

# The CoStar Office Report

Third Quarter 2014

## Asheville Office Market



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## Methodology

The CoStar Office Report, unless specifically stated otherwise, calculates office statistics using CoStar Group's entire database of existing and under construction office buildings in each metropolitan area. Included are office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings. CoStar Group's national database includes approximately 80.7 billion square feet of coverage in 3.5 million properties. All rental rates reported in the CoStar Office Report have been converted to a Full Service equivalent rental rate.

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**CoStar Group, Inc.**

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# Asheville Office Market



## Terms & Definitions

**Availability Rate:** The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

**Available Space:** The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

**Build-to-Suit:** A term describing a particular property, developed specifically for a certain tenant to occupy, with structural features, systems, or improvement work designed specifically for the needs of that tenant. A build-to-suit can be leased or owned by the tenant. In a leased build-to-suit, a tenant will usually have a long term lease on the space.

**Buyer:** The individual, group, company, or entity that has purchased a commercial real estate asset.

**Cap Rate:** Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

**CBD:** Abbreviation for Central Business District. (See also: Central Business District)

**Central Business District:** The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

**Class A:** A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

**Class B:** A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Class C:** A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Construction Starts:** Buildings that began construction during a specific period of time. (See also: Deliveries)

**Contiguous Blocks of Space:** Space within a building that is, or is able to be joined together into a single contiguous space.

**Deliveries:** Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certifi-

cate of occupancy must have been issued for the property.

**Delivery Date:** The date a building completes construction and receives a certificate of occupancy.

**Developer:** The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

**Direct Space:** Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

**Existing Inventory:** The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

**Flex Building:** A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

**Full Service Rental Rate:** Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

**Gross Absorption:** The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing Activity, which is the sum of all space leased over a certain period of time. Unless otherwise noted Gross Absorption includes direct and sublease space.

**Growth in Inventory:** The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

**Industrial Building:** A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

**Landlord Rep:** (Landlord Representative) In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

**Leased Space:** All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

**Leasing Activity:** The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

**Market:** Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

**Multi-Tenant:** Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different

tenant needs. (See also: Tenancy).

**Net Absorption:** The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

**Net Rental Rate:** A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

**New Space:** Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

**Occupied Space:** Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

**Office Building:** A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

**Owner:** The company, entity, or individual that holds title on a given building or property.

**Planned/Proposed:** The status of a building that has been announced for future development but not yet started construction.

**Preleased Space:** The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

**Price/SF:** Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

**Property Manager:** The company and/or person responsible for the day-to-day operations of a building, such as cleaning, trash removal, etc. The property manager also makes sure that the various systems within the building, such as the elevators, HVAC, and electrical systems, are functioning properly.

**Quoted Rental Rate:** The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

**RBA:** Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

**Region:** Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

**Relet Space:** Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

**Rentable Building Area:** (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

**Rental Rates:** The annual costs of occupancy for a particular space quoted on a per square foot basis.

**Sales Price:** The total dollar amount paid for a particular property at a particular point in time.

**Sales Volume:** The sum of sales prices for a given group of buildings in a given time period.

**Seller:** The individual, group, company, or entity that sells a particular commercial real estate asset.

**SF:** Abbreviation for Square Feet.

**Single-Tenant:** Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

**Sublease Space:** Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

**Submarkets:** Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

**Suburban:** The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

**Tenancy:** A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

**Tenant Rep:** Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

**Time On Market:** A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

**Under Construction:** Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place. Abbreviated UC.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

**Weighted Average Rental Rate:** Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

**Year Built:** The year in which a building completed construction and was issued a certificate of occupancy.

**YTD:** Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

# Asheville Office Market

Overview

## Asheville's Vacancy Increases to 6.4% Net Absorption Positive 48,858 SF in the Quarter

The Asheville Office market ended the third quarter 2014 with a vacancy rate of 6.4%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 48,858 square feet in the third quarter. Vacant sublease space increased in the quarter, ending the quarter at 29,065 square feet. Rental rates ended the third quarter at \$16.51, an increase over the previous quarter. A total of one building delivered to the market in the quarter totaling 75,652 square feet, with no properties under construction at the end of the quarter.

### Absorption

Net absorption for the overall Asheville office market was positive 48,858 square feet in the third quarter 2014. That compares to positive 77,909 square feet in the second quarter 2014, positive 71,304 square feet in the first quarter 2014, and positive 41,104 square feet in the fourth quarter 2013.

Tenants moving out of large blocks of space in 2014 include: Vista Family Health moving out of 7,630 square feet at 2585 Hendersonville Rd; Sylvan Learning Center moving out of 2,000 square feet at 31 College Pl; and Asheville Medical Aesthetics Llc moving out of 1,750 square feet at 100 Executive Park.

Tenants moving into large blocks of space in 2014 include: All Care Clinical Associates moving into 10,000 square feet at 76 Peachtree Rd; Vannoy Construction Company, Inc. moving into 3,325 square feet at 230 Hilliard Ave; and Frabitore Investment Co Llc moving into 3,000 square feet at 1 Rankin Ave.

The Class-A office market recorded net absorption of negative (10,393) square feet in the third quarter 2014, com-

pared to negative (6,003) square feet in the second quarter 2014, positive 2,807 in the first quarter 2014, and positive 10,658 in the fourth quarter 2013.

The Class-B office market recorded net absorption of positive 55,149 square feet in the third quarter 2014, compared to positive 38,504 square feet in the second quarter 2014, positive 47,861 in the first quarter 2014, and positive 12,487 in the fourth quarter 2013.

The Class-C office market recorded net absorption of positive 4,102 square feet in the third quarter 2014 compared to positive 45,408 square feet in the second quarter 2014, positive 20,636 in the first quarter 2014, and positive 17,959 in the fourth quarter 2013.

### Vacancy

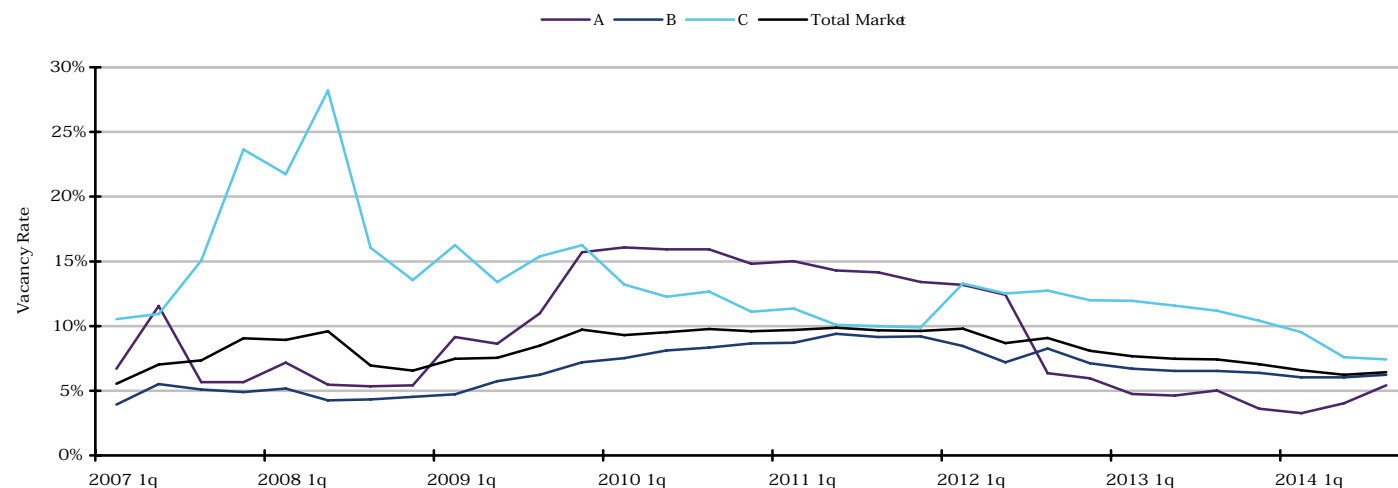
The office vacancy rate in the Asheville market area increased to 6.4% at the end of the third quarter 2014. The vacancy rate was 6.2% at the end of the second quarter 2014, 6.6% at the end of the first quarter 2014, and 7.0% at the end of the fourth quarter 2013.

Class-A projects reported a vacancy rate of 5.4% at the end of the third quarter 2014, 4.0% at the end of the second quarter 2014, 3.3% at the end of the first quarter 2014, and 3.6% at the end of the fourth quarter 2013.

Class-B projects reported a vacancy rate of 6.2% at the end of the third quarter 2014, 6.0% at the end of the second quarter 2014, 6.0% at the end of the first quarter 2014, and 6.4% at the end of the fourth quarter 2013.

Class-C projects reported a vacancy rate of 7.4% at the end of the third quarter 2014, 7.6% at the end of second quar-

## Vacancy Rates by Class 2007-2014



Source: CoStar Property®

ter 2014, 9.5% at the end of the first quarter 2014, and 10.4% at the end of the fourth quarter 2013.

### Largest Lease Signings

The largest lease signings occurring in 2014 included: the 6,379-square-foot lease signed by Crescent Health Solutions at Ridgefield III in the Buncombe County market; the 3,325-square-foot deal signed by Vannoy Construction Company, Inc. at 230 Hilliard Ave in the Central Asheville market; and the 2,820-square-foot lease signed by New Vision Baptist Church at 55 Shiloh Rd in the S Asheville/Royal Pines market.

### Sublease Vacancy

The amount of vacant sublease space in the Asheville market increased to 29,065 square feet by the end of the third quarter 2014, from 11,799 square feet at the end of the second quarter 2014. There was 13,099 square feet vacant at the end of the first quarter 2014 and 10,672 square feet at the end of the fourth quarter 2013.

Asheville's Class-A projects reported vacant sublease space of 0 square feet at the end of third quarter 2014, from the 0 square feet reported at the end of the second quarter 2014. There were zero square feet of sublease space vacant at the end of the first quarter 2014, and zero square feet at the end of the fourth quarter 2013.

Class-B projects reported vacant sublease space of 11,799 square feet at the end of the third quarter 2014, from the 11,799 square feet reported at the end of the second quarter 2014. At the end of the first quarter 2014 there were 13,099 square feet, and at the end of the fourth quarter 2013 there were 10,672 square feet vacant.

Class-C projects reported increased vacant sublease space from the second quarter 2014 to the third quarter 2014. Sublease vacancy went from zero square feet to 17,266 square feet during that time. There was zero square feet at the end

of the first quarter 2014, and zero square feet at the end of the fourth quarter 2013.

### Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$16.51 per square foot per year at the end of the third quarter 2014 in the Asheville market area. This represented a 3.9% increase in quoted rental rates from the end of the second quarter 2014, when rents were reported at \$15.89 per square foot.

The average quoted rate within the Class-A sector was \$25.72 at the end of the third quarter 2014, while Class-B rates stood at \$16.01, and Class-C rates at \$16.50. At the end of the second quarter 2014, Class-A rates were \$24.84 per square foot, Class-B rates were \$15.79, and Class-C rates were \$15.37.

### Deliveries and Construction

During the third quarter 2014, one building totaling 75,652 square feet were completed in the Asheville market area. This compares to one building totaling 39,994 square feet that were completed in the second quarter 2014, two buildings totaling 22,487 square feet completed in the first quarter 2014, and nothing completed in the fourth quarter 2013.

There were 0 square feet of office space under construction at the end of the third quarter 2014.

Some of the notable 2014 deliveries include: 379 Long Shoals Rd, a 75,652-square-foot facility that delivered in third quarter 2014 and is now 100% occupied, and 310 Long Shoals Rd, a 39,994-square-foot building that delivered in second quarter 2014 and is now 100% occupied.

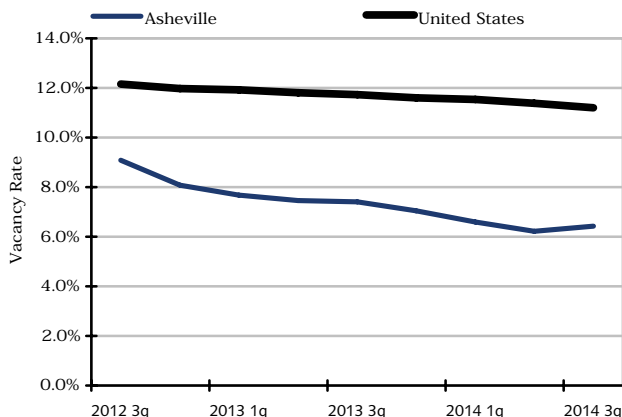
### Inventory

Total office inventory in the Asheville market area amounted to 11,253,903 square feet in 1,165 buildings as of the end of the third quarter 2014. The Class-A office sector consisted of 759,270 square feet in 12 projects. There were 797 Class-B buildings totaling 8,146,203 square feet, and the Class-C sector consisted of 2,348,430 square feet in 356 buildings. Within the Office market there were 21 owner-occupied buildings accounting for 431,222 square feet of office space.

Reports compiled by: Troy Vigilance, CoStar Research Manager, and the Asheville research team.

## U.S. Vacancy Comparison

Past 9 Quarters



Source: CoStar Property®

# Asheville Office Market

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**Markets**


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## CoStar Submarkets

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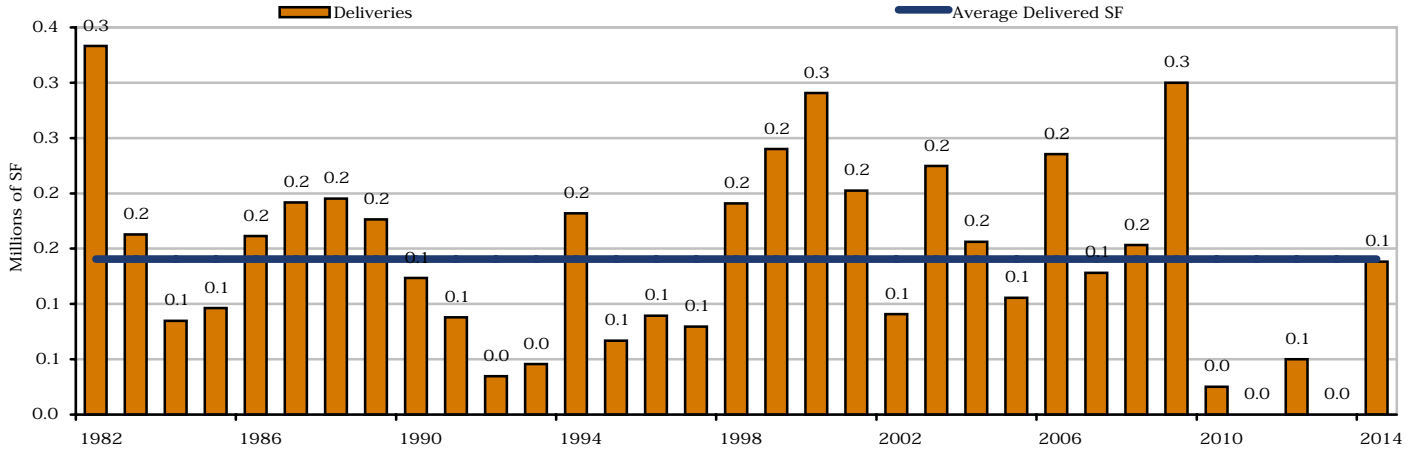
In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Markets are then divided into Submarket Clusters, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

Submarket Clusters
Buncombe County
Central Asheville
Downtown Asheville
East Asheville
Haywood County
Henderson County
Madison County
North Asheville
S Asheville/Royal Pines
West Asheville



## Historical Deliveries

1982 - 2014



Source: CoStar Property® \* Future deliveries based on current under construction buildings.

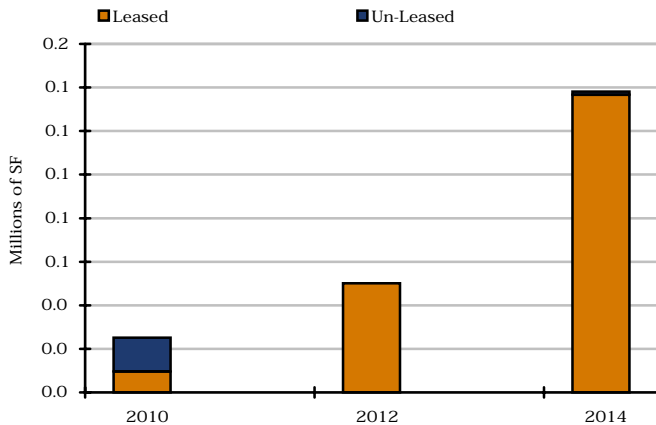
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Madison County	0	0	0	0.0%	3,343	0
Buncombe County	0	0	0	0.0%	6,812	0
Central Asheville	0	0	0	0.0%	11,138	0
Downtown Asheville	0	0	0	0.0%	29,772	0
East Asheville	0	0	0	0.0%	4,813	0
North Asheville	0	0	0	0.0%	6,851	0
S Asheville/Royal Pines	0	0	0	0.0%	14,089	0
West Asheville	0	0	0	0.0%	5,072	0
Haywood County	0	0	0	0.0%	6,361	0
Henderson County	0	0	0	0.0%	6,551	0

Source: CoStar Property®

## Recent Deliveries

Leased & Un-Leased SF in Deliveries



Source: CoStar Property®

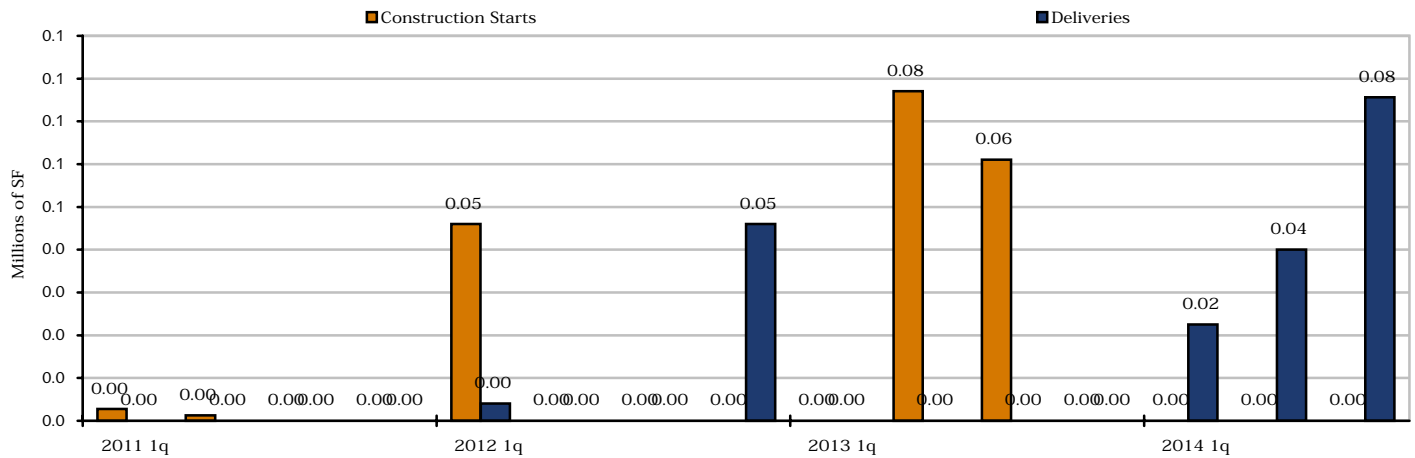
# Asheville Office Market



Inventory & development

## Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

## RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

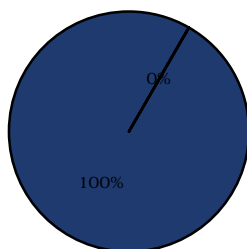
Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	3	62,481	61,041	97.7%	\$17.00	0	62,481
50,000 SF - 99,999 SF	1	75,652	75,652	100.0%	\$0.00	0	75,652
100,000 SF - 249,999 SF	0	0	0	0.0%	\$0.00	0	0
250,000 SF - 499,999 SF	0	0	0	0.0%	\$0.00	0	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2014 Deliveries      No Properties Under Construction



■ Multi      ■ Single

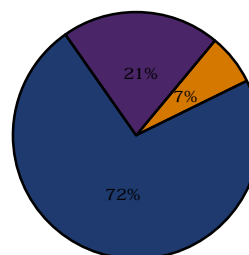
Source: CoStar Property®

## Existing Inventory Comparison

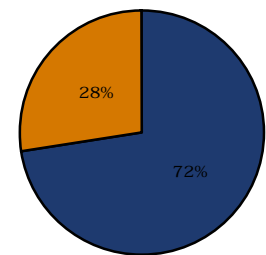
Based on Total RBA

By Class

By Space Type



■ Class A      ■ Class B      ■ Class C



■ Multi      ■ Single

Source: CoStar Property®

## Select Year-to-Date Deliveries

Based on Project Square Footage

### 1. 379 Long Shoals Rd

Submarket: **S Asheville/Royal Pines**  
 RBA: **75,652**  
 # Floors: **4**  
 Class: **B**  
 Occupied: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Second Quarter 2013**  
 Deliv Date: **Third Quarter 2014**  
 Leasing Co: **Fletcher Hospital, Inc**  
 Developer: **N/A**  
 Architect: **N/A**

### 2. 310 Long Shoals Rd

Submarket: **S Asheville/Royal Pines**  
 RBA: **39,994**  
 # Floors: **3**  
 Class: **B**  
 Occupied: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Third Quarter 2013**  
 Deliv Date: **Second Quarter 2014**  
 Leasing Co: **Mission Hospital, Inc.**  
 Developer: **N/A**  
 Architect: **N/A**

### 3. Overlook Rd

Submarket: **S Asheville/Royal Pines**  
 RBA: **21,047**  
 # Floors: **1**  
 Class: **B**  
 Occupied: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Third Quarter 2013**  
 Deliv Date: **First Quarter 2014**  
 Leasing Co: **N/A**  
 Developer: **N/A**  
 Architect: **N/A**

### 4. 322 8th Ave E

Submarket: **Henderson County**  
 RBA: **1,440**  
 # Floors: **1**  
 Class: **B**  
 Occupied: **0%**  
 Quoted Rate: **\$17.00**  
 Grnd Brk Date: **Second Quarter 2013**  
 Deliv Date: **First Quarter 2014**  
 Leasing Co: **Martha & Jerry Hills**  
 Developer: **N/A**  
 Architect: **N/A**

## Asheville Office Market

Figures at a Glance

## Class A Market Statistics

Third Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Buncombe County	1	26,125	0	0	0.0%	0	0	0	\$0.00
Central Asheville	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown Asheville	5	423,326	6,564	6,564	1.6%	(1,260)	0	0	\$27.23
East Asheville	0	0	0	0	0.0%	0	0	0	\$0.00
Haywood County	0	0	0	0	0.0%	0	0	0	\$0.00
Henderson County	0	0	0	0	0.0%	0	0	0	\$0.00
Madison County	0	0	0	0	0.0%	0	0	0	\$0.00
North Asheville	1	50,000	0	0	0.0%	0	0	0	\$0.00
S Asheville/Royal Pines	5	259,819	34,529	34,529	13.3%	(12,329)	0	0	\$25.37
West Asheville	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>12</b>	<b>759,270</b>	<b>41,093</b>	<b>41,093</b>	<b>5.4%</b>	<b>(13,589)</b>	<b>0</b>	<b>0</b>	<b>\$25.72</b>

Source: CoStar Property®

## Class B Market Statistics

Third Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Buncombe County	85	716,142	59,481	59,481	8.3%	4,880	0	0	\$16.57
Central Asheville	164	2,046,403	104,140	115,273	5.6%	(2,634)	0	0	\$15.79
Downtown Asheville	51	1,231,329	85,134	85,800	7.0%	12,425	0	0	\$18.94
East Asheville	15	85,084	0	0	0.0%	0	0	0	\$0.00
Haywood County	32	249,549	53,276	53,276	21.3%	(22,298)	0	0	\$13.92
Henderson County	125	733,294	64,940	64,940	8.9%	(1,220)	1,440	0	\$11.47
Madison County	2	12,416	0	0	0.0%	0	0	0	\$0.00
North Asheville	117	776,121	48,653	48,653	6.3%	(14,802)	0	0	\$14.41
S Asheville/Royal Pines	141	1,913,874	67,997	67,997	3.6%	163,413	136,693	0	\$15.62
West Asheville	65	381,991	11,874	11,874	3.1%	1,750	0	0	\$13.74
<b>Totals</b>	<b>797</b>	<b>8,146,203</b>	<b>495,495</b>	<b>507,294</b>	<b>6.2%</b>	<b>141,514</b>	<b>138,133</b>	<b>0</b>	<b>\$16.01</b>

Source: CoStar Property®

## Class C Market Statistics

Third Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Buncombe County	59	245,530	1,500	1,500	0.6%	8,460	0	0	\$11.60
Central Asheville	75	615,642	11,422	11,422	1.9%	3,201	0	0	\$15.13
Downtown Asheville	6	191,232	2,135	2,135	1.1%	0	0	0	\$10.00
East Asheville	5	11,180	0	0	0.0%	0	0	0	\$0.00
Haywood County	56	310,261	91,265	91,265	29.4%	8,396	0	0	\$8.29
Henderson County	84	635,782	29,213	46,479	7.3%	(12,534)	0	0	\$10.93
Madison County	5	10,985	1,300	1,300	11.8%	0	0	0	\$0.00
North Asheville	20	119,261	14,668	14,668	12.3%	5,288	0	0	\$13.33
S Asheville/Royal Pines	16	108,750	0	0	0.0%	54,000	0	0	\$25.11
West Asheville	30	99,807	5,434	5,434	5.4%	3,335	0	0	\$12.38
<b>Totals</b>	<b>356</b>	<b>2,348,430</b>	<b>156,937</b>	<b>174,203</b>	<b>7.4%</b>	<b>70,146</b>	<b>0</b>	<b>0</b>	<b>\$16.50</b>

Source: CoStar Property®

## Total Office Market Statistics

Third Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Buncombe County	145	987,797	60,981	60,981	6.2%	13,340	0	0	\$15.96
Central Asheville	239	2,662,045	115,562	126,695	4.8%	567	0	0	\$15.66
Downtown Asheville	62	1,845,887	93,833	94,499	5.1%	11,165	0	0	\$19.11
East Asheville	20	96,264	0	0	0.0%	0	0	0	\$0.00
Haywood County	88	559,810	144,541	144,541	25.8%	(13,902)	0	0	\$10.78
Henderson County	209	1,369,076	94,153	111,419	8.1%	(13,754)	1,440	0	\$11.29
Madison County	7	23,401	1,300	1,300	5.6%	0	0	0	\$0.00
North Asheville	138	945,382	63,321	63,321	6.7%	(9,514)	0	0	\$14.25
S Asheville/Royal Pines	162	2,282,443	102,526	102,526	4.5%	205,084	136,693	0	\$19.65
West Asheville	95	481,798	17,308	17,308	3.6%	5,085	0	0	\$13.17
<b>Totals</b>	<b>1,165</b>	<b>11,253,903</b>	<b>693,525</b>	<b>722,590</b>	<b>6.4%</b>	<b>198,071</b>	<b>138,133</b>	<b>0</b>	<b>\$16.51</b>

Source: CoStar Property®

## Asheville Office Market



Figures at a Glance

## Class A Market Statistics

Third Quarter 2014

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2014 3q	12	759,270	41,093	41,093	5.4%	(10,393)	0	0	0	0	\$25.72
2014 2q	12	759,270	30,700	30,700	4.0%	(6,003)	0	0	0	0	\$24.84
2014 1q	12	759,270	24,697	24,697	3.3%	2,807	0	0	0	0	\$24.94
2013 4q	12	759,270	27,504	27,504	3.6%	10,658	0	0	0	0	\$25.93
2013 3q	12	759,270	38,162	38,162	5.0%	(3,106)	0	0	0	0	\$25.45
2013 2q	12	759,270	35,056	35,056	4.6%	1,017	0	0	0	0	\$25.51
2013 1q	12	759,270	36,073	36,073	4.8%	9,258	0	0	0	0	\$28.64
2012 4q	12	759,270	45,331	45,331	6.0%	2,986	0	0	0	0	\$28.53
2012 3q	12	759,270	47,425	48,317	6.4%	45,911	0	0	0	0	\$28.80
2012 2q	12	759,270	93,336	94,228	12.4%	5,790	0	0	0	0	\$28.59
2012 1q	12	759,270	100,018	100,018	13.2%	1,844	0	0	0	0	\$28.35
2011	12	759,270	101,862	101,862	13.4%	10,686	0	0	0	0	\$28.38
2010	12	759,270	112,548	112,548	14.8%	6,754	0	0	0	0	\$28.31
2009	12	759,270	119,302	119,302	15.7%	83,539	3	171,000	0	0	\$21.14
2008	9	588,270	31,841	31,841	5.4%	48,694	1	50,000	1	45,000	\$22.47
2007	8	538,270	30,535	30,535	5.7%	5,511	0	0	1	50,000	\$21.51

Source: CoStar Property®

## Class B Market Statistics

Third Quarter 2014

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2014 3q	797	8,146,203	495,495	507,294	6.2%	55,149	1	75,652	0	0	\$16.01
2014 2q	796	8,070,551	474,992	486,791	6.0%	38,504	1	39,994	1	75,652	\$15.79
2014 1q	795	8,030,557	472,202	485,301	6.0%	47,861	2	22,487	2	115,646	\$16.06
2013 4q	793	8,008,070	500,003	510,675	6.4%	12,487	0	0	4	138,133	\$16.88
2013 3q	793	8,008,070	521,196	523,162	6.5%	(684)	0	0	4	138,133	\$16.67
2013 2q	793	8,008,070	517,312	522,478	6.5%	14,002	0	0	2	77,092	\$16.40
2013 1q	793	8,008,070	531,980	536,480	6.7%	34,732	0	0	0	0	\$16.47
2012 4q	793	8,008,070	571,212	571,212	7.1%	132,776	1	46,000	0	0	\$16.94
2012 3q	792	7,962,070	657,988	657,988	8.3%	(84,727)	0	0	1	46,000	\$17.00
2012 2q	792	7,962,070	573,261	573,261	7.2%	100,560	0	0	1	46,000	\$15.86
2012 1q	792	7,962,070	673,821	673,821	8.5%	61,947	2	4,034	1	46,000	\$15.93
2011	790	7,958,036	731,734	731,734	9.2%	(42,694)	0	0	2	4,034	\$16.47
2010	790	7,958,036	684,190	689,040	8.7%	(93,247)	2	25,088	0	0	\$15.36
2009	788	7,932,948	562,713	570,705	7.2%	(88,266)	7	129,060	2	25,088	\$15.96
2008	781	7,803,888	350,480	353,379	4.5%	106,826	11	88,424	7	129,060	\$16.09
2007	771	7,720,877	373,559	377,194	4.9%	(9,607)	7	126,225	12	106,153	\$14.82

Source: CoStar Property®

## Total Office Market Statistics

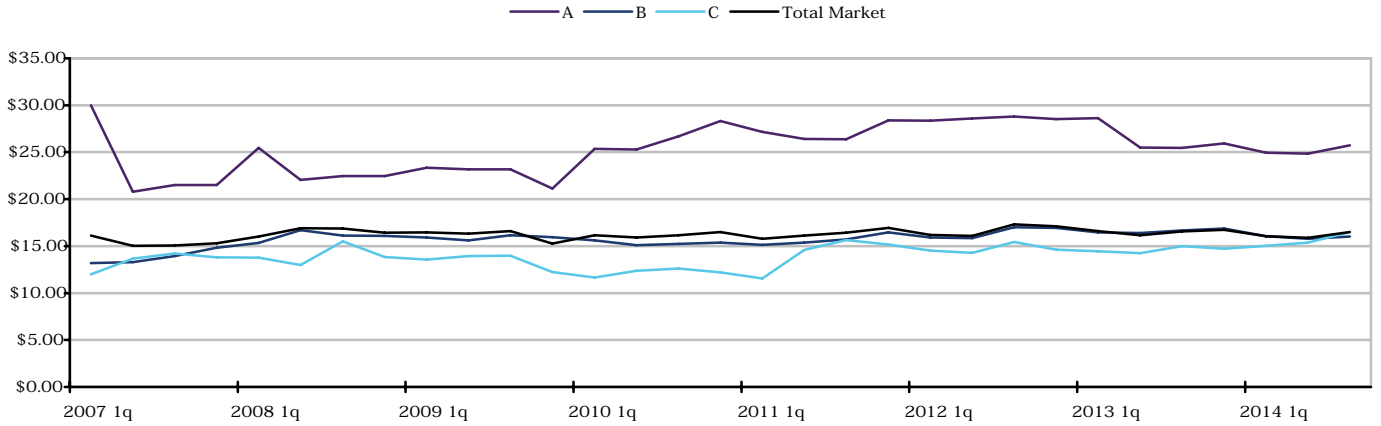
Third Quarter 2014

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2014 3q	1,165	11,253,903	693,525	722,590	6.4%	48,858	1	75,652	0	0	\$16.51
2014 2q	1,164	11,178,251	683,997	695,796	6.2%	77,909	1	39,994	1	75,652	\$15.89
2014 1q	1,163	11,138,257	720,612	733,711	6.6%	71,304	2	22,487	2	115,646	\$16.05
2013 4q	1,161	11,115,770	771,856	782,528	7.0%	41,104	0	0	4	138,133	\$16.72
2013 3q	1,161	11,115,770	821,666	823,632	7.4%	5,679	0	0	4	138,133	\$16.56
2013 2q	1,161	11,115,770	824,145	829,311	7.5%	23,703	0	0	2	77,092	\$16.16
2013 1q	1,161	11,115,770	848,514	853,014	7.7%	45,025	0	0	0	0	\$16.61
2012 4q	1,161	11,115,770	898,039	898,039	8.1%	153,321	1	46,000	0	0	\$17.12
2012 3q	1,160	11,069,770	1,004,468	1,005,360	9.1%	(44,041)	0	0	1	46,000	\$17.32
2012 2q	1,160	11,069,770	960,427	961,319	8.7%	124,190	0	0	1	46,000	\$16.08
2012 1q	1,160	11,069,770	1,085,509	1,085,509	9.8%	(15,758)	2	4,034	1	46,000	\$16.19
2011	1,158	11,065,736	1,065,717	1,065,717	9.6%	(3,314)	0	0	2	4,034	\$16.94
2010	1,158	11,065,736	1,057,553	1,062,403	9.6%	34,469	2	25,088	0	0	\$16.49
2009	1,156	11,040,648	1,063,792	1,071,784	9.7%	(67,946)	10	300,060	2	25,088	\$15.28
2008	1,146	10,740,588	700,879	703,778	6.6%	403,747	14	153,224	8	174,060	\$16.44
2007	1,133	10,592,777	956,079	959,714	9.1%	(308,498)	8	128,122	15	170,953	\$15.31

Source: CoStar Property®

## Historical Rental Rates

Based on Full-Service Equivalent Rental Rates

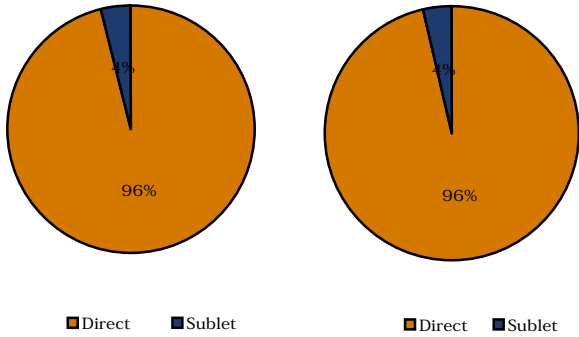


Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Asheville United States

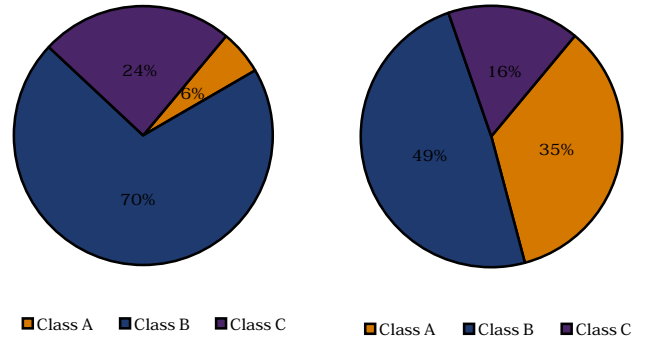


Source: CoStar Property®

## Vacancy by Class

Percent of All Vacant Space by Class

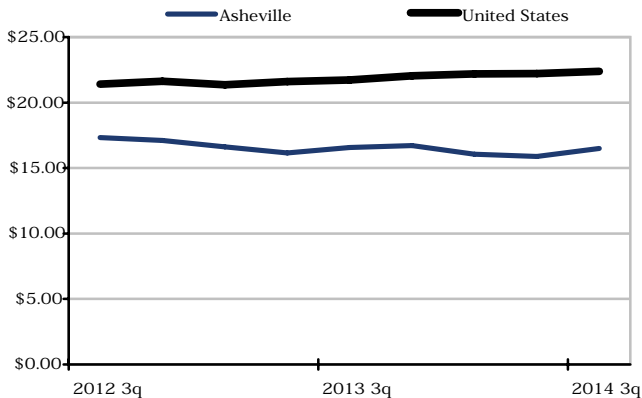
Asheville United States



Source: CoStar Property®

## U.S. Rental Rate Comparison

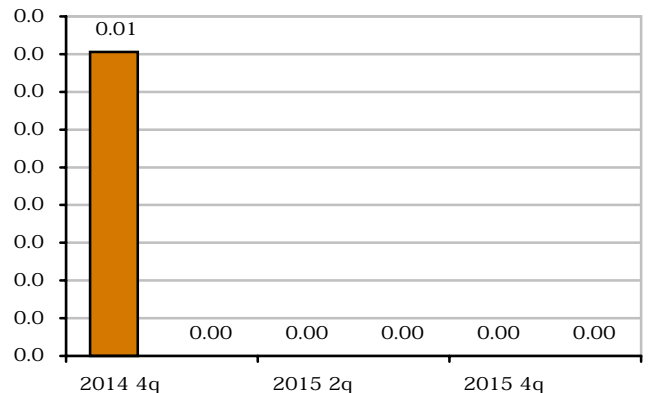
Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

## Future Space Available

Space Scheduled to be Available for Occupancy\*



\* Includes Under Construction Spaces

Source: CoStar Property®

## Asheville Office Market

## Leasing Activity

## Select Top Office Leases Based on Leased Square Footage For Deals Signed in 2014

Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company	
1	4 Vanderbilt Park Dr	S Asheville/Royal Pines	18,000	1st	N/A	N/A	Spake Real Estate
2	4 Vanderbilt Park Dr	S Asheville/Royal Pines	18,000	1st	N/A	N/A	Spake Real Estate
3	4 Vanderbilt Park Dr	S Asheville/Royal Pines	14,500	1st	N/A	N/A	Spake Real Estate
4	Ridgefield III*	Buncombe County	6,379	2nd	Crescent Health Solutions	N/A	N/A
5	230 Hilliard Ave	Central Asheville	3,325	2nd	Vannoy Construction Company, Inc.	Spake Real Estate	NAI Beverly-Hanks Commercial
6	55 Shiloh Rd	S Asheville/Royal Pines	3,300	2nd	N/A	N/A	Morosani and Associates
7	54 Ravenscroft Dr	Central Asheville	3,000	2nd	N/A	N/A	Morosani and Associates
8	Skyland Office Park	S Asheville/Royal Pines	2,873	2nd	N/A	NAI Beverly-Hanks Commercial	Pulliam Properties
9	55 Shiloh Rd	S Asheville/Royal Pines	2,820	2nd	New Vision Baptist Church	NAI Beverly-Hanks Commercial	Morosani and Associates
10	96 Central Ave	North Asheville	2,532	2nd	NorthAshevillePropertyManagement,LLC	N/A	CoveStar, LLC
11	(Biltmore Station)	Central Asheville	2,500	1st	Trunk Media, Inc.	N/A	Lat Purser & Associates, Inc.; Dewe
12	Benchmark Center	S Asheville/Royal Pines	2,450	3rd	Support Solutions and NCO Outreach	Diamond Real Estate Group	NAI Beverly-Hanks Commercial
13	1978 Hendersonville Rd	S Asheville/Royal Pines	2,397	1st	N/A	N/A	Spake Real Estate
14	76 Peachtree Rd	S Asheville/Royal Pines	2,208	2nd	N/A	N/A	Spake Real Estate
15	76 Peachtree Rd	S Asheville/Royal Pines	2,171	2nd	N/A	N/A	Spake Real Estate
16	76 Peachtree Rd	S Asheville/Royal Pines	2,171	2nd	N/A	N/A	Spake Real Estate
17	84 Peachtree Rd	S Asheville/Royal Pines	2,151	2nd	N/A	N/A	Spake Real Estate
18	76 Peachtree Rd	S Asheville/Royal Pines	2,133	2nd	N/A	N/A	Spake Real Estate
19	2021 Asheville Hwy	Henderson County	2,000	2nd	Cosmic Groove Massage	N/A	Whitney Commercial Real Estate Serv
20	370 N Louisiana	West Asheville	2,000	3rd	N/A	N/A	Stewart Green
21	627 N Main St	Haywood County	1,850	1st	Reach of Haywood	N/A	Kuhlman Investments LLC
22	Two Town Square	S Asheville/Royal Pines	1,703	1st	N/A	N/A	Biltmore Farms, Inc
23	5 Kitchen Pl	Central Asheville	1,635	2nd	Family Life and Learning Center	N/A	Dewey Property Advisors
24	120 Coxe Ave	Central Asheville	1,634	2nd	Privai, LLC.	N/A	The Real Estate Center
25	Ridgefield III	Buncombe County	1,616	3rd	Bank of the Ozarks	N/A	Whitney Commercial Real Estate Serv
26	420 W 5th Ave	Henderson County	1,600	2nd	N/A	N/A	Surgical Associates
27	2 Walden Ridge Dr	S Asheville/Royal Pines	1,591	2nd	N/A	N/A	Pulliam Properties
28	339 Merrimon Ave	North Asheville	1,500	3rd	N/A	N/A	The Real Estate Center
29	141 Asheland Ave	Central Asheville	1,365	3rd	Community Outreach Group, LLC	NAI Beverly-Hanks Commercial	NAI Beverly-Hanks Commercial
30	400 Executive Park	Central Asheville	1,358	2nd	ABAL, LLC.	NAI Beverly-Hanks Commercial	NAI Beverly-Hanks Commercial
31	172 Asheland Ave	Central Asheville	1,343	1st	Southeastern Sports Medicine	N/A	Tessier Associates, Inc.
32	Ridgefield III	Buncombe County	1,313	3rd	N/A	Whitney Commercial Real Estate Serv	Whitney Commercial Real Estate Serv
33	Gennett Bldg	Downtown Asheville	1,300	1st	N/A	N/A	Brownstone Realty
34	117 W Barnwell St	Henderson County	1,266	2nd	N/A	N/A	Will & Deni Media Inc
35	8 Regent Park Blvd	West Asheville	1,250	1st	N/A	N/A	Azalea Management & Leasing
36	1270 Hendersonville Rd	S Asheville/Royal Pines	1,225	2nd	N/A	N/A	Pulliam Properties
37	56 Central Ave	North Asheville	1,200	2nd	N/A	N/A	Morosani and Associates
38	76 Peachtree Rd	S Asheville/Royal Pines	1,085	3rd	N/A	N/A	Spake Real Estate
39	131 Mcdowell St	Central Asheville	1,014	1st	Connections Speech & Language Therapy	N/A	Whitney Commercial Real Estate Serv
40	370 N Louisiana Ave	West Asheville	1,000	3rd	N/A	N/A	Stewart Green

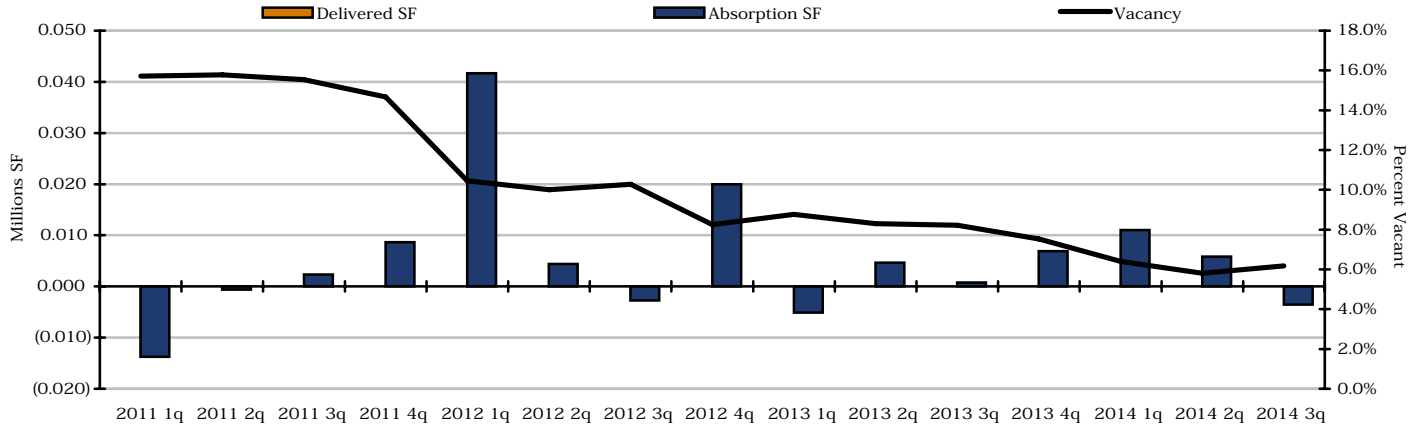
Source: CoStar Property®

\* Renewal



### Deliveries, Absorption & Vacancy

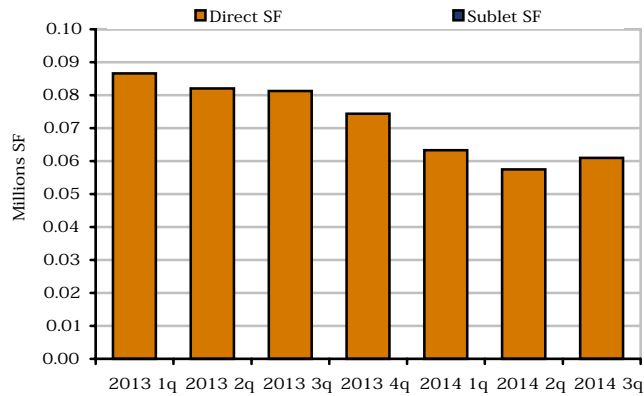
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

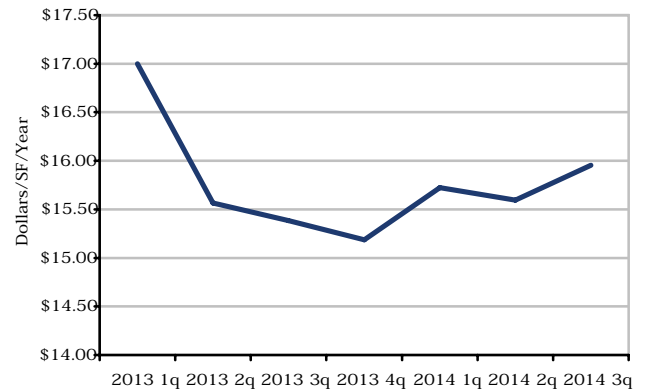
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	145	987,797	60,981	6.2%	(3,548)	0	0	0	0	\$15.96
2014 2q	145	987,797	57,433	5.8%	5,836	0	0	0	0	\$15.60
2014 1q	145	987,797	63,269	6.4%	11,052	0	0	0	0	\$15.72
2013 4q	145	987,797	74,321	7.5%	6,900	0	0	0	0	\$15.19
2013 3q	145	987,797	81,221	8.2%	781	0	0	0	0	\$15.38
2013 2q	145	987,797	82,002	8.3%	4,637	0	0	0	0	\$15.56
2013 1q	145	987,797	86,639	8.8%	(5,087)	0	0	0	0	\$17.00
2012 4q	145	987,797	81,552	8.3%	19,967	0	0	0	0	\$17.01
2012 3q	145	987,797	101,519	10.3%	(2,724)	0	0	0	0	\$16.87
2012 2q	145	987,797	98,795	10.0%	4,412	0	0	0	0	\$16.48
2012 1q	145	987,797	103,207	10.4%	41,650	0	0	0	0	\$17.61
2011 4q	145	987,797	144,857	14.7%	8,656	0	0	0	0	\$17.91
2011 3q	145	987,797	153,513	15.5%	2,308	0	0	0	0	\$14.90
2011 2q	145	987,797	155,821	15.8%	(620)	0	0	0	0	\$14.57
2011 1q	145	987,797	155,201	15.7%	(13,715)	0	0	0	0	\$14.40
2010 4q	145	987,797	141,486	14.3%	3,813	0	0	0	0	\$15.26

Source: CoStar Property®

# Asheville Office Market

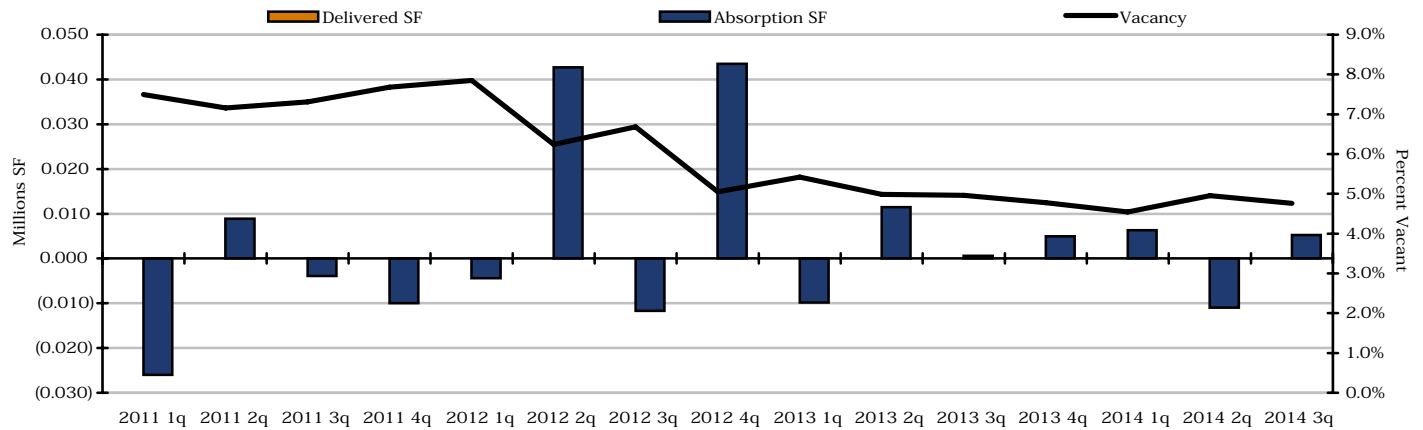


## Central Asheville Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

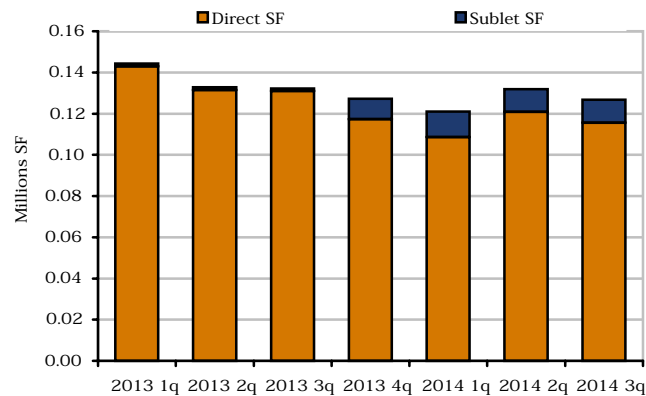
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

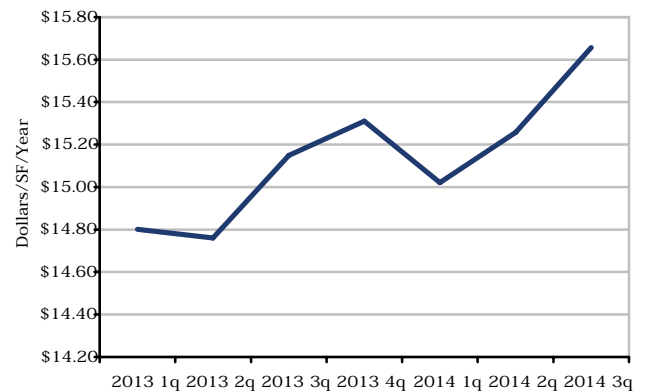
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



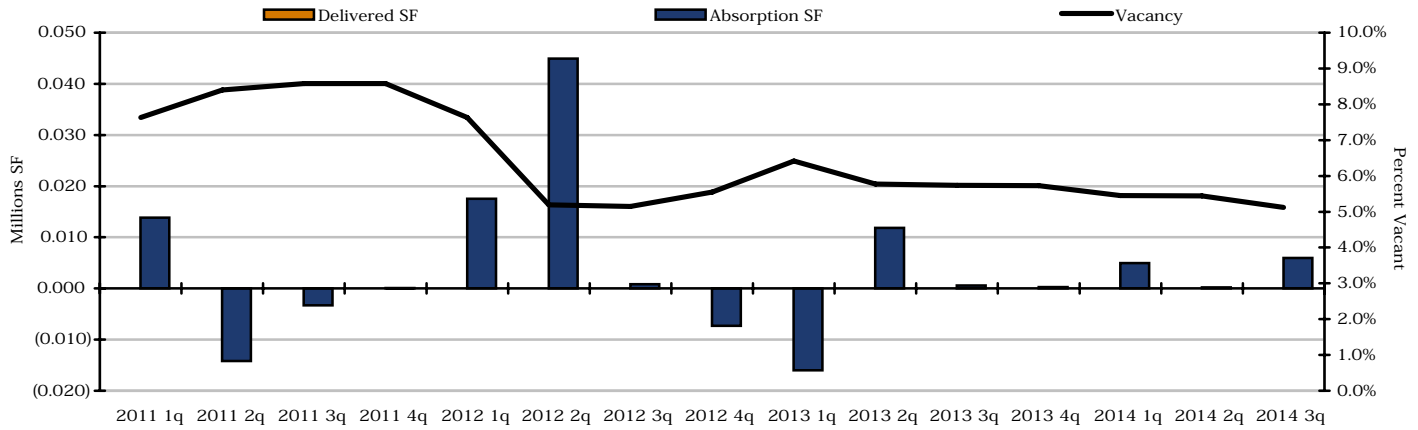
Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	239	2,662,045	126,695	4.8%	5,238	0	0	0	0	\$15.66
2014 2q	239	2,662,045	131,933	5.0%	(10,992)	0	0	0	0	\$15.26
2014 1q	239	2,662,045	120,941	4.5%	6,321	0	0	0	0	\$15.02
2013 4q	239	2,662,045	127,262	4.8%	4,930	0	0	0	0	\$15.31
2013 3q	239	2,662,045	132,192	5.0%	595	0	0	0	0	\$15.15
2013 2q	239	2,662,045	132,787	5.0%	11,470	0	0	0	0	\$14.76
2013 1q	239	2,662,045	144,257	5.4%	(9,830)	0	0	0	0	\$14.80
2012 4q	239	2,662,045	134,427	5.0%	43,472	0	0	0	0	\$15.87
2012 3q	239	2,662,045	177,899	6.7%	(11,686)	0	0	0	0	\$16.07
2012 2q	239	2,662,045	166,213	6.2%	42,723	0	0	0	0	\$16.22
2012 1q	239	2,662,045	208,936	7.8%	(4,395)	0	0	0	0	\$15.62
2011 4q	239	2,662,045	204,541	7.7%	(10,001)	0	0	0	0	\$16.33
2011 3q	239	2,662,045	194,540	7.3%	(3,908)	0	0	0	0	\$16.08
2011 2q	239	2,662,045	190,632	7.2%	8,863	0	0	0	0	\$16.02
2011 1q	239	2,662,045	199,495	7.5%	(25,977)	0	0	0	0	\$15.09
2010 4q	239	2,662,045	173,518	6.5%	(4,036)	0	0	0	0	\$15.72

Source: CoStar Property®

### Deliveries, Absorption & Vacancy

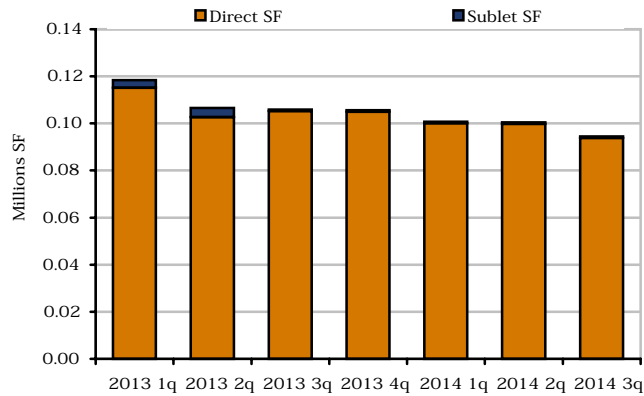
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

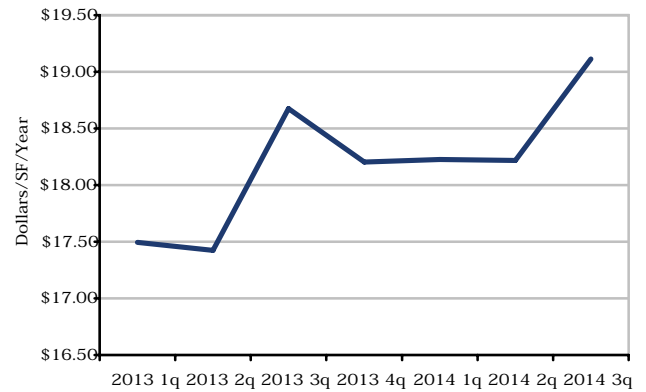
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	62	1,845,887	94,499	5.1%	5,990	0	0	0	0	\$19.11
2014 2q	62	1,845,887	100,489	5.4%	190	0	0	0	0	\$18.22
2014 1q	62	1,845,887	100,679	5.5%	4,985	0	0	0	0	\$18.23
2013 4q	62	1,845,887	105,664	5.7%	271	0	0	0	0	\$18.20
2013 3q	62	1,845,887	105,935	5.7%	608	0	0	0	0	\$18.67
2013 2q	62	1,845,887	106,543	5.8%	11,841	0	0	0	0	\$17.42
2013 1q	62	1,845,887	118,384	6.4%	(16,025)	0	0	0	0	\$17.49
2012 4q	62	1,845,887	102,359	5.5%	(7,279)	0	0	0	0	\$17.23
2012 3q	62	1,845,887	95,080	5.2%	815	0	0	0	0	\$18.63
2012 2q	62	1,845,887	95,895	5.2%	44,948	0	0	0	0	\$16.75
2012 1q	62	1,845,887	140,843	7.6%	17,534	0	0	0	0	\$17.36
2011 4q	62	1,845,887	158,377	8.6%	51	0	0	0	0	\$17.62
2011 3q	62	1,845,887	158,428	8.6%	(3,319)	0	0	0	0	\$19.36
2011 2q	62	1,845,887	155,109	8.4%	(14,164)	0	0	0	0	\$17.60
2011 1q	62	1,845,887	140,945	7.6%	13,821	0	0	0	0	\$17.42
2010 4q	62	1,845,887	154,766	8.4%	(153)	0	0	0	0	\$16.05

Source: CoStar Property®

# Asheville Office Market

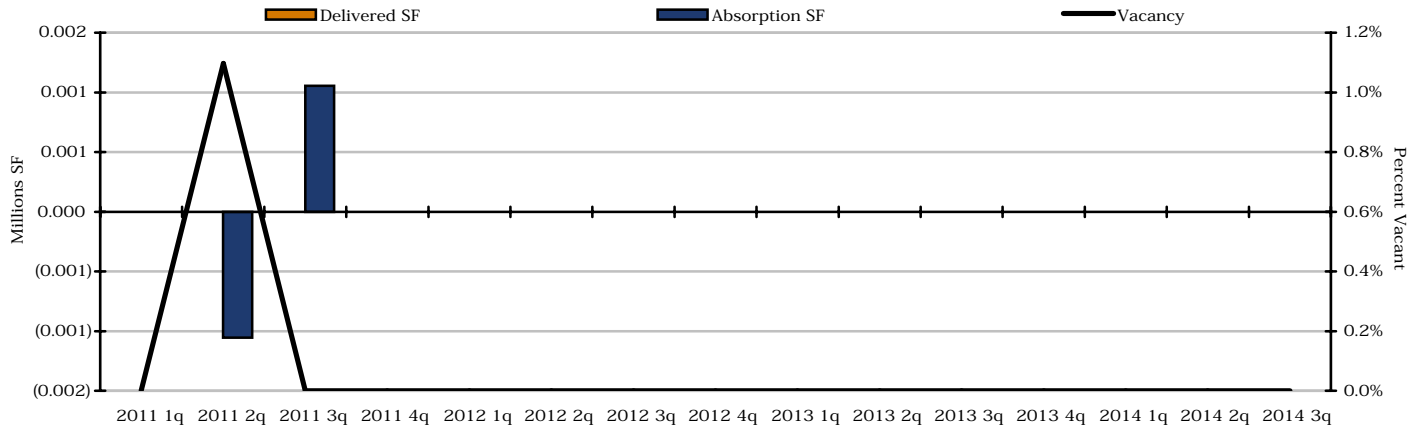


## East Asheville Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

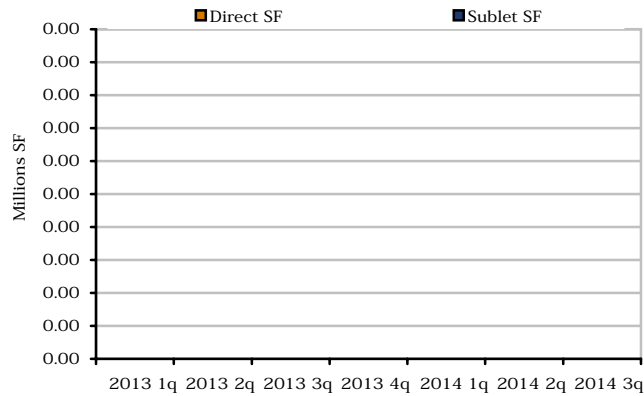
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

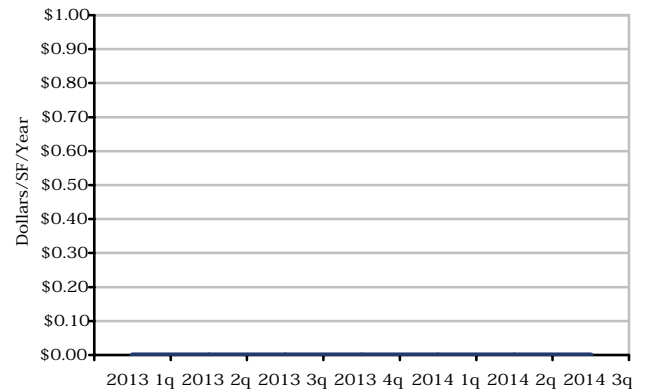
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



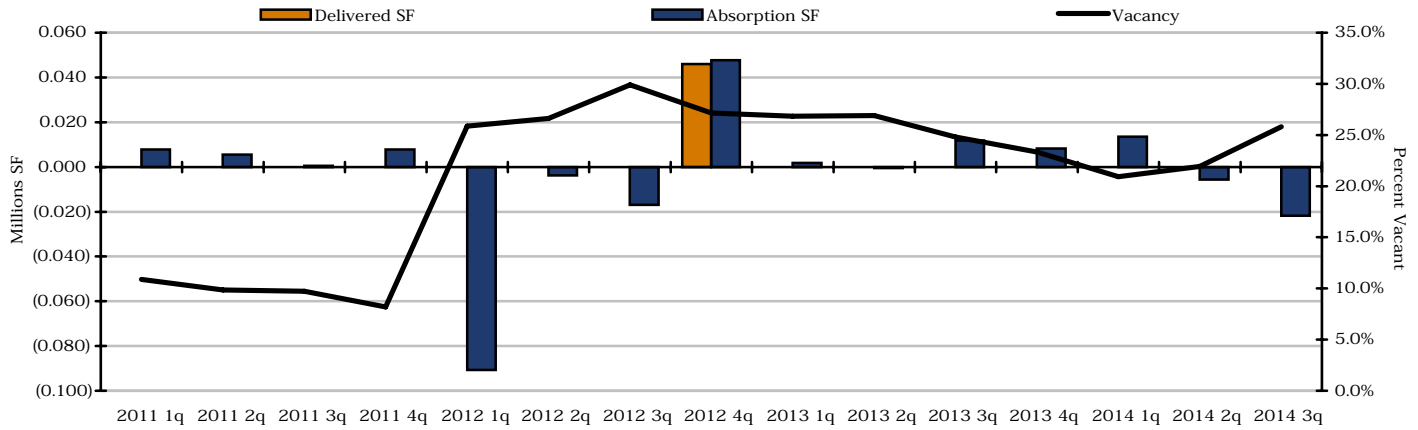
Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2014 2q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2014 1q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2013 4q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2013 3q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2013 2q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2013 1q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2012 4q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2012 3q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2012 2q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2012 1q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2011 4q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2011 3q	20	96,264	0	0.0%	1,056	0	0	0	0	\$0.00
2011 2q	20	96,264	1,056	1.1%	(1,056)	0	0	0	0	\$0.00
2011 1q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00
2010 4q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®

### Deliveries, Absorption & Vacancy

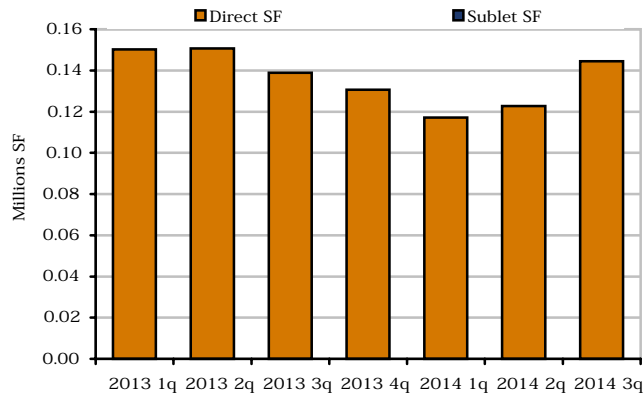
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

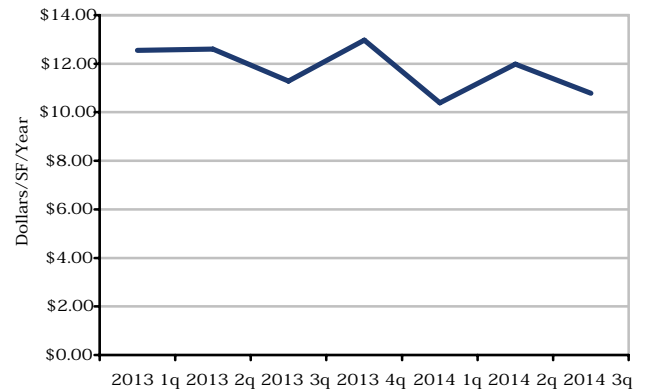
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	88	559,810	144,541	25.8%	(21,760)	0	0	0	0	\$10.78
2014 2q	88	559,810	122,781	21.9%	(5,662)	0	0	0	0	\$11.98
2014 1q	88	559,810	117,119	20.9%	13,520	0	0	0	0	\$10.38
2013 4q	88	559,810	130,639	23.3%	8,200	0	0	0	0	\$12.98
2013 3q	88	559,810	138,839	24.8%	11,830	0	0	0	0	\$11.28
2013 2q	88	559,810	150,669	26.9%	(509)	0	0	0	0	\$12.61
2013 1q	88	559,810	150,160	26.8%	1,867	0	0	0	0	\$12.55
2012 4q	88	559,810	152,027	27.2%	47,676	1	46,000	0	0	\$11.69
2012 3q	87	513,810	153,703	29.9%	(16,969)	0	0	1	46,000	\$8.53
2012 2q	87	513,810	136,734	26.6%	(3,824)	0	0	1	46,000	\$7.21
2012 1q	87	513,810	132,910	25.9%	(90,763)	0	0	1	46,000	\$9.14
2011 4q	87	513,810	42,147	8.2%	7,824	0	0	0	0	\$9.96
2011 3q	87	513,810	49,971	9.7%	575	0	0	0	0	\$10.32
2011 2q	87	513,810	50,546	9.8%	5,452	0	0	0	0	\$9.45
2011 1q	87	513,810	55,998	10.9%	7,803	0	0	0	0	\$10.94
2010 4q	87	513,810	63,801	12.4%	5,554	0	0	0	0	\$13.13

Source: CoStar Property®

# Asheville Office Market

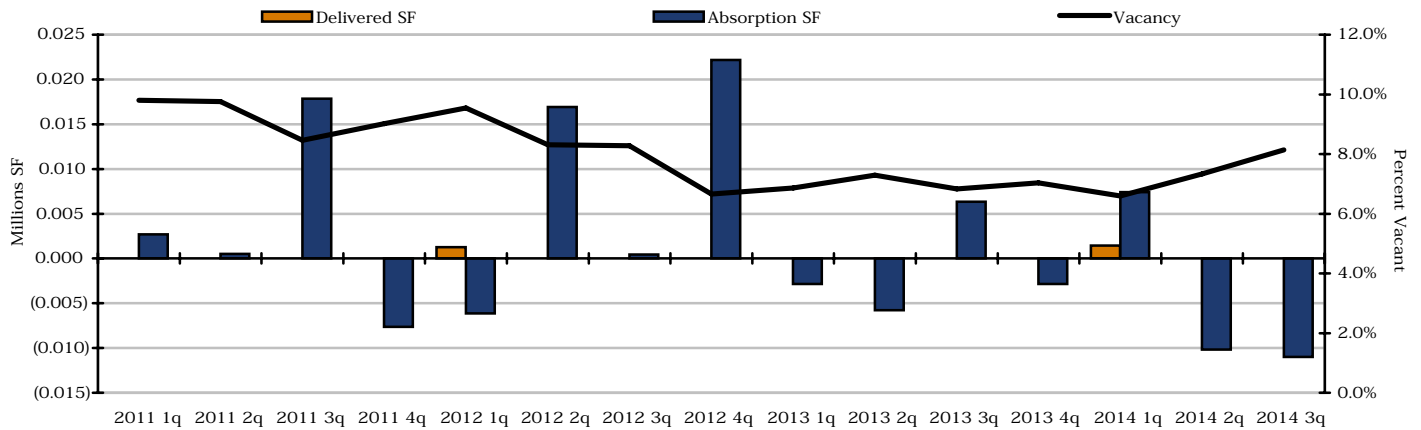


## Henderson County Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

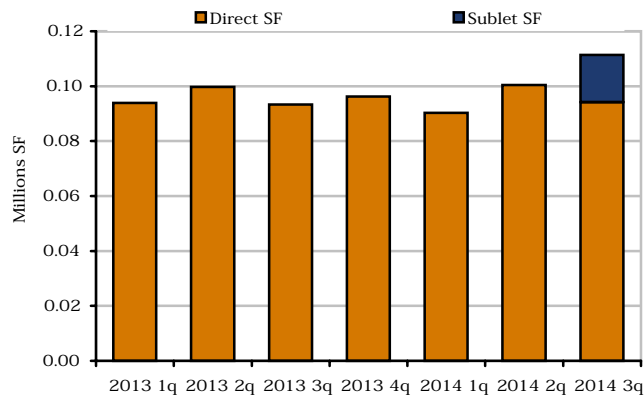
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

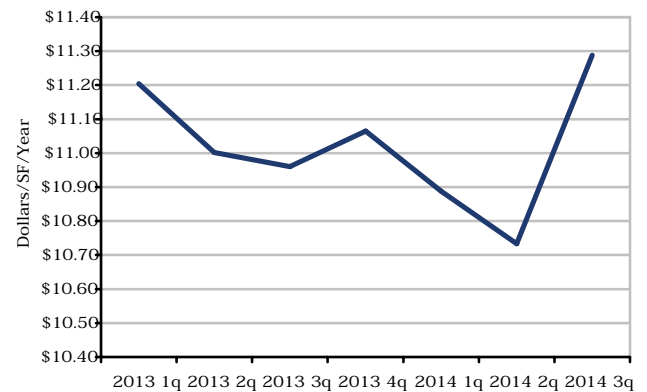
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



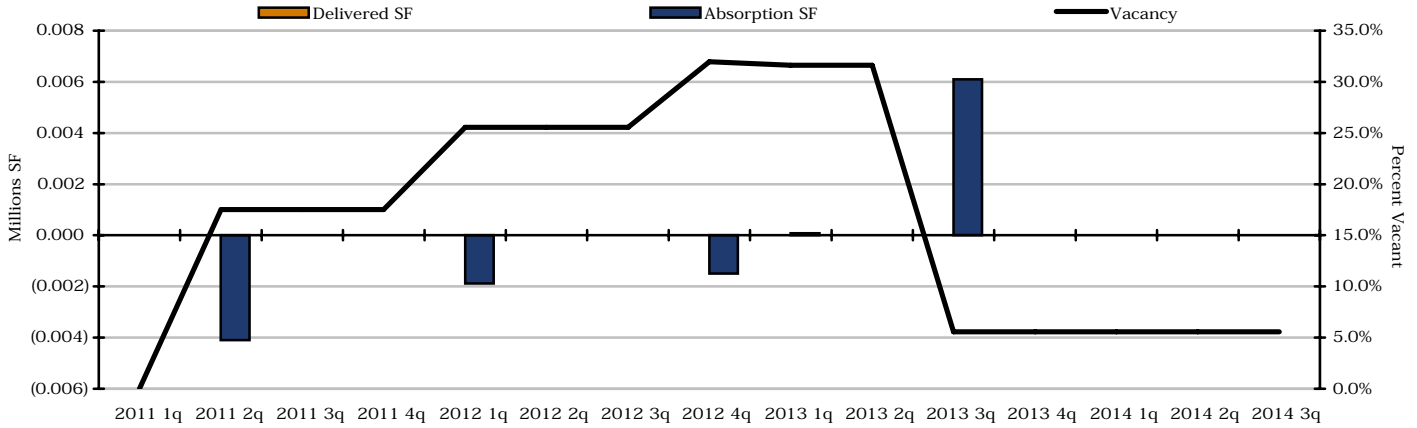
Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	209	1,369,076	111,419	8.1%	(11,003)	0	0	0	0	\$11.29
2014 2q	209	1,369,076	100,416	7.3%	(10,161)	0	0	0	0	\$10.73
2014 1q	209	1,369,076	90,255	6.6%	7,410	1	1,440	0	0	\$10.89
2013 4q	208	1,367,636	96,225	7.0%	(2,861)	0	0	1	1,440	\$11.07
2013 3q	208	1,367,636	93,364	6.8%	6,334	0	0	1	1,440	\$10.96
2013 2q	208	1,367,636	99,698	7.3%	(5,790)	0	0	1	1,440	\$11.00
2013 1q	208	1,367,636	93,908	6.9%	(2,843)	0	0	0	0	\$11.20
2012 4q	208	1,367,636	91,065	6.7%	22,166	0	0	0	0	\$11.43
2012 3q	208	1,367,636	113,231	8.3%	444	0	0	0	0	\$11.74
2012 2q	208	1,367,636	113,675	8.3%	16,917	0	0	0	0	\$11.23
2012 1q	208	1,367,636	130,592	9.5%	(6,144)	1	1,274	0	0	\$11.32
2011 4q	207	1,366,362	123,174	9.0%	(7,636)	0	0	1	1,274	\$11.08
2011 3q	207	1,366,362	115,538	8.5%	17,844	0	0	1	1,274	\$11.20
2011 2q	207	1,366,362	133,382	9.8%	514	0	0	1	1,274	\$11.24
2011 1q	207	1,366,362	133,896	9.8%	2,684	0	0	0	0	\$11.45
2010 4q	207	1,366,362	136,580	10.0%	(411)	0	0	0	0	\$11.52

Source: CoStar Property®

### Deliveries, Absorption & Vacancy

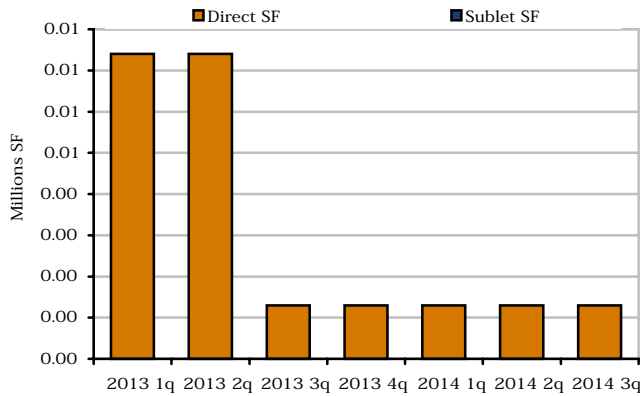
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

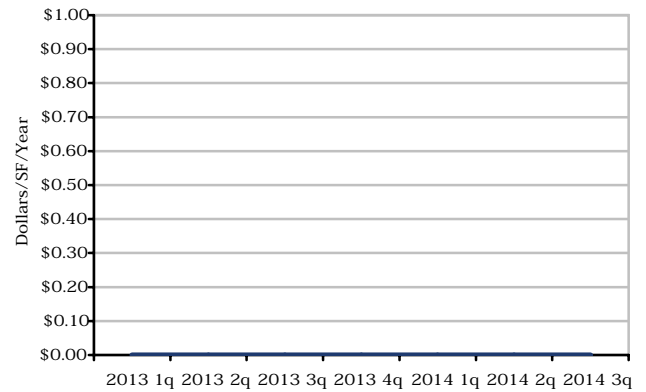
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	7	23,401	1,300	5.6%	0	0	0	0	0	\$0.00
2014 2q	7	23,401	1,300	5.6%	0	0	0	0	0	\$0.00
2014 1q	7	23,401	1,300	5.6%	0	0	0	0	0	\$0.00
2013 4q	7	23,401	1,300	5.6%	0	0	0	0	0	\$0.00
2013 3q	7	23,401	1,300	5.6%	6,100	0	0	0	0	\$0.00
2013 2q	7	23,401	7,400	31.6%	0	0	0	0	0	\$0.00
2013 1q	7	23,401	7,400	31.6%	80	0	0	0	0	\$0.00
2012 4q	7	23,401	7,480	32.0%	(1,500)	0	0	0	0	\$0.00
2012 3q	7	23,401	5,980	25.6%	0	0	0	0	0	\$0.00
2012 2q	7	23,401	5,980	25.6%	0	0	0	0	0	\$0.00
2012 1q	7	23,401	5,980	25.6%	(1,880)	0	0	0	0	\$0.00
2011 4q	7	23,401	4,100	17.5%	0	0	0	0	0	\$0.00
2011 3q	7	23,401	4,100	17.5%	0	0	0	0	0	\$0.00
2011 2q	7	23,401	4,100	17.5%	(4,100)	0	0	0	0	\$0.00
2011 1q	7	23,401	0	0.0%	0	0	0	0	0	\$0.00
2010 4q	7	23,401	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®

# Asheville Office Market

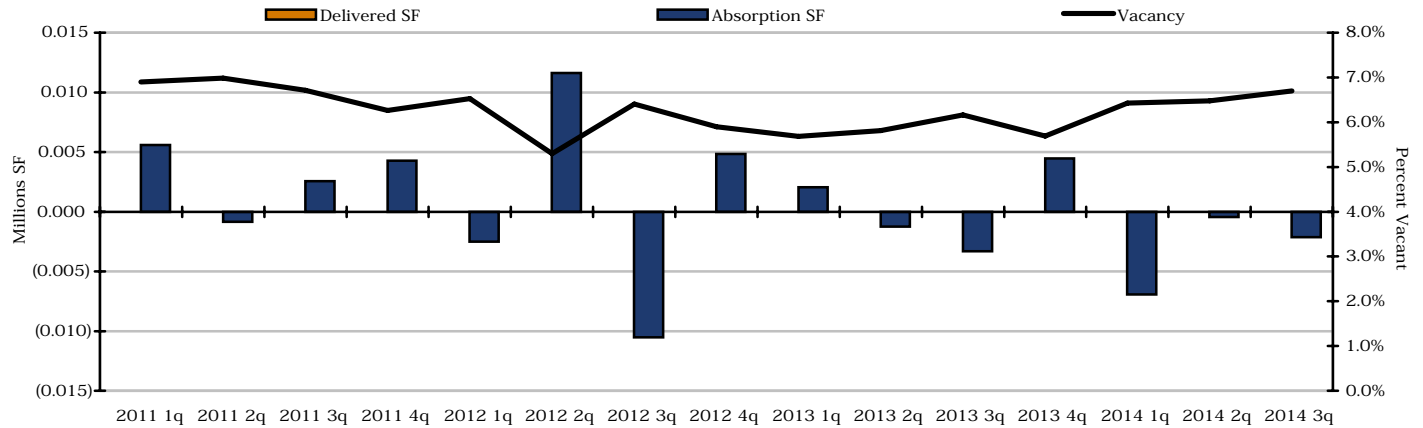


## North Asheville Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

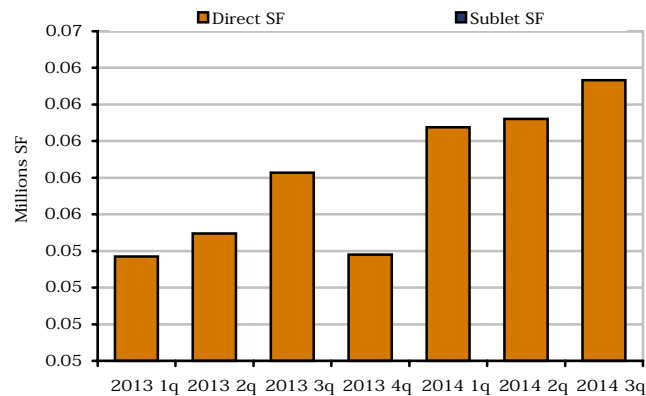
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

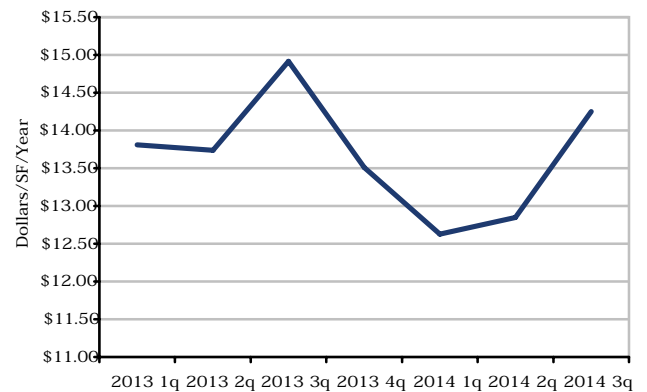
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

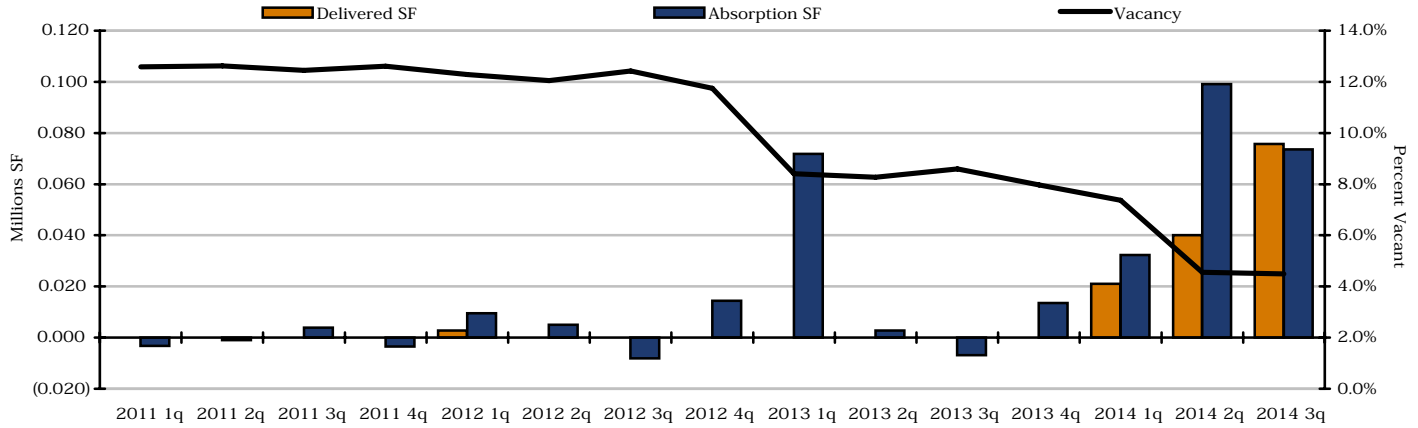
Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	138	945,382	63,321	6.7%	(2,118)	0	0	0	0	\$14.25
2014 2q	138	945,382	61,203	6.5%	(453)	0	0	0	0	\$12.85
2014 1q	138	945,382	60,750	6.4%	(6,943)	0	0	0	0	\$12.63
2013 4q	138	945,382	53,807	5.7%	4,471	0	0	0	0	\$13.51
2013 3q	138	945,382	58,278	6.2%	(3,322)	0	0	0	0	\$14.91
2013 2q	138	945,382	54,956	5.8%	(1,253)	0	0	0	0	\$13.74
2013 1q	138	945,382	53,703	5.7%	2,043	0	0	0	0	\$13.81
2012 4q	138	945,382	55,746	5.9%	4,840	0	0	0	0	\$14.58
2012 3q	138	945,382	60,586	6.4%	(10,516)	0	0	0	0	\$15.56
2012 2q	138	945,382	50,070	5.3%	11,628	0	0	0	0	\$14.00
2012 1q	138	945,382	61,698	6.5%	(2,495)	0	0	0	0	\$14.08
2011 4q	138	945,382	59,203	6.3%	4,274	0	0	0	0	\$14.00
2011 3q	138	945,382	63,477	6.7%	2,558	0	0	0	0	\$16.09
2011 2q	138	945,382	66,035	7.0%	(833)	0	0	0	0	\$16.20
2011 1q	138	945,382	65,202	6.9%	5,580	0	0	0	0	\$15.97
2010 4q	138	945,382	70,782	7.5%	(16,867)	0	0	0	0	\$18.36

Source: CoStar Property®



### Deliveries, Absorption & Vacancy

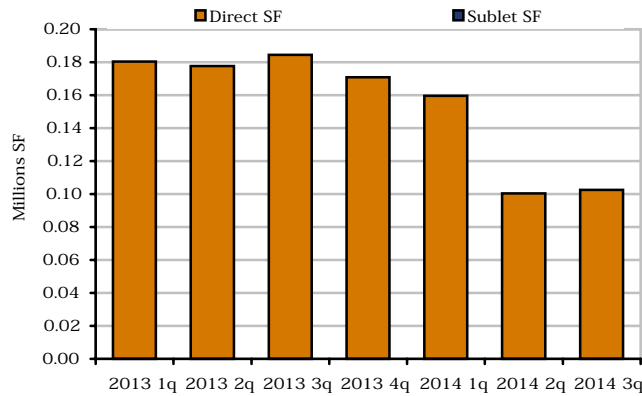
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

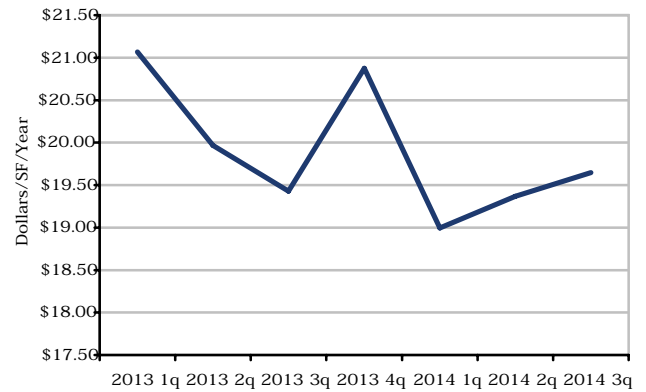
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	162	2,282,443	102,526	4.5%	73,609	1	75,652	0	0	\$19.65
2014 2q	161	2,206,791	100,483	4.6%	99,151	1	39,994	1	75,652	\$19.37
2014 1q	160	2,166,797	159,640	7.4%	32,324	1	21,047	2	115,646	\$18.99
2013 4q	159	2,145,750	170,917	8.0%	13,553	0	0	3	136,693	\$20.87
2013 3q	159	2,145,750	184,470	8.6%	(6,897)	0	0	3	136,693	\$19.43
2013 2q	159	2,145,750	177,573	8.3%	2,807	0	0	1	75,652	\$19.97
2013 1q	159	2,145,750	180,380	8.4%	71,814	0	0	0	0	\$21.07
2012 4q	159	2,145,750	252,194	11.8%	14,429	0	0	0	0	\$22.13
2012 3q	159	2,145,750	266,623	12.4%	(8,095)	0	0	0	0	\$21.04
2012 2q	159	2,145,750	258,528	12.0%	4,987	0	0	0	0	\$19.93
2012 1q	159	2,145,750	263,515	12.3%	9,464	1	2,760	0	0	\$19.74
2011 4q	158	2,142,990	270,219	12.6%	(3,466)	0	0	1	2,760	\$20.87
2011 3q	158	2,142,990	266,753	12.4%	3,906	0	0	1	2,760	\$19.20
2011 2q	158	2,142,990	270,659	12.6%	(936)	0	0	1	2,760	\$19.61
2011 1q	158	2,142,990	269,723	12.6%	(3,217)	0	0	1	2,760	\$19.98
2010 4q	158	2,142,990	266,506	12.4%	23,572	0	0	0	0	\$22.44

Source: CoStar Property®

# Asheville Office Market

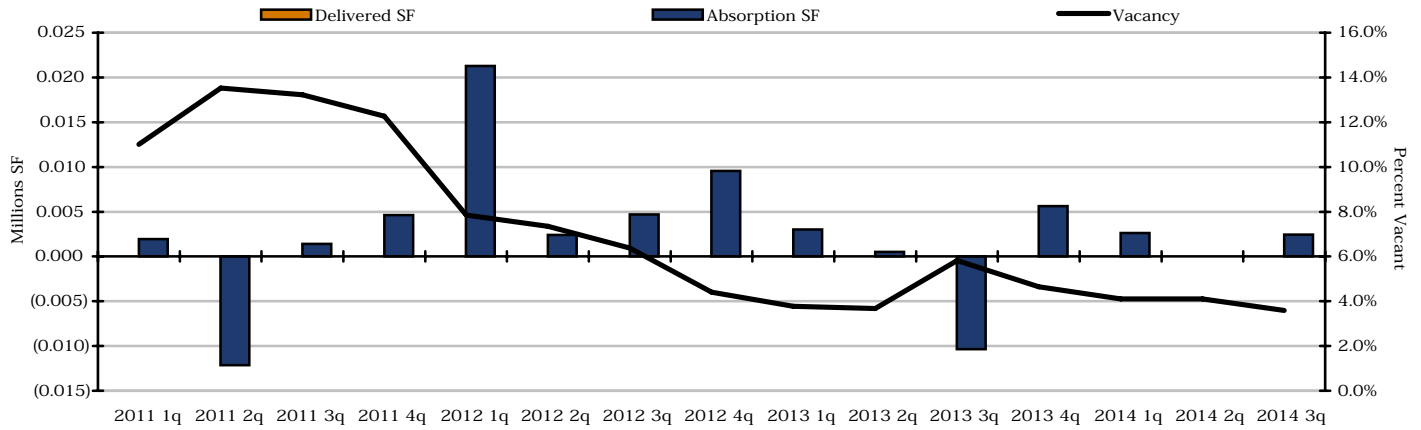


## West Asheville Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

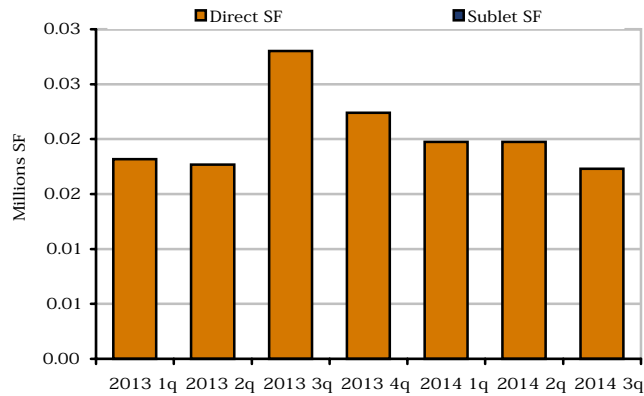
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

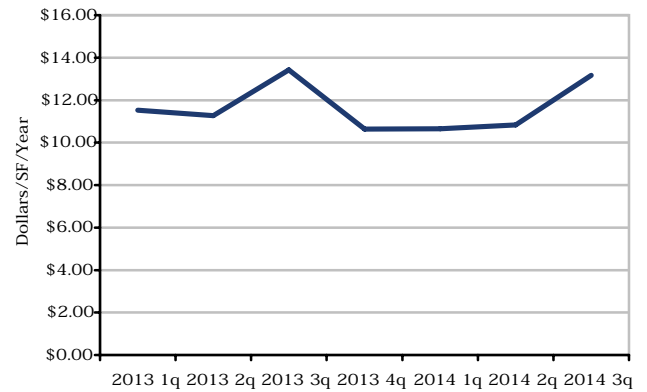
#### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

#### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 3q	95	481,798	17,308	3.6%	2,450	0	0	0	0	\$13.17
2014 2q	95	481,798	19,758	4.1%	0	0	0	0	0	\$10.83
2014 1q	95	481,798	19,758	4.1%	2,635	0	0	0	0	\$10.65
2013 4q	95	481,798	22,393	4.6%	5,640	0	0	0	0	\$10.63
2013 3q	95	481,798	28,033	5.8%	(10,350)	0	0	0	0	\$13.42
2013 2q	95	481,798	17,683	3.7%	500	0	0	0	0	\$11.27
2013 1q	95	481,798	18,183	3.8%	3,006	0	0	0	0	\$11.52
2012 4q	95	481,798	21,189	4.4%	9,550	0	0	0	0	\$11.28
2012 3q	95	481,798	30,739	6.4%	4,690	0	0	0	0	\$13.39
2012 2q	95	481,798	35,429	7.4%	2,399	0	0	0	0	\$12.12
2012 1q	95	481,798	37,828	7.9%	21,271	0	0	0	0	\$12.36
2011 4q	95	481,798	59,099	12.3%	4,638	0	0	0	0	\$12.48
2011 3q	95	481,798	63,737	13.2%	1,424	0	0	0	0	\$12.67
2011 2q	95	481,798	65,161	13.5%	(12,147)	0	0	0	0	\$11.65
2011 1q	95	481,798	53,014	11.0%	1,950	0	0	0	0	\$11.54
2010 4q	95	481,798	54,964	11.4%	8,462	0	0	0	0	\$11.14

Source: CoStar Property®