

DALLAS OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
DFW Employment	3.64M	3.74M	▲
DFW Unemployment	3.4%	3.5%	▼
U.S. Unemployment	4.1%	3.7%	▼

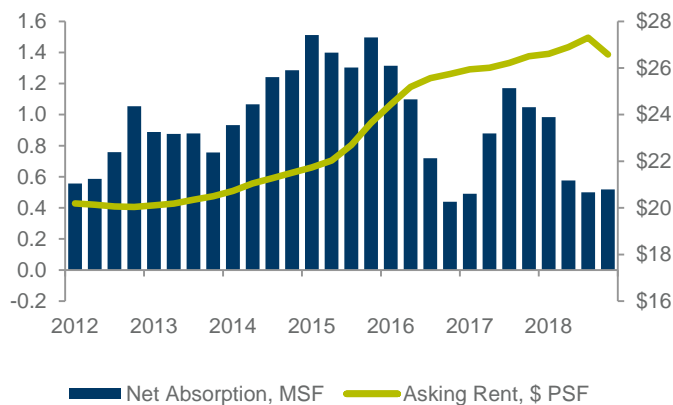
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	16.7%	18.5%	▲
Net Absorption (sf)	651k	519k	▼
Under Construction (sf)	5.2M	3.2M	▼
Average Asking Rent*	\$26.49	\$26.39	▼

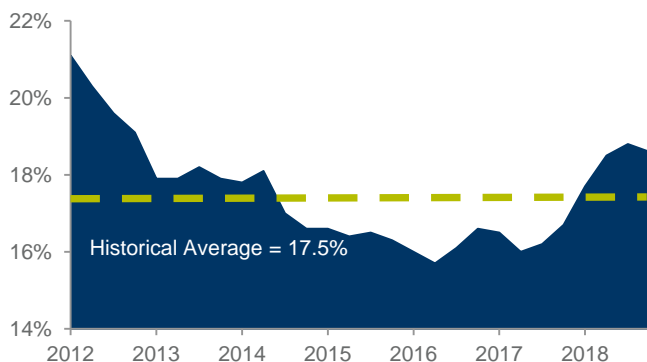
*Rental rates reflect gross asking \$psf/year

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 141,000 year-over-year, reaching a population of 7.6 million residents through the end of December 2018, equating to an average of 390 new residents per day. During the same time period, the Dallas-Fort Worth-Arlington employment base increased by 97,000. In contrast, the unemployment rate dropped slightly, by 10 basis points (bps) to 3.5% at the close of Q4 2018. Since Q4 2017, 30,400 office jobs have been added to the market, 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 Dallas-Fort Worth office market experienced a healthy finish to 2018, an indicator for a continually stable market. There is currently 3.2 million square feet (msf) of new space under construction heading into 2019. This is compared to 5.1 msf at the end of 2017. During the fourth quarter of 2018, close to 450,000 square feet (sf) delivered in the Dallas suburbs. Cushman & Wakefield is projecting almost 3 msf of new office slated for completion in 2019, which would be slightly less than the 3.5 msf delivered in 2018.

Office vacancy in the Dallas-Fort Worth market increased in Q4 2018, climbing 180 bps to 18.5%, year-over-year. This is a slight decrease of 30 bps from Q3 2018 (18.8%). The market continues to see a flight to quality, as companies vacate large blocks of space for newer product. NationStar vacated over 160,000 sf at the Convergence Office Center as they continue to consolidate their operations to two Lake Vista buildings, all within the Lewisville/Carrollton submarket. PwC vacated 148,000 sf at the Trammell Crow Center to relocate and expand into 190,000 sf at the recently completed Park District Tower in Uptown. Another large user, nThrive, is consolidating and has vacated 124,000 sf, adding to the sublease space in Legacy/Frisco. 2018 ended with a total of over 3 msf of vacant sublease space, compared to 1.4 msf at the end of 2017.

Occupancy growth occurred in 11 of the 21 submarkets in Dallas-Fort Worth, with the Uptown (279,300 sf) and Richardson/Plano (162,300 sf) submarkets recording the most absorption during Q4 2018.



The largest contributor in Uptown was The Union with 143,000 sf of tenants moving in upon completion. Almost 200,000 sf of growth came from PwC moving into their new building, Park District, as well. In Richardson/Plano 2400 N Glenville contributed with two large move ins totaling 130,000 sf, and Genpact moved into 95,000 sf at 3300 E Renner Rd. Throughout 2018, 14 submarkets showed growth, led by Richardson/Plano (630,000 sf) and Dallas CBD (502,000 sf). 2018 ended with a total net absorption of +1.5 msf, compared to +4.7 msf at the end of 2017.

Cushman & Wakefield is projecting almost 3 msf of new office slated for completion in 2019, which would be slightly less than the 3.5 msf that delivered in 2018.

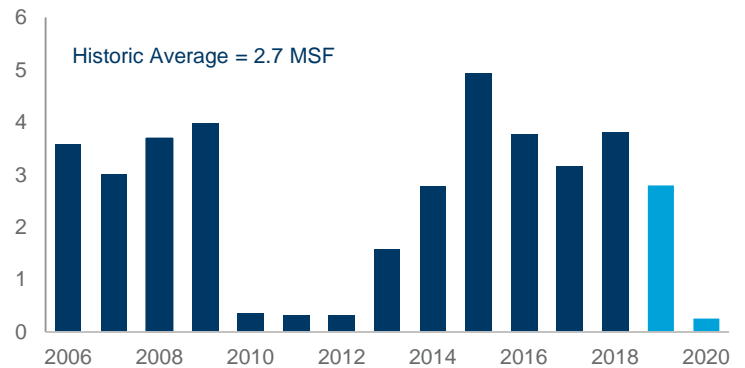
Dallas-Fort Worth's overall average asking lease rates continue to level-out. The quarter closed at \$26.39 per square foot (psf) on an annual full-service basis, a slight decrease from \$26.47 psf at the end of the third quarter 2018 and \$26.49 at the end of 2017. Uptown and Preston Center again quote the highest Class A rental rates, \$51.58 psf and \$43.13 psf, respectively.

Outlook

- The Dallas market will continue to level out, yet stay above the historical average.
- Cushman & Wakefield is predicting deal activity to remain strong, due to more than 7.1 msf of active prospects in the market.
- A large number of office tenants will continue to renegotiate leases throughout 2019, 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.

New Office Construction Pipeline

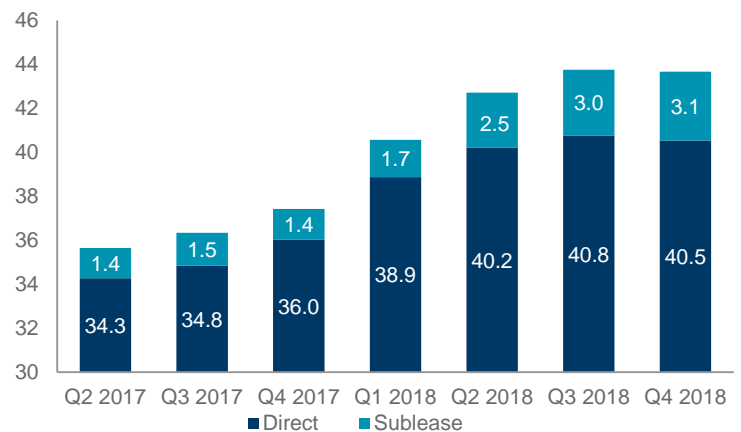
CURRENT ACTIVITY EXCEEDS HISTORICAL AVERAGE



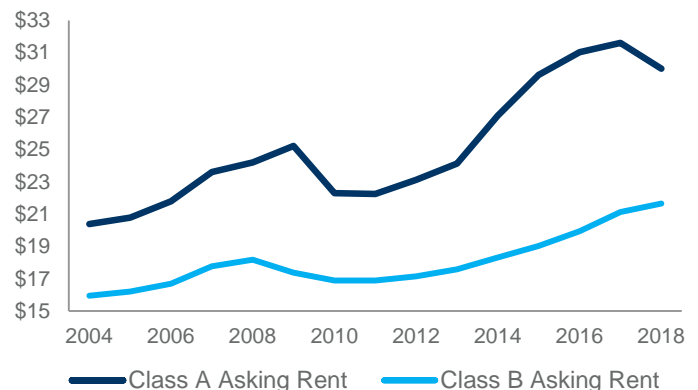
Volume of activity in 2018 and 2019 is projected based on current under construction or recently delivered

Direct vs. Sublease Space Available Comparison

Q4 2018



CLASS A & B Asking Rent Trend



MARKETBEAT

Dallas / Fort Worth

Office Q4 2018



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	Q4 NET ABSORPTION	2018 YTD NET ABSORPTION	UNDER CONSTRUCTION	COMPLETIONS	OVERALL RATE (ALL CLASSES)	OVERALL RATE (CLASS A)
CBD Core	37	18,556,270	540,380	4,622,117	27.8%	44,992	238,252	35,710	0	\$21.45	\$21.74
Arts District	9	6,094,382	11,519	1,336,567	22.1%	-114,513	239,039	0	0	\$39.67	\$39.67
West End	20	3,631,213	61,042	822,385	24.3%	44,696	24,715	102,315	0	\$26.74	\$27.14
DALLAS CBD TOTAL	66	28,281,865	612,941	6,781,069	26.1%	-24,825	502,006	138,025	0	\$25.40	\$26.09
North Central Expressway	81	12,735,395	44,071	1,907,394	15.2%	-11,533	496	0	0	\$28.38	\$29.63
Preston Center	34	3,925,769	17,422	369,357	9.9%	33,154	127,011	85,000	0	\$40.29	\$43.13
Uptown	48	8,935,909	266,984	1,184,068	16.2%	279,283	426,700	236,243	418,132	\$46.16	\$51.58
Turtle Creek	39	4,047,979	24,982	501,104	13.0%	-9,528	55,275	19,760	0	\$38.34	\$40.32
West Love Field	77	10,280,535	3,824	2,169,289	21.1%	-31,878	44,511	0	0	\$16.09	\$17.61
LBJ Freeway	136	18,782,648	183,605	4,225,052	23.5%	-55,817	-18,726	0	0	\$22.21	\$25.94
Las Colinas	243	32,728,935	913,899	4,957,403	17.9%	55,111	-124,241	1,626,830	30,000	\$25.78	\$27.02
Far North Dallas	174	20,018,295	230,364	4,037,759	21.3%	79,513	-686,541	0	0	\$26.91	\$31.80
Richardson/Plano	247	25,482,711	350,700	4,551,321	19.2%	162,306	629,371	0	0	\$25.05	\$28.54
Southlake/Westlake	77	5,277,089	2,135	1,405,903	26.7%	37,266	40,898	0	0	\$27.69	\$28.07
Mid Cities	132	9,788,507	3,213	1,420,793	14.5%	69,273	143,873	0	0	\$18.13	\$21.00
Lewisville/Carrollton	85	4,885,298	50,269	456,943	10.4%	-160,676	45,402	0	0	\$22.98	\$24.95
Southwest Dallas	39	1,763,003	0	174,414	9.9%	0	-6,350	0	0	\$17.32	\$24.93
East Dallas	74	2,678,946	0	320,363	12.0%	-12,342	-11,302	251,354	0	\$17.46	\$0.00
Legacy/Frisco	196	24,843,090	426,989	3,422,373	14.9%	-35,334	225,450	730,579	0	\$36.12	\$38.94
DALLAS SUBURBS TOTAL	1,682	187,174,109	2,518,457	31,103,536	18.0%	398,798	891,827	2,902,788	488,132	\$26.70	\$31.20
DALLAS TOTAL	1,748	215,455,974	3,131,398	38,092,052	19.0%	373,973	1,393,833	3,040,813	448,132	\$26.45	\$29.81
Fort Worth CBD	77	11,229,742	0	1,263,600	11.3%	91,652	26,684	0	0	\$28.89	\$31.49
East Fort Worth	29	1,617,379	0	154,654	9.6%	23,620	114,965	0	0	\$16.78	\$0.00
North Fort Worth	21	2,068,910	0	772,246	37.3%	9,742	11,355	200,000	0	\$23.06	\$25.09
South Fort Worth	21	1,694,918	0	168,777	10.0%	-4,346	-22,957	0	0	\$25.18	\$29.76
West Fort Worth	31	2,506,083	1,827	88,505	3.6%	24,475	-18,579	0	0	\$24.29	\$24.80
FW SUBURBS TOTAL	102	7,887,290	1,827	1,184,182	15.0%	53,491	84,784	200,000	0	\$22.60	\$25.51
FORT WORTH TOTAL	179	19,117,032	1,827	2,447,782	12.8%	145,143	111,468	200,000	0	\$25.32	\$28.68
DFW TOTAL	1,927	234,573,006	3,133,225	40,332,387	18.5%	519,116	1,505,301	3,240,813	448,132	\$26.39	\$29.76

CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	Q4 NET ABSORPTION	2018 YTD NET ABSORPTION	UNDER CONSTRUCTION	COMPLETIONS	OVERALL RATE	DIRECT RATE
A	516	137,191,170	2,194,579	24,170,703	19.2%	574,659	2,209,322	3,240,813	418,132	\$29.76	\$30.33
B	1,217	88,356,125	936,282	14,859,897	17.9%	-58,430	-603,629	0	30,000	\$21.66	\$21.58
C	194	9,025,711	2,364	1,301,787	14.4%	2,887	-100,392	0	0	\$16.06	\$16.06
Total	1,927	234,573,006	3,133,225	40,332,387	18.5%	519,116	1,505,301	3,240,813	448,132	\$26.39	\$26.63

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Lakeside Centre II	115,583	Metro PCS	Renewal	Richardson/Plano
Ross Tower	57,641	Undisclosed	New Lease	CBD Core
Burnett Plaza	54,680	Freese and Nichols	New Lease	Fort Worth CBD
One Bethany East	52,030	Credit Union of Texas	New Lease	Richardson/Plano
Lakeside Square	47,978	Aethon Energy Operating	New Lease	LBJ Freeway

MARKETBEAT

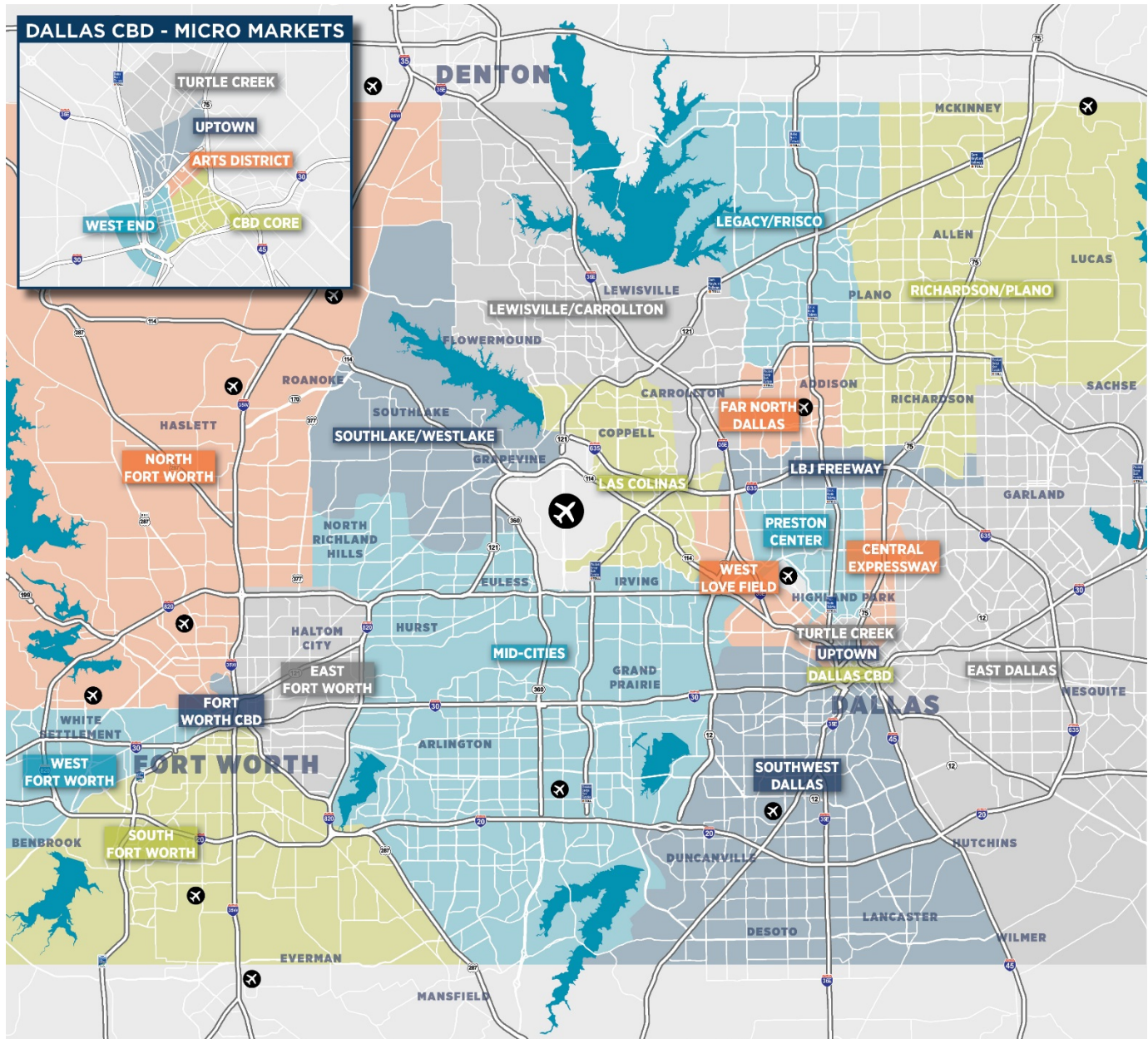
Dallas / Fort Worth

Office Q4 2018



OFFICE SUBMARKETS

DALLAS-FORT WORTH



Cushman & Wakefield
2021 McKinney Ave.
Suite 900
Dallas, TX 75201

For more information, contact:
Eleanor Skinner
Research Analyst
Tel: +1 972 663 9651
eleanor.skinner@cushwake.com

Brett Fricke
Research Analyst
Tel: +1 972 663 9648
brett.fricke@cushwake.com

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