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Metro: Dallas
Submarket: Plano/Allen/McKinney



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Submarket Executive Briefing

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Section 1 - Executive Briefing on Submarket Conditions

Average Asking Rent \$6.85

- Up 1.5% from Q2 2019. ▲
- Expected to finish 2019 at \$6.92.

Average Vacancy Rate 9.0%

- Increased by 130 basis points. ▲
- Highest level since Q2 2017.
- Expected to finish 2019 at 9.3%.

Submarket Overview

The Plano/Allen/McKinney submarket, one of fourteen distinct geographic concentrations within Dallas, contains 22.1 million market rate rental square feet, or 7.2% of the metro's total inventory of warehouse/distribution space. In the nine-year period beginning with Q4 2010, new additions to the submarket totaled 1.4 million square feet, amounting to an annualized inventory growth rate of 0.7%; over the same period, the metro growth rate has been 2.9%.

Asking and Effective Rent

During the third quarter of 2019, asking rents rose by 1.5% to an average of \$6.85, the highest observed across the metro's fourteen submarkets. The submarket's run of five consecutive quarterly gains, which began in Q3 2018, has increased asking rents by a cumulative total of 6.7%. The Plano/Allen/McKinney submarket's current asking rent levels and growth rates compare favorably to the metro's averages of \$4.85 and 1.0%. Effective rents, which take into account concessions offered to new lessees, increased more slowly, up by 1.1% during the third quarter. The slower pace of effective rent growth is

a sign that landlords are increasing the values of concessions--usually a period of free rent--used to attract prospective tenants.

Competitive Inventory, Employment, Absorption

Total employment in the Dallas metropolitan area increased by 29,400 jobs during the third quarter, while industrial employment expanded by 1,700. Since the beginning of Q4 2010, the average growth rate for industrial-using employment in Dallas has been 1.8% per year, representing the average annual addition of 5,900 jobs. Over the same time period, the metro recorded an average annual absorption rate of 7.9 million square feet. Although metropolitan absorption totaled 610,000 square feet during the third quarter, the Plano/Allen/McKinney submarket did not contribute to this demand; in fact, tenant outmigration returned a net total of 49,000 square feet to the available stock. The effect of this weak demand was heightened by a growth in supply, as developers added a net total of additional 249,000 square feet to the competitive submarket stock, 45.6% of the 546,000 square feet introduced to Dallas during the third quarter. The third quarter's negative absorption in

the submarket follows two consecutive quarters of positive absorption, amounting to 174,000 square feet. Over the last four quarters, submarket absorption totaled 170,000 square feet, 57.9% greater than the average annual absorption rate of 107,666 square feet recorded since the beginning of Q4 2010. As a result of the supply and demand dynamics during the third quarter, the submarket's average vacancy rate rose by 130 basis points to 9.0%, which is 0.9 percentage points higher than the long-term average, but 3.4 percentage points lower than the current metro average.

Outlook

Reis is tracking warehouse/distribution construction activity that will deliver 163,000 square feet to the submarket by the end of the year, and net total absorption will be positive 88,000 square feet. In response, the vacancy rate will continue to drift upward to finish the year at 9.3%. During 2020 and 2021, 1.1 million square feet — amounting to 12.3%, of the 8.8 million square feet of new construction expected to be introduced to Dallas — will come online in the submarket. Industrial employment growth at the metro level during 2020 and 2021 is

projected to average 0.7% annually, enough to facilitate an absorption rate averaging 6.6 million square feet per year. The Plano/Allen/McKinney submarket will capture 8.5% of this absorption. The submarket vacancy rate will finish 2020 at 9.2% and will fall 0.5 percentage points to 8.7% by year end 2021. Between now and year-end 2019 asking rents are expected to advance 1.0% to a level of \$6.92, while effective rents will climb by 1.1% to \$6.48. On an annualized basis through 2020 and 2021, asking and effective rents are anticipated to increase by 3.5% and 3.6%, respectively, to finish 2021 at \$7.41 and \$6.95.

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Submarket Trend Futures



Section 2 - Current Submarket Rent Details

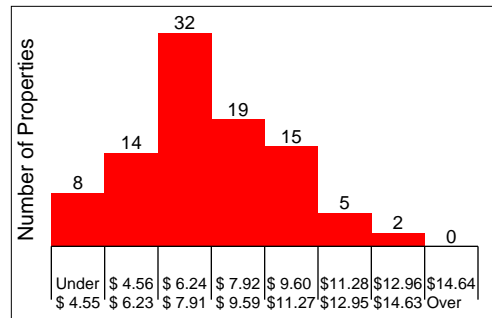
Asking Rent by Age

Year Built	Rent
Before 1970	\$ 4.40
1970-1979	\$ 8.85
1980-1989	\$ 8.69
1990-1999	\$ 6.25
2000-2009	\$ 7.79
After 2009	\$ 9.25

As of 09/30/19

Asking Rent Distribution

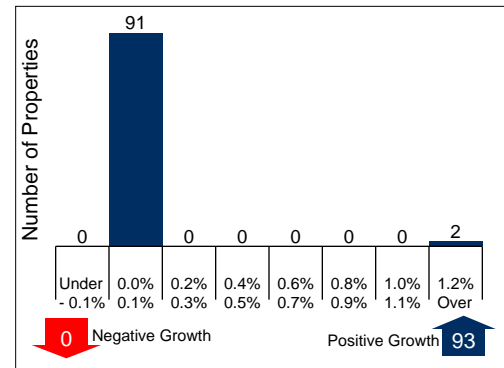
Low	25%	Median	75%	High
\$ 2.74	\$ 5.96	\$ 7.34	\$ 9.34	\$11.69



As of 09/30/19

Asking Rent Growth Rate Distribution

Low	25%	Median	75%	High
0.0%	0.0%	0.0%	0.0%	0.0%



Qtr Ending 09/30/19

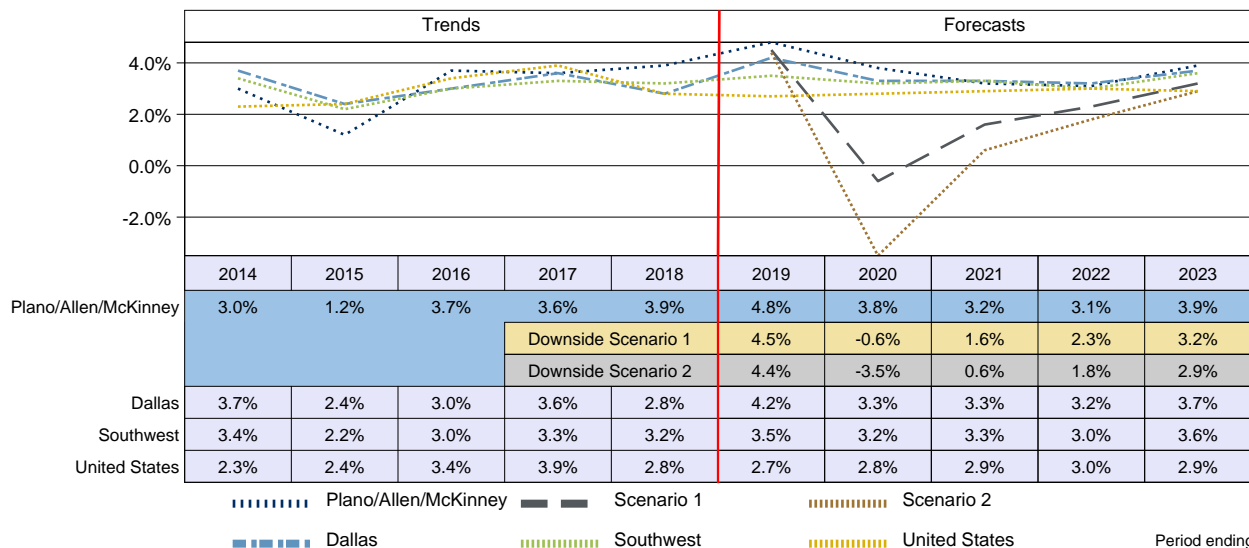
Section 3 - Rent Growth Comparisons

	Asking Rent Growth Trends									
	3Q19	2Q19	1Q19	YTD Avg	4Q18	3Q18	2Q18	1Q18	4Q17	
Plano/Allen/McKinney	1.5%	0.6%	1.7%	1.3%	1.7%	1.1%	0.0%	1.1%	0.8%	
Dallas	0.8%	1.1%	0.6%	0.8%	0.9%	0.6%	0.9%	0.4%	0.9%	
Southwest	0.8%	1.0%	0.6%	0.8%	0.8%	0.8%	1.0%	0.4%	0.8%	
United States	0.5%	0.5%	0.7%	0.6%	0.7%	0.7%	0.6%	0.7%	0.9%	
Period Ending:	09/30/19	06/30/19	03/31/19	09/30/19	12/31/18	09/30/18	06/30/18	03/31/18	12/31/17	

Submarket Ranking	
3Q19	2Q19
N/A	N/A
7	9
10	22
70	176
09/30/19	06/30/19

* of 14 metro level submarkets
 ** of 61 regional submarkets
 *** of 556 U.S. submarkets

Asking Rent Growth Rate Trends and Forecasts



Period ending 12/31/23

Section 4 - Current Submarket Vacancy Details

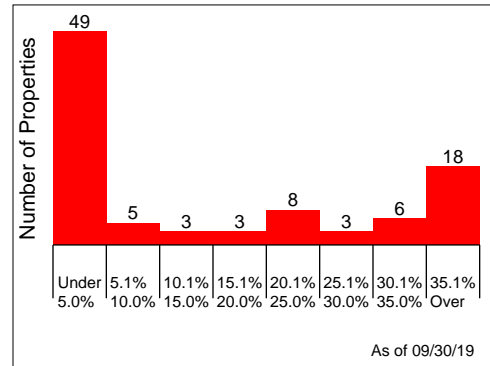
Vacancy Rate By Age

Year Built	Vac. Rate
Before 1970	26.9%
1970-1979	22.7%
1980-1989	5.8%
1990-1999	14.8%
2000-2009	18.0%
After 2009	54.9%

As of 09/30/19

Vacancy Rate Distribution

Low	25%	Median	75%	High
0.0%	0.0%	3.0%	29.1%	100.0%



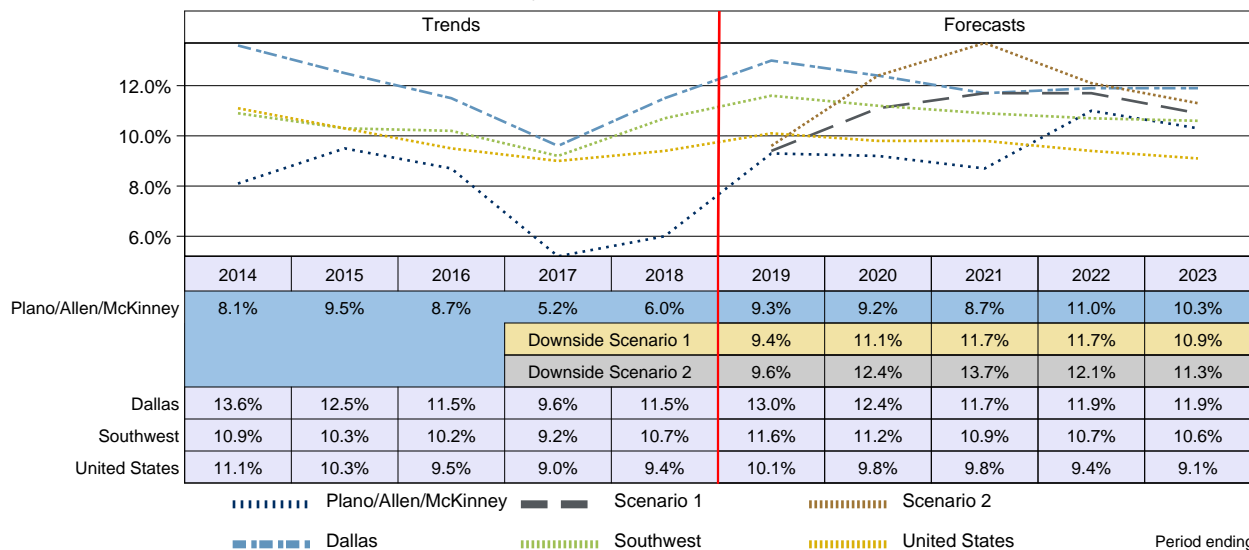
Section 5 - Vacancy Rate Comparisons

	Vacancy Rates Trends								
	3Q19	2Q19	1Q19	YTD Avg	4Q18	3Q18	2Q18	1Q18	4Q17
Plano/Allen/McKinney	9.0%	7.7%	6.2%	7.6%	6.0%	5.0%	5.0%	4.9%	5.2%
Dallas	12.5%	12.5%	12.1%	12.4%	11.5%	11.1%	10.9%	10.4%	9.6%
Southwest	11.1%	11.2%	10.8%	11.0%	10.7%	10.3%	9.9%	9.5%	9.2%
United States	9.8%	9.8%	9.4%	9.7%	9.4%	9.4%	9.4%	9.1%	9.0%
Period Ending:	09/30/19	06/30/19	03/31/19	09/30/19	12/31/18	09/30/18	06/30/18	03/31/18	12/31/17

Submarket Ranking	
3Q19	2Q19
N/A	N/A
3	2
21	13
271	209
09/30/19	06/30/19

* of 14 metro level submarkets
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Vacancy Rate Trends and Forecasts

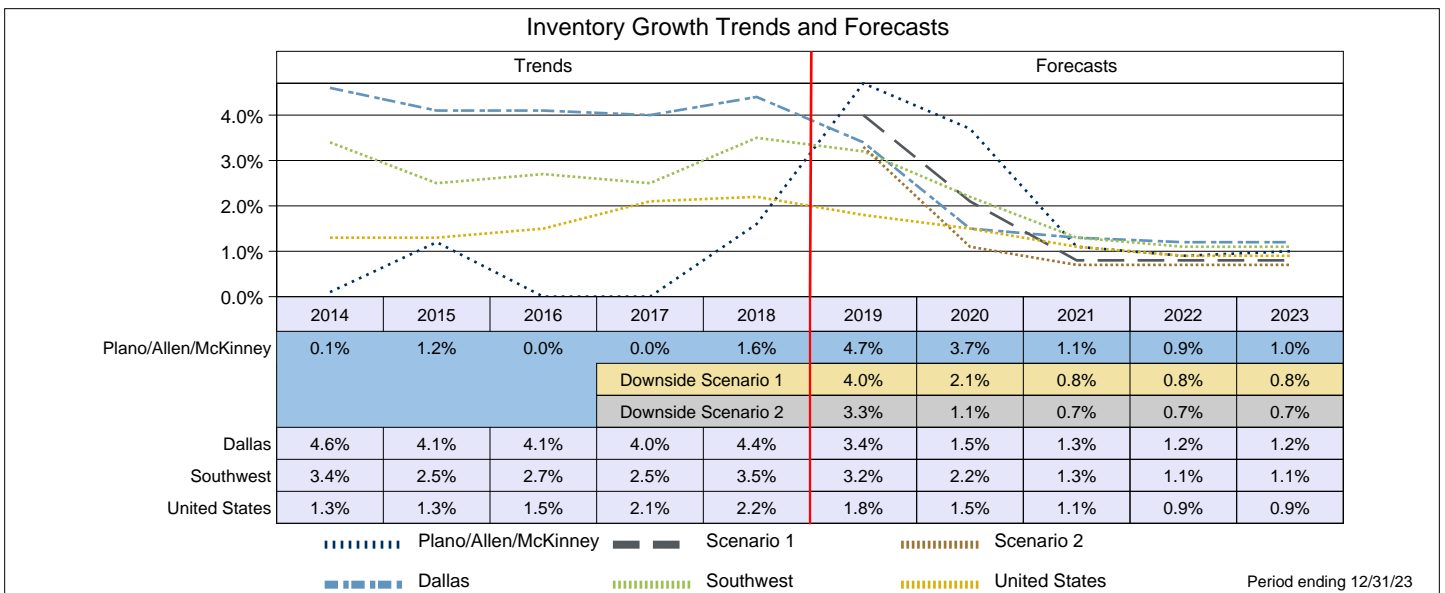


Section 6 - Inventory Growth Comparisons

	Inventory Growth Trends								
	3Q19	2Q19	1Q19	YTD Avg	4Q18	3Q18	2Q18	1Q18	4Q17
Plano/Allen/McKinney	1.1%	1.8%	1.0%	1.3%	1.3%	0.2%	0.0%	0.0%	0.0%
Dallas	0.3%	0.6%	1.1%	0.7%	1.3%	1.0%	0.8%	1.2%	0.8%
Southwest	0.4%	0.7%	0.6%	0.6%	0.9%	1.0%	0.9%	0.7%	0.7%
United States	0.3%	0.5%	0.3%	0.4%	0.5%	0.7%	0.4%	0.5%	0.6%
Period Ending:	09/30/19	06/30/19	03/31/19	09/30/19	12/31/18	09/30/18	06/30/18	03/31/18	12/31/17

Submarket Ranking	
3Q19	2Q19
N/A	N/A
2	1
7	5
39	37
09/30/19	06/30/19

* of 14 metro level submarkets
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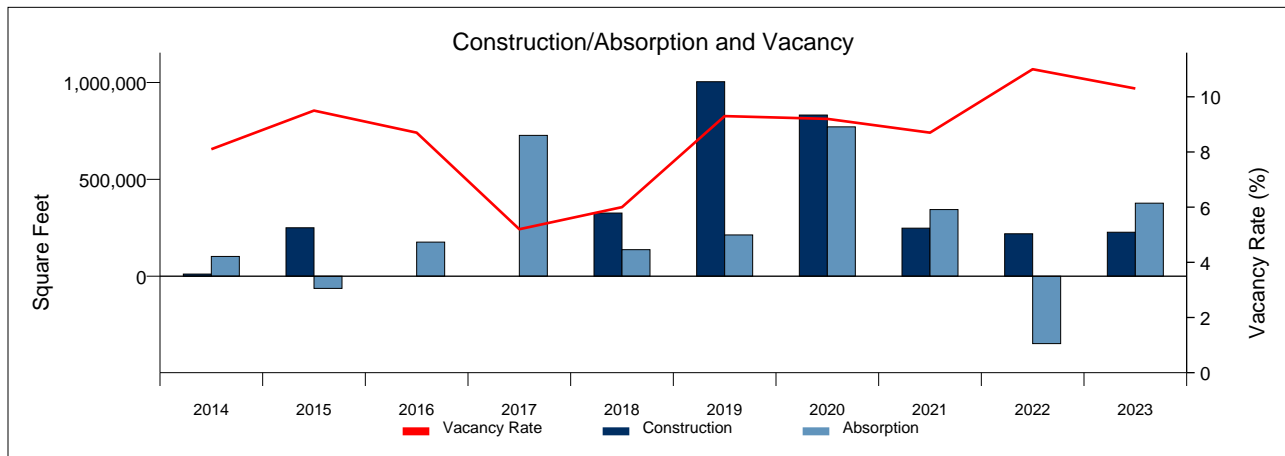


Section 7 - Construction/Absorption Change

Construction and Absorption

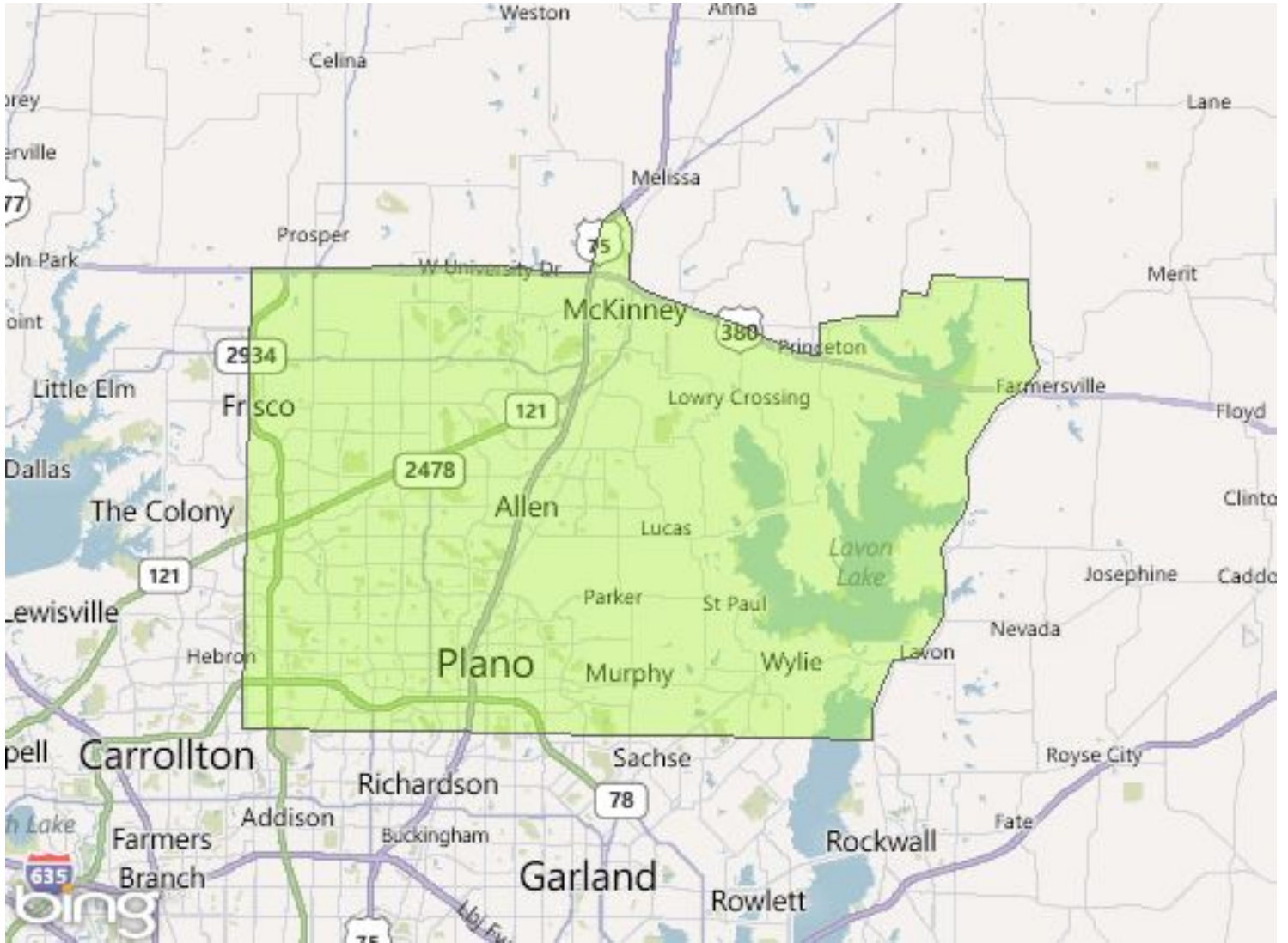
	Quarterly								
	3Q19			2Q19			YTD Avg		
	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio
Plano/Allen/McKinney	249,000	-49,000	-5.1	389,000	19,000	20.5	280,300	41,700	6.7
Dallas	795,000	610,000	1.3	1,868,000	496,000	3.8	2,007,700	717,700	2.8
Average over period ending:	09/30/19	09/30/19	09/30/19	06/30/19	06/30/19	06/30/19	09/30/19	09/30/19	09/30/19

	Annualized		
	5 Year Forecast		
	Sq Ft Built	Sq Ft Absorbed	Con/Abs Ratio
Plano/Allen/McKinney	506,000	271,400	1.9
Dallas	5,366,400	4,461,200	1.2
Average over period ending:	12/31/23	12/31/23	12/31/23

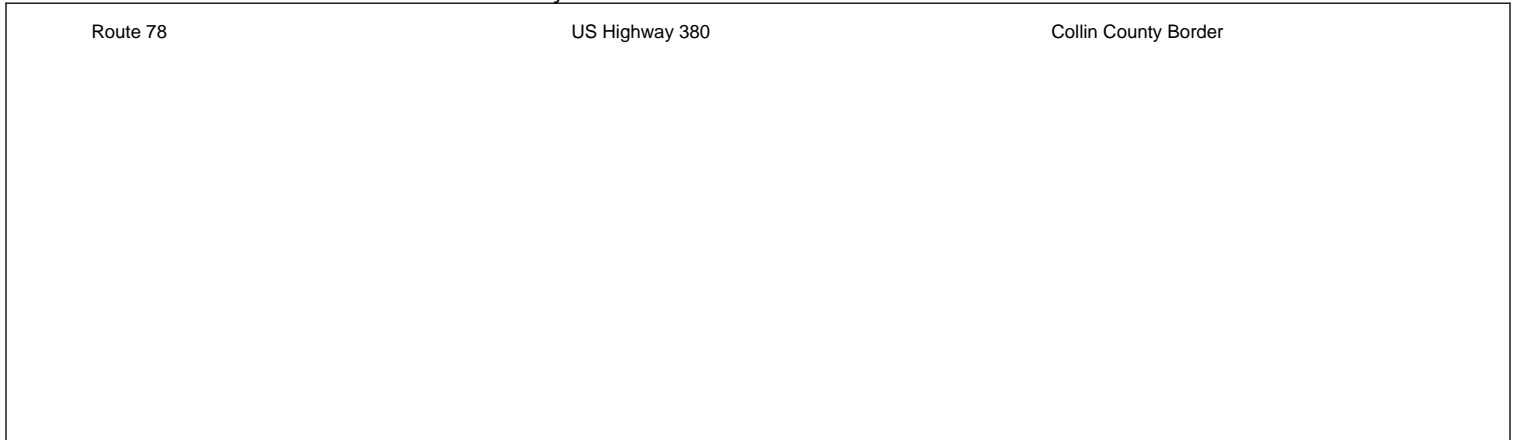


Period ending 12/31/23

Section 8 - Submarket Area Map: Plano/Allen/McKinney



Metro: Dallas Submarket: Plano/Allen/McKinney



Section 9 - Submarket Trend Data

Year	Qtr	Inventory SF/Units	Completions	Inventory Growth%	Vacant Stock	Vacancy Rate	Vacancy Change(BPS)	Occupied Stock	Net Absorption	Asking Rent	Ask Rent % Chg
2014	Y	20,641,000	11,000	0.1%	1,672,000	8.1%	-40	18,969,000	102,000	\$ 5.84	3.0%
2015	Y	20,891,000	250,000	1.2%	1,985,000	9.5%	140	18,906,000	-63,000	\$ 5.91	1.2%
2016	Y	20,891,000	0	0.0%	1,809,000	8.7%	-80	19,082,000	176,000	\$ 6.13	3.7%
2017	Q4	20,891,000	0	0.0%	1,082,000	5.2%	-30	19,809,000	75,000	\$ 6.35	0.8%
2017	Y	20,891,000	0	0.0%	1,082,000	5.2%	-350	19,809,000	727,000	\$ 6.35	3.6%
2018	Q1	20,891,000	0	0.0%	1,030,000	4.9%	-30	19,861,000	52,000	\$ 6.42	1.1%
2018	Q2	20,891,000	0	0.0%	1,035,000	5.0%	10	19,856,000	-5,000	\$ 6.42	0.0%
2018	Q3	20,941,000	50,000	0.2%	1,040,000	5.0%	0	19,901,000	45,000	\$ 6.49	1.1%
2018	Q4	21,217,000	276,000	1.3%	1,271,000	6.0%	100	19,946,000	45,000	\$ 6.60	1.7%
2018	Y	21,217,000	326,000	1.6%	1,271,000	6.0%	80	19,946,000	137,000	\$ 6.60	3.9%
2019	Q1	21,420,000	203,000	1.0%	1,319,000	6.2%	20	20,101,000	155,000	\$ 6.71	1.7%
2019	Q2	21,809,000	389,000	1.8%	1,689,000	7.7%	150	20,120,000	19,000	\$ 6.75	0.6%
2019	Q3	22,058,000	249,000	1.1%	1,987,000	9.0%	130	20,071,000	-49,000	\$ 6.85	1.5%

Year	Qtr	Effective Rent	Eff Rent % Chg	Cons/Abs	Abs/Occ Stock%
2014	Y	\$ 5.49	3.6%	0.1	0.5%
2015	Y	\$ 5.56	1.3%	-4.0	-0.3%
2016	Y	\$ 5.77	3.8%	0.0	0.9%
2017	Q4	\$ 6.00	1.0%	0.0	0.4%
2017	Y	\$ 6.00	4.0%	0.0	3.7%
2018	Q1	\$ 6.04	0.7%	0.0	0.3%
2018	Q2	\$ 6.03	-0.2%	0.0	0.0%
2018	Q3	\$ 6.10	1.2%	1.1	0.2%
2018	Q4	\$ 6.18	1.3%	6.1	0.2%
2018	Y	\$ 6.18	3.0%	2.4	0.7%
2019	Q1	\$ 6.30	1.9%	1.3	0.8%
2019	Q2	\$ 6.34	0.6%	20.5	0.1%
2019	Q3	\$ 6.41	1.1%	-5.1	-0.2%

Section 10 - Submarket Forecast Data

Year	Qtr	Inventory SF/Units	Completions	Inventory Growth%	Vacant Stock	Vacancy Rate	Vacancy Change(BPS)	Occupied Stock	Net Absorption	Asking Rent	Ask Rent % Chg
2019	Y-B	22,221,000	1,004,000	4.7%	2,062,000	9.3%	330	20,159,000	213,000	\$ 6.92	4.8%
2020	Y-B	23,053,000	832,000	3.7%	2,123,000	9.2%	-10	20,930,000	771,000	\$ 7.18	3.8%
2021	Y-B	23,301,000	248,000	1.1%	2,027,000	8.7%	-50	21,274,000	344,000	\$ 7.41	3.2%
2022	Y-B	23,520,000	219,000	0.9%	2,594,000	11.0%	230	20,926,000	-348,000	\$ 7.64	3.1%
2023	Y-B	23,747,000	227,000	1.0%	2,444,000	10.3%	-70	21,303,000	377,000	\$ 7.94	3.9%
2019	Y-S1	22,070,000	853,000	4.0%	2,085,000	9.4%	340	19,985,000	39,000	\$ 6.90	4.5%
2020	Y-S1	22,526,000	456,000	2.1%	2,509,000	11.1%	170	20,017,000	32,000	\$ 6.86	- 0.6%
2021	Y-S1	22,702,000	176,000	0.8%	2,655,000	11.7%	60	20,047,000	30,000	\$ 6.97	1.6%
2022	Y-S1	22,888,000	186,000	0.8%	2,676,000	11.7%	0	20,212,000	165,000	\$ 7.13	2.3%
2023	Y-S1	23,081,000	193,000	0.8%	2,518,000	10.9%	-80	20,563,000	351,000	\$ 7.36	3.2%
2019	Y-S2	21,920,000	703,000	3.3%	2,094,000	9.6%	360	19,826,000	-120,000	\$ 6.89	4.4%
2020	Y-S2	22,167,000	247,000	1.1%	2,754,000	12.4%	280	19,413,000	-413,000	\$ 6.65	- 3.5%
2021	Y-S2	22,331,000	164,000	0.7%	3,057,000	13.7%	130	19,274,000	-139,000	\$ 6.69	0.6%
2022	Y-S2	22,484,000	153,000	0.7%	2,728,000	12.1%	-160	19,756,000	482,000	\$ 6.81	1.8%
2023	Y-S2	22,643,000	159,000	0.7%	2,563,000	11.3%	-80	20,080,000	324,000	\$ 7.01	2.9%

Year	Qtr	Effective Rent	Eff Rent % Chg	Cons/Abs	Abs/Occ Stock%
2019	Y-B	\$ 6.47	4.7%	4.7	1.1%
2020	Y-B	\$ 6.72	3.9%	1.1	3.7%
2021	Y-B	\$ 6.94	3.3%	0.7	1.6%
2022	Y-B	\$ 7.14	2.9%	-0.6	- 1.7%
2023	Y-B	\$ 7.41	3.8%	0.6	1.8%
2019	Y-S1	\$ 6.46	4.5%	21.9	0.2%
2020	Y-S1	\$ 6.37	- 1.4%	14.3	0.2%
2021	Y-S1	\$ 6.46	1.4%	5.9	0.1%
2022	Y-S1	\$ 6.61	2.3%	1.1	0.8%
2023	Y-S1	\$ 6.83	3.3%	0.5	1.7%
2019	Y-S2	\$ 6.45	4.4%	-5.9	- 0.6%
2020	Y-S2	\$ 6.14	- 4.8%	-0.6	- 2.1%
2021	Y-S2	\$ 6.15	0.2%	-1.2	- 0.7%
2022	Y-S2	\$ 6.27	2.0%	0.3	2.4%
2023	Y-S2	\$ 6.46	3.0%	0.5	1.6%

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Submarket Overview



Section 11 - Submarket Overview

Submarket	Inventory (Buildings)	Inventory (Sq Ft)	Asking Rent \$	CRD %	Vac %	Free Rent (mos)	Expenses \$ (Commercial)	Lease Term (yrs)
Denton County	248	40,361,000	\$ 5.04	- 1.1%	10.9%	6.5	\$ 2.54	1.5
Plano/Allen/McKinney	312	22,058,000	\$ 6.85	- 1.0%	9.0%	5.3	\$ 3.64	2.6
Airport-Dallas Cty	202	39,142,000	\$ 5.53	- 0.8%	18.3%	6.2	\$ 2.07	3.1
Farmers Branch	321	27,354,000	\$ 5.06	- 1.0%	5.5%	4.6	\$ 8.18	4.0
Carrollton	216	15,560,000	\$ 5.57	- 1.2%	7.0%	7.0	\$ 3.15	2.8
Richardson	77	4,430,000	\$ 6.46	- 2.1%	12.1%	5.6	\$ 2.65	3.1
Garland	302	27,932,000	\$ 4.15	- 1.3%	10.8%	5.5	\$ 4.33	2.1
Irving/Grand Prairie	151	21,287,000	\$ 4.98	- 1.2%	13.0%	5.5	\$ 2.53	1.8
Central Dallas West	613	34,078,000	\$ 3.99	- 0.9%	9.9%	5.8	\$ 1.58	2.6
Central Dallas SW	174	16,363,000	\$ 3.10	- 1.3%	17.3%	4.9	\$ 1.43	2.9
Central Dallas SE	108	10,239,000	\$ 4.25	- 2.9%	14.6%	3.9	\$ 0.86	2.1
Central North Dallas	196	9,170,000	\$ 4.07	- 2.7%	11.1%	5.2	\$ 3.22	1.8
Far South Dallas	117	31,918,000	\$ 4.52	- 3.2%	19.9%	4.1	\$ 2.15	3.3
Far East/SE Dallas	54	7,527,000	\$ 4.13	- 1.9%	9.8%	6.5	\$ 1.60	1.9

About Reis

Reis provides commercial real estate market information and analytical tools to real estate professionals through its Reis Services subsidiary. Reis Services, including its predecessors, was founded in 1980. Reis maintains a proprietary database containing detailed information on commercial properties in metropolitan markets and neighborhoods throughout the U.S. The database contains information on apartment, office, retail, warehouse/distribution, flex/research & development, self storage, seniors housing properties and affordable housing, and is used by real estate investors, lenders and other professionals to make informed buying, selling and financing decisions. In addition, Reis data is used by debt and equity investors to assess, quantify and manage the risks of default and loss associated with individual mortgages, properties, portfolios and real estate backed securities. Reis currently provides its information services to many of the nation's leading lending institutions, equity investors, brokers and appraisers.