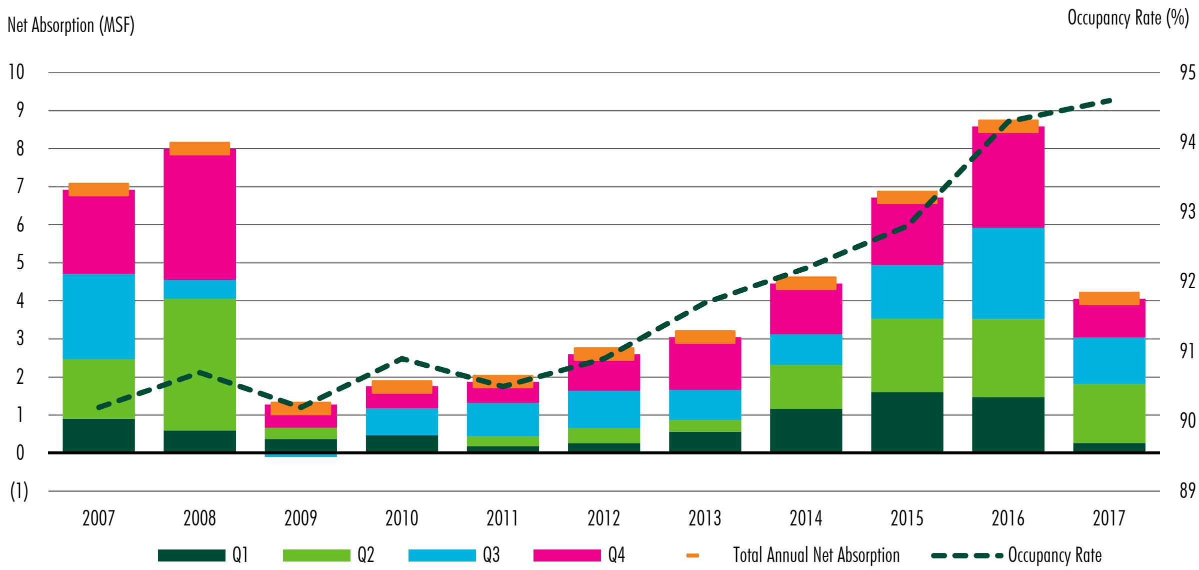
Dallas / Fort Worth Retail, Q4 2017

Metroplex retail sector marks record year of occupancy growth

Occupancy	Under Construction	Completions	Net Absorption
94.6%	5,829,433 SF	888,874 SF	1,023,290 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q4 2017.

OCCUPANCY AT ALL-TIME HIGHS; MAINTAINING 94.6%; POSITIVE OUTLOOK FOR 2018

Within Dallas/Fort Worth's tightening retail market, strong net absorption and heavily pre-leased deliveries caused occupancy to measure an all-time high. The year has proven to be a strong one for retail landlords and tenants alike, with an expectation of positive sales growth continuing into 2018.

CONSTRUCTION PIPELINE TIGHTENS

Multiple construction projects across North Texas have been sidelined as labor and borrowing costs remain elevated, specifically for those in the early stages. An increase in equity requirements and cost of capital may result in a delay to bring these projects to market, as well as increased tenant sales volume expectations to appease lenders.

CLASS A BIG BOX SUPPLY REMAINS ELEVATED AS MARKET STABILIZES

As forecasted, the pace of absorption in big box space slowed throughout 2017 when compared to years past – even within Class A product. As seen in other major U.S. retail markets, elevated supply, at 813,572 million sq. ft., is due to a smaller pool of big box retailers.

TANGER FACTORY OUTLETS, LEGACY FOOD HALL IN PLANO, AND IKEA IN GRAND PRAIRIE ALL CELEBRATE GRAND OPENINGS IN Q4 2017

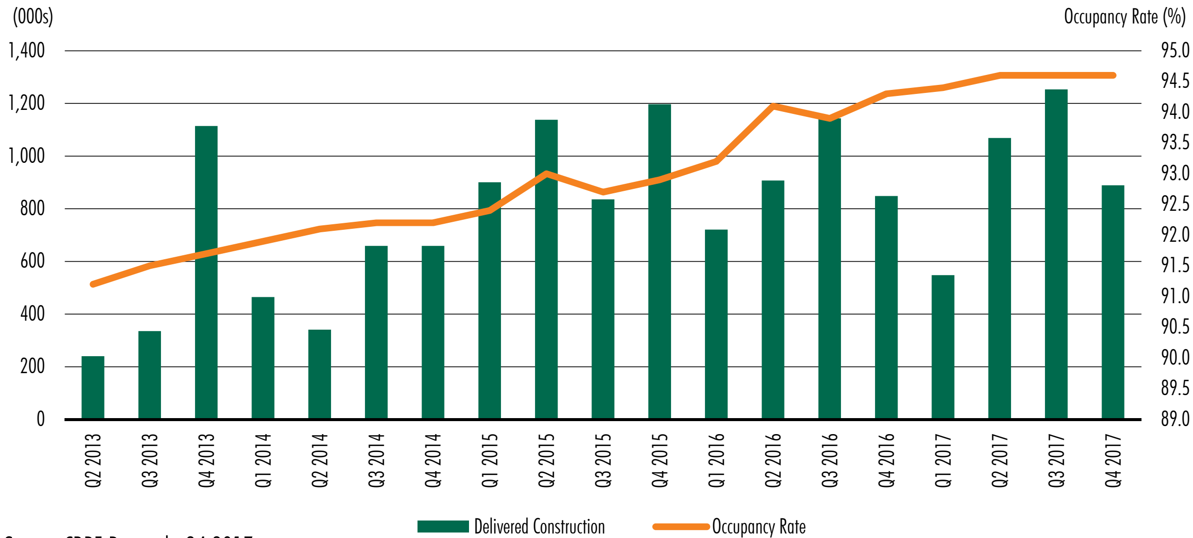
Three major local developments celebrated their grand openings recently, accounting for 702,000 sq. ft. of delivery and absorption in the Metroplex. Tanger Factory Outlets on October 27, Legacy Food Hall on December 6, and IKEA in Grand Prairie on December 13.

Figure 2: Market Snapshot

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
CENTRAL DALLAS									
Absorption (Net, SF)	22,115	22,856	3,356	107,800	282,632	8,458	(53,300)	(30,525)	38,858
Avg. Asking Rent (Annual, Net, $/SF)	29.75	29.50	31.58	25.54	25.26	24.63	24.70	23.40	22.07
Delivered Construction (SF)	-	37,749	-	107,800	63,000	-	-	-	-
Occupancy Rate (%)	95.7	95.2	95.4	96.8	97.3	97.8	97.2	97.0	97.4
EAST DALLAS OUTLYING									
Absorption (Net, SF)	10,726	4,655	16,221	(4,185)	(29,280)	42,356	54,036	1,378	(3,926)
Avg. Asking Rent (Annual, Net, $/SF)	22.30	23.00	21.93	19.11	20.25	19.78	20.29	20.93	20.56
Delivered Construction (SF)	-	-	-	-	-	87,406	-	-	-
Occupancy Rate (%)	97.7	98.4	98.8	98.8	98.3	96.0	95.7	96.2	97.6
FAR NORTH DALLAS									
Absorption (Net, SF)	237,488	566,231	748,324	567,284	199,844	19,570	280,463	302,390	26,090
Avg. Asking Rent (Annual, Net, $/SF)	15.25	15.50	14.52	15.83	14.51	14.73	15.11	16.51	15.88
Delivered Construction (SF)	17,586	322,667	738,187	567,284	25,000	106,888	542,000	300,000	55,000
Occupancy Rate (%)	91.4	92.0	93.6	93.0	93.4	93.2	93.5	93.4	93.4
NEAR NORTH DALLAS									
Absorption (Net, SF)	125,656	80,349	(54,260)	316,964	142,058	64,122	210,362	19,920	81,080
Avg. Asking Rent (Annual, Net, $/SF)	15.50	14.75	14.36	16.07	16.45	16.35	17.31	18.10	18.17
Delivered Construction (SF)	107,500	-	-	316,964	58,000	20,431	220,000	-	-
Occupancy Rate (%)	94.1	94.3	94.8	94.7	95.2	95.0	95.2	95.4	95.6
NORTH CENTRAL DALLAS									
Absorption (Net, SF)	201,739	180,664	215,284	266,504	256,960	62,914	326,587	331,134	270,633
Avg. Asking Rent (Annual, Net, $/SF)	16.25	16.00	17.04	17.83	17.24	17.50	19.99	22.58	20.80
Delivered Construction (SF)	70,908	101,238	-	266,504	253,599	183,563	86,365	323,000	186,874
Occupancy Rate (%)	93.4	93.6	94.2	94.2	94.6	95.1	94.6	94.8	94.9
SOUTHEAST DALLAS									
Absorption (Net, SF)	2,052	39,748	58,787	(24,033)	34,759	(61,249)	164,121	(51,395)	(57,341)
Avg. Asking Rent (Annual, Net, $/SF)	11.00	11.00	10.74	11.18	11.18	11.42	15.34	11.67	11.22
Delivered Construction (SF)	11,000	-	-	-	-	14,804	-	-	-
Occupancy Rate (%)	93.1	92.9	94.1	94.0	95.1	95.0	95.5	94.9	94.1
SOUTHWEST DALLAS									
Absorption (Net, SF)	91,008	74,056	51,427	299,631	386,969	21,919	54,983	82,763	(5,564)
Avg. Asking Rent (Annual, Net, $/SF)	10.25	10.25	10.99	9.59	10.64	10.66	11.38	12.62	12.03
Delivered Construction (SF)	-	76,663	-	-	-	-	-	-	-
Occupancy Rate (%)	90.1	90.3	91.0	91.0	92.0	92.4	91.9	92.4	92.2
WEST DALLAS									
Absorption (Net, SF)	71,428	53,014	330,003	160,443	345,084	(79,960)	250,684	297,426	445,693
Avg. Asking Rent (Annual, Net, $/SF)	12.75	13.00	13.23	13.42	13.24	13.17	12.67	13.46	13.53
Delivered Construction (SF)	41,179	-	-	-	40,000	10,039	-	250,000	297,000
Occupancy Rate (%)	91.6	92.3	93.7	93.0	93.3	93.4	94.8	95.0	95.5
CENTRAL FORT WORTH									
Absorption (Net, SF)	141,329	72,424	197,341	303,425	182,737	(47,615)	161,418	394,718	(53,248)
Avg. Asking Rent (Annual, Net, $/SF)	12.50	12.00	11.84	11.83	12.29	12.92	12.40	12.85	12.40
Delivered Construction (SF)	52,676	64,776	-	303,425	113,900	-	118,000	380,000	-
Occupancy Rate (%)	92.3	92.5	93.9	93.5	94.1	94.1	94.4	94.5	94.3
MID-CITIES									
Absorption (Net, SF)	385,561	249,004	201,925	196,458	498,722	143,754	99,018	15.763	(100,227)
Avg. Asking Rent (Annual, Net, $/SF)	13.50	13.75	13.87	14.06	13.61	13.72	13.82	14.38	16.12
Delivered Construction (SF)	308,465	29,496	84,000	196,458	210,000	69,000	-	-	-
Occupancy Rate (%)	94.1	94.3	94.8	94.8	94.6	94.7	95.1	95.1	95.0
SUBURBAN FORT WORTH									
Absorption (Net, SF)	489,191	129,731	280,752	208,558	364,415	91,081	12,064	(139,331)	381,242
Avg. Asking Rent (Annual, Net, $/SF)	12.00	12.50	11.84	11.01	13.00	12.64	12.79	13.17	13.43
Delivered Construction (SF)	487,508	87,900	85,000	208,558	85,000	55,725	102,000	-	350,000
Occupancy Rate (%)	93.6	94.0	94.6	94.7	95.1	95.2	95.0	94.6	94.6
DALLAS TOTAL									
Absorption (Net, SF)	**762,212**	**1,021,582**	**1,369,142**	**1,690,408**	**1,619,026**	**78,130**	**1,287,936**	**953,091**	**795,523**
Avg. Asking Rent (Annual, Net, $/SF)	**15.10**	**15.7**	**15.13**	**15.68**	**15.31**	**15.37**	**16.30**	**17.18**	**16.51**
Delivered Construction (SF)	**248,185**	**538,317**	**738,187**	**698,000**	**439,599**	**423,131**	**850,365**	**873,000**	**538,874**
Occupancy Rate (%)	**92.5**	**92.8**	**93.8**	**93.7**	**94.2**	**94.2**	**94.4**	**94.5**	**94.6**
FORT WORTH TOTAL									
Absorption (Net, SF)	**1,016,081**	**451,159**	**680,018**	**708,441**	**1,045,874**	**187,220**	**272,500**	**271,150**	**227,767**
Avg. Asking Rent (Annual, Net, $/SF)	**12.97**	**12.97**	**12.89**	**12.80**	**13.14**	**13.27**	**13.23**	**13.71**	**14.57**
Delivered Construction (SF)	**848,649**	**182,162**	**169,000**	**445,000**	**408,900**	**124,725**	**220,000**	**380,000**	**350,000**
Occupancy Rate (%)	**93.4**	**93.8**	**94.6**	**94.4**	**94.6**	**94.7**	**94.9**	**94.9**	**94.8**
DFW MARKET TOTAL									
Absorption (Net, SF)	**1,778,293**	**1,472,741**	**2,049,160**	**2,398,849**	**2,664,900**	**265,350**	**1,560,436**	**1,224,241**	**1,023,290**
Avg. Asking Rent (Annual, Net, $/SF)	**14.33**	**14.34**	**14.35**	**14.69**	**14.57**	**14.65**	**15.25**	**15.98**	**15.83**
Delivered Construction (SF)	**1,196,834**	**720,479**	**907,187**	**1,143,000**	**848,499**	**547,856**	**1,068,365**	**1,253,000**	**888,874**
Occupancy Rate (%)	**92.7**	**93.2**	**94.1**	**93.9**	**94.3**	**94.4**	**94.6**	**94.6**	**94.6**

Source: CBRE Research, Q4 2017.

Figure 3: Historical Completions and Occupancy Rate



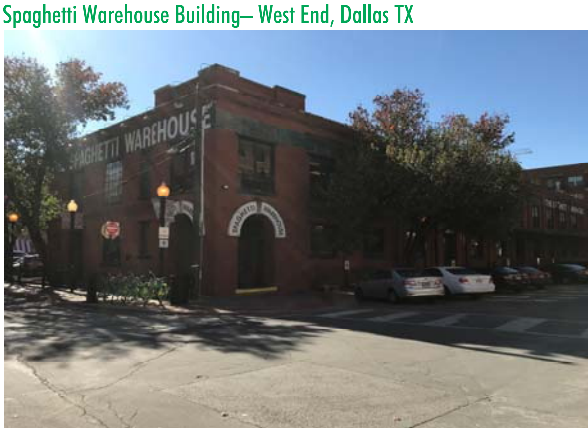
Source: CBRE Research, Q4 2017.

Figure 4: Construction Activity by Submarket

Market	Under Construction Bldg Count	Under Construction (SF)	Delivered Buildings	Delivered Construction (SF)
Central Dallas	3	165,000	-	-
East Dallas Outlying	1	12,000	-	-
Far North Dallas	16	1,733,067	1	55,000
Near North Dallas	2	291,800	-	-
North Central Dallas	26	1,987,180	1	186,874
Southeast Dallas	2	142,444	-	-
Southwest Dallas	3	59,560	-	-
West Dallas	8	158,755	1	297,000
Central Fort Worth	4	183,293	-	-
Mid-Cities	11	745,862	-	-
Suburban Fort Worth	5	350,472	1	350,000
TOTAL DALLAS	**61**	**4,549,806**	**3**	**538,874**
TOTAL FORT WORTH	**20**	**1,279,627**	**1**	**350,000**
TOTAL DFW	**81**	**5,829,433**	**4**	**888,874**

Source: CBRE Research, Q4 2017.

Spaghetti Warehouse Building– West End, Dallas TX



The Shops at Legacy – Plano, TX

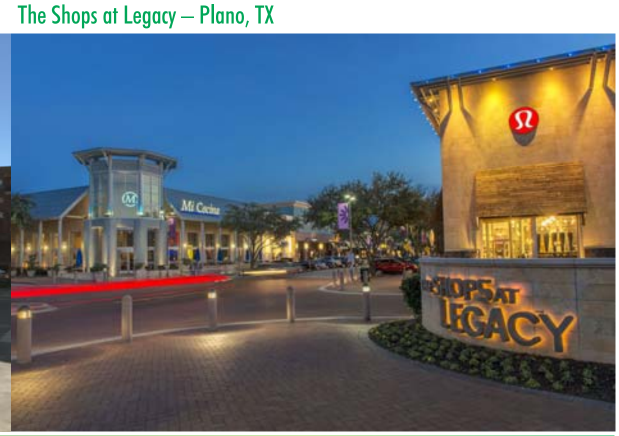
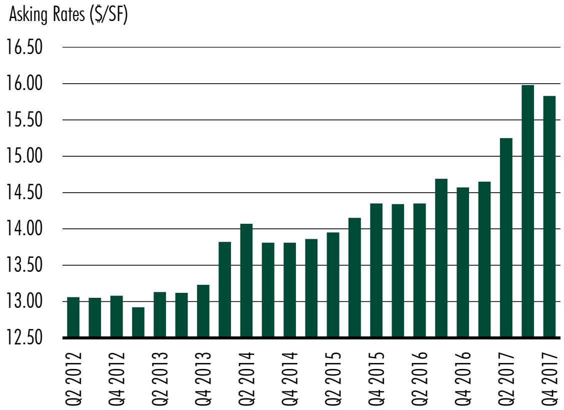
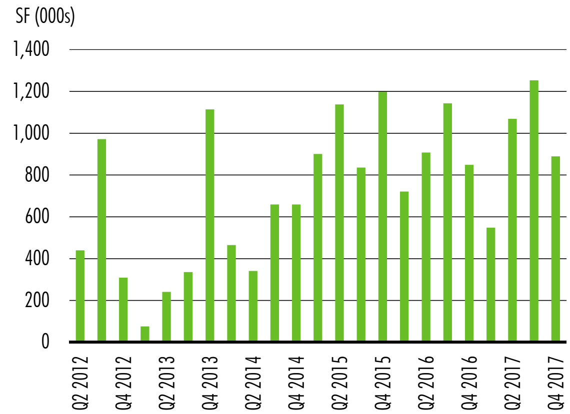


Figure 5: Asking Annual Rents, NNN Avg.



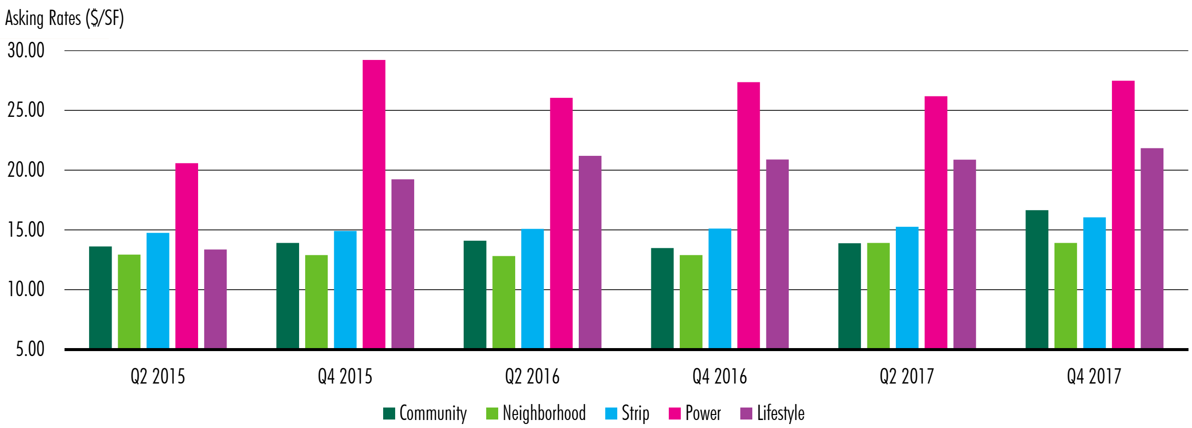
Source: CBRE Research, Q4 2017.

Figure 6: Deliveries



Source: CBRE Research, Q4 2017.

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

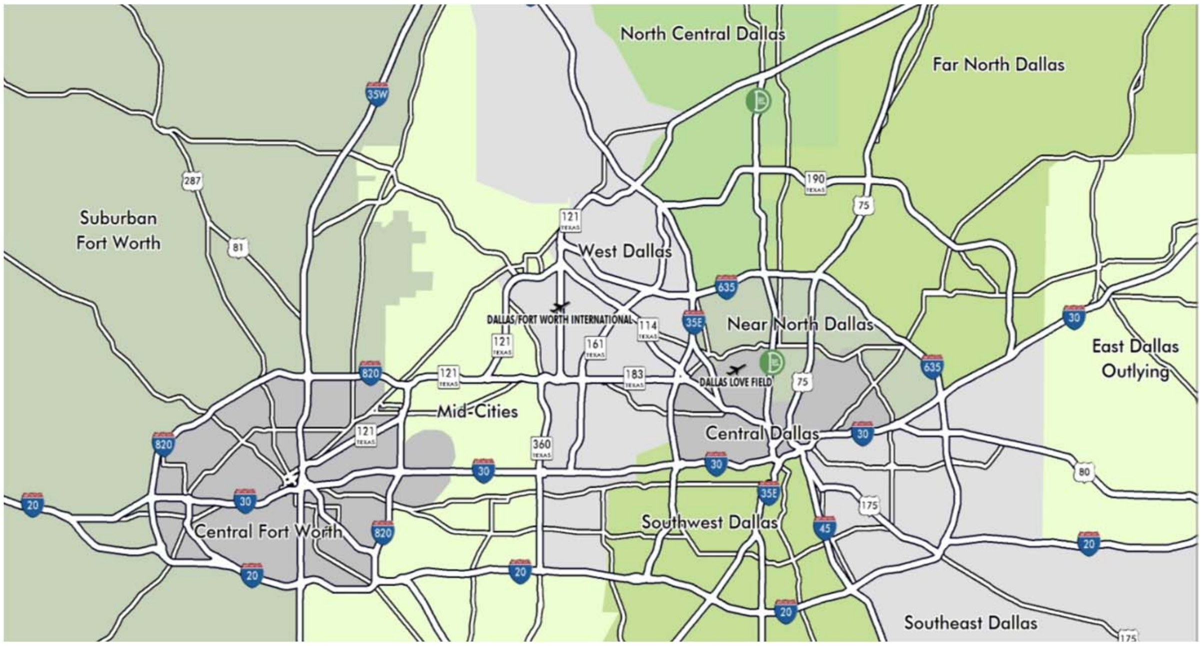


Source: CBRE Research, Q4 2017.

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
Central Fort Worth	4610 SW Loop 820	Fort Worth	*Goody Goody*	40,000
North Central Dallas	1701 Preston Rd	Plano	*Babies R Us*	37,296
Total Market Class A Space				**813,572**

Source: CBRE Research, Q4 2017.



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