



Office Market Overview

The Triangle's net absorption totaled 10,193 square feet in fourth quarter; although relatively flat, it is the seventh consecutive quarter with positive space demand. Class A net absorption was -106,929 square feet while Class B office buildings drove the overall market with 117,122 square feet of positive net absorption. Overall vacancy in the Triangle was down 10 basis points quarter over quarter and closed out the 2013 year at 14.0 percent (approximately 7 million square feet) - the lowest vacancy rate the market has seen since first quarter 2009.

Cary had the highest rate of move-outs among the submarkets due to the expiration of Duke Energy's 125,000 square foot lease contract at 200 Lucent Lane. The submarket with the largest space demand was RTP/RDU as Cree bought and now occupies the 86,000 square foot Pinnacle Park II building at 4401 Silicon Drive. West Raleigh will see a decline in vacancy during first quarter of 2014 as LexisNexis has signed a lease to sublet the entire 120,000 square foot 1801 Varsity Drive building on the Centennial Campus that Red Hat recently vacated during third quarter of this year.

Leases totaling nearly 500,000 square feet were signed in the suburban submarkets during fourth quarter. Of those submarkets, RTP/RDU signed leases for approximately 200,000 square feet. The State of North Carolina signed a lease for over 90,000 square feet at Research Commons and Charles & Colvard, Ltd. signed a lease for over 36,000 square feet at 170 Southport Drive. TP Triangle Construction also signed a contract in October to lease over 19,000 square feet beginning in August 2014 in the Perimeter Park Two building currently under construction and set to deliver in June of this year. Among the urban submarkets, Downtown Raleigh also had some significant leasing activity totaling over 101,000 square feet during fourth quarter. The State Employees Credit Union will be moving into the 125,000 square foot newly constructed office building during second quarter 2014 and Headway Corporate Resources Inc. signed a renewal for 17,000 square feet in the One Bank of America Plaza building located at 421 Fayetteville Street.

Duke Realty Corporation announced that it is constructing another, new Class A office building in Perimeter Park, its mixed-use development in Morrisville. The development of this 245,352 square foot, six-story building, which will be known as Perimeter Three, comes just six months after Duke Realty began constructing Perimeter Two, a 206,409-square foot building that is now 94 percent preleased. Teleflex, a medical device company, currently located in Durham, will relocate into 130,000 square feet in Perimeter Three when the building is complete in September 2014.

As vacancy continues to shrink in the Triangle, total average asking rental rates have increased \$0.37 during 2013 closing out fourth quarter at \$19.53 per square foot. Direct rental rates moved to \$19.61 per square foot in fourth quarter - an increase of \$0.34 quarter over quarter. Class A average asking rental rates increased \$0.50 from first quarter to fourth quarter although there are still several large blocks of Class A office space to be leased.

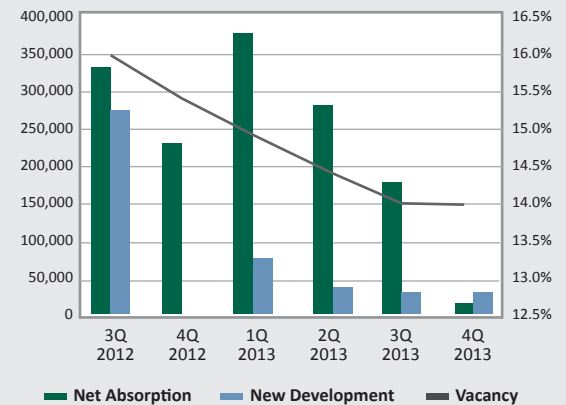
The Triangle continues to draw software, biotech, and healthcare companies among others to the area. In 2013, Wake County had 100 announcements of companies moving or expanding to the area creating 5,539 jobs and investing more than \$274 million.

Source: CoStar; Real Capital Analytics; Lincoln Harris Research

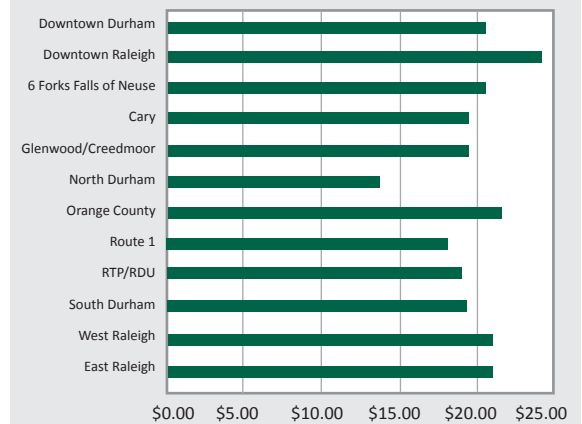
MARKET STATISTICS

	4Q 2013	3Q 2013	FORECAST
Market Supply (SF)	50,896,153	50,896,153	▲
Under Construction (SF)	1,125,592	733,749	▼
Direct Vacancy (%)	13.5%	13.5%	▲
Total Vacancy (%)	14.0%	14.1%	▲
Total Net Absorption (SF)	10,193	181,357	▼
YTD Net Absorption (SF)	835,233	825,040	▼
Direct Asking Rent	\$19.61	\$19.27	▼
Class A Direct Asking Rent	\$21.71	\$21.30	▼
Class B Direct Asking Rent	\$17.79	\$17.60	▼

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET ASKING RATES - 4Q 2013



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	4Q 2013 Absorption	YTD 2013 Absorption	Completions	Construction	Asking Rates
DOWNTOWN DURHAM	2,964,620	129,752	4.4%	-1,415	11,974	133,000	377,279	\$20.76
DOWNTOWN RALEIGH	4,227,513	110,444	2.6%	11,005	100,993	0	125,000	\$24.18
URBAN TOTALS	7,192,133	240,196	3.3%	9,590	112,967	133,000	502,279	\$23.27
6 FORKS FALLS OF NEUSE	5,783,229	782,249	13.5%	29,521	42,964	0	25,061	\$20.61
CARY	6,013,613	676,124	11.2%	-124,743	-105,711	0	0	\$19.60
GLENWOOD/CREEDMOOR	2,286,024	207,318	9.1%	8,403	49,538	0	0	\$19.84
NORTH DURHAM	854,480	407,068	47.6%	0	-42,388	0	0	\$13.70
ORANGE COUNTY	1,652,618	195,160	11.8%	-3,391	37,423	0	0	\$22.57
ROUTE 1	2,312,327	268,288	11.6%	-515	171,667	0	0	\$17.34
RTP/RDU	12,688,464	3,197,282	25.2%	50,533	362,865	0	451,761	\$18.94
SOUTH DURHAM	3,674,629	413,113	11.2%	20,030	86,941	0	0	\$19.04
WEST RALEIGH	7,447,412	746,260	10.0%	20,765	84,937	0	146,491	\$21.85
EAST RALEIGH	991,224	11,000	1.1%	0	34,030	0	0	\$21.12
SUBURBAN TOTALS	43,704,020	6,903,862	15.8%	603	722,266	0	623,313	\$19.34
RALEIGH TOTALS	50,896,153	7,144,058	14.0%	10,193	835,233	133,000	1,125,592	\$19.53

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2013 Absorption	Asking Rent (PSF)
Class A	274	28,999,863	3,201,276	11.0%	597,725	\$21.39
Class B	387	21,896,290	3,942,782	18.0%	237,508	\$17.76
MARKET TOTALS	661	50,896,153	7,144,058	14.0%	835,233	\$19.53

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
WakeMed at Brier Creek	RTP/RDU	60,000	\$14,000,000	\$233.00
3518 Westgate Drive	South Durham	59,912	\$8,500,000	\$142.00
4000 Aerial Center	RTP/RDU	38,506	\$3,400,000	\$88.00
7001-8001 Development Drive (2 buildings)	RTP/RDU	455,067	\$26,000,000	\$57.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
State of North Carolina	79 TW Alexander Drive	RTP/RDU	90,813	New
URS Corporation	Perimeter Park West	RTP/RDU	53,206	Renewal
Salix Pharmaceuticals, Inc.	Colonnade I	6 Forks	26,363	Expansion
TP Triangle Construction	Perimeter Park Two	RTP/RDU	19,616	New
Headway Corporate Resources	One Bank of America Plaza	Downtown Raleigh	16,762	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.

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