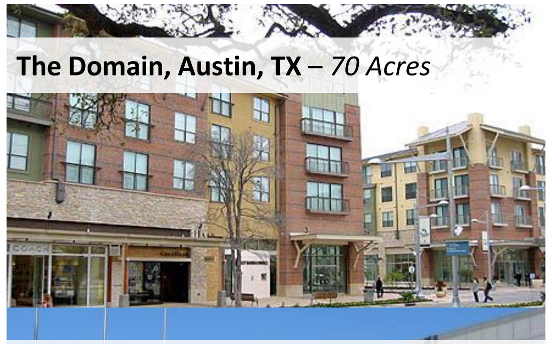
Advisory Experience

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 – *1,200,000 SF*

ESI – *70,000 SF*

Multiple Transactions

Texas Instruments – *1,200,000 SF*

Weaver – *171,000 SF Multi-market*

CITADEL PARTNERS

A REAL ESTATE ADVISORY FIRM

INSIGHT Dallas / Fort Worth Office Market

www.citadelpartnersus.com

Year-End 2015

Market Snapshot

Scott Morse, SIOR, CCIM – Managing Partner
972-980-2802
smorse@citadelpartnersus.com

Dallas/Ft Worth's Vacancy Decreases to 14.1%

The Dallas/Ft. Worth Office Market ended the fourth quarter 2015 with a vacancy rate of 14.1%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,629,772 square feet in the fourth quarter. Rental rates ended the fourth quarter at $23.39, an increase of $0.60 over the previous quarter. A total of 24 Class A&B buildings were delivered to the market in the second quarter totaling 1,574,406 square feet, with 9,133,849 square feet still under construction at the end of the quarter. No Class C buildings are currently under construction.

Net absorption for Dallas/Ft. Worth's central business district was positive 119,060 square feet in the fourth quarter 2015. That compares to positive 181,914 square feet in the third quarter 2015, 245,286 square feet in the second quarter 2015, and positive 219,717 in the first quarter 2015.

Net absorption for the suburban markets was positive 1,510,712 square feet in the fourth quarter 2015. That compares to positive 1,533,433 square feet in the third quarter 2015, positive 1,640,226 square feet in the second quarter 2015, and positive 1,987,793 square feet in first quarter 2015. Overall market absorption had a slight decrease from 1,715,347 SF in the third quarter 2015 to 1,629,772 SF in the fourth quarter 2015.

ABSORPTION

	Class A & B	*All Classes*
EOY		7,438,141 SF
Q4 2015	1,657,088 SF	1,629,772 SF
Q3 2015	1,543,814 SF	1,715,347 SF

DELIVERED

	Class A & B	*All Classes*
Q4 2015	1,574,406 SF	1,574,406 SF
Q3 2015	1,937,795 SF	1,937,795 SF

No Class C buildings are currently under construction

DIRECT RENTAL RATE

	Class A & B	*All Classes*
Q4 2015	$23.62 PSF	$23.39 PSF
Q3 2015	$23.01 PSF	$22.78 PSF

VACANCY

	Class A	*Class B*	*All Classes*
Q4 2015	15.3%	14.9%	14.1%
Q3 2015	15.0%	15.5%	14.3%

Total Office Sub-Market Statistics

4TH Quarter 2015

	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
Market	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Allen/McKinney	371	7,500,422	630,364	633,258	8.4%	80,412	64,908	233,494	$23.65
Alliance	128	3,572,903	258,789	284,032	7.9%	577,966	613,443	63,448	$23.95
Arlington/Mansfield	883	13,211,319	1,589,241	1,623,615	12.3%	36,116	35,823	47,440	$17.86
Central Expressway	274	15,032,348	1,919,381	1,965,624	13.1%	340,622	207,041	0	$25.17
Dallas CBD	139	33,329,215	6,309,265	6,484,587	19.5%	427,104	540,862	261,400	$24.04
Delta County	3	6,141	0	0	0.0%	0	0	0	$0.00
Denton	357	4,118,317	255,591	263,759	6.4%	59,648	29,456	22,000	$21.28
DFW Freeport/Coppell	204	12,618,969	1,918,747	1,987,288	15.7%	542,567	484,653	925,183	$21.98
East LBJ Freeway	169	17,323,791	4,206,669	4,262,391	24.6%	11,165	0	0	$21.44
East Northeast Ft Wo.	341	5,406,033	1,401,479	1,416,464	26.2%	(189,111)	0	0	$16.28
Ellis County	248	1,486,810	127,221	127,221	8.6%	63,378	82,394	0	$20.20
Frisco/The Colony	232	5,608,395	645,577	707,617	12.6%	297,402	309,301	1,034,547	$33.24
Ft Worth CBD	116	11,889,245	1,067,740	1,102,608	9.3%	338,873	0	0	$25.89
Garland	260	3,723,815	375,460	375,460	10.1%	146,231	0	0	$18.17
Grand Prairie	138	4,303,224	366,068	366,068	8.5%	41,110	5,000	0	$15.61
HEB/Midcities	472	7,777,202	1,154,472	1,727,814	22.2%	208,826	163,532	7,894	$16.94
Henderson County	67	228,443	21,433	21,433	9.4%	9,300	0	0	$10.78
Hood County	107	541,014	47,190	50,190	9.3%	6,205	19,473	0	$19.67
Hunt County	92	642,333	48,094	48,094	7.5%	15,704	0	0	$11.74
Johnson County	207	1,107,590	73,094	73,094	6.6%	22,691	0	0	$14.90
Lewisville	444	8,649,134	1,190,883	1,197,773	13.8%	160,593	152,788	8,642	$21.49
Mesquite/Forney/Terr.	203	1,631,990	152,246	156,138	9.6%	8,748	0	0	$23.16
Northwest Ft Worth	173	1,230,114	101,202	101,202	8.2%	(5,735)	10,050	0	$18.23
Office Ctr/West LBJ .	150	15,818,395	1,546,800	1,697,315	10.7%	(284,833)	13,600	0	$22.94
Outlying Collin Coun.	45	226,615	23,547	24,784	10.9%	32,791	30,000	0	$28.48
Outlying Denton Coun.	39	240,441	7,202	7,202	3.0%	(2,297)	0	0	$26.56
Outlying Kaufman Cou.	22	68,998	10,738	10,738	15.6%	2,800	0	0	$8.52
Parker County	173	955,550	96,182	96,182	10.1%	14,942	9,550	4,132	$22.62
Plano	351	9,666,735	1,543,853	1,551,185	16.0%	(26,274)	17,200	273,600	$24.37
Preston Center	143	5,719,710	397,229	413,190	7.2%	150,674	190,000	186,257	$35.54
Quorum/Bent Tree	371	23,256,825	2,970,396	3,146,606	13.5%	528,238	0	197,740	$22.12
Richardson	288	19,706,959	2,962,750	2,992,426	15.2%	1,428,556	2,046,638	557,992	$21.11
Rockwall	134	1,341,623	95,011	95,011	7.1%	(1,943)	20,773	0	$28.82
South Irving	220	2,845,832	156,828	157,918	5.5%	26,954	0	0	$17.09
Southeast Dallas	114	1,231,025	124,462	124,462	10.1%	18,446	0	0	$15.19
Southeast Ft Worth	186	2,174,042	154,238	154,238	7.1%	(5,615)	0	0	$16.12
Southwest Dallas	503	5,272,941	546,488	546,488	10.4%	(26,529)	0	0	$16.29
Stemmons Freeway	277	14,563,080	3,072,015	3,142,337	21.6%	217,968	0	0	$15.52
Upper Tollway/West P.	389	26,282,549	2,552,971	2,908,954	11.1%	969,493	1,269,443	3,077,534	$29.56
Uptown/Turtle Creek	302	13,577,316	1,294,609	1,325,690	9.8%	408,157	417,735	1,488,797	$36.21
Urban Center/Wingren	62	9,530,707	1,528,812	1,650,809	17.3%	355,011	0	0	$25.38
West LBJ Freeway	98	5,267,834	1,217,634	1,230,223	23.4%	80,636	0	0	$17.60
West Southwest Ft Wo.	1,030	15,762,227	1,562,719	1,565,822	9.9%	265,371	207,640	417,715	$22.42
Westlake/Grapevine	691	11,296,504	1,366,553	1,471,765	13.0%	63,243	143,678	294,067	$25.80
White Rock	258	5,382,506	352,739	360,974	6.7%	15,803	0	18,309	$20.61
Wise County	33	207,614	36,946	36,946	17.8%	6,734	0	13,658	$22.59
Totals	**11,507**	**351,334,795**	**47,480,928**	**49,686,995**	**14.1%**	**7,438,141**	**7,084,981**	**9,133,849**	**$23.39**

4th Quarter Office Market Highlights

Select 4th Quarter Office Leases	Tenant	Square Feet
9001 Cypress Waters Blvd – DFW Freeport/Coppell	OneSource Virtual	215,000
1919 McKinney Ave – Uptown/Turtle Creek	Regus	95,155
The Union – Uptown/Turtle Creek	Weaver & Tidwell	58,000

The Union

Select 4th Quarter Investment Sales	Sales Price	Square Feet	Price PSF	Sold Date
The Towers at Williams Square	$330,000,000	1,395,980	$236.39	10/27/2015
Tollway Plaza	$88,500,000	370,073	$239.14	11/09/2015
Signature Exchange	$72,000,000	458,482	$157.04	12/02/2015

The Towers at Williams Square

Select 4th Quarter Deliveries by SF	Quoted Rate PSF	Square Feet	% Occupied	Delivery Date
Granite Park V	$27.00 NNN ($8.81)	306,200	24%	4Q 2015
The Tower at Frisco Square	$32.00 +E ($1.80)	166,305	78%	4Q 2015

Select Year to Date Under Construction	Quoted Rate PSF	Square Feet	% Preleased	Delivery
Toyota Motor Corporation – Upper Tollway/W Plano	N/A	2,100,000	100%	4Q 2017
McKinney & Olive – Uptown/Turtle Creek	$37.00 NNN ($7.56)	530,000	41%	3Q 2016
The Star – Frisco/The Colony	$36.00 NNN ($9.06)	398,769	21%	2Q 2016

McKinney & Olive
Uptown/Turtle Creek

Office Market Momentum & Forecast

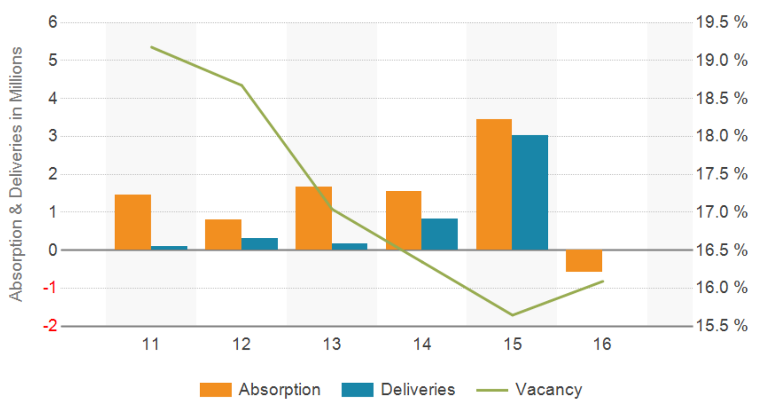
2015 was a phenomenal year by anyone's account. We believe the "worm" has turned, and we will look back and say that 2015 was the top of the market. The exception to this is the multi-family market that continues to boom and push rents.

Regarding the office market, we continue to see the entrepreneurial investors look to monetize his investments and sell property, while institutional capital aggressively pursues assets. The fourth quarter saw continued increases in lease rates in both Class A & B product along with increasing acquisition pricing, with excellent absorption.

Construction appears to be constrained and our new construction is in excess of 50% preleased. Job growth in the Dallas/Fort Worth Metroplex is still outpacing the rest of the country and with the relocations of Toyota, Farmers Coffee, Liberty Mutual, State Farm and others, we expect job growth through 2016 to be strong. We are currently tracking about 9 million square feet of office transactions in the market with oil and gas representing less than 2% of the activity.

As you plan for 2016 and 2017, count on a softening of the economy, with real estate experiencing the softening in late 2017 to early 2018. With this pending softening, we don't anticipate it lasting too long given the vibrant and diversified health of the Dallas/Fort Worth economy, but it is something to consider in your strategic planning.

Absorption / Deliveries / Vacancy



Direct Rental Rates – Full Service