



WHITEBOX

REAL ESTATE

Q4 2018

OFFICE
MARKET BEAT



MARKET BEAT

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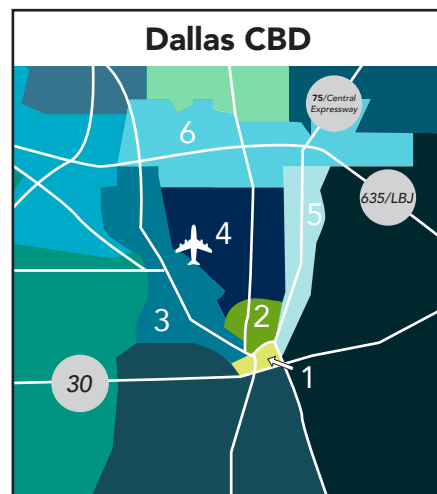
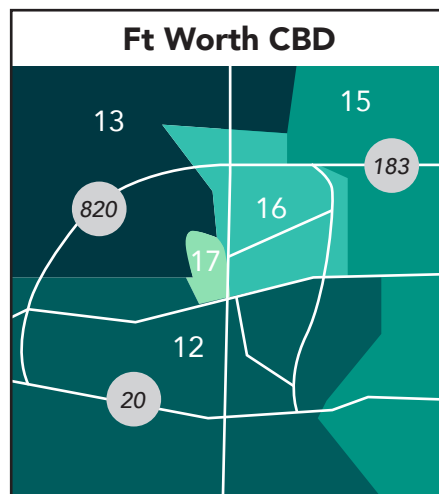
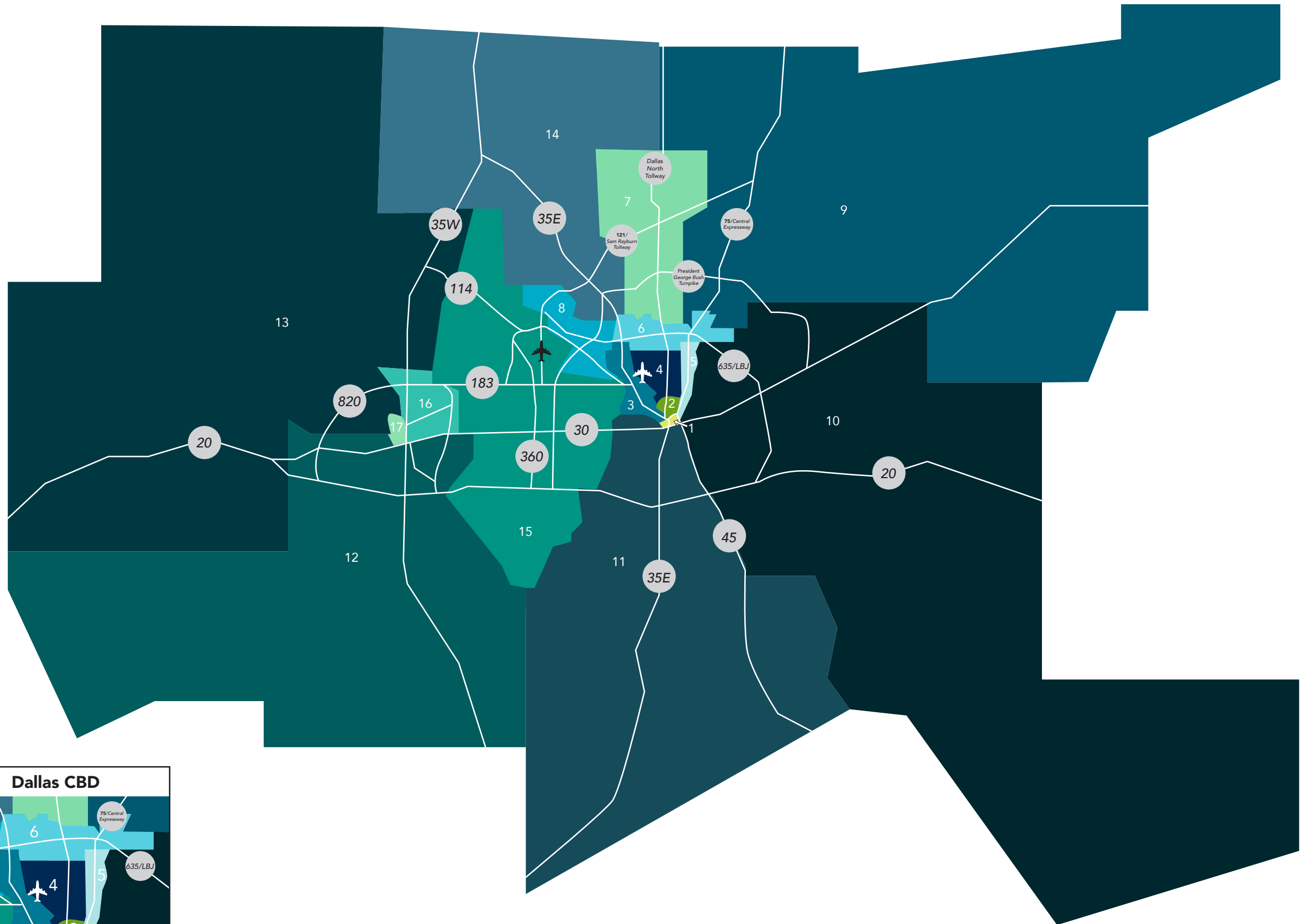
DFW Office Market Overview

Legend

- 1 - Dallas CBD
- 2 - Uptown/Turtle Creek
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DFW Airport

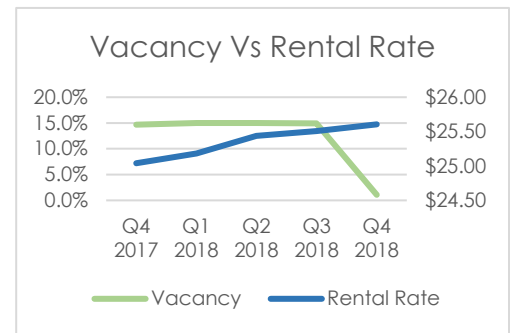
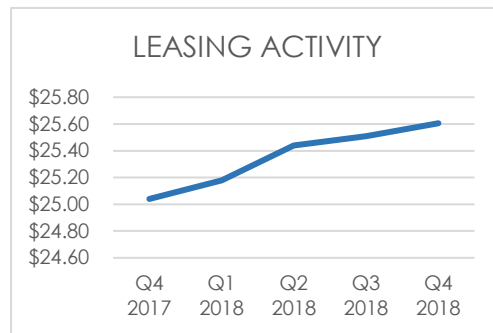
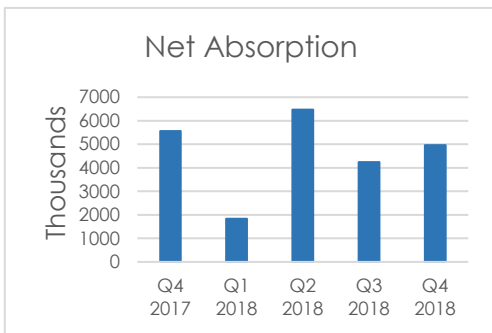
Love Field



OFFICE OVERVIEW | Q4 2018

Economic Overview

The Texas economy continued to grow for yet another quarter, and December marked the 30th consecutive month for positive job growth in the State of Texas, according to the Texas Workforce Commission. Over the last twelve months, 391,800 nonfarm jobs have been added. This marked a new high of 12,744,100 nonfarm jobs in the state (an annual growth rate of 3.2%). December was the 104th consecutive month of annual growth. Unemployment for the State of Texas held flat at 3.7% (down 0.3% from December of 2017). The United States unemployment rate increased by 0.2% to 3.9%, but this was still down 0.2% for the year. Ten out of eleven major industries expanded of over 2018, and the private sector continues to add a majority of the jobs. The Dallas Federal Reserve reported, "While the level of activity generally remained healthy, growth decelerated broadly across the manufacturing, services, retail, and energy sectors." The Fed went on to note that the forecast is less optimistic than previous reports and cited "declining oil prices, political and trade uncertainty, higher interest rates, and stock market volatility." Nonetheless, employment has continued to expand in spite of labor shortages. The Dallas-Fort Worth (DFW) labor market grew by 3.2% by adding 117,900 jobs over the last 12 months (223 per day). The unemployment rate for DFW has held relatively flat at 3.25%. Dallas-Plano-Irving tied with Austin for the 3rd fastest growing MSA in the state (on a percentage basis), but Fort Worth-Arlington added 7,300 new jobs in December which is the largest monthly increase it has seen since 1990.



Tenant Outlook

Net absorption for the fourth quarter totaled 1,132,166 SF, down from the previous quarter. The average quoted rental rate increased 0.4% from the previous quarter to \$25.61 per square foot (SF).

The Class A office market rose \$0.07/SF to a DFW average quoted rate of \$29.10/SF. The CBD average Class A quoted rate is \$26.28/SF vs. an average of \$29.97/SF for Class A suburban office product.

The vacancy rate in DFW declined slightly to 14.6%, but it has remained relatively flat over the last twelve months (14.9% for the third quarter, 15.0% for second quarter, 14.7% for first quarter, and 14.6% at the end of 2017).

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The Class A vacancy rate decreased from 17.7% at the end of the previous quarter to 17.6% for the year end 2018. Class A CBD vacancy rates were recorded at 23.1%, significantly higher than the 16.4% for suburban Class A office product.

Vacant sublease space increased 3.77% to 3,843,242 SF from 3,605,543 SF at the end of the third quarter. Sublease vacancy in the CBD represents 17.4% of the available sublease space on the market while the market only constitutes 11.99% of the overall DFW office market.

Class A vacant sublease space increased to 2,201,725 SF, up 6.12% from the 2,074,710 SF at the end of the third quarter 2018.

750,298 SF of new construction in 29 buildings were delivered in the fourth quarter of 2018. There is an additional 8,047,611 SF currently under construction. The largest active construction projects are build-to-suits for American Airlines Corporate Campus, a 1,700,000 SF campus in Mid-Cities, and for Pioneer Natural Resources, a 1,125,000 SF facility in Las Colinas.

Investor Outlook

Office building sales in the third quarter of 2018 saw a decrease in volume, though a larger total number of buildings sold. The third quarter of 2018 recorded 18 buildings sold, for a total of \$664,081,550 with an average price per square foot of \$200.53, for a total of 3,311,631 square feet. As a comparison, the second quarter of 2018 recorded 10 buildings sold, for a total of \$1,153,322,000 with an average price per square foot of \$973.94, for a total of 3,084,271 square feet. Cap rates have increased some and averaged 7.23% compared to 6.54% for the end of the previous quarter and 6.94% from one year ago. The most prominent sale transaction for the last 12 months was the Infomart, a 1.6 million square foot office building, at 1950 N Stemmons Freeway in the Stemmons Freeway submarket for \$800,000,000 or \$500.00 per square foot.

Looking to the Future

2019 looks to be a very good year for DFW, but the growth that has been experienced over the last seven years has appeared to slow. There are many external forces (oil, politics, tariffs, interest rates, stock market volatility) that have stalled the explosive growth DFW has experienced. On a micro level, much of the slowdown is attributed to the lack of labor supply. There is a true war for talent, and we continue to monitor this closely. Despite the slowed growth, the economy continues to grow, and we feel the fundamentals for Dallas-Fort Worth continue to be positive and the outlook for 2019 is positive.

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Market	Existing Inventory		Vacancy		YTD Net Vac %	YTD Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF					
Allen/McKinney	519	9,087,234	822,803	913,373	10.1%	394,169	448,219	401,105	\$ 27.62
Alliance	178	4,425,066	330,407	332,060	7.5%	189,898	61,406	100,800	\$ 23.81
Arlington/Mansfield	961	13,894,175	1,285,093	1,307,224	9.4%	(5,811)	56,137	55,328	\$ 20.47
Central Expressway	280	15,058,474	1,661,965	1,760,217	11.7%	(176,466)	27,178	38,848	\$ 28.99
Dallas CBD	144	33,832,681	6,616,293	7,263,645	21.5%	669,359	261,400	163,025	\$ 24.97
Delta County	3	6,141	0	0	0.0%	0	0	0	\$ -
Denton	427	4,617,601	355,385	360,535	7.8%	35,847	11,135	83,076	\$ 23.95
DFW Freeport/Coppell	230	14,898,200	1,478,769	2,122,495	14.2%	304,809	675,913	1,057,700	\$ 22.92
East LBJ Freeway	171	17,934,108	3,922,672	4,058,890	22.6%	(312,717)	0	0	\$ 23.14
East Northeast Ft Wo.	349	5,501,021	1,263,462	1,263,462	23.0%	521,273	0	0	\$ 20.58
Ellis County	267	1,737,392	62,779	62,779	3.6%	12,395	14,700	0	\$ 20.87
Frisco/The Colony	350	8,120,369	1,125,901	1,190,625	14.7%	627,804	821,086	290,244	\$ 33.47
Ft Worth CBD	121	12,147,569	1,430,530	1,453,343	12.0%	(2,177)	0	0	\$ 27.83
Garland	290	3,087,885	430,266	433,702	14.0%	(47,472)	58,800	0	\$ 20.49
Grand Prairie	155	4,830,491	294,561	310,855	6.4%	51,632	17,837	25,000	\$ 20.48
HEB/Mid-Cities	523	7,577,549	1,050,053	1,057,548	14.0%	121,448	40,664	1,849,788	\$ 18.43
Henderson County	87	290,790	1,500	1,500	0.5%	15,664	0	0	\$ 10.77
Hood County	136	800,846	26,036	26,036	3.3%	46,735	15,000	0	\$ 20.30
Hunt County	131	808,599	53,402	53,402	6.6%	11,710	3,520	0	\$ 18.48
Johnson County	267	1,491,503	160,212	162,212	10.9%	(51,955)	25,900	0	\$ 19.32
Lewisville	494	8,594,699	979,910	1,033,275	12.0%	84,855	29,983	169,841	\$ 22.49
Mesquite/Fomey/Terr.	242	1,970,390	138,736	138,736	7.0%	6,084	0	22,000	\$ 23.14
Northwest Ft Worth	196	1,328,407	56,528	56,528	4.3%	2,589	0	0	\$ 19.87
Office Ctr/West LBJ	163	16,847,924	2,573,036	2,790,988	16.6%	(294,699)	0	1,125,000	\$ 23.27
Outlying Collin Coun.	81	520,354	64,080	65,796	12.6%	75,079	80,595	22,023	\$ 30.25
Outlying Denton Coun.	56	364,987	34,542	34,542	9.5%	1,931	0	0	\$ 26.46
Outlying Kaufman Cou.	25	81,402	0	0	0.0%	0	0	0	\$ -
Parker County	223	1,251,988	85,072	85,072	6.8%	63,159	37,200	23,920	\$ 22.23
Plano	378	9,593,521	2,062,760	2,096,986	21.9%	(12,042)	54,952	13,470	\$ 26.21
Preston Center	154	6,082,194	419,898	443,045	7.3%	217,925	8,034	119,000	\$ 37.80
Quorum/Bent Tree	386	24,068,150	4,629,055	4,912,345	20.4%	(144,634)	249,564	15,623	\$ 25.35
Richardson	401	23,145,865	3,102,948	3,237,135	14.0%	353,518	90,938	41,000	\$ 23.71
Rockwall	180	1,548,463	95,024	110,053	7.1%	35,385	10,017	0	\$ 32.23
South Irving	230	2,967,538	269,312	283,649	9.6%	35,731	61,180	0	\$ 17.58
Southeast Dallas	129	1,410,870	75,349	76,872	5.4%	(7,602)	0	65,890	\$ 17.74
Southeast Ft Worth	205	2,565,126	127,389	127,389	5.0%	15,088	7,500	0	\$ 17.51
Southwest Dallas	583	6,183,178	454,886	454,886	7.4%	90,788	16,694	22,500	\$ 19.95
Stemmons Freeway	285	15,878,280	3,342,483	3,362,863	21.2%	211,389	414,000	0	\$ 17.02
Upper Tollway/West P.	437	33,320,754	3,428,508	4,042,270	12.1%	932,741	1,320,817	1,026,059	\$ 31.06
Uptown/Turtle Creek	308	15,727,731	2,047,902	2,386,391	15.2%	278,198	1,044,988	265,860	\$ 38.97
Urban Center/Wingren	65	9,740,847	1,445,477	1,604,951	16.5%	31,247	100,000	0	\$ 30.12
West LBJ Freeway	89	5,322,457	874,222	923,366	17.3%	54,006	0	0	\$ 19.49
West Southwest Ft Wo.	1,115	16,656,231	1,181,322	1,263,314	7.6%	249,880	186,237	47,920	\$ 24.27
Westlake/Grapevine	815	12,430,558	1,936,412	1,968,823	15.8%	345,748	114,585	707,771	\$ 27.56
White Rock	268	5,519,655	460,254	467,258	8.5%	(75,186)	0	294,820	\$ 30.67
Wise County	51	290,316	3,134	3,134	1.1%	8,013	0	0	\$ 22.30
Totals	13,148	383,559,579	52,260,328	56,103,570	14.6%	4,965,336	6,366,179	8,047,611	\$ 25.61

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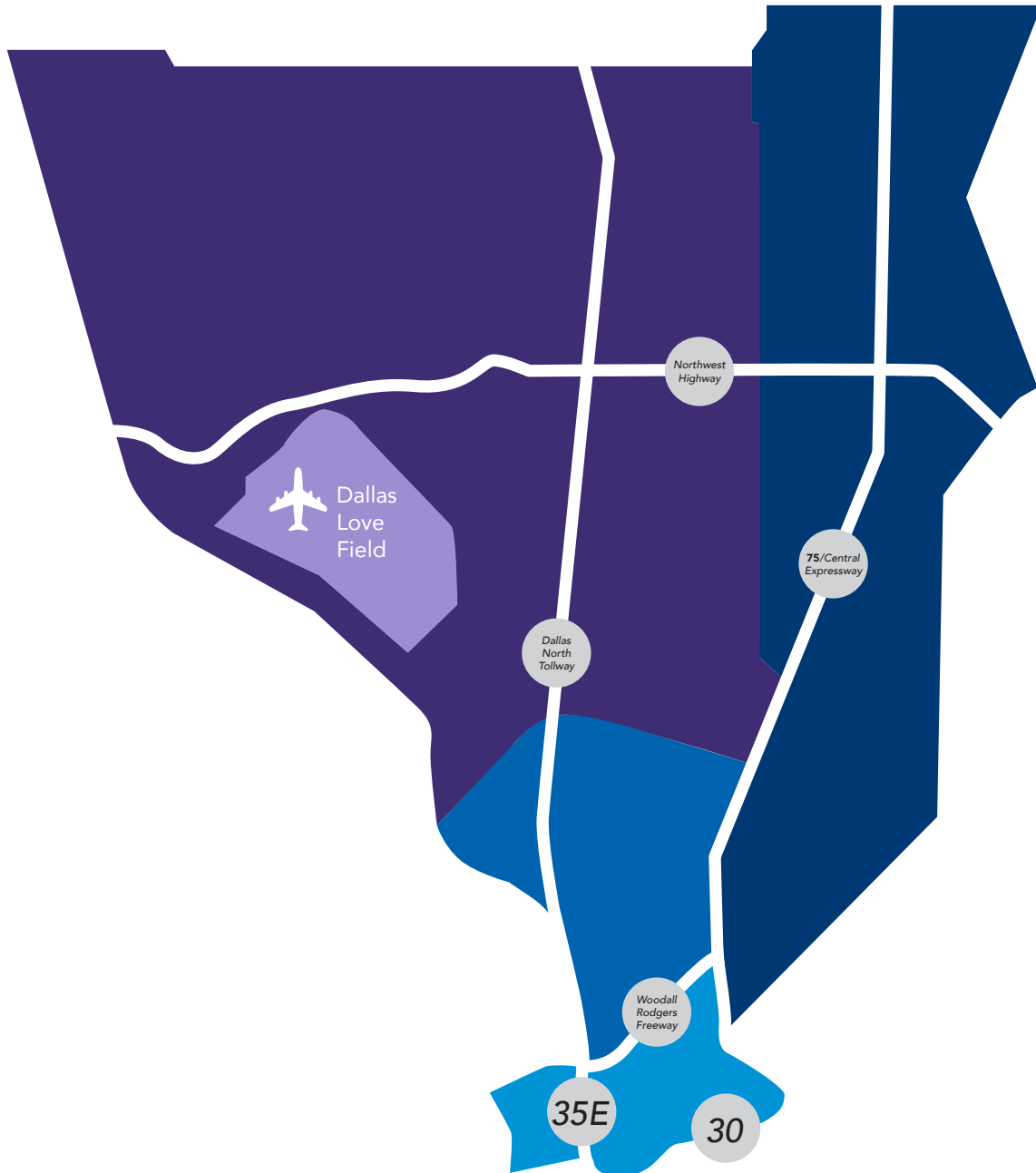
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Dallas Central Core



Legend

-  Preston Center
 -  Central Expressway Submarket
 -  Uptown/Turtle Creek
 -  Dallas CBD
- 

Preston Center | Q4 2018

Market Insights:

The Preston Center Submarket ended the fourth quarter of 2018 with a vacancy rate of 7.28%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 217,925 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$37.80/SF across all classes, increasing from \$37.20/SF in the previous quarter. New construction deliveries remained the same at 8,034 SF and there is currently 119,000 SF under construction in the submarket.

The tenant base in Preston Center largely consists of financial and professional services firms, and most of these tenants have a small footprint—only about a dozen companies occupy more than 25,000 SF in the submarket. As of the end of 2018, only Terraces at Douglas Center had more than 25,000 SF of contiguous space available.

Market Snapshot

Rental Rates

Vacancy



Construction

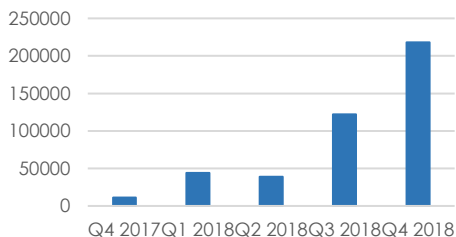
Absorption



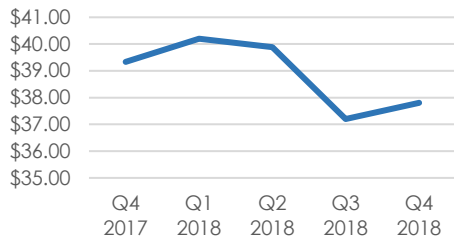
Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Preston Center	6,082,194 SF	443,045 SF	7.28%	217,925 SF	8,034 SF	119,000 SF	\$37.80/SF	\$39.41/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF

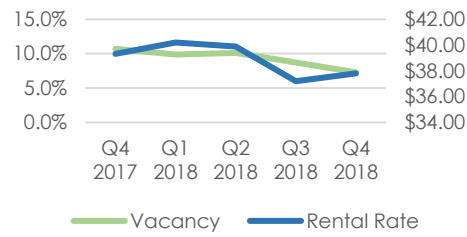
Net Absorption



Gross Asking Rents/SF



Vacancy Vs Rental Rate



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Central Expressway | Q4 2018

Market Insights:

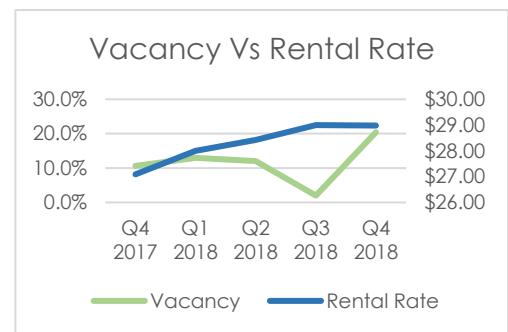
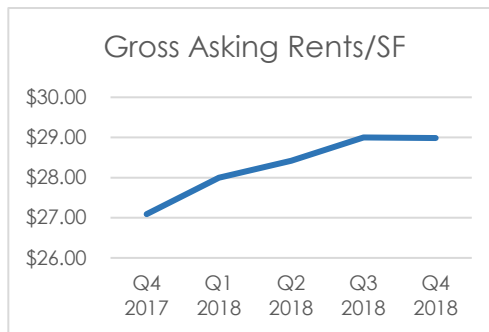
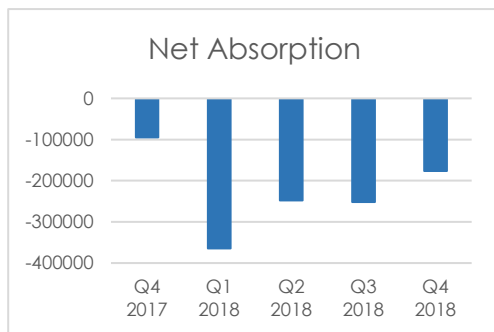
The Central Expressway Submarket ended the fourth quarter of 2018 with a vacancy rate of 20.41%. The vacancy rate increased from the previous quarter, with a YTD net absorption of -176,466 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$28.99/SF across all classes, decreasing from \$29.00/SF in the previous quarter. New construction deliveries increasing from 0 SF to 27,178 SF and there is currently 38,848 SF under construction in the submarket.

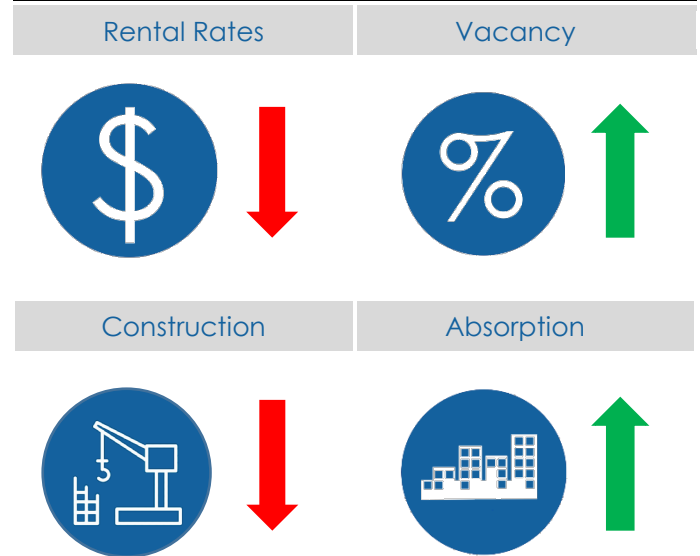
The removal of older, obsolete space from the submarket inventory helped fundamentals as well, especially because only a few thousand SF of supply has delivered in this cycle. Roughly two-thirds of the submarket's office RBA is within a 10-minute walk of a DART station.

Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Central Expressway	15,058,474 SF	1,760,217 SF	20.41%	-176,466 SF	27,178 SF	38,848 SF	\$28.99/SF	\$30.83/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



Market Snapshot



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Uptown/Turtle Creek | Q4 2018

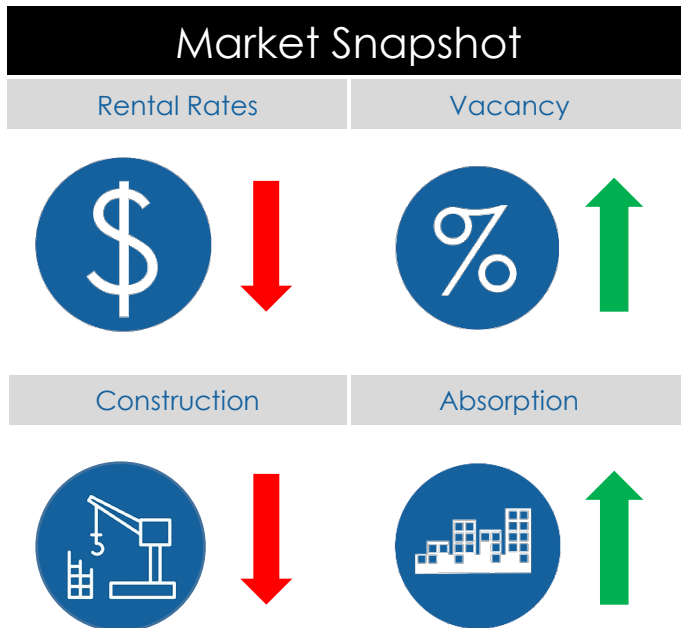
Market Insights:

The Uptown/Turtle Creek Submarket ended the fourth quarter of 2018 with a vacancy rate of 13.99%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 278,198 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$38.97/SF across all classes, decreasing from \$39.08/SF in the previous quarter. New construction deliveries increased from 624,300 SF to 1,044,988 SF and there is currently 265,860 SF under construction in the submarket.

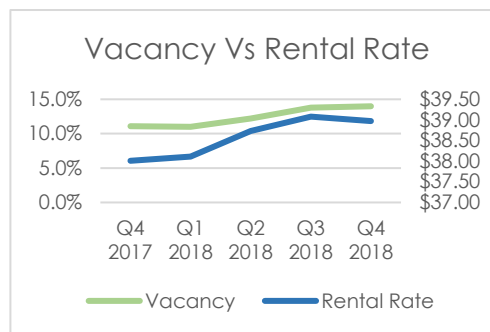
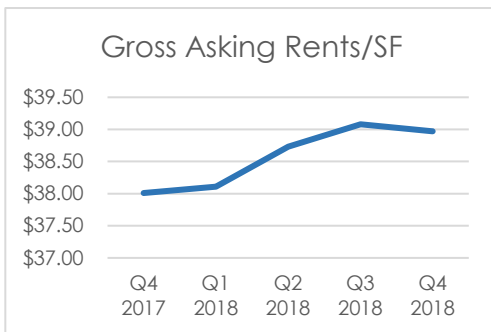
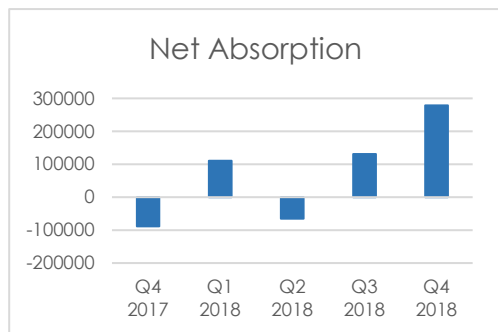
Spaces signed on for 66,000 SF at 1919 McKinney in 2016, and WeWork opened a 44,000-SF location at 1920 McKinney in 2017 and will take another 52,000 SF at 3090 Olive in early 2019.

Market Snapshot



Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Uptown/Turtle Creek	15,727,731 SF	2,386,391 SF	13.99%	278,198 SF	1,044,988 SF	265,860 SF	\$38.97/SF	\$41.67/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



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Dallas CBD | Q4 2018

Market Insights:

The Dallas CBD Submarket ended the fourth quarter of 2018 with a vacancy rate of 7.11%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 669,359 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$24.97/SF across all classes, increasing from \$24.97/SF in the previous quarter. New construction deliveries remained the same at 261,400 SF and there is currently 163,025 SF under construction in the submarket.

Goldman Sachs consolidated its D-FW operations in 175,000 SF at the Trammell Crow Center in early 2018, moving from Las Colinas. Also, after previously agreeing to move to The Union in Uptown, law firm Vinson & Elkins decided instead to stay put at the Trammell Crow Center. WeWork took more than 80,000 SF in the CBD at Thanksgiving Tower midyear 2018.

Market Snapshot

Rental Rates

Vacancy



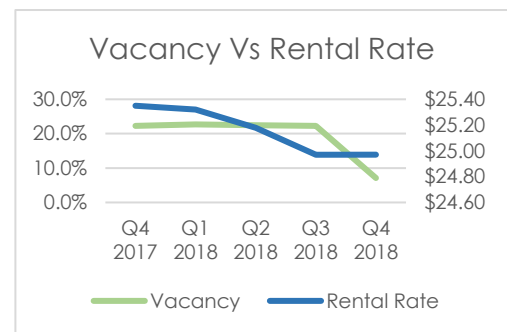
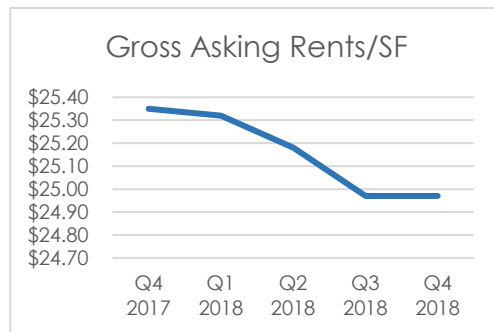
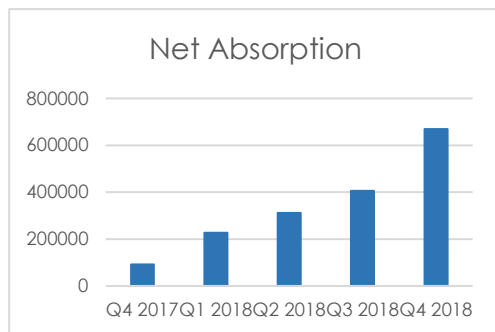
Construction

Absorption



Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Dallas CBD	33,832,681 SF	7,263,645 SF	7.11%	669,359 SF	261,400 SF	163,025 SF	\$24.97/SF	\$25.72/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



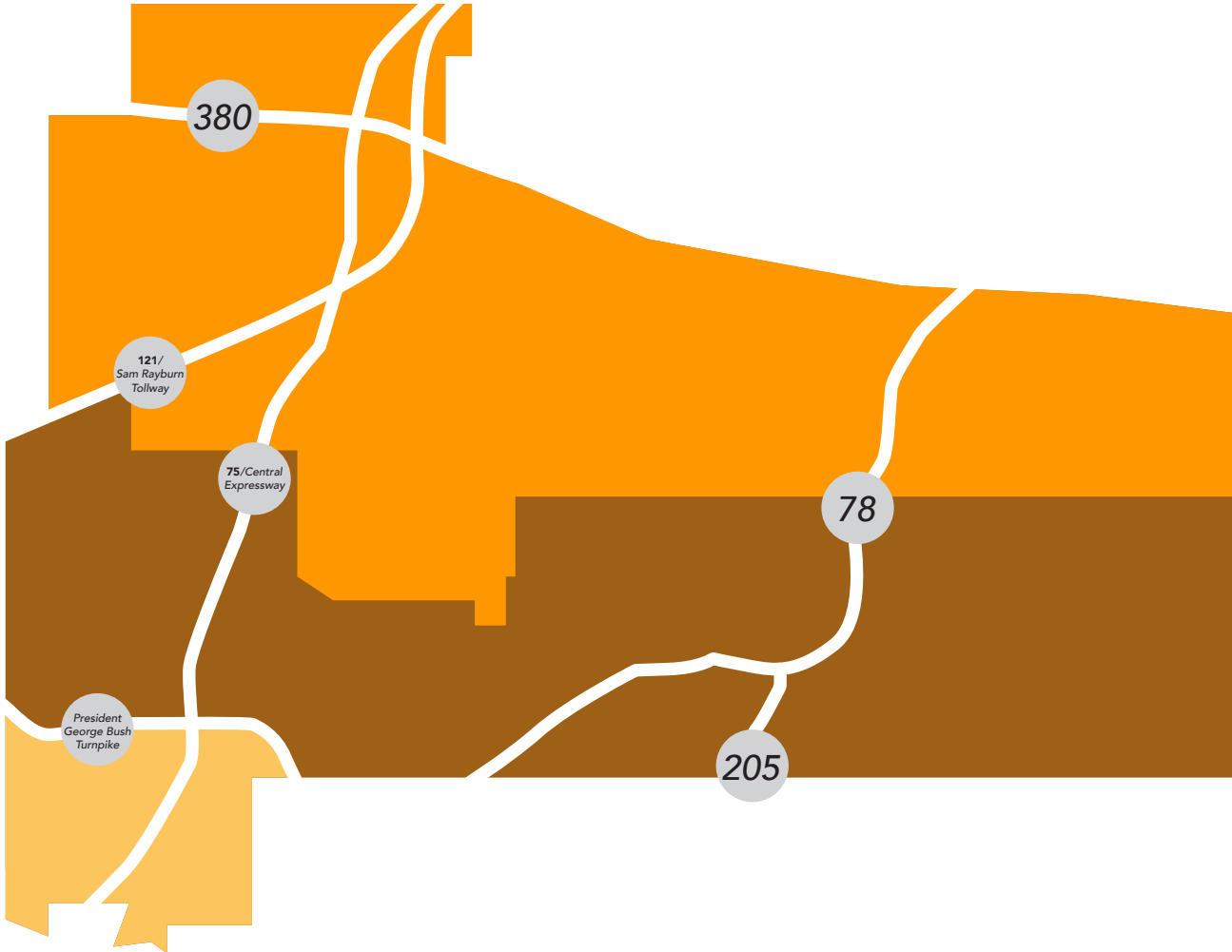
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Upper Central Expressway



Legend

	Allen/McKinney
	Plano
	Richardson



Allen/McKinney | Q4 2018

Market Insights:

The Allen/McKinney Submarket ended the fourth quarter of 2018 with a vacancy rate of 9.56%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 394,169 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$27.62/SF across all classes, decreasing from \$27.67/SF in the previous quarter. New construction deliveries increased from 376,122 SF to 448,219 SF and there is currently 401,105 SF under construction in the submarket.

Major tenants include Raytheon, Experian, and United American Insurance Company, and recent additions include CVE Technology and Barclays. Other companies, like WatchGuard (new headquarters in 2018), are adding hundreds of office-using jobs. Independent Bank Group is building a 165,000-SF headquarters at Craig Ranch in McKinney, which should complete by early 2019.

Market Snapshot

Rental Rates

Vacancy



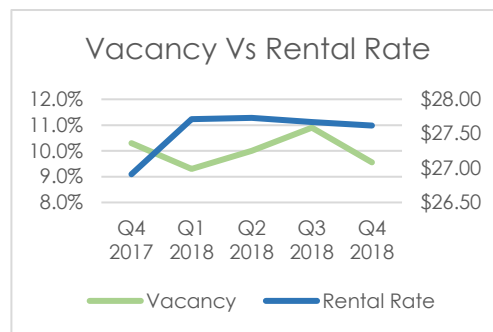
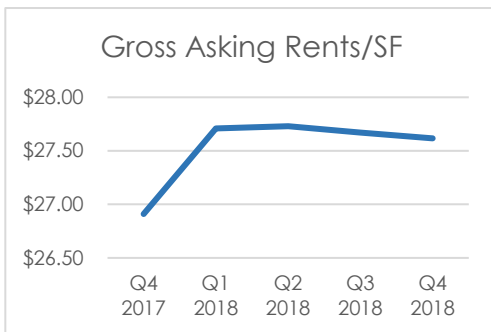
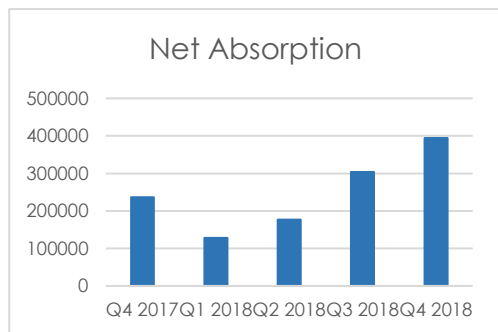
Construction

Absorption



Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Allen/McKinney	9,087,234 SF	913,373 SF	9.56%	394,169 SF	448,219 SF	401,105 SF	\$27.62/SF	\$30.78/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



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Plano | Q4 2018

Market Insights:

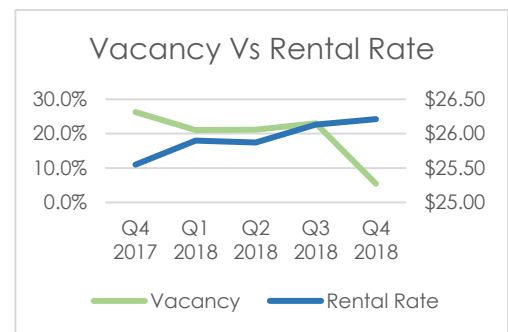
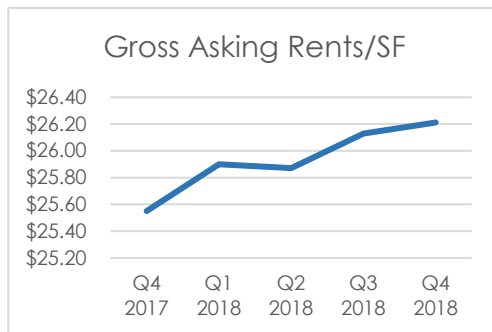
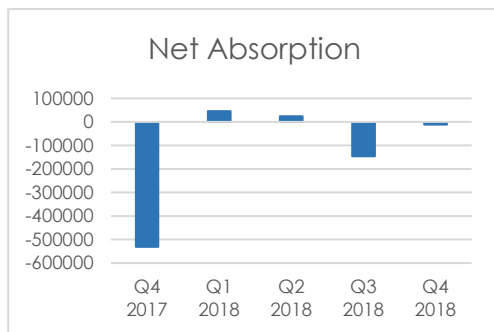
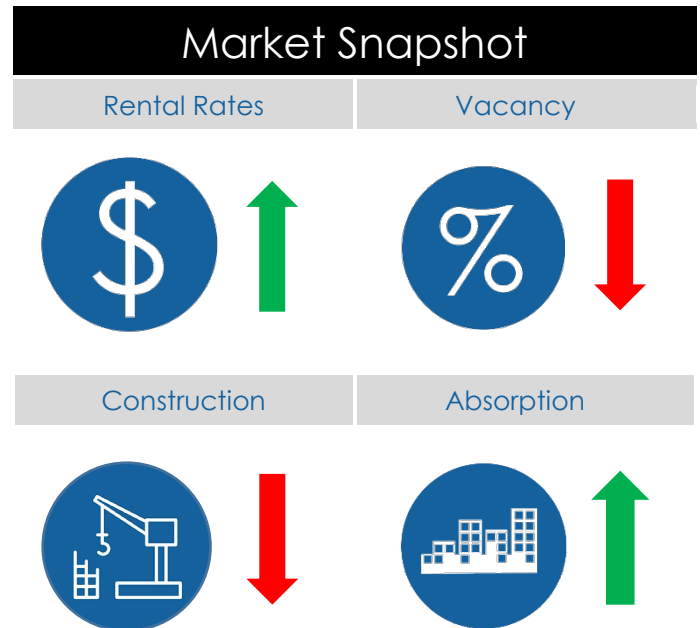
The Plano Submarket ended the fourth quarter of 2018 with a vacancy rate of 5.45%. The vacancy rate increased from the previous quarter, with a YTD net absorption of -12,042 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$26.21/SF across all classes, increasing from \$26.13/SF in the previous quarter. New construction deliveries increased from 30,730 SF to 54,952 SF and there is currently 13,470 SF under construction in the submarket.

The Plano office submarket has not experienced the same type of growth as its neighbors have this cycle. Despite recent move-outs, there is some positive leasing momentum in the submarket, especially at the newly renovated Legacy Central. For example, Samsung moved into 216,000 SF at Legacy Central in early 2019. Also, in Legacy Central, indoor cycling tech company Peloton took 27,500 SF in 18Q3.

Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Plano	9,593,521 SF	2,096,986 SF	5.45%	-12,042 SF	54,952 SF	13,470 SF	\$26.21/SF	\$29.53/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



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Richardson | Q4 2018

Market Insights:

The Richardson Submarket ended the fourth quarter of 2018 with a vacancy rate of 4.97%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 353,518 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$23.71/SF across all classes, increasing from \$22.84/SF in the previous quarter. New construction deliveries remained the same at 90,938 SF and there is currently 41,000 SF under construction in the submarket.

Goldman Sachs moved into its new regional office at Trammell Crow Center in the Dallas CBD in early 2018 but also took 44,000 SF at Galatyn Commons in Richardson in 2017. Similarly, Steward Health signed on for 165,000 SF at Galatyn Commons. Technology firm Infosys signed on for roughly 100,000 SF at 2400 Glenville in 18Q3.

Market Snapshot

Rental Rates

Vacancy



Construction

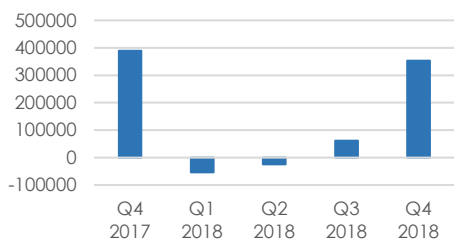
Absorption



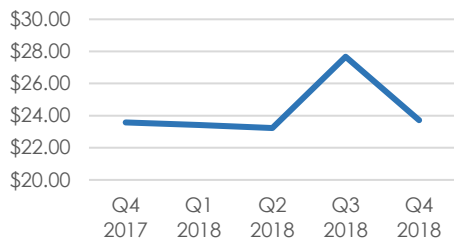
Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Richardson	23,145,865 SF	3,237,135 SF	4.97%	353,518 SF	90,938 SF	41,000 SF	\$23.71/SF	\$26.25/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF

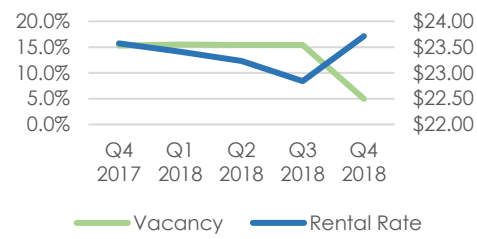
Net Absorption



Gross Asking Rents/SF



Vacancy Vs Rental Rate



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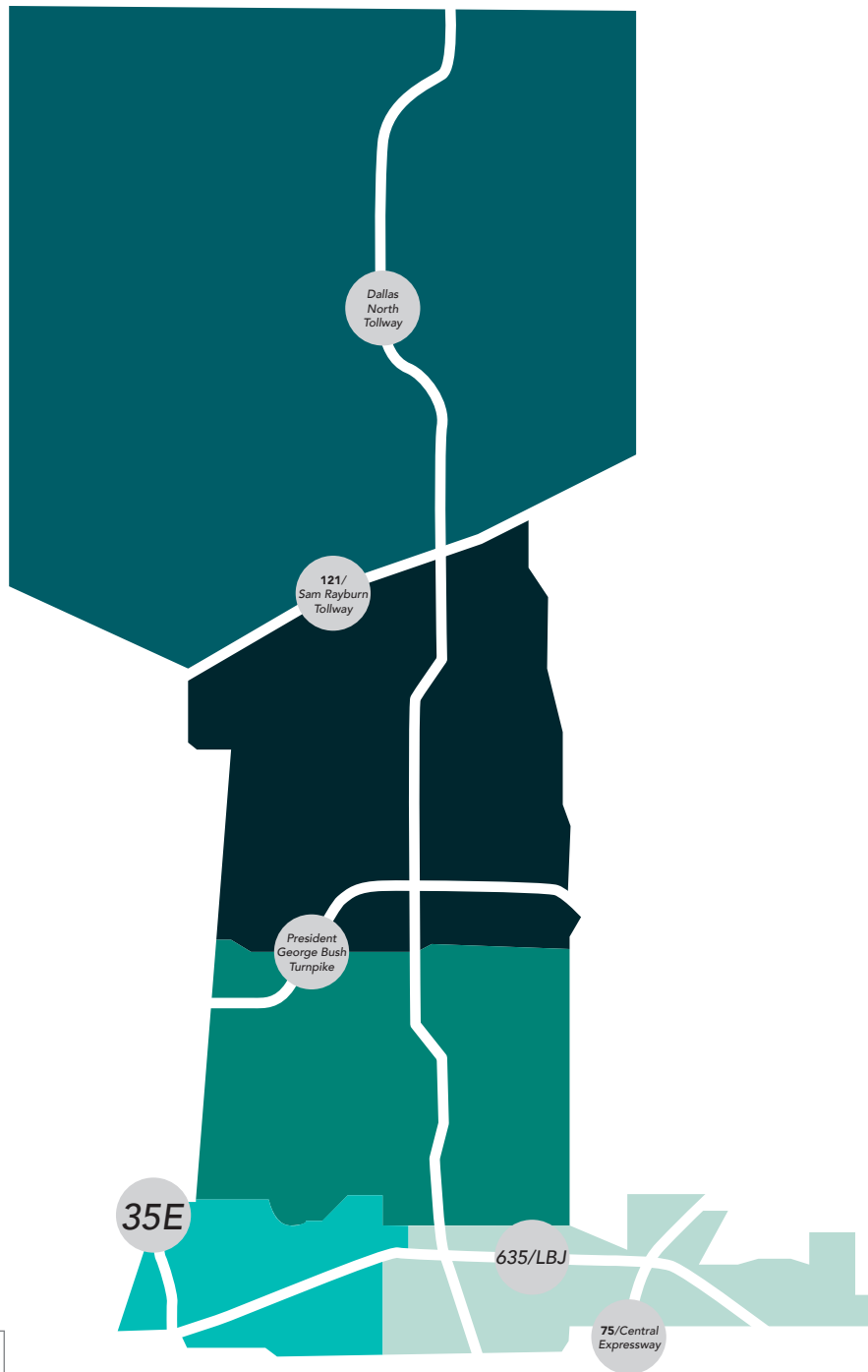
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Far North Dallas



Legend

-  Frisco/The Colony
-  Upper Tollway/West Plano
-  Quorum/Bent Tree
-  West LBJ Freeway
-  East LBJ Freeway



Frisco/The Colony | Q4 2018

Market Insights:

The Frisco/The Colony Submarket ended the fourth quarter of 2018 with a vacancy rate of 7.36%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 627,804 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$33.47/SF across all classes, increasing from \$33.21/SF in the previous quarter. New construction deliveries increased from 749,883 SF to 821,086 SF and there is currently 290,244 SF under construction in the submarket.

As of 18Q4, there were only 10 existing or under-construction buildings with more than 25,000 SF of contiguous space available. Hall Park's new 306,000-SF spec tower had no leases signed when it opened in 18Q1 but was about 80% leased by 18Q4.

Market Snapshot

Rental Rates

Vacancy



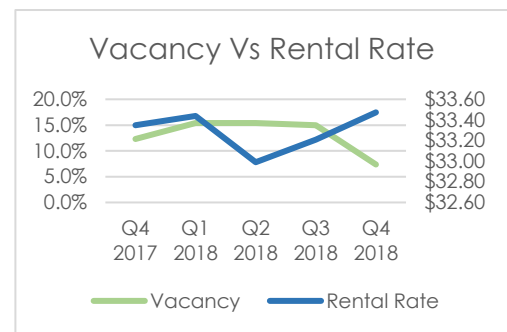
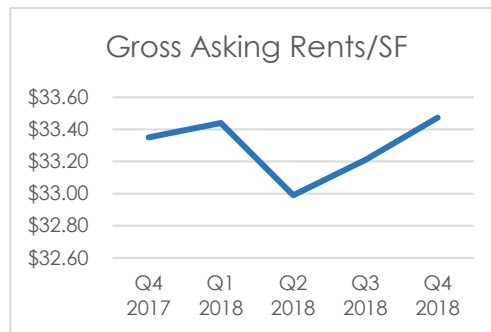
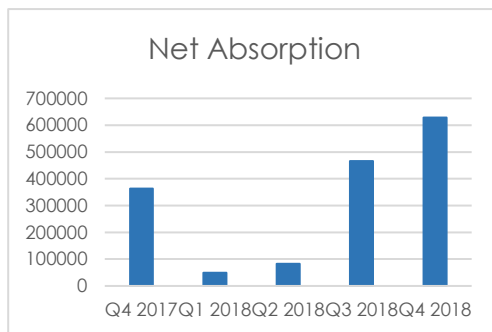
Construction

Absorption



Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Frisco/ The Colony	8,120,369 SF	1,190,625 SF	7.36%	627,804 SF	821,086 SF	290,244 SF	\$33.47/SF	\$34.18/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



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Upper Tollway/West Plano | Q4 2018

Market Insights:

The Upper Tollway/West P. Submarket ended the fourth quarter of 2018 with a vacancy rate of 21.18%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 932,741 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$31.06/SF across all classes, decreasing from \$31.10/SF in the previous quarter. New construction deliveries decreased from 1,503,517 SF to 1,320,817 SF and there is currently 1,026,059 SF under construction in the submarket.

AmerisourceBergen will consolidate its North Texas operations in Carrollton at Billingsley Company's Austin Ranch development just south of Highway 121. The company will employ over 1,000 workers at a 300,000-SF facility when it completes in 2019 and will have enough space to add 2,000 more employees over the next decade.

Market Snapshot

Rental Rates

Vacancy



Construction

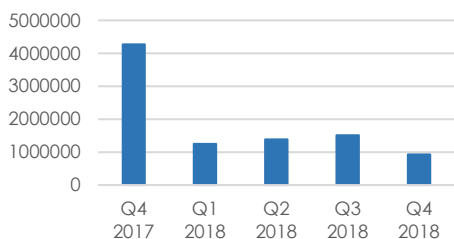
Absorption



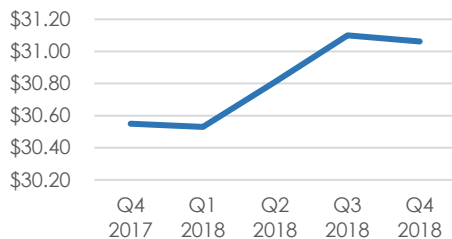
Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Upper Tollway/West Plano	33,320,754 SF	4,042,270 SF	21.18%	932,741 SF	1,320,817 SF	1,026,059 SF	\$31.06/SF	\$33.24/SF
Dallas/Fort Worth Total	183,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF

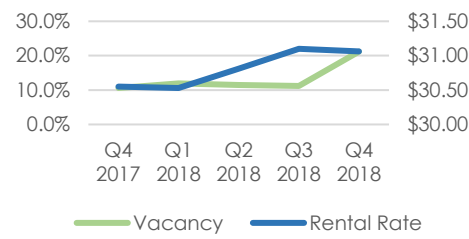
Net Absorption



Gross Asking Rents/SF



Vacancy Vs Rental Rate



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Quorum/Bent Tree | Q4 2018

Market Insights:

The Quorum/Bent Tree Submarket ended the fourth quarter of 2018 with a vacancy rate of 12.13%. The vacancy rate increased from the previous quarter, with a YTD net absorption of -144,634 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$25.35/SF across all classes, decreasing from \$25.48/SF in the previous quarter. New construction deliveries increased from 240,000 SF to 249,564 SF and there is currently 15,623 SF under construction in the submarket.

In 17Q4, JPMorgan Chase and Fannie Mae moved out of the submarket to their recently completed build-to-suits in the Upper Tollway/West Plano Submarket. The companies left behind more than 750,000 SF combined at International Plaza, none of which has been backfilled.

Market Snapshot

Rental Rates

Vacancy



Construction

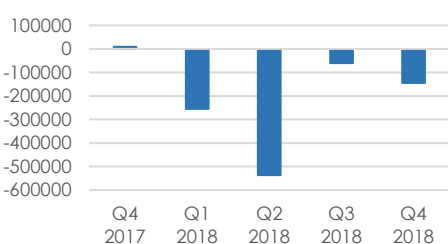
Absorption



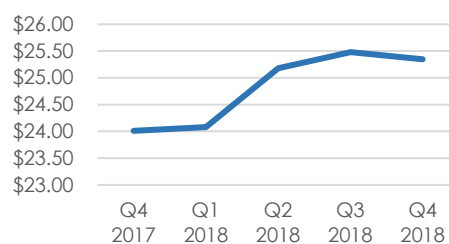
Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Quorum/Bent Tree	24,068,150 SF	4,912,345 SF	12.13%	-144,634 SF	249,564 SF	15,623 SF	\$25.35/SF	\$29.70/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF

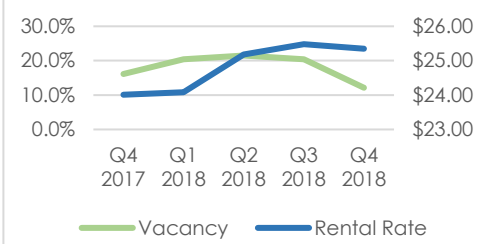
Net Absorption



Gross Asking Rents/SF



Vacancy Vs Rental Rate



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West LBJ Freeway | Q4 2018

Market Insights:

The West LBJ Freeway Submarket ended the fourth quarter of 2018 with a vacancy rate of 15.17%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 54,006 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$19.49/SF across all classes, increasing from \$19.44/SF in the previous quarter. There were no new construction deliveries this quarter, and there is currently nothing under construction in the submarket.

West LBJ Freeway is a secondary office node within commuting distance of most of the affluent northern Dallas suburbs. The IRS is the largest tenant in the submarket, occupying roughly 350,000 SF at The Centre Office Park. Vacancies in 4- & 5-Star properties could rise in the near future though, since Granite Tower has nearly 50,000 SF of pending move-outs through early 2019.

Market Snapshot

Rental Rates

Vacancy



Construction

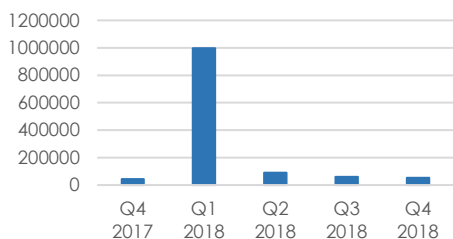
Absorption



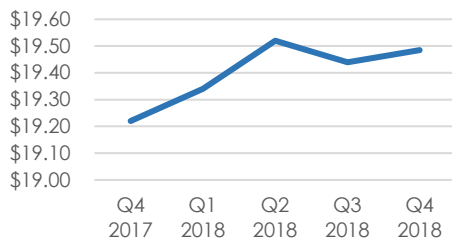
Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
West LBJ Freeway	5,322,457 SF	923,366 SF	15.17%	54,006 SF	0 SF	0 SF	\$19.49/SF	\$20.93/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF

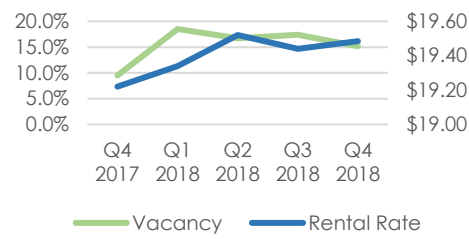
Net Absorption



Gross Asking Rents/SF



Vacancy Vs Rental Rate



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East LBJ Freeway | Q4 2018

Market Insights:

The East LBJ Freeway Submarket ended the fourth quarter of 2018 with a vacancy rate of 16.48%. The vacancy rate increased from the previous quarter, with a YTD net absorption of -312,717 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$23.14/SF across all classes, increasing from \$23.11/SF in the previous quarter. There were no new construction deliveries this quarter, and there is currently nothing under construction in the submarket.

The submarket will see another big move-out in early 2019, when Brinker International leaves its campus for a new build-to-suit in Cypress Waters in the DFW Freeport/Coppell Submarket. another big recent move involved GuideStone Financial, the financial services arm of the Southern Baptist Convention, which took 115,000 SF at Pinnacle Tower in 18Q3.

Market Snapshot

Rental Rates

Vacancy



Construction

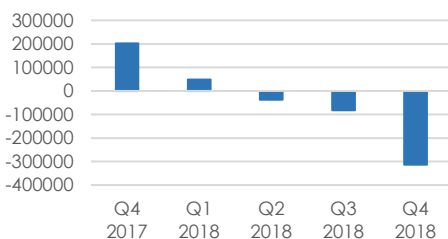
Absorption



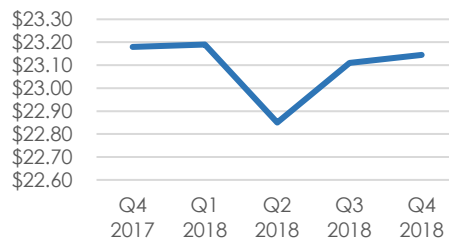
Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
East LBJ Freeway	17,934,108 SF	4,058,890 SF	16.48%	-312,717 SF	0 SF	0 SF	\$23.14/SF	\$26.50/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF

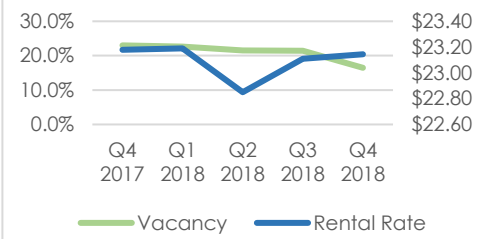
Net Absorption



Gross Asking Rents/SF



Vacancy Vs Rental Rate



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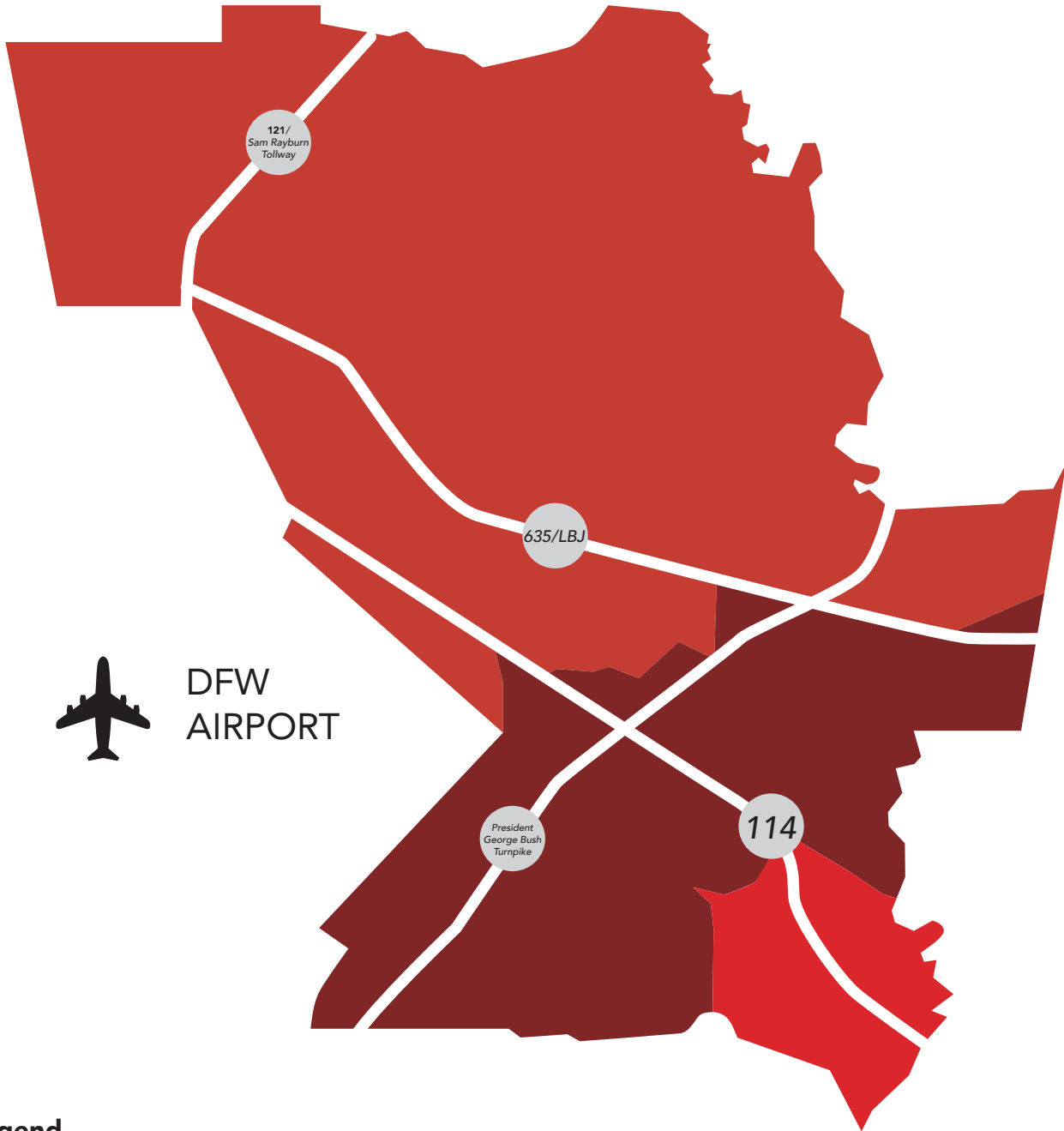
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Las Colinas Office Market



Legend

- DFW Freeport/Coppell
- Office Ctr/West LBJ Ext
- Urban Center/Wingren



DFW Freeport/Coppell | Q4 2018

Market Insights:

The DFW Freeport/Coppell Submarket ended the fourth quarter of 2018 with a vacancy rate of 17.35%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 304,809 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$22.92/SF across all classes, increasing from \$22.79/SF in the previous quarter. New construction deliveries increased from 561,413 SF to 675,913 SF and there is currently 1,057,700 SF under construction in the submarket.

Cypress Waters now boasts headquarters for CoreLogic, 7-Eleven, Nationstar Mortgage and Signet Jewelers (Zales), totaling more than 1 million SF. One more build-to-suit is on the way at Cypress Waters: Billingsley is building a 216,000-SF facility for Brinker International, which is moving from its campus in the East LBJ Submarket in mid-2019.

Market Snapshot

Rental Rates

Vacancy



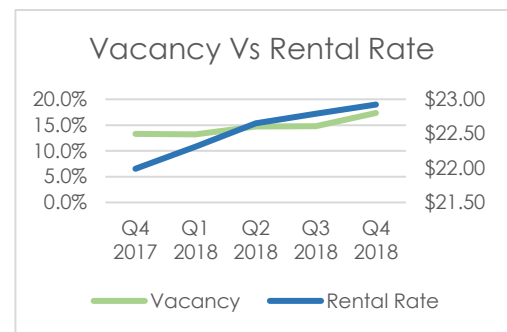
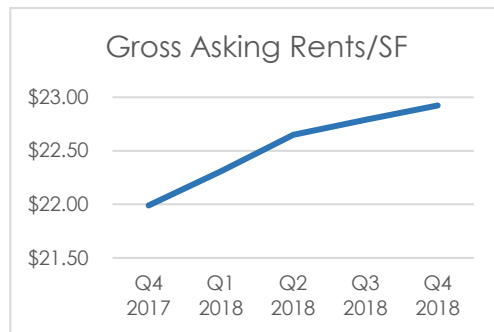
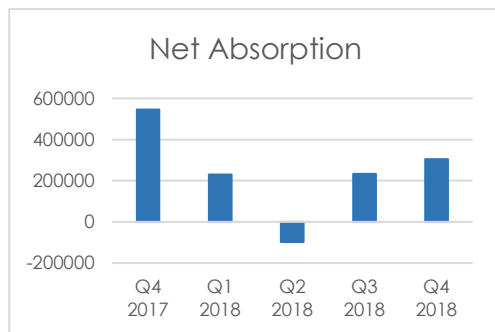
Construction

Absorption



Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
DFW Freeport/Coppell	14,898,200 SF	2,122,495 SF	17.35%	304,809 SF	675,913 SF	1,057,700 SF	\$22.92/SF	\$24.79/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



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Office Center/West LBJ Ext | Q4 2018

Market Insights:

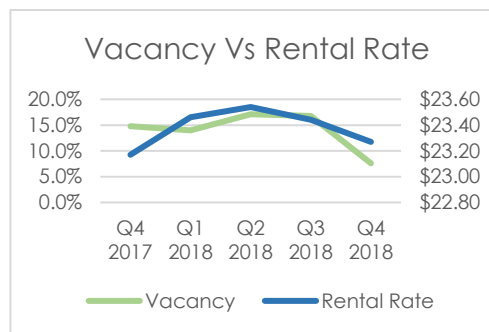
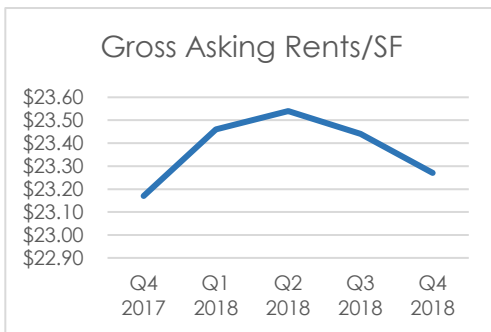
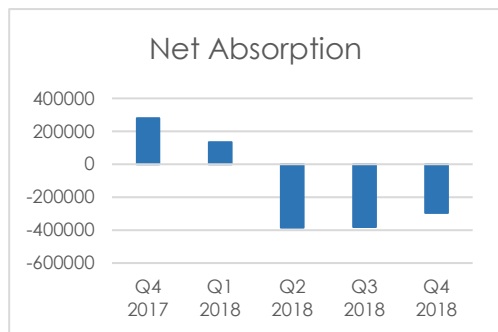
The Office Center/West LBJ Ext Submarket ended the fourth quarter of 2018 with a vacancy rate of 7.58%. The vacancy rate increased from the previous quarter, with a YTD net absorption of -294,699 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$23.27/SF across all classes, decreasing from \$23.44/SF in the previous quarter. There were no new construction deliveries this quarter, and there is currently 1,125,000 SF under construction in the submarket.

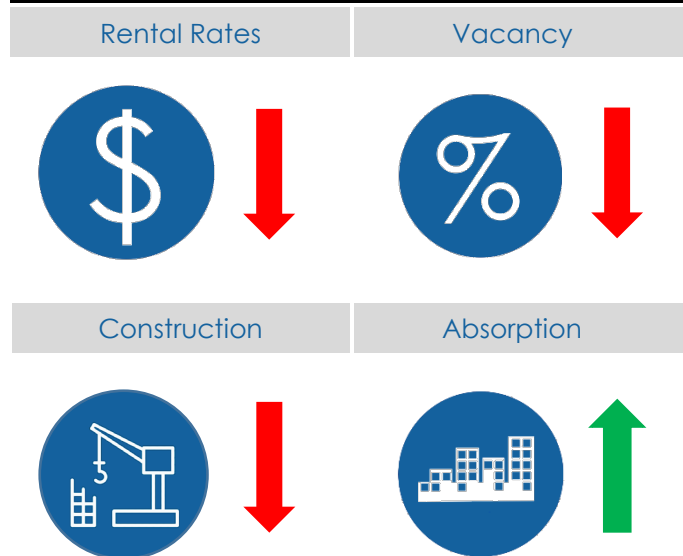
Gartner, Inc. backfilled Goldman Sachs' 152,000-SF at Las Colinas Connection shortly after Goldman moved to Trammell Crow Center in the Dallas CBD in early 2018. Most recently, Varidesk acquired the old Signet Jewelers campus in late 2018, though immediate plans for the facility are not yet certain.

Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Office Center/West LBJ Ext	16,847,924 SF	2,790,988 SF	7.58%	-294,699 SF	0 SF	1,125,000 SF	\$23.27/SF	\$26.21/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



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Urban Center/Wingren | Q4 2018

Market Insights:

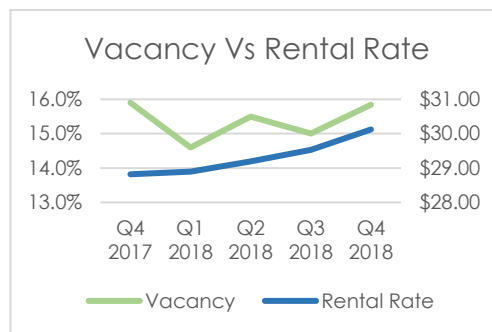
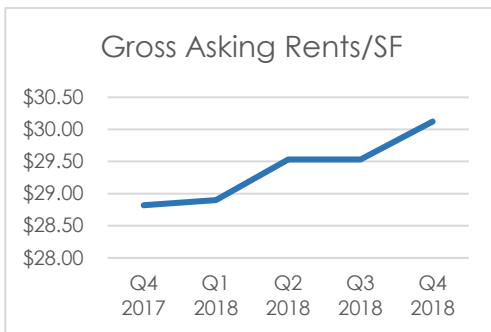
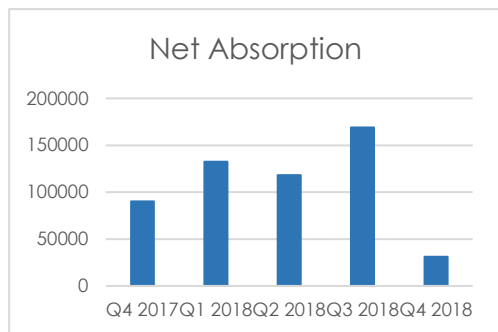
The Urban Center/Wingren Submarket ended the fourth quarter of 2018 with a vacancy rate of 15.84%. The vacancy rate increased from the previous quarter, with a YTD net absorption of 31,247 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$30.12/SF across all classes, increasing from \$29.53/SF in the previous quarter. New construction deliveries remained the same at 100,000 SF, and there is currently nothing under construction in the submarket.

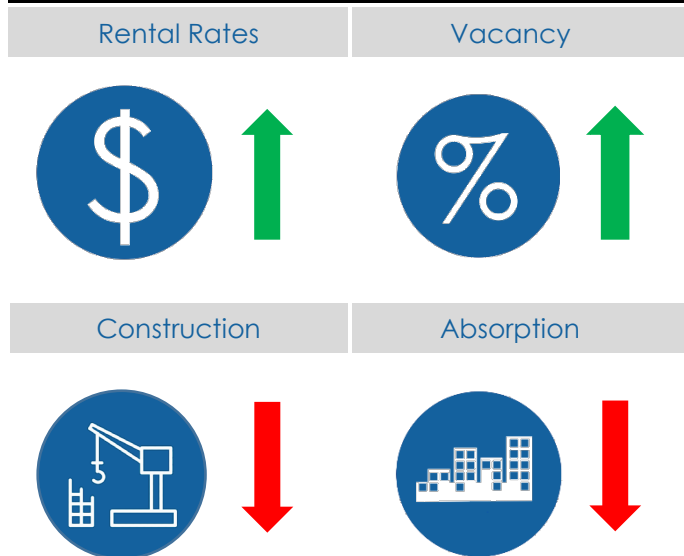
Vacancies are also well below the submarket's historical average of about 24%. Fundamentals are likely to take a big hit in 2019, when the second-biggest tenant in the submarket, Pioneer Natural Resources, moves to the Hidden Ridge development in the neighboring Office Center/West LBJ Submarket. If the space isn't backfilled, it will represent more than 500,000 SF of vacancy at Williams Square.

Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Urban Center/Wingren	9,740,847 SF	1,604,951 SF	15.84%	31,247 SF	100,000 SF	0 SF	\$30.12/SF	\$31.44/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



Market Snapshot



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Fort Worth CBD



Ft Worth CBD | Q4 2018

Market Insights:

The Ft Worth CBD Submarket ended the fourth quarter of 2018 with a vacancy rate of 8.47%. The vacancy rate increased from the previous quarter, with a YTD net absorption of -2,177 SF to finish Q4 2018.

Rental rates ended the fourth quarter at \$27.83/SF across all classes, decreasing from \$28.73/SF in the previous quarter. There were no new construction deliveries this quarter, and there is currently nothing under construction in the submarket.

In terms of recent leasing, Frost Tower delivered in 18Q2 while 50% leased to its namesake tenant, Frost Bank, and to Jetta Operating Company. Frost Tower landed another big tenant in 18Q3 when Whitley Penn signed on for 46,000 SF, bringing the building to about 70% leased. In late 2018, WeWork agreed to take roughly 38,000 SF across two buildings at Sundance Square.

Market Snapshot

Rental Rates

Vacancy



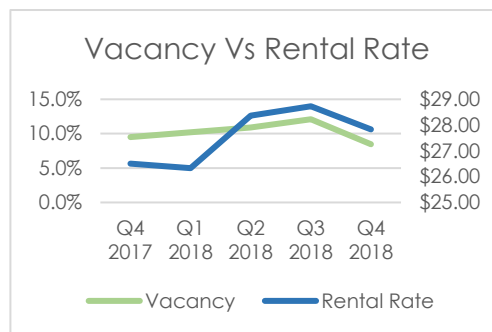
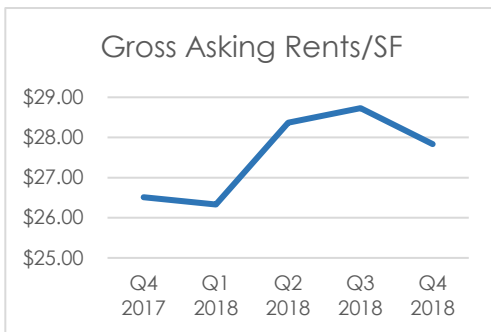
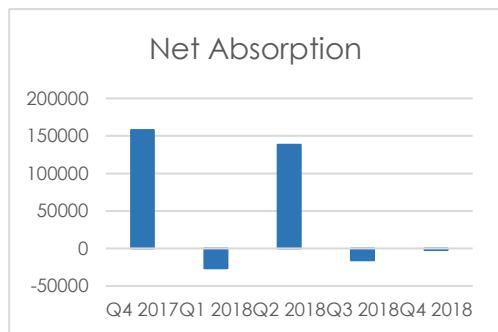
Construction

Absorption



Market Statistics

	Inventory	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	YTD Deliveries	Under Construction	Rates - All Classes	Rates - Class A
Ft Worth CBD	12,147,569 SF	1,453,343 SF	8.47%	-2,177 SF	0 SF	0 SF	\$27.83/SF	\$30.28/SF
Dallas/Fort Worth Total	383,559,579 SF	56,103,570 SF	14.63%	4,965,336 SF	6,366,179 SF	8,047,611 SF	\$25.61/SF	\$29.10/SF



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