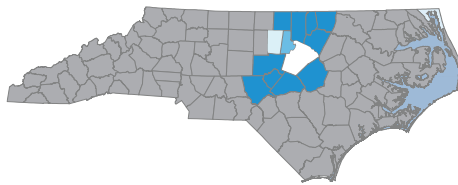


RALEIGH-DURHAM MARKET REPORT



□ WAKE COUNTY
□ DURHAM COUNTY
□ ORANGE COUNTY
□ GREATER TRIANGLE REGION

TRIANGLE MARKET CONTINUES TO LURE INVESTORS WITH POSITIVE FIRST HALF OF 2014

Economic Overview

The Triangle posted year-over-year gains in employment in all major industry sectors, including construction which had been lagging in previous quarters. Home values in North Carolina continue to appreciate into the second half of 2014 while across the state there were 4,684 new residential permits, a 24.5% increase from July of 2013. The Triangle region of North Carolina continues to see stable employment numbers with an unemployment rate of 5.7%. Despite a 0.5% increase from the first quarter, the unemployment rate in the Triangle is still lower than the projected rates that North Carolina should experience heading into the third quarter 2014. As we have seen in previous months, the scientific and high-tech industries continue to flourish in the Triangle market. In June, Cisco Systems announced an expansion of its RTP campus, creating 550 new jobs by 2017. The tech company already employs 5,000 workers and plans to build a new data center within the Park. North Carolina has offered Cisco a development incentive package worth \$12.9 million in return.

MARKET INDICATORS	Q1 2014	Q2 2014
VACANCY	↓	↓
NET ABSORPTION	↓	↑
COMPLETIONS	↑	↑
RENTAL RATE	↑	↑
US UNEMPLOYMENT	6.7%	6.1%
TRIANGLE UNEMPLOYMENT	5.2%	5.7%

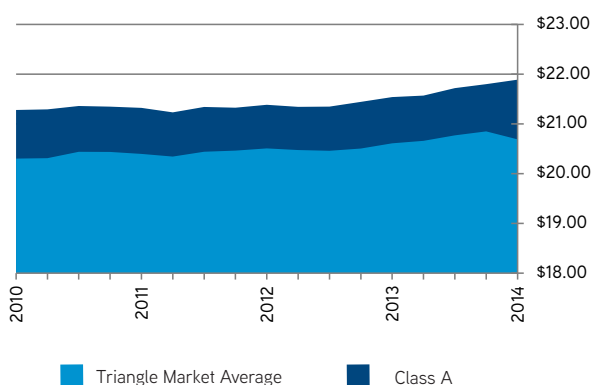
Market Overview

The Triangle reported a 13.8% vacancy rate for the second quarter, a decrease of 0.3% from the first quarter of 2014. This is the lowest recorded vacancy rate in the Triangle since 2008's second quarter. The Triangle market's Class A space is comprised of 78% of the overall office market, and reported a 12.9% vacancy rate for Q2. Nearly 400,000 SF of positive net demand was conveyed for the second quarter of 2014, which outpaced 321,409 SF of the market's new supply. The majority of the net demand was a product of the newly delivered inventory throughout the Triangle and the Downtown Durham and I-40/RTP submarkets controlled the region in absorption. The largest tenant gain in the market was Duke University Medical/Duke Medical Group (115,000SF) in the Carmichael Building in Downtown Durham. Of the 1.71 million SF that is currently under construction, over 900,000 SF is already preleased.

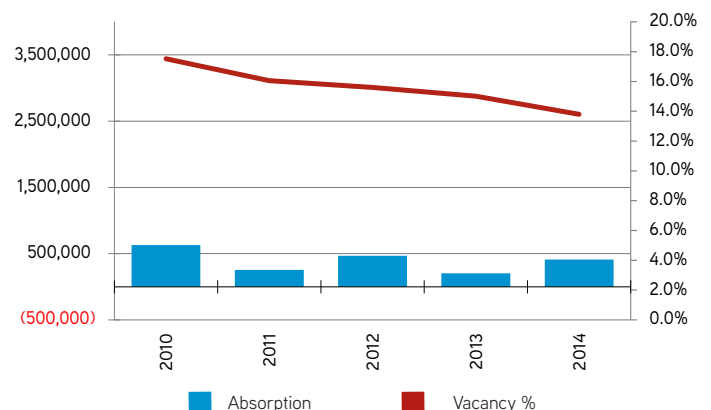
The Triangle market continues to be an attractive prospect for investors as we saw a combined sales of over \$71 million this quarter. The CVS Plaza at 137 E. Franklin Street in Chapel Hill sold in a joint venture purchase by Atco Properties for \$26.2 million. This acquisition was the largest of the quarter followed by the 124,800 SF Regency Pines building in Cary, which sold for \$13,833,333 million.



HISTORICAL RENTAL RATES PER SF



HISTORICAL VACANCY AND ABSORPTION



SELECT Q2 OFFICE TRANSACTIONS

SALES	PROPERTY ADDRESS	SUBMARKET	SALE PRICE	SF	BUYER
	CVS Plaza	Orange County	\$26,200,000	99,987	Atco Properties
	Regency Pines	Cary	\$13,833,333	124,800	Spectrum Properties
	3100 Blue Ridge Road	Raleigh	\$11,500,000	40,700	HTA (REIT)
	Miami North Office Park	Durham	\$5,050,000	72,946	KB Home-Raleigh Durham
	150 Parkway Office	Cary	\$4,005,000	28,801	Parkway Holdings Two
LEASES	PROPERTY	SUBMARKET	TENANT	SF	TYPE
	Carmichael Building	Downtown Durham	Duke Medical Group	115,000	New Lease
	4601 Research Commons	I-40/RTP	Department of Health & Human Services	100,000	Prelease
	Perimeter Two	I-40/RTP	SciQuest	78,565	New Lease
	Somerset Park	North Wake	State Bureau of Investigation	22,716	New Lease

SECOND QUARTER HIGHLIGHTS

- Cisco Systems has announced an expansion at their RTP Campus and in turn will create 550 jobs by the end of 2017. The tech company currently employs 5,000 workers in the Triangle. Cisco Systems will invest and build a new data center in RTP and North Carolina has offered a \$12.9 million economic development incentive package. The company has already begun renovation and retrofitting their existing office space over the past twelve months in order to make way for the new labs and operations center. North Carolina was chosen over Georgia and Texas for Cisco's expansion plans.
- Merz North America is relocating its headquarters from High Point, NC to Raleigh. The German skin care company will occupy 57,332 SF of the three-story 6501 Six Forks Road office building. The new headquarters will house all of Merz' operations including sales, marketing, compliance, finance, IT, human resources, and reasearch providing an additional 250 jobs to the Triangle area.
- Perimeter Two, the new 206,409 SF building in Morrisville, has opened and at 97% occupancy. The delivery of Perimeter Two attributed to the uptick in absorption for the Triangle's second quarter with major tenants such as Fujifilm Medical Systems and SciQuest. The Perimeter Two building is owned by Duke Realty Corp. who is on track to deliver Perimeter Three in the upcoming third quarter.



Source: www.regus.com



Source: Triangle Business Journal

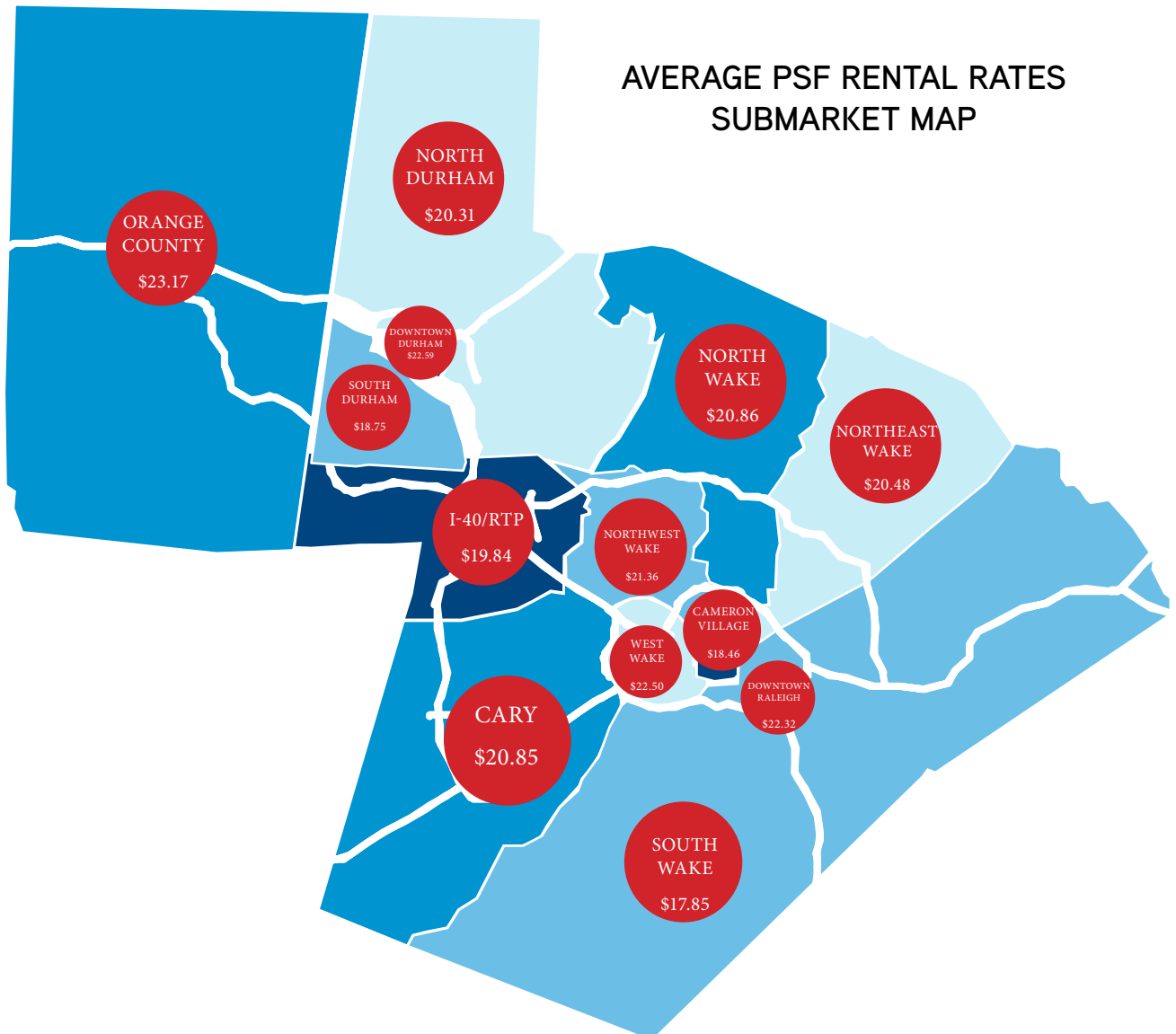
MARKET COMPARISONS

OFFICE MARKET												
SUBMARKET	BLDGS	TOTAL INVENTORY SF	TOTAL VACANT SF	TOTAL VACANCY RATE	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONSTRUCTION SF	PROPOSED SF	AVERAGE ASKING RENTAL RATE	
CAMERON VILLAGE	17	571,656	20,651	3.6%	(2,570)	(4,594)	-	-	-	-	\$	18.46
CARY	81	4,647,454	573,288	12.3%	26,859	(2,576)	-	-	502,000	2,318,959	\$	20.85
DOWNTOWN DURHAM	38	2,437,180	243,373	10.0%	105,729	288,462	115,000	301,000	102,090	262,000	\$	22.59
DOWNTOWN RALEIGH	30	3,416,837	168,159	4.9%	(9,117)	13,702	-	-	527,950	305,934	\$	22.32
I-40/RTP	137	10,676,301	2,123,095	19.9%	202,201	(3,760)	206,409	206,409	245,352	1,714,043	\$	19.84
NORTH DURHAM	27	1,548,459	314,919	20.3%	4,377	10,680	-	-	-	89,904	\$	20.31
NORTH WAKE	91	5,633,318	800,212	14.2%	39,243	56,698	-	-	-	605,000	\$	20.86
NORTHEAST WAKE	39	1,948,967	307,472	15.8%	3,158	(2,347)	-	-	-	378,000	\$	20.48
NORTHWEST WAKE	47	2,601,721	261,299	10.0%	(4,922)	24,997	-	-	162,000	-	\$	21.36
ORANGE COUNTY	32	1,651,522	168,910	10.2%	4,376	16,771	-	-	-	156,000	\$	23.17
SOUTH DURHAM	17	974,460	177,455	18.2%	8,991	22,429	-	-	46,800	93,930	\$	18.75
SOUTH WAKE	13	327,579	66,919	20.4%	-	(377)	-	-	-	129,975	\$	17.85
WEST WAKE	78	4,965,604	487,692	9.8%	21,355	(10,176)	-	-	125,000	105,000	\$	22.50
TOTAL	647	41,401,058	5,713,444	13.8%	399,680	409,909	321,409	507,409	1,711,192	6,158,745	\$	20.72

QUARTERLY COMPARISON AND TOTALS

Q1-14	644	40,998,082	5,781,822	14.1%	10,229	10,229	186,000	186,000	1,566,152	6,399,301	\$	20.69
Q4-13	649	41,427,866	6,203,537	15.0%	19,118	204,615	-	-	1,012,152	6,940,101	\$	20.60
Q3-13	652	41,355,296	6,209,466	15.0%	94,568	217,876	372,000	372,000	971,825	6,800,101	\$	20.77
Q2-13	652	41,297,219	6,387,416	15.5%	498,397	(399,008)	186,000	186,000	521,473	6,578,101	\$	20.66

AVERAGE PSF RENTAL RATES SUBMARKET MAP



PROPOSED DEVELOPMENT ACTIVITY:

CARY

- > Veridea | Proposed 500,000 SF
- > Alston Station | Proposed 400,000 SF
- > Southpark Campus | Proposed 320,000 SF

DOWNTOWN RALEIGH

- > The Edison | Proposed 305,934 SF
- > Southpark Campus | Proposed 320,000 SF

DOWNTOWN DURHAM

- > Parrish Street Office Tower | Proposed 200,000 SF

THE EDISON



Q2 CONSTRUCTION ACTIVITY:

CARY

- > MetLife Global Buildings | 427,000 SF
- > Biologics HQ | 75,000 SF

DOWNTOWN RALEIGH

- > Charter Square | 287,950 SF
- > Citrix | 130,000 SF
- > 227 Fayetteville | 110,000 SF

I-40/RTP

- > Perimeter Three | 245,352 SF



METLIFE RENDERING



CITRIX

485 offices in 63 countries

- \$2.1 Billion in Revenue
- \$75 Billion Total Transaction Value
- 1.46 Billion Square Feet Managed
- 15,800 Professionals



Research Associate:
Emily Bostic
702 Oberlin, Suite 400
Raleigh, NC 27605
TEL 919 582 3136

BROKERAGE SERVICES

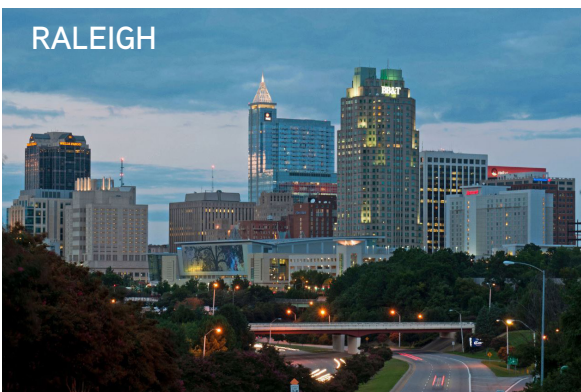
- > Asset Resolution
- > Build-to-Suit
- > Business Unit Analysis / Workplace Design
- > Construction and Maintenance Supervision
- > Dispositions and Subleases
- > Employee Surveys
- > Facility Relocations and Acquisitions
- > In-Depth Location Analysis
- > Lease and Operating Cost Audits
- > Lease Negotiation and Renewal
- > Space Expansion and Consolidation
- > Supplier / Employee Mapping
- > Sustainable Building Practice / LEED Certification
- > Industry Specializations through National Practice Groups

This market report is a research document of Colliers International. Information herein has been deemed reliable and no representation is made as to the accuracy thereof. Colliers International Inc., and certain of its subsidiaries, is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 482 offices throughout more than 62 countries worldwide. Sources include (but are not limited to): State of North Carolina Department of Commerce, CoStar, LoopNet, The KARNES Report, The Triangle Business Journal, Real Capital Analytics and the Research Triangle Park Foundation of North Carolina.



Accelerating success.

RALEIGH



DURHAM

