTS UNDERWAY

Three speculative developments totaling 446,943 sq. ft. delivered this quarter in the Northeast and North Central submarkets. The construction pipeline continued to expand with a total of 16 projects amounting to over 2.0 million sq. ft. and with a 400,000-sq.-ft. project breaking ground in Q3 2018. The Logistics Commerce Center is the largest non-owner occupied development underway and is slated to deliver in the first quarter of 2019.

ROBUST EMPLOYMENT GROWTH

San Antonio's regional economy continued to thrive while adding high wage jobs in Q3 2018 and keeping the unemployment rate below the national average. According to Moody's Analytics, defense-related activity, residential construction, and personal services will remain key drivers in San Antonio's economic growth over the course of 2018.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	*Net Avg. Asking Lease Rate (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q3 2018 Net Absorption
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
				CBD	513,761	5.1			
Class A	0	N/A	N/A	N/A	N/A	N/A	-	-	0
Class B	125,631	0.0	0.0	N/A	N/A	N/A	-	-	0
North Central	6,376,003	5.7	7.8	8.82	10.28	9.77	50,000	100,000	49,501
Class A	963,124	10.9	8.9	7.00	N/A	7.00	50,000	-	(3,306)
Class B	3,864,671	4.4	7.9	10.80	10.36	10.48	-	-	44,898
Northeast	25,262,244	12.6	17.2	4.78	9.61	5.28	822,459	366,943	267,954
Class A	8,175,289	18.5	21.0	5.11	9.55	5.58	799,502	366,943	106,641
Class B	10,119,170	9.6	16.1	4.44	8.52	4.86	42,597	-	266,641
Northwest	6,418,602	5.0	10.4	5.18	12.27	10.11	-	-	40,314
Class A	519,156	4.1	4.1	N/A	N/A	N/A	-	-	0
Class B	3,498,054	6.7	14.6	5.00	11.55	10.15	-	-	15,512
South	7,423,692	7.6	14.0	4.27	12.00	4.45	1,202,725	-	(81,258)
Class A	2,926,708	6.9	9.9	5.85	N/A	5.85	1,037,350	-	(181,333)
Class B	3,859,843	6.7	15.1	3.98	12.00	4.22	165,375	-	102,485
San Antonio Total	45,994,302	9.7	14.3	4.78	10.41	5.62	2,075,184	466,943	276,491
Class A	12,584,277	14.6	16.8	5.28	9.95	5.63	1,886,852	466,943	(77,998)
Class B	21,467,369	7.6	14.1	4.45	10.46	5.54	208,332	0	429,536
Warehouse/Dist.	38,531,465	9.5	14.2				1,691,684	366,943	247,712
Flex/R&D	7,462,837	10.7	14.9				81,500	100,000	28,779

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner-occupied properties. Source: CBRE Research, Q3 2018.

Figure 3: Largest Q3 2018 Positive Space Absorptions

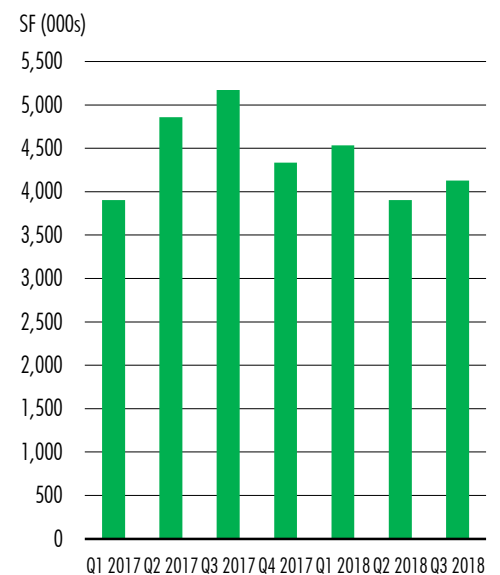
Total SF	Submarket	Building	Building Class	Tenant/Industry
179,655	Northeast	Gateway10 Business Park Bldg. 1	A	XPO Logistics
102,485	Northeast	4958 Stout Dr.	A	A'GACI
74,250	Northeast	Industry Park 3	A	HEB

Figure 4: Largest Q3 2018 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant/Industry
181,333	South	10939 Fischer Rd.	A	A'GACI
65,027	Northeast	3331-3347 N Panam Epoxy Bldg. 1	B	Multiple
38,285	Northeast	Rittiman Bldg. 6	C	Multiple

Source: CBRE Research, Q3 2018.

Figure 5: Active Users/Tenants in the Market



Source: CBRE Research, Q3 2018.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

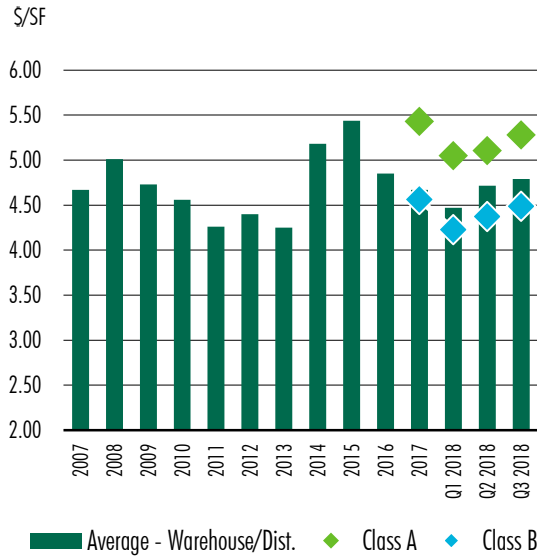
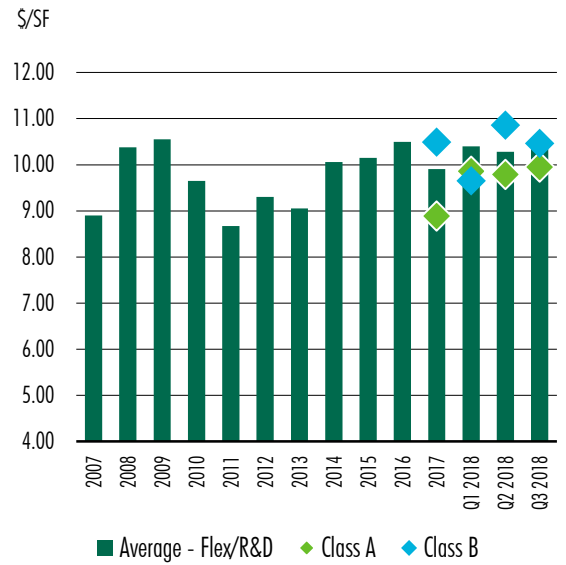
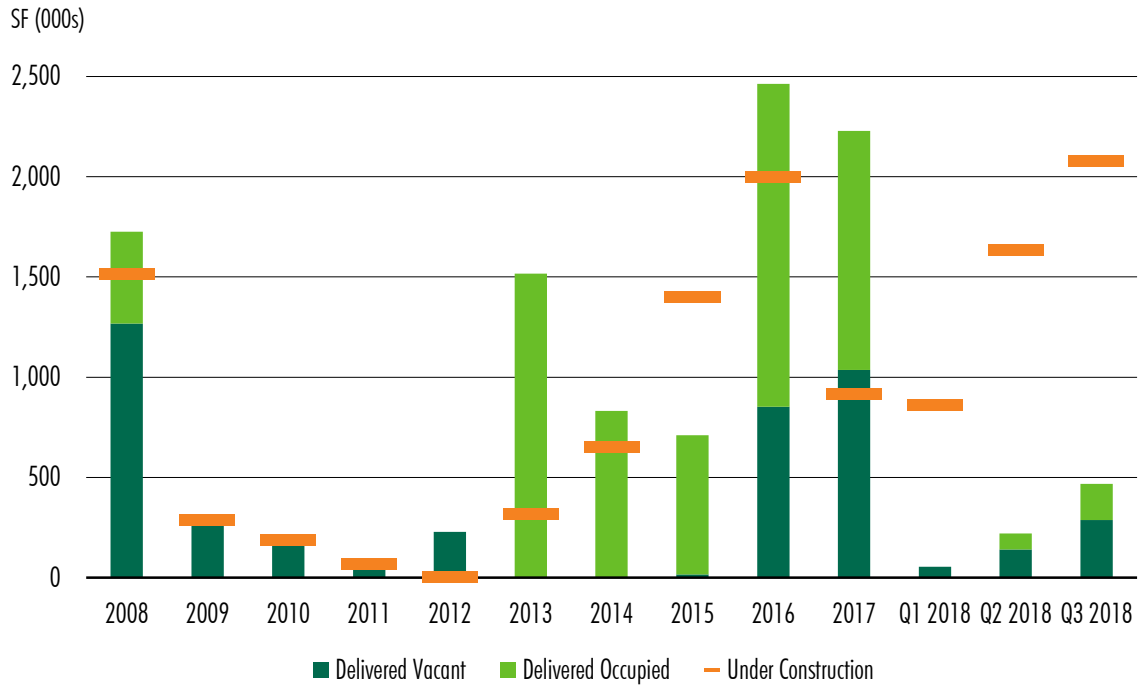


Figure 7: Asking Rates, NNN Avg. Annual – Flex/R&D

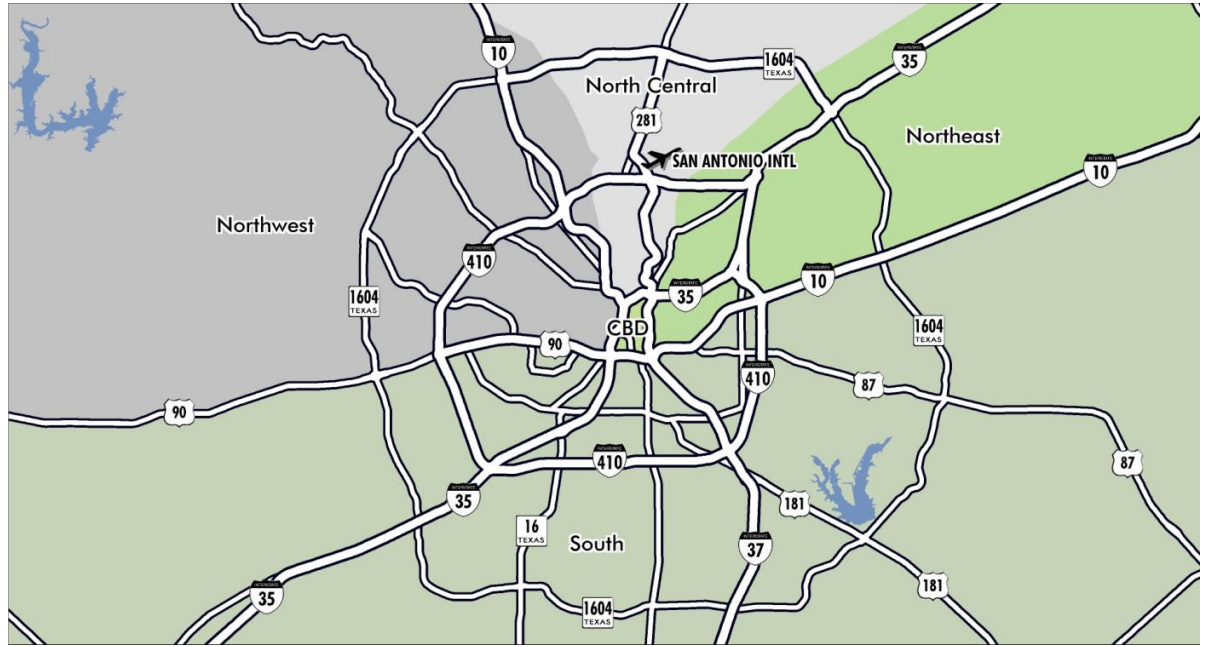


*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals and averages are inclusive of all classes of data.
Source: CBRE Research, Q3 2018.

Figure 8: Construction



Source: CBRE Research, Q3 2018.



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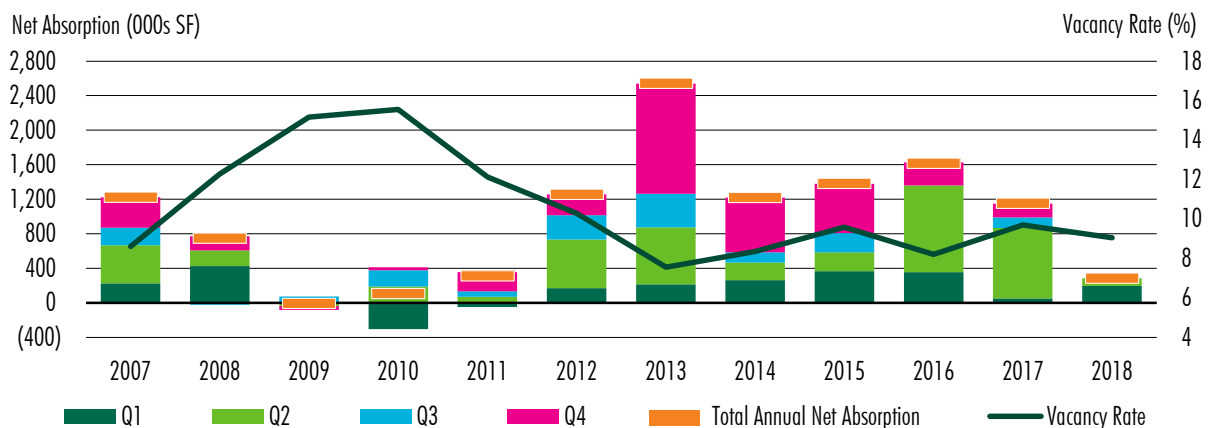
San Antonio Industrial, Q2 2018

On the rise: Occupancy, rents & construction

▼ Vacancy 9.0%
▼ Net Absorption 134,351 SF
▲ Avg. Asking Rate \$5.79 PSF
▲ Under Construction 1,631,050 SF
▲ Deliveries 220,312 SF

*Statistics exclude owner-occupied properties. Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2018.

CLASS A ANCHORS ABSORPTION ACTIVITY

Prime industrial product accounted for nearly 185,000 sq. ft. of net absorption as demand for higher quality product resumed again this quarter, nearly tripling in the past 90 days as new space requirements triggered strong development activity. Tenants occupied the majority of Class A product in the Northeast market while vacating older Class B facilities in the CBD, Northwest and Northeast.

STRONG MARKET ACTIVITY PUSHES LOW VACANCY

With a growing market base and nearly 4 million sq. ft. of active user requirements, market vacancy has moved between 8% and 10% since 2013 even as the developers completed nearly 8.0 million sq. ft. during the same period. San Antonio saw a slight drop in vacancy from 80 basis points (bps) in Q2 2018, well below San Antonio's cycle high of 15.5% in 2010, and 1.8% below its trailing 10-year average of nearly 11%.

ASKING RENTS ESCALATE

Weighted average asking NNN rents for industrial (warehouse) space registered an increase of \$0.25 per sq. ft. quarter-over-quarter and \$0.32 per sq. ft. year-over-year. Class A flex R&D average rents matured \$1.69 per sq. ft., pushing total average annual rents by

\$0.50 per sq. ft. Total flex product saw a boost compared to both the previous quarter and year, driven by Class A advances. Meanwhile, Class B space followed the trend bringing an increase in category asking rents by \$0.46 per sq. ft. quarter-over-quarter and \$0.24 year-over-year.

NEW SPEC DEVELOPMENTS UNDERWAY

Three speculative developments totaling 220,312 sq. ft. delivered this quarter in the Northeast submarket. Construction is ongoing for a total of 13 projects equaling over 1.6 million sq. ft. with six projects recently breaking ground in the Northeast and three in the South submarkets, expected to deliver this year and next.

FLOURISHING EMPLOYMENT GROWTH

San Antonio's regional economy expanded again in May 2018 by more than 15,500 payrolls in the past 12 months, with 2,500 in the industrial sector. According to Moody's Analytics, defense related activity, residential construction, and personal services will be key drivers in pushing San Antonio's economic growth above U.S. averages over the course of 2018.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	**Net Avg. Asking Lease Rate (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q2 2018 Net Absorption
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
				CBD	575,286	4.5			
Class A	0	N/A	N/A	N/A	N/A	N/A	-	-	0
Class B	132,243	N/A	N/A	N/A	N/A	N/A	-	-	0
North Central	6,037,295	4.8	9.7	7.35	11.62	10.38	150,000	-	(33,898)
Class A	847,332	0.2	4.8	N/A	N/A	N/A	150,000	-	13,327
Class B	3,706,258	23.1	49.7	8.13	11.21	10.34	-	-	(23,769)
Northeast	25,131,222	11.6	15.7	4.80	8.61	5.29	591,900	220,312	139,822
Class A	8,047,262	17.0	18.9	5.11	9.79	5.59	591,900	220,312	140,923
Class B	10,088,645	12.3	19.0	4.32	7.84	4.70	-	-	(39,121)
Northwest	6,530,786	6.1	8.3	5.83	11.67	10.93	-	-	54,566
Class A	520,186	4.1	4.1	N/A	N/A	N/A	-	-	30,620
Class B	3,549,557	53.5	68.8	5.43	11.95	11.13	-	-	9,180
South	7,689,937	6.2	11.3	4.14	12.00	4.33	889,150	-	0
Class A	2,930,540	0.7	0.7	5.13	N/A	5.13	889,150	-	0
Class B	4,062,960	12.4	23.4	4.16	12.00	4.36	-	-	0
San Antonio Total	45,964,526	9.0	13.0	4.72	10.28	5.79	1,631,050	220,312	134,351
Class A	12,345,320	11.4	13.0	5.11	9.79	5.58	1,631,050	220,312	184,870
Class B	21,539,663	8.5	13.9	4.38	10.86	5.70	0	0	(53,710)
Warehouse/Dist.	38,542,705	8.7	12.7				1,179,050	220,312	127,721
Flex/R&D	7,421,821	10.4	14.2				150,000	0	6,630

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner-occupied properties. Source: CBRE Research, Q2 2018.

Figure 3: Largest Q2 2018 Positive Space Absorptions

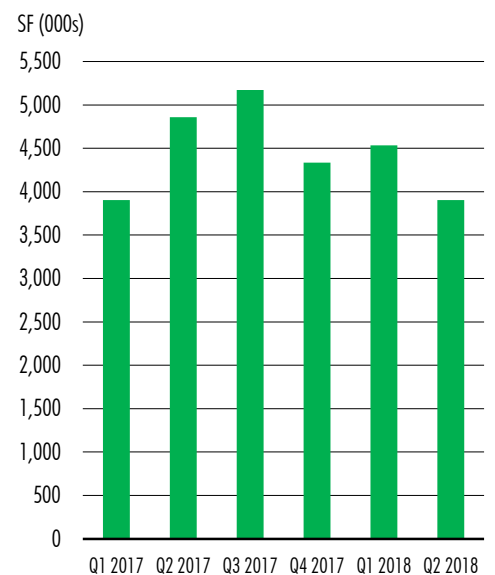
Total SF	Submarket	Building	Building Class	Tenant/Industry
118,800	Northeast	Prologis Industrial Park	B	HEB
65,821	Northwest	First Park Ten Tech Center	B	Task US
42,473	Northeast	Eisenhower Point Bus. Park 6	B	Ferguson

Figure 4: Largest Q2 2018 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant/Industry
55,000	North Central	City Park East Dist. Center 5	B	Mega Furniture
29,833	North Central	1000 Jones Maltsberger Rd. 1	C	-
26,139	CBD	210 W Peden	C	-

Source: CBRE Research, Q2 2018.

Figure 5: Active Users/Tenants in the Market



Source: CBRE Research, Q2 2018.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

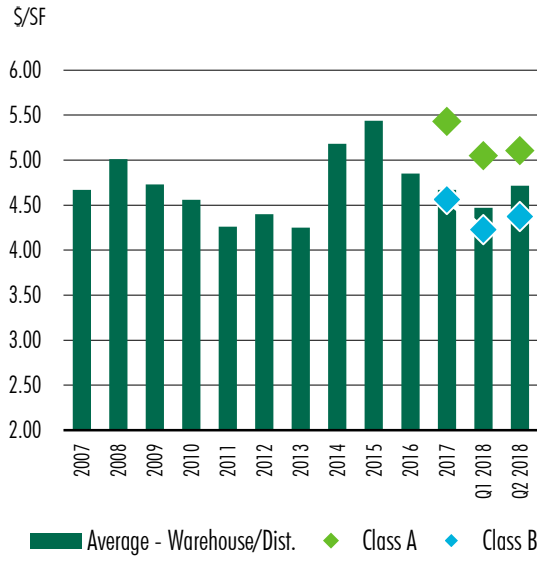
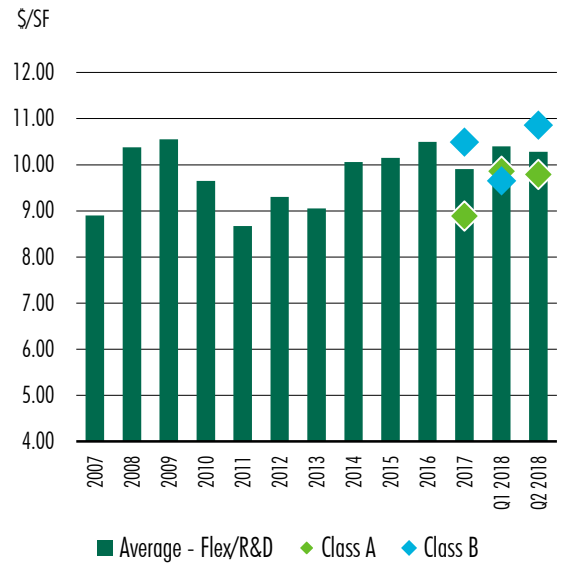
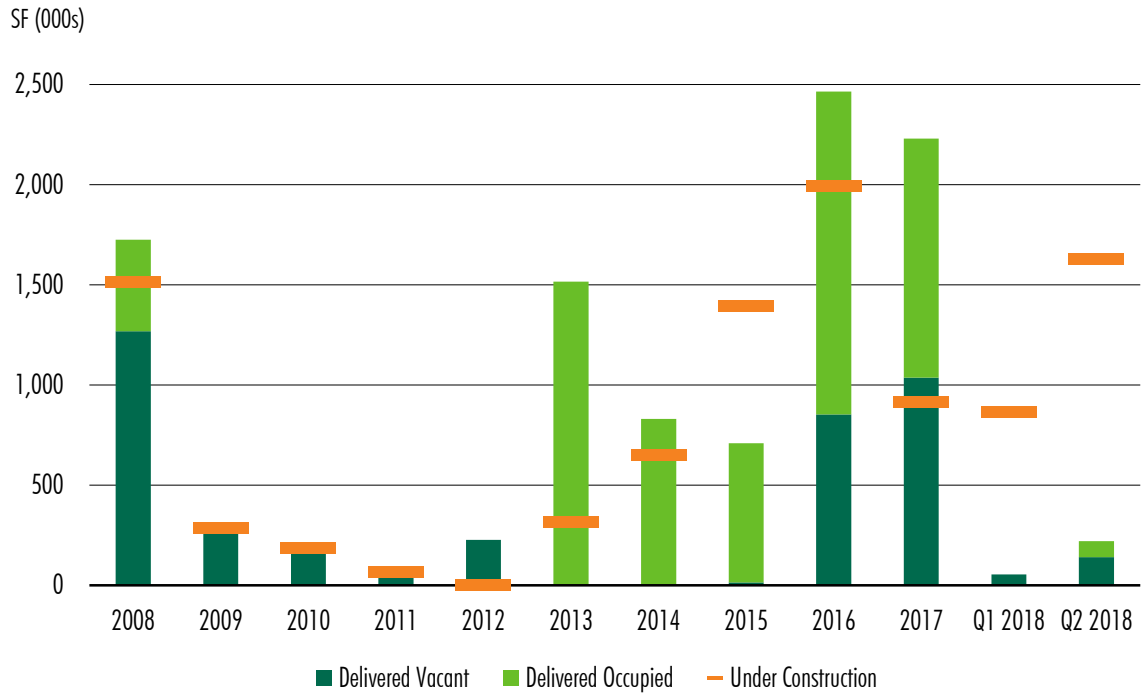


Figure 7: Asking Rates, NNN Avg. Annual – Flex/R&D

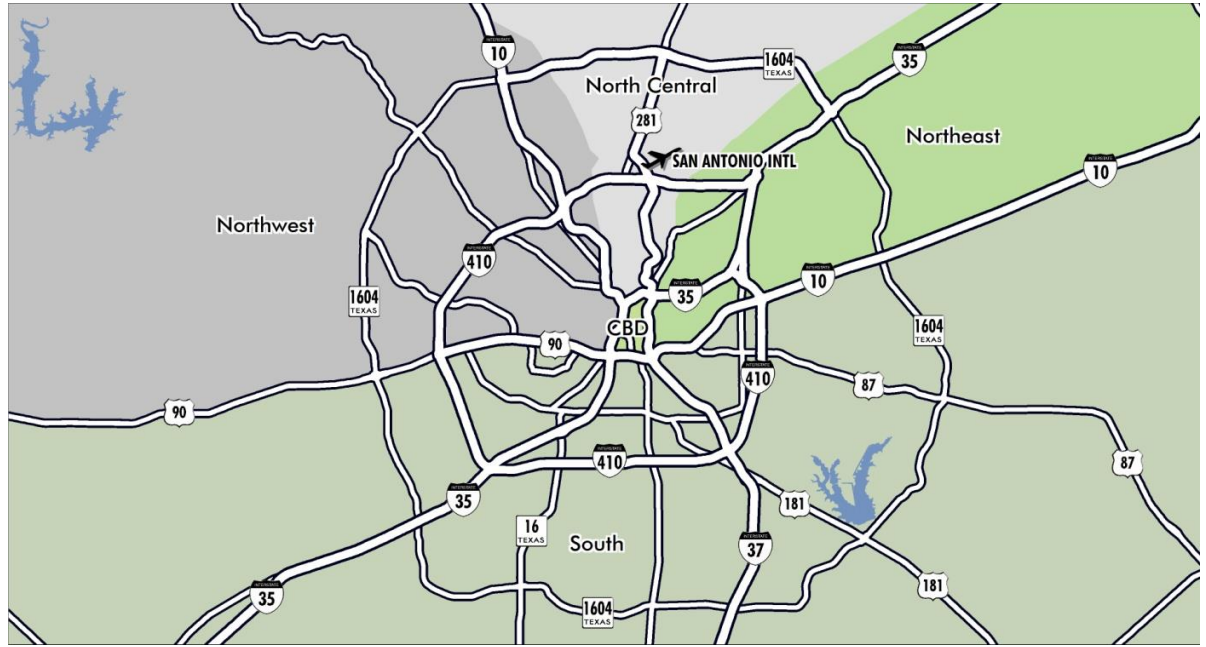


*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals and averages are inclusive of all classes of data.
Source: CBRE Research, Q2 2018.

Figure 8: Construction



Source: CBRE Research, Q2 2018.



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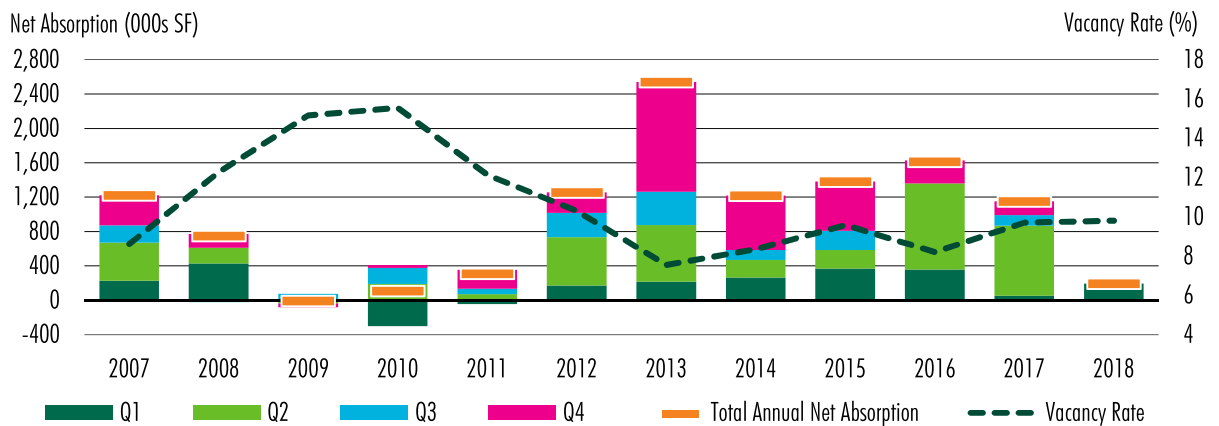
San Antonio Industrial, Q1 2018

2018 opens with low vacancy, strong absorption

▲ Vacancy 9.8%
▲ Net Absorption 193,903 SF
▼ Avg. Asking Rate \$5.29 PSF
▼ Under Construction 862,509 SF
▼ Deliveries 54,272 SF

*Statistics exclude owner occupied properties. Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2018.

CLASS B ANCHORS ACTIVITY

Net absorption of 193,903 sq. ft. in Q1 2018 increased by just over 33,000 sq. ft. quarter-over-quarter and nearly quadrupled compared to Q1 2017. Within product quality, Class B space was the most active during the quarter with over 35 leasing transactions and almost 380,000 sq. ft. of gross absorption. Class A was also active with roughly 140,000 sq. ft. of gross absorption and had the largest average transaction size among product classes. Both Class A and B ended the quarter with positive net absorption while Class C product saw 92,000 sq. ft. of negative net absorption.

VACANCY STABILIZED BELOW 10%

With a growing market base and healthy leasing activity, market vacancy has seen a small variance between 8% and 10% since 2013. Vacancy sat steady at 9.8% in Q1 2018. This is well below San Antonio’s cycle high of 15.5% in 2010, and 100 basis points (bps) below its trailing 10-year average of 10.8%.

RENT RATES FLUCTUATE

Weighted average asking rents for industrial (warehouse) registered an decrease of \$0.20 per sq. ft. compared to last quarter and \$0.34 per sq. ft. from a year ago. This is in response to Class B and C continuing

to make up the majority, roughly 75%, of available space. Meanwhile, Class A space has seen year-over-year declines in total sq. ft. of both vacancy and availability. Market-wide and Class A flex product asking rates saw increases compared to both the previous quarter and year.

NEW SPEC CONSTRUCTION STILL STRONG

One speculative development totaling 54,272 sq. ft. delivered this quarter in the Northwest submarket. While no new developments began moving dirt during Q1 2018, work continued on five additional spec developments across town. The total pipeline sat at just over 860,000 sq. ft., fully available, which will deliver through fall 2018. Three additional speculative projects are expected to break ground by mid-2018.

EMPLOYMENT GROWTH ROBUST

San Antonio’s regional economy continued expanding and total February 2018 employment grew by 24,600 jobs year-over-year. During this same time period, the local industrial sector added 3,300 jobs. Furthermore, the metropolitan unemployment rate continued to trend below the state average at 3.4% as of February 2018.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rates (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q1 2018 Net Absorption
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
CBD	615,812	0	0	NA	NA	NA	-	-	0
Class A	0	0	0	NA	NA	NA	-	-	0
Class B	132,243	0	0	NA	NA	NA	-	-	0
North Central	6,037,376	4.2	7.6	7.16	9.89	9.07	150,042	-	31,536
Class A	847,332	1.1	8.8	7.00	7.00	7.00	150,042	-	(13,018)
Class B	3,706,339	4.6	7.1	7.27	10.65	9.65	-	-	56,268
Northeast	25,528,704	12.9	17.6	4.58	8.45	4.90	362,467	-	58,490
Class A	7,923,015	15.2	18.9	4.99	8.91	5.26	362,467	-	30,281
Class B	10,125,445	9.2	14.1	4.47	7.87	4.78	-	-	104,463
Northwest	6,571,266	7.7	10.2	5.39	11.45	8.96	-	54,272	66,577
Class A	542,872	10.6	10.6	NA	12.31	12.31	-	54,272	15,456
Class B	3,550,010	9.1	11.8	5.13	11.91	8.90	-	-	54,911
South	7,689,937	6.2	13.4	3.56	12.00	3.70	350,000	-	37,300
Class A	2,930,540	0.7	0.7	5.13	NA	5.13	350,000	-	31,900
Class B	4,062,960	8.9	20.8	3.53	12.00	3.68	-	-	5,400
San Antonio Total	46,443,095	9.8	14.3	4.47	9.86	5.29	862,509	54,272	193,903
Class A	12,243,759	10.5	13.4	5.05	9.65	5.61	862,509	54,272	64,619
Class B	21,576,997	8.3	13.7	4.23	10.40	5.24	0	0	221,042
Warehouse/Dist.	38,986,724	9.7	14.1	-	-	-	712,467	0	227,215
Flex/R&D	7,456,371	10.3	15.5	-	-	-	150,042	54,272	(33,312)

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner occupied properties. Source: CBRE Research, Q1 2018.

Figure 3: Largest Q1 2018 Positive Space Absorptions

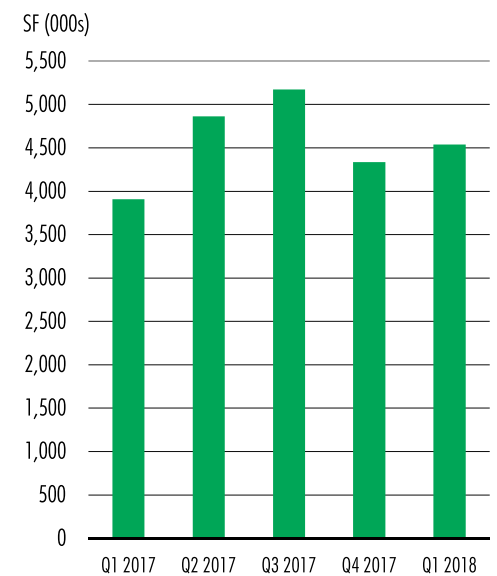
Total SF	Submarket	Building	Building Class	Tenant/Industry
166,222	Northeast	Houston St.	C	Southern Warehousing
78,000	Northwest	Grandstand Center 1	B	TBD
44,000	Northeast	Eisenhower Bldg 7	B	Omnisource United

Figure 4: Largest Q1 2018 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant/Industry
52,893	Northeast	Enterprise 1	C	Goodman Networks
17,280	Northeast	Goldfield	C	TBD
16,800	Northeast	Engleman Bldg B	B	Senox

Source: CBRE Research, Q1 2018.

Figure 5: Active Users/Tenants in the Market



Source: CBRE Research, Q1 2018.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

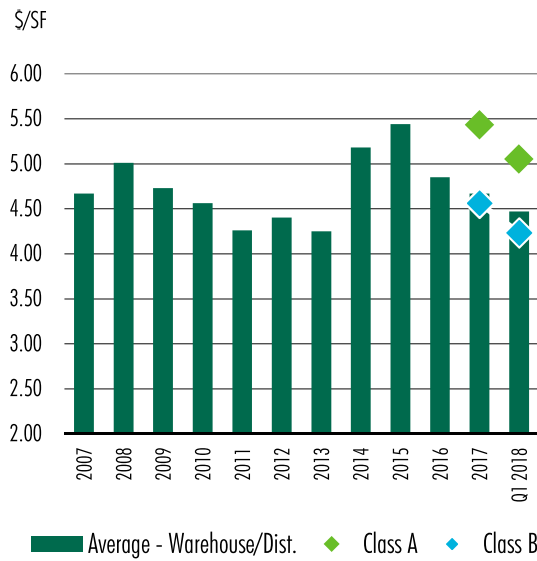
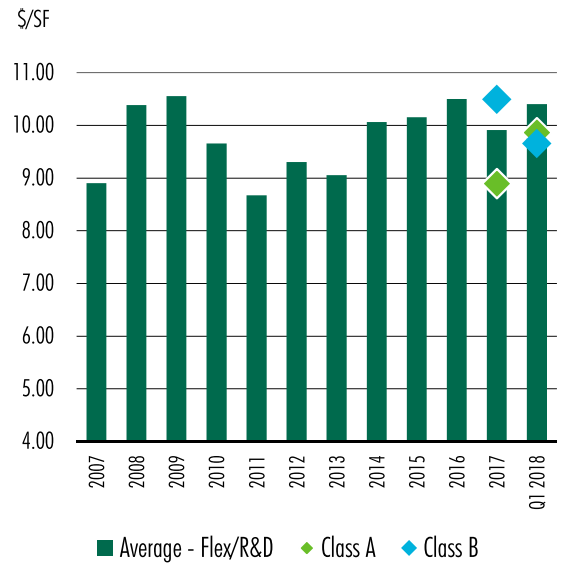
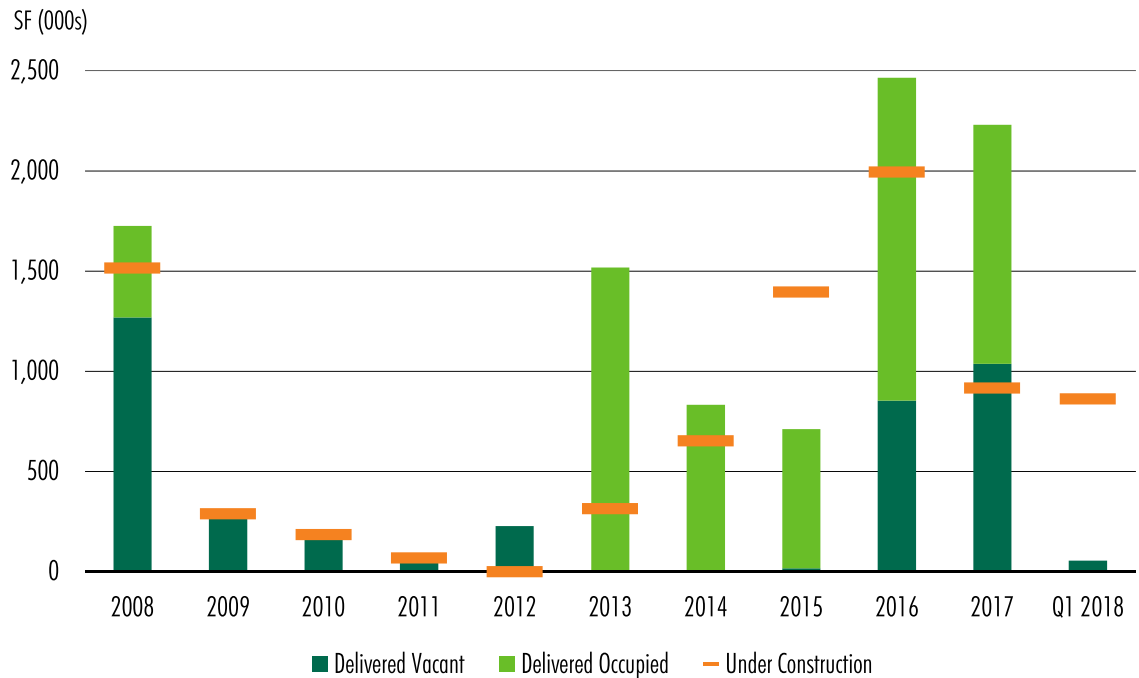


Figure 7: Asking Rates, NNN Avg. Annual – Flex/R&D

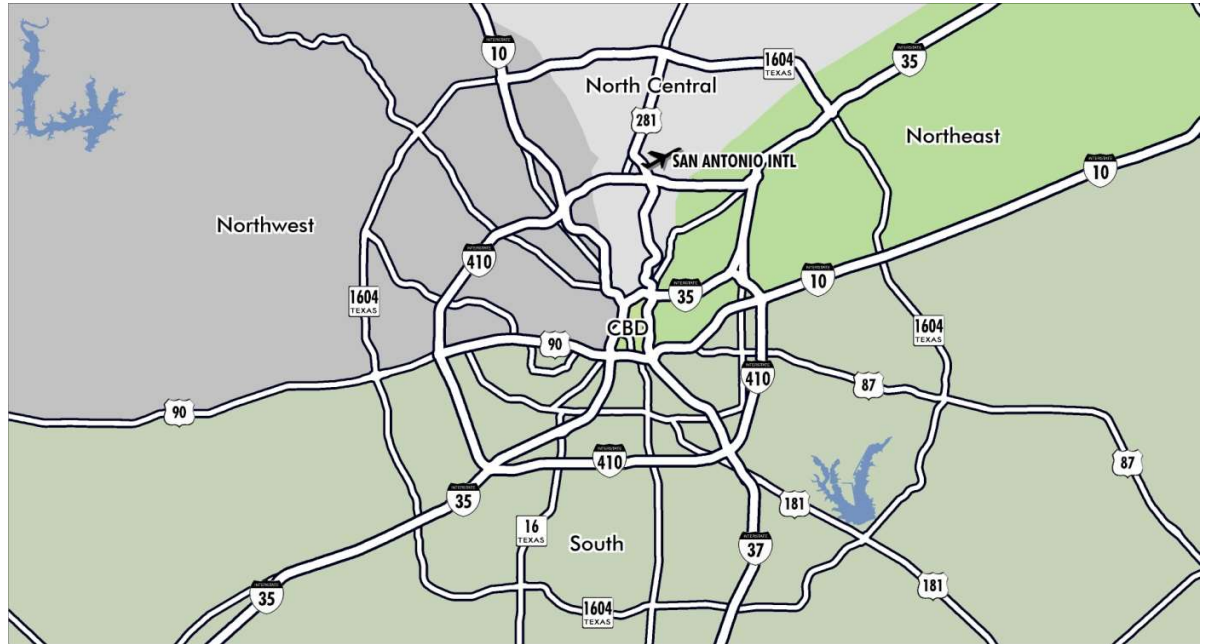


*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals and averages are inclusive of all classes of data.
Source: CBRE Research, Q1 2018.

Figure 8: Construction



Source: CBRE Research, Q1 2018.


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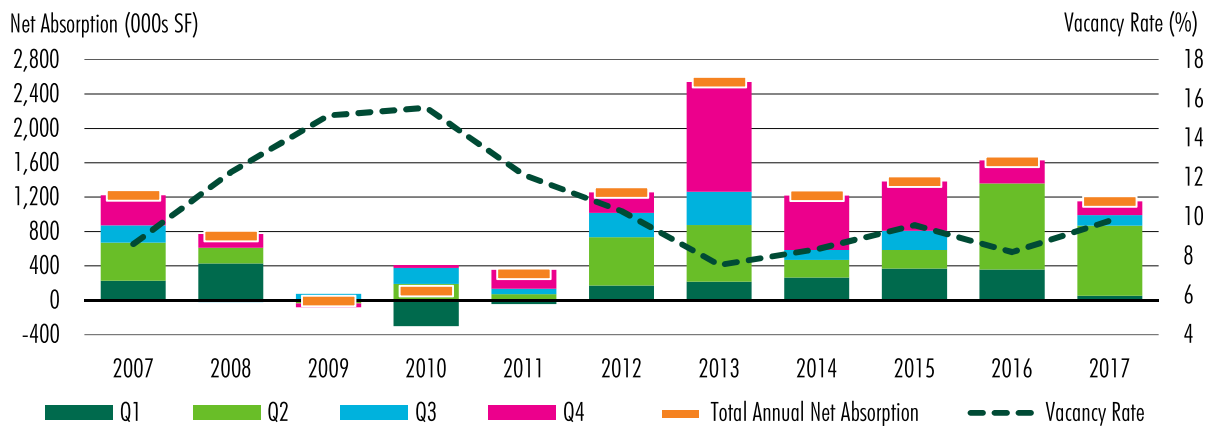
San Antonio Industrial, Q4 2017

Above trend: San Antonio closes '17 on a healthy note

▶ Vacancy 9.7%
▲ Net Absorption 160,082 SF
▼ Avg. Asking Rate \$5.36 PSF
▼ Under Construction 916,781 SF
▲ Deliveries 359,251 SF

*Statistics exclude owner occupied properties. Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2017.

CLASS A ANCHORED 2017 ACTIVITY

Q4 2017’s net absorption of 160,082 sq. ft. increased the 2017 annual total to just under 1.2 million sq. ft. While this is below last year’s total of 1.6 million sq. ft., demand remained above the trailing 10-year-average of 1.0 million sq. ft. and just below the trailing four-year-average of 1.4 million sq. ft. Within product quality, Class A space was most robust in 2017 with an annual net absorption of 1.6 million sq. ft. Class B and C saw more than 400,000 sq. ft. of negative net absorption during the same period.

VACANCY STABILIZED BELOW 10%

With a growing market base and healthy leasing activity, market vacancy has seen a small variance between 8% and 10% since 2013. Vacancy sat steady at 9.7% in Q4 2017. This is well below San Antonio’s cycle high of 15.5% in 2010, and 110 basis points (bps) below its trailing 10-year average of 10.8%.

ROBUST RENT GROWTH

Weighted average asking rents for industrial (warehouse) registered a small contraction compared to both last quarter and from a year ago. This is in response to the large amount of Class B and C product that became available this year. In Q4 2017 Class A

warehouses saw a growth of 4.4% over last quarter, as well as an increase of \$0.86 above Class B asking rents. Flex product asking rents saw slight drops across all classes. Class B continued anchoring the flex average due to a larger amount of small-sized available spaces, which generally carry higher rents.

CONSECUTIVE YEAR ABOVE 2.0 MILLION

One speculative development totaling 359,251 sq. ft. delivered this quarter in the Northeast submarket. This was enough to push annual deliveries above 2.2 million sq. ft. for a second year. During Q4 2017, a new spec development started moving dirt on I-10 as work continued on six additional spec developments across town. The total pipeline sat at just under 1.0 million sq. ft., fully available, which will deliver through fall 2018.

EMPLOYMENT GROWTH ROBUST

San Antonio’s regional economy continued expanding and its employment growth accelerated with 30,800 seasonally adjusted jobs added year-over-year in November 2017. The local industrial sector added 2,300 jobs locally during 2017. Furthermore, the seasonally adjusted metropolitan unemployment rate continued to trend below the state average at 3.1% as of October 2017.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rates (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q4 2017 Net Absorption (SF)
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
CBD	615,812	0	0	NA	NA	NA	-	-	0
Class A	0	0	0	NA	NA	NA	-	-	0
Class B	132,243	0	0	NA	NA	NA	-	-	0
North Central	6,059,948	3.5	7.3	6.67	11.62	9.57	150,042	-	5,214
Class A	847,332	0.0	11.8	NA	12.00	12.00	150,042	-	9,041
Class B	3,706,339	4.1	5.9	7.87	12.15	10.44	-	-	(41,503)
Northeast	25,528,704	13.1	15.9	4.66	7.87	4.90	362,467	359,251	(24,736)
Class A	7,923,015	17.1	17.3	5.43	8.70	5.66	362,467	359,251	(21,550)
Class B	10,125,445	9.6	12.3	4.54	6.96	4.74	-	-	12,226
Northwest	6,556,498	9.3	10.3	5.20	10.90	7.34	54,272	-	105,636
Class A	542,872	13.4	13.4	6.50	NA	6.50	54,272	-	96,390
Class B	3,535,242	11.1	12.3	4.97	11.17	7.29	-	-	9,246
South	7,689,937	4.5	9.1	4.10	12.00	4.28	350,000	-	73,968
Class A	2,930,540	1.7	2.0	5.00	NA	5.00	350,000	-	0
Class B	4,062,960	5.9	14.4	4.01	12.00	4.21	-	-	5,400
San Antonio Total	46,450,899	9.7	12.6	4.67	9.91	5.36	916,781	359,251	160,082
Class A	12,243,759	12.1	13.1	5.43	8.89	5.67	916,781	359,251	83,881
Class B	21,562,229	8.2	11.5	4.56	10.49	5.53	0	0	(14,631)
Warehouse/Dist.	38,986,724	9.7	12.8	-	-	-	714,467	359,251	203,218
Flex/R&D	7,464,175	9.6	12.0	-	-	-	204,314	0	(43,136)

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner occupied properties. Source: CBRE Research, Q4 2017.

Figure 3: Largest Q4 2017 Positive Space Absorptions

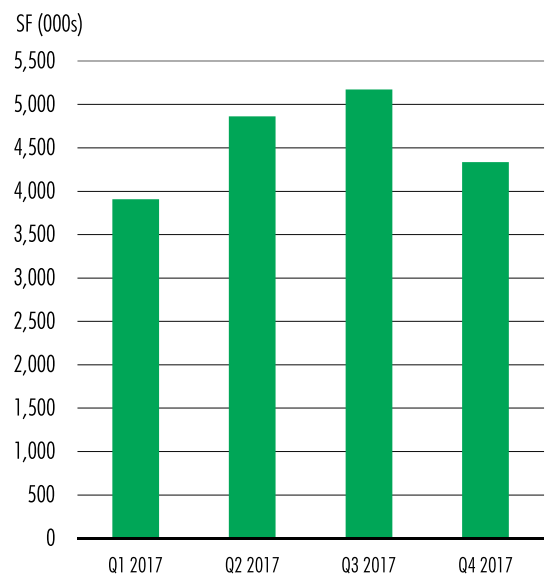
Total SF	Submarket	Building	Building Class	Tenant/Industry
96,930	Northwest	Alamo Ridge 4	A	CED and Greenstar
68,568	South	Raymond Medina	C	Wood work
56,750	Northeast	I-35 SA 4	B	Southern Warehousing

Figure 4: Largest Q4 2017 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant/Industry
40,000	Northeast	SA Dist. Center 15	B	Goodwill
30,900	North Central	Interpark Bldg. 13	B	Mercury Insurance
28,755	Northeast	Center Park	B	Multiple tenants

Source: CBRE Research, Q4 2017.

Figure 5: Active Users/Tenants in the Market



Source: CBRE Research, Q4 2017.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

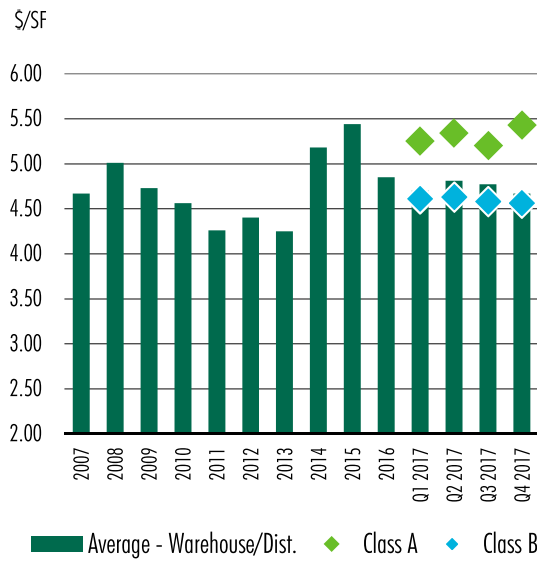
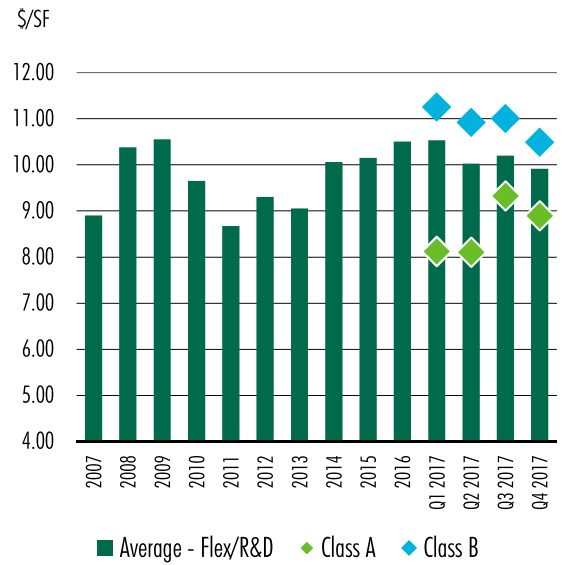
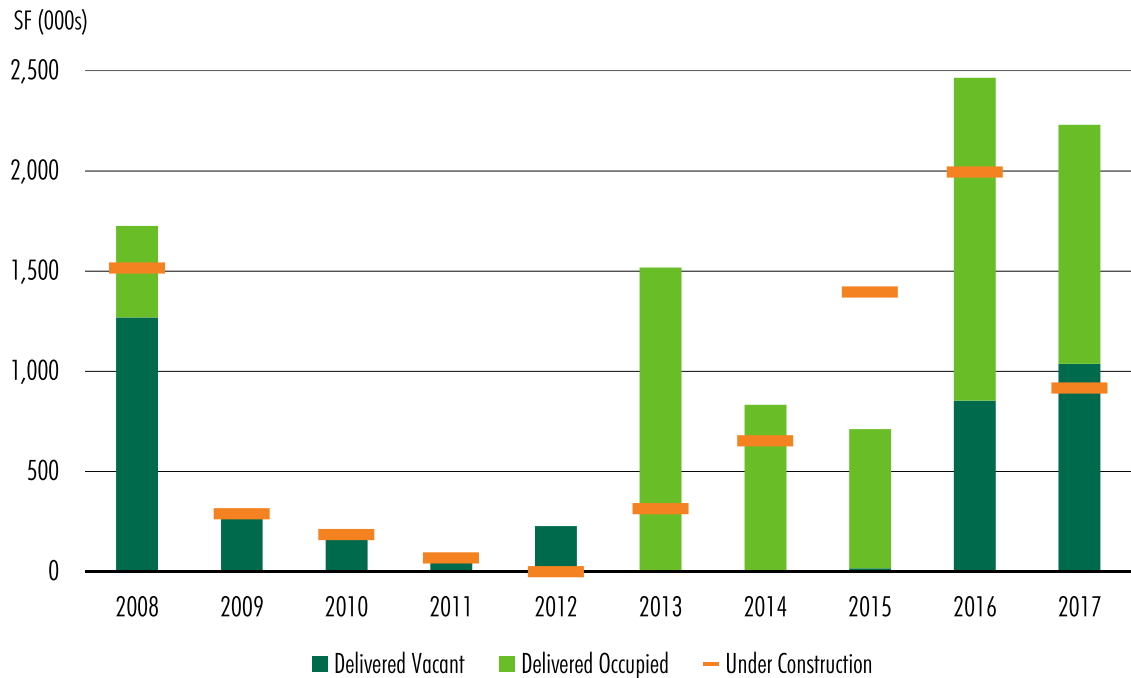


Figure 7: Asking Rates, NNN Avg. Annual – Flex/R&D

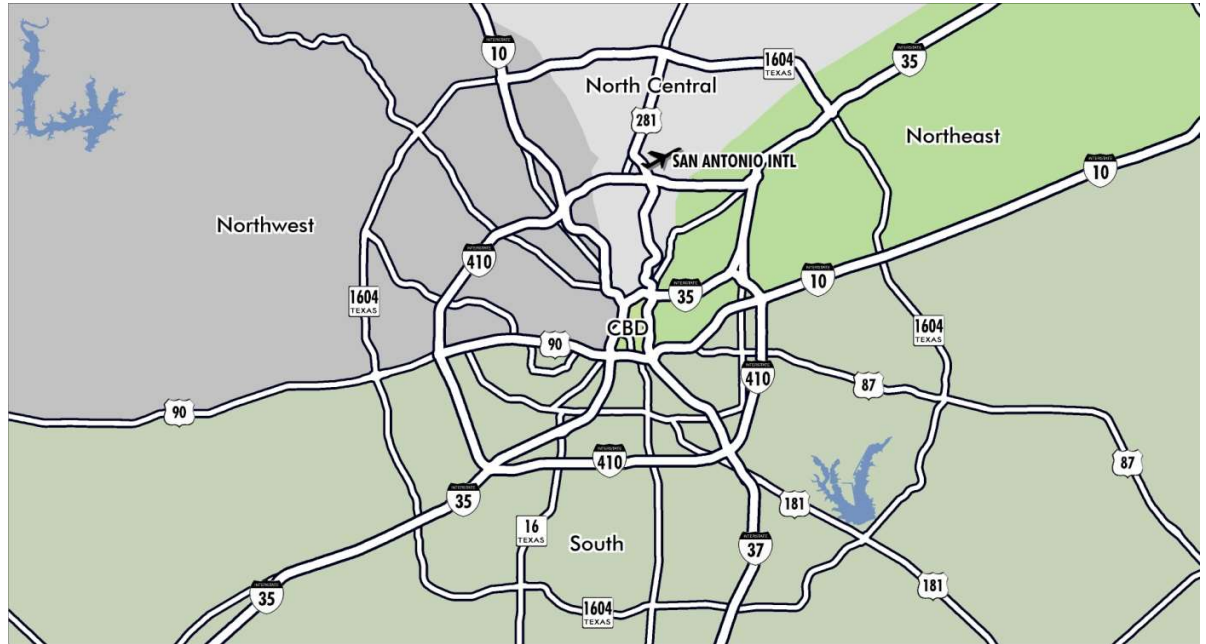


*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals and averages are inclusive of all classes of data.
Source: CBRE Research, Q4 2017.

Figure 8: Construction



Source: CBRE Research, Q4 2017.


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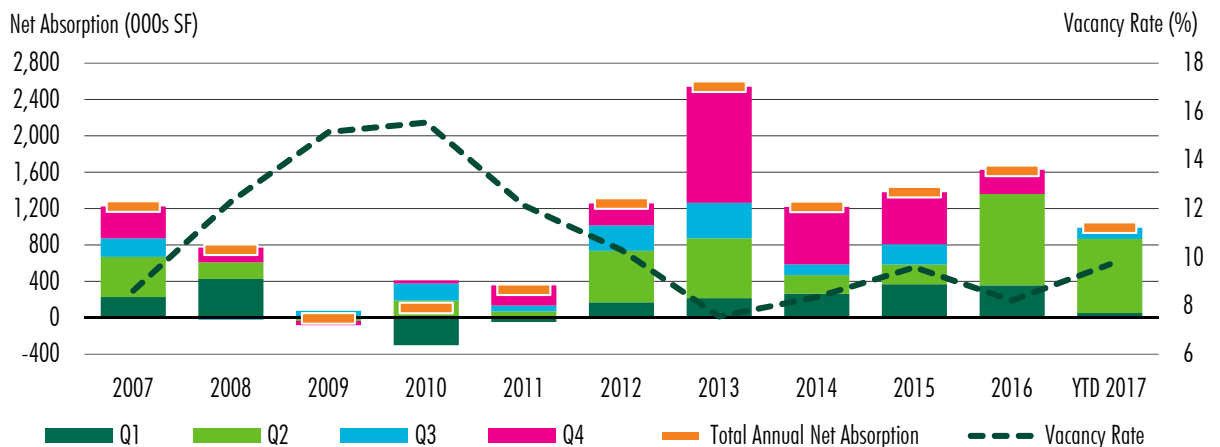
San Antonio Industrial, Q3 2017

Earning the grade: Class A fixes vacancy to single digits

▼ Vacancy 9.7%
▼ Net Absorption 122,776 SF
▲ Avg. Asking Rate \$5.57 PSF
▲ Under Construction 1,136,377 SF
▼ Completions 112,704 SF

*Statistics exclude owner occupied properties. Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2017.

TENANTS SEEK HIGHER QUALITY SPACE

Class A product alone registered near 300,000 sq. ft. of net absorption as tenants continued seeking higher quality product. In fact, our data showed 98% of newly vacated space in Q3 2017 was attributed to non-Class A product. Overall, market-wide net absorption pushed year-to-date totals to just shy of 1.0 million sq. ft.

OVERALL AND CLASS A VACANCY COMPRESSING

A relative small volume of spec deliveries coupled with healthy net absorption pushed the overall vacancy rate to single digits once again. The 30 basis points (bps) drop to 9.7% places the market more than a percentage point below its 10-year average of 10.8%. Class A saw a dip of 1.9 percentage points, to 10.7%, in response to strong leasing in the last 90 days.

WAREHOUSE SEES PUSH IN ASKING RENTS

Weighted average asking rents for industrial (warehouse) remained steady compared to last quarter with variations below 2.0%. Within these numbers, Class A was also steady, but anchored rents at \$5.20 per sq. ft., \$0.57 above Class B assets, in Q3 2017. Flex product asking rents saw an escalation of \$0.18, assisted by new construction deliveries, after registering a slight drop in Q2 2017.

Class B continued anchoring the flex average due to a larger amount of small-sized available spaces, which generally carry higher rents.

DELIVERIES TIGHTEN, PIPELINE EXPANDS

Three speculative flex/r&d properties totaling 112,704 sq. ft. delivered this quarter in the Northwest at an occupancy of 14.0%. The warehouse market registered no deliveries, however, construction continued on seven projects totaling 786,000 sq. ft. A new speculative project measuring 350,000 sq. ft. broke ground in South San Antonio where Class A vacancy sat at 2.1%—bringing the total pipeline to 1.3 million sq. ft. which will deliver through summer 2018.

EMPLOYMENT GROWTH ROBUST

San Antonio's regional economy continued expanding and its employment growth accelerated with 16,100 seasonally adjusted net jobs year-to-date and 25,000 added year-over-year in August 2017. The seasonally adjusted metropolitan unemployment rate continued below the state average at 3.6% as of July 2017.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rates (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q3 2017 Net Absorption (SF)
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
CBD	615,812	0	0	NA	NA	NA	-	-	0
Class A	0	0	0	NA	NA	NA	-	-	0
Class B	132,243	0	0	NA	NA	NA	-	-	0
North Central	6,041,988	3.6	6.9	6.87	10.80	8.74	150,042	-	-1,469
Class A	847,332	1.1	13.6	NA	NA	NA	150,042	-	0
Class B	3,688,379	3.0	4.6	8.27	10.57	9.35	-	-	1,805
Northeast	24,953,128	11.9	15.1	4.78	8.28	5.11	542,063	-	77,425
Class A	7,471,139	13.1	13.2	5.17	9.32	5.57	542,063	-	266,005
Class B	9,984,745	9.9	13.0	4.51	7.53	4.65	-	-	-195,594
Northwest	6,527,258	10.9	11.8	5.21	11.73	7.43	94,272	112,704	13,331
Class A	542,872	31.3	31.3	5.51	NA	5.51	54,272	72,704	15,400
Class B	3,535,242	11.4	12.5	4.97	12.07	8.02	40,000	40,000	-15,539
South	7,118,778	6.9	10.1	4.09	12.00	4.33	350,000	-	33,489
Class A	2,414,453	2.1	4.8	5.00	NA	5.00	350,000	-	0
Class B	4,062,960	9.1	13.2	4.06	12.00	4.36	-	-	0
San Antonio Total	45,256,964	9.7	12.5	4.77	10.20	5.57	1,136,377	112,704	122,776
Class A	11,275,796	10.7	12.3	5.20	9.32	5.53	1,096,377	72,704	281,405
Class B	21,403,569	8.7	11.4	4.58	11.00	5.49	40,000	40,000	-209,328
Warehouse/Dist.	37,963,689	9.8	12.8	-	-	-	892,063	0	23,801
Flex/R&D	7,293,275	9.2	11.2	-	-	-	244,314	112,704	98,975

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner occupied properties. Source: CBRE Research, Q3 2017.

Figure 3: Largest Q3 2017 Space Absorptions

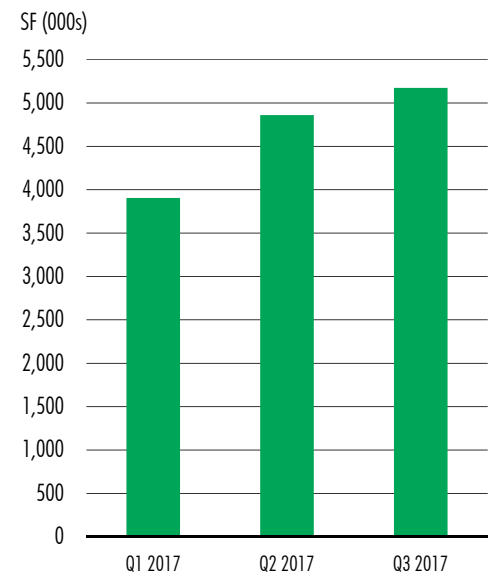
Total SF	Submarket	Building	Building Class	Tenant/Industry
214,536	Northeast	Doerr Lane	A	Wholesaler – Commercial Equipment
46,134	Northeast	Enterprise 2	A	Wholesale - Hardware
40,326	Northeast	1400 Currency	B	Other

Figure 4: Largest Q3 2017 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant/Industry
-131,755	Northeast	AT&T Parkway Warehouse	B	3PL
-56,750	Northeast	I-35 San Antonio 4	B	3PL
-28,644	Northwest	Interwest Bus. Prk 3	B	Food & Beverage

Source: CBRE Research, Q3 2017.

Figure 5: Active Users in the Market



Source: CBRE Research, Q3 2017.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

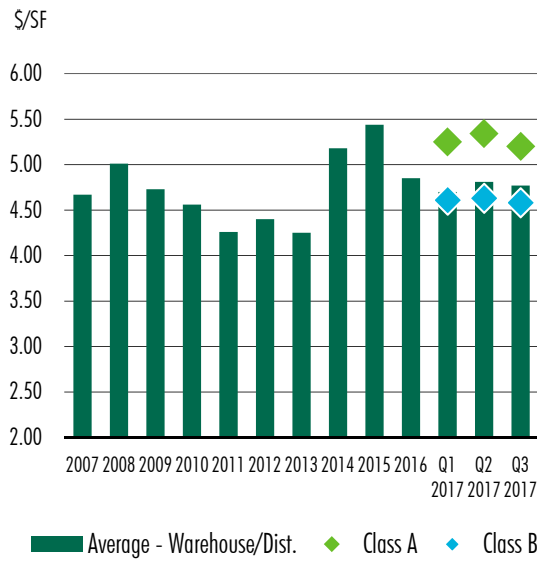
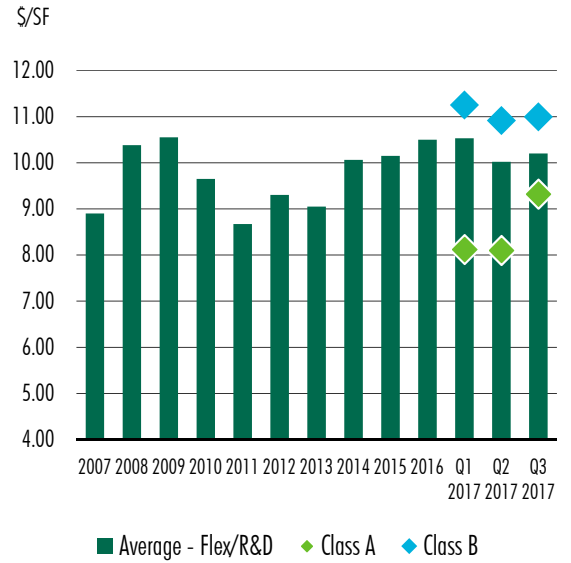
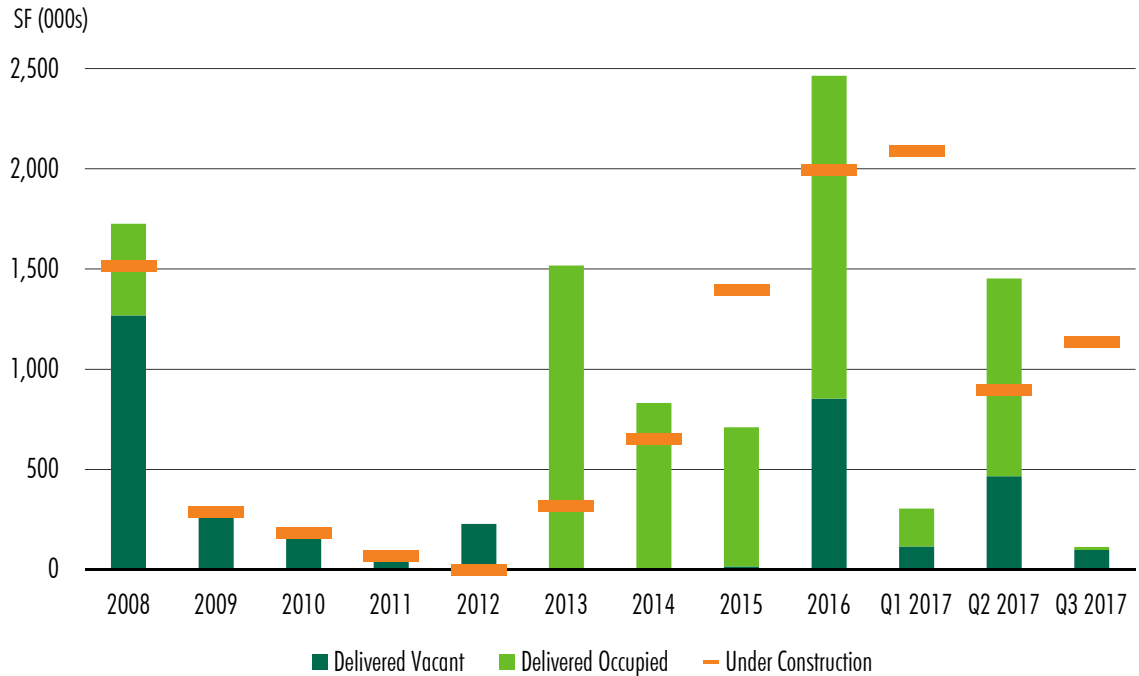


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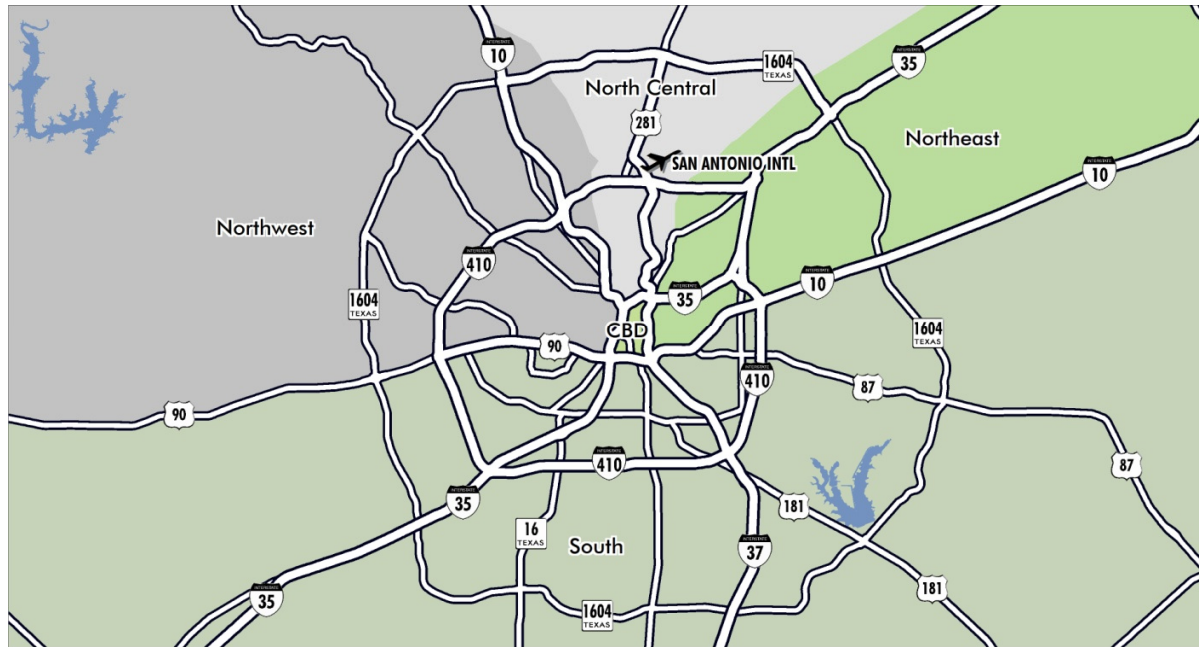


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Source: CBRE Research, Q3 2017.

Figure 8: Construction



Source: CBRE Research, Q3 2017.


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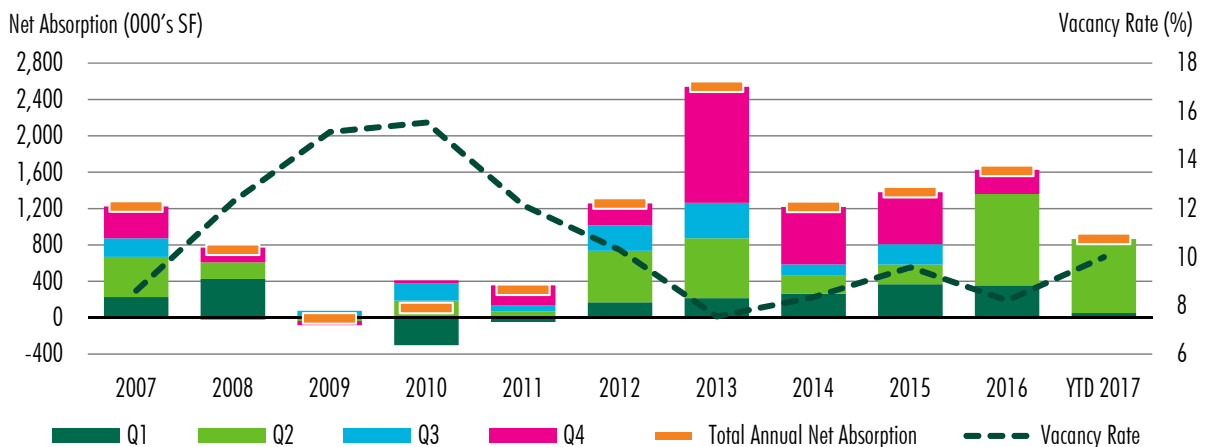
San Antonio Industrial, Q2 2017

Strong net absorption, spec deliveries grip vacancy

▲ Vacancy 10.0%
▲ Net Absorption 815,728 SF
▶ Avg. Asking Rate \$5.43 PSF
▼ Under Construction 899,081 SF
▲ Completions 1,452,849 SF

*Statistics exclude owner occupied properties. Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2017.

NET ABSORPTION DRIVEN LARGELY BY DELIVERIES & CLASS A PRODUCT

New deliveries pushed total occupied stock to new highs and drove net absorption to just under one million sq. ft. year-to-date through Q2 2017. Class A warehouse product saw well above 1.1 million sq. ft. in net moves over the last 90 days. However, several expected vacancies, most of which from Class B and C buildings, lessened the net absorption bottom line. Overall, the market continued on trend to another strong year.

VACANCY INCREASED BY 1.2% QUARTER-OVER-QUARTER, REACHING 10.0%

Similar to what the market saw in 2016, new speculative deliveries added upward pressure to the market vacancy rate in Q2 2017. However, net absorption remained positive and industrial vacancy sat 100 basis points (bps) below the historical. Furthermore, 70% of total vacant space was attributed to Class B and C assets.

WAREHOUSES SEE PUSH IN ASKING RENTS

Weighted average asking rents for industrial (warehouse) product saw a push of \$0.11 per sq. ft. compared to last quarter. Within these numbers, Class A anchored rents and rose to \$5.34 per sq. ft. in Q2 2017 as new warehouse

product entered the available pipeline. Flex product asking rents saw a slight dip overall after reaching the previous peak from 2009 at the end of 2016. Class B anchored the flex average due to a larger amount of small-sized available spaces, which generally carry higher rents.

1.5 MSF DELIVERS, MORE ON THE WAY

The South submarket delivered 850,000 sq. ft. through a single built-to-suit development. The Northeast also saw more than 600,000 sq. ft. of deliveries, as far out as New Braunfels, with an occupancy of 33%. Investors expect further growth opportunities along IH-35 as the submarket has consistently captured the greater share of historical and recent leasing activity. Other projects totaling 899,081 sq. ft. and all speculative, were also under construction at the end of Q2 2017.

LOCAL ECONOMY EMPLOYMENT STILL EXPANDING

San Antonio's regional economy and employment market continued to expand as industries added a seasonally adjusted 5,100 net jobs year-to-date and 22,400 year-over-year in May 2017. The seasonally adjusted metropolitan unemployment rate persisted below the state average at 4.1% as of May 2017.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rates (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q2 2017 Net Absorption (SF)
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
CBD	615,812	0.0	0.0	NA	NA	NA	-	-	0
Class A	0	0.0	0.0	NA	NA	NA	-	-	0
Class B	132,243	0.0	0.0	NA	NA	NA	-	-	0
North Central	6,041,988	3.9	6.9	6.77	10.77	8.60	150,042	-	51,368
Class A	847,332	1.1	12.2	NA	NA	9.03	150,042	-	0
Class B	3,688,379	3.6	5.0	7.88	10.60	7.94	-	-	42,378
Northeast	24,851,632	12.6	15.4	4.90	7.72	5.08	542,063	603,574	-74,776
Class A	7,430,467	16.6	16.7	5.34	8.11	5.42	542,063	603,574	260,870
Class B	9,852,990	7.9	11.6	4.70	7.58	4.84	-	-	-140,996
Northwest	6,523,719	9.3	10.6	5.40	11.40	7.73	206,976	-	-21,439
Class A	470,168	23.9	23.9	5.51	NA	5.51	126,976	-	0
Class B	3,495,242	9.9	11.7	5.20	12.01	9.02	80,000	-	-1,289
South	7,118,778	7.5	12.8	4.06	12.00	4.25	-	849,275	860,575
Class A	2,414,453	2.1	4.8	5.00	NA	5.00	-	849,275	849,275
Class B	4,062,960	9.3	17.0	4.04	12.00	4.28	-	-	11,300
San Antonio Total	45,151,929	10.0	12.9	4.81	10.02	5.43	899,081	1,452,849	815,728
Class A	11,162,420	12.6	14.1	5.34	8.10	5.41	819,081	1,452,849	1,110,145
Class B	21,231,814	7.7	11.5	4.63	10.92	5.46	80,000	0	-88,607
Warehouse/Dist.	38,100,477	10.2	13.6	-	-	-	542,063	1,402,799	786,459
Flex/R&D	7,051,452	8.3	9.6	-	-	-	357,018	50,050	29,269

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals are inclusive of all classes of data. Statistics exclude owner occupied properties. Source: CBRE Research, Q2 2017.

Figure 3: Largest Q2 2017 Space Absorptions

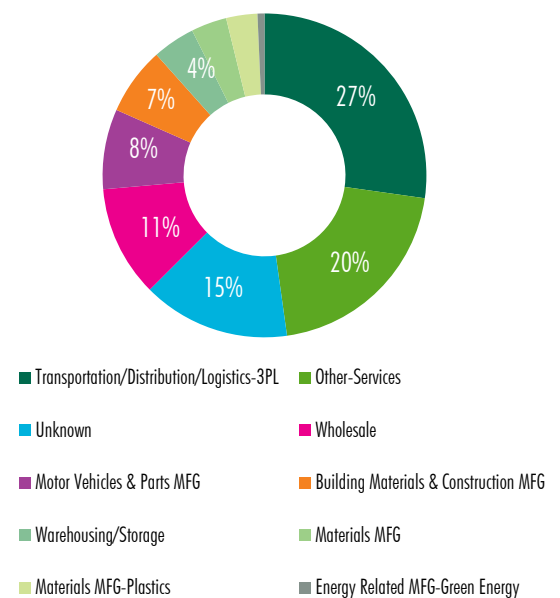
Total SF	Submarket	Building	Building Class	Tenant/Industry
849,275	South	Applewhite Rd	A	Confidential/ Bldg. Materials & Construction
147,840	South	IH-35 & IH-10	B	Confidential/ 3PL
96,000	Northeast	IH-35 & FM 3009	B	Confidential/ Other - Services

Figure 4: Largest Q2 2017 Space Vacancies

Total SF	Submarket	Building	Building Class	Tenant/Industry
-210,646	Northeast	BAMC Distr. Center	B	KLN MFG./ Furniture MFG
-147,840	South	IH-35 & IH-10	B	Chalk Mountain/ Energy
-114,000	Northeast	Rittiman E.18	B	Chalk Mountain/ Energy

Source: CBRE Research, Q2 2017.

Figure 5: YTD 2017 Leasing Activity by Industry

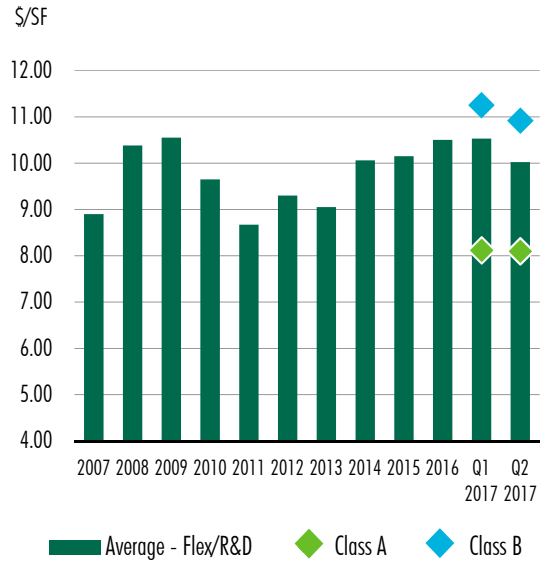


Source: CBRE Research, Q2 2017.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

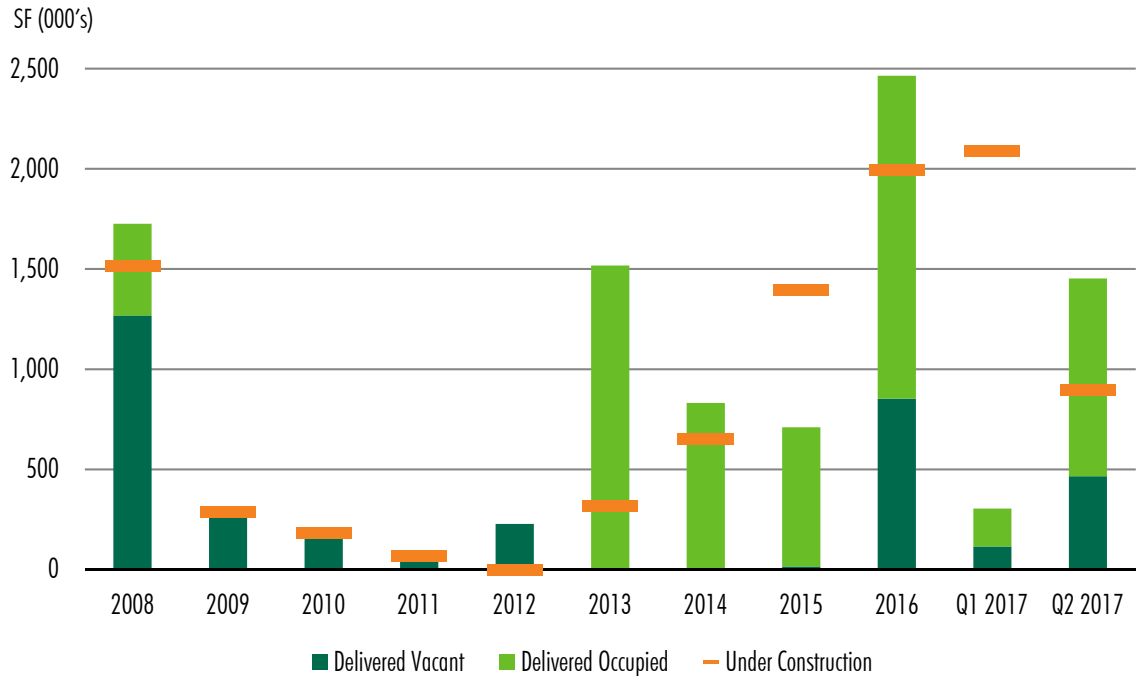


Figure 7: Asking Rates, NNN Avg. Annual – Flex/R&D

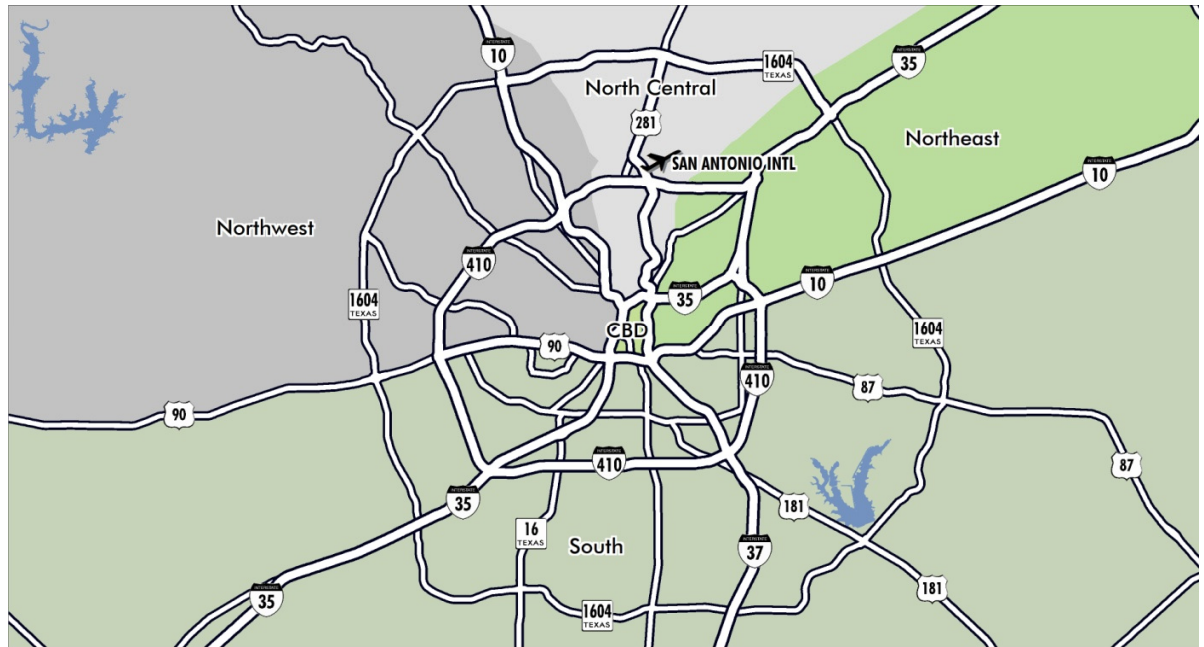


*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not listed, totals and averages are inclusive of all classes of data.
Source: CBRE Research, Q2 2017.

Figure 8: Construction



Source: CBRE Research, Q2 2017.


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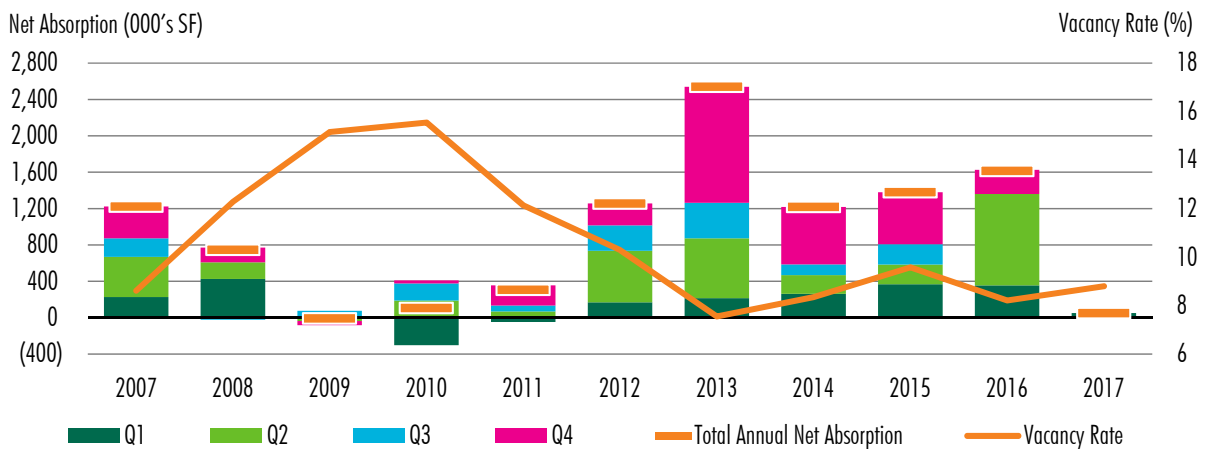
San Antonio Industrial, Q1 2017

Steady start, but 2017 pipeline shows strength

▲ Vacancy 8.8%
▼ Net Absorption 50,293 SF
▶ Avg. Asking Rate \$5.43 PSF
▲ Under Construction 2,089,017 SF
▼ Completions 304,291 SF

*Statistics exclude owner occupied properties. Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2017.

NET ABSORPTION DRIVEN LARGELY BY CLASS A WAREHOUSE DEMAND, FLEX DRAGGED

With the exception of the CBD, where space available for lease is uncommon, all other submarkets saw positive net absorption for the quarter. Industrial warehouse demand, specifically Class A in the Northeast, contributed most to net absorption through new deliveries and tenant relocations. Flex properties saw a greater amount of move-outs this quarter.

VACANCY INCREASED BY 60 BASIS POINTS QUARTER-OVER-QUARTER, REACHING 8.8%

Similar to what the market saw in 2016, new speculative deliveries added upward pressure to the market vacancy rate in Q1 2017. However, net absorption remained positive and industrial vacancy sat nearly 200 basis points (bps) below the historical average.

FLEX ASKING RENTS SEE STEADY GROWTH

Weighted average asking rents for industrial (warehouse) product have normalized below \$5.00 per sq. ft. after reaching a record high in late 2015. Class A asking rents remained above \$5.25 per sq. ft. Flex product asking rents saw continued steady growth above \$10.50 per sq. ft. Within Flex, Class B anchored

the average due to a larger amount of small-sized available spaces, which generally carry higher rents.

2.1 MSF UNDER CONSTRUCTION

The Northeast delivered 72,000 sq. ft. as users continue following population growth patterns toward Interstate-35. The Northwest also delivered 233,000 sq. ft. at an occupancy of 58%. Space under construction closed the quarter at 2.1 million sq. ft. with an expected occupancy of 45%. Similar to recent trends, the Northeast accounted for most, 46%, space under construction. The South submarket followed at 41% with a built-to-suit.

REGIONAL ECONOMY REMAINS STRONG

San Antonio's regional economy remained strong due to expanding demographics and diverse employment growth. During Q1 2017 the local economy added 3,200 net jobs while its unemployment rate remained below the state average at 4.1%. Education and healthcare, professional and business services, construction, and manufacturing all saw growth above 3.0% year-over-year in March 2017.

Figure 2: San Antonio Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rates (\$/SF/YR)			Under Construction (SF)	Deliveries (SF)	Q1 2017 Net Absorption (SF)
				Warehouse/Distribution	Flex R&D	Industrial Avg.			
CBD	615,812	0	0	NA	NA	NA	-	-	0
Class A	0	0	0	NA	NA	NA	-	-	0
Class B	132,243	0	0	NA	NA	NA	-	-	0
North Central	6,043,707	4.9	6.8	7.17	11.59	9.55	150,042	-	15,342
Class A	847,332	1.1	12.2	NA	NA	NA	150,042	-	12,084
Class B	3,688,379	4.9	6.3	7.17	11.39	8.94	-	-	539
Northeast	24,172,454	10.1	14.8	4.77	8.52	5.04	962,724	71,611	10,931
Class A	6,624,130	13.4	13.5	5.26	8.12	5.40	962,724	71,611	75,417
Class B	10,000,668	6.6	12.7	4.66	8.30	4.87	-	-	(45,532)
Northwest	6,489,767	8.8	10.0	5.35	11.64	7.91	126,976	232,680	11,020
Class A	373,844	25.9	25.9	5.35	NA	5.35	126,976	232,680	(5,050)
Class B	3,569,614	9.8	11.5	5.37	12.57	8.78	-	-	(5,172)
South	6,269,503	8.6	14.5	4.06	12.00	4.24	849,275	-	13,000
Class A	1,565,178	3.3	7.4	5.00	NA	5.00	849,275	-	0
Class B	4,062,960	9.4	17.0	4.04	12.00	4.26	-	-	13,000
San Antonio Total	43,591,243	8.8	12.7	4.70	10.53	5.43	2,089,017	304,291	50,293
Class A	9,709,571	10.9	12.6	5.25	8.12	5.38	2,089,017	304,291	82,451
Class B	21,209,862	7.4	12.2	4.61	11.25	5.42	0	0	(9,291)
Warehouse/Dist.	36,605,849	8.8	13.4	-	-	-	1,811,999	304,291	100,688
Flex/R&D	6,985,394	8.7	9.5	-	-	-	277,018	0	(50,395)

*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not included, totals are inclusive of all classes of data. Statistics exclude owner occupied properties. Source: CBRE Research, Q1 2017.

Figure 3: Largest Q1 2017 Space Absorptions

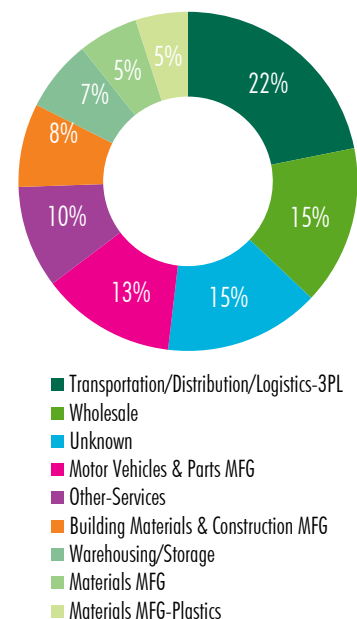
Total SF	Submarket	Space Use	Absorption Type
135,750	Northwest	Manufacturing	Lease – BTS
57,983	South	Warehouse	Expansion
53,931	Northeast	Warehouse	Lease – BTS

Figure 4: Largest Q1 2017 Space Vacancies

Total SF	Submarket	Space Use	Vacancy Type
(78,000)	Northwest	Warehouse	Relocation
(57,983)	South	Warehouse	Contraction
(55,000)	Northwest	Warehouse	Relocation

Source: CBRE Research, Q1 2017.

Figure 5: Q1 2017 Leasing Activity by Industry



Source: CBRE Research, Q1 2017.

Figure 6: Asking Rates, NNN Avg. Annual – Warehouse/Distribution

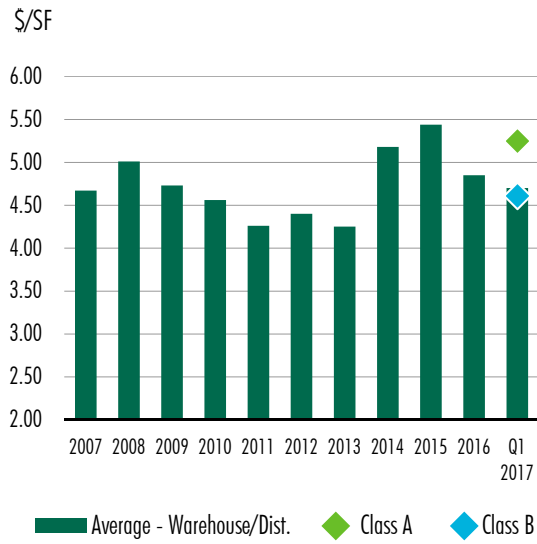
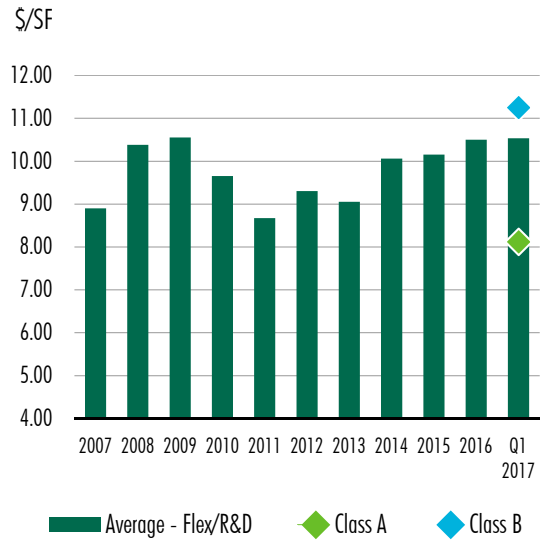
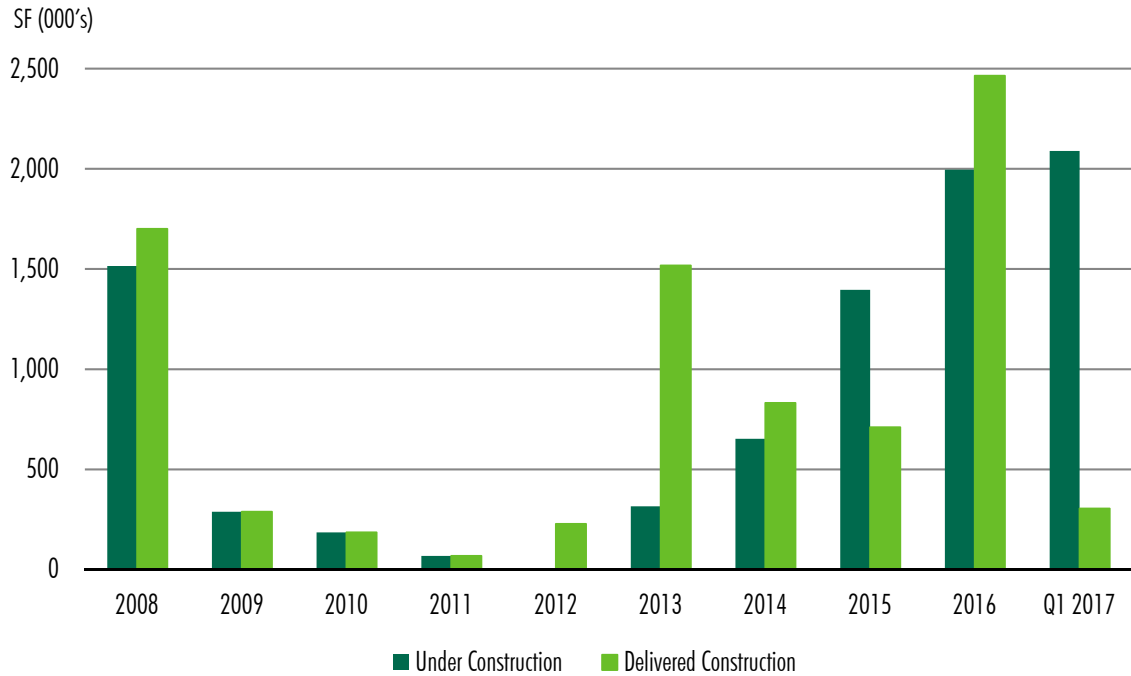


Figure 7: Asking Rates, NNN Avg. Annual – Flex/R&D

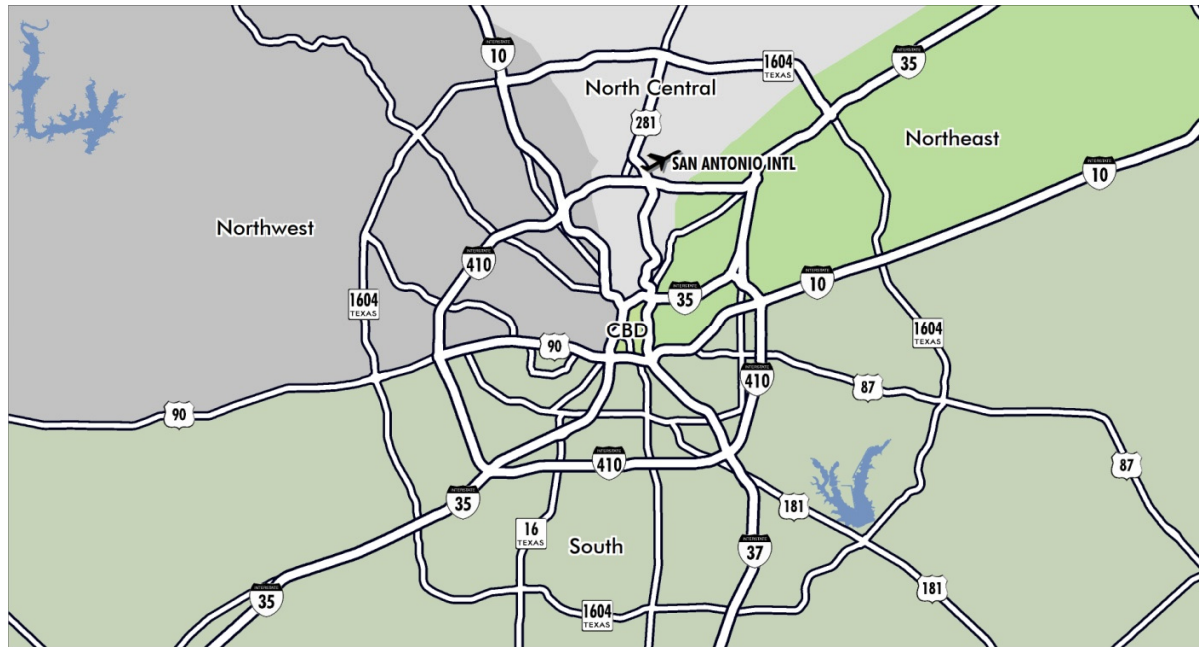


*Warehouse/Distribution space excludes Flex/R&D. Although Class C is not included, totals and averages are inclusive of all classes of data.
Source: CBRE Research, Q1 2017.

Figure 8: Construction



Source: CBRE Research, Q1 2017.


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San Antonio Industrial, Q1 2016

Vacancy continues to tighten as 2016 off to strong start

 Vacancy Rate
6.8%

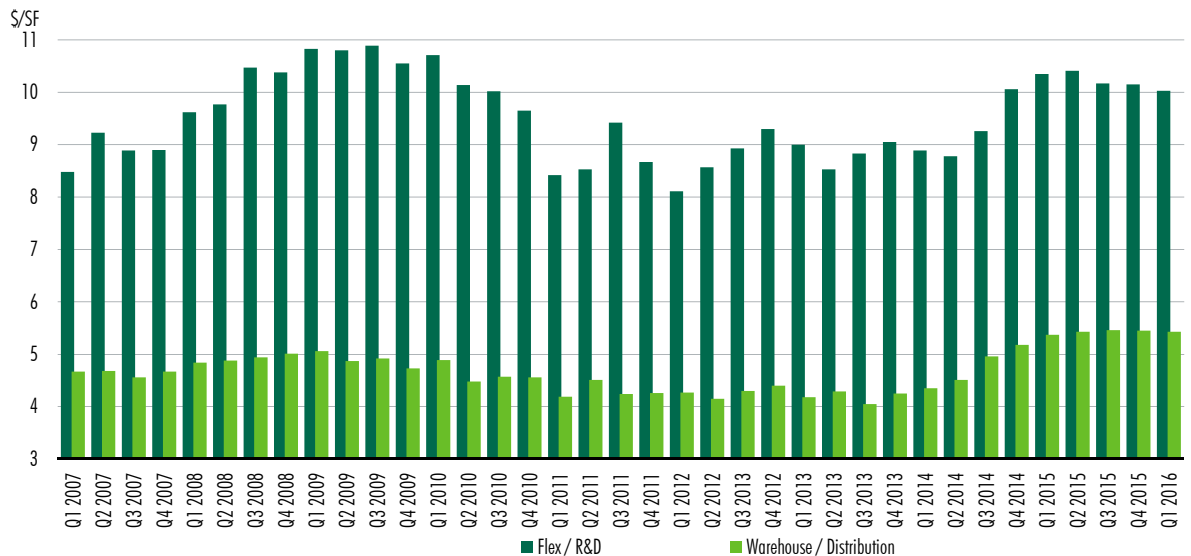
 Avg. Asking Rate
\$7.14/SF

 Net Absorption
290,874 SF

 Construction
1,271,921 SF

*Arrows indicate change from previous quarter.

Figure 1: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q1 2016.

- The Industrial market closed Q1 2016 with 290,874 sq. ft. of positive net absorption.
- Vacancy continues to tighten, falling another 10 basis points (bps) down to 6.8%, an 80 bps decline year-over-year.
- Over 1.2 million sq. ft. of industrial product is currently under construction.
- With the completion of Enterprise 2, 328,000 sq. ft. was delivered to the market, 280,000 sq. ft. of that space is currently vacant.

The San Antonio industrial market continues impress as not only has vacancy remained below 7.0%, but this has not slowed down absorption as Q1 2016 posted the 5th consecutive quarter of over 200,000 sq. ft. of positive net absorption. This is also in spite of over 280,000 sq. ft. of new vacant warehouse space hitting the market, with the delivery of Enterprise 2 in the Northeast submarket. With over 1.2 million sq. ft. of vacant space currently under construction, prospective tenants have plenty of options to help avoid that vacant space having an impact on vacancy at time of delivery.

Net absorption closed the quarter at 290,874 sq. ft., 50% of the absorption experienced in the previous quarter. This level ranks third highest to begin the year. With nearly five times the inventory of flex space, warehouse product historically has driven the absorption in the market, and this quarter is no exception. Warehouse space made up 82% of total net absorption, posting 239,918 sq. ft. of positive net absorption for the quarter. Significant deals contributing to absorption include Crane Freight leasing 36,000 sq. ft. at Cornerstone Industrial Park, West End Roofing taking 31,000 sq. ft. San Antonio Distribution 7, and Advanced Tech Recycling signing a lease for 21,600 sq. ft. at City Park East Distribution Center – B. While significantly smaller than warehouse, flex product has been making more of an impact in overall net absorption, finishing the quarter with 50,956 . Flex deals include Intel leasing 8,941 sq. ft. at One DeZavala Center Bldg , and Goodwill Contracting services taking 7,568 sq. ft. at Salado Creek Business Park 2.

For the second consecutive quarter, the South submarket led all others with 98,000 sq. ft. of positive net absorption. Two major deals made up the absorption, with SRS leasing 40,000 sq. ft. at 309 Clarence Tinker, and Indo took 58,000 sq. ft. at 601 Davy Crockett. The South was followed closely by the Northwest submarket which posted 91,878 sq. ft., and then the Northeast with 87,996 sq. ft. Cintas leased 14,536 sq. ft. at Alamo Ridge Business Center , and Dixie Carpet signed a lease for 13,500 sq. ft. at Rittiman West Industrial Park 1B.

For the second consecutive quarter, no submarket

posted negative net absorption for the quarter, Clear Channel vacated 25,000 sq. ft. at Industry Park Distribution Center 4, and Provigil left 14,400 sq. ft. at Perrin Creek Corporate Center 4 to name significant move-outs of the quarter.

Average asking rates across the market once again saw a decrease, falling \$0.14 per sq. ft. quarter-over-quarter. Rents closed the quarter at \$7.11 per sq. ft. on a NNN basis. Flex rates saw the brunt of the decline, falling \$0.12 per sq. ft., finishing at \$10.03 per sq. ft. Warehouse rates saw only a \$0.02 fall, finishing the quarter at \$5.43 per sq. ft., which still remains a \$0.06 per sq. ft. increase year-over-year.

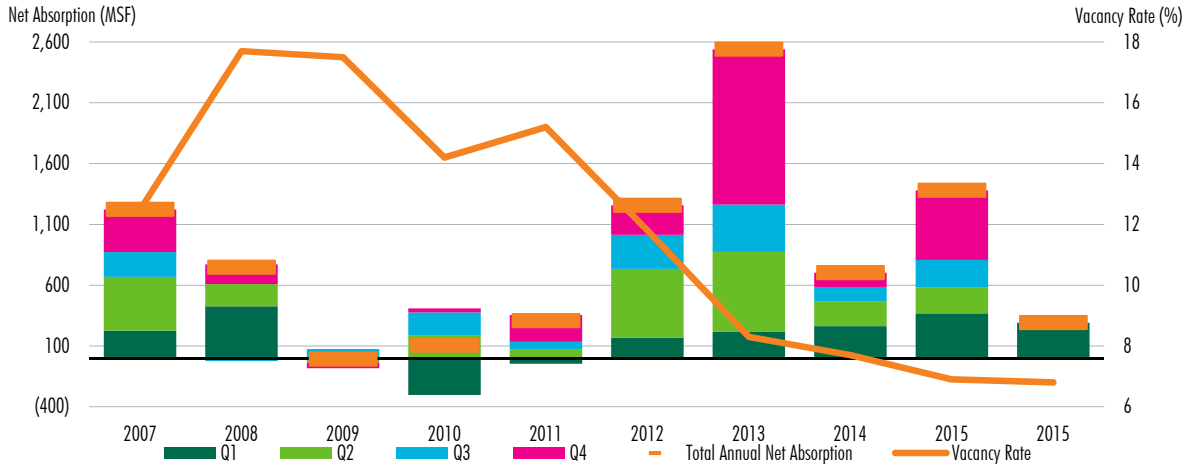
Delivered product in 2015 totaled at 542,321 sq. ft., and over half of that was already delivered to the market in a single building. Construction was completed on Enterprise 2, the 324,812 sq. ft. warehouse/distribution building in the Northeast submarket. WilsonArt leased 40,950 sq. ft. in the building, which is currently the only lease signed with the building. Construction levels ended the quarter at 1,271,291 sq. ft., and almost all of these are scheduled to deliver some time this year. This includes the addition of Tri-County Business Park 5, a 155,00 sq. ft. flex building in the Northeast. If this is the case, the market will be on pace to see the highest level of completed construction since 2008, when 1.7 million sq. ft. of inventory was added to the market. Product under construction is only 5% preleased, by one deal signed by Halfen USA for 68,250 sq. ft. at Eisenhower Point Business Park 1 .

Figure 2: Market Statistics

Submarket	Total Vacant (SF)	Total Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates NNN Avg. (\$/SF/Yr)
CBD	14,360	4.3	14,360	4.3	0	-	-	8.40
North Central	210,277	3.5	370,421	6.2	13,000	-	30,000	9.50
Northeast	1,251,629	5.8	2,484,898	11.6	87,996	324,812	1,241,921	5.78
Northwest	604,462	10.1	682,433	11.4	91,878	-	-	8.85
South	463,386	13.2	980,454	28.0	98,000	-	-	5.77
Totals	2,544,114	6.8	4,532,566	12.2	290,874	324,812	1,271,921	7.11

Source: CBRE Research, Q1 2016.

Figure 3: Net Absorption and Vacancy Rate



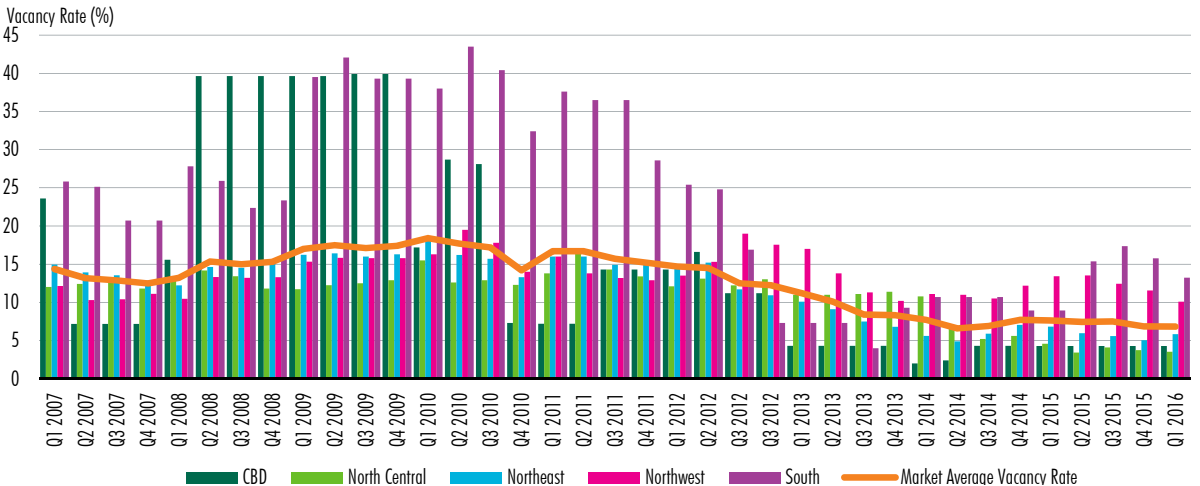
Source: CBRE Research, Q1 2016.

The San Antonio industrial market posted 290,874 sq. ft. of positive net absorption for the first quarter of 2016. This marks the 20th consecutive quarter of positive net absorption, the last time of negative net absorption being back in Q1 2011. The South submarket once again led the pack, with 98,000 sq. ft. of positive net absorption for the quarter. Right behind were the Northwest and Northeast submarkets, closing at 91,878 sq. ft. and 87,998 sq. ft. respectively. Absorption was rounded out by the North Central finishing with a modest 13,000 sq. ft. Demand in the market saw 102,000 sq. ft. of new active requirements added to the market. Roughly half of the growth from the previous quarter.

Notable lease transactions from Q1 2016 include:

- Dixie Carpet leased 13,500 sq. ft. at Rittiman West Industrial Park 1B..
- Crane Freight took 36,000 at Cornerstone Industrial Park.
- Advanced Tech Recycling signed a lease for 21,600 sq. ft. at City Park East Distribution Center – B.
- Professional Turf Services moved out of 14,626 sq. ft. at Rittiman East Bldg 22.
- A confidential tenant backfilled 63,320 sq. ft. of 124,000 sq. ft. vacated at Eisenhower 35 Distribution Center Bldg B.
- 1-800 Radiator leased 30,000 sq. ft. at 5005 West Ave.

Figure 4: Historical Vacancy Rate by Submarket



Source: CBRE Research, Q 2016.

UNEMPLOYMENT

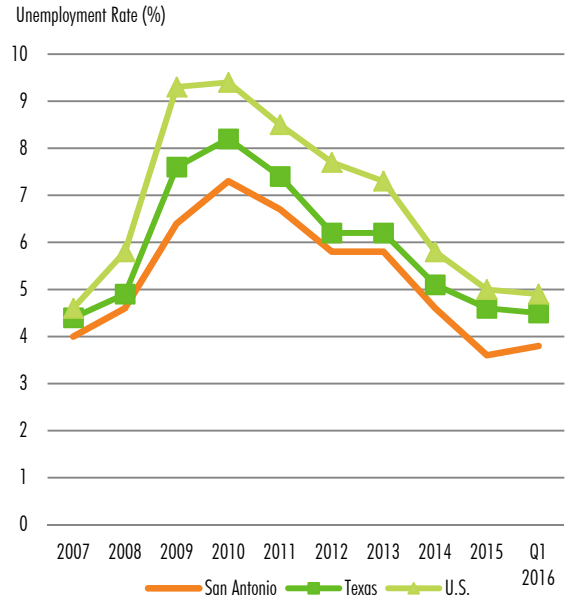
Unemployment in the Alamo City rose slightly to begin the year to 3.8%, increasing 20 bps quarter-over-quarter. Even with this slight rise, unemployment levels are still a 20 bps, or 5%, change year-over-year, and a 75% decrease from just two years ago when the unemployment rate was 5.0%. National and State levels both saw equal decreases in unemployment, with both falling 10 bps quarter-over-quarter and closing the quarter at 4.9% and 4.5% respectively.

INDUSTRIAL PRODUCT

The San Antonio Industrial market is poised to deliver one of the highest levels of new product since 1.7 million was added to the market in 2008. With the completion of Enterprise 2, over 320,000 sq. ft. was added to the existing inventory, which is already 60% of the completed construction experienced in the entirety of the previous year. The building currently has over 280,000 sq. ft. vacant, with one major deal signed by WilsonArt for 40,950 sq. ft.

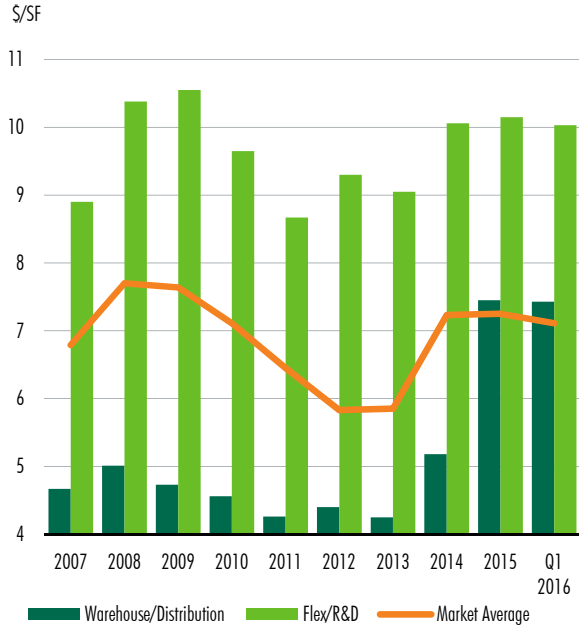
Of the nearly 1.3 million sq. ft. currently under construction, over 780,000 sq. ft. is expected to deliver within the next six months. Over 668,000 sq. ft. of that space is warehouse product, and 155,000 sq. ft. of flex space is the newest to be added with the addition of Tri-County Business Park 5. Preleasing of this space is still minor, making up only 5% of product currently under construction, and with the only deal of 68,250 sq. ft. by Halfen USA at Eisenhower Point Business Park 1. If this remains, vacancy will ultimately rise, and open up more options for prospective tenants.

Figure 5: Unemployment Rate



Source: Bureau of Labor and Statistics, Q1 2016.

Figure 6: Asking Rates, NNN Avg. Monthly



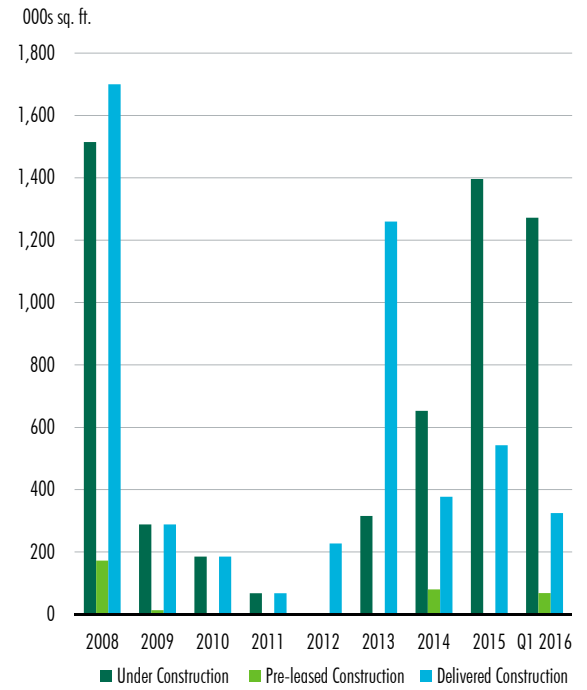
Source: CBRE Research, Q1 2016.

INDUSTRIAL RENTS

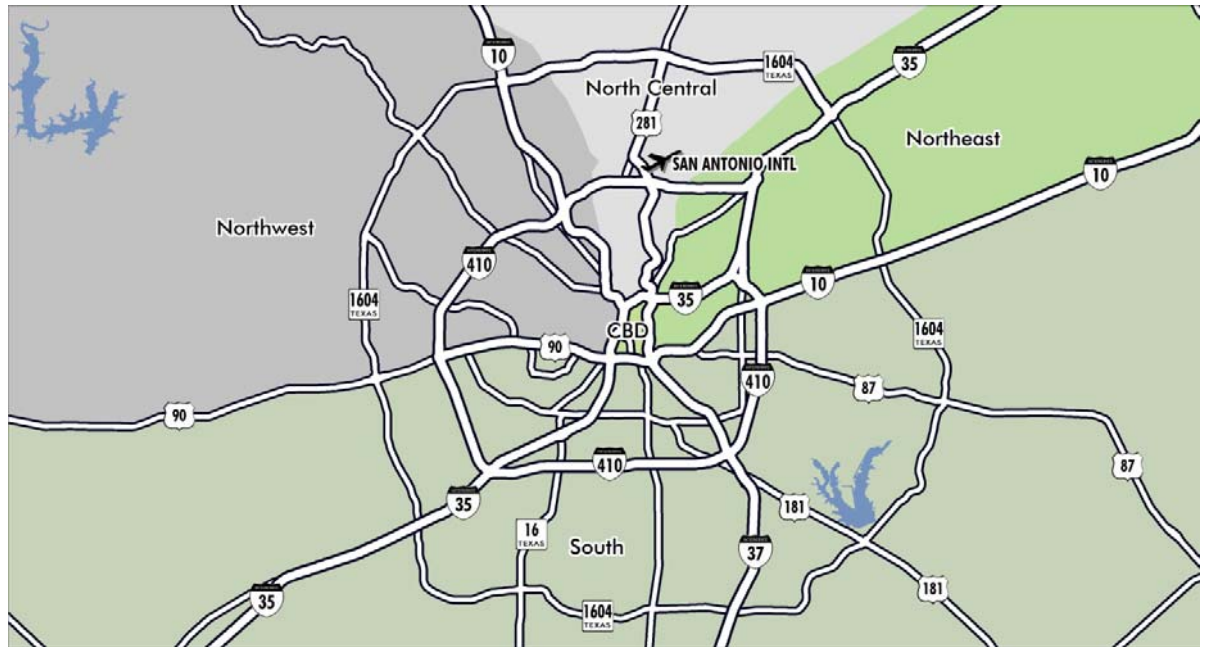
Average asking rates fell for the second consecutive quarter, the first time this has happened since Q3 2012 to Q2 2013. Average asking rents fell \$0.14 per sq. ft., roughly half the fall from the previous quarter, on a NNN basis and closed at \$7.11 per sq. ft. Rents now stand \$0.29 per sq. ft. below where they were a year ago, but \$1.22 per sq. ft. from two years ago. As they did in the previous quarter, Warehouse and flex rates mirrored the market with decreases of their own. Flex saw the greater slide, dropping \$0.12 per sq. ft. down to \$10.03, while warehouse had a more modest decrease of just \$0.02 per sq. ft. Warehouse rents closed at \$5.43 per sq. ft. Even with more higher end product expected to be delivered in throughout the year, initial asking rates are seen to be below market average, which may prove to keep rates from returning to previous levels even after delivery.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term, and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

Figure 7: Construction



Source: CBRE Research, Q1 2016.



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San Antonio Industrial, Q4 2015

Absorption Scores New High; Construction Ups Year End Tally

 Vacancy Rate
6.9%

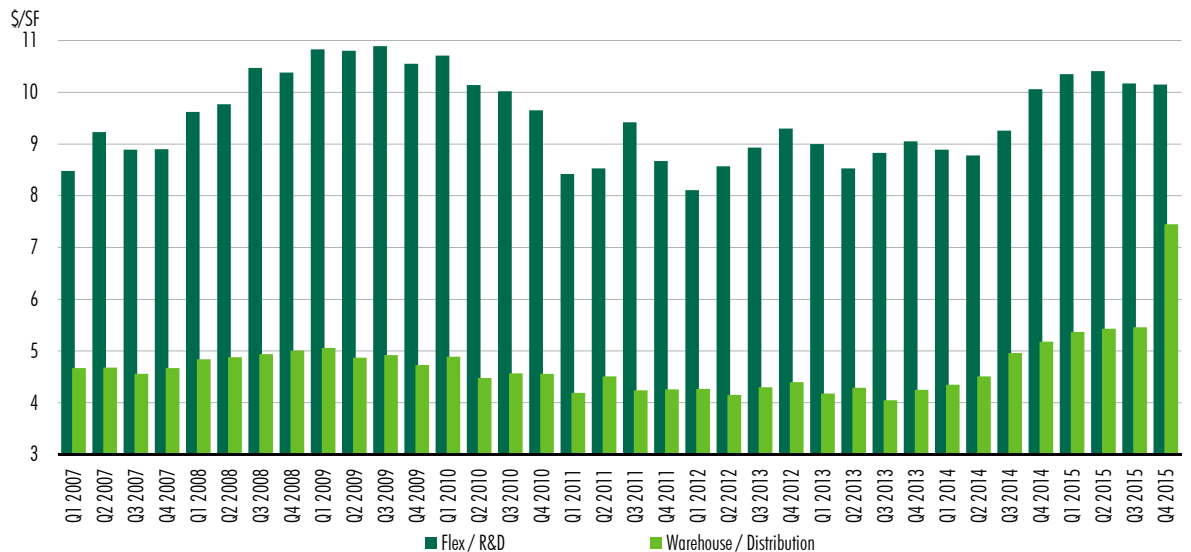
 Avg. Asking Rate
\$7.25/SF

 Net Absorption
571,935 SF

 Construction
1,396,156 SF

*Arrows indicate change from previous quarter.

Figure 1: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q4 2015.

- Industrial market posts highest level of net absorption since Q4 2013 with 571,935 sq. ft.
- The year finished with over 1.3 Million sq. ft. of positive net absorption, the second highest recorded.
- Vacancy fell 60 basis points (bps) down to 6.9%, and 80 bps decline year-over-year.
- Product under construction finished the year at just under 1.4 million sq. ft.
- After 55,000 sq. ft. was delivered to the market, year-to-date delivered construction finishes 2015 at 542,321 sq. ft.

The San Antonio industrial market posted its strongest quarter since hitting over 1.2 million sq. ft. back in Q4 2013. The year ended with 571,935 sq. ft. of positive net absorption, more than double the level experienced in the previous quarter. This brought the year-to-date total for the year up past 1.3 Million sq. ft., also the second highest level since 2013 posted over 2.5 million sq. ft. for the year. This also caused vacancy to fall 60 bps, down to 6.9%, the same level it was over a year ago. Product currently under construction fell slightly quarter-over-quarter after the delivery of 55,000 sq. ft. to the market, and with no new projects breaking ground, ending the quarter at nearly 1.4 million sq. ft.

The industrial market posted over 570,000 sq. ft. to end the year, and Warehouse product once again drove the market. The over 490,000 sq. ft. of positive net absorption by warehouse space made up 86% of absorption experienced by the market. This is the second consecutive quarter where nearly 90% of total net absorption came from warehouse product. The Air Force taking 80,000 sq. ft. at 601 Davy Crockett in the South Submarket, O'Hagin LLC leased 14,700 sq. ft. at Interwest Business Park – 2 and WESCO International, Inc moving into 9,270 sq. ft. at 1140 Ambassador Row make up some of the major deals of the quarter. While only making up 14% of total net absorption by the market, flex product still saw a nearly 50,000 sq. ft. increase quarter-over-quarter, finishing the quarter at 80,085 sq. ft. Major deals include R.J. Agave leasing 21,930 sq. ft. at Tri-County 4, and Thomas J Henry signing a lease for 14,955 sq. ft. at University Heights Tech Center I.

All submarkets were led by the South, which saw 319,300 sq. ft. of positive net absorption for the quarter. As with the previously mentioned Air Force deal, URS subleased 265,000 sq. ft. to play a huge role in the total net absorption experienced by the South. The Northeast posted the next highest level with 179,651 sq. ft., driven by R.J. Agave, WESCO, and American Medical Response (9,488 SF) and St. George LID Imported Car (2,475 sq. ft.) leasing a total of 11,963 sq. ft. at Salado Creek Business Park 2.

While no submarket posted negative net absorption for the quarter, major move-outs include Coast Distribution vacating 27,300 at Macro Distribution Center Bldg 3, Haas Group

International leaving 25,700 sq. ft. at 709 Raymond Medina (Bldg 1575) and Alere LLC moving out of 18,200 sq. ft. at the Westway Service Center.

For the first time since Q2 2013, the industrial market saw a dip in average asking rates, falling \$0.23 per sq. ft. on a NNN basis. They closed the year at \$7.25 per sq. ft., which is still slightly higher than where rates were just twelve months ago. Both warehouse and flex product saw nearly identical decreases in their average asking rates, falling to \$0.01 and \$0.02 per sq. ft. respectively. This caused warehouse space to end the year at \$5.45 sq. ft., a \$0.37 per sq. ft. increase year-over-year, and flex product closed at \$10.15 per sq. ft. The market seems to be experiencing the effects of having such a tight vacancy, as lower tier product is having a greater impact on average asking rates of available space.

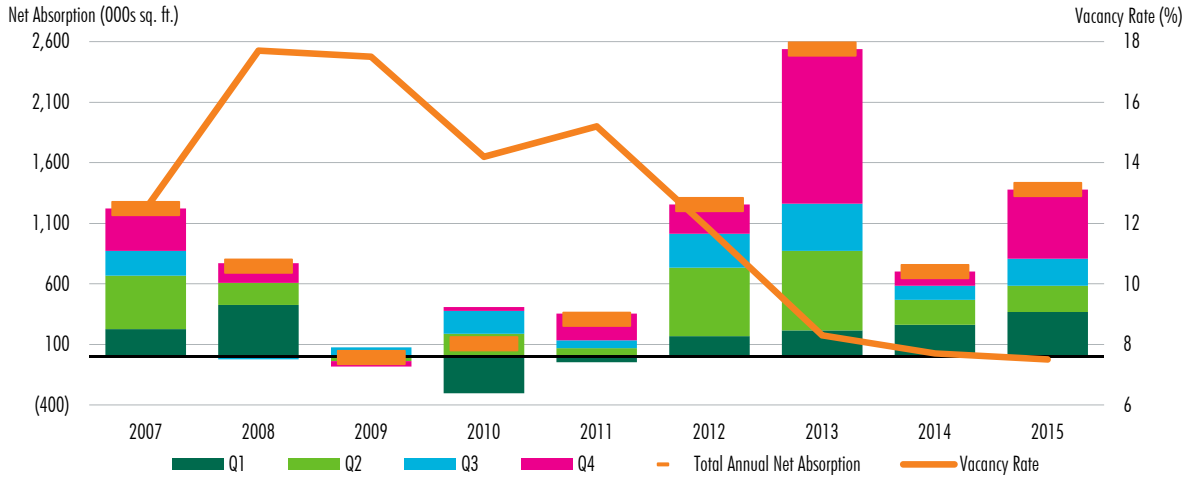
The 55,085 sq. ft. warehouse/distribution building at 9550 Ball St. in the Northeast submarket was the only building to deliver in Q4 2015. This caused total product delivered to the market to reach over 540,000 sq. ft., the highest level since 2013 saw over 1.2 million sq. ft. of new inventory. The building was fully leased at the time construction was completed. Product currently under construction still remains at a high level, finishing the year at 1,396,156 sq. ft. Almost all of the space in development is located in the Northeast. Nearly 700,000 sq. ft. spread across three separate projects is expected to be completed and delivered to the market early next year, all adding to the inventory of the Northeast.

Figure 2: Market Statistics

Submarket	Total Vacant (SF)	Total Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates NNN Avg. (\$/SF/Yr)
CBD	14,360	4.3	14,360	4.3	0	-	-	8.40
North Central	223,277	3.7	337,685	5.7	33,898	-	30,000	9.23
Northeast	1,064,764	5.0	2,349,879	11.1	179,651	55,085	1,366,156	5.77
Northwest	672,287	11.6	733,972	12.6	39,086	-	-	9.09
South	535,544	15.8	750,491	22.1	319,300	-	-	9.00
Totals	2,510,233	6.9	4,186,387	11.4	571,935	55,085	1,396,156	7.25

Source: CBRE Research, Q4 2015.

Figure 3: Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2015.

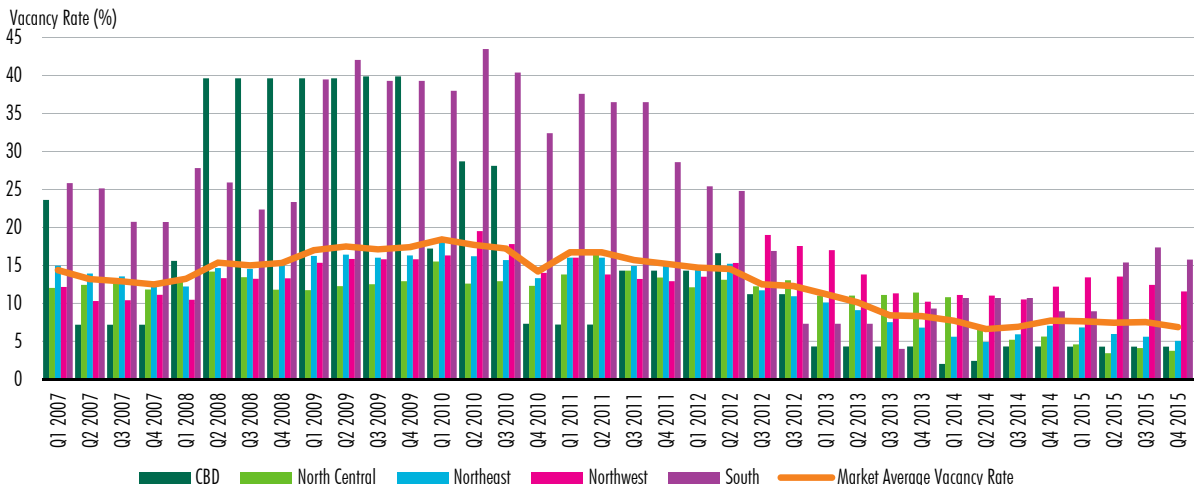
The San Antonio Industrial market closed the year with over 570,000 sq. ft. of positive net absorption, marking the 19th straight positive quarter. The market was led by the South submarket, which had over 50% of total net absorption across the market, posting 319,300 sq. ft. This was followed by the Northeast, which finished the quarter with 179,651 sq. ft. of positive net absorption. The Northwest and North Central submarkets also posted more modest levels of absorption, closing at 39,086 sq. ft. and 33,898 sq. ft. respectively.

Over 200,000 sq. ft. of new requirements came into the market, which continues to show demand remains high in an already tight industrial market.

Notable lease transactions from Q4 2015 include:

- The Air Force leased 80,000 sq. ft. at 601 Davy Corckett.
- Coast Distribution vacated 27,300 sq. ft. from Macro Distribution Center Bldg 3.
- Brookdale signed a lease for 10,520 sq. ft. at Northbrook Business Center 100.
- Marito Sports Cars took 10,225 sq. ft. at 15090 Tradesman Drive Bldg 3.
- JSP Entertainment (3,000 sq. ft.) and Hill Country Liquidators (3,600 sq. ft.) combined to lease 6,600 sq. ft. at Northwest Business Park Bldg 2.
- Wayne Dalton Genie Sales vacated 15,276 sq. ft. at Lanark Distribution Center Bldg B.

Figure 4: Historical Vacancy Rate by Submarket



Source: CBRE Research, Q4 2015.

UNEMPLOYMENT

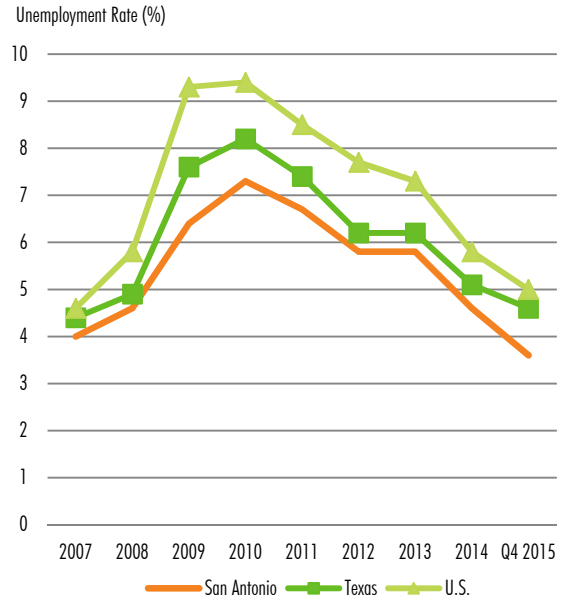
After a quarter that saw unemployment rise, Q4 2015 ended the year by falling back to 3.6%, a change of 10 bps and the same level back from Q2 2015. As projected at the beginning of the year, this attributed to an over 3% change year-over-year in local job growth. This is a 50 bps change from the end of last year. The national unemployment level saw the same change as the local level, falling 10 bps from 5.1% to 5.0% quarter-over-quarter. The state level saw unemployment rise 50 bps since the month of August, and finished the year at 4.6%.

INDUSTRIAL PRODUCT

The market closed the year with one more project finishing its construction, and adding over 55,000 sq. ft. to the market inventory. Perrin Creek - Bldg 2B, located in the Northeast submarket brought year-to-date completed construction up to 542,321 sq. ft. the third highest recorded level. The building was also fully leased at the time of completion by Integrity Retail Distribution and Signature Framed Art. Three projects, totaling over 680,000 sq. ft. of inventory, are expected to have their construction completed within the next three months, with over 340,000 sq. ft. more anticipated to deliver three months later. This has 2016 set to deliver over 1 million sq. ft. of new product to the market within the first six months.

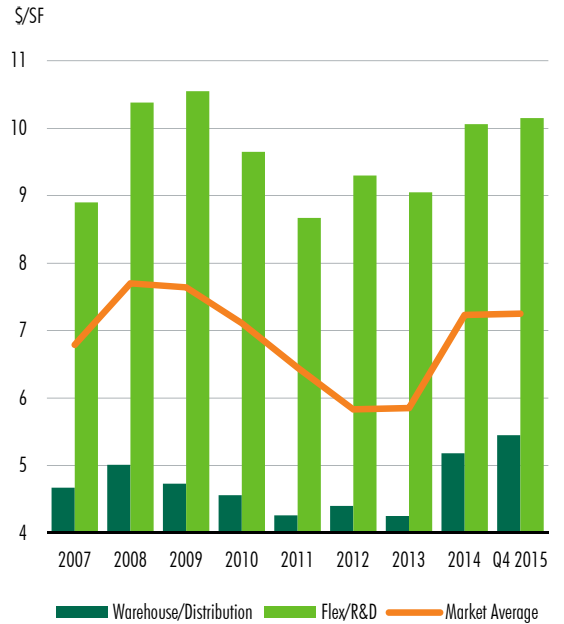
Levels of product currently under construction still remains at a high level, finishing 2015 at almost 1.4 million sq. ft. There is currently no space preleased for these projects. While no new projects broke ground during the quarter, there is another building expected to be added to Alamo Ridge next year. This would add 134,700 sq. ft. of warehouse space to the Northwest submarket, and is already said to have been preleased completely by Coastal Life Technologies Inc.

Figure 5: Unemployment Rate



Source: Bureau of Labor and Statistics, Q4 2015.

Figure 6: Asking Rates, NNN Avg. Monthly



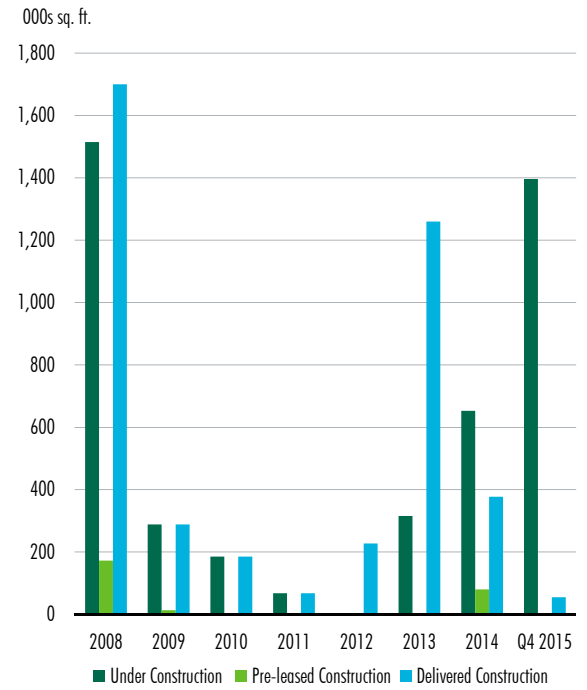
Source: CBRE Research, Q4 2015.

INDUSTRIAL RENTS

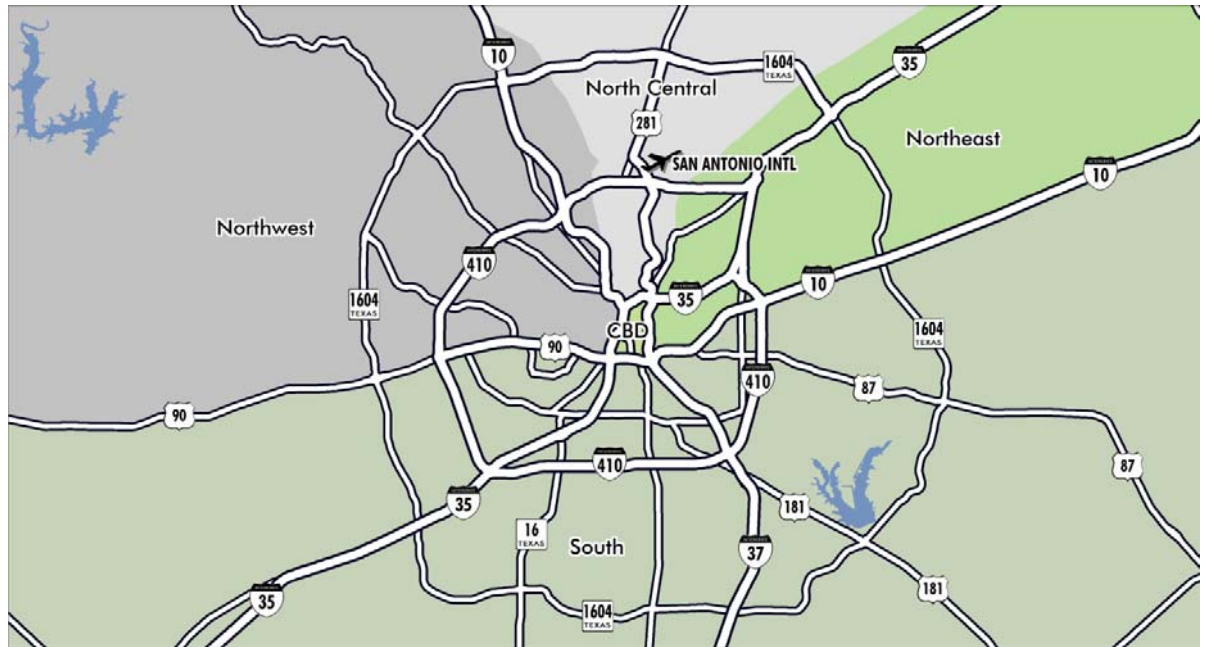
With vacancy falling below 7% in Q4 2015, average asking rates also saw a dip of their own by falling \$0.23 per sq. ft. on a NNN basis. This is the first fall in rates the market has seen since Q2 2013, when there was a similar fall of \$0.21 per sq. ft. Average asking rates closed 2015 at \$7.25 per sq. ft., which is still slightly higher than where rents were twelve months ago. Both development types followed the overall market trend, as both warehouse and flex product saw near identical drops in their respective rates. Warehouse space closed the quarter at \$5.45 per sq. ft., only a \$0.01 quarter-over-quarter drop. Flex product posted a slightly bigger drop, \$0.02 per sq. ft., and finished at 10.15 per sq. ft.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term, and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

Figure 7: Construction



Source: CBRE Research, Q4 2015.


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San Antonio Industrial, Q3 2015

Absorption Picks Up, While Slowdown in Rates Continues

 Vacancy Rate
7.5%

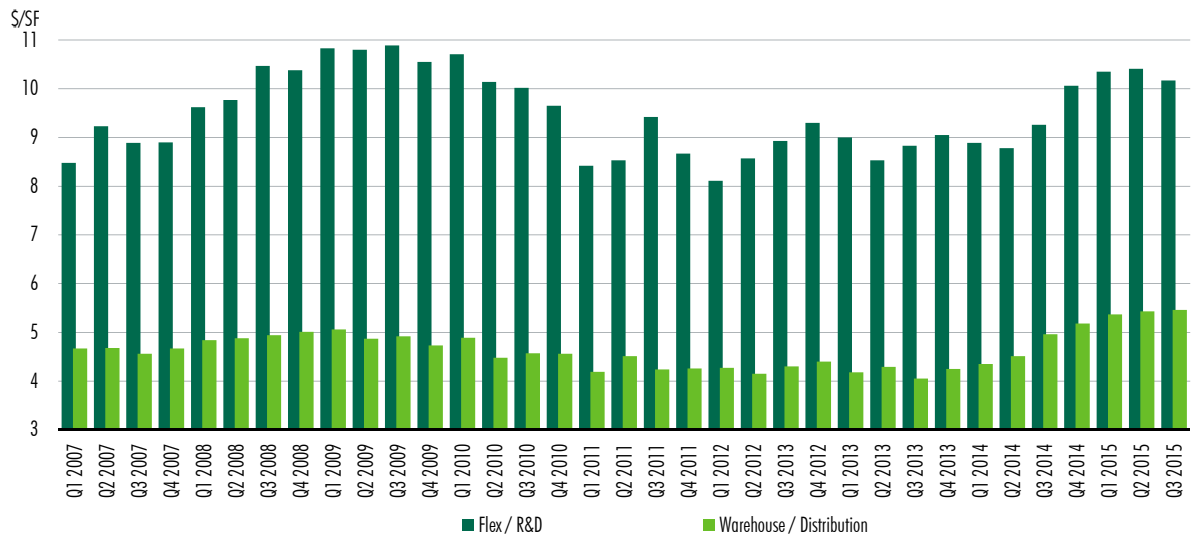
 Avg. Asking Rate
\$7.48/SF

 Net Absorption
223,028 SF

 Construction
1,446,046 SF

*Arrows indicate change from previous quarter.

Figure 1: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q3 2015.

- Net absorption closes Q3 2015 over 200,000 sq. ft. for the third straight quarter.
- Year-to-date total for 2015 surpasses 800,000 sq. ft. of positive net absorption.
- Vacancy finishes at 7.5%, a 10 basis point (bps) rise quarter-over-quarter.
- Product under construction reaches 1.4 million sq. ft.
- Year-to-date delivered construction closes at 487,000 sq. ft., with over 400,000 sq. ft. more anticipated for the end of the year.

While still not quite the level reached in Q1 2015, San Antonio's industrial market posted another strong quarter of net absorption over 200,000 sq. ft. for the quarter. The year-to-date total for 2015 now stand at 807,086 sq. ft. of positive net absorption, 220,000 sq. ft. more than just a year ago. However, vacancy still rose by 10 basis points (bps) and remained below 9% by finishing the quarter at 7.5%. Product under construction surpasses one million sq. ft., while development delivered to the market nears 500,000 sq. ft. with a building in the south completing construction.

With just under 200,000 sq. ft. of positive net absorption, warehouse product made up nearly 90% of the total net absorption experienced in Q3 2015. The major deals that drove the absorption included a confidential tenant taking 193,000 sq. ft. at 1410 Callaghan, and American Freight Furniture & Mattress leasing 43,500 sq. ft. a 639 Lanark Dr. Flex Product improved slightly quarter-over-quarter, posting 32,015 sq. ft. of positive net absorption for the quarter. Deals include Image First taking 10,200 sq. ft. at San Antonio Distribution 12, and Journey Church with 9,393 sq. ft. at One DeZavala Center Bldg 2.

With over 217,000 sq. ft. the Northwest submarket took over the top spot among submarkets, snapping the Northeast's streak of three consecutive quarters with the highest level of net absorption. The Northwest was heavily driven by a confidential tenant signing a 193,000 lease, while the Northeast submarket experienced a much more modest 37,076 sq. ft. Major deals in the Northeast include Worldwide Foam Ltd leasing 13,200 sq. ft. at Macro Distribution Center Bldg 4, and Functional Distribution taking 12,800 sq. ft. at 10711 Distribution Center #2.

Negative net absorption throughout the market was modest, with two submarkets combining for 80,353 sq. ft. The highest level was experienced by the South submarket for the second straight quarter with 64,947 sq. ft. of negative net absorption. This was followed by the North Central submarket, which saw 15,406 sq. ft. returned to the market. Major move-outs include Gratr Landscapes vacating 7,503 sq. ft. from 15090 Tradesman Drive Bldg 3, and PC Wholesale Computers leaving 9,450 sq. ft. at Isom Tech Center.

With the market remaining so tight; vacancy under 10% for a ninth straight quarter and higher end space remains fully leased, lower tier product as a bigger impact on average asking rates. However, while growth in average asking rates continue to slow down, Q3 2015 experienced another increase in average asking rates. Asking rents finished the quarter at \$7.48 per sq. ft. on a NNN basis, an increase of \$0.02 quarter-over-quarter. Warehouse product has been driving the market in regards to absorption, and was the development type that saw asking rates rise. Flex product fell \$0.24, closing the quarter at \$10.17 per sq. ft., while warehouse rates rose \$0.03 per sq. ft. to \$5.46 per sq. ft. If this slow down is to continue. It would not be unexpected to see rates fall in the upcoming quarters.

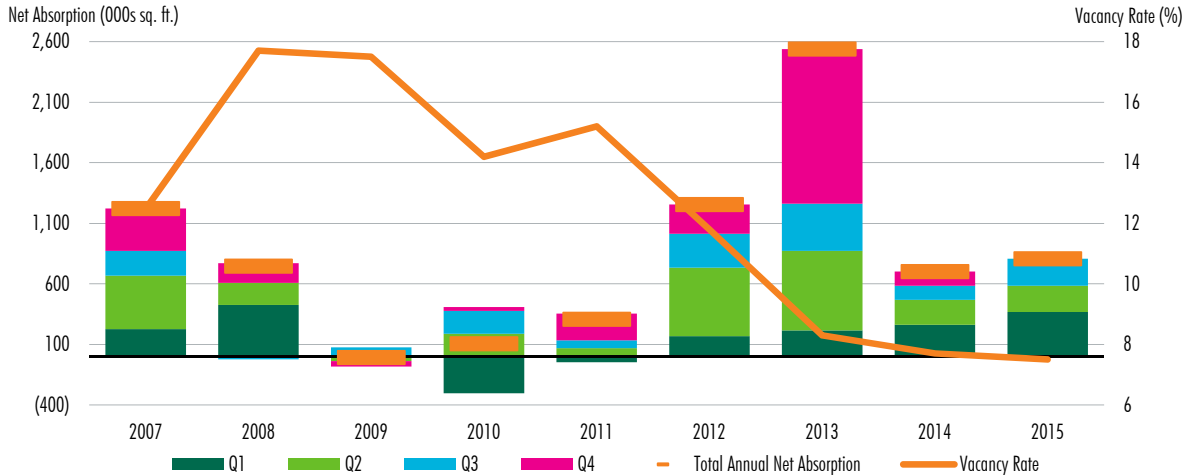
Industrial product currently under construction reached its highest level since 2008, finishing the quarter at 1.4 million sq. ft. Nearly all of the construction is focused in the Northeast submarket, while the North Central also broke ground on the 40,000 sq. ft. Gulf Mart Bend building and the 144,000 sq. ft. Cornerstone Industrial Building in the Northeast. The market also saw a new building delivered to the market, with the completion of South Park Industrial Park Bldg 2, which added another 60,000 sq. ft. of vacant space to the market, which could help fulfill requirements for users in the market. The year-to-date delivered construction for the year finished the quarter at over 480,000 sq. ft., the highest level since 2013 when over 1.2 million sq. ft. was completed. The year could see this level topped as over 500,000 sq. ft. of product is expected to deliver within the next 90 days.

Figure 2: Market Statistics

Submarket	Total Vacant (SF)	Total Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates NNN Avg. (\$/SF/Yr)
CBD	14,360	4.3	14,360	4.3	0	-	-	8.40
North Central	244,375	4.1	379,578	6.4	(15,406)	-	40,000	9.27
Northeast	1,159,932	5.6	2,116,857	10.2	86,076	-	1,406,046	5.89
Northwest	696,061	12.4	767,055	13.7	217,305	-	-	8.95
South	589,844	17.4	829,897	24.4	(64,947)	60,000	-	9.41
Totals	2,704,572	7.5	4,107,747	11.4	223,028	60000	1,446,046	7.48

Source: CBRE Research, Q3 2015.

Figure 3: Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2015.

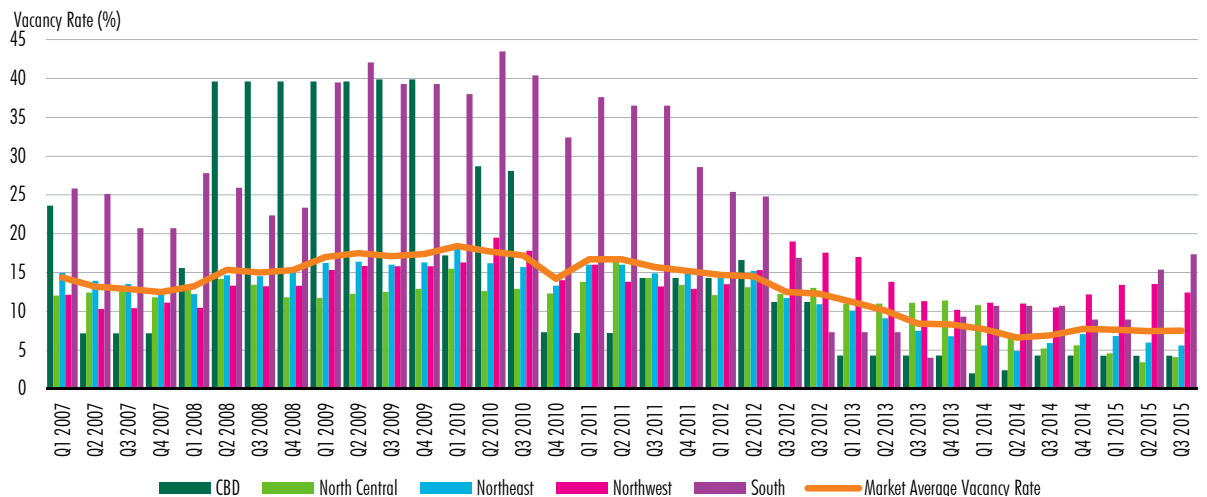
Marking the 18th consecutive quarter of positive net absorption, the industrial market finished the quarter with positive net absorption of 223,028 sq. ft. The Northwest led the market by a wide margin, posting 217,305 sq. ft. of positive net absorption, compared to only 86,076 sq. ft. experienced by the Northeast. With only 14,360 sq. ft. of vacant space, the Central remained stagnant with zero net absorption. The South and North Central submarkets saw negative net absorption for the quarter, returning 64,947 sq. ft. and 15,406 sq. ft., respectively,

Driven by three requirements of 100,000 sq. ft. or more, demand in the market increased by over 600,000 sq. ft.

Notable lease transactions from Q3 2015 include:

- URS vacated 79,947 sq. ft. at 333 Morris Witt (Bldg 1538).
- Goodman leased 49,000 sq. ft. at Eisenhower 35 Distribution Center Bldg 6.
- American Freight & Mattress took 43,529 sq. ft. at 639 Lanark Drive.
- West End Roofing moved out of 31,000 sq. ft. at San Antonio Distribution 7.
- Anemostat signed a lease for 75,000 sq. ft. at 4958 Stout.
- Overhead Doors leased 13,344 sq. ft. at Thousand Oaks Business Park 4.

Figure 4: Historical Vacancy Rate by Submarket



Source: CBRE Research, Q3 2015.

UNEMPLOYMENT

Unemployment rose slightly quarter-over-quarter by 10 bps, and finished the quarter at 3.7%. This is still 100 bps lower than where it was a year ago.

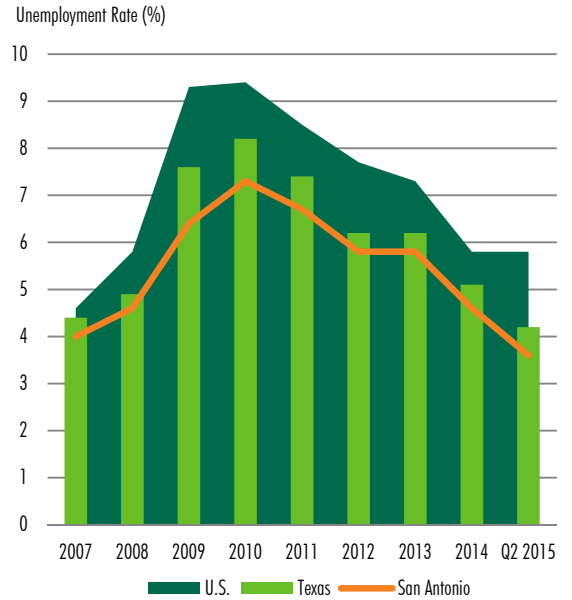
Busines.com even listed San Antonio as the seventh best city in the country to find a job, falling only behind Austin when compared to the other major Texas cities. Statewide unemployment reached its lowest level since 2001, falling to 4.1% in the month of August. This was attributed to over 13,000 jobs being added throughout the state, led by the Hospitality and Professional & Business services industries. The national level saw the biggest drop, falling 40 bps to 5.1%.

INDUSTRIAL PRODUCT

Product under construction surpassed 1 million sq. ft., closing the quarter at 1.4 million sq. ft., the highest level reached since 2008. Construction began on the Cornerstone Industrial building, a 144,000 sq. ft. flex building located in the Northeast submarket. The North Central also saw a building break ground in the 40,000 sq. ft. Gulfmart Bend building, which will further add inventory to the flex market. The biggest addition to the market belongs to the new 306,880 sq. ft. distribution center under construction for Conns at 1710 Cornerway. Product under construction is currently 21% preleased.

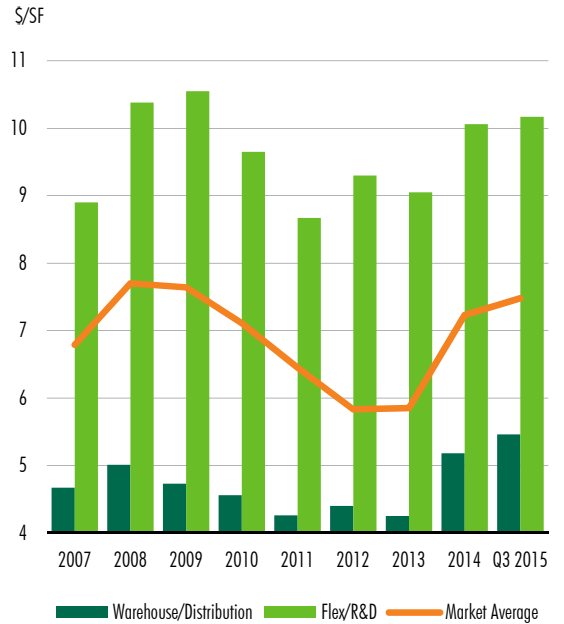
The market saw one building deliver to the market in the completion of South Park Industrial Building 2. The 60,000 sq. ft. distribution building was 100% preleased at the time of completion by Custom Fab. This bring year-to-date completed construction up to nearly 500,000 sq. ft., the highest level since 2013 when over 1.2 million sq. ft. was added to the market. It is expected that over 380,000 sq. ft. will be delivered by the end of the year, with two more buildings in the Northeast submarket approaching completion.

Figure 5: Unemployment Rate



Source: Bureau of Labor and Statistics, Q3 2015.

Figure 6: Asking Rates, NNN Avg. Monthly



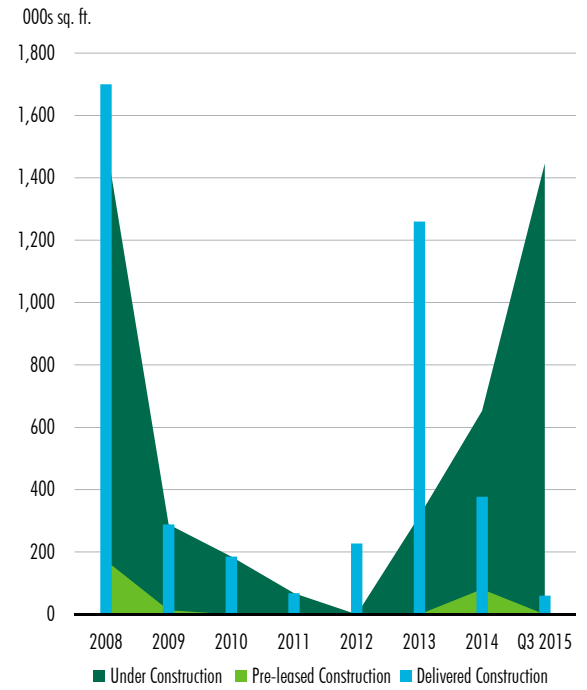
Source: CBRE Research, Q3 2015.

INDUSTRIAL RENTS

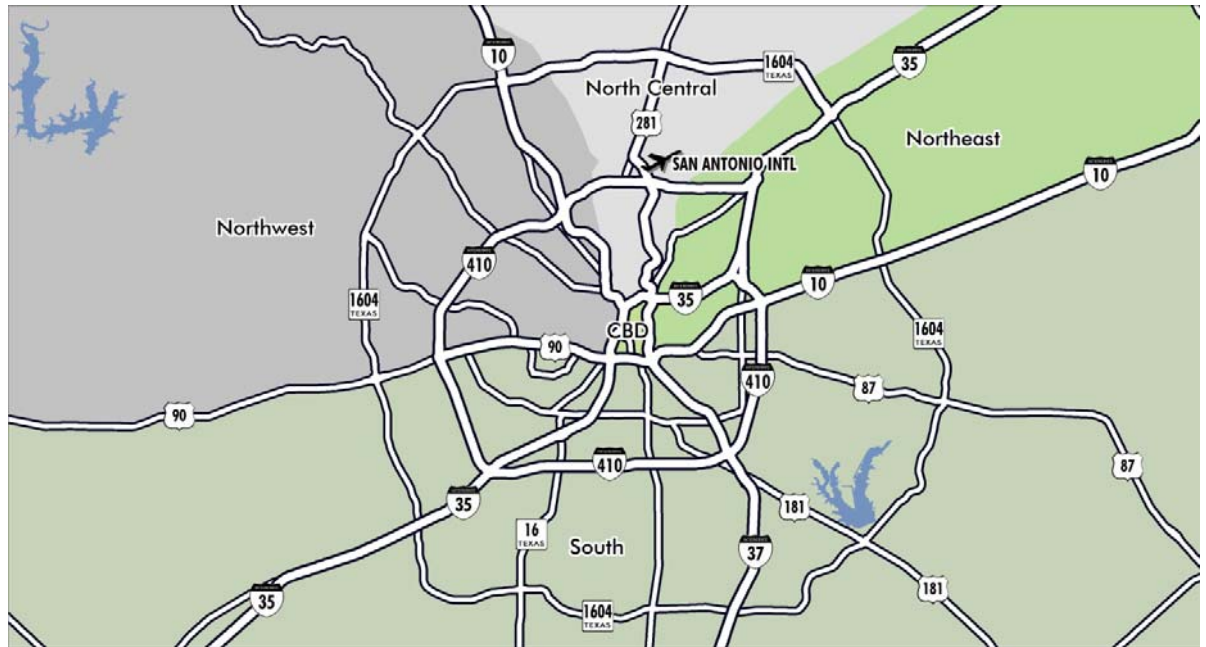
The slowdown that the market has been experiencing in average asking rents continues, as rents rose only \$0.02 per sq. ft. on an annual NNN basis. A 33% growth compared to the increase experienced in the previous quarter, average asking rates closed Q3 2015 at 7.48 per sq. ft. Unlike Q2 2015, where both flex and warehouse product saw increases, only warehouse saw rates rise quarter-over-quarter. Nearly matching the change in the market, warehouse space saw average asking rates climb only \$0.03, and closed at 5.46 per sq. ft. Meanwhile, flex space fell \$0.24 per sq. ft., and finished the quarter at \$10.17 per sq. ft. If the current trend continues, and lower tier product having a larger impact on average asking rates due to the tight market, the end of the year could see rates fall for the first time since Q1 2013.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term, and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

Figure 7: Construction



Source: CBRE Research, Q3 2015.



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San Antonio Industrial, Q2 2015

Absorption slows, rates rise following strong first quarter

 Vacancy Rate
7.4%

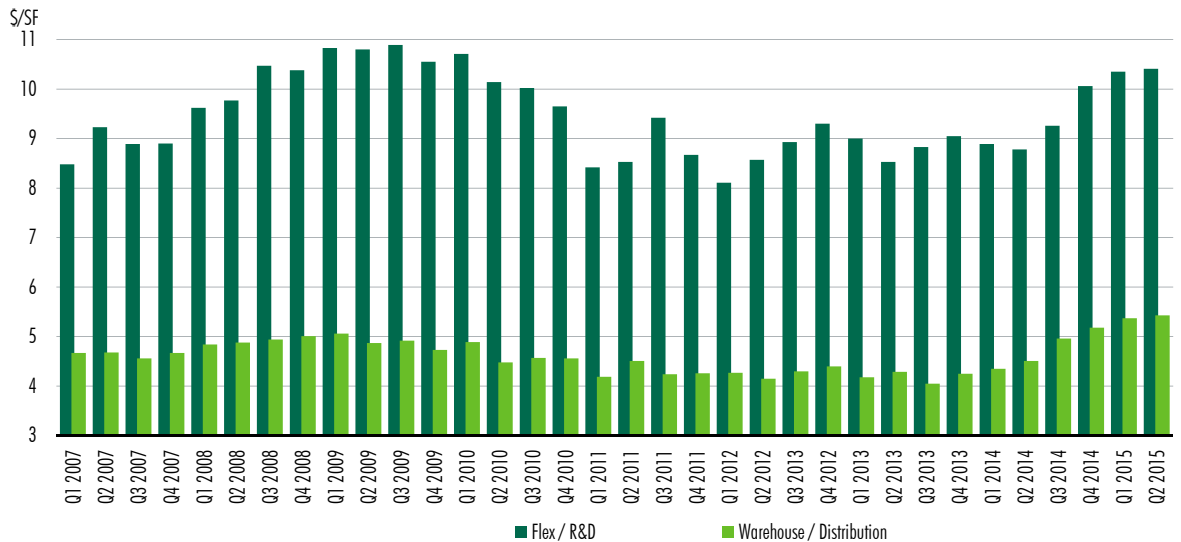
 Avg. Asking Rate
\$7.47/SF

 Net Absorption
216,204 SF

 Construction
894,916 SF

*Arrows indicate change from previous quarter.

Figure 1: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q2 2015.

- After a nearly historic first quarter, the San Antonio industrial market saw demand slow down by 60% over Q1 2015, ending with net occupier growth of 216,204 sq. ft. The market saw another building delivered to the market, bringing the YTD total over 500,000 sq. ft. Growth in asking rates once again slowed, while vacancy continued dropping to nearly 7%.
- San Antonio ranks as 4th best job market for women according to the U.S. Census Bureau’s American Community Survey.
- Hotels.com lists San Antonio as a Top 10 visitor destination, coming in at number nine on the list.

- Texas ranks as No. 2 on America’s Best States for Business lists according to a study by CNBC.
- *Forbes* lists Texas as the best place to live.
- The Eagleville oil field just south of San Antonio is listed as No. 1 oil field in the country according to the U.S. Energy Information Administration (EIA).

San Antonio's industrial market marked the 17th consecutive quarter of positive net absorption, ending Q2 2015 with 216,204 sq. ft. of bringing this year's total to nearly 590,000 sq. ft. as the market looks to eclipse the pace of 2014. Vacancy fell another 20 basis points (bps) quarter-over-quarter, finishing at 7.4%. This also marks the eighth straight quarter of vacancy remaining below 10%.

Warehouse product drove the market this quarter with 183,372 sq. ft. of positive net absorption, or 86% of the market, due in large part to Menlo Logistics leasing 132,000 sq. ft. at Tri County Distribution Center IV. Flex product was up slightly by posting 29,832 sq. ft. of new demand causing vacancy to shrink 90 bps. Flex ended the quarter at 11.2%, while warehouse product remained steady at 6.5% vacant. Almost 200,000 sq. ft. of new active requirements were added to the market, continuing to drive up demand.

The Northeast submarket witnessed the highest level of occupier demand in the past 90 days of over 251,000 sq. ft. This was followed by the North Central submarket, which saw an increase of over 70,000 sq. ft. of positive net absorption quarter-over-quarter, finishing the quarter at 149,615 sq. ft. Major leases include Menlo Logistics taking 132,000 sq. ft.. At Tri County Distribution Center IV, and Beepi Inc. leasing 30,050 sq. ft. At Sentinel Business Center I. Other major include Amparts Sourcing occupying 24,000 sq. ft. at Cornerstone Industrial Park, and Animal Supply Company and JJ Maes combining for 81,804 sq. ft. at Enterprise I.

Both the South and Northwest submarkets had tenants give back more space than they took down, with the South seeing the major portion. The negative absorption evident in the South came complements of a single tenant, Fiesta Warehousing, which vacated 180,000 sq. ft. in East Kelly Railport. The Northwest returned a much more modest 5,201 sq. ft. to the market.

While experiencing another quarter rents on the rise, the rate at which they grew slowed for the second consecutive quarter. Asking rents increased another \$0.07 per sq. ft., and finished the quarter at \$7.47 per sq. ft. on a NNN basis. Unless rates continue to see increases throughout the market, it is possible that the market could see rates fall as buildings with higher rates continue to become 100% occupied, and their respective rates are no longer included in the average asking rate sample size. Warehouse product finished the quarter at \$10.41 per sq. ft., while Flex product closed at \$5.43 per sq. ft., with both experiencing the same increase of \$0.06 per sq. ft.

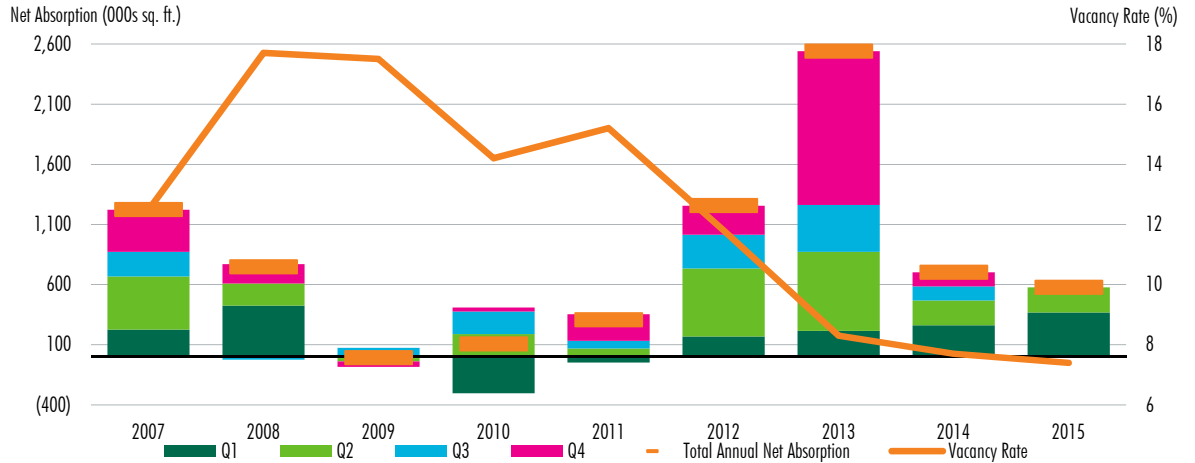
Thousand Oaks Business Park 4 was delivered in Q2 2015, adding 66,405 sq. ft. of inventory to the market. The building was 80% preleased by the time construction was completed, with Interceramic leasing 53,061 sq. ft. The quarter also saw construction begin on Tri County Building 5, a 155,000 sq. ft. flex building in the Northeast that began development with no preleasing. With Thousand Oaks 4's completion, this bring the total product under construction up to 894,916 sq. ft. Two building at Eisenhower Point also broke ground, adding over 200,000 sq. ft. to product under construction.

Figure 2: Market Statistics

Submarket	Total Vacant (SF)	Total Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates NNN Avg. (\$/SF/Yr)
CBD	14,360	4.3	14,360	4.3	0	-	-	8.40
North Central	227,702	3.8	299,879	5.0	149,615	66,405	-	9.56
Northeast	1,195,750	5.8	2,081,291	10.1	251,790	-	894,916	5.97
Northwest	730,677	13.5	767,487	14.2	(5,201)	-	-	9.09
South	429,897	15.4	749,897	26.8	(180,000)	-	-	5.24
Totals	2,598,386	7.4	3,912,914	11.2	216,204	66,405	894,916	7.46

Source: CBRE Research, Q2 2015.

Figure 3: Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2015.

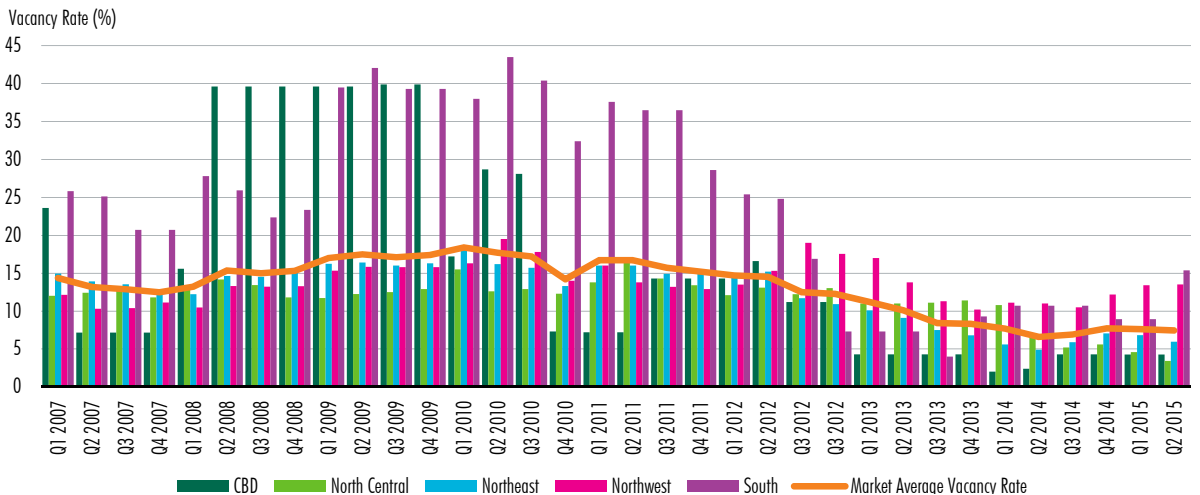
The industrial market finished the quarter with positive net absorption, posting 216,204 sq. ft. for the 17th consecutive quarter. Positive net absorption in the market was led by the Northeast submarket (510,790 sq. ft.), followed by the North Central (149,615 sq. ft.). The only submarket to see negative net absorption was the South with a single move-out taking of 180,000 sq. ft.

Demand continues to remain strong, with 180,000 sq. ft. of active requirements in the market added in Q2 2015. The total sq. ft. of active requirements in the market now stands at 3.7 million sq. ft.

Notable lease transactions from Q2 2015 include:

- Menlo Logistics signed a lease for 132,000 sq. ft. at Tri County Distribution Center IV.
- WellMed moved out of 14,700 sq. ft. at University Park Tech Center II.
- Fiesta Warehousing vacated 180,000 sq. ft. at East Kelly Railport.
- LCW Limos left 42,600 sq. ft. at Interstate Business Park 2.
- Animal Supply Company and JJ Maes leased a total of 81,804 sq. ft. at Enterprise I.
- Beepi, Inc. took 30,050 sq. ft. At Sentinel Business Center I

Figure 4: Historical Vacancy Rate by Submarket



Source: CBRE Research, Q2 2015.

UNEMPLOYMENT

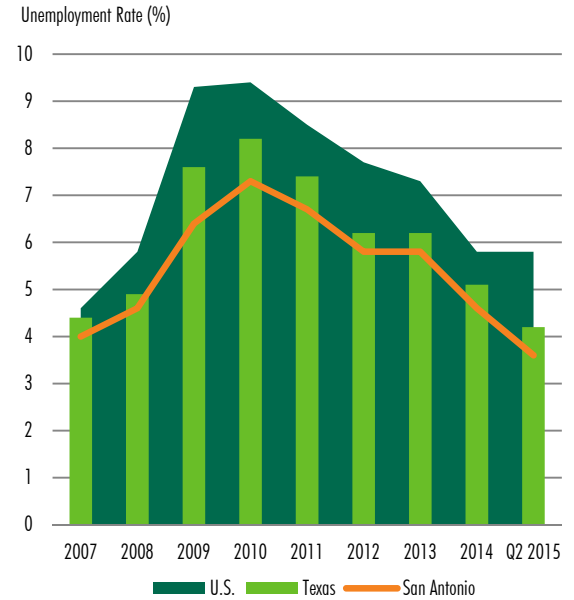
So far, the year has seen unemployment fall below 4%, as Q2 2015 finished at 3.6%. This is a decrease of 70 bps quarter-over-quarter, and has brought the total drop up to 100 bps YTD. This is the first time since 2008 that the unemployment rate fell below 4%. As a testament to the market's economy, the unemployment rate stayed below 8% throughout the recession. State and National levels have also seen dips in their respective rates, falling 40 to 4.2%, and 10 bps to 5.5% respectively. According to Wells Fargo, job growth at the state level has remained steady a 2.5% year-over-year, adding 39,200 jobs so far this year. This is significantly lower than the level experienced this time last year, when the state added 160,200 jobs.

INDUSTRIAL PRODUCT

Product delivered to the market in 2015 has already surpassed the total experienced in all of the previous year. With the delivery of Thousand Oaks Business Park 4, a 66,405 sq. ft. warehouse/distribution building, total construction completed has reached over 420,000 sq. ft. Before 2013, when over 1.2 million sq. ft. was delivered, this is the highest level since 2008. The building was completed in the North Central submarket, and was 80% preleased by time of delivery, due to Interceramic USA leasing 53,000 sq. ft.

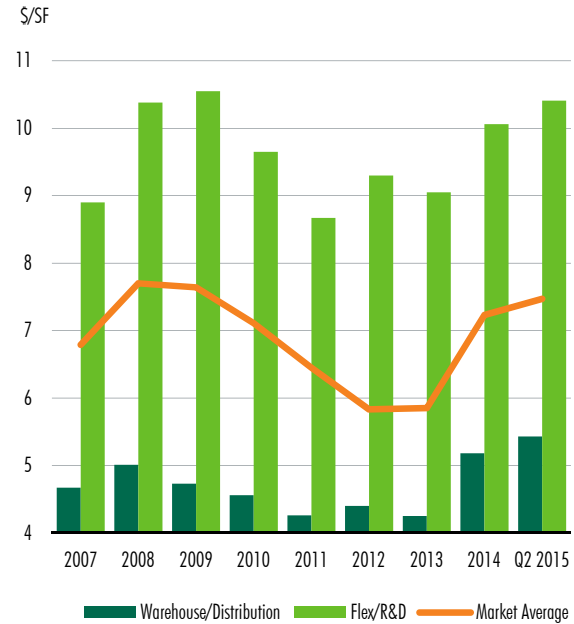
Construction began on another project in the market, which will add 155,000 sq. ft. of flex space to the Northeast submarket upon completion. Tri-County Business Park 5, currently has no preleasing, and is expected to be completed by the Q4 2015. Two more buildings are also expected to be completed by the end of the year, which would bring completed construction above 1 million sq. ft. There is currently no preleasing on product currently under construction. Two buildings breaking ground at Eisenhower Point will combine for 200,000 sq. ft., as total construction levels increased to over 890,000 sq. ft. to close the quarter.

Figure 5: Unemployment Rate



Source: Bureau of Labor and Statistics, Q2 2015.

Figure 6: Asking Rates, NNN Avg. Monthly



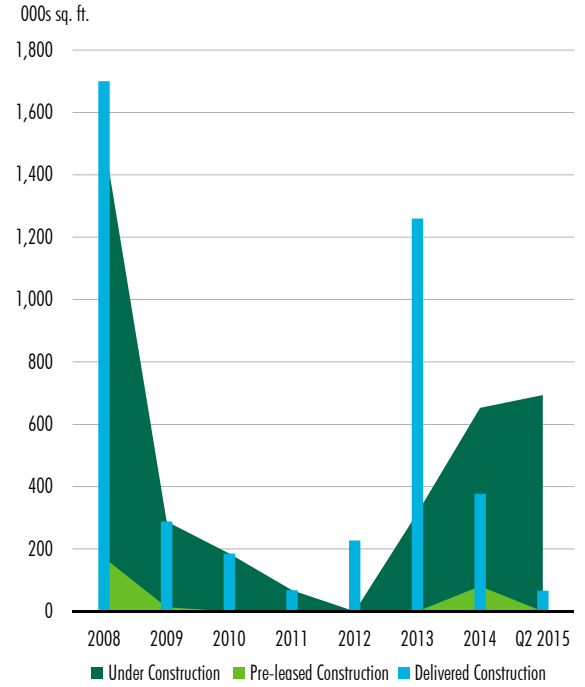
Source: CBRE Research, Q2 2015.

INDUSTRIAL RENTS

Average asking rates across the market saw another slow down in their growth, rising nearly 40% compared to the rise experienced the previous quarter. Rates rose another \$0.07 per sq. ft. on a NNN basis, closing the quarter at \$7.47 per sq. ft. Both flex and warehouse product saw increases in their average asking rates, rising at the same rate of \$0.06 per sq. ft., and closing the quarter at 10.41 and 5.43 per sq. ft., respectively. Due to the tightness of the market, average asking rates could see a decrease in the coming quarters, due to the more desirable and expensive product becoming fully leased. This would cause their rates to no longer be included in the sample size, and less desirable product would have greater weight in the market average.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term, and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

Figure 7: Construction



Source: CBRE Research, Q2 2015.



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San Antonio Industrial, Q1 2015

New year starts with strongest first quarter since 2008

 Vacancy Rate
7.6%

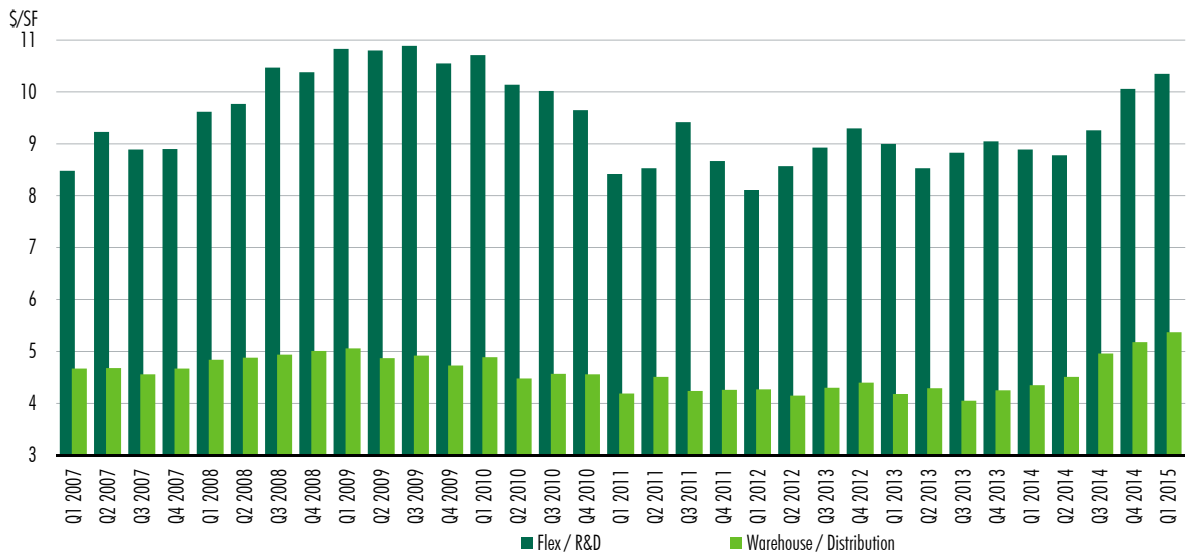
 Avg. Asking Rate
7.40 \$/SF

 Net Absorption
367,854 SF

 Construction
605,081 SF

*Arrows indicate change from previous quarter.

Figure 1: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q1 2015.

- The San Antonio Industrial market began the new year strong, with one of the strongest first quarters ever recorded, posting a positive net absorption of 367,854 sq. ft. Delivered construction posted over 360,000 sq. ft. of new product to the market, which surpassed the total amount experienced in all of 2014. Growth in asking rates slowed, but continued marching toward record levels.
- San Antonio ranks 7th in the top commercial real estate markets by Coldwell Banker Commercial, after being ranked 21st in the previous year.
- Real estate blog Movoto ranked San Antonio third in the nation in city pride.

- San Antonio was ranked tenth by Forbes on the fastest growing cities list.
- CareerBliss lists San Antonio as the eighth happiest city in the country to work in.
- For the first time ever, San Antonio makes the Top 10 lists for large cities to live and work as a moviemaker, according to the Department for Culture & Creative Development.

The new year had a great start, as Q1 2015 saw the highest levels of positive absorption for a first quarter since 2008, which also marks the 16th straight quarter where absorption was positive. The 367,584 sq. ft. posted this quarter is one of highest level of positive net absorption experienced by a first quarter, second only to the 425,000 sq. ft. seen in 2008. This caused vacancy to fall 10 basis points (bps) quarter-over-quarter to 7.6%, which recovered from the previous quarter experiencing a rise. This marks the seventh straight quarter that the vacancy rate has remained below 10%.

The market was once again led by warehouse product, which out performed flex product by providing the vast majority of positive net absorption. Warehouse space finished the quarter at 300,265 sq. ft. of positive net absorption, thanks in large part to FedEx's occupancy of its new distribution center. Flex product saw a much more modest 67,589 sq. ft. This continues each development types streak of consecutive quarters posting positive net absorption, with this being warehouse product's twelfth, and flex's seventh. Flex and warehouse vacancy ended the quarter at 12.1% and 6.5% respectively.

For the second consecutive quarter, the positive net absorption in the market was led by the Northeast submarket, which posted 225,224 sq. ft. to end Q1 2015. This was largely led by the occupancy of FedEx into their new 202,000 sq. ft. distribution center at 9929-9943 Doerr Lane. Other strong deals were Pearson Education leasing 76,229 sq. ft. at Green Mountain Business Park Building 1, and Shaw industries taking 21,854 sq. ft. at Green Mountain Business Park Building 3.

The Northeast was followed by the North Central and Northwest submarkets, which had 71,772 sq. ft. And 70,858 sq. ft. of positive net absorption in Q1 2015 respectively. Over 22,000 sq. ft. was occupied by multiple tenants at the Sentinel Business Center, as well as a sports and entertainment company took over 20,000 sq. ft. at the Blossom Cove Business Park.

Following a year that saw rates rise a total of \$1.38 per sq. ft. year-over-year, Q1 2015 saw a slower growth in citywide asking rates, finishing the quarter at \$7.40 per sq. ft. As vacancy continues to tighten, rates should continue to rise while most likely not at the rate experienced throughout 2014. Finishing the quarter at \$10.35 per sq. ft., flex rates continue to approach the record high set back in 2009, when average asking rates hit \$10.89 per sq. ft. Warehouse product also continued to rise, posting a \$0.19 per sq. ft. increase quarter-over-quarter, closing the quarter at \$5.37.

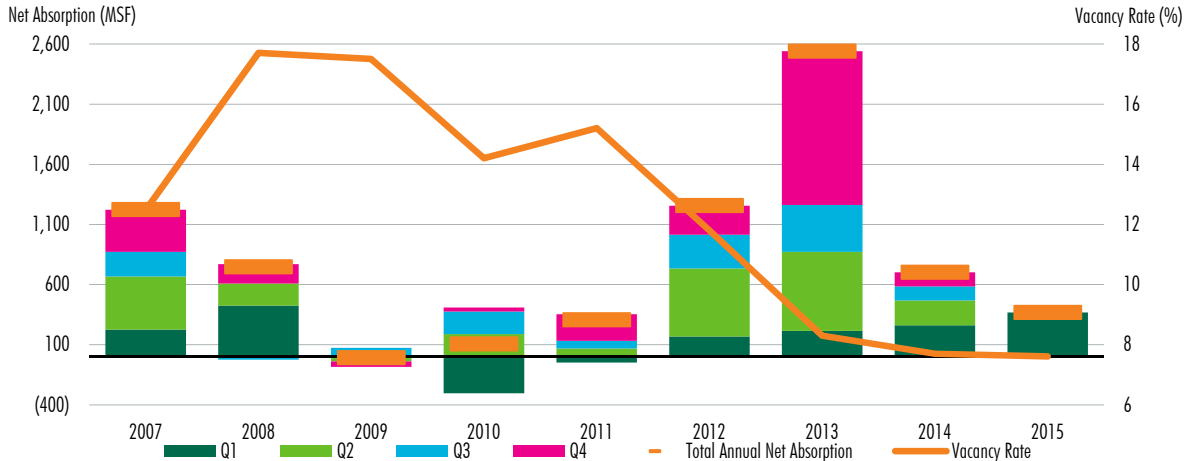
Three buildings were added to the market, marking one of the highest quarters to start the year, totaling 360,831 sq. ft. Compared to the previous quarter, buildings were distributed more evenly, as two of the three entire markets north of downtown saw at least one building deliver. The majority of space came from the Northeast thanks solely to FedEx's 200,000 sq. ft. distribution center. The North Central submarket also had product delivered, with the two Alamo Ridge buildings totaling over 150,000 sq. ft. respectively. The level of product under development stands at 605,081 sq. ft. thanks to construction beginning on the Doerr Industrial Park (203,864 sq. ft.)

Figure 2: Market Statistics

Submarket	Total Vacant (SF)	Total Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates NNN Avg. (\$/SF/Yr)
CBD	14,360	4.3	14,360	4.3	0	-	-	8.40
North Central	270,231	4.6	398,386	6.8	71,772	-	66,405	9.05
Northeast	1,394,553	6.8	2,028,084	9.9	225,224	202,763	693,676	6.37
Northwest	725,476	13.4	791,221	14.6	70,858	158,068	-	10.03
South	249,897	8.9	569,897	20.4	0	-	-	4.79
Totals	2,654,517	7.6	3,801,948	10.9	367,854	360,831	605,081	7.40

Source: CBRE Research, Q1 2015.

Figure 3: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2015.

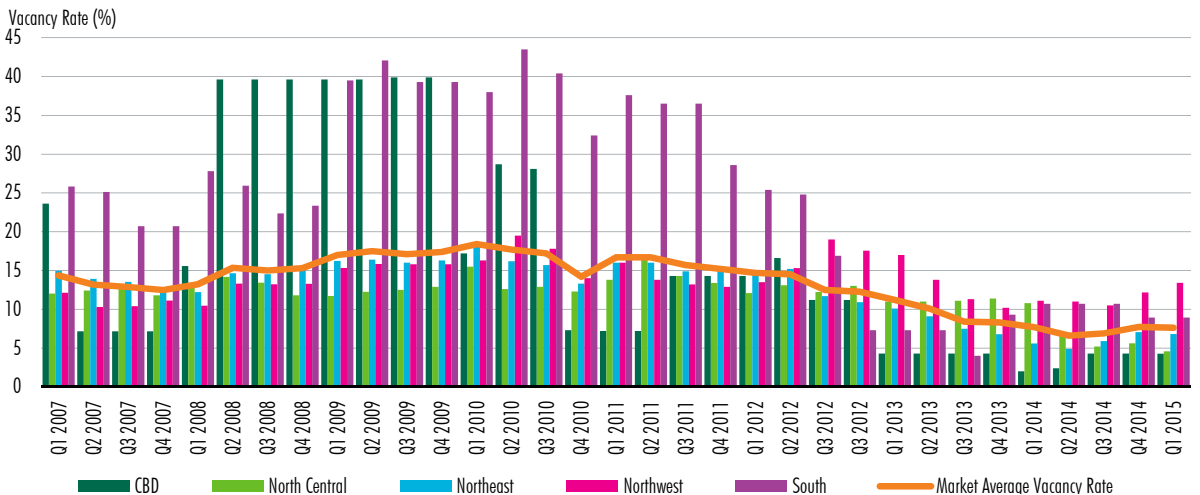
For the 16th consecutive quarter, the Industrial market finished the quarter with positive net absorption, posting 367,854 sq. ft. Once again, the Northeast submarket saw a majority of the absorption by taking over 220,000 sq. ft. from the market. This was followed by the North Central and Northwest submarkets, which posted positive net absorption of 71,772 sq. ft. and 70,858 sq. ft. respectively.

Demand has also remained strong in the market, as tenant demand has increase over 500,000 sq. ft. quarter-over-quarter, and finished Q1 2015 at over 4.2 million sq. ft.

Notable deals from Q1 2015 include:

- Pearson Education took 76,229 sq. ft. at Green Mountain Business Park Building 1.
- A sports and entertainment company leased 22,190 sq. ft. at the Blossom Cove Business Park.
- Zachary moved out of 20,700 sq. ft. at Wetmore Business Center II - 4.
- Stag Parkway vacated 46,200 sq. ft. at the City Park East Distribution Center - E.
- Shaw Industries signed a lease for 21,854 sq. ft. at Green Mountain Business Park Building 3.

Figure 4: Historical Vacancy Rate by Submarket



Source: CBRE Research, Q1 2015.

UNEMPLOYMENT

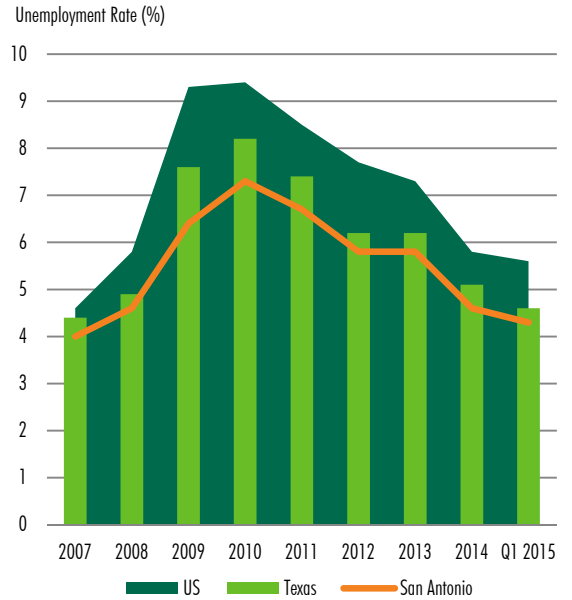
Since the end of 2013, the San Antonio-New Braunfels seasonally adjusted unemployment rate has fallen a total of 150 bps, as Q1 2015 saw unemployment fall yet another 30 bps to 4.3%. At this rate, the city could see the unemployment rate match 4.0% set back in 2007. The decrease was also seen at the national levels, which fell 20 bps to finish the quarter 5.6%. The state is just behind the local level at 4.6% after falling 50 bps quarter-over-quarter. The state and national level has followed the same trend as the city since 2013, posting a total drop of 160 and 170 bps respectively. San Antonio employment grew at an average rate of 3.0% for 2014, and is expected by experts to surpass that for 2015.

INDUSTRIAL PRODUCT

New industrial product started of the year with nearly a higher level of delivered construction than seen in the entirety of 2014. Compared to the over 370,000 sq. ft. seen throughout the previous year, Q1 2015 delivered 360,831 sq. ft. of new product, with all of it comprised of warehouse space. Out of the product that was delivered to the market this quarter, roughly 60% of the space was preleased. The largest delivery came with the over 200,000 sq. ft. FedEx Distribution Center located at 9929-9943 Doerr Lane in the Northeast. The building was 100% preleased by FedEx at delivery. Other projects that saw completion were the two Alamo Ridge buildings in the Northwest, which added over 158,000 sq. ft.

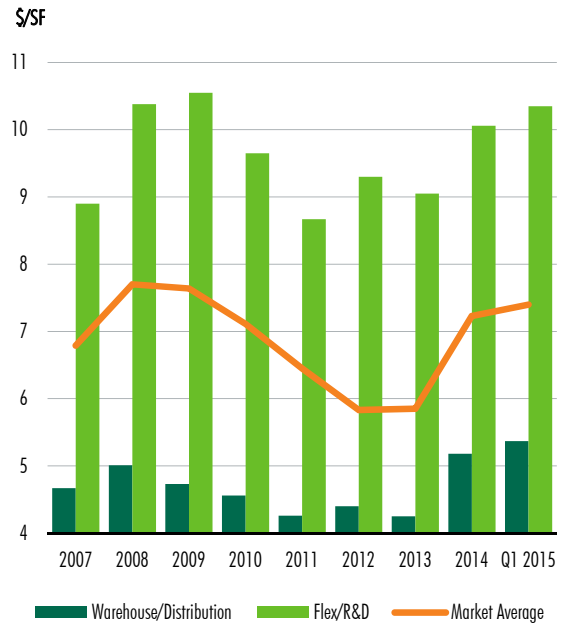
The market saw another project start construction, which will add over 200,000 sq. ft. to the market upon completion. The Doerr Lane Industrial Park is also set to add 213,000 sq. ft. of warehouse space. After the delivery of two projects in Q4 2014, the Tri-County Business Park is expected to begin construction on Tri-County 5, a 155,000 sq. ft. flex building, within the next few months. The only preleased space can be found in the Thousand Oaks Business Park 4 building in the North Central, which is due to deliver in the near future.

Figure 5: Unemployment Rate



Source: Bureau of Labor and Statistics, Q1 2015.

Figure 6: Asking Rates, NNN Avg. Monthly



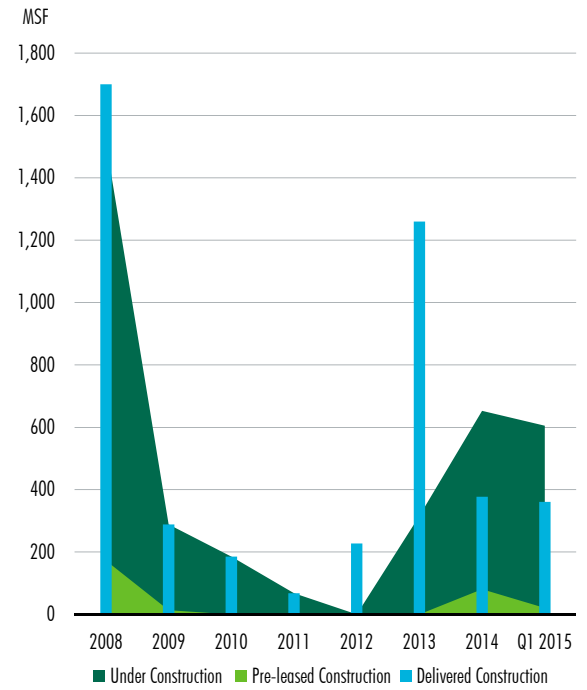
Source: CBRE Research, Q1 2015.

INDUSTRIAL RENTS

After experiencing an increase in citywide average asking rates of over \$0.60 per sq. ft. at the end of 2014, Q1 2015 started off with a more modest growth as asking rates rose \$0.17 per sq. ft., accounting for 28% of the increase seen in Q4 2014. All submarkets saw increases in their average rates, with the exception of the South which was also the case in the previous quarter. The strongest submarket was once again the Northwest, which saw a citywide high \$0.37 per sq. ft. rise, and surpassed \$10.00 per sq. ft. Sticking with the trend seen throughout the market, Flex rates saw a more modest increase of \$0.29 per sq. ft. from the end of 2014, and finished the year at \$10.35 per sq. ft. Warehouse product also saw a slower growth in its rates, which ended the quarter at \$5.37 per sq. ft. after a \$0.19 per sq. ft. rise.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term, and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

Figure 7: Construction



Source: CBRE Research, Q1 2015.



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San Antonio Industrial, Q4 2014

While vacancy rises, asking rates near record levels

 Vacancy Rate
7.7%

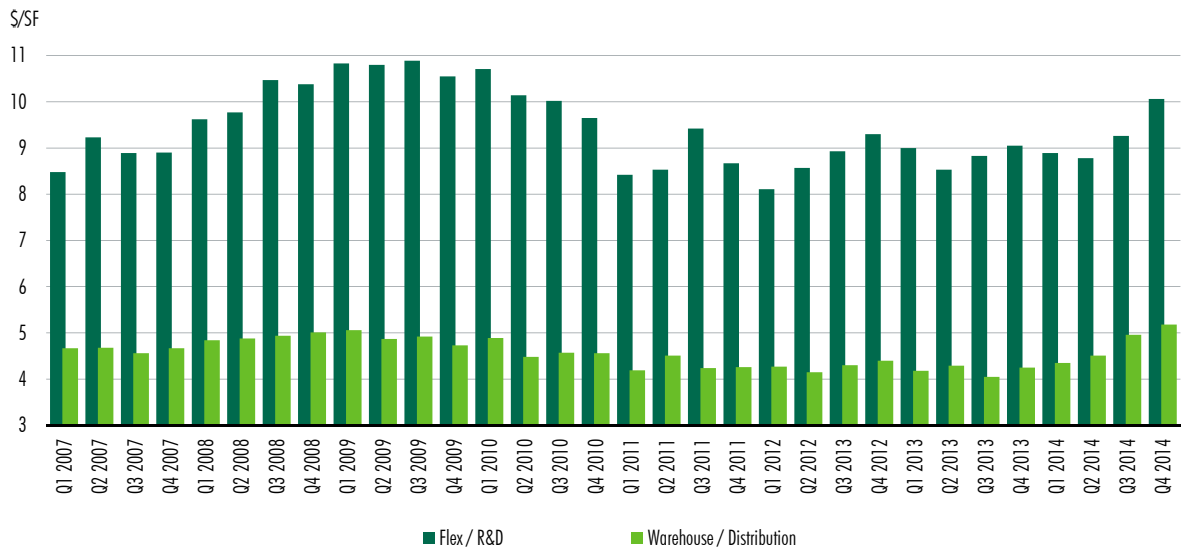
 Avg. Asking Rate
7.23 \$/SF

 Net Absorption
117,187 SF

 Construction
652,723 SF

*Arrows indicate change from previous quarter.

Figure 1: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q4 2014.

- The San Antonio Industrial market saw the average asking rate rise to near record levels not experienced since 2008. While the quarter ended with positive net absorption of 117,187 sq. ft., vacancy saw an increase due to newly delivered product coming into the market as vacant. Delivered construction posted over 370,000 sq. ft. of new product to the market, almost one third the level experienced in 2013.
- San Antonio was named the top city for military retirees by a new study commissioned by USAA and the U.S. Chamber of Commerce.
- San Antonio ranks second in an independent study commissioned by the San Antonio Chamber of Commerce for cybersecurity

- San Antonio has once again received a AAA general bond obligation rating by Standard & Poor's, Fitch and Moody's, the sixth time since 2010 it has received the highest rating.
- San Antonio is considered one of the most affordable housing markets in America according to data from the National Association of Realtors.
- According to Moody's Analytics, the Alamo City saw job increase of over 3.0% year-over-year, surpassing initial estimates of job growth set at the beginning of 2014.

The industrial market ended the year with another quarter of positive net absorption, marking the 15th consecutive quarter of the market seeing positive net absorption. Posting positive net absorption of 117,187 sq. ft. brought net absorption for 2014 up to 701,780 sq. ft. Even though the quarter saw positive absorption, vacancy rose 80 basis points (bps) quarter-over-quarter to 7.7%, marking the sixth straight quarter that it was below 10%. This was driven by almost 200,000 sq. ft. of new product that was not preleased prior to delivery.

Warehouse product out performed flex product and provided the vast majority of positive net absorption by posting 100,764 sq. ft. of positive net absorption, while flex saw a very modest 16,423 sq. ft. Both development types continued their respective streaks of consecutive quarters of positive net absorption, with warehouse seeing its 11th, and flex with its sixth. As with the overall market, flex vacancy rose to 13.5%, while warehouse finished the year at 6.3%.

With 157,635 sq. ft. of positive net absorption, the Northeast submarket saw a vast majority of positive absorption for the quarter. Major deals that made up the absorption include Southern Warehousing, Gulf Tire Distributors and Access Distributing taking a combined 39,000 sq. ft. at San Antonio #1 located at 1903 Hormel Dr. It should also be noted that over 190,000 sq. ft. of absorption experienced this quarter involved deals for space previously under construction. Keystone and Goodman combined for 180,649 sq. ft. at the new Enterprise 1 building, while Verizon had leased 6,000 sq. ft. in Tri-County 3.

The highest levels of negative net absorption were experienced by the Northwest and North Central submarkets. The Northwest had 73,907 sq. ft. of negative net absorption in Q4 2014 and the North Central submarket returned only 14,999 sq. ft. to the market. Move outs responsible for the Northwest were UTSA Public Information Office leaving 19,000 at University Heights Tech Center IV. For the North Central, New Arrow Wood vacated over 14,000 sq. ft. at Broadway Business Park Building 1.

While still not hitting historic highs from 2008, citywide average asking rates did rise above \$7.00 per sq. ft. for the first time since 2010, finishing 2014 at \$7.23 per sq. ft. The \$0.60 per sq. ft. increase experienced was one of the highest since 2011, when there was a \$1.20 per sq. ft. increase between the second and third quarter. Flex rates reflected the market average, reaching levels not seen since 2010, by hitting over \$10.00 per sq. ft. Not to be outdone, warehouse product also saw an increase quarter-over-quarter, closing the quarter at \$5.18 per sq. ft., surpassing the \$5.06 per sq. ft. high that it reach back in 2009.

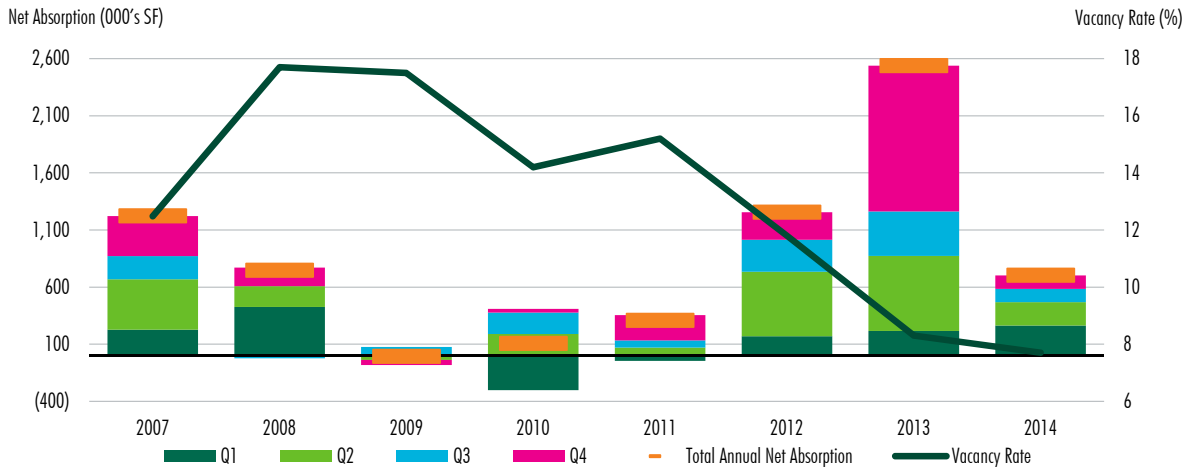
The market also saw the delivery of three buildings to the market, which added over 370,000 sq. ft. of product to the market. All delivered product was focused solely in the Northeast submarket, and over 80% of all square footage delivered was warehouse space. Enterprise 1, a 315,000 sq. ft. warehouse building delivered with over 180,000 sq. ft. preleased by Keystone (127,000 sq. ft.) and Goodman (52,000 sq. ft.). The Tri-County Business Park added Buildings 3 and 4, with almost half of Building 3 (16,00 sq. ft.) preleased to Verizon.

Figure 2: Market Statistics

Submarket	Total Vacant (SF)	Total Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates NNN Avg. (\$/SF/Yr)
CBD	14,360	4.3	14,360	4.3	0	-	-	8.40
North Central	330,848	5.6	397,716	6.7	(14,999)	-	66,405	8.84
Northeast	1,427,643	7.1	2,094,897	10.3	157,635	377,176	428,250	6.04
Northwest	639,111	12.2	643,115	12.3	(73,907)	-	158,068	9.66
South	249,897	8.9	249,897	8.9	48,458	-	-	4.79
Totals	2,661,859	7.7	3,399,985	9.8	117,187	377,176	652,723	7.23

Source: CBRE Research, Q4 2014.

Figure 3: Net Absorption and Vacancy Rate



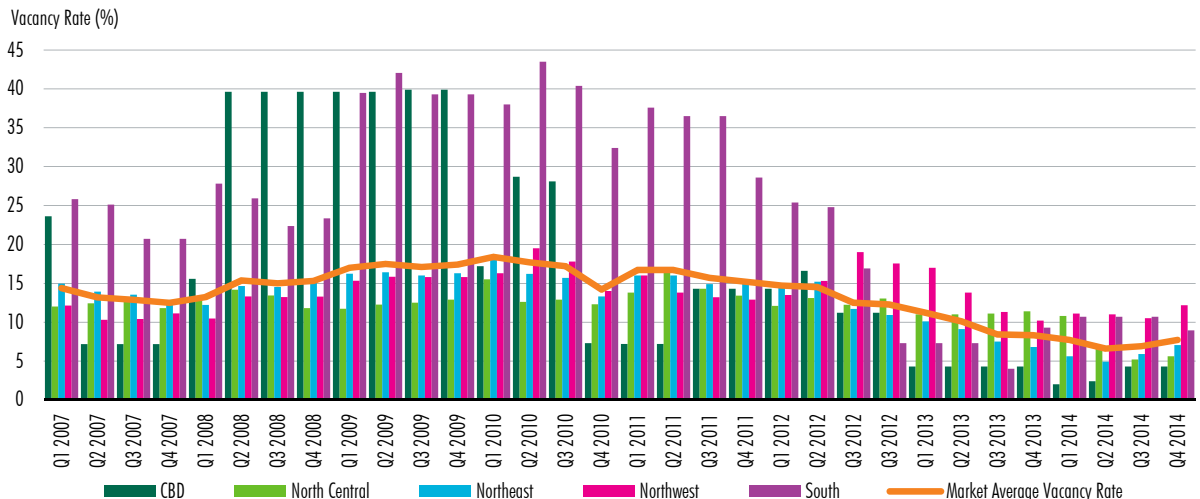
Source: CBRE Research, Q4 2014.

The Industrial market saw its 15th consecutive quarter of positive net absorption, finishing the year at 117,187 sq. ft. The majority of positive net absorption came from the Northeast submarket, followed by the South, which posted positive net absorption of 157,635 sq. ft. and 48,458 sq. ft. respectively. After following consecutive years of over 1 million sq. ft. of positive net absorption, net absorption for 2014 finished at 701,780 sq. ft., the lowest in three years. Negative net absorption in the market was seen in only two submarkets, for a combined 88,000 sq. ft. returned to the market. The Northwest saw the majority of move outs, totaling 73,907 sq. ft. for the quarter, while the North Central submarket saw a more modest 14,999 sq. ft. returned to the market.

Notable deals from Q4 2014 include:

- Cedar Creek Corporation vacated 30,050 sq. ft. at Sentinel Business Center I.
- Recycling Master on Hand LLC signed a deal for 11,200 sq. ft. at 3816 Binz Engleman Rd - Bldg B
- Southern Warehousing (20,930 sq. ft.), Gulf Tire Distributors (12,600 sq. ft.) and Access Distributing (6,300 sq. ft.) leased a total of 39,900 sq. ft. at San Antonio #1.
- Jofel USA moved out of 10,500 sq. ft. at I-35 Business Center Bldg 3
- BASH and Commercial Surfaces took 5,662 sq. ft. and 3,548 sq. ft. respectively at San Antonio Distribution 12

Figure 4: Historical Vacancy Rate by Submarket



Source: CBRE Research, Q4 2014.

UNEMPLOYMENT

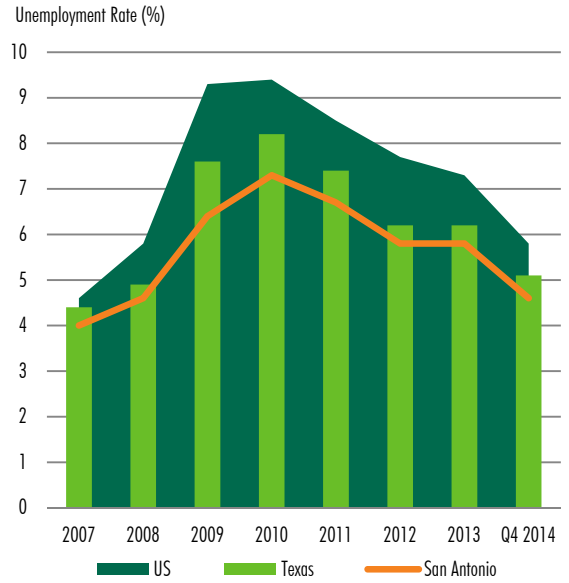
After seeing unemployment remain stagnant in the previous quarter, rates saw a slight decrease of 10 bps in the month of October. The San Antonio-New Braunfels seasonally adjusted unemployment rate dipped slightly to 4.6%, matching its lowest levels since the end of 2008. Unemployment also continued its downward trend at the national level, falling another 40 bps to 5.8%. State unemployment levels remained steady at 5.1%. San Antonio unemployment has now seen a total decrease of 100 bps since the end of last year. According to Moody's Analytics, San Antonio has seen an average growth of almost 3% in its industrial employment for the year 2014.

INDUSTRIAL PRODUCT

After a year that saw over 1.2 million sq. ft. of new product delivered to the market, 2014 saw just under a third of that, with delivered product hitting over 370,000 sq. ft. Product delivered to the market this quarter was over 50% preleased. Enterprise 1, the 315,00 sq. ft. warehouse building, was completed with over 180,000 sq. ft. preleased to Keystone and Goodman, while Buildings 3 and 4 of the Tri-County Business Park had 16,000 sq. ft. already preleased by Verizon. This ended the year with 652,723 sq. ft. of industrial product under construction, with only 12% preleased.

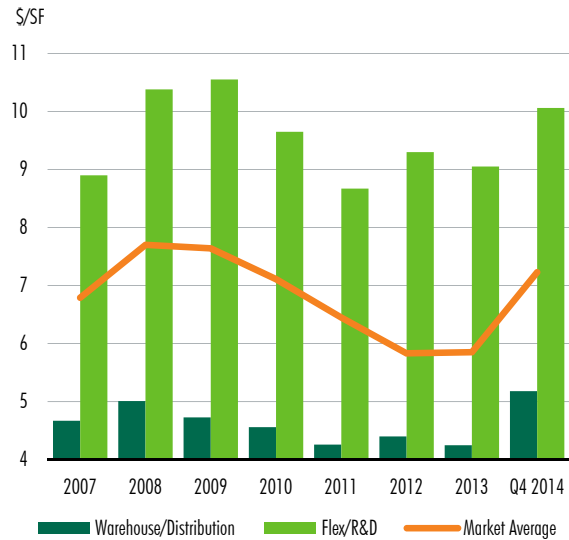
Construction began on Enterprise 2, a 324,000 sq. ft. building with no current preleasing activity. It is also expected that the Alamo Ridge 1 & 2 buildings are expected to have their construction completed in the following quarter, which would add another 170,000 sq. ft., with 60,000 sq. ft. preleased, to the Northwest. As mentioned in previous quarters, Dollar General has proposed constructing a 900,000-sq.-ft. distribution facility, which would be located at South Foster Industrial Park.

Figure 5: Unemployment Rate



Source: Bureau of Labor and Statistics, Q4 2014.

Figure 6: Asking Rates, NNN Avg. Monthly



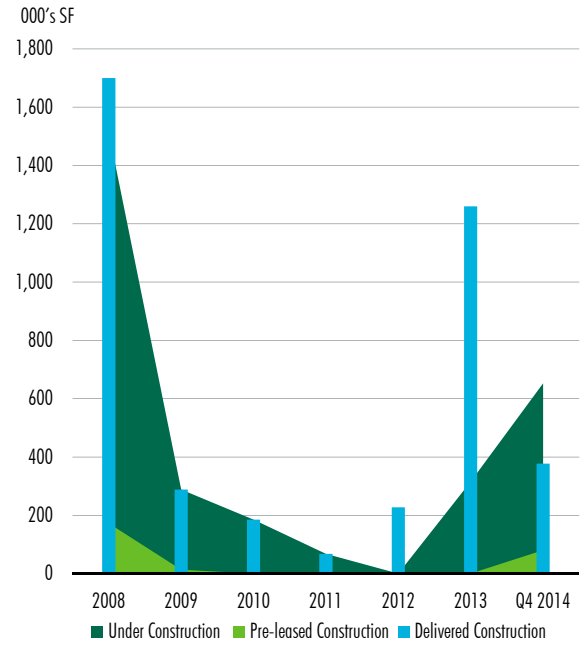
Source: CBRE Research, Q4 2014.

INDUSTRIAL RENTS

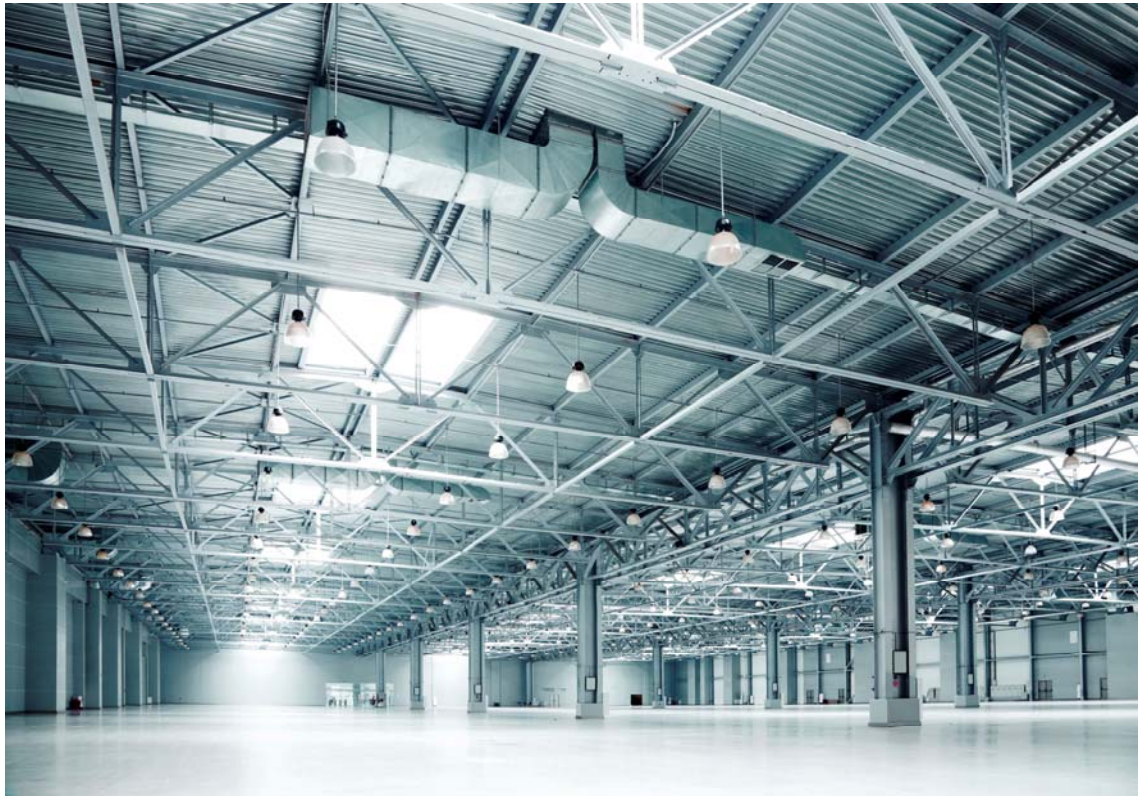
Citywide average asking rates rose another \$0.60 per sq. ft. a 150% increase compared to the rise in rates experienced the previous quarter. With the exception of the South, all other submarkets saw increases in their average rates. The Northwest remained the highest, which finished the year at \$9.66 per sq. ft., a \$0.94 per sq. ft. increase. Flex rates saw an \$0.80 per sq. ft. increase from Q3 2014, and finished the year at \$10.06 per sq. ft., the first time reaching this level since 2010. Warehouse product also saw an increase in rates, rising \$0.22 per sq. ft. up to \$5.18 per sq. ft.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term, and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

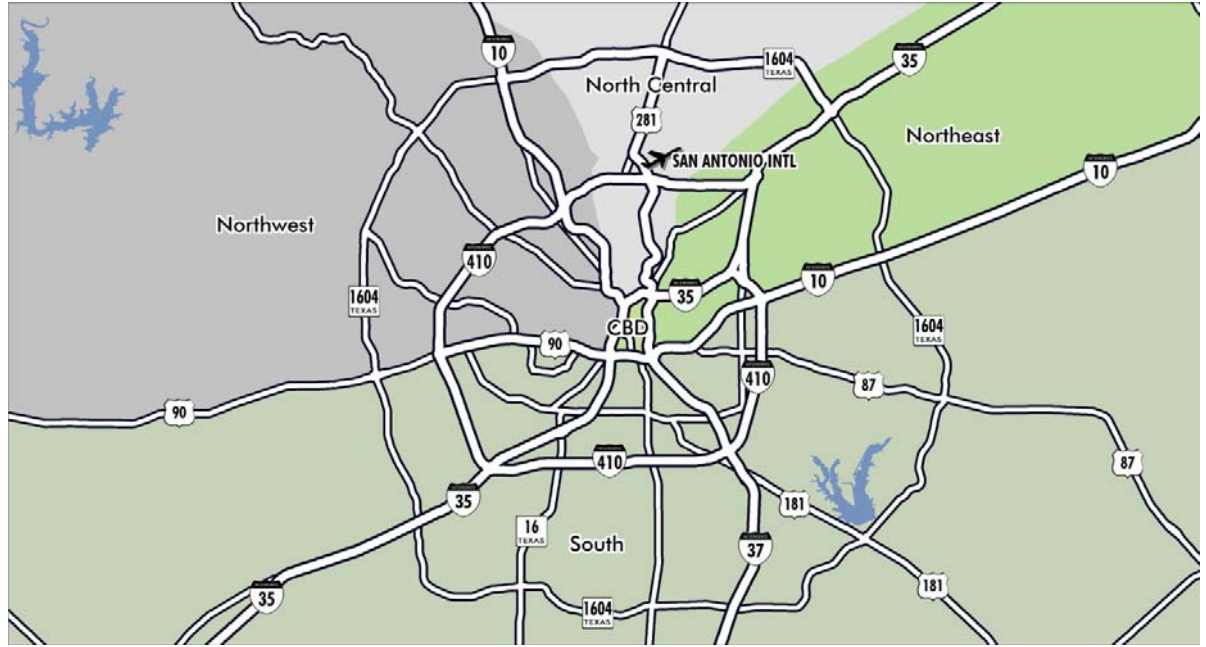
Figure 7: Construction



Source: CBRE Research, Q4 2014.



Source: CBRE Research, Q4 2014.



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San Antonio Industrial MarketView 3Q 2014

Q3 2014

CBRE Global Research and Consulting

OCCUPANCY
93.1%

AVAILABILITY
12.3%

ASKING RATE
\$6.73 per sq. ft.

UNEMPLOYMENT
4.7%

*Arrows indicate change from previous quarter.

LACK OF SPACE TO BUILD CREATES NEW OPPORTUNITIES FOR SOUTH SAN ANTONIO.

Figure 1: Quick Stats

	Q3 2014	Q-o-Q	Y-o-Y
Vacancy	6.9%	↑	↓
Asking Rates, NNN	\$6.73 per SF	↑	↑
Net Absorption	116,395	↓	↓
Under Construction	707,445 SF	↑	↓
Delivered Construction	0	↔	↔

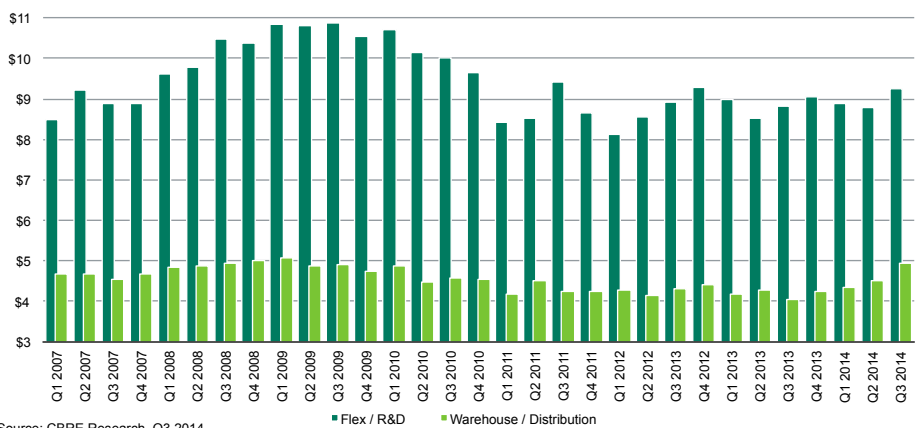
Hot Topics

The San Antonio Industrial market saw a slow down in net absorption over the quarter and year with 116,395 sq. ft. of positive net absorption, and a vacancy rate of 6.9%. While the amount of large blocks of available space is lacking within the market, so is the land for new development. Developers and users have started looking to the South and far Northeast of the Alamo City for location and expansion opportunities.

- One new building broke ground in Q3 2014, bringing the total square footage of new construction to 707,445 sq. ft.
- The South submarket has gained a lot of interest over the year for new development, both speculative and build to suit. Dollar General is looking to build a 900,000 sq. ft. facility at South Foster Industrial Park, while developers have new business parks planned ranging from 60,000 sq. ft. to 200,000 sq. ft.
- Forbes ranks San Antonio one of the best places to do business in 2014. The Alamo City was ranked number 16.
- San Antonio has once again received a AAA general bond obligation rating by Standard & Poor's, Fitch and Moody's.
- San Antonio is considered one of America's Coolest Cities in 2014. The Alamo City was ranked number 15 by Forbes magazine.

Source: CBRE Research, Q3 2014.

Figure 2: NNN Asking Rates, Annual Per Sq. Ft.



Source: CBRE Research, Q3 2014.

The San Antonio industrial market had another positive quarter in Q3 2014 posting positive 116,395 sq. ft. of net absorption and a total vacancy rate of 6.9%. While still positive, absorption of this amount is slightly lower than what the market has been used to posting in terms of absorption. The slowdown in lease activity the market is experiencing is not the lack of interest in the Alamo City amongst users, but is more a factor of the lack of available space.

Over the year the market has seen strong interest from big box users, both new and existing within the market, but with the current available inventory, San Antonio in many cases is unable to fit the need. As a result users have opted for the build to suit option to meet their requirements. Over the last two years the market has seen build to suits from tenants such as Glazer's Inc. (518,000 sq. ft.), Maruchan (500,000 sq. ft.), Carrier Air Conditioning (512,000 sq. ft.), and more recently Amazon (1.2M sq. ft.).

While the lack of physical inventory is a large obstacle the industrial market faces, so is the amount of land left to build on. The Northeast submarket has long been where tenants flock for both build to suit and lease opportunities. Earlier this year the last large tracts of prime land were purchased by Titan Development. Titan purchased over 300 acres of land across two neighboring cities, Selma and Schertz, in what will be known as Titan Industrial Park. Titan will be able to deliver 4 to 5 million sq. ft. of new

industrial product, with some of the land available for users to build on already spoken for.

As the Northeast market grows tighter with a vacancy rate of 5.9%, developers and users are looking in other areas across the city for new opportunities. McCombs Enterprises and KMD Studley, along with Panattoni Development Company, have recently announced a new industrial park to be added to the Alamo City. This new 107-acre development will be located in Southeast San Antonio on Foster Road along Interstate 10, and will be known as Gateway 10 Business Park. According to an article in the San Antonio Business Journal, a partner with Panattoni, Todd King says "The Gateway site can accommodate close to 1.5 million sq. ft. of industrial space. That figure could include a speculative building of 150,000 to 200,000 sq. ft." South San Antonio has gained the interest of many users and developers this year and it is likely the market will see more activity in this area in the years to come.

Although net absorption for Q3 2014 was not as strong as previous quarters, the market remains strong. While new lease activity dwindled a bit throughout the quarter, renewal activity remained strong. With one new construction start in Q3 2014, the market currently has 707,445 sq. ft. of new speculative product under construction. As this new industrial space delivers in the quarters to come, it is likely much of this space will not stay vacant for long.

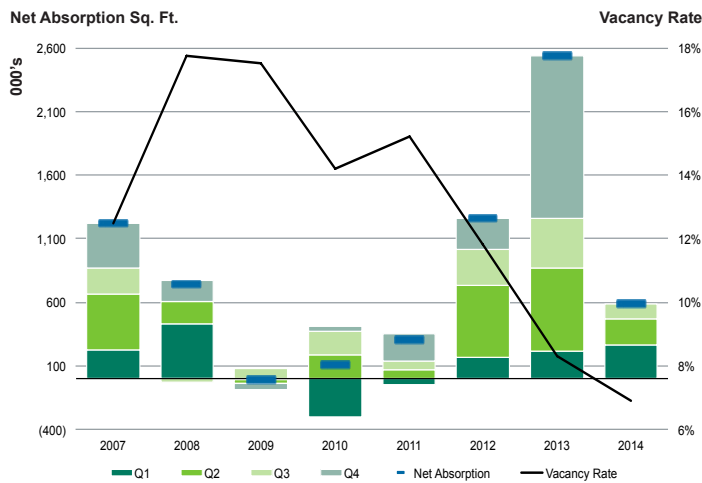
INDUSTRIAL THIRD QUARTER MARKET STATISTICS

Figure 3: Market Statistics

Market	Rentable Area	Total Vacant Sq. Ft.	Total Vacancy Rate	Available Sq. Ft.	Availability Rate	Net Absorption Sq. Ft.	Delivered Construction Sq. Ft.	Under Construction Sq. Ft.	NNN Avg. Asking Lease Rates (\$/Sq. Ft./Yr)	
									Warehouse Distribution	Flex R&D
CBD	335,229	14,360	4.3%	14,360	4.3%	(6,360)			\$0.00	\$8.40
North Central	5,337,207	279,842	5.2%	406,396	7.6%	135,232		66,405	\$6.69	\$9.25
Northeast	19,871,878	1,168,106	5.9%	2,423,968	12.2%	(77,222)		482,972	\$5.28	\$7.31
Northwest	5,246,692	553,108	10.5%	656,221	12.5%	64,745		158,068	\$4.37	\$10.80
South	2,795,962	298,355	10.7%	618,355	22.1%	0			\$2.88	\$9.00
Totals	33,586,968	2,313,771	6.9%	4,119,300	12.3%	116,395	0	707,445	\$4.69	\$9.26

Source: CBRE Research, Q3 2014.

Figure 4: Net Absorption and Vacancy Rate



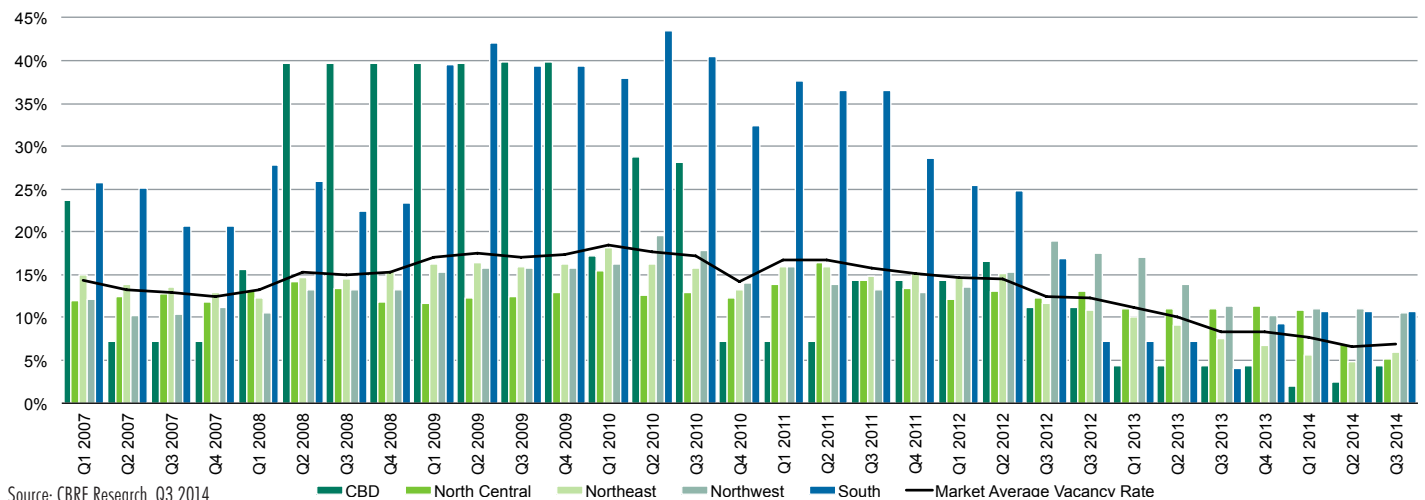
Source: CBRE Research, Q3 2014.

City wide total net absorption was positive 116,395 sq. ft. with a slight increase of 20 basis points (bps) in vacancy to 6.9%. The North Central submarket saw the largest amount of net absorption with 135,232 sq. ft. and a vacancy rate of 5.2%. The Northwest submarket had the second largest amount city-wide with 64,745 sq. ft. of net absorption. The Northeast submarket experienced the most tenant vacancies resulting in negative 77,222 sq. ft. of net absorption. Tenants vacating space in Q3 2014 included XL Liquidators (49,000 sq. ft.) at Eisenhower 35 Distribution Center, Bargain Barn (43,529 sq. ft.) at 639 Lanark, and Sun Action Trackers (30,400 sq. ft.) at Binz Engleman Distribution Center 1.

Notable deals from Q3 2014 include:

- Documation will occupy 46,400 sq. ft. at Shavano Lockhill Business Park, a building the company also purchased.
- Pack-Rat signed a 39,579 sq. ft. lease at Pan Am Distribution Center 1.
- An undisclosed tenant leased 28,350 sq. ft. at San Antonio Distribution Center.
- At Interstate Business Park 5, Hobson Enterprises will take 21,550 sq. ft.
- Lee-Wright Inc. signed a 20,700-sq.-ft. lease at Wetmore Business II.
- Marquee Events took 20,333 sq. ft. at Thousand Oaks Business Park 2, bringing the business park as a whole to full occupancy.

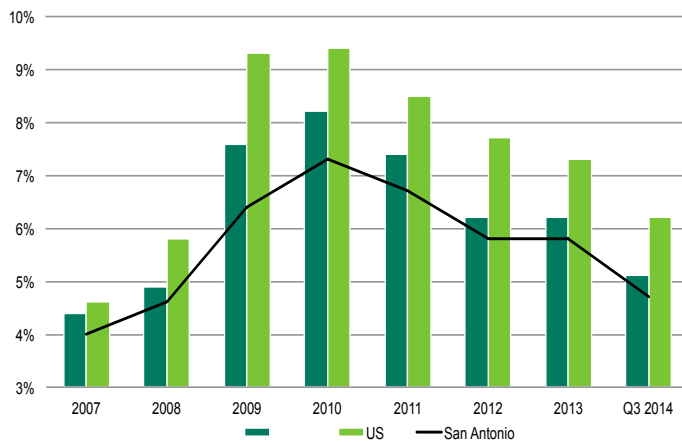
Figure 5: Historical Vacancy Rates



Source: CBRE Research, Q3 2014.

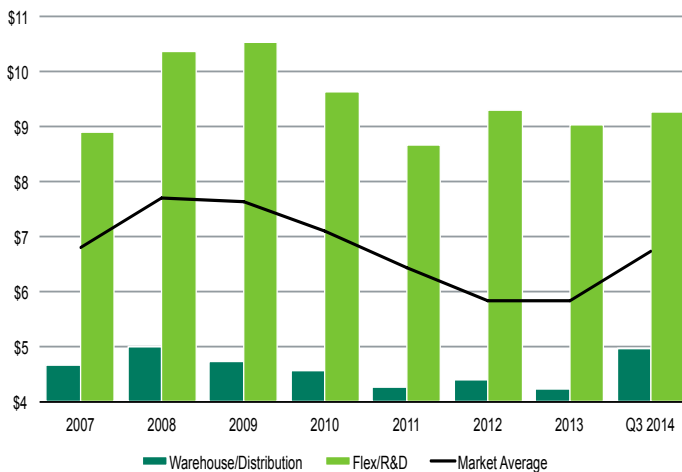
INDUSTRIAL THIRD QUARTER MARKET STATISTICS

Figure 6: Unemployment



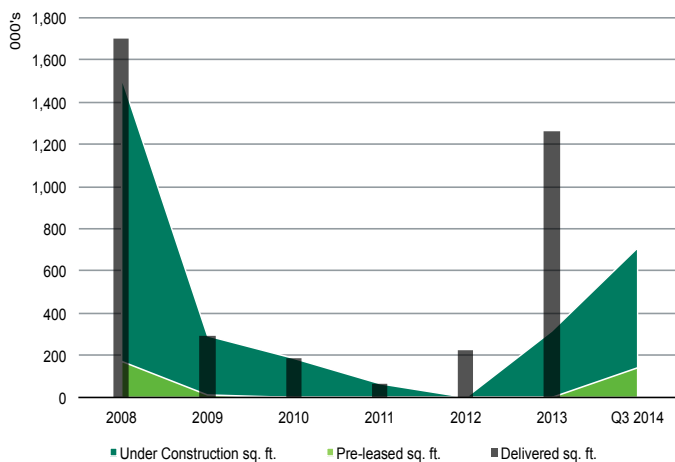
Source: Bureau of Labor Statistics, August 2014.

Figure 7: NNN Annual Average Asking Rates, Per Sq. Ft.



Source: CBRE Research, Q3 2014.

Figure 8: Construction



Source: CBRE Research, Q3 2014.

UNEMPLOYMENT

The San Antonio-New Braunfels seasonally adjusted unemployment rate remained flat between June and July and decreased 130 bps over the year to 4.7%. Metro area job growth increased 2.1% over the year adding 19,300 jobs, with an increase of 1,700 jobs for the month. The Government sector is the only industry that lost jobs over the year with a less than 1% decrease. Job sectors that saw largest increases over the year included Leisure and Hospitality, Education and Health Services, Professional and Business Services, and Wholesale Trade. Like the Alamo City, the Texas adjusted unemployment rate also remained flat over the month, but decreased over the year to 5.1%, while the national average fared a bit higher at 6.2%.

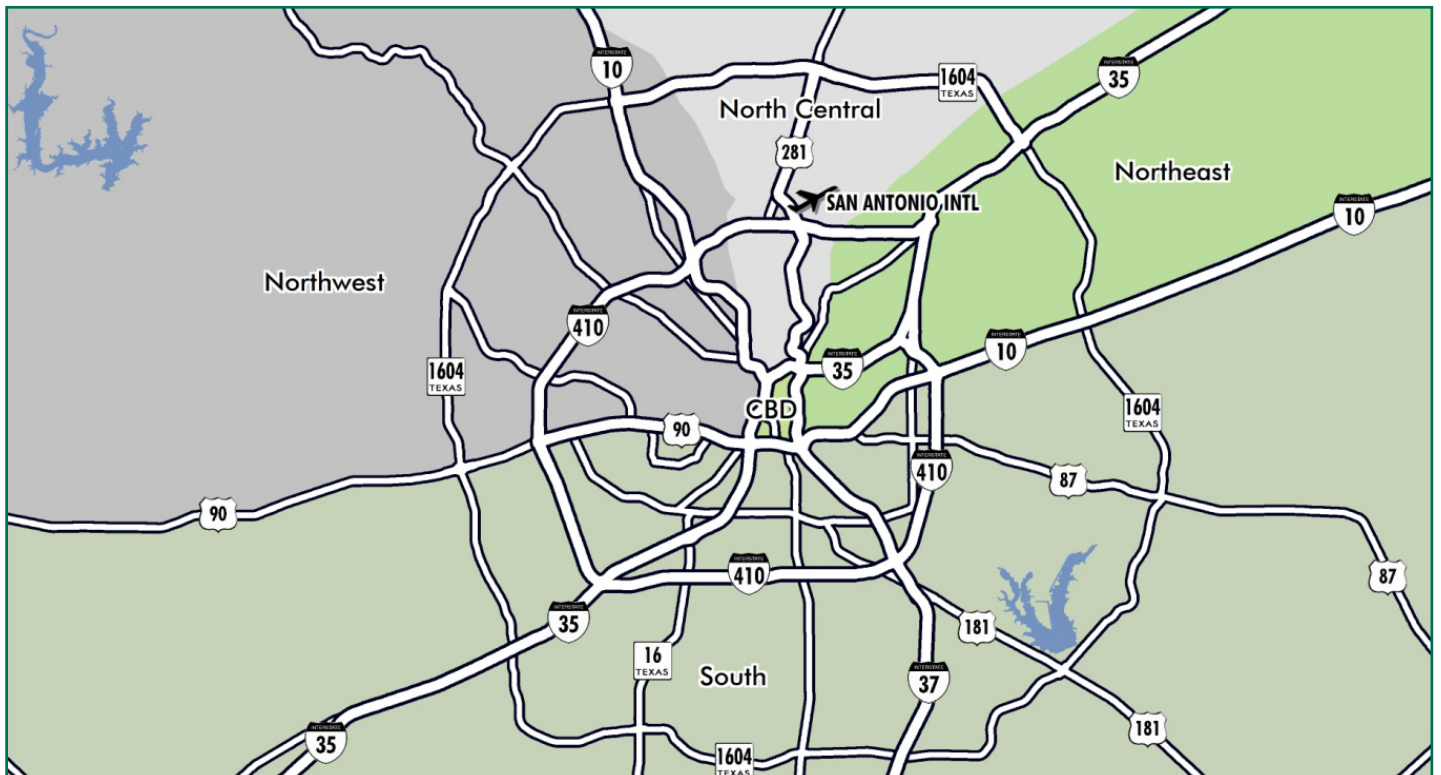
INDUSTRIAL RENTS

NNN asking rates for available industrial space bumped up \$0.40 to \$6.73 per sq. ft. in Q3 2014. Overall asking rates increased for every submarket city-wide. Rates were reported at their highest in the Northwest submarket at \$8.72 per sq. ft. with rents for flex and warehouse/distribution space at \$10.80 (the highest flex rate city-wide) and \$4.37, respectively. The highest overall warehouse/distribution asking rates were \$6.69 per sq. ft. in the North Central submarket. In the Alamo City industrial hub, the Northeast submarket, flex and warehouse/distribution rates averaged out to \$7.31 and \$5.28 per sq. ft., bringing the submarket total weighted average up \$0.52 to \$5.71 per sq. ft.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term, and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

INDUSTRIAL PRODUCT

One new building broke ground in Q3 2014. Thousand Oaks Business Park 4 will be 66,405 sq. ft. located in the North Central submarket. Its predecessors, within the business park, buildings 1-3 all delivered between 2012 and 2013 and this quarter the entire business park is now fully occupied. New development is planned to begin next quarter on South Park Industrial Park, located at 730 Old Pearsall Rd. in the South submarket. The inaugural building will be 60,000 sq. ft. with possible expansion opportunities. It is possible the South submarket could be on its way to becoming the next industrial "hot spot" within the Alamo City. As mentioned in previous quarters, Dollar General has proposed constructing a 900,000-sq.-ft. distribution facility, which would be located at South Foster Industrial Park. These new industrial parks are positioned well, near major arteries Loop 410, I-10, and I-35, just north of the Eagle Ford Shale play. With San Antonio's current industrial hub, the Northeast submarket, nearly built to capacity, it is not that far-fetched that users may be looking to the South for new location and expansion opportunities.



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San Antonio Industrial MarketView 2Q 2014

Q2 2014

CBRE Global Research and Consulting

OCCUPANCY
93.4%

AVAILABILITY
10.5%

ASKING RATE
\$6.33 Per Sq. Ft.

UNEMPLOYMENT
4.8% Y-o-Y

*Arrows indicate change from previous quarter.

CONSTRUCTION PICKS UP CITY-WIDE IN Q2 2014.

Figure 1: Quick Stats

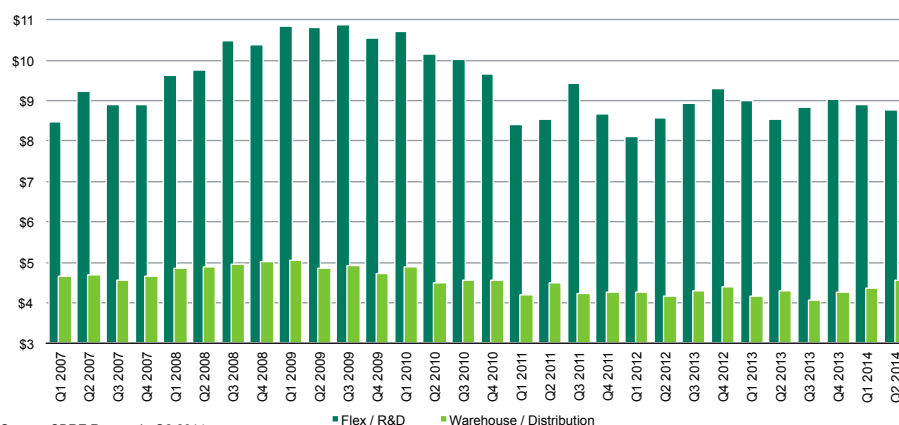
	Q2 2014	Q-o-Q	Y-o-Y
Vacancy	6.6%	↓	↓
Asking Rates, NNN	\$6.33	↑	↑
Net Absorption	205,961 sq. ft.	↑	↓
Under Construction	597,040 sq. ft.	↑	↓
Delivered Construction	0	↔	↔

Hot Topics

Despite a lack of available space, the San Antonio industrial market had another quarter of positive activity. Net absorption for Q2 2014 was positive 205,961 sq. ft., shrinking vacancy down to 6.6%. Construction picked up with 468,199 sq. ft. of new development currently in the works, with some tenants already in place to take occupancy upon completion.

- The unemployment rate for the San Antonio-New Braunfels metro area dropped to 4.8%, the lowest rate in nearly six years for the Alamo City.
- San Antonio was amongst the top 25 U.S. Job Markets in 2014, according to ZipRecruiter.com
- San Antonio ranked fourth in population growth according to the U.S. Census Bureau, adding 25,378 people during the year ending July 1, 2013.
- San Antonio received a 'Grade A' on the 2014 Small Business Friendliness Survey given by Thumbtack.com in partnership with the Kauffman Foundation.
- Texas ranks eighth nationwide for growth in gross domestic product in 2013 according to the U.S. Bureau of Economic Analysis.

Figure 2: NNN Asking Rates, Annual Per Sq. Ft.



Source: CBRE Research, Q2 2014.

The industrial market continued on its positive stride from Q1 2014 posting more positive gains this quarter. Net absorption over the quarter was 205,961 sq. ft., shrinking vacancy, by 110 basis points (bps), to 6.6%. While the market continues to lack available space, deal activity has remained fairly steady. Over the quarter, numerous construction projects broke ground on much needed industrial speculative space, and a new rail park opened for business spurring additional activity.

Developer EastGroup Properties has broken ground on a master-planned, all spec, industrial project known as Alamo Ridge Business Center. The new development will be located in the Northwest submarket, off Fairgrounds Parkway spanning 20 acres. In Q2 2014 construction broke ground on the first two buildings within the industrial park totaling 158,068 sq. ft. Alamo Ridge will eventually be 400,000 sq. ft. in five buildings and is estimated to be delivered within the next two years. The developer is targeting users with warehouse needs from 13,000 sq. ft. up to 90,000 sq. ft. New speculative development has not only picked up within the core of the Alamo City, but in the outskirts as well.

Alamo Junction Rail Park, located in Elmendorf just south of San Antonio, recently opened for business in Q2 2014. The new rail park, which was developed by National Property Holdings, LP (NPH), will serve the Eagle Ford Shale play and has the benefit of interchanging with Union

Pacific and BNSF railroads.

Since opening for business Alamo Junction has doubled the number of rail cars it handled in the month of May, compared to when it first opened in April, according to an article in the San Antonio Business Journal (SABJ). Since then the rail park has attracted industrial users of all kinds to establish a presence there.

Univar USA is amongst the first to be on the tenant roster at Alamo Junction Rail Park. The chemical company recently purchased 12 acres of land upon which it will develop a 52,000-sq.-ft. distribution facility and will hire 50 people. According to an article in the SABJ, "Arrow Material Services, a distributor of sand used in the hydraulic fracturing of oil wells, and RLI Logistics Solutions, which supplies oilfield liquids, also have leased space at the park." Being that pre-leasing is no longer an absolute must for new development, NPH recently announced plans of its own to build a 300,000-sq.-ft. distribution facility on a speculative basis.

The industrial market ended the first half of 2014 with a total of 541,541 sq. ft. of positive net absorption. The new wave of speculative development the market is currently experiencing is not only a sign of a healthy industrial market, but a strong local economy as well. Momentum in the San Antonio industrial market is expected to support positive activity through the second half of the year.

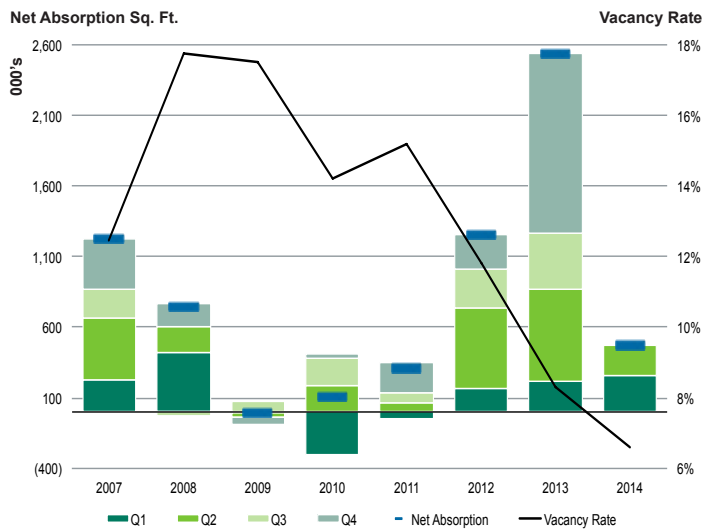
INDUSTRIAL SECOND QUARTER MARKET STATISTICS

Figure 3: Market Statistics

Market	Rentable Area	Total Vacant Sq. Ft.	Total Vacancy Rate	Available Sq. Ft.	Availability Rate	Net Absorption Sq. Ft.	Delivered Construction Sq. Ft.	Under Construction Sq. Ft.	NNN Avg. Asking Lease Rates (\$/Sq. Ft./YR)	
									Warehouse Distribution	Flex R&D
CBD	335,229	8,000	2.4%	8,000	2.4%	0			\$0.00	\$0.00
North Central	5,876,207	402,943	6.9%	490,502	6.9%	77,447			\$6.84	\$8.84
Northeast	19,871,878	976,348	4.9%	2,090,207	10.5%	120,963		438,972	\$4.37	\$7.54
Northwest	5,182,892	570,237	11.0%	674,124	13.0%	7,551		158,068	\$4.36	\$9.74
South	2,795,962	298,355	10.7%	298,355	10.7%	0			\$2.88	\$8.69
Totals	34,062,168	2,255,953	6.6%	3,561,188	10.5%	205,961	0	597,040	\$4.55	\$8.78

Source: CBRE Research, Q2 2014.

Figure 4: Net Absorption and Vacancy Rate



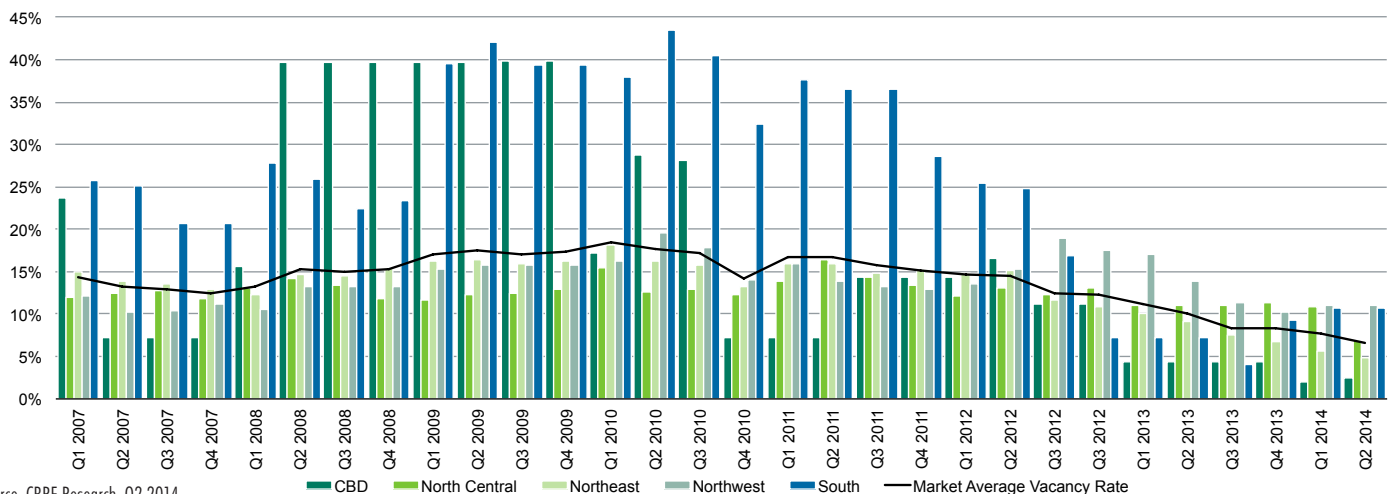
Source: CBRE Research, Q2 2014.

The San Antonio industrial market had another successful quarter despite the shortage of space available throughout the city. Net absorption for Q2 2014 was positive 205,961 sq. ft., decreasing vacancy to 6.6%. Nearly every submarket had positive net absorption with the exception of the CBD and South submarkets, which remained stagnant over the quarter. The Northeast submarket had the most activity in Q2 2014 with 120,963 sq. ft. of positive net absorption and a vacancy rate of 4.9%.

Notable deals from Q2 2014 include:

- Sun Action Trackers signed a lease for 57,016 sq. ft. at Thousand Oaks Business Park III.
- At 639 Lanark Drive, a total of 41,129 sq. ft. was leased by A & B Movers (18,629 sq. ft.), CTBI (13,500 sq. ft.), and Quick Signs (9,000 sq. ft.).
- Avanzar Interior Technologies will be occupying 28,548 sq. ft. at 818 Chestnut.
- Arjo Huntleigh will be going into 22,262 sq. ft. at Wetmore Business Center II.
- At Macro Distribution Center, a tenant signed a lease for 19,300 sq. ft.
- Corix signed a 17,820-sq.-ft. lease at Lanark Distribution Center A.
- Operation Homefront signed a lease for 15,280 sq. ft. at Brookhollow Business Center C.
- At 15090 Tradesman, Goodman Distribution will go into 14,774 sq. ft.

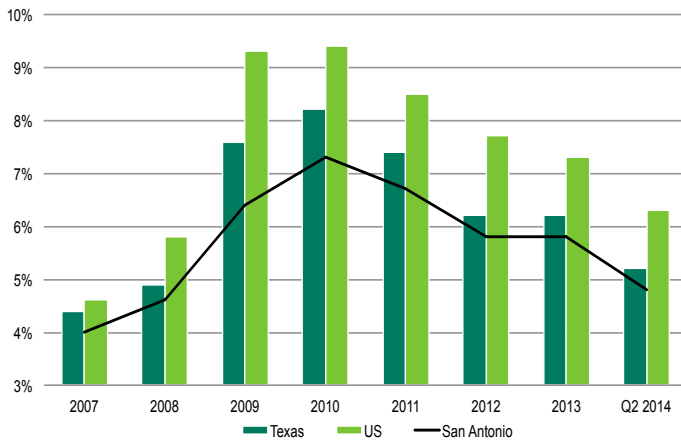
Figure 5: Historical Vacancy Rates



Source: CBRE Research, Q2 2014.

INDUSTRIAL SECOND QUARTER MARKET STATISTICS

Figure 6: Unemployment

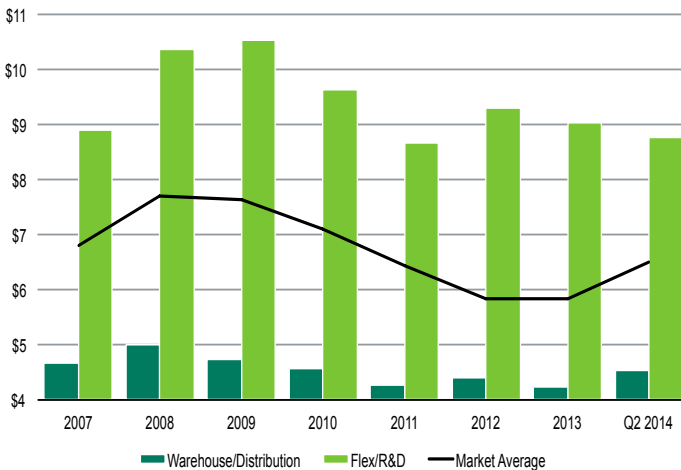


Source: Bureau of Labor Statistics, June 2014.

UNEMPLOYMENT

The San Antonio-New Braunfels unemployment rate fell to a six-year low of 4.8% in April. In the previous month, for the first time in history, the metro area reached over a million people employed. Between March and April there were 2,200 non-agricultural jobs added to the Alamo City, and 18,800 added over the year. Job sectors that experienced gains over the year included Leisure and Hospitality (4,890 jobs), Professional and Business Services (3,640 jobs), and Retail Trade (3,070 jobs). Financial Activities and Manufacturing job sectors experienced job losses over the year giving up a total of 100 jobs. The Texas unemployment rate dropped down to 5.2% in April adding 64,100 jobs, making it the leader in job gains according to an article in the San Antonio Express News. The national jobless rate also took a dip in the month of April posting at 6.3%.

Figure 7: NNN Annual Average Asking Rates, Per Sq. Ft.



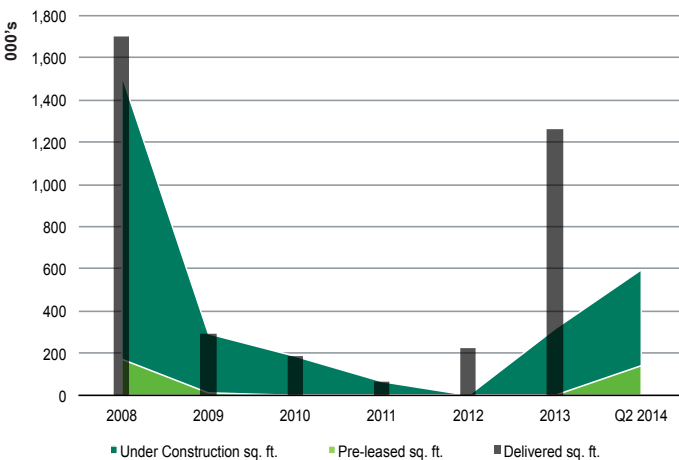
Source: CBRE Research, Q2 2014.

INDUSTRIAL RENTS

NNN asking rates for available industrial space jumped to \$6.33 per sq. ft. in Q2 2014, a \$0.34 increase from asking rates in Q1 2014. This is the first time city-wide asking rates have risen above the \$6.00 range since 2011. Warehouse/distribution space averaged out at \$4.51 per sq. ft. and flex space at \$8.78 per sq. ft. The Northeast sector saw a \$0.26 increase to \$5.19 per sq. ft. overall with asking rates for warehouse/distribution space and flex space averaging out at \$4.34 and \$7.54, respectively.

It is important to note that several landlords market asking rates as negotiable due to rate ranges dependent on the size, term and credit of the user. These negotiable rates hold no weight on the overall industrial market average.

Figure 8: Construction



Source: CBRE Research, Q2 2014.

INDUSTRIAL PRODUCT

Construction picked up in Q2 2014 with two new projects breaking ground. East Group Properties began development on the first two buildings at a new industrial park which will be known as Alamo Ridge Business Center. The two speculative buildings will be 61,744 sq. ft. and 96,324 sq. ft. in the Northwest submarket. Once complete, Alamo Ridge will bring roughly 400,000 sq. ft. of new product to the market. The first speculative building to break ground for the year already has a large tenant signed. Keystone Automotive Inc. will take 127,773 sq. ft. at Enterprise Industrial Park, a 315,000-sq.-ft. facility located in the Northeast submarket. More development is expected to break ground in the months to come, as developers are beginning to shy away from the pre-leasing norm.



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San Antonio Industrial MarketView 1Q 2014

Q1 2014

CBRE Global Research and Consulting

OCCUPANCY
92.3%

AVAILABILITY
11.5%

ASKING RATE
\$5.99 Per Sq. Ft.

UNEMPLOYMENT
5.4% Y-o-Y

*Arrows indicate change from previous quarter.

INDUSTRIAL MARKET POSTS POSITIVE NET ABSORPTION FOR 12TH QUARTER IN A ROW.

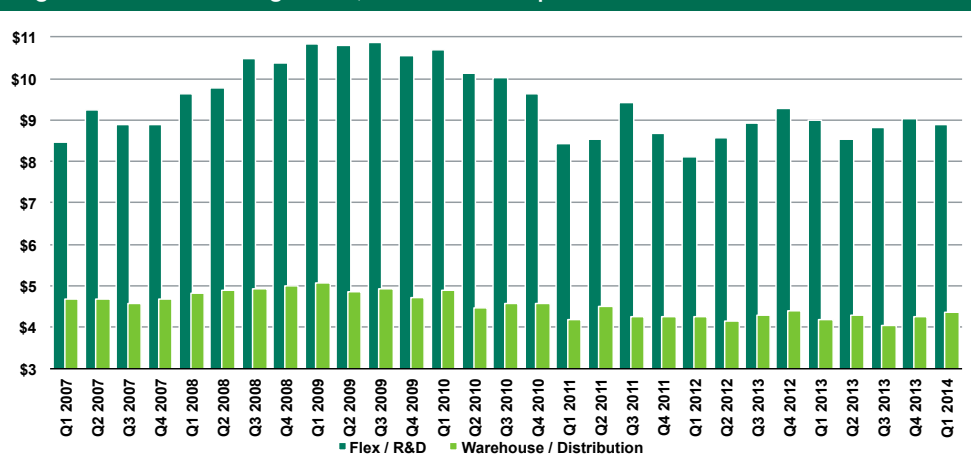
Figure 1: Quick Stats

	Q1 2014	Q-o-Q	Y-o-Y
Vacancy	7.7%	↓	↓
Asking Rates, NNN	\$5.99	↑	↑
Net Absorption	262,238	↓	↑
Under Construction	359,362	↑	↓
Delivered Construction	0	↓	↔

Hot Topics

- Based on data from the Census Bureau, San Antonio was the fifth fastest growing metro area between July 2012 and July 2013. Over 43,000 people moved in to the metro area increasing population to 2.3 million - CNNMoney.com
- Forbes Magazine ranked San Antonio second among its "U.S. Regions to Watch in 2014."
- NerdWallet ranked San Antonio sixth on its 2014 list of "The Best Places for Homeownership".
- Texas is named the leading state in technology exports by TechAmerica Foundation.
- Texas wins Site Selection Magazine's Governor's Cup for 2013. This award is given to the state with the most announced new corporate facilities and expansions over the year.
- According to the San Antonio Business Journal, Schertz ranked fifth on NerdWallet's "Cities on the Rise in Texas" with big gains in population, employment and income. Schertz is San Antonio's largest suburban community with a working age population that grew by nearly 18% between 2009 and 2012.

Figure 2: NNN Asking Rates, Annual Per Sq. Ft.



Source: CBRE Research, Q1 2014.

For the 12th straight quarter, the San Antonio industrial market posted positive net absorption. Over the quarter, the market experienced 262,238 sq. ft. of positive net absorption, dropping total vacancy down to 7.7%. Despite limited amounts of quality space left for the taking, large industrial users of all kinds continue to show strong interest in the Alamo City. Though construction began on only one building over the first quarter, developers have begun plans on several new projects to come.

The Northeast submarket is still the leading industrial hub for warehouse and distribution users. Developers have begun purchasing the remaining large tracts of land left in this area for new projects. Titan Development recently purchased 184 acres to add to their latest project, Titan Industrial Park. The company's latest project was originally going to be 124 acres in Schertz and has now grown to 293 acres, including the neighboring city of Selma. Titan Industrial Park will now be able to bring up to 5 million sq. ft. of much needed space to the San Antonio industrial market.

While the Northeast has been one of the most desirable locations for users in the Alamo City, some interest is shifting to other areas. Developer Bandera Ventures closed on 135 acres of land in

with plans to develop a 512,000 sq. ft. distribution center for Carrier Air Conditioning on the city's South side. The land purchased was part of the 300-acre Southport Industrial Park, located near the Toyota Manufacturing plant. With over 170 acres of land still available at the business park, it is possible the South submarket could see more activity in the future.

On the East side of town, Dollar General has plans to build its first distribution warehouse in Texas. The new facility would be located on 110 acres off North Foster Road near Interstate 10. Dollar General currently serves its 1,200 Texas stores out of their distribution facilities in Oklahoma and Mississippi, making San Antonio an ideal location. Once operational, this new facility could bring more than 500 new jobs to San Antonio.

Coming out of 2013, the San Antonio industrial market witnessed one of its most successful years, and it has paved the way for a new wave of development the market desperately needs. For several quarters now, San Antonio has shown its strength in recovery, not only in the industrial market, but in the commercial real estate market as a whole. As interest continues to grow, it is an indication on the sustainable demand the industrial market has going into the future.

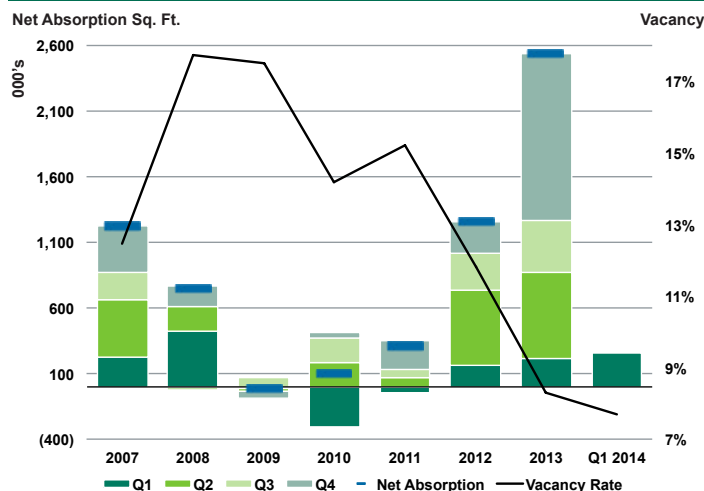
INDUSTRIAL FIRST QUARTER MARKET STATISTICS

Figure 3: Market Statistics

Market	Rentable Area	Total Vacant Sq. Ft.	Total Vacancy Rate	Available Sq. Ft.	Availability Rate	Net Absorption Sq. Ft.	Delivered Construction Sq. Ft.	Under Construction Sq. Ft.	NNN Avg. Asking Lease Rates (\$/Sq. Ft./YR)	
									Warehouse Distribution	Flex R&D
CBD	398,504	8,000	2.0%	37,630	9.4%	0			\$4.20	\$0.00
North Central	5,876,207	634,320	10.8%	706,083	12.0%	61,143			\$6.11	\$5.00
Northeast	19,871,878	1,117,865	5.6%	2,248,010	11.3%	200,915		359,362	\$4.41	\$7.61
Northwest	5,192,830	577,613	11.1%	632,887	12.2%	(11,362)			\$4.41	\$9.63
South	2,795,962	298,355	10.7%	298,355	10.7%	11,542			\$2.88	\$8.69
Totals	34,135,381	2,636,153	7.7%	3,922,965	11.5%	262,238	0	359,362	\$4.35	\$8.89

Source: CBRE Research, Q1 2014.

Figure 4: Net Absorption and Vacancy



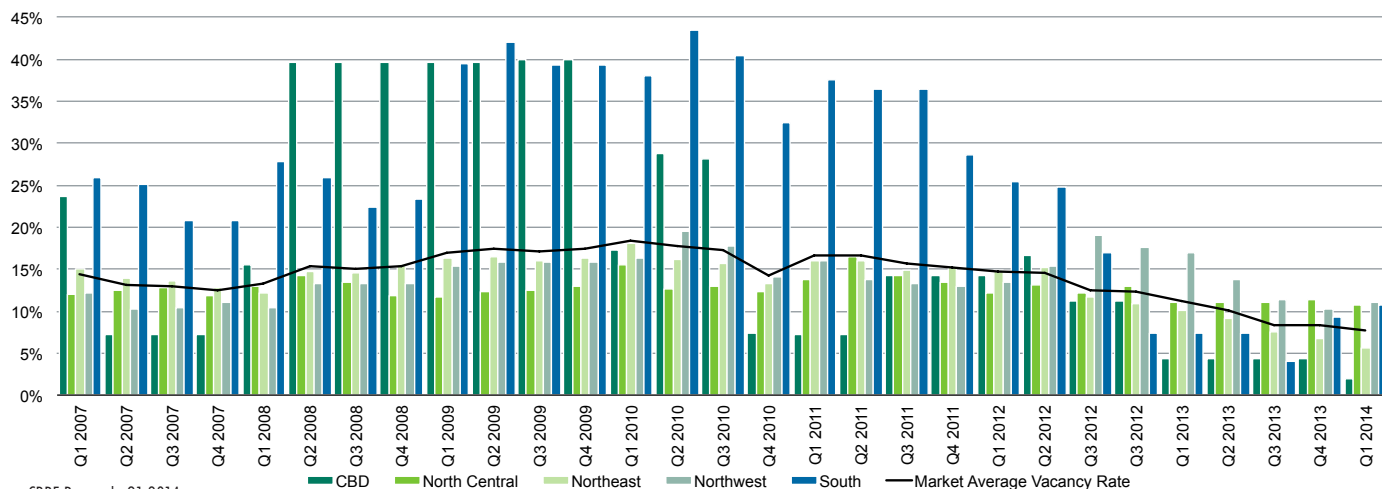
Source: CBRE Research, Q1 2014.

The industrial market posted positive gains for Q1 2014, with 262,238 sq. ft. of net absorption and a vacancy rate of 7.7%. While numbers are not expected to be as high as last year due to limited availability, the industrial market is off to a good start this year. San Antonio's industrial hub, the Northeast submarket, reported positive 200,915 sq. ft. of net absorption, shrinking vacancy to 5.6%. Other submarkets that experienced positive gains over the quarter include the North Central and South submarkets with 61,143 sq. ft. and 11,542 sq. ft. of positive net absorption, respectively.

Notable deals from Q1 2014 include:

- Builders First Source will take 83,250 sq. ft. at San Antonio Distribution.
- 60,000 sq. ft. was leased at the Gembler Building to SA Realty Investment Props. LTD.
- At Tri-County Distribution Center I, Metafrio leased 40,000 sq. ft.
- Aldez Containers leased 20,000 sq. ft. at Pan Am Distribution Center 1.
- At Brookhollow Business Center A, a total of 19,905 sq. ft. was taken by Schneider Electric (8,657 sq. ft.) and Stability Biologics took a combined (11,248 sq. ft.).
- Westbrook Metals signed a lease for 16,800 sq. ft. at 3816 Binz Engleman Road, Building A.
- Cooled Insulation will be going into 15,000 sq. ft. at Northwest Business Park, Building 1.

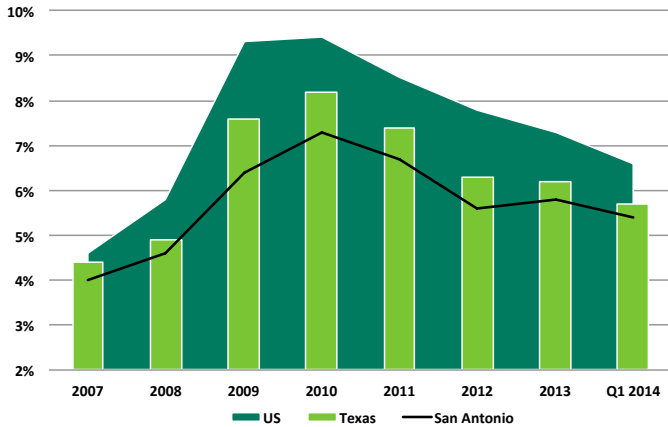
Figure 5: Historical Vacancy



Source: CBRE Research, Q1 2014.

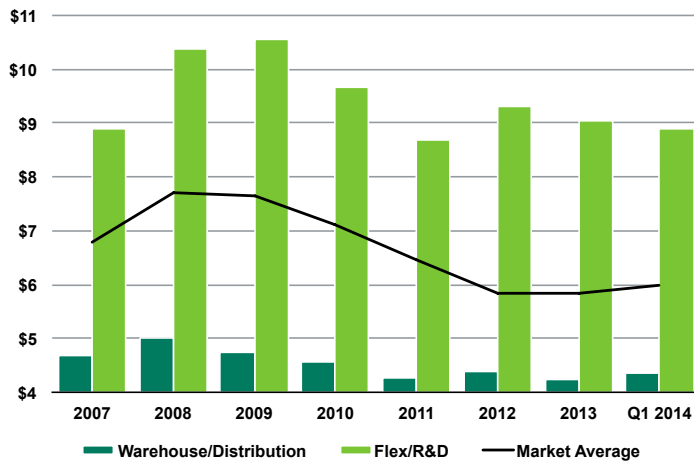
INDUSTRIAL FIRST QUARTER MARKET STATISTICS

Figure 6: Unemployment



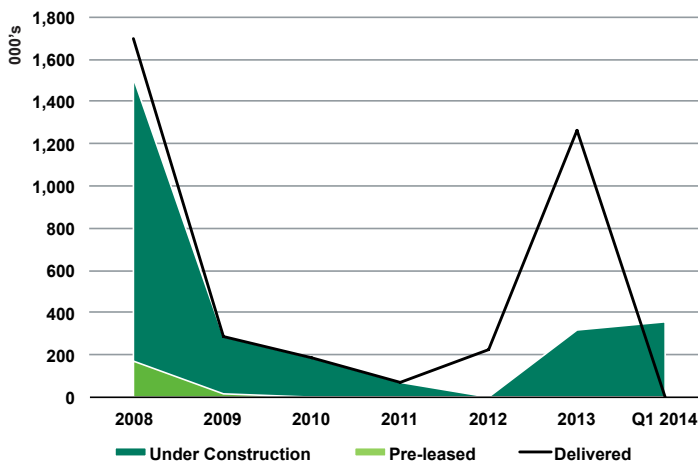
Source: Bureau of Labor Statistics, January 2014.

Figure 7: NNN Annual Average Asking Rates, Per Sq. Ft.



Source: CBRE Research, Q1 2014.

Figure 8: Construction Sq. Ft.



Source: CBRE Research, Q1 2014.

UNEMPLOYMENT

The San Antonio-New Braunfels MSA unemployment rate was 5.4% for the month of January, an increase of 10 bps from December's jobless rate of 5.3%. Although a slight increase over the month, the unemployment rate has improved by 120 bps compared to this time last year when unemployment posted at 6.6% in January 2013. There were 21,500 nonfarm jobs added to the Alamo City over this 12-month period for an increase in employment of 2.4%. Nearly every industry sector saw job gains over the year with the exception of Manufacturing, which saw a decline of 1.1%. Industries that experienced job gains over the year included Leisure and Hospitality (5,700 jobs), Trade, Transportation and Utilities (4,500 jobs), and Professional and Business Services (3,400 jobs). There were 41,900 employees on construction payrolls in January 2014, a 1.9% increase compared to January 2013. Though not a huge increase, construction employment in San Antonio is strong compared to other major metro areas across the country. Construction job gains can be attributed to the apartment boom the market is currently experiencing as well as an increase in single family construction. Comparing the Alamo City to Texas and the rest of the nation, the Texas and national unemployment rates each decreased in January 2014 to 5.7% and 6.6%, respectively.

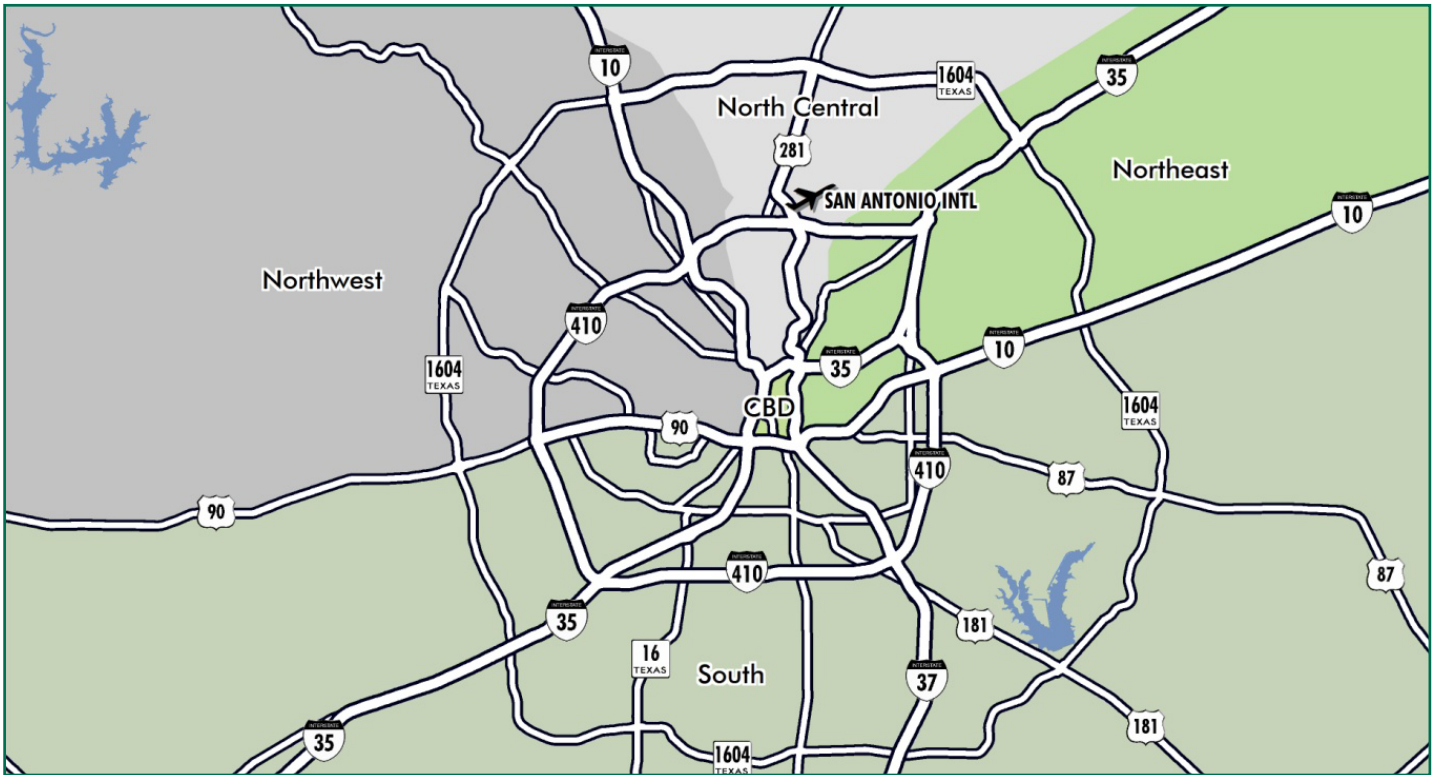
INDUSTRIAL RENTS

The overall NNN average asking rate for the industrial market increased over the quarter to \$5.99 per sq. ft. This is a \$0.14 jump from rates reported in Q4 2013 at \$5.85 per sq. ft. Overall rates remain highest in the North Central submarket, posting at \$8.39 per sq. ft. Asking rates for warehouse/distribution space increased by \$0.10 overall, to \$4.35 per sq. ft., while flex rates decreased to \$8.89 per sq. ft.

It is important to note that most landlord's asking rates are negotiable depending on the size, credit and term of the user. These negotiable rates hold no weight on the overall industrial market average.

INDUSTRIAL PRODUCT

Construction continued in Q1 2014 on the new 315,362-sq.-ft. building in the Northeast submarket, this project is set to be delivered by the end of the second quarter. Also located in the Northeast submarket, construction began on a new 44,000 sq. ft. building at Perrin Creek Business Park. While new construction starts have calmed, plans for new development are underway. Developers have purchased most of the larger tracts of land for more development to come throughout the year. EastGroup properties purchased 7.6 acres for the fourth building to be added to Thousand Oaks Business Center, which currently totals over 175,000 sq. ft. Titan Development recently announced the purchase of an additional 184 acres of land adjacent to the 124 acres of land they purchased last year. The 184-acre land site will be used to help further develop Titan Industrial Park which could potentially bring 4-to-5 million sq. ft. to the Northeast sector. With the increased interest in the Alamo City by large industrial users, it is likely more dirt will turn in the months to come.



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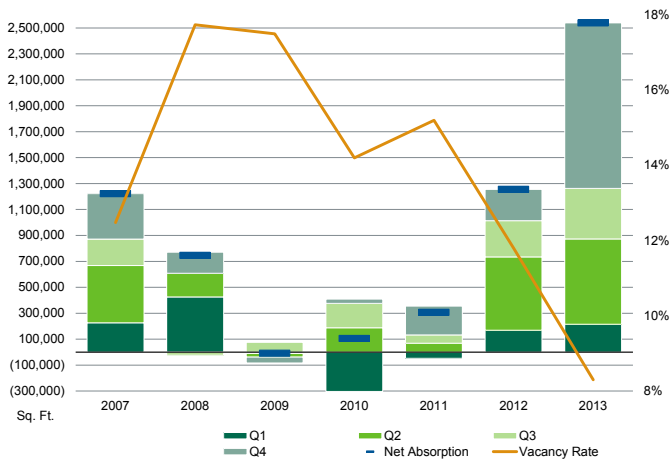
INDUSTRIAL FOURTH QUARTER MARKETVIEW 4Q 2013

Market Statistics

Market	Rentable Area	Total Vacant Sq. Ft.	Total Vacancy Rate	Available Sq. Ft.	Availability Rate	Net Absorption Sq. Ft.	Delivered Construction Sq. Ft.	Under Construction Sq. Ft.	NNN Avg. Asking Lease Rates (\$/Sq. Ft./YR)	
									Warehouse Distribution	Flex R&D
CBD	432,907	18,700	4.3%	48,330	11.2%	0			\$4.20	\$0.00
North Central	5,899,853	675,079	11.4%	799,132	13.5%	(13,162)			\$6.38	\$9.34
Northeast	19,561,968	1,324,493	6.8%	2,358,470	12.1%	1,328,717	1,260,000	315,362	\$4.12	\$8.47
Northwest	5,400,086	551,734	10.2%	575,332	10.7%	61,079			\$4.19	\$9.21
South	2,687,504	249,897	9.3%	249,897	9.3%	(100,000)			\$2.88	\$8.25
Totals	33,982,318	2,819,903	8.3%	4,031,161	11.9%	1,276,634	1,260,000	315,362	\$4.25	\$9.05

Source: CBRE Research, Q4 2013.

Net Absorption and Vacancy



Source: CBRE Research, Q4 2013.

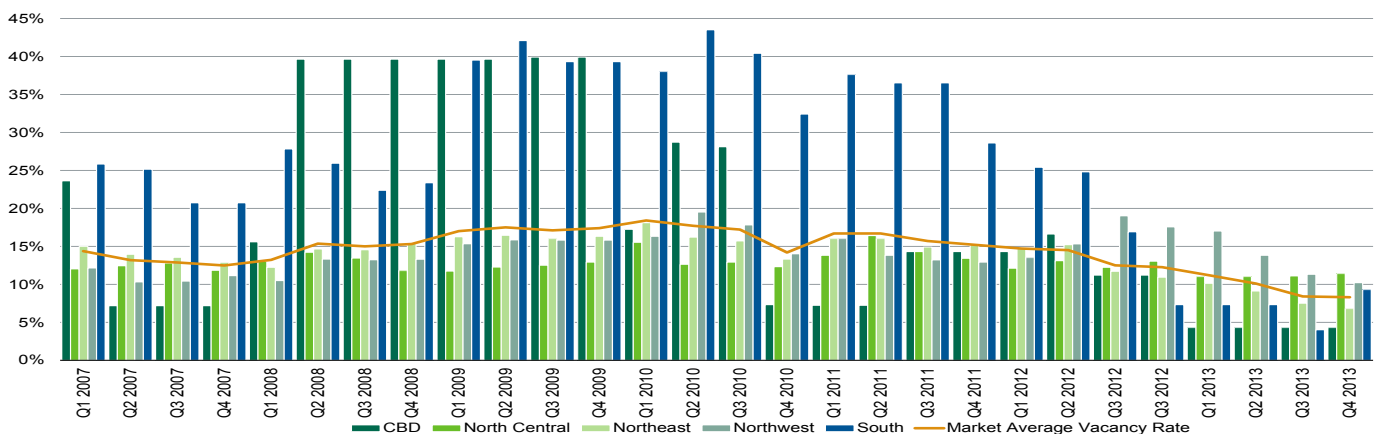
NET ABSORPTION AND VACANCY

Net Absorption for Q4 2013 was positive 1.26 million sq. ft. with a vacancy rate of 8.3% overall. Amazon delivering its 1.2 million sq. ft. facility accounted for the majority of net absorption over the quarter, which brought annual net absorption to 2.5 million sq. ft. The Northeast submarket remains the strongest throughout the market with a total of 1.3 million sq. ft. of net absorption for Q4 2013, and a vacancy rate of 6.8%. The Northwest submarket was second with 61,000 sq. ft. of net absorption and a vacancy rate of 10.7%.

Notable deals from 4Q include:

- Conn's at San Antonio Distribution Center 7 with 60,000 sq. ft.
- Goodwill expanded by a total of 24,785 sq. ft. in Salado Creek Business Park.
- Southern Warehousing will be going into 40,326 sq. ft. at 1400 Currency Drive.
- Aviation Technologies relocated from Macro Distribution Center 4 to Woodlake Center where they will occupy 44,680 sq. ft.
- Total Media Solutions will take 18,900 sq. ft. at 3535 Pan Am Expressway.
- CED will expand into 16,000 sq. ft. at Pan Am Distribution Center 4.

Historical Vacancy



Source: CBRE Research, Q4 2013.