PMRG Market at a Glance

DALLAS-FORT WORTH OFFICE MARKET REPORT

FOURTH QUARTER 2014

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PMRG Market AT A Glance

TABLE OF CONTENTS

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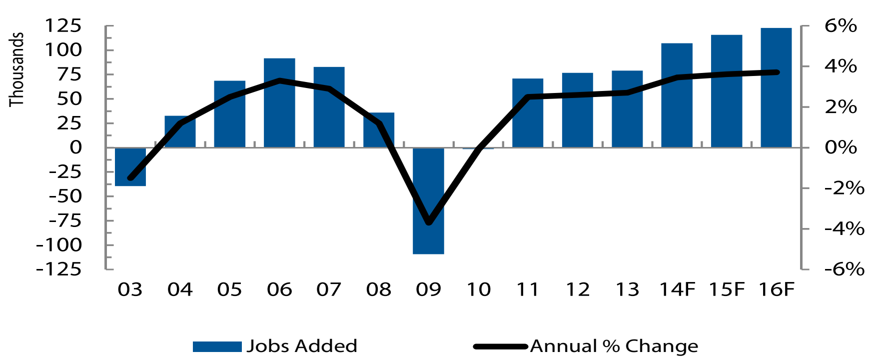
ECONOMIC OVERVIEW

Even with the oil prices edging downwards, the North Texas region continues to present one of the top performing economies in the nation. Companies have been expanding their payrolls, and an increasing number of corporate users are relocating to the area from other markets. The Dallas-Fort Worth metropolitan area has remarkably added 111,500 jobs through the 12 months ending November 2014, which represents a 3.5% annual increase in employment. The industry sectors with the most jobs created on a year-over-year basis were professional and business services (35,100 or 7.1% growth); trade, transportation and utilities (26,000 or 3.9% growth); and mining, logging & construction (14,300 or 8.0% growth). As a result of the solid job growth, the area's unemployment rate has dropped by 110 basis points to 4.6% within the past 12 months and remains well below the national average of 5.8%.

The region's economic expansion is expected to continue throughout 2015, resulting from anticipated growth in the professional business services, technology and healthcare sectors coupled with its success in attracting new investment and high-paying jobs through corporate relocations. Recent corporate expansion and relocation announcements by State Farm Insurance, Toyota Motor Co., Omnitracs, Santander Consumer USA, Tenet Healthcare Corp., Kohl's, 7-Eleven and USAA, provides clear evidence of the area's attractiveness among users. The North Texas economy is forecasted to experience sustained growth fueled by a steady influx of businesses from outside the area seeking to capitalize on the region's well-educated labor force, diverse industry base, strong population growth and lower cost of doing business.

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	192.5	178.2	8.0%	Up
Manufacturing	256.5	257.8	-0.5%	Dow
Trade, Transportation & Utilities	685.3	659.3	3.9%	Up
Information	79.9	79.8	0.1%	Up
Financial Activities	260.7	251.0	3.9%	Up
Professional & Business Services	531.5	496.4	7.1%	Up
Education & Health Services	400.3	389.2	2.9%	Up
Leisure & Hospitality	327.5	322.6	1.5%	Up
Other Services	114.7	112.8	1.7%	Up
Government	411.7	402.0	2.4%	Up

Source: U.S. Bureau of Labor Statistics, Employment Data as of November 2014

OFFICE MARKET ASSESSMENT

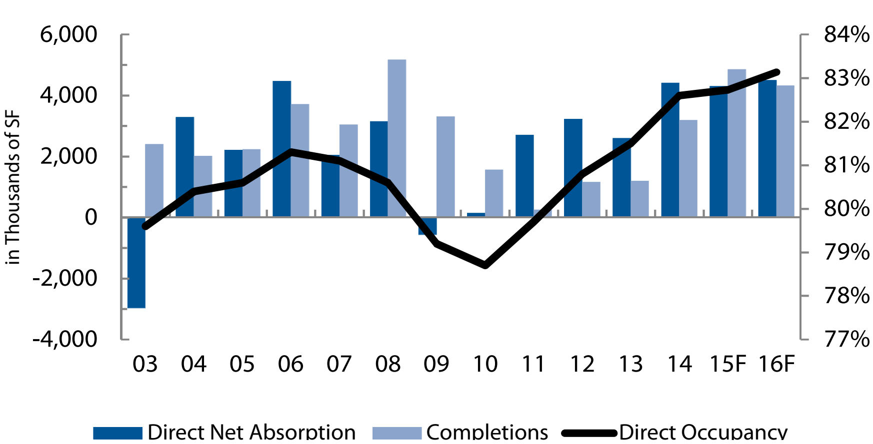
The DFW office market recorded 832,281 sq. ft. of direct net absorption during the fourth quarter, increasing the 2014 absorption total to just over 4.3 million sq. ft. – its largest annual gain since 2006. As a result of the solid occupancy gains, DFW's overall direct occupancy rate has increased by 110 basis points to 82.6% since year-end 2013, reaching its highest level since 2001. During the fourth quarter, Class B product led the way with 481,314 sq. ft. of gains compared to 370,510 sq. ft. within the Class A sector. However, the DFW direct occupancy rate only increased 10 basis points to 82.6% during the quarter as new supply kept pace with demand. Class A occupancy rates declined 20 basis points to 83.1% during the quarter, but are up 30 basis points over the recorded figure 12 months prior. Class B occupancy rates climbed 20 basis points during the quarter to 81.9%, and have improved an impressive 260 basis points over the prior 12 months.

With the local economy continuing to expand, businesses are increasingly confident in making longer term decisions, weighing the possibilities of relocation or renewal in order to capitalize on favorable lease terms. During 2014 many large leases have been signed. Among the largest transactions were: State Farm's commitment to an additional 500,000 sq. ft. at CityLine, Santander Consumer USA's leasing of 354,000 sq. ft. at Thanksgiving Tower, and Tenet Healthcare Corp expanding their footprint to 274,000 sq. ft. at Fountain Place. The most significant lease transaction during the fourth quarter involved Crosstex Energy, Inc. signing a 157,658 sq. ft. lease at One Arts Plaza in Dallas CBD, which will commence during the second-half of 2016.

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 have reached a 13-year high, 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.

Office Market Trends



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 Houston-Baytown-Sugar Land.

Home to 18 Fortune 500 Companies: DFW ranks fifth 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	82.6%	▲	▲	▲
Annual Direct Net Absorption	4,413,068	▲	▲	▶
Under Construction	6,522,317	▲	▲	▶
Direct Asking Rents	$21.84	▲	▲	▲

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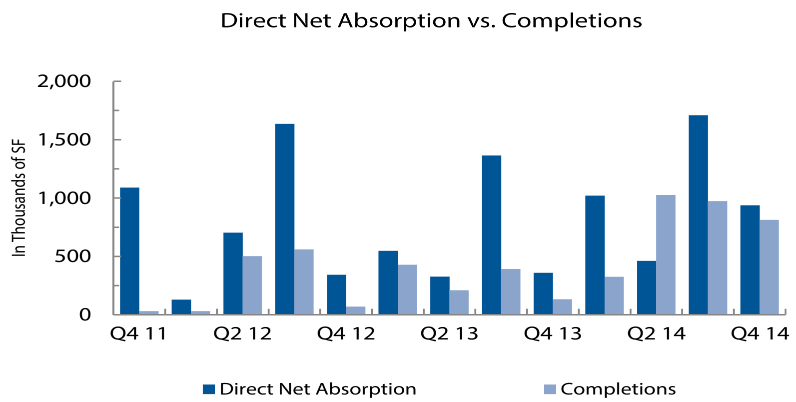
"Strong economic performance has made the Dallas-Ft. Worth metroplex attractive for large speculative and build-to-suit developments. The current pace of job growth is expected to continue for the balance of 2014 and forecasted to improve significantly for 2015, translating into strong leasing demand for the numerous construction projects coming online – said Kurt Cherry, Executive Vice President, Dallas Regional Office.

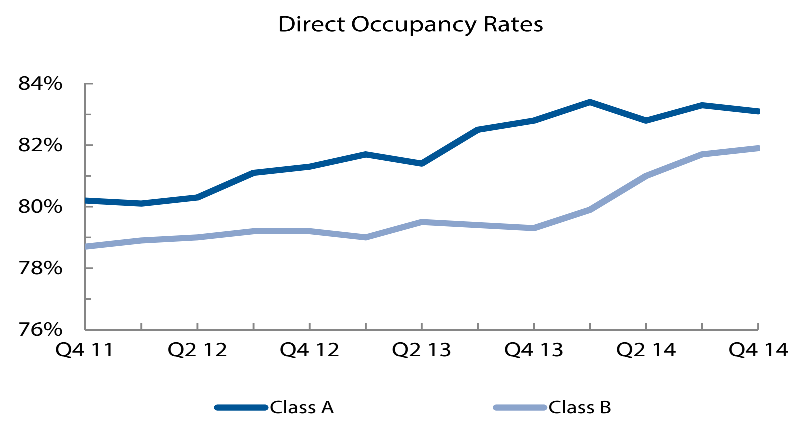
Submarket Occupancy Ranking

Rank	Submarket	Occ. Rate	Y-O-Y % Change
1	South Ft Worth	91.5%	-0.1%
2	Preston Center	91.4%	-1.7%
3	Allen / McKinney	89.6%	0.8%
4	Uptown/Turtle Creek	89.1%	0.1%
5	Frisco / The Colony	88.7%	-7.3%
6	Richardson	88.5%	3.0%
7	East / South Dallas	88.4%	1.8%
8	Lewisville / Denton	87.7%	3.3%
9	Upper Tollway / West Plano	86.7%	-2.8%
10	Arlington / Mansfield	85.4%	0.9%
11	Ft Worth CBD	84.5%	-0.8%
12	Quorum / Bent Tree	84.0%	2.8%
13	Mid Cities	82.9%	0.8%
14	North / Northeast Ft Worth	82.5%	-2.2%
15	Central Expy	82.4%	2.8%
16	Las Colinas	82.4%	-0.2%
17	Plano	81.7%	0.5%
18	Dallas CBD	76.0%	6.1%
19	East LBJ	74.1%	-0.9%
20	Stemmons	71.7%	-6.5%
21	West LBJ	70.9%	1.1%

NET ABSORPTION & OCCUPANCY

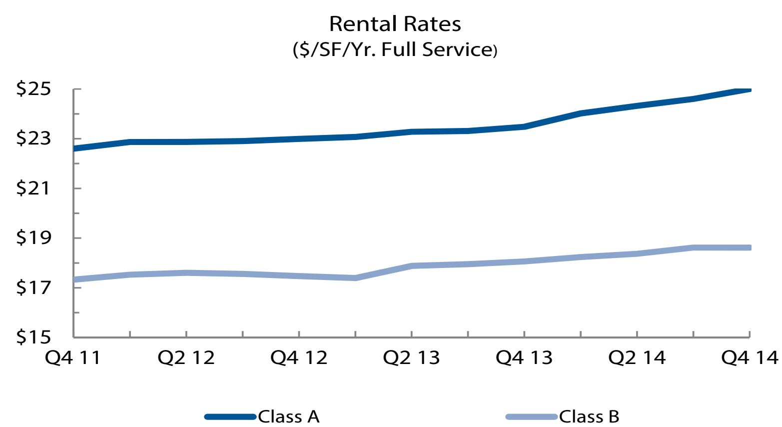
- Las Colinas led with the highest direct net absorption total at 159,207 sq. ft. Class B product guided the way with 121,456 sq. ft. absorbed. The largest quarterly gain occurred when Mitchell International moved into 30,752 sq. ft. at Coppell Commerce Center II.
- Quorum/Bent Tree recorded a total of 140,511 sq. ft. of direct net absorption to finish the year with 612,800 sq. ft. absorbed. The Class A sector experienced 125,123 sq. ft. of move-ins. The largest gains involved Bottle Rocket and Noble Royalties moving into The Aberdeen and Addison Circle One, respectively.
- Ft. Worth CBD added to quarterly gains with 102,776 sq. ft. of direct net absorption, virtually all of which occurred in Class B product. US Health moving into 67,596 sq. ft. at 300 Burnett highlighted the quarterly movement.
- Upper Tollway/West Plano posted 34,808 sq. ft. of direct net absorption during the quarter. The Class A sector saw a net 119,141 sq. ft. of move-ins, while the Class B sector lost a net 84,333 sq. ft. Heartland Payment Systems and Mitel Technologies moving into a combined 132,089 sq. ft. of direct space at Granite Park Four highlighted the Class A move-ins, while Capital One vacated 120,000 sq. ft. of Class B space at Tollway Office Center I.
- Richardson rebounded from an unimpressive quarter to absorb 79,160 sq. ft. of direct space during the fourth quarter. Caremark PCS's move-in of 48,312 sq. ft. at Cardinal Park 8 was the largest tenant movement during the quarter.
- Dallas CBD followed its most successful quarter since the late 1980s by absorbing 139,891 sq. ft. of direct space. Class A product absorbed a net of 94,556 sq. ft. of direct space, and Class B properties added 72,068 sq. ft. to the absorption count. Dallas CBD also signed the largest lease during the quarter with Crosstex Energy, Inc. inking a deal for 157,658 sq. ft. of direct space at One Arts Plaza, which will commence during the second-half of 2016.

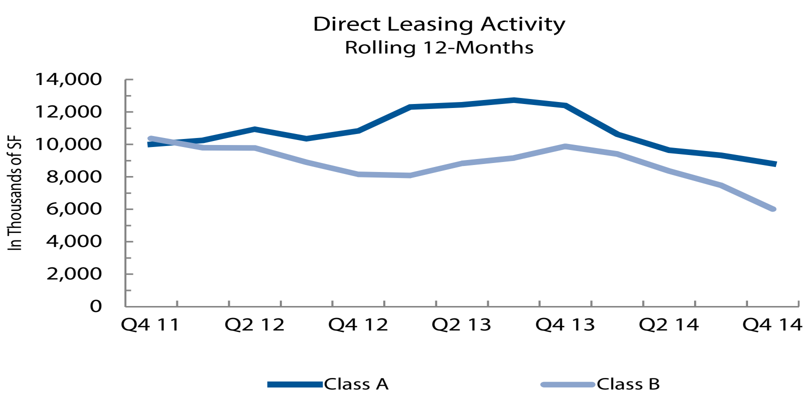




RENTAL RATES & LEASING ACTIVITY

- Class A full-service asking rents improved by $0.40 to an even $25.00 per square foot during the fourth quarter and have increased 6.5% (or $1.52) over the prior 12 months. Class A rents have reached a record high , surpassing the prior cyclical peak in mid-2008 by 1.5%.
- Class B asking rents remained constant during the quarter at $18.62 per square foot, but have increased 3.1% (or $0.56) over the prior 12 months. Despite the lack of increases, Class B rents are at their highest level since late-2001.
- During 2014, all but five of the 21 DFW submarkets experienced rent growth, however there are still opportunities for tenants to capitalize on attractive lease terms with incentives and concessions being offered by landlords in submarkets with high vacancy, such as the Dallas CBD, Plano, and the LBJ and the 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 and Upper Tollway/West Plano.
- Class A leasing velocity has declined from the swift pace experienced in 2013, as large space options in the most desirable submarkets have become limited. At the end of the fourth quarter, the trailing four-quarter volume of Class A direct space leased totaled 8.81 million square feet, while the Class B volume fell to about six million square feet.
- Flight to quality will remain an on-going trend as the competitive leasing environment has encouraged tenants in Class B and lower-tier Class A properties to take advantage of attractive deals in discounted, higher quality buildings.





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

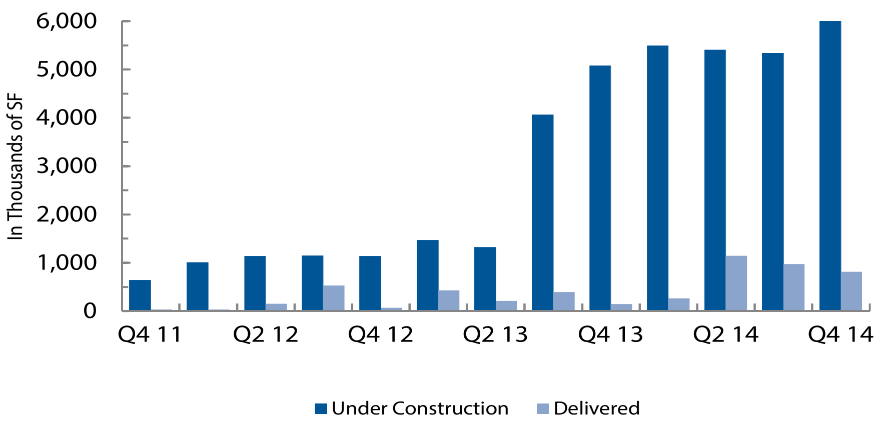
Submarket Rental Rate Ranking

Rank	Submarket	Rental Rate	Y-O-Y % Change
1	Preston Center	$33.55	7.1%
2	Uptown/Turtle Creek	$32.60	8.7%
3	Frisco / The Colony	$28.36	12.2%
4	Upper Tollway / West Plano	$28.32	6.4%
5	Ft Worth CBD	$26.64	4.0%
6	Allen / McKinney	$25.03	6.5%
7	Central Expy	$23.13	4.9%
8	Las Colinas	$22.76	7.4%
9	Dallas CBD	$22.39	7.1%
10	Mid Cities	$21.45	2.1%
11	Quorum / Bent Tree	$20.89	5.1%
12	Plano	$20.80	5.9%
13	South Ft Worth	$20.70	-1.7%
14	Lewisville / Denton	$20.09	2.7%
15	East LBJ	$19.87	9.4%
16	East / South Dallas	$18.26	0.7%
17	Richardson	$18.22	-3.2%
18	Arlington / Mansfield	$17.75	-2.5%
19	West LBJ	$16.74	6.0%
20	North / Northeast Ft Worth	$16.69	-2.7%
21	Stemmons	$14.74	-0.3%

CONSTRUCTION

- The office construction pipeline has increased by 28% within the past year to more than 6.5 million sq. ft. (excluding corporate-owned projects), continuing its rapid increase experienced since the second-half of 2013. Roughly 60% of this space has already been committed by users.
- Developers delivered 859,733 sq. ft. of new product during the quarter. The largest construction delivery was Legacy Tower, a 342,066 sq. ft. Class A office building in Upper Tollway/West Plano developed by Trammell Crow and One Liberty Properties. The property is 32.2% leased with lead tenants Hilti, Inc., UBS, and Murchison Oil & Gas.
- Since job growth is expected to continue at a healthy pace and Class A occupancy rates have reached their highest level in over a decade, developers have broken ground on several large Class A office buildings in recent months—some of which have begun construction on a speculative basis. Hall Financial Group began construction on Frisco Bridges Place, a 170,000 sq. ft. property in Frisco, which is 33% leased to Strasburger & Price LLP. Also, Myers & Crow broke ground on Lakeside II, an 80,964 sq. ft. speculative Class A office building in Lewisville.
- Office build-to-suit construction has also been thriving in recent quarters. During the fourth quarter, Hines broke ground on the future Dallas Cowboys Headquarters dubbed The Star in Frisco, a 200,000 sq. ft. Class A office building that is 100% leased to the Cowboys. This project is scheduled for a late-2016 completion.
- The building boom has largely been concentrated in the northern Dallas suburbs but is beginning to spread to the urban core with a few new office towers underway in Uptown and the Arts District, which include Hall Financial Group's 450,000 sq. ft. KPMG Plaza at Hall Arts, Crescent's 530,000 sq. ft. office tower at McKinney & Olive, and Harwood International's 168,000 sq. ft. Frost Tower.

Construction Pipeline



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET COMPLETION
Future State Farm Campus**	1,557,638	Richardson	State Farm	100%	KDC	1Q 2015
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
FAA Southwest Regional HQ**	357,214	North Fort Worth	FAA Southwest	100%	Manhattan Construction	4Q 2015
Granite Park V	306,000	Upper Tollway/ W Plano	N/A	0%	Granite Properties	3Q 2015
FedEx HQ**	265,000	Upper Tollway/ W Plano	FedEx	100%	KDC Real Estate	1Q 2016
The Richards Group HQ*	250,000	Uptown / Turtle Creek	The Richards Group	100%	Perkins + Will	1Q 2015
Old Parkland*	200,000	Uptown / Turtle Creek	Parkland Hospital System	100%	Crow Family Holdings	3Q 2015
Frisco Station	200,000	Frisco/The Colony	Dallas Cowboys	100%	Hines	4Q 2016
Lebanon Rd (Wade Park)	200,000	Frisco/The Colony	N/A	0%	Thomas Enterprises	2Q 2016

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

RECENT ANNOUNCEMENTS

- Pinnacle Bank has agreed with Ft. Worth's Local Development Corp. on plans to develop a 160,000 sq. ft. mixed-use building near the Ft. Worth Omni Hotel. Plans include 130 apartments on the upper floors, ground-level retail, and offices on the remaining floors. Delivery of this $19.7 million project is expected to be complete in early 2016.
- Hines and Cousins Properties Inc. joined together to develop Victory Center, a 23-story tower in Uptown/Turtle Creek. This 466,000 sq. ft. building will include both office and retail space and is scheduled to break ground near mid-2015.
- Rosewood Property Co. plans to move forward on Heritage Creekside, a 156-acre mixed-use development in Plano near North Central Expy and the President George Bush Turnpike. Plans include up to 1,300 multi and single-family units, retail space, and up to 2.5 million sq. ft. of office space.
- Parliament Group Inc. is planning the development of a mixed-use project between KDC's CityLine and US 75. Preliminary plans include 1.35 million sq. ft. of officespace, a 150-room hotel, 60,000 sq. ft. of retail, as well as 1,250 urban-style apartment units.
- Invesco Real Estate and KDC began construction on an office tower in Uptown—a much-debated 12-story, 150,000 sq. ft. office building at 1920 McKinney. Delivery is scheduled by spring 2016.
- Invest Group Overseas has announced plans for a $700-million luxury mixed-use project in Frisco. Early plans include 2.3 million sq. ft. worth of lavish residencies, a boutique hotel, destination retail and dining, and Class A office space.
- State Farm's 1.5 million sq. ft. build-to-suit is near completion in KDC's CityLine in Richardson. The insurance giant plans to expand their campus by 500,000 sq. ft., with its fourth building scheduled to deliver late in 2015.

SUBMARKET STATISTICS

Submarkets	Total Inventory SF	TOTAL SPACE AVAILABLE Direct	Sublease	Direct Occupancy	DIRECT NET ABSORPTION Current Qtr.	Year To Date	CONSTRUCTION Completions Current Qtr	Under Construction	ASKING RENT Class A	Class B
Dallas CBD	27,289,247	8,225,921	393,394	76.0%	139,891	807,747	-	450,000	$23.19	$19.13
Uptown / Turtle Creek	10,514,902	1,520,362	251,689	89.1%	30,046	49,969	-	167,735	$33.51	$30.85
Preston Center	4,129,513	447,143	50,396	91.4%	(37,459)	(59,542)	-	190,000	$35.34	$27.21
Central Expy	11,442,655	2,323,317	156,105	82.4%	36,996	265,458	-	235,893	$24.47	$19.23
Quorum / Bent Tree	19,049,872	3,426,194	390,655	84.0%	140,511	612,800	123,167	0	$25.56	$17.90
Upper Tollway / West Plano	15,297,033	2,093,432	804,356	86.7%	34,808	237,321	342,066	1,111,898	$29.87	$24.83
West LBJ	4,168,208	1,392,549	16,417	70.9%	(15,800)	55,690	-	0	$16.66	$16.84
East LBJ	15,815,500	4,558,255	238,723	74.1%	(40,404)	(135,572)	-	0	$22.40	$17.16
Las Colinas	28,130,672	6,609,496	629,583	82.4%	159,207	480,867	164,784	340,585	$25.19	$19.73
Stemmons	10,494,817	3,106,870	158,486	71.7%	58,658	120,845	-	0	$18.49	$13.82
Richardson	12,545,055	2,359,646	948,675	88.5%	79,160	321,932	-	2,047,638	$22.14	$17.61
Allen / McKinney	3,032,714	341,287	153,096	89.6%	9,430	135,986	-	102,084	$25.73	$24.39
Plano	4,610,788	1,037,113	92,085	81.7%	53,584	87,159	-	0	$23.14	$19.75
Frisco / The Colony	4,571,855	564,079	195,134	88.7%	18,595	239,432	24,653	1,140,000	$31.55	$25.33
East / South Dallas	7,158,540	996,127	13,095	88.4%	49,205	252,523	-	0	$30.65	$17.13
Arlington / Mansfield	6,534,488	1,138,288	150,934	85.4%	(28,297)	90,167	-	30,000	$20.11	$17.78
Mid Cities	9,929,568	1,930,822	804,661	82.9%	32,758	167,704	-	23,000	$26.29	$18.50
Ft. Worth CBD	8,506,075	1,347,765	34,424	84.5%	102,766	260,146	-	0	$28.82	$20.84
North / Northeast Ft Worth	3,259,356	879,435	76,768	82.5%	(242)	114,612	154,063	407,214	$23.53	$16.61
Lewisville / Denton	5,480,284	956,337	81,174	87.7%	39,465	213,282	-	252,464	$30.58	$19.78
South Ft Worth	7,716,219	748,647	62,367	91.5%	73,762	94,542	51,000	23,806	$25.44	$20.87
Totals	219,677,361	46,003,085	5,702,217	82.6%	936,640	4,413,068	859,733	6,522,317	$25.00	$18.62

Property Types	Total Inventory SF	Direct	Sublease	Direct Occupancy	Current Qtr.	Year To Date	Completions Current Qtr	Under Construction	Asking Rent	Y-O-Y Change
Class A	111,506,554	23,594,646	3,462,293	83.1%	474,869	2,423,025	784,080	6,082,347	$25.00	6.9%
Class B	99,217,901	20,822,235	2,232,250	81.9%	481,314	2,070,256	75,653	439,970	$18.62	3.1%
Class C	8,952,906	1,586,204	7,674	84.4%	(19,543)	(80,213)	-	-	$15.23	10.2%
Totals	219,677,361	46,003,085	5,702,217	82.6%	936,640	4,413,068	859,733	6,522,317	$21.84	6.1%

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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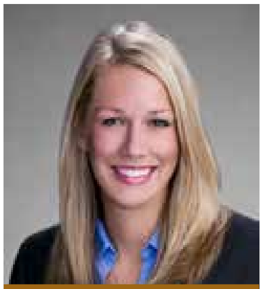

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ABOUT PMRG

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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.

Our goal is to generate exceptional returns for our clients and investors by focusing on real estate fundamentals. For additional information, visit www.pmrg.com.