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# SAN ANTONIO

## Alamo City Retail Market Remains Healthy in 2015

**SAN ANTONIO** – San Antonio’s retail market maintained its healthy occupancy rate of 93.5 percent as of year-end 2015, representing the steady nature of the market. The Alamo City benefits from continued demand for retail, restaurant and service space as construction remains dominated by spaces built for anchors like grocers, power retailers and large-format fitness concepts.

The occupancy rate is based on a review of San Antonio area multi-tenant shopping centers with 25,000 square feet or more conducted by The Weitzman Group and Cencor Realty Services. The review is based on a San Antonio retail market inventory of 43.8 million square feet.

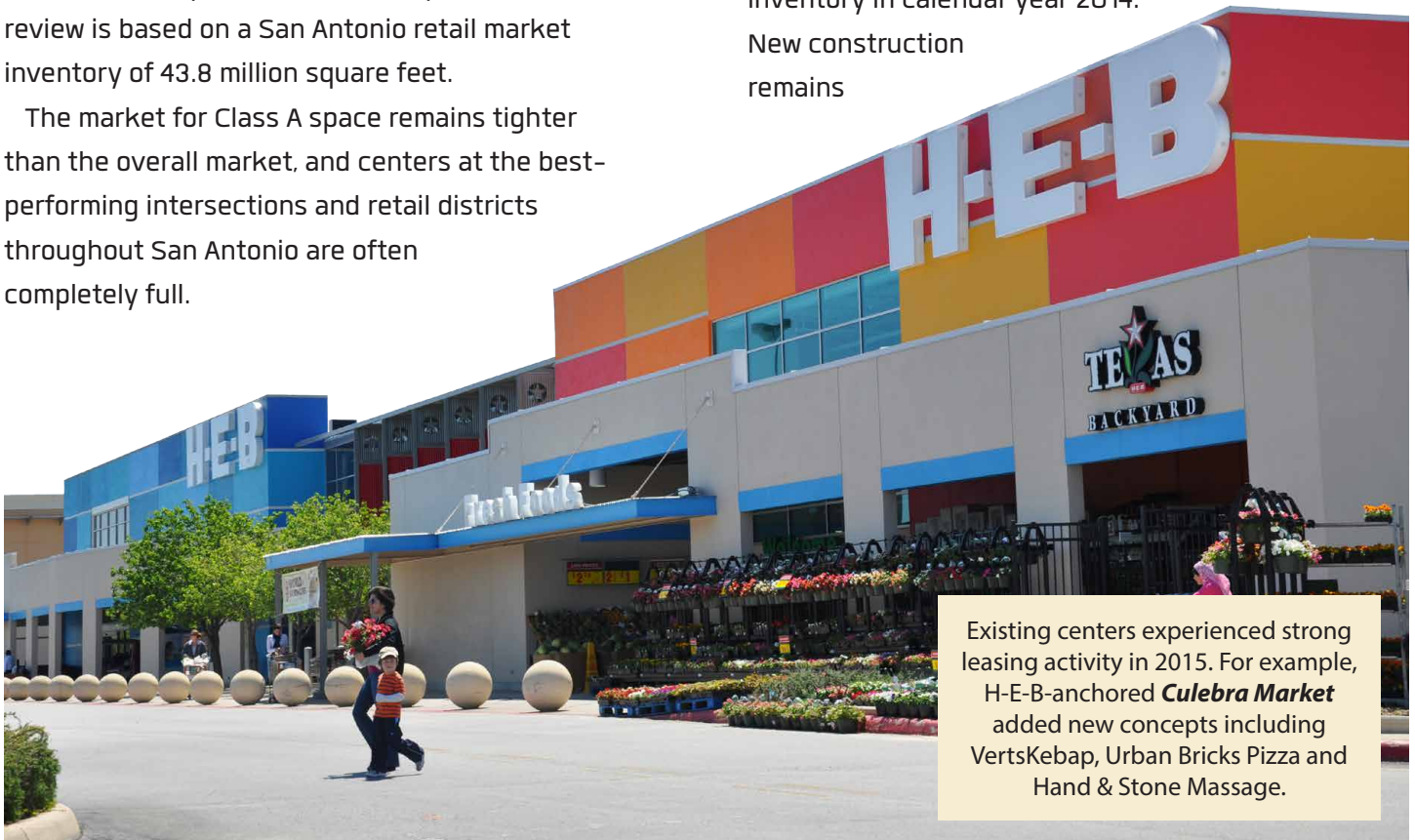
The market for Class A space remains tighter than the overall market, and centers at the best-performing intersections and retail districts throughout San Antonio are often completely full.

The market’s limited retail construction is dominated by anchor stores. Little small-shop space is being built along with these anchors, which ensures continued high occupancy.

The construction market for 2015 reflects what was seen during 2014 and the previous few years – new space is for grocery stores and a limited number of other user types. Grocery stores are expanding to meet the need of a growing population and increased residential growth, which is on track to gain even more traction in 2016.

New space in new and expanded retail projects added approximately 893,000 square feet of new retail space, a notable decrease from the 1.4 million square feet added to the San Antonio retail market inventory in calendar year 2014.

New construction remains



constrained due to very limited speculative space coming online.

The new expansion of **The Rim**, with approximately 260,000 square feet, represents the largest multi-tenant project in 2015. The expansion added new retail space for concepts including **Hemispheres**, **PetSmart**, **Bassett Furniture Direct**, **Off Broadway**, **Sun & Ski Sports** and restaurants including **Lupe Tortilla**, **The Lion & Rose pub**, **Potbelly**, **Russo's**, **Zoës Kitchen**, **IHOP** and several others. The expansion also added entertainment concept **Bowl & Barrel**, a 15-lane upscale bowling alley with a full-service restaurant and European-style beer hall.

In 2015, **Walmart** added more space than any other single retailer in the market. **Walmart's** new San Antonio stores include both its mega-format **Supercenters** and its smaller **Neighborhood Markets**.

#### **For 2015, new Walmart Supercenter and Neighborhood Market locations included:**

- An approximately 180,000-square-foot store as anchor for a development called **Singing Hills**, at the intersection of U.S. Highway 281 and SH-46 in Bulverde. In addition to **Walmart**, the center features in-line space and pad sites. The **Walmart** opened in September 2015;
- An approximately 153,000-square-foot **Walmart Supercenter** at 918 Bandera Road on the city's West side, which opened in August 2015;
- A 38,000-square-foot **Walmart Neighborhood Market** at 3175 Nacogdoches Road just north of

Loop 410, which opened during the first half;

- A 42,000-square-foot **Neighborhood Market** at 9006 Guilbeau in northwest San Antonio, which opened during the first half of the year.

#### **Other new retail space built in 2015 included:**

- **LA Fitness**, with a new location at Bulverde and Loop 1604. **LA Fitness** opened in the first half of 2015. A second **LA Fitness** for 2015, with 40,000 square feet, opened at **The Vineyard**, a retail center at Loop 1604 and Blanco Road;
- **Gold's Gym**, with a new 38,000-square-foot freestanding location in **Bulverde Crossing**, a shopping center located at 17934 Bulverde Road;
- **H-E-B**, which opened a 62,000-square-foot store at Nogalitos and Park streets at the site of smaller, 26,000-square-foot **H-E-B**. The new store represents the first two-story location in Texas for **H-E-B**;
- **Forum Pointe**, a 40,000-square-foot center with concepts including **Brident Dental** and others. The project is located across IH-35 from **The Forum at Olympia Parkway**.

Although its square footage falls below the 25,000-square-foot level for our review, it's notable that San Antonio's leading grocer, **H-E-B**, opened its first downtown location in December 2015. The store, called **H-E-B Flores Market**, occupies 12,000 square feet at the corner of Cesar Chavez Boulevard and South Flores

Gold's Gym leased a former H-E-B in Lockhill Village for a new location.



Street. The downtown market is designed to serve the growing residential population in the area.

Several retail concepts leased space in existing centers during 2015, which helped boost overall occupancy. These included:

- **Northern Tool + Equipment**, which leased a 15,000-square-foot space in **The Village at Forum Parkway** at 14565 IH-35 North for its second area location;
- **YMCA of Greater San Antonio**, which leased a 53,570-square-foot former grocery store located at Potranco Road and Highway 151. The new location will open in 2016;
- **Planet Fitness**, which leased a 20,000-square-foot location in **Encino Park Center** at 20760 N. U.S. Highway 281 North at Evans Road;
- **Gold's Gym**, which took approximately 30,000 square feet in a former **H-E-B** at **Lockhill Village**, a community center located at 2323 Lockhill Selma Road, as well as a 26,000-square-foot former **Bally's** location at **Alamo Quarry Market**;

- **Blow Dry Bar**, which leased its first area location in **Dominion Ridge**, located at I-10 and Dominion Drive. The lease brought the mixed-use project to 100-percent occupancy;
- **H&M**, a famed "fast-fashion" apparel retailer, which in October opened a 24,000-square-foot store in **North Star Mall** at NW Loop 410 at San Pedro;
- **Ross Dress for Less**, which opened an approximately 25,000-square-foot location in **Nacogdoches Village** at Nacogdoches and O'Connor roads;
- **Mega Furniture**, which took a 34,000-square-foot location in a former **Kmart** located at 3150 W. Pat Booker Road on San Antonio's far Northeast side as part of the vacant store's redevelopment for multi-tenant retail;
- **Mega Furniture**, which also leased a 26,250-square-foot former **Bassett Furniture**

**Dominion Ridge**, a high-end mixed-use project, reached full occupancy in 2015; the center features Silo Elevated Cuisine, Di Frabo Ristorante Italiano, Aldaco's, Salons by JC, Blow Dry Bar and many others.



location at I-10 and De Zavala;

- **ULTA Beauty**, which opened in 11,000 square feet at **South Park Mall**, at 2310 S.W Military Drive;
- **Culebra Meat Market**, which backfilled a 13,000-square-foot former **Walgreens**, part of a strip center at Bandera Road and Hillcrest.

**The restaurant market remains extremely active. Some 2015 highlights included:**

- **Ruth's Chris Steakhouse**, which opened its third San Antonio location in approximately 7,800 square feet at mixed-use project **Eilan**;
- **Di Frabo Ristorante Italiano**, a high-end concept from **Monterrey**, which opened at the mixed-use project, **Dominion Ridge**, in June 2015. Other dining concepts opened during 2015 in **Dominion Ridge** including **Posh Sushi**, a Laredo-based concept, joining already open **Silo Terrace Oyster Bar** and **Aldaco's Mexican Cuisine**, among others;
- **Pappadeaux Seafood Kitchen**, with a 15,000-square-foot restaurant in **The Landmark** on I-10 West near **The Shops at La Cantera**. The location, opening in 2016, is the concept's second in San Antonio;
- **In-N-Out Burger**, which opened in a new retail project in the works at 8202 North IH-35 in Windcrest;
- **Pollo Tropical**, a fast-expanding casual dining chain that is sister chain to **Taco Cabana**, with a location at 6515 W. Loop 1604 North;
- **VertsKebap**, a fast-casual restaurant, which opened its second location in **Culebra Market**, a project anchored by **H-E-B** at Loop 1604 and Culebra Road.

Dining concepts expanding in San Antonio also include **Whataburger**, **Taco Bell**, **Raising Cane's**, **Zoës Kitchen**, **Chick-fil-A**, **Shipley Do-Nuts**, **Dunkin' Donuts** and others.

For 2016 and beyond, retail activity will again add a number of new grocery store locations. **H-E-B's** future locations include stores planned for Potranco

Road near Talley Road, Culebra Road at Highway 211 and Culebra Road at Alamo Parkway.

**Walmart** has a number of stores in the works for 2016, including a 150,000-square-foot **Supercenter** at I-10 and Autumn Stage Road and a **Supercenter** at North Loop 1604 and Kitty Hawk Road. An approximately 180,000-square-foot **Supercenter** is set to open in January 2016 in Cibolo, northeast of San Antonio, at Cibolo Valley Drive and Borgfeld Road.

**Walmart** also plans to open at least four smaller **Neighborhood Market** stores – each with approximately 42,000 square feet – in 2016, including new stores at:

- 3418 East Southcross
- 3837 Pleasanton Road
- 6938 Walzem Road
- 9005 FM 1560 North

**Natural Grocers by Vitamin Cottage**, a specialty grocer, will enter the market in 2016 with two new stores, the first a 15,000-square-foot store at 13310 NW Military Highway and the second a store of the same size at 6514 N. New Braunfels Avenue.

**Non-grocer retail on top for 2016 includes:**

- **Academy Sports & Outdoors**, which will open a newly built 62,942-square-foot store at 7503 S. Zarzamora;
- **Rooms To Go**, which will open a newly constructed store at 15339 IH-35 North in early 2016. **Rooms To Go's** new store format averages approximately 40,000 square feet;
- **Santikos Theaters**, with a new 16-screen location called **Casablanca** at 11210 Alamo Ranch Parkway;

The largest redevelopment project for existing space involves the historic **Joske's** building at **Rivercenter Mall**. The multi-tenant redevelopment, set to open in early 2016, is branded **Shops at Rivercenter** and will feature **Dave & Buster's**, which will open in 33,000 square feet, and a two-story **H&M**. In addition, new concepts will include **Jimmy Buffet's Margaritaville**, **Yard House** and **Johnny**

**Rockets.** The redevelopment is creating multi-tenant space out of the interior of the former department store while preserving the historic façade of the building, which opened in 1887.

Asking retail rents remain stable in San Antonio, with rents for the market’s strongest Class A retail centers maintaining the increases they’ve experienced over the past 18 months. Rents for shop space in key Class A retail centers can reach the \$40-per-square-foot level.

**For centers by grade:**

- Average Class A asking rents for small-shop in-line spaces in the market’s strongest centers, including new construction, ranged from \$26 to the mid-\$30s per square-foot per year. These rates are for small-shop space in the newest and/or strongest anchored projects.

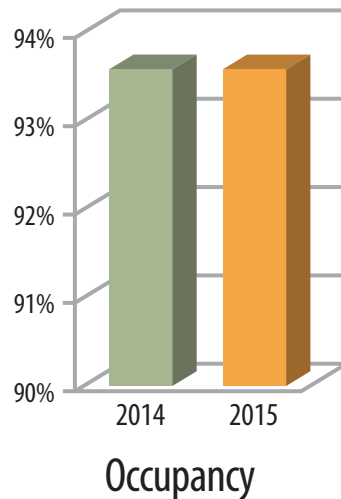
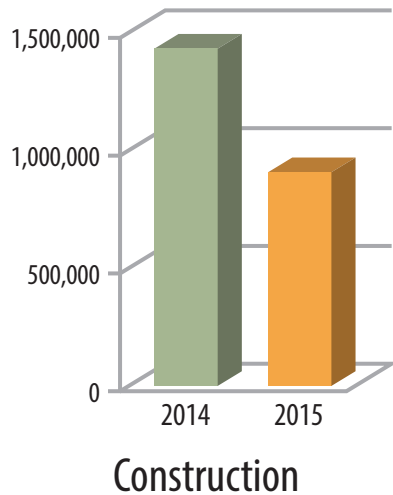
- Class B asking rates typically are in the \$18-to-\$22-per-square-foot range.
- Class C asking rates are in the \$12-to-\$16-per-square-foot range.

The reported rates are average asking rates and do not take into consideration concessions. Rates can be higher or lower depending on location, co-tenancy, center condition and other factors.

San Antonio’s retail market continues to benefit from the continued soundness of the metro area’s economy, which ranks as one of the better-performing major markets in Texas and the country.

For example, the metro area’s unemployment rate was a low 3.9 percent as of November 2015, compared to 4.0 percent at the start of 2015.

# SAN ANTONIO



# SAN ANTONIO MAJOR MALL MAP

