



DFW INDUSTRIAL
MARKET BRIEF

4Q2016

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DALLAS/FORT WORTH INDUSTRIAL TEAM



DALLAS/FORT WORTH INDUSTRIAL SUBMARKETS



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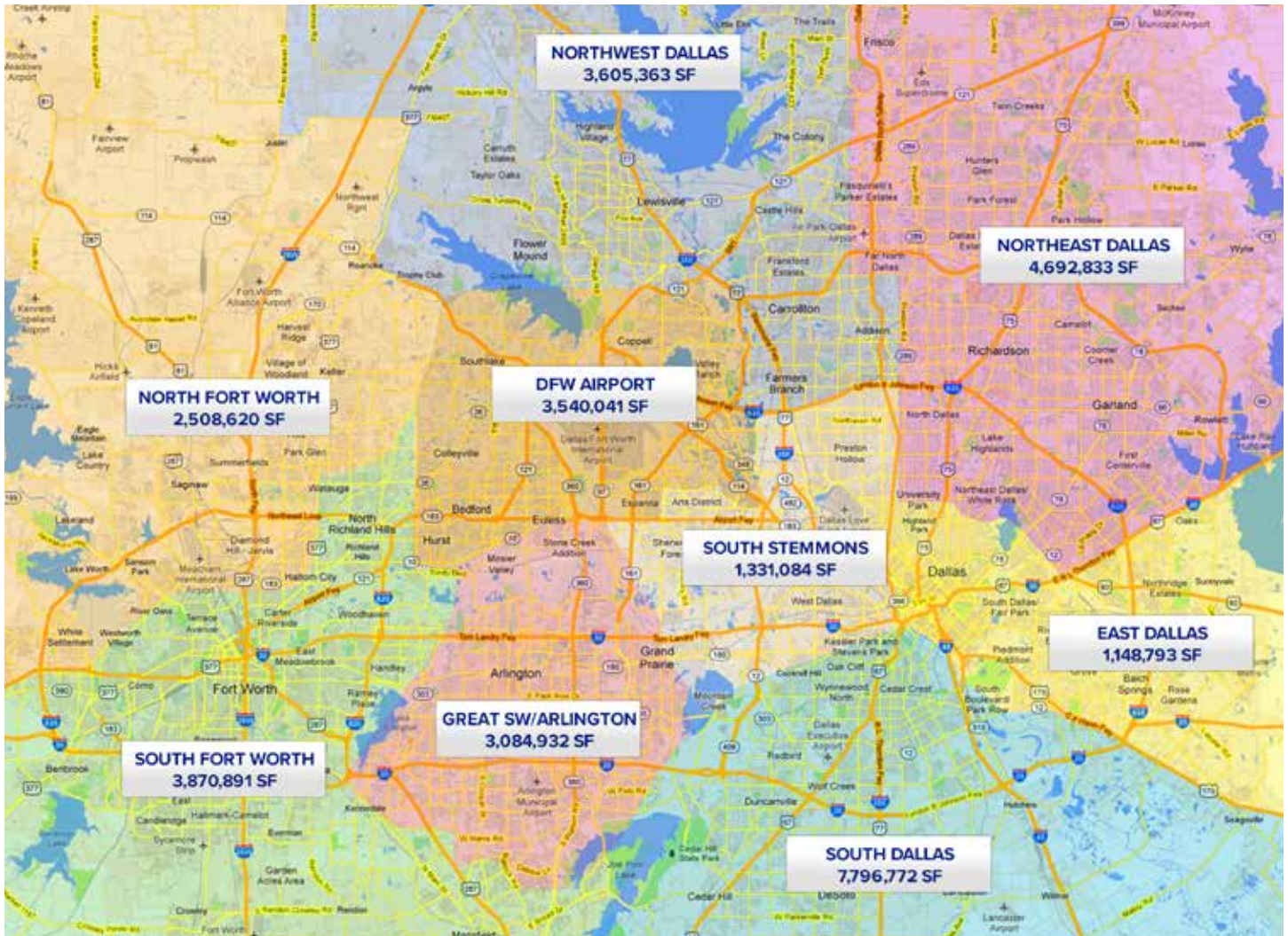
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HLC INDUSTRIAL DALLAS/FORT WORTH SUBMARKETS

HLC SQUARE FOOTAGE BY SUBMARKET



HLC INDUSTRIAL DALLAS/FORT WORTH TRENDS AND TRANSACTIONS

HLC OUTLOOK

The DFW industrial market remains one of the strongest industrial markets in the country and a top four choice for national logistics distribution. The overall industrial market persists with a single digit vacancy rate of 6.5%. Leasing activity in DFW remained strong posting 8.5 M square feet.

Between build-to-suits and speculative development, the market currently has approximately 20.22 million SF under construction. This activity encompasses the sub markets of North Fort Worth, South Dallas, GSW, Northwest Dallas, Northeast Dallas and DFW Airport. 4.16 million SF was delivered throughout the market in the Fourth Quarter of 2016. Speculative development will remain strong over the next 12 months in the DFW market as capital sources accept leasing risk to obtain lower basis positions and build to a yield rather than competing for inferior product with record low cap rates.

As 2017 begins, vacancy rates should remain in single digits albeit increasing as new construction has begun to outpace net absorption in select submarkets. Rental rates are stabilized under favorable conditions although concessions have been more prominent

Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
3,908,951	10,024,630	7,382,724
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
6.5%	6.5%	7.2%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
8,397,821	10,192,812	11,070,488
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
20,219,196	20,679,724	19,953,871
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
4,166,170	5,688,690	5,789,290

Source: CoStar 2016 4Q Industrial Report







from new development projects. Dallas remains as one of the top regional distribution hubs in the country yet will seek to establish a new equilibrium between supply and demand.

TRENDS & TRANSACTIONS

- Industrial product remains in high demand for institutional investment.
- Speculative development is at a historical peak as capital sources seek alternative basis positions to "retail" acquisitions resulting from high demand and historically low cap rates.
- Due to continued population growth and consumer demand, E-commerce groups remain a driving force in the demand of bulk warehouse for fulfillment centers.
- Rental abatement has reentered the market as Landlords 1) seek to maximize property valuations through face rate and rent growth 2) second generation space seeks to remain competitive with new development and 3) new development under construction seeks to secure a tenant base prior to additional projects breaking ground.
- Since 2010, depending on the size of the transaction, rental rates have increased 20%-30% with 2%-4% annual escalations accepted by the market.

- Platinum Press leased 150,000 SF from ML Realty at 4251 Empire Road

TOP HLC LEASE TRANSACTIONS

-  Pratt Industries renewed 145,593 SF with Greenfield at 3700 Eagle Place
-  Sub-Zero Group, Inc. leased 119,239 SF from PFG at 3400 North Houston School Road
-  Linkex leased 86,411 SF from Prologis at 11410 Mathis Street
-  Arrow Tru-Line leased 69,337 SF from Prologis at 11420 Mathis Street
-  Accent Foods leased 54,060 SF from ML Realty at 13801 Diplomat Drive
-  Packaging Corp of America leased 47,500 SF from 10425 Plano Road #400

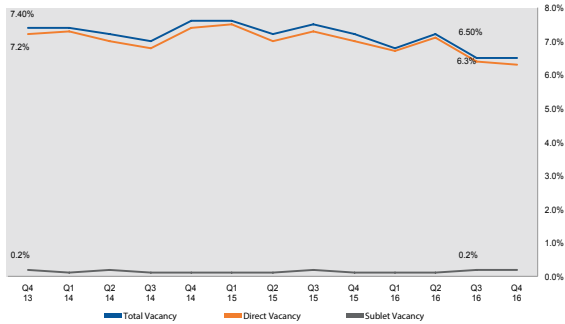
TOP LEASE TRANSACTIONS

- American Tire Distributors leased 756,000 SF from Hillwood at 300 Freedom Drive
- Pratt Industries leased 294,000 SF from USAA at 9209 Old Hickory Trail
- Makita purchased 227,000 SF from Scannell on I-45
- Rooms to Go leased 234,000 SF from First Industrial at 2251 East Bardin Road

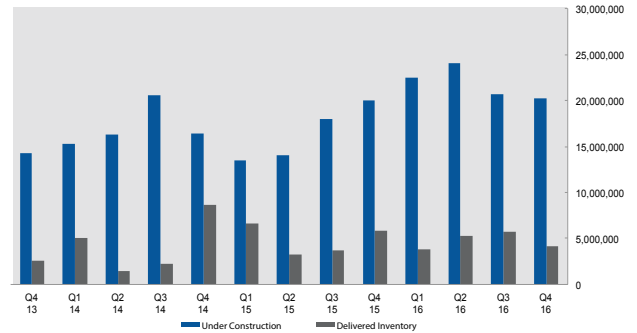
HLC INDUSTRIAL DALLAS/FORT WORTH

FACTS AND FIGURES

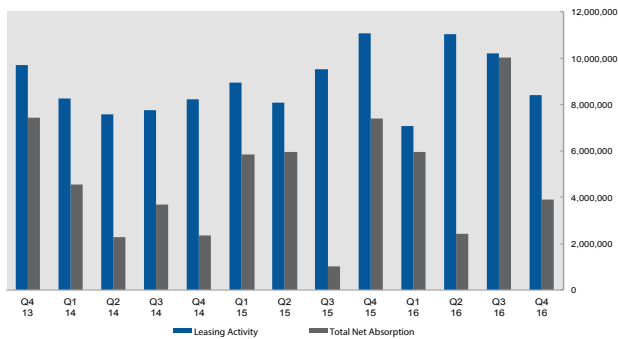
VACANCY - OVERALL DFW



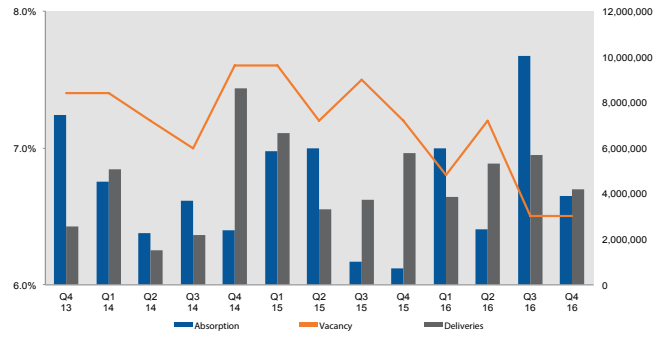
CONSTRUCTION - OVERALL DFW



ABSORPTION - OVERALL DFW



OVERVIEW - OVERALL DFW



Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Construction SF	YTD Leasing Activity
	# Bldgs.	Total RBA	Direct SF	Total SF	Vac. %				
DFW Airport	587	69,196,589	4,536,547	4,556,347	6.6%	1,845,714	772,118	2,545,514	5,105,349
East Dallas	579	40,590,284	2,523,446	2,523,446	6.2%	(403,664)	25,755	344,000	792,216
Great SW/Arlington	1,048	96,366,529	6,270,266	6,599,775	6.8%	1,765,455	4,187,912	3,557,109	4,114,014
North Fort Worth	547	78,417,451	5,998,849	6,060,337	7.7%	6,546,644	4,368,464	3,201,066	5,489,537
Northeast Dallas	1,381	98,886,459	5,005,382	5,688,685	5.8%	1,726,231	519,795	3,306,917	3,131,407
Northwest Dallas	1,281	100,880,457	5,916,898	6,093,680	6.0%	3,079,056	1,991,363	2,304,849	8,072,508
South Dallas	635	82,388,807	6,853,550	6,853,550	8.3%	5,834,846	6,240,236	4,248,500	3,624,459
South Fort Worth	1,262	70,796,229	2,591,361	2,622,851	3.7%	1,308,632	376,494	193,000	2,115,829
South Stemmons	2,054	112,321,061	7,811,840	7,938,935	7.1%	630,247	556,613	518,241	4,222,063
Totals	9,374	749,843,866	47,508,139	48,937,606	6.5%	22,333,161	19,038,750	20,219,196	36,667,382

Source: CoStar 2016 4Q Industrial Report

SUBMARKET INTELLIGENCE

GREAT SOUTHWEST/ARLINGTON

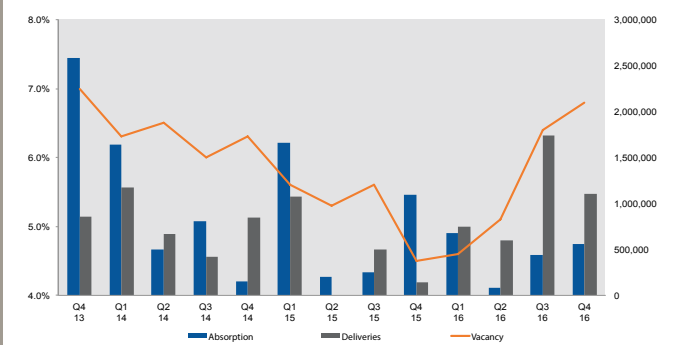


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HLC OUTLOOK

The Great Southwest submarket ended the year at a strong pace, posting 1,765,455 SF of overall positive absorption for 2016. Leasing activity and velocity remained strong. As 2017 begins, landlords should expect rental rates to hold strong and include annual rent escalations of 2% to 4% (depending on the size of the lease). However, the market is starting to see a rise in free rent concessions as the market becomes more competitive due to additional product supply. On the development front, the GSW submarket has nearly 3.5 million SF currently under construction and delivered nearly 4.2 million SF in 2016.

VITAL STATS



Metric	vs. Prev. Qtr	vs. 12 Mths Ago
Absorption	562,885	1,095,962
Vacancy	6.8%	4.5%
Leasing Act.	1,008,295	1,382,274
U/C SF	3,557,109	4,046,628
Delivered SF	1,107,178	145,579

Source: CoStar 2016 4Q Industrial Report

TOP LEASE TRANSACTIONS

- Rooms to Go leased 234,000 SF from First Industrial at 2251 East Bardin Road
- Platinum Press leased 150,000 SF from ML Realty at 4251 Empire Road
- 1st Floor Direct leased 165,550 SF from Crow Holdings Industrial at 700 Commerce Park Drive
- Direct Warehousing leased 50,983 SF from Prologis at 2890 114th Street
- Dynamic Glass leased 43,16 SF from Cabot at 3100 Roy Orr Boulevard

- Wildlife Commerce 5 – 683,646 SF spec with Crow Holdings Industrial
- GSW Global Logistics Park – 3 building development 1,051,342 SF spec with Crow Holdings
- Parc GSW – 682,491 SF spec with Clarion
- CentrePort Bldg. 1 & 2 – 270,762 & 430,759 SF spec with Hillwood
- GSW Gateway Bldg. 4 & 5 – 2 building development (312,314 and 315,036 SF) spec with Invesco
- Trinity Crossing – 2 building development (144,187 and 178,655 SF) spec with Cabot

DEALS ON THE MARKET

- Core Markets Logistics Portfolio – 301,953 SF of the overall 5,972,461 SF is located in GSW; High Street Realty Company is the seller.
- TA Realty Fund IX Portfolio – 169,280 SF of the multi city fund sale is located in GSW; TA Realty is the seller.

LARGE EXISTING VACANCIES

- 1950 West Bardin Road – 430,188 SF
- 1111 West Bardin Road – 420,000 SF
- 510 West Trinity Boulevard – 343,200 SF
- 951 Valley View Lane & Frye Road – 341,442 SF
- 3100 State Highway 161 – 266,450 SF
- 2300 Bardin Road – 263,380 SF

NEW DEVELOPMENTS

- Arlington Commerce Center/Bldg E – 1,004,400 SF spec with Exeter
- Park 20/360 – 4 building development 1,262,040 SF spec with Invesco

SUBMARKET INTELLIGENCE

DFW AIRPORT

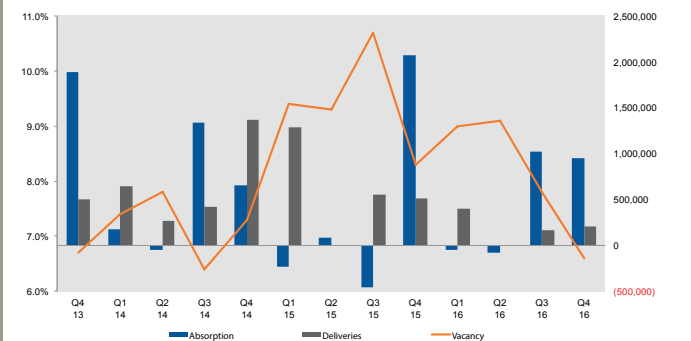


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HLC OUTLOOK

The DFW Airport market closed 2016 strong by decreasing vacancy throughout the market from 7.8% to 6.6%. The market had positive absorption of 954,187 SF. The overall leasing activity across the DFW Airport market has been very strong with 1,075,781 SF being leased. Development nearly doubled in Q4 with approximately 2.5 million SF under construction. With the increase in land prices coupled with the rise in construction costs, speculative developments have been quoting \$3.75 - \$4.75 NNN for bulk warehouses.

VITAL STATS



Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
954,187	1,022,685	2,071,824
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
6.6%	7.8%	8.3%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
1,075,781	2,038,960	1,278,266
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
2,545,514	1,317,433	947,673
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
204,175	167,782	510,019

Source: CoStar 2016 4Q Industrial Report

TOP LEASE TRANSACTIONS

- Ameripac leased 119,717 SF from North American Van Lines at 1000 North 28th Avenue
- Clover Telecom leased 127,189 SF from Duke Realty at 120 Dividend Drive
- Schnider National leased 104,000 SF from Prologis at 620 Westport Parkway
- MXD (3PL) leased 84,280 SF from DCT at 1100 West Royal Lane
- U R Image leased 23,646 SF from Prologis at 801 Hanover Drive
- CEVA Logistics leased 40,000 SF from JP Morgan at 4255 Patriot
- Pegasus Logistics Group leased 367,575 SF from TIAA at 306 Airline Drive

DEALS ON THE MARKET

- DFW Global Logistics sold by CBRE – 263,444 SF in the DFW Airport Submarket; owned by Thackeray and was sold to Clarion.
- DFW North II – 185,000 SF in the DFW Airport Submarket; owned by Huntington Industrial Partners and was sold to Industrial Property Trust.
- Port America being sold by Cushman Wakefield – 710,000 SF in the DFW Airport Submarket owned by Prologis.

NEW DEVELOPMENTS

- 2601 W Bethel Road (Logistics Center II) – a project totaling to be 1,008,176 SF to be delivered November 2017 with Perot Development.
- State Highway 121 & Freeport Parkway (Building 3 of Prologis Park 121) – totaling to be 424,080 SF to be delivered May 2017 with CBRE.
- 4500 Walnut Hill (DFW East Logistics Center) – Three buildings totaling 259,555 SF to be delivered March 2017 with Bradford
- 401-551 Southwestern Boulevard (Bldg E, F, G, H of Park West Crossing) – 304,943 SF to be delivered February 2017

LARGE EXISTING VACANCIES

- 944 West Sandy Lake Road – 604,800 SF
- State Hwy 121 & Freeport Pkw (Bldg 3) – 424,080 SF
- 4255 Patriot Drive – 253,000 SF
- 850 Northlake Drive – 230,400 SF

SUBMARKET INTELLIGENCE

NORTHEAST AND EAST DALLAS

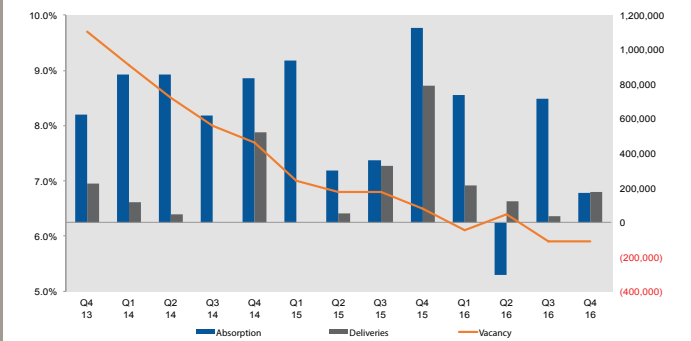


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HLC OUTLOOK

The Northeast and East Dallas submarket closed 2016 very strong by posting nearly a combined 4M SF of leasing activity. We continue to see strong activity and have seen rates push past historical levels with spec warehouse and newer second generation space between 100 – 200,000 SF now being quoted between \$3.75 - \$4.25NNN. For higher visibility shallow bay spaces between 10-20,000 SF on Miller Rd. rates are reaching \$5.75 - \$5.95 NNN. The market remained steady by absorbing a combined 1.3M sf thus producing an overall vacancy at 5.9%. With strong activity and a healthy amount of speculative development we anticipate that concessions should further decrease and rates should continue to increase steadily.

VITAL STATS



Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
172,519	717,964	1,127,607
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
5.9%	5.9%	6.5%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
1,104,497	1,132,933	2,442,253
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
3,650,917	2,672,781	509,550
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
36,000	121,835	281,116

Source: CoStar 2016 4Q Industrial Report

TOP LEASE TRANSACTIONS

- Bronco Packaging leased 95,707 SF from Clarion Partners at 510 North Peachtree Road in Mesquite
- Popular Ink leased 63,000 SF from Dalfen America Corp at 2040 North Redbud Boulevard in McKinney
- CHEP expanded by 60,000 SF for a total lease of 199,750 SF from Huntington Partners at 1201 Big Town in Mesquite.
- PACCAR lease 58,442 SF from Majestic Realty at 3100 Technology Drive in Plano

HLC Deal Packaging Corporation of America leased 47,500 SF from Prologis at 10425 Plano Road in Garland

HLC Deal Innerwireless renewed their 30,778 SF lease with Adler Kawa at 1155 East Kas Drive in Richardson

DEALS ON THE MARKET

- 8901 Forney Road Being sold by Cushman and Wakefield – 419,626 SF building in Mesquite; Owned by Sentinel
- Core Markets Logistics Portfolio being sold by CBRE – 180,000 SF (3 buildings) in Allen; Owned by Highstreet

NEW DEVELOPMENTS

HLC Deal Regency Crest Drive – 135,323 SF & 134,027 SF spec buildings with Huntington; cross dock loading, 32' clear; to be delivered 03/2017

- Leon Drive – 494,000 SF spec building by IDI Gazeley; rear load with 107 trailer parks and 32' clear height; to be delivered mid 2017
- Miller Road – 270,016 SF spec building by DCT Industrial; rear load with 64 trailer parks and 32' clear height; to be delivered mid 2017
- McKinney Business Center – 178,532 SF (3 buildings) being developed by Ardent Companies; 24'-28' CH, targeting 6,000 to 40,000 SF tenants

LARGE EXISTING VACANCIES

- 601 Data Drive – 433,452 SF
- 2600 McCree Road – 428,561 SF
- 3310-3422 West Kingsley Road – 347,822 SF
- 3000 West Kingsley Road – 341,840 SF
- 1201 Big Town – 308,750 SF

SUBMARKET INTELLIGENCE

SOUTH DALLAS

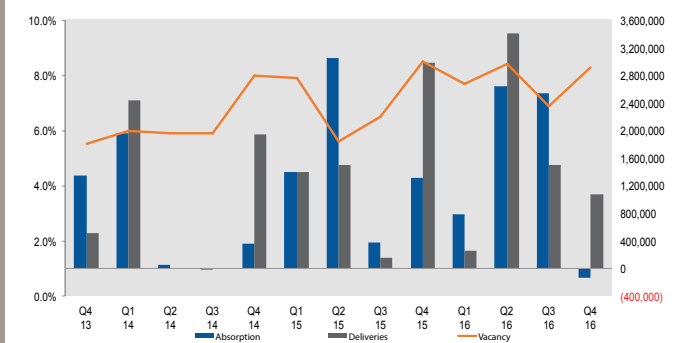


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HLC OUTLOOK

South Dallas Industrial submarket as surveyed is 115.6 M SF and is now 8.3% vacant which is 1.9% higher than reported in 3rdQ 2016. New construction is simply outpacing absorption. Despite the six (6) leases in new developments totaling 1,440,326 SF the South Dallas submarket experienced negative absorption of (189,546 SF) due to new developments outpacing leasing activity. In the 4thQ 2016 South Dallas delivered 2,295,235 SF of new bulk warehouse most notably the 1,075,260 SF spec in SouthPort Logistics Park (Interstate 45) and 920,275 SF with VanTrust on Dallas Avenue, and still has 5.85M SF remaining under construction. As expected, the southern corridors along I-20, I-35, and I-45 will continue to produce new opportunities for development but, the equilibrium needle between supply and demand is going to remain volatile as opportunity encounters adversity.

VITAL STATS



Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
-128,554	2,540,770	1,320,158
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
8.3%	6.9%	8.5%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
1,358,356	1,459,647	1,618,766
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
4,248,500	5,308,760	7,251,626
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
1,075,260	1,501,030	2,978,191

Source: CoStar 2016 4Q Industrial Report

TOP LEASE TRANSACTIONS

- Quaker leased 518,241 SF from Clarion at 800 Chalk Hill Road off Interstate 30
- Pratt Industries leased 294,000 SF from USAA at 9209 Old Hickory
- Makita purchased 227,000 sf from Scannell on I-45
- **HLC Deal** Sub-Zero Group, Inc leased 119,239 SF from PFG at 3400 N Houston School Road
- Capstone Global leased 117,000 sf from Medline on I-45
- Quality Control Distribution (QCD) leased 50,000 sf from VanTrust on Dallas Avenue

DEALS ON THE MARKET

- Dallas Core Distribution Portfolio – 1,544,840 SF two building project (Ulta & Kimberly-Clark) located in Mountain Creek, ProLogis is the seller.
- Southfield Park 35 Building 2 – 662,214 SF, USAA is the seller.

NEW DEVELOPMENTS

- Crossroads Trade Center Building 3 – 948,392 SF spec with Clarion/Hillwood (Interstate 35)
- VanTrust (DalParc I-20 Logistics) – 920,275 SF with VanTrust on Dallas Avenue
- Copeland Commercial – 900,043 SF at 3535 North Houston School Road
- SouthPointe 20/35 – 1,003,733 SF spec with Clarion (660,312 SF & 343,421 SF)

- Core 5 Industrial – 754,897 SF spec with Core 5 at 1200 West Wintergreen Rd (Interstate 45)
- LogistiCenter at Dallas – 620,038 SF spec with Dermody Properties on Bonnie View Road
- Park 20 – 468,300 SF with Huntington Industrial Partners on Houston School Road
- SouthPort Logistics Park – 394,860 SF spec (Interstate 45)
- Intermodal Business Center – 120,960 SF spec at Interstate 45 and Wintergreen Road

LARGE EXISTING VACANCIES

- Southport Parkway, Building 1 - 1,075,260 SF spec SouthPort Logistics Park (Interstate 45)
- 4601 Langdon Road (Commerce 20) – 488,565 SF spec with Hillwood
- Centre Park Boulevard (Eagle Park 20/35)- 454,408 SF spec with Ridgeline Property Group
- 2425 West Danieldale Road – 399,971 SF with TA Realty Associates
- 220 Danieldale Road – 382,288 SF with Bradford Companies
- 2700 S Westmoreland Road – 341,659 SF with NewQuest Properties
- 39324 Interstate 20- 308,379 SF spec with Trammell Crow/Prudential

SUBMARKET INTELLIGENCE

NORTHWEST DALLAS

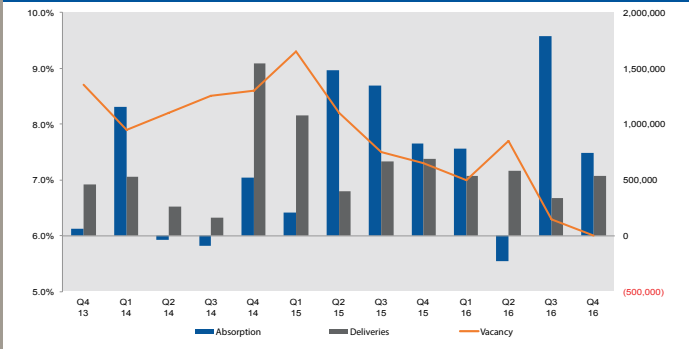


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HLC OUTLOOK

Over the past quarter, Northwest Dallas continued to prove to be one of the strongest submarkets in Dallas. The submarket posted a 6.0% vacancy rate which was an improvement over Q3 (6.3%). Construction activity continued to remain heavy with 2,304,849 SF of industrial space currently under construction. As the market continues to tighten, expect rates to continue to rise and rent concessions to continue to diminish. All indicators point to the market continuing to remain strong through beginning of 2017.

VITAL STATS



Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
740,328	1,789,123	822,364
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
6.0%	6.3%	7.3%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
1,527,559	1,837,653	1,668,967
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
2,304,849	2,369,447	2,161,683
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
534,598	338,355	686,985

Source: CoStar 2016 4Q Industrial Report

TOP LEASE TRANSACTIONS

- HLC Deal** Accent Foods leased 54,000 SF from ML Realty at 13801 Diplomat
- Builders First Source leased 68,250 SF from GLP at 1520 Selene
- Ryan's Luggage leased 38,189 SF GLP at 1808 Monetary Lane
- Revolution Retail leased 63,055 SF from Redhawk Communities at 1400 Valwood
- Seconds and Surplus leased 61,837 SF from IPT at 201 Marina Vista
- Kellog renewed their lease of 1,020,030 SF with Majestic Realty at 2710 Edmonds Lane

DEALS ON THE MARKET

- Texas Light Industrial – owned by Berkeley Capital. 347,218 SF of the 1,027,178 SF in Dallas Portfolio is located in Northwest Dallas.
- Hutton Court Commerce Center – Owned by Mountain West. 52,613 SF located in Northwest Dallas.

NEW DEVELOPMENTS

- 1310 Electronics (Valwood Corporate Center) – 2 buildings totaling to 517,518 SF to be delivered September 2017 with Prologis
- 1900 Lakeway Drive – 130,400 SF to be delivered June 2017 with Lincoln Advisory Group
- 1401 Gerault Road (Lakeside Ridge) – 102,350 SF to be delivered March 2017 with Crow Holdings
- Mercer Business Park Building 4 – 330,100 SF to be delivered June 2017 with Billingsley

LARGE EXISTING VACANCIES

- 2701 South Valley Parkway (Building 6)- 329,060 SF
- 2900 South Valley Parkway (Building 5) – 222,686 SF
- 700 Lakeside Parkway – 168,988 SF
- 514 Bennett Lane – 165,705 SF
- 4717 Plano Parkway – 155,898 SF
- 1001 West Crosby Road – 139,950 SF

SUBMARKET INTELLIGENCE

SOUTH STEMMONS

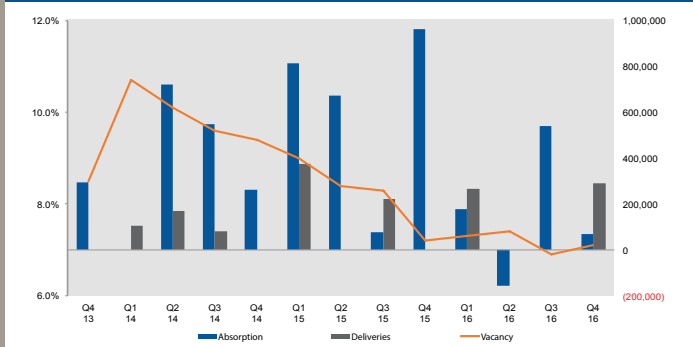


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HLC OUTLOOK

At the end of Fourth Quarter 2016, the South Stemmons industrial submarket posted a 2.96% vacancy rate. There continues to be a strong amount of leasing activity throughout the submarket for tenants between 10 – 50,000 square feet. As 2017 begins, rental rates are expected to continue to increase as the submarket becomes tighter due to lack of construction and tenants relocating from the spike in rental rates in the Design District. Since 2013, rents in the submarket have increased 25% for space under 50,000 SF. This is a key statistic as this size encompasses the majority of spaces in the submarket. Rental rates for 50,000 SF deals have increased into the high \$3/SF range and rates for 10,000 SF are now reaching \$5.00/SF start rates. 20-25,000 SF are creeping up into the low \$4's. I expect this trend to continue throughout 2017.

VITAL STATS



Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
67,656	540,294	964,391
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
2.9%	3.3%	3.7%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
1,105,935	1,032,950	1,147,399
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
518,241	810,441	264,413
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
292,200	-	-

Source: CoStar 2016 4Q Industrial Report

TOP TRANSACTIONS

- BKM leased 40,046 SF from EastGroup Properties at 10741 King William Drive
- XL Parts leased 16,560 SF from GLP at 11330 Indian Trail
- ML Realty Partners purchased Union Bower Business Park from Quadrant Investment Properties
- St. Clair Commercial Real Estate purchased 70,200 SF at 8607-8617 Ambassador Row from Clarion Partners

DEALS ON THE MARKET

- 4830 Lakawana – 78,000 SF located in the heart of Brookhollow.
- Lombardy Distribution Center – A five building project totaling 265,000 SF at Shady Trail and Lombardy. ARA is the seller.
- Mary Kay – Two buildings totaling 387,132 SF in West Brookhollow. Mary Kay is pursuing a Sale/Lease-back through the end of 2018.
- 1371-1375 Round Table – 43,597 SF building located off of Regal Row with 1.5 acres of land adjacent to the building.

LARGE EXISTING VACANCIES

- 10705 Newkirk – 38,000 SF
- 4650 Leston Avenue – 32,400 SF
- 2600 Perth Street – 24,262 SF
- 3216 Royalty Row – 23,180 SF
- 10601-10649 King William Drive – 20,480 SF
- 2624 Andjon – 20,000 SF

SUBMARKET INTELLIGENCE

NORTH FORT WORTH

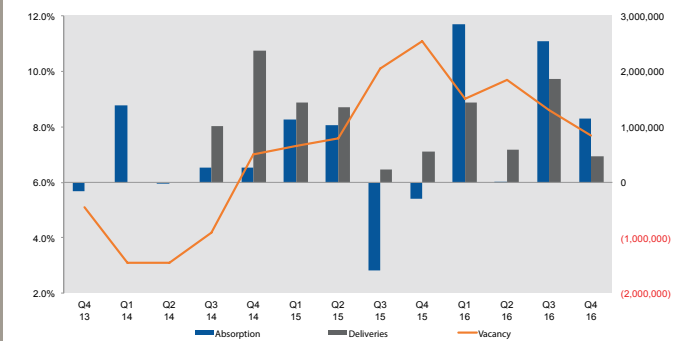


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HLC OUTLOOK

The North Fort Worth industrial submarket was able to maintain positive momentum by posting a fourth quarter vacancy of 7.7%, down from the 8.6% posted in the third quarter. Much of this can be attributed to a year-to-date net absorption figure of 6,546,644 SF which has perpetuated the growth of new developments with an additional 3.2 million square feet under construction. Expect to see continued positive absorption by bulk distribution users that prefer the transit amenities Alliance has to offer.

VITAL STATS



Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
1,153,459	2,543,651	(287,510)
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
7.7%	8.6%	11.1%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
1,053,435	1,088,557	1,263,867
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
3,201,066	3,061,075	4,542,304
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
476,259	1,870,500	559,367

Source: CoStar 2016 4Q Industrial Report

TOP LEASE TRANSACTIONS

- American Tire Distributors leased 756,000 SF from Hillwood at 300 Freedom Drive
- Saddleback Leather Company leased 36,000 SF from Sunlife at 600 Railhead Road
- Ventamatic, LTD leased 31,000 SF from Sunlife at 600 Railhead Road
- Mission Foods Corp leased 16,000 SF at 1806 Mony Street

DEALS ON THE MARKET

- Northbrook Center – 357,577 SF portfolio situated on 29.39 acres with Loop 820 visibility. Current occupancy of 85% - eight (8) tenants including Calcomp, Inc. and Williams Hayward.
- 3200 Meacham Boulevard – 129,509 SF situated on 6.37 acres partial I35 visibility. Currently occupied by Virbac Corporation who is under a 15-year lease.
- 8715 Harmon Road – 53,468 SF situated on 5 acres. Current owner/user is relocating to East Fort Worth.

NEW DEVELOPMENTS

- Hillwood Properties is currently underway with three new projects, Alliance Center North 15 (588,000 SF), Alliance Westport 18 (800,000 SF) and Alliance Westport 19 (360,000 SF), all scheduled to deliver in 2017.

- Havener Companies of Fort Worth is currently under construction on the Blue Mound Industrial Park consisting of approximately 14 buildings totaling 290,000 SF. Project is located at Blue Mound Road and Industrial Parkway in North Fort Worth.
- Ironwood Realty Partners, LLC is set to break ground on a 5 building, 2.8 million square foot industrial park located at the NW corner of I-35 and Golden Triangle Boulevard.
- Hunt Southwest recently broke ground on a 650,000 SF cross-dock facility at the south east corner of Northern Cross Boulevard and North Sylvania Avenue in Mercantile Submarket.

LARGE EXISTING VACANCIES

Alliance:

- 14901 North Beach Street – 1,111,500 Sf
- 1400 Intermodal Parkway – 800,280 SF
- 300 Gateway Parkway – 603,050 SF
- 5650 Alliance Gateway Freeway - 445,870 SF
- 4250 Dale Earnhardt Way – 349,425 SF

Railhead/Meacham/Mercantile:

- 900 Terminal – 473,104 SF
- 400 East Industrial Avenue – 299,000 SF
- 4601 Gold Spike – 183,832 SF
- 4630 North Beach Street – 187,000 SF

SUBMARKET INTELLIGENCE

SOUTH FORT WORTH

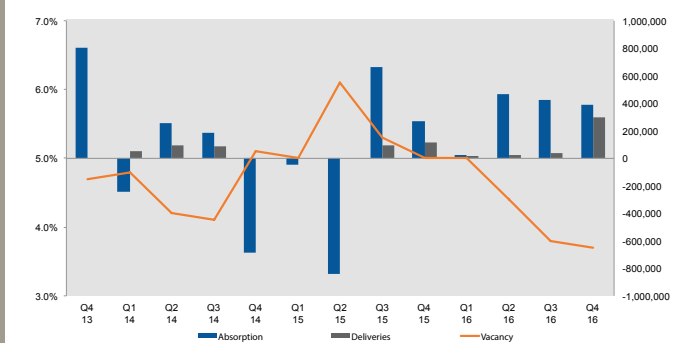


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HLC OUTLOOK

The South Fort Worth industrial submarket posted a fourth quarter vacancy of 3.7% for the second consecutive quarter, the lowest out of all DFW submarkets. This can be attributed to a net absorption figure of 1,308,632 sf for the year. With very little vacancy in the 50,000 sf and up size range in South Fort Worth, we anticipate seeing more new developments announced over the next year due to the lack of supply and increasing demand in South Fort Worth. Shallow Bay product remains very strong and in high demand; posting a vacancy rate of 2.0%. This marks the lowest of all product types in the South Fort Worth submarket.

VITAL STATS



Absorption	vs. Prev. Qtr	vs. 12 Mths Ago
386,471	427,794	267,928
Vacancy	vs. Prev. Qtr	vs. 12 Mths Ago
3.7%	3.8%	5.0%
Leasing Act.	vs. Prev. Qtr	vs. 12 Mths Ago
163,963	390,207	268,696
U/C SF	vs. Prev. Qtr	vs. 12 Mths Ago
193,000	475,500	229,994
Delivered SF	vs. Prev. Qtr	vs. 12 Mths Ago
301,500	34,927	116,900

Source: CoStar 2016 4Q Industrial Report

TOP LEASE TRANSACTIONS

- Texas Custom Commercial Floors leased 24,000 SF at 1501 Heritage Parkway
- 32,150 SF located at 9220 Oak Grove sold to a local investor
- 4 P Metals leased 23,000 SF at 3125 N. Main St. in Cleburne
- Servpro Logistics leased the remaining 40,625 SF at 6601 Will Rogers Boulevard

LARGE EXISTING VACANCIES

- 4900 Airport Freeway – 514,063 SF
- 6601 Oak Grove Road – 504,125 SF
- 2101 Reeves Place – 301,500 SF

DEALS ON THE MARKET

- TCRG Properties closed on 100 acres in South Fort Worth off Everman Parkway. Plans are to break ground in Q2 2017 on 525,000 SF
- Majestic Realty plans to break ground on approximately 280,000 SF in South Fort Worth on their Southland Business Park development in Q2 2017
- Crow Holdings Industrial has broken ground on 217,000SF and 250,000 SF cross dock facilities in Carter Industrial Park
- Crow Holdings Industrial plans to break ground in Q2 2017 on 217,000 SF and 250,000 SF cross dock facilities in Carter Industrial Park.



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