

## Raleigh-Durham Industrial

The Triangle Region

SECOND QUARTER 2008

### QUICK STATS

	Change from last*		
	Current	Yr.	Qtr.
Vacancy	15.65%	↑	↑
Lease Rates	\$6.59**	↓	↓
Net Absorption	-199,424	↓	↓
Construction	165,840	↑	↑

\*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g. absorption could be negative, but still represent a positive trend over a specified period.)

\*\*Rent per square foot per year, NNN

### HOT TOPICS

- Flex market dropped its vacancy to 13.84% from 13.97% in the second quarter and posted a positive absorption of 28,544 square feet.
- Several major vacancies in the flex market were offset by numerous deals, including Almac Services leasing 23,000 square feet at 4238 Technology Drive in north Durham.
- Sanmina renewed a lease for 315,000 square feet, which is positive for the market considering the company debated on vacating the building.

The Raleigh-Durham industrial/flex market is an area covering three counties, Wake County, Durham County and Orange County, and is commonly referred to as the Triangle. At the close of the second quarter of 2008, the Triangle's industrial/flex space inventory totaled 39.0 million square feet, including 23.9 million square feet of warehouse space and 15.2 million square feet of flex/office space. This inventory is divided into 14 submarkets. A number of major companies are headquartered in the Raleigh-Durham region, including SAS Institute (the nation's largest private software company) and Progress Energy (No. 248 on the Fortune 500 list).

During the second quarter, the overall industrial/flex vacancy rate in the Raleigh-Durham area increased to 15.65%. The warehouse vacancy increased to 17.45%, up from 16.25% at the end of the first quarter. The flex vacancy rate decreased to 13.84%, down from 13.97% at the end of the first quarter.

The Triangle flex market overcame several major vacancies to post a positive absorption for the quarter, 28,544 square feet, with vacancy dropping to 13.84% from 13.97% in the first quarter.

Offsetting these vacancies was Cree's lease of 16,412 square feet at Keystone Technology Park

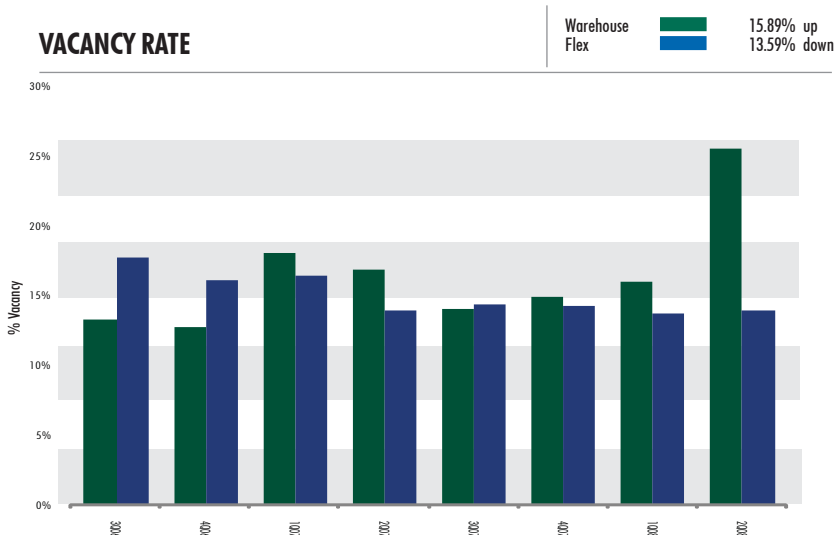
X and many smaller deals. More than 22,000 square feet was also leased at the Raleigh Bonded Warehouse park. Almac Services leased 23,000 square feet at 4238 Technology Drive in north Durham. White Oak Commercial completed construction of its new 11,000 square foot Wesborough Center flex building at 6612 Fleetwood Drive off of U.S. 70 in Raleigh with 4,000 square feet still vacant.

*"The Triangle flex market overcame several major vacancies to post a positive absorption for the quarter, 28,544 square feet, with vacancy dropping to 13.84% from 13.97% in the first quarter."*

The warehouse market in the Triangle took a step backward during the second quarter with a rise in vacancy to 17.45% from 16.25% in the first and posting negative absorption of 199,424 square feet.

The downturn in the warehouse market for the second quarter is attributable to a number of factors. Sanmina gave back 134,514 square feet of space at the Essex Center warehouse building in Imperial Center. Sanmina did, however, renew the lease for 315,000 square feet, which is positive for the market considering the company debated on vacating the entire building. Amerisource Bergen's relocation from its 91,600 square foot warehouse at 8605 Ebenezer Church Road in Raleigh contributed to the vacancy increase as the absorption of space was recorded in the fourth quarter of 2007- when the new lease at 120 Trans Air Drive in Morrisville was signed. ATM Financial Services vacated 50,000 square feet at the 901 Management Way building in Garner. West Brothers gave back 85,000 square feet at Research Tri-Center North.

### VACANCY RATE

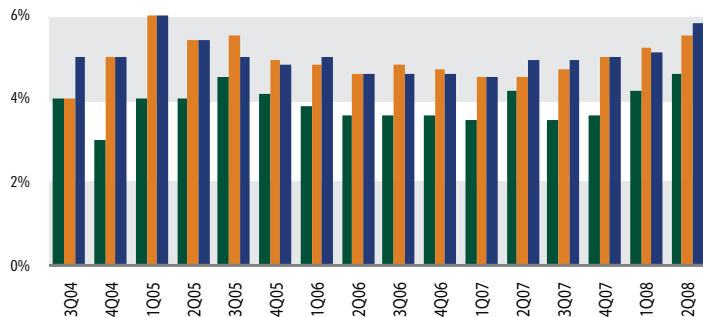


Market	Rentable Area	Vacancy Rate %	Net Absorption SF	Under Construction SF	Average Lease Rate Rent SF/YR NNN	Availability Rate %*
<b>Warehouse</b>						
West Raleigh	90,669	67.99%	0	—	\$5.26	67.99%
U.S. 70/Glenwood Avenue	698,117	19.91%	-13,090	—	\$4.12	25.64%
Six Forks Road	110,000	0.0%	0	—	\$3.50	0.0%
Falls of Neuse	743,936	14.90%	0	—	\$3.50	14.90%
U.S. 1/Capital Boulevard	3,885,215	12.11%	18,264	—	\$5.10	17.64%
Downtown Raleigh	346,601	33.46%	0	—	\$4.14	33.46%
Eastern Wake	4,017,847	26.75%	34,600	150,000	\$4.71	30.79%
Southern Wake	376,000	34.57%	0	—	\$2.65	34.57%
Cary	45,673	10.95%	-5,000	—	\$7.00	10.95%
RTP/I-40 Corridor	10,105,817	6.65%	-165,188	—	\$4.51	10.50%
Central Durham	472,400	22.23%	7,000	—	\$3.06	28.15%
North Durham	588,300	7.96%	0	—	\$2.32	19.34%
South Durham	1,814,782	66.64%	0	—	\$3.33	66.64%
Orange County	602,900	7.89%	0	—	\$5.66	7.86%
<b>Warehouse/Distribution Totals</b>	<b>23,898,257</b>	<b>17.45%</b>	<b>-199,424</b>	<b>150,000</b>	<b>\$4.20</b>	<b>26.32%</b>
<b>Flex</b>						
West Raleigh	498,633	12.02%	5,954	—	\$9.21	12.02%
U.S. 70/Glenwood Avenue	698,117	19.91%	-13,090	—	\$7.64	19.91%
Falls of Neuse	338,302	17.81%	-7,913	—	\$8.04	17.81%
U.S. 1/Capital Boulevard	3,980,117	9.68%	72	—	\$8.68	12.38%
Downtown Raleigh	43,400	37.67%	0	—	\$8.84	37.67%
Eastern Wake	1,362,017	13.87%	-12,360	—	\$9.23	15.90%
Southern Wake	490,079	12.79%	18,000	15,840	\$8.66	16.02%
Cary	783,241	12.30%	-4,092	—	\$10.92	14.06%
RTP/I-40 Corridor	5,995,031	14.96%	9,431	—	\$9.72	20.98%
Central Durham	14,000	0%	0	—	\$5.00	0%
North Durham	473,293	37.86%	23,000	—	\$9.00	40.25%
South Durham	165,127	0%	542	—	\$15.75	0%
Orange County	317,600	4.12%	9,000	—	\$6.06	4.12%
<b>Flex Totals</b>	<b>15,158,957</b>	<b>13.84%</b>	<b>28,544</b>	<b>15,840</b>	<b>\$8.98</b>	<b>16.24%</b>

\*Includes direct vacant space, sublease space, future available space and space for lease in buildings currently under construction.

**UNEMPLOYMENT RATE**

Raleigh-Durham 4.6%  
 North Carolina 5.8%  
 US 5.5%



Source: US Dept. of Labor and Statistics and NC Employment Security Commission

As of June 2008, the unemployment rate for the Raleigh-Durham MSA, was 4.6%, up from 4.2% at the end of the first quarter of 2008. North Carolina’s 5.8% unemployment rate during the first quarter of 2008 was up from 5.2% during the first quarter. Nationwide, unemployment was 5.5% in June, up from 5.1% in March 2008. The civilian workforce in North Carolina totaled a little over 4.5 million, a year-over-year increase of 45,500.

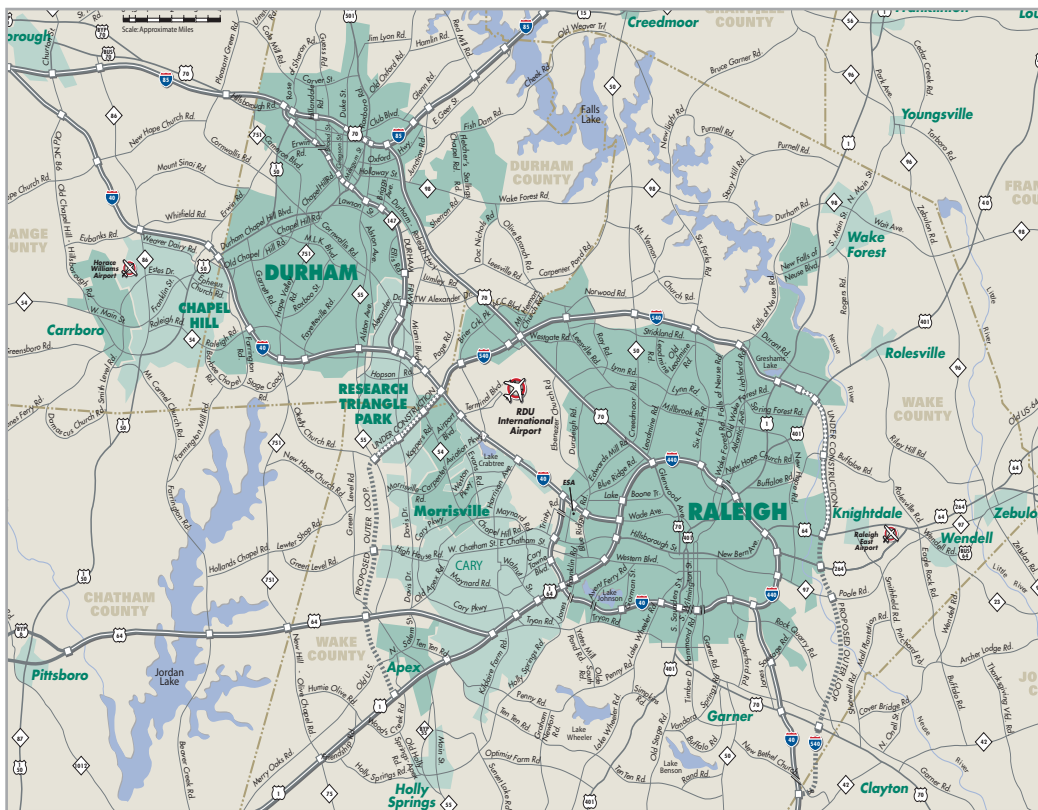
The Raleigh-Durham MSA consistently ranks in the top 12 major markets nationally for lowest unemployment. More than 865,000 make up the region’s labor force which is supplemented each year by graduates of the area’s top tier universities (Duke University, The University of North Carolina, North Carolina State University and North Carolina Central University) and by workers and companies relocating from outside the area.



TOP RALEIGH-DURHAM LEASE TRANSACTIONS DURING 2008

Size (Sq. Ft.)	Tenant	Address
315,000	San Mina	Essex Center
80,000	LagasseSweet	Walnut Creek IV
49,600	Creative Recycling	Keystone
20,856	White Oak Custom Cabinetry	Airport Distribution Center
11,640	Induspac	C&O Warehouse

RALEIGH-DURHAM AREA MAP



**BULK WAREHOUSE**

Designed for long-term storage of products and, as such, are usually leased in large increments of space. With minimal interior finish, these facilities command the lowest rental rates of industrial building types.

**DISTRIBUTION BUILDINGS**

Designed for limited storage of products and goods. They generally have 16-to-22-foot ceilings, and can accommodate 18-wheelers. Parking is limited and rental rates are generally mid-range for industrial properties.

**FLEX BUILDINGS**

Office-like in appearance and design, with some storage and loading capacity in the rear. These buildings are usually divisible to small suites, with parking ratios and rental rates that are the highest found in industrial product.

**AVERAGE ASKING LEASE RATE**

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

**NET LEASES**

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**MARKET COVERAGE**

Includes competitive warehouse/distribution and flex building in the Triad greater than 10,000 square feet in size.

**NET ABSORPTION**

The change in occupied square feet from one period to the next.

**UNDER CONSTRUCTION**

Buildings which have begun construction as evidenced by site excavation or foundation work.

**AVAILABLE SQUARE FEET**

Portion of building area that is on the market for lease; maybe either vacant or occupied at time of reporting.

**AVAILABILITY RATE**

Available Square Feet divided by the Net Rentable Area.

**VACANT SQUARE FEET**

Existing Building Area which is physically vacant or immediately available.

**VACANCY RATE**

Vacant Building Feet divided by the Net Rentable Area.

**NORMALIZATION**

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.



© Copyright 2008 CB Richard Ellis (CBRE) Statistics contained herein may represent a different data set than that used to generate National Vacancy and Availability Index statistics published by CB Richard Ellis' Corporate Communications Department or CB Richard Ellis' research and Econometric Forecasting unit, Torto Wheaton Research. Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis.

For more information regarding the MarketView, please contact:  
 Sarah Hammond, Financial Analyst  
 CB Richard Ellis - Raleigh, NC  
 6501 Weston Parkway, Suite 190, Cary, NC  
 T. 919.831.8212 F. 919.856.2530  
 sarah.hammond@cbre.com