REAL ESTATE OUTLOOK

DALLAS-FORT WORTH HEALTHCARE MARKET

FOURTH QUARTER 2017

HEALTHCARE OVERVIEW

Availability	Survey	5-Year Avg
Gross Rent per SF	$25.70	$23.42
Vacancy Rate	11.5%	11.4%
Vacant SF	4,336,772	3,988,219
Availability Rate	14.0%	13.8%
Available SF	5,412,161	4,962,715
Sublet SF	134,719	127,364
Months on Market	11.6	17.8

The overall vacancy rate for the Dallas-Fort Worth medical office market in Q4 2017 was 11.5%, compared to a five-year average of 11.4%. Vacancy at the end of Q4 2016 was 10.7%, a year-over-year increase of 0.8%.

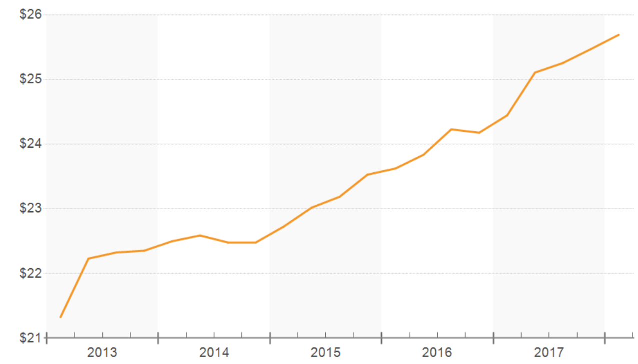
Total net absorption for Q4 2017 recorded 309,400 square feet. This compares to 225,432 SF in Q4 2016, a year-over-year increase of 37.2%.

Current asking rates for medical office space in Dallas-Fort Worth are $25.70 per square foot full service gross for Q4 2017, compared to a five year average of $23.42 per square foot FSG, a year-over-year increase of 9.7%.

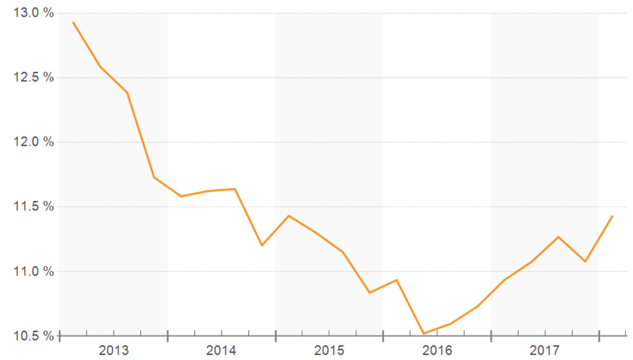
Inventory	Survey	5-Year Avg
Existing Buildings	2,613	2,407
Existing SF	37,735,162	35,125,618

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	624,906	938,187
12 Mo. Leasing SF	1,242,253	1,357,561

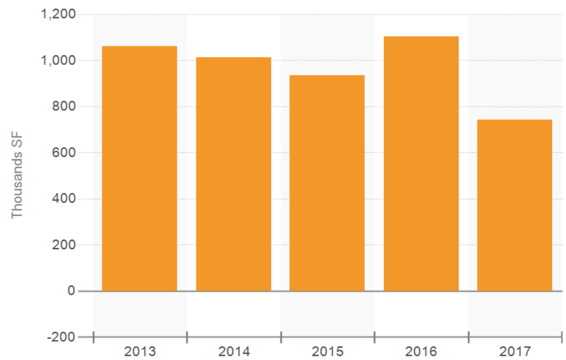
ASKING RENTAL RATES (FULL SERVICE GROSS)



VACANCY



ABSORPTION



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DALLAS-FORT WORTH HEALTHCARE MARKET

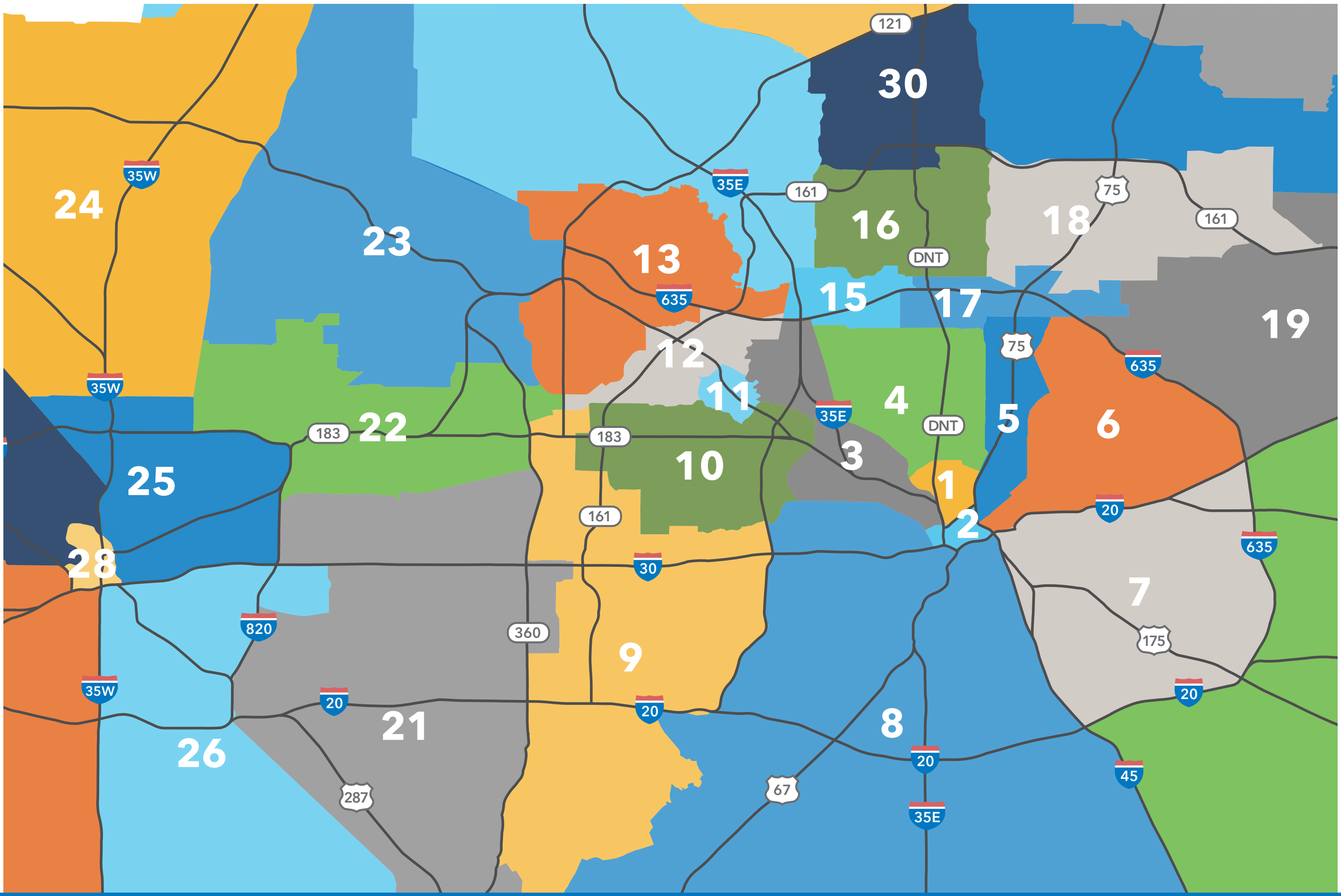
FOURTH QUARTER 2017

Dallas-Fort Worth Medical Office Market Indicators

SUBMARKET	INVENTORY	Q3 NET ABSORPTION	PREVIOUS QUARTER NET ABSORPTION	12 MONTHS ROLLING NET ABSORPTION	TOTAL VACANCY	5-YEAR AVERAGE VACANCY	AVG FSG RENTAL RATE PSF	5-YEAR AVG FSG RENTAL RATE PSF
Dallas CBD	10,806	-	-	-	-	-	-	-
Uptown/Turtle Creek	137,728	(582)	(1,684)	(939)	17.0%	12.6%	$32.13	$32.68
Northeast Dallas	2,535,686	(7,900)	2,763	(6,506)	7.5%	6.8%	$20.76	$23.67
Central Expressway	1,858,993	49	1,228	(8,333)	5.9%	5.5%	$26.92	$24.63
Preston Center	171,835	-	2,419	2,043	9.1%	6.4%	$34.80	$27.00
Stemmons Freeway	1,429,552	13769	3233	19,521	17.5%	18.3%	$15.45	$13.77
South Irving	626,893	7600	(6,042)	211	3.2%	3.8%	$17.77	$22.58
Las Colinas/Urban Center	689,218	(16,631)	(6,385)	(5,535)	7.9%	7.0%	$26.63	$23.71
Las Colinas/Office Center	50,924	(1,753)	-	592	5.5%	15.4%	$16.00	$16.36
DFW Freeport	241,747	(3,100)	2,872	-793	7.3%	12.7%	$23.48	$24.25
West LBJ Freeway	293,538	(951)	-	(1,301)	6.9%	3.5%	$23.24	$20.38
Denton/Lewisville	3,079,627	17,410	36,352	16,850	10.4%	11.9%	$24.79	$22.83
Frisco/The Colony	1,263,651	25454	4,916	23,397	14.7%	14.4%	$31.95	$30.43
Allen/McKinney	1,734,763	64,131	21,294	42,057	15.8%	15.3%	$30.84	$27.11
Upper Tollway/Legacy	2,751,126	190	11,347	8,633	12.2%	10.3%	$30.63	$28.54
Plano	1,516,197	7,556	33,256	5,119	13.0%	14.6%	$25.25	$24.23
Richardson	1,102,107	(14,365)	11,695	5,360	10.3%	10.6%	$25.25	$21.52
Dallas North Tollway	440,759	(147)	13,376	4,762	13.3%	16.7%	$23.41	$22.63
East LBJ Freeway	669,426	26,200	(674)	(2,404)	20.1%	19.8%	$32.23	$26.65
Garland	930,392	6,826	(7,438)	(5,763)	17.0%	18.4%	$23.87	$20.22
Southeast Dallas	228,907	522	8,365	2,222	3.3%	6.8%	$22.61	$21.03
Mesquite/Rockwall	1,144,482	10,224	(9,382)	(2,549)	9.1%	10.2%	$27.54	$27.99
Southwest Dallas	1,270,784	13,024	532	8,307	6.1%	9.6%	$20.85	$16.84
Grand Prairie	372,177	11429	(2,763)	(2,969)	18.6%	9.3%	$21.24	$17.55
Fort Worth CBD	-	-	-	-	-	-	-	-
Northwest Fort Worth	110,751	5,200	-	2,967	18.8%	8.8%	$21.06	$23.34
Alliance	669,916	2,015	20,799	11,602	15.1%	16.0%	$31.33	$27.70
Westlake/Grapevine	1,894,551	32,016	(35,415)	12,991	17.1%	14.9%	$28.65	$26.89
Mid-Cities	1,221,096	18,613	(2,010)	(2,691)	15.4%	13.8%	$21.13	$20.67
Northeast Fort Worth	412,601	(585)	2,211	(4,361)	21.3%	19.8%	$23.45	$22.77
Arlington	2,052,803	17,260	18,410	11,569	11.2%	16.0%	$21.02	$19.34
Southeast Fort Worth	330,913	-	1,106	3,632	7.7%	13.8%	$20.39	$22.89
Southwest Fort Worth	4,464,340	38,952	(22,408)	1,622	5.9%	6.6%	$25.30	$23.72
TOTAL – DFW	**37,582,633**	**102,144**	**120,557**	**157,057**	**11.1%**	**11.4%**	**$25.50**	**$23.37**

SOURCE: CoStar, Transwestern

Dallas-Fort Worth Office Submarkets



Submarkets

1. Uptown/Turtle Creek	8. Southwest Dallas	15. West LBJ Freeway	22. Mid-Cities	29. Northwest Fort Worth
2. Dallas CBD	9. Grand Prairie	16. Lower Tollway	23. Westlake/Grapevine	30. Upper Tollway/Legacy
3. Stemmons Freeway	10. South Irving	17. East LBJ Freeway	24. Alliance	31. Frisco/The Colony
4. Preston Center	11. Las Colinas/Urban Ctr	18. Richardson	25. Northeast Fort Worth	32. Plano
5. Central Expressway	12. Las Colinas/Office Ctr	19. Garland	26. Southeast Fort Worth	33. Allen/McKinney
6. Northeast Dallas	13. DFW/Freeport	20. Mesquite/Rockwall	27. Southwest Fort Worth	
7. Southeast Dallas	14. Denton/Lewisville	21. Arlington	28. Fort Worth CBD	

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METHODOLOGY

The information in this report is the result of a compilation of information on medical office properties located in the Dallas-Fort Worth metropolitan area. This report includes single-tenant, multi-tenant and owner-user office properties, excluding properties owned and occupied by a government agency.

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