

DALLAS OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
DFW Employment	2.57M	2.66M	▲
DFW Unemployment	3.4%	3.5%	▼
U.S. Unemployment	4.4%	3.9%	▼

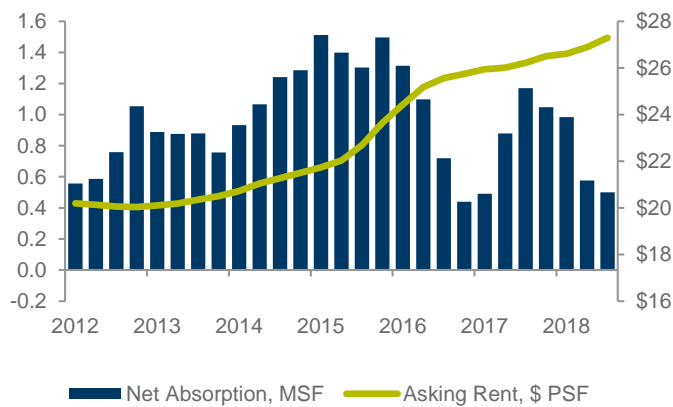
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	16.2%	18.8%	▲
Net Absorption (sf)	1.8M	-177k	▼
Under Construction (sf)	6.3M	3.5M	▼
Average Asking Rent*	\$26.04	\$26.47	▼

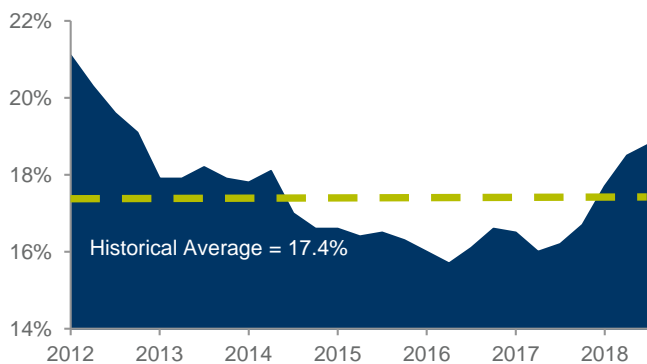
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Dallas-Fort Worth-Arlington economy continues to thrive, as population and employment growth persist. According to Moody's Analytics, the region's population increased by 142,000 year-over-year, reaching a population of 7.6 million people through the end of September, equating to an average of 390 new residents per day. During the same time period, the Dallas-Fort Worth-Arlington employment base increased by 113,200. In contrast, the unemployment rate remained the same, increasing by less than 10 basis points (bps) to 3.5% at the close of Q3 2018. Since Q3 2017, 30,000 office jobs have been added to the office sector, which includes business and professional services, information/technology, and financial activities. The business and professional services category accounts for 62% (620,000 jobs) of the entire office sector employment base (1,000,000 jobs) and is the leading indicator for office space demand.

Market Overview

The office market continues to show growth at the close of the third quarter. The quarter closed with 3.5 million square feet (msf) of new space under construction, down from 6.3 msf at the end of Q3 2017. Of the 3.5 msf under construction, 1.2 msf (38%) is currently preleased. Over 950,000 sf of completions were recorded in Dallas, of which, 75% consisted of speculative product and the balance in built-to-suit. Looking ahead, Cushman & Wakefield is tracking almost 770,000 sf of office space slated for completion through the end of 2018, bringing the total amount of new product to almost 4.0 msf for the year.

Office vacancy in the Dallas-Fort Worth market increased in Q3 2018, climbing 260 bps to 18.8%, year-over-year. The market continues to see a flight to quality, as companies vacate large blocks of space for newer product. NetScout vacated close to 190,000 sf due to a relocation and contraction into 145,000 sf, all within the Richardson/Plano submarket. Other large users such as Liberty Mutual (166,000), AT&T Services (122,000) and XTO Energy (94,000) vacated during Q3 in Las Colinas, Richardson/Plano, and Fort Worth/CBD, respectively. DFW is also seeing an uptick in sublease space. Q3 ended with a total of almost 3.0 msf of vacant sublease space, compared to 1.5 msf in Q3 2017.

Occupancy growth occurred in 10 of the 21 submarkets in Dallas-Fort Worth, with the Lewisville/Carrollton and Uptown submarkets recording the most absorption during Q3 2018.

NationStar occupying a total of 244,000 sf at Lake Vista Three and Four was the main contributor to the 240,000 net absorption seen in Lewisville/Carrollton. In Uptown, Rolex moved into their newly completed 137,000 sf building, accounting for 90% of the 151,000 sf of net absorption. Cushman & Wakefield tracked 1.8 msf of total new move-ins greater than 10,000 sf during the third quarter. About 35%, or 638,000 sf, of those transactions were represented by Cushman & Wakefield.

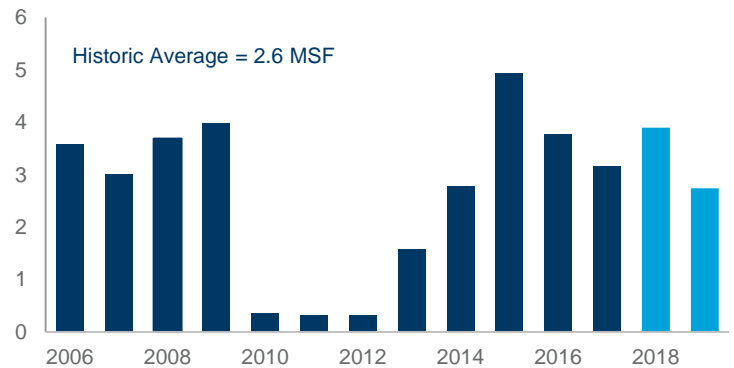
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Dallas-Fort Worth's overall average asking lease rates have continued to level out. The quarter closed at \$26.47 per square foot (psf) on an annual full-service basis, a slight increase from \$26.43 psf at the end of the second quarter. Class A product remained the leader in occupancy, 1.7 msf year-to-date, while Class B product vacancy rose to 18.2% compared to 17.6% at the end of Q3 2017. The absorption of Class A space and rise in vacancy of Class B was responsible for keeping the overall gross average rental rates stable. Uptown, Preston Center and Arts District continue to quote the highest Class A rental rates (\$50.11 psf, \$43.56 psf, \$39.89 psf)

Outlook

- Cushman & Wakefield is predicting deal activity to remain strong, due to more than 5.2 msf of active prospects in the market.
- A large number of office tenants will continue to renegotiate leases throughout 2018, as many 10-year leases were signed during the downturn in 2008 and 2009.
- Landlords will continue to update older buildings and add amenities to keep up with tenant demands and compete with newer product.
- The Dallas market is still seeing a good balance of corporate relocation activity and organic growth from existing company expansions.

New Office Construction Pipeline
CURRENT ACTIVITY EXCEEDS HISTORICAL AVERAGE

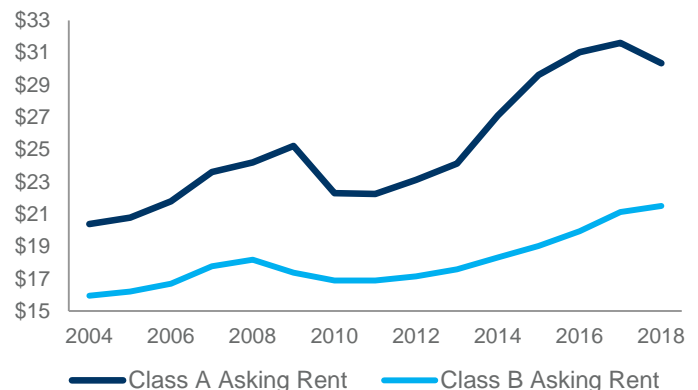


Volume of activity in 2018 and 2019 is projected based on current under construction or recently delivered

Direct vs. Sublease Space Available Comparison
Q3 2018



CLASS A & B Asking Rent Trend



MARKETBEAT

Dallas / Fort Worth

Office Q3 2018



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	Q3 NET ABSORPTION	2018 YTD NET ABSORPTION	UNDER CONSTRUCTION	COMPLETIONS	OVERALL RATE (ALL CLASSES)	OVERALL RATE (CLASS A)
CBD Core	37	18,556,270	534,335	4,791,262	28.7%	129,971	76,472	35,710	0	\$21.60	\$21.90
Arts District	9	6,094,382	11,519	1,225,150	20.3%	-53,084	358,117	0	0	\$39.89	\$39.89
West End	20	3,631,213	63,224	851,368	25.2%	27,195	-19,981	102,315	0	\$26.92	\$27.44
DALLAS CBD TOTAL	66	28,281,865	609,078	6,867,780	26.4%	104,082	414,608	138,025	0	\$25.32	\$26.04
North Central Expressway	81	12,735,395	62,442	1,806,712	14.7%	49,772	61,439	0	0	\$28.24	\$29.45
Preston Center	34	3,925,769	33,122	408,671	11.3%	68,171	96,241	85,000	0	\$41.04	\$43.56
Uptown	47	8,517,777	249,721	1,039,248	15.1%	150,671	145,281	654,375	0	\$45.14	\$50.11
Turtle Creek	39	4,047,979	230,678	503,298	13.2%	-17,496	58,395	19,760	0	\$38.17	\$40.14
West Love Field	77	10,280,535	3,824	2,194,737	21.4%	5,667	30,949	0	0	\$16.32	\$18.09
LBJ Freeway	136	18,782,648	126,730	4,157,881	22.9%	3,488	50,452	0	0	\$22.23	\$26.13
Las Colinas	243	32,721,180	959,364	4,919,041	18.0%	-393,266	-148,483	1,621,400	364,500	\$25.58	\$26.86
Far North Dallas	174	20,018,295	230,701	4,146,915	21.9%	65,826	-773,896	0	240,000	\$27.40	\$32.65
Richardson/Plano	246	25,344,719	292,287	4,701,745	19.7%	27,053	547,347	0	235,000	\$25.08	\$28.50
Southlake/Westlake	77	5,277,089	18,976	1,420,774	27.3%	0	1,883	30,000	0	\$28.19	\$28.58
Mid Cities	132	9,788,507	20,279	1,529,640	15.8%	0	18,883	0	0	\$18.19	\$20.97
Lewisville/Carrollton	85	4,885,298	9,645	296,267	6.3%	238,441	206,078	0	21,750	\$21.12	N/A
Southwest Dallas	39	1,763,003	0	174,414	9.9%	0	-6,350	0	0	\$17.30	\$24.93
East Dallas	74	2,678,946	0	307,866	11.5%	0	1,195	251,354	0	\$17.58	N/A
Legacy/Frisco	195	24,243,090	274,382	3,553,911	15.8%	-106,525	268,460	510,000	90,000	\$36.67	\$39.44
DALLAS SUBURBS TOTAL	1,679	185,010,230	2,309,127	31,179,120	18.1%	94,826	560,898	3,171,889	951,250	\$26.83	\$31.42
DALLAS TOTAL	1,745	213,292,095	2,918,205	38,046,900	19.2%	198,908	975,506	3,309,914	951,250	\$26.54	\$29.96
Fort Worth CBD	77	11,229,742	27,462	1,389,627	12.6%	-244,364	-92,838	0	0	\$28.68	\$30.88
East Fort Worth	29	1,617,379	42,645	186,810	14.2%	-12,103	47,331	0	0	\$17.13	N/A
North Fort Worth	21	2,068,910	0	790,383	38.2%	-6,637	-6,782	200,000	0	\$23.06	\$25.09
South Fort Worth	21	1,694,918	4,985	200,244	12.8%	-65,397	-51,383	0	0	\$25.13	\$29.90
West Fort Worth	31	2,506,083	1,827	154,618	6.2%	-47,051	-47,915	0	0	\$24.28	\$24.80
FW SUBURBS TOTAL	102	7,887,290	44,472	1,332,055	17.5%	-131,188	-58,749	200,000	0	\$22.56	\$25.55
FORT WORTH TOTAL	179	19,117,032	71,934	2,721,682	14.6%	-375,552	-151,587	200,000	0	\$25.29	\$28.54
DFW TOTAL	1,924	232,409,127	2,990,139	40,768,582	18.8%	-176,644	823,919	3,509,914	951,250	\$26.47	\$29.78

CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	Q3 NET ABSORPTION**	2018 YTD NET ABSORPTION	UNDER CONSTRUCTION	COMPLETIONS	OVERALL RATE	DIRECT RATE
A	514	135,173,038	2,007,937	24,373,644	19.5%	421,301	1,742,623	3,449,914	725,000	\$29.89	\$30.44
B	1,216	88,210,378	984,823	15,053,283	18.2%	-452,534	-777,942	60,000	266,250	\$21.58	\$21.51
C	194	9,025,711	2,364	1,341,655	14.9%	-145,411	-140,762	0	0	\$16.13	\$16.13
Total	1,924	232,409,127	2,990,139	40,768,582	18.8%	-176,644	823,919	3,509,914	951,250	\$26.47	\$26.70

*Rental rates reflect gross asking \$psf/year

**Revisions to stats were made after the National Office Report was published

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3201 & 3100 Olympus Blvd	357,000	Nokia	Lease	Freepoint
1011 Galatyn	133,000	Steward Health Care	Expansion	Richardson/Plano
13500 Heritage Pkwy	119,000	DynCorp	Lease	North Fort Worth
5120 Legacy Dr	101,000	Eating Recovery Center	Lease	Legacy/Frisco
13727 Noel Rd	101,000	Merit Energy Company	Renewal	Far North Dallas

MARKETBEAT

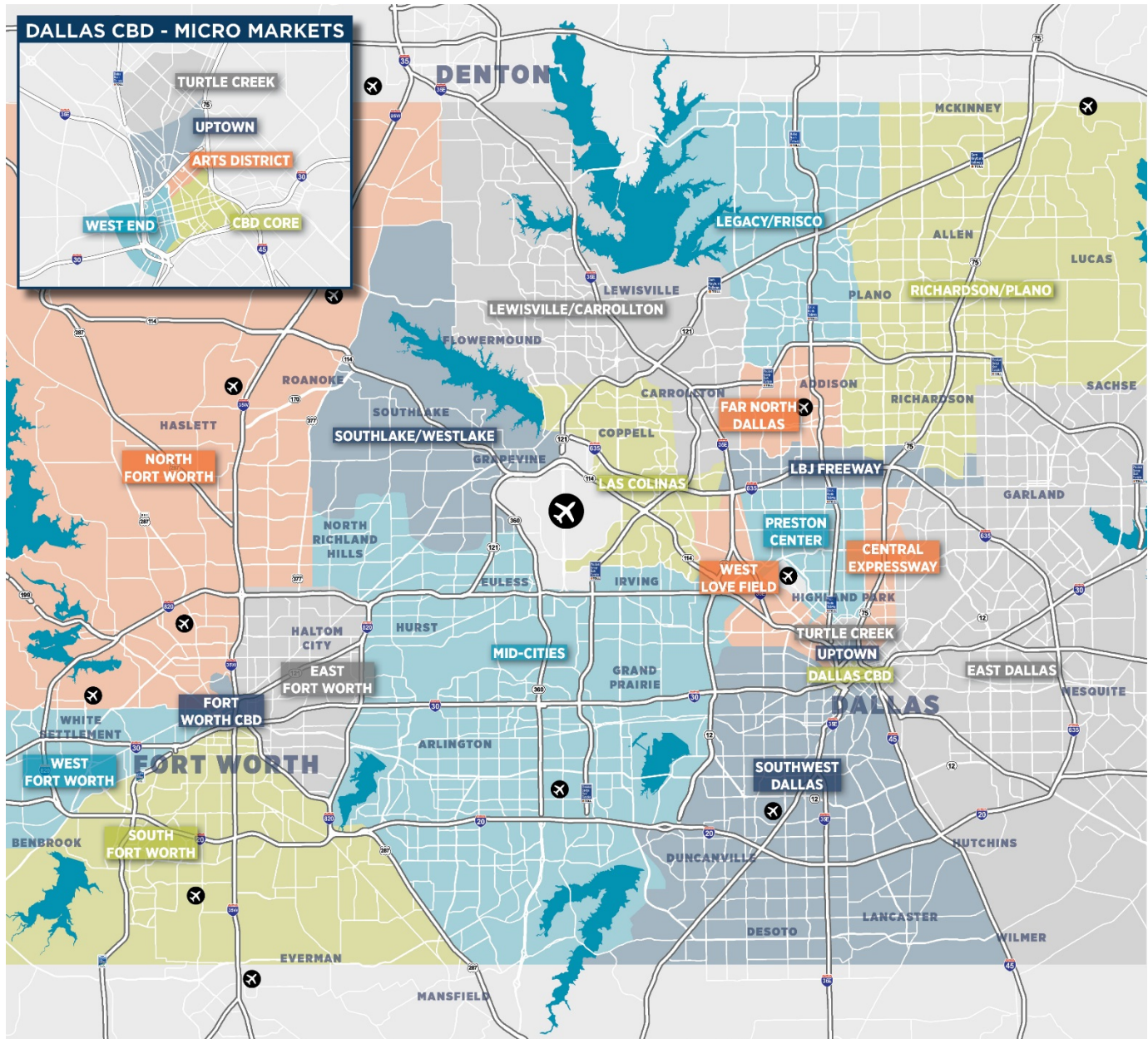
Dallas / Fort Worth

Office Q3 2018



OFFICE SUBMARKETS

DALLAS-FORT WORTH



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