



Office Market Overview

The Triangle's overall net absorption totaled positive 279,405 square feet in first quarter 2014. This optimistic start to the new year was driven mainly by Class B office buildings with a net absorption of positive 248,547 square feet while Class A experienced a less dramatic change at positive 30,858 square feet. Most of the Class B absorption can be attributed to new deliveries in the market. Total vacancy in the Triangle actually increased 10 basis points to 14.7 percent over fourth quarter 2013, but vacancy rates are still 60 basis points lower as compared to first quarter last year.

Downtown Durham experienced the highest net absorption of all the submarkets at positive 222,158 square feet due to the delivery of the new Class B Human Complex Services building totaling 244,279 square feet that is now 100 percent occupied by Durham County Government. Among the suburban submarkets, South Durham, Six Forks Falls of Neuse, and Glenwood/Creedmoor all had significant move-ins during first quarter. In South Durham, the U.S. Social Security Administration moved into approximately 10,500 square feet in the Valley View Building at 3511 Shannon Road in February. A new Class B office condominium building was delivered in the Six Forks Falls of Neuse submarket totaling 25,061 square feet and is now 100 percent occupied by multiple tenants. Phillips Architecture recently moved from their space on Navaho Drive, that they have occupied for 23 years, and became the first tenant to move into space at the recently purchased and newly renovated Northchase office park on Six Forks Road. In the Glenwood/Creedmoor area, Cushman & Wakefield/Thalhimer commercial real estate firm moved out of North Hills and expanded into roughly 9,500 square feet in Crabtree Overlook. On the contrary, the Cary submarket experienced significant negative net absorption as Dex Media moved out of 65,000 square feet in the Weston I building, their former headquarters, where they will continue to lease approximately 40,000 square feet.

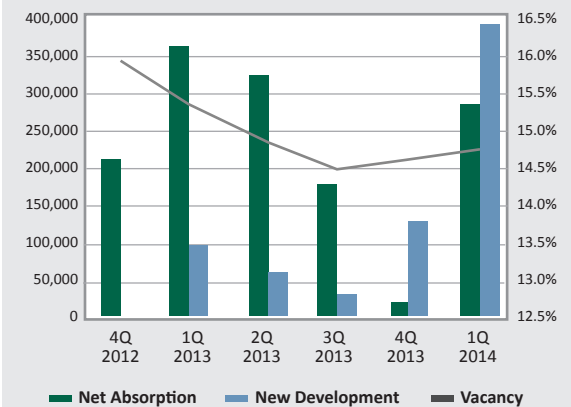
Nearly 1 million square feet of new leases were signed in the Triangle during first quarter 2014. Lenovo was involved in the largest transaction of the quarter in the RTP/RDU submarket; occupying roughly 460,000 square feet come July in the former Sony Ericsson buildings recently purchased by Rubenstein Partners located at 7001 and 8001 Development Drive. They are also planning to build out an additional 30,000 square feet before the project is complete. In Downtown Raleigh, the law firm of Womble Carlyle Sandridge & Rice signed a lease for the top two floors of the South Tower under construction at Charter Square located at 555 Fayetteville Street. The law firm will be downsizing into approximately 44,000 square feet in January 2016 once their existing lease expires at Wells Fargo Capitol Tower. HDR Engineering will also be moving into 22,000 square feet on the ninth floor at Charter Square in June of next year. The South Tower building is now 41 percent pre-leased which leads some to wonder if construction on the twenty story tower planned next door could follow closely behind. Geomagic will be moving into 22,000 square feet in the Weston I building in Cary in June and Hedrick Gardner will be moving into nearly 20,000 square feet at GlenLake Five in February of 2015.

The Triangle was recently named by Forbes as the second fastest growing city in the United States. The outlook is positive as more companies relocate to the area drawn by a highly educated population and the low cost of doing business.

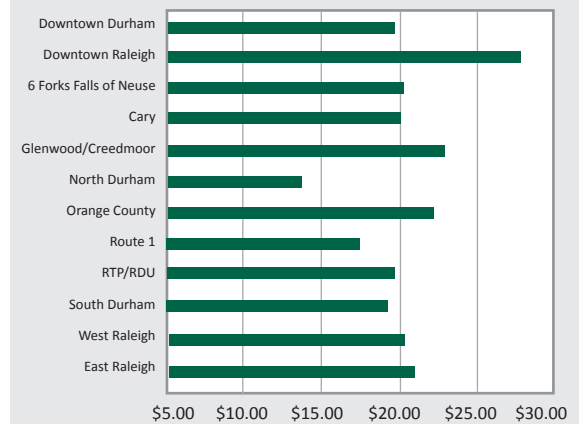
MARKET STATISTICS

	1Q 2014	4Q 2013	FORECAST
Market Supply (SF)	51,617,243	51,222,903	▲
Under Construction (SF)	861,730	1,013,101	▲
Direct Vacancy (%)	14.1%	14.1%	▼
Total Vacancy (%)	14.7%	14.6%	▼
Total Net Absorption (SF)	279,405	28,822	▲
YTD Net Absorption (SF)	279,405	899,668	▲
Direct Asking Rent	\$20.30	\$19.65	▲
Class A Direct Asking Rent	\$22.52	\$21.78	▲
Class B Direct Asking Rent	\$18.43	\$17.78	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET ASKING RATES - 1Q 2014



Source: CoStar; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	1Q 2014 Absorption	YTD 2014 Absorption	Completions	Construction	Asking Rates
DOWNTOWN DURHAM	3,736,080	171,628	4.6%	222,158	222,158	244,279	0	\$19.03
DOWNTOWN RALEIGH	4,371,417	225,165	5.2%	10,279	10,279	125,000	242,969	\$27.53
URBAN TOTALS	8,107,497	396,793	4.9%	232,437	232,437	369,279	242,969	\$25.59
6 FORKS FALLS OF NEUSE	5,645,021	785,737	13.9%	31,160	31,160	25,061	0	\$20.60
CARY	6,032,524	737,225	12.2%	(61,101)	(61,101)	0	0	\$20.14
GLENWOOD/CREEDMOOR	2,286,024	175,332	7.7%	31,986	31,986	0	167,000	\$23.75
NORTH DURHAM	921,480	406,545	44.1%	523	523	0	0	\$13.38
ORANGE COUNTY	1,652,618	179,277	10.8%	15,883	15,883	0	0	\$22.61
ROUTE 1	2,196,121	238,161	10.8%	4,443	4,443	0	0	\$17.49
RTP/RDU	12,688,889	3,564,619	28.1%	2,792	2,792	0	451,761	\$19.73
SOUTH DURHAM	3,674,392	362,803	9.9%	44,501	44,501	0	0	\$18.86
WEST RALEIGH	7,421,453	758,454	10.2%	(25,719)	(25,719)	0	0	\$20.82
EAST RALEIGH	991,224	8,500	0.9%	2,500	2,500	0	0	\$21.11
SUBURBAN TOTALS	43,509,746	7,216,653	16.6%	46,968	46,968	25,061	618,761	\$19.70
RALEIGH TOTALS	51,617,243	7,613,446	14.7%	279,405	279,405	394,340	861,730	\$20.19

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	277	29,559,235	3,318,304	11.2%	30,858	\$22.18
Class B	387	22,058,008	4,295,142	19.5%	248,547	\$18.39
MARKET TOTALS	664	51,617,243	7,613,446	14.7%	279,405	\$20.19

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Crescent Green (3 buildings)	Cary	248,832	\$37,300,000	\$150.00
2635 Meridian Parkway	South Durham	61,743	\$6,400,000	\$104.00
Sunset One & Two	West Raleigh	38,000	\$5,000,000	\$132.00
Former Reichhold HQ/Sony Ericsson	RTP/RDU	322,000	\$17,000,000	\$53.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
DHHS (NC Fast)	Research Commons	RTP/RDU	96,500	New
Ellis & Winters LLP	GlenLake Five	Glenwood/Creedmoor	20,000	New
Merritt, Webb, Wilson & Caruso PLLC	Meridian CC	South Durham	17,500	Renewal
Moore & Van Allen	Perimeter Three	RTP/RDU	17,267	New
CBRE	Charter Square	Downtown Raleigh	12,000	New

About Lincoln Harris

Lincoln Harris, an affiliate of Lincoln Property Company, is a full-service corporate real estate company focused on development, commercial brokerage, corporate real estate services, retail services, land services, project services, property management and asset management. Based in Charlotte, NC, Lincoln Harris has twenty-three service offices across the country.

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