



Office Market Overview

The unemployment rate in the Raleigh-Cary area in May 2015 reached 4.9 percent - down 380 basis points from May 2010. The state capital has added over 78,000 jobs over the last five years mostly among the Information, Professional and Business Services, and Leisure and Hospitality sectors. With job growth comes a larger demand for office space. Overall office vacancy in the Triangle dropped to 12.0 percent - down 120 basis points from a year ago. Vacancy in Class A office buildings has declined 50 basis points from first quarter to 9.1 percent and Class B buildings declined 30 basis points to 17.0 percent. The urban submarkets have seen vacancy as low as 4.9 percent during first quarter of this year, but due to the delivery of Charter Square's South Tower in June, vacancy increased slightly in downtown Raleigh. The 243,000 square foot building is 61.0 percent leased, but the building still has 172,000 square feet listed as vacant.

The Triangle experienced an overall net absorption of positive 166,149 square feet during second quarter. Year to date numbers for 2015 are trailing last year slightly. Last year at the end of second quarter, move-ins totaled more than 480,000 square feet. So far this year the market has experienced approximately 280,000 square feet in absorption. The submarkets that had the largest gains were Cary and South Durham. The Cary submarket had positive net absorption of 580,275 square feet as MetLife moved approximately 1000 employees to the new campus and into two, seven story, 213,500 square foot buildings. Highwoods and MetLife broke ground on the project back in November 2013 and the company has temporarily been leasing office space at Imperial Center in Durham. In addition to MetLife, Biologics, Inc. moved into the company's new 76,000 square foot headquarter building. The new building is fully occupied; however, Biologics intends to keep its old building at 120 Weston Oaks Court. The facility is expected to be renovated and retrofitted for the company's specialty pharmacy business unit. In South Durham, Blue Cross and Blue Shield of North Carolina signed a new lease for almost 50,000 square feet in the SouthCourt Building at 3211 Shannon Road as they transition out of Chapel Hill.

Over 700,000 square feet of office product was delivered into the Triangle during second quarter. The largest of the office buildings was Dominion Realty Partners' South Tower at Charter Square located in downtown Durham. Among the tenants signed to date are Womble Carlyle Sandridge & Rice LLP, HDR Engineers, Industrious, CBRE, JDavis Architects, Intelligent Office, Dominion Realty Partners, and Yadkin Bank. A twenty-two story North Tower is currently proposed and is slated to be the tallest office building project along Fayetteville Street since 2008. In addition to Charter Square, MetLife's second 213,500 square foot, Class A building was delivered off of Weston Parkway in Cary in June 2015 - the first building was delivered in March 2015. The building was one of two office buildings to be built on the new \$125 million global technology campus. The 26.5 acre campus also has space to build for a third office of similar size for future growth.

Second quarter was a record setting time for commercial sales transactions in the Triangle with approximately \$610 million in sales volume. Duke Realty's \$456.8 million sale of 24 buildings in Wake County was the largest contributor. The portfolio accounted for 24 of the 38 buildings sold in the county during the quarter and included buildings such as Perimeter One, Two, Three, and Four as well as Lenovo BTS I and II in the RTP/RDU submarket. The buyers were a joint venture between Starwood Capital Group, Vanderbilt Capital Advisors, and Trinity Capital. Exeter Property Group also bought 4 of the 24 buildings.

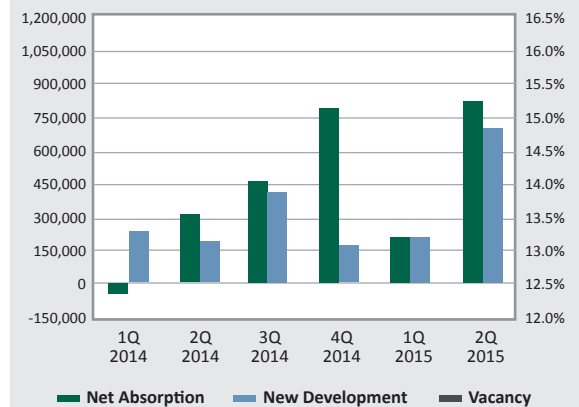
According to Urban Land Institute's Emerging Trends in Real Estate report for 2015, Raleigh/Durham was ranked number ten for U.S. Markets to Watch out of seventy-five markets across the country. Survey participants were asked how they viewed the market based on three property types; investment, development, and homebuilding. The top five were Houston, Austin, San Francisco, Denver, Dallas/Fort Worth, and Los Angeles. Raleigh/Durham's low cost of business combined with a highly skilled workforce continues to draw companies to the area and strengthen employment.

Source: CoStar data pulled 7.20.15; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

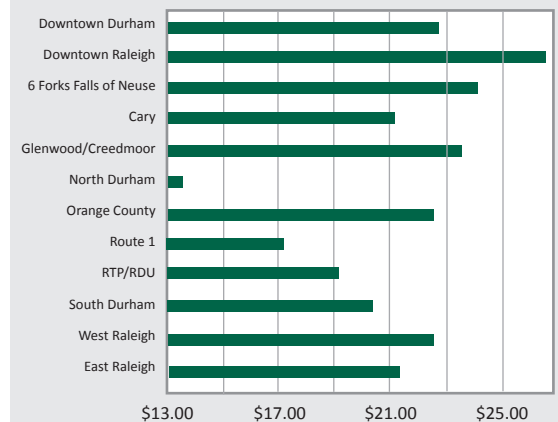
MARKET STATISTICS

	2Q 2015	1Q 2015	FORECAST
Market Supply (SF)	51,948,021	51,239,928	▲
Under Construction (SF)	499,858	1,177,951	▲
Direct Vacancy (%)	12.0%	12.4%	▼
Total Vacancy (%)	12.3%	12.8%	▼
Total Net Absorption (SF)	858,193	212,502	▲
YTD Net Absorption (SF)	1,070,695	212,502	▲
Direct Asking Rent	\$20.92	\$20.81	▲
Class A Direct Asking Rent	\$23.81	\$23.72	▲
Class B Direct Asking Rent	\$17.53	\$17.53	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 2Q 2015



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	2Q 2015 Absorption	YTD 2015 Absorption	Completions	Construction	Direct Asking Rates
DOWNTOWN DURHAM	3,500,215	99,103	2.8%	-22,115	15,903	0	0	\$22.74
DOWNTOWN RALEIGH	4,336,047	462,854	10.7%	74,042	72,725	242,969	0	\$26.89
URBAN TOTALS	7,836,262	561,957	7.2%	51,927	88,628	242,969	0	\$26.09
6 FORKS FALLS OF NEUSE	5,686,327	518,963	9.1%	66,854	95,520	0	366,858	\$24.10
CARY	6,391,449	449,941	7.0%	580,275	556,853	288,500	0	\$21.16
GLENWOOD/CREEDMOOR	2,301,101	227,489	9.9%	65,413	80,346	0	0	\$23.48
NORTH DURHAM	856,540	440,855	51.5%	-101	-101	0	0	\$13.52
ORANGE COUNTY	1,659,354	137,784	8.3%	41,691	50,798	0	0	\$22.61
ROUTE 1	2,160,714	220,637	10.2%	8,312	64,414	0	0	\$17.15
RTP/RDU	13,057,510	2,971,274	22.8%	-110,948	-101,915	0	0	\$19.12
SOUTH DURHAM	3,696,847	189,714	5.1%	117,543	142,133	30,148	30,000	\$20.41
WEST RALEIGH	7,309,986	665,604	9.1%	37,227	94,019	146,476	103,000	\$22.61
EAST RALEIGH	991,931	17,804	1.8%	0	0	0	0	\$21.35
SUBURBAN TOTALS	44,111,759	5,840,065	13.2%	806,266	982,067	465,124	499,858	\$20.42
RALEIGH TOTALS	51,948,021	6,402,022	12.3%	858,193	1,070,695	708,093	499,858	\$20.92

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2015 Absorption	Direct Asking Rent (PSF)
Class A	285	30,777,103	2,792,485	9.1%	886,951	\$23.81
Class B	380	21,170,918	3,609,537	17.3%	183,744	\$17.53
MARKET TOTALS	665	51,948,021	6,402,022	12.3%	1,070,695	\$20.92

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Perimeter Park Three	RTP/RDU	245,352	\$52,800,000	\$215.00
Perimeter Park Two	RTP/RDU	206,409	\$46,400,000	\$225.00
Perimeter Park One	RTP/RDU	204,000	\$44,500,000	\$218.00
Lenovo BTS II	RTP/RDU	183,032	\$40,000,000	\$219.00
Lenovo BTS I	RTP/RDU	183,032	\$38,000,000	\$208.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
PRA International	GlenLake Five	Glenwood/Creedmoor	51,000	New
Blue Cross Blue Shield of NC	SouthCourt	South Durham	50,000	New
Dewberry Engineers, Inc.	2610 Wycliff Road	West Raleigh	31,118	New
CBS Americas Corp	Regency Park	Cary	25,871	New
Industrious	Charter Square (South)	Downtown Raleigh	21,935	New
Align Technology	RDU Center III	RTP/RDU	18,775	Sublease

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 7.20.15; Real Capital Analytics; Triangle Business Journal; Lincoln Harris Research

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