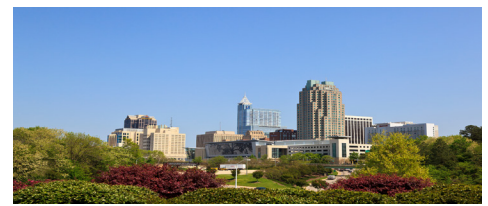


RALEIGH, NORTH CAROLINA MARKETRESOURCE



OFFICE

3Q | 2015

Office Market Overview

The Triangle economy continues to strengthen as Raleigh's unemployment rates declined from 5.1 percent in June to 4.5 percent in September adding over 1,400 jobs. Since the beginning of 2015, 69 companies have announced relocations or expansions in Wake County. This accounts for the creation of 2,532 new jobs and investments of more than \$402 million as companies continue to make commitments to the area. Biologics Inc. is already making plans for the company's next big expansion. Last quarter, Biologics moved into the company's new 76,000 square foot headquarter building. The company is in the process of renovating its former location at 120 Weston Oaks Court with talks of even a third building to accommodate future growth plans. Recently, Align Technology, Inc., the creator of the Invisalign teeth straightening device, announced the company would establish a U.S. East Coast operation in Cary, with plans to invest \$4 million and create more than 100 jobs over the next five years. Interactive Intelligence and Qlik Technologies were also among companies that announced job expansions during third quarter.

Where there is job growth, there is also an increasing demand for office space. Class A and B office vacancy in the Triangle fell 1 percentage point from 12.5 percent to 11.5 percent versus the previous quarter. Class B product pushed vacancy rates down dropping 250 basis points to 14.0 percent while Class A vacancy remained the same at 9.6 percent.

The RTP/RDU submarket experienced the most space demand in third quarter with approximately 101,000 square feet of positive net absorption. In the RTP/RDU submarket, Quintiles moved into almost 32,000 square feet in Berrington Center located at 5927 S Miami Boulevard that the company re-leased since temporarily vacating the building in 2014. Align Technology Inc. moved into nearly 19,000 square feet in the RDU Center III building located at 2121 RDU Center Drive. DTZ/Cushman & Wakefield moved into over 17,000 square feet at Perimeter Park Three in July in an expansion deal for DTZ that was signed before the company announced the merger of the two companies. In addition, Sigma XI sold their international headquarters building in Research Triangle Park to Research Triangle High School that will use the building as a central teaching facility beginning in Spring 2016. Sigma XI moved into more than 14,000 square feet in the Cape Fear building located at 3200 Chapel Hill Nelson Boulevard also in the park.

The RTP/RDU submarket also reported the most leases signed during third quarter with the largest lease being Fidelity Investments. The company leased back approximately 116,300 square feet that the company had vacated in 2013 at Danbury Hall at Imperial Center due to employee growth. The company has reached about 3,600 employees which is 600 more jobs than Fidelity had promised to hire and retain in the region after it was awarded a 12-year state incentive package in 2006 worth nearly \$70 million. Also at Imperial Center, Genband leased over 71,000 square feet at Berrington Center and will make the move in December. In other areas of the submarket, Trialcard signed a lease for over 73,000 square feet at 2250 Perimeter Park Drive formerly occupied by QBE Financial and Novan Therapeutics will be moving to 4105 Hopson Road near Research Triangle Park in March 2016 as the company signed a lease for approximately 51,000 square feet.

The Wade III building located at 5440 Wade Park Boulevard in West Raleigh was the only building to deliver during third quarter. The four-story, Class A office building, developed by Dominion Realty Partners, LLC, is approximately 103,000 square feet and is nearly 50 percent leased. Qlik Technologies is expanding the size of the company's operations in Raleigh with the opening of a new customer training center in the building. The company signed a lease for 26,000 square feet on the top floor and will be relocating from 10,000 square feet in the Wade II office building nearby.

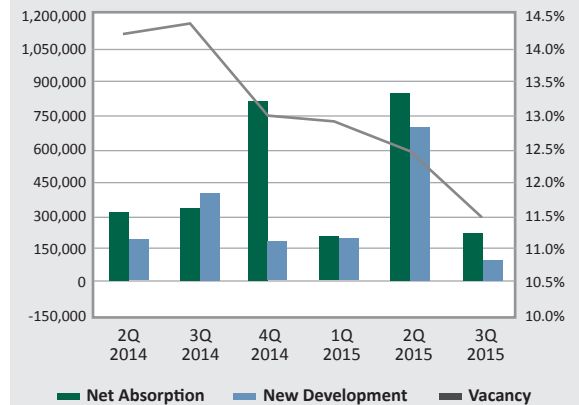
Kane Realty has three large Class A buildings under construction in the Metro; Midtown Plaza and Bank of America Tower in Six Forks Falls of Neuse and The Dillon in Downtown Raleigh. Combined, these three buildings represent nearly 1 million square feet. The first to deliver will be the 314,000 square foot Bank of America Tower located at 4242 Six Forks Road set to deliver in March of 2016. The building will be home to tenants such as Bank of America, KPMG, Johnson Lambert & Co., G&S Business Communications and BusinessSuites. Asking rental rates are \$34.95 full service.

Source: CoStar data pulled 2.12.16; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

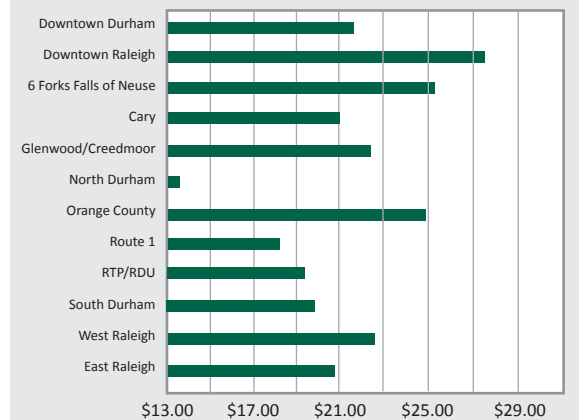
MARKET STATISTICS

	3Q 2015	2Q 2015	FORECAST
Market Supply (SF)	50,672,688	50,719,513	▲
Under Construction (SF)	890,094	639,055	▲
Direct Vacancy (%)	11.0%	12.1%	▼
Total Vacancy (%)	11.5%	12.5%	▼
Total Net Absorption (SF)	230,051	850,807	▲
YTD Net Absorption (SF)	1,301,334	1,071,283	▲
Direct Asking Rent	\$21.32	\$21.23	▲
Class A Direct Asking Rent	\$24.15	\$23.83	▲
Class B Direct Asking Rent	\$17.80	\$17.94	▼

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 3Q 2015



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OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	3Q 2015 Absorption	YTD 2015 Absorption	Completions	Construction	Direct Asking Rates
DOWNTOWN DURHAM	3,545,215	122,485	3.5%	41,266	57,169	0	0	\$21.87
DOWNTOWN RALEIGH	4,303,687	430,148	10.0%	6,706	105,568	0	0	\$27.46
URBAN TOTALS	7,848,902	552,633	7.0%	47,972	162,737	0	0	\$26.26
6 FORKS FALLS OF NEUSE	5,640,100	503,928	8.9%	15,035	110,555	0	667,869	\$25.33
CARY	6,426,473	515,849	8.0%	-63,789	475,848	0	0	\$21.22
GLENWOOD/CREEDMOOR	2,301,101	237,052	10.3%	-5,563	70,783	0	0	\$22.28
NORTH DURHAM	919,698	421,644	45.8%	19,211	19,110	0	0	\$13.69
ORANGE COUNTY	1,899,647	107,949	5.7%	26,835	80,633	0	0	\$24.98
ROUTE 1	2,160,279	235,249	10.9%	-17,802	49,802	0	0	\$18.19
RTP/RDU	11,414,358	2,409,710	21.1%	101,245	-11,193	0	192,225	\$19.40
SOUTH DURHAM	3,656,572	139,122	3.8%	50,592	192,725	0	30,000	\$19.93
WEST RALEIGH	7,411,939	720,298	9.7%	56,315	150,334	103,175	0	\$22.79
EAST RALEIGH	993,619	17,804	1.8%	0	0	0	0	\$20.87
SUBURBAN TOTALS	42,823,786	5,250,605	12.3%	182,079	1,138,597	103,175	890,094	\$20.84
RALEIGH TOTALS	50,672,688	5,803,238	11.5%	230,051	1,301,334	103,175	890,094	\$21.32

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2015 Absorption	Direct Asking Rent (PSF)
Class A	286	30,357,680	2,903,010	9.6%	945,186	\$24.15
Class B	374	20,315,008	2,900,228	14.3%	356,148	\$17.80
MARKET TOTALS	660	50,672,688	5,803,238	11.5%	1,301,334	\$21.32

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
540 New Waverly Place	Cary	44,680	\$15,000,000	\$336.00
Kirlin	Glenwood/Creedmoor	18,234	\$4,400,000	\$239.00
Blue Cross & Blue Shield of North Carolina	Orange County	222,994	\$35,000,000	\$157.00
Somerset Park (4 buildings)	6 Forks Falls of Neuse	206,829	\$27,300,000	\$132.00
Somerset Business Center	6 Forks Falls of Neuse	110,310	\$10,500,000	\$96.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Fidelity Investments	Danbury Hall	RTP/RDU	116,300	New
TrialCard	Perimeter Park	RTP/RDU	73,014	New
Genband	Berrington Center	RTP/RDU	71,253	New
Bank of America	Bank of America Tower	6 Forks Falls of Neuse	57,316	New
Kimley-Horn	421 Fayetteville Street	Downtown Raleigh	53,412	New
Novan Therapeutics	4105 Hopson Road	RTP/RDU	51,350	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 2.12.16; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

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