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MARKETVIEW

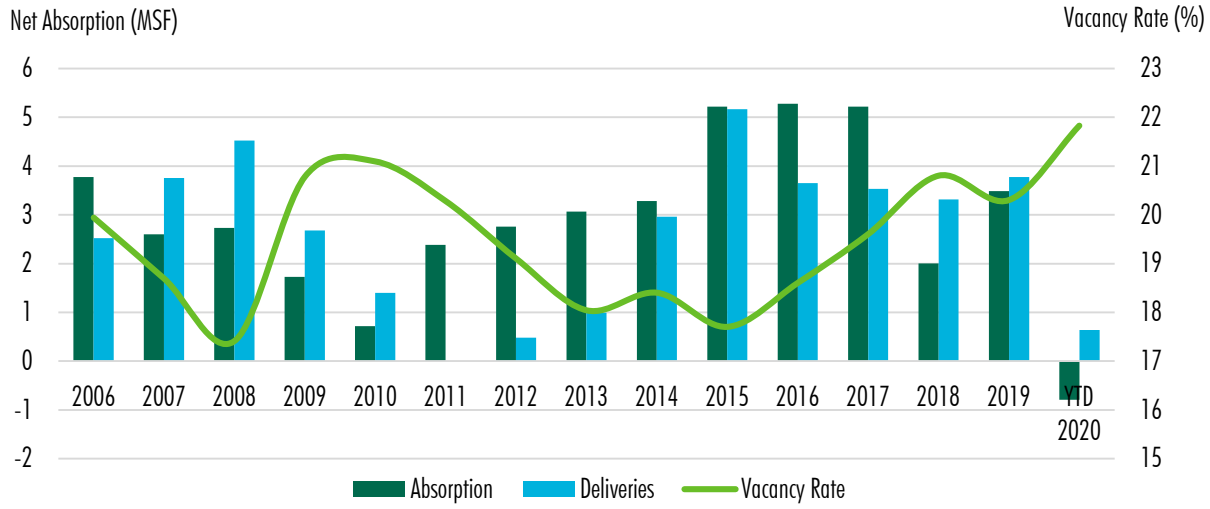
Dallas/Fort Worth Office, Q2 2020

Sublease vacancies, delayed move-ins impact net absorption

Vacancy Rate	Avg. Asking Rate	Net Absorption	Deliveries	Under Construction
21.8%	$26.28 PSF (FSG)	-639,155 SF	639,334 SF	4.7M SF

*Arrows indicate change from previous quarter.

Figure 1: Historical Supply and Demand



COVID-19 COMMENTARY

Virology, not the business cycle, has dictated the course of the world's economy this year. COVID-19 forced a nationwide shutdown of most economic activity in March, with the largest economic centers, especially the Northeast and Pacific coast, facing the strictest lockdowns. The economic fallout proved severe, pushing unemployment to over 15% and likely causing the economy to contract by more than 30% *per annum* in the second quarter.

These economic conditions inspired many governors to ease lockdowns, especially in Sunbelt states where the case count was less severe than in more densely populated regions. These re-openings have energized activity. Several high-frequency indicators, such as hotel occupancies, restaurant traffic and hours worked, suggest the US economy bottomed in April and has been trending slightly upward since. This has renewed demand for labor as many hard-hit sectors, such as hospitality and healthcare, began to bring back furloughed workers in May.

On the downside, COVID-19 is ramping-up in states that were quick to reopen. Although a significant uptick in cases that pummels consumer confidence is a risk, it is quite plausible that a mild escalation of COVID-19 can coincide with pent-up consumer demand that restrains economic losses this year to a fall in GDP of just over 6%.

EMPLOYMENT FEELS EFFECTS OF COVID-19

The Dallas/Fort Worth metro area lost 226,800 non-farm jobs during the 12 months ending May 2020, resulting in a 6.0% decline year-over-year, according to preliminary data from the Bureau of Labor Statistics. Financial Activities, one of the office-using sectors, was the only industry supersector that gained jobs over the year, at 2.8% or 9,000 jobs. Professional & Business Services underwent a 4.6% decline, while Information lost jobs at a rate of 2.7%. After hitting 12.8% in April, the unemployment rate sat at 12.3% in May, pointing to a 770-basis point increase from end of Q1 2020.

NEGATIVE NET ABSORPTION CONTINUES INTO Q2

After posting negative absorption in Q1 2020, the first quarter of negative net demand that DFW office has seen in over two years, the market continued another round of negative net absorption in Q2 2020, which was enhanced by move-ins that have been pushed back to later in the year. Additionally, two large sublease vacancies contributed to 45% of total net absorption over the quarter, while negative direct net absorption stemmed predominantly from Class B properties.

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Figure 2: Dallas/Fort Worth Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate FSG ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q1 2020 Net Absorption	YTD 2020 Net Absorption
Central Expressway	10,426,880	15.8	24.9	32.89	88,890	-	-50,180	-27,453
Class A	7,091,265	16.4	24.7	37.68		-	-17,000	-48,548
Class B	3,275,067	14.9	25.9	26.17	88,890	-	-33,180	21,095
Dallas CBD	27,313,419	27.6	32.8	27.65	259,230	-	42,689	-443,702
Class A	22,275,350	28.5	34.1	30.29	259,230	-	78,410	-384,762
Class B	4,824,712	24.8	27.9	21.80		-	-35,721	-58,940
East Dallas	2,493,918	21.6	16.4	19.70	752,730	-	17,261	10,023
Class A	478,020	55.2	14.3	19.90	752,730	-	0	0
Class B	1,699,130	13.9	16.3	18.57		-	8,378	-1,097
Far North Dallas	45,086,844	22.5	23.2	29.93	1,551,516	439,334	-136,170	190,335
Class A	30,943,218	23.2	23.0	36.52	1,551,516	391,334	-67,614	200,807
Class B	14,041,530	20.9	23.8	22.62		48,000	-68,556	-10,472
Las Colinas	33,734,417	19.3	23.8	26.42	383,806	200,000	-49,226	-159,699
Class A	20,492,387	18.9	22.3	30.79	280,806	200,000	284,946	22,972
Class B	12,645,514	20.6	25.5	22.11	103,000	-	-334,172	-182,671
LBJ Freeway	19,462,184	21.9	26.7	21.52		-	37,275	131,934
Class A	10,993,159	19.6	26.2	26.02		-	41,623	139,390
Class B	8,264,949	25.4	28.0	19.10		-	-7,818	-8,606
Lewisville / Denton	3,531,044	10.2	12.4	24.03	222,000	-	-60,581	-74,611
Class A	189,124	0.0	0.0	N/A	222,000	-	0	15,814
Class B	3,276,168	11.0	13.3	23.96		-	-60,581	-90,425
Preston Center	4,322,779	13.5	18.0	41.71	297,000	-	-29,689	26,986
Class A	3,501,535	12.3	17.6	47.48	297,000	-	-11,614	37,826
Class B	753,566	19.5	20.7	31.70		-	-18,075	-10,840
Richardson / Plano	23,653,903	22.6	26.0	22.69	370,000	-	-7,808	38,203
Class A	12,191,623	24.2	25.7	27.49	300,000	-	-49,713	35,415
Class B	11,144,575	21.0	25.5	19.21	70,000	-	48,429	9,312
SW Dallas	1,836,211	25.0	26.2	23.70		-	-7,709	-26,840
Class A	280,592	6.9	8.6	31.92		-	0	0
Class B	1,369,965	29.2	30.4	19.10		-	-7,709	-26,840
Stemmons Freeway	9,375,418	28.4	28.4	17.68	65,000	-	58,489	87
Class A	4,236,082	19.8	25.9	21.85		-	-6,246	-1,656
Class B	4,695,657	37.0	37.3	16.00	65,000	-	68,811	5,819
Uptown/Turtle Creek	12,758,548	16.5	23.3	47.58	656,774	-	-4,777	-158,213
Class A	10,848,318	16.1	22.4	50.41	656,774	-	6,302	-123,064
Class B	1,772,346	20.3	30.1	39.34		-	-11,079	-35,149

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Figure 2: Dallas/Fort Worth Office Market Statistics (continued)

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate FSG ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q2 2020 Net Absorption	YTD 2020 Net Absorption
Fort Worth CBD	7,606,686	17.4	20.7	26.80			-27,929	39,882
Class A	5,106,199	17.5	19.0	31.64			-26,084	52,469
Class B	2,431,176	17.9	24.9	20.13			-1,845	-12,587
Mid Cities	14,799,090	30.0	31.1	19.92			-309,804	-232,129
Class A	6,328,917	45.4	47.2	24.32			-161,294	-152,567
Class B	7,771,681	19.0	19.5	18.33			-141,489	-66,431
North Fort Worth	1,425,879	7.0	7.1	21.67	54,000		18,193	15,918
Class A	1,104,559	6.1	5.5	23.20	54,000		-4	-4
Class B	271,296	11.8	12.7	20.77			15,827	13,552
NE Fort Worth	2,777,441	18.7	19.5	18.25			5,846	14,756
Class A	415,921	55.3	56.5	21.50			2,076	2,076
Class B	2,233,520	12.4	13.2	17.92			5,111	-3,166
South Fort Worth	5,988,103	15.0	17.4	23.17			-135,035	-135,383
Class A	2,180,945	17.5	20.3	27.10			-162,840	-216,177
Class B	3,461,926	13.9	16.0	22.68			28,735	84,530
Dallas Total	193,995,565	21.7	25.5	27.73	4,646,946	639,334	-190,426	-493,326
Class A	123,520,673	21.8	25.3	34.36	4,320,056	591,334	259,094	-105,806
Class B	67,763,179	22.0	25.8	21.69	326,890	48,000	-451,273	-388,814
Fort Worth Total	32,597,199	22.4	24.1	21.35	54,000		-448,729	-296,956
Class A	15,136,541	29.3	31.0	26.16	54,000		-348,146	-314,203
Class B	16,169,599	16.7	18.6	19.41			-93,661	15,898
DFW Total	226,592,764	21.8	25.3	26.28	4,700,946	639,334	-639,155	-789,906
Class A	138,657,214	22.6	25.9	32.58	4,374,056	591,334	-89,052	-420,009
Class B	83,932,778	21.0	24.4	21.08	326,890	48,000	-544,934	-372,916

Source: CBRE Research, Q2 2020.
*Although Class C is not shown, totals are inclusive of all classes of data.

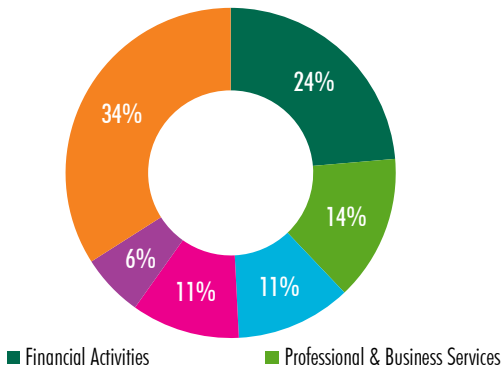
Figure 3: Significant Leases / Sales of the Quarter

Lease (Tenant)	Building Name	Submarket	Total SF
Hilltop Securities	717 N Harwood	Dallas CBD	130,756
Goosehead Insurance	1500 Solana Blvd	Mid-Cities	123,631

Sale (Buyer)	Building Name	Submarket	Total SF
Capital Commercial Investments	Former American Airlines HQ	Mid-Cities	1,400,000
Albany Road RE Partners	Mockingbird Towers	Stemmons Freeway	448,761

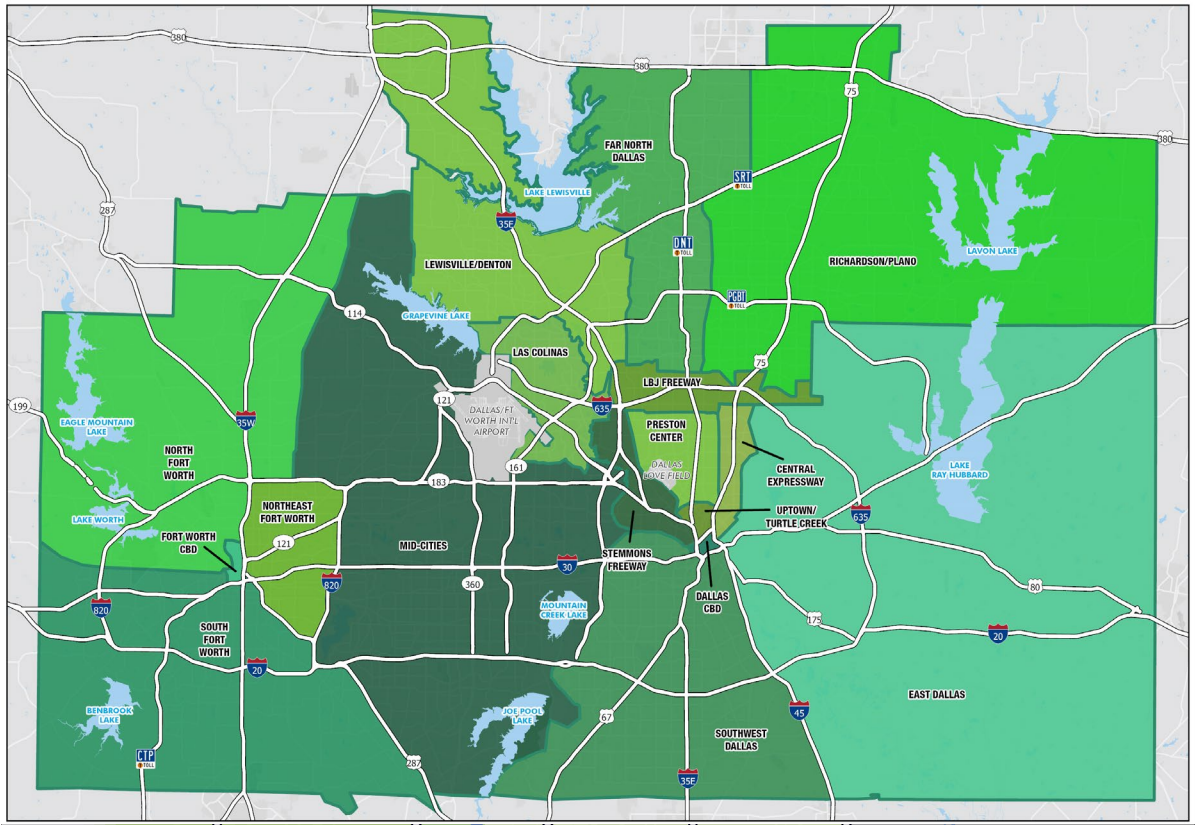
Source: CBRE Research, Real Capital Analytics, Q2 2020.

Figure 4: Q2 2020 Signed Leases (10k SF+) by Industry



Source: CBRE Research, Q2 2020.

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DEFINITIONS

Average Asking Rate Direct Annual Lease Rates, NNN, Modified Gross and/or Full Service Gross, dependent upon Submarket. Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy. CBD Central Business District; consists of Dallas' Central Business District only.

SURVEY CRITERIA

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 30,000+ sq. ft. in Dallas / Fort Worth, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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