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Construction Continues as Market Shows Signs of a Slowdown

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Cranes are flying over the Dallas-Fort Worth area, as more square feet of office space is under construction than any time since Q2 1999, when the dot-com boom was just beginning. Job growth continues to climb, supporting the demand for new office space. Dallas-Fort Worth has added 39,800 jobs so far in 2016, with most gains coming in financial activities and education and health services. In response to the influx of new jobs, Dallas-Fort Worth is now the top U.S. metro in terms of annual new-home starts, overtaking Houston which continues to struggle as oil prices remain low.

Growth in the Fort Worth half of the metroplex remains constrained by its reliance on energy and manufacturing. New construction is primarily in the eastern half of the DFW area – with only 3 of 53 total buildings under construction in the loop around Fort Worth.

The pace of growth in the real estate market has been slowing for the past few quarters, with average rents continuing upward at a slower rate and vacancy levels hovering up and down several tenths from 15% the last few quarters. The Federal Reserve’s Beige Book also noted concerns about the job market, as several sectors observed skills shortages.

The construction boom in DFW has been measured growth – currently more than 65% of projects under construction are pre-leased, and many more have strong activity from potential tenants. Lenders are still cautious in approving debt, especially for construction loans. While the market may be slowing, caution by both developers and lenders will allow it to continue on a steady path upward.

A Look Ahead

- › Slowdown in rental rate growth will continue, as vacancy rates have flattened out and demand is slower than in 2015.
- › Almost 3.4 million square feet is expected to deliver in the second half of 2016, of which 65% is preleased. Deliveries in the Uptown/Turtle Creek submarket are expected to add 872,000 square feet, while Far North Dallas will add almost 1.2 million square feet to its inventory.
- › The delivery of the almost-full McKinney & Olive in August will create large vacancies in the Dallas CBD submarket as downtown law firms move into new Uptown space. This trend will create opportunities for value-add plays in the Downtown market as buildings will require renovations and new leasing strategies to compete with Uptown.

Market Indicators Relative to prior period	Annual Change	Quarterly Change	2nd Qtr. Forecast*
VACANCY	↑	↔	↓
NET ABSORPTION	↓	↑	↑
UNDER CONSTRUCTION	↑	↑	↔
RENTAL RATE	↑	↑	↑

*Projected

Summary Statistics DFW Office Market	DFW Market	DFW Class A	DFW Class B
Vacancy Rate	15.4%	16.5%	15.2%
Change from prior Quarter	0.1%	0.2%	-0.2%
Absorption (Thousand Square Feet)	533	221	320
New Supply (Thousand Square Feet)	789	667	122
Under Construction (Thousand Square Feet)	10,945	10,037	908

Asking Rents Per Square Foot Per Year	DFW Market	DFW Class A	DFW Class B
Average	\$24.02	\$28.11	\$20.31
Change from prior Quarter	0.4%	0.7%	0.6%
Year-Over-Year Change	6.8%	6.8%	6.4%

Market Highlights

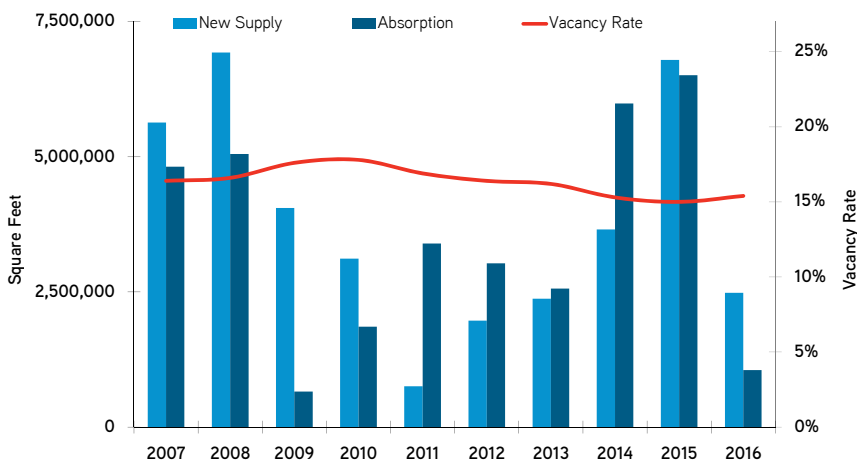
- › Economic activity continues to expand in the metroplex, especially in Dallas where the Federal Reserve noted an annual 4.1% increase in jobs in May, while Fort Worth experienced a gain of 0.6%. Fort Worth's economic forecast should improve as the energy sector continues to rebound.
- › Total vacancy in the market continues steady at 15.4%, only a 0.1% increase from the prior quarter, as average rents increase at a slowing rate.
- › Construction continues to increase above the levels in the 2007-2008 boom, but still well below the 16 million square feet under construction in the late 1990s. Most developers have waited for a large tenant to break ground, but there are nearly 2 million square feet in large spec office projects currently under construction.

Vacancy Rate

Vacancy in the Dallas-Fort Worth market continued its gradual rise, increasing from 15.3% in Q1 to 15.4% in Q2 2016 and up 0.5% from Q1 2015. Class A vacancy increased 0.2% from 16.3% to 16.5%, while Class B vacancy decreased 0.2%.

The Lewisville/Denton and North Fort Worth submarkets tied for the lowest overall vacancy rate at 8.4%. Northeast Fort Worth had the highest vacancy rate of 31.5% due to large vacancies in Fossil Creek Business Park and the FAA Headquarters. Preston Center continued to have the lowest Class A vacancy rate of any market with more than 10 buildings at 8.4%, but this was a 0.5% increase over the prior quarter.

New Supply, Absorption & Vacancy Rate



Absorption & Demand

Net absorption continued at a slower pace than in 2015, with 532,660 square feet absorbed in Q2 2016 for a total of 1,053,128 absorbed year-to-date. This is over 2.8 million less than absorbed through Q2 2015. Class A absorption was 60% of the Q1 2016 rate at 220,563 square feet. However, absorption should pick up at the end of the year as several large projects are delivered.

Far North Dallas absorbed 877,272, the highest of any submarket in the metroplex, which included Pizza Hut's move-in to their headquarters expansion and 380,000 square feet of sublease space. Las Colinas had the lowest level at negative 416,395 square feet, 280,000 of which was NEC Corporation's vacating the Apex at Los Colinas after Mercer's purchase.

Rental Rates

Rental rates continued their gradual climb in the second quarter, topping \$24 for the average gross rate for the first time. However, the increase in rental rate has slowed – the average rate grew only 0.42% from Q1 to Q2 2016. Class A rental rates grew to \$28.11 on average, while Class B rates rose \$0.12 to \$20.31.

For Class A product, Uptown/Turtle Creek continues to command premium rates of \$39.21 on average, boosted by rates near \$50 gross at 1717 McKinney, McKinney & Olive, and other new projects. After falling slightly in Q1 2016, Preston Center Class A rates rose again to an average of \$37.30 PSF.

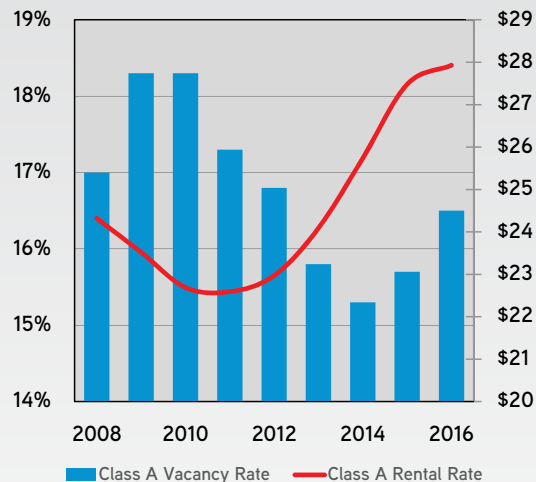
Job Growth & Unemployment

(not seasonally adjusted)

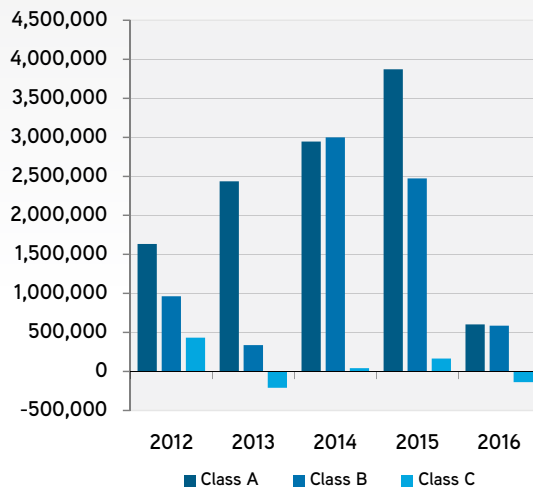
Unemployment	05/15	05/16
DFW	4.0%	3.5%
Texas	4.3%	4.2%
U.S.	5.3%	4.5%

Job Growth	Annual Change	# of Jobs Added
DFW	3.7%	125.3K
Texas	1.5%	171.8K
U.S.	1.6%	2,324.0K

Class A Office Rents & Vacancy



Class A, B & C Office Absorption



Dallas/Fort Worth Downtown & Suburban Office Market Summary

EXISTING PROPERTIES			VACANCY					NET ABSORPTION		CONSTRUCTION		RENT
Submarket	Bldgs	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Vacancy Rate Prior Qtr	Net Abs Current Qtr SF	Net Abs YTD SF	New Supply YTD SF	Under Construction SF	Average Rate (FS)
DOWNTOWN AND SUBURBAN MARKETS												
Class A												
Dallas CBD	25	22,964,115	23.2%	0.9%	5,545,287	24.1%	23.7%	(113,645)	(500,270)	0	342,879	\$26.56
Fort Worth CBD	17	5,914,246	14.0%	0.6%	858,462	14.5%	13.7%	(48,249)	(89,524)	0	280,489	\$29.20
Dallas Suburban	465	107,340,322	14.3%	0.9%	16,226,111	15.1%	14.9%	302,370	1,124,982	1,979,100	9,095,990	\$28.72
Fort Worth Suburban	24	4,266,338	13.5%	0.1%	580,102	13.6%	13.6%	80,087	67,948	91,648	317,584	\$25.91
Total DFW Market	531	140,485,021	15.7%	0.8%	23,209,962	16.5%	16.3%	220,563	603,136	2,070,748	10,036,942	\$28.11
Class B												
Dallas CBD	37	6,099,986	21.8%	0.1%	1,338,380	21.9%	21.7%	(11,874)	(205)	0	0	\$19.72
Fort Worth CBD	42	3,959,789	8.0%	0.0%	316,873	8.0%	7.6%	(14,062)	(42,794)	0	0	\$19.65
Dallas Suburban	2,250	125,082,257	14.7%	0.3%	18,779,065	15.0%	15.2%	270,294	522,953	355,738	812,519	\$20.34
Fort Worth Suburban	313	14,389,220	15.6%	0.5%	2,315,693	16.1%	16.5%	75,882	105,978	57,112	95,097	\$20.34
Total DFW Market	2,642	149,531,252	14.9%	0.3%	22,750,011	15.2%	15.4%	320,240	585,932	412,850	907,616	\$20.31
Class C												
Dallas CBD	44	3,144,832	8.6%	0.4%	283,919	9.0%	9.6%	16,835	(7,986)	0	0	\$18.66
Fort Worth CBD	23	730,554	5.2%	0.0%	38,000	5.2%	5.5%	2,000	8,278	0	0	\$16.29
Dallas Suburban	805	19,189,377	11.1%	0.0%	2,126,875	11.1%	11.0%	(14,666)	(69,881)	0	0	\$15.71
Fort Worth Suburban	211	4,554,584	8.1%	0.0%	370,244	8.1%	7.9%	(12,312)	(66,351)	0	0	\$18.52
Total DFW Market	1,083	27,619,347	10.2%	0.1%	2,819,038	10.2%	10.2%	(8,143)	(135,940)	0	0	\$16.30
All Classes												
Dallas CBD	106	32,208,933	21.5%	0.7%	7,167,586	22.3%	21.9%	(108,684)	(508,461)	0	342,879	\$25.63
Fort Worth CBD	82	10,604,589	11.1%	0.3%	1,213,335	11.4%	10.9%	(60,311)	(124,040)	0	280,489	\$25.79
Dallas Suburban	3,520	251,611,956	14.2%	0.5%	37,132,051	14.8%	14.7%	557,998	1,578,054	2,334,838	9,908,509	\$23.91
Fort Worth Suburban	548	23,210,142	13.7%	0.3%	3,266,039	14.1%	14.3%	143,657	107,575	148,760	412,681	\$21.22
Total DFW Market	4,256	317,635,620	14.8%	0.5%	48,779,011	15.4%	15.3%	532,660	1,053,128	2,483,598	10,944,558	\$24.02
QUARTERLY AND ANNUAL HISTORICAL COMPARISONS												
2016 Q2	4,256	317,635,620	14.8%	0.5%	48,779,011	15.4%	15.3%	532,660	1,053,128	2,483,598	10,944,558	\$ 24.02
2016 Q1	4,244	316,846,917	14.7%	0.6%	48,522,968	15.3%	15.0%	520,468	520,468	1,694,895	10,734,495	\$ 23.92
2015 Q4	4,223	315,152,022	14.5%	0.6%	47,355,951	15.0%	15.1%	1,301,700	6,512,318	6,793,268	9,627,401	\$ 23.54
2015 Q3	4,214	313,782,358	14.5%	0.6%	47,287,987	15.1%	14.9%	1,284,475	5,210,618	5,423,604	7,187,404	\$ 23.08
2015 Q2	4,196	311,752,921	14.2%	0.7%	46,543,025	14.9%	15.3%	1,738,271	3,926,143	3,394,167	7,806,163	\$ 22.38
2014 Q2	4,126	306,310,042	15.2%	0.7%	48,841,911	15.9%	15.9%	774,878	2,173,266	1,608,006	6,445,809	\$ 21.16
2013 Q2	4,081	303,186,220	15.8%	0.7%	50,168,043	16.5%	16.4%	(82,959)	286,239	859,062	3,022,188	\$ 20.23
2012 Q2	4,052	301,542,131	16.3%	0.5%	50,675,964	16.8%	16.8%	751,475	1,164,395	1,184,211	2,042,888	\$ 19.72

Dallas/Fort Worth Office Submarket Summary

EXISTING PROPERTIES			VACANCY					NET ABSORPTION		CONSTRUCTION		RENT
Colliers Markets	Bldgs	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Vacancy Rate Prior Qtr	Net Abs Current Qtr SF	Net Abs YTD SF	New Supply YTD SF	Under Construction SF	Average Rate (FS)
Class A												
Central Expressway	22	7,051,855	14.9%	0.2%	1,068,685	15.2%	14.8%	(26,149)	267,754	0	0	\$ 28.58
Dallas CBD	25	22,964,115	23.2%	0.9%	5,545,287	24.1%	23.7%	(113,645)	(500,270)	0	342,879	\$ 26.56
East Dallas	2	140,460	15.5%	1.0%	23,181	16.5%	16.5%	0	1,496	0	0	\$ 34.43
Far North Dallas	147	31,116,597	11.4%	0.6%	3,727,500	12.0%	12.5%	576,304	743,716	910,532	5,167,948	\$ 31.84
Fort Worth CBD	17	5,914,246	14.0%	0.6%	858,462	14.5%	13.7%	(48,249)	(89,524)	0	280,489	\$ 29.20
Las Colinas	76	18,649,445	14.7%	2.2%	3,152,024	16.9%	14.0%	(541,453)	(123,662)	466,219	918,402	\$ 27.22
LBJ Freeway	37	10,678,078	23.3%	0.7%	2,560,417	24.0%	24.9%	94,142	213,244	0	0	\$ 24.58
Lewisville / Denton	6	474,755	4.7%	0.0%	22,419	4.7%	10.8%	80,964	80,964	0	0	\$ 24.11
Mid-Cities	39	7,826,506	12.2%	1.4%	1,065,264	13.6%	16.0%	183,337	64,304	0	198,000	\$ 26.06
North Fort Worth	2	511,277	23.4%	0.0%	119,543	23.4%	0.0%	14,282	14,282	0	0	N/A
Northeast Fort Worth	2	403,938	84.0%	0.0%	339,241	84.0%	3.0%	(8,631)	(8,631)	0	0	\$ 21.30
Preston Center	22	4,177,591	7.9%	0.5%	352,448	8.4%	7.9%	(23,681)	(44,531)	0	186,257	\$ 37.30
North US 75 Corridor	59	13,068,002	20.5%	0.4%	2,731,845	20.9%	20.2%	(12,511)	(226,348)	602,349	626,000	\$ 26.03
South Fort Worth	20	3,351,123	3.5%	0.2%	121,318	3.6%	3.2%	74,436	62,297	91,648	317,584	\$ 29.51
Southwest Dallas	3	304,001	5.1%	0.0%	15,500	5.1%	5.1%	0	0	0	0	\$ 21.84
Stemmons Freeway	10	3,684,761	16.7%	0.0%	616,100	16.7%	17.3%	21,543	21,637	0	63,000	\$ 19.09
Uptown / Turtle Creek	42	10,168,271	8.4%	0.3%	893,032	8.8%	9.1%	28,534	124,104	0	1,936,383	\$ 39.21
Total DFW Market	531	140,485,021	15.7%	0.8%	23,209,962	16.5%	16.3%	220,563	603,136	2,070,748	10,036,942	\$ 28.11
Class B												
Central Expressway	84	5,924,668	8.5%	0.3%	520,164	8.8%	9.9%	67,548	109,418	35,000	0	\$ 22.68
Dallas CBD	37	6,099,986	21.8%	0.1%	1,338,380	21.9%	21.7%	(11,874)	(205)	0	0	\$ 19.72
East Dallas	190	7,270,279	14.5%	0.2%	1,069,753	14.7%	8.9%	(422,234)	(443,177)	0	99,500	\$ 20.40
Far North Dallas	386	21,253,660	13.8%	0.2%	2,975,556	14.0%	15.2%	305,904	(4,962)	87,062	281,678	\$ 21.87
Fort Worth CBD	42	3,959,789	8.0%	0.0%	316,873	8.0%	7.6%	(14,062)	(42,794)	0	0	\$ 19.65
Las Colinas	230	18,205,439	13.6%	0.1%	2,495,271	13.7%	14.3%	114,167	166,839	0	58,000	\$ 20.77
LBJ Freeway	130	10,995,307	23.1%	0.5%	2,599,495	23.6%	23.5%	(14,746)	(53,849)	0	0	\$ 17.80
Lewisville / Denton	187	7,874,937	8.1%	1.2%	726,953	9.2%	9.7%	44,051	151,669	86,981	42,737	\$ 21.62
Mid-Cities	446	18,414,120	12.1%	0.4%	2,295,071	12.5%	12.6%	46,083	157,834	85,977	98,441	\$ 19.66
North Fort Worth	65	3,137,026	4.8%	0.9%	179,579	5.7%	6.9%	49,378	105,580	57,112	82,195	\$ 23.33
Northeast Fort Worth	49	3,037,903	32.2%	0.6%	996,561	32.8%	33.3%	15,468	(4,019)	0	0	\$ 18.69
Preston Center	19	868,277	9.6%	0.0%	82,980	9.6%	11.3%	15,129	11,512	0	0	\$ 28.47
North US 75 Corridor	346	20,490,047	14.9%	0.1%	3,079,752	15.0%	15.5%	98,246	364,133	60,718	196,968	\$ 21.71
South Fort Worth	199	8,214,291	13.5%	0.3%	1,139,553	13.9%	14.0%	11,036	4,417	0	12,902	\$ 21.01
Southwest Dallas	87	2,971,634	13.2%	0.0%	391,712	13.2%	13.6%	12,543	6,028	0	35,195	\$ 17.11
Stemmons Freeway	100	8,144,705	27.7%	0.7%	2,315,380	28.4%	28.6%	17,296	17,034	0	0	\$ 15.51
Uptown / Turtle Creek	45	2,669,184	8.4%	0.1%	226,978	8.5%	8.0%	(13,693)	40,474	0	0	\$ 34.24
Total DFW Market	2,642	149,531,252	14.9%	0.3%	22,750,011	15.2%	15.4%	320,240	585,932	412,850	907,616	\$ 20.31

Dallas/Fort Worth Office Submarket Summary

EXISTING PROPERTIES			VACANCY					NET ABSORPTION		CONSTRUCTION		RENT
Colliers Markets	Bldgs	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Vacancy Rate Prior Qtr	Net Abs Current Qtr SF	Net Abs YTD SF	New Supply YTD SF	Under Construction SF	Average Rate (FS)
Class C												
Central Expressway	49	965,260	1.8%	0.2%	18,764	1.9%	4.3%	22,358	19,728	0	0	\$ 21.00
Dallas CBD	44	3,144,832	8.6%	0.4%	283,919	9.0%	9.6%	16,835	(7,986)	0	0	\$ 18.66
East Dallas	120	2,698,168	7.8%	0.0%	210,936	7.8%	8.6%	21,831	17,856	0	0	\$ 14.90
Far North Dallas	45	1,088,830	2.3%	0.0%	25,160	2.3%	1.9%	(4,936)	(3,178)	0	0	\$ 13.18
Fort Worth CBD	23	730,554	5.2%	0.0%	38,000	5.2%	5.5%	2,000	8,278	0	0	\$ 16.29
Las Colinas	21	1,072,199	10.5%	0.0%	113,040	10.5%	11.6%	10,891	7,111	0	0	\$ 13.01
LBJ Freeway	30	625,792	24.4%	0.0%	152,394	24.4%	24.8%	2,834	1,236	0	0	\$ 16.19
Lewisville / Denton	76	1,916,856	6.3%	0.0%	120,174	6.3%	6.4%	2,363	(378)	0	0	\$ 18.92
Mid-Cities	203	4,788,572	13.7%	0.0%	656,529	13.7%	14.2%	21,601	10,666	0	0	\$ 14.75
North Fort Worth	29	533,090	9.6%	0.0%	51,255	9.6%	5.0%	(24,690)	(26,990)	0	0	
Northeast Fort Worth	39	1,003,227	6.6%	0.0%	66,283	6.6%	6.5%	(1,071)	(4,338)	0	0	\$ 16.75
Preston Center	15	350,329	17.8%	0.0%	62,519	17.8%	17.1%	(2,780)	(35,993)	0	0	
North US 75 Corridor	101	1,976,466	8.8%	0.0%	173,470	8.8%	11.1%	45,702	57,152	0	0	\$ 14.65
South Fort Worth	143	3,020,124	8.4%	0.0%	252,706	8.4%	8.8%	13,449	(35,023)	0	0	\$ 18.62
Southwest Dallas	62	1,218,435	10.4%	0.0%	126,240	10.4%	11.5%	13,498	13,351	0	0	\$ 17.66
Stemmons Freeway	61	2,011,534	21.8%	0.0%	438,684	21.8%	14.6%	(144,533)	(157,312)	0	0	\$ 13.68
Uptown / Turtle Creek	22	476,936	6.1%	0.0%	28,965	6.1%	5.3%	(3,495)	(120)	0	0	
Total DFW Market	1,083	27,619,347	10.2%	0.1%	2,819,038	10.2%	10.2%	(8,143)	(135,940)	0	0	\$ 16.30
All Classes												
Central Expressway	155	13,941,783	11.3%	0.2%	1,607,613	11.5%	12.0%	63,757	396,900	35,000	0	\$ 26.45
Dallas CBD	106	32,208,933	21.5%	0.7%	7,167,586	22.3%	21.9%	(108,684)	(508,461)	0	342,879	\$ 25.63
East Dallas	312	10,108,907	12.8%	0.1%	1,303,870	12.9%	8.9%	(400,403)	(423,825)	0	99,500	\$ 19.28
Far North Dallas	578	53,459,087	12.1%	0.4%	6,728,216	12.6%	13.4%	877,272	735,576	997,594	5,449,626	\$ 27.23
Fort Worth CBD	82	10,604,589	11.1%	0.3%	1,213,335	11.4%	10.9%	(60,311)	(124,040)	0	280,489	\$ 25.79
Las Colinas	327	37,927,083	14.0%	1.1%	5,760,335	15.2%	14.1%	(416,395)	50,288	466,219	976,402	\$ 23.79
LBJ Freeway	197	22,299,177	23.2%	0.6%	5,312,306	23.8%	24.2%	82,230	160,631	0	0	\$ 20.98
Lewisville / Denton	269	10,266,548	7.6%	0.9%	867,242	8.4%	8.8%	48,718	234,559	86,981	42,737	\$ 21.91
Mid-Cities	688	31,029,198	12.3%	0.6%	4,016,864	12.9%	13.7%	251,021	232,804	85,977	296,441	\$ 21.63
North Fort Worth	96	4,181,393	7.7%	0.7%	350,377	8.4%	9.0%	38,970	92,872	57,112	82,195	\$ 22.81
Northeast Fort Worth	90	4,445,068	31.1%	0.4%	1,402,085	31.5%	31.7%	5,766	(16,988)	0	0	\$ 19.21
Preston Center	56	5,396,197	8.8%	0.4%	497,947	9.2%	9.0%	(11,332)	(69,012)	0	186,257	\$ 35.54
North US 75 Corridor	506	35,534,515	16.6%	0.2%	5,985,067	16.8%	16.9%	131,437	194,937	663,067	822,968	\$ 22.88
South Fort Worth	362	14,585,538	10.1%	0.2%	1,513,577	10.4%	10.5%	98,921	31,691	91,648	330,486	\$ 22.28
Southwest Dallas	152	4,494,070	11.9%	0.0%	533,452	11.9%	12.4%	26,041	19,379	0	35,195	\$ 17.36
Stemmons Freeway	171	13,841,000	23.9%	0.4%	3,370,164	24.3%	23.6%	(105,694)	(118,641)	0	63,000	\$ 16.11
Uptown / Turtle Creek	109	13,314,391	8.4%	0.3%	1,148,975	8.6%	8.7%	11,346	164,458	0	1,936,383	\$ 38.02
Total DFW Market	4,256	317,635,620	14.8%	0.5%	48,779,011	15.4%	15.3%	532,660	1,053,128	2,483,598	10,944,558	\$ 24.02

NOTE: Statistical set consists of office properties 10,000 SF and up, including owner-occupied properties; and excluding medical office and properties where the government is 100% owner and occupier. While CoStar attempts to provide the most accurate data at the end of every quarter, revisions are made throughout the year accounting for discrepancies in past reporting.

Sources: CoStar Property, Colliers Research

Leasing Activity

Leasing activity for the prior 12 months ending June 30, 2016 totaled 20.9 million SF. Year-to-date 8.5 million square feet has been leased and the average lease was 4,420 square feet.

Q2 2016 Top Office Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
Cypress Waters Blvd	DFW Freeport/Coppell	225,000	Signet Jewelers	Apr-16
15601 Dallas Pky	Quorum/Bent Tree	122,000	Fannie Mae	May-16
1660 N Westridge Cir	Office Ctr/West LBJ Ext	101,120	Molina Healthcare	Jun-16
4851 Regent Blvd	DFW Freeport/Coppell	100,520	Atos SE	Jun-16
8383 Dominion Dr	Upper Tollway/West Plano	92,250	CompuCom Systems Inc.	Apr-16
4795 Regent Blvd	DFW Freeport/Coppell	76,742	First American Title Insurance Company	Jun-16
901 Main St	Dallas CBD	57,634	Compass Professional Health Services /Life Accent	May-16
7880 Bent Branch Dr	DFW Freeport/Coppell	53,547	Pacific Union Financial	Apr-16
2201 W Plano Pky	Plano	52,406	Fresenius Medical Care	Jun-16
7301 N State Highway 161	Office Ctr/West LBJ Ext	50,706	DealerSocket	Apr-16

Sales Activity

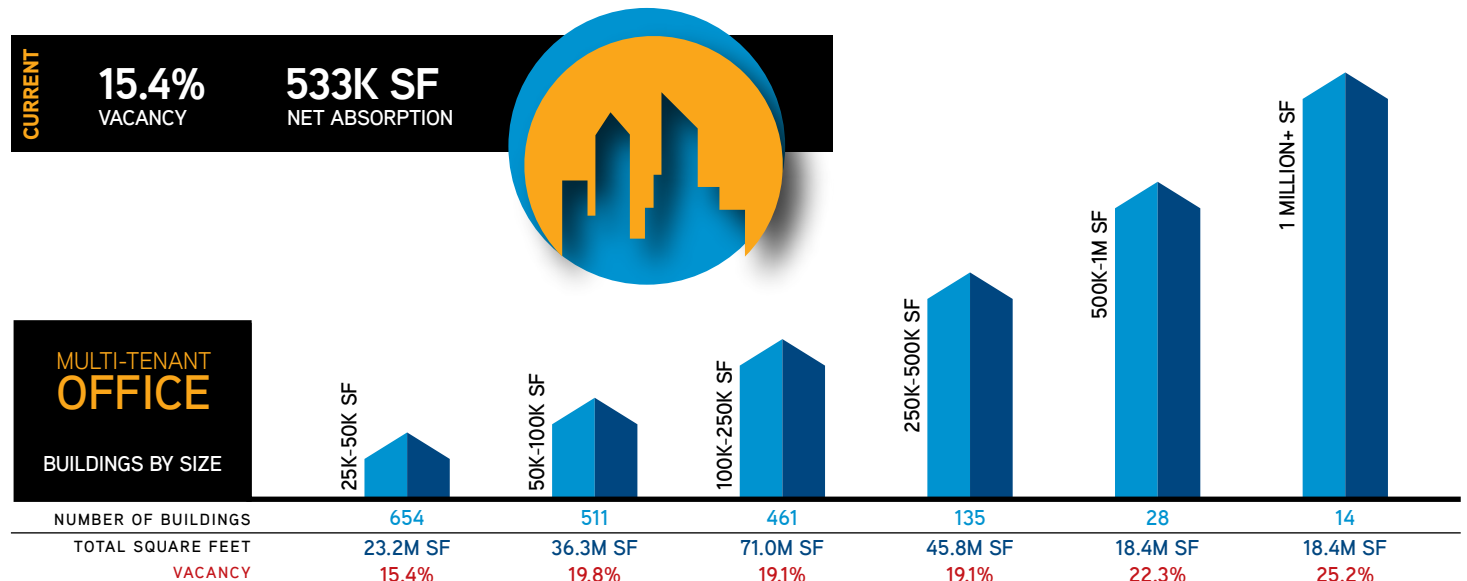
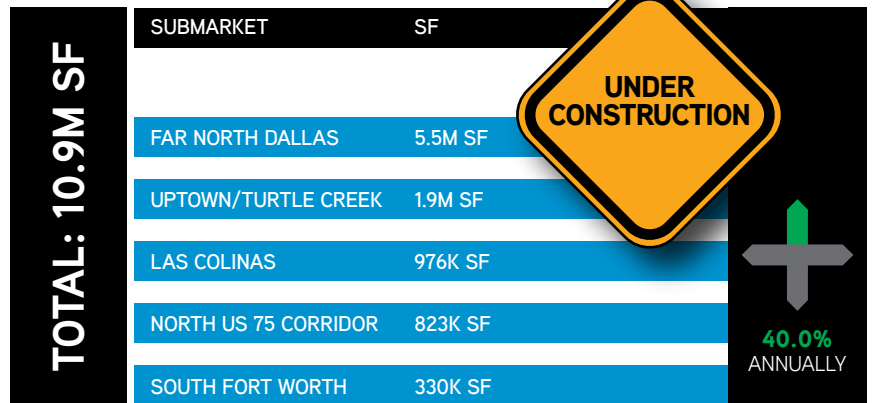
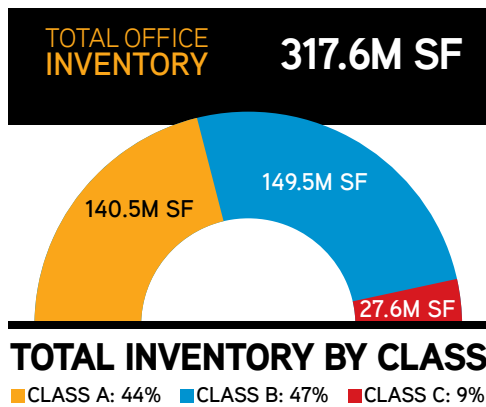
Investment activity picked up slightly in Q2 2016 with 20 property sales over 100,000 square feet sold this quarter, but the average sales price dropped to \$125 per square foot compared to \$136 per square foot in Q1 2016. The average cap rate rose slightly to 7.6%.

Q2 2016 Significant Sales Transactions – (100,000 SF or greater)								
BUILDING NAME	SUBMARKET	RBA (SF)	YEAR BUILT	BUYER	SELLER	SALE PRICE	\$/SF	DATE SOLD
The Geico Building	Far North Dallas	244,545	1985	JP Realty Partners	Government Employees Insurance Co.	\$11,000,000	\$45	06/28/2016
Bluffview Towers	Preston Center	296,260	1986	Buchanan Street Partners	CDI East	\$28,500,000	\$146	05/02/2016
Campbell Creek Business Park	North US 75 Corridor	317,247	1997	Foundry Commercial / ICM	Granite Properties	\$28,000,000	\$89	06/15/2016
KPMG Plaza at Hall Arts	Dallas CBD	500,000	2015	Unknown	Hall Financial Group	\$225,000,000	\$450	05/17/2016
Westway One	Las Colinas	165,587	2001	Whitestone REIT	Wells Real Estate Funds	\$21,638,000	\$130	06/01/2016
One Glen Lakes	Central Expressway	170,000	1981	Cawley Management, LLC	Eland Energy Inc	\$17,500,000	\$103	02/29/2016
Las Colinas Commons	Las Colinas	239,379	1979/81	David Tessel	Behringer	\$14,362,740	\$60	02/02/2016
7610 Stemmons Fwy	Stemmons Freeway	127,381	1981	Good Signature Management	Tri Tower Financial Group	\$4,331,000	\$34	02/04/2016

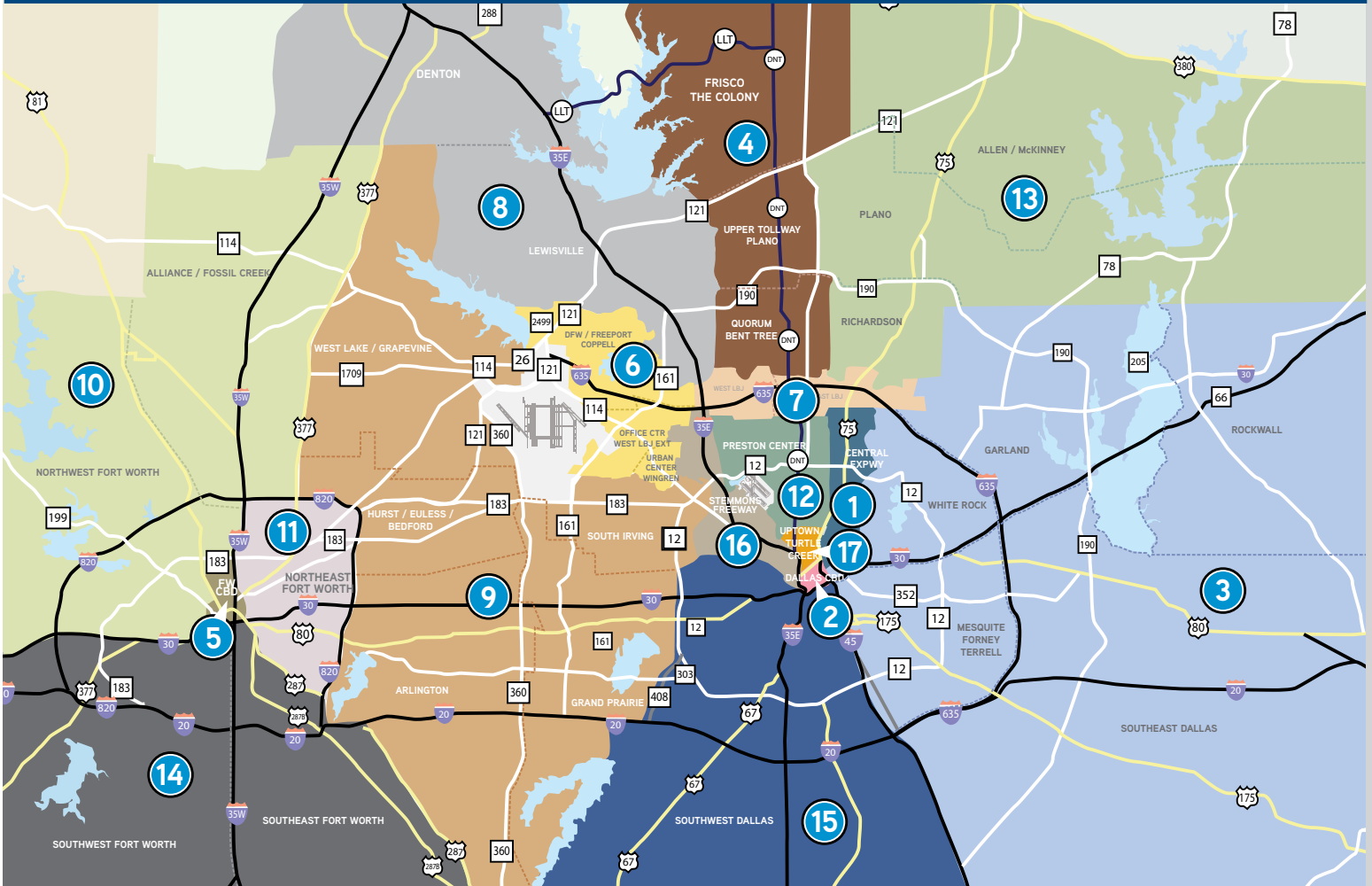
Quoted gross rental rates for existing top performing office buildings

BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	% LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
+E BUILDINGS								
KPMG Plaza at Hall Arts	2323 Ross Ave	Dallas CBD	459,383	2015	74%	120,230	\$48.00 +E	2323 Ross Holdings, LLC
Victory Plaza West	3090 Olive St	Uptown/Turtle Creek	116,891	2006	100%	52,525	\$42.00 +E	Victory Plaza Bldgs
1919 McKinney	1919 McKinney Ave	Uptown/Turtle Creek	118,940	1924	68%	42,674	\$38.00 +E	Ecom Real Estate Mgmt, Inc.
Victory Plaza East	3030 Olive St	Uptown/Turtle Creek	110,000	2006	93%	13,784	\$37.00 +E	Estein & Associates USA
Veritex Bank Plaza	8214 Westchester Dr	Preston Center	96,563	1981	100%	6,047	\$36.00 +E	Cardinal Capital Partners, Inc.
International Plaza III	14241 Dallas Pky	Far North Dallas	354,182	2002	86%	82,924	\$35.00 +E	Lincoln Property Company
NNN BUILDINGS								
Texas Capital Bank Building	2000 McKinney Ave	Uptown/Turtle Creek	447,595	2008	98%	20,539	\$40.50 NNN	Lincoln Property Company
17Seventeen McKinney	1717 McKinney Ave	Uptown/Turtle Creek	361,524	2010	99%	25,701	\$40.00 NNN	Granite Properties, Inc.
2100 McKinney	2100 McKinney Ave	Uptown/Turtle Creek	360,859	1998	98%	39,155	\$40.00 NNN	New York State Common Retirement Fund
The Star	1 Cowboys Way	Far North Dallas	397,819	2016	23%	306,552	\$37.00 NNN	City of Frisco
Rosewood Court	2101 Cedar Springs Rd	Uptown/Turtle Creek	405,291	2008	97%	54,108	\$36.50 NNN	Rosewood Property Company
Frost Tower	2950 N Harwood St	Uptown/Turtle Creek	167,735	2015	94%	9,705	\$36.00 NNN	Harwood International

Q2 2016 HIGHLIGHTS



OFFICE SUBMARKET MAP



1	Central Expressway	155 Bldgs	13.9m SF	11.5% Vac	UC = None	\$ 26.45 PSF
2	Dallas CBD	106 Bldgs	32.2m SF	22.3% Vac	UC = 342.9K SF	\$ 25.63 PSF
3	East Dallas	312 Bldgs	10.1m SF	12.9% Vac	UC = 99.5K SF	\$ 19.28 PSF
4	Far North Dallas	578 Bldgs	53.5m SF	12.6% Vac	UC = 5,450K SF	\$ 27.23 PSF
5	Fort Worth CBD	82 Bldgs	10.6m SF	11.4% Vac	UC = 280.5K SF	\$ 25.79 PSF
6	Las Colinas	327 Bldgs	37.9m SF	15.2% Vac	UC = 976.4K SF	\$ 23.79 PSF
7	LBJ Freeway	197 Bldgs	22.3m SF	23.8% Vac	UC = None	\$ 20.98 PSF
8	Denton / Lewisville	269 Bldgs	10.3m SF	8.4% Vac	UC = 42.7K SF	\$ 21.91 PSF
9	Mid-Cities	688 Bldgs	31m SF	12.9% Vac	UC = 296.4K SF	\$ 21.63 PSF

10	North Fort Worth	96 Bldgs	4.2m SF	8.4% Vac	UC = 82.2K SF	\$ 22.81 PSF
11	Northeast Fort Worth	90 Bldgs	4.4m SF	31.5% Vac	UC = None	\$ 19.21 PSF
12	Preston Center	56 Bldgs	5.4m SF	9.2% Vac	UC = 186.3K SF	\$ 35.54 PSF
13	North US 75 Corridor	506 Bldgs	35.5m SF	16.8% Vac	UC = 823K SF	\$ 22.88 PSF
14	South Fort Worth	362 Bldgs	14.6m SF	10.4% Vac	UC = 330.5K SF	\$ 22.28 PSF
15	Southwest Dallas	152 Bldgs	4.5m SF	11.9% Vac	UC = 35.2K SF	\$ 17.36 PSF
16	Stemmons Freeway	171 Bldgs	13.8m SF	24.3% Vac	UC = 63K SF	\$ 16.11 PSF
17	Uptown / Turtle Creek	109 Bldgs	13.3m SF	8.6% Vac	UC = 1,936K SF	\$ 38.02 PSF
Total Market		4,256 Bldgs	317.6m SF	15.4% Vac	UC = 10,945K SF	\$ 24.02 PSF

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