

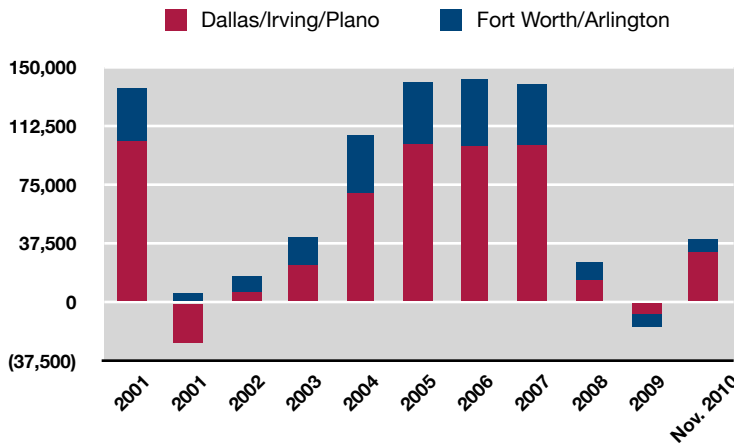
FULTS MARKET REPORT

Dallas Office Update | Year-End 2010

Dallas/Fort Worth recovery begins.

The Dallas/Fort Worth office and employment markets posted significant gains in the second half of 2010 and appear to be a leading indicator as the national economic recovery ticks along slowly but surely. According to preliminary figures from the Bureau of Labor Statistics (BLS), total non-farm employment in Dallas/Fort Worth increased 1.4 percent for the 12-month period ending November 2010. This equated to nearly 40,000 new jobs, the majority of which were in the Dallas/Irving/Plano statistical area. The Professional and Business Services, and Education and Health Services industries appeared to spur our growth with 5.7 and 4.6 percent increases since November 2009. At 8.2 percent, the local and statewide unemployment rate held below the national rate of 9.4 percent.

Metroplex Job Growth & Employment by Industry



Industry	12-month % change
Total Non-farm employment	1.4%
Mining, Logging & Construction	-0.2%
Manufacturing	1.1%
Trade, Transportation & Utilities	-0.5%
Information	-6.6%
Financial Activities	-0.6%
Professional & Business Services	5.7%
Education & Health Services	4.6%
Leisure & Hospitality	-0.1%
Other Services	0.1%
Government	1.9%

Source: www.bls.gov Preliminary figures for the 12-month period ending November 2010 for total non-farm employment, not seasonally adjusted

Dallas Office Market

Positive job growth means positive absorption for the Dallas/Fort Worth office market. At year-end, over 2.5 million square feet of Metroplex (Dallas and Fort Worth) office space had been absorbed and the total vacancy rate dropped to 17.5 percent. This report focuses on the primary office markets and submarkets in Dallas. At year-end, these markets posted 1.16 million square feet of positive absorption, 1.55 million square feet of new deliveries, 20 percent vacancy and an average quoted rental rate of \$19.31 per square foot.

Far North Dallas		
	YE-09	YE-10
Absorption	332,660	1,077,989
Total Vacancy	18%	16.5%
Deliveries	1,045,468	104,341
Avg. Quoted Rate	\$21.34	\$20.55

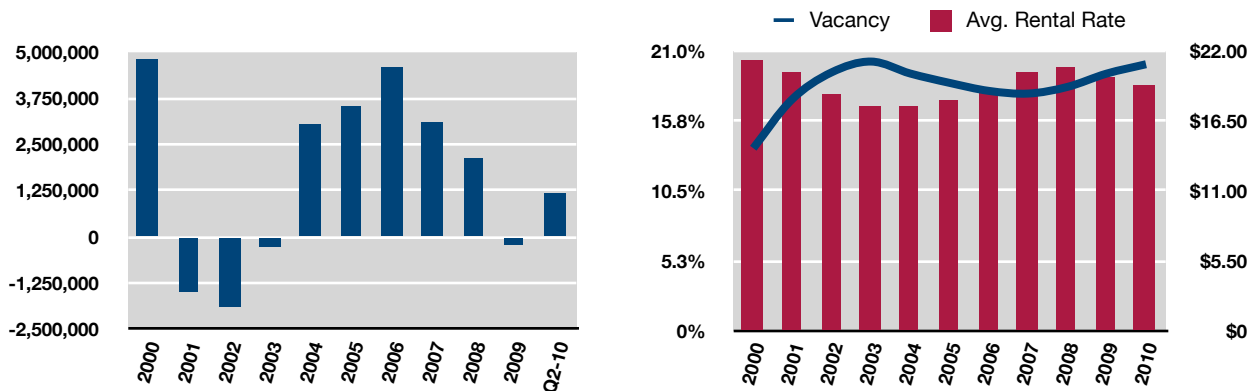
Far North Dallas was the top performing office market in Dallas in 2010. Together, the three submarkets that comprise Far North Dallas posted over one million square feet of positive absorption and a total vacancy rate of 16.5 percent. Within Far North Dallas, the Upper Tollway/West Plano submarket led with 833,469 square feet of positive absorption and 11.4 percent vacancy, which was well below the Dallas average. Frisco/The Colony followed with 338,803 square feet of positive absorption and 14.8 percent vacancy. The Quorum/Bent Tree submarket posted 94,283 square feet of negative absorption but this figure was still a rebound from the figure posted at mid-year: 550,457 square feet of negative absorption.

Las Colinas also had a strong showing. At year-end, the three submarkets within Las Colinas posted nearly 400,000 square feet of positive absorption, 18 percent vacancy and an average quoted rental rate of \$19.79 per square foot. The DFW Freeport/Coppell submarket ranked highest within Las Colinas reporting 250,000 square feet of absorption and 17.1 percent vacancy. The Office Center/West LBJ submarket boasted 14.8 percent vacancy and 175,655 square feet of positive absorption. Absorption in the Urban Center/Wingren submarket fluctuated throughout the year. At year-end, this submarket posted 28,366 square feet of negative absorption, but held the highest average quoted rental rate of all Las Colinas submarkets because it consists mostly of class A or class A+ properties.

Las Colinas		
	YE-09	YE-10
Absorption	251,012	397,894
Total Vacancy	20%	18.8%
Deliveries	75,100	0
Avg. Quoted Rate	\$20.08	\$19.79

The Stemmons Freeway office market also had a strong showing in 2010 with 251,568 square feet of positive absorption. At 22.9 percent, the market's vacancy rate was slightly higher than the Dallas average. The outlook for continued growth along the Stemmons corridor is positive as it is home to several of Dallas' largest medical and research facilities.

Dallas Historic Absorption, Vacancy & Rental Rates



Source: CoStar Advisory Report; Year-End 2010

Conclusion

With overall improvement in the U.S. economy, steady job growth and two consecutive quarters of positive absorption to end 2010, it would appear that the Dallas market is on the road to recovery. It is important to remember that the rate at which we recover is dependent upon many factors. Nationally, GDP growth predictions for 2011 range from 2.5 percent to 4 percent, which is quite a gap, and economists predict that the national unemployment rate will only drop to nine percent by year-end 2011. Second, the housing market, which typically leads economic recovery, continues to hang like an albatross around the neck of the national economy. Our local housing market has weathered the storm much better than other parts of the country, but foreclosure postings in Dallas/Fort Worth increased 19 percent since year-end 2010 and experts agree that it could take two years or more for the market to return to a truly healthy state. In addition to the housing market, another factor holding back consumer spending and demand is that Americans are currently focused on saving and paying down the debts they accumulated in the last decade. Last, and perhaps most important, are the federal and state deficits. Can the private sector create the number of jobs we need while we transition away from reliance on monetary and fiscal stimulus to keep things going? That has been Texas' approach all along, but now the state faces a deficit estimated anywhere from \$15B to \$29B dollars. Given the conservative majority in the state legislature, it is likely that cuts to education, health care and social services will outweigh any increase in taxes so that Texas can maintain its pro-business environment, keeping the state high on the target list for corporate relocations in the near and long-term.

Year-End 2010 Dallas Market/Submarket Statistics

Market/ Submarket	No. of Bldgs	Total RBA	Direct Vacancy	Total Vacancy	Annual Net Absorption	Annual Deliveries	Average Rate
Dallas CBD	160	37,241,956	25.4%	26.2%	(329,032)	0	\$18.53
Central Expressway	303	15,646,531	13.1%	13.5%	(79,055)	0	\$20.44
Stemmons Freeway	272	16,535,866	21.9%	22.9%	251,568	0	\$14.56
Uptown/Turtle Creek	327	13,227,547	17.9%	19.3%	(97,345)	369,656	\$27.92
Preston Center	135	5,060,664	11.5%	13.1%	(162,043)	0	\$26.58
LBJ Freeway	248	23,154,872	21.8%	22.6%	116,515	0	\$16.98
*East LBJ	162	17,856,824	21.9%	22.8%	57,236	0	\$17.78
*West LBJ	86	5,298,048	21.3%	22.0%	59,279	0	\$14.39
Richardson/Plano	845	32,286,814	20.3%	20.9%	(8,807)	1,078,237	\$19.17
*Allen/McKinney	290	6,617,328	15.4%	16.2%	48,928	74,734	\$21.08
*Richardson	263	16,329,614	24.3%	24.5%	(113,381)	1,000,000	\$17.43
*Plano	292	9,339,872	16.7%	17.9%	55,646	3,503	\$18.91
Far North Dallas	832	49,341,766	15.9%	16.5%	1,077,989	104,341	\$20.55
*Frisco/The Colony	168	4,730,592	14.8%	15.5%	338,803	7,625	\$22.08
*Quorum/Bent Tree	358	23,081,389	20.8%	21.6%	(94,283)	11,500	\$19.50
*Upper Tollway/W. Plano	306	21,529,785	11.0%	11.4%	833,469	85,216	\$22.73
Las Colinas	373	36,118,029	18.1%	18.8%	397,894	0	\$19.79
*DFW Freeport/Coppell	168	11,057,080	17.1%	17.7%	250,605	0	\$19.37
*Office Center/W. LBJ	143	15,646,355	14.2%	14.8%	175,655	0	\$18.92
*Urban Center/Wingren	62	9,414,594	25.8%	26.7%	(28,366)	0	\$20.93
Total Market	3,495	228,614,045	19.3%	20.0%	1,167,684	1,552,234	\$19.31

* denotes submarket within the office market listed above.

Source: CoStar Advisory Report: Year-End 2010



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Fults Market Report is published quarterly by Fults Commercial.

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