

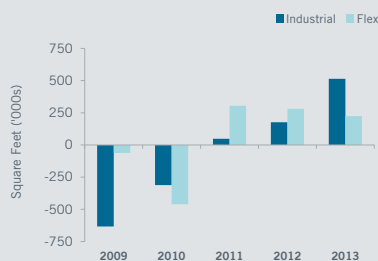


RALEIGH INDUSTRIAL

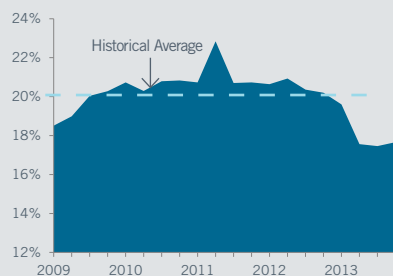
Economic Indicators

	Q4 13	Q4 12
Raleigh-Durham CMSA Labor Force	873,820	884,927
Raleigh-Durham CMSA Unemployment	6.1%	7.5%
U.S. Unemployment	7.2%	7.8%
U.S. CCI (Consumer Confidence Index)	74.17	70.44

Net Absorption



Warehouse Vacancy Rate



Triangle Warehouse on an Upswing; Flex Holds Steady

Warehouse

Market Tracker

*Arrows = Change from Previous Quarter

▲ Vacancy
17.7%

▼ Net Absorption
-72,575 SF

◀ Deliveries
0 SF

◀ Asking Rent
\$3.79 NNN

As the nation continues to struggle with the aftermath of the recession, the Raleigh-Durham industrial market seemed to hit its stride in 2013, giving promising signs of renewed energy. Despite a small absorption correction in the fourth quarter, the year's activity has been highly favorable. Several sizable lease transactions led to net absorption approaching 400,000 square feet in the second quarter, and the year closed with a cumulative net absorption of about 550,000 square feet. This marks the third year of positive momentum, as well as escalating volume: 2013 absorption numbers were almost double those from 2012 (270,000 square feet) and almost triple those from 2011 (200,000 square feet). Robust activity in the economic powerhouse of the RTP/I-40 submarket as well as product concentrated around US 1/Capital Boulevard drove the decline in vacancy rates to 17.3%, down 3% from the fourth quarter of 2012. The Class A market, comprising the area's institutional-grade product, tightened significantly, with vacancy rates falling 120 basis points from the end of 2012 to 7.6%. New construction of industrial product has failed to keep pace with increasing demand, with no new speculative space delivered from 2008-2013. New Hope Commerce Center, the single 100,000 SF industrial building currently under construction, is already 100% pre-leased, and has done little to take the edge off the appetite for space. With supply being gobbled up and minimal new construction underway, this sector will continue to heat up in the near term.

Warehouse Forecast:

- In 2014, steady economic recovery and rapid population growth in the Triangle will continue to drive increasing demand for institutional-grade warehouse product, although older, functionally obsolescent product in outlying areas will continue to be sluggish.
- As large users show a reluctance to settle for sub-par space, interest is reviving in new projects, both speculative and build-to-suits.
- New projects are not a viable option in the coveted RTP/I-40 center-of-market location, which is now almost completely built out, and where the vacancy rate is currently 6.2%. That area is truly a landlord's market now: rents will continue to rise, and we anticipate a significant increase in investor interest in the area.

Flex

Market Tracker

*Arrows = Change From Previous Quarter

▼ Vacancy
14.8%

▼ Net Absorption
-8,151 SF

◀ Deliveries
0 SF

◀ Asking Rent
\$9.65 NNN

After an exceptionally strong third quarter, with absorption gains of about 232,000 square feet, the flex market was flat in the fourth quarter, with negative absorption of 8,151 square feet. This was in part due to owners, confident in the recovering market, holding out for larger users rather than subdividing space to make a quicker deal. The overview for the year was solidly positive, with vacancy rates now at 14.8%, down 130 basis points from year-end 2012. Net absorption for 2013 totaled over 270,000 square feet, commensurate with totals from 2011 and 2012, demonstrating a steady, organic growth rate. The Triangle continues to thrive as a national hub and start-up incubator for biotechnology and life sciences, and the flex market should benefit from increasing activity as current companies expand their operations, and fledgling start-ups gain traction.

- After a relatively stagnant fourth quarter, performance in the first quarter of 2014 is expected to be strong, reflecting absorption gains from several deals that rolled over from 2013.
- Vacancy rates will continue their steady decline, leading to a corresponding uptick in rental rates.

Cassidy Turley Industrial Market Snapshot

Raleigh-Durham • Fourth Quarter • 2013

SUBMARKET	TOTAL BLDGS	INVENTORY	OVERALL VACANT SF	OVERALL VACANCY %	CURRENT NET ABSORPTION	PAST 4 QTRS NET ABSORPTION	YTD COMPLETIONS	UNDER CONSTRUCTION	AVERAGE ASKING RENT
Warehouse									
Eastern Wake County	84	5,932,868	809,700	13.6%	-123,560	20,012	0	100,155	\$3.45
North Durham	10	1,091,229	174,066	16.0%	0	-35,850	0	0	\$3.23
RTP/I-40 Corridor	72	10,862,562	677,031	6.2%	121,053	297,852	10,000	0	\$4.51
South Durham	10	1,895,999	1,235,194	65.1%	-11,395	-3,633	0	0	\$3.05
US 1/Capital Boulevard	61	4,266,412	1,078,393	25.3%	33,476	208,845	10,850	0	\$4.25
All other submarkets	84	4,334,842	1,039,428	24.0%	-92,149	26,707	26,030	0	\$4.40
Flex									
Cary	37	925,122	138,501	15.0%	-48,790	23,912	0	0	\$9.87
Eastern Wake County	56	1,635,457	213,549	13.1%	18,810	3,971	0	0	\$8.51
RTP/I-40 Corridor	100	5,987,884	952,608	15.9%	-4,370	63,554	0	0	\$10.67
US 1/Capital Boulevard	120	4,204,269	500,232	11.9%	32,826	42,952	0	0	\$9.28
All other submarkets	167	4,011,286	681,021	17.0%	-6,627	89,010	0	43,000	\$8.87
By Property Type									
Total Warehouse	321	28,383,912	5,013,812	17.7%	-72,575	513,933	46,880	100,155	\$3.79
Total Flex	480	16,764,018	2,485,911	14.8%	-8,151	223,399	0	43,000	\$9.65
TRIANGLE METRO	801	45,147,930	7,499,723	16.6%	-80,726	737,332	46,880	143,155	\$5.97

Asking rents converted to Triple Net

Key Lease Transactions Q4 2013

TENANT	BUILDING	SF	TRANSACTION TYPE	SUBMARKET
Flextronics	Woodlake Center	322,699	Renewal	RTP/I-40 Corridor
Toshiba	Research Tri-Center South I	81,818	New	RTP/I-40 Corridor
West Logistics	Research Tri-Center North V	78,936	Renewal/Expansion	RTP/I-40 Corridor
Professional Builders Supply	5151 Nelson Road	50,000	New	RTP/I-40 Corridor
TransEnterix, Inc.	Keystone Technology Park	24,000	Expansion	RTP/I-40 Corridor

Bold Text = Cassidy Turley Transaction

Key Sales Transactions Q4 2013

PROPERTY	TYPE	Price (approx)	SF	PRICE PSF	Buyer / Seller	Submarket
144 Old Lystra Road	Warehouse	\$9,400,000	142,074	\$66	Performance, Inc. / G55 Properties, LLC	Chapel Hill
Commercial Park West	Flex	\$10,600,000	101,883	\$104	Klopfer Associates / SVN Equities	RTP/I-40 Corridor
Arcadia Center	Warehouse	\$4,900,000	92,036	\$53	First Assembly of God / Flex Development Corp.	Eastern Wake
110 Fortune Way	Flex	\$1,285,000	14,400	\$89	Progressive Plumbing Properties / CMC Development	US 70/Glenwood Ave

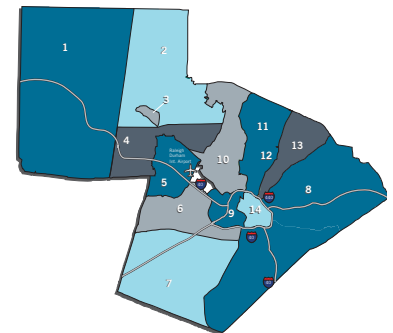
About Cassidy Turley

Cassidy Turley is a leading commercial real estate services provider with more than 3,800 professionals in more than 60 offices nationwide. With headquarters in Washington, DC, the company represents a wide range of clients—from small businesses to Fortune 500 companies, from local non-profits to major institutions. The firm completed transactions valued at \$22 billion in 2012, manages approximately 400 million square feet on behalf of institutional, corporate and private clients and supports more than 23,000 domestic corporate services locations. Cassidy Turley serves owners, investors and tenants with a full spectrum of integrated commercial real estate services—including capital markets, tenant representation, corporate services, project leasing, property management, project and development services, and research and consulting. Cassidy Turley enhances its global service delivery outside North America through a partnership with GVA, giving clients access to commercial real estate professionals in 65 international markets. Please visit www.cassidyurley.com for more information about Cassidy Turley.

Industrial Submarkets

Raleigh / Durham

1. Orange County
2. North Durham
3. Downtown Durham
4. South Durham
5. RTP / I-40 Corridor
6. Cary
7. Southern Wake County
8. Eastern Wake County
9. West Raleigh
10. US 70 / Glenwood
11. Six Forks Road
12. Falls of Neuse Road
13. US 1 / Capital Blvd
14. Downtown Raleigh



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