PMRG Market at a Glance

DALLAS-FORT WORTH OFFICE MARKET REPORT

THIRD QUARTER 2015

PMRG | PM Realty Group

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FOR INFORMATION:

Kurt Cherry
Executive Vice President
(972) 421-3322
kcherry@pmrg.com

Wade Bowlin
Executive Vice President
Managing Director, Central Division
(713) 209-5753
wbowlin@pmrg.com

Ariel Guerrero
Senior Vice President, Research
(713) 209-5704
aguerrero@pmrg.com

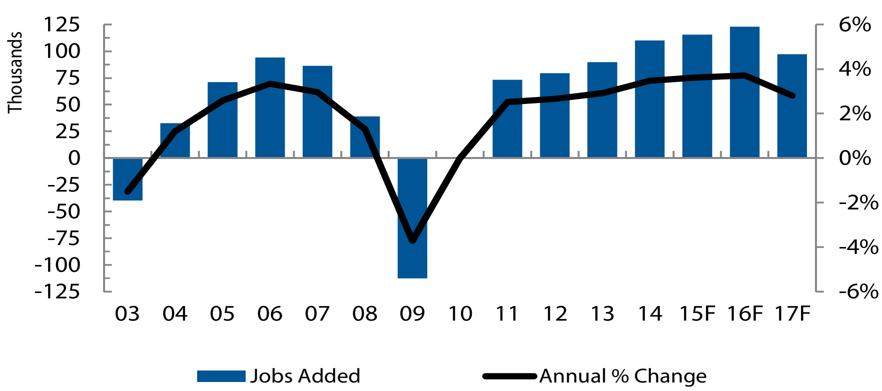
ECONOMIC OVERVIEW

The North Texas regional economy continues humming at a steady pace ranking among the nation's top performing economies, despite the collapse in oil prices that have curtailed oil patch activity throughout the state. Business-friendly benefits of operating in Texas, diversification of companies within the market, reasonable lower cost of living, comparative ease of commuting, not to mention multi-million dollar incentive packages offered at the state and local level have fueled economic growth since the Great Recession.

The Dallas-Fort Worth metropolitan area has added a solid 103,500 jobs in the 12 months ending August 2015, which represents an annual increase of 3.1% in employment. The industry sectors with the most jobs created in the prior 12 months were Professional & Business Services (26,400 or 4.9% growth); Trade, Transportation & Utilities (22,500 or 3.3% growth); Education & Health Services (22,500 or 5.6% growth); and Leisure & Hospitality (21,200 or 6.3% growth). As a result of the strong job growth, the area's unemployment rate has dropped 150 basis points to 3.9% over the prior 12 months, hovering around its lowest point since early-2001.

The region's economic expansion is expected to continue into 2016 and 2017 with solid growth anticipated in the professional business services, technology, healthcare and leisure & hospitality sectors driven by corporate expansion and relocations. Build-to-suit projects for State Farm Insurance, Toyota Motor Co, Raytheon, FedEx, Dallas Cowboys, Alcatel-Lucent, CoreLogic, Liberty Mutual and 7-Eleven have all either begun construction or break ground in the oncoming months, with additional companies expressing interest in expanding or consolidating their DFW footprint.

Employment Trends



Employment Growth by Sector

	CURRENT READING	12-MONTHS PRIOR READING	ANNUAL CHANGE	HEALTH (Improving or Declining)
Mining, Logging & Construction	196.0	197.8	-0.9%	▼
Manufacturing	257.2	263.5	-2.4%	▼
Trade, Transportation & Utilities	709.5	687	3.3%	▲
Information	82.2	82.5	-0.4%	▼
Financial Activities	276.1	268.0	3.0%	▲
Professional & Business Services	570.5	544.1	4.9%	▲
Education & Health Services	424.7	402.2	5.6%	▲
Leisure & Hospitality	360.3	339.1	6.3%	▲
Other Services	121.7	117.8	3.3%	▲
Government	394.3	387.0	1.9%	▲

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

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OFFICE MARKET ASSESSMENT

The DFW office market recorded 827,441 sq. ft. of direct net absorption during the third quarter, increasing its year-to-date absorption count to more than 4.0 million sq. ft. – which puts 2015 on pace to record its highest absorption level since 2000. Build-to-suit construction, corporate relocations to the market and company expansions have been the driving force behind the healthy demand witnessed during the year, increasing occupancy rates by 60 basis points to 83.2% since the end of 2014.

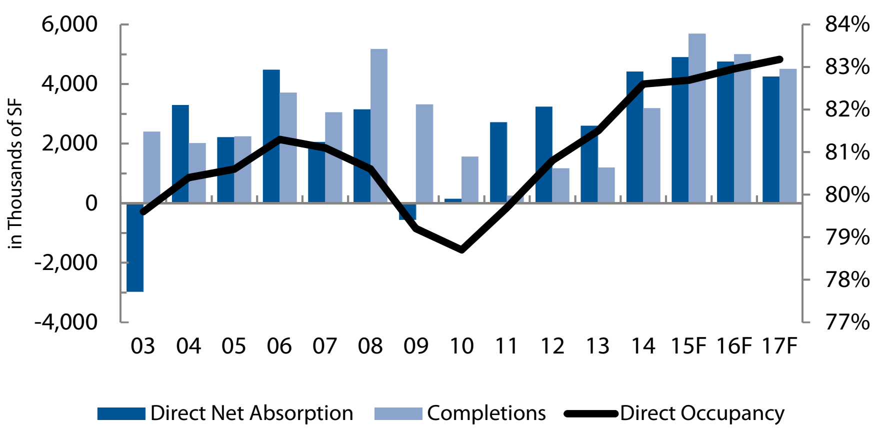
During the quarter, Class A properties observed a net 599,800 sq. ft. of direct absorption gains, compared to 150,714 sq. ft. of growth in Class B product. Class A occupancy rates declined 50 basis points to 83.6% during the quarter due to new supply outpacing demand, but rates are still 30 basis points higher than the recording 12 months ago. New supply also caused Class B occupancy rates to slightly dip by 10 basis points to 82.0% despite the quarterly absorption gain.

The DFW office market growth is not expected to slow down any time soon, even with the decline in occupancy rates during the quarter. Strong Class A demand has pushed vacancy rates down to the levels last seen in 2001 and 2002 when vacancy rates last sparked a surge in speculative development. Although the velocity of large new deals inked during the quarter was slightly lower than previous quarters, many large renewals were signed, including Verizon Building Access (388,600 sq. ft. at Galatyn Park); Ryan, LLC (176,130 sq. ft. renewal/expansion at Three Galleria Tower); and U.S. Department of Education (66,451 sq. ft. at Harwood Center).

FORECAST

- With the continued high demand of quality space, the leasing market will remain a landlord favorable setting in the most desirable submarkets. However, a wave of new construction will deliver in the oncoming quarters to help alleviate the difficulty in finding superior space.
- As overall occupancy rates are hovering around 13-year highs, numerous speculative construction projects have commenced or have plans to begin construction across the DFW Metroplex. This 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 remain healthy 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 New York-Northern New Jersey-Long Island, NY.

Home to 21 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	83.0%	▼	▲	▲
Trailing 12 mos. Direct Net Absorption	4,953,119	▼	▲	▶
Under Construction	6,424,194	▼	▲	▲
Direct Asking Rents	$22.78	▲	▲	▲

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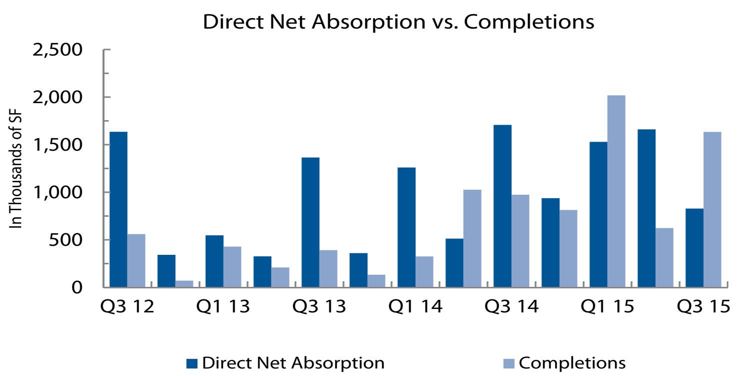
"Strong economic performance has made the Dallas-Ft. Worth metroplex attractive for large speculative and build-to-suit developments. The current pace of job growth is forecasted to remain above the 3.0% annual growth rate for the balance of 2015, translating into strong leasing demand for the numerous construction projects coming online" – said Kurt Cherry, Executive Vice President, Dallas Regional Office.

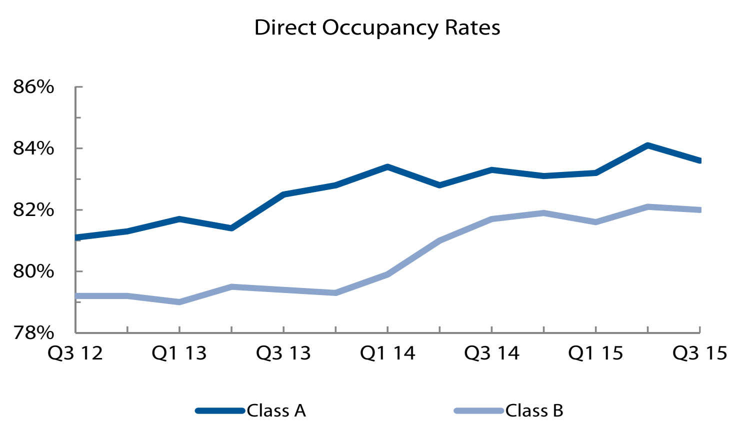
Submarket Occupancy Ranking

Rank	Submarket	Occ. Rate	Y-O-Y % Change
1	Preston Center	91.6%	-0.7%
2	South Ft Worth	91.0%	0.3%
3	Uptown/Turtle Creek	89.2%	-0.2%
4	Frisco / The Colony	89.0%	0.2%
5	Allen / McKinney	88.4%	-1.0%
6	East / South Dallas	87.9%	-0.2%
7	Ft Worth CBD	87.4%	4.0%
8	North / Northeast Ft Worth	85.9%	-0.5%
9	Quorum / Bent Tree	85.2%	1.4%
10	Arlington / Mansfield	85.1%	-1.1%
11	Upper Tollway / West Plano	85.1%	-3.2%
12	Lewisville / Denton	84.9%	-2.3%
13	Richardson	84.3%	-3.5%
14	Las Colinas	84.0%	1.5%
15	Mid Cities	83.5%	1.1%
16	Central Expy	82.6%	0.2%
17	Plano	80.2%	0.9%
18	Dallas CBD	78.0%	3.1%
19	Stemmons	75.0%	2.8%
20	East LBJ	74.5%	0.1%
21	West LBJ	73.3%	1.8%

NET ABSORPTION & OCCUPANCY

- Richardson took a step back this quarter with a net direct occupancy loss of 692,748 sq. ft. but still leads the DFW submarkets with 871,845 sq. ft. absorbed during 2015. State Farm vacated 291,000 sq. ft. at 1011 Galatyn Pky, Bank of America's combined 312,000 sq. ft. of sublease space expired at the 2375 N Glennville buildings, and Cisco Systems left 178,000 sq. ft. at Turnpike Commons East Office Center.
- North/Northeast Fort Worth, a relatively inactive submarket historically, absorbed a net 390,942 sq. ft. of direct space during the quarter. The large spike in absorption gains was directly attributable to FAA GSA's move into their new 357,000 sq. ft. headquarters at 10101 Hillwood Pky.
- Las Colinas posted 205,718 sq. ft. of direct net absorption during the quarter, led once again by the Class A property sector with 145,315 sq. ft. of growth. AMN Healthcare's move into 109,000 sq. ft. at 8840 Cypress Waters and GE Capital's lease commencement at 5000 Riverside highlighted the Class A move-ins.
- Preston Center rebounded from a lackluster first-half of 2015 with a net 158,813 sq. ft. of direct space absorbed as occupancy ended the quarter at 91.6%. Energy Transfer Partners and Chief Oil & Gas each moved into a combined 190,000 sq. ft. at the newly delivered 8111 Westchester.
- Dallas CBD added 110,899 sq. ft. to the quarterly absorption total. In addition to KPMG and Jackson Walker moving into KPMG Plaza at Hall Arts, City Electric Supply Co. took 70,000 sq. ft. at 400 Record. KPMG's 95,000 sq. ft. vacancy at 717 Harwood, and Regency Energy leaving 84,000 sq. ft. at Bryan Tower were the largest move-outs during the quarter.
- Stemmons Freeway, which has witnessed an uptick in leasing activity in recent quarters experienced 124,727 sq. ft. of direct net absorption during the quarter. Covance CRU moving into 37,000 sq. ft. at Mockingbird Towers and The Family Place taking 20,000 sq. ft. at One Mockingbird Plaza were among the most notable move-ins during the quarter.





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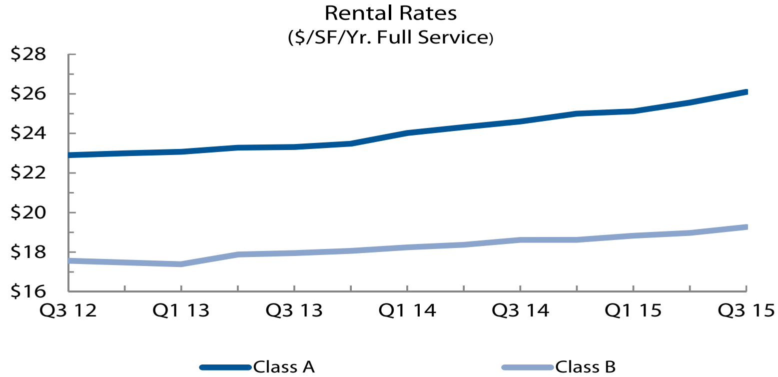
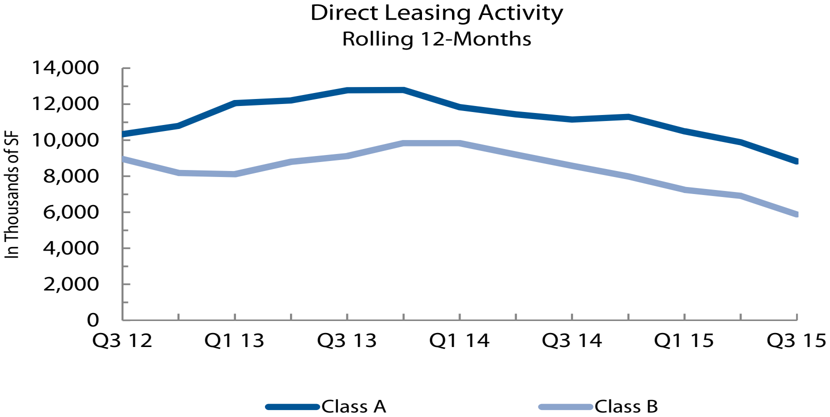
RENTAL RATES & LEASING ACTIVITY

- Class A full-service asking rates improved by $0.54 to $26.10 per sq. ft. during the quarter and have increased by 6.1% (or $1.50) over the prior 12 months. Class A rents have increased 13 consecutive quarters, speeding ahead of historic highs, and will continue growing as new inventory quoting higher rental rates are delivered to the market.
- Class B asking rents increased by $0.30 to $19.27 per sq. ft., and have increased by 3.5% (or $0.65) over the prior 12 months. Class B asking rents are at their highest level since this time in 1998.
- During the quarter, all except for three 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 Freeway.
- Higher occupancy rates have allowed landlords to push Class A rents upwards in the most desired submarkets, which include Uptown/Turtle Creek, Preston Center, Frisco/The Colony, Fort Worth CBD, and Quorum/Bent Tree.
- Class A trailing 12-month leasing velocity has declined 20.9% to approximately 8.8 million sq. ft. within the past year as large space options in the most desirable submarkets are becoming increasingly limited. The Class B trailing 12-month leasing velocity has declined for the seventh consecutive quarter to approximately 5.9 million sq. ft.
- As new construction is delivered to the competitive market, the flight to quality and efficiency trend will likely continue with tenants favoring modern floorplates capable of handling increased densities in lieu of buildings with less-efficient layouts.





"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	Uptown/Turtle Creek	$34.67	7.8%
2	Preston Center	$33.79	2.6%
3	Frisco / The Colony	$29.00	2.4%
4	Upper Tollway / West Plano	$27.57	-2.0%
5	Ft Worth CBD	$26.63	1.0%
6	Central Expy	$25.18	10.7%
7	Allen / McKinney	$24.64	-1.3%
8	Las Colinas	$23.84	6.1%
9	Dallas CBD	$23.54	9.2%
10	Lewisville / Denton	$22.35	9.3%
11	South Ft Worth	$21.73	3.7%
12	Mid Cities	$21.66	1.4%
13	Quorum / Bent Tree	$21.47	2.6%
14	Plano	$21.13	3.0%
15	East LBJ	$20.87	6.4%
16	Richardson	$20.34	11.7%
17	East / South Dallas	$19.25	4.6%
18	Arlington / Mansfield	$17.82	0.1%
19	North / Northeast Ft Worth	$17.54	-2.6%
20	West LBJ	$17.15	2.3%
21	Stemmons	$15.06	0.9%

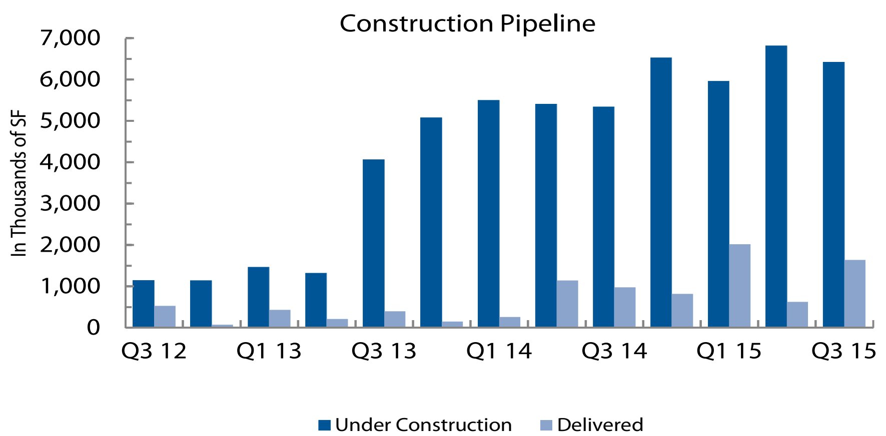
PMRG Market at a Glance

RECENT ANNOUNCEMENTS

- Fort Worth CBD will soon have its first new office construction project since 2008. 640 Taylor, being developed by Stream, will break ground during the fourth quarter and will feature 313,000 sq. ft. on 25 floors. Jetta Operating Company has already committed to 70,000 sq. ft. within the Class AA project expected to deliver late-2017.
- Lionstone Investments and PegasusAblon are combining efforts to develop the Terraces at Douglas Center, a 12-story Class A office tower in Preston Center. The 171,583 sq. ft. office tower, which broke ground during the third quarter, will feature contemporary designs and high-end finishes and is expected to deliver early-2017.
- KDC will soon break ground on the Liberty Mutual Insurance project in the Legacy West development. The project will include two 20-story towers totaling more than one-million sq. ft. and are expected to deliver in under two years, bringing 4,000 employees to the project.
- Granite Properties is preparing to begin construction on Granite Place I at Southlake Town Square. Granite Place I will be a 160,000 sq. ft. Class A office building next to the Hilton and will begin construction during the beginning of the fourth quarter.
- Harwood International broke ground during the quarter on the New Rolex Building in Uptown/Turtle Creek during the third quarter. The 136,857 sq. ft. mid-rise office building will be next door to the original Rolex Building and will feature a "Japanese-inspired tiered garden." Construction is expected to complete by 4Q 2016.
- Cawley Partners with Pacific Coast Capital Partners has broken ground on Alcatel-Lucent's new regional headquarters in Plano. Alcatel-Lucent is expected to consolidate their operations into the 250,000 sq. ft. office building in Plano upon delivery in 2016.

CONSTRUCTION

- The office construction pipeline has increased 20.3% within the past year to approximately 6.4 million sq. ft. (excluding corporate-owned projects), continuing its surge experienced since late-2013. Only about 42% of this space has pre-lease commitments as developers are increasingly comfortable breaking ground prior to securing a lead-tenant.
- During the quarter, developers delivered 1,635,694 sq. ft. of new product to the market. The largest construction delivery during the quarter was KPMG Plaza at Hall Arts, a 459,383 sq. ft. multi-tenant office building in the Dallas CBD anchored by KPMG and Jackson Walker. Also, FAA Southwest's 357,214 sq. ft. regional headquarters developed by Manhattan Construction Company completed during the quarter.
- Throughout the third quarter, developers broke ground on approximately 1.5 million sq. ft. of new office space. The largest project involved the 100% speculative One Legacy West, a Class A 307,767 sq. ft. tower in the Upper Tollway/West Plano submarket. Cawley Management's 250,000 sq. ft. build-to-suit in Plano for Alcatel-Lucent also began construction during the quarter.
- The building boom has been largely concentrated in the northern suburban Dallas submarkets and urban core but has scattered to other areas where a lack of available high-quality office space exists. For example, Billingsley recently broke ground on 9001 Cypress Waters, a 215,000 sq. ft. speculative office tower in Las Colinas. The Terraces At Douglas Center, a 171,583 sq. ft. speculative development by Lionstone Investments, also broke ground in Preston Center during the quarter.
- Many build-to-suit projects as well as speculative projects have either recently begun construction or will break ground in the oncoming months. For instance, KDC is nearing ground-breaking on build-to-suit projects for both Toyota Motor Corporation and Liberty Mutual, Gaedeke Group broke ground on the speculative 308,000 sq. ft. One Legacy West, and Hines has plans to begin construction during the fourth quarter on the speculative 448,000 sq. ft. Victory Center in Uptown/Turtle Creek.



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET DELIVERY
McKinney & Olive	530,000	Uptown / Turtle Creek	Gardere Wynne Sewell	41%	Crescent	3Q 2016
Future State Farm Campus**	499,992	Richardson	State Farm Insurance	100%	KDC	1Q 2016
Raytheon HQ**	490,000	Richardson	Raytheon	100%	KDC	4Q 2015
Wade Park 1	400,000	Frisco/The Colony	N/A	0%	Thomas Land & Development	1Q 2017
The Ford Center At The Star	398,769	Frisco/The Colony	Dallas Cowboys	20%	Lincoln Property Company	2Q 2016
7-Eleven Headquarters	325,000	Las Colinas	7-Eleven	100%	Billingsley Co.	1Q 2016
One Legacy West	307,767	Upper Tollway/ W Plano	N/A	0%	Gaedeke Group	4Q 2016
Granite Park V	306,200	Upper Tollway/ W Plano		19%	Granite Properties	4Q 2015
FedEx HQ - Legacy Business Park**	265,000	Upper Tollway/ W Plano	FedEx Office	100%	KDC Real Estate	4Q 2015
Alcatel-Lucent Regional HQ*	250,000	Plano	Alcatel-Lucent	100%	Cawley Management, LLC	2Q 2016
Legacy West	225,000	Upper Tollway/ W Plano	N/A	0%	Karahan & Columbus Realty	4Q 2016

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

SUBMARKET STATISTICS

Submarkets	Total Inventory SF	Direct	Sublease	Direct Occupancy	Current Qtr.	Year-to-Date	Completions Current Qtr	Under Construction	Class A	Class B
Dallas CBD	26,175,138	7,899,453	376,202	78.0%	110,899	349,345	459,383	0	$24.17	$19.37
Uptown / Turtle Creek	10,753,629	1,723,669	285,320	89.2%	123,473	130,676	-	801,330	$36.28	$30.87
Preston Center	4,319,513	540,134	41,724	91.6%	158,813	183,936	190,000	171,583	$35.32	$28.16
Central Expy	11,643,302	2,149,064	163,692	82.6%	97,412	158,433	-	0	$26.99	$19.71
Quorum / Bent Tree	18,996,467	3,323,750	454,784	85.2%	72,231	378,432	-	197,740	$26.72	$18.49
Upper Tollway / West Plano	15,954,825	2,832,033	758,831	85.1%	121,120	318,283	487,094	1,548,681	$29.49	$24.94
West LBJ	4,164,441	1,344,373	45,652	73.3%	34,885	73,884	-	0	$17.77	$16.87
East LBJ	15,731,446	4,403,182	341,816	74.5%	43,141	62,298	-	0	$24.25	$17.13
Las Colinas	28,848,849	6,181,414	906,067	84.0%	205,718	445,397	-	681,219	$26.56	$20.40
Stemmons	10,510,500	2,919,064	124,727	75.0%	124,727	236,332	-	0	$18.67	$14.22
Richardson	14,123,190	2,566,179	242,203	84.3%	(692,748)	871,845	-	989,992	$24.13	$18.82
Allen / McKinney	3,050,543	382,025	125,543	88.4%	(55,790)	(55,336)	-	143,684	$26.23	$23.57
Plano	4,678,560	1,143,947	37,382	80.2%	40,624	119,377	-	250,000	$22.82	$20.43
Frisco / The Colony	4,256,458	521,995	120,913	89.0%	9,177	(5,887)	-	1,141,778	$30.23	$26.58
East / South Dallas	7,219,471	1,049,280	8,685	87.9%	(23,539)	(17,409)	20,773	0	$31.45	$18.23
Arlington / Mansfield	6,544,730	1,269,327	87,104	85.1%	(32,841)	(26,759)	-	50,955	$20.18	$17.65
Mid Cities	10,002,916	2,573,842	783,436	83.5%	(3,760)	101,936	-	38,000	$25.65	$19.35
Ft. Worth CBD	8,545,714	1,225,279	123,582	87.4%	57,640	179,480	-	0	$28.68	$19.68
North / Northeast Ft Worth	3,653,489	851,703	178,821	85.9%	390,942	467,815	357,214	0	$22.56	$17.40
Lewisville / Denton	5,482,773	1,092,651	105,942	84.9%	35,065	(72,934)	80,964	0	$26.43	$21.25
South Ft Worth	7,766,687	961,539	104,249	91.0%	10,252	117,335	40,266	409,232	$26.63	$21.54
Totals	222,422,641	46,953,903	5,416,675	83.2%	827,441	4,016,479	1,635,694	6,424,194	$26.10	$19.27

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	115,301,498	25,113,306	3,141,098	83.7%	599,800	3,168,416	1,262,561	6,266,576	$26.10	6.1%
Class B	98,170,060	20,397,775	2,269,577	82.1%	150,714	655,144	373,133	157,618	$19.27	3.5%
Class C	8,951,083	1,442,822	6,000	87.3%	76,927	192,919	-	-	$15.32	2.8%
Totals	222,422,641	46,953,903	5,416,675	83.2%	827,441	4,016,479	1,635,694	6,424,194	$22.78	5.7%

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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Kurt Cherry
Executive Vice President
(972) 421-3322
kcherry@pmrg.com

Ryan Dale
Vice President
Leasing
(972) 421-3310
rdale@pmrg.com

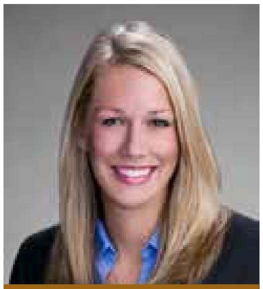
Shea Byers
Vice President
Leasing
(972) 421-3306
sbyers@pmrg.com

Brittany Ricketts
Leasing Manager
(972) 421-3308
bricketts@pmrg.com

Kelsey Oldham
Marketing Manager
(972) 421-3307
koldham@pmrg.com

Ariel Guerrero
Senior Vice President
Research
(713) 209-5704
aguerrero@pmrg.com

Wade Bowlin
Executive Vice President
Managing Director
(713) 209-5753
wbowlin@pmrg.com



Kristen Burney
Vice President
Director of Marketing
(713) 209-5910
kburney@pmrg.com

Doug Berry
Vice President
Creative Director
(713) 209-5897
dberry@pmrg.com

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.