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MARKET AT A GLANCE

DALLAS/FT.WORTH OFFICE MARKET REPORT

FOURTH QUARTER 2018

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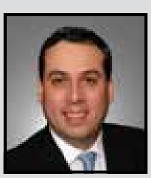


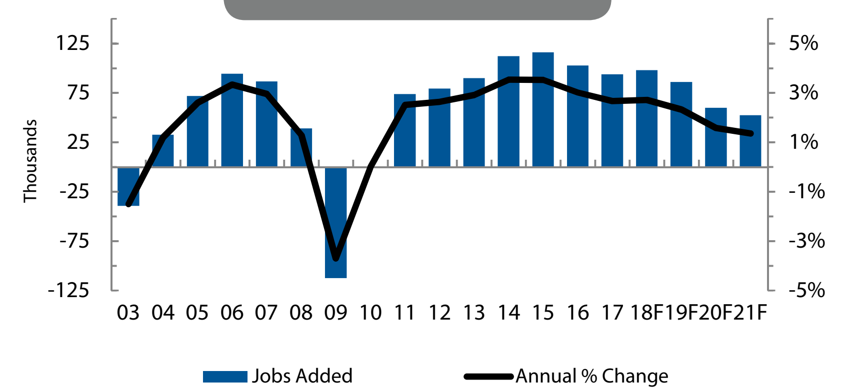
ECONOMIC OVERVIEW

The economic expansion in the red hot North Texas region persisted through the fourth quarter as the area experienced its eighth consecutive year of job growth since the Great Recession. Organic growth and corporate relocations continue fueling this unprecedented expansion in the region resulting in its lowest unemployment rate since 2000. Despite a shrinking labor pool and housing shortage, the outlook for sustained job growth through 2019 indicates the expansion period is far from over.

The Dallas-Fort Worth metropolitan statistical area added a net 94,700 new jobs during the prior 12 months (ending November), representing an annual employment payroll increase of 2.6%. Every employment sector experienced job growth over the past year, led by the Professional & Business Services (19,900 jobs or 3.3% growth); the Trade, Transportation & Utilities (18,900 jobs or 2.4% growth); and the Mining, Logging & Construction (18,300 jobs or 8.5% growth) sectors. As a result of the tenacious growth, the unemployment rate in the DFW metroplex ended November at a remarkable 3.2%, outperforming the state and national unemployment rates of 3.7% and 3.9%, respectively.

DFW's comparative ease of national access with close proximity to a port city, its organic source of educated workforce talent, along with pro-business economic policies in Texas combine to give the metro area a competitive advantage for attracting investment. Barring a labor shortage or an unforeseen disruption in the national or global economy, the North Texas economy can expect to continue its expansion through 2019. According to Moody's Analytics, forecasted annual job growth will average approximately 66,100 per year through 2021.

EMPLOYMENT TRENDS



EMPLOYMENT GROWTH BY SECTOR

	CURRENT READING	12-MONTHS PRIOR READING	ANNUAL CHANGE	HEALTH (Improving or Declining)
Mining, Logging & Construction	233.9	215.6	8.5%	▲
Manufacturing	281.5	275	2.4%	▲
Trade, Transportation & Utilities	811.1	792.2	2.4%	▲
Information	85.4	83.2	2.6%	▲
Financial Activities	304.2	296.4	2.6%	▲
Professional & Business Services	624.5	604.6	3.3%	▲
Education & Health Services	458.5	452.6	1.3%	▲
Leisure & Hospitality	390.5	382.6	2.1%	▲
Other Services	126.4	123.8	2.1%	▲
Government	449.7	445.0	1.1%	▲

Source: U.S. Bureau of Labor Statistics; Employment Data as of November 2018
All Employees, in Thousands

OFFICE MARKET ASSESSMENT

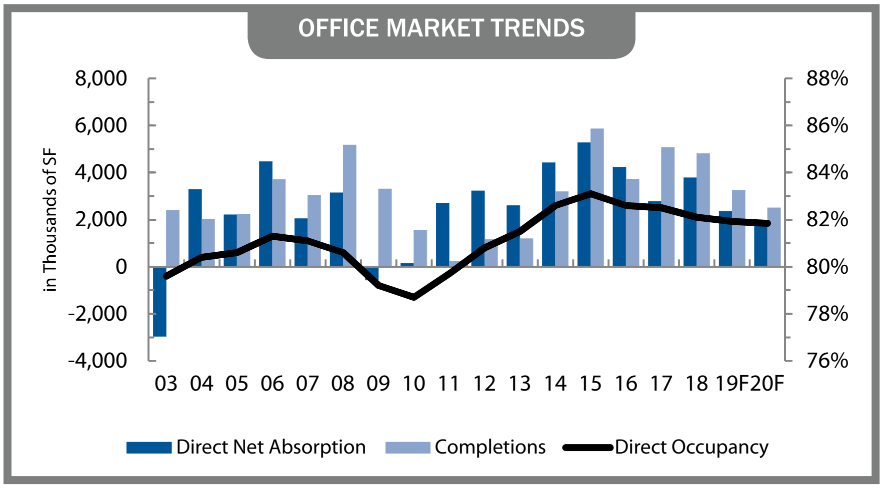
The DFW office market completed 2018 by adding a net 1.3 million SF of direct absorption, its 29th consecutive quarter of net absorption growth, increasing the 2018 tally to 3.8 million SF of occupancy gains. Lease commencements in new and renovated office product were the driving force behind the strong quarterly absorption figures, a common trend since emerging from the Great Recession.

Class A properties accounted for a net 1.0 million SF of quarterly direct absorption, improving the 2018 total to a net 3.6 million SF of growth. Class A direct occupancy rates climbed by 40 basis points to 81.2% during the quarter but have declined by 120 basis points since the end of 2017, as construction deliveries outpaced leasing demand. The Class B sector absorbed a net 240K of direct space during the quarter, bringing its year-end total back into positive territory at 32K SF for 2018. Class B occupancy rates improved by 10 basis points during the quarter, and have climbed by 20 basis points since the end of 2017.

In addition to the steady leasing gains in competitive office product, DFW has experienced a steady stream of corporate-owned office development and office users opting to purchase their own facilities in lieu of signing lease commitments. Liberty Mutual (1.1 million SF), Southwest Airlines (414K SF), among others completed construction on corporate-owned office facilities in 2018. The largest owner-user construction projects still underway belong to American Airlines (1.7 million SF), Charles Schwab (500K SF) and The Trade Group (200K SF), with several more on deck.

FORECAST

- With a number of large high-quality availabilities diminishing and record-high rental rates, lease negotiations will remain in favor of landlords within the most desirable submarkets during the oncoming quarters.
- Building owners focusing upon significant capital improvement programs to enhance their buildings and amenities will continue to outperform undercapitalized assets.
- Corporate relocations and expansions will continue to strengthen the office market fundamentals, as the metro area's business-friendly environment, lower cost of doing business, and well-educated labor force attract more companies to the Metroplex.



DFW RANKS 3RD IN JOB GROWTH:
Among the metropolitan markets with a workforce over 1 million, the DFW Metroplex ranks third in annual employment gains, behind Houston and New York-Newark-New Jersey.

HOME TO 23 FORTUNE 500 COMPANIES:
DFW ranks third among metropolitan statistical areas in the number of Fortune 500 headquarters. The metro's top employers are concentrated in telecommunications, transportation, aerospace/defense, health care, high technology, financial services and retail.

DFW ECONOMIC OUTLOOK:
The North Texas region's historically strong employment and population growth, diversified economy and low costs of doing business will lead to above-average performance. The employment outlook for Dallas-Fort Worth remains strong with job growth forecasted to average 1.8% per year through 2021, according to Moody's Analytics.

MARKET TREND INDICATORS

	Current Quarter	Change from Previous Quarter	Change from Previous Year	12-month Forecast
Direct Occupancy	82.1%	▲	▼	▼
Trailing 12 mos. Direct Net Absorption	3,779,018	▼	▲	►
Under Construction	4,320,451	▼	▼	▼
Direct Asking Rents	$25.95	►	▲	▲

"More than seven years into the current real estate cycle, the DFW office market fundamentals remain strong as organic job growth and corporate relocations continue to fuel the leasing market. Even though yearly direct net absorption has slowed since hitting its peak in 2015, leasing activity and demand continue to show a healthy performance."

KURT CHERRY
Executive Vice President, Dallas Regional Office
Central Division

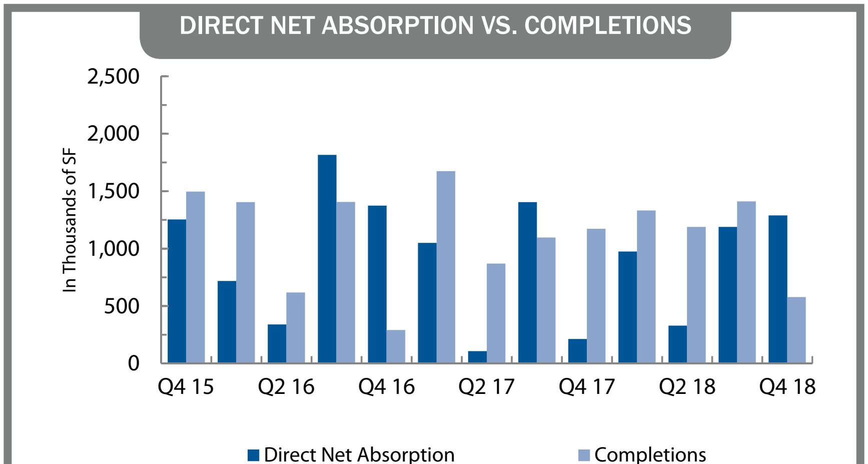
SUBMARKET OCCUPANCY RANKING

Rank	Submarket	Occ. Rate	Y-O-Y % Change
1	South Ft Worth	91.7%	2.1%
2	Preston Center	90.7%	3.7%
3	Arlington / Mansfield	89.3%	0.9%
4	Central Expy	86.9%	-0.3%
5	Uptown/Turtle Creek	86.5%	-2.6%
6	Upper Tollway / West Plano	86.4%	-1.1%
7	Lewisville / Denton	86.0%	2.8%
8	Frisco / The Colony	85.7%	-1.3%
9	Richardson	85.4%	2.8%
10	East / South Dallas	84.9%	-2.0%
11	Allen / McKinney	84.7%	2.4%
12	Ft Worth CBD	84.1%	-3.6%
13	Las Colinas	84.0%	-0.1%
14	West LBJ	82.6%	1.8%
15	Quorum / Bent Tree	79.4%	-4.7%
16	East LBJ	76.8%	-1.6%
17	Dallas CBD	76.4%	1.3%
18	Mid Cities	75.3%	2.0%
19	North / Northeast Ft Worth	73.4%	5.0%
20	Stemmons	73.1%	-1.2%
21	Plano	64.6%	-16.2%

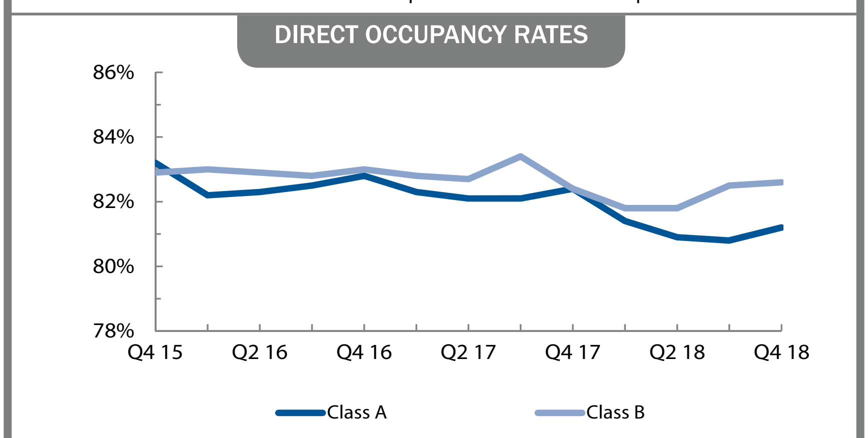
NET ABSORPTION & OCCUPANCY

- Richardson led all DFW submarkets with a net 448K SF of direct space absorbed, increasing its 2018 total to 466K SF. The largest move-ins involved Steward Health Care System taking 165K SF of Class A space at Galatyn Commons B, while Genpact occupied 95K SF of Class B space at 330 E Renner. Occupancy rates in the submarket improved by 280 basis points to 85.4% in 2018.
- Dallas CBD posted 279K SF of direct occupancy gains during the quarter, increasing its 2018 total to a market leading 851K SF. Ross Tower witnessed a flurry of tenants occupying 102K, which included Arcosa (40K SF). CMI Group and others took down 81K SF in 1700 Pacific, while Common Desk & Sams Club added 46K SF in Factory Six03. Occupancy rates in Dallas CBD have improved by 130 basis points to 76.4% in 2018.
- Frisco/The Colony completed a strong year of occupancy gains by adding a net 222K SF, increasing its 2018 figure to 421K SF. The largest move-ins included Cardtronics and Serendipity Laps taking a combined 163K SF at Hall Park. Despite the solid gains, the submarket's occupancy rate has fallen by 130 basis points to 85.7% in 2018.
- Uptown/Turtle Creek experienced 195K SF of occupancy gains, increasing its annual total to a net 607K SF. Weaver, USAA, Akin Group, among other tenants contributed to 170K SF of absorption at The Union upon completion. The submarket's occupancy levels have decreased by 110 basis points to 86.5% in 2018 as construction deliveries have outpaced move-ins.
- East LBJ recorded 156K SF of direct move-outs, decreasing its 2018 absorption count to negative 209K SF. The bulk of the occupancy losses resulted from Occidental vacating 120K SF at Pinnacle Tower. The submarket's occupancy rates declined by 160 basis points to 76.8% in 2018.

DIRECT NET ABSORPTION VS. COMPLETIONS

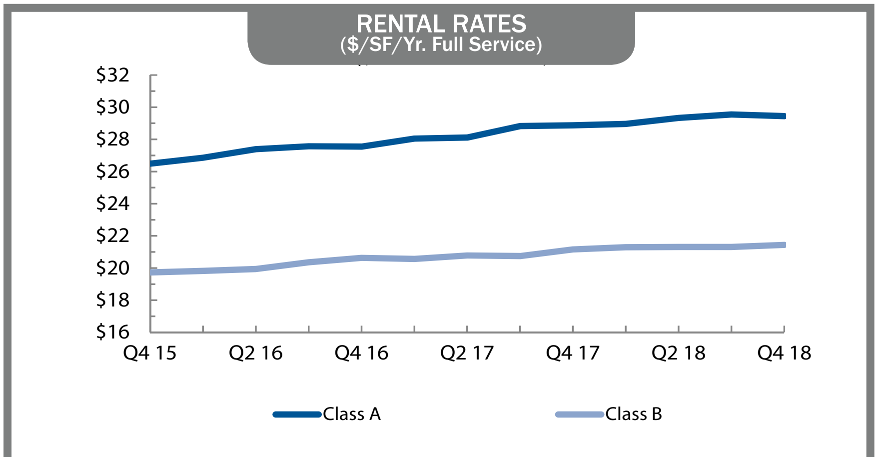


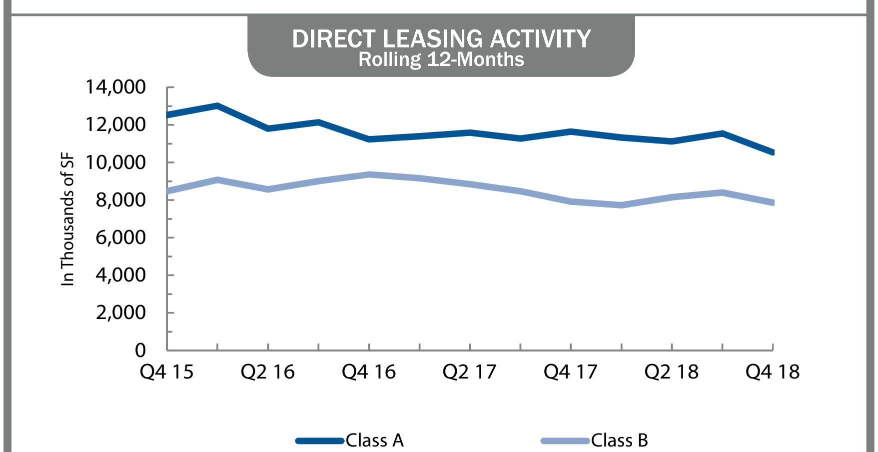
DIRECT OCCUPANCY RATES



RENTAL RATES & LEASING ACTIVITY

- Class A full-service asking rental rates declined by $0.11 to $29.44 per SF during the quarter, their first quarterly loss since 2016, yet still climbed by $0.57 (2.0%) in 2018. Class A rates have been at or near record levels, and currently exceeds their pre-recession peak in mid-2008 by 19.5%.
- Weighted average Class B asking rents, currently at record levels, climbed by $0.13 per SF during the quarter and have appreciated by $0.57 (1.3%) in 2018.
- Annual rent growth occurred in 16 of 21 submarkets in the DFW metroplex as leasing activity persists and developers continue to deliver new competitive product. However, there are still leasing opportunities for value-conscious tenants in submarkets with elevated vacancy rates, such as the Stemmons and LBJ Freeways, Dallas CBD, Mid Cities and North/Northeast Fort Worth.
- Landlords with well-positioned assets in the most desirable submarkets have been able to retain negotiating power and command higher Class A rental rates. The highest annual Class A rent growth occurred in Plano (14.0%), Central Expressway (8.1%), Quorum/Bent Tree (6.1%), and Arlington/Mansfield (5.9%).
- The trailing-12 month volume of Class A leasing activity declined to approximately 10.5 million SF and remains in line with its 10-year average. On the other hand, Class B annual leasing velocity of 7.9 million SF, currently trails its 10-year average by 9.0%.
- Since tenants are demanding modern and efficient space in amenitized submarkets, the newer and higher-quality buildings will continue to be the preferred destination. The flight-to-quality trend will pressure building owners with inefficient product, especially located in non-premier submarkets, to offer concessions or invest capital into their assets.





"Although DFW has historically been a boom-or-bust market, the healthy fundamentals indicate we still have some runway left in this cycle. Historically, speculative development has been the proverbial emergency brake on growth, but recent spec buildings constructed in the premier submarkets have leased up quickly as tenants are willing to pay more for the best space configurations and amenity-rich locations."

KURT CHERRY
Executive Vice President, Dallas Regional Office
Central Division

SUBMARKET RENTAL RATE RANKING

Rank	Submarket	Rental Rate	Y-O-Y % Change
1	Uptown/Turtle Creek	$39.23	1.6%
2	Preston Center	$38.07	-0.3%
3	Frisco / The Colony	$33.09	0.6%
4	Upper Tollway / West Plano	$31.69	-0.8%
5	Central Expy	$29.74	6.6%
6	Ft Worth CBD	$28.32	4.5%
7	Plano	$26.91	16.0%
8	Allen / McKinney	$26.54	3.5%
9	Las Colinas	$26.40	3.0%
10	Dallas CBD	$26.29	0.8%
11	Quorum / Bent Tree	$26.01	7.0%
12	South Ft Worth	$23.80	-0.8%
13	Richardson	$23.73	-0.8%
14	Mid Cities	$23.56	1.9%
15	East LBJ	$23.52	-1.3%
16	East / South Dallas	$22.51	16.3%
17	Lewisville / Denton	$22.03	0.5%
18	North / Northeast Ft Worth	$21.74	0.2%
19	Arlington / Mansfield	$20.70	5.7%
20	West LBJ	$19.96	0.5%
21	Stemmons	$16.83	1.1%

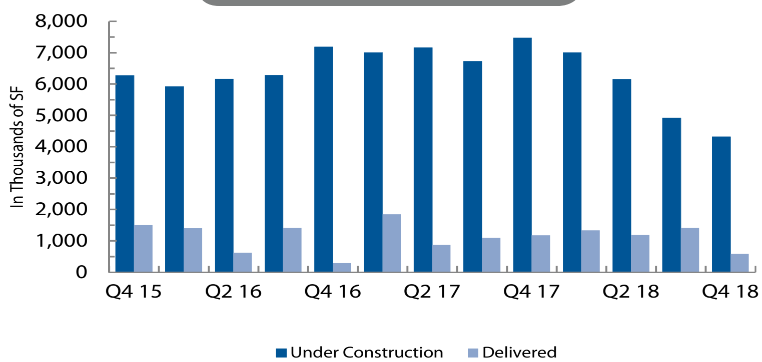
RECENT ANNOUNCEMENTS

- Cawley Partners announced plans for a three-building office park, The Braun on Belt Line, to be developed in three phases delivering during the second-half of 2020. The first phase will include a 168K SF mid-rise office building, and the completed project will feature a patio lounge, a fitness and conference center, as well as space for a hotel and retail.
- KDC is developing a 19-story high-rise project that will bring 650K SF of retail, restaurant and office space to Uptown/Turtle Creek on the corner of Lemmon and McKinney. The project will include 500K SF of office space, and will feature 150K of retail and restaurants (including a Central Market), and a deck park on top of the grocery store. Phase one is anticipated to deliver at the beginning of 2022.
- Invest Group Overseas and Ryan Cos. plan to develop Auspire at The Gate, a three-building office campus along the Dallas North Tollway in the Platinum Corridor. The project will include 900K SF of office product and will likely deliver in 2021.
- Charles Schwab, who is currently building a 500K SF regional headquarters in Westlake, announced plans to move forward on a second phase of the project, which could add 6,000-7,000 additional employees in 617K SF.
- Kaizen Development Partners plans to develop a Class AA office tower, The Link, in Uptown/Turtle Creek along Cedar Springs Road, Akard, and Ashland streets. The project will feature two restaurants, outdoor terraces, a fitness and conference center, and golf simulators. Kaizen is anticipating a late-2021 delivery.

CONSTRUCTION

- The DFW office development pipeline, which contracted each quarter in 2018, shrunk by 42.2% to 4.3 million SF in 2018 (excluding corporate-owned projects). Developers appear to be hesitant breaking ground on new product prior to securing pre-lease commitments, as leasing activity in the competitive projects underway has increased to 59.6% leased.
- The largest concentration of office construction and renovation activity is found in Las Colinas (1.6M SF), Upper Tollway/West Plano (520K SF), and Uptown/Turtle Creek (466K SF), which account for a combined 60.3% of DFW's competitive office development pipeline.
- Developers completed construction on 577K SF of competitive office space during the quarter, highlighted by The Union, RED Development's 421K SF high rise Class A office project in Uptown/Turtle Creek. Other notable construction deliveries in 2018 include PwC Tower (494K SF in Uptown/Turtle Creek), Hall Office Park - T2 (300K SF in Frisco/The Colony)
- Developers did not break ground on any significant office product during the quarter. However, Wildcat Management commended a $15 million renovation project on the 70K SF Purse Building, a historic Class B office building in Dallas CBD.
- In addition to the 4.9 million SF of competitive office construction currently underway, there is 2.9 million SF of corporate-owned office projects expected to deliver by the end of 2019. The most notable projects include the American Airlines Corporate Campus (1.7 million SF) and Charles Schwab Corporate Campus (500K SF) both in Mid Cities, The Trade Group Headquarters (200K SF) in Las Colinas, and Independent Bank Headquarters (165K SF) in Allen/McKinney.
- With over 22.6 million SF of competitive space delivered over the past five years, new construction remains a valid alternative for tenants willing to pay a premium for high quality office buildings that offer the latest workplace trends as they seek to retain and attract the most skilled employees.

CONSTRUCTION PIPELINE



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET DELIVERY
American Airlines *	1,700,000	Mid Cities	American Airlines	100%	Crescent Real Estate	4Q 2019
Pioneer **	1,125,000	Las Colinas	Pioneer	100%	KDC	3Q 2019
Charles Schwab *	500,000	Mid Cities	Charles Schwab	100%	Hillwood Properties	2Q 2019
AmerisourceBergen **	300,000	Upper Tollway/W Plano	Amerisource Bergen	100%	Billingsley Co.	1Q 2019
The Epic Deep Ellum	294,820	East Dallas	N/A	0%	KDC & Westdale	1Q 2019
3201 Olympus Blvd **	250,000	Las Colinas	Nokia Siemens	100%	Billingsley Co.	1Q 2019
The Realm at Castle Hills	248,387	Lewisville	N/A	31%	Bright Realty LLC	3Q 2019
Harwood No. 10	231,098	Uptown/Turtle Creek	CyrusOne	26%	Harwood International	1Q 2019
Headquarters II	220,000	Upper Tollway/W Plano	N/A	0%	Heady Investments	1Q 2020
Brinker International **	216,400	Las Colinas	Brinker International	100%	Billingsley Company	2Q 2019
The Offices Two	210,000	Frisco/The Colony	N/A	0%	VanTrust Real Estate	3Q 2019

** Corporate-owned ** Build-to-suit † Under Renovation Note: Corporate-owned office buildings excluded from competitive statistics*

MARKET AT A GLANCE

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DALLAS/FT.WORTH OFFICE MARKET

Q4 2018

SUBMARKET STATISTICS

		TOTAL SPACE AVAILABLE			DIRECT NET ABSORPTION		CONSTRUCTION		ASKING RENT	
Submarkets	Total Inventory SF	Direct	Sublease	Direct Occupancy	Current Qtr.	Year-to-Date	Completions Current Qtr	Under Construction	Class A	Class B
Dallas CBD	27,621,238	7,673,367	958,432	76.4%	278,974	851,441	-	233,025	$27.31	$20.82
Uptown / Turtle Creek	12,569,029	2,268,372	408,996	86.5%	194,891	606,750	420,688	465,860	$41.11	$32.73
Preston Center	4,409,093	533,017	70,054	90.7%	78,407	168,614	-	119,000	$39.86	$28.15
Central Expy	11,599,884	1,979,237	184,119	86.9%	60,316	(40,684)	-	38,848	$31.89	$26.52
Quorum / Bent Tree	20,557,053	5,004,996	418,431	79.4%	38,542	(53,020)	-	0	$30.15	$20.54
Upper Tollway / West Plano	20,614,732	3,014,442	1,316,127	86.4%	(14,490)	385,425	-	520,000	$34.12	$26.66
West LBJ	4,368,287	911,477	201,312	82.6%	(24,276)	41,475	-	0	$21.76	$18.67
East LBJ	16,542,356	4,145,293	370,957	76.8%	(155,649)	(209,483)	-	0	$27.20	$19.78
Las Colinas	32,435,939	6,488,632	1,515,561	84.0%	(123,012)	269,622	-	1,621,400	$30.83	$21.94
Stemmons	11,091,789	3,149,305	126,294	73.1%	44,518	(169,214)	-	0	$18.97	$15.56
Richardson	17,363,416	3,303,853	281,492	85.4%	447,835	466,393	-	90,000	$26.52	$19.95
Allen / McKinney	3,712,431	533,102	57,063	84.7%	12,652	343,896	-	0	$30.73	$23.95
Plano	4,928,672	1,682,360	59,063	64.6%	11,815	(186,272)	-	0	$29.44	$21.11
Frisco / The Colony	6,042,965	1,028,446	275,546	85.7%	222,071	420,909	50,000	210,000	$34.20	$27.60
East / South Dallas	7,339,162	1,165,643	14,927	84.9%	(46,711)	(60,731)	-	360,710	$29.44	$21.83
Arlington / Mansfield	6,686,625	952,920	49,973	89.3%	64,542	71,403	-	0	$22.60	$19.84
Mid Cities	10,320,656	2,743,326	122,353	75.3%	79,358	249,340	106,470	83,000	$27.19	$21.06
Ft. Worth CBD	8,614,315	1,404,440	47,471	84.1%	31,667	(17,086)	-	0	$30.35	$20.46
North / Northeast Ft Worth	4,484,281	1,395,396	11,664	73.4%	135,864	130,898	-	260,000	$22.59	$21.36
Lewisville / Denton	6,077,833	1,051,321	60,546	86.0%	32,713	374,707	-	270,688	$27.61	$21.94
South Ft Worth	8,369,114	931,682	156,812	91.7%	(81,716)	134,635	-	47,920	$29.04	$23.14
Totals	**245,748,870**	**51,360,627**	**6,707,193**	**82.1%**	**1,288,311**	**3,779,018**	**577,158**	**4,320,451**	**$29.44**	**$21.44**

Property Types	Total Inventory SF	Direct	Sublease	Direct Occupancy	Current Qtr.	Year-to-Date	Completions Current Qtr	Under Construction	Asking Rent	Y-O-Y Change
Class A	135,330,256	29,448,615	4,711,106	81.2%	1,046,728	3,592,799	577,158	3,903,620	$29.44	2.0%
Class B	102,334,542	20,748,379	1,988,045	82.6%	239,711	32,175	-	416,831	$21.44	1.3%
Class C	8,084,072	1,163,633	8,042	88.8%	1,872	154,044	-	-	$17.80	4.2%
Totals	**245,748,870**	**51,360,627**	**6,707,193**	**82.1%**	**1,288,311**	**3,779,018**	**577,158**	**4,320,451**	**$25.95**	**2.4%**

METHODOLOGY

TOTAL INVENTORY: The total inventory includes all single and multi-tenant leased office buildings with at least 20,000 square feet of gross rentable square footage.

TOTAL SPACE AVAILABLE: Available space currently being marketed which is either physically vacant or occupied.

DIRECT SPACE: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

SUBLEASE SPACE: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

DIRECT OCCUPANCY RATE: Direct space physically occupied divided by the total rentable inventory.

DIRECT NET ABSORPTION: The net change in occupied direct space over a given period of time.

UNDER CONSTRUCTION: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

DIRECT ASKING RENTS: The quoted full-service asking rent for available space expressed in dollars per sq. ft.

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DALLAS/FT. WORTH OFFICE MARKET

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About Madison Marquette

Madison Marquette merged operations with PMRG in June 2018 to create a new leader in commercial real estate. The firm offers PMRG's leasing, property management, investment management and development services, combined with Madison Marquette's specialized development, investment and marketing expertise. Madison Marquette's strength in retail and mixed-use assets joins PMRG's office, medical, industrial and multi-family capabilities to provide national leadership across asset classes. PMRG's dominance in the southern US combines with Madison Marquette's presence in primary gateway markets on both coasts to serve the top institutional owners and investors in the industry. The company provides leasing and management services to a diverse portfolio of 330 assets in 24 states and manages an investment portfolio valued at over $6 billion. The combined company is headquartered in Washington, DC with a major presence in Houston, TX, and transitioned to the Madison Marquette brand on January 1, 2019. With 600 professionals in 13 regional markets, the merged firm is a member of the Capital Guidance group of companies. For additional information about Madison Marquette, visit www.madisonmarquette.com.