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INSIGHT
Upper Tollway Office Sub-Market

www.citadelpartnersus.com 4th Quarter 2015

Office Sub-Market Snapshot

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Q4 2015 (All Classes)

This Upper Tollway Sub-Market covers the Dallas North Tollway corridor from President George Bush Turnpike to the South, and to Lebanon Road to the North. On the West, the market is defined by Marsh Lane and cuts up to Legacy North of Highway 121. Ohio/Hillcrest Road serves as the Eastern boundary. Buildings that make up this analysis are Class A and B office buildings with over 50,000 square feet of space that currently exist or are under construction.

The Upper Tollway Sub-Market is currently a hub of office real estate activity in Dallas and has become one of the most attractive sub-markets in the D/FW Metroplex. With relocations of large corporate campuses, like Toyota and JP Morgan Chase, the area is becoming even more appealing and has led to an increase in rental rates and construction. This recent construction has resulted in an increasing vacancy rate but the new vacancies are filling up quickly.

The Upper Tollway Sub-Market has seen an increase in the direct Class A vacancy from 16.7% in the fourth quarter of 2014, to 18.7% fourth quarter 2015. Direct weighted average full-service rents increased from $30.88 to $34.12 per square foot during the same time frame. Class A Direct net absorption at the end of the fourth quarter of 2015 was 147,555 square feet. Meanwhile, Class B property vacancy has increased from 16.6% to 21.6%, with full-service rental rates remaining steady at $24.59 per square foot. Direct net absorption in Class B space has decreased slightly from 56,541 square feet through the fourth quarter of 2014 to 48,616 square feet through the fourth quarter of 2015.

ABSORPTION (through Q4)

2015	205,235 SF
2014	282,796 SF

DELIVERED (through Q4)

2015	626,820 SF
2014	978,934 SF

DIRECT FULL SERVICE RENTAL RATE (Q4)

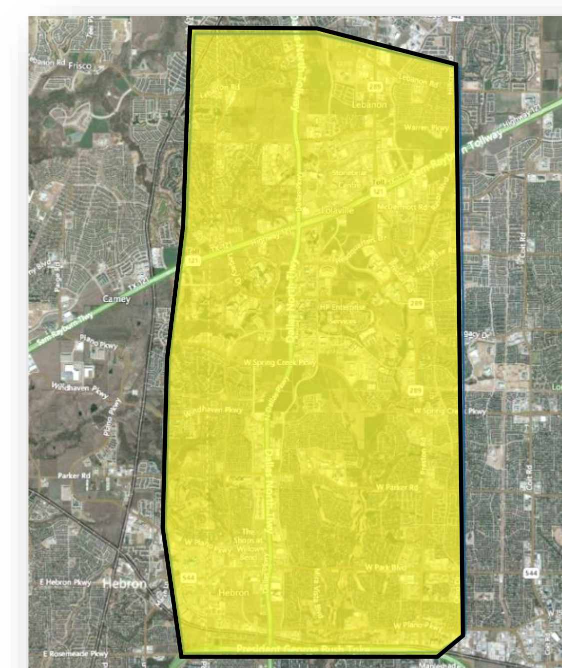
2015	$31.98 PSF
2014	$29.33 PSF

VACANCY (Q4)

2015	19.3%
2014	16.7%

VACANCY BY CLASS (Q4)

Class A 19% **Class B** 22%



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**
Legacy VI – Lincoln R&D	iQor	36,196
Granite Park V	Greatbatch, Inc.	53,284
The Star	Dallas Cowboys	80,000
5800 Democracy Drive	Wellness International	87,000
Tollway Office Center II	PaloAlto Networks	120,000
Duke Bridges II Building	Conifer Health	125,900
Tollway Office Center II	Liberty Mutual	160,000

Deliveries (2015)	**Delivery Date**	**Square Feet**
5550 Granite Parkway	2015 Q1	75,674
West Plano Village	2015 Q1	49,964
Legacy Center	2015 Q3	175,000
Lincoln R&D in Legacy VII	2015 Q3	125,238
FedEx HQ	2015 Q4	265,000

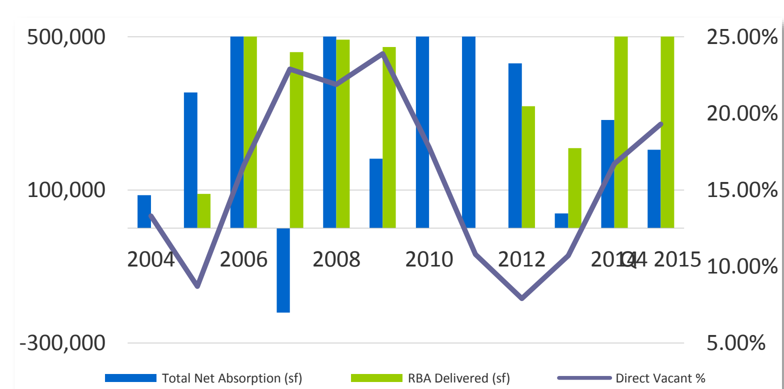
Construction	**Delivery Date**	**Square Feet**
The Star	2016 Q2	398,769
Granite Park V	2015 Q4	306,000
Wade Park	2017 Q4	400,000
One Legacy West	2016 Q4	307,767

Office Sub-Market Momentum & Forecast

The Upper Tollway Sub-Market, yet again, continues to be one of the strongest sub-markets in the Metroplex. Although there are still 27 blocks of 50,000+ square feet, new construction hasn't slowed down. Current projects under construction total nearly 2 million square feet with several set to deliver as soon as Q1 of 2016. Lease rates are beginning to level out and landlords are offering fewer concessions. The Upper Tollway Sub-Market remains the buzz of North Texas and will be for the foreseeable future. Despite some of the highest lease rates in town, companies are eager to experience the live-work-play environment that many of these office buildings provide. Be prepared to see more companies migrate to the area as new developments, such as Legacy West, begin to take shape.

Absorption / Deliveries / Vacancy

(All Classes)



Lease Rates – Full Service

(All Classes)