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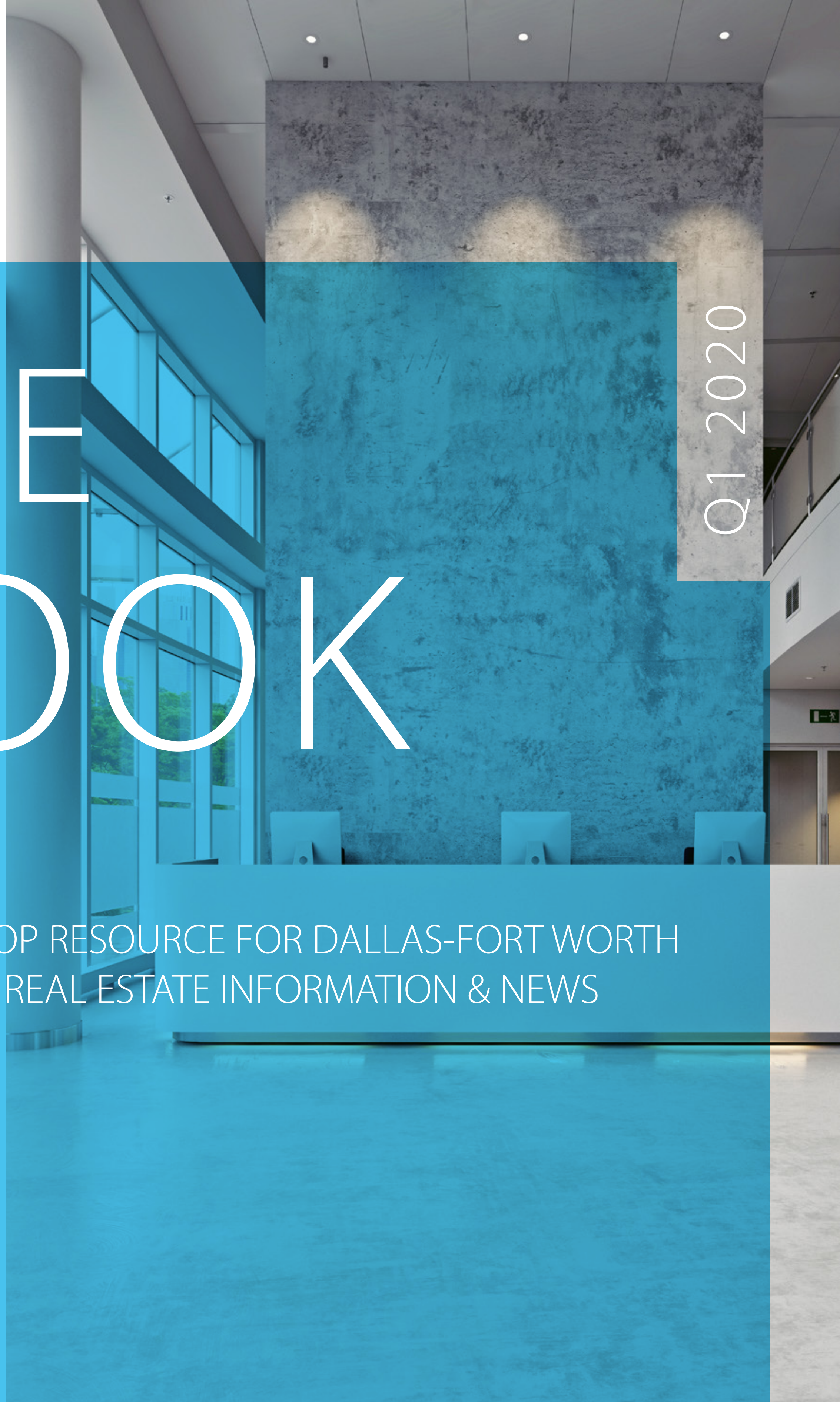

THE BOOK

Q1 2020

YOUR ONE-STOP RESOURCE FOR DALLAS-FORT WORTH COMMERCIAL REAL ESTATE INFORMATION & NEWS

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DISCLAIMER

WELCOME TO
THE BOOK

Presented by Avison Young — Dallas, LLC. We hope this will be your central hub for information on all things happening in Dallas-Fort Worth's thriving commercial real estate market.

This book will be ever evolving and growing, and we look forward to hearing your feedback and requests for new material.

Due to the global COVID-19 pandemic, data for this quarter will be quite different than previous recent quarters. We aim to present a solid summary of what has happened in the last 3 months, and do not plan to present any hypothetical proposals of what may come, since the situation changes by the hour. The full scope of COVID-19 will take several quarters to play out, and we will do everything we can to present a comprehensive overview. Thank you for your understanding and interest, and please reach out if you have any questions.

Best,

Micah Rabalais
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Bragging Rights/**In The News**

“#1 Best city for jobs 2 years in a row”
- Forbes

“#1 Most business friendly city in America”
- Market Watch

“#1 City for investing”
- PwC 2019 Emerging Trends

“#1 City for starting a business”
- Kiplinger

“#4 Metros with the most Fortune 1,000 companies
- Fortune

“#1 Most family-friendly metro in the US”
- Homes.com

“#2 Most Active Total Construction Markets
- Costar

“#1 Largest growing metro in US 2010-2019”
- Census Bureau

The Big Picture of The Big D: Q1 2020

OFFICE

INVENTORY
331 MSF

VACANCY
14.7%

UNDER CONSTRUCTION
8 MSF

INDUSTRIAL

INVENTORY
842 MSF

VACANCY
5.4%

UNDER CONSTRUCTION
36.5 MSF

RETAIL

INVENTORY
435 MSF

VACANCY
5.1%

UNDER CONSTRUCTION
4.7 MSF

MULTI-FAMILY

INVENTORY
858K Units

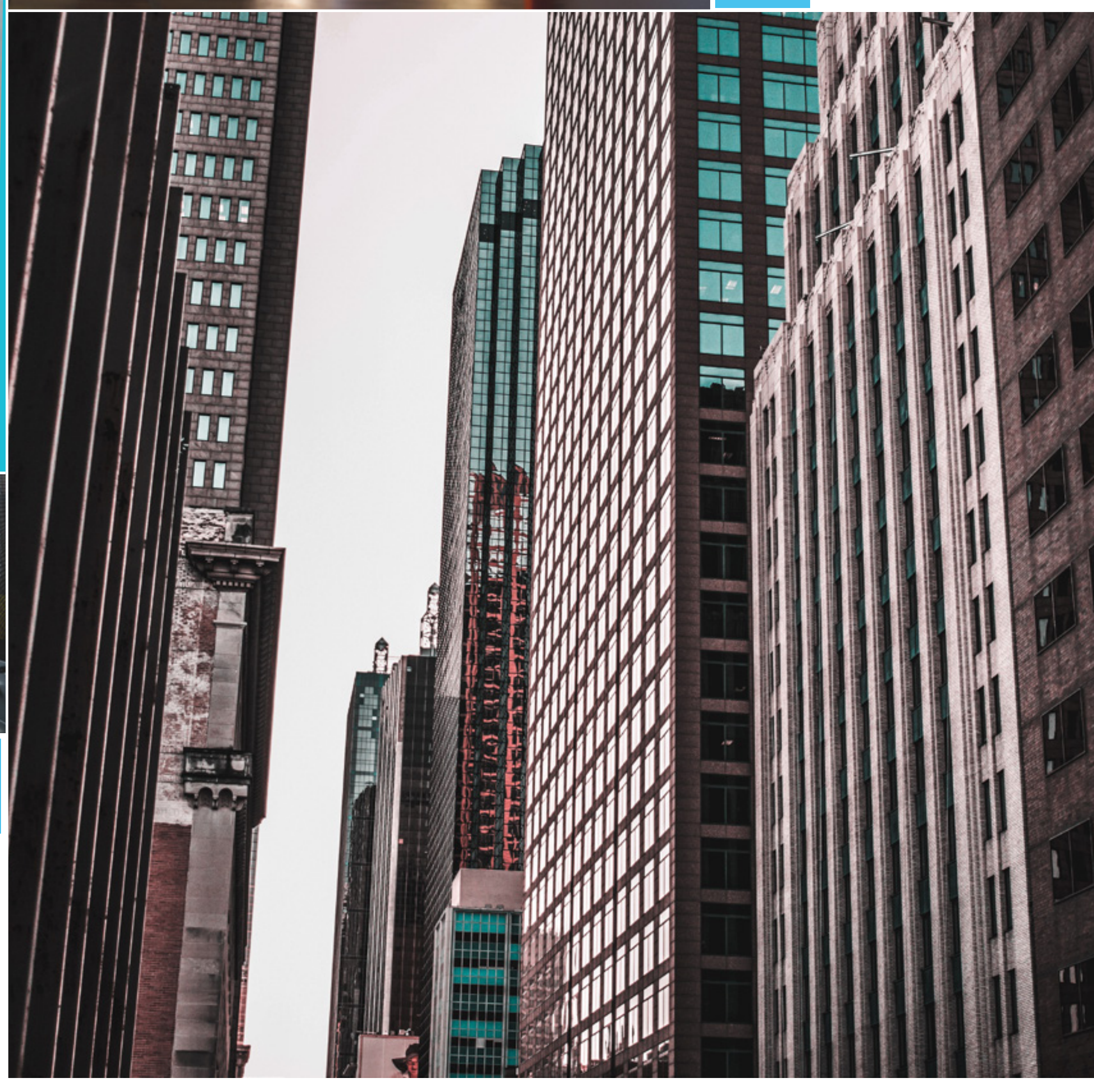
VACANCY
8.3%

UNDER CONSTRUCTION
33K Units

AVISON YOUNG

Dallas-Fort Worth
Market Overview

Q1 2020



OFFICE

Dallas/Fort Worth Q1 '20 Summary

330,921,512
Square Feet

14.7%
VACANCY

3,878,273 SF
12 MONTH TOTAL NET ABSORPTION
(Single Tenant Owner Occupied Space Included)

-207,275 SF
Q1 2020 NET ABSORPTION
(Single Tenant Owner Occupied Space Included)

Average Gross Asking Rents

$31.49
CLASS A

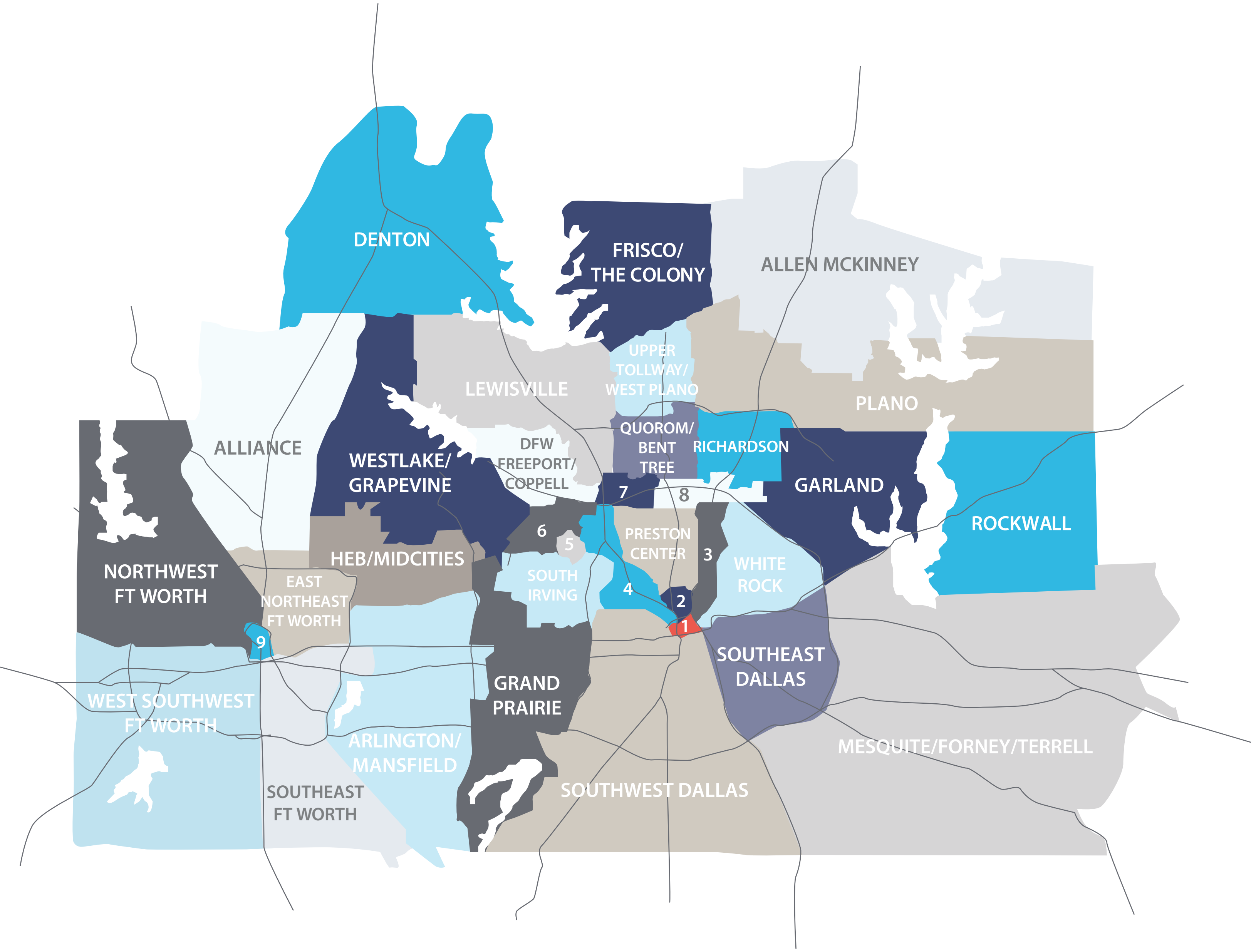
$22.30
CLASS B

8 MSF
UNDER CONSTRUCTION

6.7 MSF
12 MONTH DELIVERIES

Parameters: Office | 20,000 SF+ Buildings | Existing | Owner Occupied Included

The Market: **Submarket Map**



1	DALLAS CBD
2	UPTOWN/TURTLE CREEK
3	CENTRAL EXPRESSWAY
4	STEMMONS FREEWAY
5	URBAN CENTER/WINGREN
6	OFFICE CTR/WEST LBJ EXT
7	WEST LBJ FREEWAY
8	EAST LBJ FREEWAY
9	FT WORTH CBD

Office Market Research Report
Q1 2020

Market Overview

The Dallas-Fort Worth metro (DFW) saw its first quarter of negative net absorption in years as a result of the COVID-19 crisis. The market finished Q1 with -207,275 sf of absorption and 3,878,273 sf of 12-month absorption, the second-most in the US, and a vacancy rate of 14.7%

The office market saw a healthy 675 ksf deliver in Q1, driven mostly by deliveries in Cypress Waters and Legacy area. More cranes continued to appear in the skyline as construction continued its brisk pace with 8 msf underway; down from the cycle highs of 2016, which saw 14 msf under construction, but still enough to make DFW one of the most active markets in the county. However, the Great Pause of COVID has put much of that construction off scedule, or delayed, such as Uber's recent announcement that it was delaying some construction at its Deep Ellum location until 2021.

"Flight-to-quality" and coworking continue to be popular multi-tenant absorption drivers, but could also see foundational shifts once recovery sets in. The flex office market will likely see a positive boost from the enormous rise of working from home and remote work, which could drive more businesses to evaluate leasing models to better integrate such services. Class B and older properties continue to post nearly-flat or negative net absorption, a trend that will likely continue for the foreseeable future as tenants look for newer, refreshed, amenitized, and conveniently located spaces.

Before COVID-19 and the shelter-in-place orders of DFW, the office market was positioned to continue on with more positive quarterly growth. We will have to wait and see what awaits after the office buildings are opened up again.

Market Facts

675,726
SF Delivered for Q1 2020

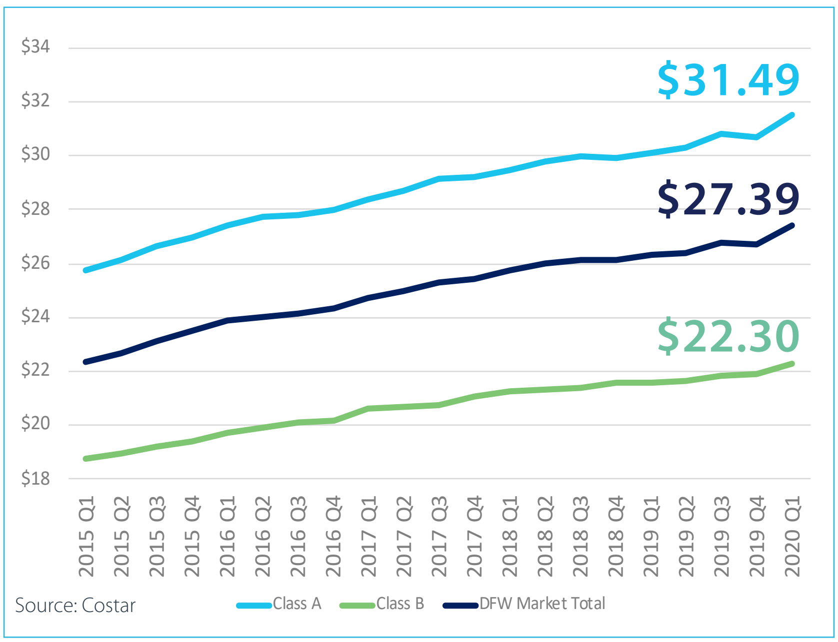
3.3%
Unemployment in Dallas pre-COVID-19

$883M
Quarterly Sales Volume

$27.40
Average Gross Direct Rental Rate

Total Inventory vs. Vacancy Rate

DFW Gross Direct Asking Rent Per SF



Vacancy

The Dallas-Fort Worth Office market ended the quarter with a vacancy rate of 14.7%. In all, there was 48.6 msf of vacant space available. The vacancy rate was down slightly from recent quarters, even as more supply delivered. Much of that supply was build-to-suit however, so it never entered the market with any availability.

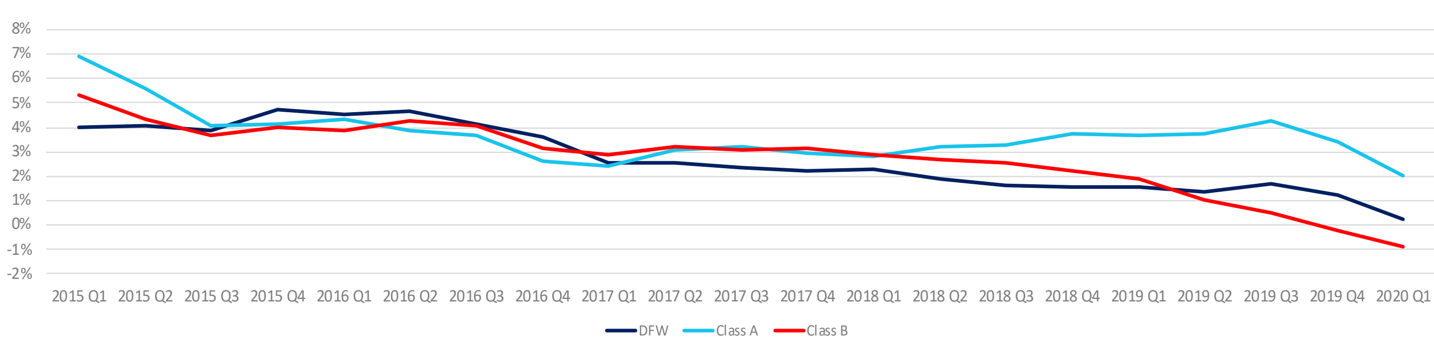
Looking at which submarkets are struggling the most with large vacancies, the usual suspects stay in sight. Dallas CBD has had several quarters of positive absorption recently, but the majority of that is in new product like 1900 Pearl and The Luminary. Dated product from the 80's and earlier continues to struggle, as evidenced in not just Dallas CBD, but also in submarkets like Stemmons Fwy, LBJ Fwy, and Quorum/Bent Tree.

Rental Rates

Annualized rent growth for Q4 was 0.4%, driven substantially by the harsh drop in March due to COVID-19. Before March, rent growth was decelerating, as it has been for multiple quarters, but expect rent growth to all but end now.

Premier submarkets such as Uptown/Turtle Creek, Frisco/The Colony, and Upper Tollway/West Plano have seen the strongest growth, with rents now 20% greater than per-recession peaks.

Annualized Rent Growth



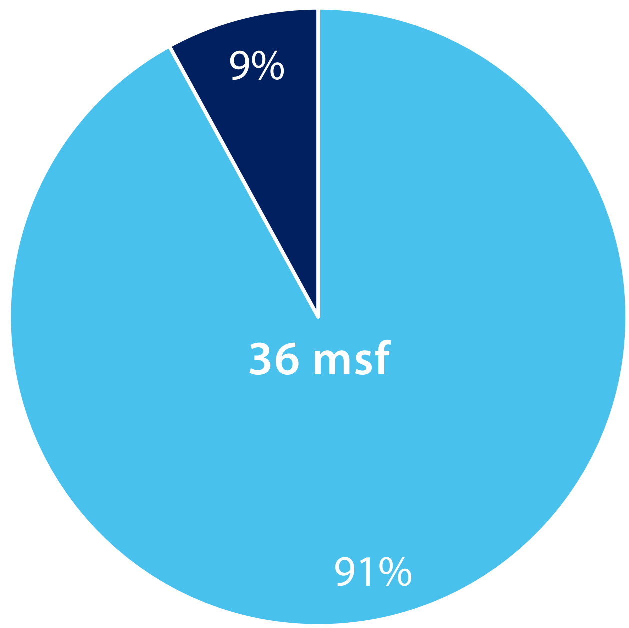
Absorption & Supply

12-month net absorption finished the quarter at 3.8 msf, which continued the momentum seen in recent quarters, though much of that was Q4 '19 absorbing a whopping 1.9 msf. When owner occupied space is excluded, 12 Month Absorption drops negative by almost 400,000 sf, showing the majority of absorption is continuing its flight-to-quality trend towards upgraded Class B, newer Class A product, and BTS sites. One aspect of note is that Class A product performed worse than Class B product for Q1 2020.

Class A 12 Month Absorption (Owner Occup. Excluded)	Class B 12 Month Absorption (Owner Occup. Excluded)
-398,441 SF	**-3,630 SF**

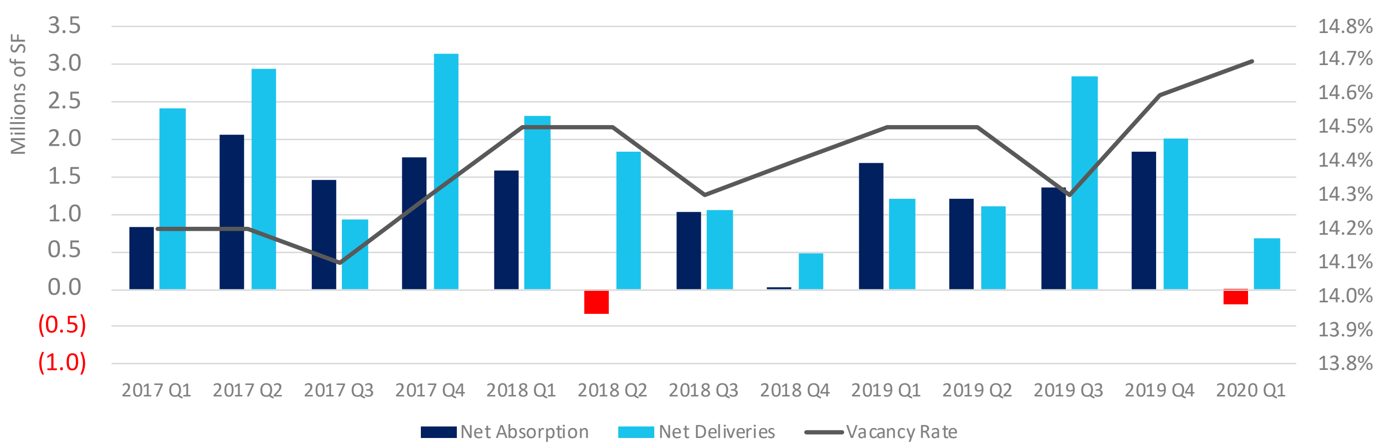
Newly built product is performing very well. Of the 22 msf of non owner-occupied inventory built in the last 5 years, 89% has been leased. Of the 8 msf currently under construction, including single tenant build-to-suits, the availability rate stands at 54%. If the leading flight-to-quality trends continue, these vacancies should fill once the economy picks back up.

Absorption & Deliveries



Roughly half of new product built in the last 5 years has been custom build-to-suits. That has helped the market absorb most of the newer supply, to the point that 90% of all new inventory has been filled.

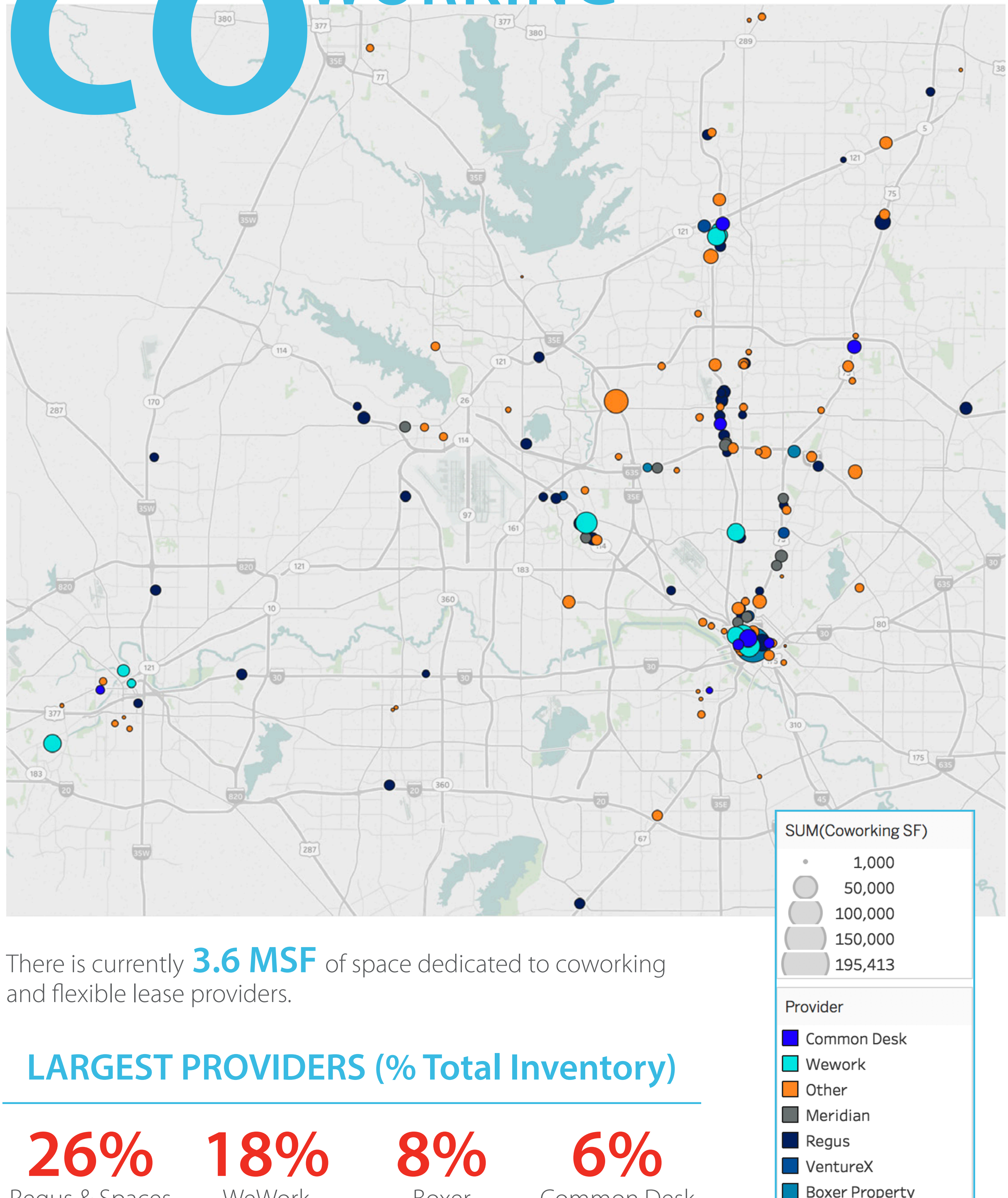
Net Absorption, Net Deliveries & Vacancy



Top Leases Past 12 Months

Address/Complex	Tenant	Submarket	Size (SF)	Deal Type
The Epic	Uber Technologies	White Rock (CBD Cluster)	468,993 SF	New
International Plaza	Tenet Healthcare T-Mobile	East Northeast Ft Worth	372,931 SF	New
Duke Bridges	Verizon	Quorum/Bent Tree	199,800 SF	New
Vista Office One	Lockheed Martin	Frisco/The Colony	198,809 SF	New
Arlington Center	Verizon	Las Colinas Cluster	175,536 SF	New

COWORKING



There is currently **3.6 MSF** of space dedicated to coworking and flexible lease providers.

LARGEST PROVIDERS (% Total Inventory)

26%	18%	8%	6%
Regus & Spaces	WeWork	Boxer	Common Desk

The Market: **Stats**

Class A & B Market Statistics

Q1 2020

Market	Existing Inventory		Vacancy				12 Month	Quarterly Net	12 Month	Under	Avg.
	# Blds	Total RBA	Direct SF	Sublease SF	Total SF	Total Vacant Available %	Net Absorption	Absorption	Deliveries	Const SF	Gross Rent Direct
Class A	677	169,951,582	24,302,352	2,322,506	26,624,858	15.7%	4,521,619	(308,773)	6,015,389	7,054,229	$31.49
Class B	1,906	143,491,744	19,826,662	738,561	20,565,223	14.3%	123,108	119,381	670,311	980,369	$22.30
Totals	**2,583**	**313,443,326**	**44,129,014**	**3,061,067**	**47,190,081**	**15.0%**	**4,644,727**	**(189,392)**	**6,685,700**	**8,034,598**	**$26.90**

Source: CoStar Property®

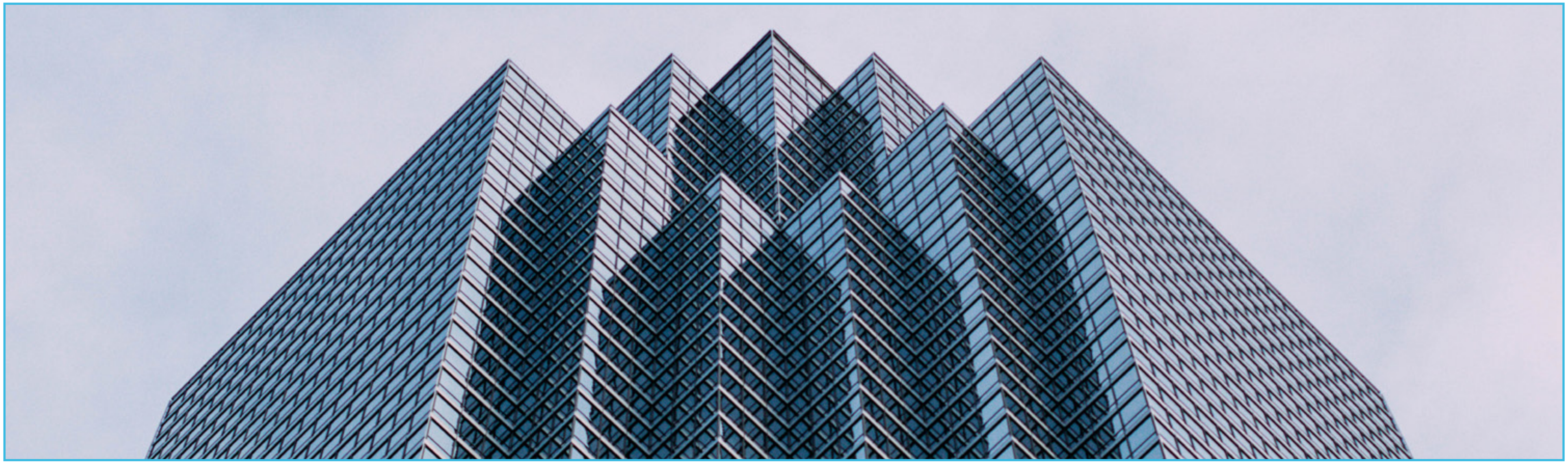
Total Office Market Statistics

Q1 2020

Market	Existing Inventory		Vacancy				12 Month	Quarterly Net	12 Month	Under	Avg.
	# Blds	Total RBA	Direct SF	Sublease SF	Total SF	Total Vacant Available %	Net Absorption	Absorption	Deliveries	Const SF	Gross Rent Direct
Totals	**2,974**	**330,921,512**	**45,590,291**	**3,066,727**	**48,657,018**	**14.7%**	**3,878,273**	**(207,275)**	**6,685,700**	**8,034,598**	**$27.40**

Source: CoStar Property®

Office, 20k sf, Existing, Owner Occupied Included



The Market: **Class A Stats - Core Submarkets**

	Existing Inventory		Vacancy				Absorption		Construction		Quoted Gross Direct Rates
Market	# Blds	Total RBA	Direct SF	Sublease SF	Total SF	%	12 Mo. Net	Quarterly Net	YTD Deliveries	Under Constr.	
Allen/McKinney	18	1,856,311	106,324	6,955	113,279	6.1%	339,738	11,310	165,582	300,000	$31.61
Central Expy	26	7,527,626	1,231,013	72,393	1,303,406	17.3%	-189,315	-62,401	0	0	$33.28
Dallas CBD	32	23,718,316	5,307,589	763,010	6,070,599	25.6%	-427,021	-388,863	0	259,230	$28.61
Fort Worth CBD	19	6,423,791	840,160	41,447	881,607	13.7%	130,404	72,520	0	0	$31.55
Frisco/The Colony	35	4,851,003	589,501	19,698	609,199	12.6%	212,483	-5,212	400,059	1,087,460	$39.89
Las Colinas	95	23,293,547	3,055,736	170,399	3,226,135	13.8%	1,275,172	-622,751	1,729,349	658,281	$30.67
LBJ	39	11,286,823	1,864,285	83,053	1,947,338	17.3%	459,852	214,120	0	0	$27.09
Lewisville/Denton/Flower Mound	7	361,915	40,974	5,646	46,620	12.9%	-19,672	26,206	20,000	220,000	$30.47
Mid Cities/HEB/Arlington	24	4,418,696	344,590	12,719	357,309	8.1%	1,834,898	-3,221	1,805,000	22,000	$21.66
Preston Center	24	4,459,535	353,463	50,868	404,331	9.1%	85,628	67,228	118,000	297,000	$43.35
Quorum/Bent Tree	50	12,184,392	1,915,508	305,615	2,221,123	18.2%	198,865	216,416	0	0	$32.02
Richardson/Plano	59	13,225,021	2,256,052	177,256	2,433,308	18.4%	264,301	119,812	0	0	$27.24
Stemmons	14	4,968,543	778,669	0	778,669	15.7%	19,786	29,985	0	0	$20.24
Upper Tollway/West Plano	93	24,524,813	2,488,961	394,471	2,883,432	11.8%	243,658	64,300	483,265	1,236,921	$36.81
Uptown/Turtle Creek	53	12,475,621	1,427,299	149,543	1,576,842	12.6%	315,245	-163,437	310,548	1,198,414	$43.28
West Southwest Fort Worth/Clearfork	28	3,435,704	200,913	57,483	258,396	7.5%	-50,410	-17,678	27,312	23,031	$27.91
Westlake/Grapevine/Southlake	26	5,383,362	964,760	4,365	969,125	18.0%	644,229	37,408	580,000	616,999	$31.89
Totals	**642**	**164,395,019**	**23,765,797**	**2,314,921**	**26,080,718**	**14.0%**	**5,337,841**	**(404,258)**	**5,639,115**	**5,919,336**	**$31.62**

The Market: **Class B Stats - Core Submarkets**

Market	Existing Inventory		Vacancy				Absorption		Construction		Quoted Gross Direct Rates
	# Blds	Total RBA	Direct SF	Sublease SF	Total SF	%	12 Mo. Net	Quarterly Net	YTD Deliveries	Under Constr.	
Allen/McKinney	58	4,779,819	470,896	38,778	509,674	10.7%	-98,614	-11,630	46,323	22,000	$25.34
Central Expy	75	6,021,151	555,523	26,577	582,100	9.7%	-23,971	27,257	0	30,252	$28.28
Dallas CBD	42	7,200,347	1,107,460	18,491	1,125,951	15.6%	-10,333	-27,385	0	0	$19.87
Fort Worth CBD	37	5,273,049	368,434	19,283	387,717	7.4%	92,089	70,808	0	0	$20.93
Frisco/The Colony	43	2,133,444	288,774	5,575	294,349	13.8%	-139,871	12,987	21,022	68,000	$30.68
Las Colinas	206	17,962,957	2,345,350	87,840	2,433,190	13.5%	-167,259	9,822	0	103,000	$22.45
LBJ	118	10,451,133	2,329,545	25,936	2,355,481	22.5%	70,778	47,578	0	0	$19.39
Lewisville/Denton/Flower Mound	103	6,664,741	732,360	5,058	737,418	11.1%	-25,508	-5,156	74,128	46,340	$23.74
Mid Cities/HEB/Arlington	145	9,107,554	1,017,443	50,308	1,067,751	11.7%	-37,832	82,211	50,000	190,000	$22.04
Preston Center	19	1,114,319	138,238	0	138,238	12.4%	-15,585	-8,506	0	0	$29.94
Quorum/Bent Tree	138	9,769,940	1,913,552	178,645	2,092,197	21.4%	-88,855	55,254	0	48,000	$21.14
Richardson/Plano	192	14,907,094	1,896,771	33,873	1,930,644	13.0%	94,577	33,258	52,091	48,000	$21.18
Stemmons	88	8,241,084	2,015,556	0	2,015,556	24.5%	-93,103	-15,249	0	0	$16.97
Upper Tollway/West Plano	108	8,064,082	989,976	43,279	1,033,255	12.8%	102,815	77,569	0	34,500	$27.24
Uptown/Turtle Creek	38	2,325,241	330,749	17,157	347,906	15.0%	69,608	-20,757	0	0	$33.01
West Southwest Fort Worth/Clearfork	112	6,552,677	657,604	75,000	732,604	11.2%	-48,927	19,471	41,659	69,960	$24.70
Westlake/Grapevine/Southlake	59	3,226,591	339,187	86,973	426,160	13.2%	-14,838	24,291	41,009	141,317	$26.21
Totals	**1,581**	**123,795,223**	**17,497,418**	**712,773**	**18,210,191**	**14.1%**	**-334829**	**371,823**	**326,232**	**801,369**	**$24.30**

Office, 20k sf, Existing, Owner Occupied Included

The Market: **Totals - Core Submarkets**

	Existing Inventory		Vacancy				Absorption		Construction		Quoted Gross Direct Rates
Market	# Blds	Total RBA	Direct SF	Sublease SF	Total SF	%	12 Mo. Net	Quarterly Net	YTD Deliveries	Under Constr.	
Allen/McKinney	80	6,854,678	597,220	45,733	642,953	9.4%	221,124	-20,320	211,905	322,000	$27.12
Central Expy	109	13,478,704	1,760,939	102,206	1,863,145	13.8%	-193,153	-75,859	0	30,252	$31.57
Dallas CBD	94	33,111,263	6,424,625	781,501	7,206,126	21.8%	-423,012	-401,906	0	259,230	$27.38
Fort Worth CBD	65	11,998,774	1,208,594	60,730	1,269,324	10.6%	222,493	143,328	0	0	$29.04
Frisco/The Colony	79	7,028,587	882,266	25,273	907,539	12.9%	76,871	7,775	421,081	1,155,460	$38.37
Las Colinas	317	42,336,613	5,468,470	258,239	5,726,709	13.5%	1,142,340	-628,865	1,729,679	761,281	$26.76
LBJ	169	22,269,645	4,229,565	108,989	4,338,554	19.5%	524,080	254,494	0	0	$23.03
Lewisville/Denton/Flower Mound	136	8,037,473	820,318	10,704	831,022	10.3%	-56,698	18,349	94,128	266,340	$24.71
Mid Cities/HEB/Arlington	215	15,487,950	1,452,722	63,027	1,515,749	9.8%	1,797,054	69,177	1,855,000	212,000	$21.68
Preston Center	51	5,795,675	499,015	50,868	549,883	9.5%	71,001	58,722	118,000	297,000	$39.88
Quorum/Bent Tree	198	22,495,365	3,831,876	482,260	4,314,136	19.2%	107,464	273,923	0	48,000	$27.14
Richardson/Plano	281	29,545,368	4,660,995	212,289	4,873,284	16.5%	-123,779	147,526	52,091	48,000	$24.12
Stemmons	133	14,560,048	3,025,063	0	3,025,063	20.8%	-97,142	-7,375	0	0	$18.01
Upper Tollway/West Plano	205	32,730,540	3,478,937	437,750	3,916,687	12.0%	346,474	141,869	483,265	1,271,421	$34.22
Uptown/Turtle Creek	98	15,057,924	1,783,369	166,700	1,950,069	13.0%	377,584	-186,792	310,548	1,198,414	$41.37
West Southwest Fort Worth/Clearfork	172	11,174,132	927,916	132,483	1,060,399	9.5%	-135,484	-4,507	68,971	92,991	$25.04
Westlake/Grapevine/Southlake	88	8,783,587	1,335,677	91,338	1,427,015	16.2%	629,392	61,699	621,009	758,316	$30.16
Totals	**2,490**	**300,746,326**	**42,387,567**	**3,030,090**	**45,417,657**	**14.0%**	**4,486,609**	**(148,762)**	**5,965,677**	**6,720,705**	**$28.80**

Office, 20k sf, Existing, Owner Occupied Included

CORE SUBMARKET SNAPSHOTS

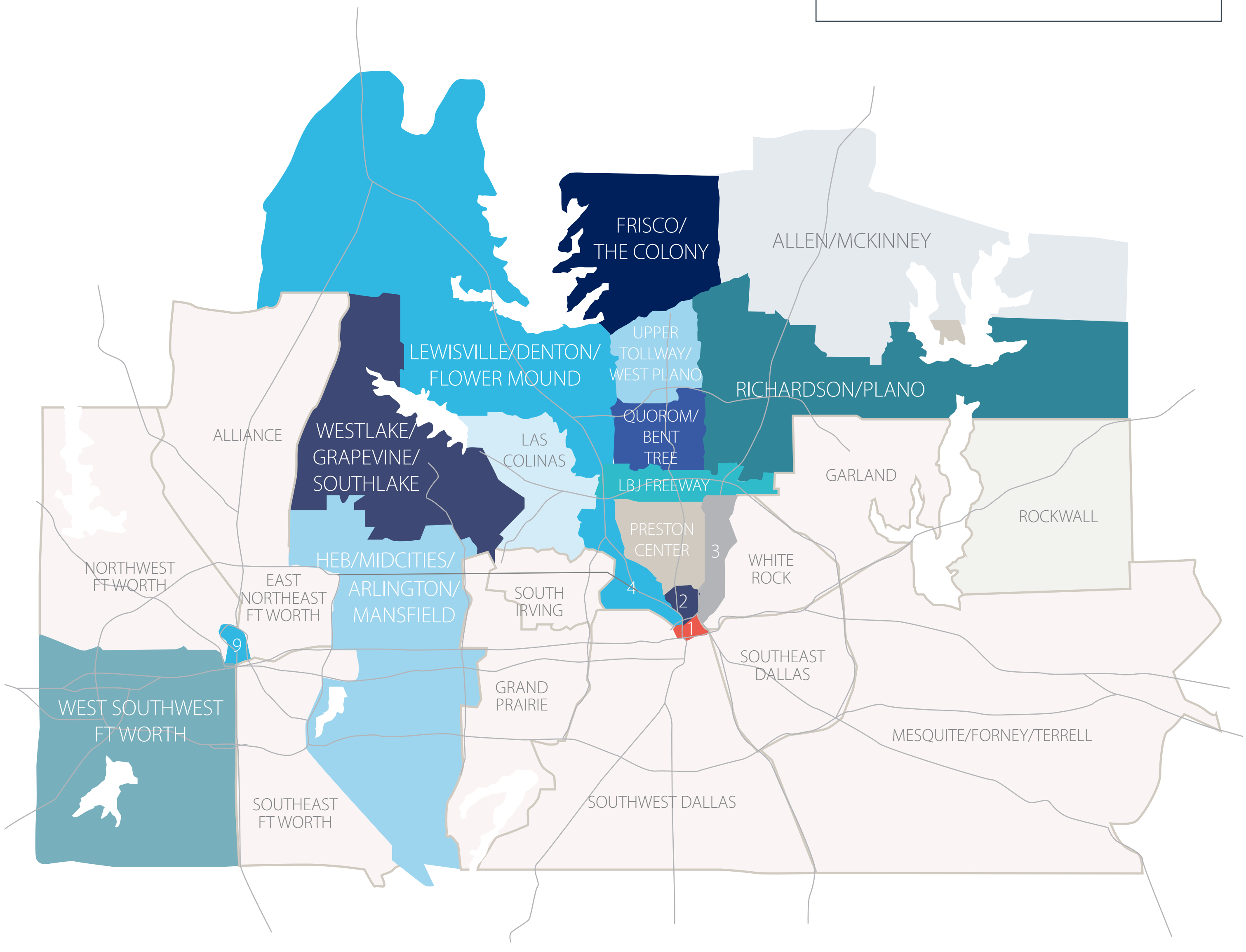
OFFICE

Q1 '20

DALLAS-FORT WORTH SUBMARKET MAP

CORE SUBMARKETS COLORED

1	DALLAS CBD
2	UPTOWN/TURTLE CREEK
3	CENTRAL EXPRESSWAY
4	STEMMONS FREEWAY
5	URBAN CENTER/WINGREN
6	OFFICE CTR/WEST LBJ EXT
7	WEST LBJ FREEWAY
8	EAST LBJ FREEWAY
9	FT WORTH CBD



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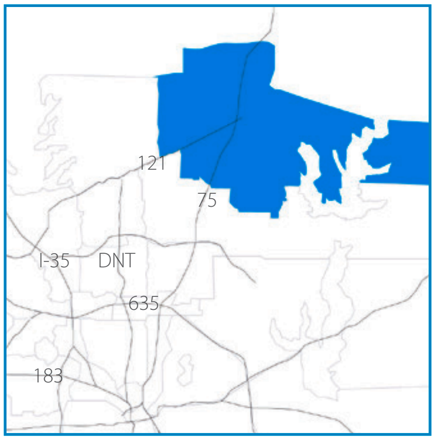
Q1 2020 OFFICE SUBMARKET SNAPSHOT

ALLEN/McKINNEY



Market Facts

MARKET TOTAL RBA
6,854,678 SF

CLASS A GROSS DIRECT RATE
$31.61/SF

CLASS B GROSS DIRECT RATE
$25.34/SF

MARKET TOTAL GROSS DIRECT RATE
$27.12/SF

TOTAL VACANCY
642,953 SF

TOTAL VACANCY %
9.4%

12 MONTH NET ABSORPTION
221,124 SF

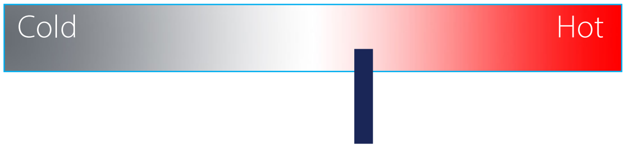
QUARTERLY NET ABSORPTION
-20,320 SF

YOY RENT GROWTH
1.4%

12 MONTH DELIVERIES
243,000 SF

UNDER CONSTRUCTION
322,000 SF

Market Dynamicism



Market Overview

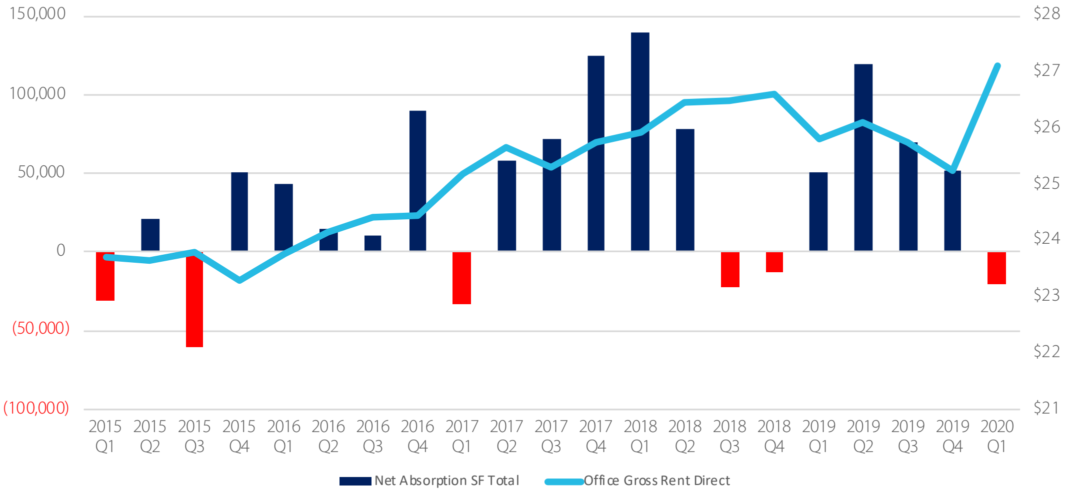
More than 20% of Allen/McKinney's office inventory has been built since 2010, helping drive absorption as tenants continue the "flight-to-quality" trend that is permeating the metroplex. Allen/McKinney has seen several new properties designed to compete with its neighbors in Frisco and West Legacy, but at much lower price points, and generally in smaller buildings with less RBA. Average RBA in Allen/McKinney is 86,551 SF, versus roughly 150,000 SF for its western neighbors.

Most of its office properties are located along the North Central Expressway in Allen, in the southern half of the submarket. There is a general lack of large blocks of available space, which constrains some aspects of absorption. Vacancies have generally trended much lower than metro averages, but are seeing a slight rise with recent deliveries of speculative product such as One Bethany, which brought 130,000 SF of inventory and is now roughly 78% leased. Like much of the rest of the metro, Allen/McKinney is seeing success with corporate build-to-suit projects, such as Independent Bank's recently completed 165,000 SF headquarters in Craig Ranch.

Construction starts have created a healthy pipeline of 325,000 SF that should deliver in the next 12 months, of which roughly 60% is available.

Rent growth has slowed quite substantially over recent quarters; after consistently averaging over 2.0% year-over-year growth for several years, growth turned negative year-over-year for the quarter. However, rents are still at record highs, and currently stand roughly 5% higher than pre-recession highs.

NET ABSORPTION & AVG. DIRECT GROSS RATES

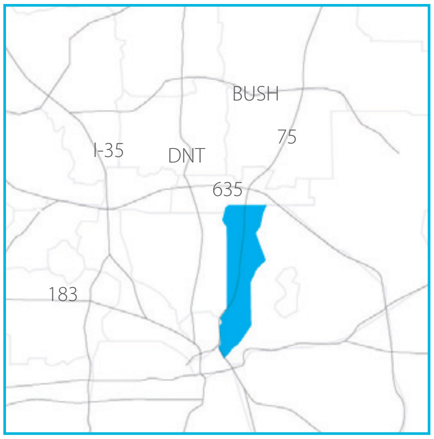


Parameters: Office | Existing | 20,000 SF+

AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

CENTRAL EXPRESSWAY



Market Facts

MARKET TOTAL RBA
13,478,704 SF

CLASS A GROSS DIRECT RATE
$33.28/SF

CLASS B GROSS DIRECT RATE
$28.28/SF

MARKET TOTAL GROSS DIRECT RATE
$31.57/SF

TOTAL VACANCY
1,863,145 SF

TOTAL VACANCY %
13.8%

12 MONTH NET ABSORPTION
-193,153 SF

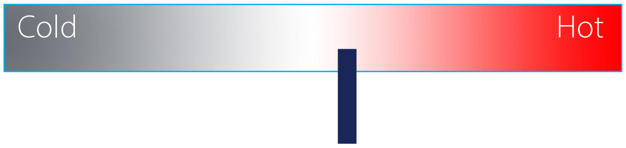
QUARTERLY NET ABSORPTION
-75,859 SF

YOY RENT GROWTH
4.0%

12 MONTH DELIVERIES
39,625 SF

UNDER CONSTRUCTION
30,252 SF

Market Dynamicism



Market Overview

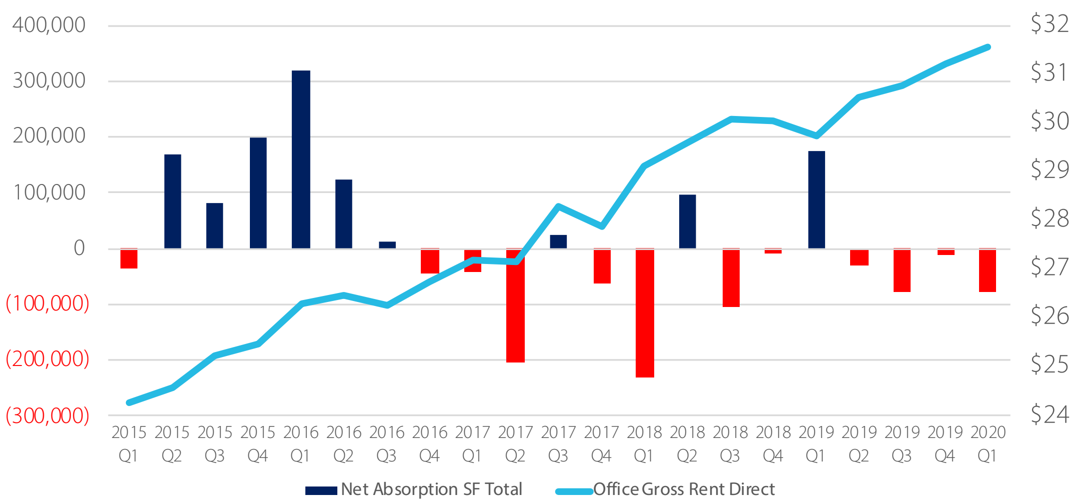
Vacancies in Central Expressway have risen recently, but at still near the submarket's all-time lows. Low vacancies, desirable location, and less new supply than some surrounding submarkets have all helped drive rental rates up at a faster and more substantial pace than other areas. Rents have grown by over 12% since 2012- one of the highest growth margins in the metro. Even with this growth, quality buildings are still able to provide asking rents roughly 25%-35% lower than rival properties in Uptown or Preston Center.

Construction has been slower than much of the surrounding area, with only minimal starts in the last 5 years, save for renovation projects such as the Meadows Building, which is housing Gensler's new space.

While fundamentals for net absorption are firm on paper, the submarket has struggled recently with several quarters of negative net absorption, caused in part by the "flight-to-quality" trend seen across the metro, as more tenants are willing to relocate to newer properties in more convenient locations such as the northern suburbs. Since the average building in the submarket was built in 1982, this trend could pose a threat to some landlords as they begin to fight for tenants that are seeking newer, shinier pastures.

On the sales side, instituional investors favor the market for its stability and quality assets. Roughly 20 properties change hands each year within the submarket. Recent major sales such as the sell of Cityplace Tower and Premier Place have shown that investors still see strong opportunity in one of the market's more dynamic submarkets.

NET ABSORPTION & DIRECT GROSS RATES



Parameters: Office | Existing | 20,000 SF+

Q1 2020 OFFICE SUBMARKET SNAPSHOT

DALLAS CBD

Market Facts

MARKET TOTAL RBA
33,111,263 SF

CLASS A GROSS DIRECT RATE
$28.28/SF

CLASS B GROSS DIRECT RATE
$19.87/SF

MARKET TOTAL GROSS DIRECT RATE
$27.38/SF

TOTAL VACANCY
7,206,126 SF

TOTAL VACANCY %
21.8%

12 MONTH NET ABSORPTION
-423,012 SF

QUARTERLY NET ABSORPTION
-401,906 SF

YOY RENT GROWTH
4.6%

12 MONTH DELIVERIES
0 SF

UNDER CONSTRUCTION
259,230 SF

Market Dynamicism

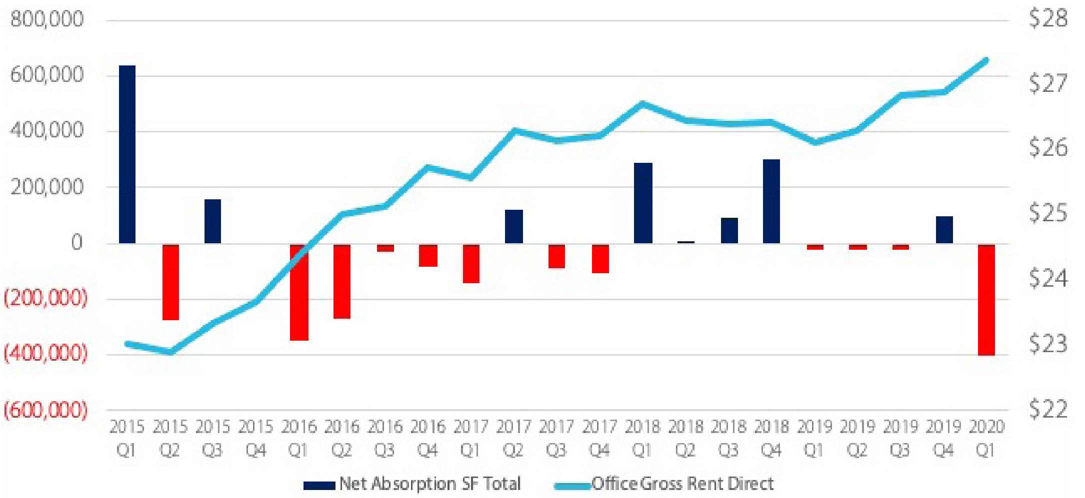
Market Overview

The Dallas Central Business District (CBD) has had a resurgence in recent quarters thanks to new product and a healthy amount of building renovations. However, certain persistent fundamentals will present future challenges for an urban core within a hub-spoke structured city that has seen much of its momentum move to the "spoke" areas such as the northern suburbs.

Major iconic properties such as Trammell Crow Center and Fountain Place have undergone substantial renovations to retain tenants, though in some cases are still losing, such as Fountain Place losing Tenet Healthcare to International Plaza along the Tollway- a loss of a 215,000 SF tenant. Bryan Tower is facing a similar dilemna as its largest tenant, Baylor Health Care Systems, is set to vacate 262,000 SF for its new build-to-suit in nearby Deep Ellum. These large blocks will add to the steady availability that the CBD consistently maintains, as its historical vacancy rate has always been high for an urban core, averaging over 20%. Of the 20 properties downtown that are over 500,000 SF, the average occupancy rate is 75%. Compare that to the rest of the metro's similar-sized buildings that average an occupancy rate of 89%.

Still, changing demographics and the desire for more walkable living are helping pull millennials into the city core. Pairing this to substaintially cheaper rents compared to Uptown, as well as the continued rise of urban coworking spaces, and Dallas CBD has the potential to ride this changing tide into a stable and positive future, or potentially get left in the wake as energy continues to move to Uptown and the suburbs.

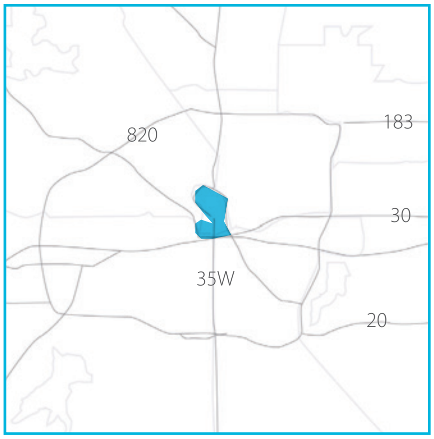
NET ABSORPTION & DIRECT GROSS RATES



AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

FORT WORTH CBD



Market Facts

MARKET TOTAL RBA
11,998,774 SF

CLASS A GROSS DIRECT RATE
$31.55/SF

CLASS B GROSS DIRECT RATE
$20.93/SF

MARKET TOTAL GROSS DIRECT RATE
$29.04/SF

TOTAL VACANCY
1,269,324 SF

TOTAL VACANCY %
10.6%

12 MONTH NET ABSORPTION
222,493 SF

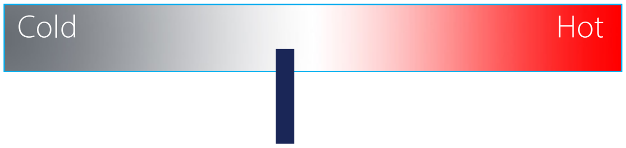
QUARTERLY NET ABSORPTION
143,328 SF

YOY RENT GROWTH
2.4%

12 MONTH DELIVERIES
0 SF

UNDER CONSTRUCTION
0 SF

Market Dynamicism



Market Overview

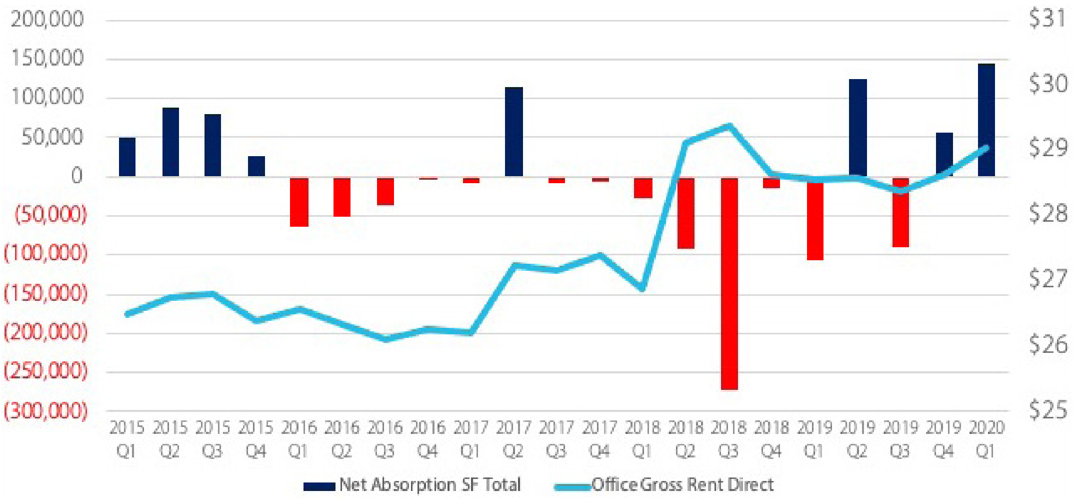
The Fort Worth Central Business District (CBD) has a higher concentration of energy offices than Dallas CBD does, thus making it more prone to the cyclical nature of the energy market. However, vacancy rates are much lower here than Dallas CBD- 11.4% vs 20.4%. This could also partially be due to the fact that Fort Worth CBD is one of the few areas on the western side of the metro that has high quality Class A & B assets.

The submarket has also helped absorb office vacancies such as XTO Energy's space, by recently by converting older buildings into multifamily rental properties and boutique hotels. These transitions have helped keep supply tighter than it could have been, and helped mitigate any major drops in overall occupancy.

Construction has been quite limited this cycle, with Frost Tower being the only property over 100,000 SF to be built since 2010. Of that total 600,000 SF of inventory built since 2010, the market has absorbed most of it, with only 20% of that space remaining available.

Absorption has been up and down recently, with a few quarters of positive absorption after 2016 saw the entire year going negative. However, the underlying fundamentals remain quite healthy. Much like Dallas CBD, and in many ways moreso, urban walkability, quality redevelopment projects, and generational differences could help position Fort Worth CBD to stay a thriving downtown market until the cows come home.

NET ABSORPTION & DIRECT GROSS RATES



AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

FRISCO/THE COLONY

Market Facts

MARKET TOTAL RBA
7,028,587 SF

CLASS A GROSS DIRECT RATE
$39.89/SF

CLASS B GROSS DIRECT RATE
$30.68/SF

MARKET TOTAL GROSS DIRECT RATE
$38.37/SF

TOTAL VACANCY
907,539 SF

TOTAL VACANCY %
12.9%

12 MONTH NET ABSORPTION
76,871 SF

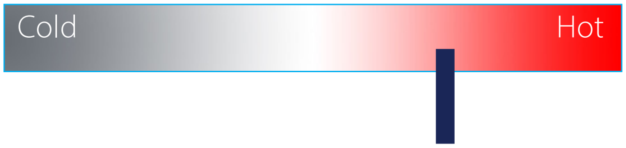
QUARTERLY NET ABSORPTION
7,775 SF

YOY RENT GROWTH
2.7%

12 MONTH DELIVERIES
421,081 SF

UNDER CONSTRUCTION
1,155,460 SF

Market Dynamicism



Market Overview

Frisco/The Colony is one of the metro's fastest growing submarkets. Inventory has nearly doubled during the current business cycle, post-Great Recession, and has grown six-fold since 2000. This helps position the submarket quite well looking ahead, as flight-to-quality trends, competitve rental rates in new inventory, and suburban convenience, continue to drive tenants into new space in the suburbs such as Frisco, The Colony and Plano.

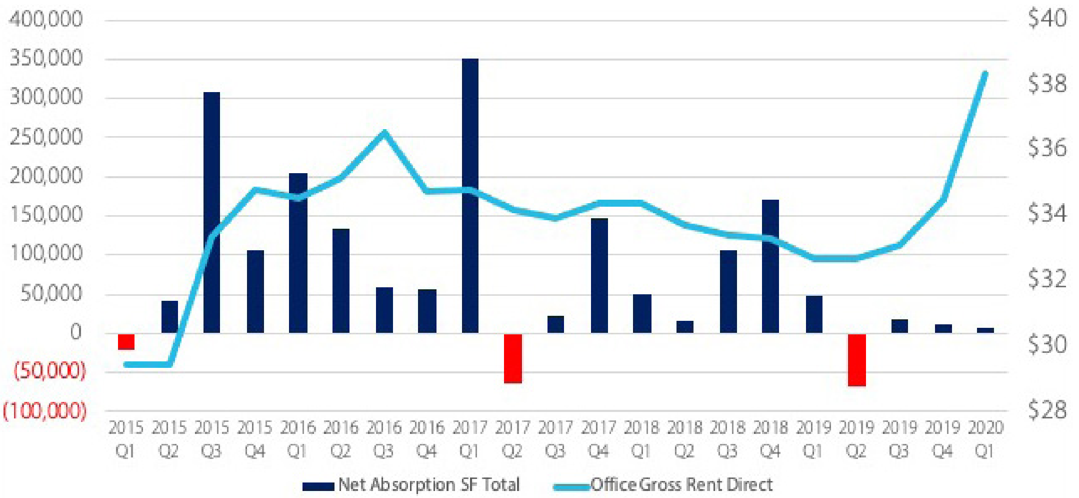
Office inventory isn't the only thing that has seen rapid growth. Frisco is consistently ranked as one of the most desirable cities to live in by various publications and is one of the fastest-growing cities in the country.

The vast majority of supply within the submarket is along Dallas North Tollway, such as Hall Park, and The Star. This is also where new construction such as Frisco Station and The Gate are taking place. Frisco recently made national news with the sale of 2,500 acres of land for the upcoming Fields Development, which is set to house the PGA Headquarters, as well as ample potential for plenty of other corporate headquarters- helping it rival its sibling submarkets such as Upper Tollway.

Recent speculative construction raised inventory and vacancy, putting downward pressure on rents, causing a decline from cycle peaks in 2016 that is finally moving up again.

Dynamics will continue to be healthy as strong socio-economic trends, abundant land, steady absorption, and breakneck growth help position Frisco/The Colony to grow into a truly powerful submarket, capable of going toe-to-toe with any other suburban sectors in the metro.

NET ABSORPTION & DIRECT GROSS RATES

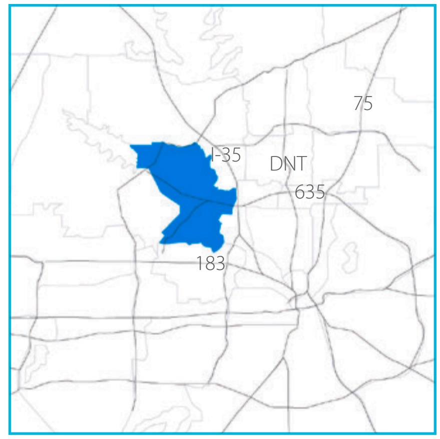


Parameters: Office | Existing | 20,000 SF+

AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

LAS COLINAS



Market Facts

MARKET TOTAL RBA
42,336,613 SF

CLASS A GROSS DIRECT RATE
$30.67/SF

CLASS B GROSS DIRECT RATE
$22.45/SF

MARKET TOTAL GROSS DIRECT RATE
$26.76/SF

TOTAL VACANCY
5,726,709 SF

TOTAL VACANCY %
13.5%

12 MONTH NET ABSORPTION
1,142,340 SF

QUARTERLY NET ABSORPTION
-628,865 SF

YOY RENT GROWTH
2.3%

12 MONTH DELIVERIES
1,729,679 SF

UNDER CONSTRUCTION
761,281 SF

Market Dynamicism

Market Overview

The Las Colinas submarket cluster is made up of three distinct submarkets- The Urban Center, Office Center, and DFW Freeport/ Coppell. Urban Center features the most mid-rise and high-rise buildings, while the Office Center and DFW Freeport feature more low-rise campus style buildings full of corporate headquarters. Las Colinas as a whole boosts the largest number of Fortune 1000 company headquarters outside of downtown Dallas.

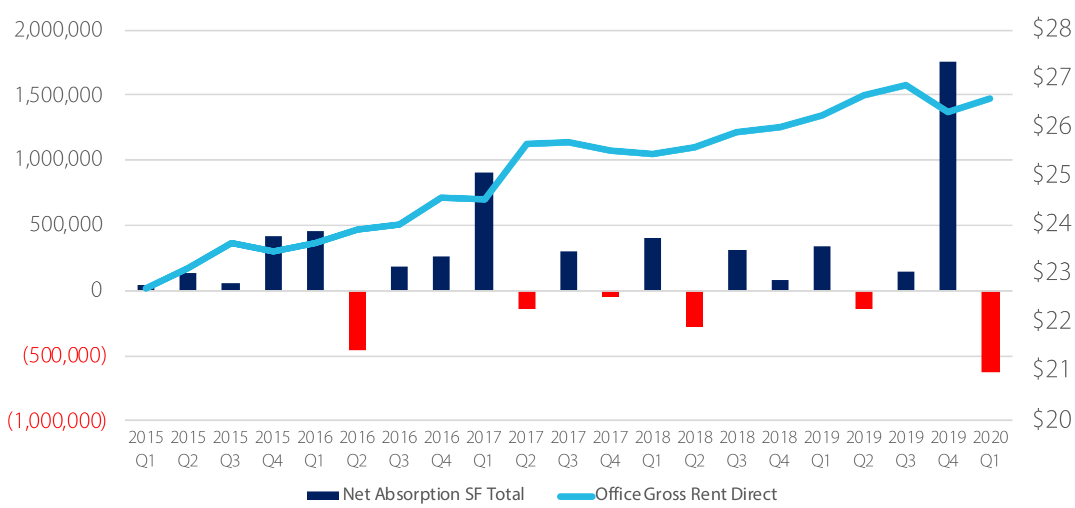
The proximity to DFW Airport, ample land, and desirable product helps keep these major companies, even if some such as Signet Jewelers and Nokia move within the cluster from one submarket to another. DFW Freeport/Coppell's 1,000 acre Cypress Waters development is one of the top draws, with 2.5 MSF delivering since 2010, with 98% of it full.

The new Hidden Ridge development in the Office Center could change that though, with Pioneer Natural Resources' new 1.125 MSF headquarters opened, spurring more development such as its neighboring Westin Hotel and more.

These new deliveries and quality existing assets with stable occupancies have helped drive rents up at a steady clip this cycle, consistently setting historical records, nearly each quarter.

This energy and dynamicism should continue, as new amenities like Urban Center's Toyota Music Factory and Water Street, and developments like Cypress Waters and Hidden Ridge continue to push Las Colinas towards its master-planned vision of grandeur and all-encompassing livability that it has been pursuing for decades.

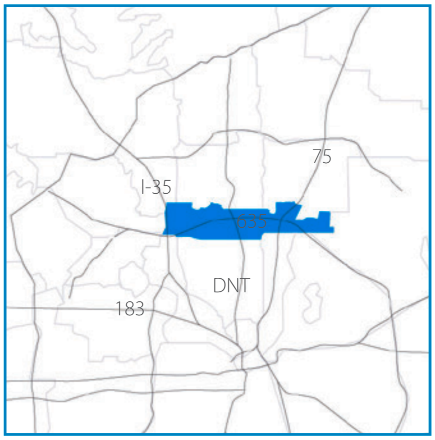
NET ABSORPTION & DIRECT GROSS RATES



Parameters: Office | Existing | 20,000 SF+

Q1 2020 OFFICE SUBMARKET SNAPSHOT

LBJ FREEWAY



Market Facts

MARKET TOTAL RBA
22,269,645 SF

CLASS A GROSS DIRECT RATE
$27.09/SF

CLASS B GROSS DIRECT RATE
$19.39/SF

MARKET TOTAL GROSS DIRECT RATE
$23.03/SF

TOTAL VACANCY
4,338,554 SF

TOTAL VACANCY %
19.5%

12 MONTH NET ABSORPTION
524,080 SF

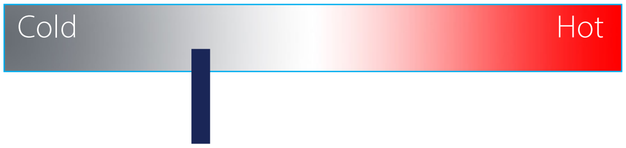
QUARTERLY NET ABSORPTION
254,494 SF

YOY RENT GROWTH
3.1%

12 MONTH DELIVERIES
0 SF

UNDER CONSTRUCTION
0 SF

Market Dynamicism



Market Overview

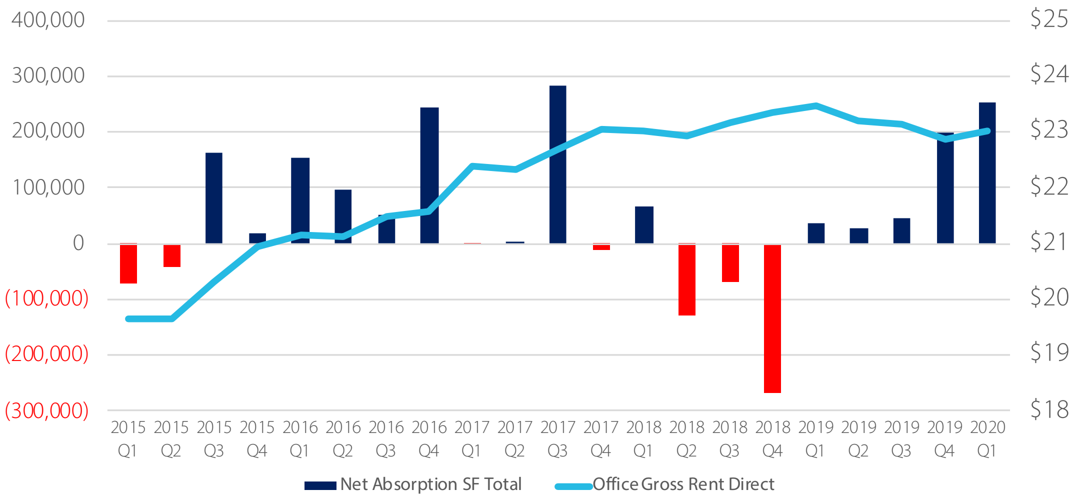
The LBJ submarket cluster of East LBJ and West LBJ is a submarket stuck in traffic like a passenger on 635 during rush hour. Aside from quality product along the Galleria micro-market, much of the area has struggled in this business cycle as tenant interest has seemingly radiated out in all directions away from it, be it Las Colinas to the West, Uptown to the South, or the northern suburbs to the north and east.

The submarket is generally much cheaper than any of those above mentioned submarkets, and its high vacancy rate means plenty of large blocks of space. Also, East LBJ is one of the densest submarkets in the metro, with roughly 17 MSF of inventory in one of the smallest land masses.

The submarket does have potential to see some new energy and momentum however, as the $4B Dallas Midtown project at Valley View Mall has finally kicked into gear. Demolition of the majority of Valley View Mall is now complete, removing the blighted old mall from sight, and energizing developers and nearby businesses with the prospect of new activity. In all, the development has proposed 12 million sf of office and mixed-use space, along with luxury hotels, and a 20-acre urban park.

As far as sales go, most product here is 80's or earlier, and most properties are proportionally high-vacancy. Therefore, most sales are value-add deals from local investment firms, all trading at discounts compared to product in nearby submarkets such as Quorum/Bent Tree, Richardson/Plano, and Central Expressway.

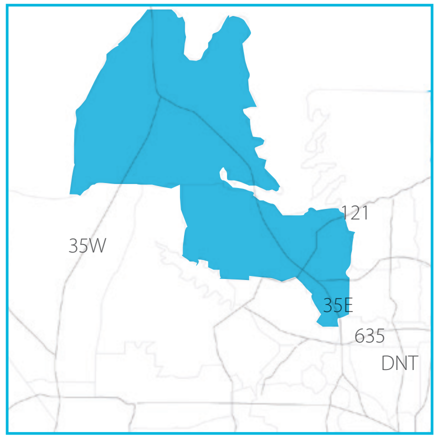
NET ABSORPTION & DIRECT GROSS RATES



AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

LEWISVILLE/DENTON/FLOWER MOUND



Market Facts

MARKET TOTAL RBA
8,037,473 SF

CLASS A GROSS DIRECT RATE
$30.47/SF

CLASS B GROSS DIRECT RATE
$30.47/SF

MARKET TOTAL GROSS DIRECT RATE
$24.71/SF

TOTAL VACANCY
831,022 SF

TOTAL VACANCY %
10.3%

12 MONTH NET ABSORPTION
-56,698 SF

QUARTERLY NET ABSORPTION
18,349 SF

YOY RENT GROWTH
-0.5%

12 MONTH DELIVERIES
94,128 SF

UNDER CONSTRUCTION
266,340 SF

Market Dynamicism

Market Overview

The Lewisville/Denton/Flower Mound area is a quiet cluster of smaller suburban markets fed by 35E & 35 W. Much of the product here is smaller office space, but there are a few larger campus sites such as Convergence and Lake Vista, the former JPMorgan campus, which was backfilled by Nationstar Mortgage. Vacancies are low compared to most of the metro, especially within Denton and Flower Mound, as supply this far northwest is especially limited.

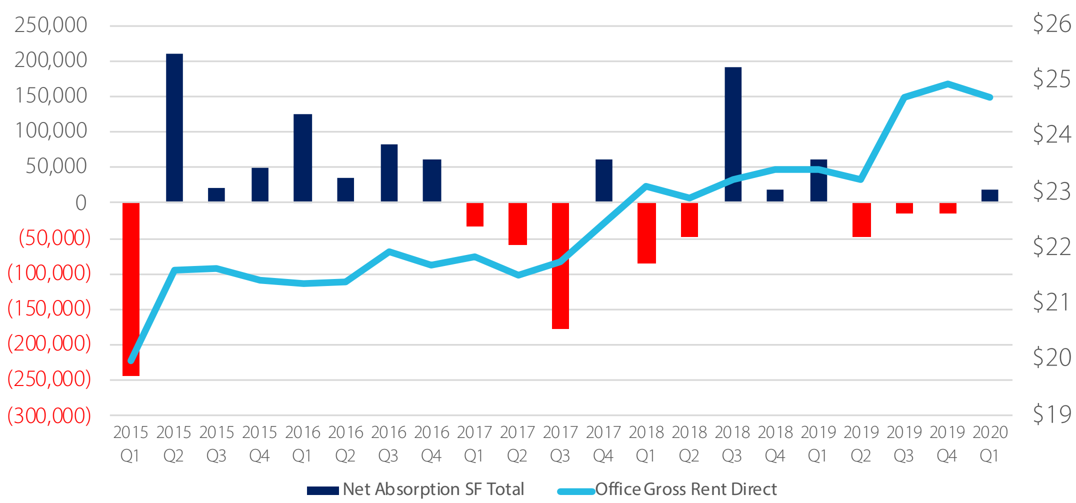
One interesting aspect of the area is that until recently, rent growth was almost non-existant in recent years, even as the rest of the metro pulled upwards. This has helped the area stay quite affordable.

Construction has been relatively calm this cycle, but Bright Realty recently broke ground on Crown Center One, a 100,000 SF spec office building expected to deliver summer 2020 as part of a master-planned community with potential for 1,300 apartment units, a 300-key hotel, and 100,000 SF of retail.

As far as sales go, medical office properties drive most volume, with few reported sales prices being recorded. Pricing for non-medical office assets is typically lower than $200/SF and cap rates are generally higher than the rest of the market.

The potential for growth here is twofold: The path of growth in D-FW continues to move northward, and Highway 380 continues to boom, making it likely that developments like those for Charles Schwab, BMW and TD Ameritrade in surrounding submarkets could eventually make their way to the area.

NET ABSORPTION & DIRECT GROSS RATES



Q1 2020 OFFICE SUBMARKET SNAPSHOT

HEB/MID CITIES/ARLINGTON

Market Facts

MARKET TOTAL RBA
15,487,950 SF

CLASS A GROSS DIRECT RATE
$21.66/SF

CLASS B GROSS DIRECT RATE
$22.04/SF

MARKET TOTAL GROSS DIRECT RATE
$21.68/SF

TOTAL VACANCY
1,515,749 SF

TOTAL VACANCY %
9.8%

12 MONTH NET ABSORPTION
1,797,054 SF

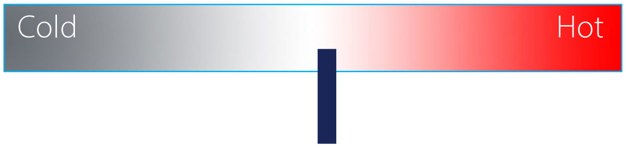
QUARTERLY NET ABSORPTION
69,177 SF

YOY RENT GROWTH
1.2%

12 MONTH DELIVERIES
1,805,000 SF

UNDER CONSTRUCTION
212,000 SF

Market Dynamicism



Market Overview

Much of HEB/Mid Cities/Arlington's supply is concentrated in Arlington, along the major thoroughfares that run through the city such as I-30, 183, and 360. Of that, 99% of that inventory is buildings less than 300,000 SF. The clearest break from this is American Airlines' new 1.7 MSF headquarters near DFW Airport, which recently delivered. Rents are traditionally quite low here, as much of the product is sub-investment grade and small. The area generally favors industrial product.

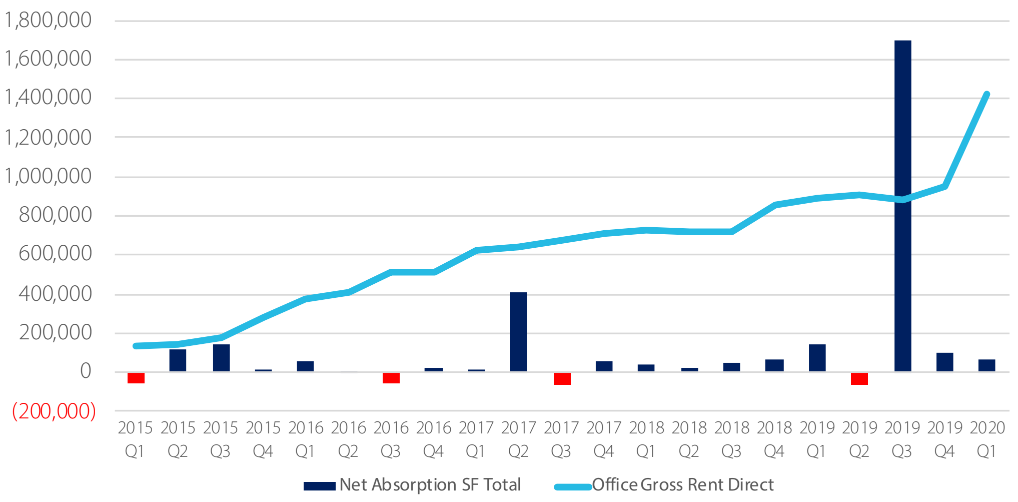
That said, vacacies didn't rise as much here as they did in other submarkets during the downturn, and absorption has remained steady, albeit small, during recent years. The majority of this cycle's construction has been build-to-suits that were immediately filled, which has also helped keep vacancies steady. So while it is not a glamorous or romanticized submarket, it is a steady bet.

Large blocks of space are hard to find here. It is rare for a building to have over 40,000 SF of availability, and even now there are only a handful of properties with more than 25,000 SF available.

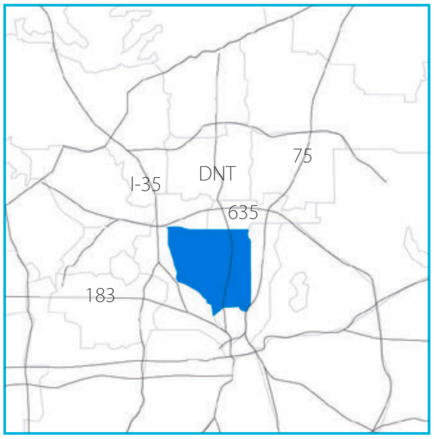
Sales are actually quite strong in the cluster from a deal volume perspective, but light from an inventory perspective as most product sold is less than 70,000 SF. Since much of the product is lower-grade and dated, value-add deals are common here.

Looking ahead, there is ample possibly for rising momentum in the area, thanks to newer developments of all asset types, such as the new American Airlines campus, TexasLive!, and the $1B replacement for the Rangers' Globe Life Park. As these deliveries bring new interest and traffic to the area, potential for office interest could rise as well.

NET ABSORPTION & DIRECT GROSS RATES



PRESTON CENTER



Market Facts

MARKET TOTAL RBA
5,795,675 SF

CLASS A GROSS DIRECT RATE
$43.35/SF

CLASS B GROSS DIRECT RATE
$43.35/SF

MARKET TOTAL GROSS DIRECT RATE
$39.88/SF

TOTAL VACANCY
549,883 SF

TOTAL VACANCY %
9.5%

12 MONTH NET ABSORPTION
71,001 SF

QUARTERLY NET ABSORPTION
58,722 SF

YOY RENT GROWTH
4.4%

12 MONTH DELIVERIES
118,000 SF

UNDER CONSTRUCTION
297,000 SF

Market Dynamicism

Market Overview

Preston Center currently boasts the highest rental rates in the market, even over Uptown/Turtle Creek. The majority of the submarket's supply exists around the interections of Dallas North Tollway and Northwest Highway, in Preston Center itself. The submarket favors financial and professional services firms, drawing from the surrounding affluent and well-educated workforce, making it a concentrated and highly desirable submarket.

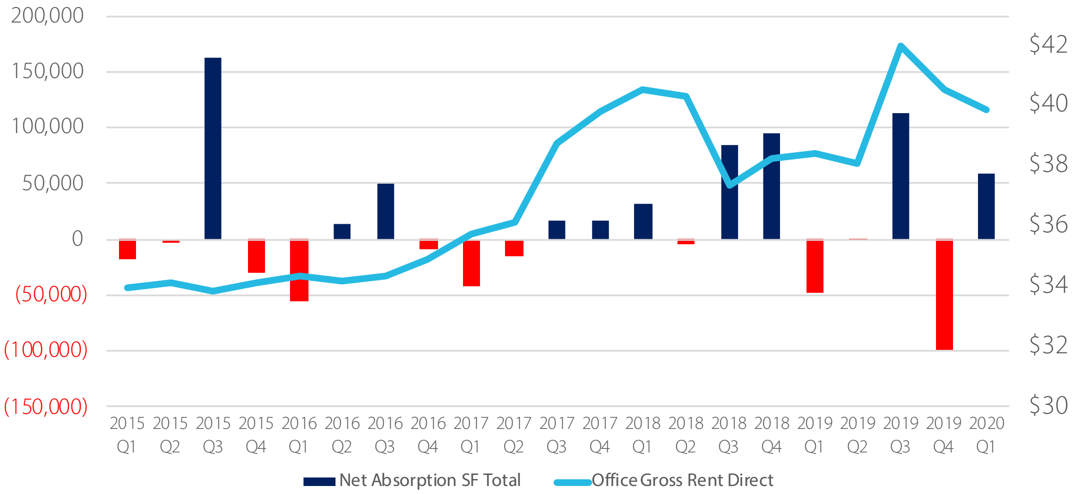
That being said, the submarket is relatively calm from a leasing perspective. Occupancies rarely fall below 90%, and over 95% of tenants have footprints smaller than 25,000 SF. Large blocks of available space are quite rare. New product such as Terraces at Douglas Center fill up quite quickly, leaving minimal available space.

Construction here is limited as the vast majority of the area is built out with high-priced single-family homes and existing commerical product. This scarcity of developable land, along with the desirable location, helps landlords keep their rents as high as they are. Currently, only 1 project is underway; Weir's Plaza on Knox Henderson, which is 297,000 sf and is 65% leased.

One potential area for development is on the site of the Saint Michael and All Angels Episcopal Church, located on the southwestern side of Preston Center. The church started work in 2018 to rezone the site in order to build office and multifamily.

Looking ahead, Preston Center's desirable location near DNT and the surrounding Park Cities neighborhoods, limited availability, and quality product will help it stay a top submarket in the metro.

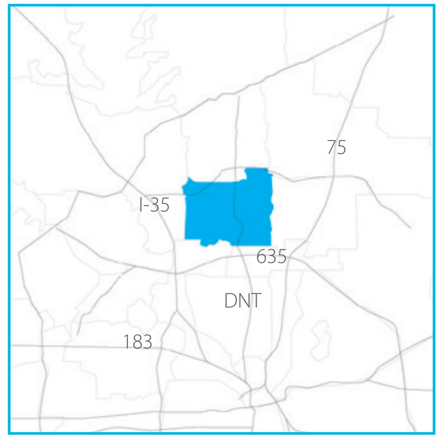
NET ABSORPTION & DIRECT GROSS RATES



AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

QUORUM/BENT TREE



Market Facts

MARKET TOTAL RBA
22,495,365 SF

CLASS A GROSS DIRECT RATE
$32.02/SF

CLASS B GROSS DIRECT RATE
$21.14/SF

MARKET TOTAL GROSS DIRECT RATE
$27.14/SF

TOTAL VACANCY
4,314,136 SF

TOTAL VACANCY %
19.2%

12 MONTH NET ABSORPTION
107,464 SF

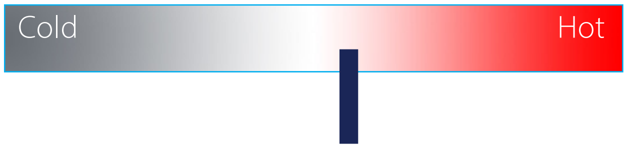
QUARTERLY NET ABSORPTION
273,923 SF

YOY RENT GROWTH
2.0%

12 MONTH DELIVERIES
0 SF

UNDER CONSTRUCTION
48,000 SF

Market Dynamicism



Market Overview

The Quorum/Bent Tree submarket has struggled to maintain positive net absorption rates for several quarters now after dealing with multiple major corporate tenants vacating their old offices for build-to-suits in the north. Much of the recent leasing activity has been done in newer built product. That being said, it was recently announced that Tenet Healthcare was to leave its downtown office for a new lease at International Plaza I, backfilling the space left by JPMorgan Chase.

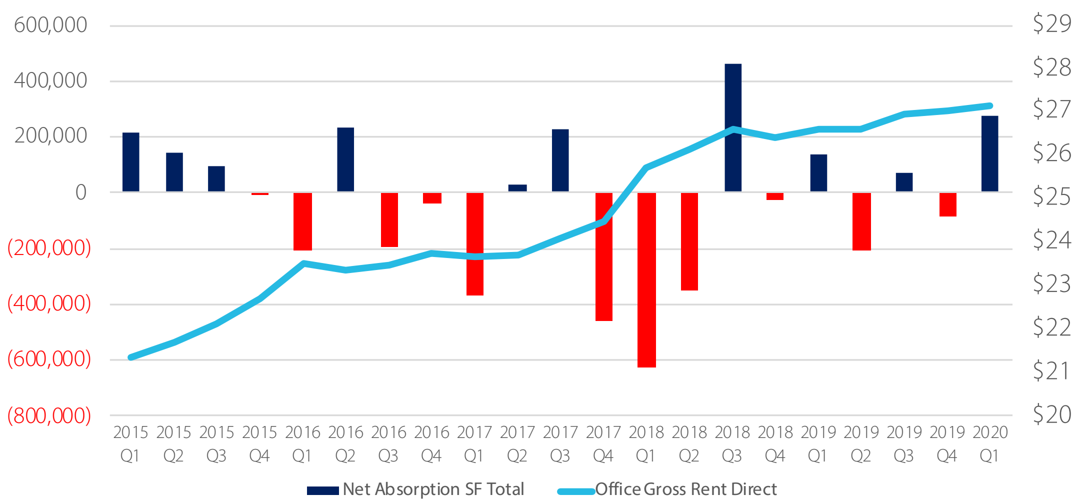
Fundamentals in the area do give the submarket strong potential. Its traffic feed is supported by DNT, Bush, and 635. Also, it has the draw of popular suburbs like Addison, which boasts a healthy live, work, play scene, and other more affluent areas in Far North Dallas.

Rents here are comparable to other inner ring suburban markets with heavy 1980's supply inventory, such as LBJ, Richardson/Plano, and most of Las Colinas. Rent growth has performed well this cycle, consistently averaging over 1.5% year-over-year growth.

Construction has been meager compared to many of the surrounding submarkets, with roughly only 1 MSF delivering this cycle. That said, what product that has delivered has performed well, with recent deliveries like Tollway Center and Fourteen555 both now being 95% leased.

From a sales perspective, this is one of the most actively traded markets in the metro. Since much of the stock is 80's product, and in a slightly calmer area that some, most product tends to trade hands at around $200/SF.

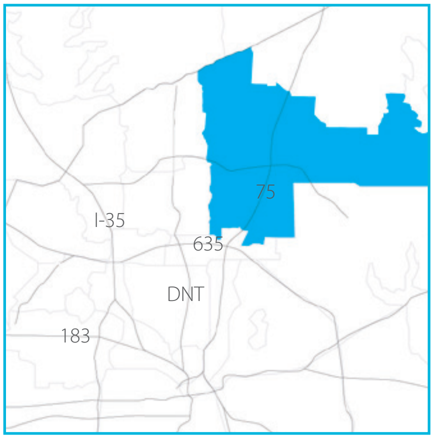
NET ABSORPTION & DIRECT GROSS RATES



AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

RICHARDSON/PLANO



Market Facts

MARKET TOTAL RBA
29,545,368 SF

CLASS A GROSS DIRECT RATE
$27.24/SF

CLASS B GROSS DIRECT RATE
$21.18/SF

MARKET TOTAL GROSS DIRECT RATE
$24.12/SF

TOTAL VACANCY
4,873,284 SF

TOTAL VACANCY %
16.5%

12 MONTH NET ABSORPTION
-123,779 SF

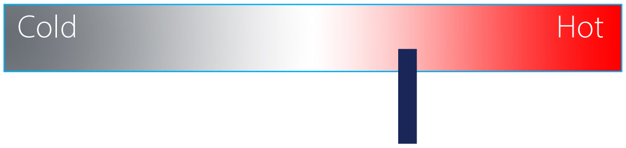
QUARTERLY NET ABSORPTION
147,526 SF

YOY RENT GROWTH
-1.7%

12 MONTH DELIVERIES
52,091 SF

UNDER CONSTRUCTION
48,000 SF

Market Dynamicism



Market Overview

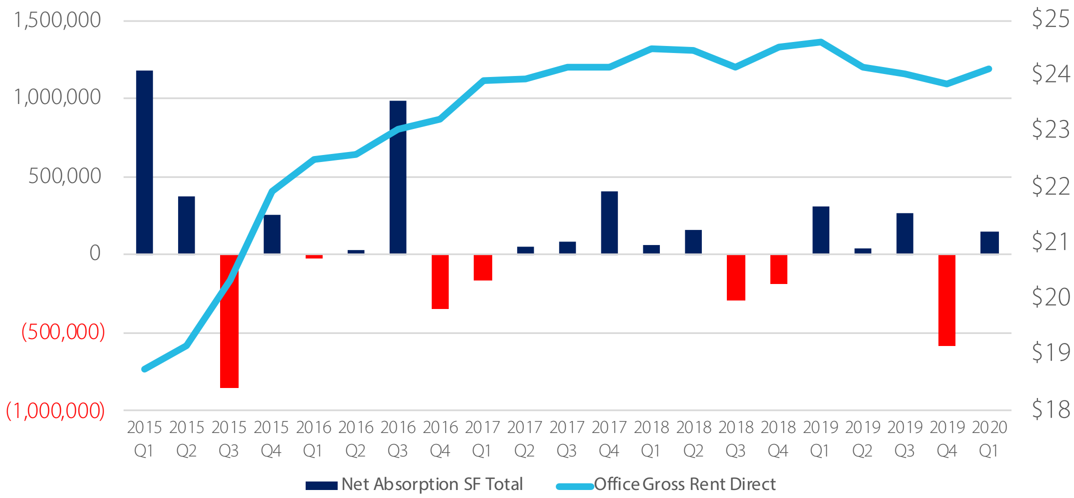
Richardson/Plano is home to the Telecom Corridor and CityLine- two major leasing regions. CityLine's major corporate build-to-suits for companies like State Farm and Raytheon have gotten most of the attention recently, but the submarket also plays well as a satellite office hub for companies who have larger presences across the metro. Goldman Sachs offices in Trammell Crow Center downtown, but also has 44,000 SF in Galatyn Commons. Steward Health is in 1900 Pearl in downtown, but also has 165,000 SF at Galatyn Commons.

The Plano portion of the submarket has been relatively stagnant this cycle compared to some of its neighbors. Most of the submarket's energy has stayed in Richardson or relocated to other submarkets. The most successful area of the Plano side seems to be Legacy Central- Texas Instruments' former four-building campus. Legacy Central is where Samsung recently relocated to, as well as Ribbon Communications, which signed on to take over 100,000 SF of space for an early 2020 move in.

Rents here are lower than surrounding areas, giving the submarket a good value play position. Also, traffic feed does have the benefit of easy access to Bush, 75, and 121. Vacancies are also slightly higher than most northern submarkets, giving the submarket more potential for large blocks of space.

Construction has been dominated by the Richardson side of the submarket- with nearly 5 MSF delivering in recent years, the vast majority of which has been the aforementioned build-to-suits. Of the spec buildings delivered, such as 3400 Cityline, roughly 70% has been absorbed by the market.

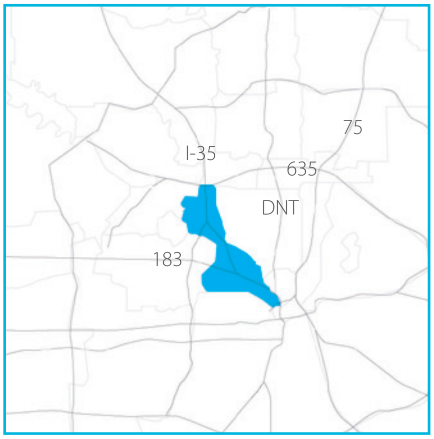
NET ABSORPTION & DIRECT GROSS RATES



AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

STEMMONS FREEWAY



Market Facts

MARKET TOTAL RBA
14,560,048 SF

CLASS A GROSS DIRECT RATE
$20.24/SF

CLASS B GROSS DIRECT RATE
$16.97/SF

MARKET TOTAL GROSS DIRECT RATE
$18.01/SF

TOTAL VACANCY
3,025,063 SF

TOTAL VACANCY %
20.8%

12 MONTH NET ABSORPTION
-97,142 SF

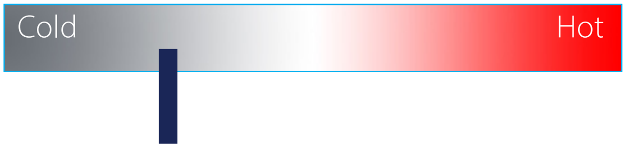
QUARTERLY NET ABSORPTION
-7,375 SF

YOY RENT GROWTH
1.8%

12 MONTH DELIVERIES
0 SF

UNDER CONSTRUCTION
0 SF

Market Dynamicism



Market Overview

Stemmons Freeway's proximity to the Medical District and Love Field makes it a strong hub for medical and healthcare tenants, and airlines. Still, this is one of the cooler markets from a dynamicism perspective, as vacancies remain higher than much of the metro, and rates are some of the lowest in the market.

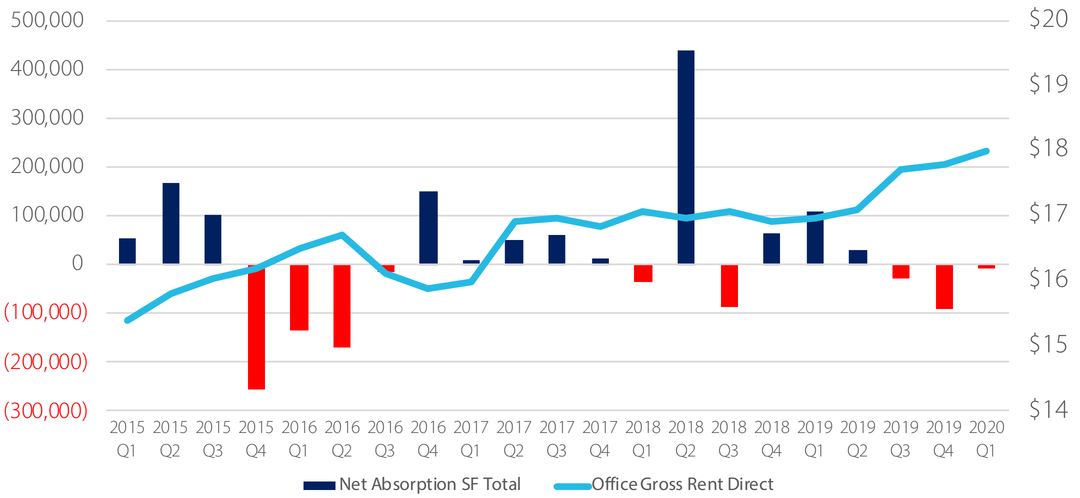
However, there is potential here, as the Design District continues to transform, moving from a showroom district for vendors to more of a live, work, play styled district in the line of Uptown and Victory park. KDC's proposed West Love mixed-use development has potential to breathe new life into the area, and could launch that portion of the submarket into more competitive stance.

Along Stemmons itself, most product is older, lower grade product, so most sales are value-add deals. Infomart's 2018 sale for $800 million ($500/SF) helped lift the entire metro's sales volume for the year, and was certainly the record for the submarket. Traditionally, most product here has been trading for around $180/SF, lower than the average for the market.

There hasn't been much construction here this cycle. Southwest Airlines did recently complete its 414,000 SF build-to-suit, and currently Freeman is working on its 200,000 sf headquarters.

The submarket has managed to keep its net absorption positive for most quarters in recent years, so it does benefit from being a slow-and-steady submarket, with good transit potential, but existing multi-tenant properties will need to figure out new dynamics if they want to compete with everything new that is popping up.

NET ABSORPTION & DIRECT GROSS RATES

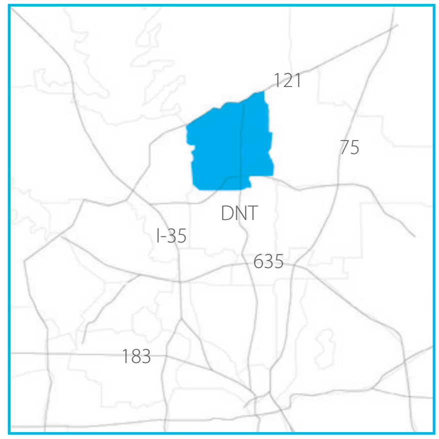


Parameters: Office | Existing | 20,000 SF+

AVISON YOUNG

Q1 2020 OFFICE SUBMARKET SNAPSHOT

UPPER TOLLWAY/WEST PLANO



Market Facts

MARKET TOTAL RBA
32,730,540 SF

CLASS A GROSS DIRECT RATE
$36.81/SF

CLASS B GROSS DIRECT RATE
$27.24/SF

MARKET TOTAL GROSS DIRECT RATE
$34.22/SF

TOTAL VACANCY
3,916,687 SF

TOTAL VACANCY %
12.0%

12 MONTH NET ABSORPTION
346,474 SF

QUARTERLY NET ABSORPTION
141,869 SF

YOY RENT GROWTH
2.9%

12 MONTH DELIVERIES
483,265 SF

UNDER CONSTRUCTION
1,271,421 SF

Market Dynamicism

Market Overview

Upper Tollway/West Legacy is beginning to regain its energy again after noticeably cooling in recent quarters. With construction substantially picking back up, expect a lot of activity in the coming quarters.

With its quality product, newer assets, ideal transit locations, and surroundings of affluent neighborhoods, the submarket will continue to be one of the metro's most dynamic submarkets, continually drawing the eyes of major national Fortune 1000 companies.

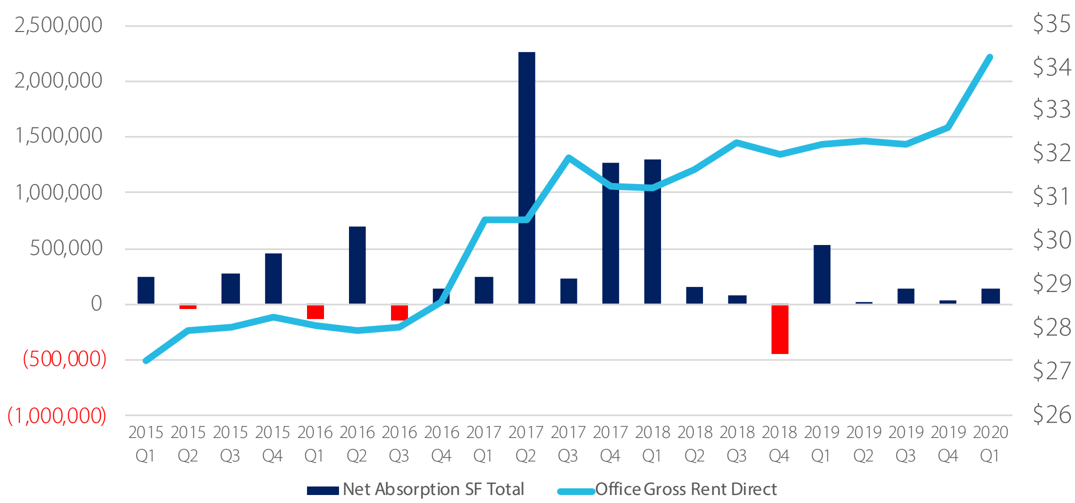
Rents here are higher than some surrounding northern neighbors, but still substantially lower than Uptown or Preston Center, making it desirable for companies who want prestiguous, newer assets without having to pay 25% more like they would in some of the southern submarkets.

The submarket continues to draw new construction, for both build-to-suits and spec buildings. 2019 saw nearly 700,000 sf deliver, and there is almost 1.5 msf currently under construction.

The submarket usually generates a large share of investment activity. The submarket's diverse mix of office stock makes it attractive for national or institutional investors and buyers looking for value-add opportunities alike.

Pricing averages in the upper $200's per square foot, and ranks as the highest among suburban submarkets in the metroplex. Cap rates are in line with those in core submarkets like Uptown/Turtle Creek and Preston Center.

NET ABSORPTION & DIRECT GROSS RATES



UPTOWN/TURTLE CREEK

Market Facts

MARKET TOTAL RBA
15,057,924 SF

CLASS A GROSS DIRECT RATE
$43.28/SF

CLASS B GROSS DIRECT RATE
$33.01/SF

MARKET TOTAL GROSS DIRECT RATE
$41.37/SF

TOTAL VACANCY
1,950,069 SF

TOTAL VACANCY %
13.0%

12 MONTH NET ABSORPTION
377,584 SF

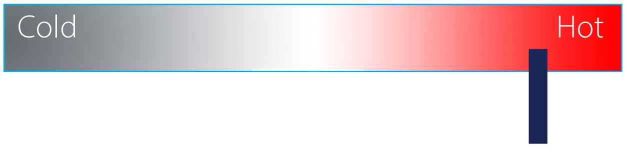
QUARTERLY NET ABSORPTION
-186,792 SF

YOY RENT GROWTH
5.5%

12 MONTH DELIVERIES
310,548 SF

UNDER CONSTRUCTION
1,198,414 SF

Market Dynamicism



Market Overview

Uptown/Turtle Creek continues to have some of the highest net absorption in the market even though its total inventory is only average sized. The submarket continues to draw in Class A & AA construction to match its existing supply, along with strong amenities, tons of multifamily, and a healthy nightlife and dining scene, making it the marquee submarket in the metro.

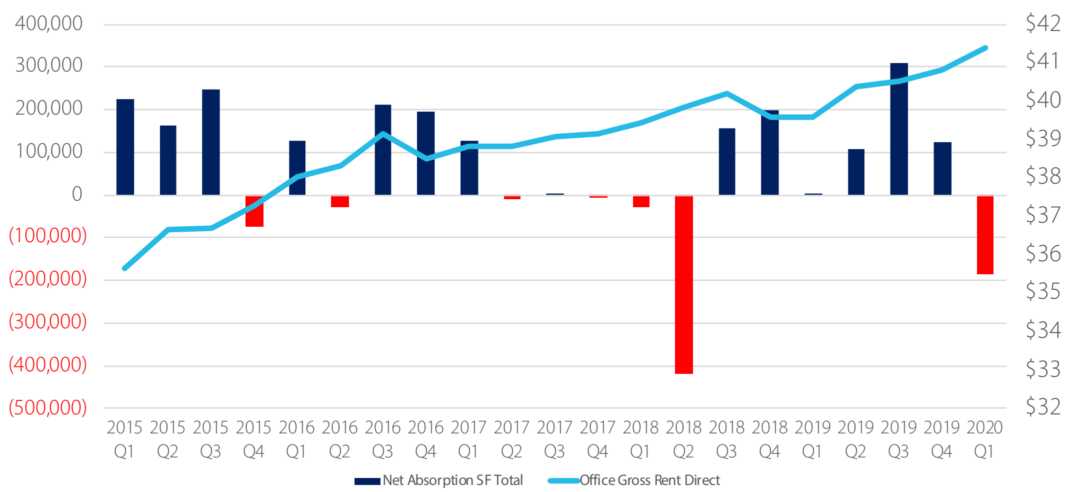
Construction is rising again to match recent cycle highs, with most major projects such as The Union and PwC Tower delivering and now nearly fully occupied, but new projects like The Link and Victory Commons underway. These new properties are being built spec, and are currently set to add 650,000 sf to the submarket's inventory.

Rental rates here are usually the highest in the metro, with the highest quality buildings making up most of the inventory and Class A inventory making up 80% of all product. Location and wow factor also help keep rates high, as Uptown's walkability and urban livability make it one of the most vibrant neighborhoods in the market.

From a sales perspective, even older assests trade at a premium here, with the submarket averaging over $300/SF for all product sold. 17Seventeen McKinney's recent sale for $517/SF, and nearby 1900 Pearl's sale at $700/sf helped set new benchmarks in the area that will seemingly continue to pull prices up for properties, especially trophy product around Klyde Warren Park and McKinney Avenue.

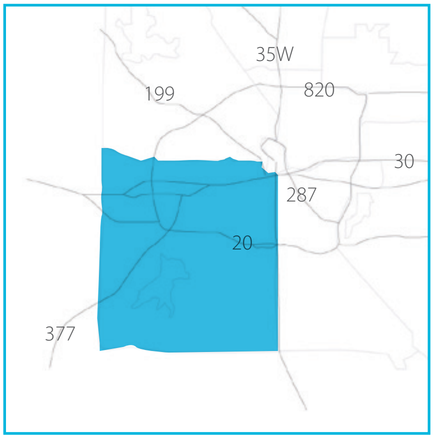
Looking ahead, Uptown/Turtle Creek will continue to be the lodestar for the market, even as the northern suburbs grow. Uptown's energy and core-like big city presence make it the epitome of Dallas swagger and it will remain so for the foreseeable future.

NET ABSORPTION & DIRECT GROSS RATES



Q1 2020 OFFICE SUBMARKET SNAPSHOT

WEST SOUTHWEST FORT WORTH/CLEARFORK



Market Facts

MARKET TOTAL RBA
11,174,132 SF

CLASS A GROSS DIRECT RATE
$27.91/SF

CLASS B GROSS DIRECT RATE
$24.70/SF

MARKET TOTAL GROSS DIRECT RATE
$25.04/SF

TOTAL VACANCY
1,060,399 SF

TOTAL VACANCY %
9.5%

12 MONTH NET ABSORPTION
-135,484 SF

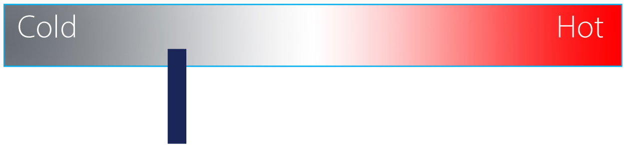
QUARTERLY NET ABSORPTION
-4,507 SF

YOY RENT GROWTH
1.4%

12 MONTH DELIVERIES
68,971 SF

UNDER CONSTRUCTION
92,991 SF

Market Dynamicism



Market Overview

The aerospace and defense industries and energy industry are the biggest drivers in the submarket, which can be a blessing and a curse as the submarket is prone to fluctuations in the energy and defense economies.

The submarket has outperformed the metro in terms of occupancies for years. Occupancies are also well above the submarket's historical average, and rents are about 15% above their prerecession peak. Furthermore, the completion of the Chisholm Trail Parkway in 2014 has helped spur commercial and residential activity, and many mixed-use projects are in various stages of development.

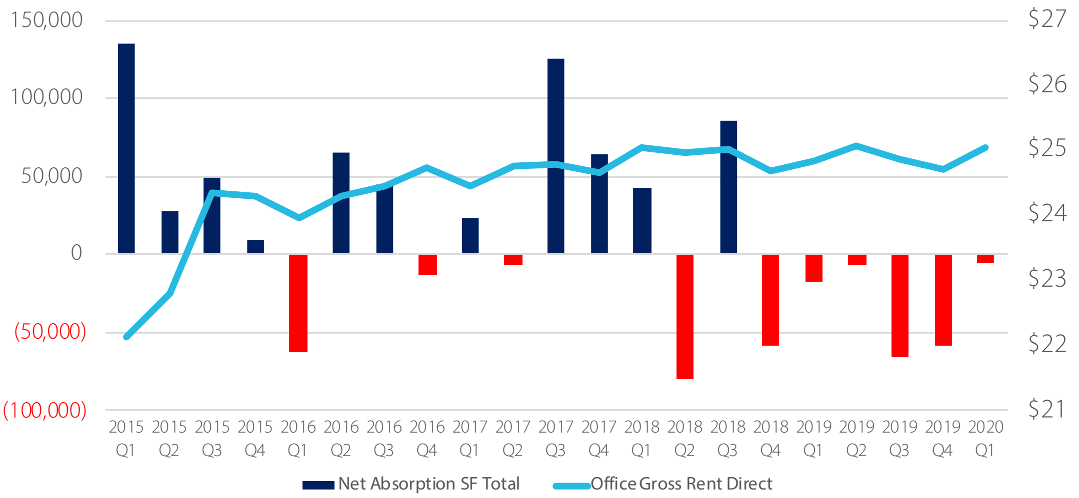
Despite the submarket adding roughly 10% to its inventory since 2010, vacancies have remained well below both the metro average and the submarket's historical average.

Though the submarket lost Whitley Penn Financial to the brand new Frost Tower in the Fort Worth CBD in early 2019, the firm's building (40,600 SF) was backfilled by D&M Auto Leasing.

The submarket also benefits from having the energy of live, work, play areas like West 7th and Clearfork in its boundaries, giving the submarket assets and vibe to compete with Dallas' Uptown and Plano's West Legacy areas. Even with rent growth slowing in recent quarters, rents are still now roughly 15% above their prerecession peak.

Fort Worth has done a solid job of positioning itself to be a more dynamic market, giving residents and business tenants the same assets that bigger, more advertised submarkets have, thus positioning the submarket for even more potential growth.

NET ABSORPTION & DIRECT GROSS RATES



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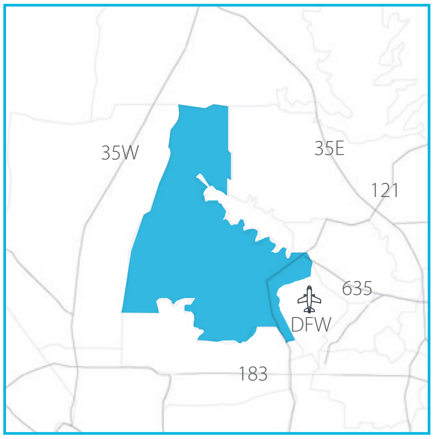
Q1 2020 OFFICE SUBMARKET SNAPSHOT

WESTLAKE/GRAPEVINE/SOUTHLAKE



Market Facts

MARKET TOTAL RBA
8,783,587 SF

CLASS A GROSS DIRECT RATE
$31.89/SF

CLASS B GROSS DIRECT RATE
$26.21/SF

MARKET TOTAL GROSS DIRECT RATE
$30.16/SF

TOTAL VACANCY
1,427,015 SF

TOTAL VACANCY %
16.2%

12 MONTH NET ABSORPTION
629,392 SF

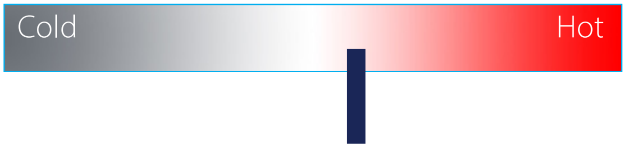
QUARTERLY NET ABSORPTION
61,699 SF

YOY RENT GROWTH
1.9%

12 MONTH DELIVERIES
621,009 SF

UNDER CONSTRUCTION
758,316 SF

Market Dynamicism



Market Overview

While not as dynamic as Las Colinas or Upper Tollway, Westlake/Grapevine/Southlake is carving out a strong presence in the northwest as a corporate headquarters destination. It has recently seen TD Ameritrade and Charles Schwab open new office locations, and Core-Mark recently announced it was leaving California for the Solana development in Westlake.

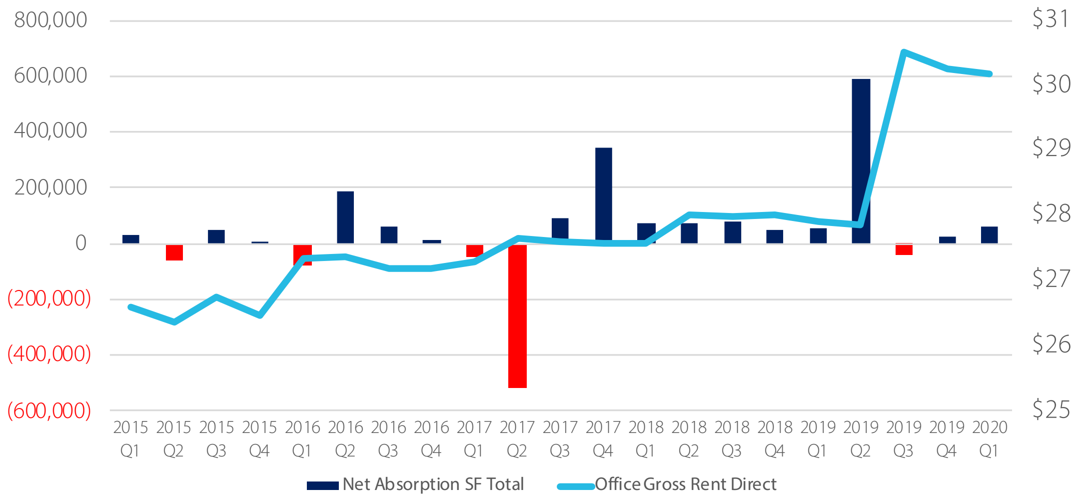
The submarket has all the same area benefits of Las Colinas and Upper Tollway, but its location near DFW Airport and Alliance really make it a desirable corporate hub, though it is still much smaller from an inventory standpoint. Most product here is smaller, save for the large campus projects that occasionally arise, mostly as build-to-suits.

Along with those build-to-suits, in-development projects like the Trophy Club Town Center and Circle T Ranch (which includes the Schwab campus) will have additional office components along with retail space, adding more amenities to draw potential tenants and keep momentum rolling. Most construction has been focused on product under 10,000 SF, so larger spec projects like Southlake's Granite Place I and Kimball Park have been able to draw more tenants looking for traditional office towers.

Rental rates are lower than comparable suburban corporate draws, and vacancy rates are slightly higher than competitors, making the submarket's dynamicism a little cooler when those corporate relocations are taken out of the equation.

While not as headline grabbing as other suburban submarkets, Westlake/Grapevine/Southlake will continue to be a solid staple in the affluent northwest area that will be positioned for a quieter yet steady climate.

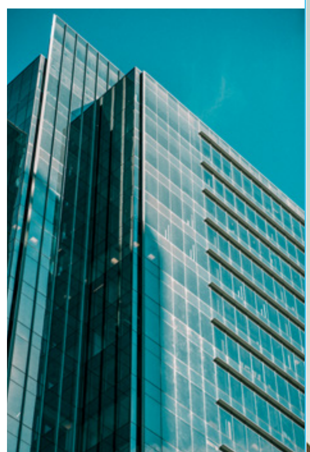
NET ABSORPTION & DIRECT GROSS RATES

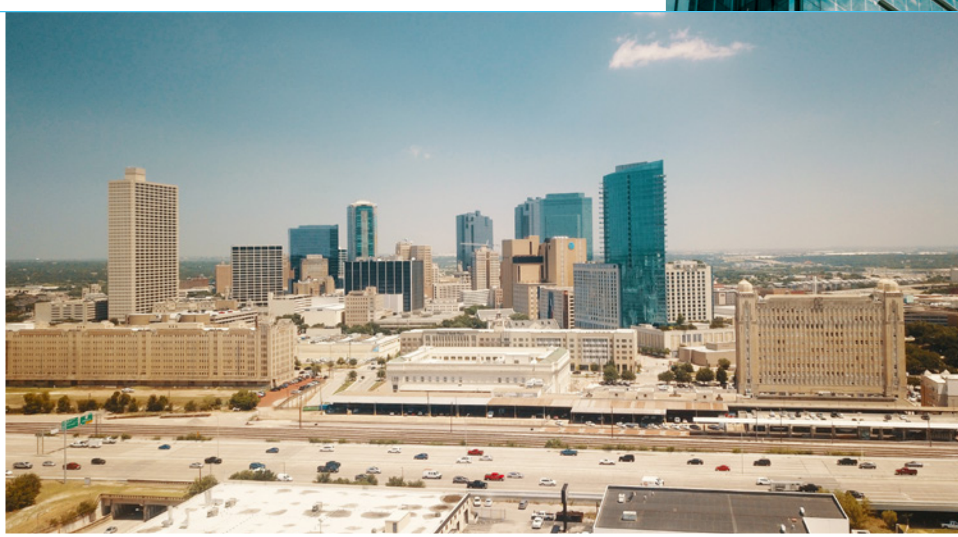


Data Mapping

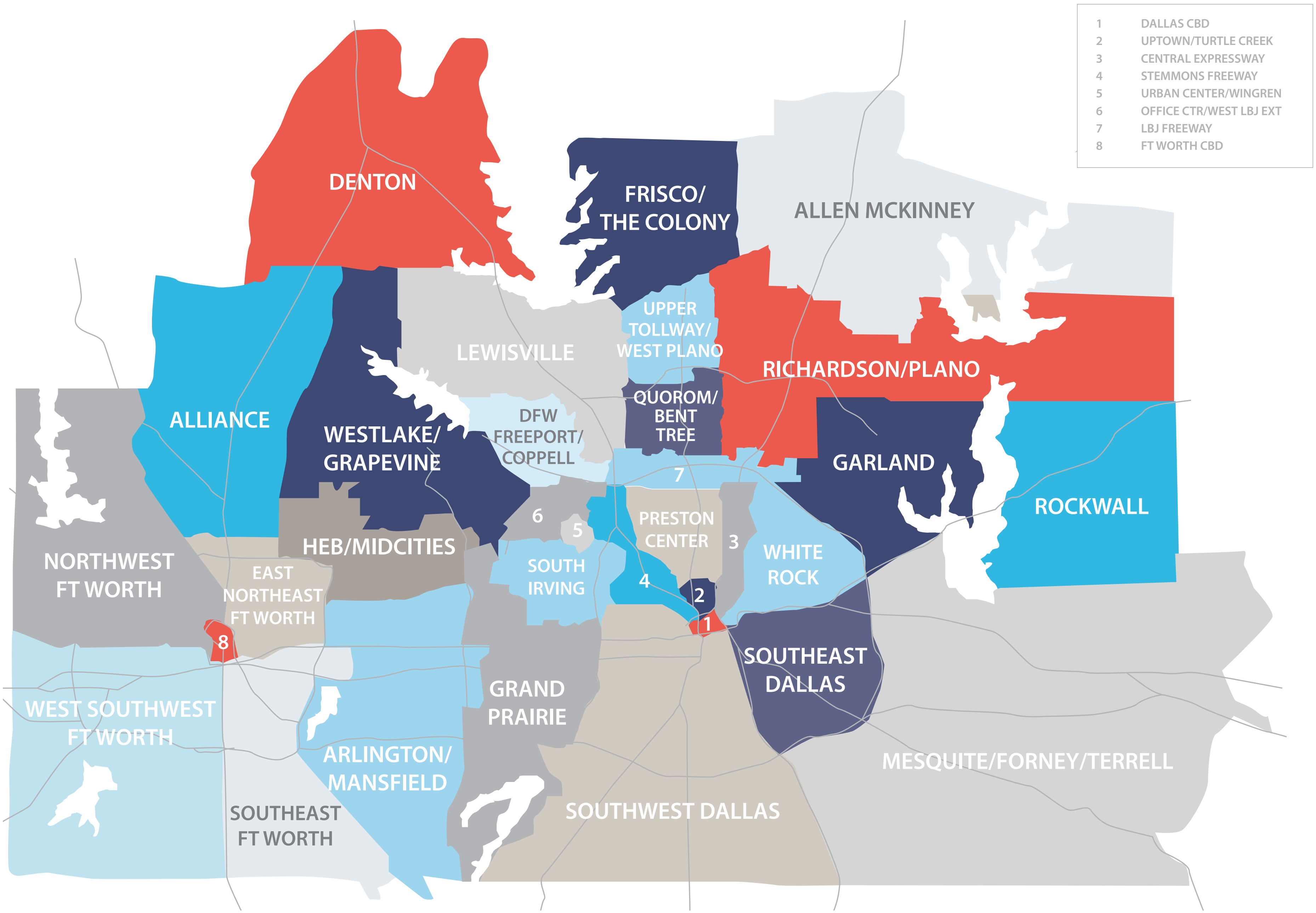
Core Submarkets

Q1 2020





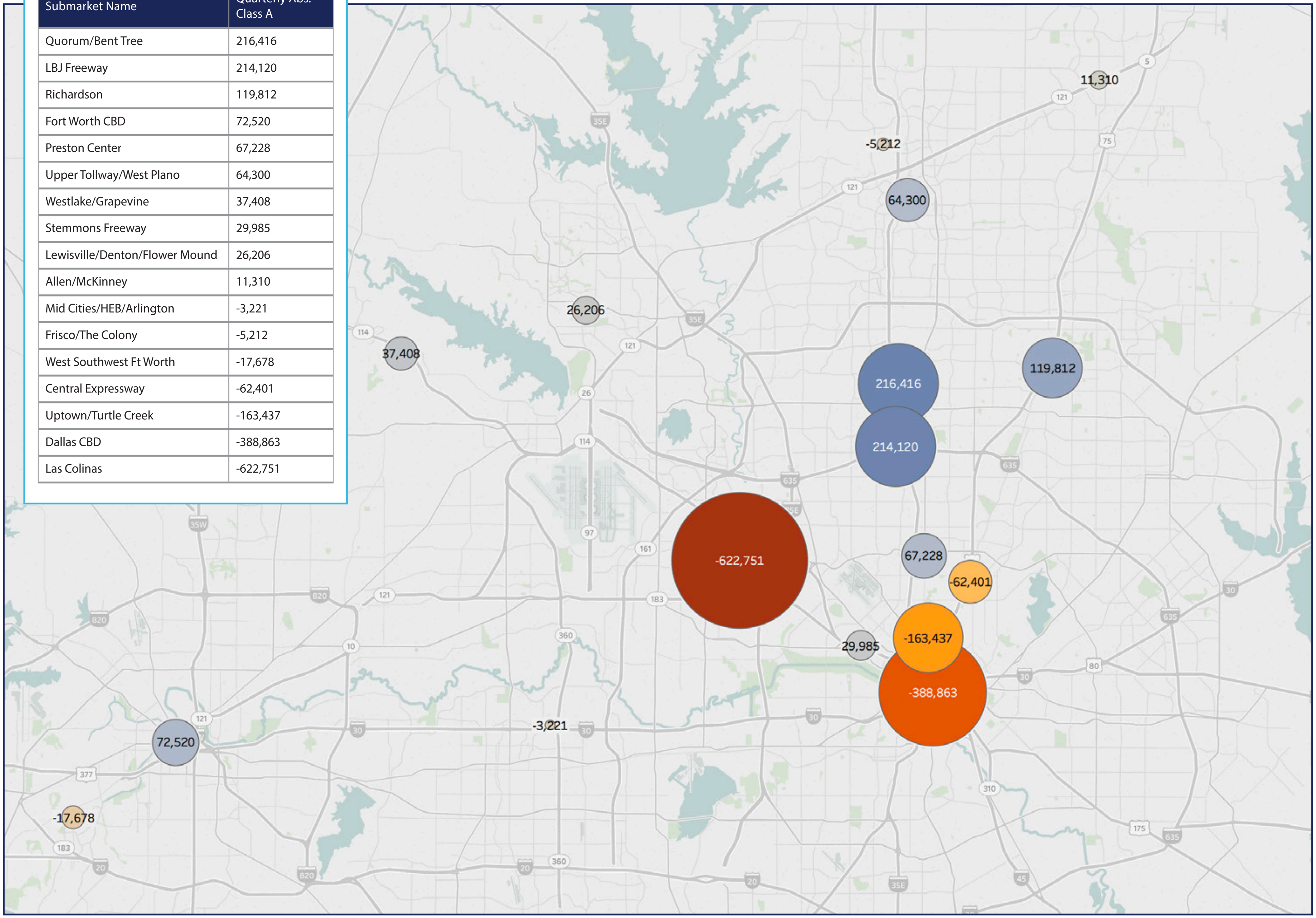
AVISON YOUNG | DFW SUBMARKET MAP



Quarterly Net Absorption: **Class A**

Q1 2020

Submarket Name	Quarterly Abs. - Class A
Quorum/Bent Tree	216,416
LBJ Freeway	214,120
Richardson	119,812
Fort Worth CBD	72,520
Preston Center	67,228
Upper Tollway/West Plano	64,300
Westlake/Grapevine	37,408
Stemmons Freeway	29,985
Lewisville/Denton/Flower Mound	26,206
Allen/McKinney	11,310
Mid Cities/HEB/Arlington	-3,221
Frisco/The Colony	-5,212
West Southwest Ft Worth	-17,678
Central Expressway	-62,401
Uptown/Turtle Creek	-163,437
Dallas CBD	-388,863
Las Colinas	-622,751



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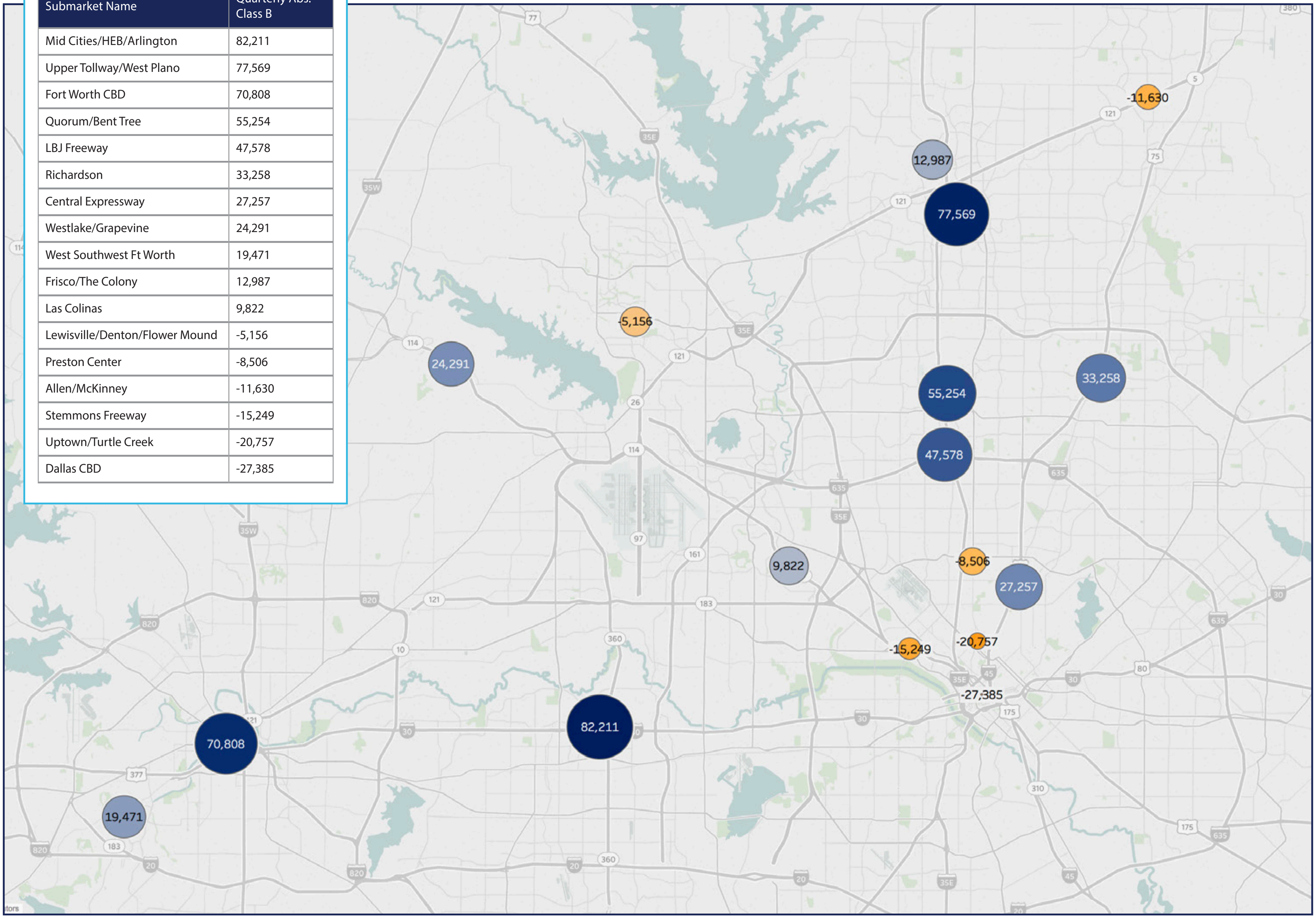
Quarterly Net Absorption: **Class B**

Q1 2020

Submarket Name	Quarterly Abs. - Class B
Mid Cities/HEB/Arlington	82,211
Upper Tollway/West Plano	77,569
Fort Worth CBD	70,808
Quorum/Bent Tree	55,254
LBJ Freeway	47,578
Richardson	33,258
Central Expressway	27,257
Westlake/Grapevine	24,291
West Southwest Ft Worth	19,471
Frisco/The Colony	12,987
Las Colinas	9,822
Lewisville/Denton/Flower Mound	-5,156
Preston Center	-8,506
Allen/McKinney	-11,630
Stemmons Freeway	-15,249
Uptown/Turtle Creek	-20,757
Dallas CBD	-27,385



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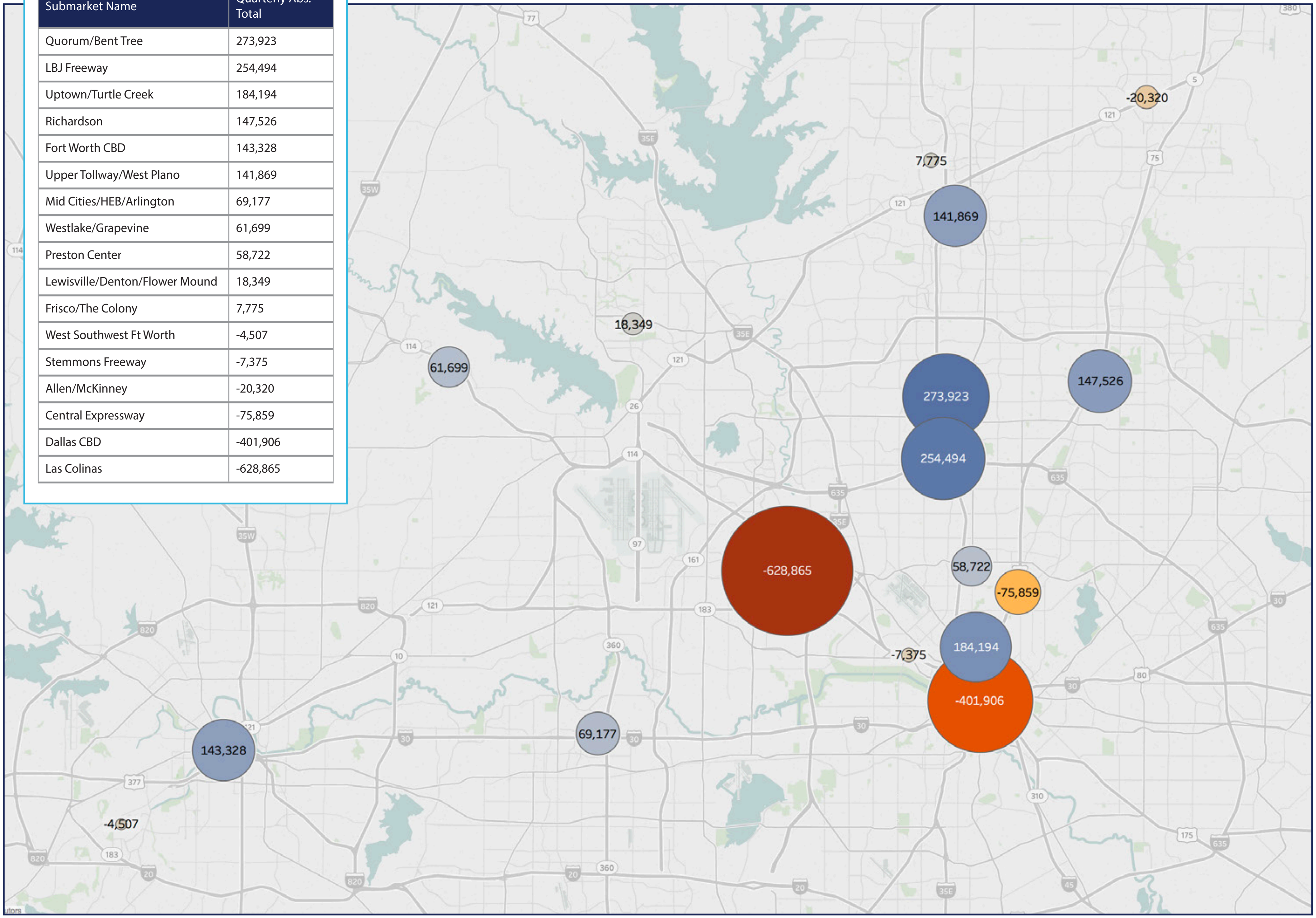
Quarterly Net Absorption: **Total**

Submarket Name	Quarterly Abs. - Total
Quorum/Bent Tree	273,923
LBJ Freeway	254,494
Uptown/Turtle Creek	184,194
Richardson	147,526
Fort Worth CBD	143,328
Upper Tollway/West Plano	141,869
Mid Cities/HEB/Arlington	69,177
Westlake/Grapevine	61,699
Preston Center	58,722
Lewisville/Denton/Flower Mound	18,349
Frisco/The Colony	7,775
West Southwest Ft Worth	-4,507
Stemmons Freeway	-7,375
Allen/McKinney	-20,320
Central Expressway	-75,859
Dallas CBD	-401,906
Las Colinas	-628,865



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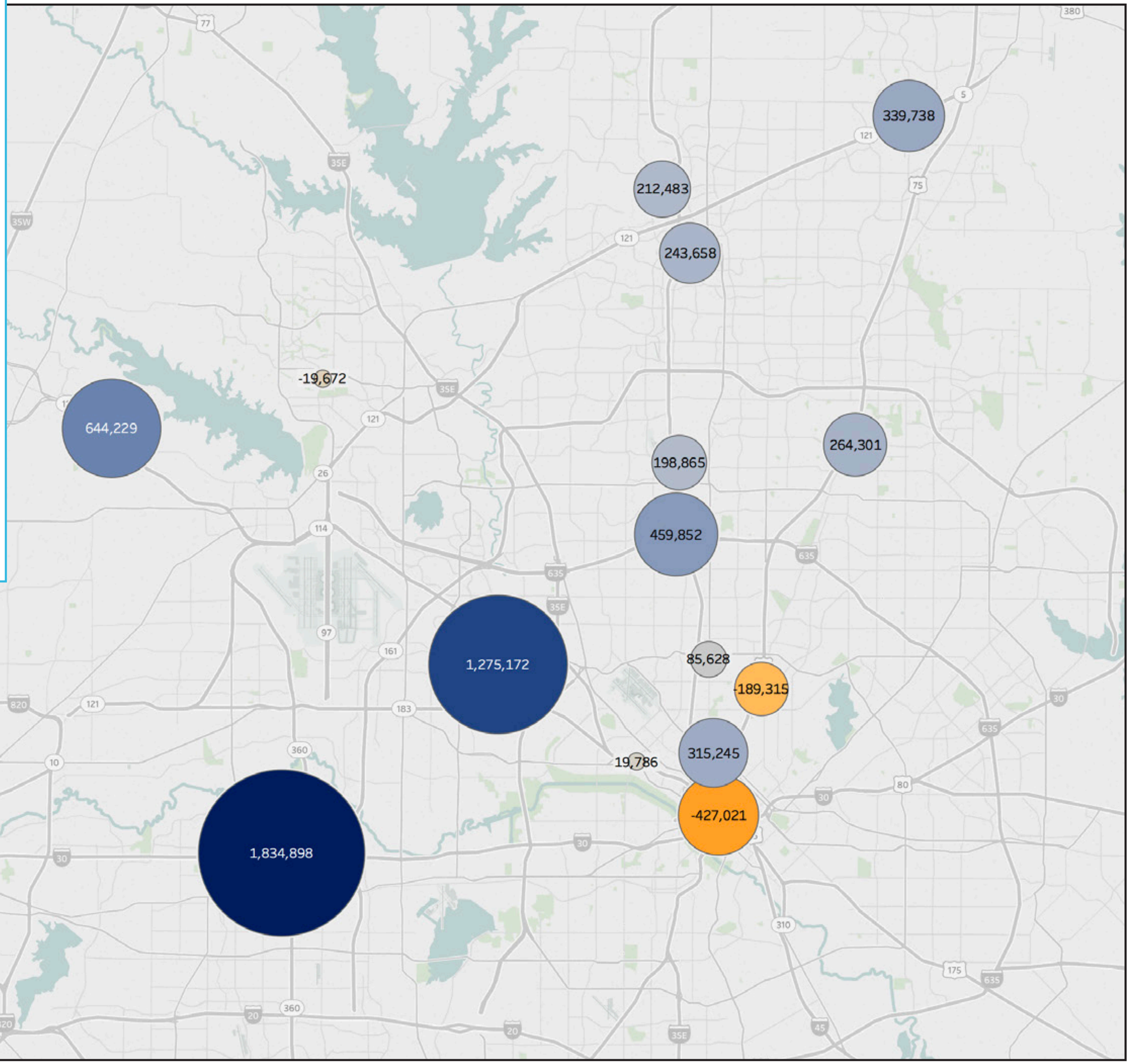
12 Month Net Absorption: **Class A**

Q1 2020

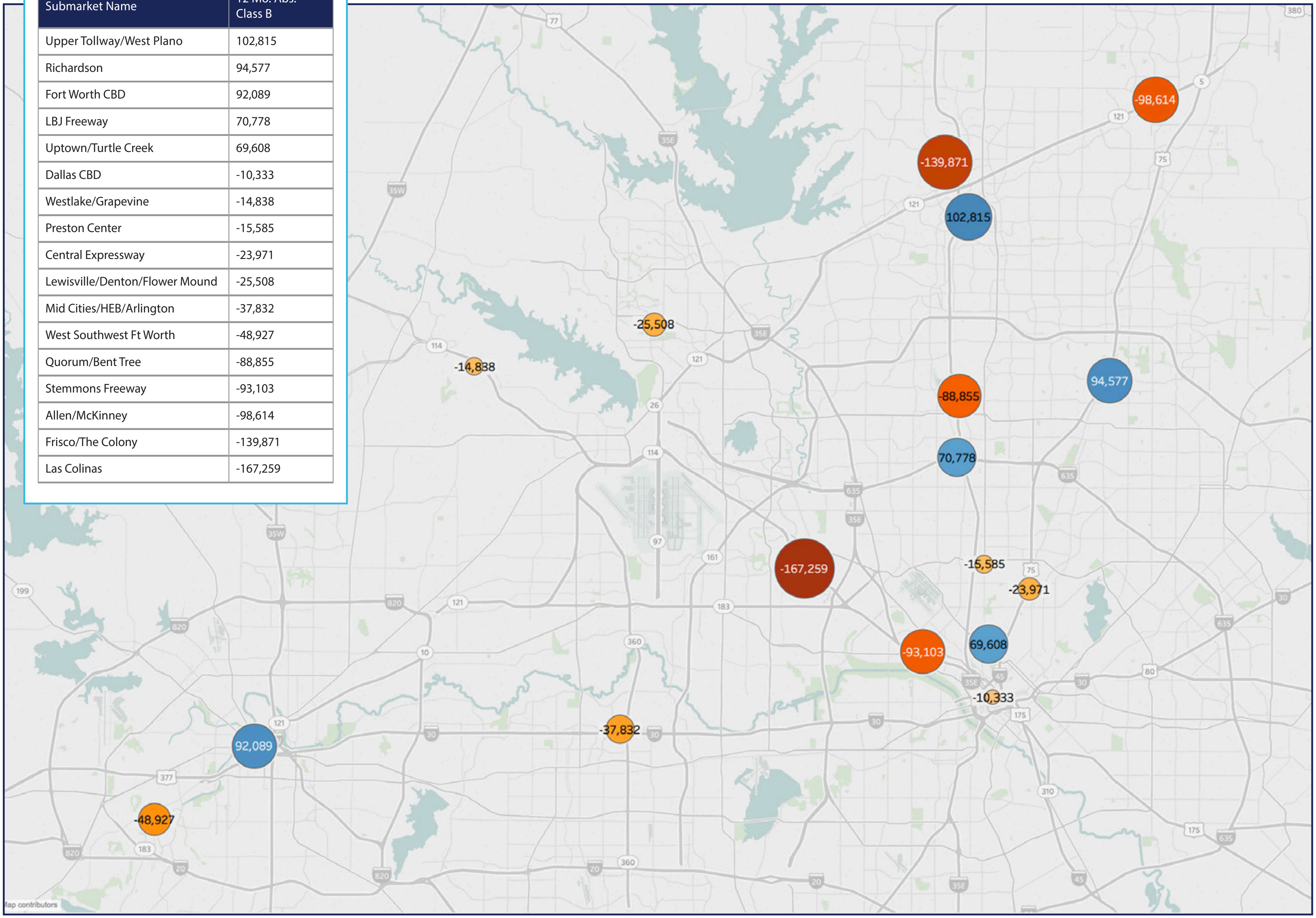
Submarket Name	12 Mo. Abs. - Class A
Mid Cities/HEB/Arlington	1,834,898
Las Colinas	1,275,172
Westlake/Grapevine	644,229
LBJ Freeway	459,852
Allen/McKinney	339,738
Uptown/Turtle Creek	315,245
Richardson	264,301
Upper Tollway/West Plano	243,658
Frisco/The Colony	212,483
Quorum/Bent Tree	198,865
Fort Worth CBD	130,404
Preston Center	85,628
Stemmons Freeway	19,786
Lewisville/Denton/Flower Mound	-19,672
West Southwest Ft Worth	-50,410
Central Expressway	-189,315
Dallas CBD	-427,021



12 Month Net Absorption: **Class B**

Q1 2020

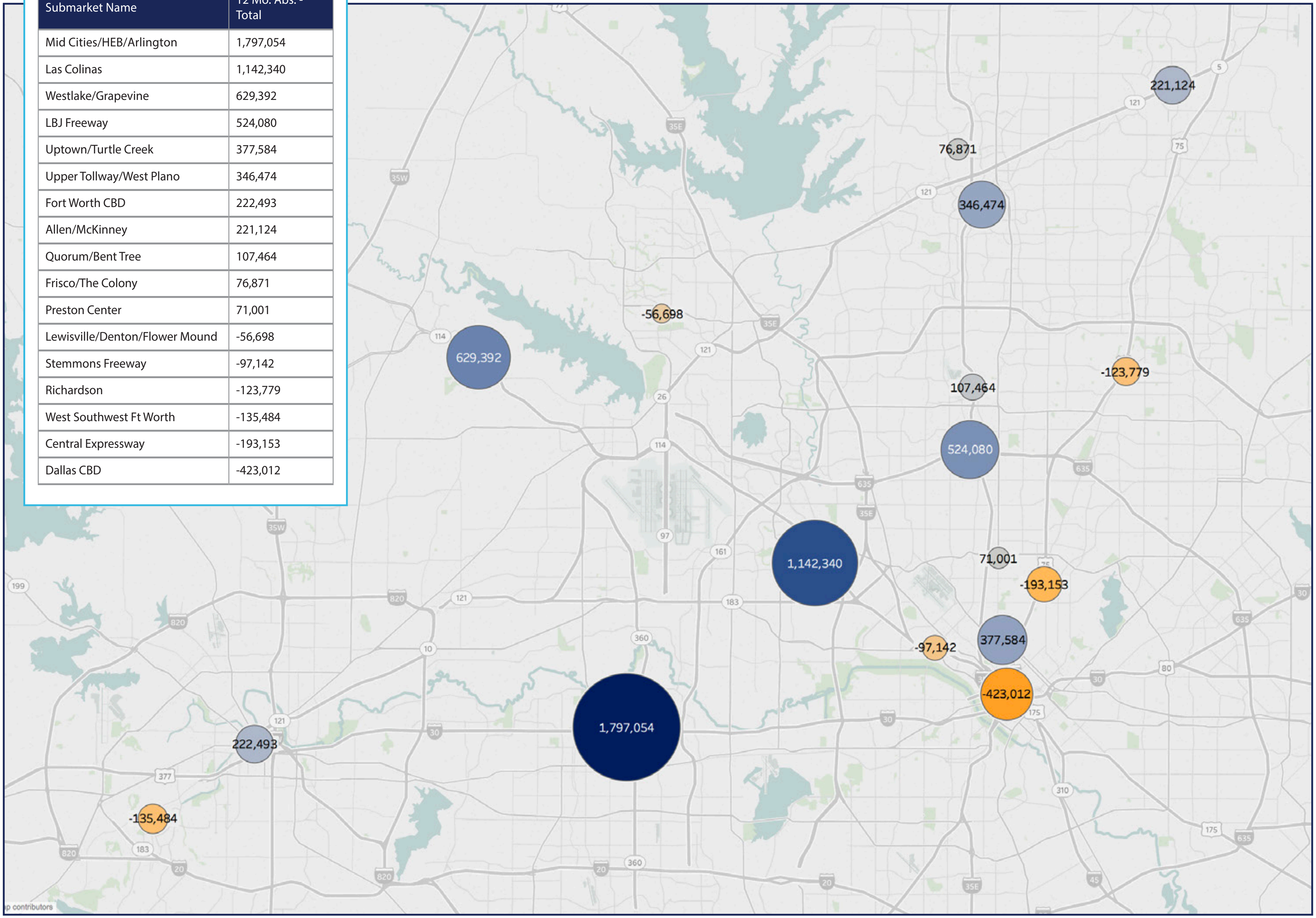
Submarket Name	12 Mo. Abs. - Class B
Upper Tollway/West Plano	102,815
Richardson	94,577
Fort Worth CBD	92,089
LBJ Freeway	70,778
Uptown/Turtle Creek	69,608
Dallas CBD	-10,333
Westlake/Grapevine	-14,838
Preston Center	-15,585
Central Expressway	-23,971
Lewisville/Denton/Flower Mound	-25,508
Mid Cities/HEB/Arlington	-37,832
West Southwest Ft Worth	-48,927
Quorum/Bent Tree	-88,855
Stemmons Freeway	-93,103
Allen/McKinney	-98,614
Frisco/The Colony	-139,871
Las Colinas	-167,259



12 Month Net Absorption: **Total**

Q1 2020

Submarket Name	12 Mo. Abs. - Total
Mid Cities/HEB/Arlington	1,797,054
Las Colinas	1,142,340
Westlake/Grapevine	629,392
LBJ Freeway	524,080
Uptown/Turtle Creek	377,584
Upper Tollway/West Plano	346,474
Fort Worth CBD	222,493
Allen/McKinney	221,124
Quorum/Bent Tree	107,464
Frisco/The Colony	76,871
Preston Center	71,001
Lewisville/Denton/Flower Mound	-56,698
Stemmons Freeway	-97,142
Richardson	-123,779
West Southwest Ft Worth	-135,484
Central Expressway	-193,153
Dallas CBD	-423,012



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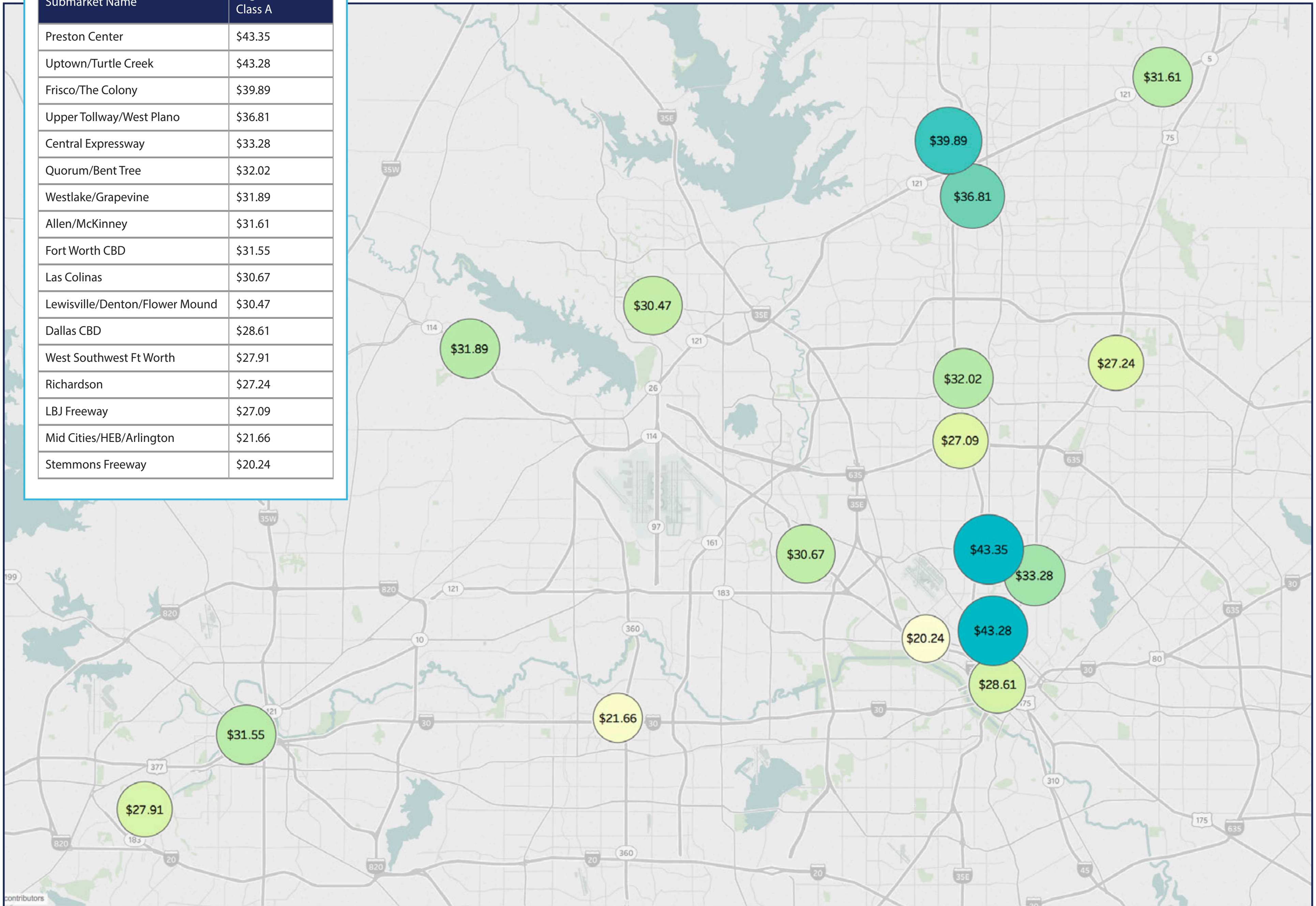
Average Gross Direct Rate: **Class A**

Q1 2020

Submarket Name	Avg. Direct Rate - Class A
Preston Center	$43.35
Uptown/Turtle Creek	$43.28
Frisco/The Colony	$39.89
Upper Tollway/West Plano	$36.81
Central Expressway	$33.28
Quorum/Bent Tree	$32.02
Westlake/Grapevine	$31.89
Allen/McKinney	$31.61
Fort Worth CBD	$31.55
Las Colinas	$30.67
Lewisville/Denton/Flower Mound	$30.47
Dallas CBD	$28.61
West Southwest Ft Worth	$27.91
Richardson	$27.24
LBJ Freeway	$27.09
Mid Cities/HEB/Arlington	$21.66
Stemmons Freeway	$20.24

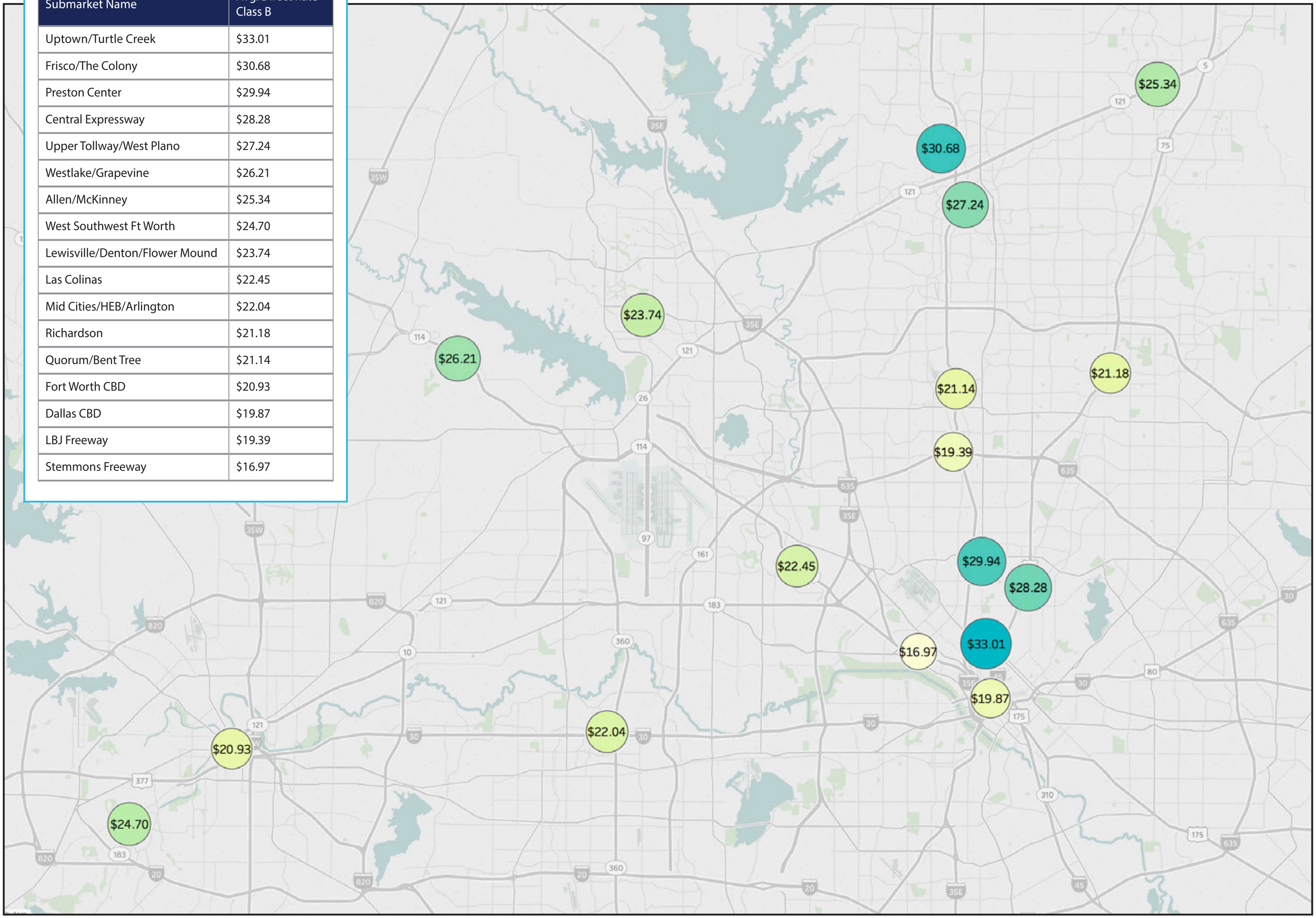


AVISON YOUNG

Average Gross Direct Rate: **Class B**

Q1 2020

Submarket Name	Avg. Direct Rate - Class B
Uptown/Turtle Creek	$33.01
Frisco/The Colony	$30.68
Preston Center	$29.94
Central Expressway	$28.28
Upper Tollway/West Plano	$27.24
Westlake/Grapevine	$26.21
Allen/McKinney	$25.34
West Southwest Ft Worth	$24.70
Lewisville/Denton/Flower Mound	$23.74
Las Colinas	$22.45
Mid Cities/HEB/Arlington	$22.04
Richardson	$21.18
Quorum/Bent Tree	$21.14
Fort Worth CBD	$20.93
Dallas CBD	$19.87
LBJ Freeway	$19.39
Stemmons Freeway	$16.97

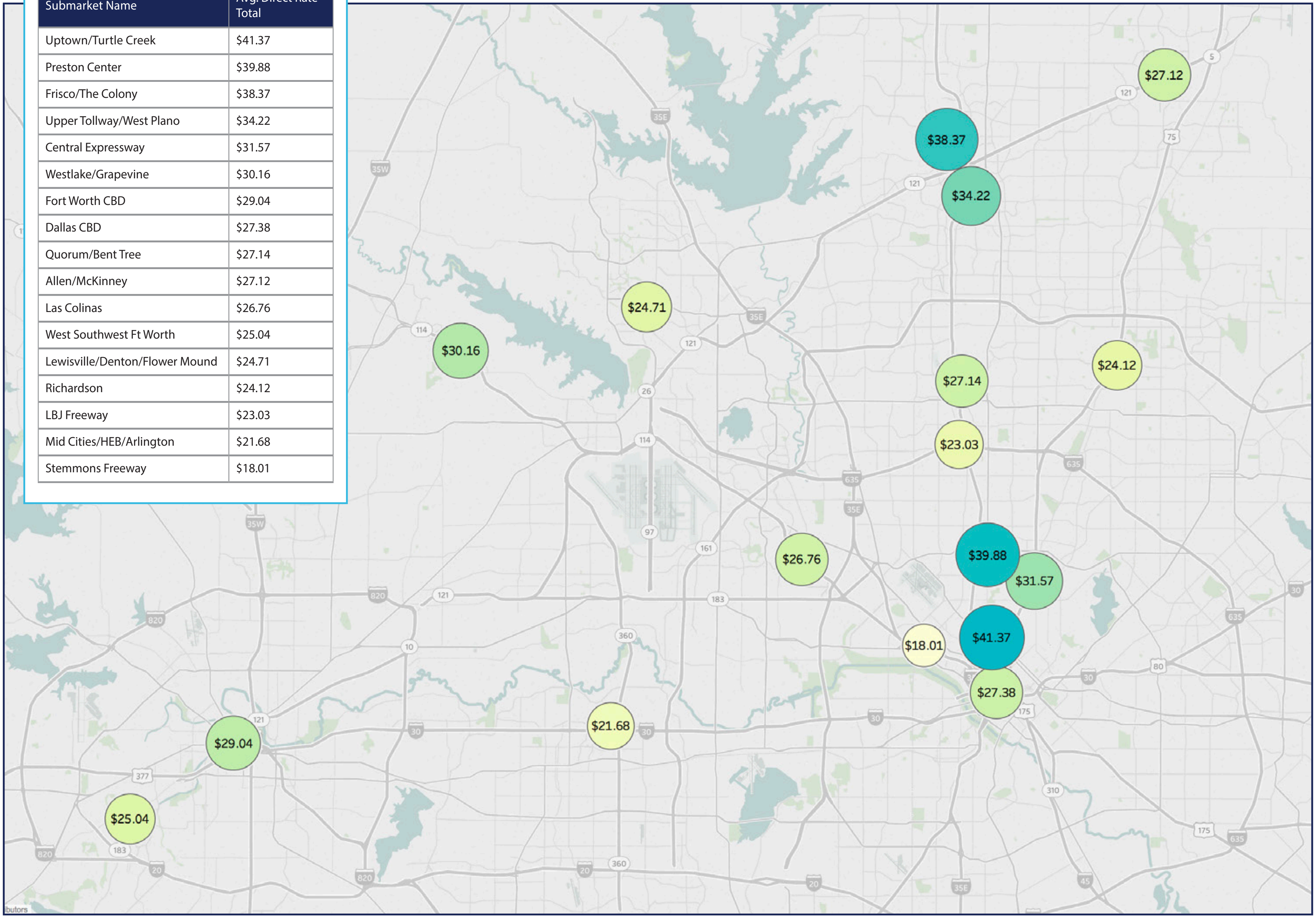


AVISON YOUNG

Average Gross Direct Rate: **Total**

Q1 2020

Submarket Name	Avg. Direct Rate - Total
Uptown/Turtle Creek	$41.37
Preston Center	$39.88
Frisco/The Colony	$38.37
Upper Tollway/West Plano	$34.22
Central Expressway	$31.57
Westlake/Grapevine	$30.16
Fort Worth CBD	$29.04
Dallas CBD	$27.38
Quorum/Bent Tree	$27.14
Allen/McKinney	$27.12
Las Colinas	$26.76
West Southwest Ft Worth	$25.04
Lewisville/Denton/Flower Mound	$24.71
Richardson	$24.12
LBJ Freeway	$23.03
Mid Cities/HEB/Arlington	$21.68
Stemmons Freeway	$18.01

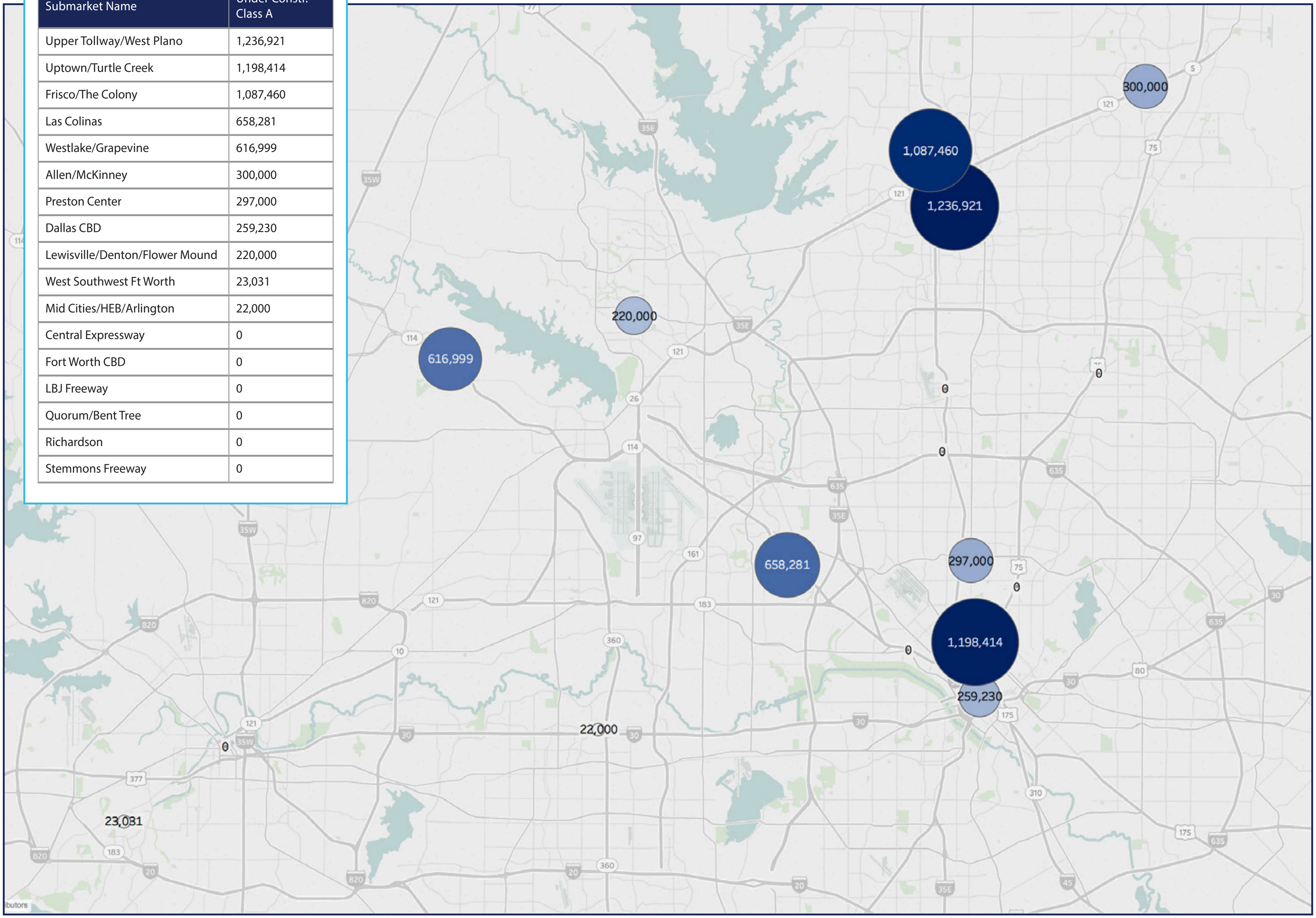


AVISON YOUNG

Under Construction: **Class A**

Q1 2020

Submarket Name	Under Constr.- Class A
Upper Tollway/West Plano	1,236,921
Uptown/Turtle Creek	1,198,414
Frisco/The Colony	1,087,460
Las Colinas	658,281
Westlake/Grapevine	616,999
Allen/McKinney	300,000
Preston Center	297,000
Dallas CBD	259,230
Lewisville/Denton/Flower Mound	220,000
West Southwest Ft Worth	23,031
Mid Cities/HEB/Arlington	22,000
Central Expressway	0
Fort Worth CBD	0
LBJ Freeway	0
Quorum/Bent Tree	0
Richardson	0
Stemmons Freeway	0

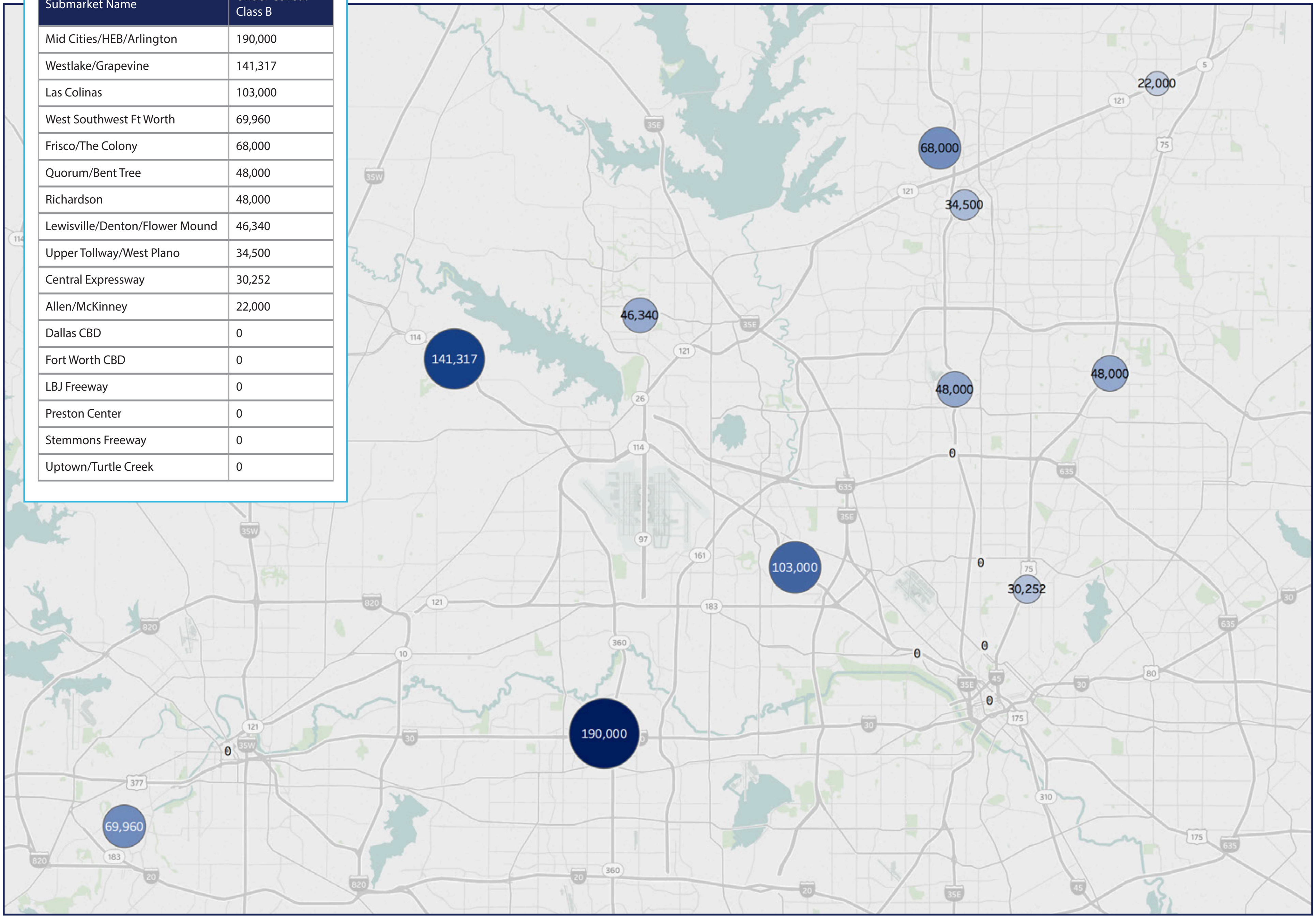


AVISON YOUNG

Under Construction: **Class B**

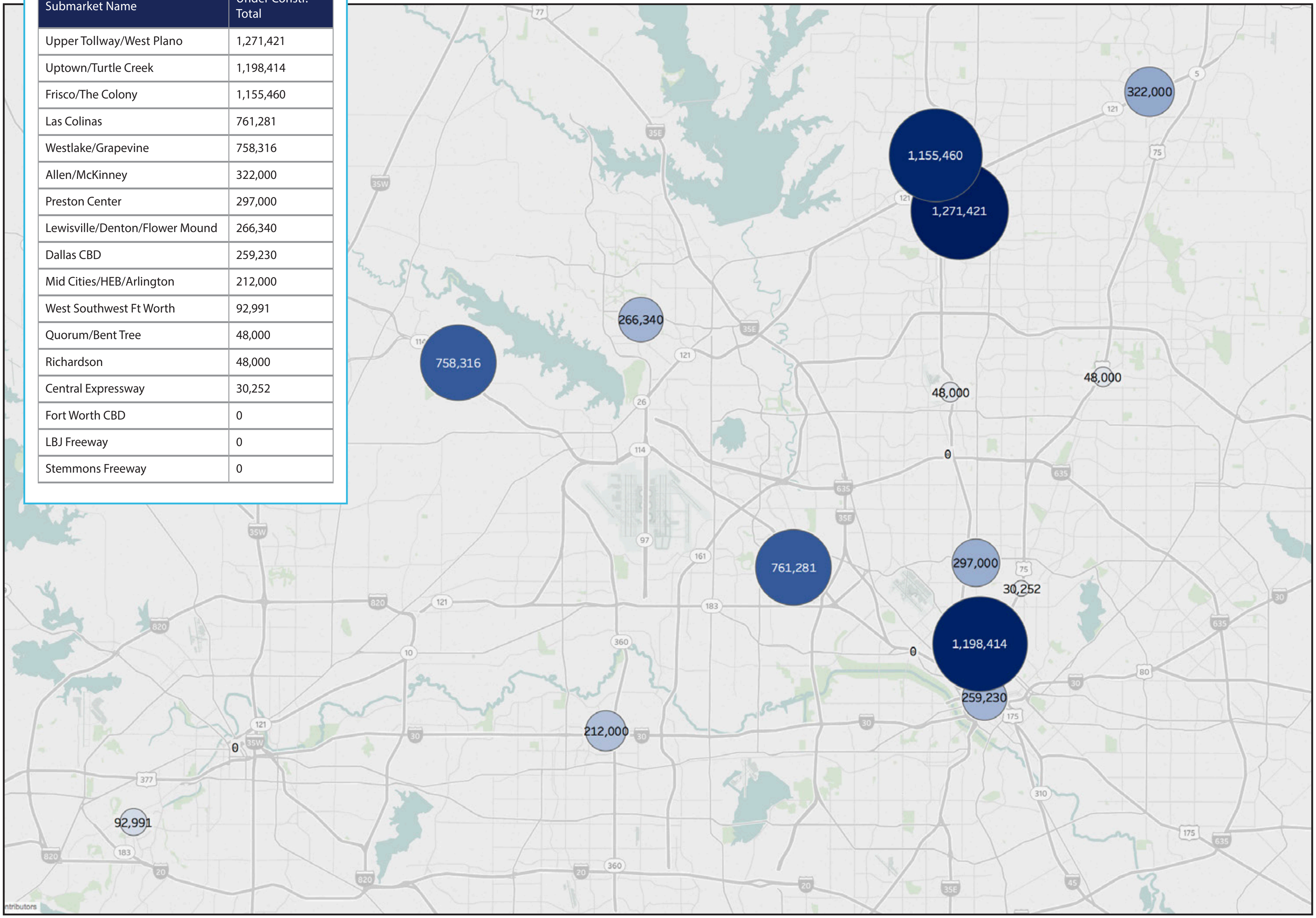
Q1 2020

Submarket Name	Under Constr. - Class B
Mid Cities/HEB/Arlington	190,000
Westlake/Grapevine	141,317
Las Colinas	103,000
West Southwest Ft Worth	69,960
Frisco/The Colony	68,000
Quorum/Bent Tree	48,000
Richardson	48,000
Lewisville/Denton/Flower Mound	46,340
Upper Tollway/West Plano	34,500
Central Expressway	30,252
Allen/McKinney	22,000
Dallas CBD	0
Fort Worth CBD	0
LBJ Freeway	0
Preston Center	0
Stemmons Freeway	0
Uptown/Turtle Creek	0



Under Construction: **Total**

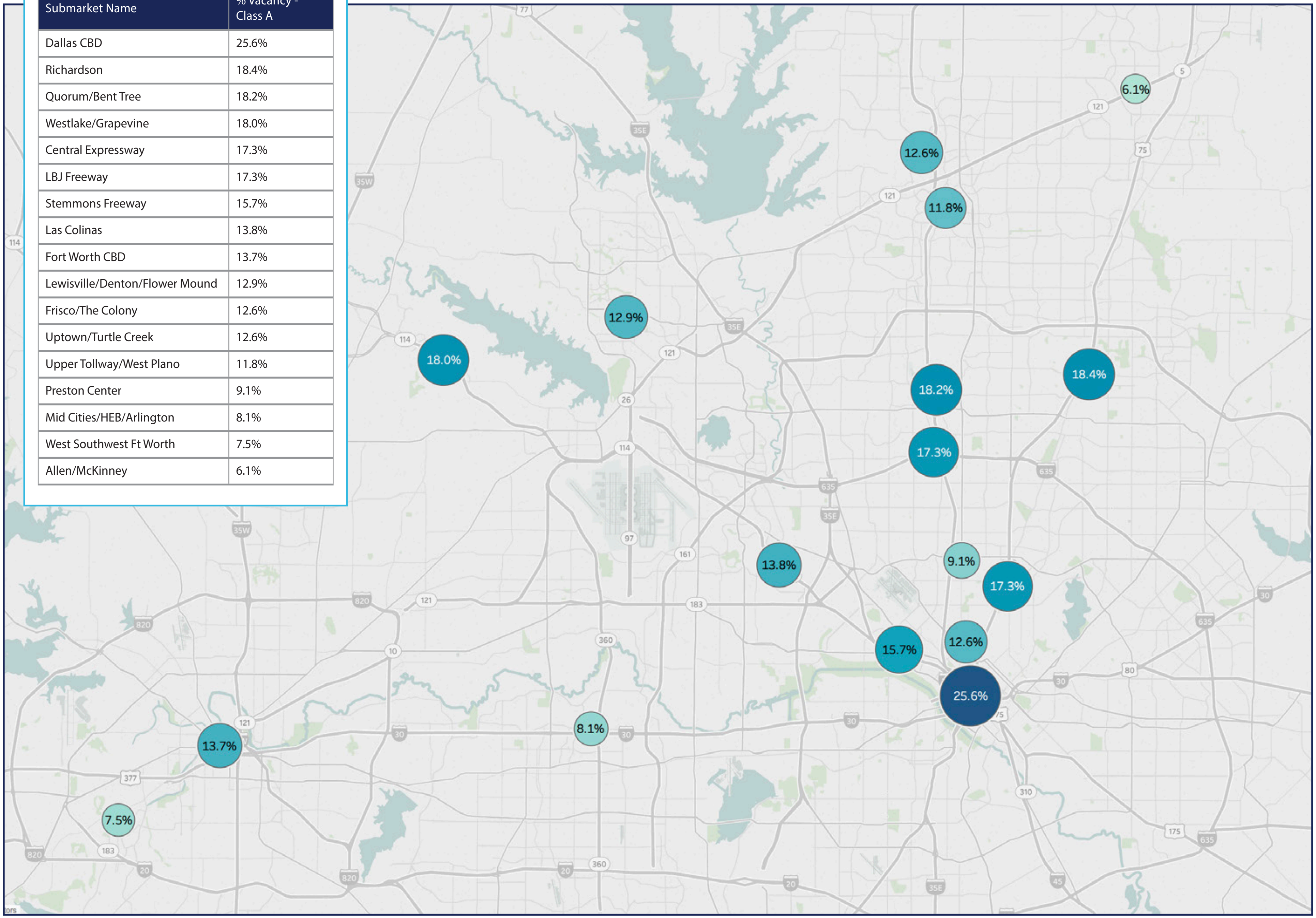
Submarket Name	Under Constr. - Total
Upper Tollway/West Plano	1,271,421
Uptown/Turtle Creek	1,198,414
Frisco/The Colony	1,155,460
Las Colinas	761,281
Westlake/Grapevine	758,316
Allen/McKinney	322,000
Preston Center	297,000
Lewisville/Denton/Flower Mound	266,340
Dallas CBD	259,230
Mid Cities/HEB/Arlington	212,000
West Southwest Ft Worth	92,991
Quorum/Bent Tree	48,000
Richardson	48,000
Central Expressway	30,252
Fort Worth CBD	0
LBJ Freeway	0
Stemmons Freeway	0



Percent Vacancy: **Class A**

Q1 2020

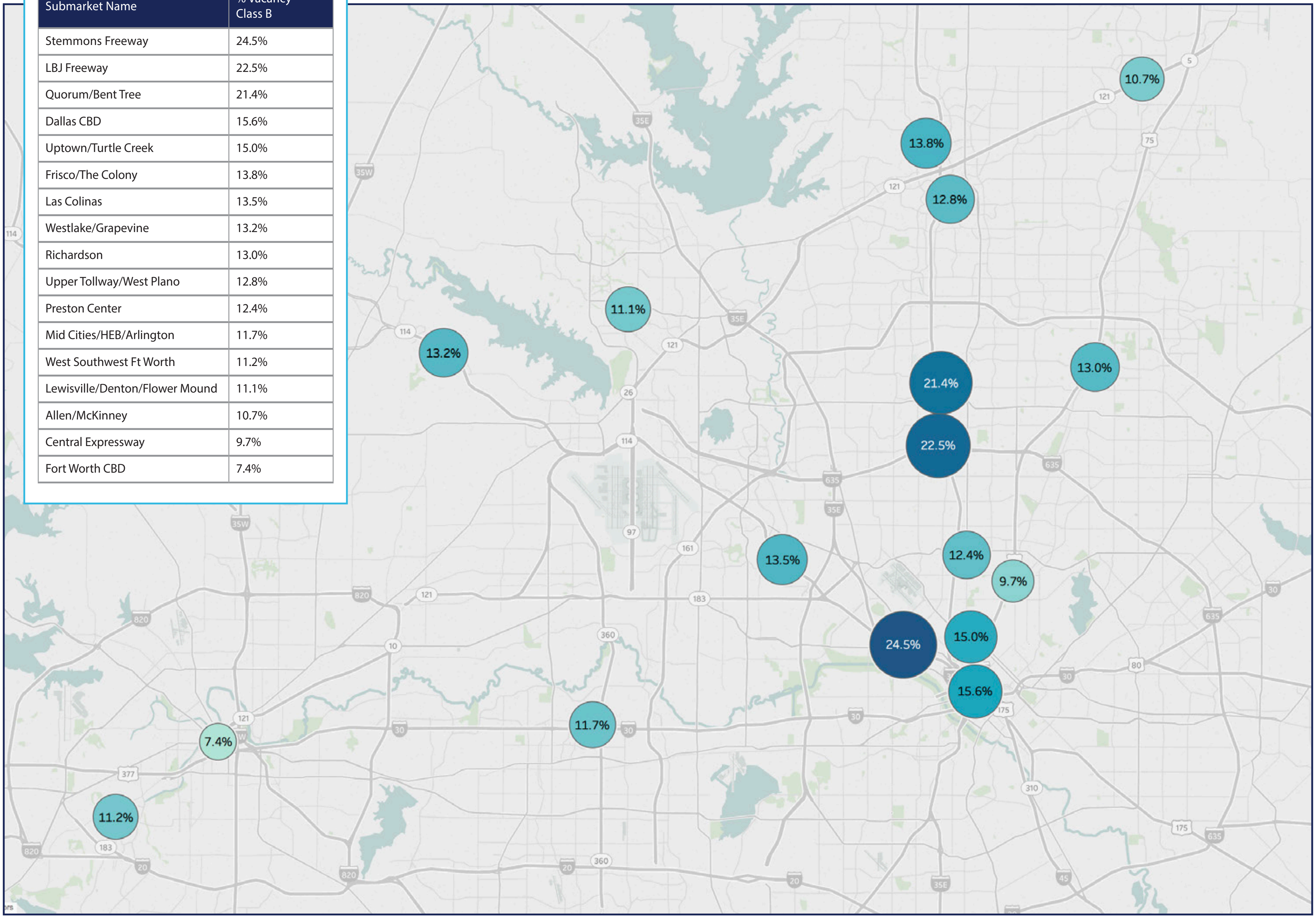
Submarket Name	% Vacancy - Class A
Dallas CBD	25.6%
Richardson	18.4%
Quorum/Bent Tree	18.2%
Westlake/Grapevine	18.0%
Central Expressway	17.3%
LBJ Freeway	17.3%
Stemmons Freeway	15.7%
Las Colinas	13.8%
Fort Worth CBD	13.7%
Lewisville/Denton/Flower Mound	12.9%
Frisco/The Colony	12.6%
Uptown/Turtle Creek	12.6%
Upper Tollway/West Plano	11.8%
Preston Center	9.1%
Mid Cities/HEB/Arlington	8.1%
West Southwest Ft Worth	7.5%
Allen/McKinney	6.1%



Percent Vacancy: **Class B**

Q1 2020

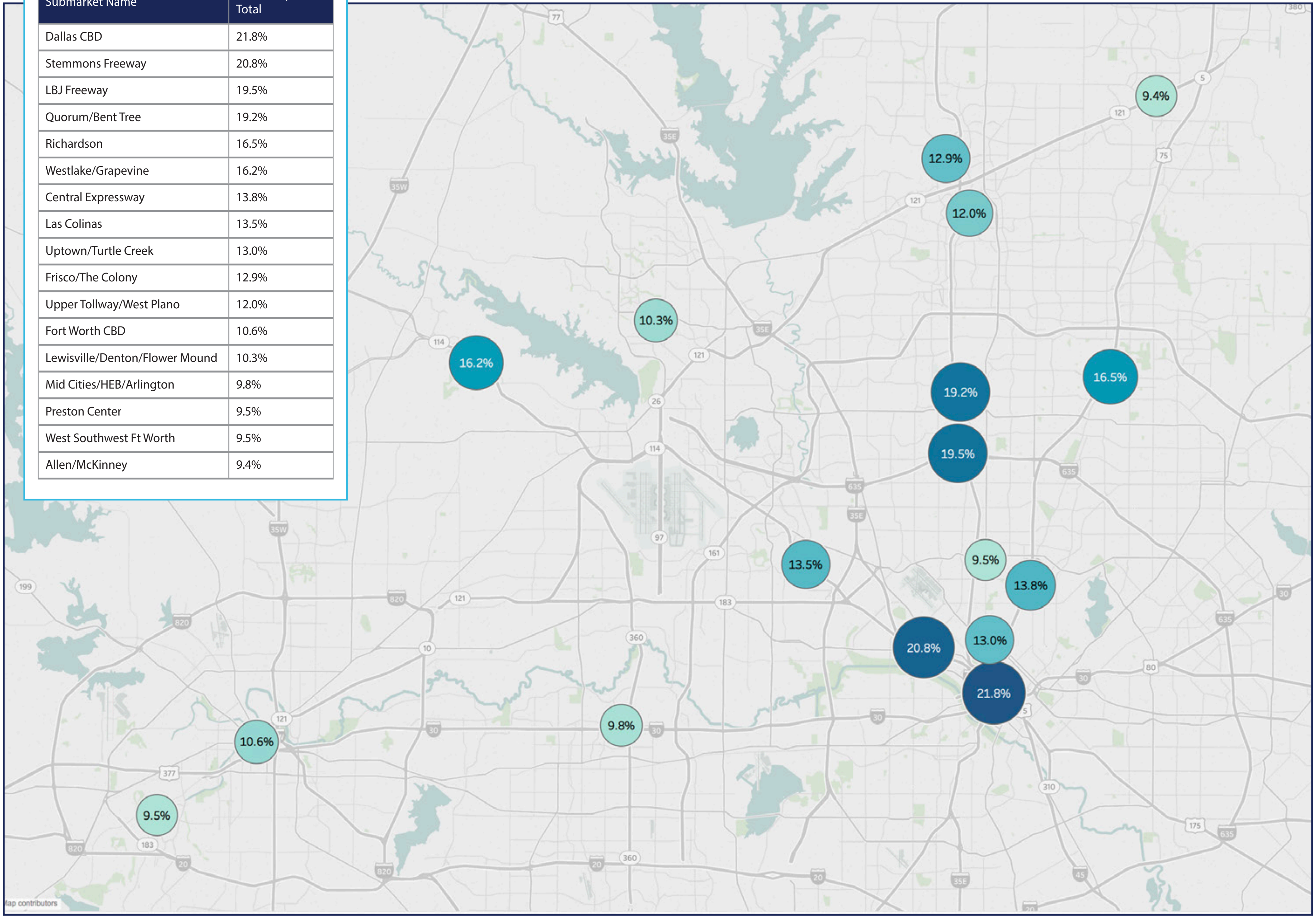
Submarket Name	% Vacancy - Class B
Stemmons Freeway	24.5%
LBJ Freeway	22.5%
Quorum/Bent Tree	21.4%
Dallas CBD	15.6%
Uptown/Turtle Creek	15.0%
Frisco/The Colony	13.8%
Las Colinas	13.5%
Westlake/Grapevine	13.2%
Richardson	13.0%
Upper Tollway/West Plano	12.8%
Preston Center	12.4%
Mid Cities/HEB/Arlington	11.7%
West Southwest Ft Worth	11.2%
Lewisville/Denton/Flower Mound	11.1%
Allen/McKinney	10.7%
Central Expressway	9.7%
Fort Worth CBD	7.4%



Percent Vacancy: **Total**

Q1 2020

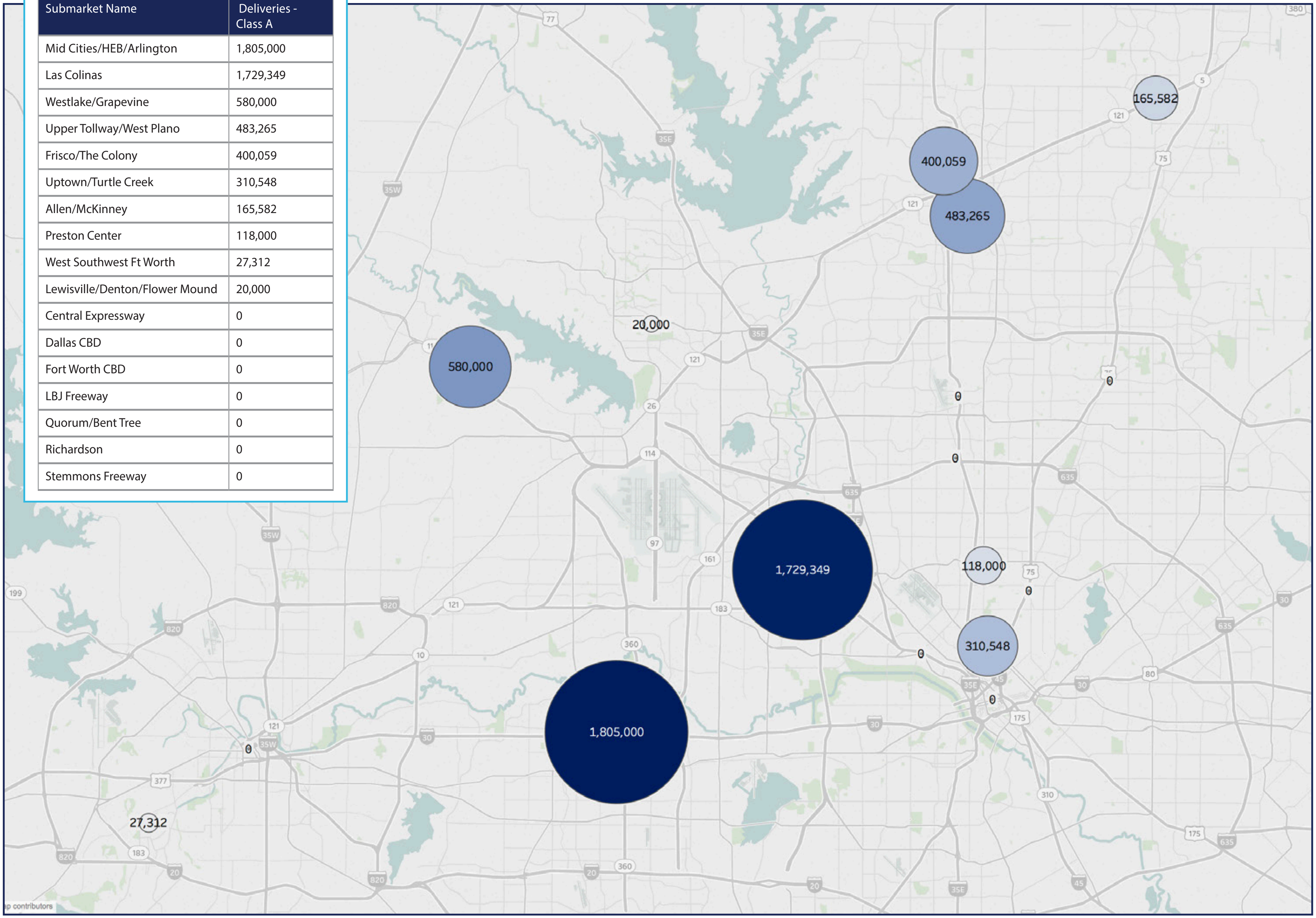
Submarket Name	% Vacancy - Total
Dallas CBD	21.8%
Stemmons Freeway	20.8%
LBJ Freeway	19.5%
Quorum/Bent Tree	19.2%
Richardson	16.5%
Westlake/Grapevine	16.2%
Central Expressway	13.8%
Las Colinas	13.5%
Uptown/Turtle Creek	13.0%
Frisco/The Colony	12.9%
Upper Tollway/West Plano	12.0%
Fort Worth CBD	10.6%
Lewisville/Denton/Flower Mound	10.3%
Mid Cities/HEB/Arlington	9.8%
Preston Center	9.5%
West Southwest Ft Worth	9.5%
Allen/McKinney	9.4%



12 Month Deliveries: **Class A**

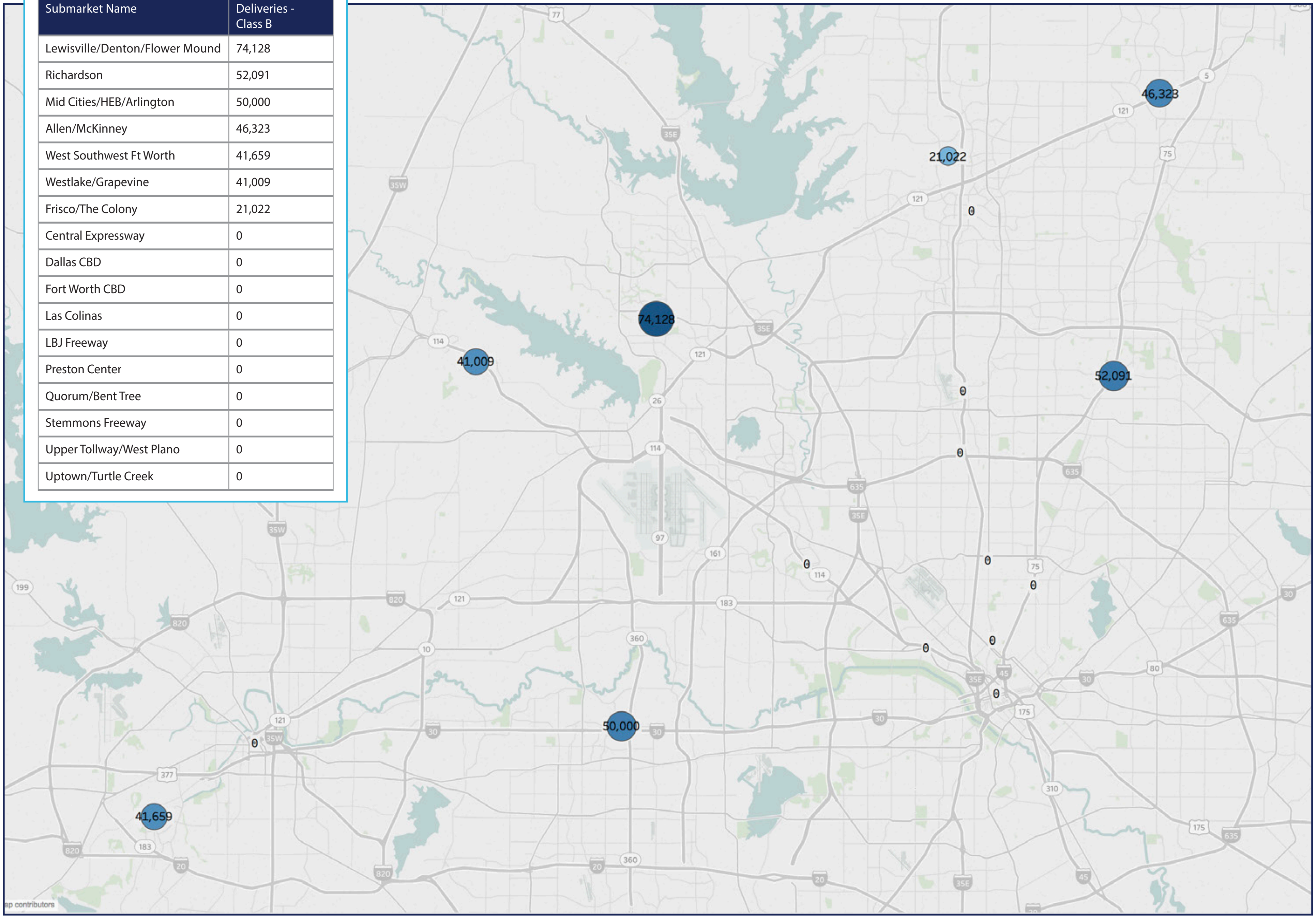
Q1 2020

Submarket Name	12 Mo. Deliveries - Class A
Mid Cities/HEB/Arlington	1,805,000
Las Colinas	1,729,349
Westlake/Grapevine	580,000
Upper Tollway/West Plano	483,265
Frisco/The Colony	400,059
Uptown/Turtle Creek	310,548
Allen/McKinney	165,582
Preston Center	118,000
West Southwest Ft Worth	27,312
Lewisville/Denton/Flower Mound	20,000
Central Expressway	0
Dallas CBD	0
Fort Worth CBD	0
LBJ Freeway	0
Quorum/Bent Tree	0
Richardson	0
Stemmons Freeway	0



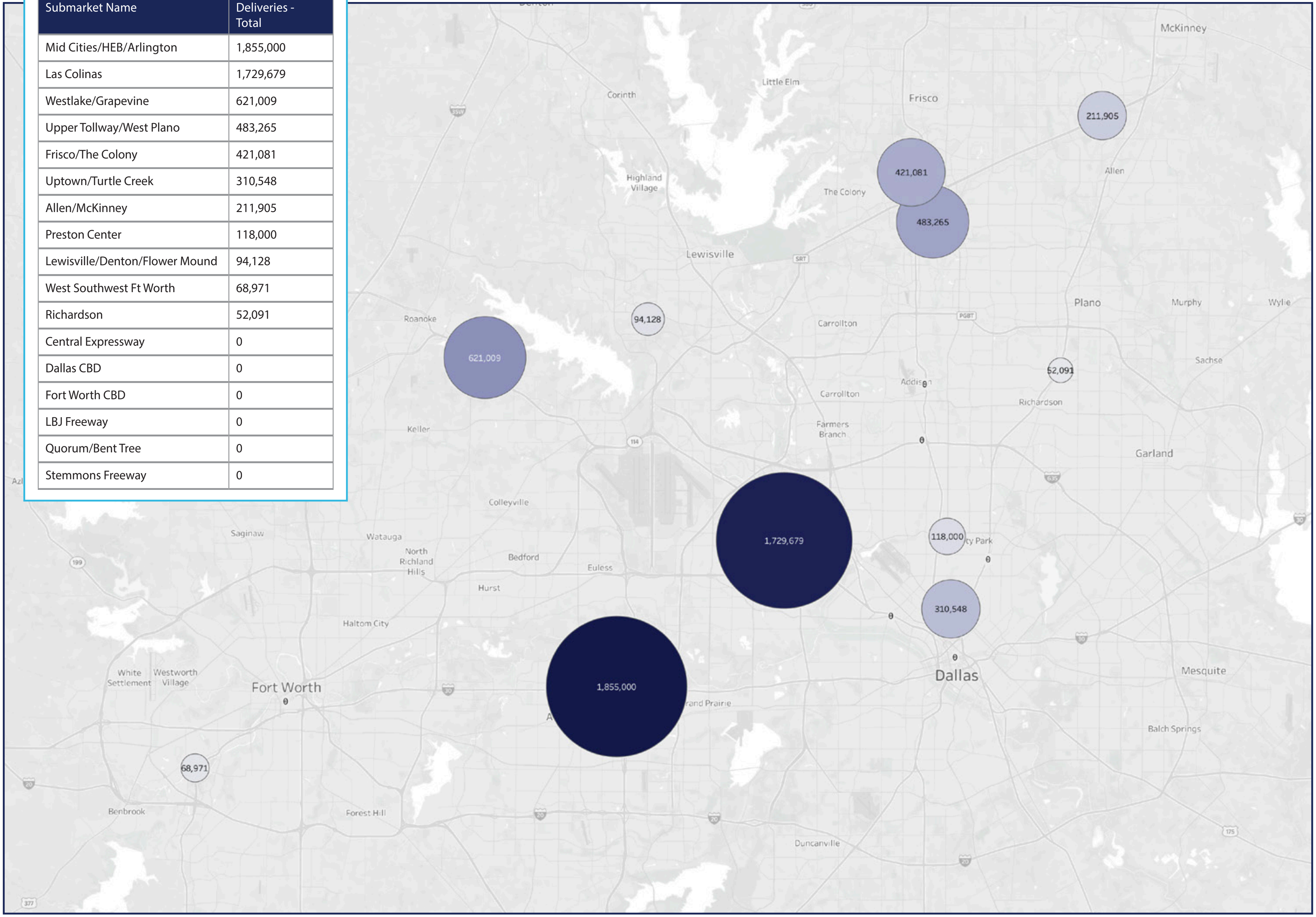
12 Month Deliveries: **Class B**

Submarket Name	12 Mo. Deliveries - Class B
Lewisville/Denton/Flower Mound	74,128
Richardson	52,091
Mid Cities/HEB/Arlington	50,000
Allen/McKinney	46,323
West Southwest Ft Worth	41,659
Westlake/Grapevine	41,009
Frisco/The Colony	21,022
Central Expressway	0
Dallas CBD	0
Fort Worth CBD	0
Las Colinas	0
LBJ Freeway	0
Preston Center	0
Quorum/Bent Tree	0
Stemmons Freeway	0
Upper Tollway/West Plano	0
Uptown/Turtle Creek	0



12 Month Deliveries: **Total**

Submarket Name	12 Mo. Deliveries - Total
Mid Cities/HEB/Arlington	1,855,000
Las Colinas	1,729,679
Westlake/Grapevine	621,009
Upper Tollway/West Plano	483,265
Frisco/The Colony	421,081
Uptown/Turtle Creek	310,548
Allen/McKinney	211,905
Preston Center	118,000
Lewisville/Denton/Flower Mound	94,128
West Southwest Ft Worth	68,971
Richardson	52,091
Central Expressway	0
Dallas CBD	0
Fort Worth CBD	0
LBJ Freeway	0
Quorum/Bent Tree	0
Stemmons Freeway	0



AVISON YOUNG

Dallas-Fort Worth
Market Overview

Q1 2020

INDUSTRIAL

Q1 2020 Industrial Snapshot

DALLAS FORT WORTH MARKET

Market Facts

WAREHOUSE & DISTRIBUTION RBA
616,647,322 SF

MANUFACTURING RBA
94,982,080 SF

FLEX RBA
90,127,082 SF

TOTAL RBA
841,883,714 SF

VACANCY TOTAL
5.4%

AVERAGE DIRECT NNN RENT
$6.34/SF

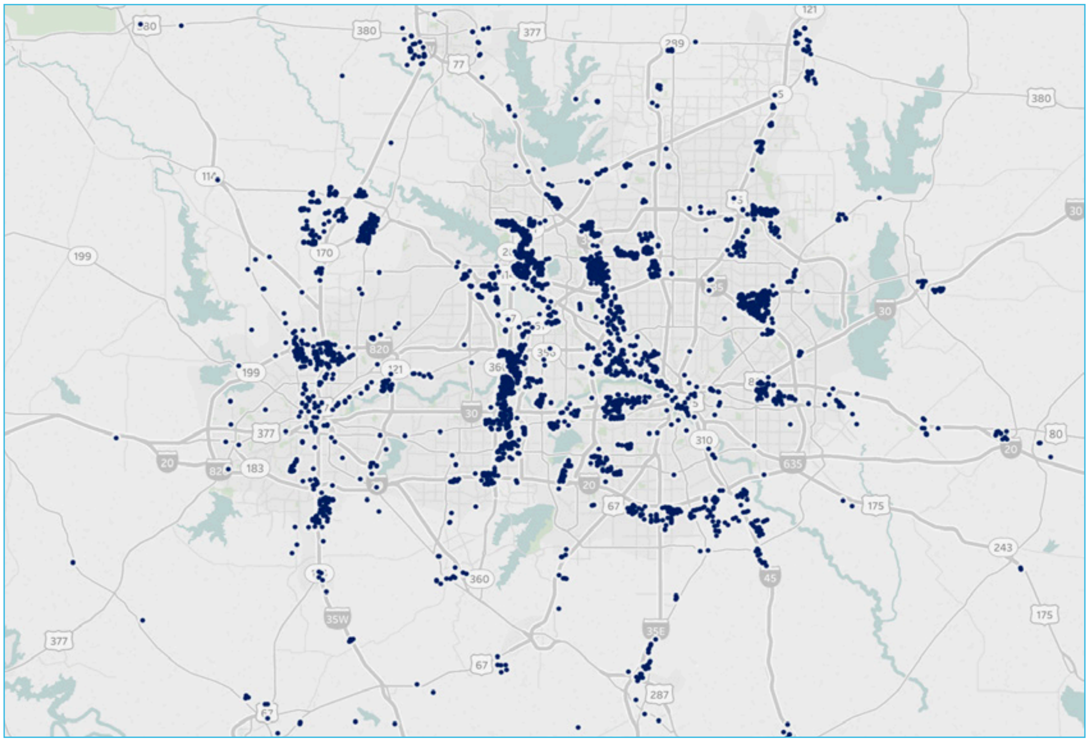
12 MONTH RENT GROWTH
5.9%

AVERAGE SALES PRICE
$82/SF

12 MONTH ABSORPTION
26,312,530 SF

12 MONTH DELIVERIES
27,631,929 SF

UNDER CONSTRUCTION
36,481,893 SF



Market Overview

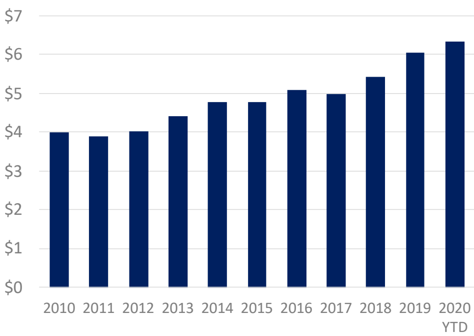
Dallas-Fort Worth continues to be one of the premier industrial markets in the country. Job growth, construction, absorption and affordability have helped keep the market moving at a record breaking pace. The metroplex has averaged more than 20 million SF of net new supply annually over the past few years, with 2019 seeing 22.5 MSF deliver. However, vacancies have remained flat due to a combination of impressive demand for speculative projects and a few major build-to-suits that delivered.

Groundbreakings have yet to slow down, and speculative construction is ramping up. But impressive leasing velocity on spec projects and the large number of build-to-suits make it likely that vacancies will remain low over the next few quarters. Rent growth is still well out-pacing the metro's historical average, which is especially impressive considering how late it is in the current economic cycle. Transaction activity is driven by institutional capital, with national portfolio sales accounting for a major portion of sales volume.

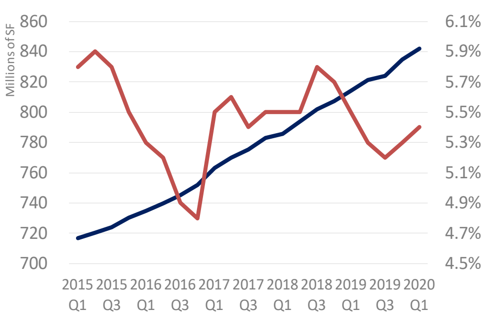
Leasing volume remains high thanks to DFW's centralized location and headquarters hubs for major national businesses. Online retailing continues to be a boon for industrial property owners and investors. While cap rates are roughly equal to the national average, pricing has increased at a faster rate than the national benchmark this cycle, hovering around $82/sf. Sales totals were over $6B for the last 12 months.

COVID-19 has accelerated demand for warehouse and distribution space as more retail patterns moved online. This will keep demand quite strong for industrial product for the time being, and could change many retail models to embrace a more online presence, which will keep activity healthy for the foreseeable future.

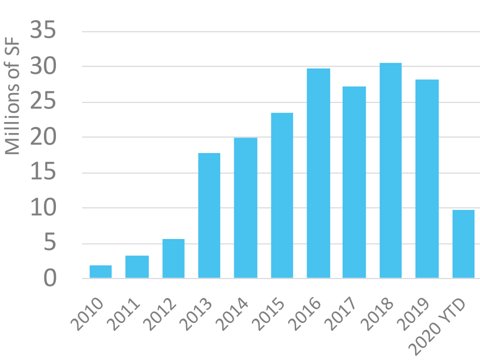
Average Direct NNN Asking Rates



Inventory Vs. Vacancy

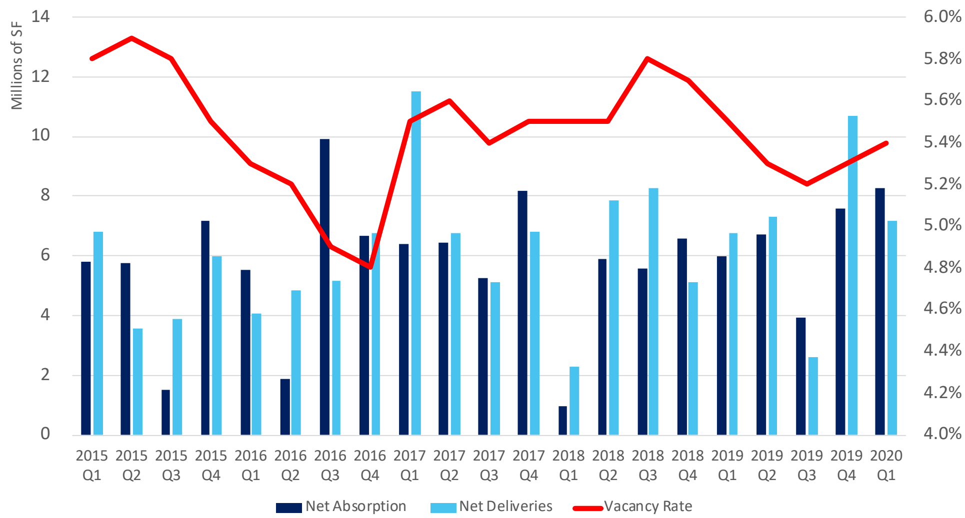


Historical Construction Starts



Report Parameters:
Industrial & Flex Existing Space, 20,000+ SF buildings, owner-occupied included

NET ABSORPTION, NET DELIVERIES, & VACANCY



MAJOR PROPERTY TYPE AVAILABILITIES

Passport Park-Building 1
Warehouse
2600 Rental Car Dr | Irving, TX 75062
E DFW Air/Las Colinas Ind Submarket
1,106,315 SF | 1,106,315 SF Available
Year Built: Under Construction

3000 W Kingsley
Manufacturing
3000 W Kingsley Rd | Garland, TX 75041
NE Dallas/Garland Ind Submarket
341,840 SF | 341,840 SF Available
Year Built: 1974

Trammell Crow at 35 Eagle-Bldg A
Distribution
15245 Heritage Pky | Fort Worth, TX 76177
NE Tarrant/Alliance Ind Submarket
1,089,642 SF | 1,089,642 SF Available
Year Built: 2018

600 Millennium Dr
Flex
600 Millennium Dr | Allen, TX 75013
Allen/McKinney Ind Submarket
164,866 SF | 164,866 SF Available
Year Built: 1997

For more information, please contact:

Avison Young | Dallas
1920 McKinney Avenue | Suite 1100 | Dallas, TX 75201
214.559.3900
avisonyoung.com

CORE SUBMARKET SNAPSHOTS

INDUSTRIAL

Q1 ‘20

Q1 2020 Industrial Snapshot

DFW Airport:
East DFW Air/Las Colinas & West DFW Air/Grapevine

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
68,898,911 SF

MANUFACTURING RBA
2,497,978 SF

FLEX RBA
6,304,568 SF

TOTAL RBA
79,265,094 SF

VACANCY TOTAL
4.6%

AVERAGE DIRECT NNN RENT
$7.31/SF

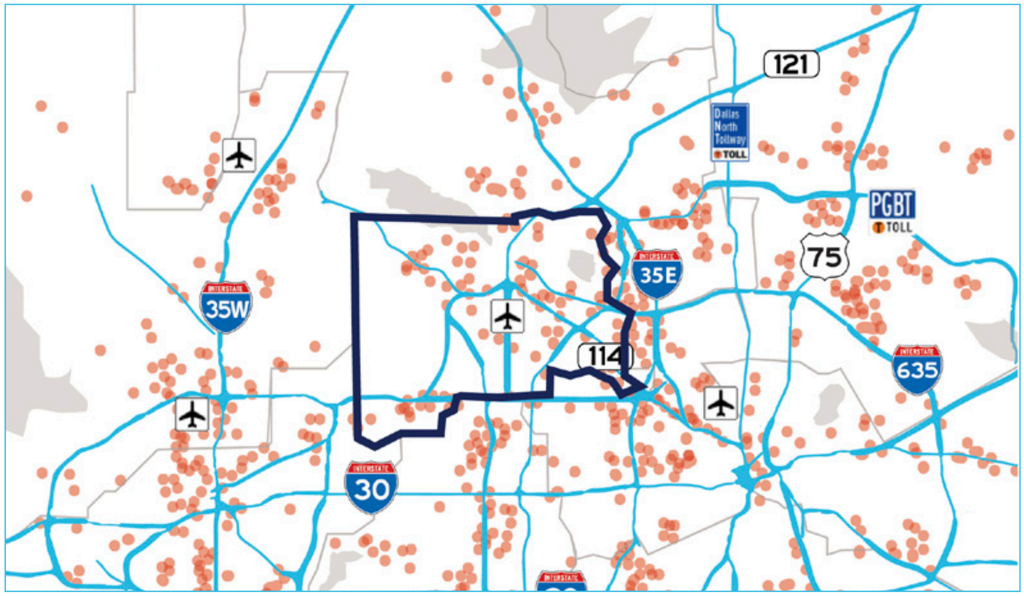
QUARTERLY NET ABSORPTION
177,200 SF

12 MONTH NET ABSORPTION
3,067,739 SF

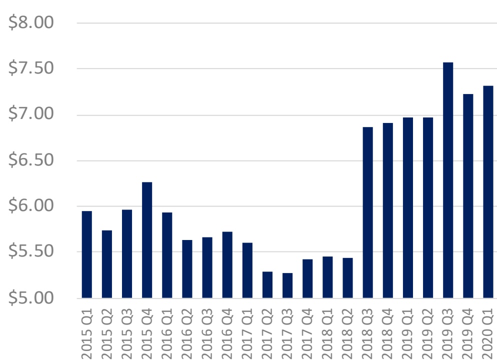
AVERAGE SALES PRICE
$93/SF

12 MONTH DELIVERIES
2,642,353 SF

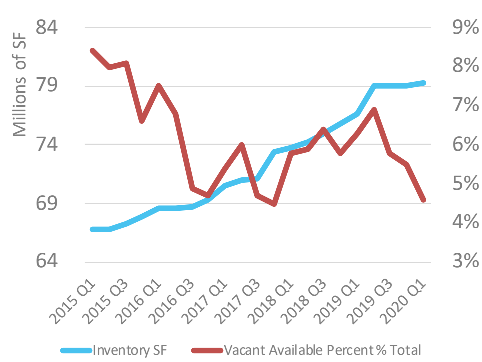
UNDER CONSTRUCTION
6,514,371 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

2370 W Airfield Dr
2370 W Airfield Dr
Dallas, TX 75261
Class B Distribution
116,145 SF
34,885 SF Available
Year Built: 2005

50,001-100,000 SF

Passport Park-Building 3
2700 Rental Car Dr
Irving, TX 75062
Class A Warehouse
99,000 SF
99,000 SF Available
Year Built: Under Construction

>100,000 SF

Coppell Business Center III
217 Wrangler Dr
Dallas, TX 75261
Class B Distribution
115,200 SF
115,200 SF Available
Year Built: 2000

Q1 2020 Industrial Snapshot

East Dallas:

Central East Dallas, East Dallas/Mesquite, Forney/Terrell/Kaufman, Outlying Kaufman County

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
33,249,285 SF

MANUFACTURING RBA
6,492,761 SF

FLEX RBA
3,189,970 SF

TOTAL RBA
44,951,020 SF

VACANCY TOTAL
6.9%

AVERAGE DIRECT NNN RENT
$4.38/SF

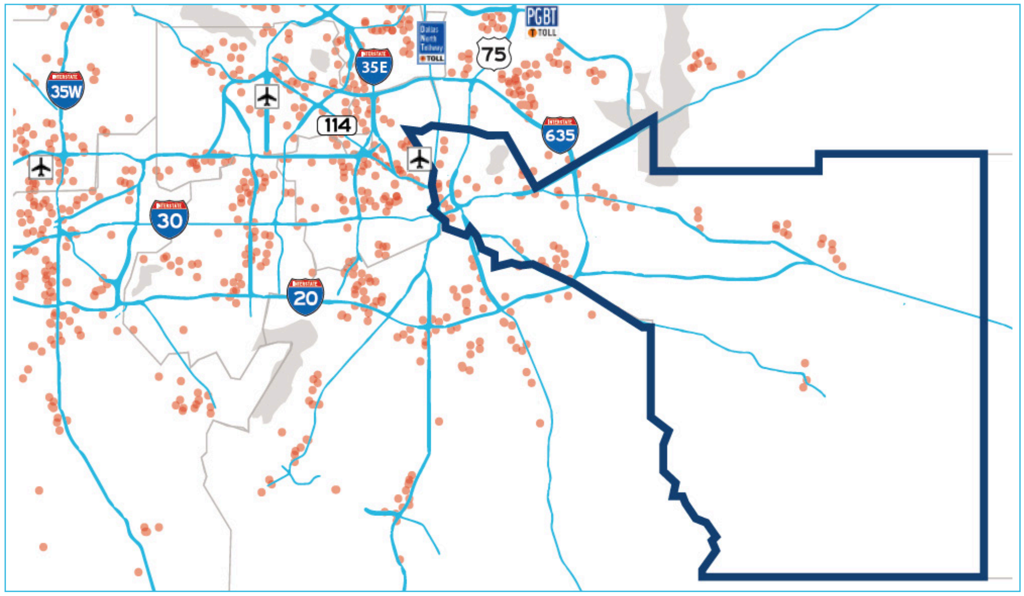
QUARTERLY NET ABSORPTION
336,336 SF

12 MONTH NET ABSORPTION
46,406 SF

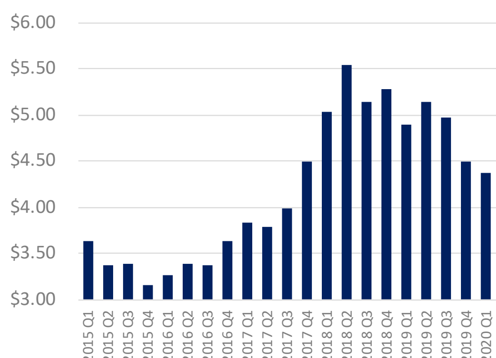
AVERAGE SALES PRICE
$69/SF

12 MONTH DELIVERIES
1,225,052 SF

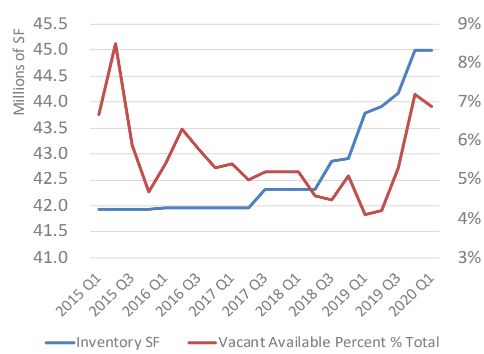
UNDER CONSTRUCTION
2,091,300 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

2200 Big Town Blvd III

2200 Big Town Blvd
Mesquite, TX 75149
Class A Distribution
148,000 SF
19,709 SF Available
Year Built: 2007

50,001-100,000 SF

2102 S Cesar Chavez Expy

2102 S Cesar Chavez Expy
Dallas, TX 75215
Class C Warehouse
68,000 SF
63,000 SF Available
Year Built: 1947/Renov. 2016

>100,000 SF

3000 Skyline

3000 Skyline Dr
Mesquite, TX 75149
Class B Warehouse
753,000 SF
753,000 SF Available
Year Built: 1971, Renov. 2001

Q1 2020 Industrial Snapshot

Great SW/Arlington:

Arlington, Lower Great Southwest, Upper Great Southwest

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
92,761,782 SF

MANUFACTURING RBA
11,378,650 SF

FLEX RBA
6,906,049 SF

TOTAL RBA
113,778,878 SF

VACANCY TOTAL
4.5%

AVERAGE DIRECT NNN RENT
$5.44/SF

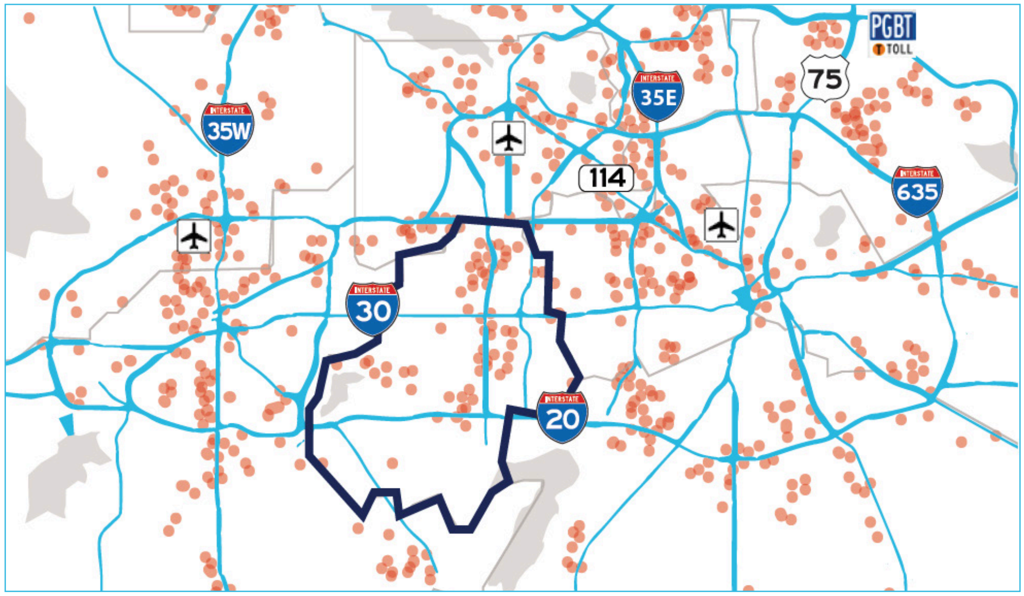
QUARTERLY NET ABSORPTION
1,880,400 SF

12 MONTH NET ABSORPTION
3,245,143 SF

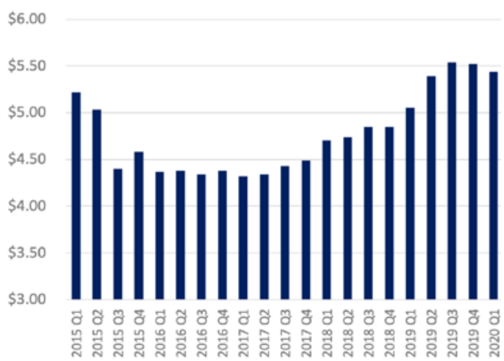
AVERAGE SALES PRICE
$73/SF

12 MONTH DELIVERIES
4,780,080 SF

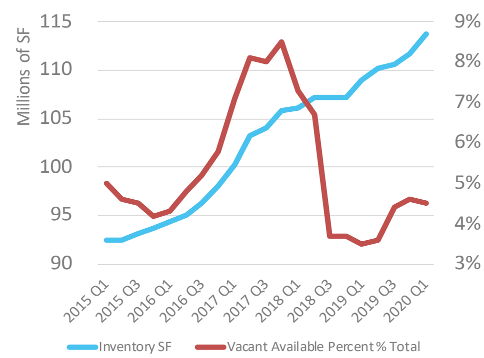
UNDER CONSTRUCTION
977,680 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

360 Commerce Park - Phase I
2909 E Arkansas Ln
Arlington, TX 76010
Class B Manufacturing
35,000 SF
19,610 SF Available
Year Built: 2019

50,001-100,000 SF

908-912 113th St
908-912 113th St
Arlington, TX 76011
Class B Warehouse
79,735 SF
79,735 SF Available
Year Built: 1979

>100,000 SF

Oakdale Logistics
949 W Oakdale Rd
Grand Prairie, TX 75050
Class A Distribution
401,557 SF
401,557 SF Available
Year Built: Under Construction

AVISON YOUNG

Q1 2020 Industrial Snapshot

North Fort Worth:
Meacham Fld/Cossil Cr/NE Tarrant/Alliance/Parker County/W Tarrant/ Wise County

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
79,130,246 SF

MANUFACTURING RBA
7,118,967 SF

FLEX RBA
6,042,418 SF

TOTAL RBA
102,107,108 SF

VACANCY TOTAL
7.7%

AVERAGE DIRECT NNN RENT
$5.87/SF

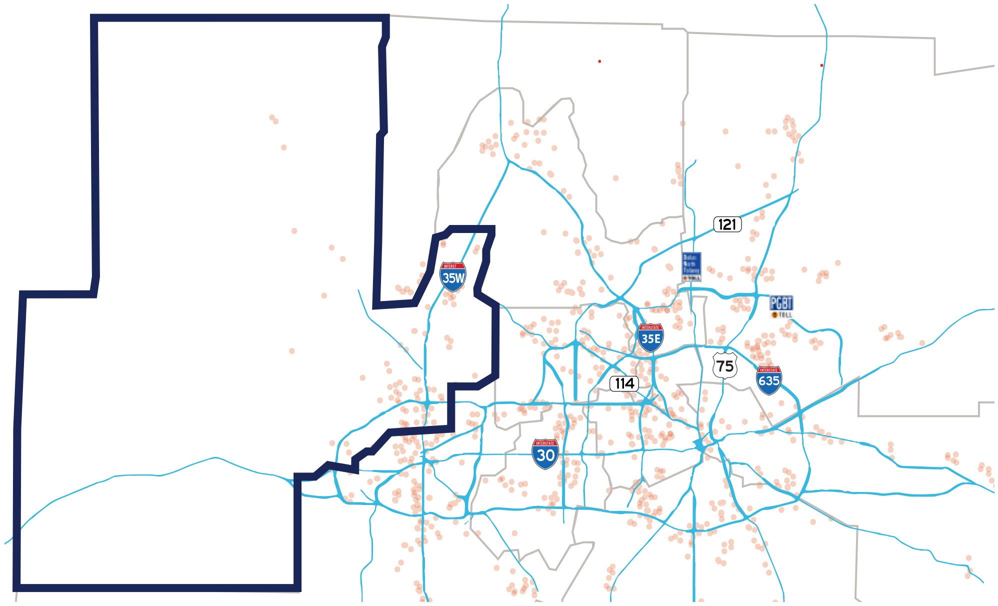
QUARTERLY NET ABSORPTION
1,575,744 SF

12 MONTH NET ABSORPTION
5,560,854 SF

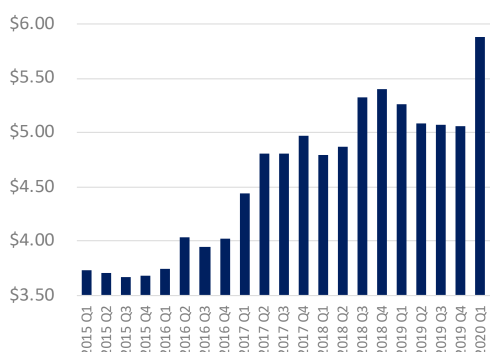
AVERAGE SALES PRICE
$76/SF

12 MONTH DELIVERIES
6,291,243 SF

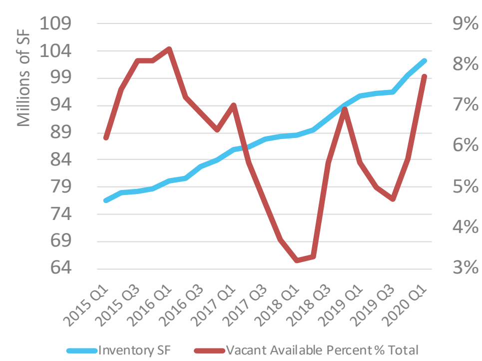
UNDER CONSTRUCTION
11,757,650 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

Champions Business Park
Champions Dr
Aledo, TX 76008
Class A Flex
27,495 SF
22,150 SF Available
Year Built: 2019

50,001-100,000 SF

Railhead Business Station
800 Railhead Rd
Fort Worth, TX 76106
Class B Warehouse
91,950 SF
91,950 SF Available
Year Built: 2007

>100,000 SF

Ridge Railhead 1
400 E Industrial Ave
Fort Worth, TX 76131
Class A Distribution
299,810 SF
299,810 SF Available
Year Built: 2016

Northeast Dallas:

Allen/McKinney, Delta Cnty, Hunt Cnty, NE Dallas/Garland, Outlying Collin Cnty, Plano, Richardson, Rockwall

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
57,644,432 SF

MANUFACTURING RBA
21,746,472 SF

FLEX RBA
23,709,468 SF

TOTAL RBA
107,792,139 SF

VACANCY TOTAL
6.0%

AVERAGE DIRECT NNN RENT
$7.63/SF

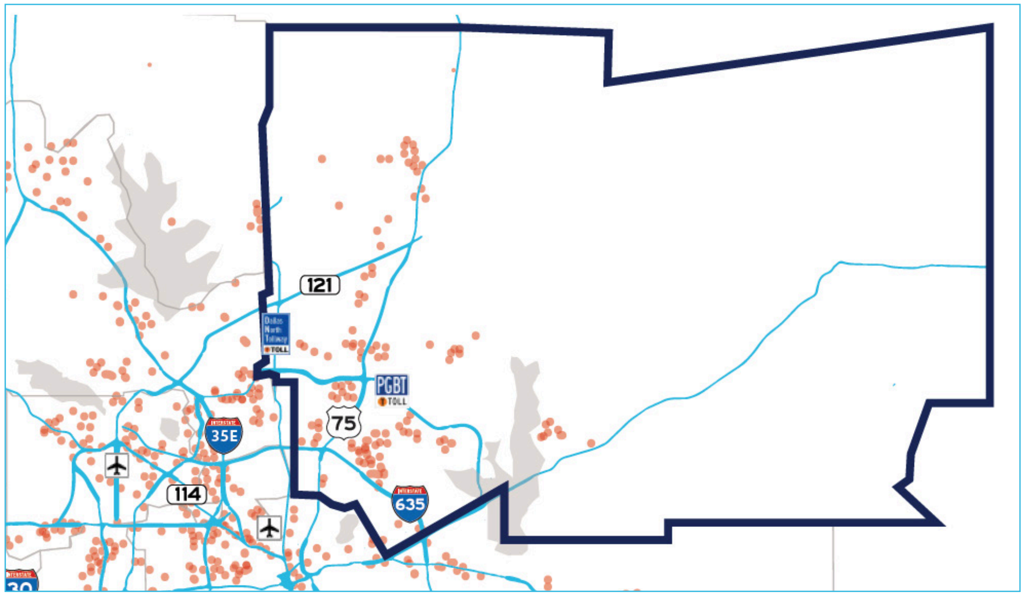
QUARTERLY NET ABSORPTION
429,893 SF

12 MONTH NET ABSORPTION
487,596 SF

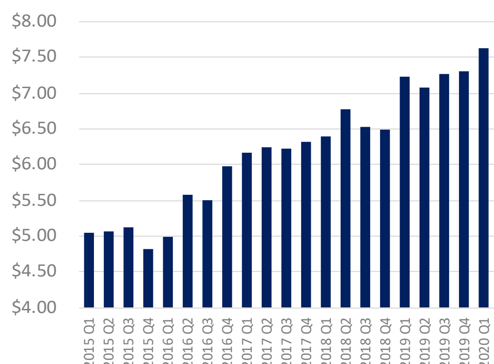
AVERAGE SALES PRICE
$96/SF

12 MONTH DELIVERIES
1,542,336 SF

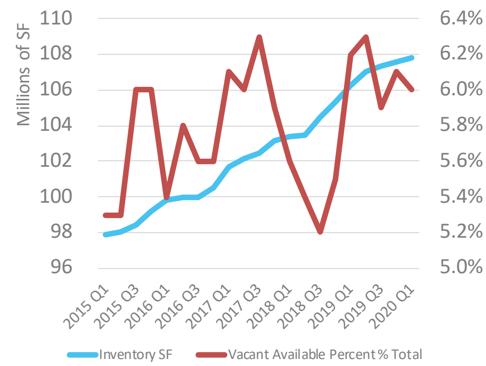
UNDER CONSTRUCTION
3,760,793 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

Firewheel Distr. Center- B
2360 Crist Rd
Garland, TX 75040
Class B Distribution
74,312 SF
17,277 SF Available
Year Built: 2008

50,001-100,000 SF

Plano Business Park - F
3901 E Plano Pky
Plano, TX 75074
Class B Flex/Data
100,000 SF
100,000 SF Available
Year Built: 2002

>100,000 SF

2722 S Jupiter Rd
2722 S Jupiter Rd
Garland, TX 75041
Class A Warehouse
420,000 SF
300,000 SF Available
Year Built: 1999

Q1 2020 Industrial Snapshot

Northwest Dallas:
Denton, Lewisville, Metropolitan/Addison, North Stemmons/Valwood

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
82,308,851 SF

MANUFACTURING RBA
7,585,466 SF

FLEX RBA
16,600,877 SF

TOTAL RBA
108,406,494 SF

VACANCY TOTAL
4.4%

AVERAGE DIRECT NNN RENT
$7.32/SF

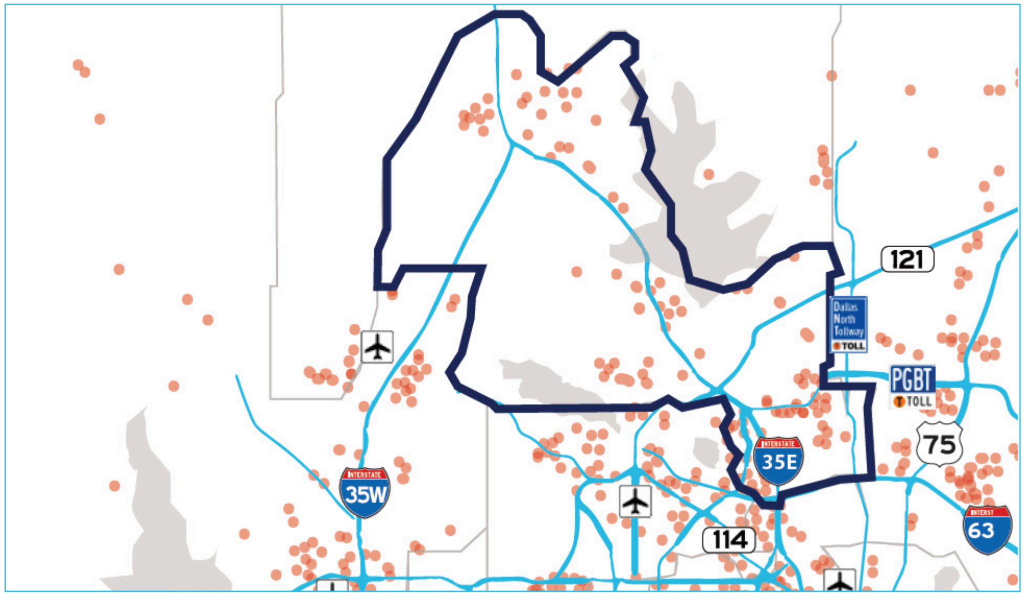
QUARTERLY NET ABSORPTION
-146,780 SF

12 MONTH NET ABSORPTION
1,911,649 SF

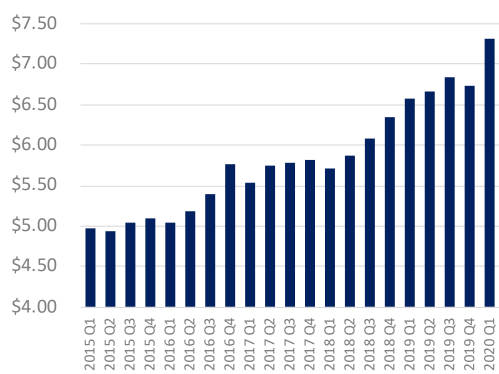
AVERAGE SALES PRICE
$103/SF

12 MONTH DELIVERIES
2,894,480 SF

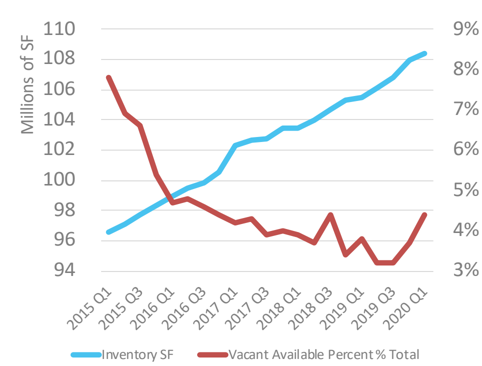
UNDER CONSTRUCTION
2,529,574 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

13810 Welch Rd
13810 Welch Rd
Dallas, TX 75244
Class C Distribution
40,000 SF
40,000 SF Available
Year Built: 1974

50,001-100,000 SF

Crosby Business Park
1300-1312 W Crosby Rd
Carrollton, TX 75006
Class C Distribution
99,198 SF
99,198 SF Available
Year Built: 1971

>100,000 SF

Lakeside Ranch 350
350 Lakeside Pky
Flower Mound, TX 75028
Class A Distribution
274,994 SF
274,994 SF Available
Year Built: 2020

Q1 2020 Industrial Snapshot

South Dallas:

Outlying Ellis Cnty, Redbird Airport, Southeast Dallas/I-45, Southwest Dallas/US 67

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
80,720,682 SF

MANUFACTURING RBA
17,146,218 SF

FLEX RBA
1,866,038 SF

TOTAL RBA
102,376,589 SF

VACANCY TOTAL
7.5%

AVERAGE DIRECT NNN RENT
$3.77/SF

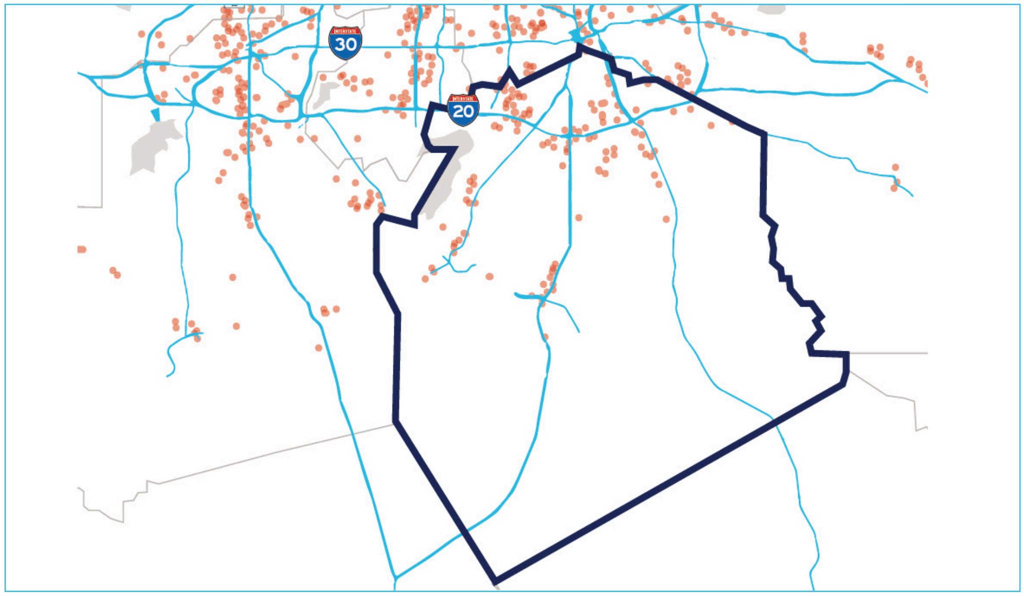
QUARTERLY NET ABSORPTION
3,245,661 SF

12 MONTH NET ABSORPTION
9,155,333 SF

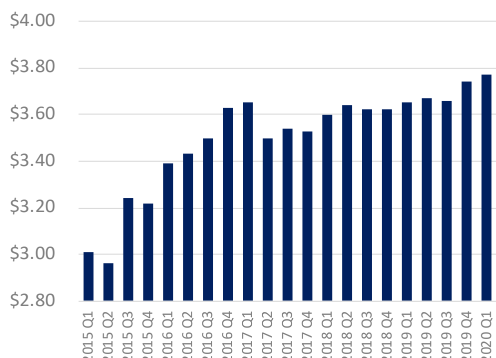
AVERAGE SALES PRICE
$70/SF

12 MONTH DELIVERIES
4,772,513 SF

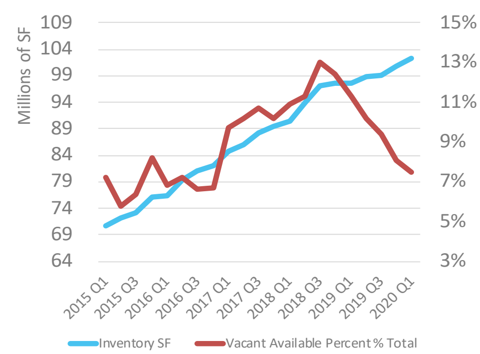
UNDER CONSTRUCTION
2,410,780 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

Builders Transport Facility
34511 Lyndon B Johnson Fwy
Dallas, TX 75241
Class C Flex
34,375 SF
34,375 SF Available
Year Built: 1988

50,001-100,000 SF

Southpointe A
3951 Corporate Dr
Lancaster, TX 75134
Class A Distribution
198,677 SF
91,882 SF Available
Year Built: 2016

>100,000 SF

Park 20/35- Building 8
Danieldale Road
Lancaster, TX 75134
Class B Distribution
237,678 SF
237,678 SF Available
Year Built: 2018

Q1 2020 Industrial Snapshot

South Fort Worth:

East Ft Worth, Hood County, Johnson County, Mansfield, N Central Ft Worth, S Cen. Tarrant Cty, S Cen. Ft Worth, Southwest Tarrant

SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
46,393,172 SF

MANUFACTURING RBA
12,789,180 SF

FLEX RBA
8,386,509 SF

TOTAL RBA
75,325,432 SF

VACANCY TOTAL
4.0%

AVERAGE DIRECT NNN RENT
$5.66/SF

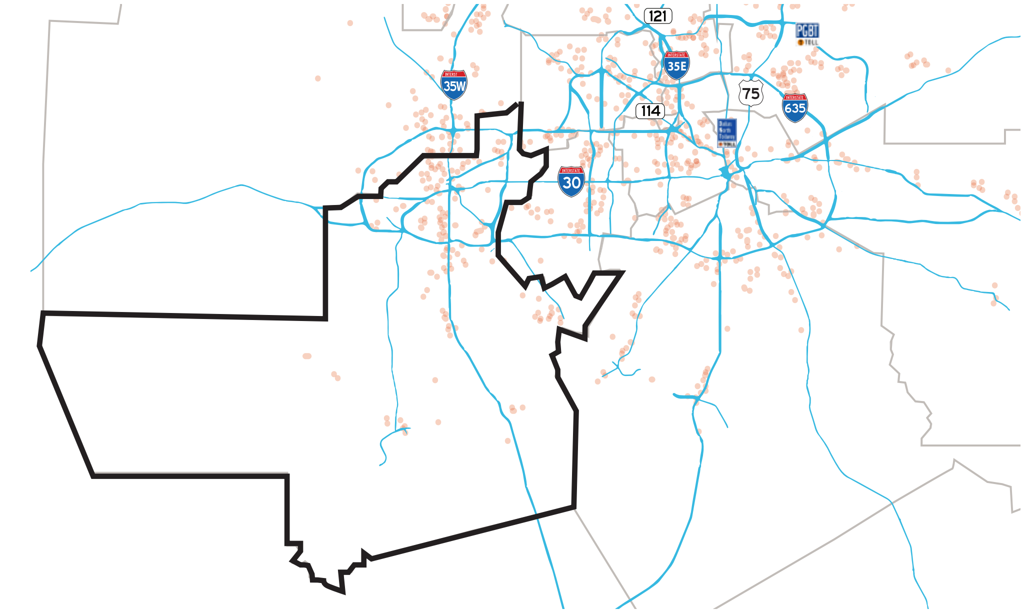
QUARTERLY NET ABSORPTION
675,890 SF

12 MONTH NET ABSORPTION
411,056 SF

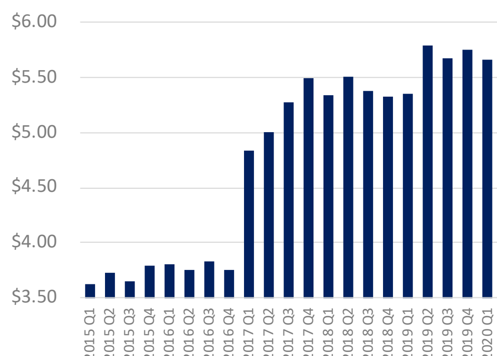
AVERAGE SALES PRICE
$66/SF

12 MONTH DELIVERIES
767,391 SF

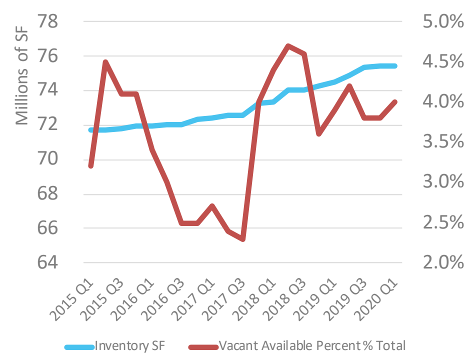
UNDER CONSTRUCTION
2,568,453 SF



AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

Everman Trade Center B
8600 South Freeway
Fort Worth, TX 76134
Class A Warehouse
77,547 SF
39,084 SF Available
Year Built: 2019

50,001-100,000 SF

9001 South Fwy
8200 South Freeway
Fort Worth, TX 76140
Class C Manufacturing
67,070 SF
67,070 SF Available
Year Built: 1970

>100,000 SF

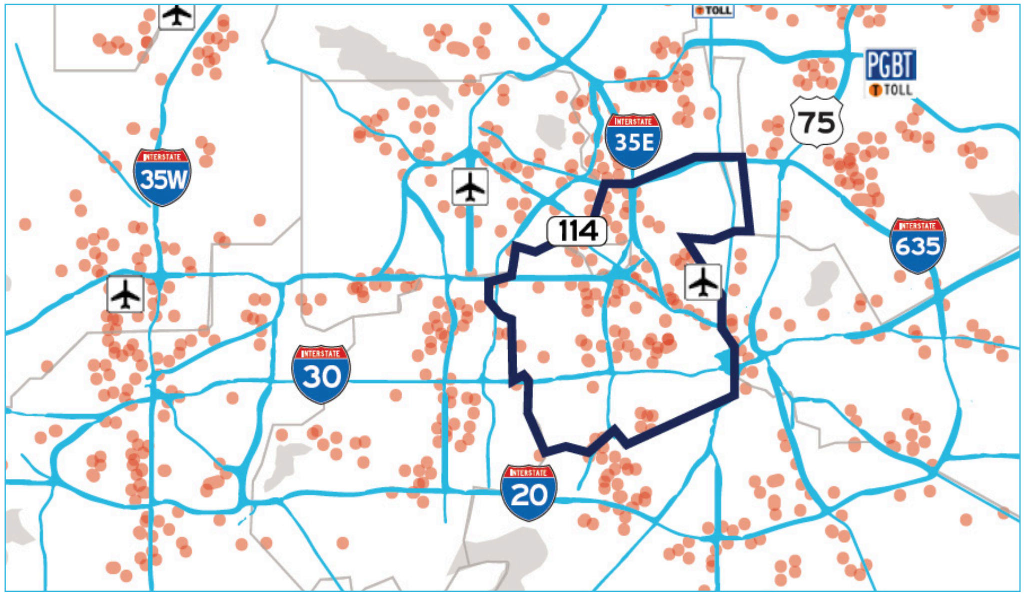
Everman Trade Center C
6601 Oak Grove Rd
Fort Worth, TX 76134
Class A Dsitribution
106,308 SF
106,308 SF Available
Year Built: 2019

AVISON YOUNG

Q1 2020 Industrial Snapshot

South Stemmons:

East Brookhollow, E Hines North, Eastern Lonestar/Tpke, North Trinity, West Brookhollow, West Hines North, Western Lonestar/Tpke



SUBMARKET FACTS

WAREHOUSE & DISTRIBUTION RBA
75,539,961 SF

MANUFACTURING RBA
8,226,388 SF

FLEX RBA
17,121,185 SF

TOTAL RBA
105,676,696 SF

VACANCY TOTAL
3.9%

AVERAGE DIRECT NNN RENT
$7.62/SF

QUARTERLY NET ABSORPTION
89,304 SF

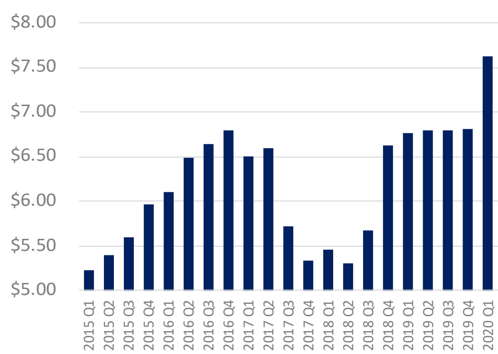
12 MONTH NET ABSORPTION
2,506,674 SF

AVERAGE SALES PRICE
$79/SF

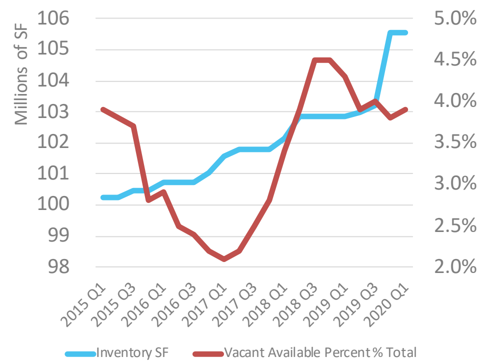
12 MONTH DELIVERIES
2,715,954 SF

UNDER CONSTRUCTION
3,080,292 SF

AVE. DIRECT NNN ASKING RATES



VACANCY VS. INVENTORY



SAMPLE MARKET AVAILABILITIES BY SIZE RANGE

0-50,000 SF

2222 E Pioneer Dr
2222 E Pioneer Dr
Irving, TX 75061
Class C Warehouse
21,850 SF
21,850 SF Available
Year Built: 1969

50,001-100,000 SF

Ambassador Row
7600 Ambassador Row
Dallas, TX 75247
Class C Distribution
66,915 SF
66,915 SF Available
Year Built: 1955

>100,000 SF

Pinnacle Park I
3700 Pinnacle Point Dr
Dallas, TX 75211
Class A Distribution
1,010,500 SF
616,875 SF Available
Year Built: 2001

MANUFACTURING

Core Submarkets	Buildings	Inventory	Vacancy (sf)	Vacancy (%)	Net Absorption		Average Asking Direct Rate NNN	12 Mo.Delivered	Under Construction (sf)
					Q1 2020	12 Month			
DFW Airport	15	2,497,978	17,694	0.7%	-4,666	30,000	$5.31	0	319,450
East Dallas	52	6,492,761	22,176	0.3%	-11,894	47,034	$4.50	0	0
Great SW/Arlington	42	11,378,650	0	0.0%	-21,682	1,114,483	$3.95	1,003,220	0
North Ft Worth	57	7,118,967	324,035	4.6%	-9,164	50,934	$5.04	85,944	425,000
Northeast Dallas	112	21,746,472	610,216	2.8%	-32,585	-32,676	$10.35	0	800,000
Northwest Dallas	81	7,585,466	114,724	1.5%	38,208	657,647	$4.75	336,960	0
South Dallas	120	17,146,218	442,011	2.6%	19,500	284,285	$4.13	322,000	0
South Ft Worth	107	12,789,180	190,439	1.5%	-16,591	15,660	$4.56	100,000	0
South Stemmons	91	8,226,388	337,435	4.1%	-249,470	-130,152	$2.74	0	199,070
Total	**677**	**94,982,080**	**2,058,730**	**2.0%**	**-288,344**	**2,037,215**	**$5.04**	**1,848,124**	**1,743,520**

FLEX

Core Submarkets	Buildings	Inventory	Vacancy (sf)	Vacancy (%)	Net Absorption		Average Asking Direct Rate NNN	12 Mo.Delivered	Under Construction (sf)
					Q1 2020	12 Month			
DFW Airport	125	6,304,568	620,446	9.8%	-3,673	112,535	$10.24	0	0
East Dallas	80	3,189,970	73,467	2.3%	-2,600	12,014	$8.02	0	0
Great SW/Arlington	157	6,906,049	431,748	6.3%	-5,948	-110,621	$10.32	33,291	0
North Ft Worth	76	6,042,418	233,448	3.9%	-152,484	1,067,959	$13.19	1,101,816	36,975
Northeast Dallas	451	23,709,468	1,642,654	6.9%	32,535	-151,401	$9.56	161,354	56,190
Northwest Dallas	328	16,600,877	903,596	5.4%	-180,902	-3,509	$10.61	0	24,000
South Dallas	47	1,866,038	104,392	5.6%	-62,359	-76,854	$9.00	0	84,000
South Ft Worth	198	8,386,509	424,964	5.1%	67,897	15,045	$8.88	0	22,800
South Stemmons	393	17,121,185	516,831	3.0%	122,064	302,138	$11.58	144,560	0
Total	**1,855**	**90,127,082**	**4,951,546**	**5.4%**	**-185,470**	**1,167,306**	**$10.16**	**1,441,021**	**223,965**

WAREHOUSE & DISTRIBUTION

Core Submarkets	Buildings	Inventory	Vacancy (sf)	Vacancy (%)	Net Absorption		Average Asking Direct Rate NNN	12 Mo.Delivered	Under Construction (sf)
					Q1 2020	12 Month			
DFW Airport	426	68,898,911	3,039,146	4.4%	180,873	2,898,748	$6.34	2,599,328	5,736,127
East Dallas	326	33,249,285	2,970,856	8.9%	339,115	16,042	$4.36	1,225,052	2,091,300
Great SW/Arlington	745	92,761,782	4,594,509	5.0%	1,857,986	2,059,719	$4.63	3,645,195	977,680
North Ft Worth	436	79,130,246	7,053,377	8.9%	1,654,108	4,658,812	$4.76	4,936,932	10,814,555
Northeast Dallas	639	57,644,432	3,510,798	6.1%	559,912	704,665	$6.08	1,242,851	2,617,237
Northwest Dallas	764	82,308,851	3,562,237	4.3%	20,597	1,276,555	$5.72	2,485,893	2,459,834
South Dallas	396	80,720,682	7,160,574	8.9%	3,288,520	8,696,489	$3.83	4,200,513	1,635,088
South Ft Worth	768	46,393,172	1,826,949	3.9%	316,159	-206,179	$4.97	122,391	2,523,603
South Stemmons	1,093	75,539,961	3,141,550	4.2%	243,200	2,325,205	$6.17	2,571,394	2,881,222
Total	**5,593**	**616,647,322**	**36,859,996**	**6.1%**	**8,460,470**	**22,430,056**	**$5.21**	**23,029,549**	**31,736,646**

TOTAL

Core Submarkets	Buildings	Inventory	Vacancy (sf)	Vacancy (%)	Net Absorption		Average Asking Direct Rate NNN	12 Mo.Delivered	Under Construction (sf)
					Q1 2020	12 Month			
DFW Airport	576	79,265,094	3,677,286	4.6%	177,200	3,067,739	$7.31	2,642,353	6,514,371
East Dallas	486	44,951,020	3,095,183	6.9%	336,336	46,406	$4.38	1,225,052	2,091,300
Great SW/Arlington	992	113,778,878	5,097,297	4.5%	1,880,400	3,245,143	$5.44	4,780,080	977,680
North Ft Worth	612	102,107,108	7,838,126	7.7%	1,575,744	5,560,854	$5.87	6,291,243	11,757,650
Northeast Dallas	1,256	107,792,139	6,455,622	6.0%	429,893	487,596	$7.63	1,542,336	3,760,793
Northwest Dallas	1,205	108,406,494	4,751,300	4.4%	-146,780	1,911,649	$7.32	2,894,480	2,529,574
South Dallas	595	102,376,589	7,706,977	7.5%	3,245,661	9,155,333	$3.77	4,772,513	2,410,780
South Ft Worth	1,149	75,325,432	2,983,302	4.0%	675,890	411,056	$5.66	767,391	2,568,453
South Stemmons	1,660	105,676,696	4,138,706	3.9%	89,304	2,506,674	$7.62	2,715,954	3,080,292
Total	**8,531**	**839,679,450**	**45,743,799**	**5.5%**	**8,263,648**	**26,392,450**	**$6.11**	**26,318,694**	**35,690,893**
ALL SUBMARKETS TOTAL	**8,553**	**841,883,714**	**45,823,127**	**5.4%**	**8,276,148**	**26,312,530**	**$6.34**	**27,631,929**	**36,481,893**

Parameters: 20,000 SF+ | Exisiting/Under Construction | Owner Occupied Included

AVISON YOUNG | Dallas-Fort Worth
Market Overview

Q1 2020






RETAIL

RETAIL

STRONG FUNDAMENTALS

Upended by unforeseen circumstances will add new pressures and challenges

Pre-COVID-19, Dallas-Fort Worth area led the nation in shopping centers per capita and ranked among the nation's top 5 retail employment hubs with over 460,000 retail-related workers. According to the Dallas Fed, retail consumer sales volume in DFW reached nearly $38 million for the beginning of 2019. Now however, stores have closed doors and furloughed/laid off thousands across the metro. Restaurants have created drive-up, no-contact ordering systems. Local shops have switched to purely online inventories. Grocery super stores have seen upticks in demand for essential items.

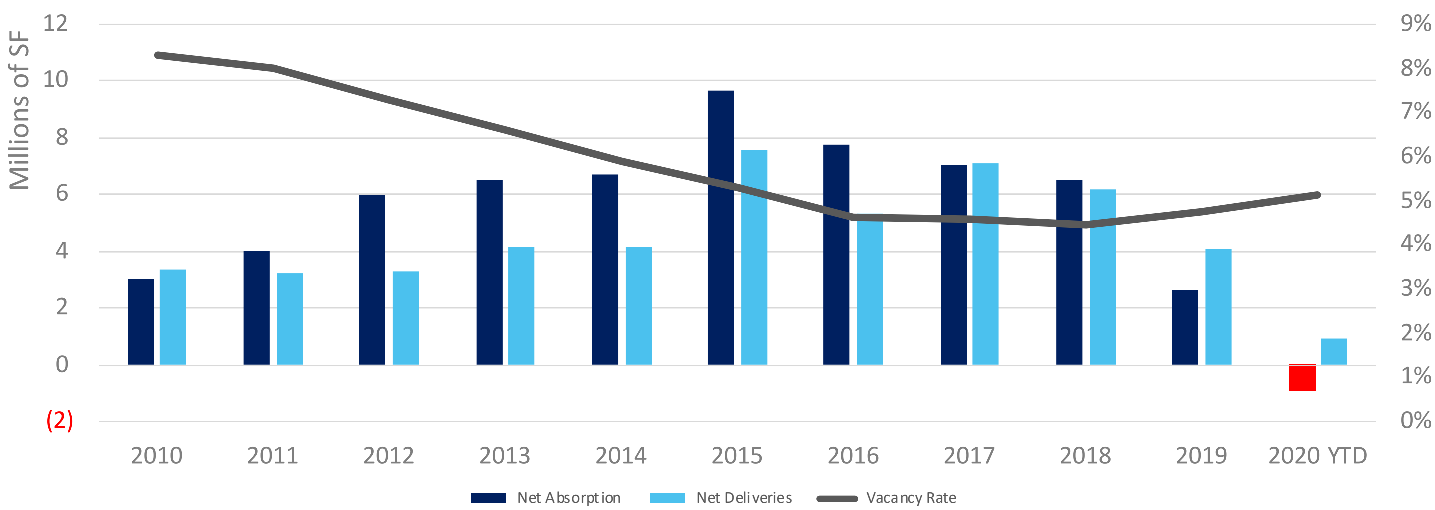
COVID-19 will likely alter the retail landscape more than any other commercial real estate product type. Its impact will likely accelerate the downfall of weaker positioned businesses, and could see the Amazon-ification of numerous other businesses. However, demographic and spending trends show that smaller local shops are still in high demand, and will likely bounce back if they can survive the next few months.

Construction isn't moving as fast as it did in past cycles, but DFW is still adding supply at one of the fastest rates in the country. Most of these properties have healthy pre-leasing. More than 65% of retail space under construction was leased as of Q1 2020. And though big-box retailers are expanding, especially in the suburbs, the vast majority of leases signed in the metroplex are for spaces smaller than 5,000 sf.

KEY STATS | Parameters: Retail, Existing, 1,000+ SF, Owner-Occupied Included

434 MSF	4.7 MSF	1.7 MSF	5.1%	4 MSF	$16.97	1.9%
Total Inventory	Under Construction	12 Month Absorption	Vacancy Rate	12 Month Deliveries	Ave. Direct NNN Rent	YOY Rent Growth

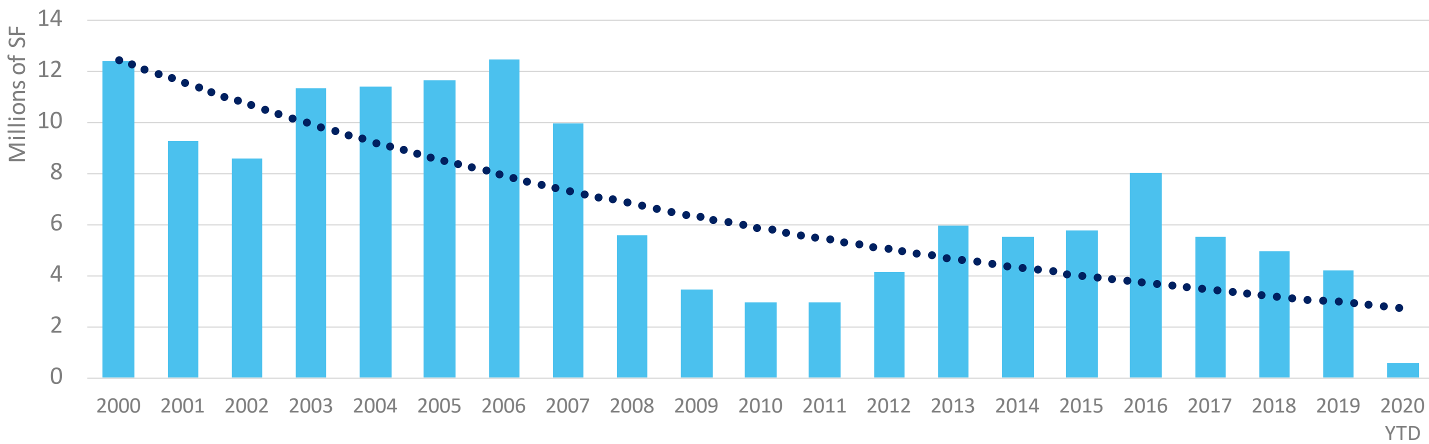
Net Absorption, Net Deliveries & Vacancy



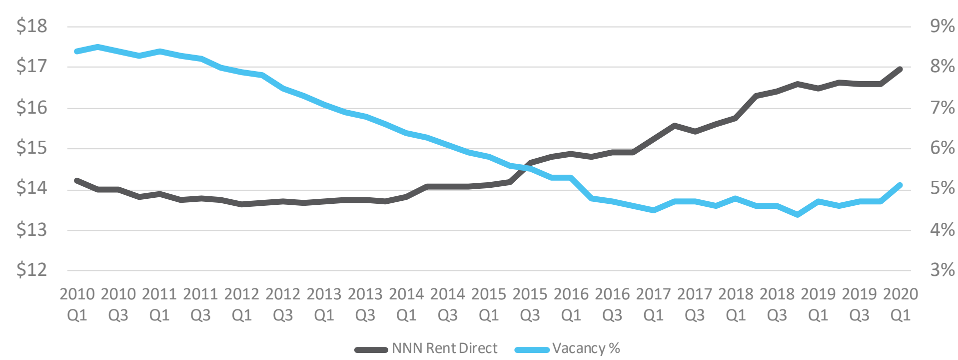
Steady Tapering as Retail Shifts to Online

Retail construction has seen an overall decrease in activity since the turn of the century. Whereas the early 2000's saw an average of 7.5 MSF under construction per year, the last 5 years have seen the average at 4.8 MSF. That being said, there has been an uptick in construction in recent years compared to the earlier parts of the decade. Even as big box retailers struggle and adapt to online competition, many consumers are still interested in smaller local businesses and experiential shopping. COVID-19 will likely affect people's discretionary spending though, so expect a major drop in retail activity for the next quarter, perhaps rest of the year.

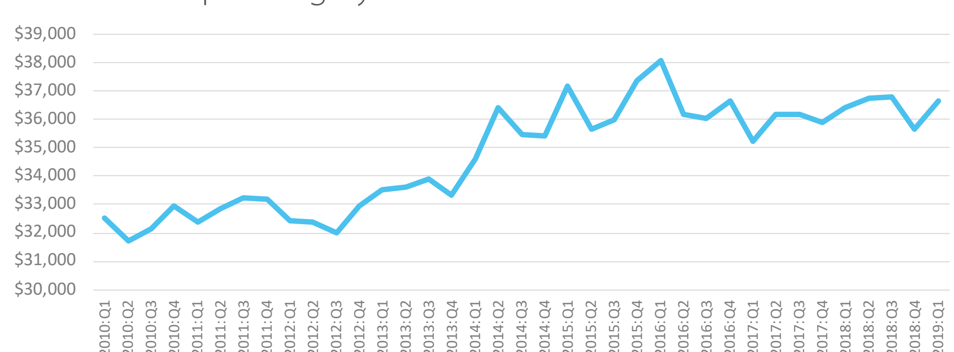
Annual Construction Starts



Avg. NNN Direct Rates vs. Vacancy Rates



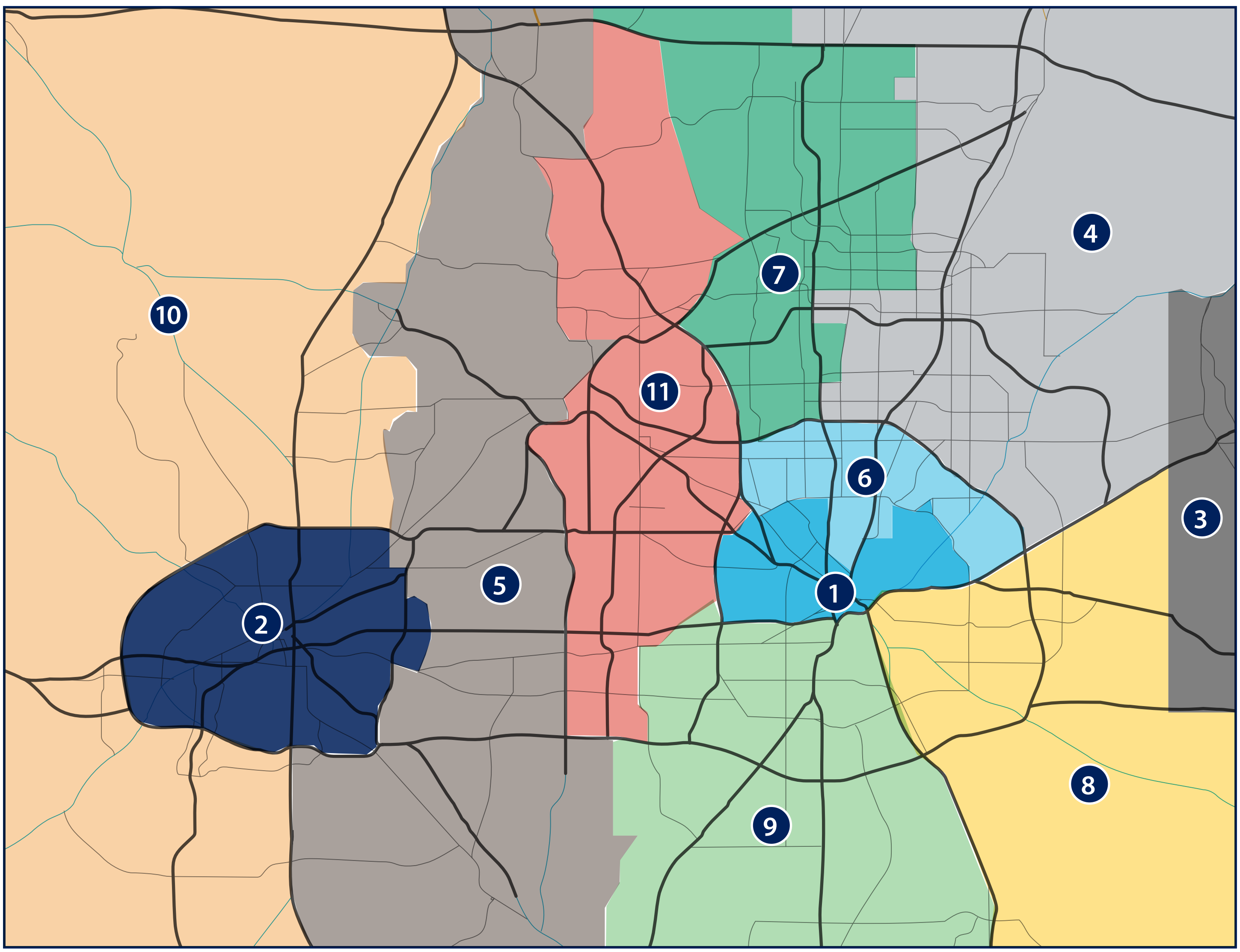
DFW Retail Spending by Millions of Dollars



CORE SUBMARKET CLUSTERS

#	Submarket Cluster	Inventory	Vacancy	Q1 2020 Absorption	12 Month Net Absorption	Under Construction	12 Month Deliveries	Direct NNN Asking Rent
1	Central Dallas	21,432,515	3.9%	-34,419	-105,822	115,662	54,730	$23.41
2	Central Fort Worth	36,763,356	6.4%	-192,457	-282,633	55,330	44,141	$14.99
3	East Dallas Outlying	8,630,687	2.7%	-15,029	378,318	324,811	403,001	$25.90
4	Far North Dallas	75,970,509	5.8%	-108,403	201,549	1,582,303	725,657	$17.56
5	Mid Cities	71,076,419	5.5%	34,247	462,299	364,448	711,121	$16.60
6	Near North Dallas	26,024,641	4.8%	-169,733	-109,095	205,331	13,000	$17.40
7	North Central Dallas	44,216,235	5.2%	-135,660	615,306	1,019,842	874,695	$23.07
8	Southeast Dallas	20,243,385	4.3%	-81,823	133,940	50,044	42,707	$12.56
9	Southwest Dallas	25,356,272	5.3%	-15,826	33,154	105,710	114,734	$13.78
10	Suburban Fort Worth	41,848,093	4.5%	-10,198	234,643	717,637	544,009	$15.71
11	West Dallas	43,633,531	5.0%	-206,257	142,656	157,964	300,658	$16.22
	Total Market	**434,622,474**	**5.1%**	**-920,651**	**1,777,111**	**4,749,514**	**3,999,744**	**$16.97**

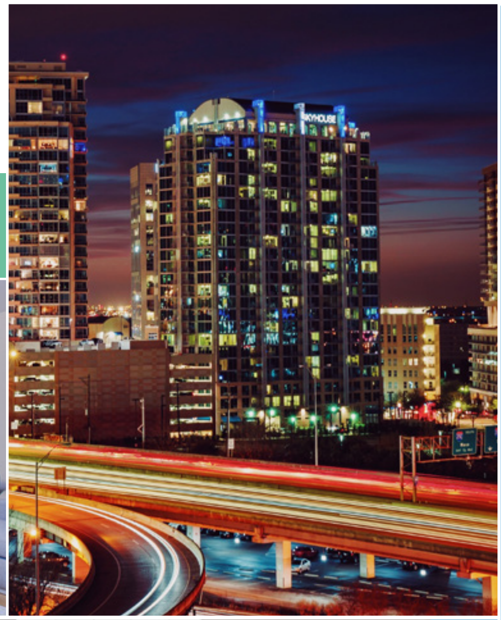
Parameters: Retail, Existing, 1,000+ SF, Owner-Occupied Included

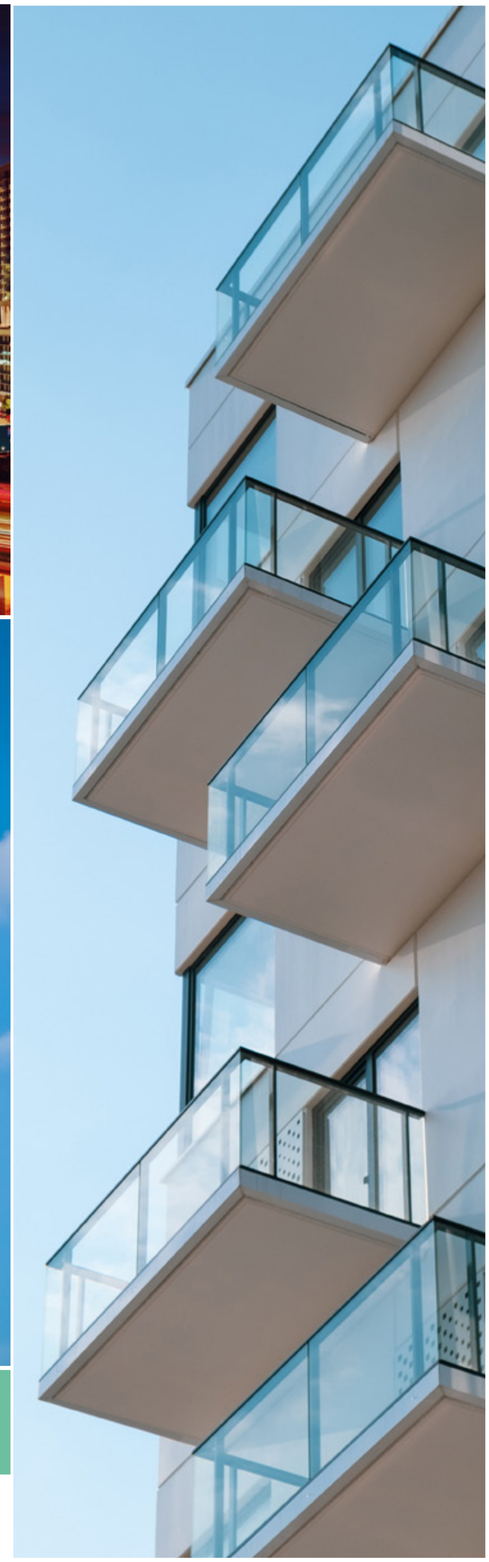


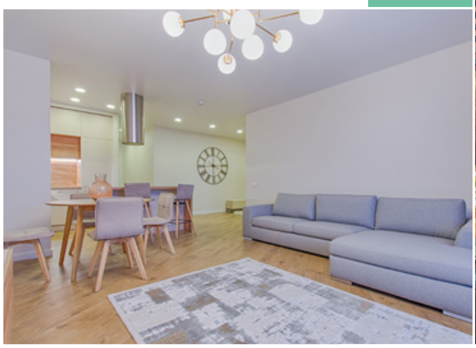
AVISON YOUNG

Dallas-Fort Worth
Market Overview

Q1 2020







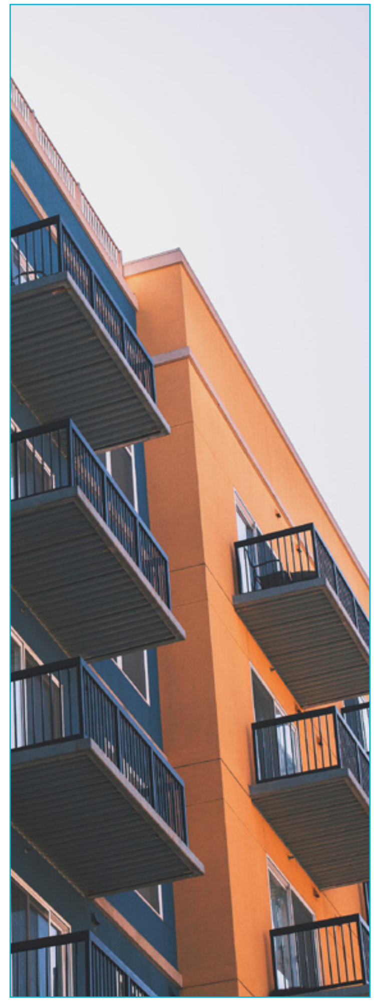
MULTI-FAMILY

MULTI FAMILY Q1 2020

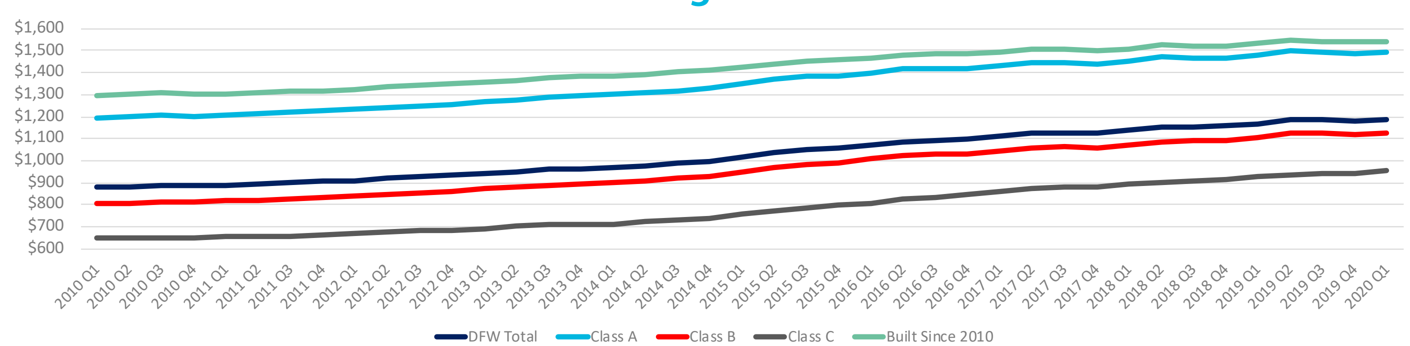
The DFW Multifamily market finished 2019 as the top performer in the country, anchored by strong job and population growth, changing demographics, limited single-family housing supply, and urban revivals. From an inventory perspective, DFW is now the 3rd largest multifamily market, behind only New York and Los Angeles metros.

Strong economic underpinnings have fostered a healthy apartment market. The market absorbed over 24,000 units in the last 12 months, leading the nation above even the NYC metro and over double the Houston metro. Growth showed no signs of slowing pre-COVID-19, as the market currently has nearly 32,000 units under construction. This growth has reached all corners of the market, seeing otherwise quiet bedroom suburbs and underserved communities having to come to grips with dozens of luxury towers coming into their neighborhoods.

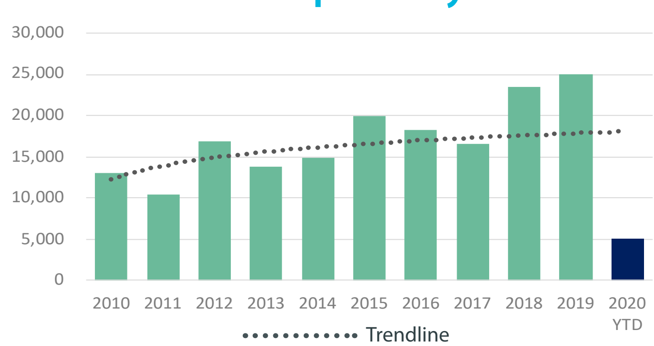
Still, the coronavirus outbreak is expected to cause significant economic disruption in Dallas-Fort Worth. The trajectory of Dallas-Fort Worth's economy and its multi-family market will depend on how widely the virus spreads, and how long containment policies like social distancing need to be maintained. Expect slightly longer take-up times for newly delivered, pricier product, as people will likely put a pause on major decisions until the pandemic plays out.



Market Asking Rent Per Unit



Unit Absorption by Year



173,562 Units Added
In Last 10 Years

34% Avg Price/Unit Increase
In Last 10 Years

Multifamily: DFW Market Overview

857,991
Inventory Units

32,506
Under Constr. Units

24,014
12 Month Absorp Units

8.3%
Vacancy Rate

25,036
12 Month Units Delivered

$1,189
Asking Rent Per Unit

$10.5B
12 Month Sales Volume

Core Submarket Clusters	Inventory Units	Inventory Avg SF	Asking Rent Per Unit	Asking Rent Per SF	Asking Rent % Growth/Yr	Vacancy	Q1 2020 Absorption Units	12 Mo. Absorption Units	Under Construction Units	12 Month Delivered Units
Allen/McKinney	25,651	945	$1,296	$1.37	1.8%	9.1%	195	1,605	2,871	1,160
Arlington	62,549	824	$1,029	$1.25	2.2%	7.1%	-259	199	328	452
Bishop Arts/Oak Cliff	21,348	849	$1,117	$1.44	2.2%	6.2%	-36	62	711	0
Deep Ellum/The Cedars	3,792	1,030	$1,673	$1.63	0.6%	20.7%	104	414	98	873
Denton	22,684	824	$1,043	$1.26	1.4%	8.6%	57	975	930	972
Design District/Trinity Groves/West Dallas	7,273	891	$1,388	$1.56	1.1%	6.0%	47	611	646	0
Downtown Dallas/Farmers Market	7,577	971	$1,663	$1.72	0.9%	9.3%	34	213	2,203	294
Downtown/Northwest Fort Worth	24,663	906	$1,169	$1.27	0.4%	10.3%	350	1,644	1,038	1,382
East Dallas/White Rock	61,132	882	$1,191	$1.35	0.6%	7.8%	128	748	2,134	1,066
East Fort Worth	12,540	831	$912	$1.10	3.6%	9.4%	-22	-243	66	0
Farmers Branch/Addison/Carrolton	88,407	873	$1,224	$1.40	3.1%	8.4%	452	1,107	3,336	979
Frisco/Prosper/The Colony	25,522	975	$1,434	$1.47	1.9%	10.6%	567	2,857	2,376	1,851
Garland/Rowlett	24,140	885	$1,114	$1.26	2.1%	10.2%	304	1,575	1,434	1,581
Grapevine	9,858	917	$1,375	$1.50	-0.2%	12.6%	95	313	432	770
HEB/Mid Cities	23,609	868	$1,131	$1.30	3.0%	5.6%	84	538	295	98
Las Colinas	32,744	908	$1,354	$1.49	1.3%	7.6%	173	590	726	706
Lewisville/Flower Mound	30,155	907	$1,249	$1.38	1.9%	7.0%	107	608	722	637
Love Field/Medical District/Northwest Dallas	27,399	829	$1,193	$1.44	1.9%	11.6%	119	813	575	1,536
Mesquite	38,488	842	$942	$1.13	3.3%	8.7%	136	140	584	588
Plano	47,381	925	$1,361	$1.47	1.5%	8.1%	166	1,746	1,200	1,640
Richardson	25,892	842	$1,025	$1.22	0.1%	7.1%	-20	428	0	373
South Dallas/Desoto	19,652	889	$1,062	$1.20	3.5%	9.3%	237	369	592	1102
Southeast Dallas	18,911	848	$867	$1.02	3.0%	8.7%	30	3	0	0
Southeast Fort Worth	16,115	905	$1,072	$1.18	1.9%	6.7%	19	375	662	481
Southwest Fort Worth/Clearfork	39,336	864	$1,041	$1.20	1.2%	9.5%	76	471	2,120	863
Uptown/Park Cities	27,479	969	$2,052	$2.12	0.6%	7.0%	243	1,664	1,442	336

LARGEST MARKET INVENTORIES

NYC 1.9 MM units
LA 1.1 MM Units
DFW .85 MM Units
Houston .71 MM Units
Chicago .62 MM Units
DC .62 MM Units

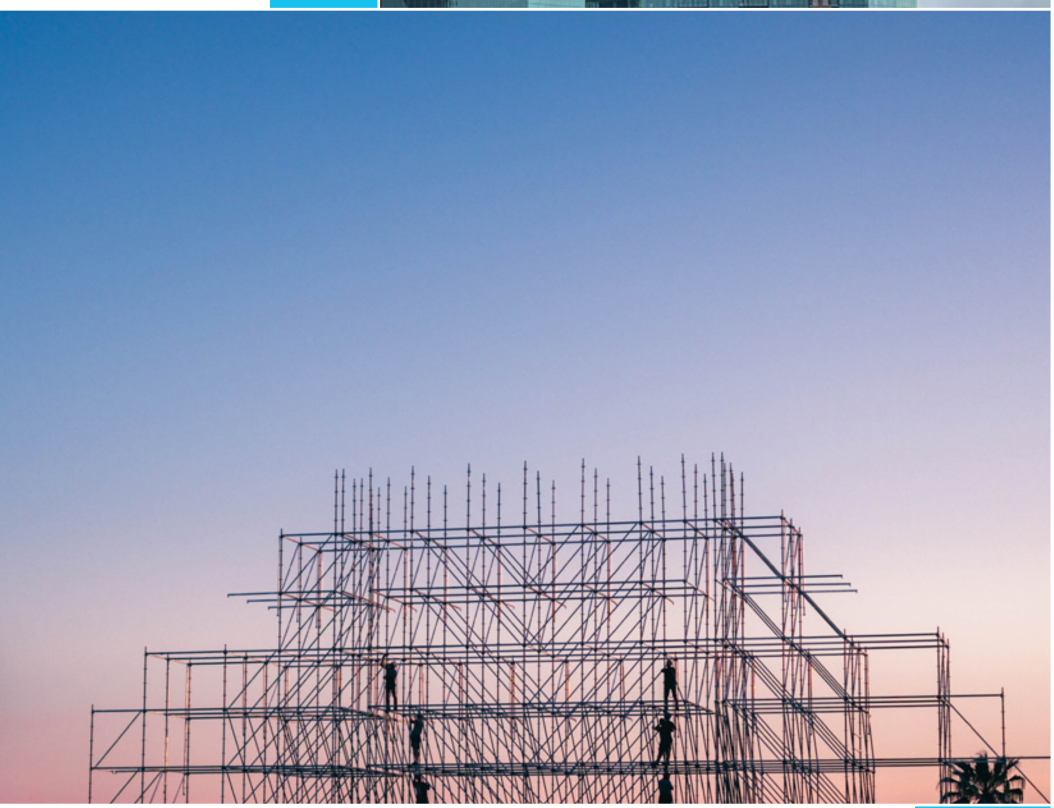
AVE. RENT/UNIT IN PREMIER SUBMARKETS

NYC - Lower West Side & Financial District - $4,485
LA - Venice Beach & Downtown - $2,750
DFW - Uptown/Park Cities - $2,098
Houston - Downtown Houston - $2,325
Chicago - Downtown Chicago - $2,533
DC - Downtown DC - $2,425

AVISON YOUNG | Dallas-Fort Worth
Market Overview

Q1 2020



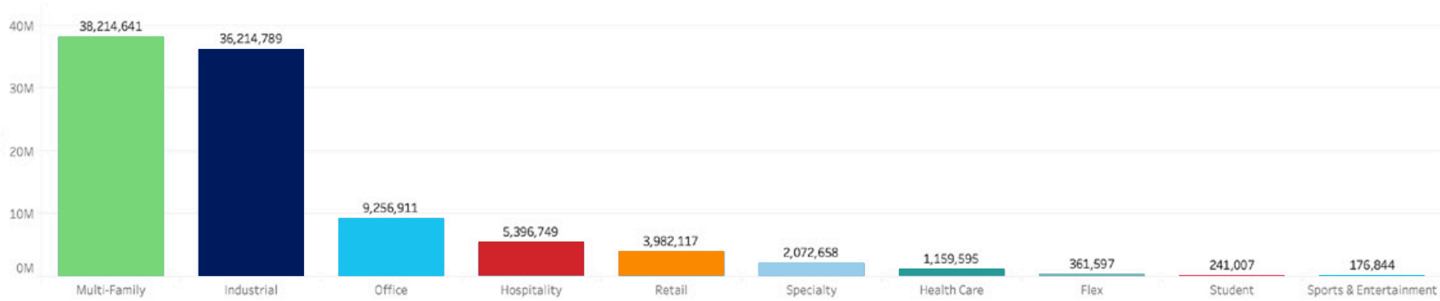


CONSTRUCTION

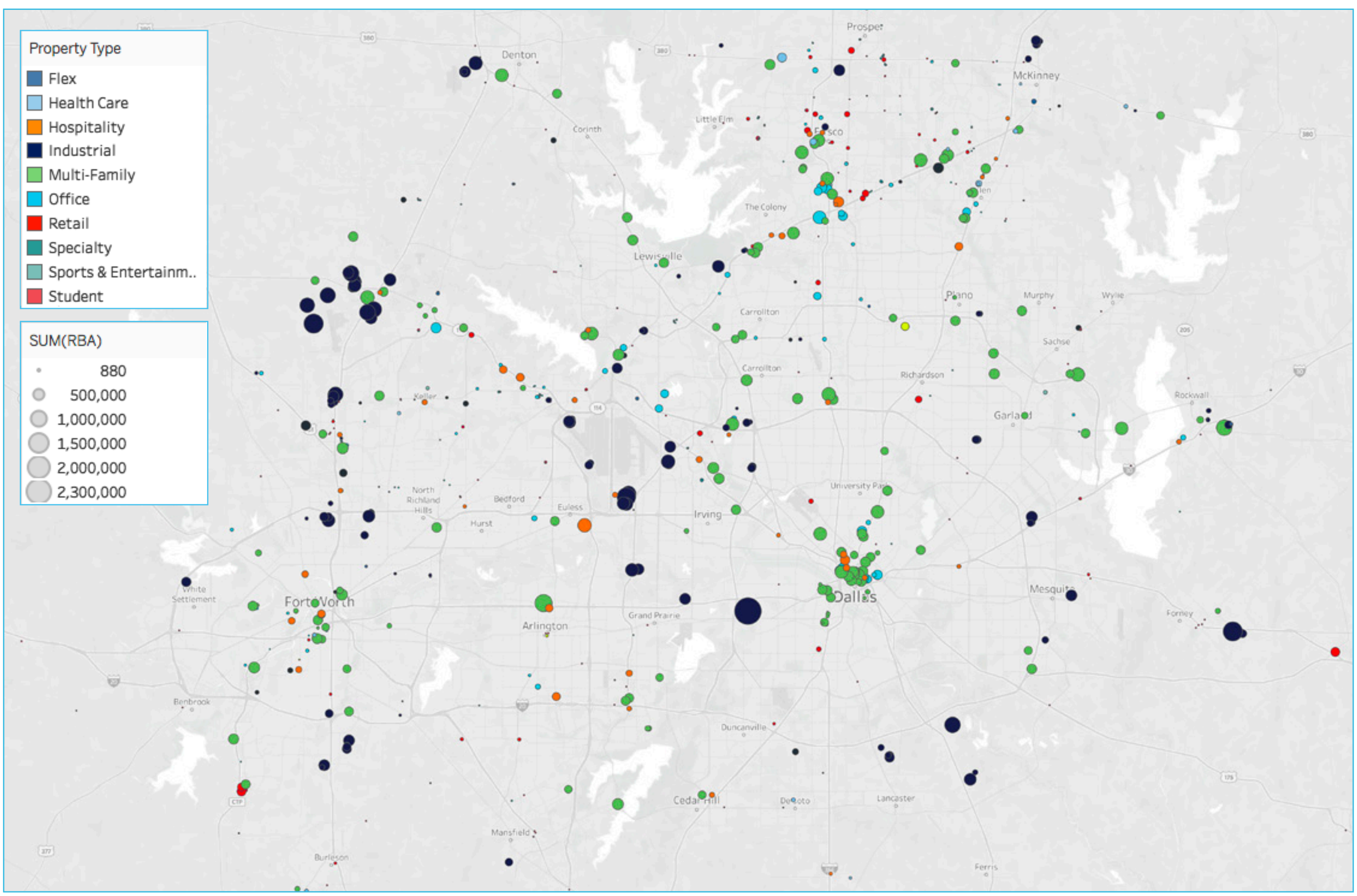
Construction Pipeline

There is currently almost **100 msf** under construction across the metro, when all building sizes and types are included. Some of these numbers may be higher than the reported numbers that Avison Young includes in its normal reporting, but this **100 msf** number is simply to highlight the complete picture of the market's construction, not limited by the normal parameters. Multi-family leads the field, with nearly 40 msf under construction, totaling roughly **32,000 units**, followed by Industrial at **36.2 msf**. However, as the economic expansion adjusts to the pandemic, expect delays, pauses, or even cancellations of some projects as the market deals with the fallout of recent events.

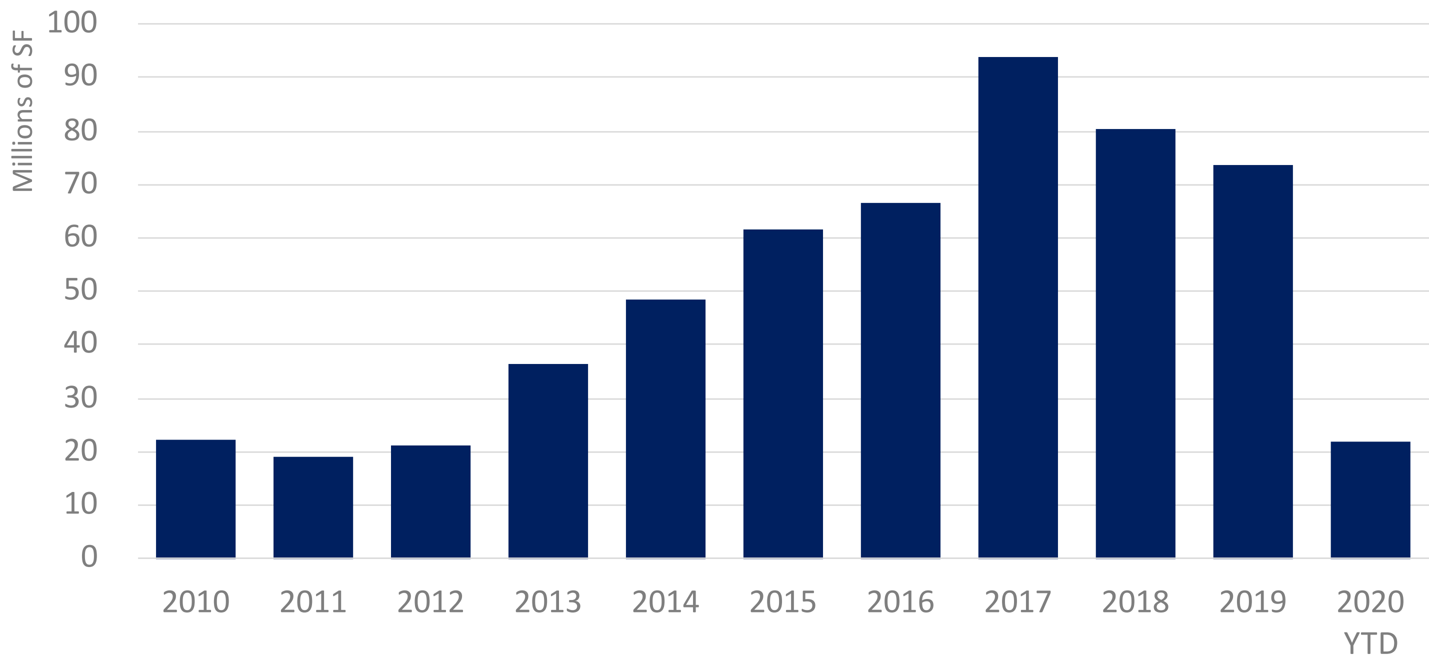
Under Construction SF by Product Type



Currently Under Construction



Historic Construction Deliveries - All Property Types

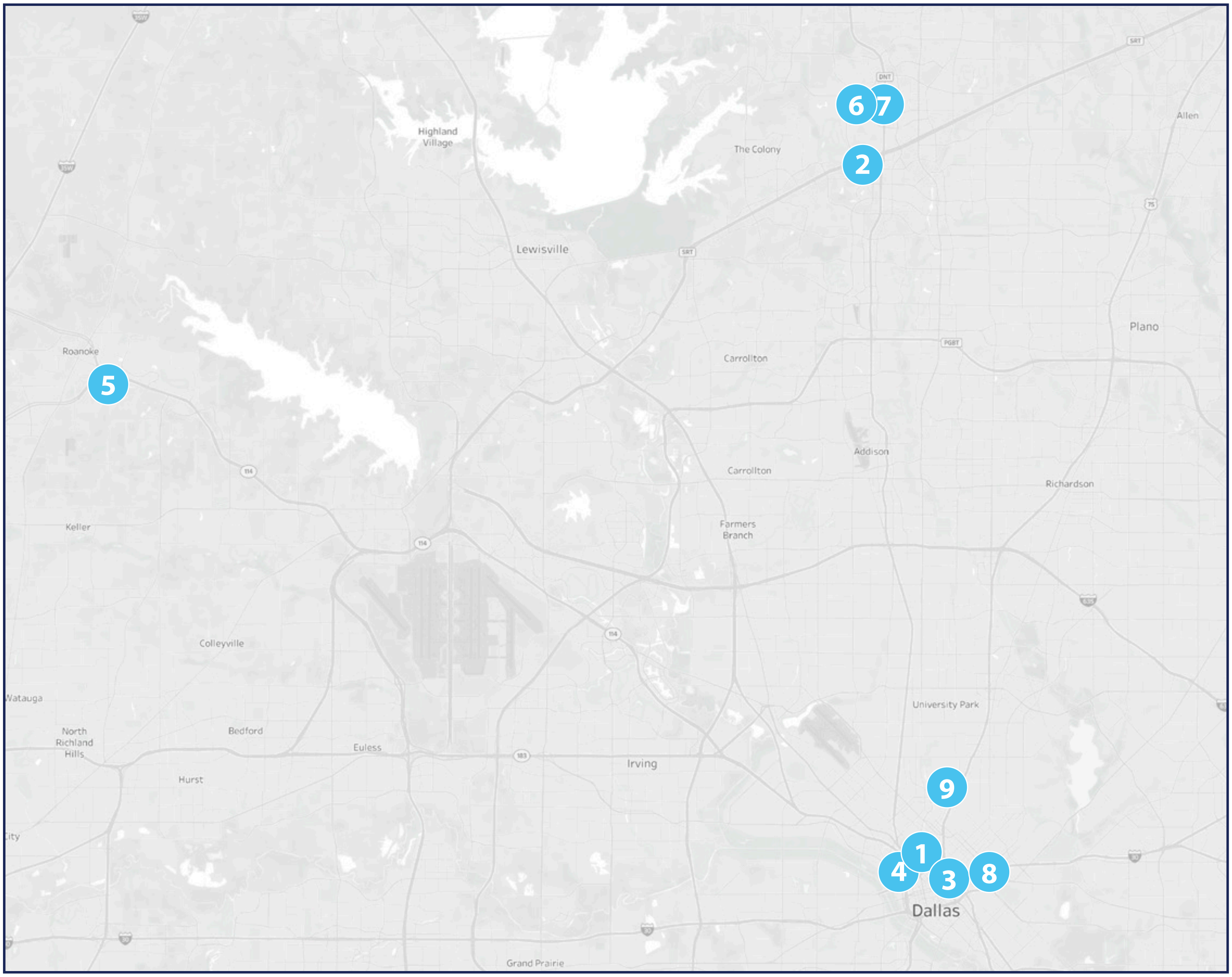


545 MSF of CRE Inventory added since 2010.

55 MSF	171 MSF	50 MSF	178K UNITS
			
OFFICE	INDUSTRIAL	RETAIL	MULTI-FAMILY

DFW has built more new CRE product in a decade than the total value of all existing product in New Orleans.

Noteworthy Office Projects Under Construction



1 Harwood XII

2 Chase Tower at Legacy West

3 The Epic Phase II

4 Victory Commons

5 Charles Schwab Campus - Phase 2 - Buildings 1 & 2

6 Keurig Dr Pepper

7 The Star - Phase IV

8 Baylor, Scott & White Health

9 Weir's Plaza

Noteworthy Office Projects Under Construction

Harwood XII
541,640 SF
Multi Tenant
Delivers Sep 2022

Chase Tower at Legacy West
540,000 SF
Single Tenant
Delivers July 2021

The Epic Phase II
469,000 SF
Single Tenant
Delivers Jul 2022

Victory Commons
364,733 SF
Multi Tenant
Delivers Sep. 2021
% Leased: 0%

Charles Schwab Campus - Phase 2 - Buildings 1 & 2
352,571 SF | 264,428 SF
Single Tenant
Delivers Jan. 2021

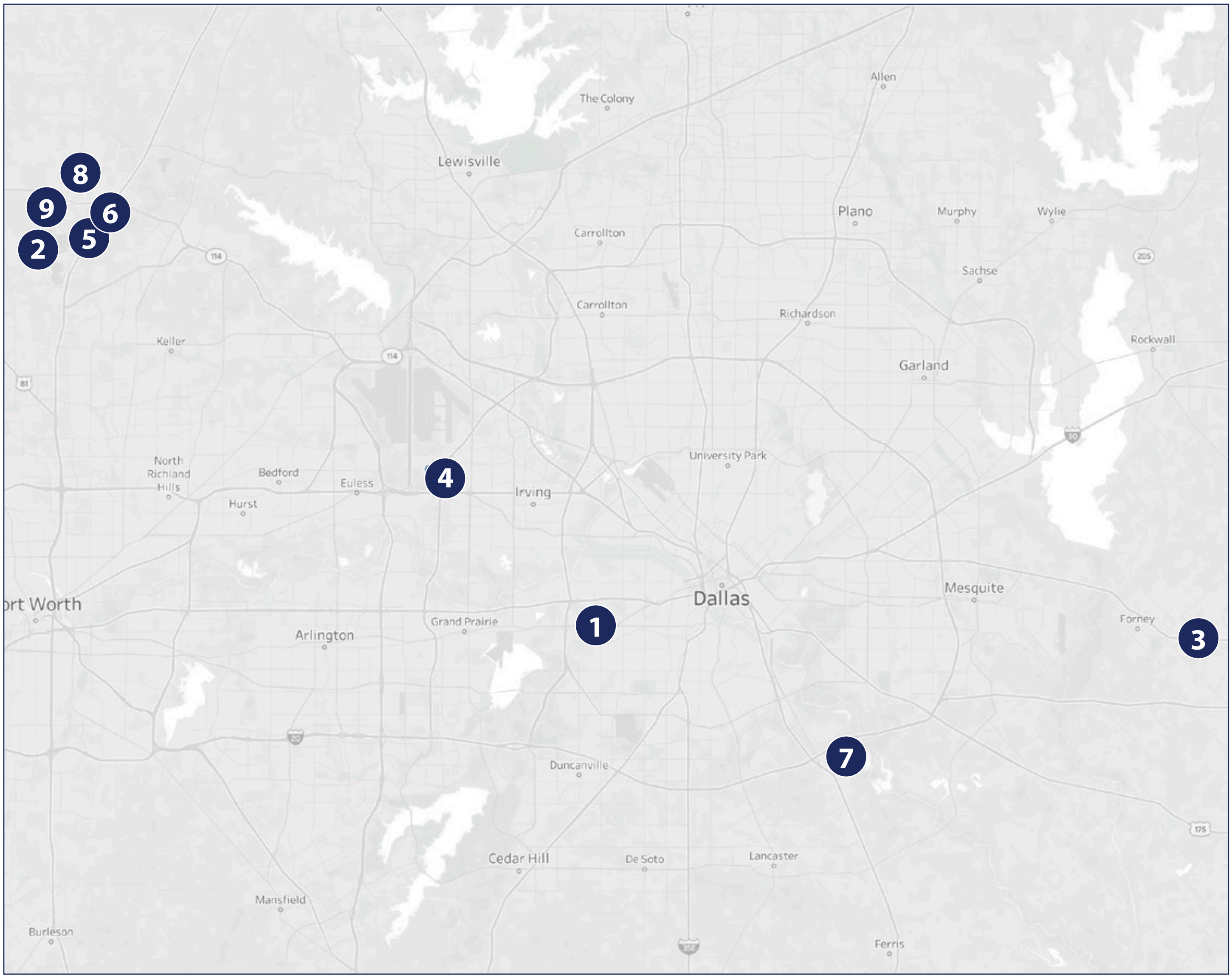
Keurig Dr Pepper HQ
350,000 SF
Single Tenant
Delivers May 2021

The Star - Phase IV
300,000 SF
Single/Multi Tenant
Delivers Jan 2022
% Leased: 0%

Baylor, Scott & White Health
300,000 SF
Single Tenant
Delivers Aug. 2020

Weir's Plaza
280,000 SF
Multi Tenant
Delivers Nov. 2021
% Leased: 61.1%

Noteworthy Industrial Projects Under Construction



1 1301 Chalk Hill Rd

2 Alliance Westport 11

3 Goodyear Tire Distribution Center

4 Passport Park-Building 1

5 Alliance Center North 3

6 Alliance Center North 7

7 E Cleveland Rd - Building 2

8 Speedway Logistics Crossing Bldg 3

9 Northlink A

Noteworthy Industrial Projects Under Construction

1301 Chalk Hill Rd
2,300,000 SF
Single Tenant
Delivers May 2020

Alliance Westport 11
1,200,536 SF
Single/Multi Tenant
Delivers Feb. 2020
% Leased: 0%

Goodyear Tire Distribution Center
1,200,000 SF
SIngle Tenant
Delivers Apr. 2020

Passport Park-Building 1
1,106,315 SF
Multi Tenant
Delivers April 2020
% Leased: 0%

Alliance Center North 3
810,908 SF
Single Tenant
Delivers Jan. 2021

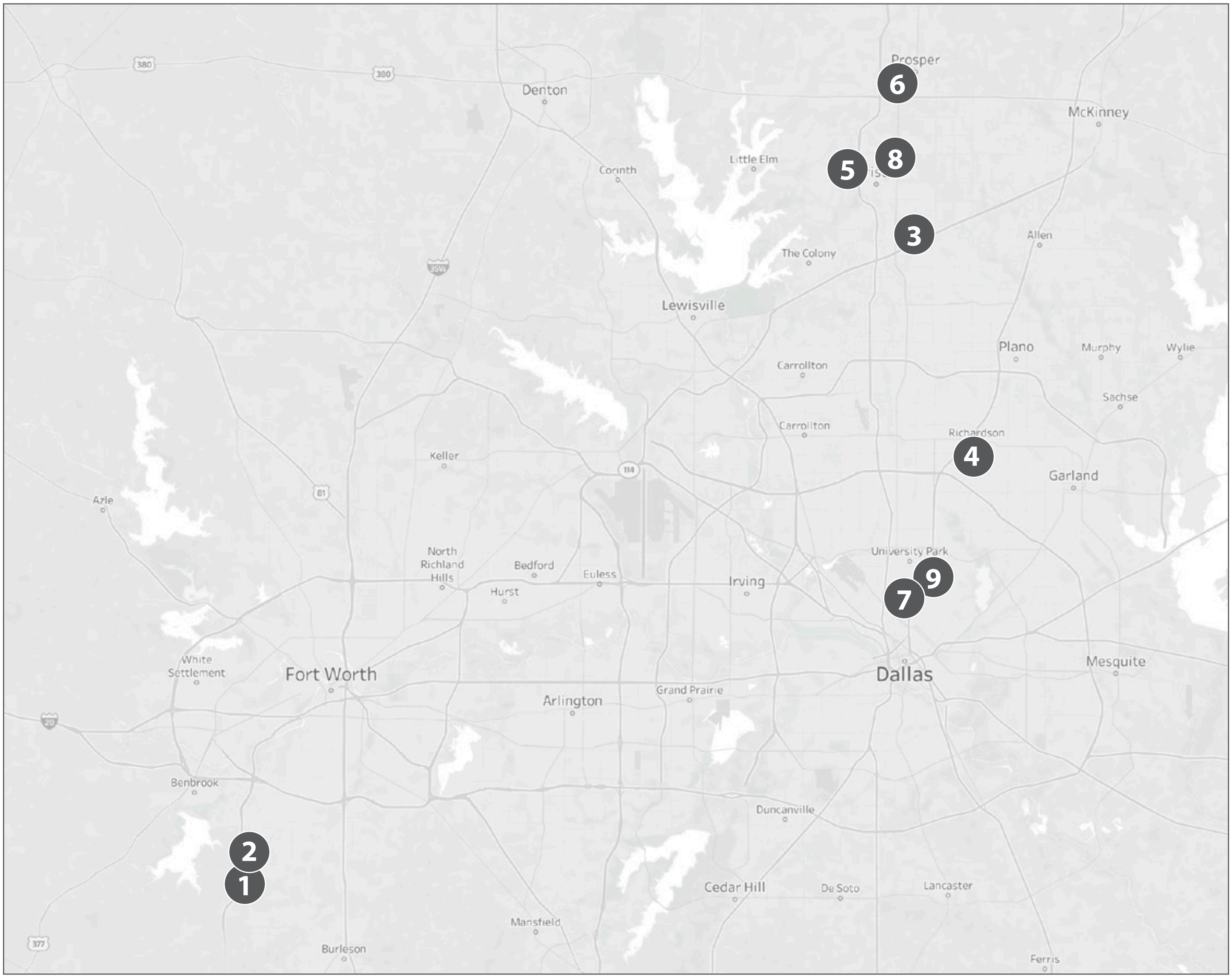
Alliance Center North 7
810,908 SF
Multi Tenant
Delivers Jul. 2020

E Cleveland Rd - Building 2
800,854 SF
Multi Tenant
Delivers Jan. 2020
% Leased: 0%

Speedway Logistics Crossing Bldg 3
795,780 SF
SIngle/Multi Tenant
Delivers Sep. 2020
% Leased: 0%

Northlink A
754,473 SF
Single/Multi Tenant
Delivers Dec. 2020
% Leased: 0%

Noteworthy Retail Projects Under Construction



1 Shops at Chisholm Trail - Anchor

2 Chisholm Trail Ranch

3 NEC Hillcrest & S. Hwy 121

4 946 Abrams Rd

5 Lifetime Fitness

6 Gates of Propser- Phase II

7 3133 Knox St

8 North Frisco Village

9 The Crossing

Noteworthy Retail Projects Under Construction

Shops at Chisholm Trail - Anchor
250,000 SF
Multi Tenant
Delivers Apr. 2020
% Leased: 96.9%

Chisholm Trail Ranch
231,298 SF
Multi Tenant
Delivers Apr. 2020
% Leased: 0%

NEC Hillcrest & S. Hwy 121
148,000 SF
Single Tenant
Delivers Apr. 2020

946 Abrams Rd
146,400 SF
Multi Tenant
Delivers Jul. 2020
% Leased: 94.3%

Lifetime Fitness
126,000 SF
Single Tenant
Delivers Apr. 2020

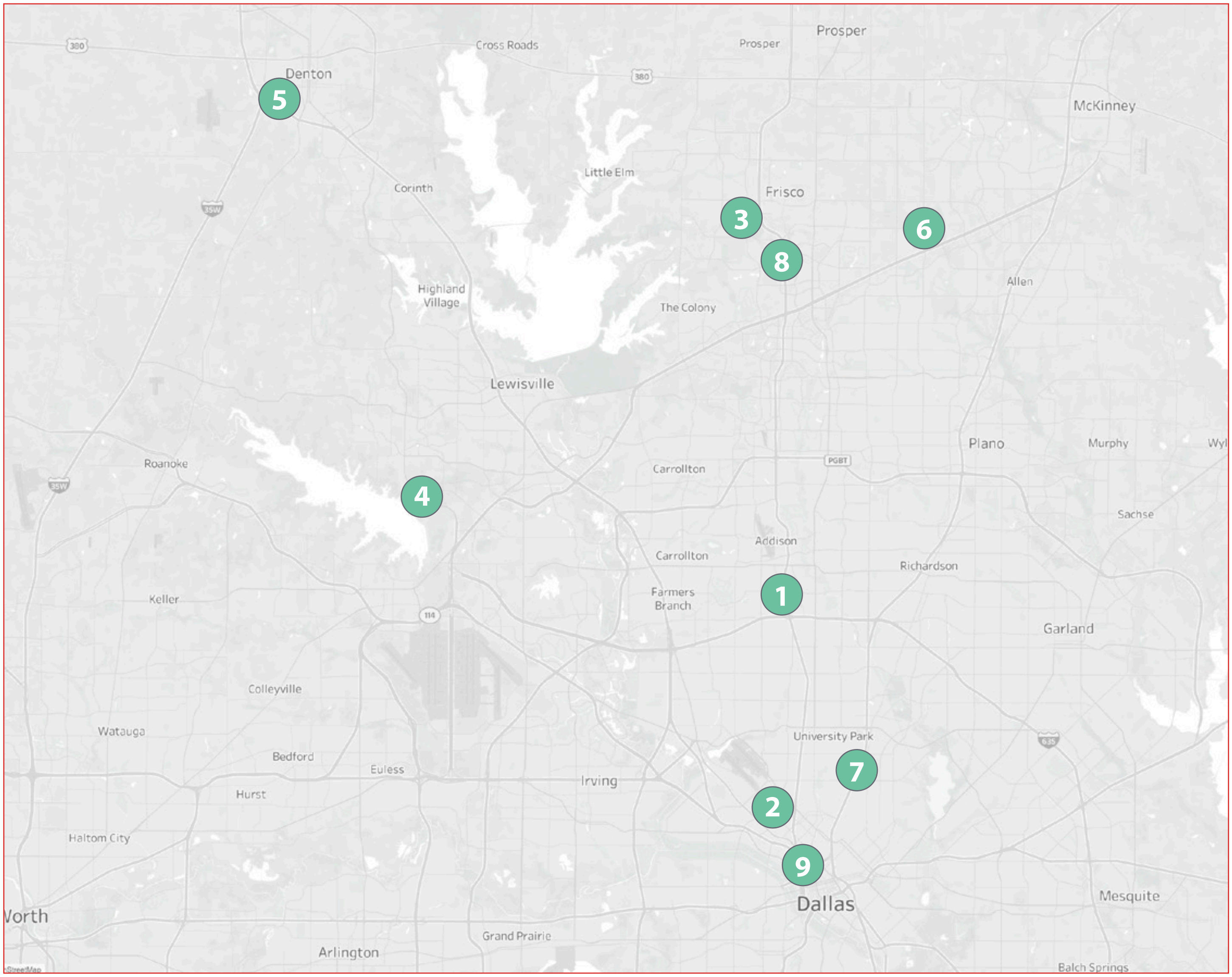
Gates of Propser- Phase II
122,000 SF
Multi Tenant
Delivers Sep.. 2020
% Leased: 20.0%

3133 Knox St
108,831 SF
Single Tenant
Delivers Jun. 2020

North Frisco Village
103,000 SF
Multi Tenant
Delivers Jan. 2022
% Leased: 0%

The Crossing
90.000 SF
Multi Tenant
Delivers Jan. 2021
% Leased: N/A

Noteworthy Multi-Family Projects Under Construction



1 Jefferson East Branch

2 Lenox Maplewood

3 The Margo

4 Alexan at the Point

5 Carriage Square

6 Cyan Craig Ranch

7 Eastline

8 Lucia at The Gate

9 The Victor

Noteworthy Multi-Family Projects Under Construction

Jefferson East Branch
390 Units
Studio - 74 | 1 BR - 200 | 2 BR - 116
Avg. SF - 807
Delivers Aug. 2020

Lenox Maplewood
575 Units
1 BR - N/A | 2 BR - N/A
Avg. SF - N/A
Delivers Jan. 2021

The Margo
358 Units
Studio - 10 | 1 BR - 185 | 2 BR - 139 | 3 BR - 24
Avg. SF - 1,020
Delivers Feb. 2021

Alexan at the Point
327 Units
Studio - 66 | 1 BR - 115 | 2 BR - 88 | 3 BR - 58
Avg. SF - 936
Delivers Jan. 2021

Carriage Square
360 Units
Studio - N/A | 1 BR - N/A | 2 BR - N/A
Avg. SF - N/A
Delivers Jun. 2021

Cyan Craig Ranch
317 Units
Studio - N/A | 1 BR - N/A | 2 BR - N/A
Avg. SF - N/A
Delivers Mar. 2021

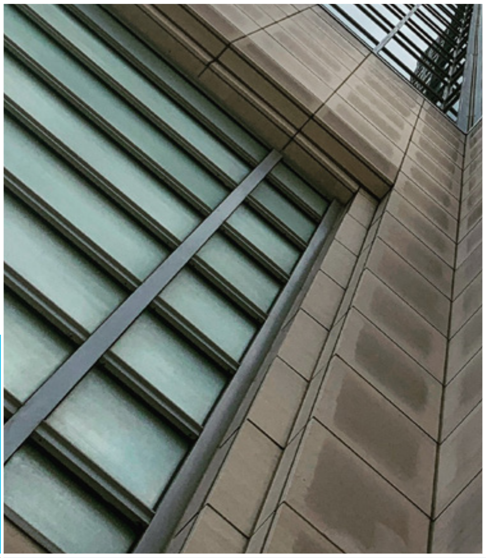
Eastline
330 Units
Studio - 9 | 1 BR - 170 | 2 BR - 129 | 3 BR - 22
Avg. SF - 921 SF
Delivers Jan. 2021

Lucia at The Gate
425 Units
1 BR - 287 | 2 BR - 133 | 3 BR - 5
Avg. SF - 766 SF
Delivers Jan. 2021

The Victor
344 Units
Studio - 45 | 1 BR - 234 | 2 BR - 47 | 3 BR - 18
Avg. SF - 877 SF
Delivers May 2021

Dallas-Fort Worth
Market Overview

Q1 2020



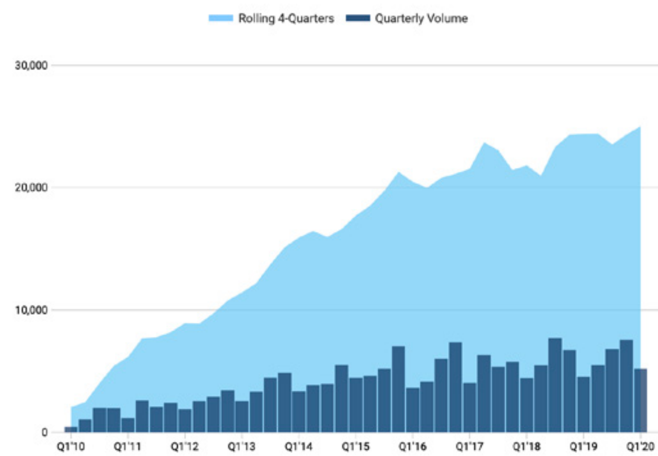
INVESTMENT SALES

Multi-family investments account for most volume in DFW and the U.S.

2019 finished the year with $21B in sales for DFW. This was a slight decrease from 2018, but still a near-record year. Only industrial saw its sales volume increase year-over-year from $4.8B in 2018 to $5.2B in 2019, while investment in office, retail, and multi-family industrial assets decreased. The 12 Month total rolling into Q1 2020 saw an increase in activity leading up to the COVID-induced slowdown, with $25B in transactions.

Canada led foreign investment in the market once again, accounting for roughly 75% of the more than $650M that flowed in. Investment from Chinese investors, who had been particularly active in the U.S. during recent years, continues to decline.

DFW Sales Volume ($M)



$10.6B Multi-Family

$5.3B Office

$6.3B Industrial

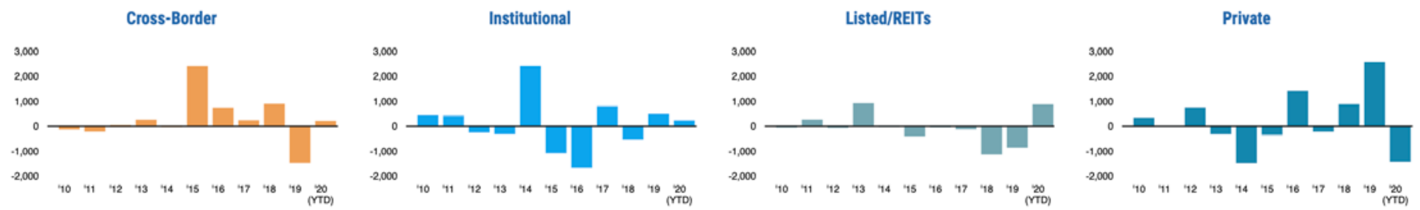
$2.2B Retail

$25 Billion (USD)
Total 12 Month DFW Investment Sales Volume

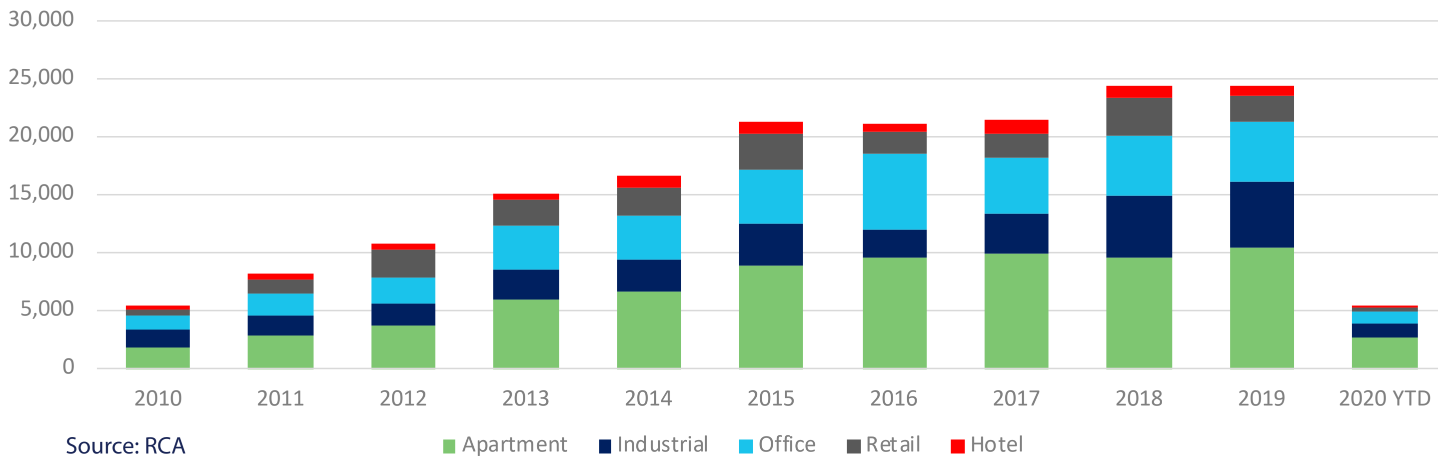
Quick Stats

$15.4B	$9.6B	1,97	14.9%
Total Individual Property Volume	Total Portfolio Volume	Properties Traded	Increase in total YOY Transaction Volume

Capital Flows (Net Acquisitions, Volume ($M))

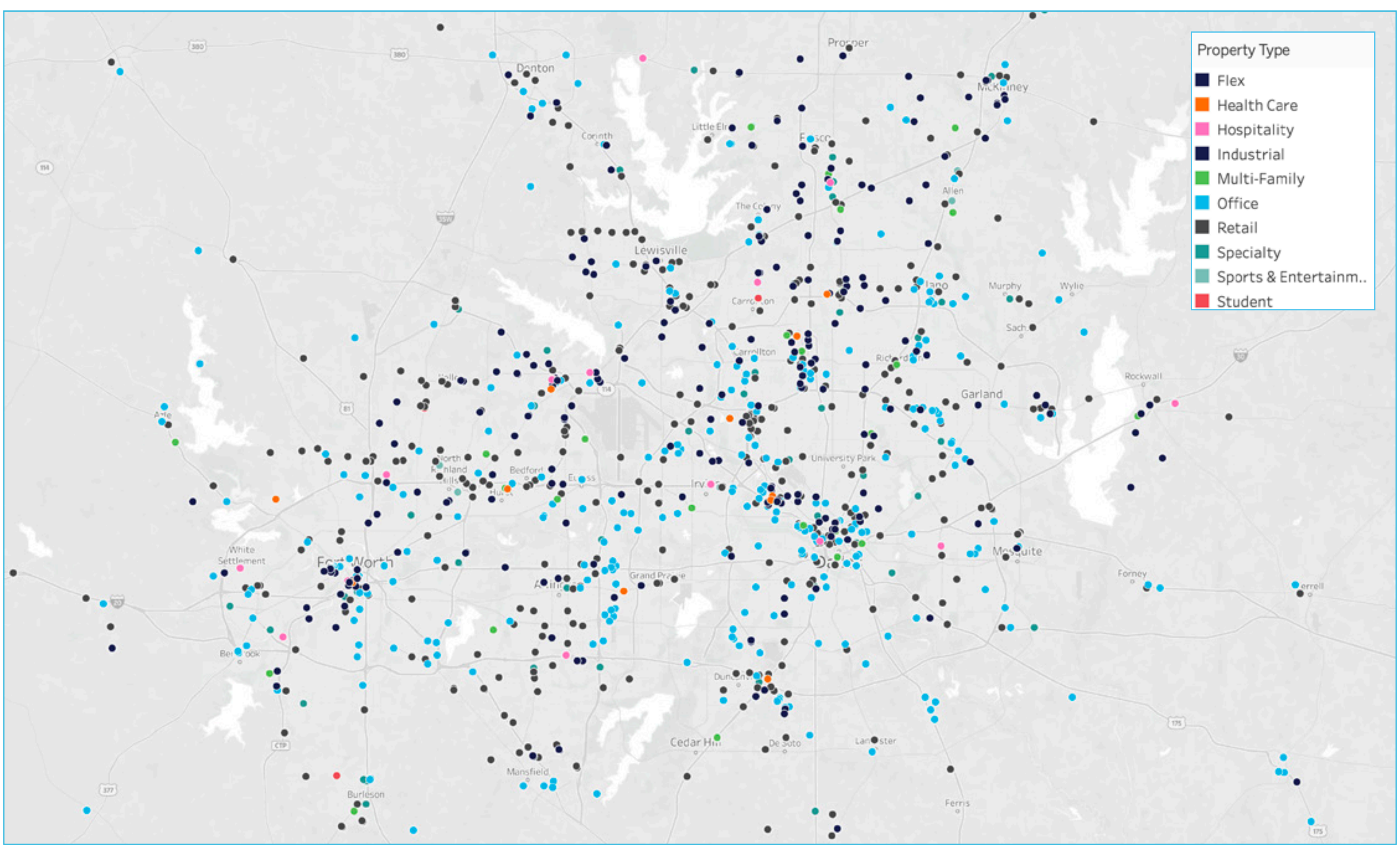


Yearly Sales Totals ($M)



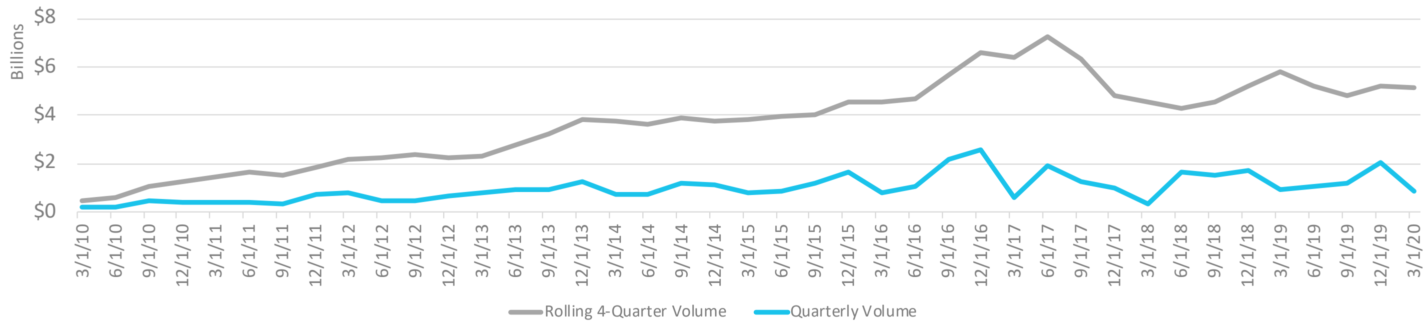
Source: RCA

Current Sales Listings >$2M (Includes Undisclosed Prices)

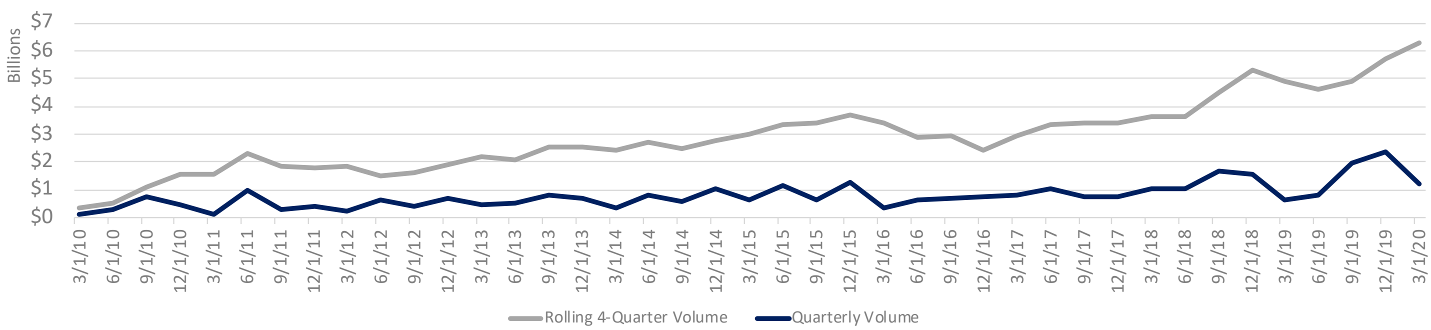


Investment Sales Volume by Asset Type

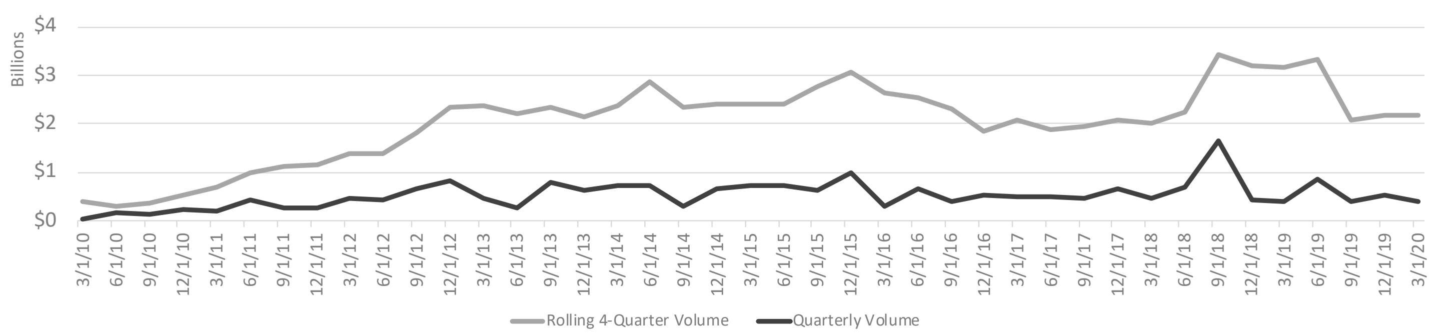
Office



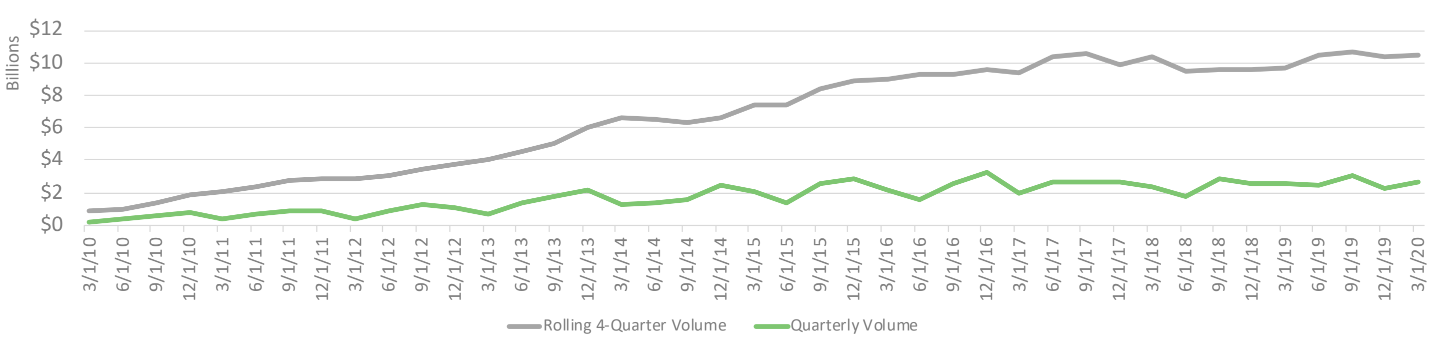
Industrial



Retail



Multi-Family



Dallas-Fort Worth
Market Overview

Q1 2020

COVID-19 IMPACT

"Since late February, the COVID-19 disease caused by the SARS-COV-2 coronavirus has emerged as a humanitarian issue of global significance, with hundreds of thousands of people and their communities affected. The World Health Organisation (WHO) now regards the outbreak as a global pandemic and the situation continues to evolve rapidly, as businesses and governments accelerate their responses to the crisis.

Equity and bond markets have reacted sharply and remain highly volatile, reflecting a paucity of hard evidence about the impact on economic activity. A global recession now appears highly likely, albeit that the unprecedented nature of the crisis makes forecasting the severity, duration and nature of the downturn, and the trajectory of the subsequent recovery, extremely problematic – especially at this early stage."

Executive Summary

The COVID-19 pandemic is resulting in very real human, social and economic impacts. Historically, reduced population mobility during epidemics has had a greater economic impact than the illness itself.

Governments are responding in different ways, but restrictions on population movement, public gatherings and social/leisure activities are now widespread. This will help slow the spread of the virus, but is resulting in a significant shock to business activity.

Economic activity is highly globalized in nature – disruptions in one country or region are having ripple effects across multiple markets and sectors. It now appears likely that the global economy, and probably many countries, will experience a recession but it is unclear how deep and prolonged any downturn will be.

Commercial real estate will see secondary impacts from reduced economic activity and "wait-and-see" disruptions as elevated uncertainty and risk will cause occupiers to delay business investment or expansion plans.

Transaction activity of all kinds is likely to slow sharply for the duration of the crisis, reflecting practical constraints on deal completion as well as uncertainty about the longer-term outlook for the market. However, underlying demand for real estate investments remains generally high, with multiple sources of capital active in the market. We expect a bounce-back in both investment and leasing activity once the immediate crisis dissipates.

Longer term, the changes that businesses and individuals will implement during the crisis will accelerate some trends already evident in the market, including deglobalization of supply chains and a shift towards online retail and flexible working practices in the service sector.

Key Economic Implications of COVID-19

The COVID-19 pandemic is resulting in very real human and social impacts. The likely economic impacts of the outbreak fall into four main categories:

1. **Direct impact from COVID-19 and associated containment measures**
2. **Knock-on impacts from disruption to supply chains and business linkages**
3. **Contingent impacts stemming from financial market stress**
4. **Redistribution effects from changes in government, business or individual behaviour**

Containment strategies are being widely implemented to delay the spread of the virus. Analysis of previous epidemics suggests that reduced mobility within the population has a greater economic impact than the illness itself – and this is becoming apparent in the current COVID-19 outbreak.

The direct impact of travel restrictions, quarantining workers or temporary workplace closures is increasing sharply. The leisure, tourism and travel sectors have been immediately impacted, while manufacturing industries are being affected by supply chain disruption. Many retailers already facing difficult trading conditions have seen a sharp reduction in customers.

All sectors of the economy, and every country, will be affected to some degree. Businesses that were already struggling will now face a battle for survival, with company failures in one area having a knock-on effect in other sectors and regions.

The emergency rate cuts and other measures announced by central banks across the globe are primarily designed to flood the market with liquidity to avoid any contagion through the financial sector. The aim is to prevent the inevitable downturn spiralling into a significant global recession or even a financial crisis – although the latter is not currently considered likely.

Governments across the globe are also introducing personal and corporate fiscal policies on a scale not seen since the Financial Crisis of 2007/8, to help businesses and individuals survive the coming months of disruption. At this stage it is impossible to know how economically effective these will be, although they are beneficial in helping support consumer and business sentiment.

A shift towards "risk off" decision-making is already encouraging flight to secure assets, hitting equity markets and driving down government bond yields – although the markets remain highly volatile. Overall, we now anticipate that the global economy will experience a recession, or very close to it, in 2020. Activity will slow in North America and Europe during Q2 and potentially into Q3. Elevated uncertainty and risk, or inability to access funding, will cause many businesses to delay investment or expansion plans, some of which will be deferred indefinitely if the overall economic outlook deteriorates further. A degree of "bounce back" is likely once the immediate crisis moderates, but any lasting damage to the demand side of the economy will delay the pace and timing of the recovery.

Key Facts

860%
1 month increase in DFW Unemployment claims

Closed
Schools Closed Rest Of 2019-2020 Year

DFW Down
1st Quarter of negative offfice absorption in years

22 Million
National Unemployment Claims Mar. 16 - Apr. 6

Economic impacts directly attributed to sickness or the containment measures such as "social distancing" that are implemented.

Analysis of previous epidemics suggests that reduced mobility within the population has a greater economic impact than the illness itself – and this is becoming apparent in the current COVID-19 outbreak. Governments are struggling to balance the need for an effective response with the desire to respect civil liberty, prevent unnecessary economic damage and not introduce draconian restrictions until they are really needed (not least to prevent "quarantine fatigue" among the population). Governments will need to consider carefully before implementing widespread school closures, given that this materially impacts working parents, many of whom would be required to care for their children and unable to work, or work in a reduced capacity. Different countries are striking this balance at different points, resulting in significant disparities in approach. The impossibility of accurately predicting how COVID-19 will spread is therefore compounded by uncertainty over how national and regional governments will react.

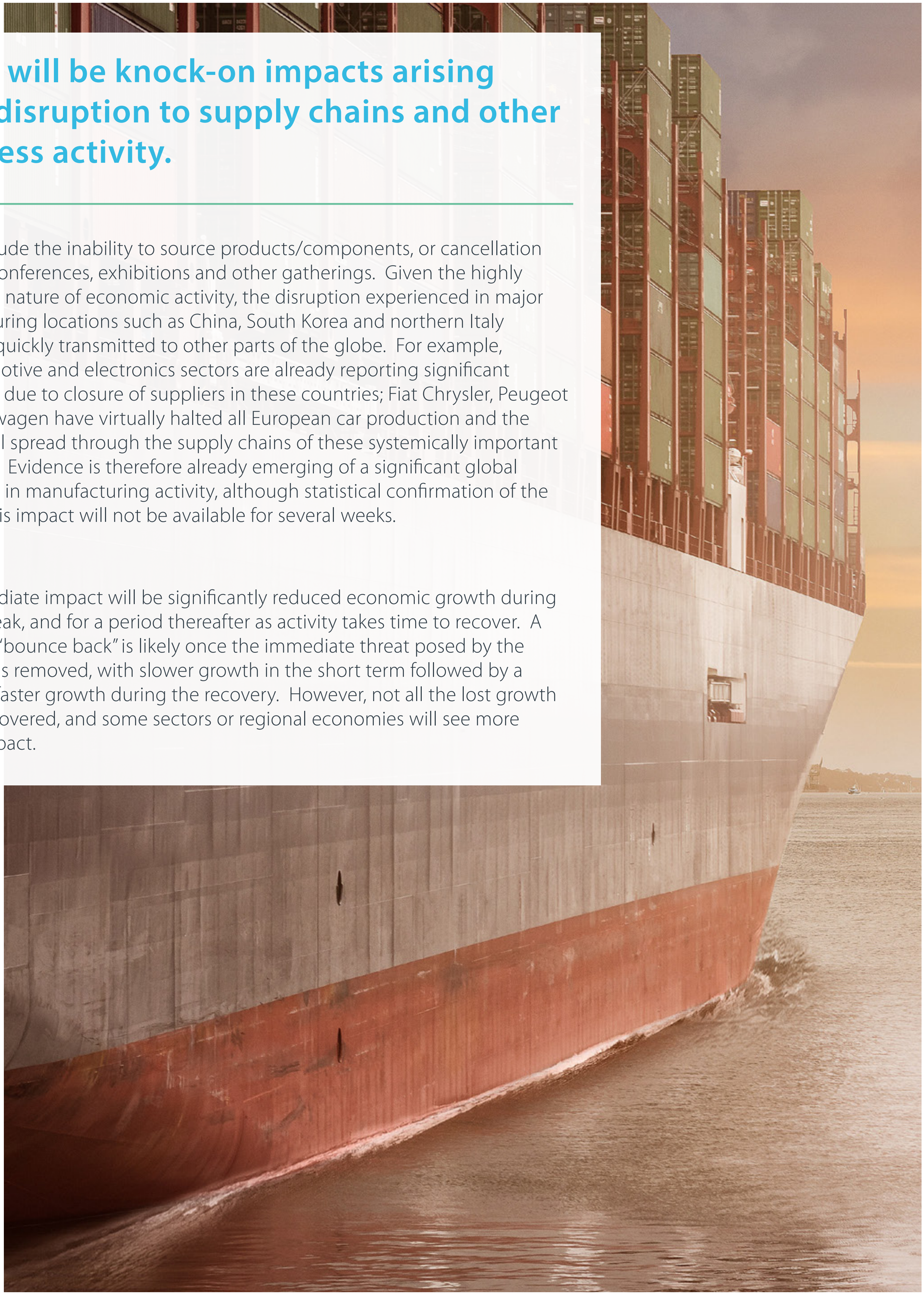
Thus far, the direct impact of quarantining workers or temporary workplace closures has probably been limited – but it is set to increase sharply. The leisure, tourism and travel sectors have been immediately impacted, with a host of airlines calling for government support to mitigate the unprecedented slowdown in business. They will not be the last industry to do so. Governments are acutely aware that their populations and their economies need to shielded from the full effect of the crisis. Only a small proportion of workers can maintain their income via remote working or paid sick leave if they are unable to work normally. Statutory sick pay usually only covers a proportion of salaries. Self-employed workers face a total loss of income if unable to work due to illness or self-isolation. The U.S. is seen as particularly vulnerable given that there is no federal statutory sick pay, no universal state health care and many millions of workers have no health insurance – all of which will dissuade people from self-isolating and encourage them to continue to work until prevented from doing so.

Governments across the globe are therefore introducing a variety of personal and corporate fiscal policies, on a scale not seen since the Financial Crisis of 2007/8. Measures are being implemented to support social welfare and consumer spending, cushion companies from the direct impacts of the crisis, and maximize popular compliance with the voluntary containment measures being implemented. At this stage it is impossible to know how effective these will be, although they are beneficial in helping support consumer and business sentiment.

There will be knock-on impacts arising from disruption to supply chains and other business activity.

These include the inability to source products/components, or cancellation of major conferences, exhibitions and other gatherings. Given the highly globalized nature of economic activity, the disruption experienced in major manufacturing locations such as China, South Korea and northern Italy has been quickly transmitted to other parts of the globe. For example, the automotive and electronics sectors are already reporting significant disruption due to closure of suppliers in these countries; Fiat Chrysler, Peugeot and Volkswagen have virtually halted all European car production and the impact will spread through the supply chains of these systemically important industries. Evidence is therefore already emerging of a significant global slowdown in manufacturing activity, although statistical confirmation of the scale of this impact will not be available for several weeks.

The immediate impact will be significantly reduced economic growth during the outbreak, and for a period thereafter as activity takes time to recover. A degree of "bounce back" is likely once the immediate threat posed by the epidemic is removed, with slower growth in the short term followed by a period of faster growth during the recovery. However, not all the lost growth will be recovered, and some sectors or regional economies will see more lasting impact.



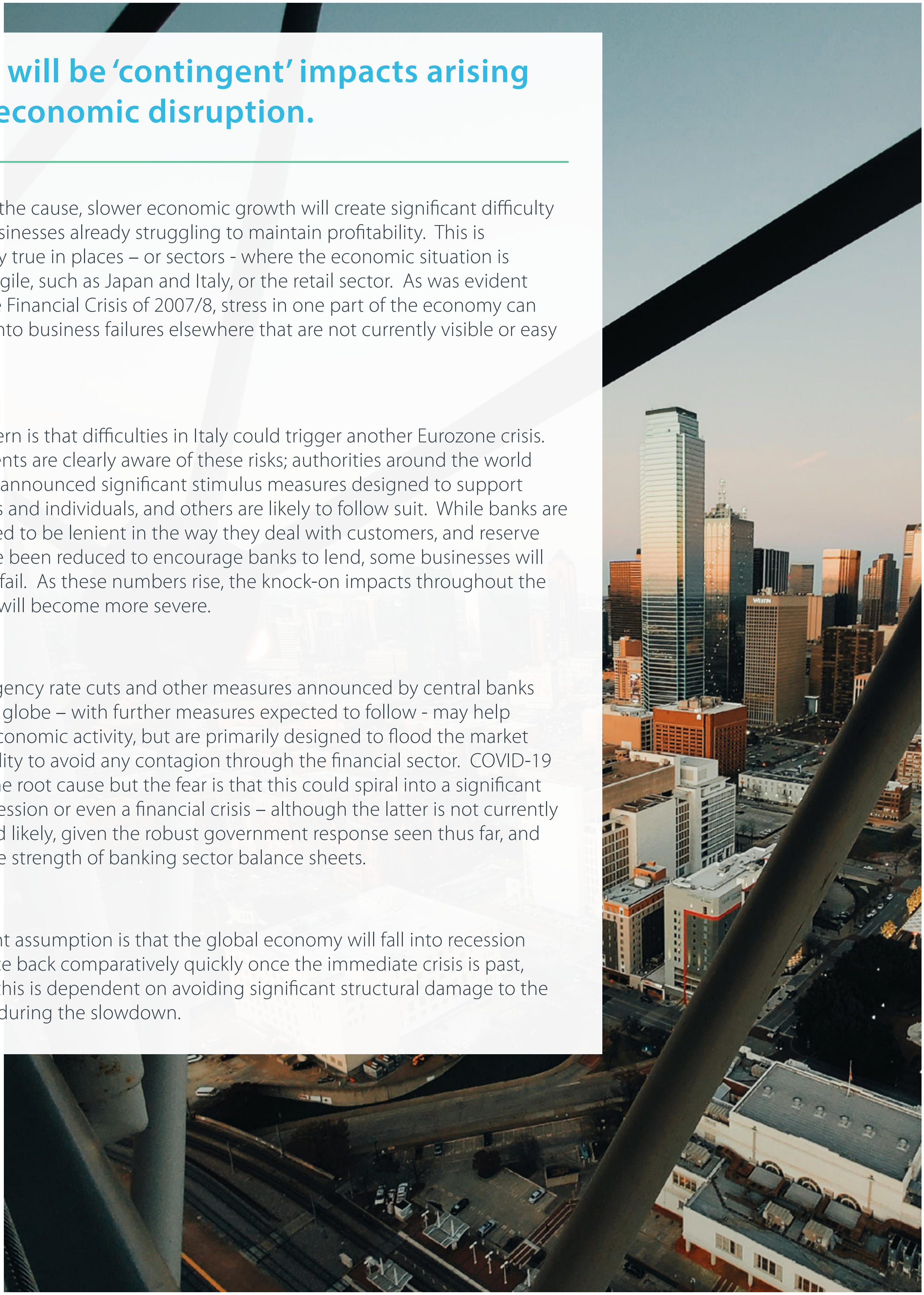
There will be 'contingent' impacts arising from economic disruption.

Whatever the cause, slower economic growth will create significant difficulty for any businesses already struggling to maintain profitability. This is particularly true in places – or sectors - where the economic situation is already fragile, such as Japan and Italy, or the retail sector. As was evident during the Financial Crisis of 2007/8, stress in one part of the economy can translate into business failures elsewhere that are not currently visible or easy to predict.

One concern is that difficulties in Italy could trigger another Eurozone crisis. Governments are clearly aware of these risks; authorities around the world have now announced significant stimulus measures designed to support businesses and individuals, and others are likely to follow suit. While banks are being asked to be lenient in the way they deal with customers, and reserve ratios have been reduced to encourage banks to lend, some businesses will inevitably fail. As these numbers rise, the knock-on impacts throughout the economy will become more severe.

The emergency rate cuts and other measures announced by central banks across the globe – with further measures expected to follow - may help support economic activity, but are primarily designed to flood the market with liquidity to avoid any contagion through the financial sector. COVID-19 remains the root cause but the fear is that this could spiral into a significant global recession or even a financial crisis – although the latter is not currently considered likely, given the robust government response seen thus far, and the relative strength of banking sector balance sheets.

Our current assumption is that the global economy will fall into recession but bounce back comparatively quickly once the immediate crisis is past, although this is dependent on avoiding significant structural damage to the economy during the slowdown.



There will be redistribution impacts arising from government, corporate or individual responses to the crisis and its impacts.

A heightened level of uncertainty around COVID-19 will compound existing concerns over geopolitics and other risks. A shift towards "risk off" decision-making is already encouraging flight to secure assets in the capital markets, hitting equity markets and driving down government bond yields – although the markets remain highly volatile. Further measures are to be expected, given that the knock-on effects of both the equity market decline and the virus itself will continue to expand.

Overall, most economic forecasters now anticipate that the global economy will experience a recession, or very close to it, in 2020.

A heightened level of uncertainty around COVID-19 will compound existing concerns over geopolitics and other risks. A shift towards "risk off" decision-making is already encouraging flight to secure assets in the capital markets, hitting equity markets and driving down government bond yields – although the markets remain highly volatile. Further measures are to be expected, given that the knock-on effects of both the equity market decline and the virus itself will continue to expand.

KEY REAL ESTATE IMPLICATIONS OF COVID-19

Real estate is often described as "the economy in a box," -- anything which affects the overall rate of economic growth will impact the real estate market from occupational and investment perspectives. The likely market impact varies distinctly across some sectors, and there is a distinction between the expected short-term effects and potential longer-term implications.

It currently remains impossible to quantify the likely impact on the property market with any reliability. Comparisons with the Financial Crisis of 2007-8 are not necessarily appropriate, not least because central banks are working hard to avoid a repeat of the credit crunch that characterized the last downturn.

Nevertheless, the speed with which the market adjusted to events a decade ago may represent a "downside scenario" against which to assess potential property market outcomes.

Overall, stock market movements give an early indication of expected levels and relativities of impact. **Thus far, sectors such as real estate, which will see secondary impacts from reduced economic activity or are mainly impacted by "wait-and-see" disruption, are not viewed as particularly badly affected.** As of 13 March, in the U.K. the FTSE 350 REIT Index had fallen 24% since the start of the crisis, compared with the 29% decline recorded by the FTSE 350 overall. In the U.S., the S&P 500 overall was down 26% during the same period – marginally more than the 25% decline in the Office REIT index (although Retail and Industrial REIT indices saw declines of around 30%). In general, real estate stocks fared better than those in the hotel/leisure and financial sectors.

The travel, hospitality and leisure sectors are being hit first and hardest, due to the immediate impact on demand and business activity. The hotel sector is particularly vulnerable to a decrease in tourism, which has largely collapsed and measures to limit public gatherings at conferences and sporting events – virtually all of which are now being cancelled or postponed. Real estate transaction activity in these sectors (both leasing and investment) is likely to decline significantly, at least for the duration of the current crisis and potentially for a period beyond.

COVID-19 will exacerbate the challenges faced by the retail sector. The consumer sector is likely to be more immediately affected. In developed markets consumer spending typically accounts for around one-third of all economic activity, up to half of which is "discretionary." Consumers are likely to delay or forego a material proportion of this expenditure due to illness, self-isolation or uncertainty.

In-store comparison goods retailing will suffer, and some of the most successful areas of the market will be hardest hit. Tourism-related retail, restaurants, bars, entertainment venues, large supermarkets, major city centres and dominant malls will suffer from compulsory or self-imposed restrictions on movement, as people avoid locations seen as posing a high risk of transmission. In contrast, online retailers and local high streets could benefit in relative or absolute terms. Some of the increase in online shopping will become permanent, accelerating the impact of internet retail on the physical market. In many countries, households stocking up (or panic buying) will boost Q1 sales data in the food sector.

Occupiers will be intensely focused on cashflow, particularly those that will see material loss of income due to social distancing and travel restrictions. Landlords will receive some requests for rent deferrals or reductions, and challenges around service charge levels in buildings that need to be kept secure and operational, but which tenants may be unable to occupy. How landlords respond will in part depend on the wording of the lease concerned, but in most cases will be a matter of judgment as much as legality.

Across most sectors and markets, leasing activity will decline in volume compared with pre-crisis expectations. While some transactions will be unaffected, many deals currently under consideration are likely to be delayed (though not yet cancelled) as occupiers adopt a "wait-and-see" attitude. This disruption should prove temporary and we would expect a bounce-back in deferred activity during late 2020 and into early 2021. However, a heightened sense of uncertainty over the economic and business outlook will cause some deals to be withdrawn. Fewer new transactions will be initiated, and some expansion plans will be put on hold. Clearly the extent of this slowdown will be highly variable across markets and will depend on how the economic impacts of the disease play out.

The impact on rents is impossible to quantify until we have a clearer view of the underlying economic impact of the current crisis. Given that we expect the disruption to be severe but temporary – with activity returning to 'normal' more quickly than in previous 'conventional' recessions, we would expect any impact on rents to be similarly short-lived unless the recession has done structural damage to particular areas of demand.

Disruption to supply chains will impact the industrial and warehouse sectors. U.S. Industrial REIT prices have been hit hardest within the S&P 500 property sector, and demand prospects are generally lower in most markets and segments. However, supply chain reconfiguration and a shift towards regional or local suppliers could ultimately boost demand for warehouse and production space in some markets.

In the office sector, rates of homeworking have already increased sharply. The business services sector, which accounts for 10-12% of the economy in the U.K. and U.S., is set to embark on an unprecedented global experiment in flexible working. It remains to be seen what impact this will have on productivity and output, but it will accelerate the adoption of new technology and flexible working practices. In the immediate future, social distancing could provide a stress test for many co-working and flex office operators, with short license customers opting to work at home for a period of weeks or even months.

Some capital markets transactions will be delayed or jeopardized due to practical constraints on completion (such as travel restrictions impacting on-site due diligence) or concerns over the outlook for the economy and occupier demand. Transaction volumes are likely to fall, probably quite sharply; while Q1 totals may be less affected, Q2 will be impacted by delays in completion and Q3 will be hit because few new transactions are currently being initiated. "Long income" deals that are less sensitive to the short-term outlook are in high demand and will be less affected than those higher-risk transactions requiring more active management and asset repositioning to drive IRRs.

It seems likely that the extent of containment policies being implemented will have a material impact on investment transaction volumes for 2020. The scale of impact depends on three factors that are extremely difficult to predict. First, how well investors who wish to transact are able to cope with the current disruption. Second, how effectively governments manage public and business confidence in order to minimize the impact on market sentiment. Third, how well governments and central banks can limit damage to the economy and prevent contagion into the financial system, which would materially affect pricing and investor demand for real estate.

It is difficult to assess the likely scale of impact on real estate transactions. Following the collapse of Lehman Brothers in late 2008, global investment volumes were typically 60%-70% lower during the following four quarters than had been seen a year earlier. On this occasion we do not expect the impact to be as severe or as prolonged, but a fall in transactions of 25%-50% for one or two quarters in those markets most severely affected cannot be ruled out.

As in the wider economy, any "wait-and-see" hesitation in completing existing transactions or initiating new ones will be partially offset by a "bounce back" effect once uncertainty is alleviated. It should be noted that demand for real estate investments generally remains at a high level with multiple sources of capital active in the market. Any reduction in interest rates and bond yields will also encourage further flows of capital into the real estate sector. We would therefore expect a significant pick-up in activity towards the end of 2020 and into 2021.

If real estate values fall less sharply than equity prices, this will lead to an effective re-weighting of multi-asset portfolios. Until equity prices recover or investors adjust their target weightings, this "denominator effect" will tend to reduce some institutional demand for real estate.

Residential markets are likely to see sharply slower transaction activity. Potential buyers will find it hard to arrange viewings even if they want to, sellers will be reluctant to put product into a difficult market, and practical aspects of arranging completion will prove highly problematic. The market will therefore slow sharply at least in the short-term – how quickly it recovers will depend entirely on how severe and prolonged the economic downturn turns out to be.

In the debt markets, lower interest rates will stimulate real estate borrowing but there could be some redistribution of activity. Asian lenders have been very active in the market but could be expected to pull back somewhat in the current environment.

In the development market, it remains to be seen whether higher commodity prices will impact construction activity. Construction costs are already elevated in the U.S., and in the U.K. where Brexit-related labour shortages are a further threat, such that development margins are reduced. Disruption to Chinese raw materials could delay or defer construction orders, particularly if local-sourced alternatives prove more expensive.

From a valuation perspective, we expect any impacts to be relatively short-lived but – as with so many other aspects of the current crisis – this is based on our assumption that we will see a global recession, but not on the scale seen in late 2008. For comparison, office values in London fell 50%-70% during the course of the Financial Crisis, and by 15%-20% in the single quarter following the collapse of Lehman Brothers. While such falls are well in excess of what we expect to see this year, they do highlight the potential scale of short-term impact that is possible when confidence in a highly priced market collapses. Even so, we would note that after a short period of intense decline values of good quality properties recovered rapidly in 2009, as investors quickly re-entered the market once the immediate sense of crisis had passed.

More material, long-term impact would only occur if the crisis escalates beyond what is currently envisaged, most likely as a result of "healthy" businesses being jeopardized by business failures elsewhere in the economy, which could cause a slowdown to morph into a more serious recession or even another financial crisis.

The COVID-19 crisis does highlight the fragility of some globalized supply chains, which will encourage an acceleration of the de-globalization trends we already see emerging in some areas of business and which Avison Young has commented on in our **2020 Forecast.**

Office Impact

State of Flex: Considerations for Occupiers, Operators and Owners

Quick Stats

~38,000
Estimated total flexible workspaces in the world today

~$26 billion
The estimated global market value of flexible workspaces

While the global response to the COVID-19 outbreak evolves daily, one thing is already clear: this will forever change the way we work.

The current crisis comes at what was already one of the most disruptive periods for the commercial real estate (CRE) office sector. The flexible office economy has grown dramatically over the past decade, with expansion and innovation accelerating in the past 3-5 years across the occupier, operator and institutional owner communities.

Flexible office space now is a driving force across major office markets around the world and continues to gain steam among enterprise occupiers. The sector has transformed the "traditional" office industry by bringing a heightened expectation for customer experience, hospitality and lease term flexibility than historically offered to the market.

Navigating immediate priorities: supporting your workforce

As the impact of COVID-19 spreads across the globe, many people are engaging in a remote/work from home strategy for the first time. Regular office workers are joining the ranks of freelancers, entrepreneurs and startups (and some cutting-edge enterprise occupiers) who previously dominated the world of flexible working – and many are struggling to adjust to what we consider to be a new normal within the sector. Many employees are dealing with a remote working schedule for the first time, while also likely dealing with personal, emotional and potential financial stress during this period.

The critical thing in this time of uncertainty is to remain calm and take care of your employees first and foremost. There are more than enough blogs promoting an efficient and productive remote workforce, but it may be helpful to tap into a resource from the Experience Management professionals at Qualtrics, who have made their Remote Work Pulse Product available for free during this time.

Given the fluidity of the situation, it is still too early to be definitive about the impact COVID-19 will have on the flexible office landscape, but there are some current trends that we expect to impact the sector in the months ahead.

Short-term impact (the next 6 months)

Occupiers: As work from home (WFH) becomes the new norm

- WFH – some employees will love it, some will hate it, and there will be a large number that will come out of this period asking their employer to provide a hybrid model in terms of their standard office set up (fixed, flex and/or WFH).
- Sole proprietors or small teams who are existing members of flexible locations are likely to attempt to cancel and/or freeze their membership for the next 30-60 days.
- Large occupiers will begin to rethink their portfolio management strategy to include or increase their flexible office allocation.

Operators: Survival, stability and growth considerations

- Open locations operating with unmanned, skeleton crews and limited hospitality experience.
- Operators large and small have already started engaging their landlords seeking rent relief during this difficult period. Our own Giovanni Palavicini, in conjunction with GCUC, gave a presentation on this subject recently.
- Due to the financial strain of the current WFH mandates in most major markets, existing operators will fall into the following categories – survival, stability and growth – coming out of this period.
- Added competition from the sublease market could further drive discounts on quoted rates.

Institutional Owners: Near-term impacts related to temporary vacancy

- To allow existing flexible operators the ability to survive, restructuring of existing lease agreements will be contemplated in the coming months and any new, pending leases/management agreements will be put on hold.
- Many operators will give back existing locations. Owners will be seeking advice on how to keep the cash flow rolling. And the structure of these operations will vary.
- Traditional/long-term tenants in their portfolio will begin seeking rent relief in various forms and pending leases will likely pause until the economic outlook is clearer.
- COVID-19-related legal issues to business continuity/interruption and force majeure lease clauses – new litigation will form the basis for future pandemic situations and revised lease terms around business disruption.
- Building operations and decisions related to temporary vacancy due to government-mandated quarantines will have a near-term impact on asset-level operational activities.

There are many in the CRE space who predict a recession as the downfall of the flexible office economy as we know it. However, traditional leasing is going to be severely impacted as well and we see the occupier community's appetite for flexible leasing continue to increase. What we do anticipate is a continued push from demand users to engage in digital/online sources to satisfy their flexible requirements.

Our current circumstances will likely lead to an accelerated interest in core and flex portfolio strategies to meet the evolved needs of the workforce. Check back for more from the flexible office team as this may not reflect the current Avison Young position. Look for vertical-specific insights and long-term impact considerations in the weeks ahead.

Project Management

Considerations Across the U.S. and Canada

From supply chain and labour to regulatory process and A/E consulting, there is no aspect of the project management ecosystem that is immune from the impacts of COVID-19. While the situation continues to rapidly evolve, below is a briefing on the considerations clients should undertake in each area.

Impact to the supply chain for materials and/or specified for construction related projects

The current COVID-19 health crisis will eventually resolve. While we cannot accurately predict some of the longer-term implications, what is clear is that the supply chain will be radically different in the short term.

Historically, materials and supply market sectors were at or near to production capacity. Manufacturing kept up to market demand, but most of the construction and renovation components were made to order. Manufacturers with highly refined supply chain management had a market advantage with a limited inventory tied to demand.

Production shutdowns due to social distancing measures and stay at home orders issued by health and government authorities has disrupted the marketplace in two key ways:

1. **The market demand for materials and products has continued to build while production has been halted or reduced.**
2. **The duration of shutdowns of supply chain manufacturers differs widely.**

Components that manufacturers rely on are facing production challenges. Many suppliers of LED components, plastic connector castings, circuit boards, aluminum extrusions, adhesives and finish coatings are located in areas of the world impacted by COVID-19.

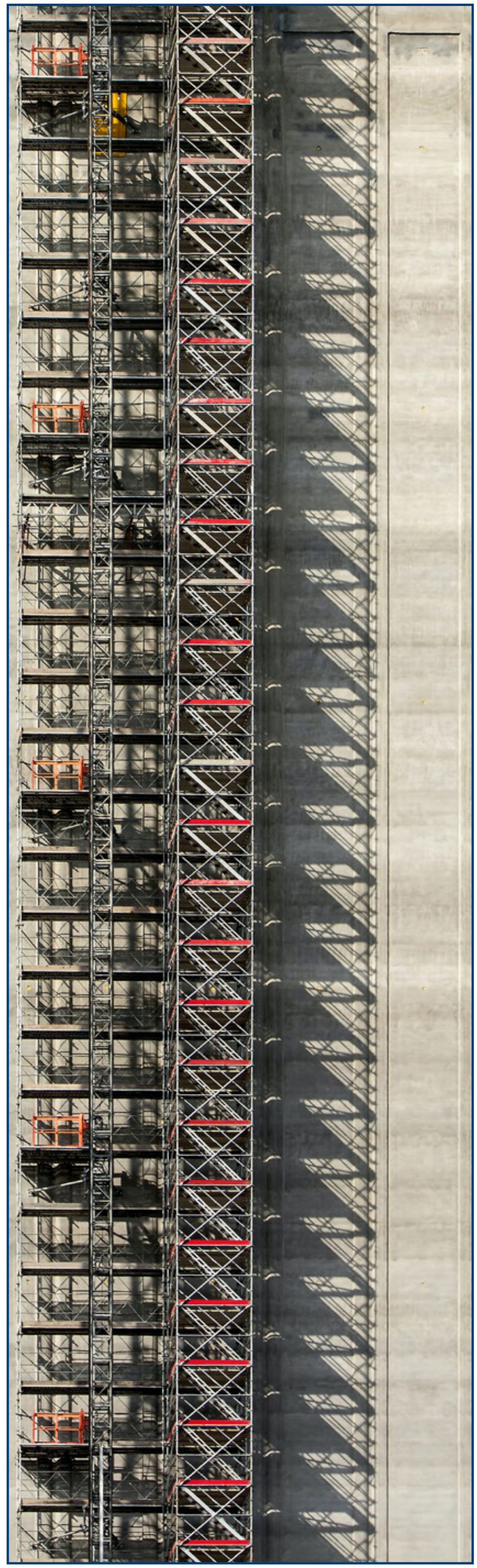
What to expect when we return to full production:

- Limited manufacturer's stock that is ready to ship. A majority of product will need to be manufactured on demand.
- Extended lead times caused by the staggered restart of the components supply chain.
- Emphasis on larger deposits at order, as manufacturers recover from their shutdown costs and losses.
- Staggered delivery issues for large quantities, where manufacturers may attempt to partially satisfy several users with partial shipments.
- Sales positions that differ from delivery capabilities.
- Limits on product customization as manufacturers focus on their highest margin products.
- Stability and solvency issues with manufacturers.

What to start planning for when production levels pick up:

- Front End" management – work with manufacturers to establish realistic deliverables.
- Re-evaluate the long lead-time materials.
- Realign the project schedule to achieve the deadlines by recognizing the market's capacity. This may affect the construction sequence based on when materials arrive on site.
- Manage the contracts through deposits with an emphasis on delivery performance.
- Accelerate the shop drawing process to ensure the review and acceptance of the proposal is completed to release production. Many manufacturers are available but working remotely and often at limited capacity.
- Be prepared to align your conceptual design components to market availability.
- Modify the construction process – utilize "hold-to" dimensions, mockups, BIM and 3d coordination to accommodate extended lead times while progressing as rapidly as possible.

Impact to the labour market



We have heard from the construction community and our clients that the impacts to the construction labour market vary by location within North America.

In some locations, the construction process has been completely halted by governmental order; restricted to "essential" construction related only to projects in the health care, energy, public works, or residential/shelter facilities or similar industries; or limited only to those considered essential in all market sectors. In areas where construction work is still allowed, the building trades are showing up to work and general contractors are implementing additional safety procedures to ensure a safe construction site.

Where projects are in progress and construction is allowed, the projects are proceeding with productivity issues. When there is a COVID-19 case of a construction worker, the project is typically stopped, the site deep cleaned and effected workers are quarantined for (14) days. The project may resume after deep cleaning (per CDC standards in the U.S.). However, there are instances where projects have not resumed after the deep clean.

There are reports of social distancing of six feet per health organization standards on sites also, in addition to more separation of teams. For example, an MDF Room where now only one trade can work instead of the typical three or four. Use of masks and gloves are becoming more prevalent, but are equally hard to come by, as shortages of these products are being reported in many sectors.

Before any of us had heard of the COVID-19 virus, there was a labour shortage in North America's robust construction market. Project schedules were already extended as a result. These shortages are only exacerbated by the spread and impact of COVID-19.

Most construction office staff are working remotely where required. It appears that the daily flow of information (submittals, approvals, scheduling, RFIs, etc.), which is critical to any construction project, has not been impacted to a great degree. However, if project construction is halted in the field, there is a possibility of office worker furloughs, layoffs or temporary salary reductions.

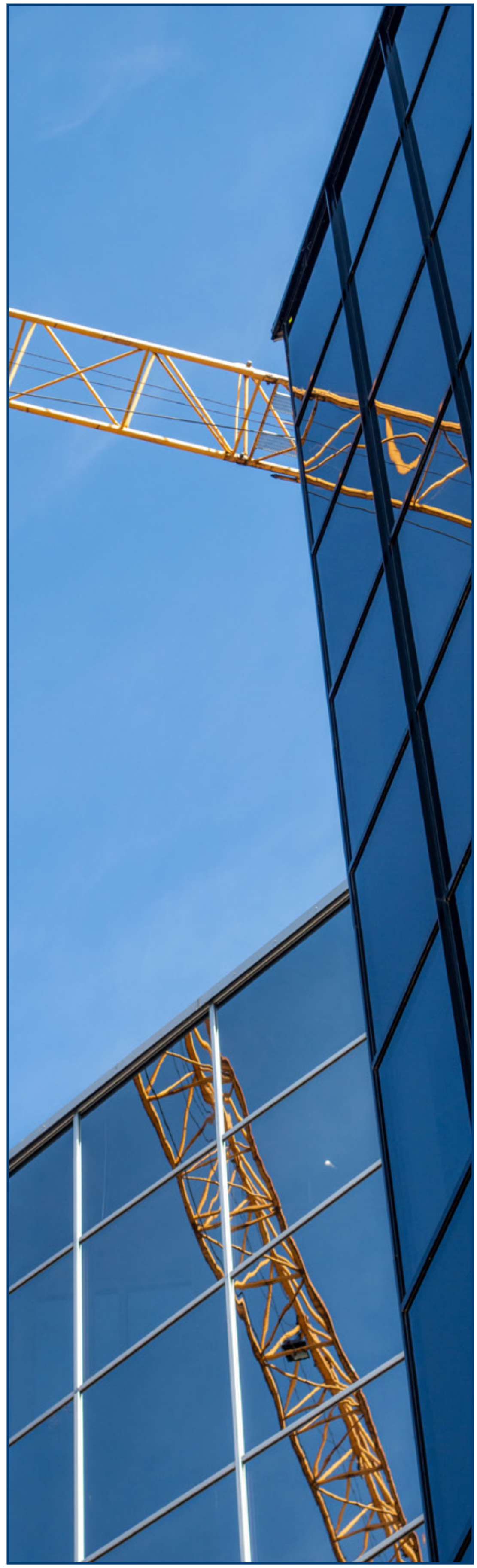
Currently, contractors are looking at their contracts for delay claims or force majeure claims. The claims will include general conditions increases for site delays, productivity delays due to required measures, and costs associated with the intensive cleaning required at infected sites. Most contractors have put in a notice of delay but cannot quantify the delay as this pandemic spread throughout the nation. We can expect more detailed and costly claims when the end of the pandemic nears.

What to expect upon return to full construction:

- Delays in project schedules as all projects resume if there is a quick reversal of governmental stop work orders.
- Expect labour shortages again as the volume of construction increases.
- Extended project schedules due to supply chain delays of construction materials as manufacturers ramp up production.
- General contractor and subcontractor solvency issues for those with debt issues.
- Work will not come up to speed quickly; It will take time for everyone to return to the site. as this pandemic spread throughout the nation.

What to start planning for when construction picks up:

- Consistent communications between your project management team with the construction community to relay labour shortage or material delay information to clients.
- Intense scrutiny regarding contractor payment application approvals. For example, for approval of stored materials, the contractor shall produce a paid receipt of the materials being stored. In case of a bankruptcy, only materials with a paid receipt typically can be released.
- In cases where a client must relocate to avoid financial penalties, negotiations of "expediting" costs will be critical. If the construction market is heated, payment premiums can be expected.
- Where possible, work directly with manufactures to insure deliveries to customers.
- Use of financially solvent contractors with a proven track record. Expect smaller contractors who have been financially impacted to have limited financial resources to fund payrolls.



Impact to regulatory process for permit regarding document review and inspections

The impact of COVID-19 has resulted in disruptions in the building permit process across most municipalities. Although these disruptions were anticipated with the announcement of provincial/state and municipal State of Emergencies, accurately forecasting a timeframe of when the regulatory process will return to normal operations is still uncertain given the rapidly evolving environment.

In general, the building permit process goes through an application period via package submission, document review and clarification period, permit issuance, progress inspections, final inspections, occupancy, and permit close out. Keeping the process moving is dependent on the successful approvals of the preceding activity. Depending on how each municipality functions administratively, the level of digitization their system allows, and how city officials have defined "essential service," project managers are trying to compress and prepare for the activities that will be delayed in the permit process.

There are numerous examples throughout the U.S. and Canada of building officials suspending or modifying services for:

- **New Building Permit, Sign Permit and Zoning intake, review and issuance.**
- **Building inspection by city inspectors other than emergency inspections.**

This poses immediate challenges for clients that have recently executed new leases and requires reevaluating exit strategy timing on expiring lease terms. Project managers can consider front loading client schedules to initiate soft cost activities (design work, etc.) to mitigate against an accumulation of resource demand once the permitting office reopens. Trying to prepare all the design documents and be ready to apply for the permit when available can help keep the schedule delays limited to the time the permit office is closed.

However, if a building permit has been issued (and not revoked), construction or demolition can proceed in accordance with the permit, provided the owner/agent submits a progress report at each mandatory inspection stage. Many municipalities have made provisions for the contractors to digitally submit progress reports (in lieu of progress inspections) that must demonstrate, with supporting documentation (photographs, site visit notes, videos), that the construction was carried out in accordance with the approved drawings and the requirements of the particular building code governing the project. The good news is that the immediate work that is planned can continue, however, planning for eventual disruptions in the supply chain of materials and labour force will need to be reconsidered into the overall schedule.

Occupancy inspections will continue on a case by case basis and to critical building permits. Understanding many municipalities will have taken a similar approach in their building permit process, how are project managers dealing with schedule impacts overall?

Impact to the design and documentation process, as well as construction administration

Based on our conversations with clients, design consulting and vendor communities, for now, the planning, design and documentation process and construction services continue to move forward if a financial commitment has been made for the project. We have seen some pauses and postponements as clients determine whether they can continue to support the process financially or in markets where 'stay in place' orders have stopped construction.

- For the moment, for larger owner/occupiers, who are in the middle of the process, the associated fees to continue the work may not be a burden.
- For the industrial work in progress, that is supported by investment funds and where the need will continue to grow, we do not see this work stopping unless forced to by work stoppage.
- Some projects that were just starting with site search, test fits and lease negotiations have been affected by the uncertainty, as clients contemplate layoffs and furloughs to ensure they can emerge from this period of uncertainty.
- Retail and hospitality have been most immediately and deeply hit, as population movements have decreased.
- Healthcare is focused on the immediate, hopefully short-term, emergency demands.
- Dependence on remote access and the additional traffic may prompt an increase demand for data centers as the workforce expectations may change as a result of this moment in history.

What to expect soon:

- The backlog of work that has been keeping consulting firms going, while new projects have halted, could result in personnel impacts from staff reductions.
- If a project is in construction, there may be supply chain disruptions as manufacturing is stopped and imports are delayed. If the construction can be completed, the furniture, fixtures and equipment may not be able to be shipped or completed for occupancy.
- The construction administration process is becoming difficult, as consultant firms will not require employees who are uncomfortable with the risk of exposure, to visit jobsites. As construction and governmental inspections are halted this may become less of an issue.
- In particular, many governmental offices in urban areas are making it difficult, if not impossible, for construction work to continue as offices modify their hours, field inspections stop, due to halted construction.

How to manage during this time:

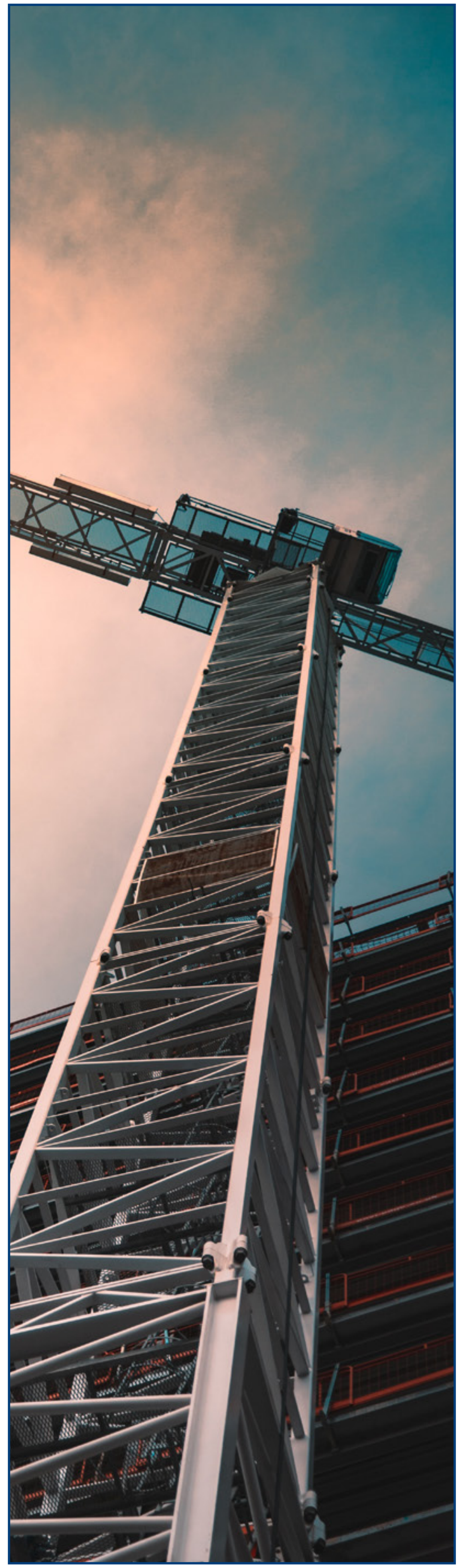
Clients, consultants and contractors need to collaborate closely on the benefit/possibility of continuing the design process. Keeping the consultants engaged will support their business and getting the documentation done will make sure that it can be ready to submit for approvals/permitting and be on top of the pile. For the design work that has been paused or postponed, this is an opportunity to re-evaluate the vision and objectives for the project as people get used to working differently and how it can affect the real estate decisions.

Project specifications are being re-evaluated from a risk perspective. Small suppliers' business continuity issues, potential delivery schedule delays and manufacturers' ability to catch up post shutdowns, need to be addressed. Shifting to smaller manufacturers that are still running in less affected markets is an option, if there is confidence they can deliver. In any case, it is still possible to get the orders in, so that the raw materials can be secured and ready to go. Identify how delays may affect lease hold overs and the migration into the new space.

Project Close Out documentation of required forms necessary for reimbursement of the Tenant Improvement Allowance are understood early to ensure timely submittal to the landlord. Many building officials and consultants are exploring the opportunity of virtual inspections via photos or video and after hour inspections to maintain progress.

Work with contractors to implement job site safe work practices, replace sub-contractors that have shut down or who may not be in business once the work resumes.

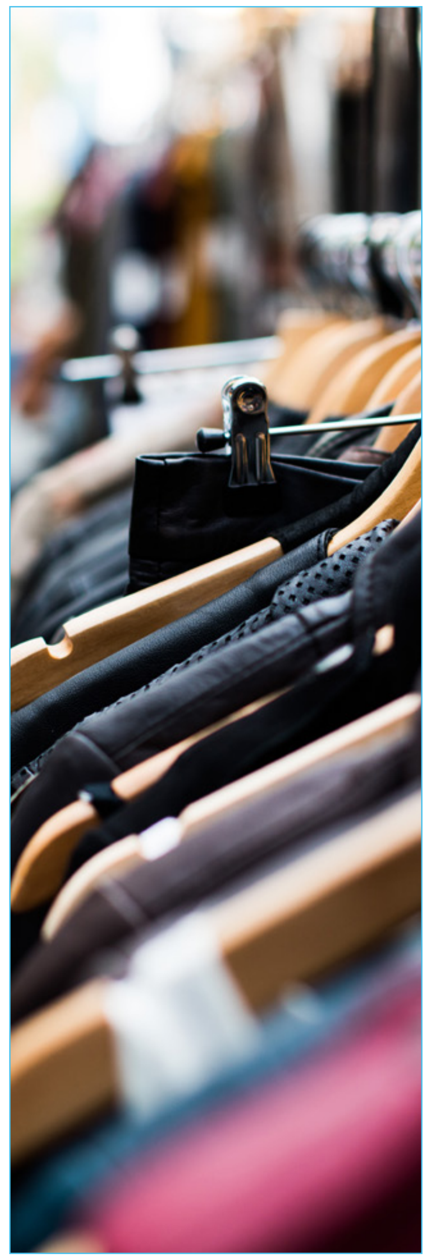
We are all trying to navigate these challenges, leveraging technology and new ways of doing business. Virtual meetings and presentations help teams stay connected and managing the communications is more important than ever.



Retail

Accelerating Structural Change in the Retail Sector

- Containment measures and changing consumer behaviour in response to COVID-19 have significantly impacted all UK businesses and will continue to do so for an extended period.
- Struggling retailers are looking to cut costs using the Coronavirus Job Retention Scheme and some are seeking to avoid or defer rental payments.
- The Coronavirus Act 2020 suspends the forfeiture of commercial leases due to non-payment of rent, but currently only until the end of June 2020.
- Landlords are businesses just like their tenants and shortfalls in rental payments will have business consequences for investors.
- Negotiations between landlords and tenants are critical for both parties during this time. They are reliant on one another to survive.
- COVID-19 is accelerating the natural selection process that was already occurring in the UK retail arena. There will be further insolvencies amongst the weaker retailers, but the stronger brands will survive and benefit from reduced competition during the recovery.



Retail: Already in a state of flux

Long before the COVID-19 heath crisis, the retail market was already undergoing deep structural changes. Changing consumer behaviour and the rapid expansion of online retail were posing major challenges to retailers and owners of retail real estate.

Longer term, the decline of physical retail is being overstated; but the transitional phase as the market adjusts to an omnichannel world is proving challenging to many – some of whom are not destined to survive. Capital and rental values have been falling across most retail segments and markets across the US, with leasing and investment volumes also lower than in previous years. The current crisis could hardly have come at a worse time for the retail sector.

The immediate impacts on retailers

Evidence from previous epidemics indicates that the main economic impacts come not from the disease itself, but from the containment measures implemented by governments. Nowhere is this more true than in the retail arena; Consumer spending accounts for 70% of economic activity in the US.

Fitch Ratings projects that discretionary retail spending will decline 40%-50% 1H 2020, so when people are forced to cut back on expenditure it hits not just retailers but the economy as a whole. More than 250,000 stores such as Macy's, Nordstrom and Nike that sell nonessential merchandise have temporarily shuttered since mid-March in response to the pandemic. That's 60% of overall U.S. retail square footage, according to GlobalData Retail.

As the government ramped up lockdown restrictions to enforce social isolation, the immediate impacts on retailers have been significant. In the run-up to restrictions being imposed, widespread stockpiling resulted in a surge in trading for grocery stores, who continue to experience levels of demand more typical of the pre-Christmas period. Electrical stores and homecrafts also benefitted from consumers gearing up for working and entertaining themselves at home.

On the employment side, more than 1,000 retail-related jobs were lost in 2019 across North Texas, according to layoff notices filed with the Texas Workforce Commission. Major locally-based retailers like Neiman Marcus, JCPenny and Fossil have also announced furloughs, temporary pay cuts and layoffs for tens of thousands of workers.

Retailers, along with other occupiers, have been examining leases (and their business interruption insurance) to determine whether they have any contractual basis for withholding rent payments. While every situation is unique, and checking documentation carefully is essential, "force majeure" or similar business interruption clauses are not common in leases contracts (nor is the current situation typically covered by insurance policies). Tenants are exploring other avenues – such as lease rights to "quiet enjoyment" of the property, but in most cases rents remain due even if they are unable to trade from their store. Requests for some form of rent relief are therefore largely a matter of negotiation rather than right.

Going into 2020, Business Insider confirmed that retailers had so far planned to close at least 3,000 stores across the US, after closing 9,300 stores in 2019. COVID-19 could likely pull that number even higher as stores across the country have been forced to close their doors. However, many of these stores did not simply stop their business, they simply transitioned to fully online models. In the restaurant sector, many restaurants have created minimal/ no contact order and pickup experiences to find solutions to social distancing ordinances. Go to Bishop Arts and you'll still see Eno's Pizza Tavern and Emporium Pies open for business, but instead of crowds, you'll see idling cars waiting for pickups.

What might the future hold?

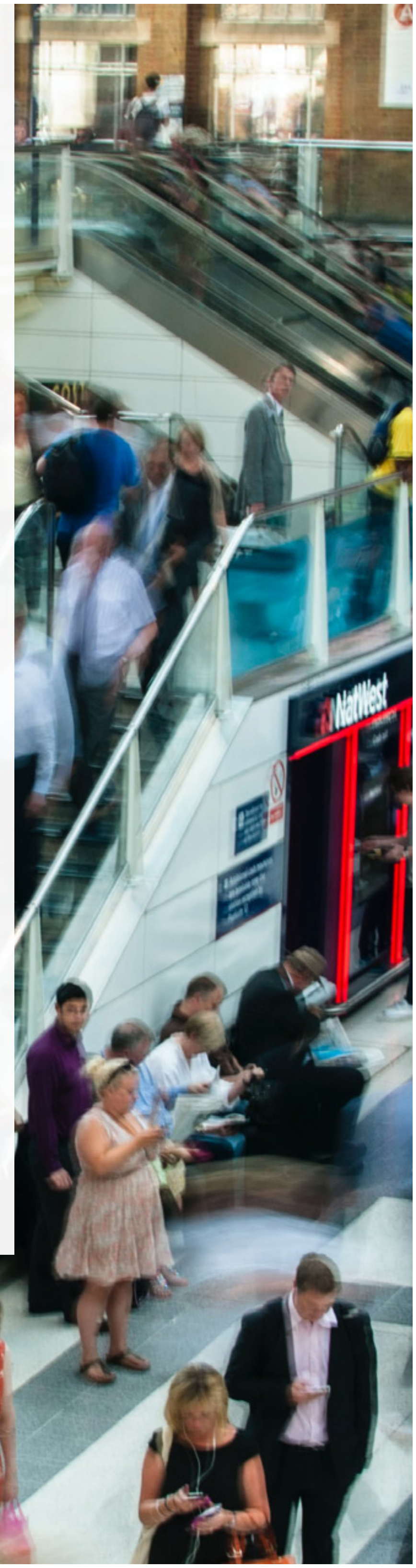
It is still too early to predict the longer-term impact of the current crisis on the retail market in any detail. The next few months at least will see materially depressed trading, with conditions taking time to return to normal even once restrictions on movement start to be lifted. Household balance sheets will be damaged, and whilst a period of "relief rally" is to be expected, spending is likely to be constrained for a significant period.

COVID-19 will accelerate the demise of weaker retailers, as a combination of inappropriate corporate structures, poor trading formats and unprofitable business models are fully exposed by a decline in demand. Much will depend on the trajectory of the disease and the duration of containment measures, but an increase in retail vacancy and further downward pressure on rents appears inevitable.

The shape of the recovery and the landscape thereafter is hard to discern. Some acceleration of the shift to online retail is probably likely, but this should not be overstated. Home delivery is rarely a profitable model for retailers, particularly at the budget end of the market, and cash-conscious consumers will favour value and cost over convenience. Click-and-collect will benefit, as will retailers who offer a compelling value proposition.

Landlords and tenants will reflect on the experience of recent weeks and consider whether current lease terms are appropriate for the future. Some retailers are already stating they will require future leases to include a 'corona clause' to limit their liability for rent and service charges in the event of this type of trading disruption. Such a response is understandable, but will be a matter for further negotiation - and shifting risk towards the landlord will force costs and returns to adjust at some point in the value chain.

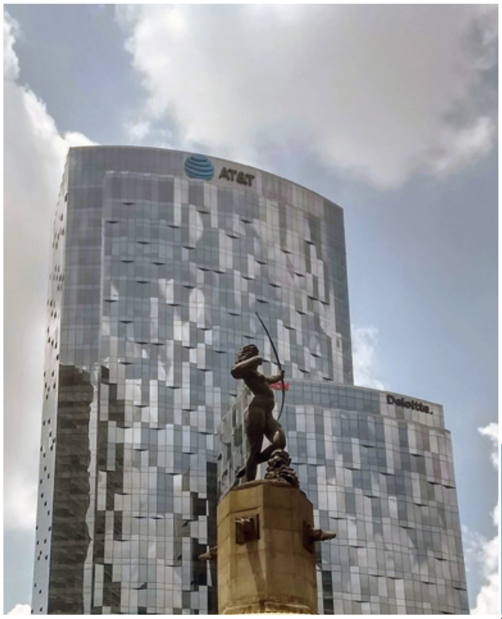
The structural changes already underway within the retail sector will be accelerated by COVID-19, at least in part. But it would be a mistake to assume that this will be an entirely negative process – the transition may be painful, but as we have noted elsewhere, the strongest retailers will survive, benefitting from reduced competition and driving forward the next generation of physical retail destinations.

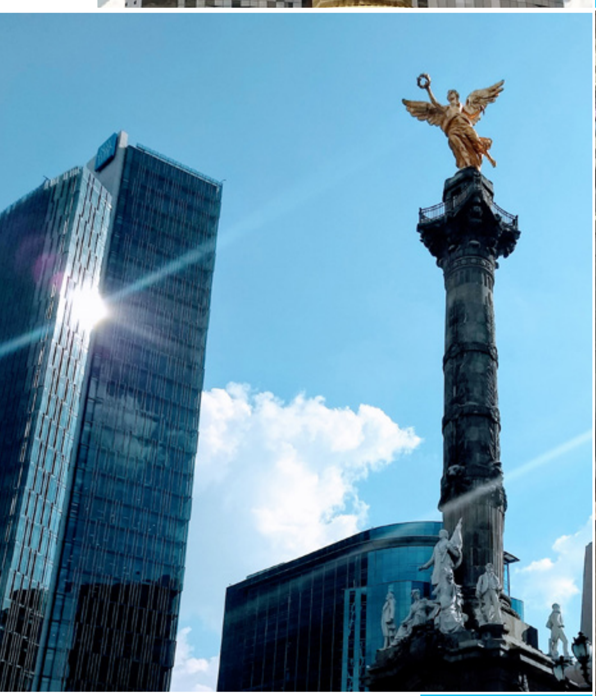


AVISON YOUNG

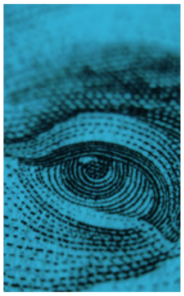
Dallas-Fort Worth
Market Overview

Q1 2020





DFW ECONOMY



Economic **Outlook**

According to the Federal Reserve Bank of Dallas, "Dallas–Fort Worth economic growth remained on track in November. Payroll employment grew at a rapid clip, and unemployment stayed low. The Dallas and Fort Worth business-cycle indexes expanded at an above-average pace. Housing market indicators suggest steady home-price appreciation and continued homebuilding activity. Home inventories remained tight, particularly at the lower price points. The Dallas index rose an annualized 4.4 percent, slightly slower than October's rate. Growth in the Fort Worth index was strong at 11.1 percent."

The area will continue to be a business friendly haven with general affordability, strong universities and community colleges, diverse economic strength, great public schools, ample developable land, myriad amenities, a well-educated young population that continues to grow, and momentum that seems to be rolling along.

Looking ahead, just maintaining the average annual employment growth rate for 2010 to present would put growth at 2.9%, or roughly 90,000-100,000 new jobs next year. If absorption, leasing activity, and construction trends continue, 2020 will most likely see a slight drop from recent highs and will reach a more stable, "steady as she goes" pace.

Unemployment pre-COVID-19

3.3% DFW

4.0% USA

Job Growth Rate pre-COVID-19

3.2% DFW

1.5% USA

Source: Bureau of Labor Statistics

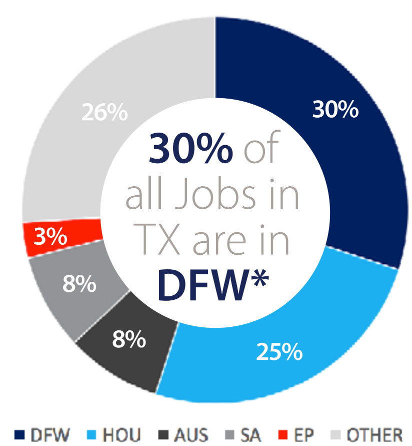
Fast Facts

Texas jobless claims soared over **600%** in one month. **860% in DFW.**

Unemployment claims across the US have already surpassed 17 million total, with the Real Unemployment Rate projected to currently be around 14.7%.

Q1 2020 was the worst quarter ever for West TX Intermediate Crude. Outlooks have recently risen after OPEC+ announced a deal to slash oil output.

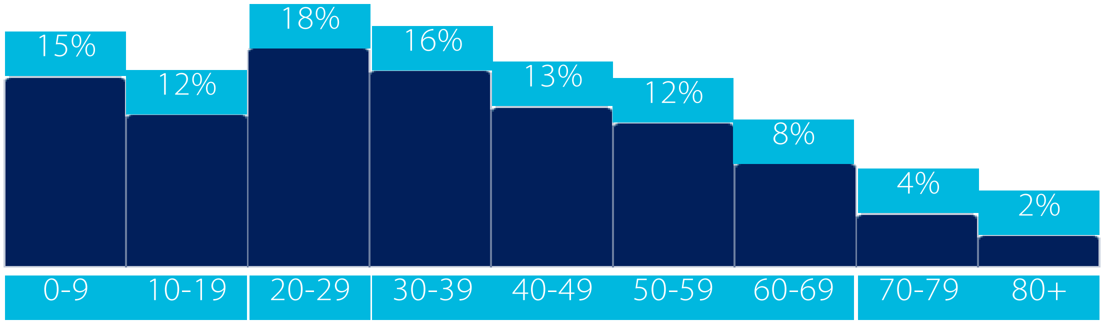
Total nonfarm employment in the Dallas-Fort Worth-Arlington Metropolitan Statistical Area stood at **3,816,700** in Jan. 2020, up **119,300** over the year.



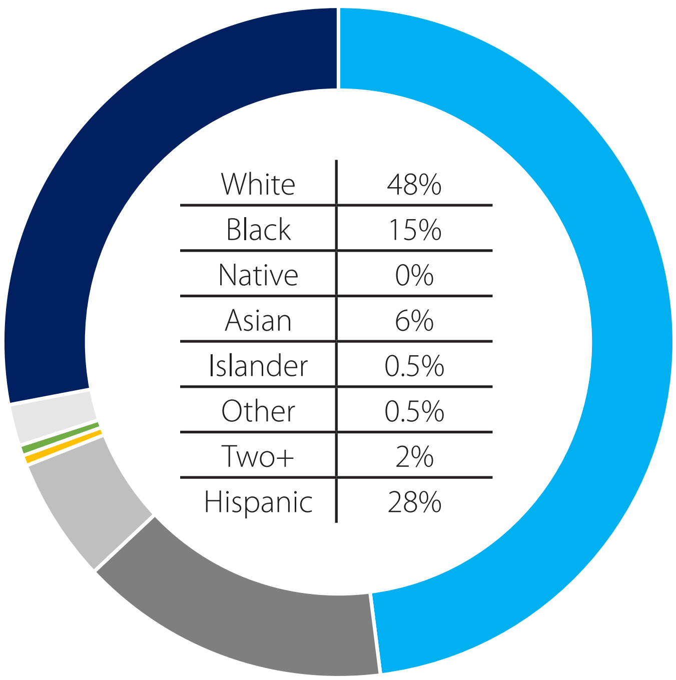
Metro Area Demographics

34.7

Median Age

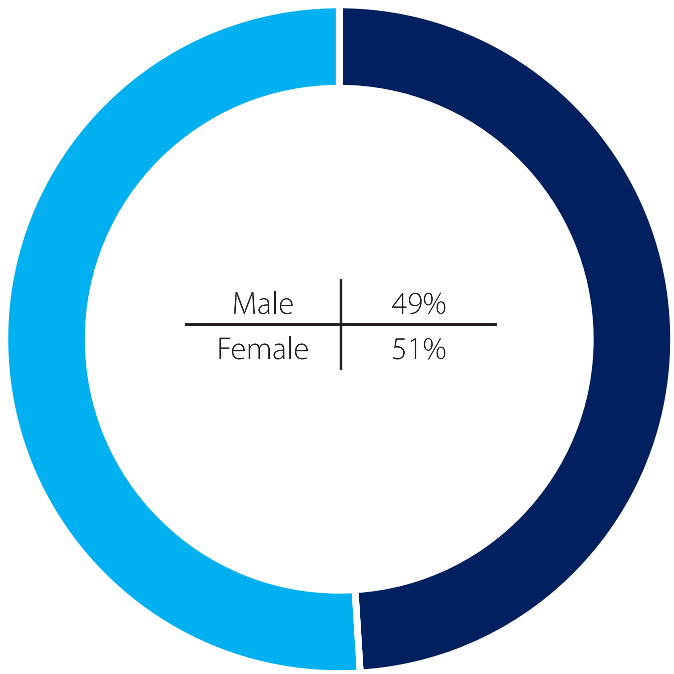


Source: Census.gov



White	48%
Black	15%
Native	0%
Asian	6%
Islander	0.5%
Other	0.5%
Two+	2%
Hispanic	28%

■ White ■ Black ■ Native ■ Asian ■ Islander ■ Other ■ Two+ ■ Hispanic



Male	49%
Female	51%

■ Male ■ Female

$63,812

Median household income

28.5

Mean travel time to work in minutes

2,881,544

# of Households

Looking | **Ahead**

Dallas Fort Worth will face many of the same challenges in the coming months that other cities will face. Many have argued that the world as we know it, and how we work within it, will be different. It is hard to say, as we are still in the midst of the crisis, and the situation changes day by day. So we have refrained from any grandiose projections, other than saying that DFW has shown itself to be a resilient, tough metro that has seen its fair share of challenges. Through all of those challenges though, we have held strong to the values of community and service towards those that need it. This challenge will be no different, and Avison Young's Dallas office will be there with you on the other side.

Best,

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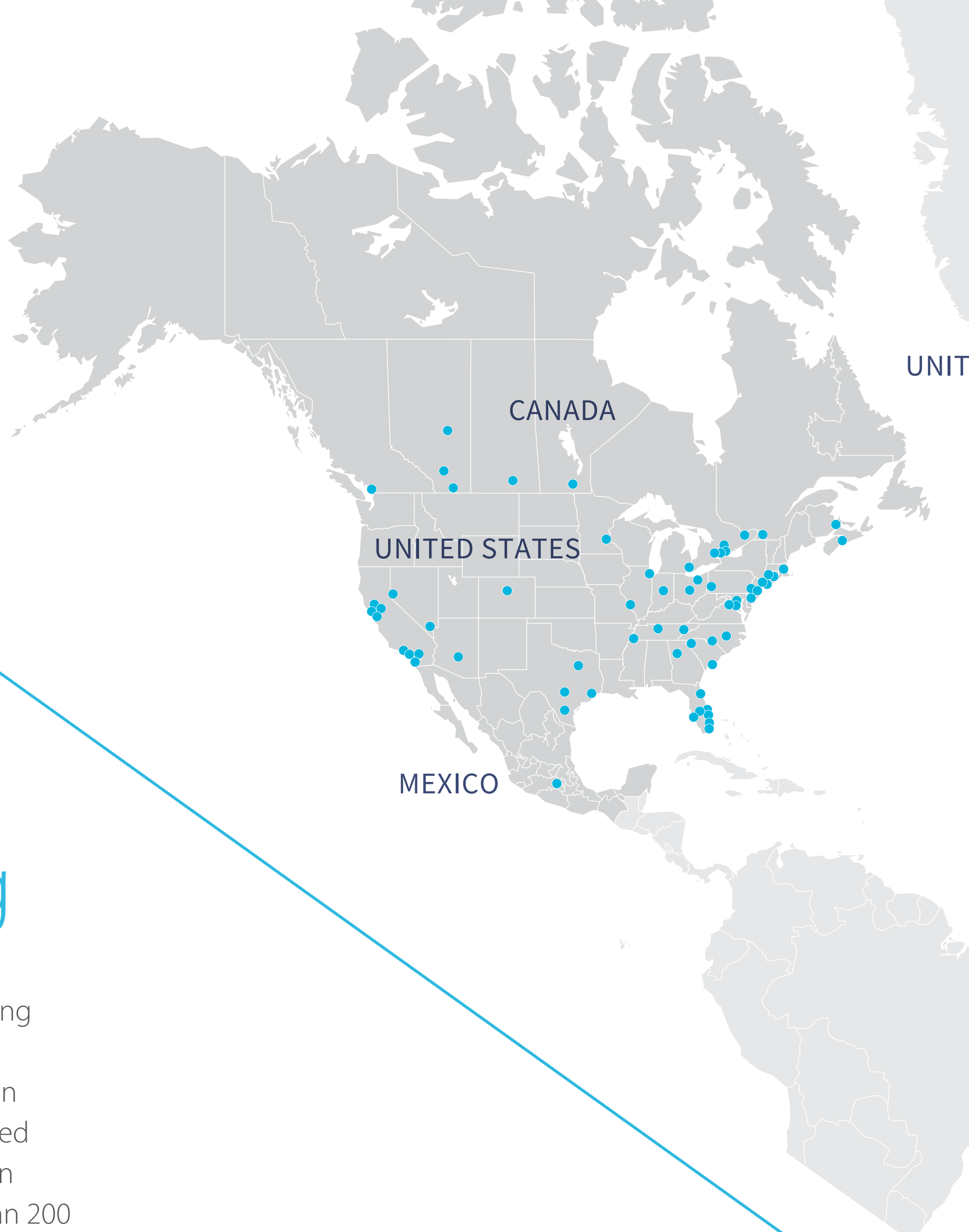


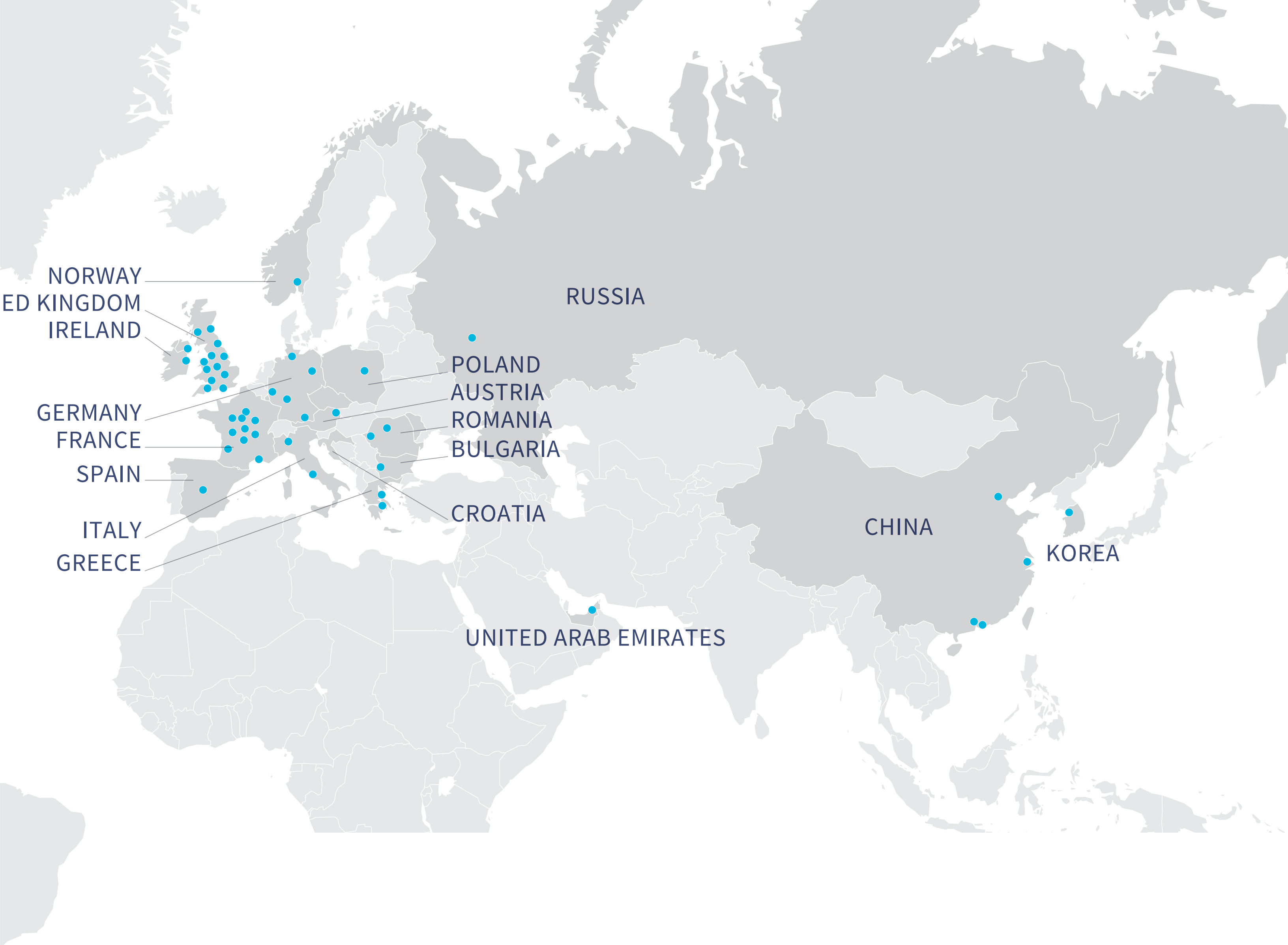
About Avison Young

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its Principals. Founded in 1978, with legacies dating back more than 200 years, the company comprises approximately 5,000 real estate professionals in 120+ offices in 20 countries. The firm's experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multi-family and hospitality sectors.

We're different

We are an integrated full-service commercial real estate service provider with a unique model, culture and approach. The Avison Young difference translates into intelligent solutions that deliver a better client experience – and better results.

Our approach is based on partnership, with our clients and across our company. The firm's equity is in the hands of a broad base of principals, a unique ownership structure that creates the incentive for internal collaboration and aligns our solutions, first and foremost, with client objectives. Our principal-led structure places the priority on relationships, not just transactions; on long-term performance, not just the current quarter.



YEAR FOUNDED	REAL ESTATE PROFESSIONALS	AVISON YOUNG OFFICES
1978	~5,000	120+

BROKERAGE PROFESSIONALS	PROPERTY UNDER MANAGEMENT
1,600+	>290 msf

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THANK YOU

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Q1 2020