

19% VACANCY RATE REACHES A FOUR-YEAR HIGH

The Lower Tollway Sub-Market is defined by the geographic boundaries of Alpha Road on the south, President George Bush Turnpike on the north, Preston Road on the east, and Midway Road on the west.

Vacancy in Class A Property is up nearly 3% from 2016 to 14.9% vacant at the end of the 3rd quarter. We've yet to see rental rates be negatively impacted by the increasing vacancy, as rental rates are up \$.43 in the last year to an average of \$29.42 psf. Class A vacancy rates bottomed on in 2015 at 11.9%, we expect to continue to see an increase in vacancy as large corporate users relocate further north.

Class B property vacancy has increased by .9% over the last 12 months to 25.2%. Similarly to Class A product, even with an increase in vacancy, rental rates have increased by \$.64 per square foot up to \$21.15 per SF at the end of the second quarter. With the significant negative absorption we're tracking for both Class A & B markets, we anticipate a significant correction in rental rates over the next 6-12 months.

TOTAL NET ABSORPTION (past 12 months)



2017	- 438,850 SF
2016	-156,722 SF

DELIVERED (past 12 months)



2017	0 SF
2016	197,740 SF

DIRECT FULL SERVICE RENTAL RATE (Q3)



2017	\$25.49 PSF
2016	\$24.58 PSF

DIRECT VACANCY (Q3)



2017	18.7%
2016	16.5%

DIRECT VACANCY BY CLASS (Q3)

Class A 15%

Class B 25%



Total Office Sub-Market Q3 Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Expressway	275	15,199,157	1,534,181	1,561,870	10.3%	(54,890)	0	0	\$29.22
Dallas CBD	142	33,713,487	7,070,879	7,555,238	22.4%	(116,065)	92,237	322,110	\$25.19
East Dallas	1,059	13,131,324	1,017,609	1,045,262	8.0%	(143,720)	8,964	367,124	\$24.31
Far North Dallas	1,090	60,313,177	6,855,643	7,477,989	12.4%	3,026,806	3,180,319	4,779,452	\$28.11
Ft Worth CBD	117	11,789,841	1,128,172	1,167,906	9.9%	117,602	0	280,489	\$26.04
Las Colinas	435	39,921,322	5,235,027	5,763,787	14.4%	967,814	1,029,461	826,913	\$25.16
LBJ Freeway	265	22,602,316	4,627,566	4,895,097	21.7%	272,267	0	0	\$22.08
Lewisville/Denton	926	13,232,562	1,004,615	1,126,728	8.5%	(15,491)	159,840	51,866	\$22.39
Mid-Cities	2,600	40,609,241	5,487,127	5,572,927	13.7%	(177,186)	604,784	634,788	\$21.79
North Fort Worth	587	6,699,466	554,649	616,114	9.2%	(145,002)	71,120	125,874	\$22.04
Northeast Ft Worth	342	5,414,112	1,861,516	1,861,516	34.4%	89,911	0	0	\$19.22
Preston Center	148	5,896,743	452,200	489,599	8.3%	973	4,506	298,617	\$39.16
Richardson/Plano	1,409	41,514,259	6,735,003	7,104,767	17.1%	(68,142)	665,386	586,207	\$24.54
South Ft Worth	1,646	20,012,872	1,612,402	1,692,910	8.5%	402	248,414	174,205	\$23.66
Southwest Dallas	813	7,353,922	524,520	529,626	7.2%	168,090	92,828	15,544	\$19.02
Stemmons Freeway	285	15,221,512	3,277,900	3,347,695	22.0%	145,831	72,630	0	\$16.84
Uptown/Turtle Creek	302	14,758,418	1,359,940	1,584,755	10.7%	143,163	214,765	1,305,014	\$37.75
Totals	12,441	367,383,731	50,338,949	53,393,786	14.5%	4,212,363	6,445,254	9,768,203	\$25.04

Lower Tollway News

2017 Y-T-D SUB-MARKET HIGHLIGHTS

Top Leases (Q2 2017)

Three Galleria Tower
4849 Alpha Road
Spectrum Center
One Galleria Tower
Colonnade I

Tenant

Ansira Partners
BSN Sports
Principal Financial
AECOM
Hilton

Square Feet

88,084 SF
64,246 SF
46,854 SF
30,530 SF
24,356 SF

Under Construction

Fourteen555 (North bldg)

Delivery Date

Q4 2018

Square Feet

240,000 SF



Digility Inc to Move Headquarters to Addison, TX



Digility Inc., a wholly owned subsidiary of Mastek UK Limited, announces plans to move its corporate office to Addison, Texas. This move is a significant milestone in the history of the company and demonstrates Digility's commitment to future investment and growth in North America.

Digility has considered the move from Bridgewater, New Jersey to Texas since the acquisition of the Dallas based ecommerce solution provider TAISTech in December 2016. With the increase of business originating from TAISTech, the company felt the need to support its continued growth and expansion out of Dallas. The company is in the process of accelerating the integration of TAISTech with Digility and the Mastek Group of companies. This move will be effective August 1, 2017.

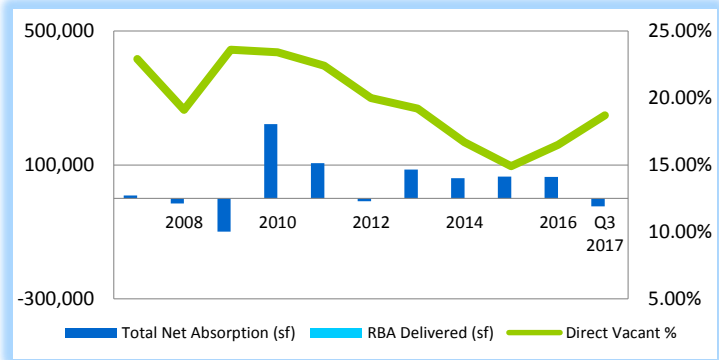
Mastek Group CEO John Owen says, "This move to centralize our US operations in Dallas gives our business critical mass in the strategically important US market and will allow us to better serve our customers and attract the best local talent. This move comes on the back of strong quarter-on-quarter performance and is the next logical step in our evolution of our US business. As we grow from strength to strength, we will continue to invest in strengthening our US presence and is evidence of our continued commitment to our customers, our employees and our US partners."

PR Newswire 7.31.17

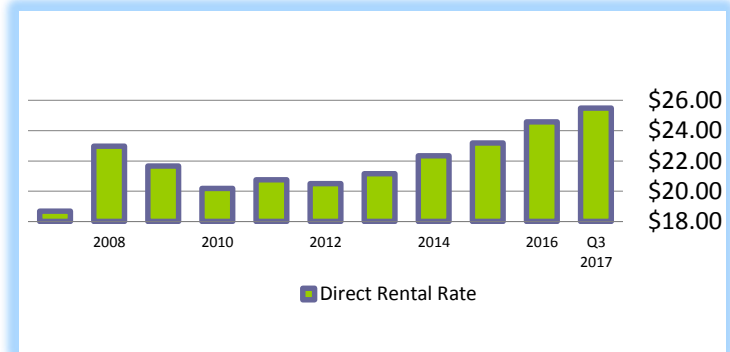
Office Sub-Market Momentum & Forecast

As predicted by Citadel Partners since our 2015 Q4 report, the Lower Tollway has witnessed a steady increase in vacancy rates over the past two years. Vacancy was at an all-time low of 15.2% in 2015, but now has climbed to 18.9% over the last 18 months. Rental rates have yet to reflect the increase in product, which will add an additional 1.5MM SF of vacancy as companies like Fannie Mae and JP Morgan relocate to Plano over the next year. Landlord's have looked for creative ways to prop up the record-high rental rates in the Lower Tollway, but we are anticipating a significant correction of 15-25% in pricing over the next two years.

Absorption / Deliveries / Vacancy
(All Classes)



Lease Rates – Full Service
(All Classes)



Advisory Experience

ADAPTIVE REUSE



The Domain, Austin, TX – 70 Acres



Maxim – 700,000 SF

OFFICE LEASE



Weaver – 58,000 SF



Knoll Trail Plaza – 120,000 SF Build-to-Suit

DISPOSITION



Invensys – 45,000 SF Sublease



**Texas Instruments – 70.537 Acres with a
441,362 SF Semiconductor**

TECHNOLOGY LEASE



Flextronics – 1,500,000 SF



ESI – 70,000 SF

MULTIPLE TRANSACTIONS



Texas Instruments – 1,200,000 SF



Weaver – 171,000 SF Multi-market