

Deliveries Continue to Outweigh Net Absorption

The Upper Tollway Sub-Market has consistently been one of the main hubs of office real estate activity in Dallas. With relocations of large corporate campuses, such as Toyota, Fannie Mae, Liberty Mutual, and JP Morgan Chase, the area is becoming even more appealing as the influx of developers continue to attempt to capitalize on the enticing market. This recent construction has resulted in a surprisingly large vacancy rate for a market with such an “awe factor.”

Although the West Plano/Frisco vacancy rates remain very similar to 12 months ago, vacancies are still near record highs. About five years ago, we saw these same vacancy rates at roughly half of what they are today. Over the course of the last twelve months, full-service rental rates have continued to increase, but have mellowed out over the last two quarters of 2017. Net absorption for the past 12 months has remained strong but at 681,894 SF, it is still trailing recent deliveries to the market by a good margin. These figures, along with the additional sublet space arriving to market, will be key statistics to track in the upcoming year as vacancy rates remain high.

TOTAL NET ABSORPTION (Previous 12 mos.)



2017	681,894 SF
2016	672,763 SF

TOTAL DELIVERED (Previous 12 mos.)



2017	1,051,155 SF
2016	875,751 SF

DIRECT FULL SERVICE RENTAL RATE (Q4)



2017	\$32.70 PSF
2016	\$31.22 PSF

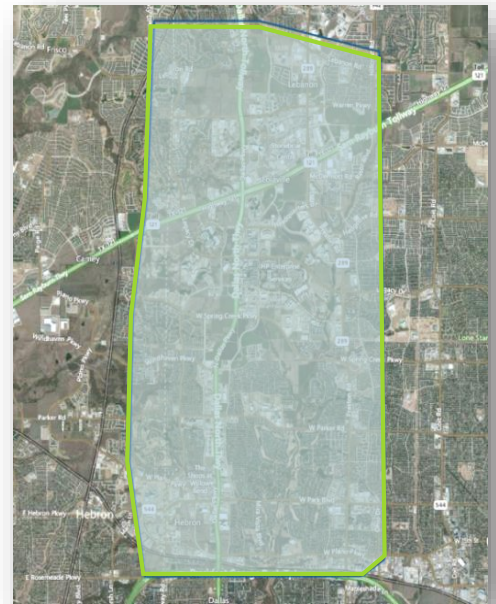
VACANCY (Q4)



2017	18.1%
2016	17.9%

TOTAL UNDER CONSTRUCTION (Q4)

2016	949,335 SF	2017	1,920,490 SF
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**Upper Tollway
Boundary**

Total Office Sub-Market Q4 Statistics

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Central Expressway	277	15,168,384	1,542,622	1,603,573	10.6%	(94,993)	0	0	\$27.09
Dallas CBD	142	33,696,568	6,871,390	7,511,962	22.3%	(72,789)	92,237	424,425	\$25.35
East Dallas	1,071	13,061,022	1,033,731	1,061,010	8.1%	(97,604)	27,255	370,120	\$25.38
Far North Dallas	1,112	61,803,030	7,167,157	7,971,966	12.9%	4,284,439	4,894,640	2,872,292	\$27.96
Ft Worth CBD	118	11,882,631	1,088,005	1,127,739	9.5%	157,769	0	280,489	\$26.51
Las Colinas	440	40,101,047	5,274,213	5,838,118	14.6%	915,233	1,037,992	1,946,913	\$24.74
LBJ Freeway	266	22,688,579	4,773,544	5,025,490	22.1%	246,874	0	0	\$22.37
Lewisville/Denton	938	13,172,376	1,441,016	1,598,979	12.1%	(578,439)	178,533	69,369	\$21.86
Mid-Cities	2,621	41,157,910	5,565,698	5,682,507	13.8%	221,993	1,096,477	683,555	\$21.83
North Fort Worth	601	6,886,457	572,060	631,815	9.2%	(118,948)	104,588	92,406	\$21.26
Northeast Ft Worth	343	5,421,125	1,873,347	1,873,347	34.6%	78,580	0	0	\$20.37
Preston Center	148	6,089,641	604,952	650,936	10.7%	11,219	176,089	127,034	\$39.33
Richardson/Plano	1,434	42,099,572	6,641,600	6,997,786	16.6%	236,397	827,105	781,085	\$24.69
South Ft Worth	1,657	20,208,193	1,531,774	1,602,664	7.9%	129,517	261,514	195,689	\$22.83
Southwest Dallas	820	7,716,008	543,856	549,790	7.1%	169,970	114,272	12,024	\$20.86
Stemmons Freeway	285	15,094,149	3,307,846	3,335,203	22.1%	158,323	63,000	0	\$16.88
Uptown/Turtle Creek	302	14,436,682	1,341,406	1,601,438	11.1%	(88,520)	214,765	1,305,014	\$38.01
Totals	12,575	370,683,374	51,174,217	54,664,323	14.7%	5,559,021	9,088,467	9,160,415	\$25.01

Source: CoStar Property®

Upper Tollway News

2017 Y-T-D SUB-MARKET HIGHLIGHTS

Top Leases (Through Q3 2017)

	Tenant	Square Feet
The Campus at Legacy West	NTT Data	232,744
One Legacy West	NTT Data	152,058
Granite Park 5	Altice	106,588
Platinum Park	BroadSoft Inc.	35,758
Legacy Center	Wipro Technologies	33,855

Deliveries (Through Q3 2017)

	Delivery Date	Square Feet
Legacy West – Urban Village	2017 Q1	377,441
One Legacy West	2017 Q1	307,824
8058 Dominion – Capital One	2017 Q1	205,000

Multi-Tenant Construction

	Delivery Date	Square Feet
5345 Towne Square Place	2017 Q4	80,000
Frisco Station	2017 Q4	228,857
3201 Dallas Pky – Hall Park	2017 Q4	300,000
Stonebrook Park – Building One	2017 Q2	120,000
Wade Park – Phase 1	2018 Q2	224,000



Boeing doubles its new Plano operation

Less than a year after announcing the move, Boeing is doubling the size of its office in Plano's Legacy West development.

The Chicago-based aerospace firm has rented another large block of offices at the northwest corner of Legacy Drive and the Dallas North Tollway.

In April 2017, Boeing announced it was moving the headquarters for its new global services division to the \$3 billion Legacy West project, joining Toyota, Liberty Mutual Insurance, JPMorgan Chase and FedEx Office.

"Yes, Boeing is expanding its footprint in Legacy West," said spokeswoman Lisa Maull. "We will add another 35,000 square feet to accommodate global services as well as growth in some other capability areas within Boeing.

"This added capacity will allow for more than 200 employees at this location."



Boeing created the global services division in 2016 to expand its revenues from servicing aircraft and related businesses. It originally said the Plano location would have a few dozen workers.

Boeing's Plano office is located above the shopping and retail buildings along Windrose Avenue.

"We are very excited with Boeing growing their presence at Legacy West," developer Fehmi Karahan. "With their lease our office space is not quite full but we are close to getting there."

Boeing said it chose to locate its new division here because of the geographic location and access to a large, talented labor pool.

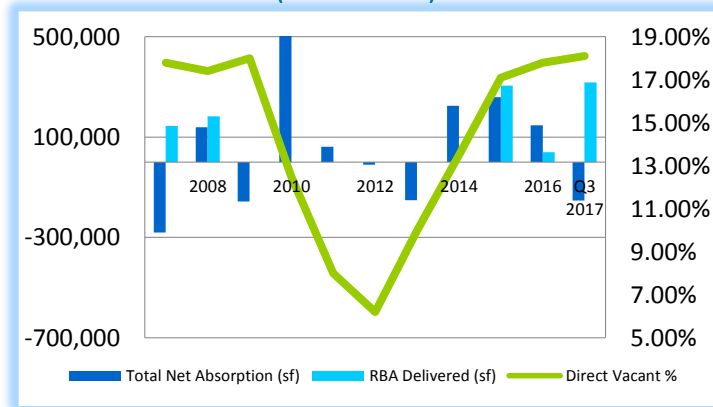
Dallas Morning News 1.17.18

Office Sub-Market Momentum & Forecast

As Q4 of 2017 concludes, the Upper Tollway Sub-Market continues to show interesting signs throughout. It is our belief that the rental rate spikes continue to mostly be a product of record high construction costs within these new developments, more so than true tenant demand. West Plano/Frisco continues to have a strong tenant interest in the 1,000-15,000 SF range, but seems to be lacking the handful of large groups needed to backfill the buildings recently delivered or currently under construction.

Owner/user properties continue to be highly sought after by large corporations putting more and more stress on these new speculative developments throughout the region. The large relocations will continue to bring ancillary businesses/jobs to the area but with an abundance of new developments, it may not be enough to backfill the large amount of space currently on the market or arriving to the market in the next 12-24 months. As mentioned in our previous report, we believe more and more opportunities for tenants will continue to arise over the next couple years as the number of large blocks of space continue to rise in this sub-market.

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