



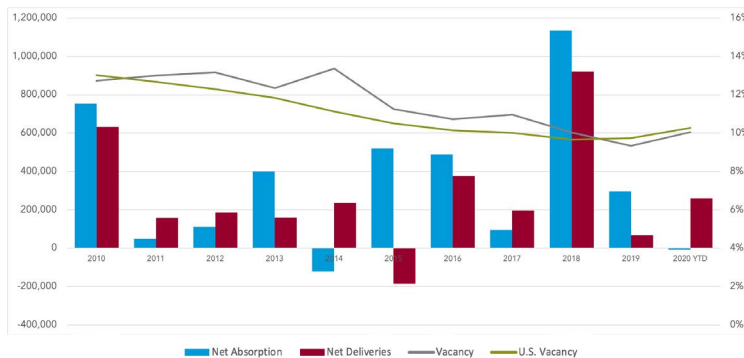
OFFICE MARKET OVERVIEW

BRIAN FARMER, *Senior Director*

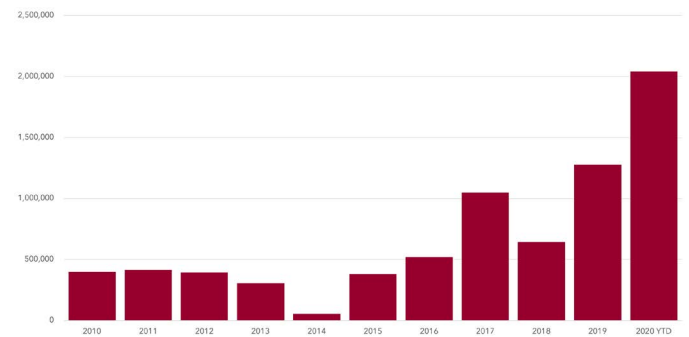
COVID-19 caused a lot of disruption in Durham as it was one of the first NC cities to enter a stay-at-home order. Overall, the Durham office market saw negative absorption for the first time in many quarters and rental rates continued to hold, though we are starting to hear of more concessions being offered, dependent on the property and submarket in Durham. Two new mixed-use projects in Downtown Durham signed ±150,000 SF of leases to PolicyGenius and Spreedly. For office investments, a fully leased Duke Medicine asset built in 2002 traded for \$33M equivalent to \$493 PSF at 67,000 SF. With decreased leasing activity and approximately 2M SF under construction, we are projecting vacancy to increase in late 2020.

MARKET INDICATORS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
▼ Net Absorption	264,741 SF	312,081 SF	295,652 SF	731,190 SF	967,093 SF
▲ Vacancy Rate	9.9%	9.2%	9.3%	9.8%	10.0%
▲ Avg NNN Asking Rate	\$24.74 PSF	\$24.69 PSF	\$24.46 PSF	\$24.37 PSF	\$24.23 PSF
▲ Under Construction	2,042,185 SF	1,735,992 SF	1,276,804 SF	821,473 SF	791,371 SF
▲ Inventory	34,196,619 SF	33,943,714 SF	33,936,383 SF	33,936,383 SF	33,931,383 SF

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
1821 Hillandale Rd Durham, NC	67,000 SF	\$33,040,000 \$493.13 PSF	MBRE Healthcare Welltower, Inc.	Class B
4011-4015 University Dr Durham, NC	47,909 SF	Undisclosed	Undisclosed Undisclosed	Class B
1830 Hillandale Rd Durham, NC	26,871 SF	Undisclosed	Undisclosed Undisclosed	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
5623 Durham Chapel Hill Blvd Durham, NC	34,560 SF	Chapel Hill Ents, LLC	Red Roof Inns, Inc.	Personal Services
2505 Meridian Pkwy Durham, NC	21,325 SF	Torchlight Investors	Undisclosed	Undisclosed
2445 S. Alston Ave Durham, NC	14,668 SF	Aspire Property Group	Durham County BOE	Government



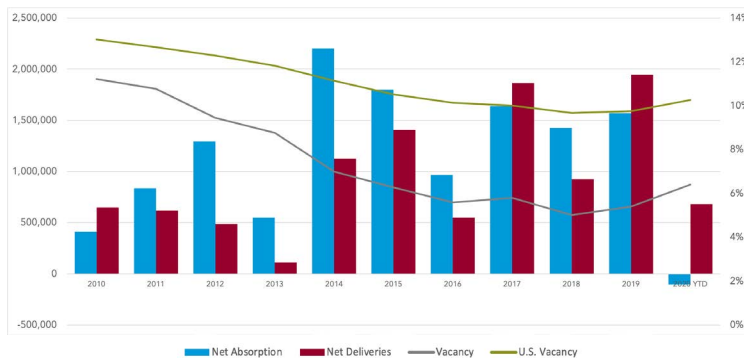
OFFICE MARKET OVERVIEW

KARAH JENNINGS MCCONNELL, *Principal*

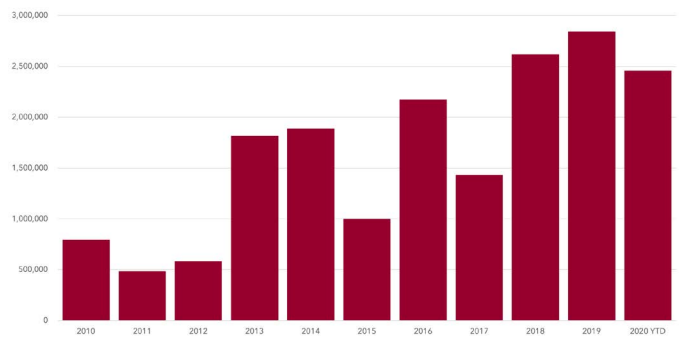
The Raleigh office market remained stable in Q2 2020 despite pandemic challenges. Moody's Analytics ranked Raleigh, NC as #6 Best-Positioned in the country to rebound and recover. Despite negative absorption, the vacancy rate remains low at 6.2%. The market continues to see companies relocate from larger metropolitan markets. We anticipate new construction will likely slow on absorption and pull back rent growth, which will likely continue to push office tenants to Raleigh's existing suburb parks. We foresee a shift from a strong Landlord market to more neutral or Tenant driven with additional concessions later in the year. Office sales continued to be in high demand over Q2 2020 with limited product available and strong pricing.

MARKET INDICATORS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
▼ Net Absorption	685,479 SF	932,054 SF	1,570,226 SF	1,539,673 SF	1,562,868 SF
▲ Vacancy Rate	6.2%	5.2%	5.4%	4.9%	4.8%
▲ Avg NNN Asking Rate	\$27.54 PSF	\$27.39 PSF	\$26.84 PSF	\$26.51 PSF	\$26.16 PSF
▼ Under Construction	2,590,812 SF	2,978,522 SF	2,841,800 SF	3,203,356 SF	2,581,406 SF
▲ Inventory	73,870,813 SF	73,434,572 SF	73,323,006 SF	72,371,601 SF	72,104,299 SF

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
51 Kilmayne Dr Cary, NC	38,839 SF	Undisclosed	Undisclosed Undisclosed	Class A
9001 Glenwood Ave Raleigh, NC	20,016 SF	\$3,750,000 \$187.35 PSF	Anderson Automotive Group Ecs Corporate Services, LLC	Class B
3324-3414 Six Forks Rd Raleigh, NC	13,416 SF	\$3,550,000 \$264.61 PSF	Lawrence A. Kirsch Carolina Cardiology Consultants	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
4401 Bland Rd Raleigh, NC	27,188 SF	MRG Partners, LLC	Wake County	Government
4401 Bland Rd Raleigh, NC	25,553 SF	MRG Partners, LLC	Wake County	Government
4208 Six Forks Rd Raleigh, NC	22,772 SF	Preferred Office Properties	Undisclosed	Undisclosed