

# Raleigh, North Carolina

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

## Overview

As anticipated, the vacancy rate for the Triangle office market held steady at 15.8%, essentially flat for the last several quarters. Net absorption for Q2 was a positive 204,000 SF, the strongest quarterly result since Q1 of last year. The jobs picture showed improvement as the area unemployment rate dropped to 8.0% in May, a percentage point down from the January rate. We believe the office market has bottomed but expect it to remain at the status quo for the next several quarters before showing some improvement towards the end of this year. The R&D and industrial space markets have followed a similar trend with current vacancy rates of 17.9% and 13.4%, respectively.

## Market Trends

- The recession's grip seems to be loosening as indicators are starting to point towards a market recovery. Vacancy rates have plateaued and are expected to edge down slightly late in the year as the jobs picture improves.
- Asking rental rates are holding steady, but landlords continue to make aggressive deals to attract and retain tenants.
- Tenants are seizing the opportunity to move to upgraded space at similar rental rates or staying put and locking in on lower renewal rates.

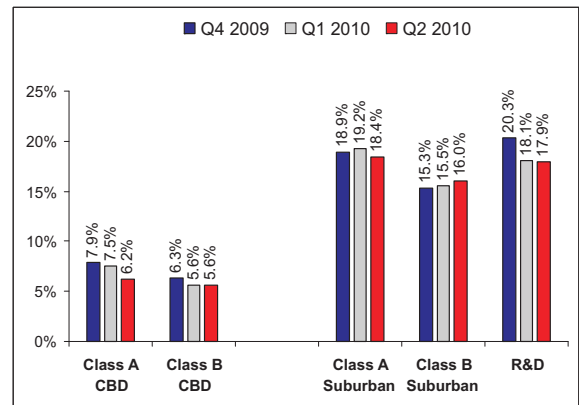
## Tenant's Perspective

The level of activity in the market is still quite anemic, but it is beginning to pick up. Space options are abundant in most submarkets; however, Downtown Raleigh is becoming very tight. Many space users are now seeing more stability in their business outlook, and so this is the time to review strategic real estate plans in order to take advantage of the current market. We recommend tenants take such actions this year and not wait until more recovery signs are apparent. As always, it is important to allow ample lead time when contemplating acquisitions and renewals in order to maximize leverage.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
iContact	70,000	Office	Lease
INC Research	60,000	Office	Lease
Duke Medicine	60,000	Office	Lease
CREE Inc.	59,748	Office	Purchase
KDC	49,500	Industrial	Lease
NC DHHS	46,800	Office	Renewal
Broadcom Corp	35,418	Office	Lease
BASF	35,000	Office	Lease
BB&T	30,268	Office	Lease
Pace Academy	21,000	Office	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$23.45	\$23.67	\$23.60
Class B Office	\$18.32	\$17.65	\$17.96

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$21.61	\$21.48	\$21.69
Class B Office	\$16.40	\$16.13	\$16.91
R&D	\$9.52	\$9.33	\$9.31

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