



**Average sales prices and capitalization rates for many of the Dallas/Ft. Worth commercial property sectors are well below those of the region and the nation. With an economy that is expected to grow, population that is expected to increase, and low unemployment, the market should see improvements.**

## Office

- Although still having the highest vacancy rate of the 48 metros RERC tracks, the Dallas/Ft. Worth fourth quarter 2006 office vacancy rate was lower than anytime since 2001. With absorption also increasing, expect rental rates to go up as well.
- RERC's transaction analysis indicates that Dallas/Ft. Worth office space is selling at an average price of \$119 per square foot, compared to regional and national average prices of \$130 per square foot and \$167 per square foot, respectively.
- RERC's transaction-based capitalization rate for the Dallas area office market is 7.3 percent, between the regional average of 7.4 percent and the national average of 7.2 percent.
- CCIM designees and candidates gave the Dallas office market a performance rating of 6.8 on a scale of 1 to 10, with 10 being high.

*The average capitalization rate for office properties in the Dallas area is in line with regional and national averages, and the average price per square foot is much lower. Increasing fundamentals, a robust economy, and strong expected population growth should cause prices for office properties to rise and push capitalization rates lower for the coming quarters.*

## Industrial

- The Dallas/Ft. Worth industrial market fundamentals were very healthy during fourth quarter 2006, with availabil-

ity rates lower and net absorption levels remaining steady.

- RERC's transaction analysis indicates that the average price per square foot of industrial space in the area is \$54 per square foot, while the regional and national averages are \$64 per square foot and \$83 per square foot, respectively.
- The average capitalization rate for the Dallas/Ft. Worth industrial sector is 7.4 percent, equal to the national average and just slightly higher than the regional average of 7.3 percent.
- CCIM designees and candidates gave the Dallas/Ft. Worth area industrial market a performance rating of 6.4 on a scale of 1 to 10, with 10 being high.

*Although the price per square foot for industrial space in the Dallas area is well below both regional and national averages, the capitalization rate is very comparable to both regional and national rates. With increasing fundamentals and a strong economy, the market should continue to improve, sale prices may increase, and capitalization rates may fall.*

## Retail

- RERC's transaction analysis indicates that retail space in the Dallas area is selling at an average price of \$124 per square foot, which was significantly lower than the national average of \$169 per square foot, as well as the regional average of \$140 per square foot.

## Apartment

- RERC's transaction analysis indicates apartments in the Dallas/Ft. Worth area are selling at an average price of \$55,788 per unit, significantly lower than the regional average of \$75,192, and nearly half the national average of \$107,833 per unit.

## Demographics & Economy

### Population:

2006 (est.): 6.1 million

2011 (proj.): 6.9 million

### Unemployment Rate:

Dallas/Ft. Worth - 4.0%

Texas - 4.1%

National - 4.5%

### Economic Performance Rating\*:

Dallas/Ft. Worth - 8.5

National - 6.5

*\*Rating given by CCIM designees and candidates in the study area, based on a scale of 1 to 10, with 10 high.*

- The capitalization rate for the Dallas retail market is 7.1 percent, equal to the regional average, and just slightly higher than the national average of 6.9 percent.
- Survey respondents gave the Dallas retail market an average performance rating of 6.5 on a scale of 1 to 10, with 10 being high.

*Once again, the average price for retail properties in the Dallas/Ft. Worth area was lower than both the regional and national averages, although the capitalization rate was comparable to the regional and national rates. This indicates that area retail properties may offer some upside potential. In addition, fundamentals should continue to increase as population increases and low unemployment is expected to continue, resulting in possible higher prices and declining capitalization rates.*

## National Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)

	Office	Industrial	Retail	Apartment	Hotel	Total
<b>Volume (in millions)</b>						
<\$2 million	\$2,307	\$4,047	\$4,070	\$5,669	\$220	\$16,312
\$2-5 million	\$3,910	\$5,701	\$6,222	\$5,910	\$926	\$22,668
>\$5 million	\$155,131	\$32,581	\$50,896	\$87,663	\$33,689	\$359,961
All	\$161,348	\$42,328	\$61,188	\$99,242	\$34,835	\$398,942
<b>Unit Price Averages</b>						
<\$2 million	\$103	\$68	\$103	\$92,566	\$53,998	-
\$2-5 million	\$167	\$96	\$216	\$128,810	\$59,767	-
>\$5 million	\$209	\$104	\$250	\$126,410	\$137,649	-
All	\$167	\$83	\$169	\$107,833	\$110,713	-
Median of all	\$137	\$66	\$123	\$86,170	\$82,776	-
<b>Capitalization Rates (All)</b>						
Range	4.7 - 10.5	4.8 - 11	4.4 - 10.4	3.8 - 10.6	5.7 - 12.3	3.8 - 12.3
Average	7.2	7.4	6.9	6.3	8.7	7.3

- The average capitalization rate for Dallas/Ft. Worth apartments is 7.0 percent, quite a bit higher than the regional and national averages.

- CCIM designees and candidates gave the Dallas/Ft. Worth apartment market an average performance rating of 6.5 on a scale of 1 to 10.

*Unlike other property sectors, the Dallas/Ft. Worth apartment market is seeing a higher capitalization rate than the regional and national average rates. However, the average price per unit is well below the national and regional average prices. With the area expected to see healthy population growth over the next 5 years, demand for rental units should increase, possibly strengthening fundamentals, increasing prices, and lowering capitalization rates.*

### Hotel

- RERC's transaction analysis indicates that hotel properties in the Dallas/Ft. Worth area are selling for an average price of \$88,875 per unit, much lower than the regional average of \$94,532 and the national average of \$110,713 per unit.

- The average capitalization rate for the Dallas/Ft. Worth hotel market is 8.8 percent, comparable to the regional and national averages.

*Given a capitalization rate that is very comparable to regional and national averages, and a unit price that is lower than regional and national levels, the Dallas hotel market presents some upside potential.*

## South Region Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)

	Office	Industrial	Retail	Apartment	Hotel	Total
<b>Volume (in millions)</b>						
<\$2 million	\$624	\$1,016	\$1,310	\$924	\$68	\$3,940
\$2-5 million	\$938	\$1,223	\$2,081	\$1,073	\$330	\$5,646
>\$5 million	\$25,735	\$7,093	\$13,161	\$23,008	\$8,648	\$77,644
All	\$27,256	\$9,281	\$16,472	\$24,975	\$9,031	\$87,015
<b>Unit Price Averages</b>						
<\$2 million	\$96	\$57	\$99	\$62,693	\$65,336	-
\$2-5 million	\$147	\$72	\$181	\$73,179	\$60,230	-
>\$5 million	\$153	\$77	\$183	\$90,463	\$109,868	-
All	\$130	\$64	\$140	\$75,192	\$94,532	-
Median of all	\$112	\$54	\$106	\$60,648	\$82,562	-
<b>Capitalization Rates (All)</b>						
Range	4.9 - 10.5	4.8 - 9.8	4.8 - 9.3	4.1 - 9.3	6.2 - 11.8	4.1 - 11.8
Average*	7.4	7.3	7.1	6.5	8.9	7.4

Dallas Transaction Breakdown (Jan. 1, 2006 – Dec. 31, 2006)						
	Office	Industrial	Retail	Apartment	Hotel	Total
<b>Volume</b>						
<\$5 million	\$99	\$81	\$540	\$307	\$11	\$1,038
>\$5 million	\$4,811	\$846	\$2,400	\$2,246	\$800	\$11,102
All	\$4,909	\$927	\$2,940	\$2,553	\$811	\$12,140
<b>Unit Price Averages</b>						
<\$5 million	\$93	\$43	\$106	\$44,543	\$26,561	-
>\$5 million	\$131	\$68	\$172	\$73,537	\$95,611	-
All	\$119	\$54	\$124	\$55,788	\$88,875	-
Median of all	\$104	\$44	\$90	\$38,119	\$82,776	-
<b>Capitalization rates (all)</b>						
Range	5.5 - 9.1	5.6 - 9.3	5.3 - 8.9	5.3 - 8.8	6.6 - 11	5.3 - 11
Average	7.3	7.4	7.1	7.0	8.8	7.5

NCREIF Real Estate Index Returns – 4Q 2006					
	Office	Industrial	Retail	Apartment	Average
<b>Total Returns:</b>					
1-Year Rate	14.70%	12.30%	17.00%	13.50%	14.20%
3-Year Rate	12.40%	12.20%	17.30%	11.20%	12.80%
5-Year Rate	7.60%	9.30%	15.40%	9.10%	9.60%
10-Year Rate	10.00%	10.10%	12.60%	8.90%	9.90%
15-Year Rate	8.50%	9.60%	8.70%	9.10%	8.90%
<b>Income Return</b>					
1-Year Rate	6.50%	6.60%	6.70%	5.70%	6.40%
3-Year Rate	7.00%	7.10%	7.10%	5.70%	6.80%
5-Year Rate	7.60%	7.80%	7.70%	6.10%	7.30%
10-Year Rate	8.20%	8.50%	8.50%	7.20%	8.00%
15-Year Rate	8.90%	9.00%	8.30%	7.80%	8.50%
<b>Allocation</b>					
	Office	Industrial	Retail	Apartment	Other
1-Year Average	30%	27%	14%	27%	2%
3-Year Average	31%	29%	15%	24%	1%
5-Year Average	30%	30%	13%	26%	1%
10-Year Average	31%	29%	12%	28%	0%
15-Year Average	28%	30%	17%	24%	1%

Sources: RERC and National Council of Real Estate Investment Fiduciaries

## Noteworthy Transactions

- Turtle Creek Villas, a 331-unit apartment property located at 2217 Ivan St., sold for \$61.1 million, or approximately \$184,590 per unit – more than double the average price of \$73,537 per unit for apartment properties selling in this price range.
- A portfolio comprised of more than 1 million square feet of industrial space sold for approximately \$88.5 million, or around \$85 per square foot, well above the average sale price of \$68 per square foot for industrial properties selling in excess of \$5 million.
- The 324,569-square-foot retail center, Casa Linda Plaza, sold for \$40 million, or \$123 per square foot, much less than the average price of \$172 per square foot for retail properties selling for more than \$5 million.
- The Bank One Center, located at 1717 Main St. and containing 1.5 million square feet, sold for \$216 million, or approximately \$145 per square foot, slightly more than the average price of \$131 per square foot for office properties in this price category.
- The Renaissance Tower, a 1.7 million-square-foot office building, sold for \$138.9 million, or \$80 per square foot, well below the average of \$131 per square foot for office space selling for more than \$5 million.