

Las Colinas

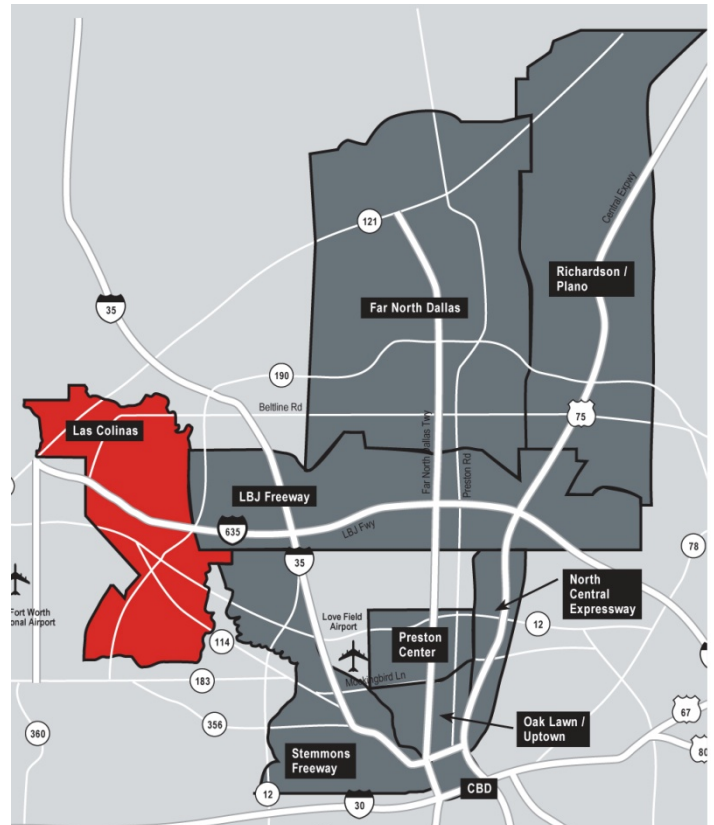
Quarter in review

Las Colinas Class A and Class B properties in the fourth quarter of 2012 recorded 470,588 square feet of net absorption. For the year, the submarket had 530,506 square feet of net absorption. In 2011, the submarket recorded a healthy 408,051 square feet of positive net absorption, which made it the second best performing submarket from a demand perspective. The total vacancy rate for the submarket is slightly below the Metroplex average at 21.1 percent. Overall, the submarket has held up well in comparison to other areas Dallas, but has only just begun to show the signs of rental rates increases. In the fourth quarter the rates decreased slightly to \$20.40 per square foot (full service). Class A rents currently average \$22.37 per square foot, while Class B rates average \$18.52 per square foot.

Market outlook

With the Dallas office market in recovery mode, Las Colinas is expected to show rate increases over the next few quarters. Leasing activity over the past couple of quarters has been high and should result in improved market fundamentals when the tenants take occupancy of their space. With the vacancy rate trending downward, rates are expected to rise moderately in 2013. Look for Class A rents to outpace Class B product. In recent quarters several tenants like UTI and Health Management Systems have showed their long term commitment to the submarket by opting to purchase properties in lieu of leasing. State Farm recently leased 415,137 square feet of space at Regent Commons, backfilling some former Citigroup space. Currently, Las Colinas has 18 blocks of contiguous Class A and B space greater than 100,000 square feet available for lease, putting it ahead of the Far North Dallas and Richardson/Plano submarkets for dubious honor of having the most blocks available of any Dallas submarket. Planned infrastructure improvements are positive for the submarket. There continues to be significant excitement over the future DART light rail line that will connect Las Colinas to the airports (DFW, Love Field) and Downtown. The City of Irving's commitment to density and the urbanization of Las Colinas will continue to contribute to the success of recruiting and retaining key corporations. Las Colinas is expected to also benefit significantly from corporate relocations from other markets.

Submarket boundaries map



Key market indicators

Stock	➔	28,573,369 SF
Overall net absorption	▲	470,588 SF
Overall vacancy rate	▼	19.8%
Average asking rent	➔	\$20.40 PSF
Under construction	➔	0 SF

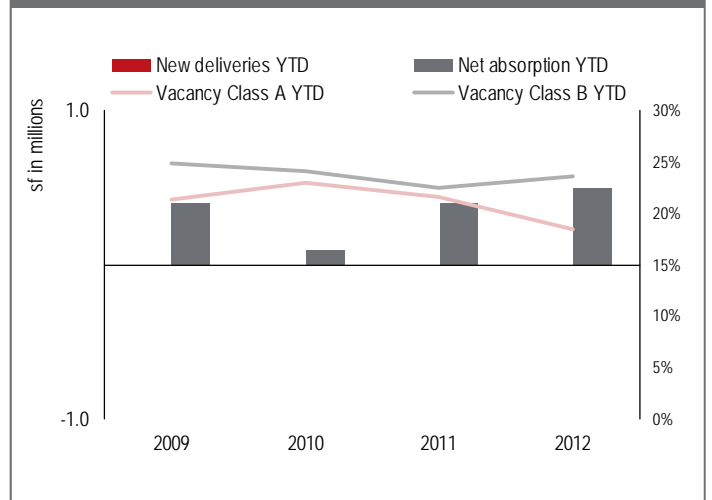
Change from previous quarter

Las Colinas

Average rental rates (Class A vs. Class B)



Overall new deliveries / overall net absorption / overall vacancy rates



Significant lease transactions

VHA 290 E John Carpenter Frwy	286,922 SF
Vericrest Financial 3701 Regent	127,000 SF

Large availabilities

220 E Las Colinas	Class A 262,105 SF
Commons of Las Colinas II	Class A 223,470 SF
Park West II	Class A 199,177 SF