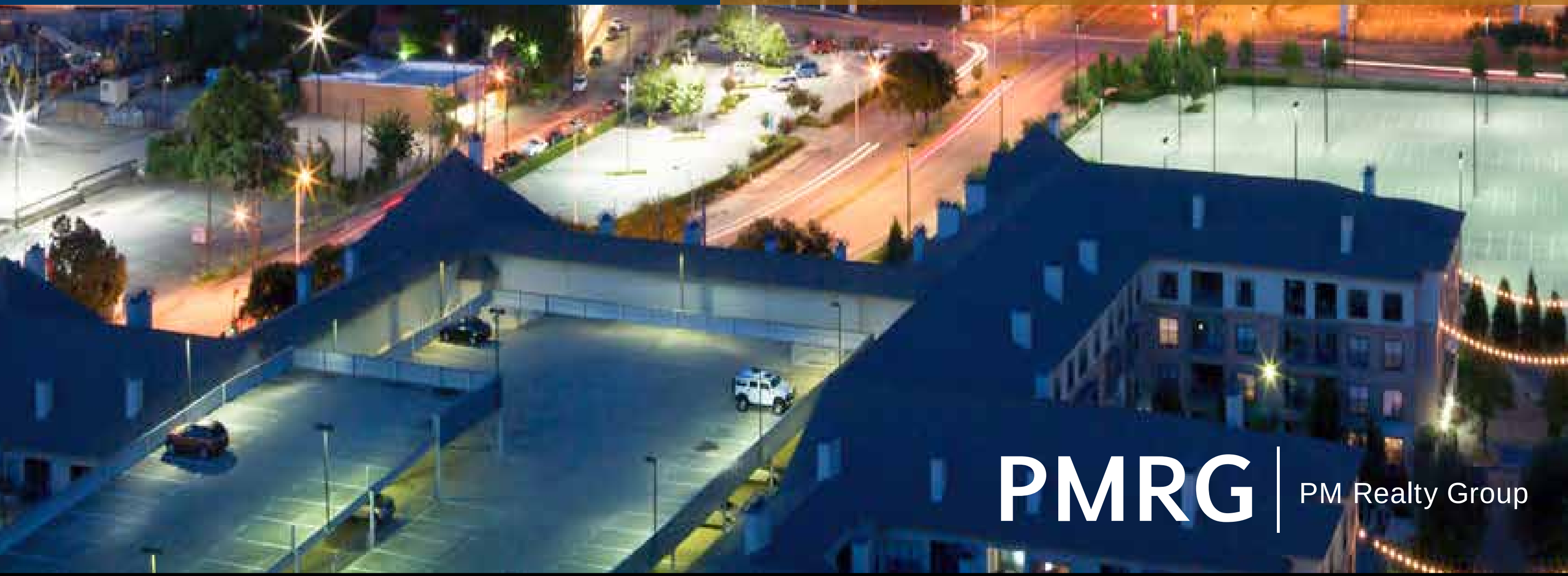
PMRG
Market at a Glance

DALLAS-FORT WORTH OFFICE MARKET REPORT

FIRST QUARTER 2015



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PROPERTY SERVICES | DEVELOPMENT | INVESTMENT

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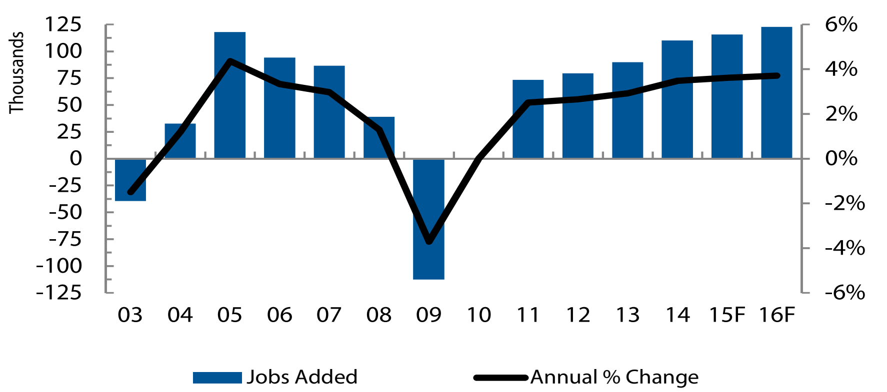
ECONOMIC OVERVIEW

The diversification of the North Texas region has propelled the market to continue performing as one of the nation's best achieving economies – even while downward pressure is being placed on oil prices. Companies continue expanding their payrolls while an increasing number of corporate users are relocating to the area from other markets. The Dallas-Fort Worth metropolitan area has added an astonishing 132,400 jobs in the 12 months ending February 2015, which represents an annual increase of 4.1% in employment. The industry sectors with the most jobs created in the prior 12 months were Trade, Transportation & Utilities (31,100 or 4.7% growth); Professional & Business Services (27,200 or 5.2% growth); and Leisure & Hospitality (18,100 or 5.7% growth). As a result of the job growth, the area's unemployment rate has dropped 120 basis points to 4.4% over the prior 12 months and remains below the national average of 5.5%.

The region's economic expansion is expected to continue throughout 2015 and into 2016 & 2017 as anticipated growth in the professional business services, technology, healthcare and leisure & hospitality sectors are coupled with corporate expansion and relocations. Build-to-suit projects for State Farm Insurance, Toyota Motor Co, Raytheon, Federal Aviation Administration, FedEx, Monitronics Inc., Dallas Cowboys and 7-Eleven have all either begun construction or have plans to begin construction later in 2015, with additional companies expressing interest in expanding or consolidating their DFW footprint.

Employment Trends



Source: U.S. Bureau of Labor Statistics, Moody's Analytics

Employment Growth by Sector

	CURRENT READING	12-MONTHS PRIOR READING	ANNUAL CHANGE	HEALTH (Improving or Declining)	
Mining, Logging & Construction	201.5	184.9	9.0%		Up
Manufacturing	262.7	260.4	0.9%		Up
Trade, Transportation & Utilities	695.2	664.1	4.7%		Up
Information	81.7	81.9	-0.2%		Dow
Financial Activities	271.4	261.4	3.8%		Up
Professional & Business Services	545.6	518.4	5.2%		Up
Education & Health Services	410.7	394.6	4.1%		Up
Leisure & Hospitality	335.8	317.7	5.7%		Up
Other Services	115.5	114	1.3%		Up
Government	412.1	402.4	2.4%		Up

Source: U.S. Bureau of Labor Statistics, Employment Data as of February 2015

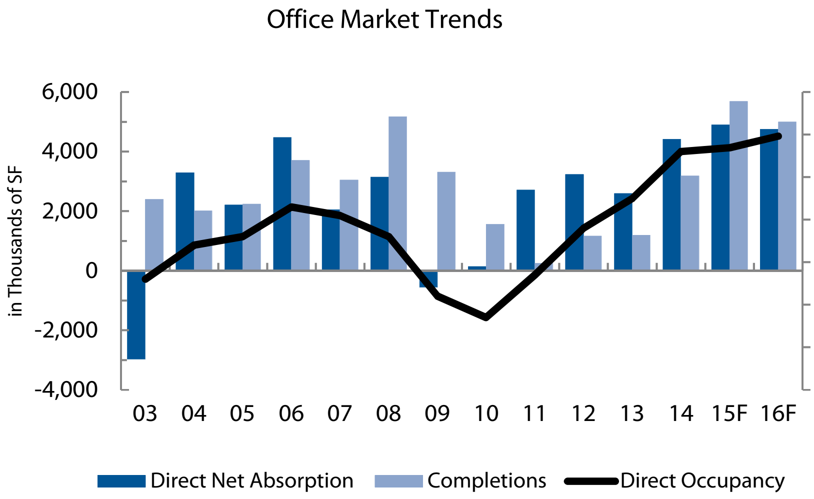
OFFICE MARKET ASSESSMENT

Driven by build-to-suit construction deliveries, the DFW office market recorded 1,528,516 sq. ft. of direct net absorption during the first quarter, increasing its trailing 12-month absorption count to nearly 4.7 million sq. ft. – the largest 12-month gain since this time in 2001. Even with the remarkable direct absorption growth over the past year, DFW's overall direct occupancy rates among all classes have improved only by 50 basis points to 82.5%, as construction deliveries narrowly outpaced demand. However, much of the recently delivered space has lease commitments which will commence later in 2015. During the quarter, Class A product experienced 1,389,534 sq. ft. of direct absorption gains, compared to 132,643 sq. ft. of gains in Class B product. Class A occupancy rates improved 10 basis points during the quarter to 83.2% but have declined 20 basis points since this time last year. Class B direct occupancy declined 30 basis points to 81.6% but have grown 170 basis points over the prior 12 months.

The metropolitan economy is continuing its rapid growth while businesses are expanding and relocating within the market. Class A product has been the largest benefactor of the healthy economy as tenants have trended towards moving to higher quality and more efficient space while minimizing their overall footprint. Among the largest transactions signed during the quarter were: NEC Corporation of America signing a lease for nearly 120,000 sq. ft. at Royal Ridge V, GE Capital committing to 148,000 sq. ft. in buildings 5 & 6 at 5000 Riverside, and CenseoHealth renewing 66,000 sq. ft. at Granite Tower.

FORECAST

- The leasing market will remain a landlord favorable setting in the most desirable submarkets. However, a wave of new construction will deliver in the coming quarters to help alleviate the difficulty in finding quality space.
- As overall occupancy rates are hovering around 13-year highs, numerous speculative construction projects have kicked off across the DFW Metroplex, which will provide an abundance of new, high-quality space options for tenants as the local economy continues to expand at a healthy pace.
- Office market fundamentals will steadily improve resulting from corporate relocations and expansions as companies are attracted to the metro area's business-friendly environment with relatively lower business costs and a well-educated labor force.



DFW Metroplex Ranks 2nd in Job Growth: Among the metropolitan markets with a workforce over 1 million, the DFW Metroplex ranks second in annual employment growth, following New York-Northern New Jersey-Long Island, NY.

Home to 19 Fortune 500 Companies: DFW ranks fourth among metropolitan statistical areas in the number of Fortune 500 headquarters. The metro's top employers are concentrated in telecommunications, transportation, aerospace/defense, health care, high technology, financial services and retail.

DFW Economic Outlook: The North Texas region's historically strong employment and population growth, diversified economy and low costs of doing business will lead to above-average performance. The employment outlook for Dallas-Fort Worth remains strong with a job growth forecast of 3.7% in 2015 and 3.9% in 2016, according to Moody's Analytics.

Market Trend Indicators

	Current Quarter	Change from Previous Quarter	Change from Previous Year	12-month Forecast
Direct Occupancy	82.5%	▶	▲	▲
Trailing 12 mos. Direct Net Absorption	4,683,300	▲	▲	▲
Under Construction	5,960,285	▼	▲	▲
Direct Asking Rents	$21.97	▲	▲	▲

"Strong economic performance has made the Dallas-Ft. Worth metroplex attractive for large speculative and build-to-suit developments. The current pace of job growth is forecasted to improve significantly for 2015, translating into strong leasing demand for the numerous construction projects coming online" – said Kurt Cherry, Executive Vice President, Dallas Regional Office.

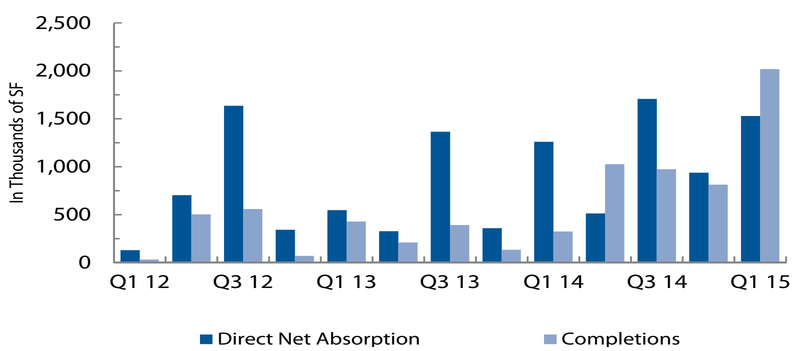
Submarket Occupancy Ranking

Rank	Submarket	Occ. Rate	Y-O-Y % Change
1	South Ft Worth	91.9%	0.9%
2	Preston Center	91.2%	-1.3%
3	Allen / McKinney	89.1%	-1.1%
4	Uptown/Turtle Creek	88.7%	-0.1%
5	East / South Dallas	87.9%	0.9%
6	Upper Tollway / West Plano	87.7%	-1.9%
7	Frisco / The Colony	87.5%	-7.3%
8	Richardson	86.2%	-1.6%
9	Arlington / Mansfield	85.4%	-0.6%
10	Ft Worth CBD	85.3%	2.0%
11	Quorum / Bent Tree	84.4%	2.3%
12	Lewisville / Denton	84.1%	-1.3%
13	Plano	83.1%	2.8%
14	Mid Cities	82.4%	1.6%
15	Las Colinas	82.1%	-0.8%
16	North / Northeast Ft Worth	82.0%	-4.0%
17	Central Expy	81.6%	1.6%
18	Dallas CBD	75.4%	5.1%
19	East LBJ	74.3%	-1.1%
20	Stemmons	73.4%	-5.1%
21	West LBJ	73.0%	3.6%

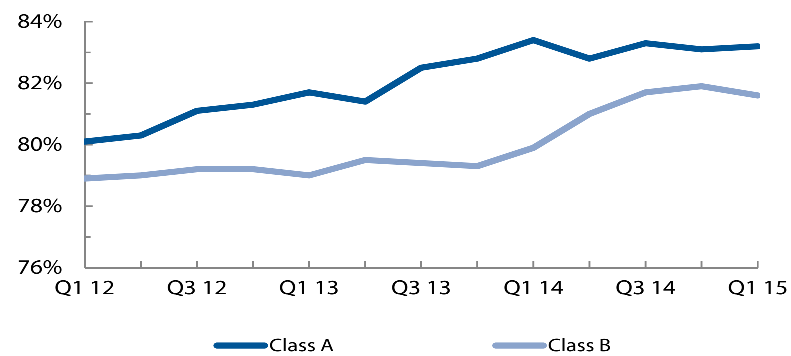
NET ABSORPTION & OCCUPANCY

- Richardson led with the highest direct net absorption total of 1,113,137 sq. ft. – virtually all taking place in Class A product – while State Farm moved into 1.1 million sq. ft. of new space. Ana G Mendez University moving into 38,302 sq. ft. at 2998-3010 N Stemmons Fwy highlighted the Class B movement during the quarter.
- Upper Tollway/West Plano posted 195,105 sq. ft. of direct absorption during the quarter. The Class A sector absorbed 123,076 sq. ft. highlighted by Heartland Payment Systems moving into 79,255 sq. ft. at Granite Park Four. Class B product absorbed 72,029 sq. ft., with the majority of the gains taking place at Legacy Commons and 4025 Midway Rd.
- Quorum/Bent Tree recorded 183,302 sq. ft. of direct absorption during the quarter. Class A buildings added 208,068 sq. ft. of direct absorption as Sundown Energy, Providence Energy, Allegiance Capital and Cawley Partners combined to take 104,112 sq. ft. at Knoll Trail Plaza.
- Dallas CBD added to the quarterly gains with 137,986 sq. ft. absorbed. Tenet Healthcare Corp renewed and expanded by 57,846 sq. ft. at Fountain Place. Grant Thornton and Southcross Energy moved into 52,330 and 39,125 sq. ft. at Comerica Bank Tower, respectively. Dallas CBD has absorbed 835,775 sq. ft. over the prior 12 months, increasing occupancy by 510 basis points to 75.4%.
- Las Colinas recorded 137,731 sq. ft. of direct occupancy losses but had a very active quarter. Nationstar Mortgage relocated from Lewisville/Denton into 175,585 sq. ft. at 8950 Cypress Waters. JPMorgan Chase vacated 119,611 sq. ft. at Royal Ridge V to consolidate into other space leased, but space will be backfilled by NEC Corporation of America later in 2015. In addition, recent deals by GE Capital, CEC Entertainment, and Great Hearts of America will likely boost the absorption figures into positive territory over the course of 2015.

Direct Net Absorption vs. Completions



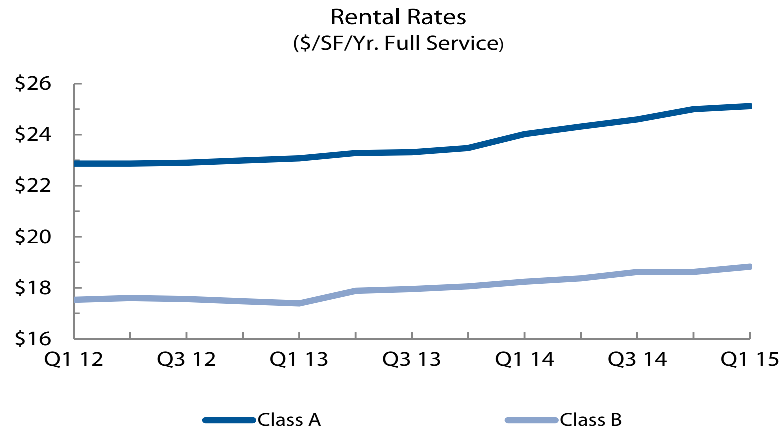
Direct Occupancy Rates

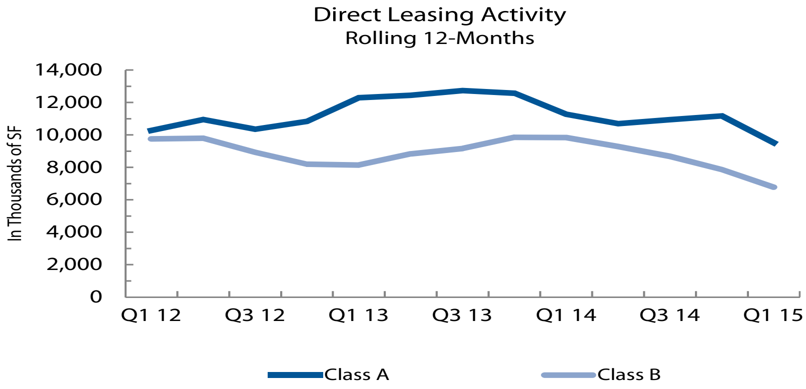


RENTAL RATES & LEASING ACTIVITY

- Class A full-service rates improved by $0.12 to $25.12 per sq. ft. during the first quarter and have increased 4.6% (or $1.10) over the prior 12 months. Class A rents continue to sit at a record highs and are likely to continue growing as new inventory is delivered to the competitive market.
- Class B asking rents increased by $0.21 to $18.83 per sq. ft., and have increased by 3.2% (or $0.59) over the prior 12 months. Class B asking rents are at their highest level since late-2001.
- Over the prior 12 months, 81% of the DFW submarkets experienced rent growth. However, opportunities for tenants to capitalize on attractive lease terms with incentives and concessions still exist in submarkets with higher vacancy rates, such as Dallas CBD and the LBJ and Stemmons Freeways.
- Higher occupancy rates have allowed landlords to raise Class A rents in the most desired submarkets, which include Preston Center, Uptown/Turtle Creek, Frisco/The Colony, Allen/McKinney, Quorum/Bent Tree and Upper Tollway/West Plano.
- Class A trailing 12-month leasing velocity has declined 15.6% to approximately 9.5 million sq. ft. during the quarter as large space options in the most desirable submarkets have become limited. The Class B trailing 12-month leasing velocity has declined for the sixth consecutive quarter to approximately 6.8 million sq. ft.
- As new construction is delivered to the competitive market, the flight to quality trend will likely continue encouraging tenants in Class B and lower-tier Class A space to take advantage of attractive deals in higher quality buildings.

"Sustained demand for quality space should result in moderate rental rate growth in the top performing submarkets in 2015 as quality space options become limited," said Kurt Cherry, Executive Vice President, Dallas Regional Office.





Submarket Rental Rate Ranking

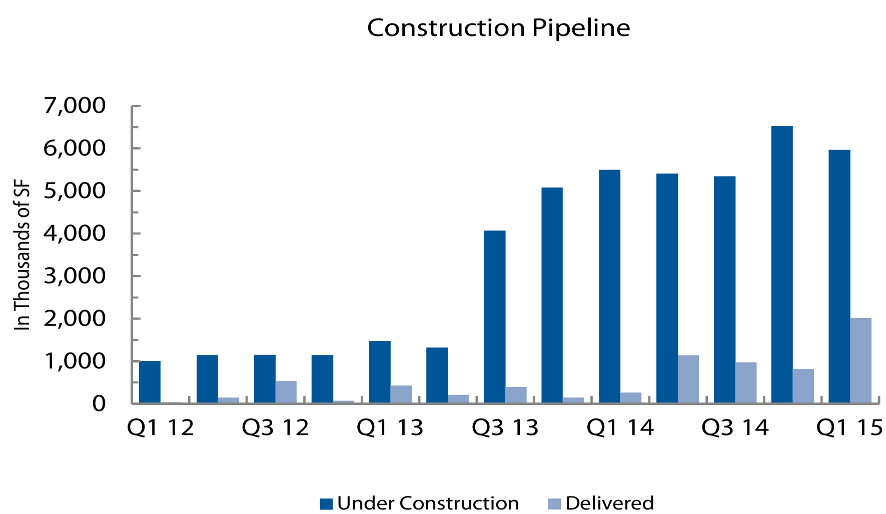
Rank	Submarket	Rental Rate	Y-O-Y % Change
1	Preston Center	$34.21	6.6%
2	Uptown/Turtle Creek	$33.14	8.9%
3	Frisco / The Colony	$28.46	7.1%
4	Upper Tollway / West Plano	$27.45	2.3%
5	Ft Worth CBD	$26.56	0.9%
6	Allen / McKinney	$24.76	2.0%
7	Central Expy	$23.70	6.2%
8	Las Colinas	$23.02	5.3%
9	Dallas CBD	$22.17	4.4%
10	Mid Cities	$21.53	1.6%
11	South Ft Worth	$21.21	-0.3%
12	Quorum / Bent Tree	$21.13	3.0%
13	Plano	$20.72	5.1%
14	Lewisville / Denton	$20.49	4.3%
15	East LBJ	$20.13	5.9%
16	East / South Dallas	$18.49	0.8%
17	Richardson	$18.25	-4.2%
18	Arlington / Mansfield	$17.82	-0.6%
19	North / Northeast Ft Worth	$17.47	9.2%
20	West LBJ	$17.00	3.7%
21	Stemmons	$14.71	-1.9%

RECENT ANNOUNCEMENTS

- Toyota Motor Co is considering increasing the size of its West Plano corporate campus in the Legacy West development to two million sq. ft. – bringing more jobs to the North Dallas submarket. Original plans anticipated Toyota bringing 4,000 additional jobs to the region. Construction is scheduled to be completed in 2016 to 2017.
- Gaedeke Group LLC purchased 11 acres east of the Toyota campus in the Legacy West development in West Plano, with plans to build a Class A multi-tenant office totaling 300,000 sq. ft. by end of 2016.
- CoreLogic is scouting the market for spaces up to 350,000 sq. ft. The California-based company is considering consolidating operations in the DFW area. CoreLogic currently has a large office in the Solana business park and is rumored to be eyeing Billingsley's Cypress Waters development.
- The Wade Park mixed-use project being developed by Thomas Land & Development has been approved for $122 million in grants and incentives. The planned $1.6 billion development lies along the Dallas North Tollway in Frisco.
- BC Station Partners announced plans for a $500 million mixed-use project near KDC's CityLine project. BC Station Partners recently closed on 54 acres at Central Expy and the President George Bush Turnpike next to DART's rail station. Plans include 1.35 million sq. ft. of office space, 100,000 sq. ft. of retail, a hotel and 1,250 multi-family units.
- JP Morgan Chase & Co has been scouting the market for up to 75 acres of land to build a campus to support 6,000 of its employees currently in the area. Within the next six months, Chase is expected to make a decision on constructing a 1 million sq. ft. build-to-suit or moving into existing product.
- Granite Properties recently announced plans to add three more office buildings to Granite Park, which could break ground on a speculative basis.

CONSTRUCTION

- The office construction pipeline has increased 8.5% within the past year to nearly 6.0 million sq. ft. (excluding corporate-owned projects) to continue its surge experienced since 2013. Only about 48% of this space has been pre-leased as developers have felt increasingly comfortable breaking ground before securing a lead-tenant.
- During the quarter, developers delivered roughly 2.0 million sq. ft. of new product to the market. The largest construction delivery was KDC's completion of buildings A, B, & C within State Farm's campus. These buildings totaled nearly 1.6 million sq. ft., and State Farm has already moved into two of the buildings.
- During the first quarter, developers broke ground on more than 700,000 sq. ft. of new office space. KDC began construction on Building D of the State Farm campus with plans for an early-2016 delivery. Platinum Park, a 166,105 sq. ft. Class A office building in the Upper Tollway/West Plano submarket also began construction during the quarter on a 100% speculative basis.
- The building boom has largely been concentrated in the northern Dallas suburbs but has begun to spread to the urban core. Office towers underway in the Uptown/Turtle Creek submarket, including Crescent's McKinney & Olive, a 530,000 sq. ft. Class A office tower, Harwood International's 168,000 sq. ft. Frost Tower and KDC's 150,000 sq. ft. 1920 McKinney, will help ease the shortage of quality Class A space.
- Many build-to-suit projects are expected to break ground during the upcoming months, as well as additional speculative Class A office product. For instance, Hines plans to begin construction on Victory Park, a 473,760 sq. ft. Class A office property in the Uptown/Turtle Creek submarket.



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET COMPLETION
McKinney & Olive	530,000	Uptown / Turtle Creek	Gardere Wynne Sewell	41%	Crescent	3Q 2016
Future State Farm Campus** - D	500,000	Richardson	State Farm	100%	KDC	1Q 2016
Raytheon HQ**	490,000	Richardson	Raytheon	100%	KDC	4Q 2015
KPMG Plaza at Hall Arts	450,000	Dallas CBD	KPMG, Jackson Walker	66%	Hall Financial Group	2Q 2015
Wade Park 1	400,000	Frisco/The Colony	N/A	0%	Thomas Enterprises	2Q 2016
Dallas Cowboys HQ - The Star	360,000	Frisco/The Colony	Dallas Cowboys	17%	Hines	4Q 2016
FAA Southwest Regional HQ**	357,214	North Ft. Worth	FAA Southwest	100%	Manhattan Construction Co	4Q 2015
Granite Park V	306,200	Upper Tollway/W Plano	N/A	19%	Granite Properties	4Q 2015
FedEx HQ**	265,000	Upper Tollway/W Plano	FedEx Office & Print	100%	KDC Real Estate	4Q 2015
Old Parkland*	200,000	Uptown / Turtle Creek	Crow Family Holdings	100%	Crow Family Holdings	3Q 2015
Lebanon Rd (Wade Park)	200,000	Frisco/The Colony	N/A	0%	Greenstone Properties	2Q 2016

* Corporate-owned ** Build-to-suit Note: Corporate-owned office buildings excluded from competitive statistics

PMRG Market AT A Glance

Q1 2015

SUBMARKET STATISTICS

Submarkets	Total Inventory SF	TOTAL SPACE AVAILABLE Direct	Sublease	Direct Occupancy	DIRECT NET ABSORPTION Current Qtr.	Trailing 12-months	CONSTRUCTION Completions Current Qtr	Under Construction	ASKING RENT Class A	Class B
Dallas CBD	27,234,493	8,376,156	373,632	75.4%	137,986	835,775	-	450,000	$22.85	$19.33
Uptown / Turtle Creek	10,516,897	1,660,605	401,658	88.7%	(40,357)	9,694	-	847,735	$34.22	$31.11
Preston Center	4,129,513	549,022	67,458	91.2%	(2,443)	(45,846)	-	190,000	$35.78	$27.78
Central Expy	11,553,748	2,261,201	160,056	81.6%	(49,603)	146,060	86,383	149,510	$25.07	$19.55
Quorum / Bent Tree	19,050,238	3,366,389	389,047	84.4%	183,302	574,485	-	0	$26.39	$18.10
Upper Tollway / West Plano	15,321,715	2,565,623	892,562	87.7%	195,105	675,547	49,964	1,228,239	$28.93	$24.95
West LBJ	4,153,738	1,348,112	16,417	73.0%	61,002	130,212	-	0	$17.25	$16.89
East LBJ	15,813,226	4,641,886	246,576	74.3%	23,783	(136,119)	-	0	$22.87	$17.23
Las Colinas	28,239,660	6,661,091	671,486	82.1%	(137,731)	135,114	175,585	0	$25.53	$19.88
Stemmons	10,510,391	3,091,035	160,911	73.4%	68,745	204,891	-	0	$18.53	$13.81
Richardson	14,173,043	2,587,728	860,603	86.2%	1,113,137	1,151,180	1,557,638	990,000	$21.96	$17.63
Allen / McKinney	3,063,820	352,315	152,836	89.1%	(19,588)	74,813	-	102,084	$26.05	$23.79
Plano	4,669,686	994,804	61,003	83.1%	38,213	137,326	-	0	$23.15	$19.65
Frisco / The Colony	4,596,508	683,606	237,115	87.5%	(38,605)	57,553	-	1,301,000	$30.43	$25.55
East / South Dallas	7,160,149	1,027,483	6,138	87.9%	(31,084)	188,897	-	20,773	$30.80	$17.48
Arlington / Mansfield	6,534,488	1,138,586	165,099	85.4%	18,071	(6,767)	-	30,000	$20.10	$17.83
Mid Cities	9,900,591	1,965,624	795,696	82.4%	16,169	57,773	23,000	0	$26.06	$18.77
Ft. Worth CBD	8,506,075	1,262,601	60,979	85.3%	71,381	233,270	-	0	$28.56	$21.06
North / Northeast Ft Worth	3,309,356	872,493	89,400	82.0%	27,464	106,860	50,000	357,214	$23.53	$17.21
Lewisville / Denton	5,480,284	860,937	159,587	84.1%	(190,735)	(26,510)	-	253,464	$30.58	$20.22
South Ft Worth	7,668,037	785,602	65,593	91.9%	84,304	179,092	74,806	40,266	$26.27	$21.27
Totals	221,585,656	47,052,899	6,033,852	82.5%	1,528,516	4,683,300	2,017,376	5,960,285	$25.12	$18.83

Property Types	Total Inventory SF	Direct	Sublease	Direct Occupancy	Current Qtr.	Trailing 12-months	Completions Current Qtr	Under Construction	Asking Rent	Y-O-Y Change
Class A	113,587,601	24,304,609	3,592,260	83.2%	1,389,534	3,329,285	1,819,606	5,414,046	$25.12	4.6%
Class B	99,013,082	21,211,581	2,433,918	81.6%	132,643	1,356,243	197,770	546,239	$18.83	3.2%
Class C	8,984,973	1,536,709	7,674	84.1%	6,339	(2,228)	-	-	$15.11	6.3%
Totals	221,585,656	47,052,899	6,033,852	82.5%	1,528,516	4,683,300	2,017,376	5,960,285	$21.97	4.4%

METHODOLOGY

Total Inventory: The total inventory includes all multi-tenant and single tenant leased office buildings with at least 20,000 square feet of gross rentable square footage.

Total Space Available: Available space currently being marketed which is either physically vacant or occupied.

Direct Space: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Direct Occupancy Rate: Direct space physically occupied divided by the total rentable inventory.

Direct Net Absorption: The net change in occupied direct space over a given period of time.

Under Construction: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

Direct Asking Rents: The quoted full-service asking rent for available space expressed in dollars per sq. ft.

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ABOUT PMRG

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PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

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