

Dallas Office Market | November 2016



DALLAS OUTLOOK

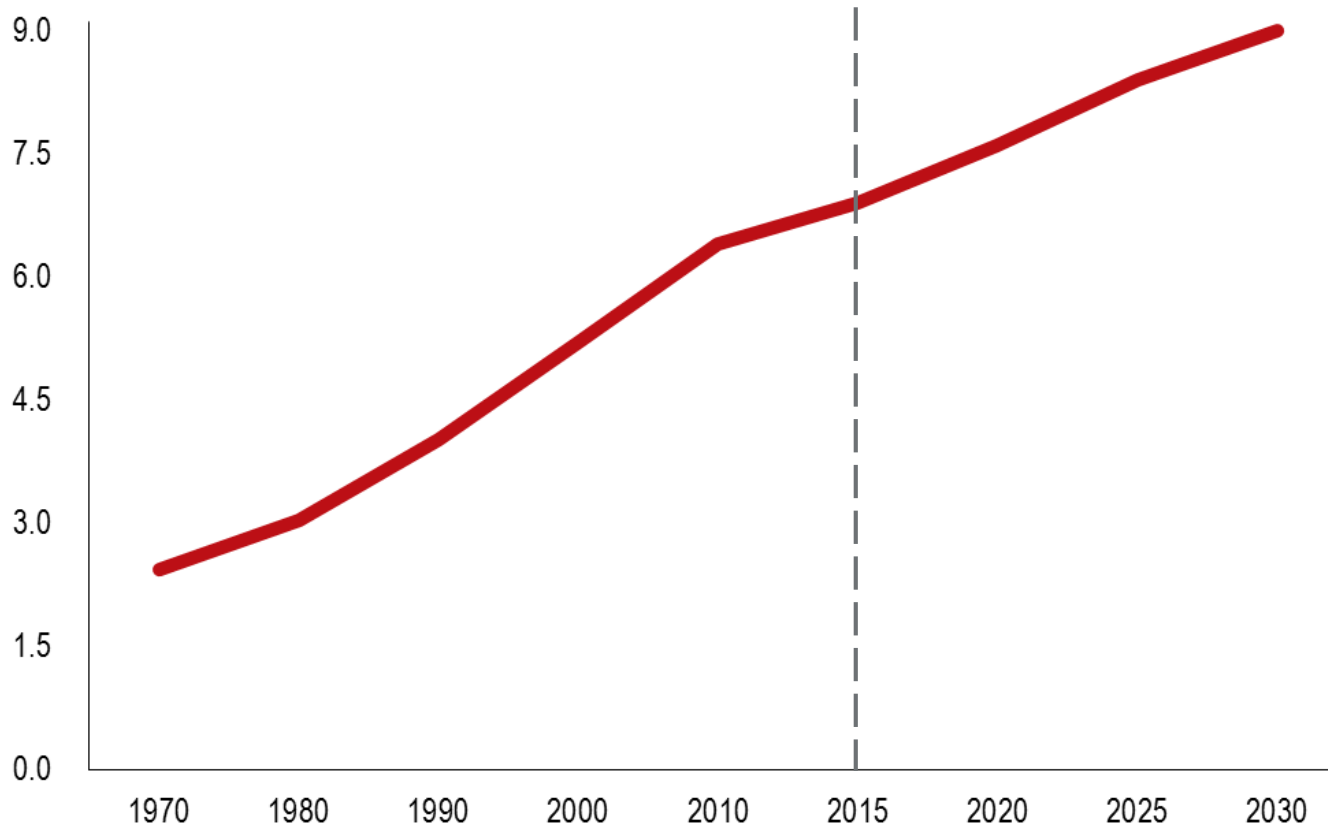
Strong fundamentals will shape the remainder of 2016 and set the stage for a solid 2017



*The important
driver shaping
DFW's future...*

Growth is inevitable, as 2.0+ million new residents fuel demand across all property types for the foreseeable future

Total population



2.0 million

DFW growth 2016-30

28%

total increase 2016-30

7.1 million

current population

2.5 million

current households

\$85,500

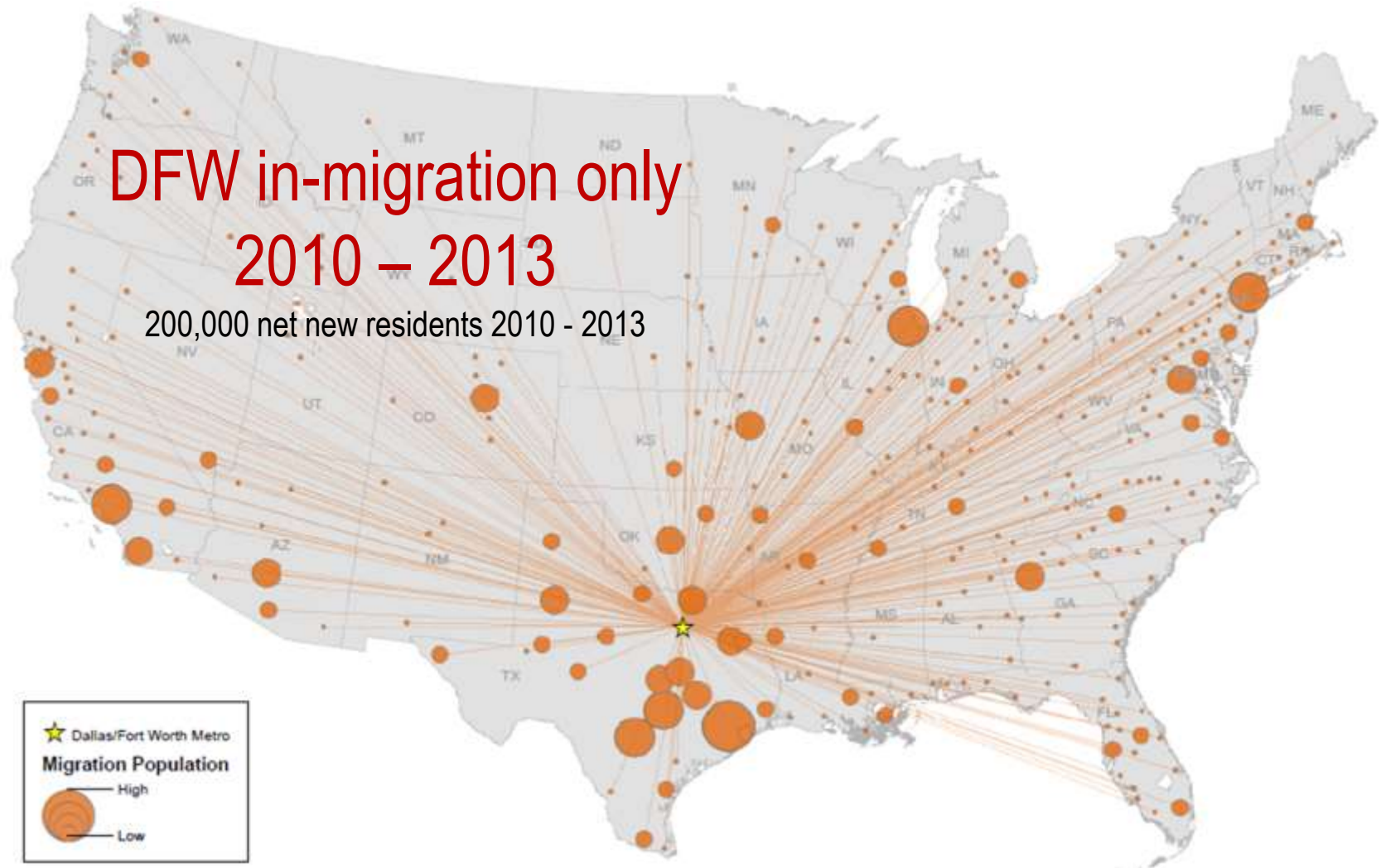
average household income

29%

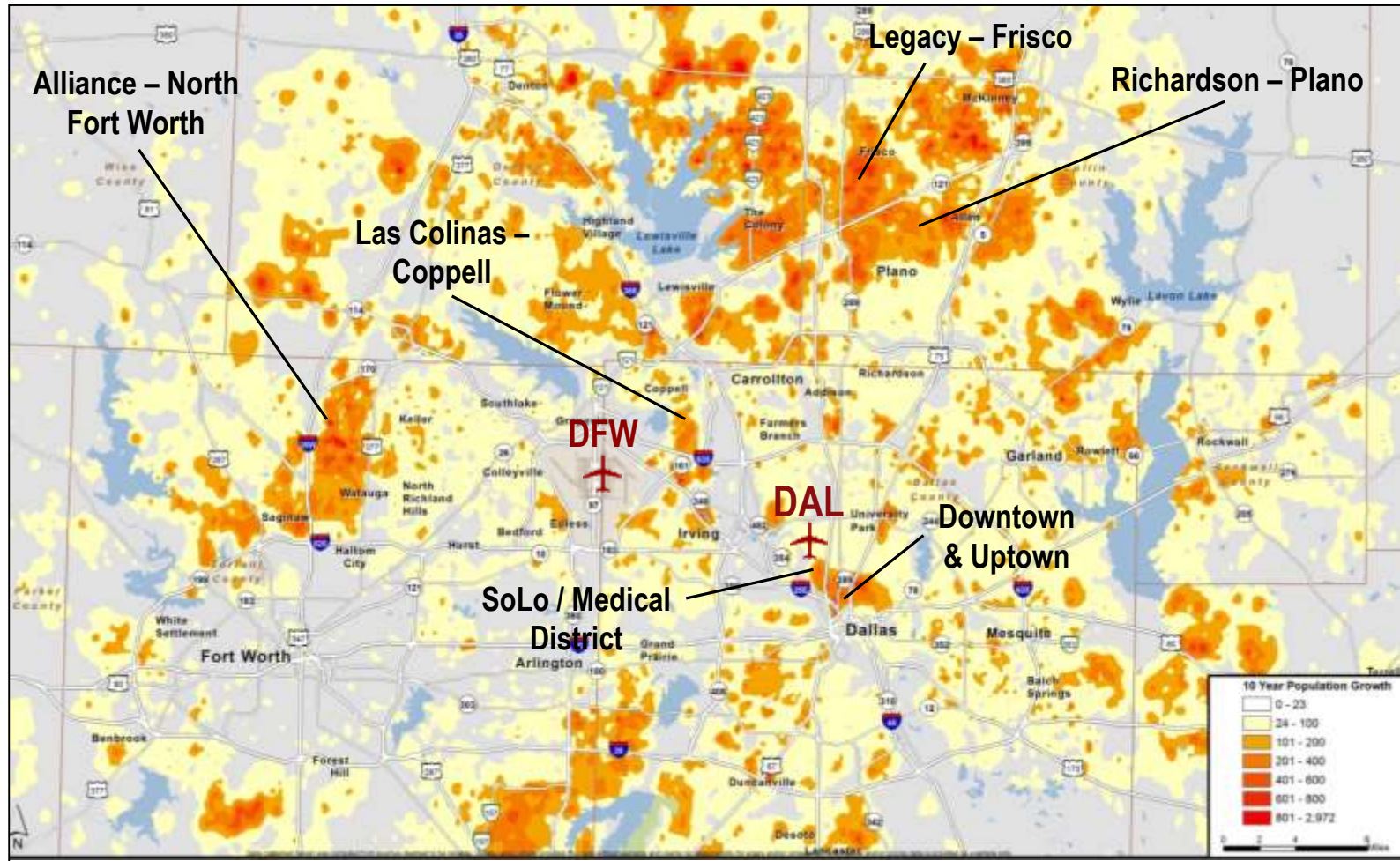
households over \$100K

Source: North Texas Council of Governments; ESRI; US Census; JLL

DFW economy attracts new residents from across the US



Population growth will push north along existing development corridors, as well as infill established areas





*Regional
employment
growth and area
job dynamics*

Despite slow down in the oil patch, DFW leads job creation nationwide – current numbers show stability



United States:

Total non-farm: 2,447,000 | 1.7%

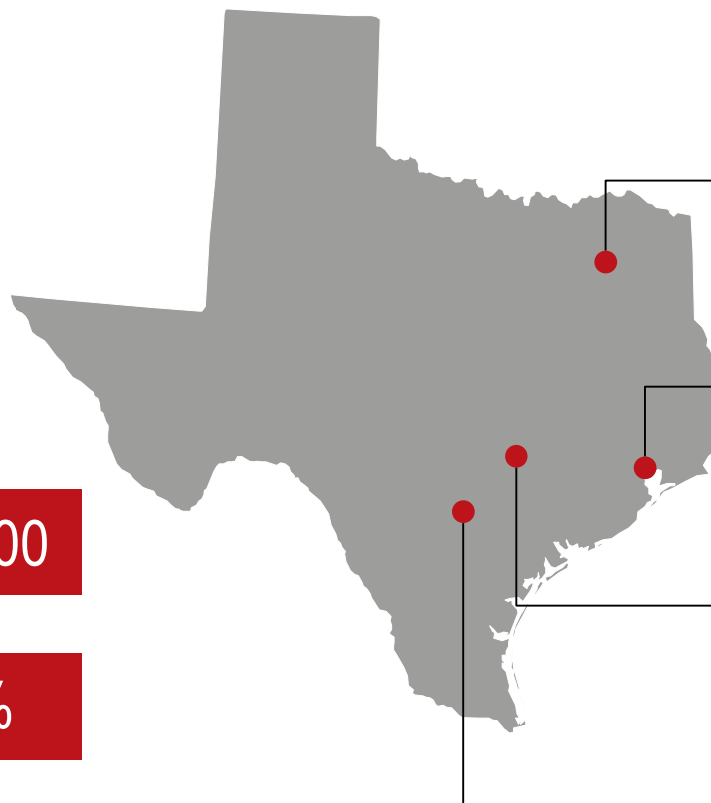
Annual employment
growth in Texas' four
major metros

180,500

Share of national
employment growth

7.4%

Source: Bureau of Labor Statistics, JLL
Figures refer to year-on-year growth



Dallas – Fort Worth

Total non-farm: 117,300 | 3.4%
As of September 122,300

Houston

Total non-farm: 14,200 | 0.5%
As of September 20,100

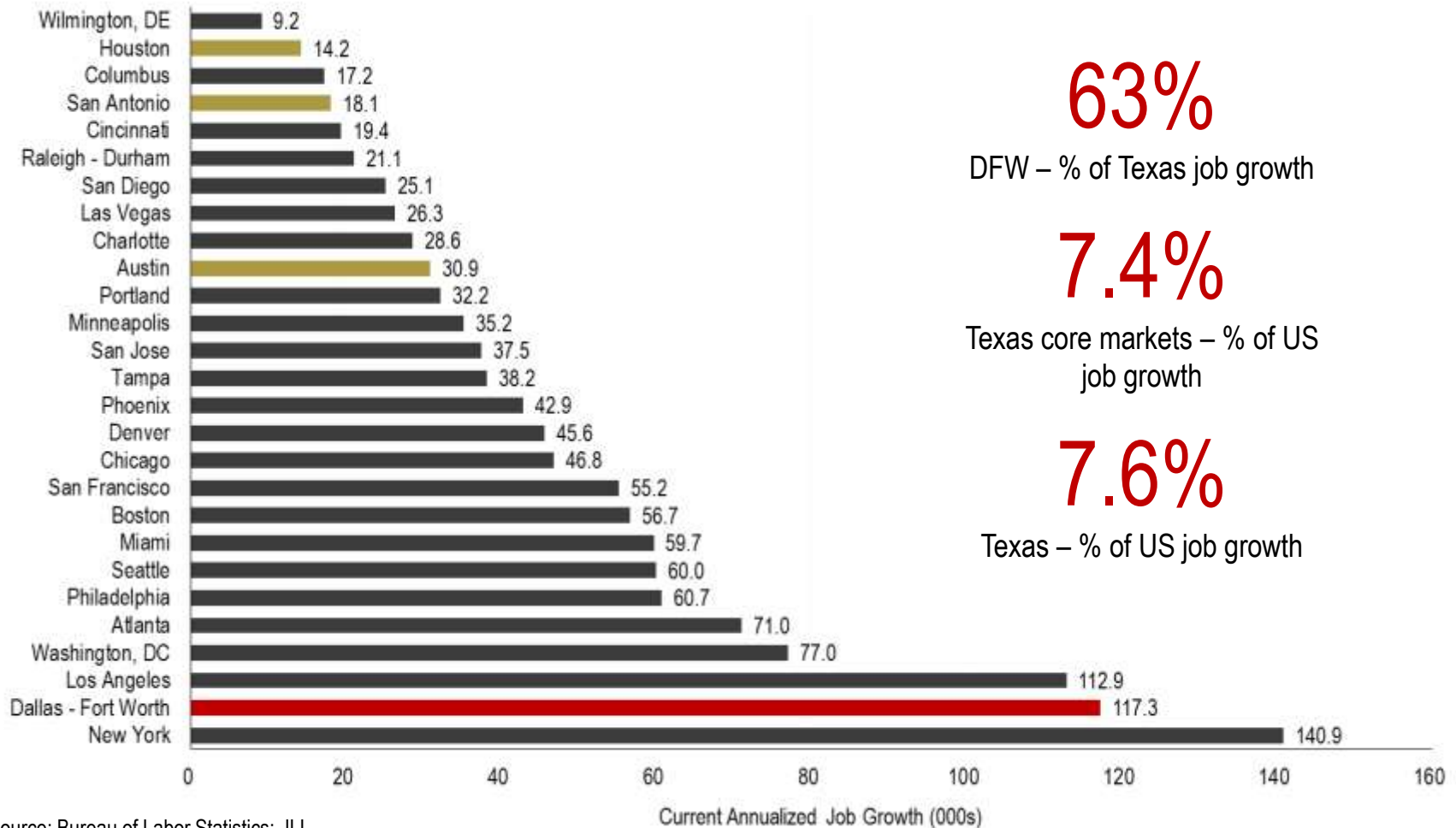
Austin

Total non-farm: 30,900 | 3.2%
As of September 28,600

San Antonio

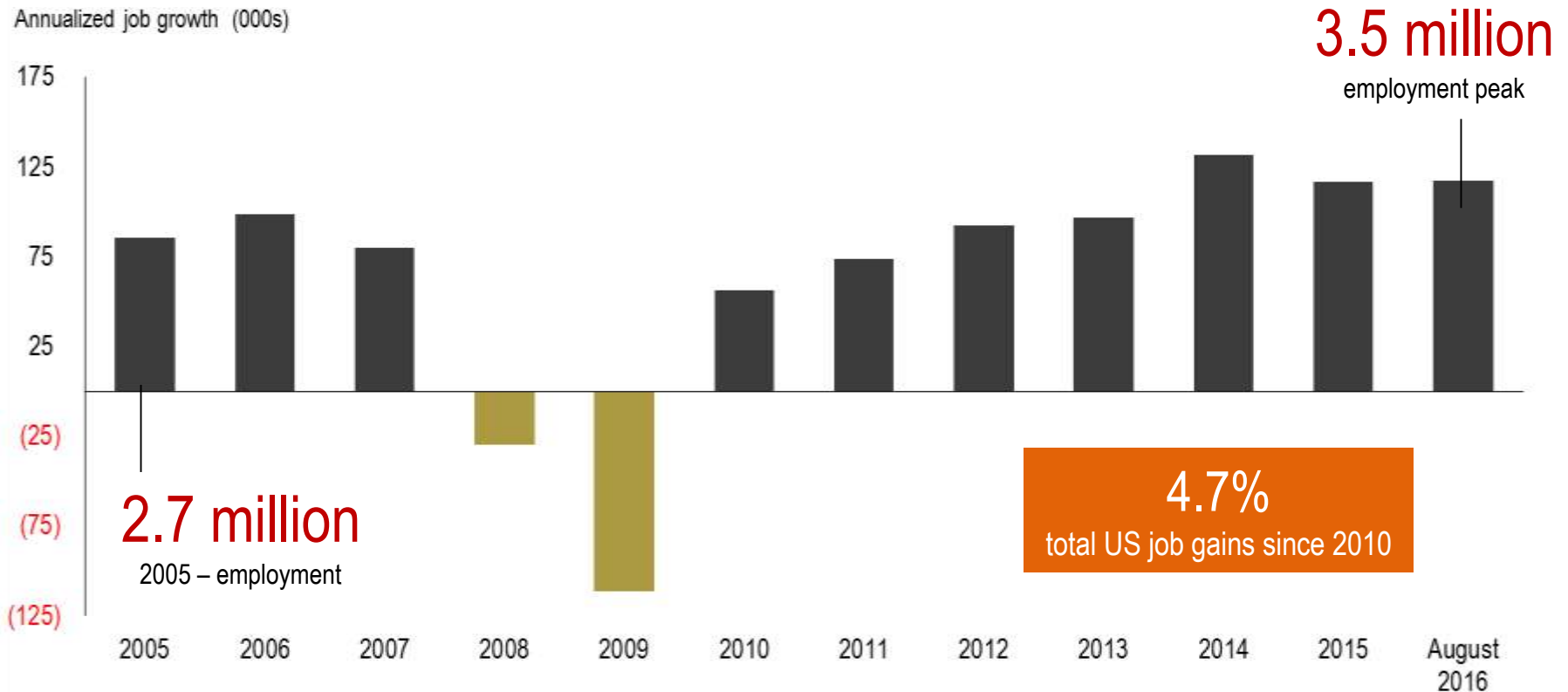
Total non-farm: 18,100 | 1.8%
As of September 21,100

DFW job growth carries Texas with 63% of the state's job growth



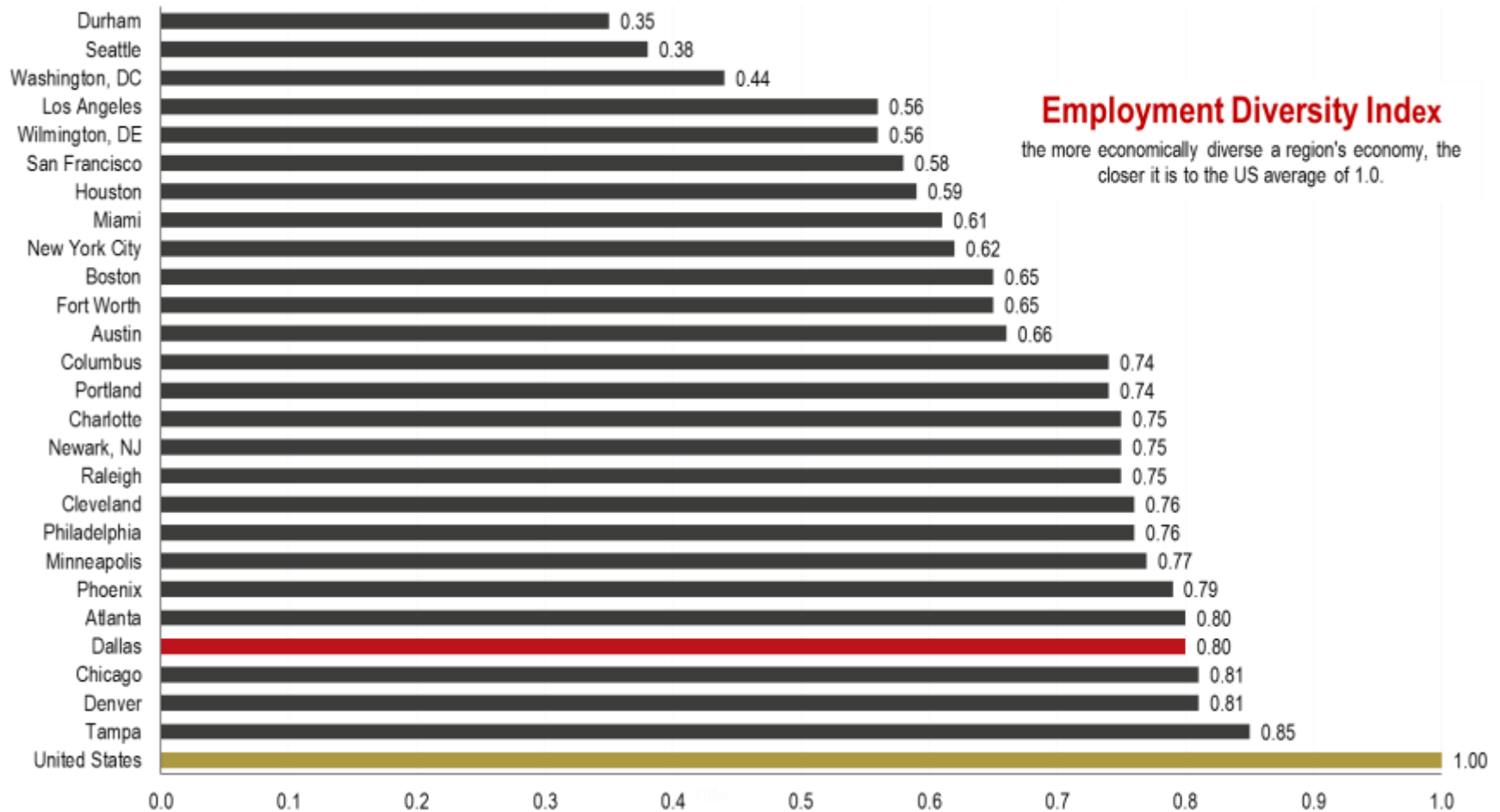
Source: Bureau of Labor Statistics; JLL

DFW's job engine – 674,000 added since 2010 – which translates into 24% growth!



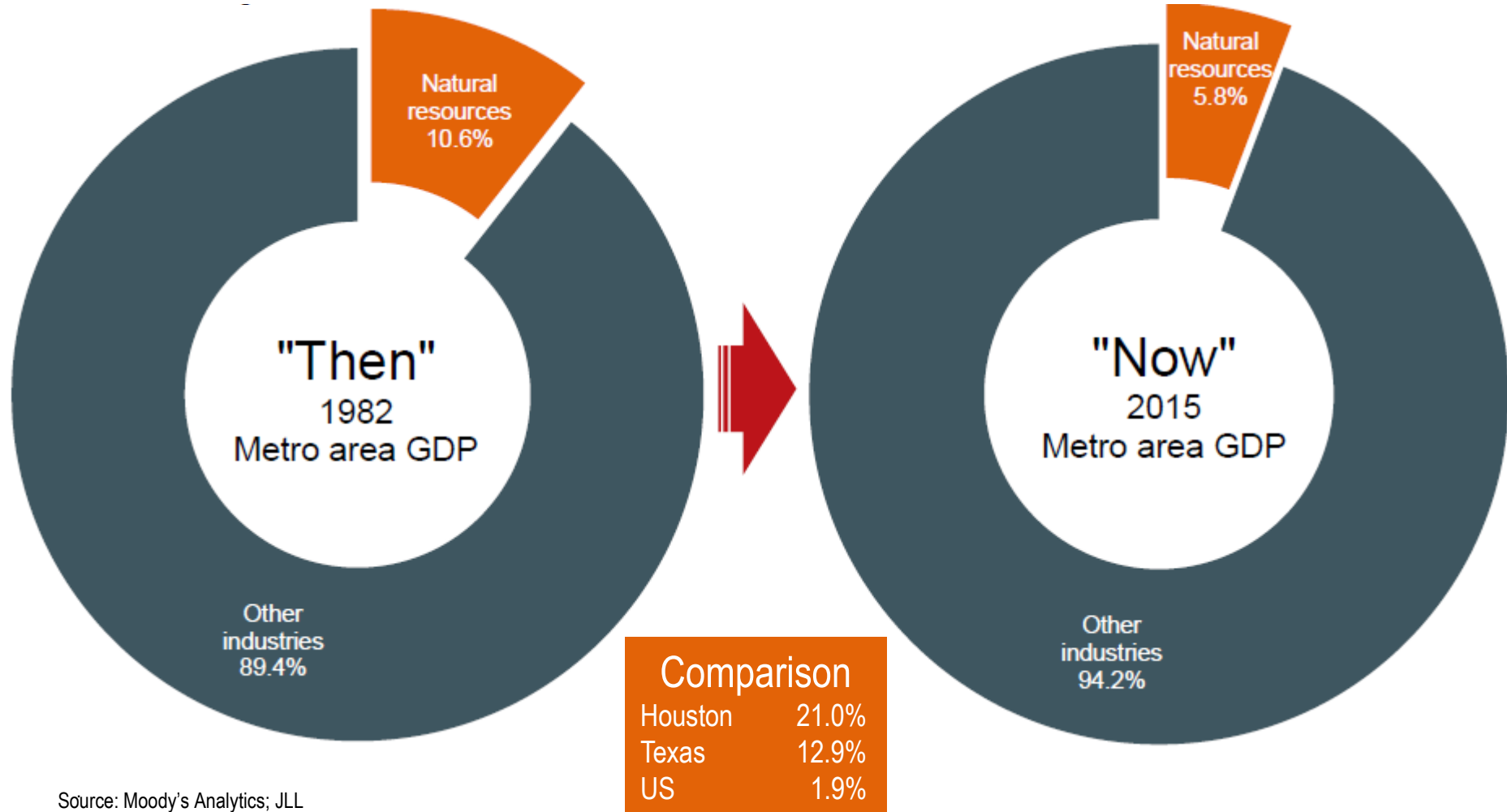
Source: Bureau of Labor Statistics; JLL

Over the last 20 years, DFW's economy has evolved into one of the most diverse and balanced in the US



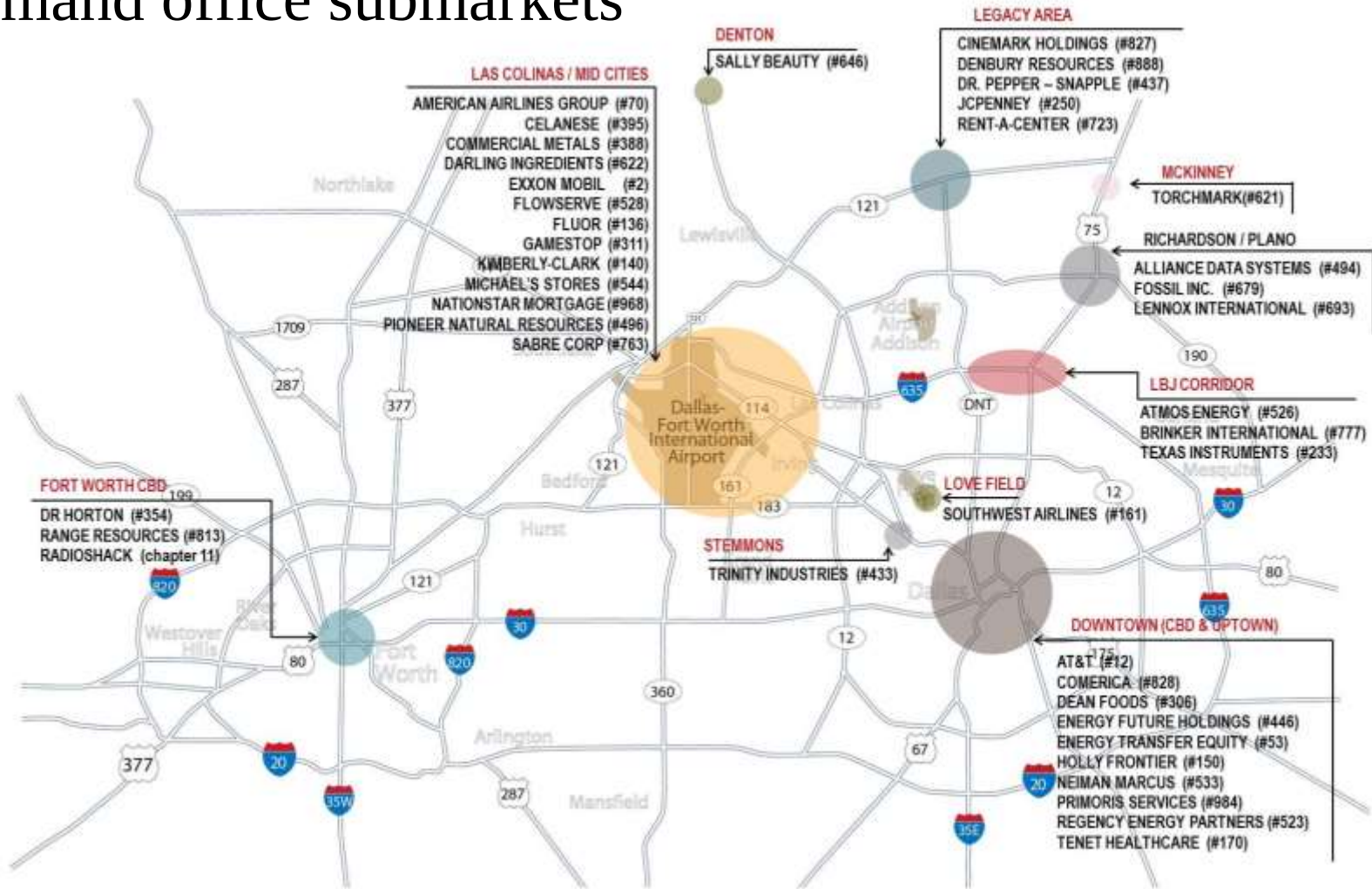
Source: Moody's Analytics; JLL

DFW's long-term economic diversification has halved its reliance on energy from bygone "oil" days...



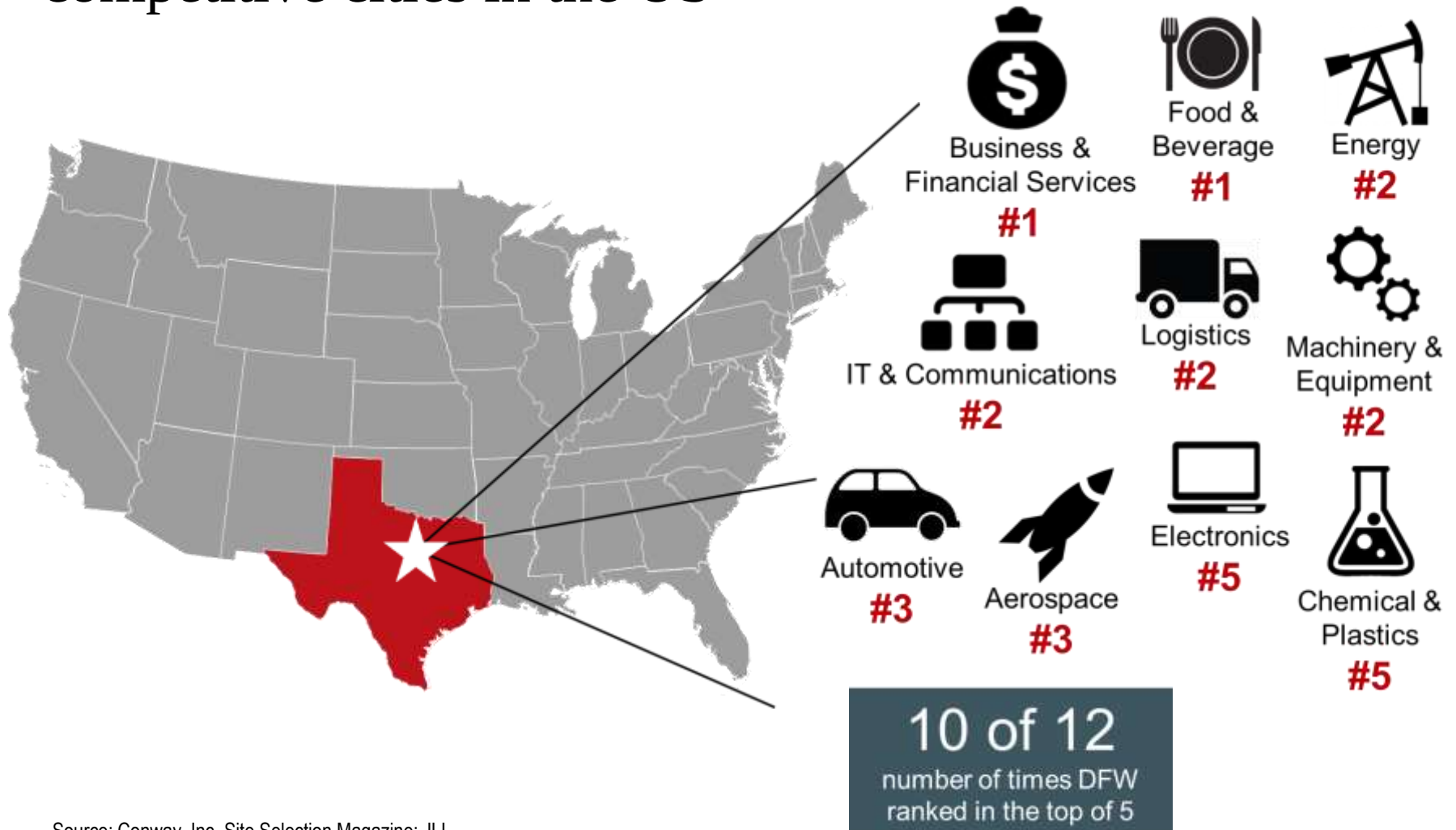
Source: Moody's Analytics; JLL

DFW's “Fortune 1,000” HQs anchor the region’s most in-demand office submarkets



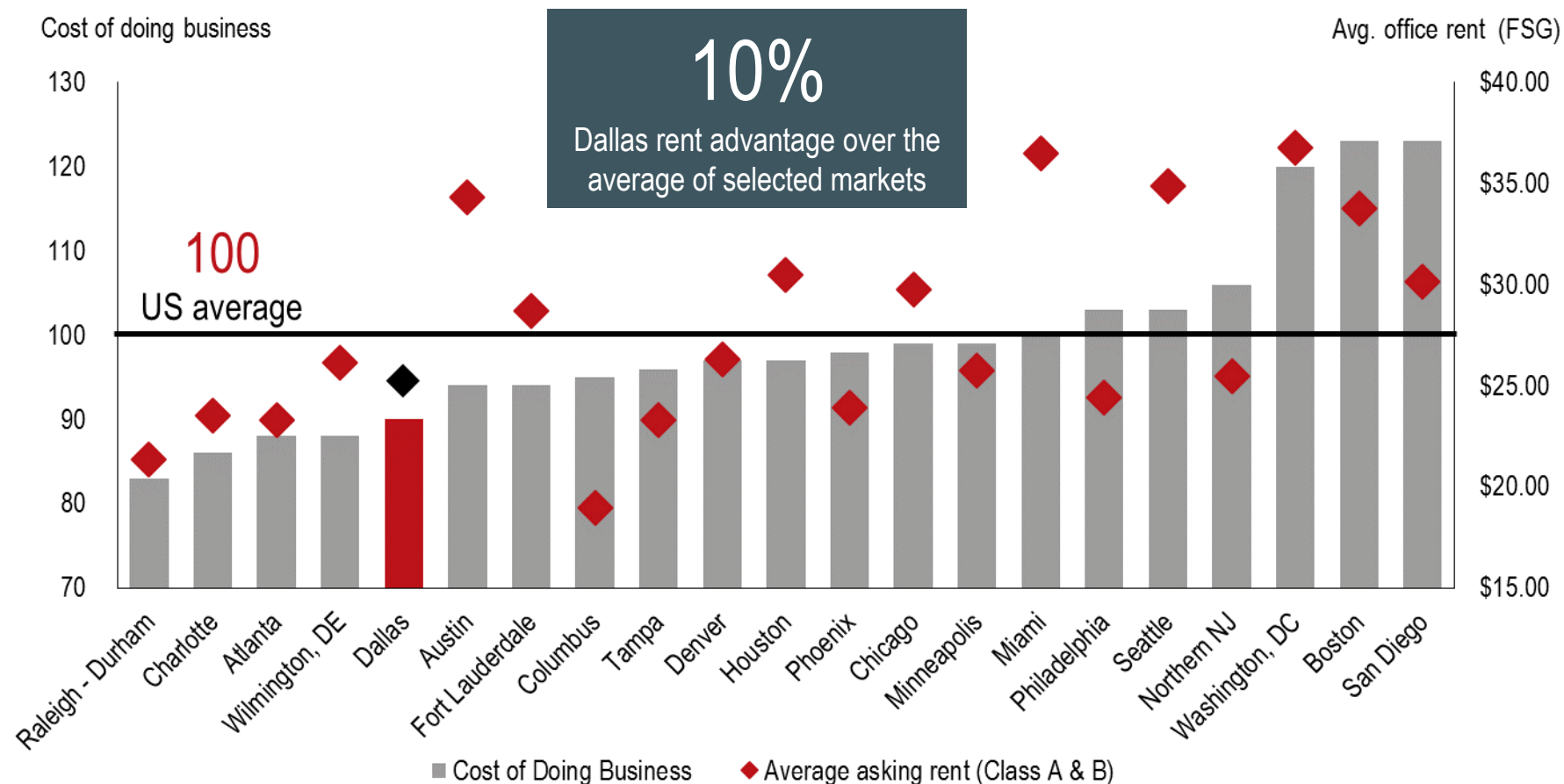
Source: Fortune - 2015; JLL

What drives DFW? Region captures top slot of the most competitive cities in the US



Source: Conway, Inc. Site Selection Magazine; JLL

Dallas' low business costs and affordable office rents allow companies to focus on their core business

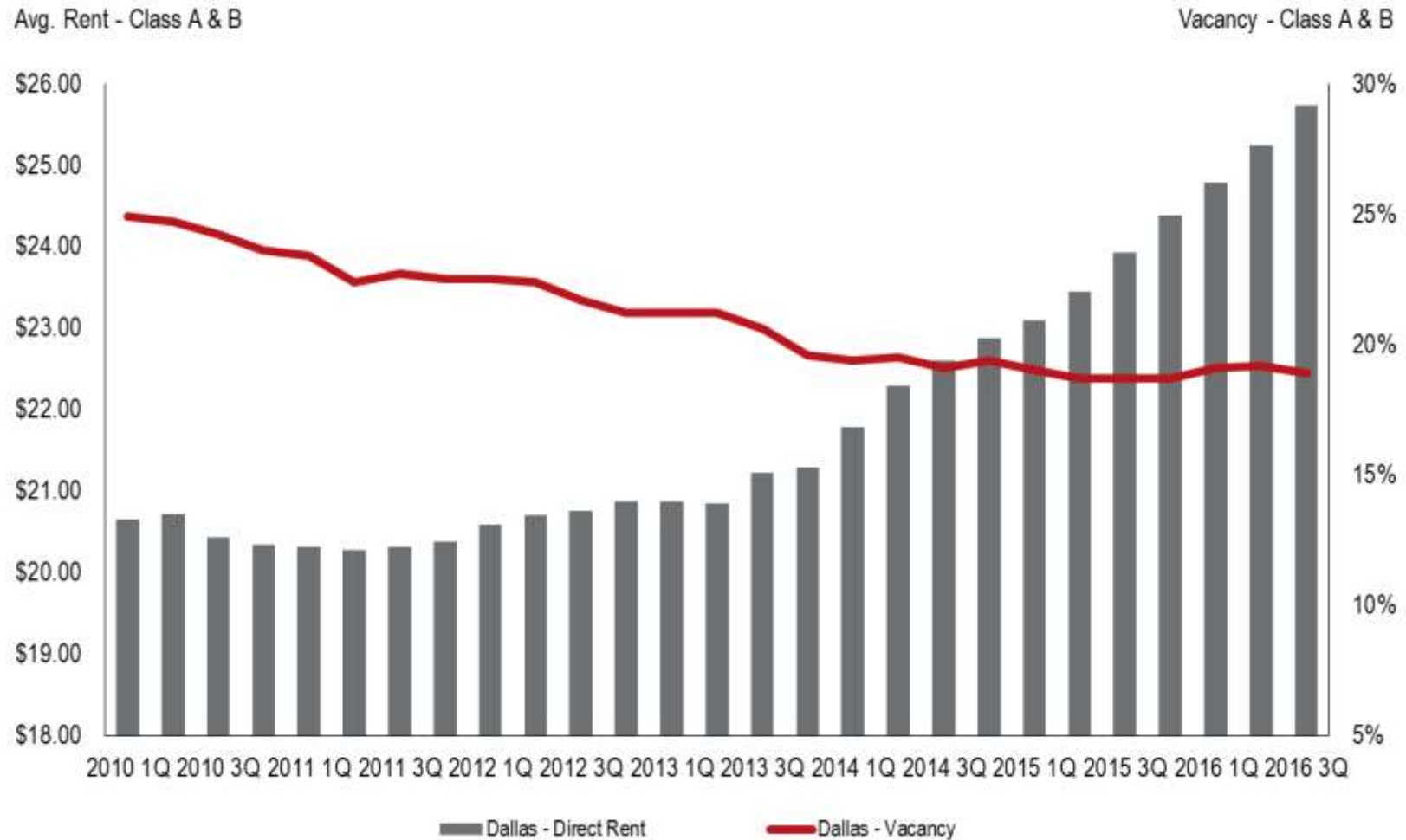


Source: Moody's Analytics; JLL

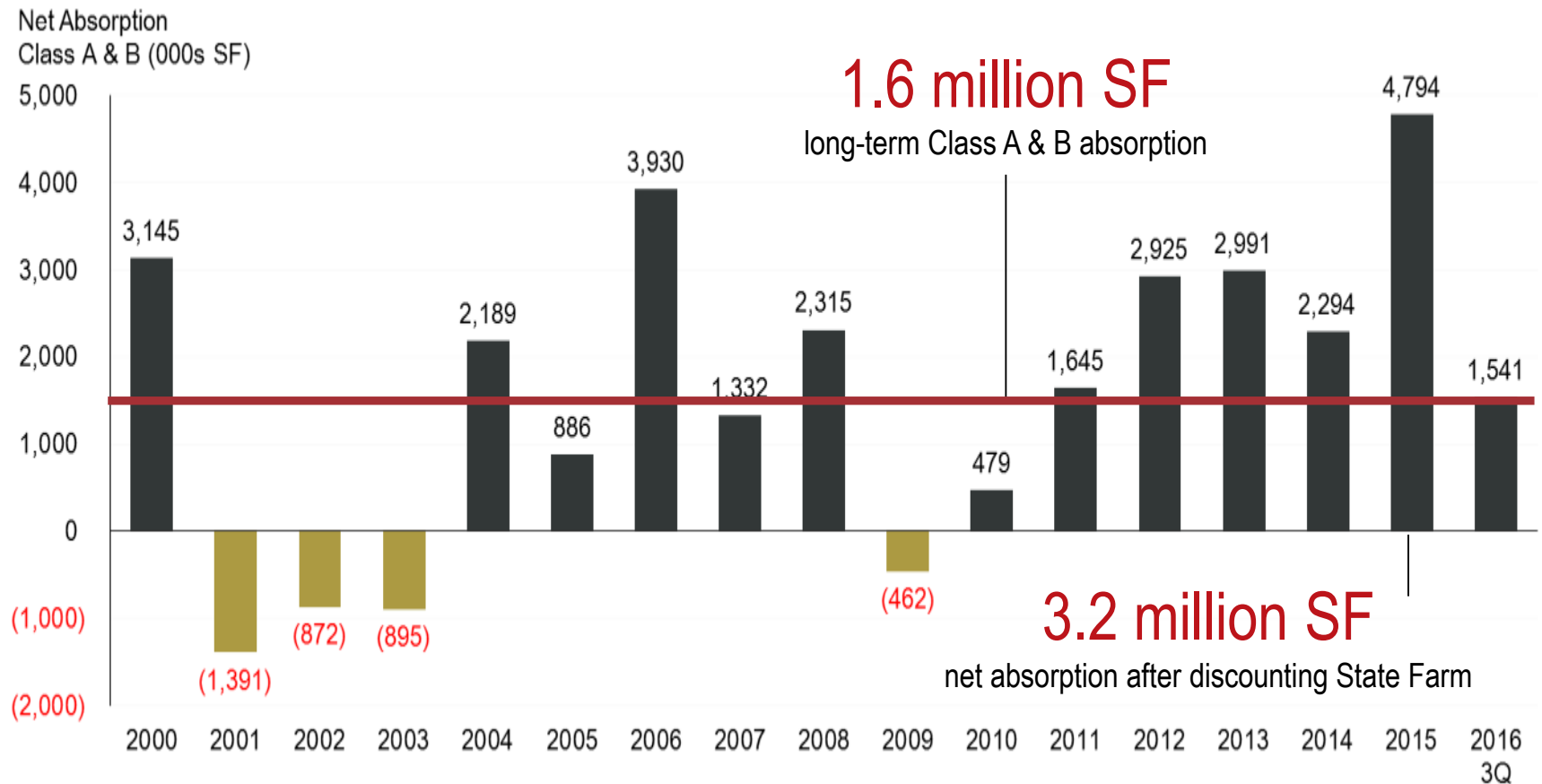


*Dallas office
market overview*

Dallas – office fundamentals at their best, but vacancy has hit low point for this cycle and submarket difference exist

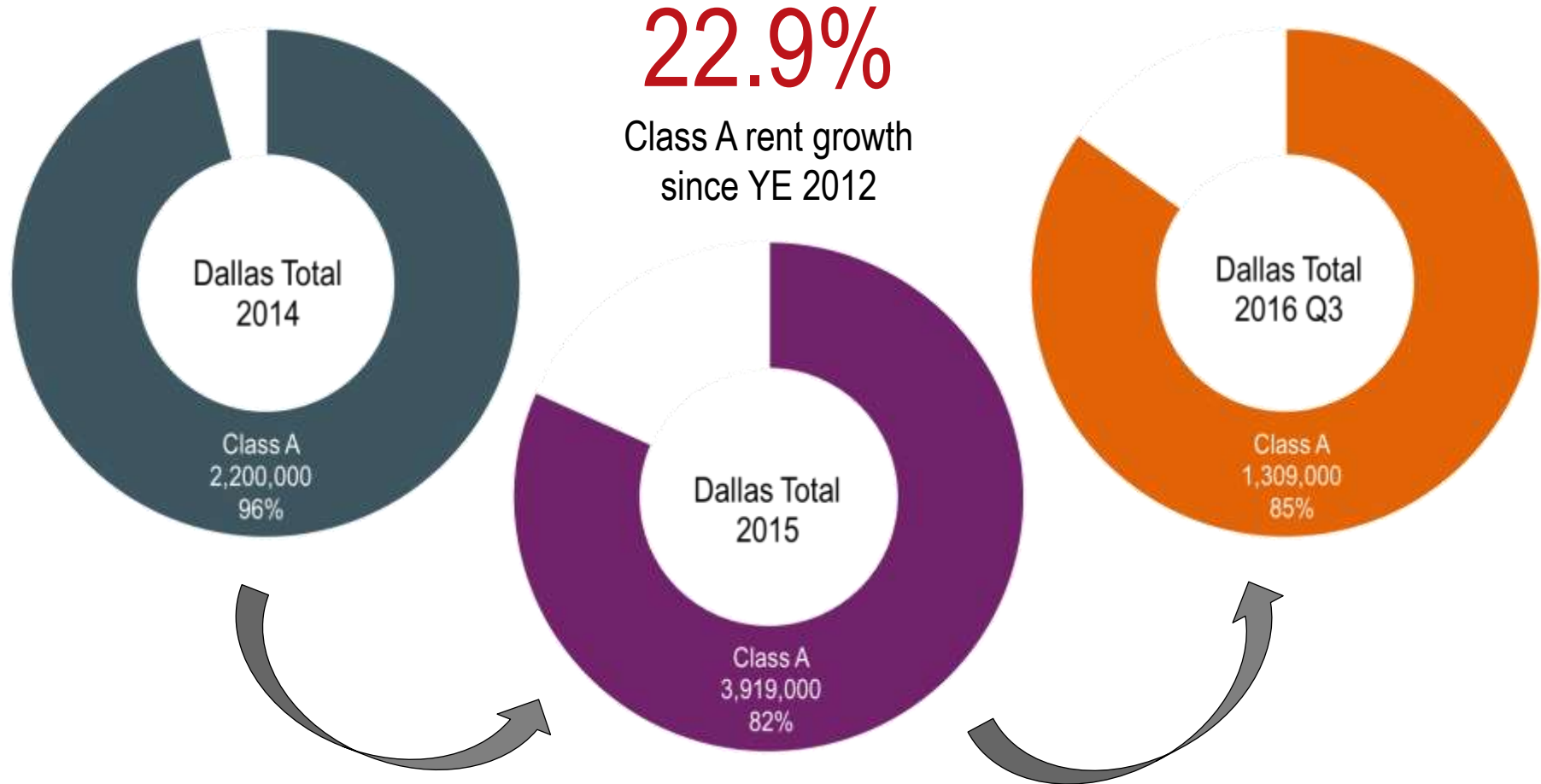


After historic absorption last year, 2016 returns to sustainable pace – driven by ongoing high job gains



Note – from 2000 to 2011, the annual average was 1.0M SF

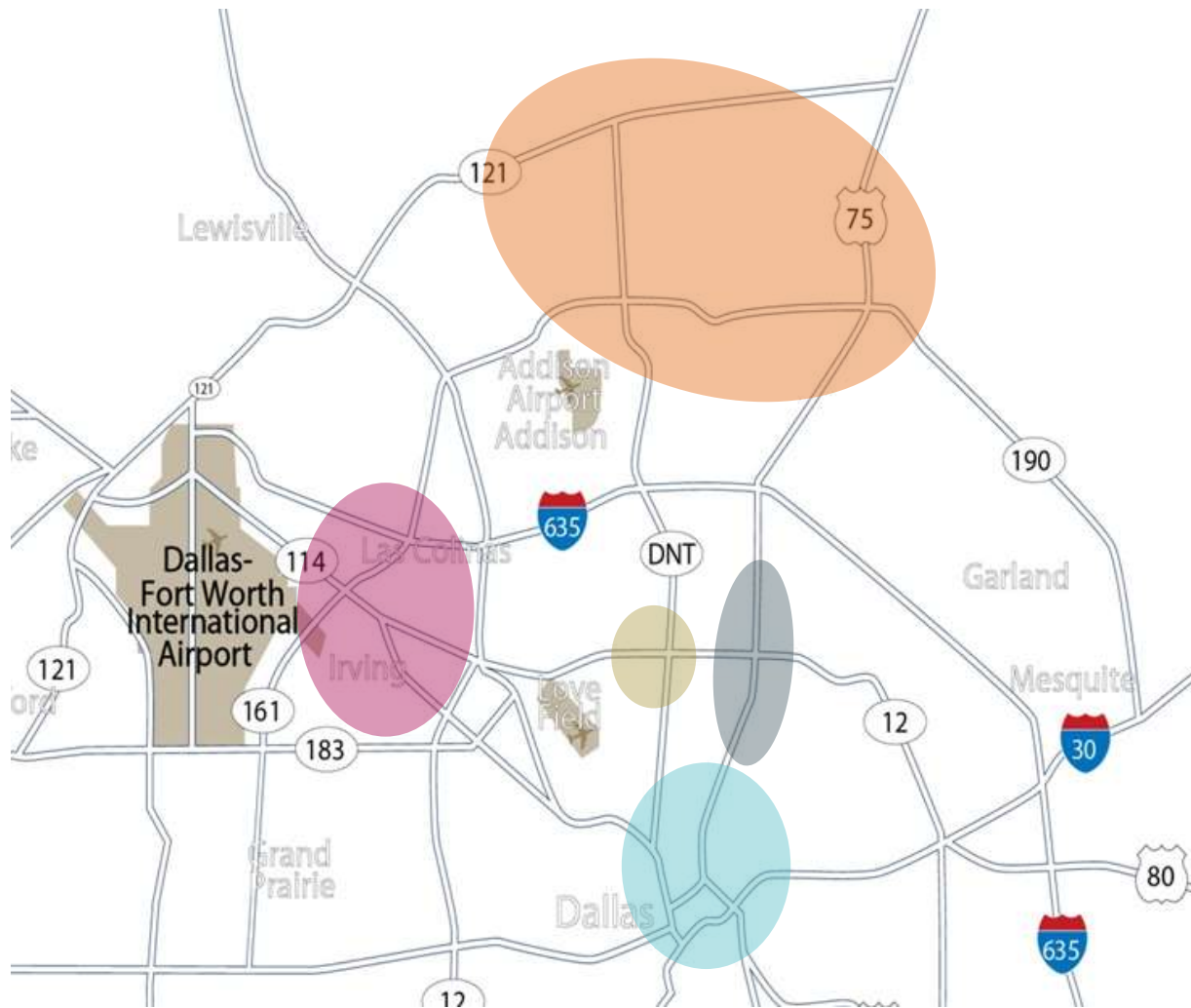
Quality space is the story, despite tight conditions and rising rents – 86% of total net absorption since 2014 has been Class A





*Dallas office
submarket
dynamics*

Today's office hot spots – where the action is!



Downtown

Preston Center

Central Expwy

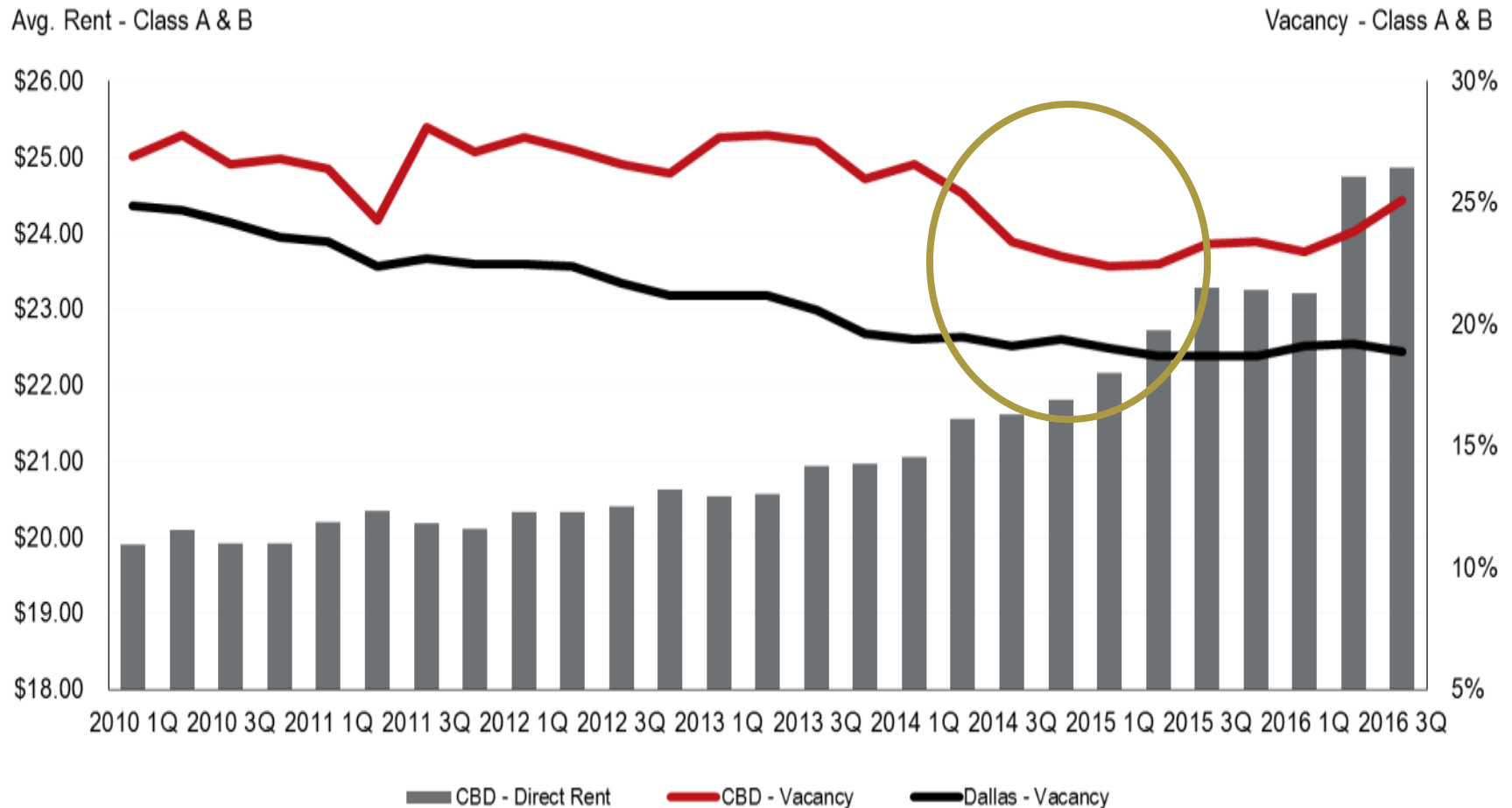
Las Colinas

North Suburbs

“Leaderboard” shows the most in-demand submarkets are well ahead of all other office locations, with Central Expressway vacancy recently entering the mix

Submarket "Leaderboard" (Class A & B space though 3Q 2016)			
Lowest Current Vacancy		Most Improved Vacancy (since YE 2010)	
Preston Center	10.0%	Las Colinas	8.8% ↓
North Central Expressway	12.6%	Uptown	8.1% ↓
Uptown	14.1%	Richardson - Plano	8.0% ↓
Highest Current Rent (FSG)		Highest Total SF Absorption (since YE 2011)	
Uptown	\$38.49	Far North Dallas	5,195,000
Preston Center	\$34.42	Richardson / Plano	3,319,000
Far North Dallas	\$27.44	Las Colinas	2,257,000

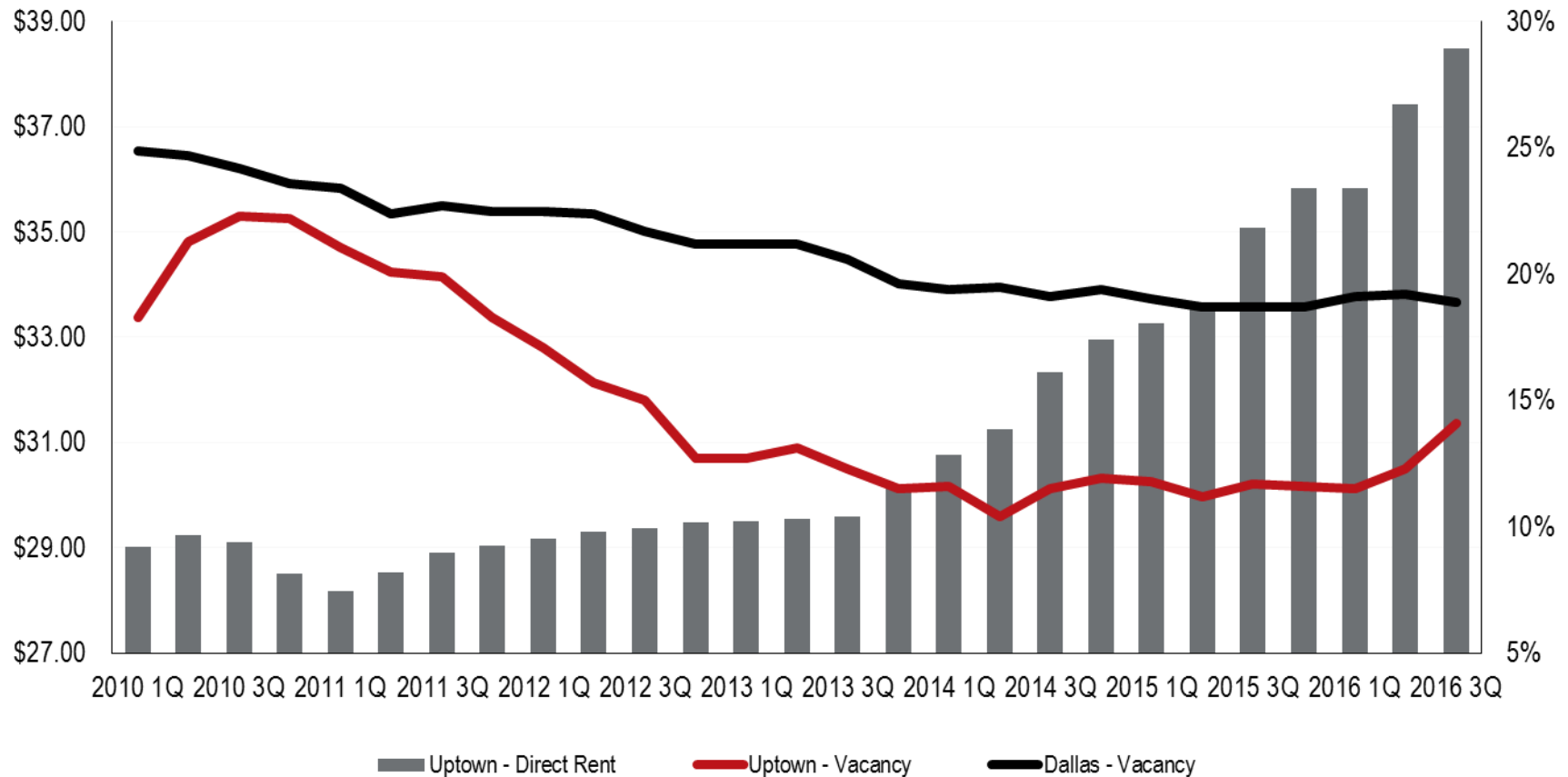
CBD saw a great 2014 due to unique tenant relocations, but has returned to more “usual” demand levels



Uptown extremely tight and remains a preferred close-in location due to live, work, shop & play environment

Avg. Rent - Class A & B

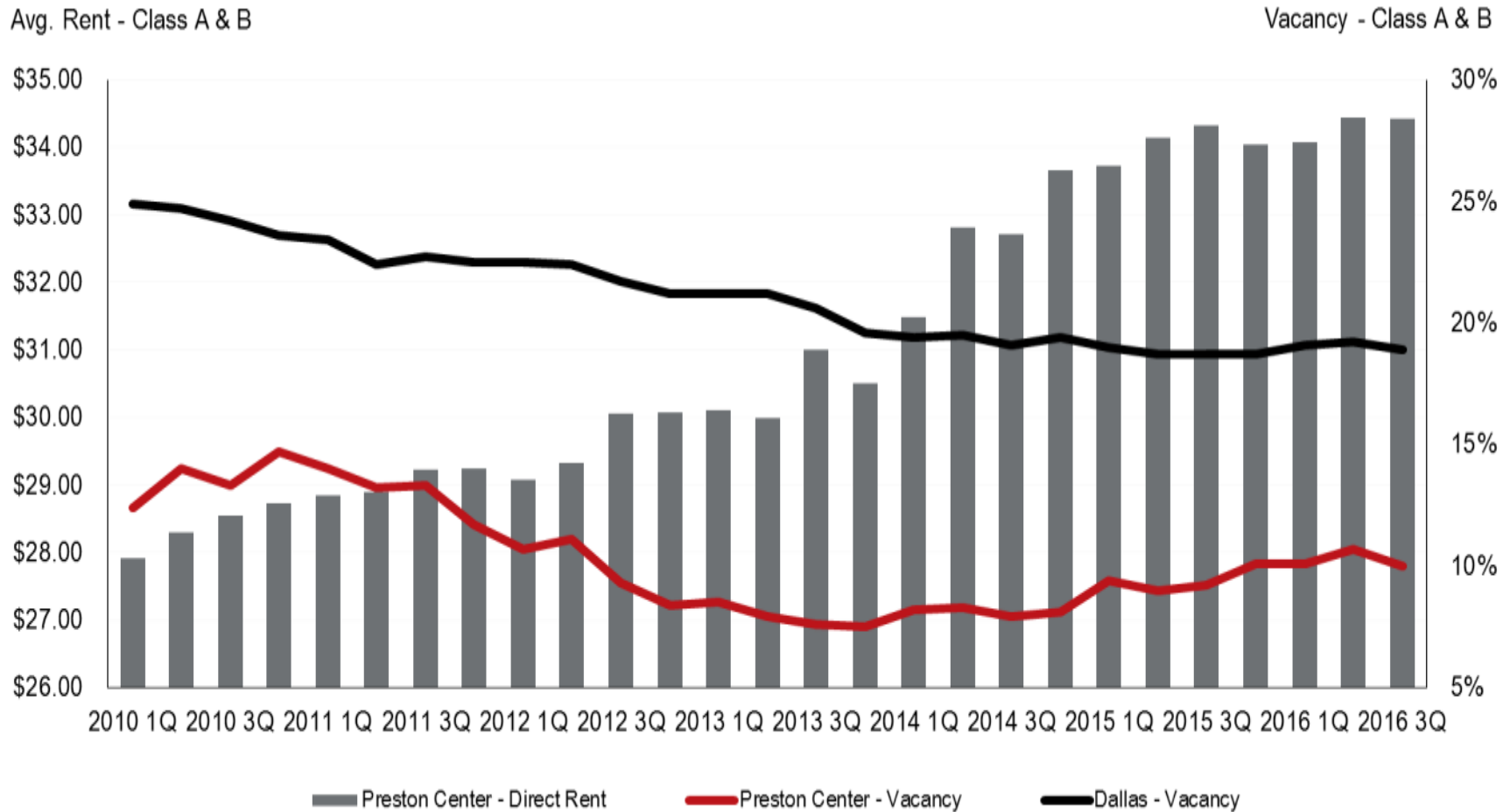
Vacancy - Class A & B



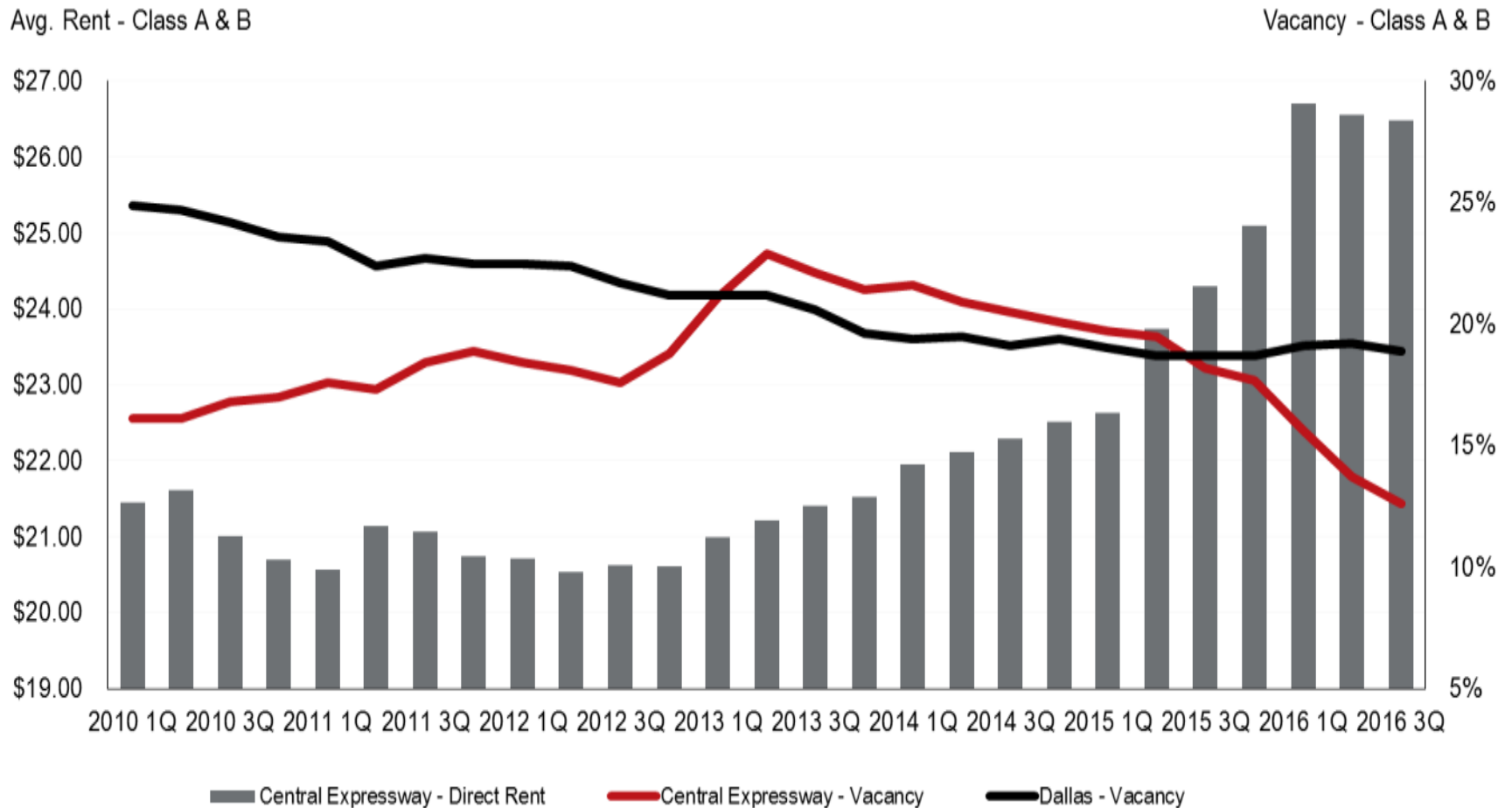
Arts District & Core Uptown – new projects still driving rents increases in the top-tier as vacancy creeps higher



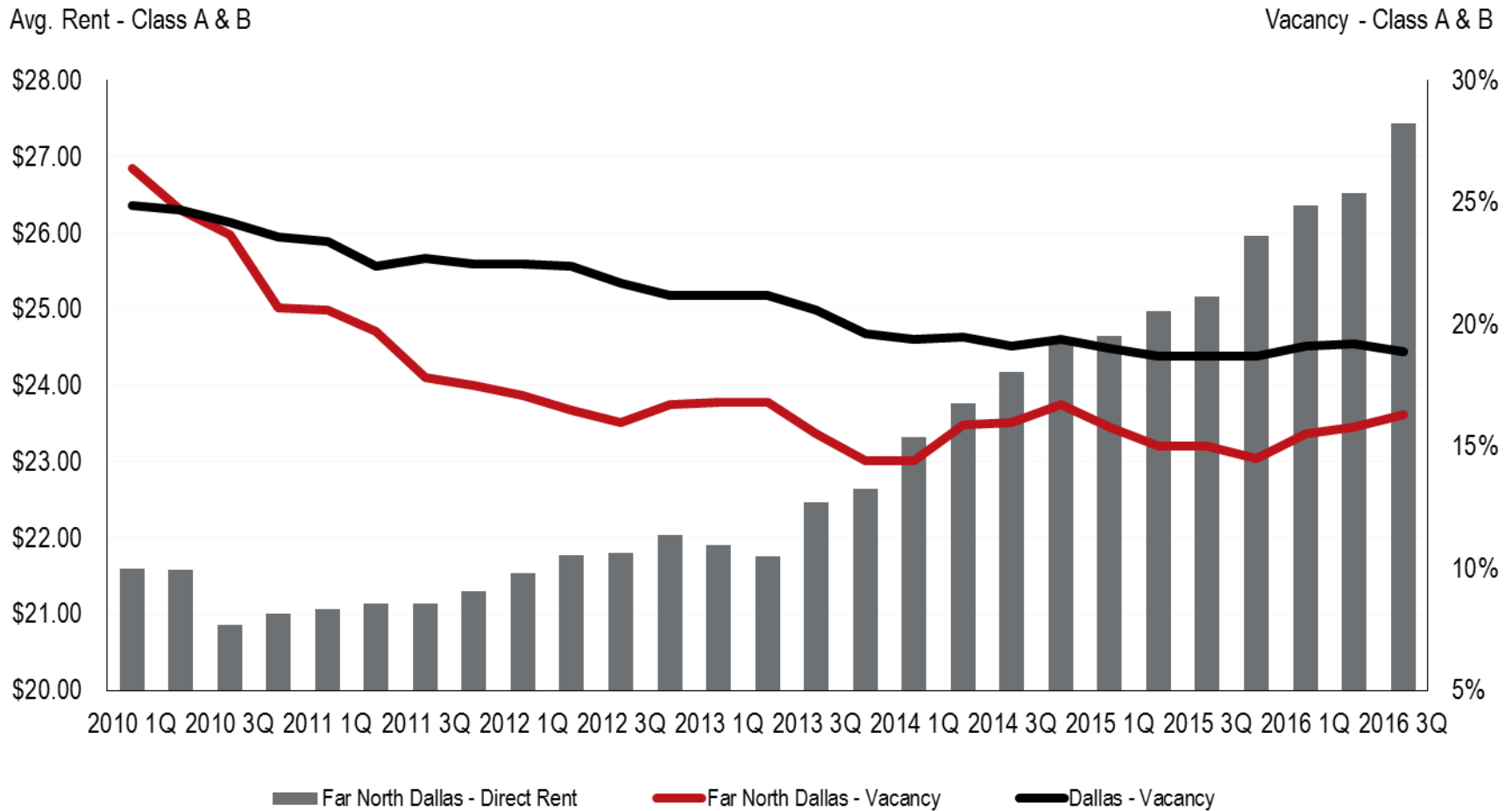
Preston Center's vacancy can't go lower, although some modest construction will give tenants options



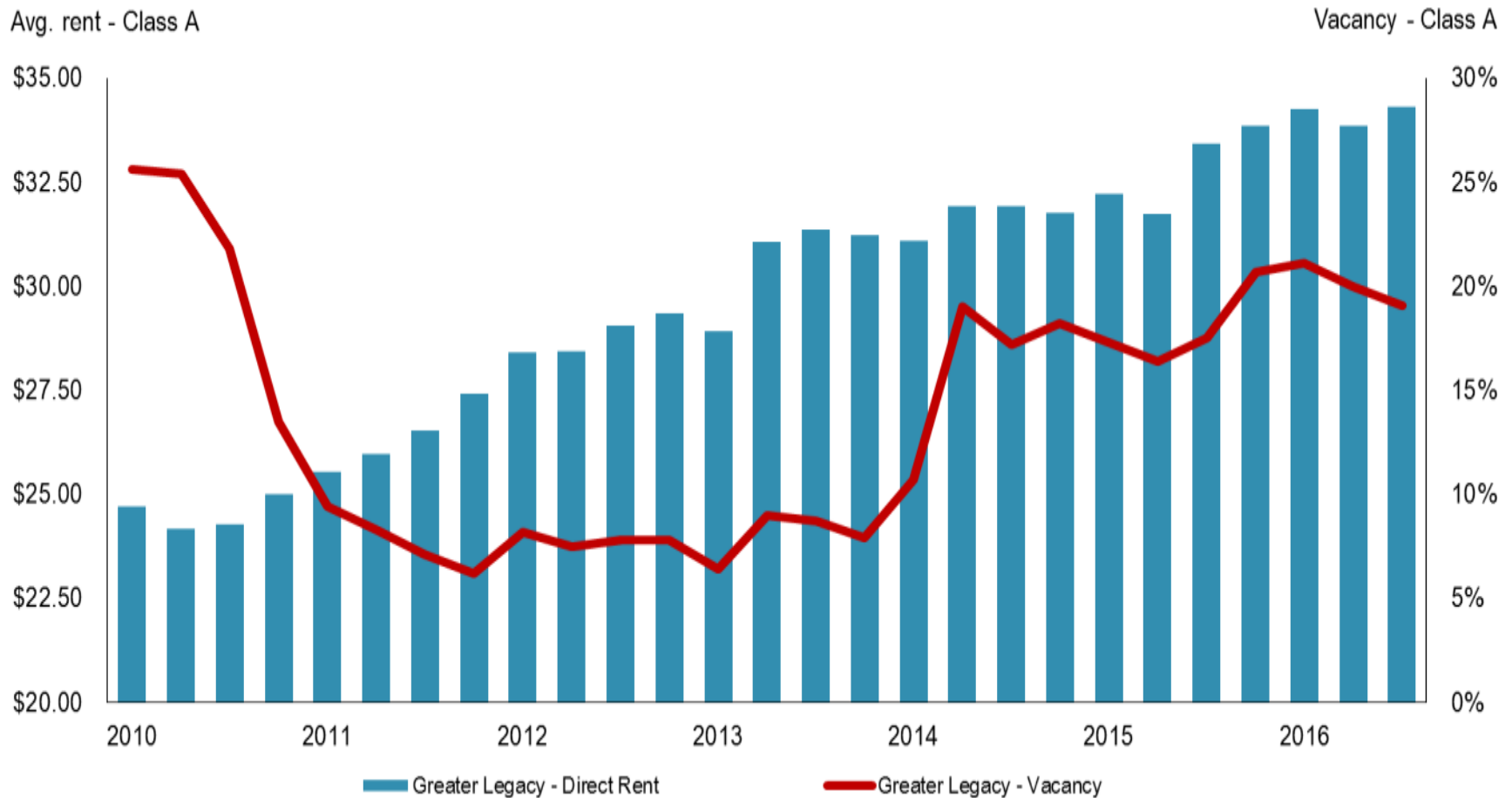
Central Expressway seeing improved absorption and vacancy as tenants consider it an solid in-town alternative



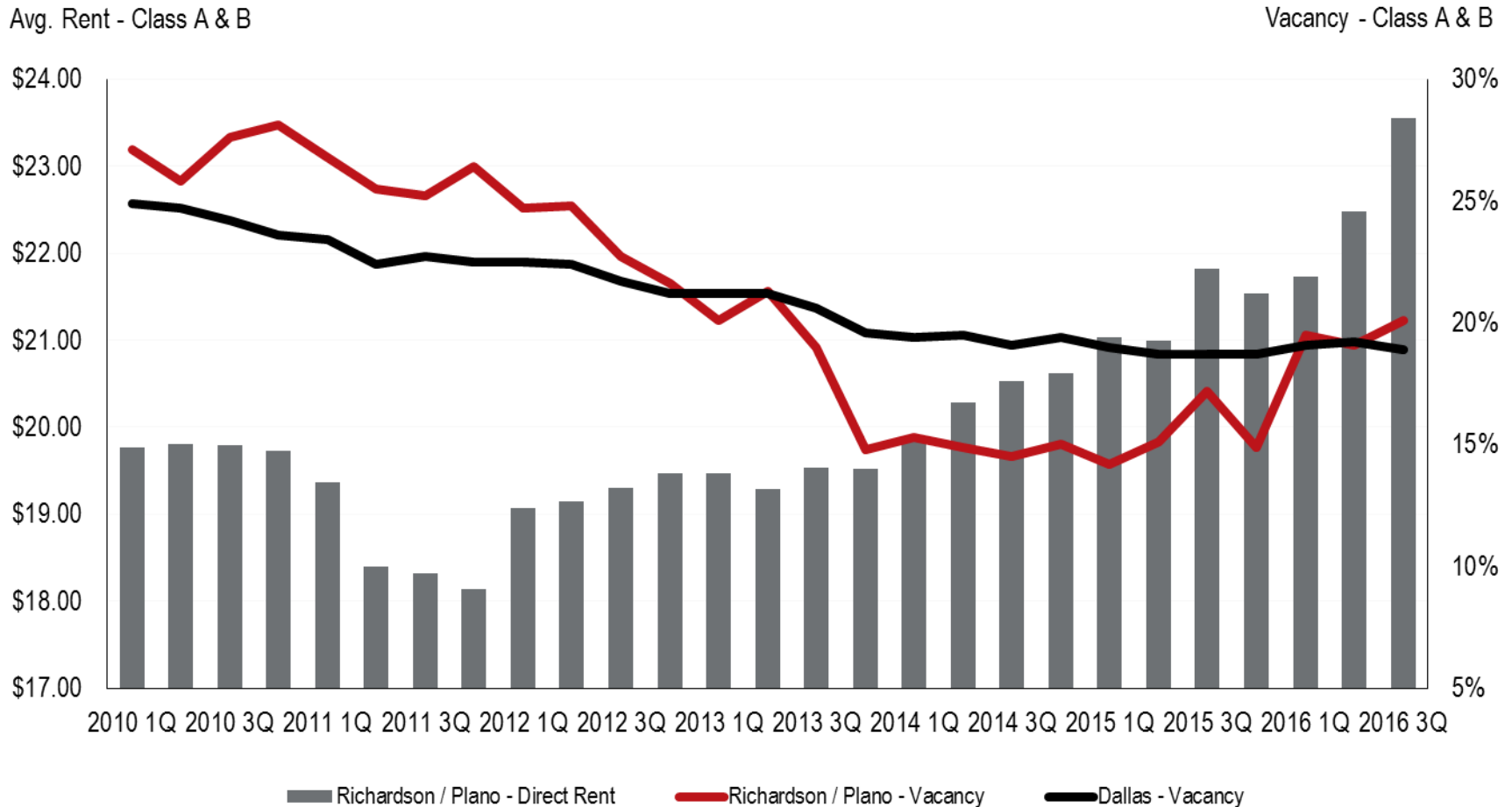
Far North Dallas is the most in-demand submarket, resulting in tight vacancy and rising rents



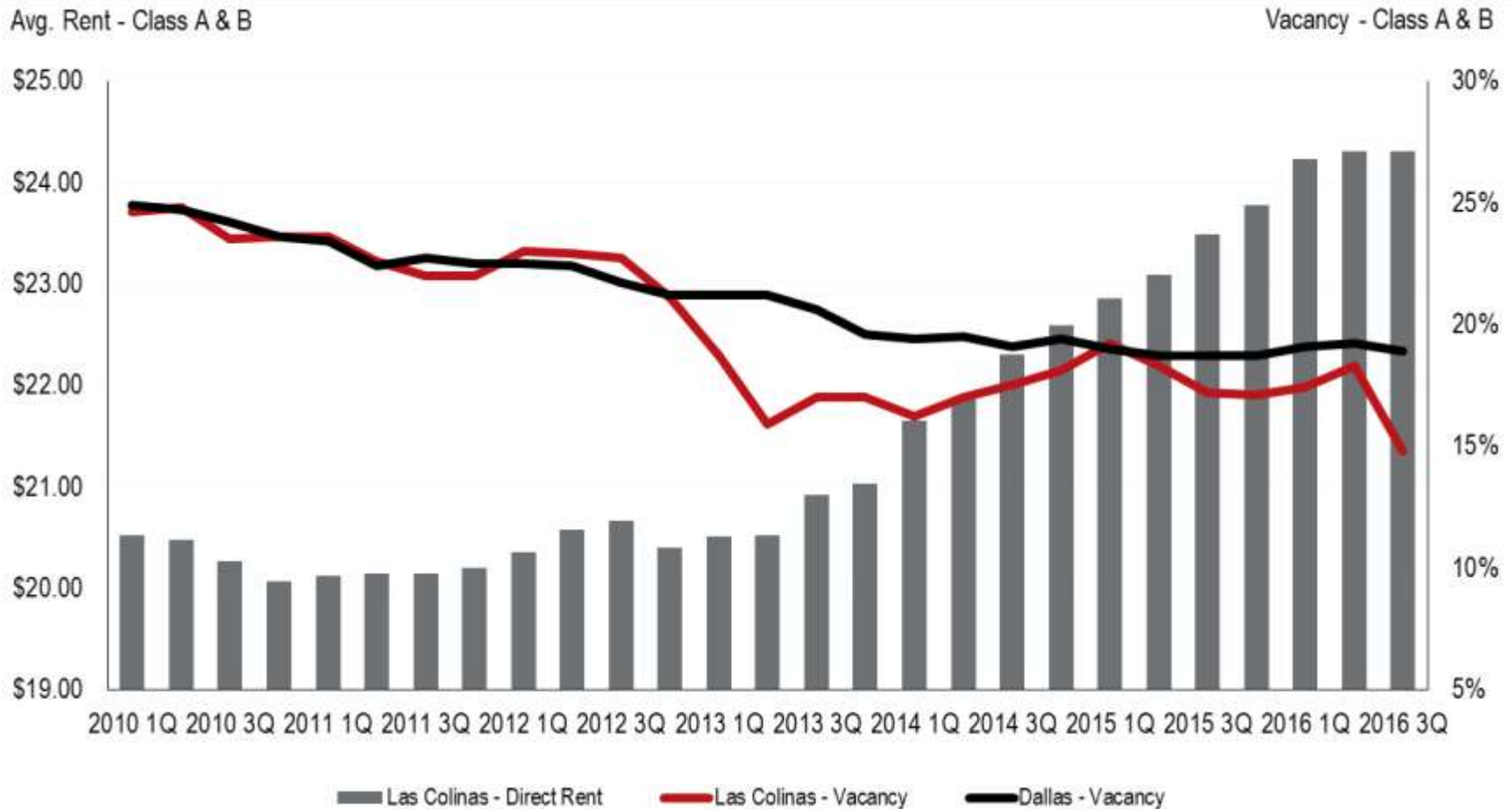
Greater Legacy – so far, vacancy stable as demand matches new office deliveries



Richardson – Plano, State Farm's opening at CityLine made 2015 an especially strong year



Las Colinas – a consistent performer and remains a preferred office hub due to location and good value

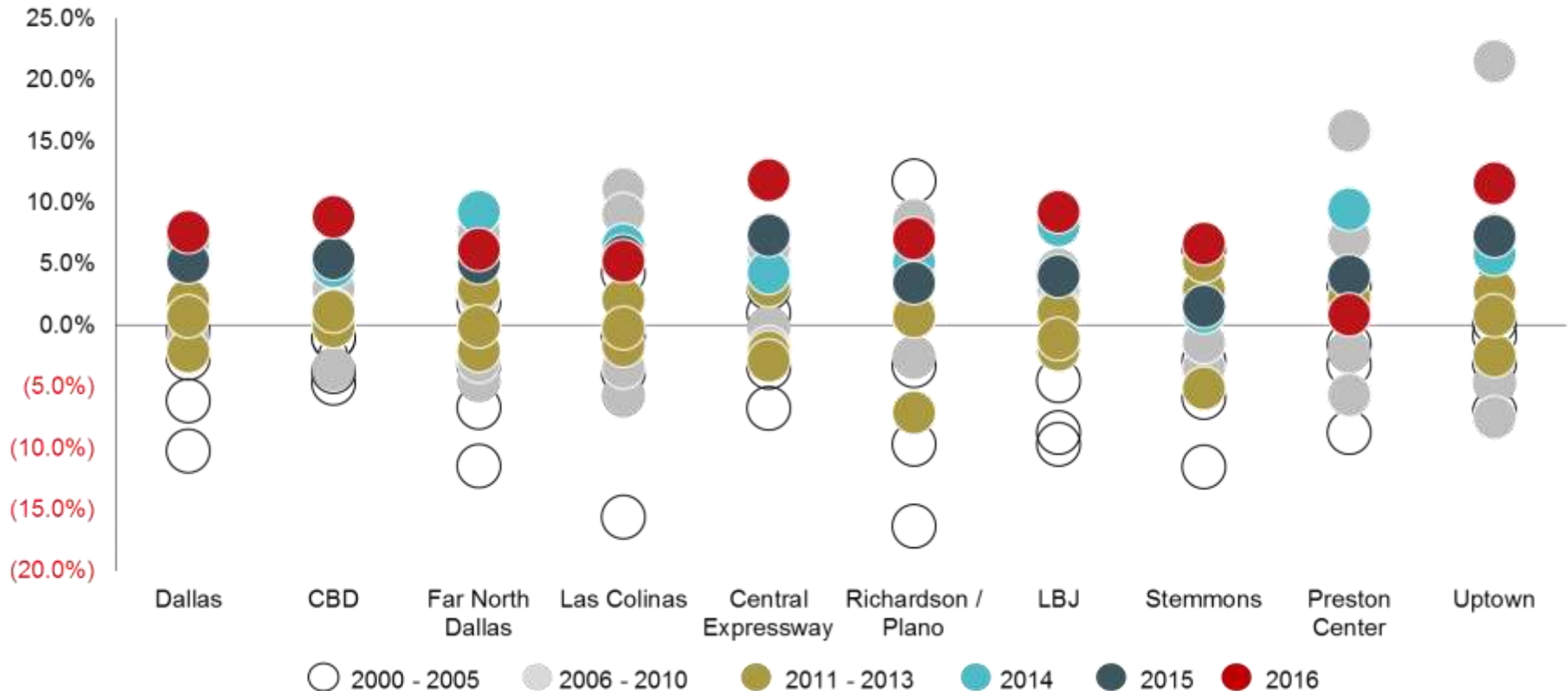


‘A rising tide lifts all boats’ – strong rent growth continues across essentially all submarkets

	Class A			Class A & B		
Submarket	3Q 2015	3Q 2016	Change	3Q 2015	3Q 2016	Change
CBD	\$24.24	\$25.97	7.1%	\$23.28	\$24.87	6.8%
Uptown	\$36.29	\$39.52	8.9%	\$35.08	\$38.49	9.7%
Preston Center	\$35.90	\$35.67	-0.6%	\$34.32	\$34.42	0.3%
Central Expressway	\$26.92	\$28.44	5.6%	\$24.30	\$26.49	9.0%
Far North Dallas	\$28.43	\$31.05	9.2%	\$25.17	\$27.44	9.0%
Richardson / Plano	\$24.30	\$25.34	4.3%	\$21.82	\$23.55	7.9%
LBJ Freeway	\$22.28	\$24.96	12.0%	\$19.85	\$21.78	9.7%
Las Colinas	\$26.42	\$27.38	3.6%	\$23.49	\$24.31	3.5%
Stemmons Freeway	\$18.68	\$18.25	-2.3%	\$16.18	\$17.12	5.8%
Dallas Overall	\$26.68	\$28.56	7.0%	\$23.93	\$25.74	7.6%

Dallas office rent growth edging near the top of its long-term history for several submarkets

Annual change in office rents -
Class A & B (as of 2Q)

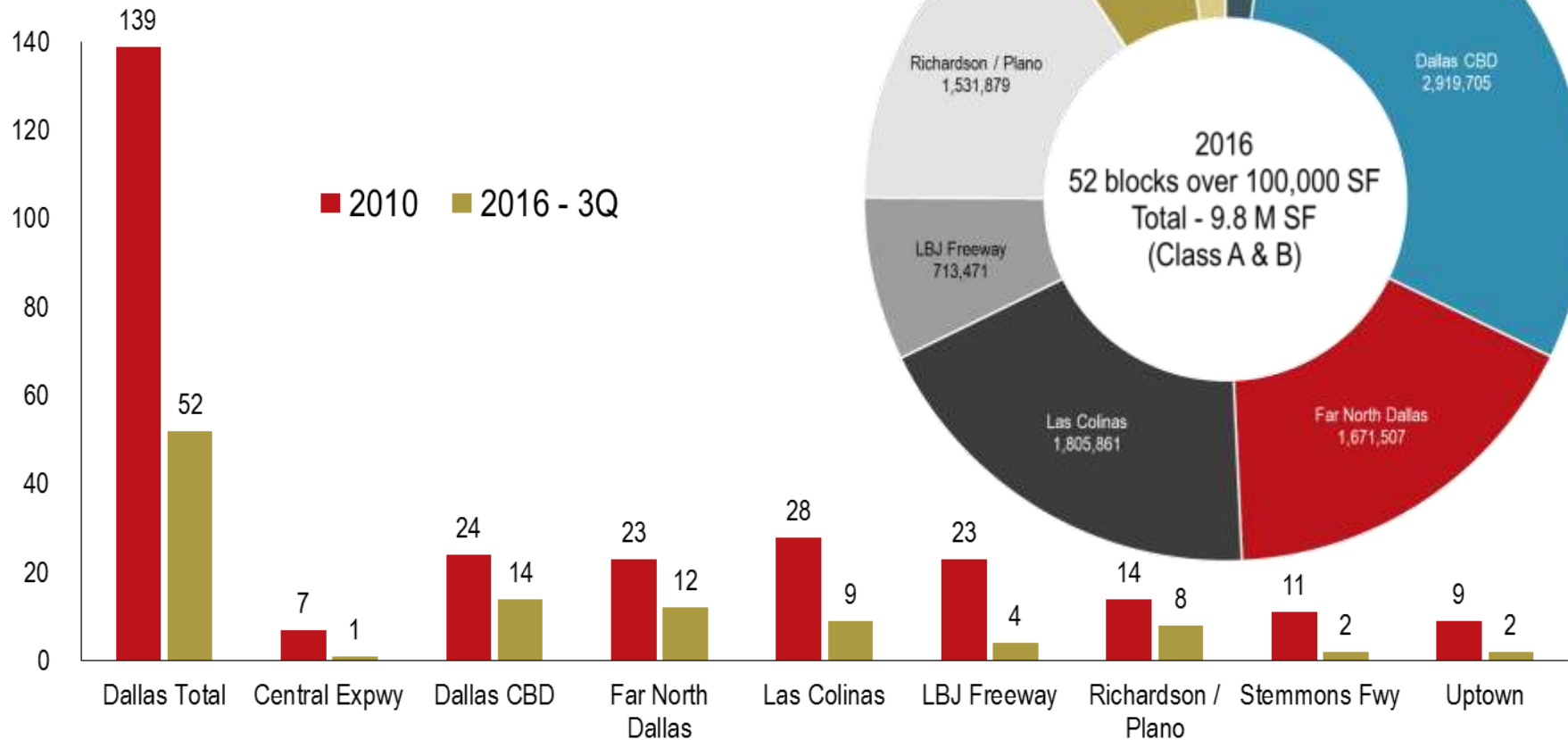




*Dallas office
market outlook*

Large blocks of available space static – and at lowest point for the current cycle

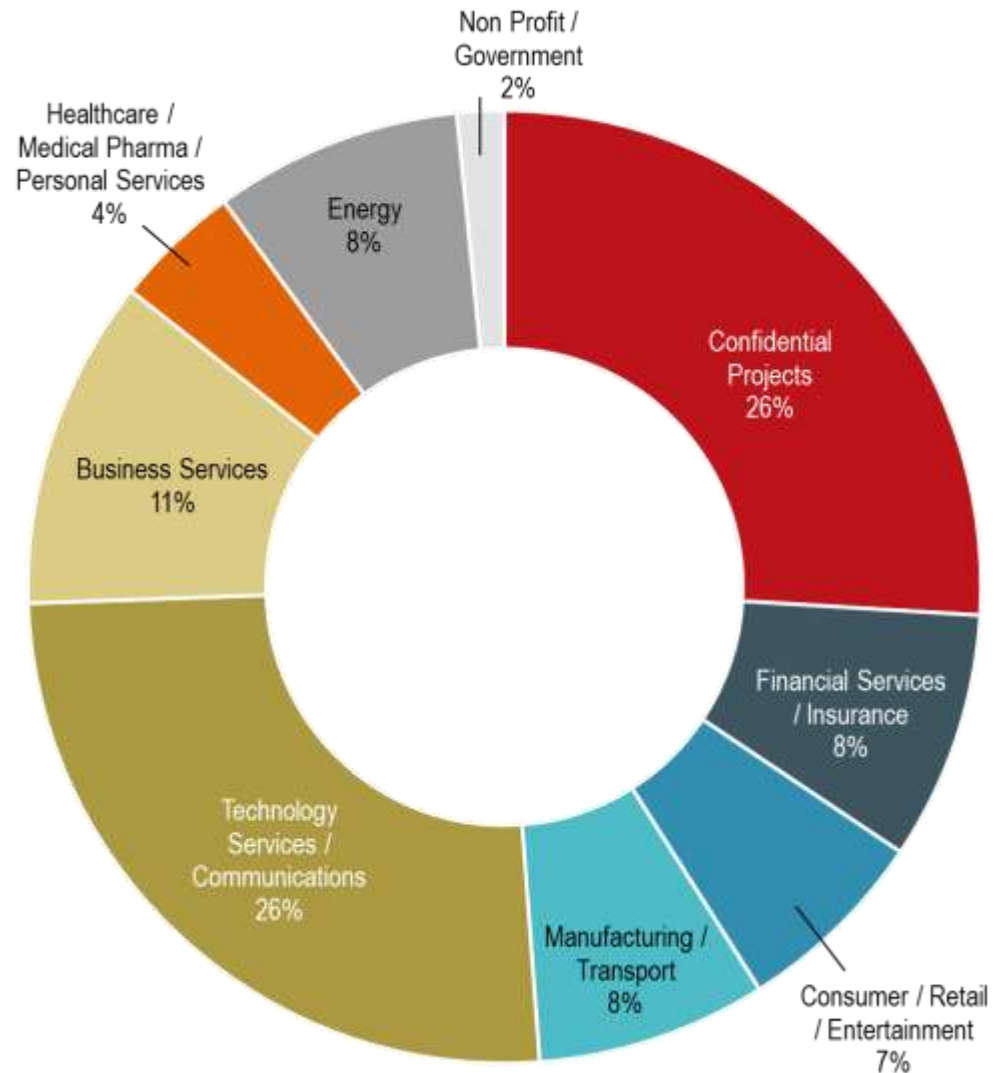
Number of blocks over 100K
SF (Class A & B)



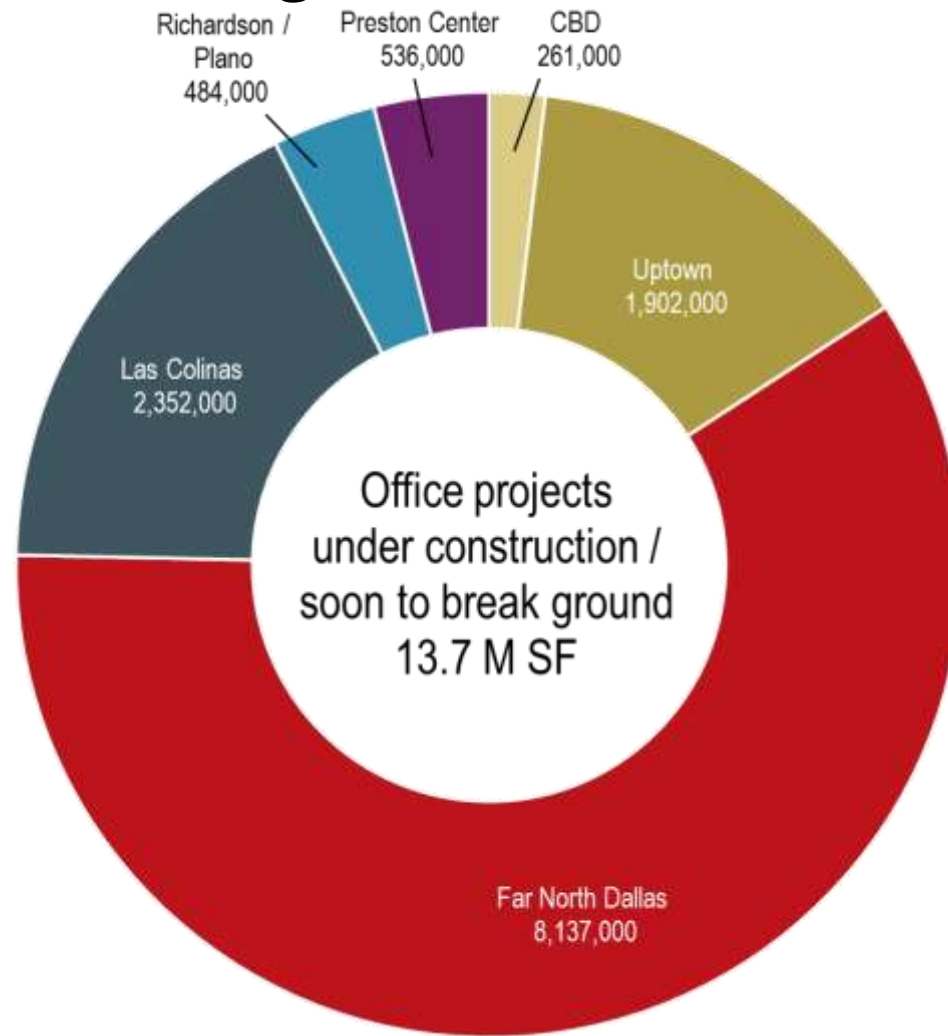
Office tenants exploring DFW comprise a diverse set of industry sectors

19.3 million

total active SF of DFW relocations /
expansions being tracked by JLL



Office construction pipeline for single and multi-users running fairly full in high demand submarkets



Office construction project summary

Uptown

Rolex Building –	130K
2727 Turtle Creek –	402K
Park District –	516K
Hillwood HQ –	200K
The Union MXD –	417K
2850 N Harwood (Harwood #10) –	236K

CBD

1900 Pearl –	261K
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Las Colinas

9111 Cypress Waters –	217K
Cypress CoreLogic –	327K
Cypress One Source –	215K
Music Factory –	100K
Cypress Waters – Zale's Signet	225K
1915 Hurd Drive –	339K
Cypress Waters –	38K
Hidden Ridge – Pioneer Resources –	750K
Connection Park II –	141K

Richardson / Plano

3400 Cityline –	300K
Millennium Office Park –	125K
APCON –	59K

Preston Center

Terraces at Douglas –	186K
St. Michael's Lincoln –	200K
2335 Mockingbird –	150K

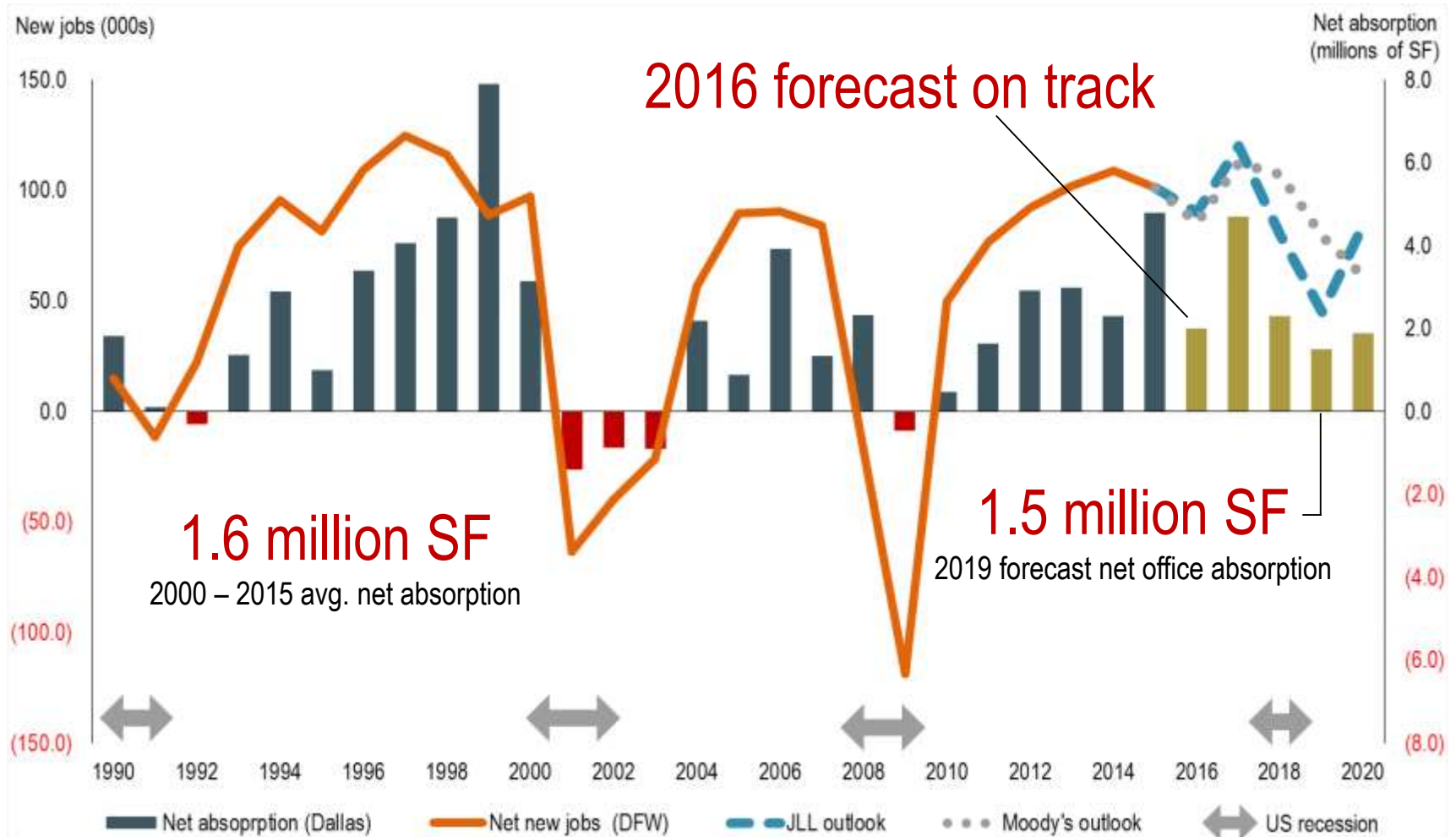
Far North Dallas

Wade Par Tower A –	553K
Wade Park Tower B –	553K
Legacy West –	377K
Toyota HQ –	2.1M
One Legacy West –	308K
Liberty Mutual –	1.1M
N Tollway & HQ Dr. II –	200K
JPMorgan Chase –	1.4M
Capital One #7 –	205K
Fannie Mae –	300K
Dallas Parkway – Stonebrook I	90K
Frisco Station –	228K
Austin Ranch Interceramic HQ –	330K
3201 Dallas Parkway --	300K
Legacy West – 5908 HQ Dr –	93K

13.7 M SF

office projects under construction /
soon to break ground

After a stellar 2015, our DFW outlook is for continued economic growth over the next few years...



For more information, please contact:

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Thank you