

MARKET RESOURCE

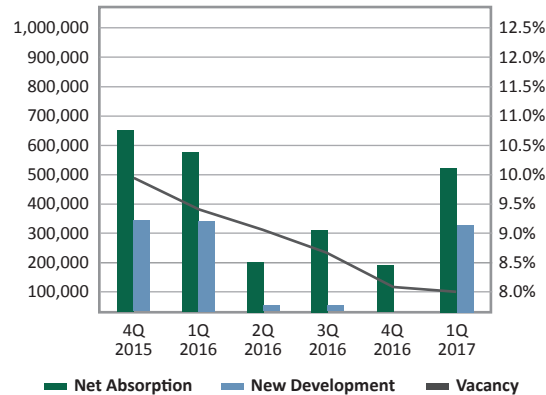
Raleigh, North Carolina - OFFICE MARKET

Q1
2017

OFFICE MARKET SNAPSHOT

	1Q 2017	4Q 2016	FORECAST
Market Supply (SF)	54,732,142	54,297,940	▲
Under Construction (SF)	2,323,525	2,407,219	▲
Direct Vacancy (%)	7.6%	7.8%	▼
Total Vacancy (%)	8.0%	8.2%	▼
Total Net Absorption (SF)	517,673	198,378	▲
YTD Net Absorption (SF)	517,673	198,378	▲
Direct Asking Rent	\$22.77	\$22.29	▲
Class A Direct Asking Rent	\$26.26	\$25.87	▲
Class B Direct Asking Rent	\$17.81	\$17.52	▼

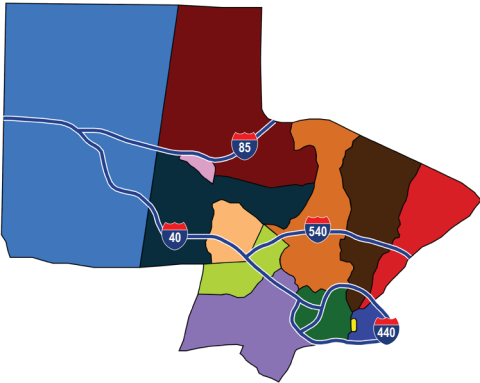
HISTORICAL VACANCY & NET ABSORPTION



HIGHLIGHTS

- ▶ Credit Suisse is evaluating a plan to move up to 1,500 jobs to Research Triangle Park now that the House Bill 2 has been repealed
- ▶ The first phase has begun on the Durham Innovation District in downtown Durham worth approximately \$100 million
- ▶ Investors are willing to pay more for empty space than in the past, because it is more efficient to buy than build new construction as rental rates continue to rise in the area
- ▶ Rents are expected to continue to increase and concessions such as free rent will be minimal creating a favorable market for landlords and owners

Office Submarkets



OFFICE MARKET STATISTICS

Submarket	Inventory	Vacant Space	Vacancy Rate	1Q 2017 Absorption	1Q 2016 Absorption	Completions	Construction	Direct Asking Rate
DOWNTOWN DURHAM	3,578,167	20,980	0.6%	-5,768	31,745	0	758,070	\$29.11
DOWNTOWN RALEIGH	5,846,214	406,426	7.0%	35,588	72,433	0	267,000	\$29.98
URBAN TOTALS	9,424,381	427,406	4.5%	29,820	104,178	0	1,025,070	\$29.83
6 FORK FALLS OF NEUSE	6,885,686	662,628	9.6%	285,137	116,218	329,214	-	\$25.02
CARY	6,588,150	439,799	6.7%	-6,918	11,846	0	167,154	\$22.73
GLENWOOD/CREEDMOOR	2,276,288	92,164	4.0%	4,105	17,242	0	116,500	\$23.77
NORTH DURHAM	985,936	365,347	37.1%	0	0	0	-	\$14.27
ORANGE COUNTY	1,967,911	119,825	6.1%	-2,233	14,540	0	158,284	\$27.94
ROUTE 1	2,135,424	108,211	5.1%	-3,320	7,509	0	-	\$17.81
RDU/I-40	5,277,350	182,164	3.5%	74,518	104,044	0	407,500	\$23.43
SOUTH DURHAM	3,819,517	132,430	3.5%	-7,051	-18,995	0	76,446	\$23.26
RESEARCH TRIANGLE	6,677,408	1,342,977	20.1%	18,748	255,951		150,000	\$19.25
WEST RALEIGH	7,445,412	454,882	6.1%	132,076	-32,127	104,988	222,571	\$24.99
EAST RALEIGH	1,248,679	37,325	3.0%	-7,209	3,225	0	-	\$24.57
SUBURBAN TOTALS	45,307,761	3,937,752	8.7%	487,853	479,453	434,202	1,298,455	\$22.03
RALEIGH TOTALS	54,732,142	4,365,158	8.0%	517,673	583,631	434,202	2,323,525	\$22.77

Market Data Source: CoStar data pulled 5.11.17 | Real Capital Analytics | Triangle Business Journal | Lincoln Harris Research



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OFFICE SPACE UNDER CONSTRUCTION

Building	Submarket	Developer/Owner	SF	SF Preleased	% Preleased	Completion Qtr.	Asking Rents	Major Tenant(S)
The Chesterfield	Downtown Durham	Ventas	286,000	226,000	79.0%	2Q 2017	\$23.00-\$27.50 NNN	Duke University, Nutanix
555 Mangum	Downtown Durham	Northwood Ravin	240,000	0	0.0%	4Q 2018	\$33.95	
The Dillon	Downtown Raleigh	Kane Realty	227,000	65,830	29.0%	1Q 2018	\$34.50	Stewart Eng, Regus
Perimeter Five	RDU/I-40	Trinity Capital	214,500	214,500	100.0%	3Q 2018	NA	INC Research
forty540	RDU/I-40	Federal Capital	198,525	63,528	32.0%	2Q 2017	\$27.50	Align Technologies
CentreGreen Three	Cary	Highwoods	168,000	44,000	26.0%	3Q 2017	\$28.75	Copernicus IRB
200 Morris Street South	Downtown Durham	Longfellow	160,000	160,000	100.0%	3Q 2018	NA	Duke Clinical Research
300 Morris Street North	Downtown Durham	Longfellow	160,000	0	0.0%	3Q 2018	\$32.00	
Carolina Square	Orange County	Northwood Ravin/Cousins	158,000	118,500	75.0%	3Q 2017	\$36.00	UNC, Blue Hill Group

Market Data Source:
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 - Real Capital Analytics
 - Urban Land Institute
 - Triangle Business Journal
 - Lincoln Harris Research

RECENT INVESTMENT SALES

Building	Submarket	RBA (SF)	Sale Price	Price/SF
9000 & 11000 Regency	Cary	382,000	\$61,000,000	\$160
Keystone 200 & 300	Research Triangle	224,448	\$45,000,000	\$200
Principal Imperial Center (4)	Research Triangle	299,048	\$47,700,000	\$160
Town Hall Commons III	RDU/I-40	73,613	\$12,600,000	\$171
Keystone 100	Research Triangle	63,144	\$7,000,000	\$111

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size (SF)	Type
INC Research	Perimeter Five	RDU/I-40	214,450	New
ABB	305 Gregson Drive	Cary	60,000	New
Copernicus IRB	CenterGreen Three	Cary	44,000	New
Optum Technology	Bank of America Tower	6 Forks Falls of Neuse	36,000	New
ZFit Solutions	6501 Weston Parkway	Cary	32,000	New

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory (SF)	Vacant Space (SF)	Vacancy Rate	YTD 2017 Absorption	Direct Asking Rent (PSF)
Class A	303	2,588,999	2,305,086	7.1%	446,044	\$26.26
Class B	387	22,143,143	2,060,072	9.3%	71,629	\$17.81
MARKET TOTALS	690	54,732,142	4,365,158	8.0%	517,673	\$22.77