

RALEIGH, NORTH CAROLINA MARKET RESOURCE



OFFICE

1Q | 2015

Office Market Overview

In January, Forbes named Raleigh the fourth fastest growing city in the nation behind Houston, Austin, and Dallas in their 2015 rankings. Wake County's population grew 10.8 percent between April 1, 2010 and July 1, 2014 - more than triple the nation's growth at 3.3 percent. Unemployment rates continue to drop in the Durham-Chapel Hill MSA and preliminary numbers in March were at 4.6 percent- down 60 basis points from March 2014.

Overall net absorption in the Triangle was approximately 224,000 square feet during first quarter. Total vacancy increased slightly to 12.9 percent - up 20 basis points from fourth quarter 2014 but down 1.7 percentage points over first quarter last year. Most of the space demand was in the suburban submarkets with over 192,000 square feet of positive net absorption. Together, the Downtown Raleigh and Downtown Durham submarkets experienced a modest 32,000 square feet of move-ins during first quarter. Vacancy dropped 40 basis points to 5.0 percent in the urban submarkets.

The submarkets that experienced the most space demand during first quarter were Route 1, Glenwood/Creedmoor, and 6 Forks Falls of Neuse. In Route 1, the largest move-in was the State Treasurer's office that signed a ten year lease for over 97,000 square feet in two office buildings at 3200 Atlantic Avenue and 3128 Highwoods Boulevard in the Highwoods Office Park. The Department of State Treasurer moved from the Albemarle Building in Downtown Raleigh in order to consolidate and relocate all 400 employees onto one campus. Ellis & Winters LLP and Hedrick Gardner moved into the newly constructed Glenlake Five in the Glenwood/Creedmoor submarket. Both companies moved into approximately 20,000 square feet on the third and fourth floors. The 167,000 square foot building was completed in November 2014 and is now over 55.0 percent leased. In 6 Forks Falls of Neuse, PointSource LLC moved and expanded into the entire second floor totaling approximately 27,000 square feet at Northchase at Midtown II, located at 6601 Six Forks Road in January. Also, Clean Design moved into 9,000 square feet on the fourth floor.

Nearly 400,000 square feet was leased in the Triangle during first quarter 2015. Leases in the Cary and RTP/RDU submarkets accounted for almost half of the activity. The largest lease signed in the Triangle during first quarter was at the new Biologics Building in Cary that will be delivering in June of this year. In January of last year, Biologics Inc. signed a long term lease contract with Highwoods Properties to build a new \$15.0 million building for the company headquarters. Biologics will occupy the entire three story, 75,000 square foot building when completed. In the RTP/RDU submarket, Quintiles re-leased almost 32,000 square feet in Berrington Center located at 5927 S Miami Boulevard that the company had temporarily vacated in 2014. In addition, North Carolina's State Property Office announced that it was looking for between 400,000 and 500,000 square feet of temporary office space in the Triangle as the Albemarle Building in Downtown Raleigh will undergo renovations. The State Property office would like to begin the shift by January 2016.

The Raleigh-Durham area is becoming one of the top markets for investments in office properties according to National Real Estate Investor (NREI). During first quarter 2015, Raleigh-Durham recorded \$303.9 million (\$205 per square foot) in sales volume - up 51.0 percent from the previous quarter. One of the most successful deals in the area during first quarter was the sale of the Lenovo Enterprise Campus that sold in February 2015 for \$127 million (\$262 per square foot). Rubenstein Partners and Grubb Properties had paid \$26 million for the two office building in December 2013. The sale included a 40,000 square foot building under construction that will be used by Lenovo as a research and development facility and land that could accommodate another 100,000 square foot building.

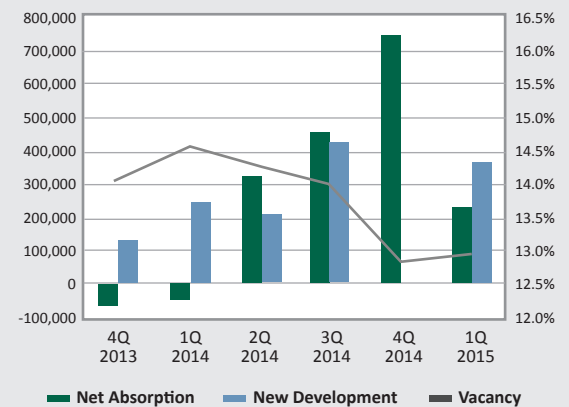
Most of the new development in the Triangle has been in the outlying suburban submarkets. There are no buildings set to deliver in the urban submarkets this year. However, there is much anticipation for the 26 story City Center building to be completed at the corner of Corcoran and Main Streets in Downtown Durham. The building will include 25,000 square feet of new retail spaces on street level, with the four levels above the ground floor containing 110,000 square feet of office space. The remaining 21 floors will consist of 130 residential units. The project is scheduled for completion by the end of 2016.

Source: CoStar data pulled 4.14.15; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

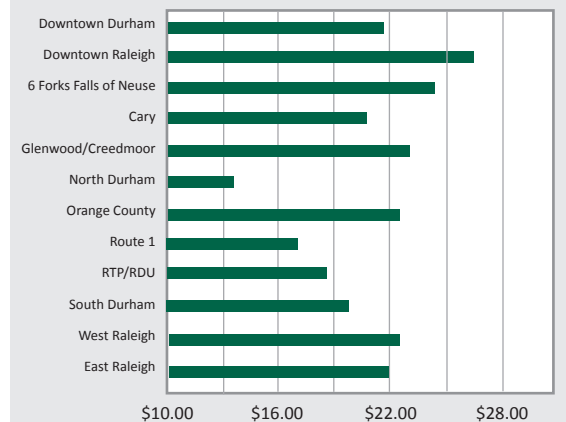
MARKET STATISTICS

| | 1Q 2015 | 4Q 2014 | FORECAST |
|----------------------------|------------|------------|----------|
| Market Supply (SF) | 51,149,157 | 50,768,657 | ▲ |
| Under Construction (SF) | 1,177,951 | 1,558,451 | ▲ |
| Direct Vacancy (%) | 12.5% | 12.2% | ▼ |
| Total Vacancy (%) | 12.9% | 12.7% | ▼ |
| Total Net Absorption (SF) | 224,383 | 747,681 | ▲ |
| YTD Net Absorption (SF) | 224,383 | 1,476,740 | ▲ |
| Direct Asking Rent | \$20.76 | \$20.71 | ▲ |
| Class A Direct Asking Rent | \$23.58 | \$23.43 | ▲ |
| Class B Direct Asking Rent | \$17.59 | \$18.46 | ▲ |

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 1Q 2015



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OFFICE MARKET STATISTICS

| | Inventory | Vacant Space | Vacancy Rate | 1Q 2015 Absorption | YTD 2015 Absorption | Completions | Construction | Direct Asking Rates |
|------------------------|-------------------|------------------|--------------|--------------------|---------------------|----------------|------------------|---------------------|
| DOWNTOWN DURHAM | 3,466,126 | 81,463 | 2.4% | 33,543 | 33,543 | 0 | 0 | \$21.79 |
| DOWNTOWN RALEIGH | 4,091,681 | 293,927 | 7.2% | -1,317 | -1,317 | 0 | 242,969 | \$26.56 |
| URBAN TOTALS | 7,557,807 | 375,390 | 5.0% | 32,226 | 32,226 | 0 | 242,969 | \$25.76 |
| 6 FORKS FALLS OF NEUSE | 5,565,602 | 568,777 | 10.2% | 40,371 | 40,371 | 0 | 366,858 | \$24.19 |
| CARY | 6,086,750 | 749,351 | 12.3% | -31,057 | -31,057 | 213,500 | 288,500 | \$20.90 |
| GLENWOOD/CREEDMOOR | 2,301,101 | 308,433 | 13.4% | 45,066 | 45,066 | 167,000 | 0 | \$23.43 |
| NORTH DURHAM | 830,494 | 420,236 | 50.6% | 0 | 0 | 0 | 0 | \$13.37 |
| ORANGE COUNTY | 1,629,870 | 177,175 | 10.9% | 9,007 | 9,007 | 0 | 0 | \$22.18 |
| ROUTE 1 | 2,163,121 | 246,949 | 11.4% | 56,102 | 56,102 | 0 | 0 | \$17.18 |
| RTP/RDU | 13,140,702 | 2,855,740 | 21.7% | 13,619 | 13,619 | 0 | 0 | \$18.67 |
| SOUTH DURHAM | 3,666,665 | 277,109 | 7.6% | 24,590 | 24,590 | 0 | 30,148 | \$20.10 |
| WEST RALEIGH | 7,215,114 | 595,146 | 8.2% | 34,459 | 34,459 | 0 | 249,476 | \$22.56 |
| EAST RALEIGH | 991,931 | 17,804 | 1.8% | 0 | 0 | 0 | 0 | \$21.94 |
| SUBURBAN TOTALS | 43,591,350 | 6,216,720 | 14.3% | 192,157 | 192,157 | 380,500 | 934,982 | \$20.31 |
| RALEIGH TOTALS | 51,149,157 | 6,592,110 | 12.9% | 224,383 | 224,383 | 380,500 | 1,177,951 | \$20.76 |

OFFICE STATISTICS BY TYPE

| Building Class | Buildings | Inventory | Vacant Space | Vacancy Rate | YTD 2015 Absorption | Direct Asking Rent (PSF) |
|----------------------|------------|-------------------|------------------|--------------|---------------------|--------------------------|
| Class A | 281 | 29,977,302 | 2,889,998 | 9.6% | 131,979 | \$23.58 |
| Class B | 376 | 21,171,855 | 3,702,112 | 17.5% | 92,404 | \$17.59 |
| MARKET TOTALS | 657 | 51,149,157 | 6,592,110 | 12.9% | 224,383 | \$20.76 |

RECENT INVESTMENT SALES

| Building | Submarket | RBA | Sale Price | Price/SF |
|------------------------------------|------------------------|---------|---------------|----------|
| Lenovo Enterprise Campus (2 bldgs) | RTP/RDU | 485,000 | \$127,000,000 | \$262.00 |
| Colonnade II | 6 Forks Falls of Neuse | 127,000 | \$27,500,000 | \$216.00 |
| Regency Creek I | Cary | 122,087 | \$20,500,000 | \$168.00 |
| Concourse | RTP/RDU | 132,175 | \$16,500,000 | \$125.00 |
| Meridian Corporate Center | South Durham | 73,446 | \$7,800,000 | \$106.00 |

SIGNED LEASE TRANSACTIONS

| Tenant | Building | Submarket | Size | Type |
|--------------------------------|----------------------|------------------------|--------|------|
| Biologics, Inc. | Biologics Building | Cary | 75,000 | New |
| Quintiles | Berrington Center | RTP/RDU | 31,643 | New |
| NCSU | Alliance One | West Raleigh | 25,906 | New |
| G&S Business Communications | North Hills Tower II | 6 Forks Falls of Neuse | 25,517 | New |
| Massachusetts Mutual Life Ins. | WestChase II | West Raleigh | 16,436 | New |
| BusinessSuites | North Hills Tower II | 6 Forks Falls of Neuse | 15,375 | 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.

Source: CoStar data pulled 4.14.15; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

CONTACT INFORMATION

David Connor
Senior Vice President
919.645.6968
david.connor@lincolnharris.com

Kaler Walker
Vice President
919.645.6983
kaler.walker@lincolnharris.com

Ryan Ramey
Research Coordinator
704.714.7639
ryan.ramey@lincolnharris.com

Lincoln Harris
5430 Wade Park Boulevard, Suite 300
Raleigh, NC 27607 | 919.840.8040

lincolnharris.com

