

Market Insights

Dallas/Fort Worth

Office

3Q
2019



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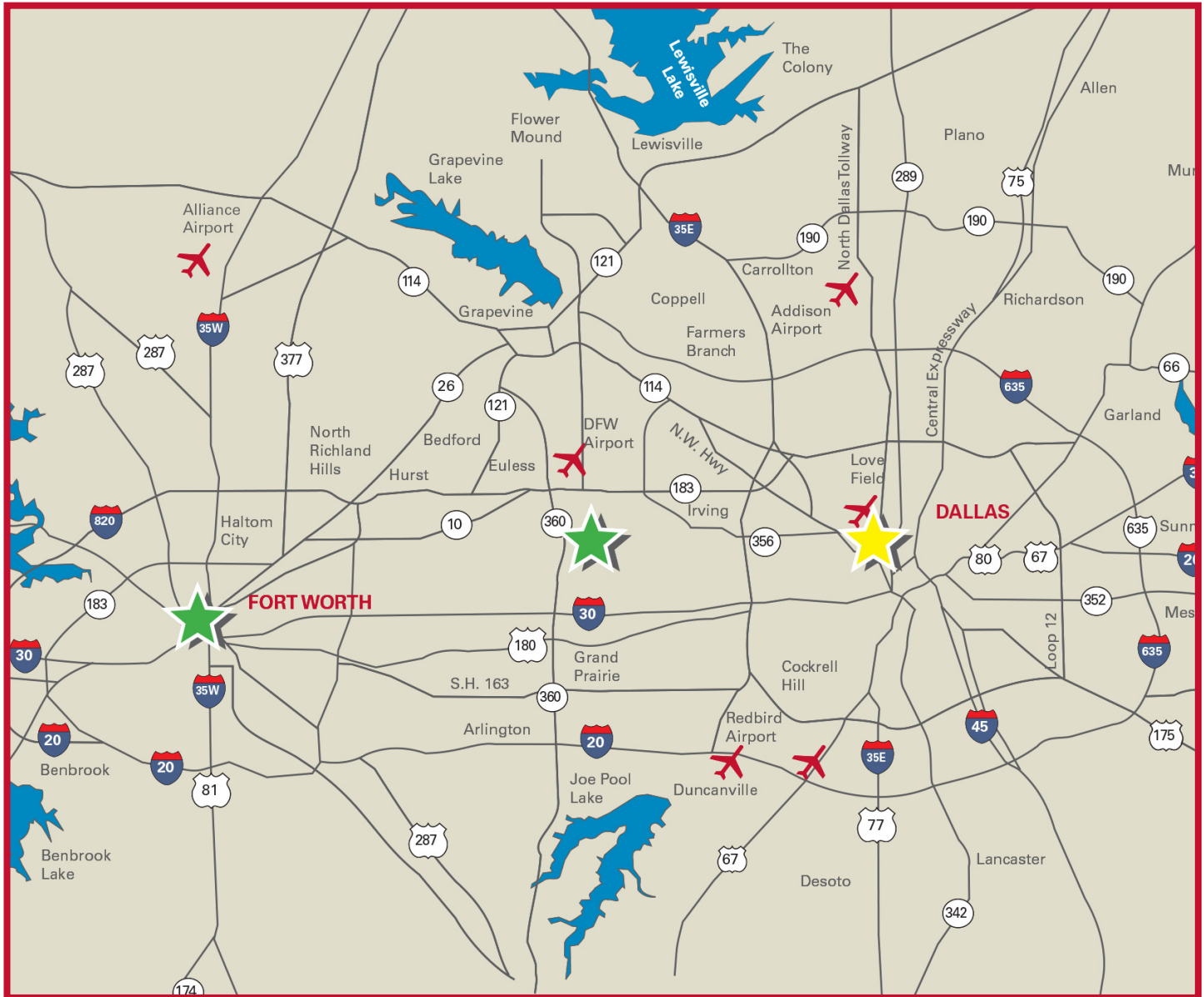
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Binformed

OFFICE MARKET EXPERTS



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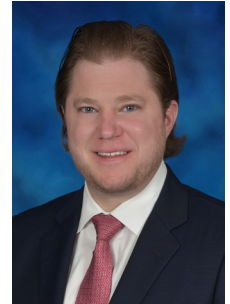
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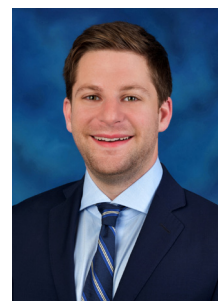
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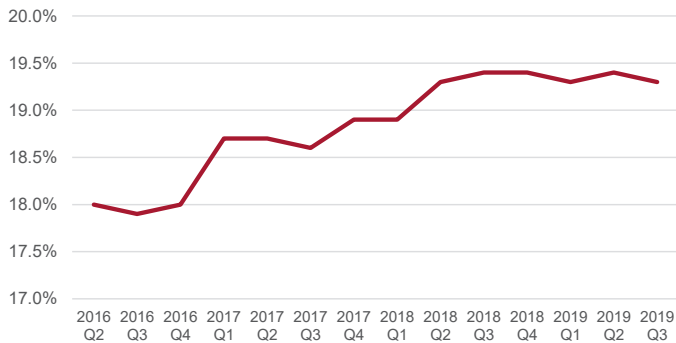


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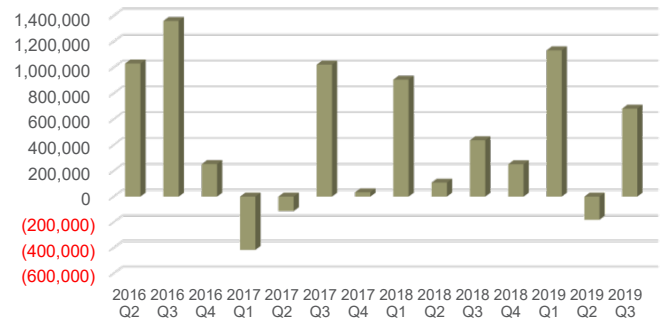
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OFFICE OVERALL MARKET INSIGHTS

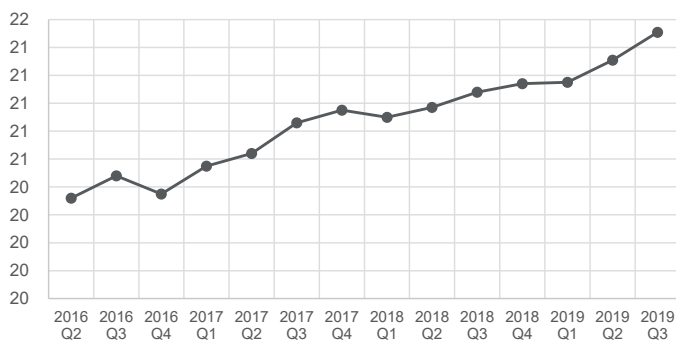
Overall DFW Office Vacancy



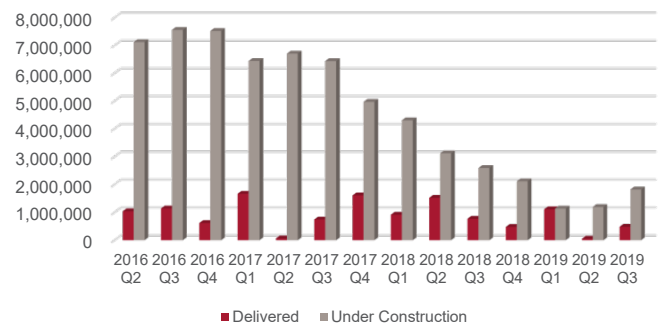
Overall DFW Office Net Absorption



Overall DFW Office Quoted Rental Rates



Overall DFW Office Construction



DFW Office Statistics by Market

Market	Existing Inventory		Vacancy		Net Absorption	Deliveries	Under Const SF	Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF				
Central Expressway	103	12,675,521	1,709,617	13.5%	-77,541	0	0	25
Dallas CBD	78	28,677,157	7,466,624	26.0%	1,233	0	0	21
East Dallas	170	7,290,696	1,247,461	17.1%	-84,796	0	0	22
Far North Dallas	443	49,535,835	10,547,159	21.3%	102,521	235,921	359,500	24
Ft Worth CBD	58	9,672,422	1,625,480	16.8%	-11,884	0	0	26
Las Colinas	276	34,321,100	6,001,809	17.5%	92,820	0	277,475	22
LBJ Freeway	161	21,173,207	4,939,873	23.3%	54,504	0	0	20
Lewisville/Denton	145	7,129,976	1,036,933	14.5%	48,323	0	120,000	17
Mid-Cities	384	20,663,446	4,048,799	19.6%	-119,364	16,440	106,259	18
North Fort Worth	41	2,195,839	157,055	7.2%	-2,568	0	0	19
Northeast Ft Worth	48	3,531,408	617,015	17.5%	14,533	0	0	17
Preston Center	47	4,584,238	475,016	10.4%	22,491	0	0	29
Richardson/Plano	350	29,789,482	5,693,479	19.1%	372,974	0	300,000	19
South Ft Worth	192	10,535,731	1,133,117	10.8%	-51,924	0	0	22
Southwest Dallas	79	3,444,619	327,278	9.5%	-38,258	0	0	16
Stemmons Freeway	114	12,718,168	3,210,868	25.2%	-30,362	0	0	16
Uptown/Turtle Creek	94	13,121,981	2,112,043	16.1%	236,450	231,098	657,538	31
Totals	2,783	271,060,826	52,349,626	19.3%	529,152	483,459	1,820,772	21

CENTRAL EXPRESSWAY

SUBMARKET

Central Expressway Overview

Though vacancies in Central Expressway have risen in recent quarters, they are still near all-time lows. With vacancies this low, landlords have pushed rents at one of the fastest rates in the metro over the past few quarters. The submarket is usually heavily traded and volume has picked up in the last twelve months with about \$326M in sales. However, a significant portion of recent volume was due to the sale of the 1.35 million-SF Cityplace Tower, the largest asset in the submarket.

The Central Expressway Submarket runs along the North Central Expressway, with its southernmost point starting at the Dallas CBD and its northernmost point ending at the LBJ Freeway. Virtually all of the submarket's inventory is located within a stone's throw of the Central Expressway. The submarket has a heavy concentration of financial services, telecom, and tech firms. As a whole, it offers a large amount of investment-grade property—about half of the submarket's RBA is 4 & 5 Star.

Leasing

Fundamentals in Central Expressway are on firm footing. Vacancies have trended well below both the metro average and the submarket's historical average for a few years due to a lack of new supply and generally steady absorption in existing stock. With supply-side pressure unlikely, the biggest risk for this submarket is the prospect of tenants jumping ship for properties in premier urban submarkets like Uptown/Turtle Creek and Preston Center or suburban submarkets like Upper Tollway/West Plano. Central Expressway boasts a number of transit amenities that connect to several submarkets in the urban core and run north. Along with the North Central Expressway itself, the DART orange and red lines run through the entirety of the submarket, and the blue line has stops at Mockingbird and Cityplace stations. Roughly two-thirds of the submarket's office RBA is within a 10-minute walk of a DART station. Though traffic on the North Central Expressway remains an issue, the submarket's location near dense population centers and its DART access allow tenants to tap into the robust workforce in this area of the metroplex.

Movers & Shakers

Tenant	SF
WorkSuites	29,530
Homecare Homebase, LLC	19,815
PowersTaylor, LLP	8,940
McDowell Ducker	9,880
Lincoln Property Mgmt	26,025
GDS Link	7,151

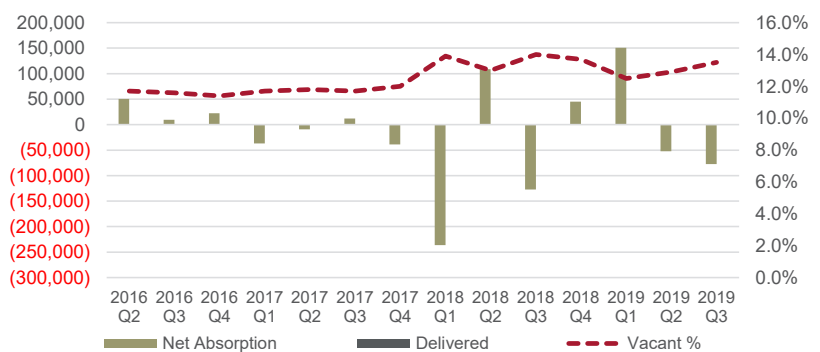
Building
CBS Radio Tower
Three Energy Square
La Sierra Office Building
Meadow Park Tower
10210 N Central Expressway
5307 E Mockingbird Lane

Largest Vacancies:

Cityplace Tower – 148,868 sf
8750 NorthPark Central – 114,267 sf
One Energy Square – 90,670 sf
Walnut Glenn Tower – 87,694 sf

Absorption	vs Previous Qtr	vs 12 Months Ago
(77,541)	-52,200	-127,421
Vacancy	vs Previous Qtr	vs 12 Months Ago
13.5%	12.9%	14.0%
U/C SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
25	25	25

Central Expressway Vital Statistics



DALLAS CBD DISTRICT

SUBMARKET

Dallas CBD District

The Dallas CBD is the metro's primary office node, but the submarket has struggled for some time. Its vacancy rate has been among the highest in the metroplex for decades because its inventory contains a significant percentage of older towers that are not competitive with new assets in other prominent office submarkets, such as Uptown/Turtle Creek and Upper Tollway/West Plano. However, the submarket's low rents, transit amenities and central location have helped keep a core group of tenants rooted here, and fundamentals have improved in recent years.

Early in this cycle, millions of square feet of obsolete inventory was redeveloped into alternative uses, such as multifamily, hotel, as well as retail projects. Those conversions not only buoyed CBD office fundamentals, but they also helped the submarket take steps to become a true live/work/play environment. Furthermore, many older assets in the CBD have either undergone or are undergoing major renovations and are adding amenities like parking in order to remain competitive with newer properties in the Arts District or in Uptown.

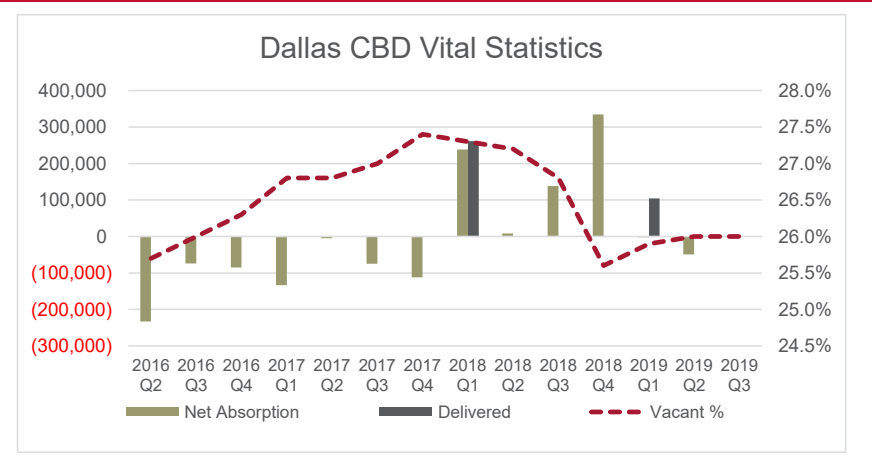
Leasing

Business services and financial firms have been migrating north into nearby Uptown/Turtle Creek for years, but the CBD has recently recaptured some momentum. Law firms Sidley Austin, Gardere Wynne Sewell, and Akin Gump, as well as management consulting firm McKinsey and Company, have moved out of the CBD to new projects in neighboring Uptown/Turtle Creek. Similarly, PricewaterhouseCoopers moved into its new namesake tower at the Park District in Uptown in 18Q2. However, Goldman Sachs consolidated its D-FW operations in 175,000 SF at the Trammell Crow Center in early 2018, moving from Las Colinas. After previously agreeing to move to The Union in Uptown, law firm Vinson & Elkins decided instead to remain at the Trammell Crow Center. Furthermore, of the most recent speculative projects in the CBD and Uptown, 1900 Pearl (in the CBD) leased the fastest, at some of the highest asking rents in the urban core. In mid-2019, Tenant Healthcare announced a major consolidation, which will impact the downtown market. The company is relocating its headquarters from its current location in Dallas' iconic Fountain Place to the northern suburb of Farmers Branch. In addition to the downtown location, offices in Frisco and Addison will be merged into the new space. The company will begin moving employees in phases in early 2020. The move will create an additional 220,000 SF of vacant space in the 1.2-million-SF building.

Conversions to multifamily helped eat away at the submarket's sky-high vacancy rate earlier this cycle. Highlighting this trend is the project involving 1401 Elm, now known as The Drever. Before work began on converting the building to a mixed-use tower with multifamily, hotel, and retail components, the building was responsible for more than 1 million SF of vacant office space. Due to conversions, the submarket's office RBA is now roughly 3 million SF smaller than it was in 2007. This helped shrink vacancies from their 2013 peak of nearly 30% to below 20% at the end of 2015, the lowest rate since the early 1990s. Most conversion projects were given financial incentives by the city, and there were no immediate plans to convert office towers into apartments, according to Downtown Dallas Inc.

Increased multifamily development bodes well for the long-term future of the CBD's office base. The ongoing densification of Dallas's CBD cannot be understated. Since 2010, more than 3,000 apartment units have been delivered in the CBD, representing

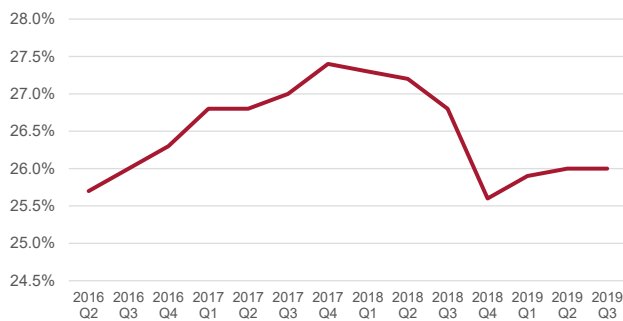
Absorption	vs Previous Qtr	vs 12 Months Ago
1,233	-48,969	138,056
Vacancy	vs Previous Qtr	vs 12 Months Ago
26.0%	26.0%	26.8%
U/C SF	vs Previous Qtr	vs 12 Months Ago
0	0	104,119
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
21	21	21



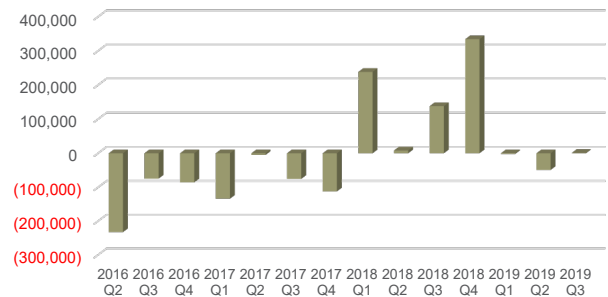
DALLAS CBD DISTRICT

SUBMARKET

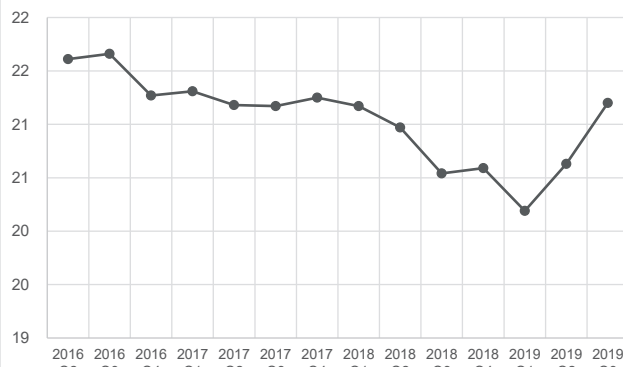
Dallas CBD Office Vacancy



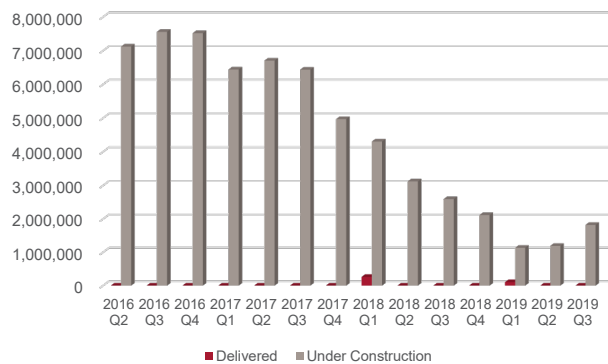
Dallas CBD Office Net Absorption



Dallas CBD Office Quoted Rates



Dallas CBD Office Construction



about half of the total inventory, and more than 1,000 more are under construction. The increase in residents is spurring retail-space activity, which should enhance landlords' pricing power. Other than 1401 Elm, every multifamily project under construction in the CBD is a ground-up development rather than a conversion.

The lack of parking may constrain future growth. Although every DART line runs through the CBD, owning a car is still a necessity almost anywhere in Dallas. As a result, the scarcity of parking in the CBD is part of the reason tenants opt for space in Uptown or suburban locations. Average parking ratios in Uptown (roughly three spaces per 1,000 SF), while not high relative to rates in other Dallas-Fort Worth submarkets, are nearly double those in the CBD (1.6 per 1,000 SF, though there are surface lots). All multi-tenant buildings in the CBD built since 2007 or under construction offer a parking ratio of at least three spaces per 1,000 SF, giving newer properties a significant competitive advantage.

Movers & Shakers

Tenant	SF	Building
Kane, Russell, Coleman & Logan	44,902	Bank of America Plaza
Trip Actions	25,268	717 N Harwood Street
REEL FX	25,264	717 N Harwood Street
Hunton & Williams LLP	21,640	Fountain Place
Sowell & Co	20,158	Thanksgiving Tower
ORIX USA	100,000	2001 Ross Avenue
Akerman	30,169	2001 Ross Avenue
Cowles & Thompson	27,746	901 Main Street

Largest Vacancies:

1700 Pacific – 753,807 sf
 Fountain Place – 64,287 sf
 Thanksgiving Tower – 514,472 sf
 Bank of America Plaza – 442,453 sf

WHITE ROCK/EAST DALLAS

SUBMARKET

East Dallas Overview

The White Rock Submarket includes the primarily residential neighborhoods surrounding White Rock Lake in East Dallas. However, about half of the office inventory is in the Baylor University Medical Center area, which is adjacent to the nightlife and restaurant hot spot of Deep Ellum. Medical tenants dominate that area, and vacancies are structurally low. Properties in White Rock are typically smaller, and almost none of the inventory is 4 & 5 Star quality.

The potential for growth in the submarket lies mainly in Deep Ellum. Of note, KDC completed the office portion of The Epic in the western part of Deep Ellum in early 2019. The Epic added about 250,000 SF of 5 Star office space, along with multifamily and hotel components. In mid-2019, Uber announced it would be bringing 3,000 jobs to The Epic, the regional headquarters being billed as the largest outside San Francisco. On the eastern edge of Deep Ellum, Baylor Scott & White is planning an office building that will allow it to consolidate its local operations in one facility. Hines is planning an office project in the neighborhood as well. Other developers own older, loft-style buildings and empty lots in Deep Ellum, so further growth is likely in this emerging live/work/play environment.

Leasing

Vacancies in White Rock are typically tight but have jumped due to the delivery of The Epic in the first half of 2019. Occupancies stand to recover over the next few quarters as The Epic continues to add tenants. While there is some supply on the way, all of that will result in net new demand from Baylor Scott & White, which is moving its office operations from Bryan Tower in the CBD to a new facility just north of Deep Ellum. More than half of the office inventory in the submarket is clustered around the medical center, and of that, nearly 2 million SF is classified as medical office. The medical office space in that area typically stays around 95% occupied, and there is usually very little tenant movement. The remainder of the office inventory in White Rock is spread throughout the submarket, with a few nodes running along I-30, the LBJ Freeway, and Garland Road. These properties usually cater to small businesses with footprints smaller than 2,000 SF.

Movers & Shakers

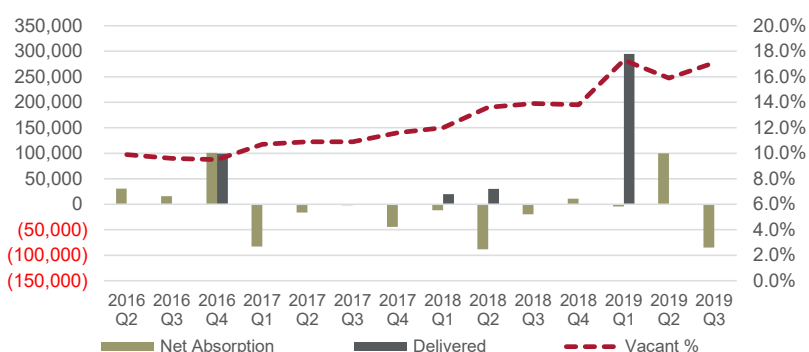
Tenant	SF	Building
Tenet Healthcare	372,931	International Plaza I
DPS Holdings, Inc	350,000	Keurig Dr Pepper
Merit Energy Company	126,952	Galleria North
Splunk, Inc	83,774	6860 Dallas Parkway
NCR Corporation	52,551	6100 Tennyson Parkway
SPACES 26,571	15305	N Dallas Parkway

Largest Vacancies:

5400 Legacy – 1,190,912 sf
The Campus at Legacy West – 370,625 sf
Frisco Station – 210,579 sf

Absorption	vs Previous Qtr	vs 12 Months Ago
(84,796)	99,957	-19,622
Vacancy	vs Previous Qtr	vs 12 Months Ago
17.1%	15.9%	13.9%
U/C SF	vs Previous Qtr	vs 12 Months Ago
0	0	294,820
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
22	21	24

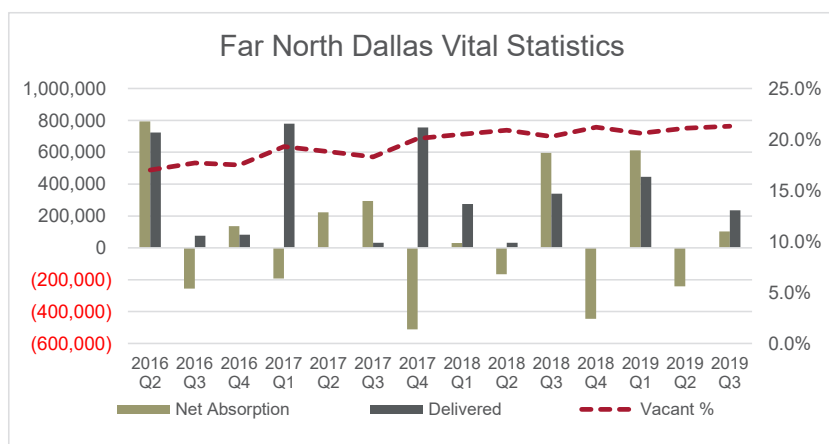
East Dallas Vital Statistics



FAR NORTH DALLAS

SUBMARKET

Absorption	vs Previous Qtr	vs 12 Months Ago
102,521	-241,011	596,422
Vacancy	vs Previous Qtr	vs 12 Months Ago
21.3%	21.1%	20.3%
U/C SF	vs Previous Qtr	vs 12 Months Ago
359,500	560,921	901,066
Delivered SF	vs Previous Qtr	vs 12 Months Ago
235,921	0	339,564
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
24	23	23



Far North Dallas Overview

Situated along the Dallas North Tollway between the LBJ Freeway and President George Bush Turnpike, Quorum/Bent Tree is one of the metroplex's primary office nodes. Its location allows tenants to tap into the highly educated workforce that resides to the south in Uptown and the Park Cities as well as to the north in Plano and Frisco. The submarket emerged in the 1980s when its inventory grew by 10 million SF, accounting for nearly 40% of today's total RBA. Occupancies have taken a major hit in recent years, but most of that was due to JPMorgan Chase and Fannie Mae moving to new build-to-suits in Upper Tollway/West Plano. The submarket has experienced negative net absorption since 18Q2. A few key leases occurring in 2019 include 29,000 SF at 15455 Dallas Pkwy. and 25,000 SF at 153303 at N Dallas Pkwy.

Upper Tollway/West Plano has emerged as one of the most dynamic office submarkets in Dallas-Fort Worth. The submarket has some of the newest office stock in the metro. it now serves as a corporate hub for Toyota's North American headquarters and is a major regional location for Liberty Mutual, AmerisourceBergen, JPMorgan Chase, and USAA's recent expansion.

Leasing

The big story here is that Toyota, Liberty Mutual, and JPMorgan Chase have either relocated (Toyota) or consolidated (Liberty Mutual and JPMorgan) operations in Legacy West, bringing about 15,000 jobs to the Upper Tollway/West Plano Submarket. The three companies took more than 1 million SF each, with Toyota alone responsible for a 2.1 million-SF campus, making it the largest tenant in the submarket. Occupancies will take a hit in 2021 when Keurig Dr. Pepper moves out of roughly 300,000 SF in Upper Tollway/West Plano. The firm will shift its headquarters operations north to The Star in Frisco.

Although construction in the Frisco/The Colony Submarket has exploded in recent years, vacancies trended below the metro average for most of this cycle due to strong demand. Vacancies typically only rise due to supply-side pressure rather than tenant move-outs. Despite the uptick in speculative supply in 2018, absorption has been strong enough over the past few quarters to push vacancies below the metro average.

Movers & Shakers

Tenant	SF	Building
Tenet Healthcare	372,931	International Plaza I
DPS Holdings, Inc	350,000	Keurig Dr Pepper
Merit Energy Company	126,952	Galleria North
Splunk, Inc	83,774	6860 Dallas Parkway
NCR Corporation	52,551	6100 Tennyson Parkway
SPACES	26,571	15305 N Dallas Parkway

Largest Vacancies:

5400 Legacy – 1,190,912 sf
The Campus at Legacy West – 370,625 sf
Frisco Station – 210,579 sf

FORT WORTH CBD

SUBMARKET

Fort Worth CBD Overview

The Fort Worth CBD is home to a heavy concentration of energy companies, leaving it exposed to the effects of energy price swings. The good news is that, at about 12%, vacancies are below the metro average and have remained relatively stable. Also, the newest delivery, the 280,000-SF Frost Tower, which opened in early 2018, was about 70% leased in late 2019. The building boasts the highest rents in downtown Fort Worth at about \$40/SF, and there are very few buildings in the submarket that are close to this mark. While rent growth has slowed compared to earlier this cycle, rents have remained stable at about 2%. CoStar anticipates that this trend will continue into mid-2020.

Leasing

Though Fort Worth has greater exposure to the energy industry than Dallas does, fundamentals have stayed intact. Vacancies are well below both the submarket's historical average and the metro average. While XTO Energy's move from Fort Worth CBD Houston (a net loss of 1,600 employees) was expected to open up a large chunk of office space in the submarket, the supply glut has been somewhat mitigated. The 120,000-SF W.T. Waggoner building and 195,000-SF 714 Main will both be redeveloped into hotels. Furthermore, the 93,800-SF Petroleum Building is already being marketed for lease by its new owner, Sundance Square.

In terms of recent leasing, Frost Tower was 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. The company moved from the neighboring West Southwest Fort Worth Submarket in early 2019. In late 2018, WeWork agreed to take roughly 38,000 SF across two buildings at Sundance Square. Engineering consulting firm Freese and Nichols will take 80,000 SF at Burnett Plaza in the CBD in 2020 when it moves from its current location in West Southwest Fort Worth. In many respects, the Fort Worth CBD is dissimilar to its counterpart in Dallas. While vacancies in the Dallas CBD are structurally high, they are typically below the metro average in the Fort Worth CBD. Part of the reason is that the Fort Worth CBD is just about the only place where tenants will find 4 & 5 Star inventory in the western part of the metroplex. Downtown Fort Worth holds roughly half of the 4 & 5 Star inventory west of the Dallas/Fort Worth International Airport. In comparison, the Dallas CBD has to compete with inventory in neighboring Uptown/Turtle Creek and in submarkets north along the Dallas North Tollway and in Las Colinas. Assets with 4 & 5 Star ratings east of the airport total more than 125 million SF, and only 25 million SF of that is in the Dallas CBD. Downtown Fort Worth also boasts a robust live/work/play dynamic, especially in Sundance Square and the West 7th/ Cultural District area just west of the submarket.

Movers & Shakers

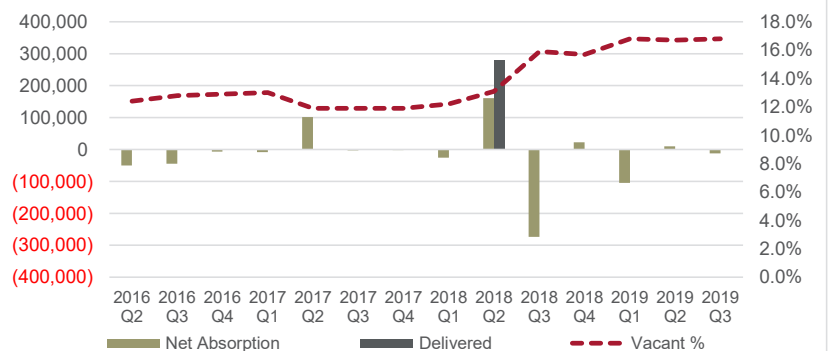
Tenant	SF	Building
BGE Inc	15,000	777 Main
Mineral Ware	10,000	777 Main
USHealth Group, Inc	37,902	300 Burnett St

Largest Vacancies:

777 Main – 353,289 sf
 Bank of America Tower – Sundance – 153,923 sf
 Burnett Plaza – 145,936 sf
 WT Waggoner Bldg – 119,846 sf
 Oil & Gas / Star Telegram – 115,166 sf

Absorption	vs Previous Qtr	vs 12 Months Ago
(11,884)	9,794	-273,581
Vacancy	vs Previous Qtr	vs 12 Months Ago
16.8%	16.7%	15.9%
U/C SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
26	26	28

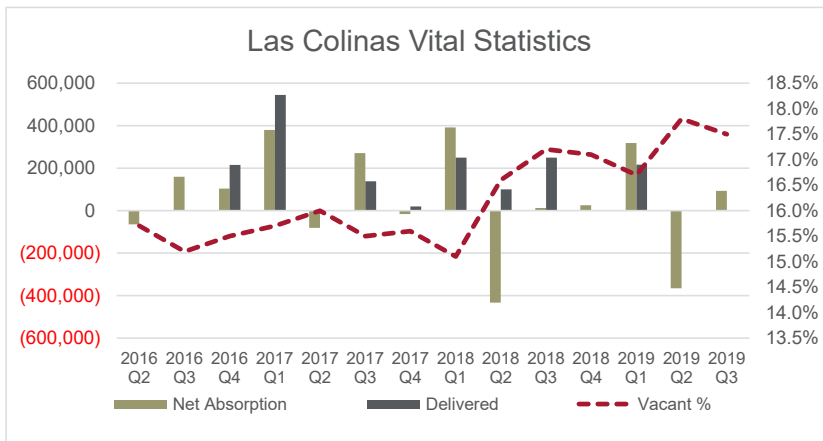
Fort Worth CBD Vital Statistics



LAS COLINAS

SUBMARKET

Absorption	vs Previous Qtr	vs 12 Months Ago
92,820	-365,078	12,539
Vacancy	vs Previous Qtr	vs 12 Months Ago
17.5%	17.8%	17.2%
U/C SF	vs Previous Qtr	vs 12 Months Ago
277,475	277,475	466,400
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	250,000
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
22	22	22



Las Colinas Overview

Because of its proximity to the airport and its highway access, this submarket has remained a popular destination for major corporations. The submarket is home to regional hubs or headquarters for companies like ExxonMobil, Verizon, McKesson, and Fluor. However, major tenants such as Signet Jewelers and Nokia moved to new facilities in other submarkets, particularly DFW Freeport/Coppell, which is home to the Cypress Waters mixed-use development. The Hidden Ridge development could help turn the tide and allow Office Center/West LBJ to retain existing tenants like Verizon and attract new firms like Pioneer Natural Resources. The office product here caters to larger tenants, and the average building is bigger than 100,000 SF. The tenant mix primarily includes retailers, telecommunications companies, and financial services firms.

Leasing

After a strong recovery early this cycle, vacancies in the Office Center/West LBJ Submarket are back on the rise, reaching nearly 19%. While vacancies have generally trended upwards for

years now, there have been some major backfills that helped mitigate tenant losses. For example, pharmaceuticals giant McKesson purchased NEC Corporation's former headquarters at 6535 State Highway 161 (The Apex at Las Colinas Crossing), and they moved into the entire 525,000-SF property in 17Q1. Besides consolidating more than 1,000 employees from across the metroplex, the move is expected to add nearly 1,000 additional jobs as McKesson relocates its corporate functions from California. Similarly, 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 complete plans for the facility are not yet certain.

Movers & Shakers

Tenant	SF
Blucora Inc	150,000
Exeter Financial	111,795
Fay Servicing	44,017
Cognitive Neuroscience Society	40,699
Zillow	25,000

Building
3200 Olympus Blvd
Carpenter Corp Center I
Browning Place I
Connection Park I
9001 Cypress Waters Blvd

Largest Vacancies:

AT&T – 208,593 SF
The Urban Towers – 192,262 sf
Park West 2 – 167,172 sf
600 E Las Colinas Blvd – 147,234 sf

LBJ FREEWAY

SUBMARKET

LBJ Freeway Overview

The LBJ Freeway Submarket divides northern Dallas from the suburbs of Addison and Richardson. Although it is one of the smallest submarkets by land area, it is one of the densest in the metroplex, ranking in the top five for total office inventory. The average building size in the submarket is over 100,000 SF, the third-largest in the metro behind the Dallas CBD and Urban Center/Wingren in Las Colinas. The majority of tenants here are related to finance, insurance, real estate or business services. Although more than half the stock here is rated 4 & 5 Star, most of that is 80's era inventory. Therefore, top-of-the-line properties are more competitive with assets in Central Expressway or Quorum/BentTree rather than the newer properties in Uptown or Upper Tollway/West Plano.

This submarket has struggled for some time, with vacancies trending well above the metro average for decades. However, fundamentals have improved in recent years, as has rent growth. New supply is non-existent in LBJ, and the submarket is more likely to see a reduction in office inventory than an increase due to conversions or demolitions. For

example, MoxieBidge, began renovations of the 97,000 square foot Midtown Office Center in 19Q3. Value transactions are common, and pricing is low, even compared to other inner-ring Dallas suburbs.

Leasing

The submarket also boasts relatively easy access to Dallas/Fort Worth International Airport via the LBJ Freeway. A lack of newer properties may constrain the submarket's upside, as tenants have shown a preference for new product through this cycle. While the submarket has seen some big move-outs this cycle, much of the vacated space has been backfilled. For example, in the submarket's largest move-out this cycle, FedEx Office vacated Three Galleria Tower in 2015 for a build-to-suit across from Toyota's new headquarters in Legacy West, leaving behind approximately 200,000 SF. In March 2017, Amazon's operations division signed on to take nearly 90,000 SF of that space, roughly doubling its footprint in the Galleria. Ansira Partners agreed to take about 90,000 SF for itself.

Movers & Shakers

Tenant	SF
Neurology Consultants of Dallas	39,039
Aethon Energy Management LLC	24,630
Cresa Dallas Ft Worth	13,291
Sirius	10,073
Operatirx	7,223

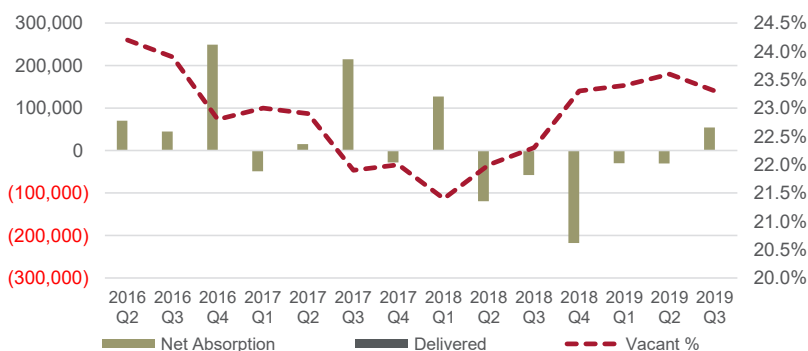
Building
LBJ Tower
Lakeside Square
Pinnacle Tower
5005 LBJ Freeway
5001 LBJ Freeway

Largest Vacancies:

LBJ Tower – 182,957 sf
Pinnacle Tower – 158,831 sf
Park Central 9 – 141,965 sf
13342 Midway Road – 105,000 sf
Element Towers East – 101,348 sf

Absorption	vs Previous Qtr	vs 12 Months Ago
54,504	-30,562	-57,571
Vacancy	vs Previous Qtr	vs 12 Months Ago
23.3%	23.6%	22.3%
U/C SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
20	20	20

LBJ Freeway Vital Statistics



MID-CITIES OFFICE

SUBMARKET

Absorption	vs Previous Qtr	vs 12 Months Ago
(119,364)	-52,086	-11,710
Vacancy	vs Previous Qtr	vs 12 Months Ago
19.6%	19.0%	19.9%
U/C SF	vs Previous Qtr	vs 12 Months Ago
106,259	122,699	72,910
Delivered SF	vs Previous Qtr	vs 12 Months Ago
16,440	0	50,000
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
18	17	17

Mid-Cities Overview

Grand Prairie's inventory, like that of other Mid-Cities office submarkets, is predominantly older and of middling quality. Grand Prairie lacks the dynamism of the northern Dallas suburban submarkets, and very few leases are signed here annually.

Despite negative net absorption in recent quarters, fundamentals in Mid-Cities are relatively strong. Vacancies trend well below the metro average, and rent growth has outpaced the metro average over the past four quarters. However, rent growth is still only about 10% above the prerecession peak. Transaction volume is driven by value investors, and pricing is well below the metro average. Mid-Cities office submarkets, is predominantly older and of middling quality.

The Mid-Cities Submarket is geared toward distribution and manufacturing functions. As a result, warehouses and industrial parks are more likely to be built in this area than office facilities. In addition, this submarket is home to the Dallas Cowboys and Texas Rangers, as well as the original Six Flags. While not much has delivered so far this cycle, a few developments in planning could help breathe life into this sleepy office submarket.

Adjacent to Globe Life Park, The Cordish Companies recently opened the first phase

of Texas Live!, which will serve as a regional entertainment district. This will go hand in hand with the \$1 billion replacement for Globe Life Park, which is scheduled to open in 2020. The retractable-roof stadium will keep the Rangers in Arlington through 2054. The City of Arlington hopes that these projects will spur additional initiatives in the area over the next few years, including new office development.

Leasing

Vacancies in Mid-Cities trend below the D-FW metro average. Occupancies didn't take much of a hit during the downturn, and the submarket has seen steady absorption this cycle. Though the submarket has experienced negative absorption in recent quarters, there is an almost complete lack of large blocks of space in the submarket. It is rare to find a building with more than 50,000 SF of contiguous availability, and typically, only about five or six assets have more than 25,000 SF available at a given time. Going forward, this submarket should perform similarly to other older suburban office nodes such as East Plano and East Northeast Fort Worth, which have seen big, longtime tenants either downsize or migrate to space in new campuses. Furthermore, the submarket's lack of new, highly amenitized stock limits its upside, even relative to other suburban submarkets like those in Las Colinas.

Movers & Shakers

Tenant	SF	Building
Co-Op Financial Services	108,000	4950 Amon Carter Blvd
Wells Fargo Bank	88,520	1301 Solana Blvd
The Novus Academy	17,000	3400 William D Tate Blvd
Savvy Furniture	10,033	5555 Rife Snow Road
Social Security Office	7,524	2010-2044 N State Highway 360

Largest Vacancies:

4200 Buckingham – 97,076 sf
Arlington Center – 86,008 sf
15051 FAA Blvd – 72,500 sf
Everest College – 51,540 sf
2217 W Jefferson St – 28,316 sf

PRESTON CENTER

SUBMARKET

Preston Center Overview

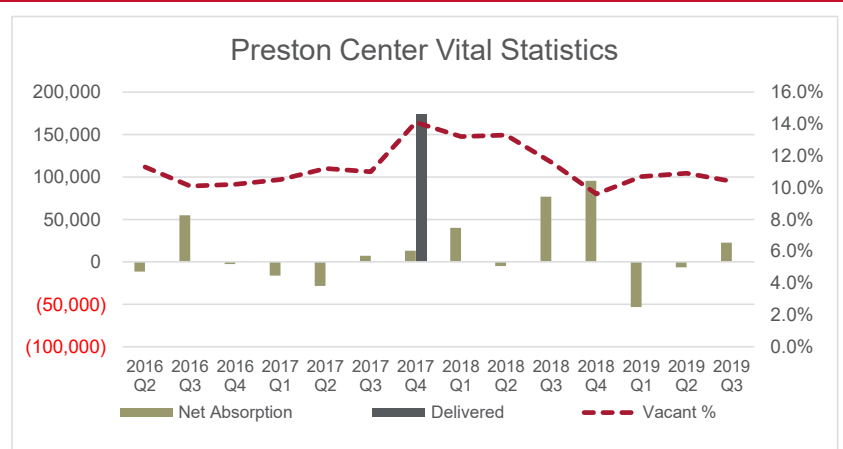
Preston Center is one of the premier submarkets, with a highly educated labor pool to draw from in North Dallas. A large portion of the tenant base at Preston Center is made up of financial and professional services firms. The area is also highly amenitized, with 165 restaurants and plenty of high-end shopping found at the Plaza of Preston Center. The submarket boasts the second-highest rents in the market, which is impressive considering that 60% of the building stock was constructed between 1980 and 1990. Buildings built this decade still command an average rental rate of nearly \$38/SF. The submarket has one of the highest concentrations of 4 & 5 Star assets, comprising 66% of the total inventory.

Occupancies are well above the metro average and will remain that way due to land constraints unique to this submarket. Furthermore, the rare new builds in the submarket are typically met with strong demand. Institutional investors are active here because the bulk of the inventory is 4 & 5 Star. With a stable tenant pool and an abundance of high-performing assets, the submarket is expected to perform well in the long term.

Leasing

This is one of the most core-like submarkets in D-FW, and occupancies rarely dip below 90%. The submarket was one of the strongest performers coming out of the downturn. 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. Furthermore, large blocks of available space are rare. While Preston Center isn't as reliant on oil and gas firms as other nearby submarkets, energy firms have accounted for some of the largest tenant moves in recent years.

Absorption	vs Previous Qtr	vs 12 Months Ago
22,491	-6,317	76,881
Vacancy	vs Previous Qtr	vs 12 Months Ago
10.4%	10.9%	11.6%
U/C SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
29	29	28



Movers & Shakers

Tenant	SF
We Work	49,746
Chase Bank	41,906
HSTX Title	19,254
Central Market	18,719
Pony Oil	11,917

Building

The Terraces at Douglas Center
Preston Commons Bank Tower
8300 Douglas
3890 W Northwest Highway
3100 Monticello Avenue

Largest Vacancies:

5950 Sherry Lane – 53,815 sf
8333 Douglas at Douglas Center – 46,701 sf
Bluffview Towers West – 44,993 sf
3100 Monticello – 42,071 sf

STEMMONS FREEWAY

SUBMARKET

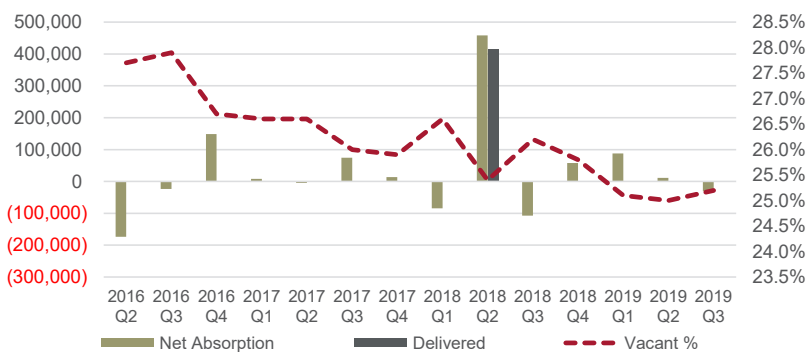
Absorption	vs Previous Qtr	vs 12 Months Ago
(30,362)	11,022	-107,259
Vacancy	vs Previous Qtr	vs 12 Months Ago
25.2%	25.0%	26.2%
U/C SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
16	15	15

Stemmons Freeway Overview

The Stemmons Freeway Submarket stretches from the CBD up to the LBJ Freeway and Farmers Branch. Most major tenants are located in the southern portion of the submarket, near the Southwestern Medical Center. Medical/healthcare firms account for a significant portion of the submarket's tenant base, as do state and federal agencies.

This submarket boasts a number of transit amenities. Aside from the Stemmons Freeway itself, DART provides rail service at the Southwestern Medical Center that takes passengers northwest to the D/FW International Airport or south to Downtown Dallas. Dallas Love Field Airport, which is located within the submarket's boundaries, is the metroplex's second-largest airport behind D/FW. Despite older, low-quality inventory and structurally high vacancies, there is potential for growth here. KDC's West Love mixed-use development is helping breathe life into the area of the submarket just south of Love Field and the Design District is well on its way to becoming a true live/work/play environment, spurred by multifamily

Stemmons Freeway Vital Statistics



development and major investments from Dunhill Partners and other developers.

Leasing

The vacancy rate in the Stemmons Freeway Submarket is structurally higher than the metro average. Vacancies have maintained a downward trend for most of this cycle and are now slightly below the submarket's historical average.

The tenant profile in Stemmons Freeway is heavily weighted towards government and medical firms. Some of the larger office users include the FBI, the DEA and the Dallas County government as well as UT Southwestern and Parkland Hospital. This provides a steady base of stable tenants, and though big deals from corporate tenants are rare, the submarket can benefit from government agency or medical tenant expansions.

Movers & Shakers

Tenant	SF	Building
Transportation Workers Union	10,731	Mockingbird Towers
Pediatric Home Healthcare	9,501	Mockingbird Towers
Muse on Slocum	4,500	1201 Slocum Street
Luxury Events on Lake	11,275	2152 W Northwest Hwy

Largest Vacancies:

Pegasus Place – The Tower	– 518,656 sf
The Connection at 8600	– 230,000 sf
Infomart	– 159,063 sf
Comerica Service Center	– 142,600 sf

RICHARDSON/PLANO

SUBMARKET

Richardson/Plano Overview

Richardson is the home of the Telecom Corridor, which contains a number of the world's largest telecommunications companies; Texas Instruments, Cisco, and Fujitsu Network Communications to name a few. Despite the moniker, Richardson has a diverse tenant base, with healthcare and insurance firms taking up a large portion of the submarket's office space. The submarket provides a highly talented laborforce to draw from, with 58% of the population possessing a bachelor's degree or higher.

CityLine has garnered most of the headlines in recent years, with build-to-suits for State Farm (2 million SF) and Raytheon (500,000 SF) opening a few years ago to go along with thousands of new apartments and retail. The first speculative building at CityLine, 3400 CityLine, was delivered in July 2017, but has only recently started to see an uptick in leasing activity. The submarket also benefits from DART access: Four DART rail stations are located here, more than any other suburban office submarket in the metroplex.

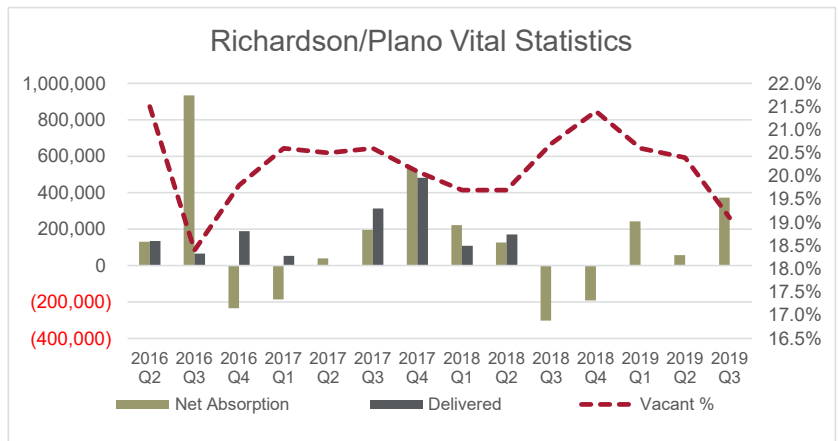
The Plano Submarket encompasses east Plano, and most of its office inventory is along the North Central Expressway or President George Bush Turnpike. The submarket's inventory primarily comprises 3 Star product, which is reminiscent of office stock in submarkets like Lewisville and HEB/Mid-Cities. Rent growth has slowed in recent quarters to less than 1% year-over-year growth.

The most significant sale of this cycle involved Texas Instruments' old campus, which underwent a \$100 million redo and is now being marketed as Legacy Central. Legacy Central is adding apartments and retail components along with renovated office buildings. While Legacy Central is still mostly vacant, it has seen some leasing momentum as of late, signing firms like Samsung and Peloton to significant deals.

Leasing

Plenty of large blocks are on the market, and many landlords are reportedly fishing for single-tenant users. Through mid-2019, roughly 12 properties had more than 100,000 SF of contiguous space available, and just under 17 buildings had more than 50,000 SF. One potential downside to leasing here is that large tenants often prefer new build-to-suits over existing space in the northern Dallas suburbs. Recent examples include not just the massive campuses for Toyota, Liberty Mutual, and JPMorgan Chase, but other large buildings for FedEx Office and Fannie Mae. Following

Absorption	vs Previous Qtr	vs 12 Months Ago
372,974	57,786	-302,211
Vacancy	vs Previous Qtr	vs 12 Months Ago
19.1%	20.4%	20.7%
U/C SF	vs Previous Qtr	vs 12 Months Ago
300,000	0	0
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	0	0
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
19	19	19



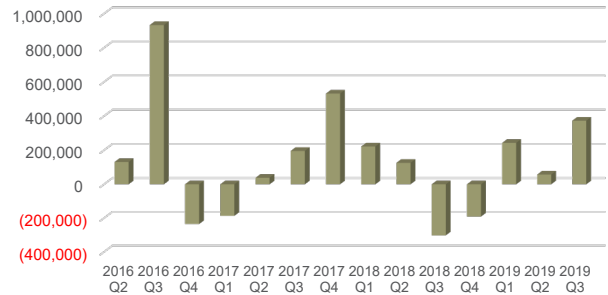
RICHARDSON/PLANO

SUBMARKET

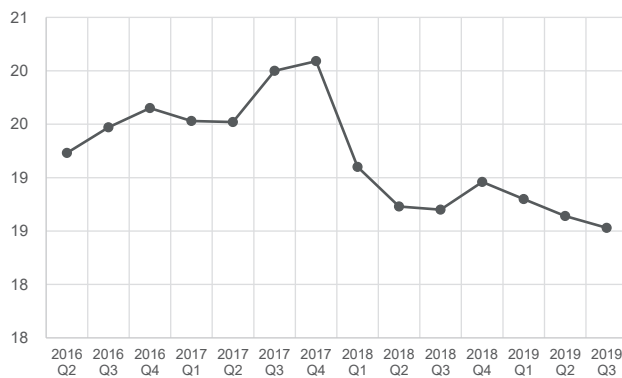
Richardson / Plano Office Vacancy



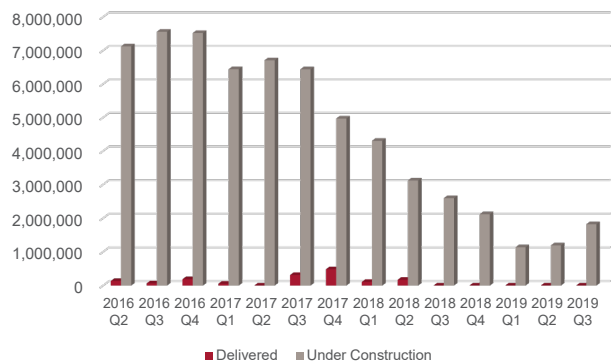
Richardson / Plano Office Net Absorption



Richardson/Plano Office Quoted Rates



Richardson / Plano Office Construction



that trend, both AT&T Wireless and Samsung moved out of about 200,000 SF each in Richardson in 19Q1, with Samsung heading north to the newly renovated Legacy Central development in Plano.

The Plano office has not experienced the same type of growth as its neighbors have in this cycle. Most northern Dallas suburbs have enjoyed explosive job growth, coupled with strong absorption and plenty of new construction; the Plano Submarket has been relatively quiet. Similar to the case in Richardson, a significant portion of the tenant base in Plano is made up of technology and telecommunications companies. However, many of these firms have downsized or vacated their locations here or have plans to do so. Despite recent move-outs, there has been some positive leasing momentum in the submarket, especially at the newly renovated Legacy Central.

Movers & Shakers

Tenant	SF	Building
DXC Technology	100,267	3400 CityLine
Billings Products	70,000	Century Parkway
Ambit Energy, Inc	63,247	1600 W Plano Parkway
Hill & Wilkinson		
Construction	58,000	2703 Telecom
VCE Company, Inc	57,100	Collins Crossing
WorkSuites	20,000	450 Century Parkway
Texas Skin Surgery Center	15,000	3585 National Drive

Largest Vacancies:

Legacy Central 2 – 310,000 sf
 The Tower Lakeside Campus – 244,854 sf
 465 Independence Parkway – 251,347 sf
 Campbell Glen II – 205,816 sf
 2200 George Bush – 176,831 sf

UPTOWN/TURTLE CREEK

SUBMARKET

Uptown / Turtle Creek Overview

Uptown/Turtle Creek is the premier office submarket in Dallas-Fort Worth, boasting the highest rents in the metro. It offers all of the transportation, infrastructure and amenity advantages of a CBD but has a more-upscale class of office product than the Dallas CBD Submarket. The submarket is the premiere live/work/play environment, home to over 200 restaurants and 160 shops, making it one of the most pedestrian-friendly places in Texas. Nearly 75% of the submarket's office product is 4 & 5 Star, and of that, several buildings are considered trophy assets. The tenant base is primarily made up of law firms, financial firms, and other professional services companies. All of these factors, coupled with land constraints that are unique to this area, make Uptown/Turtle Creek an attractive submarket for institutional investors.

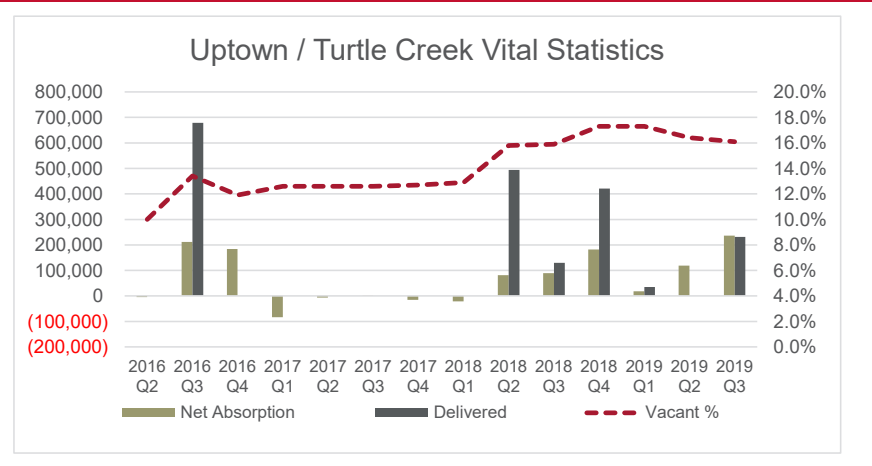
Leasing

Occupancies tend to be much healthier in Uptown/Turtle Creek than in the overall Dallas-Fort Worth market, with the spread averaging about 300 basis points for most of this cycle. After this most recent round of spec supply, there are two significant projects in the pipeline. Construction is underway on Hillwood's Victory Commons, and Kaizen Development Partners' The Link.

Uptown/Turtle Creek commands a significant premium to the CBD, partly due to asking rents on newer buildings. But another significant factor is the lack of parking in the CBD. Although DART runs through the CBD, a lack of parking can significantly affect an asset's trajectory. Average parking ratios in Uptown (roughly three spaces per 1,000 SF), while not high relative to suburban Dallas-Fort Worth submarkets, are nearly double those in the CBD (1.6 per 1,000 SF). Parking is a major reason why the Trammell Crow Center in the CBD was able to retain law firm Vinson & Elkins, which was once slated to move to The Union in Uptown. It also helped attract Goldman Sachs, which relocated its regional operations from Irving to the building in early 2018. The owner, JPMorgan Chase, added more than 2,000 parking spaces to the lot adjacent to the asset to go along with a future mixed-use hotel/multifamily component and retail. A few blocks away, Fountain Place recently added a 1,500-space parking garage to help attract and retain tenants as well.

Uptown/Turtle Creek is the most live/work/play submarket in Dallas-Fort Worth, and apartment development has been active in this cycle. Since the start of 2010, more than 10,000 apartment units have delivered within this submarket's boundaries, among the most in any submarket in the nation. High-end apartment construction makes Uptown/Turtle Creek a more desirable employment node by bringing in new households, density, and higher incomes.

Absorption	vs Previous Qtr	vs 12 Months Ago
236,450	119,133	89,241
Vacancy	vs Previous Qtr	vs 12 Months Ago
16.1%	16.4%	15.9%
U/C SF	vs Previous Qtr	vs 12 Months Ago
657,538	231,098	686,548
Delivered SF	vs Previous Qtr	vs 12 Months Ago
231,098	0	130,000
Quoted Rates	vs Previous Qtr	vs 12 Months Ago
31	31	31



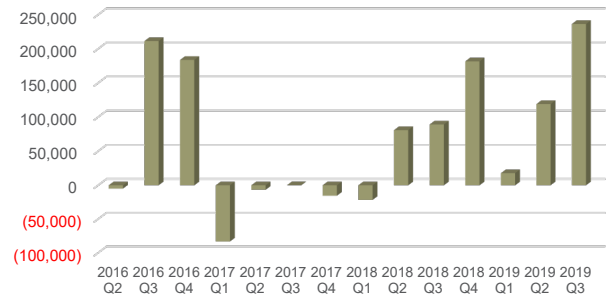
UPTOWN/TURTLE CREEK

SUBMARKET

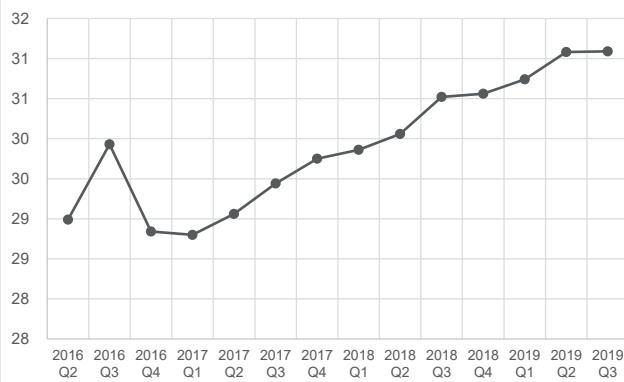
Uptown / Turtle Creek Office Vacancy



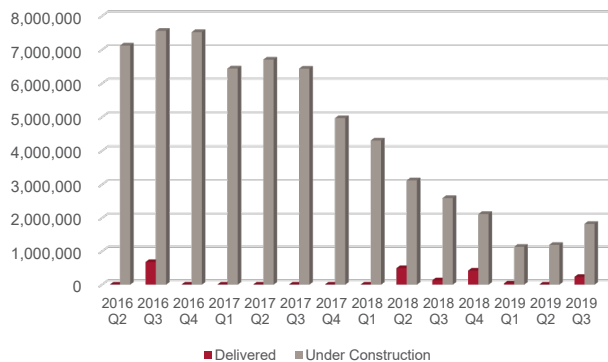
Uptown / Turtle Creek Office Net Absorption



Uptown / Turtle Creek Office Quoted Rates



Uptown / Turtle Creek Office Construction



While co-working has not taken hold here to the extent that it has in some coastal metros yet, Uptown/Turtle Creek has seen a few co-working firms take significant blocks in recent years. 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 took another 52,000 SF at 3090 Olive in early 2019.

Movers & Shakers

Tenant	SF	Building
Hana	67,006	PwCTower
Katten Muchin		
Rosenman LLP	56,340	PwCTower
Plains Capital Bank	33,816	One Victory Avenue
Fox Rothschild LLP	25,191	Harwood #6 – Saint Anne Court
Peregrine Petroleum	12,923	Rosewood Court
Reed Smith	48,988	2850 N Harwood Street

Largest Vacancies:

2104 Cedar Springs Road – 198,925 sf
PwCTower – 191,836 sf
One McKinney – 132,454 sf
2501 Cedar Springs Road – 109,404 sf



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