

DALLAS OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
DFW Employment	3.65M	3.74M	▲
DFW Unemployment	3.5%	3.5%	▼
U.S. Unemployment	4.1%	3.8%	▼

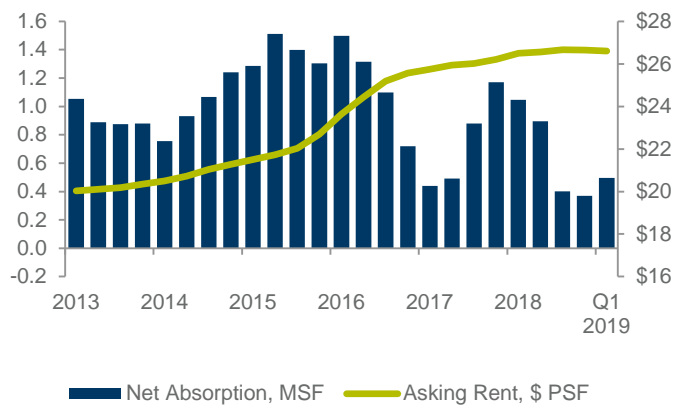
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	17.7%	19.2%	▼
Net Absorption (sf)	0.5M	1.0M	▼
Under Construction (sf)	5.1M	2.1M	■
Average Asking Rent*	\$27.31	\$27.14	▲

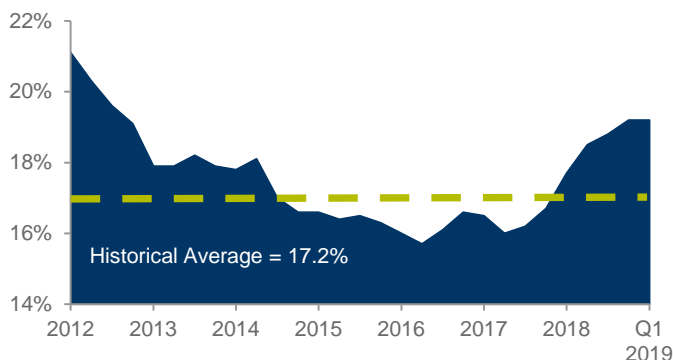
*Rental rates reflect gross asking \$psf/year
Stats are not reflective of U.S. Overview Tables

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 104,000 year-over-year, equating to an average of 290 new residents per day, and reached a population of 7.6 million residents as of March 2019. During the same time period, the Dallas-Fort Worth-Arlington workforce increased by 96,000 residents. The unemployment rate remained stable at 3.5% at the close of Q1 2019. Out of the 99,800 jobs added year-over-year, 27% (26,935 jobs) was attributed to office-using, which includes business and professional services, information/technology, and financial activities. The business and professional services category accounts for the majority or roughly 62% (629,692 jobs) of the entire office employment sector (1,019,467 jobs) and is the leading indicator for office space demand.

Market Overview

The Dallas-Fort Worth (DFW) office market kicked off 2019 with continued momentum, spanning well over half a decade. This was led by strong absorption, declining vacancy and steadily increasing rental rates. The market also delivered 626,000 square feet (sf) of new product during the quarter, with another 2.1 million sf (msf) currently in the pipeline to be delivered at various stages over the next 12 to 24 months. Of the projects completed this quarter, most were delivered preleased as occupiers pursued a flight to quality, which was and will be offset in the form of move-outs of third-generation spaces in Q1 and Q2. The largest property delivered in Q1 was a built-to-suit (BTS) located at 5025 Plano Pkwy. for AmerisourceBergen Specialty Group, totaling 300,000 sf. Projects currently under construction are experiencing a similar trend, with nearly 50% of space commitments prior to completion.

Office vacancy in the DFW market experienced a slight decrease to level out at 19.2%. The recent rise in vacancy (depicted in the chart to the left) was due predominantly to recent development activity and its corresponding impact on the market in terms of tenants vacating third-generation spaces. Direct spaces represented the bulk of the market vacancy in Q1 2019 with 18.0% or 42.0 msf of vacant space, while sublease space represented 1.2% of market vacancy or 3.1 msf. With the majority of new projects delivering in Class A inventory, it held the highest vacancy in Q1 2019 at 20.8%, while Class B and C trailed at 17.0% and 12.5%, respectively. The DFW submarkets with the

lowest vacancy rates were West Fort Worth, Southwest Dallas, South Fort Worth, and Preston Center at 4.1%, 7.9%, 9.8%, and 10.3%, respectively.

Occupancy growth was attained in 14 of the 21 submarkets in DFW, with the Legacy/Frisco (602,000 sf), Arts District (162,000 sf) and North Central Expressway (120,000 sf) submarkets recording the most absorption during Q1 2019. The top move-ins for the quarter were as follows: AmerisourceBergen Specialty Group (300,000 sf BTS); Samsung (216,000 sf); and Steward Health Care (133,400 sf). The largest lease signed during Q1 2019 was DXC located at CityLine in Richardson/Plano, totaling 124,000 sf and scheduled for occupancy in early 2020. Other notable transactions were completed by WeWork, Salesforce and Cognizant, all scheduled to occupy new spaces in 2019.

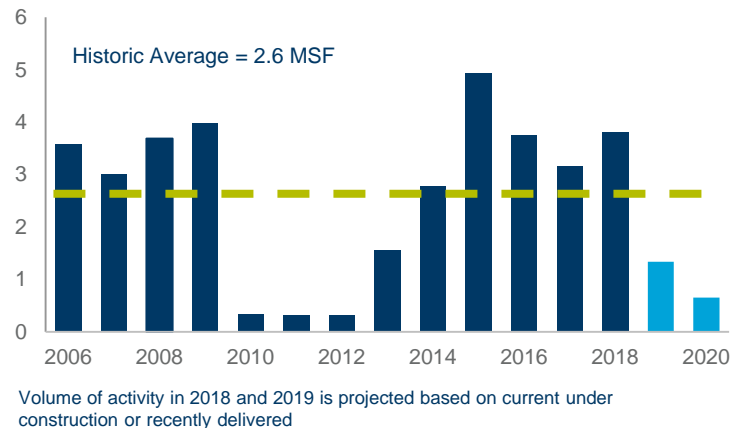
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DFW's overall average asking lease rate rose by 3% from the previous quarter to \$27.14 per square foot (psf) on an annual full-service basis. As expected, Class A registered the highest average asking rate at \$30.67 psf, while Class B and C reported more economical rates of \$21.69 and \$16.48, respectively. The submarkets with the highest average asking rates in DFW and all above the \$41 mark were Uptown, Arts District, and Turtle Creek with \$46.31, \$41.60, and \$41.41, respectively.

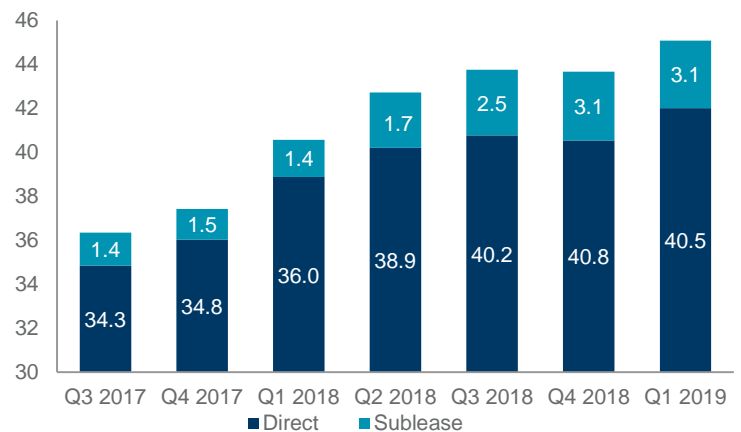
Outlook

- Office development in DFW is beginning to level out, yet will remain above the historical average for the next three years.
- Asking rates will be a premium for new construction, while large blocks of third-generation and Class B and C will continue lag behind.
- We will continue to see landlords amenitize and renovate their buildings to keep up with tenant demands and compete with newer product.
- Cushman & Wakefield is predicting deal activity to remain strong, with 6.9 msf of active prospects in the market.

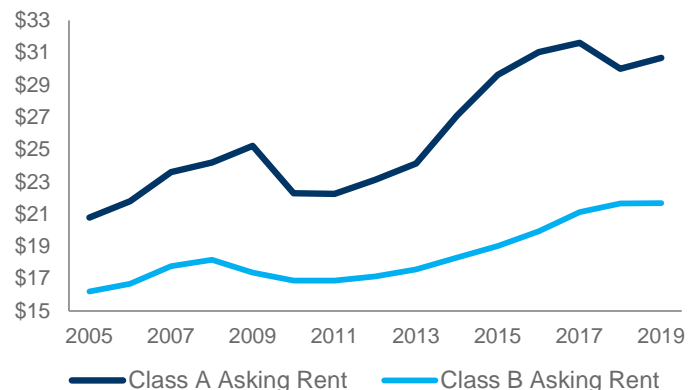
New Office Construction Pipeline
CURRENT ACTIVITY EXCEEDS HISTORICAL AVERAGE



Direct vs. Sublease Space Available Comparison
Q1 2019



CLASS A & B Asking Rent Trend



MARKETBEAT

Dallas / Fort Worth

Office Q1 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	Q1 NET ABSORPTION	2019 YTD NET ABSORPTION	UNDER CONSTRUCTION	COMPLETIONS	OVERALL RATE (ALL CLASSES)	OVERALL RATE (CLASS A)
CBD Core	37	18,556,270	562,653	4,641,784	27.2%	70,566	70,566	35,710	0	\$23.82	\$24.89
Arts District	9	6,094,382	10,163	1,506,437	19.5%	160,158	160,158	0	0	\$41.60	\$41.60
West End	21	3,733,528	61,042	916,151	24.7%	109,940	109,940	0	102,315	\$27.26	\$27.59
DALLAS CBD TOTAL	67	28,384,180	633,858	7,064,372	27.1%	340,664	340,664	35,710	102,315	\$27.64	\$29.02
North Central Expressway	81	12,709,300	66,925	2,105,310	17.1%	120,310	120,310	0	0	\$28.51	\$30.36
Preston Center	34	3,925,769	30,349	373,681	10.3%	-22,634	-22,634	85,000	0	\$39.44	\$41.67
Turtle Creek	40	4,067,739	22,284	575,742	14.7%	-1,277	-1,277	0	19,760	\$41.41	\$41.89
West Love Field	77	10,280,535	0	2,500,626	24.3%	43,959	43,959	0	0	\$17.43	\$20.45
LBJ Freeway	136	18,844,573	218,114	4,638,100	25.8%	7,324	7,324	0	0	\$23.08	\$26.68
Las Colinas	243	32,728,935	724,848	4,999,238	17.5%	-65,086	-65,086	1,006,830	0	\$26.28	\$27.57
Far North Dallas	174	20,018,295	235,877	4,281,178	22.6%	-11,576	-11,576	0	0	\$26.92	\$31.75
Richardson/Plano	247	25,483,946	352,688	4,203,097	17.9%	38,473	38,473	0	0	\$25.02	\$28.40
Mid Cities	132	9,788,507	13,908	1,280,970	13.2%	-15,707	-15,707	0	0	\$17.95	\$21.04
Lewisville/Carrollton	87	5,054,762	50,269	470,865	10.3%	-25,322	-25,322	0	0	\$24.02	\$26.62
Southwest Dallas	39	1,763,003	0	139,493	7.9%	12,320	12,320	0	0	\$17.60	\$24.93
Legacy/Frisco	196	26,100,520	421,819	3,244,928	14.0%	601,983	601,983	430,579	300,000	\$34.26	\$37.61
Southlake/Westlake	77	5,277,089	2,135	1,426,577	27.1%	259	259	0	0	\$27.78	\$28.13
East Dallas	75	2,883,322	0	490,485	17.0%	-11,950	-11,950	0	204,376	\$16.74	N/A
Uptown	48	8,935,909	279,226	1,480,317	19.7%	-103,377	-103,377	236,243	0	\$46.31	\$50.74
DALLAS SUBURBS TOTAL	1,686	187,862,204	2,418,442	32,006,231	18.4%	567,699	567,699	1,758,652	524,136	\$26.94	\$31.17
DALLAS TOTAL	1,753	216,246,384	3,052,300	39,070,603	19.5%	925,443	925,443	1,860,967	626,451	\$27.07	\$30.64
Fort Worth CBD	76	11,229,742	0	1,584,581	14.2%	32,654	32,654	0	0	\$28.91	\$30.30
East Fort Worth	29	1,617,379	0	180,384	11.2%	0	0	0	0	\$16.83	N/A
North Fort Worth	21	2,068,910	0	716,538	34.6%	55,708	55,708	200,000	0	\$23.28	\$25.09
South Fort Worth	21	1,694,918	0	166,239	9.8%	20,747	20,747	0	0	\$25.05	\$33.01
West Fort Worth	31	2,506,083	21,811	82,096	4.1%	6,409	6,409	0	0	\$25.58	\$24.73
FW SUBURBS TOTAL	102	7,887,290	21,811	1,145,257	14.8%	82,864	82,864	200,000	0	\$22.71	\$25.50
FORT WORTH TOTAL	178	19,076,766	21,811	2,729,838	14.4%	115,518	115,518	200,000	0	\$26.17	\$28.83
DFW TOTAL	1,931	235,323,150	3,074,111	42,004,817	19.2%	1,007,881	1,007,881	2,060,967	626,451	\$27.14	\$30.67

CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	Q1 NET ABSORPTION	2019 YTD NET ABSORPTION	UNDER CONSTRUCTION	COMPLETIONS	OVERALL RATE	DIRECT RATE
A	519	137,777,355	2,299,452	26,573,950	20.8%	961,554	961,554	1,891,362	626,451	\$30.67	\$31.20
B	1,219	88,563,159	774,659	14,304,388	17.0%	124,437	124,437	103,000	0	\$21.69	\$21.66
C	193	8,982,636	0	1,126,479	12.5%	-78,070	-78,070	0	0	\$16.48	\$16.48
Total	1,931	235,323,150	3,074,111	42,004,817	19.2%	1,007,881	1,007,881	2,060,967	626,451	\$27.14	\$27.37

*Rental rates reflect gross asking \$psf/year
Stats are not reflective of U.S. Overview Tables

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3400 CityLine	124,000	DXC Technology	New Lease	Richardson/Plano
Williams Square	76,230	WeWork	New Lease	Urban Center
Dominion Legacy Office Center	72,187	Cognizant	Sublease	Richardson/Plano
The Union	58,338	SalesForce	New Lease	Uptown
Collins Crossing	57,100	VCE Company, LLC	New Lease	Richardson/Plano

