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# INSIGHT
# Lower Tollway Office Sub-Market

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4th Quarter 2015

## Office Sub-Market Snapshot

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### *Q4 2015 (All Classes)*

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. This submarket has experienced significant growth in activity by demonstrating increases in rental rates and decreases in vacancy on a consistent basis since 2010.

Across all product types, North Texas has seen skyrocketing rental rates and diminishing vacancy. Office space on the Lower Tollway is no exception. This Sub-Market has witnessed a dramatic decrease in the direct Class A vacancy from 15.1% in the fourth quarter of 2014 to 11.4% at the fourth quarter 2015. Direct weighted average full-service rents raised substantially by $2.47 per square foot, from $26.00 to $28.47 per square foot during the same time. Class A absorption remained positive in the fourth quarter of 2015 with a total net absorption of 390,439 square feet for 2015. Meanwhile, Class B property vacancy increased by 2.2% over the fourth quarter of last year from 20.7% to 22.9% with full-service rental rates increasing from $18.76 per square foot to $20.22 per square foot. Total net absorption in Class B space increased from -90,201 square feet in the fourth quarter of 2014 to -28,442 square feet through the fourth quarter of 2015.

**TOTAL NET ABSORPTION (through Q4)**

| | |
|---|---|
| **2015** | 346,890 SF |
| **2014** | 151,406 SF |

**DELIVERED (through Q4)**

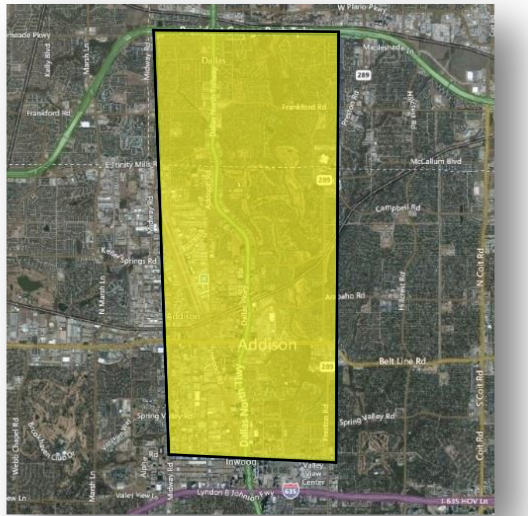
| | |
|---|---|
| **2015** | 0 SF |
| **2014** | 123,167 SF |

**DIRECT FULL SERVICE RENTAL RATE (Q4)**

| | |
|---|---|
| **2015** | $24.03 PSF |
| **2014** | $22.09 PSF |

**DIRECT VACANCY (Q4)**

| | |
|---|---|
| **2015** | 16.0% |
| **2014** | 17.3% |



**DIRECT VACANCY BY CLASS (Q4)**

**Class A** 11% **Class B** 23%

# 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** |

# Office Sub-Market Highlights

## *2015 Year-to-Date Sub-Market Highlights*

| **Top Leases (2015)** | **Tenant** | **Square Feet** |
|---|---|---|
| Quorum Place | Axiometrics | 21,153 |
| Galleria North Tower I | Dealertrack | 24,907 |
| Amber Trail | Paragon Healthcare | 37,847 |
| International Plaza III | Excentus | 41,940 |
| Millennium Tower | Life of Southwest | 64,648 |
| Addison Circle One | Behringer | 69,348 |

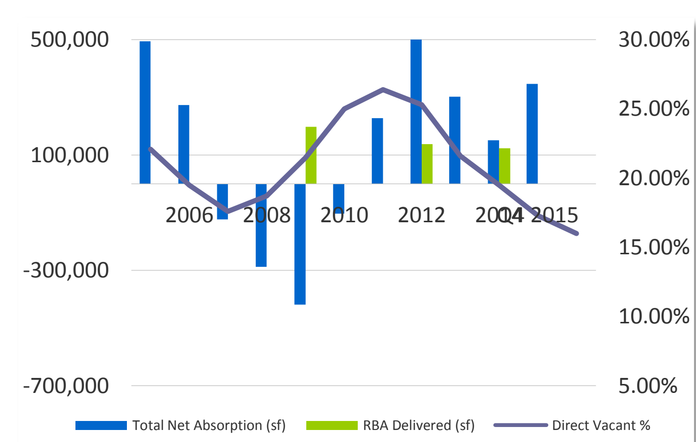
| **Construction** | **Delivery Date** | **Square Feet** |
|---|---|---|
| Tollway Center | Q3 2016 | 197,740 |

# Office Sub-Market Momentum & Forecast

The Lower Tollway submarket is absolutely on fire. Rental rates for Class A space are averaging $29.42 per square foot, which is the highest average ever recorded within this submarket. Class A buildings fronting the Tollway are 90% occupied, the highest occupancy rate since the summer of 1998. Watch for some large blocks of space to come available within the next few years, as companies like JP Morgan and Fannie Mae will vacate offices and relocate to new, corporate headquarters in Plano.

***Absorption / Deliveries / Vacancy***

*(All Classes)*




***Lease Rates – Full Service***

*(All Classes)*