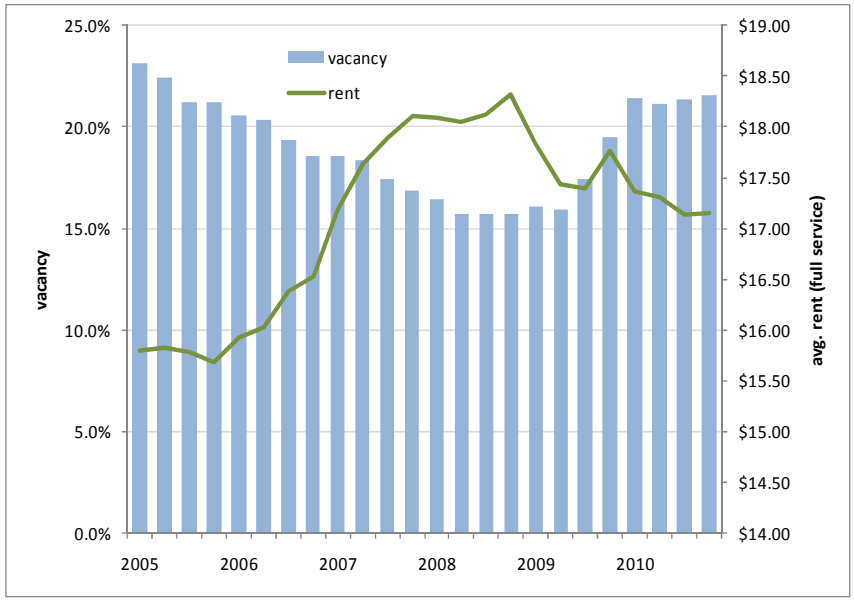
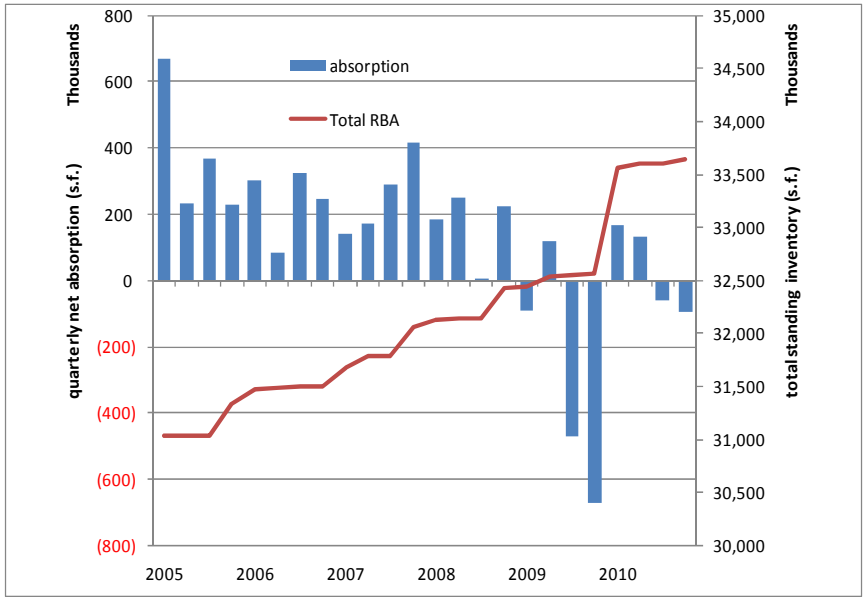
Trade Area Office Supply Trends

Rents and Vacancy



Inventory and Absorption



The Trade Area has just under 34 million square feet of office space.

Vacancy rates in the Trade Area have increased over the past three years, from 16% to nearly 22% in Q4 of 2010.

Over that same three-year period, asking rents have also declined, from over $18.00 to $17.15 per square foot in the current quarter.

Source: Costar Inc.; and Leland Consulting Group.

Trade Area Office Supply Conditions: Garland vs. Trade Area

Office Market Comparison: Garland vs. Trade Area (Q4- 2010)

	City of Garland	Trade Area
Total inventory	2,447,593	33,642,714
Pct. vacant	13.6%	21.6%
2010 YTD net absorption	-6,946	143,049
Average NNN rent (incl. sublet)	$17.59	$17.15
Pct. Class A (among properties over 50K s.f.)	0.0%	31.0%
Average Age (yrs.)	30.2	26.7

Garland is host to just 7.3% of the total Trade Area office space inventory.

In Garland, 2/3 of all inventory in buildings over 15,000 square feet was constructed prior to 1985, while inventory constructed prior to 1980 accounts for 30% of Garland's office stock.

Although its properties are somewhat older on average, Garland's office space offers comparable lease rates and enjoys lower vacancy rates than the Trade Area overall.

The 73,000-square foot Class B building -- Garland Plaza IV -- leads Garland and the Trade Area in reported annual average weighted rent at $29 per square foot.

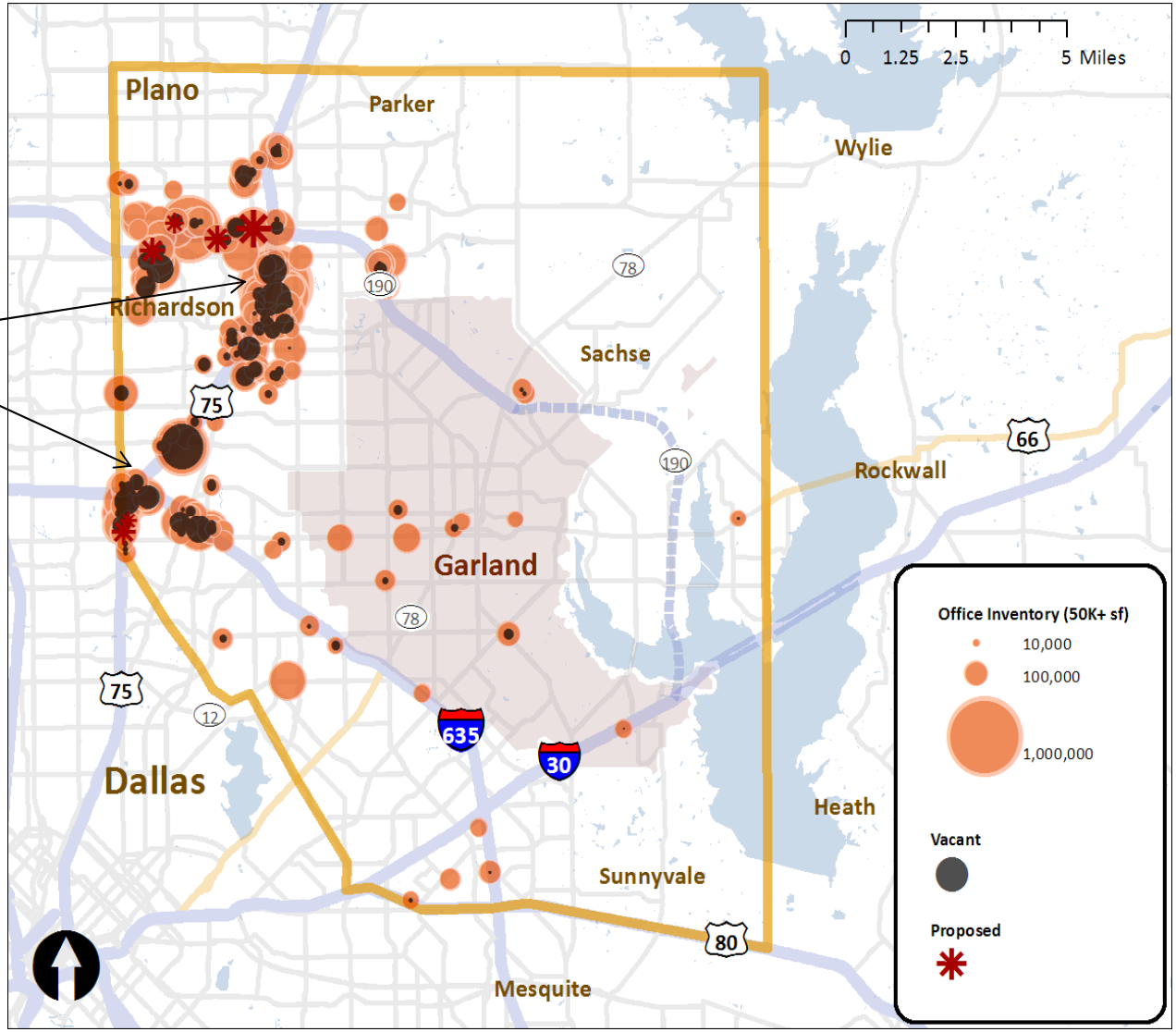
Raytheon's 130,000-square foot office building is Garland's largest.

Office Inventory and Vacancies - Trade Area

The map presented here shows both total office space, in orange, and vacant space, in black, among properties over 10,000 square feet in the Trade Area.

Garland is comparatively underdeveloped as an office market, with most Trade Area space falling along US 75 through northeast Dallas, Richardson and southern Plano, as well as along the I-635 corridor between Coit Road and Whitehurst / Abrams Road.

Little office inventory shows up east of central Garland. Future initiatives to grow office concentrations in Garland may want to capitalize on under-served areas that present positive host environments for flexible space not currently available elsewhere in either in the city or Trade Area.



Source: Costar, Inc.; and Leland Consulting Group.

10-Year Office Demand – Garland Trade Area

Industry	Est. 2010 Employees (Wage & Salary)	Est. Growth Rate	Est. 2020 Employees
Agriculture (All)	3,492	0.3%	3,598
Mining (All)	674	2.5%	863
Construction (All)	24,032	1.2%	27,077
Manufacturing (All)	44,134	0.3%	45,476
Transport, Comm./Util.	25,184	0.8%	27,273
Wholesale Trade (All)	24,964	0.5%	26,241
Retail (All Retail)	91,919	0.8%	99,543
Finance (All)	32,595	1.3%	37,089
Services			
Hotel & Lodging	2,191	1.6%	2,568
Personal Services	20,814	1.4%	23,918
Business Services	48,688	1.6%	57,064
Movie/Amusement	7,667	1.2%	8,639
Health Services	31,999	1.9%	38,626
Legal Services	2,467	1.6%	2,891
Educational Svcs.	28,387	1.8%	33,931
Social Services	9,411	1.6%	11,030
Misc & Orgs	17,274	1.3%	19,656
Public Administration	13,329	1.3%	15,167
Totals	**429,223**	**1.1%**	**480,650**

At a 1.1% projected overall employment growth rate, the Trade Area should experience growth of over 51,000 new jobs by 2020.
(Note: Caution should be given to the potential near-term impacts caused by the national economic crisis.)

The continued addition of Raytheon engineering employment needs will bode well for high-tech aggregation jobs, especially near their facility in west Garland.

10-Year Office Attainable Capture – City of Garland

Industry	10-yr. Proj. Employment Growth	Est. Pct. In Office Space	Est. s.f. per employee	10-yr. Growth in Required Space (s.f.)	10-yr. Demand Including Replacement
Agriculture (All)	106	5%	250	1,327	2,637
Mining (All)	189	10%	250	4,720	5,226
Construction (All)	3,045	8%	250	60,894	75,313
Manufacturing (All)	1,342	10%	250	33,551	66,651
Transport, Comm./Util.	2,089	25%	250	130,552	177,772
Wholesale Trade (All)	1,277	5%	250	15,959	25,320
Retail (All Retail)	7,624	5%	250	95,300	129,770
Finance (All)	4,494	95%	250	1,067,343	1,299,585
Services					
Hotel & Lodging	377	5%	250	4,712	5,533
Personal Services	3,105	10%	250	77,613	93,224
Business Services	8,376	80%	250	1,675,132	1,967,262
Movie/Amusement	971	8%	250	19,428	24,028
Health Services	6,627	40%	250	662,682	758,678
Legal Services	424	95%	250	100783.8791	118359.8518
Educational Svcs.	5,544	15%	250	207,901	239,836
Social Services	1,619	45%	250	182,129	213,891
Misc & Orgs	2,382	15%	250	89,314	108,748
Public Administration	1,838	25%	250	114,858	139,850
Totals	**51,427**			**4,544,198**	**5,451,684**

Projected Trade Area job growth could result in 4.5 million square feet of new office demand by 2020 (again, assuming a timely recovery from the current national economic crisis).

This total could approach 5.5 million square feet if some replacement of obsolete space is also realized.

At a 10% capture rate, the **City of Garland could absorb approximately 545,000 square feet of new office space over 10 years.**

Completion of more detailed analyses of viable industry groups and clusters, will provide the basis for recommendations on specific facility and infrastructure needs.

Implications for Economic Development - Office

- As discussed, Garland is a relatively underdeveloped office market. Garland contains just 7% of the Trade Area office inventory, but 25% of Trade Area employees. Class “A” office space has chosen to concentrate along the U.S. 75 and Interstate 635 Corridors, with remaining office concentrations in the Trade Area offering primarily Class “B” and “C” locations.

- Although Garland’s office stock is somewhat older than the Trade Area, it offers comparable lease rates and enjoys lower vacancies. This is likely indicative of a secondary office location providing less expensive space in a “close-in” market. With the Trade Area office market focused on the U.S. 75 and Interstate 635 Corridors, Garland represents an opportunity for easy access to those areas at a more reasonable price. Instead of the “100% location”, Garland has thus become the “80% location”.

- Going forward, the City has a couple of significant economic development opportunities for office space. One is the continued development of the PGBT Corridor, particularly where existing anchors have already been developed. The Baylor Medical Center area, for example, could accommodate a growing medical employment district, with supporting industries and land uses in close proximity. Secondly, the City has the opportunity to expand and diversify employment opportunities within the Transit-Oriented Development (TOD) areas. These areas could accommodate redevelopment and new development growth in the form of Class A and B office space, mixed with residential and retail. Live/work opportunities could also be accommodated in the Downtown area, where a level of “walkable urbanity” already exists.

- Garland’s expansive industrial base could also offer opportunities for supporting office space development, especially in the southern portion of the City (along Interstates 635 and 30). These areas may offer the opportunity to expand the City’s office base, while potentially eliminating under-performing commercial space.