

At mid-year 2001, we're pleased to report that our major Texas markets of Austin, Dallas/Fort Worth, Houston and San Antonio continue to be steady performers.

True, we're watching the economy as closely as anyone – and we're fortunate that the key areas of jobs and housing continue to report growth, enhancing the strength of our retail markets.

*The Weitzman Group reviews conditions in our major markets, relying upon the input of our communications and research staff, our associates and the expertise of our affiliate company, **Cencor Realty Services**. We look forward to hearing any comments or answering any questions you may have.*

Austin's Retail Market reports stability

Stability stands out as the word most often being used now to describe the Austin retail real estate market. As of mid-year 2001, the market is reporting stability in rental rates, construction, leasing and occupancy rates. As a result, the retail market should end 2001 on a note of continued strength.

At mid-year, the overall occupancy rate for the Austin retail market stood at approximately 96 percent, up slightly from year-end 2000's rate of approximately 95 percent. The occupancy rate at mid-year is based on a total inventory of approximately 25 million square feet of retail space.

The overall market for retail space remains tight, as almost all the new construction in the past several years has been demand-based. Due to some scheduled closings in the second half of the year, more space will be coming onto the market; however, the current level of demand should ensure that the space is quickly re-leased.

Retail supply, demand remain balanced

The retail market should continue to remain in equilibrium of supply and demand, based on current levels of leasing and the fact that the majority of tenants renew their leases as they expire.

Overall, demand has been coming from major new players in the market, such as Kohl's and Costco, as well as expanding existing retailers such as Target, Wal-Mart, Sam's Wholesale Club, Home Depot, restaurant chains and the grocery stores.

As a result, Austin is experiencing an active construction market during 2001 and should probably exceed 2000's construction level of 1.5 million square feet of new space.

Retailers are remaining active in the market due to the continued stability of the Austin-area economy.

Due to the downturn in the high-tech market, job growth will probably slow notably in 2001. But the slowdown is compared to a job-growth rate that ranked Austin as the No. 1 Texas major market in terms of its employment growth rate. The Austin area added more than 32,000 new jobs in 2000 for a 5 percent increase in jobs. For 2001, market watchers expect the growth rate for new jobs to be about half the rate of 2000.

As of July 2001, Austin reported a strong unemployment rate of 4.3 percent, compared to 4.7 percent for the state as a whole.

Home sales activity continues

Austin experienced a record year for home sales in 2000, and has experienced about an 8 percent decline in early 2001. However, houses in

the higher price ranges are experiencing most of the softness, while the market for homes priced under \$200,000 remains extremely competitive.

The apartment market, while it has experienced some softening, remains well above a 90 percent occupancy rate.

The high-tech downturn has had the most impact on the Austin-area office market, which experienced a record year in 2000 in terms of occupancy and leasing. However, the office market has hit a rough spot since then due to high-tech layoffs.

While the office occupancy rate remains above 90 percent, that rate does not reflect a significant amount of sublease space that has come onto the market this year. As a result, office construction is expected to slow dramatically until this space is re-leased.

Overall, even with the softness in the office market, the outlook for the Austin area remains good in terms of the job and housing markets. As a result of this continued health in the Austin-area economy, retailers continue to expand in the market.

New retailers expand in Austin

New retailers in the market include Kohl's department store and Costco.

Kohl's is building three Austin-area locations set to open in October in Round Rock's La Frontera, in the Parkline Shopping Center southeast of Lakeline Boulevard and U.S. Highway 183, and east of I-35 near Howard Lane. A fourth Kohl's location in Sunset Valley at Brodie Lane and Highway 290 also is planned.

Costco is under construction on Research Boulevard in the Arboretum area with its first Austin-area warehouse club store, set to open in the third quarter.

Additionally, Home Depot has announced its intention to open its first Expo Design Center in Sunset Valley in the near future, and Sears Great Indoors has announced plans for a store at Anderson Mill and Highway 183.

In the near future, Hard Rock Café plans to open its first Austin site on Sixth Street, the downtown entertainment district. The new venue is set to open in early 2002.

Existing retailers also continue to actively expand in the Austin market.

- Sam's Club is planning to open a new location near the intersection of U.S. Highway 290 and South MoPac in the South Town Center, in the former HQ Home Improvement Headquarters site, for its fourth Austin-area location;
- Wal-Mart is under construction in Cedar Park with a new Supercenter,

- a Wal-Mart store that includes a full-scale grocery store, and is expanding its existing store at I-35 and Highway 183 to a Supercenter;
 - Home Depot is under construction with new stores at Woodward and I-35 and at Howard and I-35, next to Kohl's;
 - Conn's TV & Appliance opened two new 25,000-square-foot stores, in front of Northcross Mall and peripheral to Lakeline Mall, and plans to have two more stores under construction by year-end 2001;
 - Factory 2-U added a new location in Round Rock;
 - Walgreen and Eckerd both continue to expand with freestanding locations;
 - Krispy Kreme will open its second area location on Stassney Road by year-end;
- Restaurants also are expanding rapidly in the market.
- Chili's and Macaroni Grill are going into the next phase of Stassney Heights shopping center;
 - Chuy's is under way with a new Round Rock location;
 - P.F. Chang's, Fleming's and Roy's, an Asian fusion restaurant, have opened or will open downtown restaurants this year;
 - Panda Express has opened multiple locations;
 - Zio's opened in Arboretum Market.

Grocers add new projects

Grocers actively adding space have resulted in approximately 25 grocery-anchored projects either under construction or in the planning stages in the Austin area. Active grocers include:

- H-E-B, which opens an average of five stores a year in the Austin area, including stores in 2001 in Round Rock, Georgetown, Elgin and at Parmer and I-35. A Leander H-E-B store is set to open in 2002;
- Randalls, which is opening new grocery stores in 2001 in Cedar Park, at Cypress Creek and Lakeline Drive, at Parmer and Metric and is remodeling existing stores; in 2002, Randalls plans stores in South-west Austin and Pflugerville;
- Albertsons, which will open stores in 2002 in Round Rock and at Westgate and William Cannon;
- Fiesta, which now occupies a former City Market at Oltorf and Congress.

However, occupancy at year-end may see a slight decline due to the closure of seven Weiner's Plus stores during the second half of the year. Fortunately, the Montgomery Ward spaces closed in March 2001 have been partially absorbed; Nordstrom announced its plans to occupy the former Ward's at Barton Creek Mall in 2003, leaving only one available former Ward's space.

Rents show stability, reflecting demand

Demand for retail space ensures that Austin's retail rental rates stay at high levels, although rates are basically flat compared to year-end 2000.

At mid-year 2001, retailers seeking small-tenant space in well-located Class A projects could expect to pay, on average, from \$26 to \$32 per square foot per year, although rates in key Class A projects can be much higher.

For second-generation space, most rental rates fall into the Class A, Class B or Class C categories. For Class B space, rates generally were in the \$18-to-\$20-per-square-foot range. Older Class C space typically was in the \$14-to-\$15-per-square-foot range, based on location.

For the remainder of 2001 and beyond, the Austin area retail market should continue to experience steady, positive growth. Overall occupancy rates should remain in the 95-percent range, construction should stay in line with demand, rental rates will remain steady and new and existing retailers will continue to expand in the market.



DFW retail market reports continued growth

The Dallas/Fort Worth's retail market at mid-year 2001 had a hard act to follow; 2000 ranked as the strongest DFW retail market in 15 years.

But to date, the market has been up to the task. The past six months have seen steady leasing from existing retailers and retailers new to the market, active new construction for community, neighborhood and mall projects, steady rental rates and healthy occupancy rates.

There have been concerns that weakness in the national economy may impact the DFW market. However, job and housing growth – two key factors in retail growth – have posted strongly positive results, ensuring the continued health of the retail market. In fact, the DFW market reached new highs at mid-year 2001 in terms of new home construction and sales. The apartment market, which has experienced a slowdown in demand, also remains healthy with an occupancy rate in the mid-90-percent range.

DFW reaches 5.2-million population

Additionally, current Census Bureau figures report that the DFW area reached a population of 5.2 million people in 2000, making it a larger market than 31 states. The DFW area grew 29.3 percent between 1990 and 2000, making it the fastest-growing large urban area in the United States during the period.

Employment growth also continues at a steady pace. The U.S. Bureau of Labor Statistics shows that DFW ranked second in the nation in job growth for the period ending January 31, 2001.

DFW also boasts the state's fastest-growing community, based on growth from 1990 to 2000. Frisco led the state in population growth by increasing its population by 392 percent during the period.

As a result, the market at mid-year has maintained the 90 percent occupancy rate it achieved at year-end 2000. It may possibly slip below 90 percent by year-end; however, due to the closure of retailers such as Weiner's Plus, which operates seven stores in secondary locations in the DFW area, and HomeLife by Sears, which operates four stores. HomeLife ceased operations in July, and Weiner's Plus is closing all of its stores in Texas and surrounding states by September.

However, a number of vacated spaces have been quickly absorbed. For example, Montgomery Ward vacated its stores in DFW in March 2001 as it went out of business nationwide. But many of these sites have been re-leased; for example, Burlington Coat Factory will occupy the former Ward's at Southwest Center Mall, Target purchased the former Ward's space at Richardson Square Mall, Sears will occupy the former Ward's at Hulen Mall and Lord & Taylor will occupy the former Ward's at North East Mall.

New retailers enter the market

New retailers and restaurants entering the market in 2001 include:

- Central Market, H-E-B's upscale grocery concept, which is opening stores in Fort Worth's Chapel Hill development and in West Plano in the second half of 2001 and at Greenville and Lovers in Dallas in 2002;
- Louis Shanks Furniture, which will open a 200,000-square-foot store at State Highway 121 and the Dallas North Tollway in 2002;
- Neiman Marcus Last Call, which started construction on a store at Grapevine Mills mall in July;
- Ultimate Electronics, which will open seven DFW stores in August 2002 and additional stores in October 2002. The 31,000-square-foot-plus electronics retailer will open its first store in Mesquite and other stores near the Galleria and in South Arlington, Hurst, Lewisville, Fort Worth, Cedar Hill, Plano, Frisco and Southlake;
- Faconnable, a subsidiary of Nordstrom, which will open a boutique in

NorthPark Center mall;

- Yes!Less, a limited-assortment grocery store, which is entering the Dallas and Tarrant County markets with stores in Hurst, south and west Fort Worth, Arlington, Pantego and northwest Dallas;
- Pei Wei Asian Diner, a new concept from P.F. Chang's China Bistro, which will open in North Dallas in fall 2001 and which plans additional locations;
- Steak n Shake, which is re-entering the Texas market with its first of several planned locations, adjacent to Grapevine Mills mall;
- Big Bowl, a new Brinker concept, which opened its first Texas location near Stonebriar Centre mall in May;
- Galyan's Trading Co., which is opening its first area store in Stonebriar Centre and which is under way with plans for a store at the Parks at Arlington mall for late 2002;
- Pottery Barn Kids, which opened its first Texas location in Stonebriar Centre in April.

A stellar roster of retailers continues to expand in the DFW market.

Significant activity is being seen from retailers including:

- Lowe's, which is building on its base of 17 DFW stores to add stores in market areas including Fort Worth, White Settlement, Mansfield and Keller;
- Home Depot, which is adding stores in areas such as The Colony, Fort Worth and Lake Worth;
- 24 Hour Fitness, which is expanding in areas such as Dallas and Allen;
- The Great Indoors, which will open in the Parks at Arlington mall in 2002 as part of a large expansion of the mall;
- Walgreens and Eckerd, which continue to expand with freestanding stores;
- SuperTarget, which is expanding its department-store-with-groceries concept with new locations such as the relocation at Arbrook Oaks in South Arlington, which opened in late July; SuperTarget will add three new stores this year to the six it opened in 2000;
- Wal-Mart Supercenter, which is expanding with new stores such as a new 220,000-square-foot store at I-20 and Great Southwest Parkway in Grand Prairie;
- Sam's and Costco, both of which are expanding with their competing wholesale club concepts. Costco entered the market with stores in Plano and Fort Worth in 2000 and opened new stores in Southlake and Arlington in the first half of this year;
- Grocers, including Albertsons, Tom Thumb (whose 2001 projects include the remodeling of about six stores and a new store in Grand Prairie), and Kroger, as well as Wal-Mart Supercenter and SuperTarget.

Mall market posts strong activity

DFW also continues to see the most active mall market in the state. In both Dallas and Tarrant Counties, malls are opening, expanding or in the planning stages.

- The Shops at Willow Bend, anchored by Neiman Marcus, Lord & Taylor, Foley's and a Saks set to come online in 2004, opened in early August 2001 at the Dallas North Tollway and West Park;
- Stonebriar Centre, the Frisco mall that opened in 2000, expanded with Galyan's Trading Co. in 2001;
- Nordstrom will join the line-up at NorthPark Center mall in early 2003;
- Gap will open Gap, Old Navy and Banana Republic in the former Saks Fifth Avenue space in the Galleria; Saks relocated to a larger space in the mall in 1999;
- Simon Property is under way with plans for Firewheel Town Center, a Garland mall at the northeast corner of SH-190 and Highway 78; the mall has signed up anchors Dillard's and Foley's, as well as a

multiple-screen AMC theater;

- Circle T in Northeast Tarrant County may see its mall come online in 2003; the General Growth project could break ground this year;
- The Parks at Arlington is expanding with The Great Indoors, Galyan's, 60,000 square feet of inline space, an NHL-sized ice rink and an 18-screen AMC theater, all set to come online in late 2002;
- North East Mall in Hurst saw the addition of Nordstrom in March 2001 and will become one of the few malls in the country with seven anchors when Lord & Taylor joins the mall in 2002;
- Six Flags Mall in Arlington and North Hills Mall in North Richland Hills, both of which are planning upgrades to add new tenants, restaurants and entertainment features; Foley's will vacate North Hills in August to relocate to North East Mall.

In addition to mall activity, the market saw active construction or announcements of community, power and single-tenant retail projects marketwide. These include:

- West Village, a new urbanism project with retail, residential and office space located in Dallas's Uptown area, which has signed up tenants including Gap, Lucky Brand and Tommy Bahama;
- Mockingbird Station, an "urban village" coming online this year, which features retail and office space, as well as 211 lofts, adjacent to the Mockingbird Station DART rail station. Retailers, restaurants and entertainment uses in the project include Virgin Megastore, Urban Outfitters, Ann Taylor, The Gap, Victoria's Secret, Rockfish Seafood Grill and Angelika Film Center & Café
- The Pavilion at Preston Center, which is the conversion of the former Foley's store in Preston Center into a multi-level, multi-tenant specialty center;
- Coit Center, a Central Market-anchored project at Coit and S.H. 190, which is set to open in the fall;
- Wal-Mart Supercenter, which also plans to go to Coit and S.H. 190;
- New projects in Mansfield, a rapidly growing Tarrant County community, including the Tom Thumb-anchored The Commons in Mansfield, which broke ground mid-year, and retailers including Home Depot and Lowe's in the area around the intersection of Debbie Lane and U.S. 287;
- The expansion of Twin Creeks Village in Allen with a new 24 Hour Fitness;
- The expansion of Southlake Town Square with the addition of The Container Store in May;
- Chapel Hill, located near Hulen and I-30, a Central Market-anchored, 210,000-square-foot specialty center in Fort Worth;
- A Wal-Mart Supercenter-anchored power center planned for the intersection of I-20 and Great Southwest Parkway in Grand Prairie;
- The expansion of Northlake Shopping Center with a new Albertsons set to open in fall 2001;
- The Shops at Cooper, a small specialty retail project located on South Cooper near I-20.

Willow Bend leads 2001 construction

For the remainder of 2001, the largest retail project coming online is the Shops at Willow Bend mall, a Taubman Co. project in West Plano with Neiman Marcus, Lord & Taylor, Foley's and a Saks set to open in 2004. The 1.4-million-square-foot mall opened in early August.

As a result of this activity, the year 2001 should end with new construction totaling at least 4 million square feet. While this is a notable amount of space, it would still be less than half of the 8.8 million square feet that came online in 2000. The previous year was an exceptional one for construction, with the extremely active market of Frisco accounting for nearly one third of all new space during the 12-month period.

Active leasing has ensured that rental rates have remained steady.

At mid-year 2001, rates remained flat or showed slight increases. The largest increases in rental rates have been recorded for the best-located new Class A space and Class A space in emerging growth areas.

Average rents for all classes of space for the entire DFW market were approximately \$12.40 per square foot per year, up from an average of \$12.30 per square foot per year at year-end 2000. Rates ranged in the mid-to-high-\$20s per square foot on average in the market's strongest areas such as Frisco and Park Cities/Oak Lawn.

While reasons for concern in the market remain, the outlook for the DFW area remains strong. Although the July unemployment rate had increased to 5 percent in Dallas and 4.3 percent in Fort Worth, job growth remains positive. And the housing market for both single-family and multi-family properties continues to experience strong activity and steady demand. Therefore, we should see the retail market remain healthy due to the overall strength of the DFW economy.



Houston's retail market shows steady growth, construction

Houston's retail real estate market at mid-year 2001 provides ample evidence that the year will finish on a strong note for the market. During the first six months of 2001, the market has experienced active leasing and construction, as well as notable expansions by a who's who of major retailers.

The retail market is benefiting directly from a strong housing and job market in the greater Houston area. The housing market set records in 2000 with the sale of more than 55,000 homes, and the median price of a single-family home has increased by more than 12 percent since 1999, according to the Houston Association of Realtors. The market this year remains equally strong; new home sales were up 6 percent in June 2001, compared to a year earlier. Single-family construction also increased by 10 percent in the month-to-month comparison.

During 2000, Houston experienced job growth that added 62,000 jobs to the market. Job growth is running at a 2.4 percent pace, based on employment gains for the 12-month period from May 2000 through May 2001. Unemployment as of July 2001 was 4.6 percent.

New home market sets strong pace

The new home market is especially active in areas such as the Woodlands, the 290 corridor (including Cole's Crossing) as far as Fairfield, Katy, Cinco Ranch, communities including New Territory and Greatwood along Highway 59, and the area south on Highway 288 South, which includes the 3,300-square-acre Shadowcreek Ranch in Pearland.

As a result of the area's healthy economy, Houston at mid-year 2001 is reporting a retail market occupancy rate just under 90 percent, compared to 88 percent at year-end 2000.

Construction is continuing at an extremely active pace, and the year-end construction total could reach as high as 6 million square feet, although some projects set for 2001 completions could actually come online in 2002.

A significant amount of this space in 2001 and 2002 will be freestanding, big-box spaces for retailers such as Home Depot, Lowe's, Target, Sam's or Wal-Mart Supercenter. These major retailers occupy extremely large spaces, up to 200,000 square feet of space or more per store, and they are active in today's market, leading to the significant rise in construction.

Projects come online, add space

New projects coming online in 2001 and 2002 include:

- Silverlake Village, a project at the southeast corner of Highway 518 and FM 288 slated for a 2002 opening, which will bring online Target, Kohl's, Home Depot, Randalls, Linens 'n Things, Ross Dress for Less and Circuit City for a total of more than 500,000 square feet;
- A project at I-45 and Bay Area Boulevard to be anchored by Lowe's, which will have a 2002 opening;
- Fairway Market Place, a new phase of a center in Pasadena at Fairmont Parkway and East Sam Houston Parkway that will add Best Buy, Barnes & Noble, Bed Bath & Beyond, Famous Footwear, Ross Dress for Less, Pier 1 and Chili's;
- Fairway Centre, phase III of Fairway Market Place, a project with a 175,000-square-foot SuperTarget and a Kohl's department store set for a 2002 opening, also at the intersection of Fairmont Parkway and East Sam Houston Parkway;
- Town Center in Kingwood, a Randalls-anchored project at Kingwood Drive and Lake Houston Parkway; the center is under construction, and the Randalls is now open;
- Royal Oaks Village, a 310,000-square-foot center at the southeast corner of Westheimer between Kirkwood Drive and Royal Oaks Boulevard, which will be anchored by an H-E-B set to open in 2002; a Lowe's at the center is now open;
- An 85,520-square-foot H-E-B-anchored project at the southwest corner of Highway 6 and Keith Harrow Boulevard set for a 2002 or later opening;
- Point Weste Shopping Center, a 200,000-square-foot Big Kmart-anchored project in Katy;
- A planned Albertsons-anchored project at Grand Parkway and Highway 59 that is to total 300,000 square feet of space;
- Expansions at The Galleria, which is under way this year with its addition of a new Nordstrom, Foley's and in-line space, and at Memorial City Mall, which is undergoing a \$300 million expansion that includes a 300,000-square-foot Foley's, set to open later this year, as well as a new Lord & Taylor set to open in 2002 or later.

Retailers open multiple locations

Retailers actively expanding in the market include:

- Sears Great Indoors, which is opening two locations this year at I-10 and Beltway 8 and at Highway 249 near Willowbrook Mall;
- Costco, which is entering the Houston market with warehouse clubs near Willowbrook Mall and one near the Katy Freeway;
- Lowe's and Home Depot, which are actively expanding in the market and are under way with approximately 10 stores;
- Wal-Mart Neighborhood Market, Wal-Mart's freestanding grocery store concept that will open new locations, including stores at Kempwood and Gessner and Texas 6 and Rippling Water this year; 10 or more Neighborhood Markets are planned for the Houston area;
- SuperTarget, Target's concept that joins a full-line Target store and a full-scale grocery store, which opened its first Houston-area location in Sugar Land in March. Additional locations are set to open on South Main and Braeswood and in Missouri City in the second half of the year;
- Bed Bath & Beyond, which will open near the intersection of West Alabama and Kirby;
- Crate & Barrel and Tootsie's, which are going into the expansion of Highland Village;
- Red Robin, a Colorado-based restaurant chain, which opened its

first area location in the Marq-E Entertainment Center at I-10 and Silver;

- Krispy Kreme, a doughnut chain, which opened in Clear Lake and in its first downtown-area location at Main and McKinney.

The grocery store chains also are active in the Houston-area market. For example:

- H-E-B plans as many as 10 new stores a year in the market during the next few years, including nine stores currently under way; Central Market, H-E-B's successful specialty grocery concept, opened its first Houston-area location at Wesleyan and Westheimer in May;
- Kroger, which has opened stores in Cinco Ranch and Clear Lake and which will open at Texas 6 and Bissonnet;
- Randalls, which will add new stores to the market in areas such as Cole's Crossing and Silverlake in 2001 and in the Woodlands in 2002; Randalls also may start construction on its downtown-area location this year.

While most of the activity in the market reflects its strength, Houston's retail market is experiencing a handful of retailer closures. Several of these will occur during the second half of the year. These include:

- Weiner's Plus, which plans September closings for more than 35 area stores as it goes out of business statewide;
- Palais Royal, which closed stores in Baybrook, Deerbrook, Fondren, Kingwood, Quail Valley, Wesleyan Plaza and Willbrook;
- Ward's, which closed all of its Houston locations in March as it went out of business nationwide;
- HomeLife, a furniture store chain, which closed its three Houston locations in July as it exited the business nationwide.

As a result of the positive activity in the market, Houston's retail rental rates have remained steady, with in-line Class A space generally ranging from \$18-19 per square foot per year in the better markets to as high as \$20 per square foot. For second-generation space in a good location, rates are generally in the \$14-15-per-square-foot range, with tertiary space in the \$10-to-\$12-per-square-foot range.

While there are some concerns about an economic slowdown, the Houston area economy remains well-balanced and continues to benefit from the strength in the energy sector. With a good outlook for continued gains in jobs, housing and the overall economy, the healthy balance in Houston's retail market should continue.



San Antonio retail market reports continued stability

San Antonio's retail market continued to perform well during the first half of 2001. Market occupancy dipped to 85 percent, one quarter of a percent lower than year-end 2000. This slight drop in occupancy was due to the closure of two retailers that went out of business marketwide: Montgomery Ward, which vacated four stores totaling 550,000 square feet, and Bealls, which closed six stores totaling 150,000 square feet.

In light of the hole left by the retailers' closings, San Antonio's retail market has fared the changes reasonably well.

Citywide rental rates increased 26 cents to \$11.05, breaking the \$11 dollar mark for the first time in the city's history, reflecting the demand for retail space.

Citywide net absorption for the six-months ending in June was a net negative 305,000 square feet, primarily due to the above-mentioned store closings.

Construction market adds new space

New construction added almost 923,000 square feet of space to the market, with the space on average coming online 88.2 percent occupied. Average rental rates for the newly constructed space were \$20.17 per square foot.

Demand for the newly constructed space was brisk, with average vacancy for the space at 11.8 percent. Average rental rates for the new space was \$20.17 per square foot.

The construction continued primarily around the northern portion of Loop 1604 with 700,000 square feet of new space at Bandera Pointe Shopping Center.

In-fill development occurred with the construction of The Strand Shopping Center and an expansion along Southwest Military Drive in Southwest Junction Shopping Center.

The north-central and south-central parts of the city saw vacancy rates decrease by 1.9 percent and 6.4 percent, respectively. The increase in occupancy in the north-central sector was boosted by 650,000 square feet of space being removed from the survey due to Central Park Mall's closure. The owner is planning to remake the site into a power center.

The northeast and southeast parts of the city continue to experience weak tenant demand, with vacancy rates reported at 22.6 percent and 22.4 percent, respectively.

Average rental rates fell 20 cents on the northeast side and 34 cents on the city's southeast side. South-central San Antonio experienced a surprisingly strong \$1.13 cent increase in rental rates, as a number of centers along Southwest Military Drive have completed renovations or expansions, driving rates higher.

San Antonio's malls have borne the brunt of the Bealls and Montgomery Ward closings. Even with Central Park Mall's removal from the survey, average mall vacancy increased 6 percent in six months to 21.7 percent. Absorption for the six-month period in this category is approximately negative 1 million square feet.

Power center vacancy increased almost 5 percent to 16.7 percent, mostly due to increased weakness on the city's northeast side. Rental rates citywide increased 73 cents for the category.

The community center category experienced a strong showing in the last six months, with overall vacancy rates decreasing 3.3 percent to 13.2 percent and absorption of a net 276,000 square feet. Rental rates for the category have seen a decrease of 4 cents per foot, with the west side showing a drop of 40 cents per foot.

Neighborhood centers show stability

Neighborhood center vacancy remains almost unchanged, at 14.7 percent vacancy, reflecting the stability of demand from smaller retailers. Overall rental rates have increased by 28 cents during the six-month survey period, while absorption was a net negative 67,000 square feet for six-month period ending in June.

A number of new projects came online during the first half of 2001. These include:

- **Bandera Pointe**, a 700,000-square-foot power center located at the

southwest quadrant of Loop 1604 and Bandera Road with Lowe's, Target, Old Navy, Ross Dress for Less, Linens 'n Things, Barnes & Noble and T.J.Maxx;

- **Encino Park Shopping Center**, a 130,000-square-foot Home Depot-and-Albertsons-anchored project with McDonald's and Blockbuster;
- **The Strand**, a 73,000-square-foot neighborhood center with The Flying Saucer located at Huebner Rd and Huebner Oaks Drive.

A number of new project also are under construction in the San Antonio market. These include:

- **Lowe's** at Westside Commons;
- **Lowe's** at the northwest corner of Callaghan Road and I-10;
- **Culebra Market**, Phase I, which will include a 75,000-square-foot H-E-B, located on the southeast corner of Loop 1604 and Culebra Road. Construction is to be completed in the fourth quarter of 2001.

Mall tops list of planned projects

Planned projects include the **Shops at La Cantera**, a 1.2-million-square-foot regional mall at the intersection of Loop 1604 and La Cantera Parkway that will include 150 stores. Anchors are to include Foley's, Dillard's, Nordstrom and Neiman Marcus.

Other planned construction includes:

- **Encino Commons**, a 400,000-square-foot shopping center at the northeast corner of Evans Road and Highway 281;
- **Vineyard Shopping Center**, a 600,000-square-foot development anchored by a SuperTarget;
- **Palladium**, a planned 700,000-square-foot center at the northeast corner of Highway 281 and Loop 1604;
- **Costco**, a 150,000-square-foot warehouse club store announced for UTSA Boulevard at I-10;
- **A 300,000-square-foot retail center** at Austin Highway and Harry Wurzbach to be anchored by Lowe's;
- **Westside Commons**, a 350,000-square-foot center located at northwest corner of Loop 410 and Highway 151, with phase II to include an additional 200,000 square feet to be added to a Lowe's already under construction;
- **Allison's Corner**, a 70,000-square-foot center located near Southwest Military Drive at Yarrow Boulevard;
- **Stone Oak Shopping Center Expansion**, an expansion of 27,000 square feet at Loop 1604 and Stone Oak Boulevard;
- **Military Market**, an expansion of 20,000 square feet at Southwest Military and Zarzamora Road;
- **San Pedro Towne Center**, a 200,000-square-foot center redevelopment at San Pedro and Rampart. The center currently is occupied by Lack's furniture and National Outdoors.

Anticipated or announced construction may inject up to 4 million square feet of shopping center space onto the market in the next three years. It should be noted, though, that some of these developments might be postponed based on demand. This figure does not include construction of stand-alone tenants not associated with a shopping center, including freestanding stores such as Wal-Mart, Sam's, Lowe's, Home Depot and Costco.

Retailers announce debut in SA market

Several retailers either made their debut in the last six months or have

announced their intention to open stores in the Alamo City in the coming year. These include:

- **Lowe's**, which is opening four new locations, at Loop 410 at Highway 151, Callaghan Road at I-10, Austin Highway at Harry Wurzbach and Bandera Road at Loop 1604;
- **SuperTarget**, which is opening two new locations, at Bandera Road at Loop 1604 and Blanco at Loop 1604;
- **Costco**, which is opening one location at UTSA Boulevard at I-10 and which may proceed with a second location in the former Central Park Mall;
- **Sketcher's Shoes**, which is opening two locations, at Southwest Military Drive at Pleasanton Road and Loop 410 at Bandera Road;
- **AntiqueLand**, which is opening a 45,000-square-foot location on Austin Highway in Alamo Hills Plaza.

A number of retailers have recently closed or have announced closings in the near future. Most are the San Antonio locations of retailers exiting all of their markets. They include:

- **HomeLife Furniture**, which closed stores in the second half of the year in Windsor Park Center and at Loop 410 at Ingram Road;
- **Bealls**, which closed six locations: Rolling Oaks Mall, Central Park Mall, Brookhollow Shopping Center, Windsor Park Mall, Perrin Plaza Shopping Center and Sunset Square Shopping Center;
- **Montgomery Ward**, which closed four locations: Windsor Park Mall, McCrelless Mall, Crossroads Mall and Westlake's Mercado Mall;
- **Weiner's**, which announced the closing of eight San Antonio stores in September: 4807 W. Commerce Street, 3654 Fredericksburg, 2145 E. Houston Street, 7002 Marbach Road, 185 Southwest Military Drive, 3618 S. New Braunfels, 931 S. WW White Road and 940 Pat Booker Road;
- **HomePlace**, which closed two stores: De Zavala and I-10 and San Pedro Avenue at Loop 410.



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