Dallas / Fort Worth Retail, Q3 2017

Open! Major project deliveries come online throughout North Texas

Occupancy 94.6%

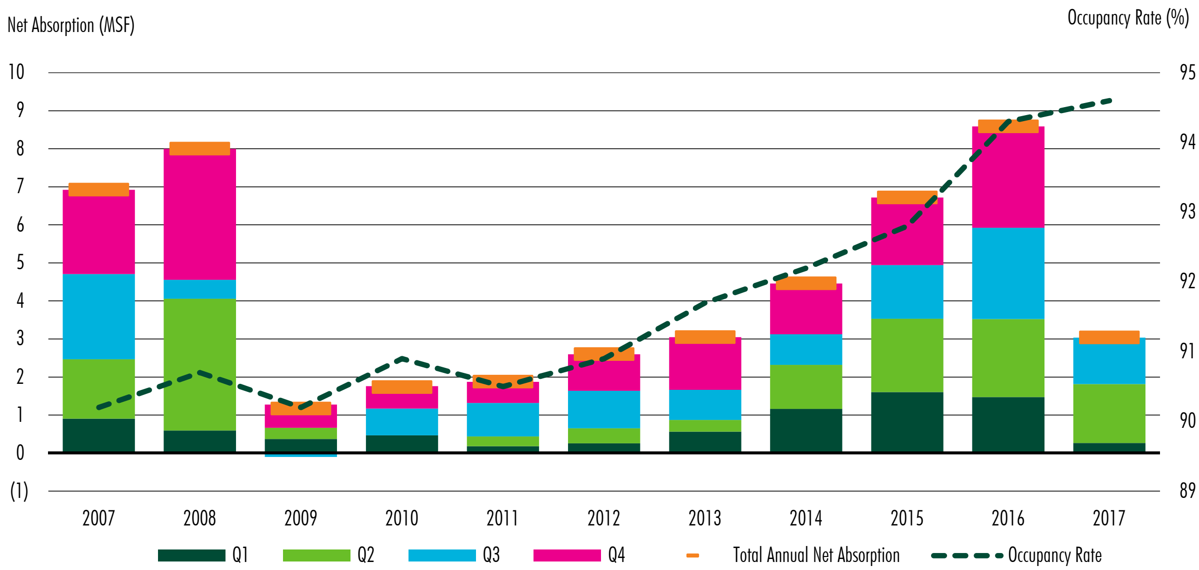
Under Construction 6,982,890 SF

Completions 1,253,000 SF

Net Absorption 1,224,241 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q3 2017.

OCCUPANCY REMAINS STEADFAST AT ALL-TIME HIGHS; REACHING 94.6%

Within Dallas/Fort Worth's tightening retail market, strong net absorption and deliveries pushed occupancy rates to new highs. Looking ahead into the holiday season, filled centers have the potential to provide the strongest consumer spending in years.

CONSTRUCTION PIPELINE DECREASES AS MAJOR DELIVERIES OPEN THEIR DOORS

With a large number of major developments coming online this quarter, North Texas' construction pipeline remains relatively robust, but with little backfill. Rising construction costs and rebuilding due to Hurricane Harvey are expected to contribute to a minor slowdown in the short-term.

CLASS A BIG BOX SPACE REMAINS AVAILABLE AS MARKET STABILIZES

As expected, the pace of absorption of big box space throughout 2017 is slower than in years past – even within Class A inventory. This is due to a smaller pool of tenants chasing an increased supply of opportunities both in DFW, and around the country.

THE SHOPS AT CLEARFORK, IRVING'S TOYOTA MUSIC FACTORY, AND THE STAR ALL CELEBRATE GRAND OPENINGS IN Q3 2017

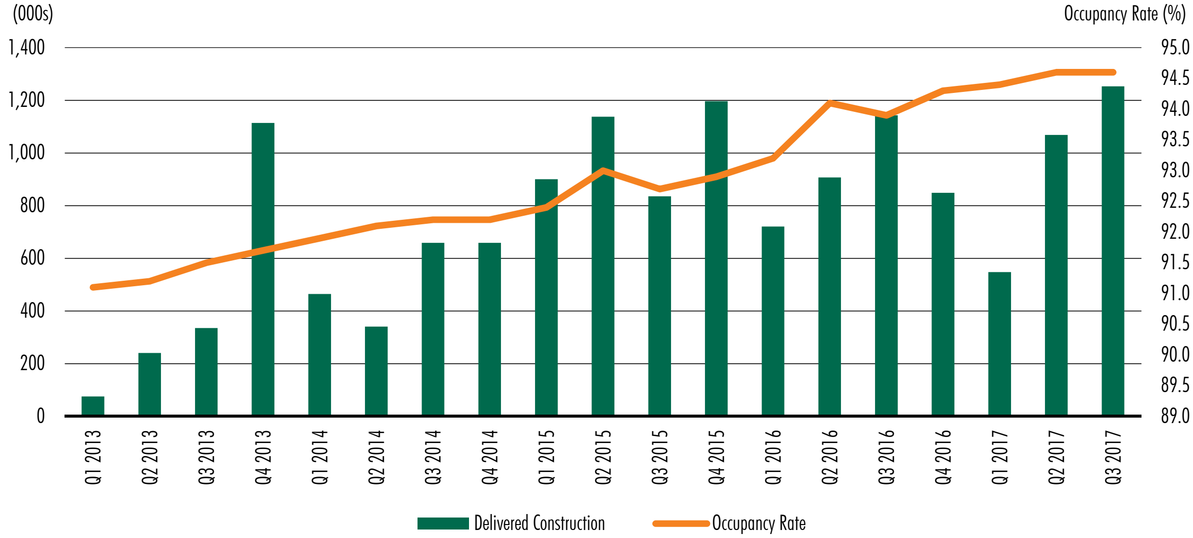
Three major local developments celebrated their grand openings recently, accounting for 830,000 sq. ft. of delivery and absorption in the Metroplex. The Star on August 21, Toyota Music Factory on September 9, and The Shops at Clearfork in Fort Worth on September 14.

Figure 2: Market Snapshot

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
CENTRAL DALLAS									
Absorption (Net, SF)	49,209	22,115	22,856	3,356	107,800	282,632	8,458	(53,300)	(30,525)
Avg. Asking Rent (Annual, Net, $/SF)	28.00	29.75	29.50	31.58	25.54	25.26	24.63	24.70	23.40
Delivered Construction (SF)	53,000	-	37,749	-	107,800	63,000	-	-	-
Occupancy Rate (%)	95.9	95.7	95.2	95.4	96.8	97.3	97.8	97.2	97.0
EAST DALLAS OUTLYING									
Absorption (Net, SF)	5,492	10,726	4,655	16,221	(4,185)	(29,280)	42,356	54,036	1,378
Avg. Asking Rent (Annual, Net, $/SF)	20.00	22.30	23.00	21.93	19.11	20.25	19.78	20.29	20.93
Delivered Construction (SF)	-	-	-	-	-	-	87,406	-	-
Occupancy Rate (%)	97.3	97.7	98.4	98.8	98.8	98.3	96.0	95.7	96.2
FAR NORTH DALLAS									
Absorption (Net, SF)	349,075	237,488	566,231	748,324	567,284	199,844	19,570	280,463	302,390
Avg. Asking Rent (Annual, Net, $/SF)	15.25	15.25	15.50	14.52	15.83	14.51	14.73	15.11	16.51
Delivered Construction (SF)	110,715	17,586	322,667	738,187	567,284	25,000	106,888	542,000	300,000
Occupancy Rate (%)	91.1	91.4	92.0	93.6	93.0	93.4	93.2	93.5	93.4
NEAR NORTH DALLAS									
Absorption (Net, SF)	6,192	125,656	80,349	(54,260)	316,964	142,058	64,122	210,362	19,920
Avg. Asking Rent (Annual, Net, $/SF)	15.00	15.50	14.75	14.36	16.07	16.45	16.35	17.31	18.10
Delivered Construction (SF)	16,000	107,500	-	-	316,964	58,000	20,431	220,000	-
Occupancy Rate (%)	94.1	94.1	94.3	94.8	94.7	95.2	95.0	95.2	95.4
NORTH CENTRAL DALLAS									
Absorption (Net, SF)	159,778	201,739	180,664	215,284	266,504	256,960	62,914	326,587	331,134
Avg. Asking Rent (Annual, Net, $/SF)	16.00	16.25	16.00	17.04	17.83	17.24	17.50	19.99	22.58
Delivered Construction (SF)	113,780	70,908	101,238	-	266,504	253,599	183,563	86,365	323,000
Occupancy Rate (%)	93.4	93.4	93.6	94.2	94.2	94.6	95.1	94.6	94.8
SOUTHEAST DALLAS									
Absorption (Net, SF)	28,563	2,052	39,748	58,787	(24,033)	34,759	(61,249)	164,121	(51,395)
Avg. Asking Rent (Annual, Net, $/SF)	11.00	11.00	11.00	10.74	11.18	11.18	11.42	15.34	11.67
Delivered Construction (SF)	-	11,000	-	-	-	-	14,804	-	-
Occupancy Rate (%)	93.3	93.1	92.9	94.1	94.0	95.1	95.0	95.5	94.9
SOUTHWEST DALLAS									
Absorption (Net, SF)	(14,523)	91,008	74,056	51,427	299,631	386,969	21,919	54,983	82,763
Avg. Asking Rent (Annual, Net, $/SF)	10.25	10.25	10.25	10.99	9.59	10.64	10.66	11.38	12.62
Delivered Construction (SF)	-	-	76,663	-	-	-	-	-	-
Occupancy Rate (%)	89.4	90.1	90.3	91.0	91.0	92.0	92.4	91.9	92.4
WEST DALLAS									
Absorption (Net, SF)	88,160	71,428	53,014	330,003	160,443	345,084	(79,960)	250,684	297,426
Avg. Asking Rent (Annual, Net, $/SF)	13.00	12.75	13.00	13.23	13.42	13.24	13.17	12.67	13.46
Delivered Construction (SF)	31,000	41,179	-	-	-	40,000	10,039	-	250,000
Occupancy Rate (%)	91.6	91.6	92.3	93.7	93.0	93.3	93.4	94.8	95.0
CENTRAL FORT WORTH									
Absorption (Net, SF)	72,899	141,329	72,424	197,341	303,425	182,737	(47,615)	161,418	394,718
Avg. Asking Rent (Annual, Net, $/SF)	12.50	12.50	12.00	11.84	11.83	12.29	12.92	12.40	12.85
Delivered Construction (SF)	35,336	52,676	64,776	-	303,425	113,900	-	118,000	380,000
Occupancy Rate (%)	92.8	92.3	92.5	93.9	93.5	94.1	94.1	94.4	94.5
MID-CITIES									
Absorption (Net, SF)	491,285	385,561	249,004	201,925	196,458	498,722	143,754	99,018	15.763
Avg. Asking Rent (Annual, Net, $/SF)	13.25	13.50	13.75	13.87	14.06	13.61	13.72	13.82	14.38
Delivered Construction (SF)	475,782	308,465	29,496	84,000	196,458	210,000	69,000	-	-
Occupancy Rate (%)	94.0	94.1	94.3	94.8	94.8	94.6	94.7	95.1	95.1
SUBURBAN FORT WORTH									
Absorption (Net, SF)	172,276	489,191	129,731	280,752	208,558	364,415	91,081	12,064	(139,331)
Avg. Asking Rent (Annual, Net, $/SF)	12.00	12.00	12.50	11.84	11.01	13.00	12.64	12.79	13.17
Delivered Construction (SF)	-	487,508	87,900	85,000	208,558	85,000	55,725	102,000	-
Occupancy Rate (%)	93.4	93.6	94.0	94.6	94.7	95.1	95.2	95.0	94.6
DALLAS TOTAL									
Absorption (Net, SF)	**671,946**	**762,212**	**1,021,582**	**1,369,142**	**1,690,408**	**1,619,026**	**78,130**	**1,287,936**	**953,091**
Avg. Asking Rent (Annual, Net, $/SF)	**14.92**	**15.10**	**15.7**	**15.13**	**15.68**	**15.31**	**15.37**	**16.30**	**17.18**
Delivered Construction (SF)	**342,495**	**248,185**	**538,317**	**738,187**	**698,000**	**439,599**	**423,131**	**850,365**	**873,000**
Occupancy Rate (%)	**92.3**	**92.5**	**92.8**	**93.8**	**93.7**	**94.2**	**94.2**	**94.4**	**94.5**
FORT WORTH TOTAL									
Absorption (Net, SF)	**736,460**	**1,016,081**	**451,159**	**680,018**	**708,441**	**1,045,874**	**187,220**	**272,500**	**271,150**
Avg. Asking Rent (Annual, Net, $/SF)	**12.77**	**12.97**	**12.97**	**12.89**	**12.80**	**13.14**	**13.27**	**13.23**	**13.71**
Delivered Construction (SF)	**511,118**	**848,649**	**182,162**	**169,000**	**445,000**	**408,900**	**124,725**	**220,000**	**380,000**
Occupancy Rate (%)	**93.4**	**93.4**	**93.8**	**94.6**	**94.4**	**94.6**	**94.7**	**94.9**	**94.9**
DFW MARKET TOTAL									
Absorption (Net, SF)	**1,408,406**	**1,778,293**	**1,472,741**	**2,049,160**	**2,398,849**	**2,664,900**	**265,350**	**1,560,436**	**1,224,241**
Avg. Asking Rent (Annual, Net, $/SF)	**14.17**	**14.33**	**14.34**	**14.35**	**14.69**	**14.57**	**14.65**	**15.25**	**15.98**
Delivered Construction (SF)	**835,613**	**1,196,834**	**720,479**	**907,187**	**1,143,000**	**848,499**	**547,856**	**1,068,365**	**1,253,000**
Occupancy Rate (%)	**92.7**	**92.7**	**93.2**	**94.1**	**93.9**	**94.3**	**94.4**	**94.6**	**94.6**

Source: CBRE Research, Q3 2017.

Figure 3: Historical Completions and Occupancy Rate



Source: CBRE Research, Q3 2017.

Figure 4: Construction Activity by Submarket

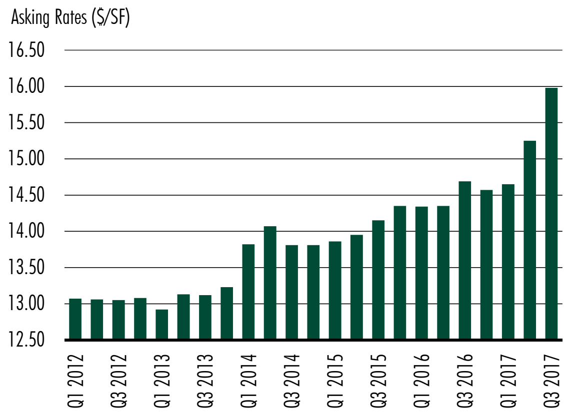
Market	Under Construction Bldg Count	Under Construction (SF)	Delivered Buildings	Delivered Construction (SF)
Central Dallas	3	175,000	-	-
East Dallas Outlying	2	25,800	-	-
Far North Dallas	21	749,998	1	300,000
Near North Dallas	1	13,000	-	-
North Central Dallas	30	1,768,306	2	323,000
Southeast Dallas	3	192,804	-	-
Southwest Dallas	3	59,560	-	-
West Dallas	8	444,255	1	250,000
Central Fort Worth	2	150,000	1	380,000
Mid-Cities	13	1,656,586	-	-
Suburban Fort Worth	13	1,747,581	-	-
TOTAL DALLAS	**71**	**3,428,723**	**4**	**873,000**
TOTAL FORT WORTH	**28**	**3,554,167**	**1**	**380,000**
TOTAL DFW	**99**	**6,982,890**	**5**	**1,253,000**

Source: CBRE Research, Q3 2017.

Bishop Street Market – Bishop Arts, Dallas TX

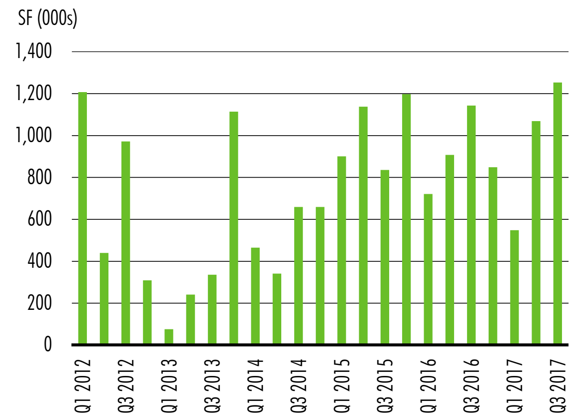
The Shops at Legacy – Plano, TX

Figure 5: Asking Annual Rents, NNN Avg.



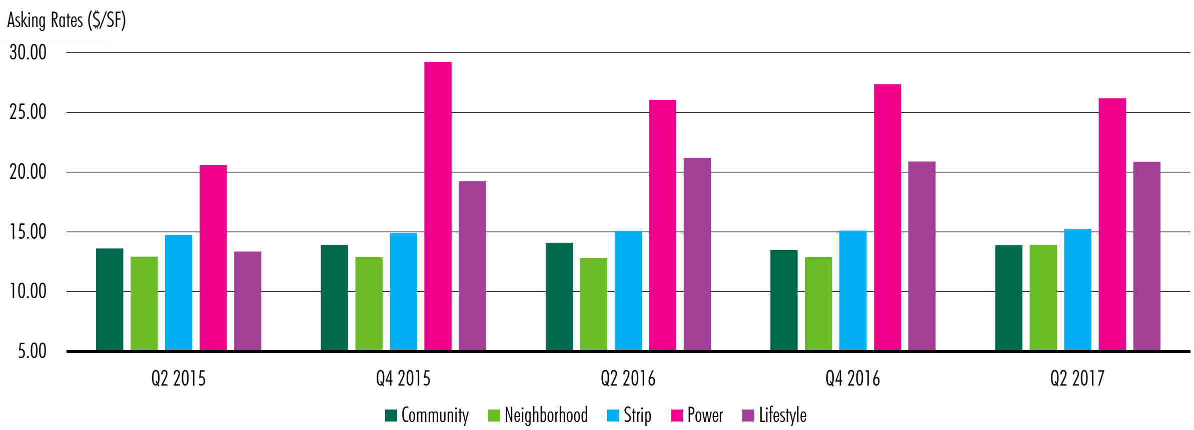
Source: CBRE Research, Q3 2017.

Figure 6: Deliveries



Source: CBRE Research, Q3 2017.

Figure 7: Asking Annual Rents by Center Type, NNN Avg.

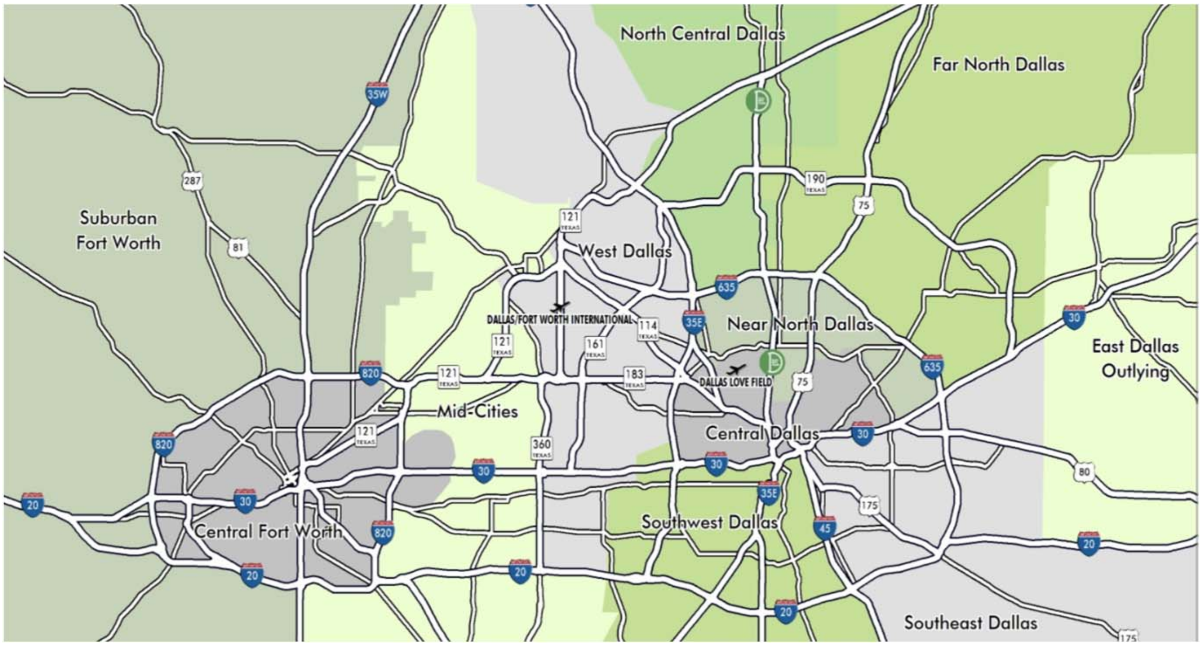


Source: CBRE Research, Q3 2017.

Figure 8: Top 10 Largest Available Class A Big Box Spaces

Submarket	Address	City	Former Use	Available (SF)
North Central Dallas	4268 Legacy Drive	Frisco	*Neighborhood Grocer*	62,802
Mid-Cities	459 E Interstate 20	Arlington	*Gander Mountain*	52,000
Near North Dallas	9100 N Central Expy	Dallas	*Sports Authority*	52,000
North Central Dallas	12277 Dallas Pkwy	Frisco	*Gander Mountain*	50,000
Near North Dallas	Mockingbird & Abrams	Dallas	*SunFresh*	50,000
Far North Dallas	3300 N Central Expy	Plano	*Sports Authority*	42,487
North Central Dallas	2930 Preston Rd	Frisco	*Sports Authority*	41,240
Mid-Cities	1551 Highway 287 N	Mansfield	*Sports Authority*	40,527
North Central Dallas	1701 Preston Rd	Plano	*Babies R Us*	37,296
Mid-Cities	3000 Grapevine Mills Pkwy	Grapevine	*Bed Bath & Beyond*	35,000
Total Market Class A Space				**773,572**

Source: CBRE Research, Q3 2017.



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