

Dallas, Texas

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

The Dallas-Fort Worth (DFW) market experienced a decline in office leasing in Q2 2010; however, it was at a slower pace than what happened in the first quarter. Overall vacancy increased from 21.6% to 21.7%, and absorption declined by 90,000 SF during the quarter. Average rental rates ended the second quarter at \$20.15/SF down from \$20.19/SF in the first quarter of 2010. There is approximately \$2 billion worth of commercial real estate in the DFW market currently in distress. In most cases, the buildings are in financial difficulty because loans are maturing and the owners can't arrange new debt. On the other hand, Equastone was recently able to restructure over \$300 million in debt that will allow them to hang on to their existing buildings in the Dallas area. Additionally, Cityplace tower was able to restructure \$125 million of debt.

The DFW industrial market had an increase in vacancy during Q2 2010 from 13.1% up to 13.3%. The average rental rates decreased from \$3.64/SF to \$3.57/SF.

The capital market activity is starting to pick up. Spire Realty Group recently purchased the vacant 202,879 SF building at 500 E John Carpenter in Irving, and Parmenter Realty Partners has purchased the 13-story tower at 220 E Las Colinas Boulevard in Irving. Terms of both transactions were undisclosed.

Market Trends

- The basis on many properties has been and will continue to be reset due to the financial problems in the real estate lending arena. This should significantly increase the tenant's ability to achieve reduced rental rates.
- Because of concessions, tenants are more willing to lock in for longer terms as the reset of the equity in many commercial buildings is under way. This forward thinking may pay dividends for companies as they assess the ownership structures of the facilities in play.
- While there are some companies looking to sublease their space, it is not quite as common as it was during the first quarter of 2010.

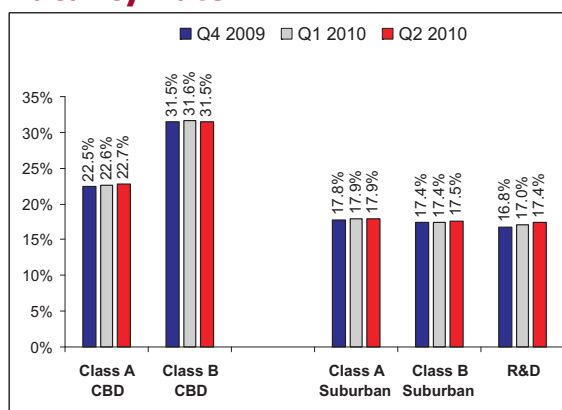
Tenant's Perspective

There are opportunities for tenants to take advantage of significant landlord concessions when looking to renew in their existing building or relocate to a new location. Beware of landlords and lenders who have had negative publicity about not paying tenant improvements, vendors, commissions, etc.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
United Surgical Partners	82,000	Office	Lease
Think Financial	64,000	Office	Lease
Hilton Reservations	52,000	Office	Lease
Goodman Networks	45,000	Office	Lease
Women of Faith	23,000	Office	Lease
Columbia Med. Center	22,000	Office	Lease
Strayer University	15,000	Office	Lease
Ridgmont Holdings	14,000	Office	Lease
Merrill Lynch	14,000	Office	Lease
Mentor Graphics	13,000	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$20.54	\$20.45	\$20.14
Class B Office	\$16.11	\$16.09	\$16.05
Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$23.41	\$23.38	\$23.34
Class B Office	\$18.45	\$18.44	\$18.43
R&D	\$8.43	\$8.42	\$8.42

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