

# The CoStar Office Report

Mid-Year 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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## 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:** The status of a building that is in the process of being developed, assembled, built or constructed. A building is considered to be under construction after it has begun construction and until it receives a certificate of occupancy.

**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's Vacancy Decreases to 6.2% Net Absorption Positive 44,622 SF in the Quarter

The Asheville Office market ended the second quarter 2014 with a vacancy rate of 6.2%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 44,622 square feet. Vacant sublease space decreased in the quarter, ending at 11,799 square feet. Rental rates ended the second quarter at \$15.89, which is a decrease over the previous quarter. There was 75,652 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Asheville office market was positive 44,622 square feet in the second quarter 2014. That compares to positive 69,604 square feet in the first quarter 2014, positive 41,204 square feet in the fourth quarter 2013, and positive 6,779 square feet in the third quarter 2013.

A confirmed tenant moving out of a large block of space in 2014 is Vista Family Health moving out of 7,630 square feet at 2585 Hendersonville Rd.

A confirmed tenant moving into a large block of space in 2014 is Vannoy Construction Company, Inc., moving into 3,325 square feet at 230 Hilliard Ave.

The Class-A office market recorded net absorption of negative (8,154) square feet in the second quarter 2014, compared to positive 2,807 square feet in the first quarter 2014, positive 10,658 in the fourth quarter 2013, and negative (3,106) in the third quarter 2013.

The Class-B office market recorded net absorption of positive 5,368 square feet in the second quarter 2014, compared to positive 47,461 square feet in the first quarter 2014,

positive 11,687 in the fourth quarter 2013, and negative (484) in the third quarter 2013.

The Class-C office market recorded net absorption of positive 47,408 square feet in the second quarter 2014 compared to positive 19,336 square feet in the first quarter 2014, positive 18,859 in the fourth quarter 2013, and positive 10,369 in the third quarter 2013.

### Vacancy

The office vacancy rate in the Asheville market area decreased to 6.2% at the end of the second quarter 2014. The vacancy rate was 6.6% at the end of the first quarter 2014, 7.0% at the end of the fourth quarter 2013, and 7.4% at the end of the third quarter 2013.

Class-A projects reported a vacancy rate of 4.3% at the end of the second quarter 2014, 3.3% at the end of the first quarter 2014, 3.6% at the end of the fourth quarter 2013, and 5.0% at the end of the third quarter 2013.

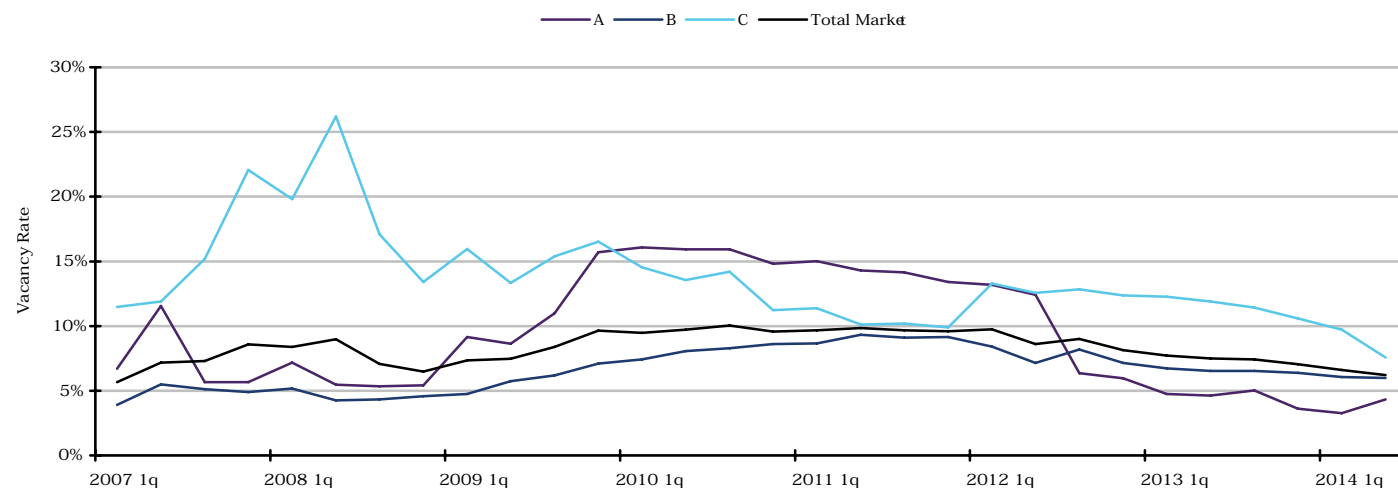
Class-B projects reported a vacancy rate of 6.0% at the end of the second quarter 2014, 6.1% at the end of the first quarter 2014, 6.4% at the end of the fourth quarter 2013, and 6.5% at the end of the third quarter 2013.

Class-C projects reported a vacancy rate of 7.6% at the end of the second quarter 2014, 9.7% at the end of first quarter 2014, 10.6% at the end of the fourth quarter 2013, and 11.4% at the end of the third quarter 2013.

### Largest Lease Signings

The largest confirmed lease signings occurring in 2014 included: the 6,379-square-foot renewal lease signed by

## Vacancy Rates by Class 2007-2014



Source: CoStar Property®

Crescent Health Solutions at Ridgefield III in the Buncombe County market; and the 3,325-square-foot deal signed by Vannoy Construction Company, Inc. at 230 Hilliard Ave in the Central Asheville market.

### Sublease Vacancy

The amount of vacant sublease space in the Asheville market decreased to 11,799 square feet by the end of the second quarter 2014, from 13,099 square feet at the end of the first quarter 2014. There was 10,672 square feet of vacant sublease space at the end of the fourth quarter 2013, and 1,966 square feet at the end of the third quarter 2013.

Asheville's Class-A projects reported no vacant sublease space at the end of second quarter 2014, which was the same reported at the end of the first quarter 2014. There was no vacant sublease space reported at the end of the third and fourth quarters of 2013 as well.

Class-B projects reported vacant sublease space of 11,799 square feet at the end of the second quarter 2014, down from the 13,099 square feet reported at the end of the first quarter 2014. At the end of the fourth quarter 2013 there was 10,672 square feet, and at the end of the third quarter 2013 there was 1,966 square feet of vacant sublease space available.

Class-C projects reported no vacant sublease space from the first quarter 2014 to the second quarter 2014. There was no vacant sublease space reported at the end of the third and fourth quarters of 2013 as well.

### Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$15.89 per square foot per year at the end of the second quarter 2014 in the Asheville market area. This represented a 1.0% decrease in quoted rental rates from the end of the first quarter 2014, when rents were reported at \$16.05 per square foot.

The average quoted rate within the Class-A sector was \$24.84 at the end of the second quarter 2014, while Class-B rates stood at \$15.79, and Class-C rates at \$15.37. At the end of the first quarter 2014, Class-A rates were \$24.94 per square foot, Class-B rates were \$16.06, and Class-C rates were \$15.02.

### Deliveries and Construction

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

There was 75,652 square feet of office space under construction at the end of the second quarter 2014.

Some of the notable 2014 deliveries include: 310 Long Shoals Rd., a 39,994 square foot facility that delivered in the second quarter 2014; and Overlook Rd., in Arden NC, a 21,047-square-foot facility that delivered in the first quarter 2014.

The largest project underway at the end of second quarter 2014 is 379 Long Shoals Rd., which is a 75,652-square-foot building.

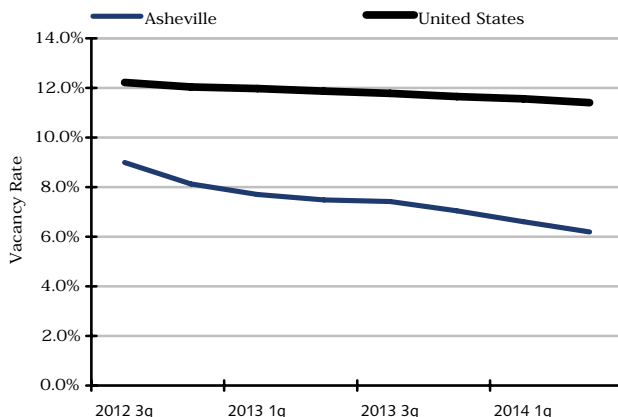
### Inventory

Total office inventory in the Asheville market area amounted to 10,970,824 square feet in 1,154 buildings as of the end of the second quarter 2014. The Class-A office sector consisted of 759,270 square feet in 12 projects. There were 788 Class-B buildings totaling 7,985,525 square feet, and the Class-C sector consisted of 2,226,029 square feet in 354 buildings. Within the Office market there were 20 owner-occupied buildings accounting for 429,322 square feet of office space.

Reports compiled by: John Austin, Research Manager

## U.S. Vacancy Comparison

Past 8 Quarters



Source: CoStar Property®

# Asheville Office Market

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**Markets**


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## CoStar Submarkets

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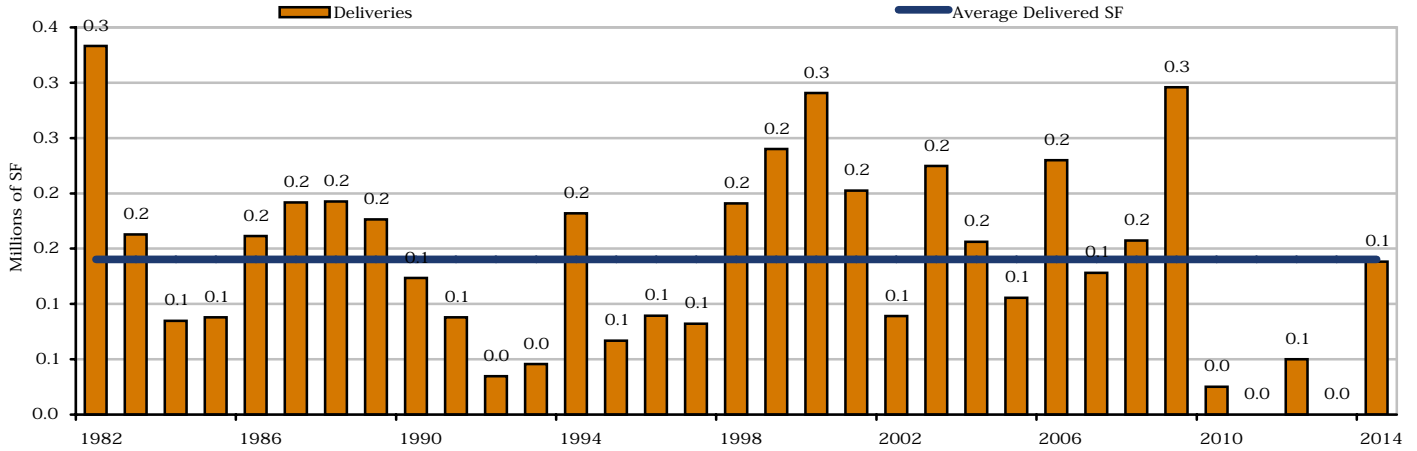
In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities 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.

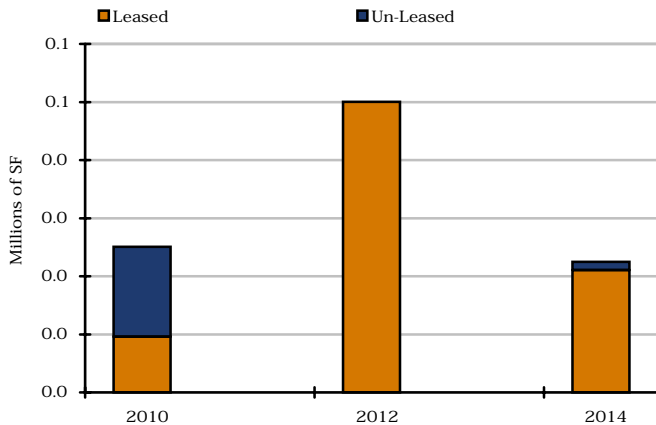
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
S Asheville/Royal Pines	2	115,646	115,646	100.0%	13,678	57,823
Madison County	0	0	0	0.0%	3,343	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%	6,871	0
Buncombe County	0	0	0	0.0%	6,889	0
West Asheville	0	0	0	0.0%	5,072	0
Haywood County	0	0	0	0.0%	6,191	0
Henderson County	0	0	0	0.0%	5,880	0

Source: CoStar Property®

## Recent Deliveries

Leased & Un-Leased SF in Deliveries



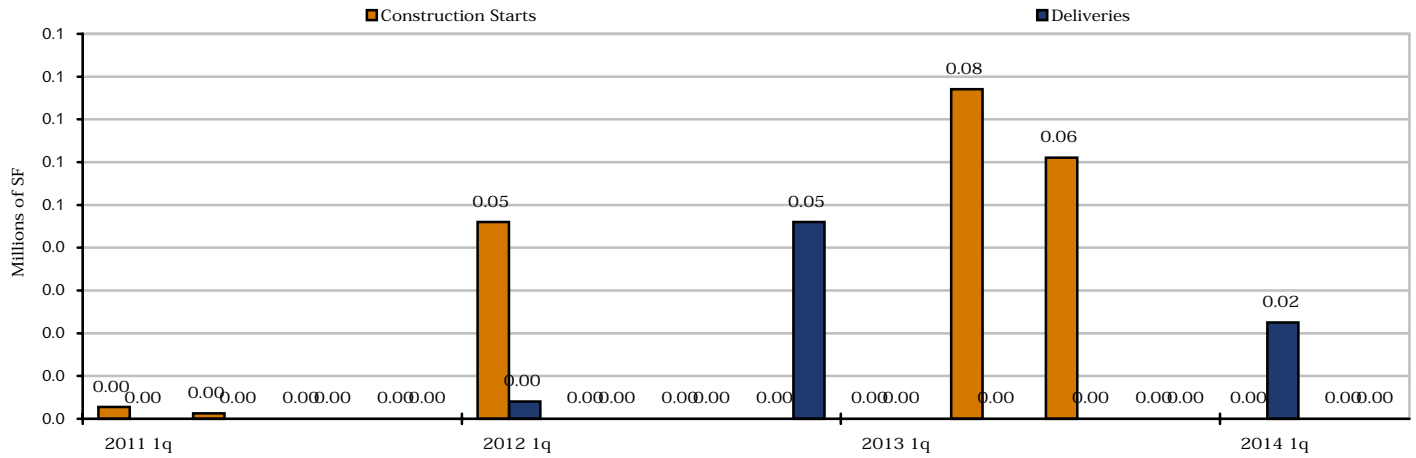
Source: CoStar Property®

# 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	2	22,487	21,047	93.6%	\$0.00	0	22,487
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
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

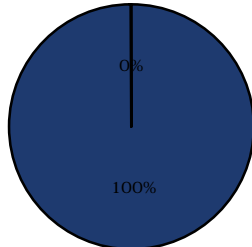
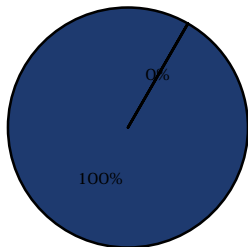
Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2014 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

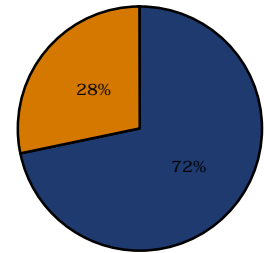
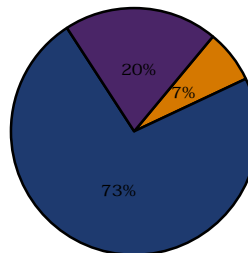
Source: CoStar Property®

## 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. 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**

### 2. 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**

### 3. 322 8th Ave E

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

## Select Top Under Construction Properties

Based on Project Square Footage

### 1. 379 Long Shoals Rd

Submarket: **S Asheville/Royal Pines**  
 RBA: **75,652**  
 # Floors: **4**  
 Class: **B**  
 Preleased: **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**

## Asheville Office Market

Figures at a Glance

## Class A Market Statistics

Mid-Year 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	6,145	6,145	1.5%	(841)	0	0	\$22.46
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	26,706	26,706	10.3%	(4,506)	0	0	\$25.52
West Asheville	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>12</b>	<b>759,270</b>	<b>32,851</b>	<b>32,851</b>	<b>4.3%</b>	<b>(5,347)</b>	<b>0</b>	<b>0</b>	<b>\$24.84</b>

Source: CoStar Property®

## Class B Market Statistics

Mid-Year 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	84	714,642	55,542	55,542	7.8%	10,828	0	0	\$16.20
Central Asheville	164	2,046,155	108,120	119,253	5.8%	(256)	0	0	\$15.51
Downtown Asheville	51	1,231,329	91,543	92,209	7.5%	6,016	0	0	\$18.31
East Asheville	15	85,084	0	0	0.0%	0	0	0	\$0.00
Haywood County	30	218,435	26,016	26,016	11.9%	(438)	0	0	\$16.61
Henderson County	121	718,952	61,993	61,993	8.6%	727	1,440	0	\$10.62
Madison County	2	12,416	0	0	0.0%	0	0	0	\$0.00
North Asheville	117	778,887	40,985	40,985	5.3%	(7,134)	0	0	\$14.70
S Asheville/Royal Pines	139	1,797,634	70,262	70,262	3.9%	41,336	21,047	115,646	\$15.98
West Asheville	65	381,991	11,874	11,874	3.1%	1,750	0	0	\$10.80
<b>Totals</b>	<b>788</b>	<b>7,985,525</b>	<b>466,335</b>	<b>478,134</b>	<b>6.0%</b>	<b>52,829</b>	<b>22,487</b>	<b>115,646</b>	<b>\$15.79</b>

Source: CoStar Property®

## Class C Market Statistics

Mid-Year 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	58	244,430	3,900	3,900	1.6%	5,560	0	0	\$11.46
Central Asheville	75	615,732	12,680	12,680	2.1%	1,943	0	0	\$14.56
Downtown Asheville	6	191,232	2,135	2,135	1.1%	0	0	0	\$10.82
East Asheville	5	11,180	0	0	0.0%	0	0	0	\$0.00
Haywood County	56	314,005	91,265	91,265	29.1%	8,396	0	0	\$8.54
Henderson County	82	474,647	27,823	27,823	5.9%	(2,278)	0	0	\$10.95
Madison County	5	10,985	1,300	1,300	11.8%	0	0	0	\$0.00
North Asheville	20	119,261	20,218	20,218	17.0%	(262)	0	0	\$9.29
S Asheville/Royal Pines	17	144,750	1,500	1,500	1.0%	52,500	0	0	\$24.76
West Asheville	30	99,807	7,884	7,884	7.9%	885	0	0	\$10.90
<b>Totals</b>	<b>354</b>	<b>2,226,029</b>	<b>168,705</b>	<b>168,705</b>	<b>7.6%</b>	<b>66,744</b>	<b>0</b>	<b>0</b>	<b>\$15.37</b>

Source: CoStar Property®

## Total Office Market Statistics

Mid-Year 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	143	985,197	59,442	59,442	6.0%	16,388	0	0	\$15.60
Central Asheville	239	2,661,887	120,800	131,933	5.0%	1,687	0	0	\$15.26
Downtown Asheville	62	1,845,887	99,823	100,489	5.4%	5,175	0	0	\$18.22
East Asheville	20	96,264	0	0	0.0%	0	0	0	\$0.00
Haywood County	86	532,440	117,281	117,281	22.0%	7,958	0	0	\$11.98
Henderson County	203	1,193,599	89,816	89,816	7.5%	(1,551)	1,440	0	\$10.73
Madison County	7	23,401	1,300	1,300	5.6%	0	0	0	\$0.00
North Asheville	138	948,148	61,203	61,203	6.5%	(7,396)	0	0	\$12.85
S Asheville/Royal Pines	161	2,202,203	98,468	98,468	4.5%	89,330	21,047	115,646	\$19.37
West Asheville	95	481,798	19,758	19,758	4.1%	2,635	0	0	\$10.83
<b>Totals</b>	<b>1,154</b>	<b>10,970,824</b>	<b>667,891</b>	<b>679,690</b>	<b>6.2%</b>	<b>114,226</b>	<b>22,487</b>	<b>115,646</b>	<b>\$15.89</b>

Source: CoStar Property®

## Asheville Office Market



Figures at a Glance

## Class A Market Statistics

Mid-Year 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 2q	12	759,270	32,851	32,851	4.3%	(8,154)	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 4q	12	759,270	101,862	101,862	13.4%	5,596	0	0	0	0	\$28.38
2011 3q	12	759,270	107,458	107,458	14.2%	1,132	0	0	0	0	\$26.39
2011 2q	12	759,270	108,590	108,590	14.3%	5,386	0	0	0	0	\$26.42
2011 1q	12	759,270	113,976	113,976	15.0%	(1,428)	0	0	0	0	\$27.15
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

Source: CoStar Property®

## Class B Market Statistics

Mid-Year 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 2q	788	7,985,525	466,335	478,134	6.0%	5,368	0	0	2	115,646	\$15.79
2014 1q	788	7,985,525	470,403	483,502	6.1%	47,461	2	22,487	2	115,646	\$16.06
2013 4q	786	7,963,038	497,804	508,476	6.4%	11,687	0	0	4	138,133	\$16.88
2013 3q	786	7,963,038	518,197	520,163	6.5%	(484)	0	0	4	138,133	\$16.67
2013 2q	786	7,963,038	514,513	519,679	6.5%	15,102	0	0	2	77,092	\$16.40
2013 1q	786	7,963,038	530,281	534,781	6.7%	34,432	0	0	0	0	\$16.47
2012 4q	786	7,963,038	569,213	569,213	7.1%	124,009	1	46,000	0	0	\$16.94
2012 3q	785	7,917,038	647,222	647,222	8.2%	(81,627)	0	0	1	46,000	\$17.00
2012 2q	785	7,917,038	565,595	565,595	7.1%	100,760	0	0	1	46,000	\$15.86
2012 1q	785	7,917,038	666,355	666,355	8.4%	61,647	2	4,034	1	46,000	\$15.93
2011 4q	783	7,913,004	723,968	723,968	9.1%	(3,348)	0	0	2	4,034	\$16.47
2011 3q	783	7,913,004	720,620	720,620	9.1%	17,614	0	0	2	4,034	\$15.72
2011 2q	783	7,913,004	738,234	738,234	9.3%	(53,076)	0	0	2	4,034	\$15.36
2011 1q	783	7,913,004	685,158	685,158	8.7%	(4,684)	0	0	1	2,760	\$15.12
2010	783	7,913,004	675,624	680,474	8.6%	(94,947)	2	25,088	0	0	\$15.36
2009	781	7,887,916	552,447	560,439	7.1%	(81,100)	6	124,860	2	25,088	\$15.96

Source: CoStar Property®

## Total Office Market Statistics

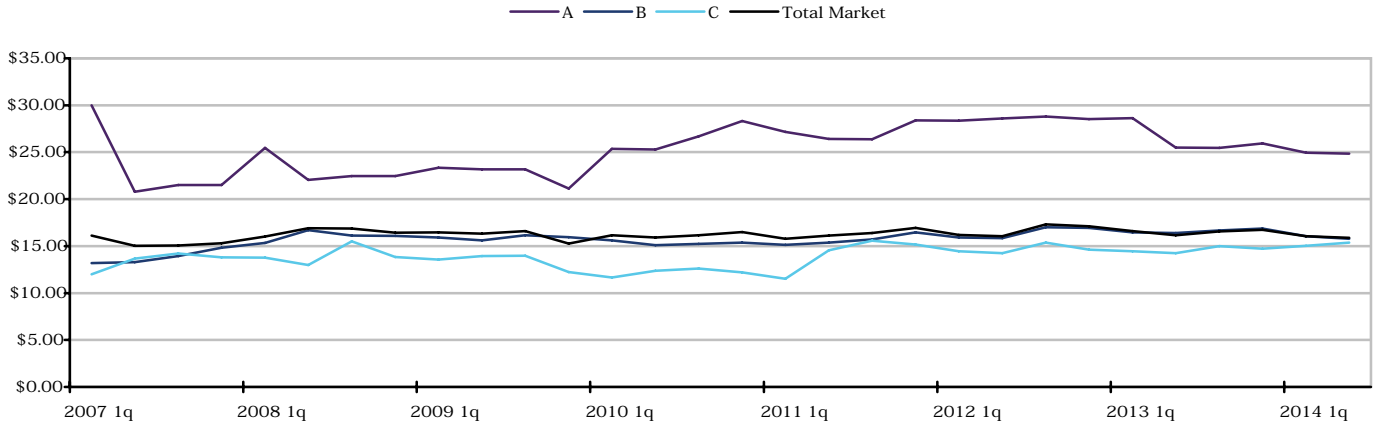
Mid-Year 2014

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 2q	1,154	10,970,824	667,891	679,690	6.2%	44,622	0	0	2	115,646	\$15.89
2014 1q	1,154	10,970,824	711,213	724,312	6.6%	69,604	2	22,487	2	115,646	\$16.05
2013 4q	1,152	10,948,337	760,757	771,429	7.0%	41,204	0	0	4	138,133	\$16.72
2013 3q	1,152	10,948,337	810,667	812,633	7.4%	6,779	0	0	4	138,133	\$16.56
2013 2q	1,152	10,948,337	814,246	819,412	7.5%	24,603	0	0	2	77,092	\$16.16
2013 1q	1,152	10,948,337	839,515	844,015	7.7%	45,625	0	0	0	0	\$16.61
2012 4q	1,152	10,948,337	889,640	889,640	8.1%	137,554	1	46,000	0	0	\$17.12
2012 3q	1,151	10,902,337	980,302	981,194	9.0%	(41,541)	0	0	1	46,000	\$17.30
2012 2q	1,151	10,902,337	938,761	939,653	8.6%	122,090	0	0	1	46,000	\$16.07
2012 1q	1,151	10,902,337	1,061,743	1,061,743	9.7%	(11,608)	2	4,034	1	46,000	\$16.18
2011 4q	1,149	10,898,303	1,046,101	1,046,101	9.6%	8,740	0	0	2	4,034	\$16.94
2011 3q	1,149	10,898,303	1,054,841	1,054,841	9.7%	16,944	0	0	2	4,034	\$16.40
2011 2q	1,149	10,898,303	1,071,785	1,071,785	9.8%	(19,127)	0	0	2	4,034	\$16.11
2011 1q	1,149	10,898,303	1,052,658	1,052,658	9.7%	(9,871)	0	0	1	2,760	\$15.77
2010	1,149	10,898,303	1,037,937	1,042,787	9.6%	29,909	2	25,088	0	0	\$16.49
2009	1,147	10,873,215	1,039,616	1,047,608	9.6%	(67,170)	9	295,860	2	25,088	\$15.28

Source: CoStar Property®

## Historical Rental Rates

Based on Full-Service Equivalent Rental Rates

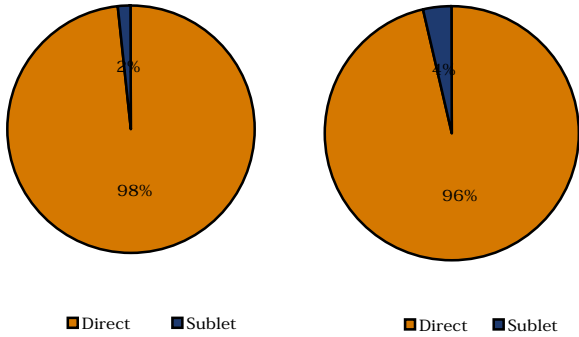


Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Asheville      United States

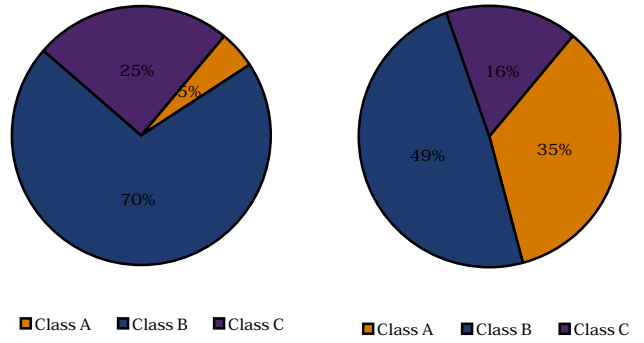


Source: CoStar Property®

## Vacancy by Class

Percent of All Vacant Space by Class

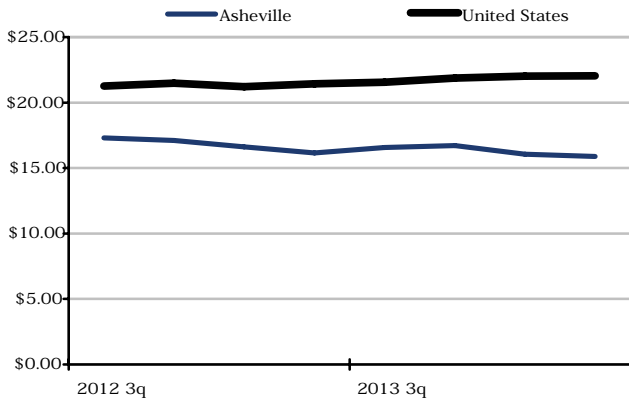
Asheville      United States



Source: CoStar Property®

## U.S. Rental Rate Comparison

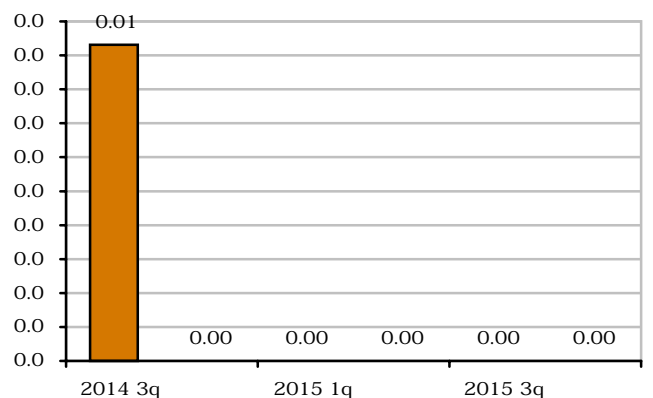
Based on Full-Service Equivalent Rental Rates



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 Ridgefield III*	Buncombe County	6,379	2nd	Crescent Health Solutions	N/A	N/A
2 230 Hilliard Ave	Central Asheville	3,325	2nd	Vannoy Construction Company, Inc.	Spake Real Estate	NAI Beverly-Hanks Commercial
3 55 Shiloh Rd	S Asheville/Royal Pines	3,300	2nd	N/A	N/A	Morosani and Associates
4 Skyland Office Park	S Asheville/Royal Pines	2,873	2nd	N/A	NAI Beverly-Hanks Commercial	Pulliam Properties
5 55 Shiloh Rd	S Asheville/Royal Pines	2,820	2nd	New Vision Baptist Church	NAI Beverly-Hanks Commercial	Morosani and Associates
6 96 Central Ave	North Asheville	2,532	2nd	NorthAshevillePropertyManagement,LLC	N/A	CoveStar, LLC
7 (Biltmore Station)	Central Asheville	2,500	1st	Trunk Media, Inc.	N/A	Lat Purser & Associates, Dewey
8 1978 Hendersonville Rd	S Asheville/Royal Pines	2,397	1st	N/A	N/A	Spake Real Estate
9 76 Peachtree Rd	S Asheville/Royal Pines	2,208	2nd	N/A	N/A	Spake Real Estate
10 76 Peachtree Rd	S Asheville/Royal Pines	2,171	2nd	N/A	N/A	Spake Real Estate
11 76 Peachtree Rd	S Asheville/Royal Pines	2,133	2nd	N/A	N/A	Spake Real Estate
12 627 N Main St	Haywood County	1,850	1st	Reach of Haywood	N/A	Kuhlman Investments Llc
13 Two Town Square	S Asheville/Royal Pines	1,703	1st	N/A	N/A	Biltmore Farms, Inc
14 5 Kitchen Pl	Central Asheville	1,635	2nd	Family Life and Learning Center	N/A	Dewey Property Advisors
15 120 Coxe Ave	Central Asheville	1,634	2nd	Privai, LLC.	N/A	The Real Estate Center
16 400 Executive Park	Central Asheville	1,358	2nd	ABAL, LLC.	NAI Beverly-Hanks Commercial	NAI Beverly-Hanks Commercial
17 172 Asheland Ave	Central Asheville	1,343	1st	Southeastern Sports Medicine	N/A	Tessier Associates, Inc.
18 117 W Barnwell St	Henderson County	1,266	2nd	N/A	N/A	Will & Deni Media Inc
19 8 Regent Park Blvd	West Asheville	1,250	1st	N/A	N/A	Azalea Management & Leasing
20 1270 Hendersonville Rd	S Asheville/Royal Pines	1,225	2nd	N/A	N/A	Pulliam Properties
21 56 Central Ave	North Asheville	1,200	2nd	N/A	N/A	Morosani and Associates
22 131 Mcdowell St	Central Asheville	1,014	1st	Connections Speech & Language Therapy	N/A	Whitney Commercial Real Estate

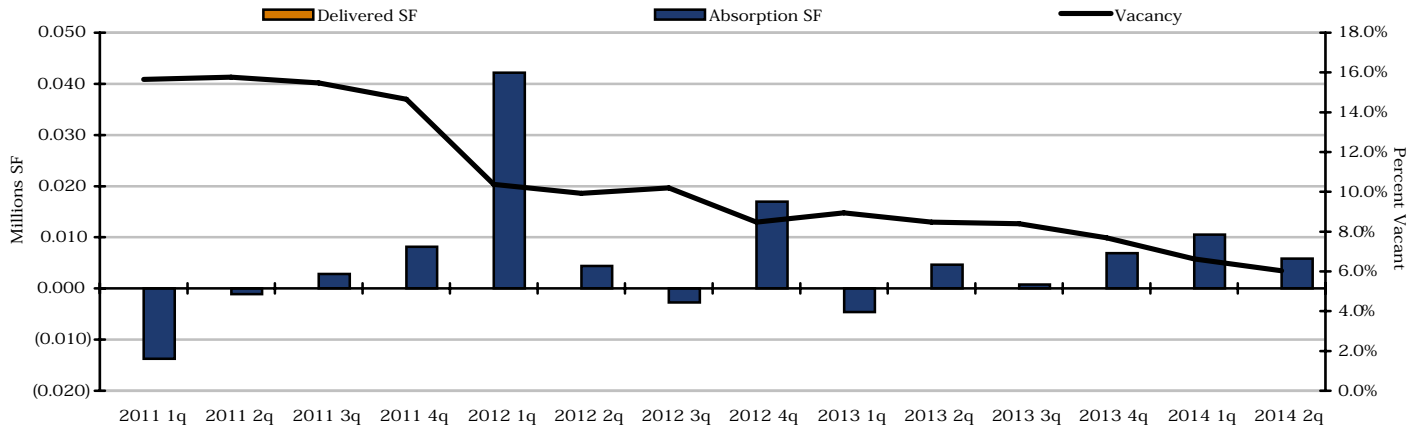
Source: CoStar Property®

\* Renewal



### DELIVERIES, ABSORPTION & VACANCY

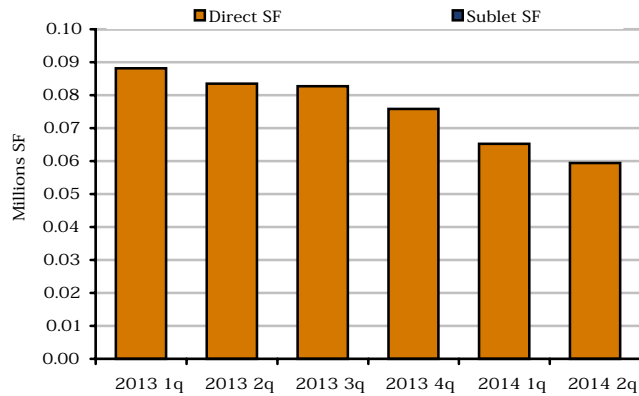
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

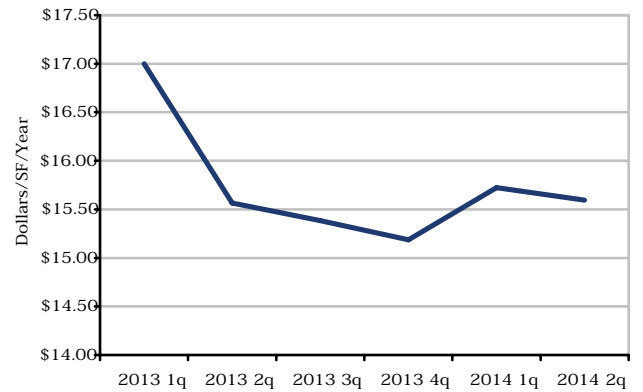
Historical Analysis, All Classes



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 2q	143	985,197	59,442	6.0%	5,836	0	0	0	0	\$15.60
2014 1q	143	985,197	65,278	6.6%	10,552	0	0	0	0	\$15.72
2013 4q	143	985,197	75,830	7.7%	6,900	0	0	0	0	\$15.19
2013 3q	143	985,197	82,730	8.4%	781	0	0	0	0	\$15.38
2013 2q	143	985,197	83,511	8.5%	4,637	0	0	0	0	\$15.56
2013 1q	143	985,197	88,148	8.9%	(4,587)	0	0	0	0	\$17.00
2012 4q	143	985,197	83,561	8.5%	16,958	0	0	0	0	\$17.01
2012 3q	143	985,197	100,519	10.2%	(2,724)	0	0	0	0	\$16.87
2012 2q	143	985,197	97,795	9.9%	4,412	0	0	0	0	\$16.48
2012 1q	143	985,197	102,207	10.4%	42,150	0	0	0	0	\$17.61
2011 4q	143	985,197	144,357	14.7%	8,156	0	0	0	0	\$17.91
2011 3q	143	985,197	152,513	15.5%	2,808	0	0	0	0	\$14.90
2011 2q	143	985,197	155,321	15.8%	(1,120)	0	0	0	0	\$14.57
2011 1q	143	985,197	154,201	15.7%	(13,715)	0	0	0	0	\$14.40
2010 4q	143	985,197	140,486	14.3%	3,813	0	0	0	0	\$15.26
2010 3q	143	985,197	144,299	14.6%	858	0	0	0	0	\$15.10

Source: CoStar Property®

# Asheville Office Market

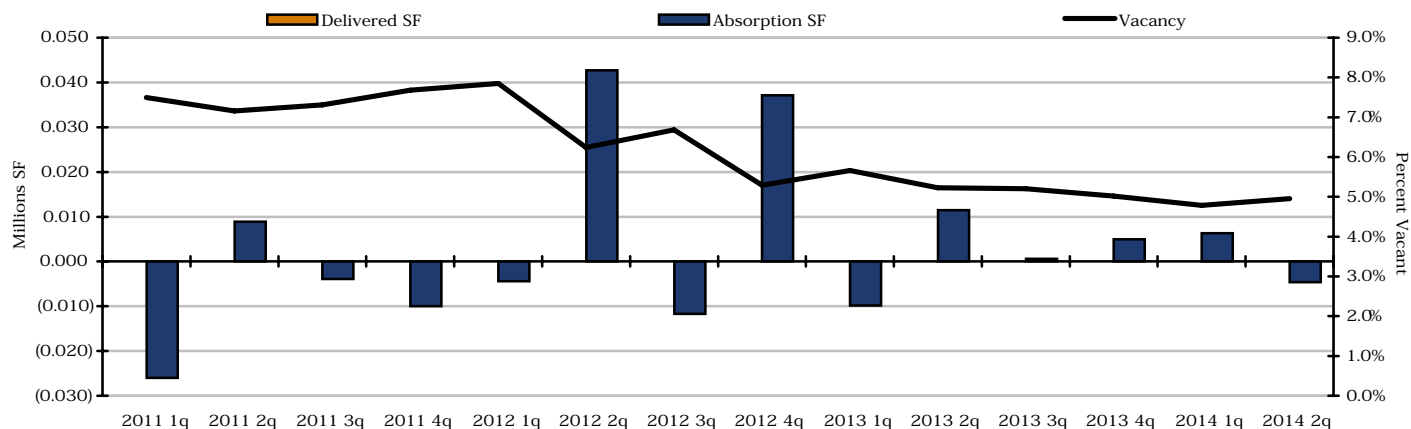


## Central Asheville Market

Market Highlights – Class “A, B & C”

### DELIVERIES, ABSORPTION & VACANCY

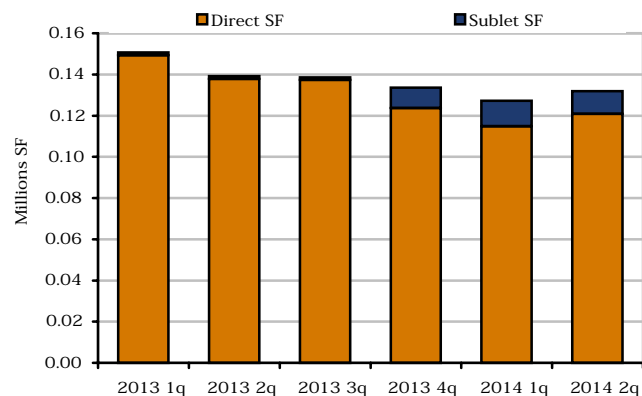
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

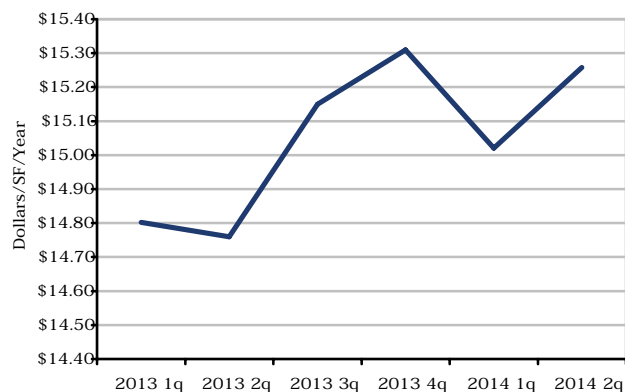
Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

Historical Analysis, All Classes



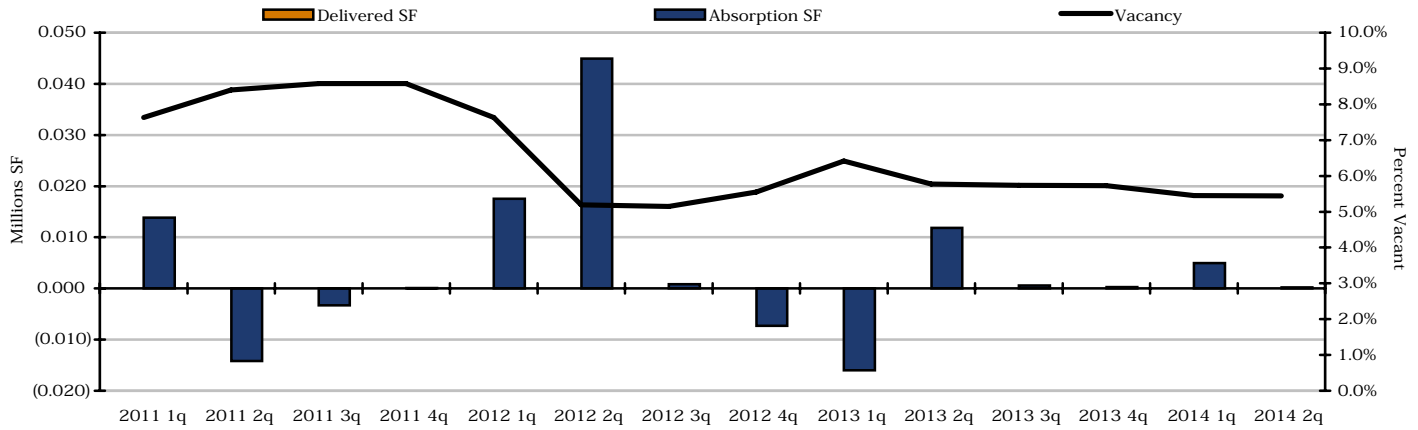
Source: CoStar Property®

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 2q	239	2,661,887	131,933	5.0%	(4,634)	0	0	0	0	\$15.26
2014 1q	239	2,661,887	127,299	4.8%	6,321	0	0	0	0	\$15.02
2013 4q	239	2,661,887	133,620	5.0%	4,930	0	0	0	0	\$15.31
2013 3q	239	2,661,887	138,550	5.2%	595	0	0	0	0	\$15.15
2013 2q	239	2,661,887	139,145	5.2%	11,470	0	0	0	0	\$14.76
2013 1q	239	2,661,887	150,615	5.7%	(9,830)	0	0	0	0	\$14.80
2012 4q	239	2,661,887	140,785	5.3%	37,114	0	0	0	0	\$15.87
2012 3q	239	2,661,887	177,899	6.7%	(11,686)	0	0	0	0	\$16.07
2012 2q	239	2,661,887	166,213	6.2%	42,723	0	0	0	0	\$16.22
2012 1q	239	2,661,887	208,936	7.8%	(4,395)	0	0	0	0	\$15.62
2011 4q	239	2,661,887	204,541	7.7%	(10,001)	0	0	0	0	\$16.33
2011 3q	239	2,661,887	194,540	7.3%	(3,908)	0	0	0	0	\$16.08
2011 2q	239	2,661,887	190,632	7.2%	8,863	0	0	0	0	\$16.02
2011 1q	239	2,661,887	199,495	7.5%	(25,977)	0	0	0	0	\$15.09
2010 4q	239	2,661,887	173,518	6.5%	(3,946)	0	0	0	0	\$15.72
2010 3q	239	2,661,887	169,572	6.4%	(1,264)	0	0	0	0	\$15.27

Source: CoStar Property®

### DELIVERIES, ABSORPTION & VACANCY

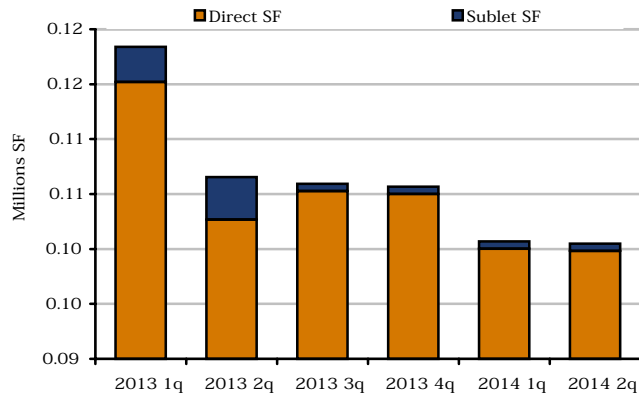
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

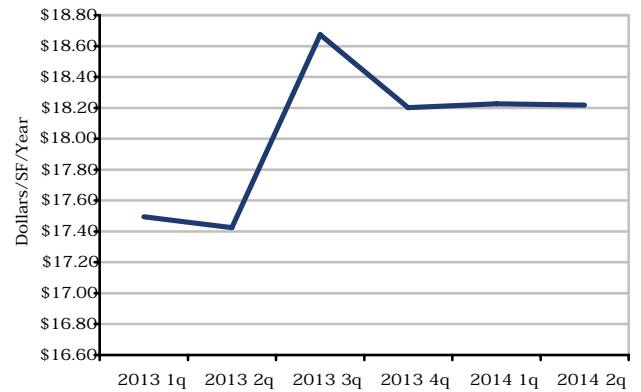
Historical Analysis, All Classes



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 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
2010 3q	62	1,845,887	154,613	8.4%	(29,024)	0	0	0	0	\$17.71

Source: CoStar Property®

# Asheville Office Market

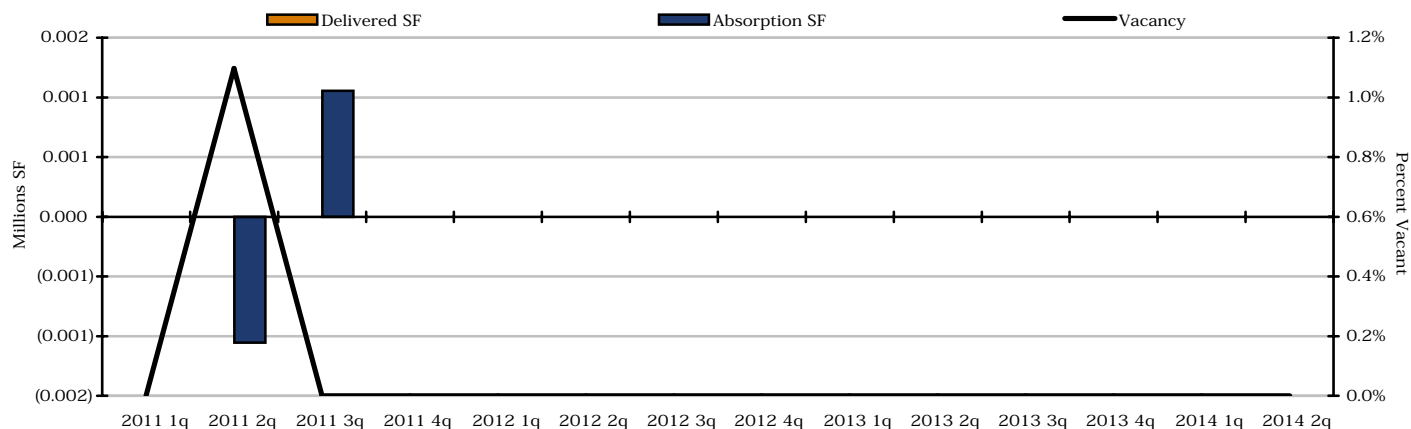


## East Asheville Market

Market Highlights – Class “A, B & C”

### DELIVERIES, ABSORPTION & VACANCY

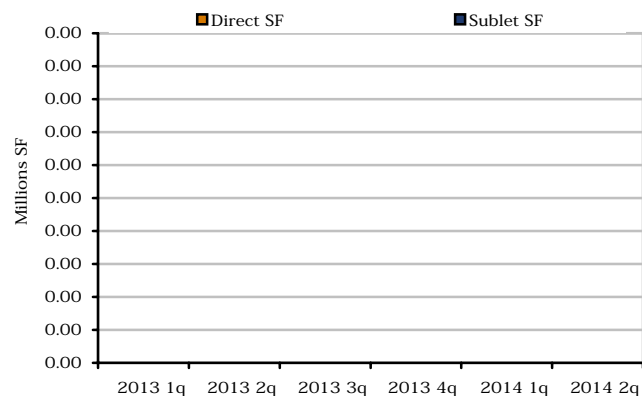
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

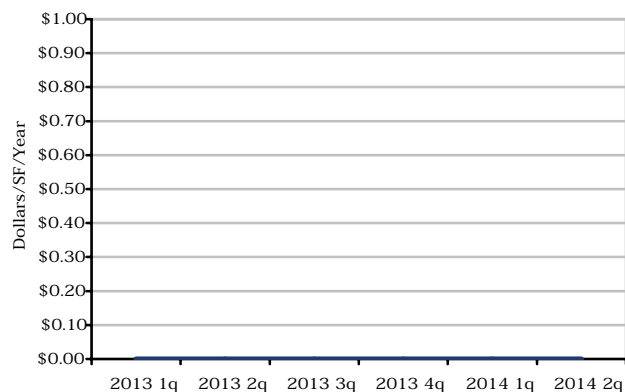
Historical Analysis, All Classes



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 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
2010 3q	20	96,264	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®

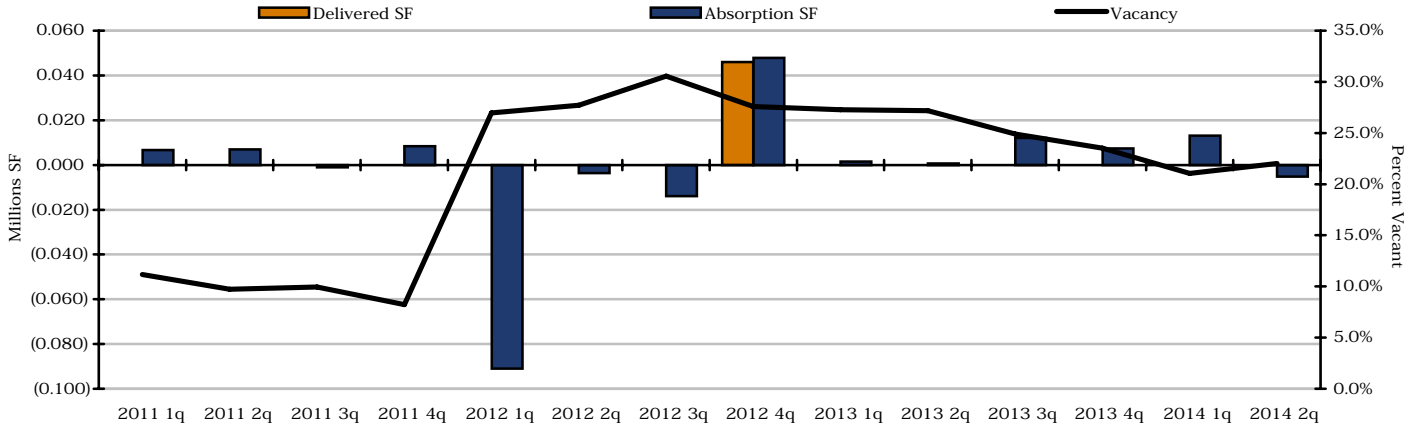
# Asheville Office Market

## Haywood County Market

Market Highlights - Class "A, B & C"

### DELIVERIES, ABSORPTION & VACANCY

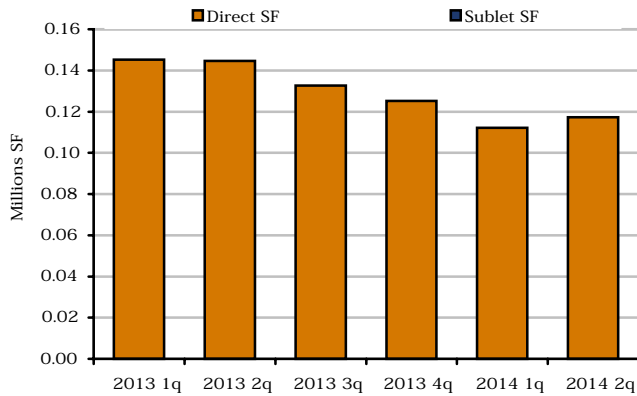
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

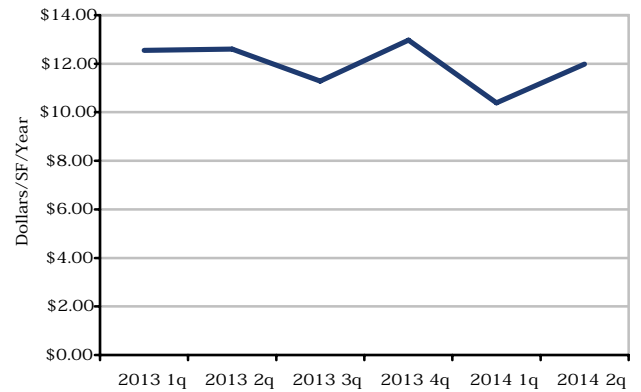
Historical Analysis, All Classes



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 2q	86	532,440	117,281	22.0%	(5,162)	0	0	0	0	\$11.98
2014 1q	86	532,440	112,119	21.1%	13,120	0	0	0	0	\$10.38
2013 4q	86	532,440	125,239	23.5%	7,400	0	0	0	0	\$12.98
2013 3q	86	532,440	132,639	24.9%	12,030	0	0	0	0	\$11.28
2013 2q	86	532,440	144,669	27.2%	591	0	0	0	0	\$12.61
2013 1q	86	532,440	145,260	27.3%	1,567	0	0	0	0	\$12.55
2012 4q	86	532,440	146,827	27.6%	47,776	1	46,000	0	0	\$11.69
2012 3q	85	486,440	148,603	30.5%	(13,869)	0	0	1	46,000	\$8.53
2012 2q	85	486,440	134,734	27.7%	(3,624)	0	0	1	46,000	\$7.21
2012 1q	85	486,440	131,110	27.0%	(91,063)	0	0	1	46,000	\$9.14
2011 4q	85	486,440	40,047	8.2%	8,324	0	0	0	0	\$9.96
2011 3q	85	486,440	48,371	9.9%	(1,025)	0	0	0	0	\$10.32
2011 2q	85	486,440	47,346	9.7%	6,952	0	0	0	0	\$9.45
2011 1q	85	486,440	54,298	11.2%	6,703	0	0	0	0	\$10.94
2010 4q	85	486,440	61,001	12.5%	6,154	0	0	0	0	\$13.13
2010 3q	85	486,440	67,155	13.8%	(11,328)	0	0	0	0	\$12.30

Source: CoStar Property®

# Asheville Office Market

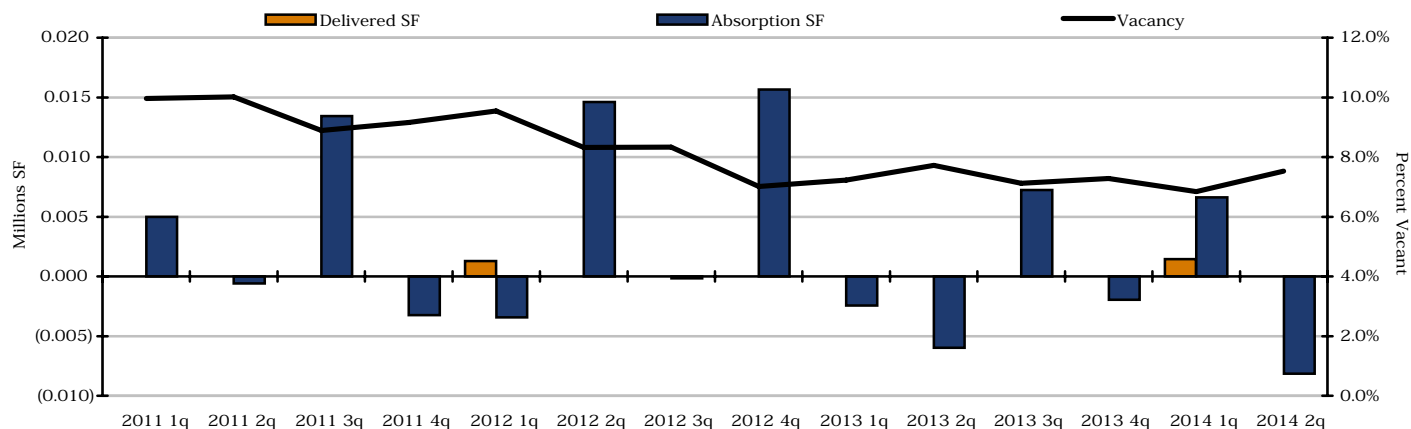


## Henderson County Market

Market Highlights – Class “A, B & C”

### DELIVERIES, ABSORPTION & VACANCY

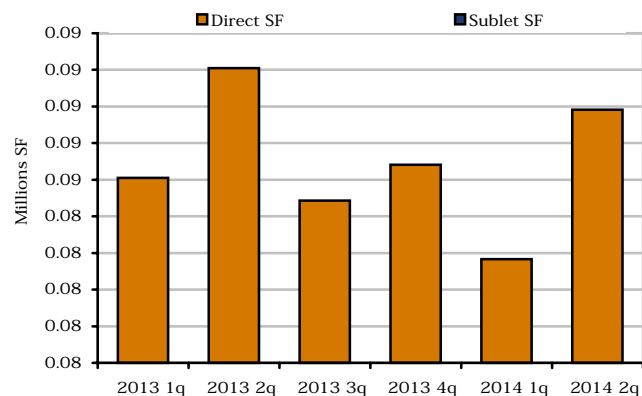
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

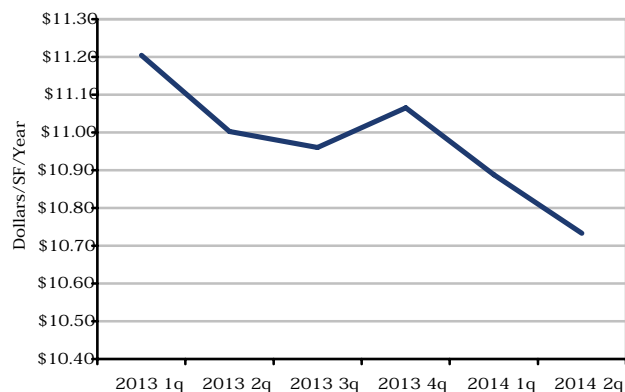
Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

Historical Analysis, All Classes



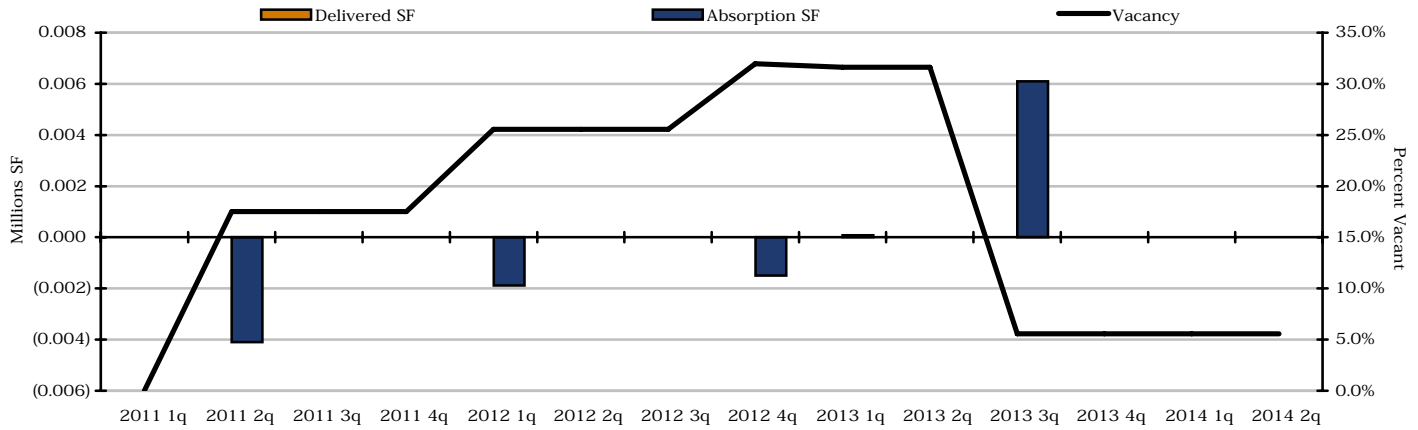
Source: CoStar Property®

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 2q	203	1,193,599	89,816	7.5%	(8,161)	0	0	0	0	\$10.73
2014 1q	203	1,193,599	81,655	6.8%	6,610	1	1,440	0	0	\$10.89
2013 4q	202	1,192,159	86,825	7.3%	(1,961)	0	0	1	1,440	\$11.07
2013 3q	202	1,192,159	84,864	7.1%	7,234	0	0	1	1,440	\$10.96
2013 2q	202	1,192,159	92,098	7.7%	(5,990)	0	0	1	1,440	\$11.00
2013 1q	202	1,192,159	86,108	7.2%	(2,443)	0	0	0	0	\$11.20
2012 4q	202	1,192,159	83,665	7.0%	15,666	0	0	0	0	\$11.43
2012 3q	202	1,192,159	99,331	8.3%	(156)	0	0	0	0	\$11.74
2012 2q	202	1,192,159	99,175	8.3%	14,617	0	0	0	0	\$11.23
2012 1q	202	1,192,159	113,792	9.5%	(3,444)	1	1,274	0	0	\$11.32
2011 4q	201	1,190,885	109,074	9.2%	(3,236)	0	0	1	1,274	\$11.08
2011 3q	201	1,190,885	105,838	8.9%	13,444	0	0	1	1,274	\$11.20
2011 2q	201	1,190,885	119,282	10.0%	(586)	0	0	1	1,274	\$11.24
2011 1q	201	1,190,885	118,696	10.0%	4,984	0	0	0	0	\$11.45
2010 4q	201	1,190,885	123,680	10.4%	(2,211)	0	0	0	0	\$11.52
2010 3q	201	1,190,885	121,469	10.2%	31,735	0	0	0	0	\$11.37

Source: CoStar Property®

### DELIVERIES, ABSORPTION & VACANCY

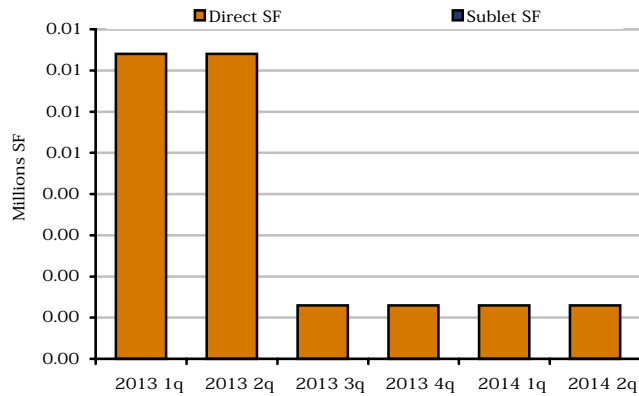
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

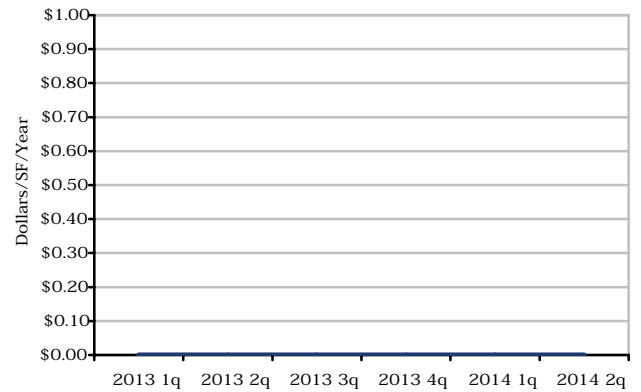
Historical Analysis, All Classes



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 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
2010 3q	7	23,401	0	0.0%	0	0	0	0	0	\$0.00

Source: CoStar Property®

# Asheville Office Market

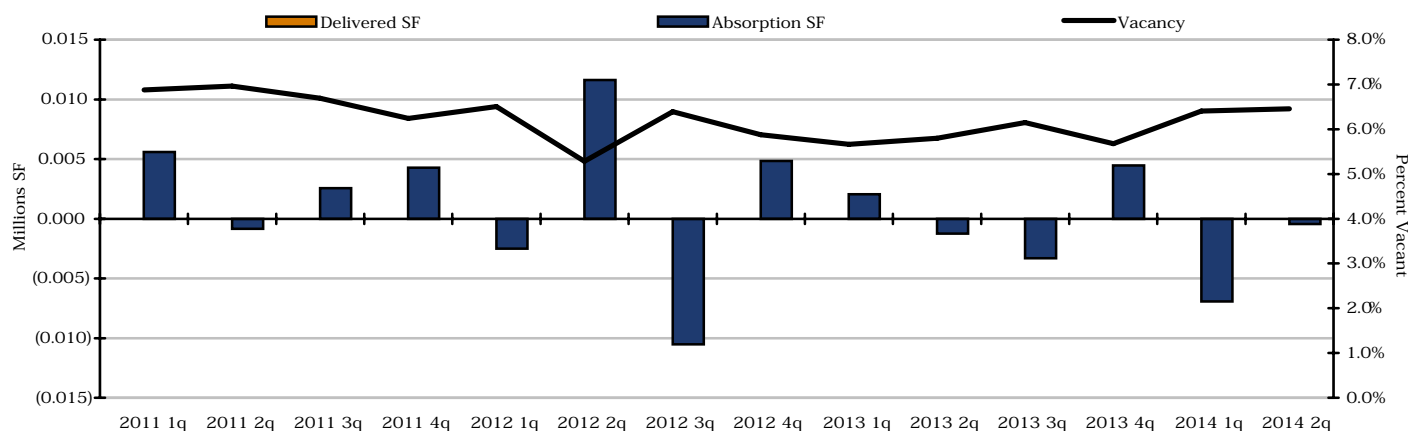


## North Asheville Market

Market Highlights – Class “A, B & C”

### DELIVERIES, ABSORPTION & VACANCY

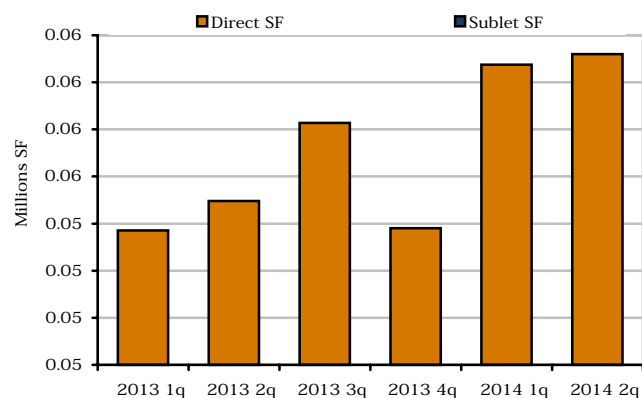
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

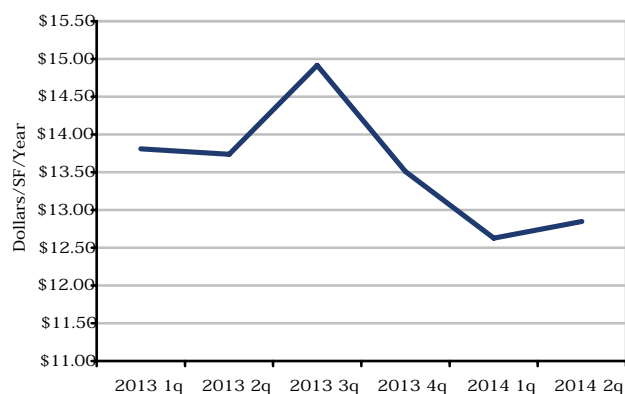
Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

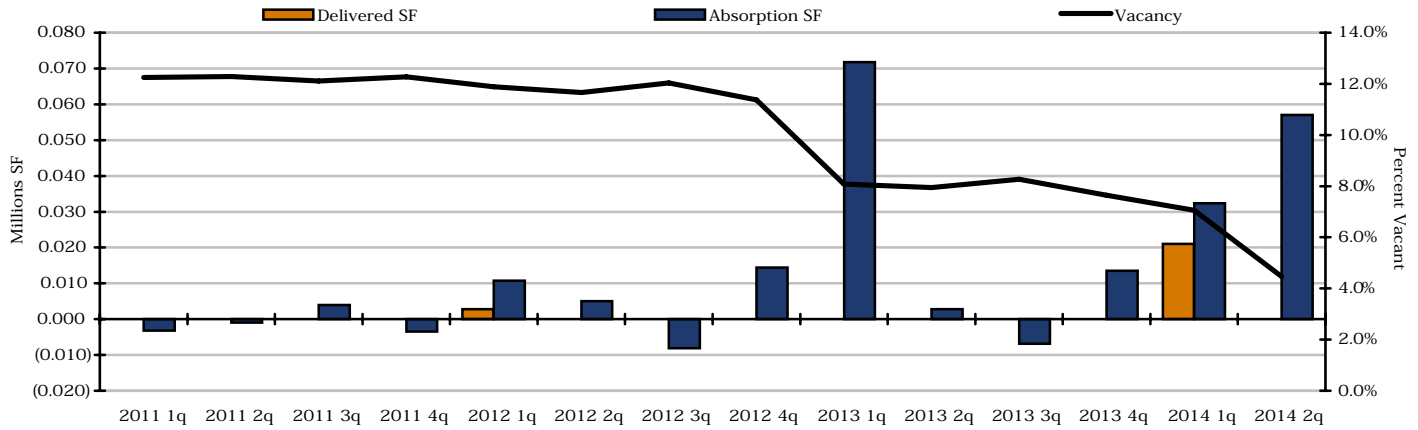
Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 2q	138	948,148	61,203	6.5%	(453)	0	0	0	0	\$12.85
2014 1q	138	948,148	60,750	6.4%	(6,943)	0	0	0	0	\$12.63
2013 4q	138	948,148	53,807	5.7%	4,471	0	0	0	0	\$13.51
2013 3q	138	948,148	58,278	6.1%	(3,322)	0	0	0	0	\$14.91
2013 2q	138	948,148	54,956	5.8%	(1,253)	0	0	0	0	\$13.74
2013 1q	138	948,148	53,703	5.7%	2,043	0	0	0	0	\$13.81
2012 4q	138	948,148	55,746	5.9%	4,840	0	0	0	0	\$14.58
2012 3q	138	948,148	60,586	6.4%	(10,516)	0	0	0	0	\$15.56
2012 2q	138	948,148	50,070	5.3%	11,628	0	0	0	0	\$14.00
2012 1q	138	948,148	61,698	6.5%	(2,495)	0	0	0	0	\$14.08
2011 4q	138	948,148	59,203	6.2%	4,274	0	0	0	0	\$14.00
2011 3q	138	948,148	63,477	6.7%	2,558	0	0	0	0	\$16.09
2011 2q	138	948,148	66,035	7.0%	(833)	0	0	0	0	\$16.20
2011 1q	138	948,148	65,202	6.9%	5,580	0	0	0	0	\$15.97
2010 4q	138	948,148	70,782	7.5%	(16,867)	0	0	0	0	\$18.36
2010 3q	138	948,148	53,915	5.7%	(4,724)	0	0	0	0	\$16.90

Source: CoStar Property®



### DELIVERIES, ABSORPTION & VACANCY

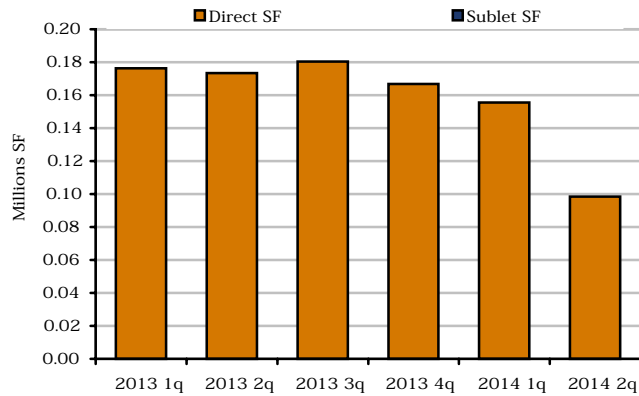
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

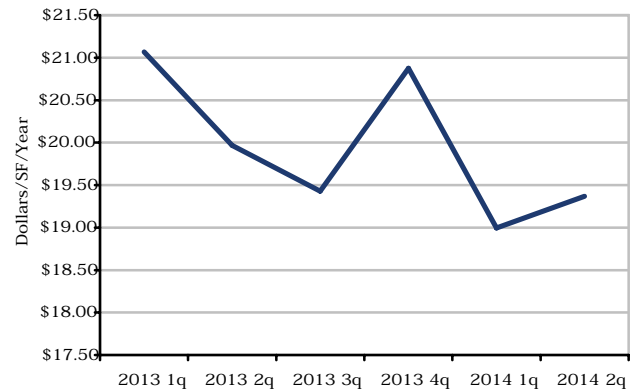
Historical Analysis, All Classes



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 2q	161	2,202,203	98,468	4.5%	57,006	0	0	2	115,646	\$19.37
2014 1q	161	2,202,203	155,474	7.1%	32,324	1	21,047	2	115,646	\$18.99
2013 4q	160	2,181,156	166,751	7.6%	13,553	0	0	3	136,693	\$20.87
2013 3q	160	2,181,156	180,304	8.3%	(6,897)	0	0	3	136,693	\$19.43
2013 2q	160	2,181,156	173,407	8.0%	2,807	0	0	1	75,652	\$19.97
2013 1q	160	2,181,156	176,214	8.1%	71,814	0	0	0	0	\$21.07
2012 4q	160	2,181,156	248,028	11.4%	14,429	0	0	0	0	\$22.13
2012 3q	160	2,181,156	262,457	12.0%	(8,095)	0	0	0	0	\$20.98
2012 2q	160	2,181,156	254,362	11.7%	4,987	0	0	0	0	\$19.85
2012 1q	160	2,181,156	259,349	11.9%	10,714	1	2,760	0	0	\$19.67
2011 4q	159	2,178,396	267,303	12.3%	(3,466)	0	0	1	2,760	\$20.87
2011 3q	159	2,178,396	263,837	12.1%	3,906	0	0	1	2,760	\$19.13
2011 2q	159	2,178,396	267,743	12.3%	(936)	0	0	1	2,760	\$19.54
2011 1q	159	2,178,396	266,807	12.2%	(3,217)	0	0	1	2,760	\$19.89
2010 4q	159	2,178,396	263,590	12.1%	55,122	0	0	0	0	\$22.44
2010 3q	159	2,178,396	318,712	14.6%	(5,058)	0	0	0	0	\$19.80

Source: CoStar Property®

# Asheville Office Market

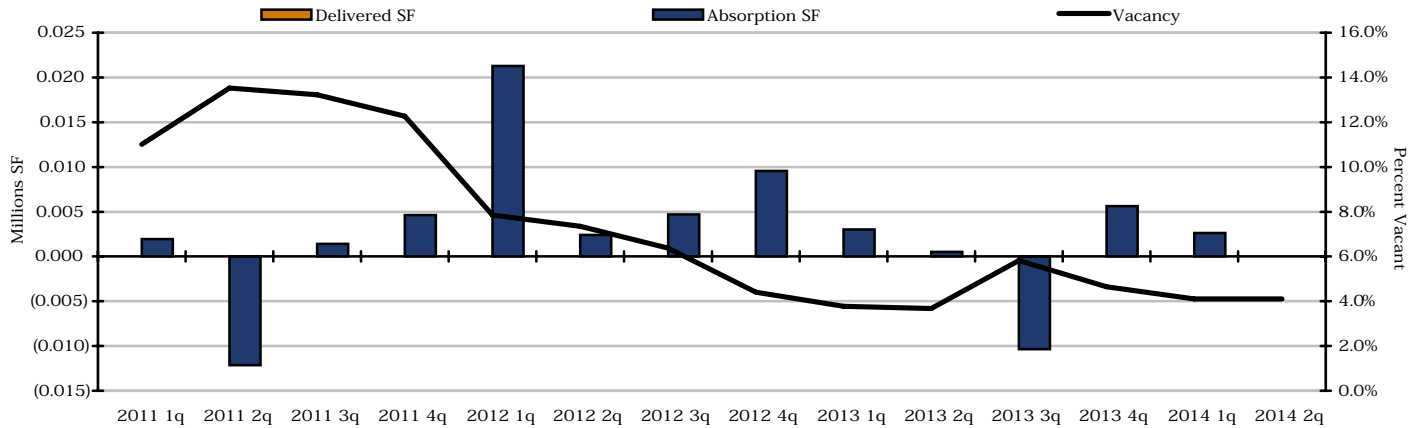


## West Asheville Market

Market Highlights – Class “A, B & C”

### DELIVERIES, ABSORPTION & VACANCY

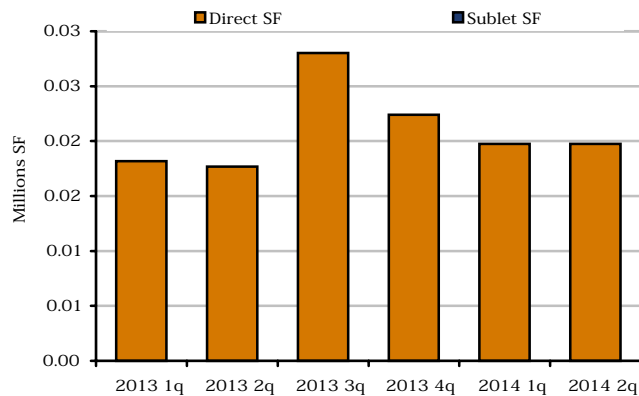
Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

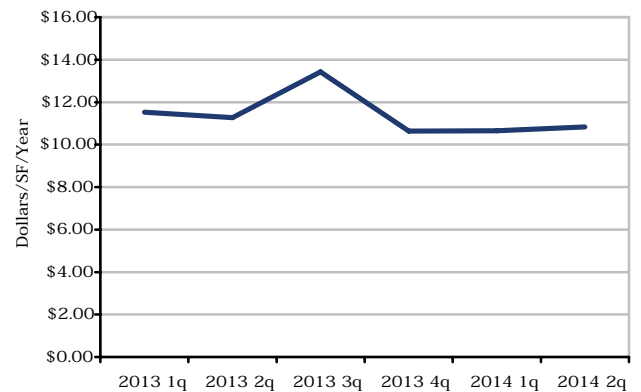
Historical Analysis, All Classes



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 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
2010 3q	95	481,798	63,426	13.2%	(14,202)	0	0	0	0	\$11.93

Source: CoStar Property®