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# INSIGHT
# North Central Expressway Office Sub-Market

**www.citadelpartnersus.com** **4th Quarter 2015**

## Office Sub-Market Snapshot

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### *Q4 2015 (All Classes)*

The North Central Expressway Sub-Market is defined geographically as the area that is bordered by Hillcrest Avenue to the West, N Haskell Avenue to the South, Greenville Avenue to the East, and Forest Lane 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 75,000 rentable square feet.

The North Central Expressway Sub-Market has remained closely stable with a decrease in the Direct Class A vacancy from 17.5% at the end of fourth quarter of 2014 to 15.6% at the end of the fourth quarter of 2015. Average full-service rental rates of Class A space increased per square foot, from $25.71 to $28.27 during the same timeframe. Class A direct net absorption sits at 497,921 square feet for 2015. Meanwhile, Direct Class B vacancy has decreased by a dramatic 11.5% since the third quarter of 2014 from 19.9% to 8.4% with full-service rental rates increasing from $22.43 per square foot to $22.96 per square foot. Direct net absorption in Class B space remains positive at 9,393 square feet for this quarter.

***TOTAL NET ABSORPTION (through Q4)***

| | |
|---|---|
| **2015** | 579,887 SF |
| **2014** | 373,328 SF |

***DELIVERED (through Q4)***

| | |
|---|---|
| **2015** | 399,510 SF |
| **2014** | 0 SF |

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

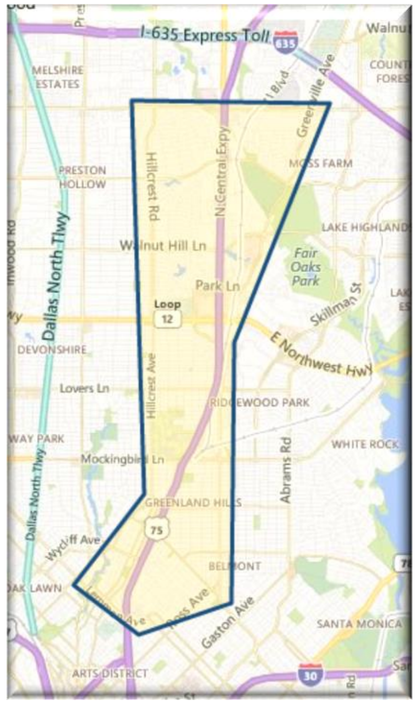
| | |
|---|---|
| **2015** | $27.35 PSF |
| **2014** | $25.20 PSF |

***VACANCY (Q4)***

| | |
|---|---|
| **2015** | 13.6% |
| **2014** | 17.9% |

***VACANCY BY CLASS (Q4)***

**Class A** 16% **Class B** 8%



# Total Office Sub-Market Statistics

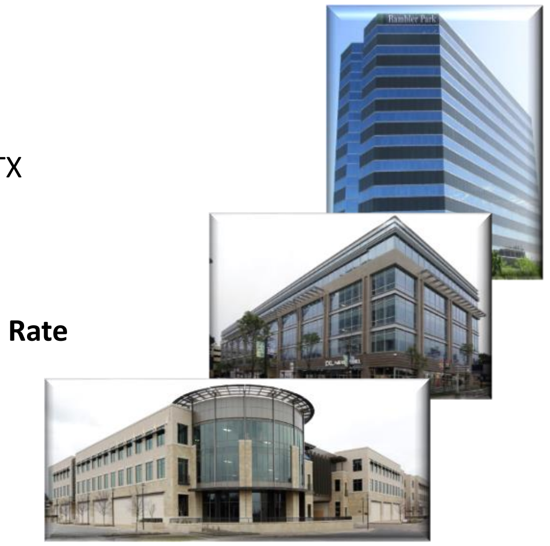
**4th Quarter 2015**

| | 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

| Top Leases (2015) | Size | Tenant | |
|---|---|---|---|
| The Offices at Park Lane | 119,060 SF | Unnamed Oil & Gas Co | |
| Rambler Park | 45,337 SF | Baptist General Conv. of TX | |

| Deliveries (Year-to-date) | Size | % Occupied | Quoted Rate |
|---|---|---|---|
| The Offices at Park Lane Q3 | 149,510 SF | 80% | $33.56 |
| Preston Hollow Village Q2 | 57,531 SF | 24% | $34.84 |



# Office Sub-Market Momentum & Forecast

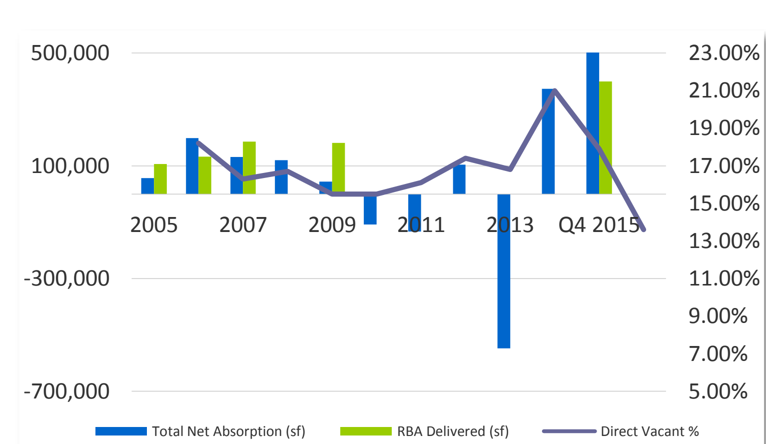
The Lower North Central Expressway Sub-Market ("NCX") is starting to become more popular than ever. With rental rates steadily increasing and vacancy rates continuing to lower quarter after quarter, this sub-market is developing into an increasingly attractive option for tenants, big and small.

With the increasing popularity of the Uptown and Preston Center Sub-Markets, Landlords in those areas are increasing rental rates to a level that is becoming uncomfortable for many tenants. With this trend in these sub-markets, we expect to see the NCX vacancy rates decrease, and rental rates increase. As the submarket continues to improve, it will begin to favor the building owners.

Even with the strengthening of this NCX Sub-Market, this corridor is a great opportunity for the corporate user. Look for tenants evaluating their facility needs to take advantage of this great opportunity in the Lower Central Expressway Sub-Market.

***Absorption / Deliveries / Vacancy***

*(All Classes)*




***Lease Rates – Full Service***

*(All Classes)*