

MARKET RESOURCE

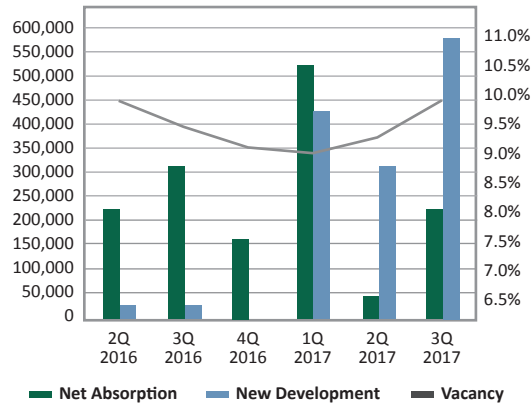
Raleigh, North Carolina - OFFICE MARKET

Q3
2017

OFFICE MARKET SNAPSHOT

	3Q 2017	2Q 2017	CHANGE
Market Supply (SF)	56,767,314	56,066,438	▲
Under Construction (SF)	2,034,362	2,502,335	▼
Direct Vacancy (%)	9.5%	8.9%	▲
Total Vacancy (%)	10.0%	9.3%	▲
Total Net Absorption (SF)	230,206	46,235	▲
YTD Net Absorption (SF)	797,307	567,101	▲
Direct Asking Rent	\$24.29	\$23.65	▲
Class A Direct Asking Rent	\$26.85	\$26.55	▲
Class B Direct Asking Rent	\$19.48	\$19.18	▲

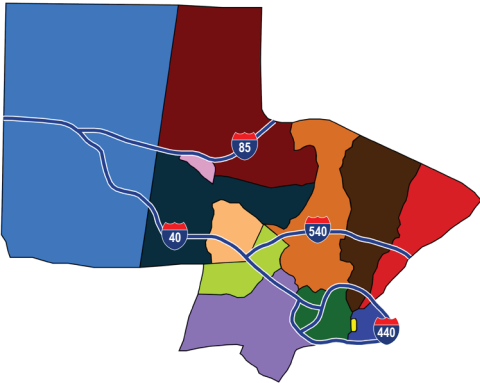
HISTORICAL VACANCY & NET ABSORPTION



HIGHLIGHTS

- Local area statistics showed unemployment rates reached 3.9 percent in August - down from 4.6 percent a year ago
- Employment expansion in Raleigh continues to outperform the national average prompting a surge in construction
- New office supply outpaces net absorption pushing vacancy rates up, but only temporarily, as companies move and expand
- Global investors looking for safety, cash-flow, higher returns, and stability are now seeking to place capital in American mid-sized cities — places like Raleigh, Denver, Phoenix, and Nashville
- Goldman Sachs bought seven buildings near RTP for \$103 million

Office Submarkets



OFFICE MARKET STATISTICS

Submarket	Inventory	Vacant Space	Vacancy Rate	3Q 2017 Absorption	3Q 2016 Absorption	Completions	Construction	Direct Asking Rate
DOWNTOWN DURHAM	3,892,167	146,886	3.8%	157,505	4,539	1	924,956	\$30.48
DOWNTOWN RALEIGH	5,922,100	367,407	6.2%	-19,395	11,053	0	267,000	\$30.06
URBAN TOTALS	9,814,267	514,293	5.2%	138,110	15,592	1	1,191,956	\$30.30
6 FORK FALLS OF NEUSE	6,822,243	872,130	12.8%	66,136	57,736	0	0	\$24.55
CARY	6,755,025	471,185	7.0%	115,997	17,628	1	0	\$23.53
GLENWOOD/CREEDMOOR	2,418,765	229,066	9.5%	-10,380	24,959	0	0	\$24.79
NORTH DURHAM	975,993	302,910	31.0%	72,776	8,404	0	0	\$14.93
ORANGE COUNTY	2,049,651	165,399	8.1%	-9,482	16,097	0	206,106	\$29.35
ROUTE 1	2,171,621	141,759	6.5%	-44,477	11,652	0	26,400	\$20.78
RDU/I-40	5,535,462	444,858	8.0%	-79,751	-15,897	1	258,250	\$24.13
SOUTH DURHAM	3,832,298	215,984	5.6%	-18,906	50,442	1	0	\$23.97
RESEARCH TRIANGLE	7,557,691	1,828,375	24.2%	-55,351	16,683	0	151,579	\$20.88
WEST RALEIGH	7,625,987	465,717	6.1%	33,848	108,116	0	200,071	\$25.23
EAST RALEIGH	1,208,311	26,638	2.2%	21,686	2,003	0	0	\$23.12
SUBURBAN TOTALS	46,953,047	5,164,021	11.0%	92,096	297,823	3	842,406	\$23.09
RALEIGH TOTALS	56,767,314	5,678,314	10.0%	230,206	313,415	4	2,034,362	\$24.29

Market Data Source: CoStar data pulled 10.18.17 | Real Capital Analytics | Triangle Business Journal | Lincoln Harris Research



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OFFICE SPACE UNDER CONSTRUCTION

Building	Submarket	Developer/Owner	OFFICE SF	SF Preleased	% Preleased	Completion Qtr.	Asking Rents	Major Tenant(S)
555 Mangum	Downtown Durham	Northwood Ravin	240,000	0	0.0%	4Q 2018	\$33.95	
MetLife at Weston	Cary	Highwoods Properties	219,000	219,000	100.0%	1Q 2019	NA	MetLife
The Dillon	Downtown Raleigh	Kane Realty	227,000	66,425	29.3%	1Q 2018	\$34.50	Stewart Eng, Regus
One Glenwood	Downtown Raleigh	Heritage Properties	213,600	106,800	47.0%	4Q 2018	Withheld	WeWork, Sepi Eng
Perimeter Five	RDU/I-40	Trinity Capital	264,000	264,000	100.0%	3Q 2018	NA	INC Research
Perimeter Six	RDU/I-40	Trinity Capital	200,000	130,600	68.0%	2019	Withheld	Relias
CentreGreen Three	Cary	Highwoods Properties	168,000	44,000	26.1%	3Q 2017	\$29.50	Copernicus IRB
200 Morris Street South	Downtown Durham	Longfellow	160,000	160,000	100.0%	2Q 2018	NA	Duke Clinical Research
300 Morris Street North	Downtown Durham	Longfellow	160,000	0	0.0%	2Q 2018	\$32.00	

Market Data Source:
 - CoStar data pulled 10.18.17
 - Xceligent
 - Real Capital Analytics
 - Urban Land Institute
 - Triangle Business Journal
 - Lincoln Harris Research

RECENT INVESTMENT SALES

Building	Submarket	RBA (SF)	Sale Price	Price/SF
Starwood Capital Portfolio 7 bldg	RDU/I-40	582,200	\$104,400,000	\$179.00
Highwoods Portfolio 4 bldg	West Raleigh & Cary	252,000	\$39,000,000	\$155.00
Banyan Portfolio 2 bldg	RDU/I-40	155,375	\$24,200,000	\$156.00
Golden Belt Center	Downtown Durham	146,000	\$19,500,000	\$134.00
5540 Centerview Drive	West Raleigh	88,000	\$13,500,000	\$153.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size (SF)	Type
First Citizens Bank	8510 Colonnade Center Drive	6 Forks Falls of Neuse	53,200	New
A2Z	8510 Colonnade Center Drive	6 Forks Falls of Neuse	51,300	New
Pendo	150 Fayetteville Street	Downtown Raleigh	43,000	New
Sageworks	5444 Wade Park Boulevard	West Raleigh	34,000	New
Ashfield Pharmacovigilance	5003 S Miami Boulevard	Research Triangle	26,500	Renewal

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory (SF)	Vacant Space (SF)	Vacancy Rate	YTD 2017 Absorption	Direct Asking Rent (PSF)
Class A	311	33,575,586	3,109,316	9.3%	771,020	\$26.85
Class B	397	23,191,728	2,568,998	11.1%	26,287	\$19.48
MARKET TOTALS	708	56,767,314	5,678,314	10.0%	797,307	\$24.29