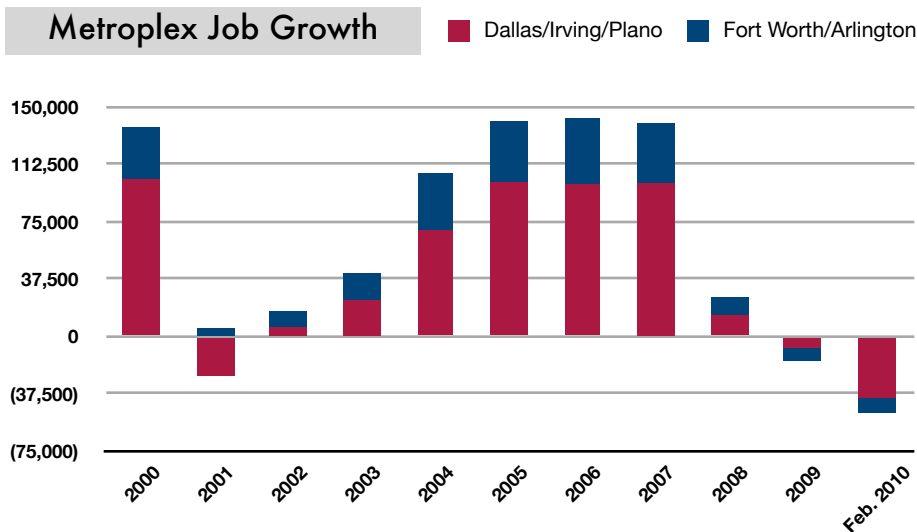


FULTS MARKET REPORT

Dallas Office Update | Q1- 2010

Jobless Recovery?

Those are not the words that an industry dependent on job growth wants to hear but as the economy is nearly nine months out of the worst recession since the Great Depression, that appears to be what national economic data is pointing toward. According to the Bureau of Labor Statistics, 164,000 jobs were added in the U.S. in the first quarter of 2010. However, more careful examination of job growth from June 2009, the unofficial end-date of the recession, through the first quarter of 2010 shows that U.S. employment has decreased by nearly 900,000 workers and unemployment has risen to 9.7 percent. “This is the worst nine-month stretch following a recession of any post-war downturn in the economy,” according to *The Economist*. Additionally, with the stock market trading above 11,000 and increased consumer spending, unemployment could inch higher as those who have given up their search for employment return to the job market. The last indicator that the national economy is facing a jobless recovery is that the Federal Reserve has forecast 7.9 percent unemployment through 2012.



Source: www.bls.gov
Preliminary figures for the 2-month period ending February 2010 for total non-farm employment, not seasonally adjusted

Turning our focus to a local perspective, the Metroplex (Dallas, Fort Worth and surrounding cities) continued to outperform other major metropolitan economies and office markets across the country. Since the end of the recession, the Metroplex economy has shed only 31,200 jobs. The majority of these losses occurred in the first two months of 2010 bringing local unemployment to 8.4 percent, which is slightly higher than the state level of 8.2 percent but still lower than the national unemployment rate.

Fewer jobs translated to increased vacancy and the fourth consecutive quarter of negative absorption for the Dallas office market (excludes Fort Worth and Mid-Cities). Overall, tenants vacated nearly 500,000 square feet of office space and vacancy increased from 19.3 percent at year-end to 20.4 percent by the end of the first quarter. Quoted rental rates remained virtually unchanged and concessions were prominent.



Dallas Office Market

At the conclusion of the first quarter of 2010, 11 out of the 16 office submarkets tracked in this report posted negative absorption figures. Losses are spread throughout the city and range from 31,000 to nearly 300,000 square feet.

The Dallas CBD ended 2009 with 521,976 square feet of negative absorption. That trend continued into the first quarter with an additional 292,254 square feet of negative absorption. The submarket's total vacancy rate increased from 23.8 percent to 25.6 percent.

Uptown/Turtle Creek, one of Dallas' top performing office markets, also took a bit of a hit in the first quarter as 200,601 square feet of office space was vacated and the vacancy rate increased from 15.9 percent at year-end to 18 percent. Despite increased vacancy, quoted rental rates remained well above the Dallas average at \$28.63 per square foot.

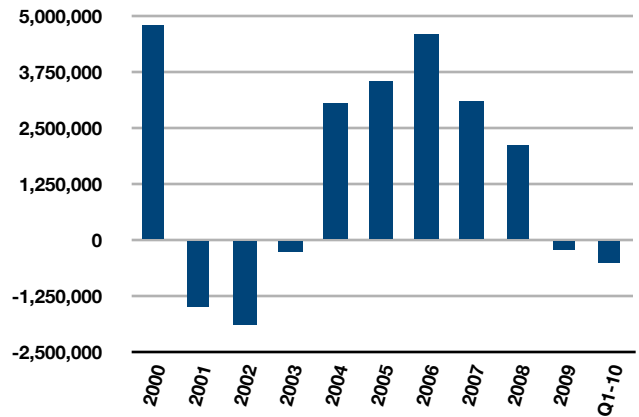
With 234,000 square feet of negative absorption, Allen/McKinney was the hardest hit suburban office market. The submarket's vacancy rate increased three points to 21.7 percent.

Thanks to the delivery and partial occupancy of the one million square foot build-to-suit for Blue Cross/Blue Shield in Richardson, absorption in this submarket reached 435,309 square feet. Richardson's vacancy rate increased from 13.8 percent at year-end to 21.4 percent but that number should come down as Blue Cross/Blue Shield continues to occupy its new facility.

Short-Term Outlook

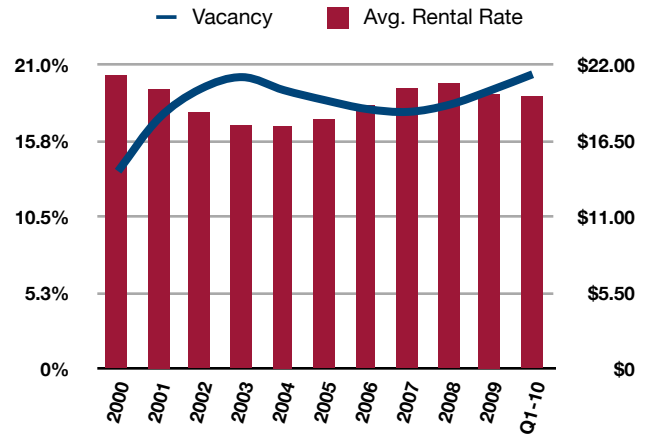
Dallas, like the rest of the nation, is going through the process of learning to live within our means. That translates to doing more with less. According to the Bureau of Labor Statistics, productivity increased 6.9 percent in the fourth quarter. It also increased in the second and third quarters of 2009 by 7.6 and 7.8 percent, respectively. Those are the strongest productivity gains we have recorded in the post-war period. These increases will continue to stall job growth and demand for office space in the near-term.

Dallas Historic Absorption



Source: CoStar Advisory Report; First Quarter 2010

Dallas Historic Vacancy & Rental Rates



Source: CoStar Advisory Report; First Quarter 2010

Long-Term Outlook

Despite the current rough patch we are enduring, the long-term outlook for Dallas and surrounding communities remains strong. The Metroplex is still one of the fastest growing regions of the country. From 1999 to 2009, the Metroplex added 1.3 million new residents. Another positive attribute is that our economy is diverse and home to 24 *Fortune 500* firms. Additionally, our cost of living and doing business remain low compared to other major metropolitan areas. These factors propelled our growth in the past and will help the Metroplex stabilize and resume growth much sooner than other parts of the country as we move through 2010 into 2011.

Q1-10 Dallas Market/Submarket Statistics

Market/ Submarket	No. of Bldgs	Total RBA	Direct Vacancy	Total Vacancy	YTD Net Absorption	YTD Deliveries	Average Rate
Dallas CBD	168	37,339,894	24.4%	25.6%	(292,254)	0	\$19.11
Central Expressway	301	15,532,817	12.1%	12.6%	104,518	0	\$21.13
Stemmons Freeway	246	16,069,434	23.1%	23.8%	(150,540)	0	\$14.44
Uptown/Turtle Creek	328	12,878,015	16.1%	18.0%	(200,601)	0	\$28.63
Preston Center	133	5,062,129	10.0%	11.5%	(84,904)	0	\$26.84
LBJ Freeway	248	24,625,474	20.1%	21.4%	11,886	0	\$17.15
*East LBJ	163	18,773,146	20.4%	22.0%	(89,603)	0	\$17.96
*West LBJ	85	5,852,328	19.0%	19.4%	101,489	0	\$14.11
Richardson/Plano	831	32,700,537	19.1%	20.4%	169,280	1,024,112	\$19.17
*Allen/McKinney	285	6,622,374	21.1%	21.7%	(234,205)	24,112	\$21.21
*Richardson	258	16,438,687	20.0%	21.4%	435,309	1,000,000	\$17.64
*Plano	288	9,639,476	16.0%	17.6%	(31,824)	0	\$19.57
Far North Dallas	815	48,788,406	17.8%	18.9%	(31,033)	48,933	\$21.15
*Frisco/The Colony	165	4,676,420	18.5%	19.8%	140,247	7,625	\$21.52
*Quorum/Bent Tree	354	22,845,131	20.6%	22.0%	(140,188)	11,500	\$19.70
*Upper Tollway/W. Plano	296	21,266,855	14.6%	15.4%	(31,092)	29,808	\$23.60
Las Colinas	370	35,904,560	19.5%	20.2%	(25,204)	0	\$19.76
*DFW Freeport/Coppell	168	11,046,033	18.7%	19.3%	92,551	0	\$19.11
*Office Center/W. LBJ	141	15,445,210	16.1%	16.7%	(62,991)	0	\$19.12
*Urban Center/Wingren	61	9,413,317	25.9%	27.1%	(54,764)	0	\$21.06
Total Market	3,440	228,901,266	19.3%	20.4%	(498,852)	1,073,045	\$19.74

* denotes submarket within the office market listed above.

Source: CoStar Advisory Report: First Quarter 2010



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