

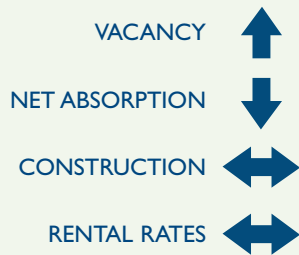
Market Report

INDUSTRIAL | FOURTH QUARTER | 2008



MARKET INDICATORS

Q4 2008



UPDATE

MAJOR TRANSACTIONS

The Keith Corporation broke ground on a 260,000-square-foot build-to-suit for Implus Corporation in the RTP/I-40 submarket

Measurement, Inc. leased 49,500 square feet at 2700 Angier Avenue within the Central Durham submarket

Sensus Metering leased 24,661 square feet within Eastridge at Perimeter Park in the RTP/I-40 submarket

Creative Recycling leased 24,000 square feet at Keystone Industrial Park in the RTP/I-40 submarket

Whirlpool leased 17,000 square feet at Greenfield North in the East Wake submarket

Introduction

The Raleigh-Durham industrial market closed out 2008 on a negative note as both the warehouse and flex sectors exhibited negative absorption during the fourth quarter. A general lack of new leasing activity plagued the market throughout 2008, but became particularly acute since the onset of the financial crisis. However, given the disastrous economic climate that developed in October, the results were not nearly as dire as one would expect. Vacancy rates remained relatively steady within the warehouse sector and the flex sector finished the year with overall positive absorption. Although we expect 2009 to yield mostly negative results, the market is extremely well poised to weather the recession particularly if the economy begins to rebound by year end.

Warehouse

The Raleigh-Durham warehouse sector finished the fourth quarter nearly even with 1,513 square feet of absorption market-wide. For the year, the market demonstrated overall negative results with -278,161 square feet. Although the number of tenant move outs and vacancies has been relatively small, the lack of new leasing activity throughout 2008 provided the landscape for overall negative absorption.

The RTP/I-40 corridor submarket suffered the biggest hit resulting from Digital Circuit Solutions moving out of approximately 104,000 square feet at Globe Center One.

Vacancy within the warehouse sector remained steady at just over 17%, only a slight move higher from the previous quarter. Despite the negative absorption in the RTP/I-40 corridor, the Triangle's largest submarket remains strong with only 7.85% vacancy at year end, up from 6.71% at the end of the third quarter. Of the Triangle's largest submarkets, the East Wake submarket continues to be the weakest with vacancy rates hovering above 26%. However, the picture is much brighter for owners of Class A facilities in this submarket where vacancy is actually below 10%.

Sublease space is becoming an issue, particularly since Anderson Windows began offering its 435,000 square foot facility at Tri-Center North VI. Sublease space now totals 1.2 million square feet throughout the market pushing the adjusted vacancy up within the market to nearly 23%. However, the Anderson sublease is not expected to be a significant factor in the overall market since the building does not subdivide well for smaller tenants.

New speculative construction remains non-existent throughout the market. There are two facilities presently under construction, but each is a build-to-suit with 100% occupancy. Brookwood Capital is nearing completion of a 150,000-square-foot build-to-suit for Owens & Minor at New Hope Commerce Center in East Wake. The Keith Corporation has also broken ground on a 260,000-square-foot build-to-suit for Implus Corporation in the RTP/I-40 submarket.

Rental rates have remained remarkably steady, particularly given the circumstances. In fact, many asking rates for Class A industrial facilities continue to climb, particularly in the RTP/I-40 submarket where vacancy rates remain low. Rental rates for new transactions are expected to see compression in 2009 as the few deals in play will be hotly contested by Landlords.



IMPLUS CORPORATION

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Flex

The Raleigh-Durham flex market ended a string of four consecutive quarters of positive absorption with -202,966 square feet during the fourth quarter. For the year, the market ended slightly positive with 34,863 square feet of net absorption over the past twelve months. All three of the Triangle's largest flex submarkets experienced negative absorption with the RTP/I-40 submarket leading the way at -93,477 square feet. Most of the negative absorption is relative to IBM vacating two facilities totaling 138,000 square feet at Keystone Technology Park in the RTP/I-40 submarket.

Market-wide vacancy rates ballooned to 14.46%, up from 13.08% at the end of the third quarter. Of the 2.2 million square feet of vacancy, the majority resides within the RTP/I-40 submarket with over 840,000 square feet available (14.42% of the submarket).

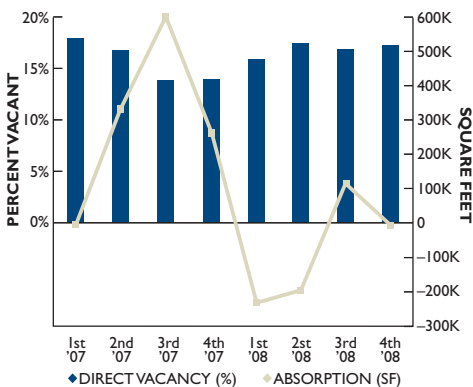
New construction is virtually non-existent throughout the market, an ongoing trend for the past six years. There are presently only two buildings under construction in the entire region totaling 28,800 square feet. Sublease space is also a relative non-factor with only 200,083 square

feet available market-wide, representing only a 1.30% increase in vacancy in the market. Thus far, rental rates have been holding relatively steady, but Landlords have been offering increased concessions to entice and retain tenants.

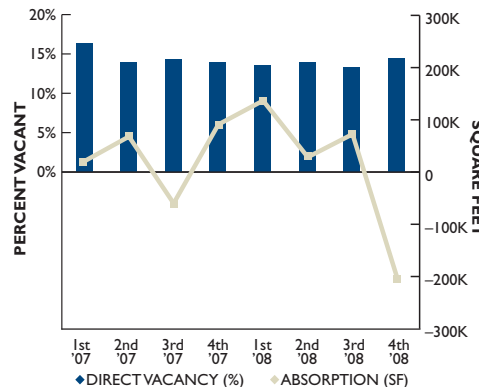
Forecast

The Raleigh-Durham industrial market will likely experience more negative absorption throughout the first half of 2009. However, we do not anticipate the market to demonstrate any dramatic shifts in vacancy levels and the market is extremely well positioned to weather any protracted economic slowdown. Speculative construction remains virtually non-existent and warehouse vacancy rates in the RTP/I-40 submarket are at an all time low. The market has diversified its tenant base dramatically since 2000 when IBM and Nortel Networks dominated the landscape. Over the next few years, the lack of development land for industrial product in the RTP/I-40 corridor should significantly benefit surrounding submarkets. Most notably, we expect the Eastern Wake County submarket along Interstate 40 and the North Durham submarket along Interstate 85 to be the big winners for new industrial development.

HISTORIC WAREHOUSE VACANT & ABSORBED



HISTORIC FLEX VACANT & ABSORBED



WAREHOUSE MARKET OVERVIEW
FOURTH QUARTER 2008

	RTP/I-40	US-1/ CAPITAL	E.WAKE	TOTAL TRIANGLE
TOTAL INVENTORY	10,105,517	3,885,798	4,092,079	23,912,804
VACANT SF	793,126	592,847	1,089,291	4,151,557
VACANCY RATE	7.85%	15.26%	26.62%	17.36%
NET ABSORPTION 4TH QUARTER	-114,887	5,436	-7,000	-1,513
ABSORPTION LAST 12 MONTHS	-303,571	20,857	-88,770	-278,161
SF UNDER CONSTRUCTION	260,000	0	150,000	410,000
SUBLEASE VACANCY	913,771	246,940	15,600	1,271,311

FLEX MARKET OVERVIEW
FOURTH QUARTER 2008

	RTP/I-40	US-1/ CAPITAL	E.WAKE	TOTAL TRIANGLE
TOTAL INVENTORY	5,932,200	4,081,679	1,382,317	15,410,101
VACANT SF	843,829	478,745	233,738	2,228,117
VACANCY RATE	14.22%	11.73%	16.91%	14.46%
NET ABSORPTION 4TH QUARTER	-93,477	-62,821	-19,815	-202,966
ABSORPTION LAST 12 MONTHS	20,686	42,546	-34,925	34,863
SF UNDER CONSTRUCTION	12,960	0	0	28,800
SUBLEASE VACANCY	37,580	86,972	41,127	200,083

Colliers Pinkard statistics originate with Triangle Business Journal and are presented without any warranty.

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 - United States: 99
 - Canada: 19
 - Latin America: 18
- Europe, Middle East & Africa: 95
- Asia Pacific: 62

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Colliers Pinkard recently completed the consolidation of its ownership structure with Colliers Turley Martin Tucker, Cassidy & Pinkard Colliers, and Colliers ABR, forming a holding company that is one of the nation's largest commercial real estate service firms. The consolidated entity completes more than \$13 billion in worldwide transactions annually and manages more than \$30 billion in real estate. The holding company's portfolio totals 300 million square feet under property management, 210 million square feet of space for lease, and \$5 billion in capital markets transactions annually. The Corporate Solutions division sustains more than 20,000 locations for Fortune 1,000 companies and delivers a new location "Every 80 Minutes."

Colliers International is a global affiliation of independently owned commercial real estate firms. The organization's 10,092 employees span the world in 267 offices in 57 countries. On a worldwide basis, Colliers manages 672,945,918 square feet, and has revenue of \$US 1,620,958,349.



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