

# Raleigh, North Carolina

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

## Overview

Indicators are now showing that the commercial real estate market in the Triangle region seems to have stabilized (reached the bottom). The overall office vacancy rate ended the year steady at 15.7% compared with the 3rd quarter. The market also saw a positive net absorption of 177,000 SF, which put the total net absorption for the year at just 100k SF, albeit positive. The number of jobs being shed has slowed significantly as the Triangle area unemployment rate remained at 8.4% during the 4th quarter, down from a high of 9.1% in July 2009. So, what now? Will we bump along the bottom for some time or will we start to see an improvement soon?

## Market Trends

- The office vacancy rate ended the year at 15.7%, level with the 3rd quarter. The 1st quarter of this year will likely be in that same range as well. We expect the vacancy rate to begin to trend down slowly over the second half of this year as the job picture begins to improve.
- Asking rental rates do not tell the story as landlords continue to give significant discounts in the form of free rent, higher tenant improvement allowances, and other concessions. This trend will continue for 2010. Most landlords are happy to offer shorter-term renewals as they look ahead for a stronger market in a couple of years.
- With speculative construction at a standstill, it is likely that options for larger blocks of class A space will become more scarce as the year goes on.

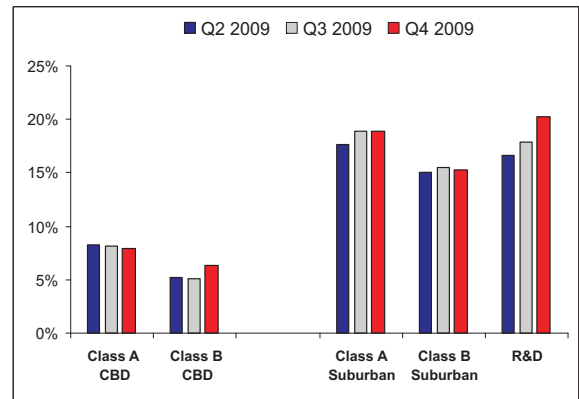
## Tenant's Perspective

The window of opportunity for tenants to lock in lower lease costs is wide open, but don't expect it to be that way forever. Now is prime time for users to be analyzing their leases and evaluating opportunities for restructuring to reduce their occupancy costs, as well as improving the alignment of their real estate to their businesses. It is critically important for tenants to consult closely with their real estate advisor to develop a solid strategy and to take full advantage of the market dynamics.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
EMC Corporation	450,000	Industrial	Purchase
Glaxo Smith Kline	170,000	Industrial	Lease Renewal
GSA – Social Security Admin.	72,801	Office	Lease
All Interior Supply	40,270	Industrial	Lease Renewal
Wayne Dalton Corp	29,000	Flex	Renewal
Wake County Human Serv.	24,645	Office	Lease
Arcadis	20,171	Flex	Lease Renewal
Grand Rental Station	13,970	Flex	Lease Renewal
Wachovia	12,807	Office	Lease Renewal
BLR Properties	10,224	Industrial	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q2 2009	Q3 2009	Q4 2009
Class A Office	\$23.50	\$23.54	\$23.45
Class B Office	\$17.79	\$18.76	\$18.32

Suburban	Q2 2009	Q3 2009	Q4 2009
Class A Office	\$21.95	\$22.17	\$21.61
Class B Office	\$17.16	\$17.15	\$16.40
R&D	\$9.76	\$9.74	\$9.52

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