

MARKET RESOURCE

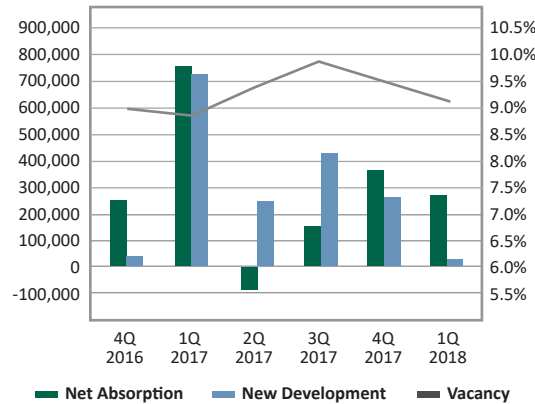
Raleigh, North Carolina - OFFICE MARKET

Q1
2018

OFFICE MARKET SNAPSHOT

	1Q 2018	4Q 2017	CHANGE
Market Supply (SF)	56,818,259	56,789,173	▲
Under Construction (SF)	3,141,052	2,880,219	▲
Direct Vacancy (%)	8.7%	9.1%	▼
Total Vacancy (%)	9.1%	9.5%	▼
Total Net Absorption (SF)	283,306	372,891	▼
YTD Net Absorption (SF)	283,306	761,844	▼
Direct Asking Rent	\$24.18	\$23.98	▲
Class A Direct Asking Rent	\$27.13	\$26.74	▲
Class B Direct Asking Rent	\$19.87	\$19.57	▲

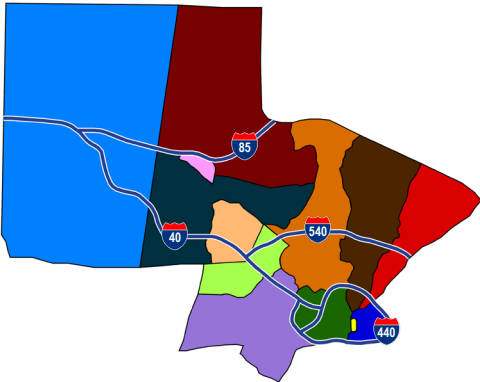
HISTORICAL VACANCY & NET ABSORPTION



HIGHLIGHTS

- ▶ North Carolina posted the fourth highest migration increase in the U.S. from 2015 - 2016 with an overall net gain of 80,752 residents
- ▶ Nearly 3,000 jobs have been announced through new and expanding companies during first quarter 2018 alone
- ▶ The Triangle has made the short list for both Amazon's HQ2 and Apple's U.S. expansion - a combined potential of up to 70,000 jobs
- ▶ Net absorption has outpaced new development over the last two quarters contributing to a decline in overall vacancy of 70 basis points
- ▶ During first quarter 2018, 22 office properties sold totaling \$574.9 million at an average cap rate of 6.6 percent

Office Submarkets



OFFICE MARKET STATISTICS

Submarket	Inventory	Vacant Space	Vacancy Rate	1Q 2018 Absorption	4Q 2017 Absorption	Completions	Construction	Direct Asking Rate
DOWNTOWN DURHAM	3,953,627	95,320	2.4%	-11,519	-46,965	0	675,967	\$29.62
DOWNTOWN RALEIGH	5,862,601	303,574	5.2%	45,103	28,559	0	267,000	\$30.68
URBAN TOTALS	9,816,228	398,894	4.1%	33,584	-18,406	0	942,967	\$30.08
6 FORK FALLS OF NEUSE	6,596,346	657,278	10.0%	147,953	81,831	0	-	\$24.69
CARY	6,787,411	494,924	7.3%	30,910	-8,324	29,086	459,000	\$25.16
GLENWOOD/CREEDMOOR	2,426,097	122,339	5.0%	64,050	50,227	0	-	\$22.68
NORTH DURHAM	954,039	302,750	31.7%	0	3,257	0	-	\$14.61
ORANGE COUNTY	2,167,275	319,009	14.7%	-57,140	97,279	0	47,678	\$28.67
ROUTE 1	2,103,034	125,415	6.0%	4,291	12,053	0	57,432	\$19.72
RDU/I-40	5,536,635	422,538	7.6%	8,796	-3,280	0	1,006,440	\$24.24
SOUTH DURHAM	3,899,902	321,424	8.2%	-57,840	-16,054	0	-	\$24.13
RESEARCH TRIANGLE	7,311,357	1,510,074	20.7%	57,232	113,931	0	304,035	\$20.94
WEST RALEIGH	8,011,624	479,264	6.0%	51,470	60,377	0	323,500	\$26.57
EAST RALEIGH	1,208,311	8,523	0.7%	0	0	0	-	\$24.26
SUBURBAN TOTALS	47,002,031	4,763,538	10.1%	249,722	391,297	29,086	2,198,085	\$23.31
RALEIGH TOTALS	56,818,259	5,162,432	9.1%	283,306	372,891	29,086	3,141,052	\$24.18

Market Data Source: CoStar data pulled 5.11.18 | Real Capital Analytics | Triangle Business Journal | Lincoln Harris Research



David Connor
Senior Vice President
919.645.6968
david.connor@lincolnharris.com

Kaler Walker
Vice President
919.645.6983
kaler.walker@lincolnharris.com

Amy Watkins
Vice President
919.645.6966
amy.watkins@lincolnharris.com

Ryan Ramey
Vice President
704.714.7639
ryan.ramey@lincolnharris.com

Lincoln Harris
5400 Trinity Road, Suite 200
Raleigh, NC 27607
919.840.8040

lincolnharris.com

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OFFICE SPACE UNDER CONSTRUCTION

Building	Submarket	Developer/Owner	OFFICE SF	SF Preleased	% Preleased	Completion Qtr.	Asking Rents	Major Tenant(S)
The Dillon	Downtown Raleigh	Kane Realty	220,000	82,000	37.3%	2Q 2018	\$34.50	Stewart Eng, Spaces, FMI
301 Metlife Way	Cary	Highwoods	219,000	219,000	100.0%	3Q 2019	NA	Metlife
Perimeter Five	RDU/I-40	Trinity Capital	214,450	214,450	100.0%	4Q 2018	NA	INC Research/inVentiv Health
One Glenwood	West Raleigh	Heritage Properties	212,500	107,000	50.4%	2Q 2019	\$34.50	WeWork, SEPI
Perimeter Six	RDU/I-40	Trinity Capital	194,000	131,000	67.5%	1Q 2019	\$28.00	Relias Learning
Mill No. 1	Downtown Durham	LRC Properties	194,000	0	0.0%	3Q 2018	\$27.50	
300 Morris Street North	Downtown Durham	Longfellow	164,000	0	0.0%	3Q 2018	\$33.50	
Hwy 54 & TW Alexander Dr	Research Triangle	The Keith Corp	159,000	159,000	100.0%	1Q 2019	NA	Rho Inc.
200 Morris Street South	Downtown Durham	Longfellow	154,500	154,500	100.0%	2Q 2018	NA	Duke Clinical Research

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 - Urban Land Institute
 - Triangle Business Journal
 - Lincoln Harris Research

RECENT INVESTMENT SALES

Building	Submarket	RBA (SF)	Sale Price	Price/SF
Lenovo Enterprise Campus (3 bldgs)	Research Triangle	485,500	\$135,300,000	\$279.00
Midtown Plaza	6 Forks Falls of Neuse	330,000	\$127,000,000	\$385.00
Meridian Business Campus (10 bldgs)	South Durham	690,520	\$108,100,000	\$157.00
Crossroads I-IV (4 bldgs)	Cary	400,000	\$69,500,000	\$174.00
Palladian I & II (2 bldgs)	South Durham	201,000	\$55,600,000	\$276.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size (SF)	Type
LabCorp	Parmer RTP	Research Triangle	220,000	New
Bandwidth	Venture Center III	West Raleigh	83,200	Renewal
Northwestern Mutual	Trinity Place	West Raleigh	28,845	New
Morgan Stanley	Quadrangle IV	South Durham	14,552	New
Cornerstone Mortgage	5121 Kingdom Way	West Raleigh	12,400	New

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory (SF)	Vacant Space (SF)	Vacancy Rate	YTD 2018 Absorption	Direct Asking Rent (PSF)
Class A	309	33,489,792	2,835,407	8.5%	252,651	\$27.13
Class B	401	23,328,467	2,327,025	10.0%	30,655	\$19.87
MARKET TOTALS	710	56,818,259	5,162,432	9.1%	283,306	\$24.18

David Connor
 Senior Vice President
 919.645.6968
 david.connor@lincolnharris.com

Kaler Walker
 Vice President
 919.645.6983
 kaler.walker@lincolnharris.com

Amy Watkins
 Vice President
 919.645.6966
 amy.watkins@lincolnharris.com

Ryan Ramey
 Vice President
 704.714.7639
 ryan.ramey@lincolnharris.com