



# Raleigh, North Carolina

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

## Overview

The overall office vacancy rate in the Triangle held steady at 15.3%. Net absorption for the fourth quarter was sluggish at 118,000 SF and was entirely due to class A space, continuing the "flight to quality" trend. The primary leasing activity during the quarter and throughout 2011 was from the shuffling of tenants. For the first time since the recession began, the Triangle unemployment rate fell below the 8% level to 7.8% in December. Economists are predicting that job growth in the region, while certainly not explosive, will be one of the highest in the nation. Tenants were active in the sublease market, both on the acquisition and disposition side, but the total amount of sublease space on the market has remained steady at near the historic average. Sales activity of commercial properties continued an upward trend in the fourth quarter.

## Market Trends

- Vacancy and rental rates are holding mostly steady. Demand for class A space continues to outpace that of class B space.
- There has been an increase of lender foreclosures or loan workouts, primarily on smaller, locally owned properties, creating opportunities for cash buyers.
- The vacancy of R&D space dropped to 14.4% at the end of 2011, for a total reduction of 2% over the year.

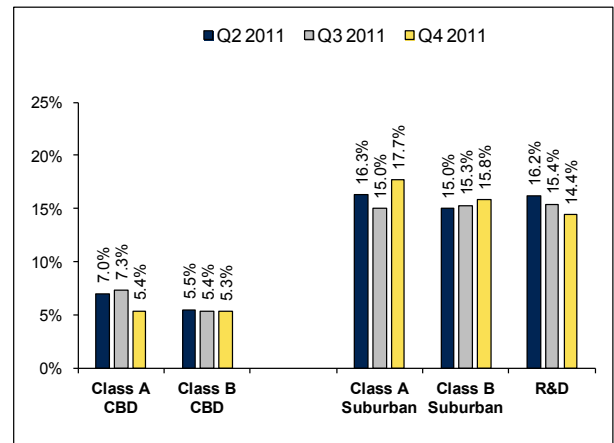
## Tenant's Perspective

Tenants can expect to find favorable lease terms as most landlords are aggressively competing for deals. The window of opportunity for tenants to take advantage of the market remains open for now, but is expected to begin closing during 2012. Larger users need to be sure to get an early jump on evaluating space options as large blocks of space are becoming scarcer and delivery of any new product would be at least 18 months out. As the Triangle market recovers through 2012, we expect there will be a shortage of space in several submarkets until new product can be delivered. Tenants who are able to commit to a longer-term lease now will reap the benefits of lower occupancy costs as the market shifts and landlord concessions diminish.

## Major Transactions

| Tenant/Buyer          | Size   | Type       | Lease/Sale |
|-----------------------|--------|------------|------------|
| Phoenix Telecom       | 90,000 | Industrial | Lease      |
| American Greenz       | 71,000 | Industrial | Lease      |
| Biolex                | 48,000 | Office     | Lease      |
| Rapiscan              | 34,000 | Industrial | Lease      |
| SimplexGrinnell       | 32,000 | Flex       | Lease      |
| Total Outsourced Sys. | 31,000 | Flex       | Lease      |
| NC Emergency Mgmt.    | 27,000 | Industrial | Lease      |
| Veritas Collaborative | 21,000 | Office     | Lease      |
| Access Point          | 19,000 | Office     | Lease      |
| UNC Dermatology       | 15,000 | Office     | Lease      |

## Vacancy Rate



## Average Rental Rates

| CBD            | Q2 2011 | Q3 2011 | Q4 2011 |
|----------------|---------|---------|---------|
| Class A Office | \$22.80 | \$22.86 | \$22.33 |
| Class B Office | \$17.27 | \$18.21 | \$18.58 |
| Suburban       | Q2 2011 | Q3 2011 | Q4 2011 |
| Class A Office | \$21.41 | \$21.69 | \$21.84 |
| Class B Office | \$17.06 | \$17.02 | \$16.99 |
| R&D            | \$9.80  | \$9.74  | \$9.94  |

