



Office Market Overview

Dallas/Fort Worth Metroplex

YEAR END 2009

MARKET UP-CLOSE

- The Dallas/Ft. Worth office market comprises 2,603 Class A, B, & C buildings within 17 submarkets.
- Overall Net Absorption for D/FW office market (move-ins less move-outs) for the year ended at a positive 440,603 SF, led by South Ft. Worth submarket with 338,636 SF, followed by Far North Dallas at 318,582 SF.
- Average rental rates continue to slide to \$19.94/SF (down \$0.11) from last quarter, with overall D/FW vacancy continuing to inch upward (up .2% to 20.7% total vacancy).
- Notable deliveries this year were Saint Ann Court - 314,370 SF in Uptown, Cigna Pointe I - 210,000 SF in Far N. Dallas, and Wilcox Plaza at Green Oaks - 187,928 SF in S. Ft. Worth.

INSIDE

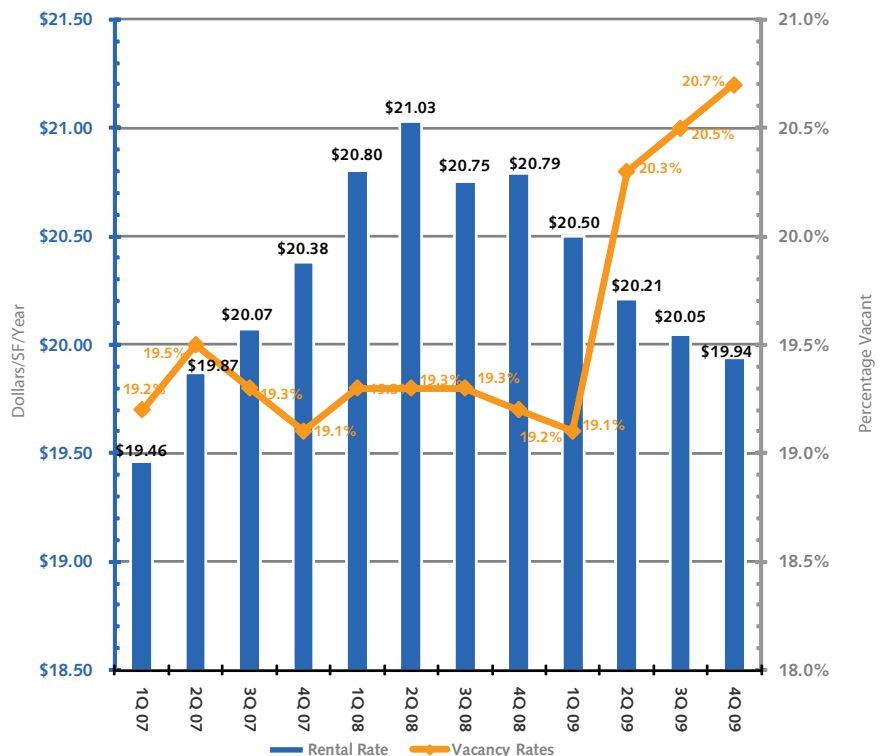
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By most accounts people are relieved to bring 2009 to a close. While this was undoubtedly a difficult year, the Metroplex outperformed most markets in just about every category. Unemployment at the end of the year appears to have stabilized near 8% compared to 10% for the country. Most executives are cautiously optimistic that the worst is over and that we will begin to see some recovery in 2010.

Leasing activity for the final quarter of 2009 was 2,860,190 SF, up only 147,698 SF from 3rd quarter 2009. Class "A" buildings reported <51,481> SF of net absorption, while class "B" buildings reported a healthy 534,674 SF. Overall, we ended the year with 440,603 SF of positive absorption. Buildings that had notable leasing activity in 2009 were Cityplace signing Dean Foods for 286,685 SF, Fountain Place signing Tenent Healthcare for 150,716 SF, and Plaza of the Americas leasing 140,306 SF to AIG.

The investment sales market remains soft; however, we are beginning to see properties come to market. In 2009, Heritage Square at Galleria, Lincoln Centre, Park Plaza and Preston Sherry were put up for sale and heavily marketed. Heritage Square closed at the end of October for approximately \$50.00 per square foot or \$17.9 million. Lenders continue to place pressure on existing borrowers and while debt is available, most borrowers are being required to put 30 to 40 percent equity into the deals.

As we head into 2010, we are not looking for a sharp spike in leasing activity, but rather a modest leasing volume. As landlord's aggressively pursue tenants to stabilize occupancy in their buildings, rental rates continue a downward trend in most submarkets as a result of this competitive environment.



TEXAS ECONOMY

Economic conditions in the Eleventh District continued to firm up over the past six weeks. While conditions appeared to be recovering in many sectors and outlooks were becoming more positive, most contacts only expected a slow and modest improvement in the near term.

Loan demand remained soft. Office and industrial leasing activity remained feeble. Commercial real estate lending was scarce, and community banks continued to curtail residential real estate lending due to tough regulatory requirements. Loan pricing was slowly returning back to "normal." Deposit growth was steady but credit quality continued to deteriorate.

From October to November, Texas' unemployment rate dropped from 8.3 to 8. Residential construction bottomed out earlier this year in Texas and continues to improve. Energy prices remain low due to weak U.S. demand and high natural gas and oil inventories. Gas prices have ticked up slightly in recent weeks due to cold weather across the country.

The regional economy experienced broad-based improvement in recent weeks. Most notably, labor markets appear to be stabilizing. This is consistent with the regional economy being at a turning point, with output at low levels but growing.

Source: Federal Reserve Bank of Dallas
Economic Research
December 2009

Rental Rates

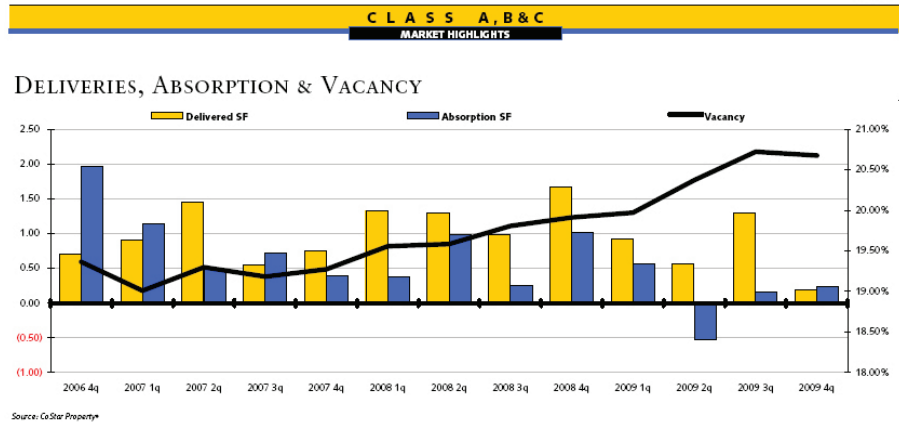
The overall average rental rate for Class A, B, & C office buildings D/FW dropped to under \$20.00/sf for the 1st time since 3rd Qtr 2007. At \$19.94/sf, the average rate for Dallas/Ft Worth decreased \$.11/sf. To compare, rental rates for the same quarter one year prior averaged \$20.63/SF. During the quarter, all but 5 submarkets marked decreases in average rental rates - those were: North Ft. Worth - up \$1.30/sf; Northeast Ft. Worth - up \$1.20/sf; South Ft. Worth - up \$0.28/sf; Uptown/Turtle Creek - \$0.18/sf; and Ft. Worth CBD - up \$0.12/sf. The most significant drop in rental rate was reflected in the Preston Center submarket with a decrease of \$0.54/sf from last quarter, (which, by the way; had a significant drop last quarter of \$2.04/sf).

Vacancy

During the 4th quarter of 2009, the overall D/FW average vacancy increase was minimal (.2%) from the previous quarter. A look at the 4th quarter of 2008 (last year) shows vacancy at 19.95%. Currently in the D/FW Metroplex, there is a total of 50,986,987 SF of Class A, B, & C office space that lies vacant. Unchanged from last quarter, the Stemmons Freeway submarket reports the highest vacancy at 28.5%, followed by Lewisville/Denton at 26.6%. The submarkets with the lowest vacancies recorded for the quarter are North Fort Worth at 6.2%, followed by South Ft. Worth at 11.4%, and Preston Center at 11.8% vacancy.

New Deliveries

The D/FW office market gained 2,973,057 SF of new office product this year, 56% LESS than last year's total delivery of 5,273,889 SF of office space. Submarket leaders for new product delivery in 2009 were: #1 Far North Dallas - 1,021,349 SF, #2 South Ft. Worth - 577,617 SF, and #3 Uptown/Turtle Creek with 314,279 SF. The largest buildings delivered this year were Saint Ann Court - Class A, 314,279 SF; Cigna Pointe I - Class B, 210,000 SF; Parkway Centre V - Class A, 200,800 SF; and proudly, our very own Wilcox Plaza at Green Oaks - Class A, 187,923 SF, LEED® Pre-certified Gold.



Net Absorption

Net absorption (defined as move-ins minus move-outs) for Dallas/Fort Worth office market ended the quarter with a positive net absorption of 440,663 SF vs. last year's net absorption of 2,630,113 SF, a difference of 2,189,450 SF. This year's net absorption submarket leaders were: #1 South Ft. Worth - 338,636 SF; #2 Far N. Dallas - 318,582 SF; #3 Richardson/Plano - 312,427 SF; #4 Las Colinas - 222,947 SF. The submarket with the largest net loss of leased space for 2009 was Dallas CBD with a negative (522,514) SF, primarily due to Bank of America moving out of 347,796 SF and Energy Future Holdings leaving 217,965 SF downtown.

New Construction

At the end of 2009, there was approximately 2,960,323 SF of spec buildings under construction in Dallas/Ft. Worth, up from last quarter's 2,312,482 SF. However, as can be expected, this is a drop of 1.43 million SF from the 4,398,792 SF that was underway at the end of 2008. Unchanged from last 2 quarters, Richardson/Plano submarket continues to have the highest concentration of speculative office space with 1,039,600 SF of space under construction, followed now by Mid-Cities with 838,034 SF of space under construction.

Sales Activity

Total office building sales activity in 2009 was down compared to 2008. The first 2 quarters of 2009 recorded nine office sale transactions with a total volume of \$19,620,000 with an average price per square foot of \$52.66. During the first 2 quarters of 2008, the market saw 41 sales transactions with a total volume of \$1,058,493,720, an average of \$153.79/SF. One building sale noted during the 3rd Quarter 2009 was Inwood Plaza for \$2,025,000 (\$58.42/SF) sold by GE Capital, and Heritage Square at Galleria sold on 10/30/2009 for \$17,958,600 (\$50.00/sf).

4TH QTR SUBMARKET STATS CLASS A, B, & C

| SUBMARKET | # OF BUILDINGS | TOTAL RENTABLE BUILDING AREA | V A C Direct SF | A N C Total SF | N C Y Total % Vacant | YTD NET ABSORPTION | YTD BUILDING DELIVERIES | SF UNDER CONSTRUCTION | AVG RATE PER SF |
|--------------------|----------------|------------------------------|--------------------|-------------------|-------------------------|--------------------|-------------------------|-----------------------|-----------------|
| Central Expressway | 108 | 13,051,039 | 1,925,523 | 1,970,717 | 15.1% | 91,498 | 92,000 | 98,001 | \$21.10 |
| Dallas CBD | 98 | 32,644,800 | 8,284,401 | 8,730,109 | 26.7% | (522,514) | 0 | 0 | \$19.03 |
| East Dallas | 171 | 7,896,627 | 990,882 | 998,462 | 12.6% | 38,159 | 124,159 | 522,210 | \$18.14 |
| Far North Dallas | 388 | 38,623,101 | 8,121,859 | 8,643,128 | 22.4% | 318,582 | 1,021,349 | 29,808 | \$21.38 |
| Fort Worth CBD | 65 | 9,166,415 | 1,476,727 | 1,506,797 | 16.4% | (174,590) | 0 | 0 | \$22.18 |
| Las Colinas | 238 | 29,893,002 | 6,732,281 | 6,970,031 | 23.3% | 222,947 | 75,100 | 0 | \$20.05 |
| LBJ Freeway | 170 | 22,856,794 | 4,856,339 | 5,196,496 | 22.7% | (431,699) | 32,611 | 0 | \$17.29 |
| Lewisville/Denton | 134 | 6,835,185 | 1,618,301 | 1,672,204 | 24.5% | 108,518 | 35,000 | 0 | \$19.45 |
| Mid-Cities | 350 | 19,348,039 | 3,325,166 | 3,421,811 | 17.7% | 35,819 | 171,200 | 838,034 | \$19.54 |
| North Fort Worth | 30 | 1,620,870 | 102,455 | 103,955 | 6.4% | 3,539 | 0 | 0 | \$18.43 |
| Northeast Ft Worth | 42 | 2,226,093 | 302,984 | 317,420 | 14.3% | (5,174) | 0 | 0 | \$18.05 |
| Preston Center | 50 | 4,195,169 | 390,742 | 466,338 | 11.1% | 87,059 | 140,047 | 0 | \$26.08 |
| Richardson/Plano | 288 | 20,069,848 | 3,598,653 | 3,828,622 | 19.1% | 312,427 | 215,695 | 1,039,600 | \$18.63 |
| South Fort Worth | 198 | 10,675,371 | 1,108,298 | 1,178,605 | 11.0% | 338,636 | 577,617 | 62,000 | \$21.19 |
| Southwest Dallas | 66 | 3,031,543 | 434,732 | 440,758 | 14.5% | (20,257) | 75,000 | 0 | \$16.26 |
| Stemmons Freeway | 117 | 13,704,851 | 3,537,569 | 3,591,710 | 26.2% | (76,383) | 99,000 | 0 | \$14.70 |
| Uptown/Turtle Crk | 90 | 10,737,967 | 1,678,647 | 1,949,824 | 18.2% | 114,036 | 314,279 | 370,670 | \$29.02 |
| TOTALS | 2,603 | 246,576,714 | 48,485,499 | 50,986,987 | 20.7% | 440,603 | 2,973,057 | 2,960,323 | \$19.94 |

YTD SELECT OFFICE LEASES

| Tenant | Building | Submarket | SF | Type |
|--------------------------------|--------------------------------|--------------------|---------|--------------|
| SuperMedia (Superpages.com) | 222 W. Airfield Dr. | Las Colinas | 418,000 | Renew |
| AT&T | Lakeside Tower | Richardson/Plano | 200,000 | New |
| Dean Foods | The Tower at City Place | Central Expressway | 200,000 | New |
| Interstate Batteries | Park Central 7, 8, & 9 | LBJ / Central | 133,000 | Renew/Expand |
| Parkland | Exchange Park | Stemmons Frwy | 109,000 | New |
| MedAssets | 5556 Tennyson | Frisco/Legacy | 100,528 | New |
| Health Management Systems | Corporate Point at Las Colinas | Las Colinas | 84,000 | Renew/Expand |
| FDIC | Energy Plaza | Dallas CBD | 75,000 | Expansion |
| Lockheed Martin | Wilcox Plaza at Green Oaks | South Ft. Worth | 61,945 | New |
| Publicis | The Shops at Legacy North | Far North Dallas | 60,000 | New |
| Montgomery Coscia Greulich LLP | Parkway Centre V | Far North Dallas | 34,631 | New |
| Kaye Bassman | Interchange Building | Far North Dallas | 25,000 | New |
| D Magazine | St. Paul Place | Dallas CBD | 23,581 | New |
| Willow Bend Fitness Center | Parkway Centre V | Far North Dallas | 13,719 | New |

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The GVA Cawley D/FW Market Report is a quarterly publication of GVA Cawley Knowledge Center. Researchers gather and evaluate office market statistics from many sources to create a comprehensive and accurate examination of the commercial real estate marketplace.

GVA Cawley's Knowledge Center also maintains an industry library of published and digital information. To maximize the utility of information gathered by GVA Cawley's brokerage and research staff, the Knowledge Center maintains proprietary database systems containing tenant information, completed transactions, space availability, and building profiles.

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