

3rd QUARTER

The East LBJ Corridor Sub-Market is defined geographically as the area that is bordered by Midway Road to the West, Forest Lane to the South, TI Boulevard to the East, and Alpha Road to the North. This analysis is focused on Class A and B office buildings that are existing or under construction and contain a minimum of 50,000 rentable square feet.

The LBJ Corridor is one of the last remaining safe havens for companies that are seeking rent relief. With submarkets like Central Expressway and the Lower Tollway experiencing 10-12% vacancy rates, the East LBJ Corridor has a vacancy rate of just below 25%. We expect this to change drastically in 2017 with companies fleeing surrounding submarkets for the best valued office space in the entire DFW-Metroplex.

The LBJ Corridor Sub-Market witnessed a slight decrease in the Direct Class A vacancy from 22.2% at the end of the third quarter of 2016 to 20.3% at the end of the third quarter in 2017. Average full-service rental rates of Class A space increased per square foot, from \$26.59 to \$27.74 per square foot, during the same timeframe. Class A direct net absorption is approximately 78,000 SF, while Class B absorption is approximately 89,000 square feet. Meanwhile, Direct Class B vacancy is down from 29.6% to 26.7%, with full-service rental rates increasing from \$19.22 per square foot to \$20.08 per square foot.

TOTAL NET ABSORPTION (past 12 months)



2017	167,118 SF
2016	-20,100 SF

DELIVERED (past 12 months)



2017	0 SF
2016	0 SF

DIRECT FULL SERVICE RENTAL RATE (Q3)

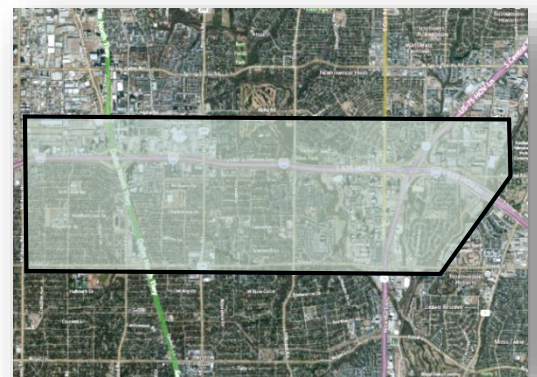


2017	\$24.32 PSF
2016	\$23.34 PSF

DIRECT VACANCY (Q3)



2017	22.8%
2016	25.0%



DIRECT VACANCY BY CLASS (Q3)

Class A 20%

Class B 27%

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

East LBJ News

2017 Y-T-D SUB-MARKET HIGHLIGHTS

Top Leases (2017-to-Date)	Tenant	Size
Three Galleria Tower	Ansira	88,084 SF
Park Central 7	Daisy Brand	82,879 SF
Two Galleria Tower	Kimley-Horn	45,130 SF
Hidden Grove at 12404 Park Central	Benefit Mall Insurance	42,989 SF
One Galleria Tower	AECOM	30,530 SF
Churchill Tower	LaLa U.S.	21,388 SF



Northwest Dallas towers renovated into new office campus on LBJ Freeway

Investors that own two northwest Dallas office towers are rebranding the properties as a corporate campus.

New England-based Greenfield Partners recently purchased Graystone Centre, a 15-story high-rise at 3010 LBJ Freeway near Forest Lane. Built in 1982, the 303,000-square-foot office project is just west of Webb Chapel Road.

The investor is renovating the properties and plans to rebrand the entire campus as Element Towers. The owners are spending \$3 million to upgrade the just-purchased Graystone Centre, now called Element Towers West. Peloton Commercial Real Estate is marketing the project.

"We are going to market it as a campus," Johnson said. "We are seeing a lot of activity, and it's a great alternative to Las Colinas and buildings along the tollway."

One of the towers is almost 90 percent leased and the other has occupancy levels of near 60 percent. Rents in the buildings have increased more than 20 percent in the last 18 months.

The Element Towers are west of the Galleria between the Dallas North Tollway and Stemmons Freeway. That area of LBJ Freeway is seeing a lot more leasing activity now that improvements to the highway are finished.

"We are excited about the delivery of new improvements at Element Towers and the strong tenant demand we have experienced throughout the past year," said Jeff Usas, Greenfield Partners managing director.

Work on the Element Towers should be finished in about a month, Peloton's Travis Gallivan said.



Dallas Morning News 9.14.17

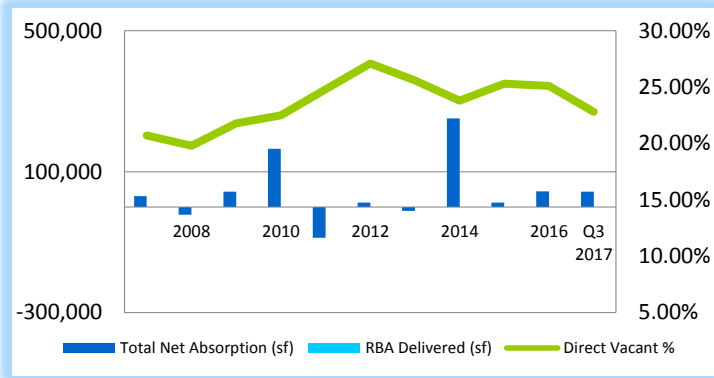
Office Sub-Market Momentum & Forecast

The LBJ Corridor has experienced minimal changes in occupancy rates over the last several years. Signature buildings like Galleria Towers & Lincoln Centre have successfully recruited and renewed large corporations, but majority of the properties along LBJ remain outdated and inefficient.

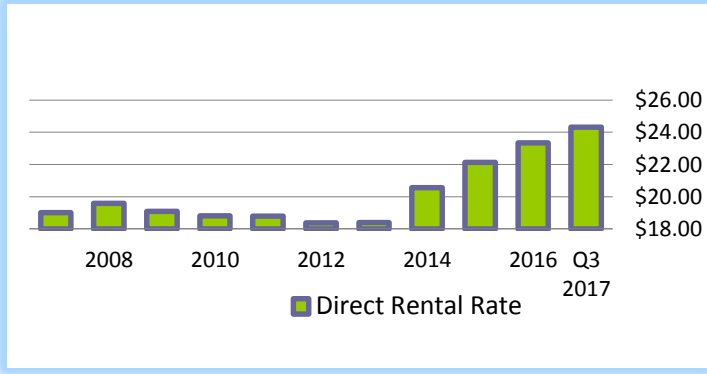
The Park Central submarket has benefitted from the success and low vacancy rates of North Central Expressway. Companies have relocated from Uptown and Preston Center to NCX, increasing rental rates by 30% within the submarket. In turn, companies that are seeking rent relief are looking north to Park Central where they can still find sub \$20 per SF rental rates.

We expect minimal changes to the LBJ corridor office market over the coming months, with good opportunities remaining for companies looking to expand/relocate within the Submarket.

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 LOCATIONS

Texas Instruments – 1,200,000 SF



Weaver – 171,000 SF Multi-market

