

A MONTHLY BRIEFING

In this issue of *D Economy*, read about a new luxury apartment building being built near UT Southwestern and the future DART light rail station (page 2). Also, learn about the increase in Dallas payroll employment in December (page 3) and review the year-end statistics on Dallas' commercial properties (page 4).

NEW INNOVATIVE TIF DISTRICT WILL HELP TO REVITALIZE THE LANCASTER CORRIDOR

The City of Dallas recently combined two programs — tax increment financing (TIF) and transit-oriented development (TOD) — to support the growth of the Lancaster corridor in southern Dallas. The recently created TOD TIF District is the result of four years of collaboration between the city and multiple stakeholders including DART, SMU, the Dallas Veterans Hospital, the Urban League and local development groups.

TIF districts allow the city to invest increased tax revenue from new private investment in the district back into the same area. The City of

Dallas currently administers 18 TIF districts. The TOD TIF District includes three major hubs along the DART rail line starting at the Lovers Lane/Mockingbird area, south through the Cedars West area/8th & Corinth station and along the Lancaster corridor from the Illinois station to the VA station (Figure 1). The district encompasses 559 acres. During the 30-year life of the TIF, property values are expected to increase from \$320 million to \$3.52 billion.

Dallas has found that successful TIF districts need catalyst projects. Two mixed-use projects being developed by Prescott Realty Group near the planned George W. Bush Presidential Library at SMU will serve as initial projects for the TIF District. Future projects will also generate revenue that will help to enhance the commercial vitality of southern Dallas. Linking station areas facilitates a tax revenue sharing arrangement that stimulates Lancaster Corridor development and provides support for the Mockingbird/Lovers Lane and Cedars West/8th & Corinth areas for improvements that would not otherwise occur.

The new TOD TIF District will support the development of a pedestrian-friendly mixed-use environment and will increase transit ridership along the DART corridor. It will also attract an estimated 1.5 million square feet of retail space, 1.2 million square feet of office space, 9.5 million square feet of residential space and 370,500 square feet of hotel space. Additionally, funding will support improvements to infrastructure needed to facilitate private investment.

The TOD TIF is one way the city is working to leverage investment in the DART light rail system, improve property values and visual aesthetics and create job opportunities in southern Dallas. The program will create new transit-oriented destinations and help to stimulate investment in southern Dallas.

Figure 1.
The Transit-Oriented Development TIF District



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Center City News

- The Allen Group, the developer of the Dallas Logistics Hub, relocated its corporate headquarters and executive staff from San Diego to downtown Dallas (Council District 14). The company credits Dallas' business-friendly climate and strong labor force for the move. SOURCE: DALLAS MORNING NEWS, JANUARY 6, 2009.
- Forest City Enterprises celebrated the renovation of "The Merc," the former Mercantile National Bank Tower downtown, in January (Council District 14). Redesigned as a 213-unit apartment tower with retail space, residents begin moving in in February. SOURCE: DALLAS MORNING NEWS, JANUARY 10, 2009.
- The Central Dallas Community Development Group received a grant from the Citi Foundation Partners in Progress Program to revamp the former Cabana Motor Hotel and former Decker Jail into a 200-unit multifamily housing development for the homeless. (Council District 2). SOURCE: DALLAS BUSINESS JOURNAL, JANUARY 13, 2009.
- 1717 McKinney, an office tower developed by Granite Properties, has been pre-certified at the gold level by the U.S. Green Building Council's Leadership in Energy and Environmental Design (Council District 14). It is the first high-rise in Dallas to receive this designation. SOURCE: DALLAS MORNING NEWS, JANUARY 29, 2009.
- Chef Wolfgang Puck is opening his Five-Sixty restaurant atop Reunion Tower in February (Council District 2). It seats 124 and enjoys a panoramic view of the city. SOURCE: DALLAS MORNING NEWS, JANUARY 20, 2009.

Southern Dallas News

- Dallas-based Methodist Health System plans to build eight to ten new family health centers. One of the centers will serve the North Oak Cliff, Kessler Park, and Stevens Park areas and will be located near the main hospital campus. It will serve as an anchor for the Bishop Arts Plaza. SOURCE: DALLAS BUSINESS JOURNAL, JANUARY 9, 2009.
- Advanced H2O LLC leased 313,000 square feet of space at the Dallas Logistics Hub for a new bottling and distribution center (Council District 8). The company plans to create 100 new jobs that pay an average of \$18 to \$20 per hour. SOURCE: DALLAS BUSINESS JOURNAL, JANUARY 23, 2009.

Business News

- Colo4Dallas LP will expand its 28,000 square foot data center to include an additional 30,000 square feet of space, and the company has also earmarked another 38,000 square feet for future expansion (Council District 6). Colo4Dallas sees strong demand for its data centers, despite weaknesses in the economy. SOURCE: DALLAS BUSINESS JOURNAL, JANUARY 9, 2009.
- Dallas-based HKS Architecture, Inc., one of the nation's largest architecture firms, is forming a new business group for master planning, mixed-use projects and urban and sustainable design (Council District 14). The firm's master planning work has doubled in the last year. SOURCE: DALLAS MORNING NEWS, JANUARY 14, 2009.
- Global Net Access, LLC, owner of AtlantaNAP and NetDepot, announced the creation of DallasNAP, a facility that will provide a location for its NetDepot line of data servers (Council District 6). General availability is expected by February 15. SOURCE: PRNEWS-WIRE.COM, JANUARY 22, 2009.

Real Estate News

- Developer Trammell Crow Residential is building the Alexan Southwestern, a 396-unit luxury apartment development near the UT Southwestern Medical Center (Council District 2). The development is close to the DART station and the Parkland Hospital expansion and is scheduled to open in April. SOURCE: DALLAS BUSINESS JOURNAL, JANUARY 9, 2009.
- According to the PMI Group, the Dallas area is least likely of all metro regions to have lower home prices two years from now. PMI has rated Dallas as a low-to-minimal price risk for more than a year, placing decline risk at less than 1 percent. SOURCE: DALLAS MORNING NEWS, JANUARY 14, 2009.
- Homevestors named Dallas the top city in the country for investing in 2008. Also included were the cities of Houston, Fort Worth and San Antonio. SOURCE: FORT WORTH STAR TELEGRAM, JANUARY 16, 2009.
- Contractor Cadence McShane Construction Co. is building a four-story, 92,000 square-foot medical office on North Central Expressway near Royal Lane. (Council District 13) It will include an ambulatory surgery center and is expected to be complete by December. SOURCE: DALLAS MORNING NEWS, JANUARY 20, 2009.

Employment

The unemployment rate in the City of Dallas, the state and the metropolitan statistical area (MSA) all grew by 0.1 percent from November to December 2008. For Dallas, the rate grew from 6.2 percent to 6.3 percent. The state and the MSA grew from 5.6 percent to 5.7 percent and from 5.7 percent to 5.8 percent, respectively. In comparison, the nation's unemployment rate experienced a large increase of 0.6 percentage points, growing to 7.1 percent (Table 1).

While the labor force in the city decreased, the number of unemployed persons grew. The decrease in the labor force was 0.4 percent, or a reduction of 2,602 persons. On the other hand, the number of unemployed persons increased by 116 persons, or 0.3 (Table 2).

The unemployment rate in the city continued to either beat or match the national unemployment rate for the eleventh consecutive month. The city outperformed the nation by a 0.8 percentage point positive gap in December (Figure 2).

The number of persons both employed and living in the city is 566,652 and is shown in Figure 3. This number is lower than the November 2007 post-recession high value of 569,249. This is the second time in four months that employment has fallen below the post recession value.

Dallas payroll employment levels (jobs in Dallas that could also be held by non-residents) grew for the month of December. Initial Office of Economic Development estimates show that payroll employment increased by 0.8 percent annualized in December to over 1.091 million, which follows November's revised total of just under 1.091 million. All sectors, with the exception of three, experienced job growth. Trade, Transportation and Utilities had the largest increase in jobs with a total of 1,784.

Moses Pologne

Table 1.
ANNUAL UNEMPLOYMENT RATES

	2008 Dec	2008 Nov	Point Change
City of Dallas	6.3	6.2	0.1
DFW MSA	5.8	5.7	0.1
Texas	5.7	5.6	0.1
U.S.	7.1	6.5	0.6
Largest U.S. Cities Avg.*		8.51	

Table 2.
CITY OF DALLAS LABOR FORCE (PERSONS)

	Unem- ployed	Labor Force
2008 Dec	38,129	604,781
2008 Nov	38,013	607,383
Change	116	-2,602
% Change	0.3	-0.4

SOURCE: TEXAS WORKFORCE COMMISSION, U.S. BUREAU OF LABOR STATISTICS, VALUES NOT SEASONALLY ADJUSTED.
* LARGEST U.S. CITIES EXCLUDING DALLAS ARE: NEW YORK, LOS ANGELES, CHICAGO, HOUSTON, PHOENIX, PHILADELPHIA, SAN ANTONIO, SAN DIEGO, SAN JOSE AND DETROIT.

Figure 2.
CITY OF DALLAS—U.S. UNEMPLOYMENT GAP

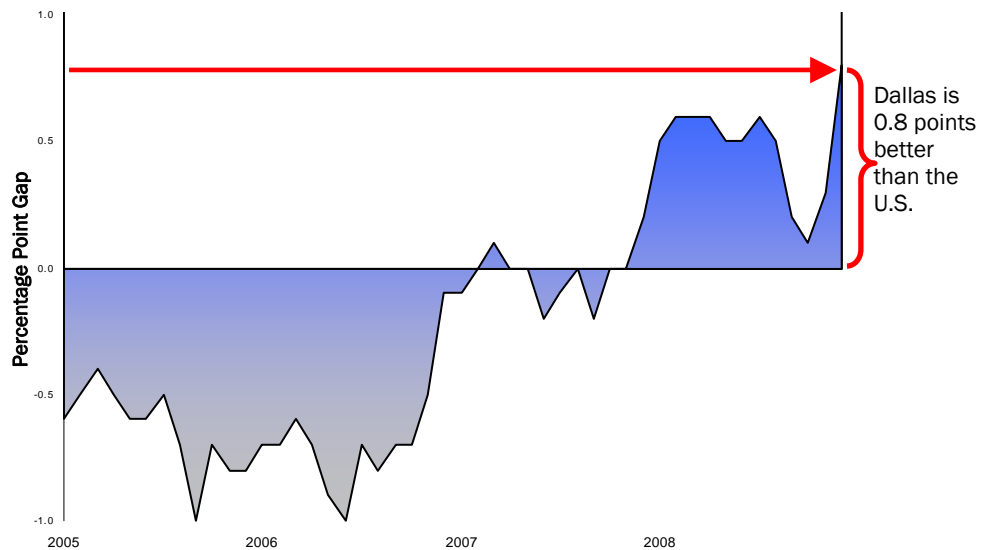
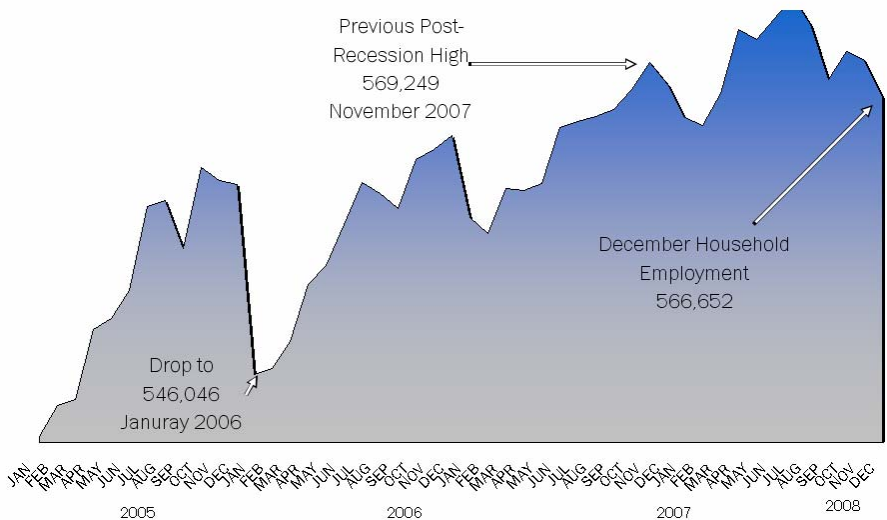


Figure 3.
CITY OF DALLAS EMPLOYMENT



CITY OF DALLAS 2008 YEAR-END COMMERCIAL REAL ESTATE UPDATE

Product Type	Total Inventory (Sq. Ft)	Vacancy Rate (%)	Total Net Absorption (Sq. Ft)	Rental Rate (\$/SF/YR)	Under Construction (Sq. Ft)
■ Total Office Citywide					
Q4 2008	131.5 M	17.9	535,813	\$20.13	922,997
Q4 2007	130.4 M	18.5	574,639	\$19.60	552,327
Change	+1.1 M	-0.6 points	-38,826	+\$0.53	+370,670
■ Office Class A Citywide					
Q4 2008	59.6 M	18.4	461,446	\$23.85	922,997
Q4 2007	58.3 M	17.4	125,555	\$23.37	552,327
Change	+1.3 M	+1.0 points	+335,891	+\$0.48	+370,670
■ Office Class B Citywide					
Q4 2008	55.6 M	19.8	65,314	\$16.95	0
Q4 2007	55.7 M	21.6	397,474	\$16.56	0
Change	-100,426	-1.8 points	-332,160	+\$0.39	0
■ Office Class C Citywide					
Q4 2008	16.3 M	10.0	9,053	\$16.43	0
Q4 2007	16.4 M	12.0	51,610	\$15.62	0
Change	-43,413	-2.0 points	-42,557	+\$0.81	0
■ Total Central Business District Office					
Q4 2008	35.7 M	20.5	-1,318	\$19.56	0
Q4 2007	35.7 M	20.5	-143,149	\$19.28	0
Change	0	0	+141,831	+\$0.28	0
■ Industrial/Flex Citywide					
Q4 2008	210.1 M	6.9	60,022	\$4.26	433,100
Q4 2007	209.3 M	7.0	745,344	\$4.53	20,000
Change	+758,994	-0.1 points	-685,322	-\$0.27	+413,100

Source: Costar.