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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 \$6.93

- Up 1.0% from year-end 2019. ▲
- Has risen for seven consecutive quarters. ▲
- Expected to finish 2020 at \$6.52.

Average Vacancy Rate 8.7%

- Declined by 50 basis points. ▼
- Expected to finish 2020 at 11.1%.

Submarket Overview

The Plano/Allen/McKinney submarket, one of fourteen distinct geographic concentrations within Dallas, contains 22.3 million market rate rental square feet, or 7.1% of the metro's total inventory of warehouse/distribution space. In the ten-year period beginning with Q2 2010, new additions to the submarket totaled 1.7 million square feet, amounting to an annualized inventory growth rate of 0.8%; over the same period, the metro growth rate has been 2.9%.

Asking and Effective Rent

During the first quarter of 2020, asking rents climbed by 1.0% to an average of \$6.93, the highest observed across the metro's fourteen submarkets. The submarket's run of seven consecutive quarterly gains, which began in Q3 2018, has increased asking rents by a cumulative total of 7.9%. The Plano/Allen/McKinney submarket's current asking rent levels and growth rates compare favorably to the metro's averages of \$4.88 and 0.4%. Effective rents, which take into account concessions offered to new lessees, rose more quickly, up by 1.6% during the first quarter. The faster pace of effective rent growth

suggests that that landlords are enjoying more pricing power at the negotiating table.

Competitive Inventory, Employment, Absorption

Total employment in the Dallas metropolitan area increased by 2,700 jobs during the first quarter, while industrial employment contracted by 1,045. Since the beginning of Q2 2010, the average growth rate for industrial-using employment in Dallas has been 1.6% per year, representing the average annual addition of 5,400 jobs. Over the same time period, the metro recorded an average annual absorption rate of 8.2 million square feet. During the first quarter, metropolitan absorption totaled 3.9 million square feet, of which the Plano/Allen/McKinney submarket captured 308,000 square feet. The effect of this demand was somewhat tempered by a growth in supply, as developers added a net total of 207,000 square feet to the competitive submarket stock, 12.3% of the 1.7 million square feet introduced to Dallas during the first quarter. The first quarter's positive absorption in the submarket follows two consecutive quarters of negative absorption, amounting to 98,000 square feet. Over the last four

quarters, submarket absorption totaled 264,000 square feet, 73.7% greater than the average annual absorption rate of 152,000 square feet recorded since the beginning of Q2 2010. As a result of the supply and demand dynamics during the first quarter, the submarket's average vacancy rate fell by 50 basis points to 8.7%, which is 0.5 percentage points higher than the long-term average, but 2.8 percentage points lower than the current metro average.

Outlook

Reis's new construction analysts report that 192,000 square feet of new multi-tenant warehouse/distribution inventory will be introduced to the submarket by the end of the year, and net total absorption will be negative 361,000 square feet. In response, the vacancy rate will drift upward by 2.4 percentage points to 11.1%. During 2021 and 2022, 650,000 square feet — amounting to 10.4%, of the 6.2 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 2021 and 2022 is anticipated to average 2.0% annually, enough to facilitate an absorption rate averaging 2.4 million square feet per year. The

Plano/Allen/McKinney submarket will capture 11.2% of this absorption. Because this amount does not exceed the forecasted new construction, the submarket vacancy rate will rise by 20 basis points to finish 2022 at 11.3%. Between now and year-end 2020 asking rents are expected to decline -5.9% to a level of \$6.52, while effective rents will fall by -7.9% to \$5.98. On an annualized basis through 2021 and 2022, asking and effective rents are projected to advance by 0.5% and 0.3%, respectively, to finish 2022 at \$6.59 and \$6.01.

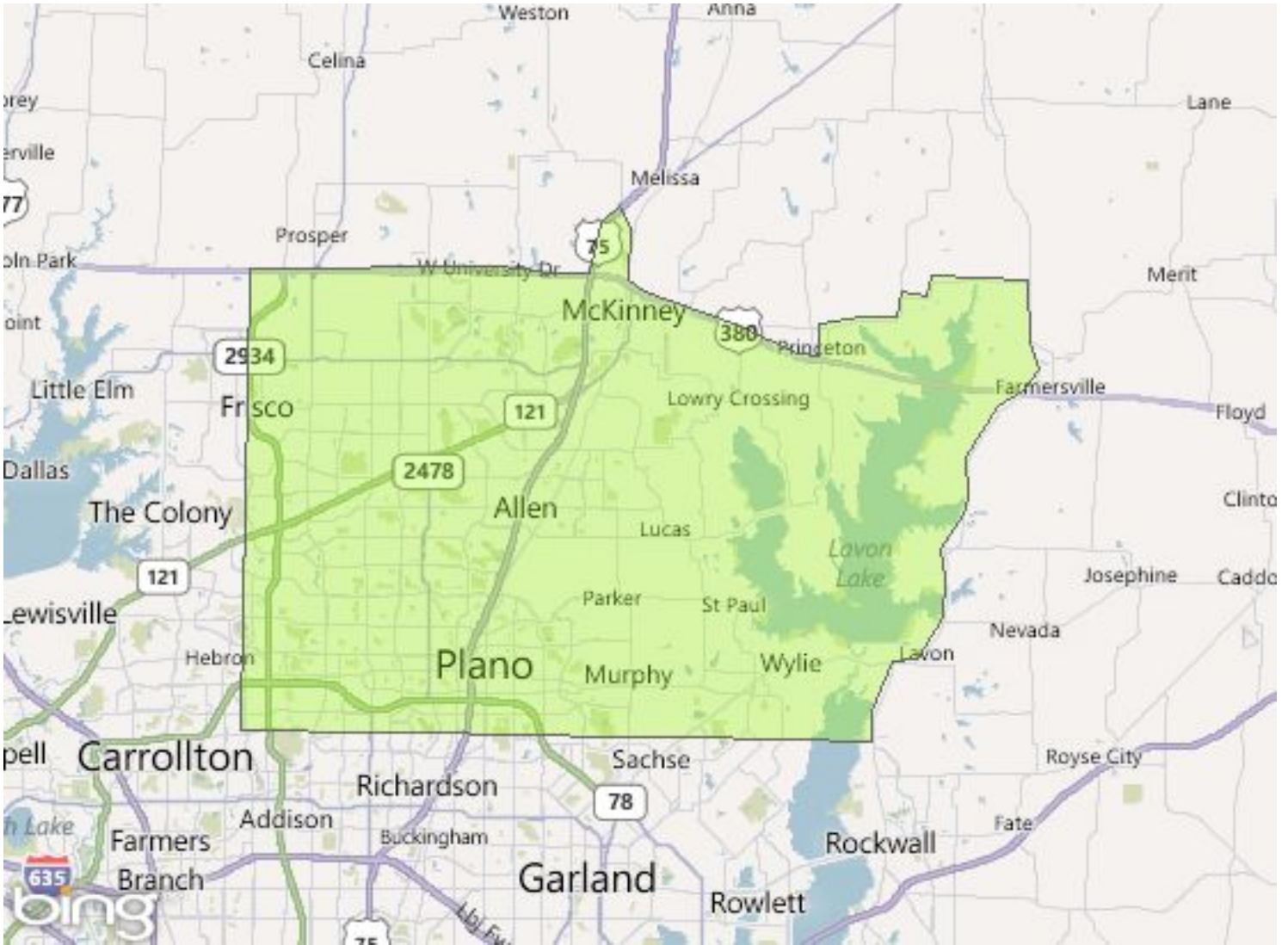
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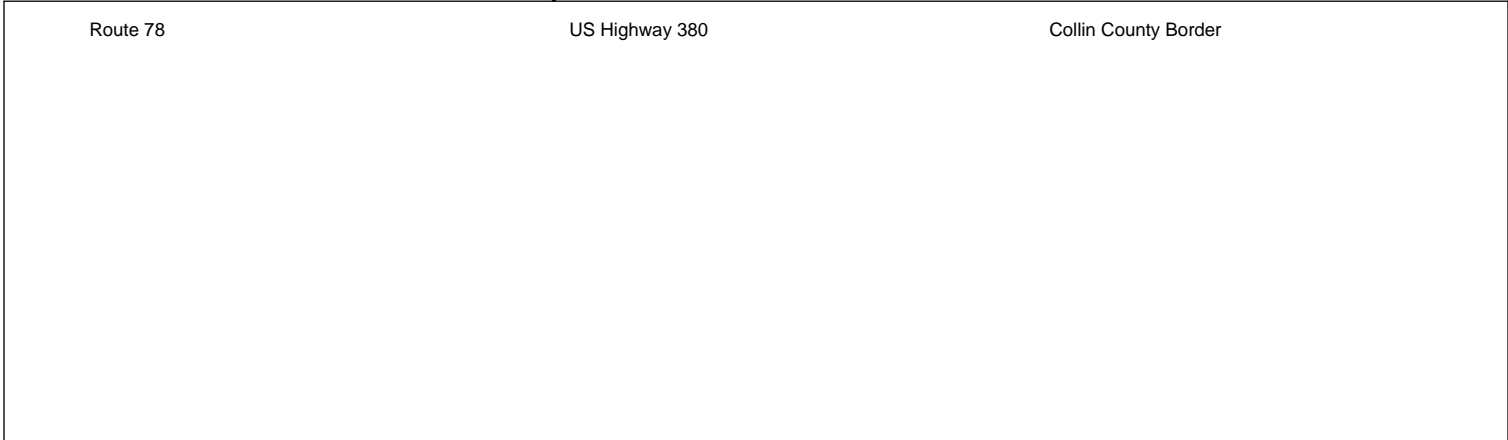
Submarket Trend Futures



Section 2 - Submarket Area Map: Plano/Allen/McKinney



Metro:Dallas Submarket:Plano/Allen/McKinney



Section 3 - 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
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	Y	20,891,000	0	0.0%	1,082,000	5.2%	-350	19,809,000	727,000	\$ 6.35	3.6%
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	21,847,000	427,000	2.0%	1,692,000	7.7%	150	20,155,000	54,000	\$ 6.75	0.6%
2019	Q3	22,096,000	249,000	1.1%	1,991,000	9.0%	130	20,105,000	-50,000	\$ 6.85	1.5%
2019	Q4	22,096,000	0	0.0%	2,039,000	9.2%	20	20,057,000	-48,000	\$ 6.86	0.1%
2019	Y	22,096,000	879,000	4.1%	2,039,000	9.2%	320	20,057,000	111,000	\$ 6.86	3.9%
2020	Q1	22,303,000	207,000	0.9%	1,938,000	8.7%	-50	20,365,000	308,000	\$ 6.93	1.0%

Year	Qtr	Effective Rent	Eff Rent % Chg	Cons/Abs	Abs/Occ Stock%
2015	Y	\$ 5.56	1.3%	-4.0	- 0.3%
2016	Y	\$ 5.77	3.8%	0.0	0.9%
2017	Y	\$ 6.00	4.0%	0.0	3.7%
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%	7.9	0.3%
2019	Q3	\$ 6.41	1.1%	-5.0	- 0.2%
2019	Q4	\$ 6.39	- 0.3%	0.0	- 0.2%
2019	Y	\$ 6.39	3.4%	7.9	0.6%
2020	Q1	\$ 6.49	1.6%	0.7	1.5%

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.