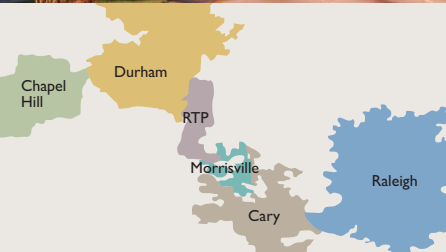


Market Report

OFFICE | FOURTH QUARTER | 2008



MARKET INDICATORS

Q4 2008



UPDATE

SIGNIFICANT TRANSACTIONS

HCL America, Inc. leased 42,200 SF at 11000 Regency Lakeside in Cary

Horace Mann leased 41,800 SF at Perimeter One in RTP

Wake Tech Community College leased 39,000 SF at Millpond Village in Cary

Duke University Health Systems leased 24,787 SF in the Duke Medical Plaza in North Raleigh

Lawyers Mutual leased 19,696 SF at Weston II in Cary

Womble Carlyle Sandridge & Rice renewed a lease of 16,500 SF at 2530 Meridian in South Durham

Overview

The fourth quarter of 2008 saw the Triangle Office market impacted along with the rest of the global economy but fortunately, not at such concerning levels. While 2009 is expected to bring further deterioration of market fundamentals, a low level of office construction, together with a regional economy more diverse than in past economic downturns, will serve to buoy the Triangle office market.

Vacancy and Absorption

The Triangle office market absorbed approximately 97,400 square feet in the fourth quarter as approximately 178,000 square feet of Class A and C absorption was offset by approximately -81,000 square feet of negative absorption in the Class B sector. For the year 2008, the Triangle office market enjoyed approximately 1.9 million square feet of net absorption, of which 1.86 million square feet was in the Class A sector. This represents the highest annual net absorption to occur in the Triangle since 2000, when approximately 2.25 million square feet were absorbed. On a quarterly basis, the fourth quarter result was down approximately 50% from the previous quarter, a trend which is expected to continue.

Overall vacancy increased incrementally from approximately 14.7% in the third quarter to 15.1%. The Class A vacancy followed suit increasing from approximately 12.5% to 12.7%. The Raleigh CBD's vacancy remained very tight at 5.7% overall but its Class B sector saw a vacancy increase from approximately 11% to 13.6%. Durham's CBD saw its overall vacancy increase from 12.8% in the third quarter to 13.2%, led by the delivery of Diamond View II. The RTP/I-40 submarket, the Triangle's largest, saw its overall vacancy increase from approximately 19% in the third quarter to 19.4% but its Class B and Class C vacancy rates were approximately 27% (1 million SF equivalent) and 65% (230,000 SF equivalent) respectively.

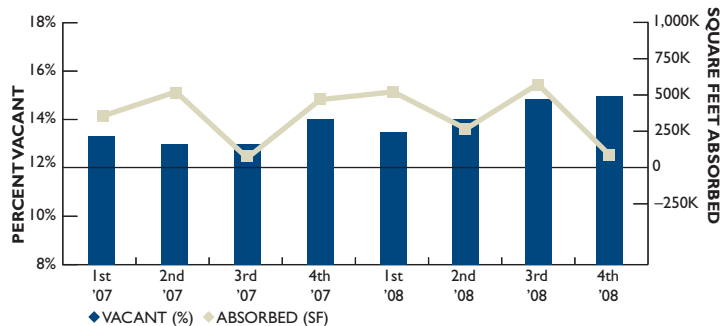
Construction

Approximately 362,000 square feet in five (5) buildings delivered in the fourth quarter, including most notably: Brier Creek VI (121,472 SF), North Park II (52,500 SF) and Pleasant Grove Business Park (77,500 SF)

Construction of new Triangle office product remains tempered, although approximately 1.2 million square feet of office remains under development for delivery over the course of 2009, including most notably Duke/Kane's 302,000-square-foot, 17-story CapTrust Tower at North Hills, which is scheduled to deliver in fourth quarter, 2009 and Quintiles HQ building of 252,000 square feet scheduled for mid-2009 completion.

Continued

HISTORIC DIRECT VACANCY & ABSORBED OFFICE SPACE



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



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Subleases

As expected, with contraction on the part of end users came an increase in available sublease spaces. While no official statistics are kept for this market segment, the Triangle office market currently has available for sublease approximately 1.3 million square feet, up from approximately 1 million square feet in the third quarter and 700,000 square feet in the second quarter.

Rental Rates

Asking rental rates stabilized in the fourth quarter with no perceptible change from third quarter, when rental rates averaged \$19.56 annually across all classes and \$22.30 in the Class A sector. While asking rates had a minimal change from the previous quarter, concessions did increase, most notably free rent, which now averages 1 to 1.5 months of abatement for every 1 year of lease term.

Forecast

The forecast for the Triangle office market is unsettling, although Triangle experts earnestly believe that the region will fare far better than other parts of the country, thanks to its diverse economy, its colleges and university presence and being North Carolina's capital area. That being said, Triangle commercial real estate professionals anticipate asking rental

rates will begin to drop by second quarter, 2009, most notably in Class A projects with the exception of new construction, but also in Class B and C sectors. Rental rates will compress to the point where single-story office and adequately-parked flex product will be as economical as some Class B and older Class A mid-rise buildings. This will give tenants a myriad of choices. Quality sublease offerings will only exacerbate matters. Construction costs are expected to decline incrementally, as labor is plentiful, materials are readily available and less sensitive to oil prices and land and soft development costs yield to market forces.

Also of interest, landlord and sub-landlords alike will be competing intensely for "credit worthy" tenants. However, both types of property owners will be hard pressed to find a truly "credit worthy" tenant as the global financial crisis has spared virtually no corporation. Those companies with abundant cash on hand will be viewed as most credit worthy.

Investment markets will continue to be stagnant for the first half of 2009, possibly showing some signs of thawing as we approach the end of the year. However, some modest exceptions will occur. First, some end-users seeking 10,000-50,000-square-foot free standing buildings, may generate a number of transactions. Secondly, single tenanted buildings occupied by companies seeking cash infusions will likely create sale-leaseback opportunities.

VACANT & ABSORBED OFFICE SPACE BY SUBMARKET

FOURTH QUARTER 2008

SUBMARKET	TOTAL SF INVENTORY	DIRECT VACANT SF	DIRECT VACANCY %	NET SF ABSORPTION CURRENT QTR	NET ABSORPTION PAST 4 QTRS	COMPLETIONS CURRENT QTR SF	SF UNDER CONST.	AVERAGE ASKING \$/SF CLASS A/ ALL
CARY	5,388,207	634,325	11.8%	24,712	363,856	26,000	37,604	\$23.50 / \$19.88
CHAPEL HILL	1,387,194	205,819	14.8%	(7,946)	(41,803)		160,920	\$26.48 / \$22.06
DOWNTOWN AND CENTRAL DURHAM	2,861,678	378,342	13.2%	12,297	328,916	57,000	22,000	\$22.94 / \$20.85
DOWNTOWN RALEIGH AND CAMERON VILLAGE	4,336,840	248,902	5.7%	(10,035)	280,882		204,000	\$23.76 / \$21.05
EASTERN WAKE COUNTY	523,941	109,079	20.8%	(5,975)	8,636			\$17.56
NORTH DURHAM	1,524,709	313,213	20.5%	72,300	69,802			\$16.04
NORTH RALEIGH (SIX FORKS RD, FALLS OF NEUSE RD & US 1/CAPITAL BLVD.)	7,912,913	1,243,290	15.7%	1,901	75,437	80,236	411,564	\$22.30 / \$19.18
SOUTHERN WAKE COUNTY	167,930	24,583	14.6%	(1,400)	12,746			\$19.00 / \$16.91
WEST RALEIGH AND US 70 / GLENWOOD AVE.	8,718,633	1,244,149	14.3%	(83,874)	573,320	121,472	32,000	\$22.57 / \$19.79
I-40 / RTP / SOUTH DURHAM	11,826,182	2,297,982	19.4%	95,493	230,144	77,600	393,278	\$20.56 / \$18.26
TRIANGLE MARKET TOTALS								
A	27,089,597	3,444,438	12.7%	121,611	1,856,992	201,708	1,169,762	\$22.36
B	13,838,424	2,640,340	19.1%	(81,741)	2,808	160,600	91,604	
C	3,720,206	614,906	16.5%	57,603	42,136		—	
TOTAL	44,648,227	6,699,684	15.0%	97,473	1,901,936	362,308	1,261,366	\$19.60

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COLLIERS INTERNATIONAL

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

OFFICES PER REGION:

- Americas: 136
 - 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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