



Office Market Overview

The Triangle finished fourth quarter 2014 strong with a total net absorption of positive 802,389 square feet - more than the combined totals of the first three quarters of the year. Both Class A and Class B office showed significant office demand at positive 292,197 square feet and positive 510,192 square feet respectively. Overall vacancy dropped 1.6 percent to 12.4 percent during fourth quarter equating to 6.3 million square feet of vacancy in the Triangle. Class A vacancy declined 1.0 percent to 8.6 percent and Class B declined 2.4 percent to 17.8 percent with no new construction delivered to the market.

Suburban submarkets had the most demand for space during fourth quarter with an overall net absorption of positive 821,880. Vacancy rates in the suburban submarkets dropped 1.9 percent to 13.9 percent during fourth quarter. The submarkets that experienced the highest demand were RTP/RDU, Six Forks/Falls of Neuse, and Cary. In RTP/RDU, the largest move-in of the quarter was Lenovo as they moved and expanded their Enterprise Business Group operations to the 252,000 square foot building at 8001 Development Drive (the old Sony Ericsson Campus) in Morrisville. The building was purchased back in December 2013 by Rubenstein Partners for \$26 million. Teleflex also began their move into 130,000 square feet in October in the newly constructed Perimeter Three building at 3015 Carrington Mill Boulevard. Nimble Storage moved into approximately 48,000 square feet at 1015 Swabia Court in December and will move into the remaining 39,000 square feet in January. Also, C3 moved into 21,863 square feet at Westpark Corporate Center. In the Six Forks/Falls of Neuse submarket, Merz North America relocated their headquarters from High Point to Raleigh in December. Merz now occupies the entire 60,000 square foot building known as NorthChase Executive Center I. In Cary, HCL Global Development Center moved into the 124,800 square foot building at 200 Lucent Lane at Regency Pines in November. This comes just six months after Spectrum Properties and Intercontinental Real Estate Corporation bought the building for \$13.7 million. In addition, Pentair moved into 22,870 square feet at Regency Forest Drive III in December.

Over 400,000 square feet of leases were signed in the Triangle during fourth quarter. Most of the leasing activity was completed in the RTP/RDU, Six Forks/Falls of Neuse, and Route 1 submarkets. In RTP/RDU, the largest lease signed in fourth quarter was the move and expansion of Nimble Storage to Newcastle South in Durham. The company initially signed a lease in July to take half of the 87,000 square foot building, but decided in December to expand into the rest of the building. KBR, Inc. signed a renewal for the 35,261 square feet that they currently lease at Perimeter Park. Software company, RegEd renewed their lease for nearly 27,000 square feet at One Gateway Centre and architectural firm, OBrien Atkins also signed a renewal for 15,000 square feet at Central Park West. In addition, McKesson Technologies, Inc. leased approximately 13,000 square feet at Cambridge Hall at Imperial Center in November. The company will move into their new space in February. In Six Forks/Falls of Neuse, PointSource, Clean Design, and GoRealty all signed new leases at NorthChase Executive Center II totaling nearly 42,000 square feet. In the Route 1 submarket, The Department of State Treasurer signed a lease for over 97,000 square feet in two office buildings at The Arbor and will be vacating the Albemarle Building in downtown Raleigh. Staff will occupy all of the Longleaf Building at 3200 Atlantic Avenue with overflow in the Red Oak Building on Highwoods Boulevard. In addition, Centralized Showing Service and the General Services Administration renewed their leases at Highwoods Office Center in October totaling over 21,000 square feet.

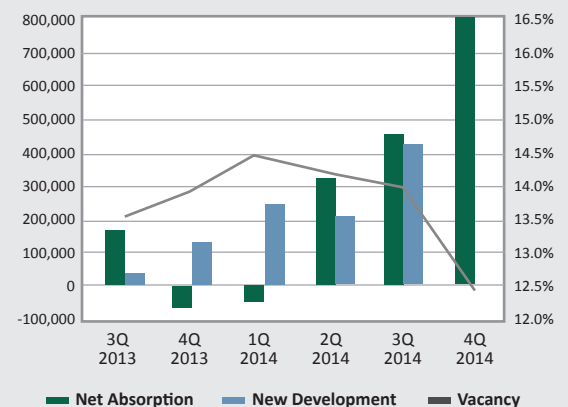
As one of the top five markets for investments in office properties, according to National Real Estate Investor, Raleigh continues to be one of the markets "to watch." The Raleigh-Durham area has one of the fastest office employment growth rates in the country and employment growth means office absorption. Currently, there is over 1.1 million square feet of Class A office under construction in the area with the largest being North Hills Tower II. The 367,000 square foot building is set to deliver in May 2016.

Source: CoStar data pulled 2.24.15; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

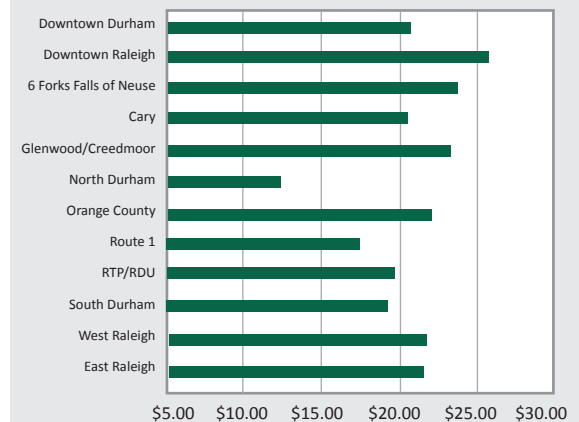
MARKET STATISTICS

	4Q 2014	3Q 2014	FORECAST
Market Supply (SF)	50,704,413	50,704,413	▲
Under Construction (SF)	1,483,466	1,380,466	▲
Direct Vacancy (%)	12.0%	13.6%	▼
Total Vacancy (%)	12.4%	14.0%	▼
Total Net Absorption (SF)	802,389	457,026	▲
YTD Net Absorption (SF)	1,534,499	732,110	▲
Direct Asking Rent	\$20.69	\$20.67	▲
Class A Direct Asking Rent	\$23.43	\$23.41	▲
Class B Direct Asking Rent	\$18.43	\$18.36	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET ASKING RATES - 4Q 2014



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	4Q 2014 Absorption	YTD 2014 Absorption	Completions	Construction	Asking Rates
DOWNTOWN DURHAM	3,467,452	115,006	3.3%	6,803	266,275	0	0	\$21.45
DOWNTOWN RALEIGH	3,999,580	189,007	4.7%	-26,294	135,937	0	242,969	\$26.09
URBAN TOTALS	7,467,032	304,013	4.1%	-19,491	402,212	0	242,969	\$25.21
6 FORKS FALLS OF NEUSE	5,565,602	609,148	10.9%	146,200	168,280	0	366,858	\$23.82
CARY	5,872,841	493,140	8.4%	158,910	171,838	0	427,000	\$20.59
GLENWOOD/CREEDMOOR	2,132,151	186,499	8.7%	-9,707	25,398	0	167,000	\$23.26
NORTH DURHAM	830,494	420,236	50.6%	0	-23,081	0	0	\$13.37
ORANGE COUNTY	1,629,870	186,182	11.4%	-7,287	7,126	0	0	\$22.68
ROUTE 1	2,163,121	303,051	14.0%	-7,372	-5,147	0	0	\$17.53
RTP/RDU	13,137,559	2,858,459	21.8%	528,237	621,855	0	0	\$19.54
SOUTH DURHAM	3,666,665	301,699	8.2%	33,263	78,343	0	30,148	\$19.15
WEST RALEIGH	7,247,147	627,862	8.7%	-18,560	94,479	0	249,491	\$22.21
EAST RALEIGH	991,931	17,804	1.8%	-1,804	-6,804	0	0	\$22.03
SUBURBAN TOTALS	43,237,381	6,004,080	13.9%	821,880	1,132,287	0	1,240,497	\$20.32
RALEIGH TOTALS	50,704,413	6,308,093	12.4%	802,389	1,534,499	0	1,483,466	\$20.63

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	278	29,484,625	2,536,131	8.6%	930,342	\$23.12
Class B	377	21,219,788	3,771,962	17.8%	604,157	\$18.43
MARKET TOTALS	655	50,704,413	6,308,093	12.4%	1,534,499	\$20.63

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Citrix Corporate HQ	Downtown Raleigh	186,000	\$68,500,000	\$386.00
Park Forty Plaza	RTP/RDU	122,000	\$21,100,000	\$173.00
Hill Building	Downtown Durham	71,600	\$14,400,000	\$201.00
Concourse Lakeside I	RTP/RDU	77,927	\$9,300,000	\$119.00
RDU Center II	RTP/RDU	61,481	\$6,400,000	\$104.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Nimble Storage	Newcastle South	RTP/RDU	38,517	New
KBR, Inc.	Perimeter Park	RTP/RDU	35,261	Renewal
Smith Moore Leatherwood LLP	Two Hanover Square	Downtown Raleigh	27,910	Renewal
PointSource, LLC	NorthChase Exec Center II	6 Forks Falls of Neuse	27,477	New
RegEd	One Gateway Centre	RTP/RDU	26,383	Renewal
Vital Source Technologies, Inc.	227 Fayetteville Street	Downtown Raleigh	21,892	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 2.24.15; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

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