



Raleigh, North Carolina

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

The overall office vacancy rate in the Triangle dropped by 1% to 14.3%. Net absorption for the first quarter improved to 260,023 SF, most of which continued to be from class A space.

Joblessness in the Triangle's eight-county combined statistical area rose to 8.5% from December's 8% and January 2011's 8.2%. Employers in nearly every major category cut jobs in January. The financial activities sector was the only major category of jobs that grew, from about 38,400 to about 39,000. The Triangle economy continues to outperform both the state and national economies, adding 16,800 jobs over the past year. While that represents a sizable chunk of the total jobs created in the state, it remains below the 20,000 jobs the region adds in a typical year. Tenants remain active in the sublease market in both the disposition and acquisition side. The total amount of sublease space on the market has remained steady and at the historic average. There was an increase in sales of commercial properties in the first quarter of 2012.

Market Trends

- Rental rates are holding mostly steady.
- Demand for class A space continues to outpace that of class B space.
- Office vacancy rates are tightening. Vacancy of CBD space and suburban office space continued to decrease from the fourth quarter of 2011.
- Vacancy of R&D space increased slightly from 14.4% to 14.9%

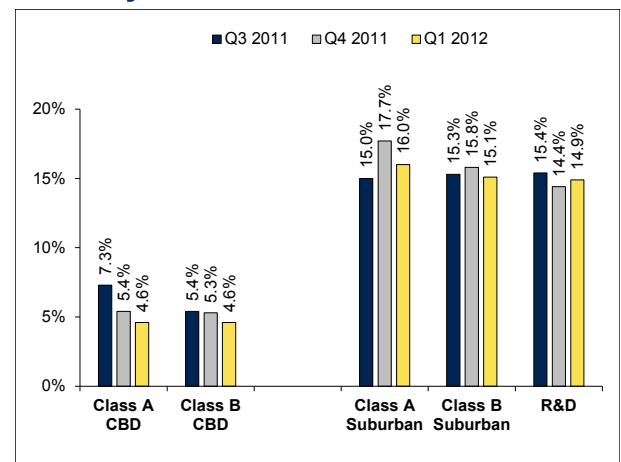
Tenant's Perspective

Tenants can continue to receive favorable lease terms as landlords vie for tenants. The inventory of larger blocks of space is tightening and delivery of new product will not be available for at least 18 months. New product fliers are beginning to circulate as developers work to prelease prospective office product. Banks are starting to foreclose on more properties; however, their disposition process is painstakingly slow. Tenants who commit to renewals and longer-term leases continue to benefit from lower occupancy costs as landlord concessions decrease and the market shifts.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Archon Group, LP	426,815	Office	Sale
Alexandria Real Estate	140,000	Flex	Sale
Broadstone Net Lease	135,420	Industrial	Sale
Grubb Properties	115,322	Office	Sale
Brookdale Group	112,000	Office	Sale
Veritage Management	109,852	Industrial	Sale
New Boston Fund	99,113	Office	Sale
Velocity Express	34,680	Industrial	Lease
Kerr Health, Inc.	32,000	Flex	Lease
D-1 Sports	18,000	Flex	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$22.86	\$22.33	\$22.33
Class B Office	\$18.21	\$18.58	\$18.13
Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$21.69	\$21.84	\$21.52
Class B Office	\$17.02	\$16.99	\$17.16
R&D	\$9.74	\$9.94	\$9.78