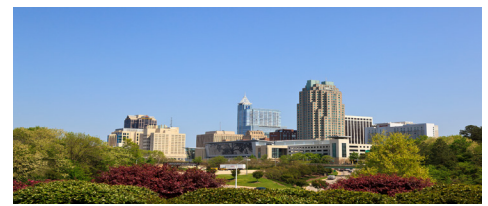


RALEIGH, NORTH CAROLINA MARKET RESOURCE



OFFICE

4Q | 2015

Office Market Overview

The Triangle economy remains strong with unemployment rates reported at 4.4 percent in December - up slightly from 4.1 percent a year ago, but outpacing both the state of North Carolina and the nation at 5.6 percent and 5.0 percent respectively. Since the beginning of 2015, 88 companies have announced relocations or expansions in Wake County. This accounts for the creation of 2,829 new jobs and investments of more than \$445 million. Fidelity Investments is among several companies that have announced expansions in the area during fourth quarter. The state approved a Job Development Investment Grant (JDIG) worth up to \$15 million. Fidelity is planning to bring 600 additional jobs to Durham by 2018, an investment of \$8 million in the expansion. Frontier Communications has also announced that they will be bringing a technical support center to Durham as part of a \$4.3 million expansion. The move is expected to create 200 jobs over the next five years. Other companies that have recently announced expansions include Philadelphia's Premier Research and Google Fiber. Google Fiber will be opening two new offices in Durham and Raleigh while keeping the existing office in Chapel Hill as they continue building the new fiber network throughout the Triangle.

Overall Class A and B office vacancy in the Triangle dipped to 10.8 percent - down from 11.4 percent in third quarter and down 170 basis points from a year ago. Individually, Class A office vacancy declined 60 basis points from third quarter to 9.0 percent while Class B decreased 80 basis points from 14.1 percent to 13.3 percent.

Total net absorption for the Triangle was positive 576,863 square feet during fourth quarter - up from positive 230,000 square feet in third quarter and finishing the year with over 2 million square feet of positive space demand. This is the biggest surge in net absorption in the area since 2007. Again, the RTP/RDU submarket was the big winner experiencing the highest rate of office demand in the Triangle. ChannelAdvisor consolidated from three buildings in Aerial Center Executive Park into over 136,000 square feet at the new Class A Perimeter Park Four building at 3025 Carrington Mill Boulevard. Genband relocated to over 71,000 square feet at the Berrington Center building located at 5927 S Miami Boulevard in the Imperial Center business park in Durham and North Carolina New Schools Inc., the largest public school innovation agency in the country, moved into over 20,000 square feet in the 4501 Research Commons building in November.

Leasing activity in the Triangle was strong with over 1.2 million square feet of leases signed - the third straight quarter with over a million square feet. Renewals played a big part during fourth quarter with the largest lease being the Duke University renewal of 188,000 square feet at Erwin Square Plaza in the Downtown Durham submarket. Other renewals in the area included Parexel International LLC, BB&T, Extreme Networks Inc., Progress Software, and K&L Gates LLP. Parexel International LLC renewed almost 104,000 square feet in South Durham at 2520 Meridian Parkway at Meridian Corporate Center and BB&T renewed approximately 90,000 square feet at Two Hanover Square at 434 Fayetteville Street in Downtown Raleigh. In RTP/RDU, Extreme Networks renewed almost 55,000 square feet at 2121 RDU Center Drive in the RDU Center III building, Progress Software renewed 42,000 square feet at Perimeter Park One located at 3005 Carrington Mill Boulevard, and K&L Gates LLP renewed approximately 32,000 square feet at Keystone Office Park.

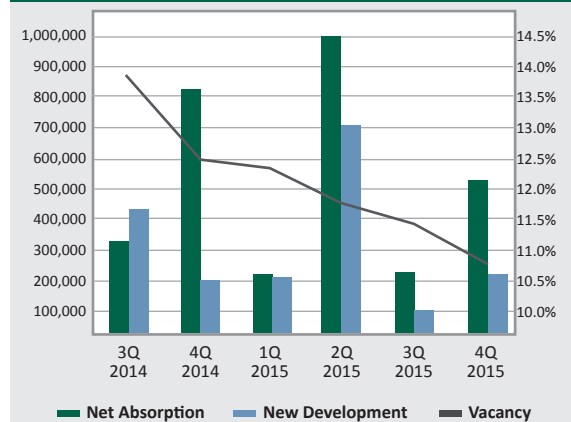
Investment dollars continue to flow into the Triangle. Twenty-three office properties sold during fourth quarter 2015 equating to over \$322.6 million dollars in sales - up 146 percent over third quarter and up 109 percent over last year. Raleigh-Durham is considered a tier 2 city or what some now call an 18-hour city and for many investors and developers, these 18-hour cities are moving from secondary status to a top priority as core markets grow more expensive. These smaller cities may be riskier than other areas, but improved data and constraints on supply could minimize the downside and increase the opportunity for better yields. Experts agree that money will continue to flow to real estate in the short term and many feel that the next round of capital will go to these new, 18-hour markets and alternative assets like infrastructure, renovation and redevelopment deals, and medical offices and senior housing.

Source: CoStar data pulled 2.16.16; Real Capital Analytics; Urban Land Institute; Triangle Business Journal; Lincoln Harris Research

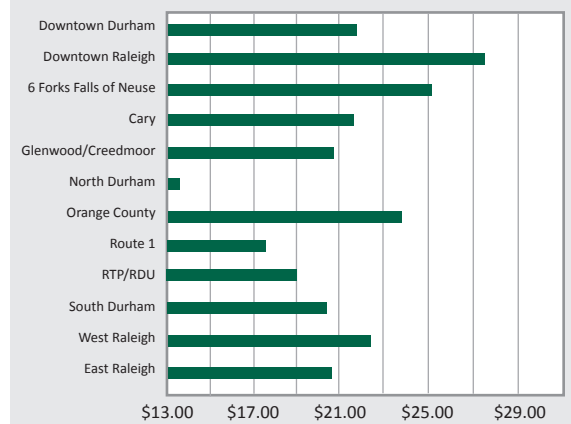
MARKET STATISTICS

	4Q 2015	3Q 2015	FORECAST
Market Supply (SF)	51,152,532	50,930,307	▲
Under Construction (SF)	696,869	919,094	▲
Direct Vacancy (%)	10.4%	11.0%	▼
Total Vacancy (%)	10.8%	11.4%	▼
Total Net Absorption (SF)	526,487	230,051	▲
YTD Net Absorption (SF)	1,977,821	1,451,334	▲
Direct Asking Rent	\$21.41	\$21.32	▲
Class A Direct Asking Rent	\$24.16	\$24.15	▲
Class B Direct Asking Rent	\$17.81	\$17.80	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 4Q 2015



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OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	4Q 2015 Absorption	YTD 2015 Absorption	Completions	Construction	Direct Asking Rates
DOWNTOWN DURHAM	3,545,215	100,457	2.8%	22,028	79,197	0	0	\$21.84
DOWNTOWN RALEIGH	4,303,687	397,711	9.2%	32,437	138,005	0	0	\$27.42
URBAN TOTALS	7,848,902	498,168	6.3%	54,465	217,202	0	0	\$26.15
6 FORKS FALLS OF NEUSE	5,640,100	449,611	8.0%	54,317	164,872	0	667,869	\$25.18
CARY	6,426,473	474,343	7.4%	41,506	517,354	0	29,000	\$21.66
GLENWOOD/CREEDMOOR	2,301,101	165,596	7.2%	71,456	142,239	0	0	\$20.95
NORTH DURHAM	919,698	421,644	45.8%	0	19,110	0	0	\$13.53
ORANGE COUNTY	1,899,647	105,381	5.5%	2,568	83,201	0	0	\$23.84
ROUTE 1	2,160,279	138,108	6.4%	39,141	88,943	0	0	\$17.56
RTP/RDU	11,864,202	2,376,382	20.0%	225,553	364,360	0	0	\$20.08
SOUTH DURHAM	3,686,572	159,998	4.3%	9,124	201,849	0	0	\$20.47
WEST RALEIGH	7,411,939	688,716	9.3%	31,582	181,916	103,175	0	\$22.23
EAST RALEIGH	993,619	21,029	2.1%	-3,225	(3,225)	0	0	\$20.71
SUBURBAN TOTALS	43,303,630	5,000,808	11.5%	472,022	1,760,619	103,175	696,869	\$20.97
RALEIGH TOTALS	51,152,532	5,498,976	10.8%	526,487	1,977,821	103,175	696,869	\$21.41

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2015 Absorption	Direct Asking Rent (PSF)
Class A	287	30,553,913	2,756,074	9.0%	1,284,347	\$24.16
Class B	376	20,598,619	7,742,902	13.3%	693,474	\$17.81
MARKET TOTALS	663	51,152,532	5,498,976	10.8%	1,977,821	\$21.41

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Wells Fargo Mortgage Ops Center	West Raleigh	450,393	\$42,300,000	\$94
Erwin Square Plaza	Downtown Durham	238,792	\$57,100,000	\$239
2610 Wycliff Road	West Raleigh	174,214	\$23,300,000	\$134
2626 Glenwood Avenue	West Raleigh	99,974	\$20,100,000	\$201
500 Gregson Drive	Cary	105,849	\$17,100,000	\$161

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Duke University	Erwin Square Plaza	Downtown Durham	188,000	Renewal
Parexel International, LLC	Meridian Corporate Center	South Durham	103,989	Renewal
BB&T	Two Hanover Square	Downtown Raleigh	89,436	Renewal
Extreme Networks, Inc.	RDU Center III	RTP/RDU	54,530	Renewal
Avaya Inc.	2605 Meridian Parkway	South Durham	43,500	New
Progress Software	Perimeter Park One	RTP/RDU	41,800	Renewal

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 2.16.16; Real Capital Analytics; Urban Land Institute; Triangle Business Journal; Lincoln Harris Research

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