

TRI PROPERTIES

1Q 2023
Triangle
Market
Report

NAI TRI PROPERTIES

Triangle

MARKET REVIEW

	1Q2022	1Q2023	FORECAST
OFFICE			
Overall Vacancy	12.61%	14.02%	▲
Class A Vacancy	12.06%	13.89%	▲
Class B Vacancy	14.10%	14.65%	▲
Class C Vacancy	13.04%	12.27%	▲
Net Absorption YTD	79,500	-411,167	▲
WAREHOUSE			
Overall Vacancy	2.54%	5.92%	▲
Net Absorption YTD	1,488,417	-412,128	▲
FLEX/LAB			
Overall Vacancy	8.05%	10.40%	▼
Net Absorption YTD	93,923	-12,198	▲
RETAIL			
Overall Vacancy	6.99%	5.97%	▼
Net Absorption YTD	-172,082	71,058	▲

MARKET OVERVIEW

From 2022's year-end to the first quarter of 2023, office vacancy rose by .65% to 14.02%, warehouse vacancy rose by 1.83% to 5.92%, flex/lab vacancy increased by 1.04% to 10.40%, and retail remained unchanged at 5.97%.

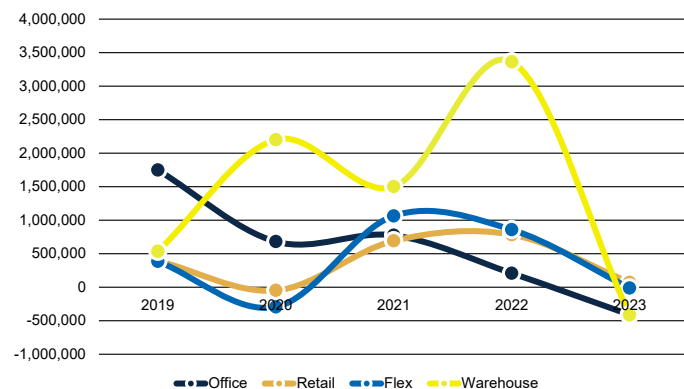
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in March was reported at 3.1% which is up a mere .2% from the previous year. The Triangle MSA's unemployment rate outpaces the National unemployment rate and State unemployment rate both residing at 3.5%.

On the office development front, new projects have slowed down. 2,511,986 square feet of office space is under construction, 2,194,258 square feet of warehouse, 1,709,581 square feet of flex/lab space, and 346,550 square feet of retail is under construction.

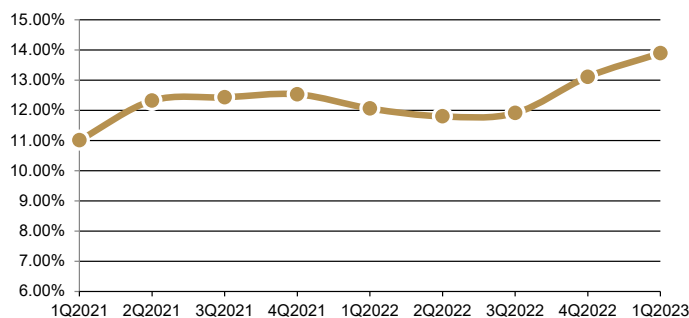
Investment sale activity decreased from the fourth quarter across all property types. The largest Triangle transaction of the quarter was 300 N Duke Street in Downtown Durham. A 114,600 square foot 2-story office R&D building that sold for \$73,499,972 (\$641/SF). Brookfield AM purchased from seller Healthpeak Properties and Longfellow RE Partners as part of a portfolio purchase along with 710 W Street in downtown Durham.

As the Federal Reserve continues to increase interest rates to combat inflation concerns, we anticipate low sales transaction volumes and an increase in cap rates across all property types.

ABSORPTION



CLASS A OFFICE VACANCY



Research data and forecasts throughout this publication have been compiled in part from the most recent editions of SPACE: The Triangle's Commercial Real Estate Quarterly, Real Capital Analytics, and CoStar Market Analytics.

Office

MARKET REVIEW

OFFICE SNAPSHOT

Total SF	60,529,319
Total SF Vacant	8,489,151
Vacancy Rate	14.02%
Net Absorption	-411,167
Avg. Asking Rent	\$28.66
Avg. Class A Asking Rent	\$33.35
SF Under Construction	2,511,986

NOTABLE MOVES AND TRANSACTIONS

- 116,300 SF** Fidelity vacated Danbury Hall in Imperial Center Business Park in the RTP/I-40 submarket consolidating to its own campus in RTP
- 92,300 SF** GLF Environmental prelease at 1000 Social in Falls of Neuse submarket
- 26,200 SF** Nelson Mullins vacated at GlenLake One in US 70/ Glenwood submarket

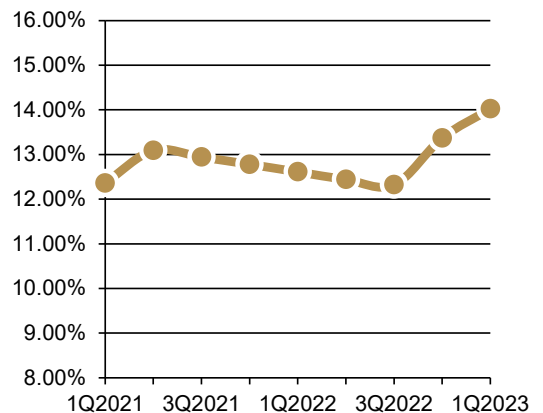
FORECAST

Triangle office vacancy rose by .65% to 14.02% in the first quarter. Negative net absorption of 411,167 square feet was reported for the quarter, with the RTP/I-40 Corridor having the largest impact reporting negative net absorption of 154,499 square feet.

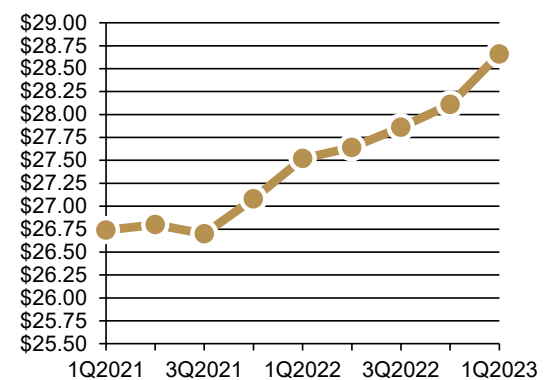
Class A vacancy remained above 10% for the ninth consecutive quarter and increased .78% to 13.89%. Class B vacancy remains higher and increased by .39% to 14.65%. Subleases have increased and are over 4.2 million square feet, which is about 7% of the total office inventory in the Triangle. Over half of the total sublease space is in the RTP/I-40 Corridor submarket, the largest being ~500,000 SF from GlaxoSmithKline.

On the development front, 2,511,986 square feet of office space remains under construction. (See Office Development Activity Map for notable projects).

OFFICE VACANCY



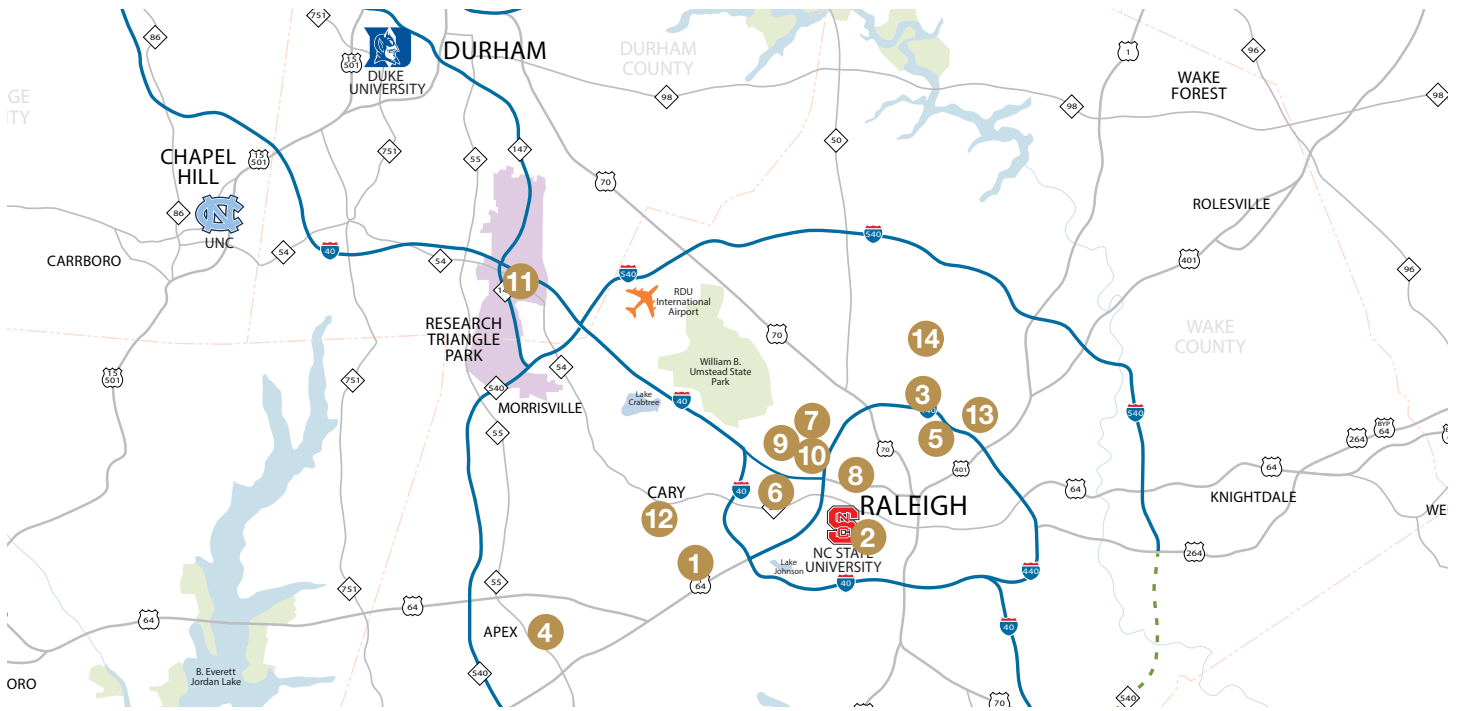
OFFICE RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,708,543	16.15%	-106,462
US 70 /Glenwood	4,392,850	12.64%	-62,778
Six Forks Road	4,342,116	4.65%	13,076
Falls of Neuse	3,018,674	10.48%	-14,106
US 1/Capital Blvd.	2,561,417	27.34%	-16,355
Downtown Raleigh	6,151,217	11.98%	-39,290
Cary	7,559,436	14.83%	-48,110
RTP/I-40 Corridor	13,422,468	13.89%	-154,499
Central Durham	5,211,732	11.96%	-24,774
North Durham	1,008,757	28.84%	-6,984
South Durham	1,858,310	16.19%	3,986
Orange County	2,242,409	18.95%	5,503

Office

NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE	
1	Fenton Office - Phase 1	Cary	217,160	2Q 2022	45%	\$32 NNN +\$11 OPEX
2	400H	Downtown Raleigh	150,000	4Q 2023	0%	\$38.50, NNN
3	NHX Creative Offices	Six Forks Road	87,503	3Q 2023	0%	\$46.50
3	One North Hills	Six Forks Road	264,632	3Q 2023	10%	\$46.50
3	North Hills Tower 5	Six Forks Road	354,466	2Q 2024	0%	N/A
4	Highline	Southern Wake	32,108	3Q 2022	93%	\$32.00
5	Raleigh Iron Works - Bow Truss	US-1/Capital Boulevard	69,749	3Q 2022	10%	\$45.50
5	Raleigh Iron Works	US-1/Capital Boulevard	175,832	3Q 2022	8%	DNR
5	Raleigh Iron Works - Double Gable	US-1/Capital Boulevard	111,000	3Q 2022	13%	\$46.50
6	Bandwidth Headquarters	West Raleigh	533,889	2Q 2023	100%	DNR
7	GlenLake III	West Raleigh	205,000	4Q 2023	16%	\$41.00
8	1309 Annapolis Dr, Raleigh	West Raleigh	50,000	1Q 2023	52%	\$38.50
9	The Macon at Edwards Mill	West Raleigh	120,694	2Q 2024	0%	\$32-\$34 NNN
10	The Grove	West Raleigh	152,768	2Q 2023	7%	\$35.00
11	Hub RTP Horseshoe Building	RTP/I-40 Corridor	110,000	3Q 2023	18%	\$46.50
12	Rogers Building	Cary	40,746	2Q 2023	50%	\$33.00
13	1000 Social at The Exchange	Falls of Neuse	315,427	4Q 2023	52%	\$47.00
14	Quail Commons	Falls of Neuse	72,000	2Q 2023	0%	DNR

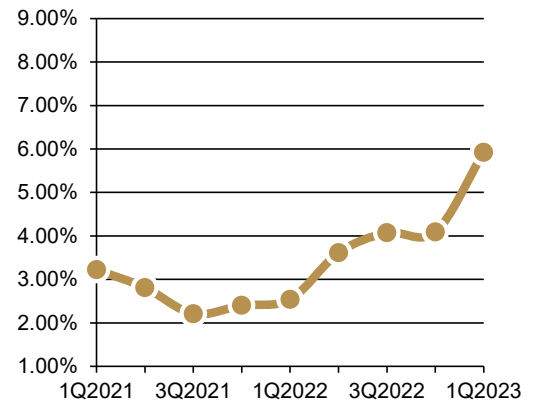
Warehouse

MARKET REVIEW

WAREHOUSE SNAPSHOT

Total SF	41,089,560
Total SF Vacant	2,432,429
Vacancy Rate	5.92%
Net Absorption	-412,128
Avg. Asking Rent	\$9.03
SF Under Construction	2,194,258

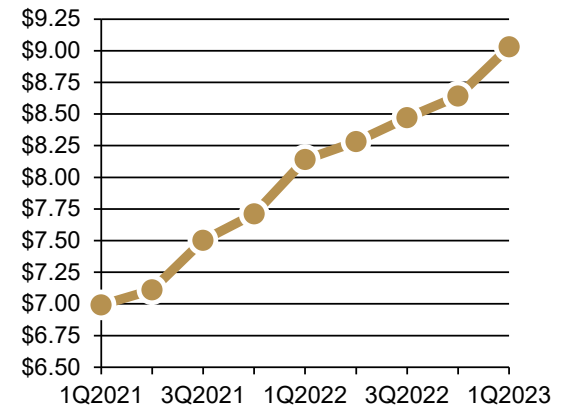
WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

- 164,956 SF** Undisclosed tenant lease at Beacon Commerce Park, Bldg 3 in the Eastern Wake submarket
- 173,057 SF** Undisclosed tenant vacated 2728 Capital Blvd in the US 1/Capital Boulevard submarket
- 386,008 SF** Gildan vacated 7110 E. Washington St in the Orange County submarket

WAREHOUSE RENTAL RATES



FORECAST

The first quarter of 2023 reported a vacancy increase of 1.83% to 5.92%. Net negative absorption of 412,128 square feet was reported for the quarter, with the Orange County submarket having the largest impact of negative net absorption of 386,008 square feet.

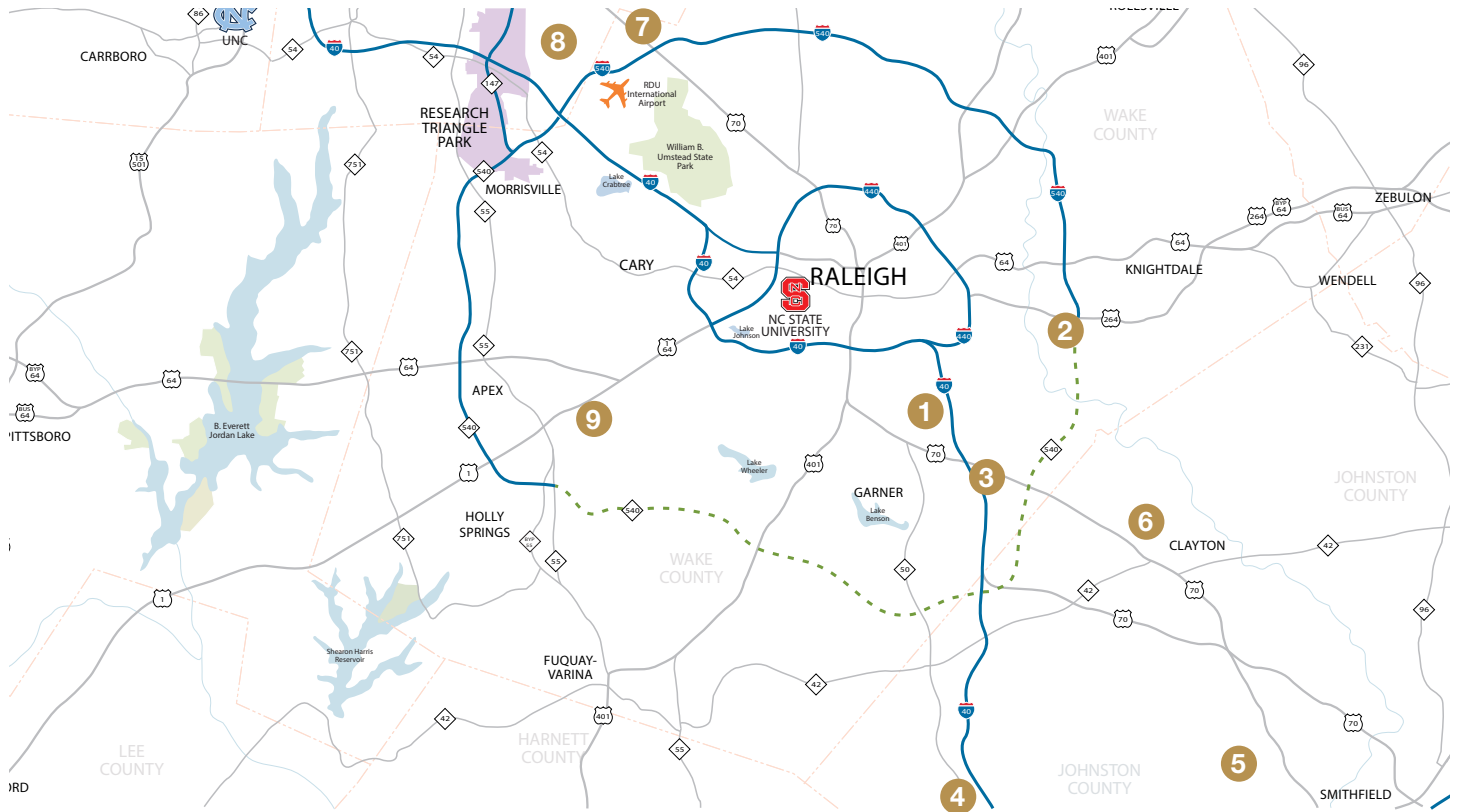
The vacancy increase was due to new inventory. A notable development was the delivery of 147 Exchange in the RTP/I-40 Corridor submarket adding 274,370 square feet to the market of which 0% was preleased.

On the development front, 2,194,258 square feet of warehouse space is expected to deliver in 2023. The low vacancy will continue to make development projects attractive. We anticipate additional warehouse projects to break ground in the next 12 months. (See Warehouse Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	312,520	7.81%	4,885
US 70/Glenwood Ave.	787,183	0.00%	0
Falls of Neuse Road	1,151,941	5.25%	0
US 1/Capital Blvd.	3,713,914	7.90%	-151,097
Eastern Wake Co.	13,124,017	5.75%	52,320
Southern Wake Co.	1,904,116	16.66%	-360
RTP/I-40 Corridor	14,414,123	1.51%	-13,364
Central Durham	594,434	1.02%	0
North Durham	1,260,474	0%	71,496
South Durham	782,925	1.40%	0
Orange County	2,454,972	30.10%	-386,008

Warehouse

NOTABLE DEVELOPMENT



PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE	
1	Eagle Crest Building 1	Warehouse	Eastern Wake Co	166,250	2Q 2023	0%	\$8.75-\$9.25
1	Eagle Crest Building 2	Warehouse	Eastern Wake Co	187,500	2Q 2023	53%	\$8.75-\$9.25
2	Eastgate 540 - Building 7	Warehouse	Eastern Wake Co	204,220	3Q 2022	0%	\$8.25 NNN
3	Greenfield 27	Warehouse	Eastern Wake Co	160,380	3Q 2023	0%	\$8-\$9 NNN
4	Benson Global I	Warehouse	Johnston County	170,500	4Q 2022	100%	DNR
5	Clayton Logistics Center Bldg 100	Warehouse	Johnston County	126,256	2Q 2023	65%	\$7.50 NNN
5	Clayton Logistics Center Bldg 200	Warehouse	Johnston County	109,412	2Q 2023	0%	\$7.50 NNN
6	Advance TEC Building	Warehouse	Johnston County	98,280	1Q 2023	36%	\$7.75 NNN
7	Alexander Commerce Park-Bldg 1	Warehouse	RTP/I-40 Corridor	189,072	2Q 2023	100%	\$8.75-\$9.25 NNN
7	Alexander Commerce Park-Bldg 2	Warehouse	RTP/I-40 Corridor	126,000	2Q 2023	100%	\$8.75-\$9.25 NNN
7	Alexander Commerce Park-Bldg 3	Warehouse	RTP/I-40 Corridor	126,000	2Q 2023	100%	\$8.75-\$9.25 NNN
8	5513 Lumley	Warehouse	RTP/I-40 Corridor	67,200	2Q 2023	63%	\$15.50 NNN
9	Apex Commerce Center Building 1	Warehouse	Southern Wake	234,000	2Q 2023	0%	\$8.25-\$9.95 NNN

Flex/Lab

MARKET REVIEW

FLEX/LAB SNAPSHOT

Total SF	24,338,576
Total SF Vacant	2,531,631
Vacancy Rate	10.40%
Net Absorption	-12,198
Avg. Asking Rent	\$17.20
SF Under Construction	1,709,581

NOTABLE MOVES AND TRANSACTIONS

- 70,481 SF TrialCard vacated The Park at Gateway Centre North in the RTP/I-40 Corridor submarket
- 59,423 SF Undisclosed tenant lease at 510 and 517 Pylon Drive within the West Raleigh submarket
- 55,509 SF 1000 EastRidge at Perimeter Park became available in the RTP/I-40 Corridor submarket

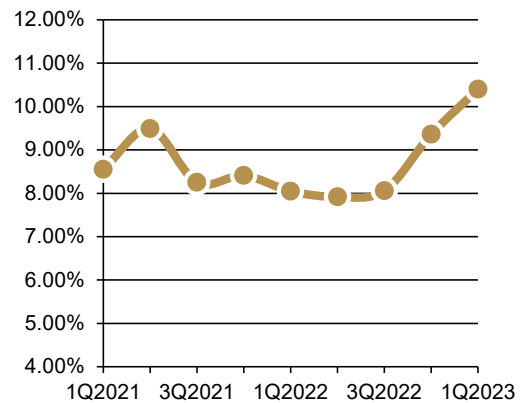
FORECAST

Triangle flex/lab vacancy increased by 1.04% to 10.40% during the first quarter of 2023. Negative net absorption of 12,198 square feet was reported for the quarter, with the RTP/I-40 Corridor having the largest impact of negative net absorption of 152,611 square feet.

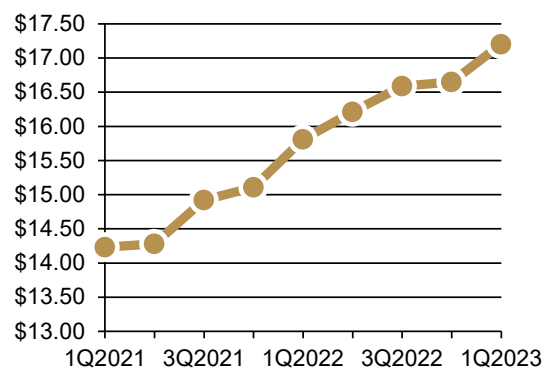
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets. Net positive absorption of 63,351 square feet was reported within the US 1/Capital Boulevard submarket and the West Raleigh submarket experienced 48,588 square feet of net positive absorption for the quarter.

On the development front, 1,709,581 square feet of flex and lab space is under construction. The low vacancy rate for flex/lab products will continue to make development projects viable. (See Flex/Lab Development Activity map for notable projects).

FLEX/LAB VACANCY



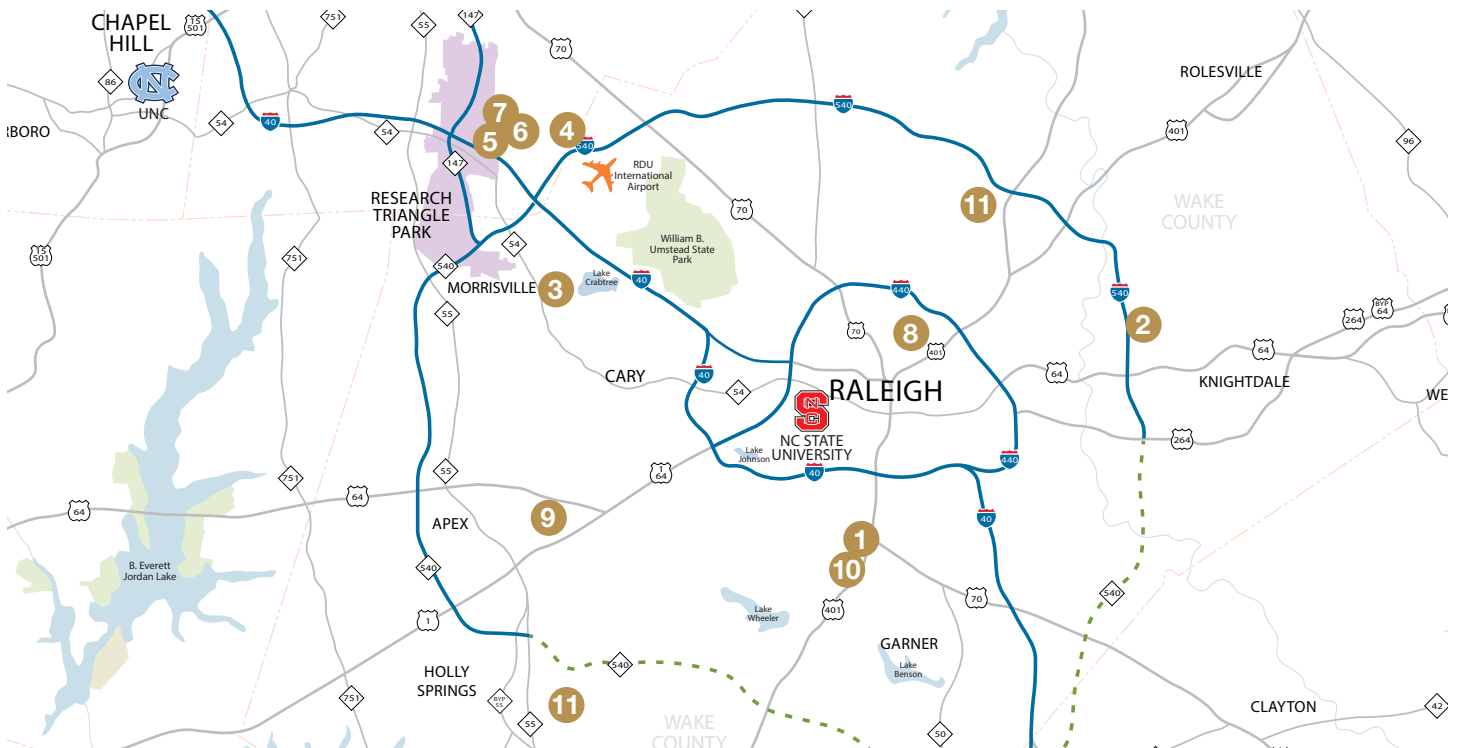
FLEX/LAB RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	693,128	4.89%	48,588
US 70 /Glenwood	1,235,774	2.07%	0
Falls of Neuse	377,272	11.25%	-8,540
US 1/Capital Blvd.	4,487,384	5.13%	63,351
Eastern Wake Co.	1,934,917	9.31%	22,689
Southern Wake Co.	1,637,768	33.79%	3,947
Cary	1,241,922	22.67%	-6,520
RTP/I-40 Corridor	11,432,267	9.60%	-152,611
Central Durham	62,150	0.00%	0
North Durham	464,321	7.32%	0
South Durham	221,398	3.59%	17,041
Orange County	426,966	10.52%	-3,920

Flex/Lab

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	Lincoln Park South 109	Flex	Eastern Wake	32,268	1Q 2023	0%	\$15.95
2	Merritt Midway Bus Park Bldg. 1+2	Flex	Eastern Wake	156,450	4Q 2022	13%	\$15-\$19
3	CAMP Morrisville	Flex	RTP/I-40 Corridor	100,000	1Q 2023	0%	DNR
4	World Trade Park Flex	Flex	RTP/I-40 Corridor	63,053	1Q 2023	0%	\$16.95 NNN
5	Beam Therapeutics	Flex	RTP/I-40 Corridor	100,000	3Q 2022	100%	DNR
6	78 TW Alexander	Flex	RTP/I-40 Corridor	142,600	4Q 2022	0%	\$40
7	Alexandria Center for Advanced Technologies	Flex	RTP/I-40 Corridor	170,800	3Q 2023	0%	DNR
8	Midtown Bio Center	Flex	Six Forks Road	100,000	2Q 2023	100%	\$32.00 NNN
9	3050 Lufkin Road	Flex	Southern Wake	14,976	1Q 2023	0%	\$14.75 NNN
10	INQ 4300	Flex	Southern Wake	180,072	2023	0%	\$15.95
11	The Yield Holly Springs North	Flex	Southern Wake	850,000	1Q 2023	0%	DNR

Retail

MARKET REVIEW

RETAIL SNAPSHOT

Total SF	47,589,366
Total SF Vacant	2,838,972
Vacancy Rate	5.97%
Net Absorption	71,058
Avg. Asking Rent	\$23.69
SF Under Construction	346,550

NOTABLE MOVES AND TRANSACTIONS

- 55,688 SF Bed Bath & Beyond is closing its location at Six Forks Station in the Six Forks submarket
- 35,000 SF New leases signed including Planet Fitness at Towne Square in the US 1/Capital Boulevard submarket
- 20,086 SF Tenant vacated Knightdale Marketplace West in Eastern Wake submarket

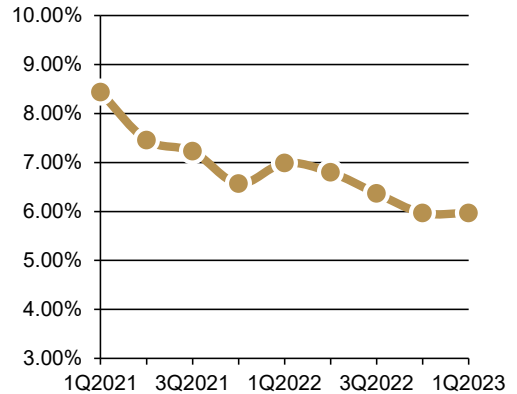
FORECAST

Triangle retail vacancy held at 5.97% in the first quarter of 2023. Net positive absorption of 71,058 square feet was reported for the quarter. The submarkets that contributed the most to this positive absorption include US 1/Capital Blvd and RTP/I-40, at 54,023 square feet and 68,297 square feet, respectively.

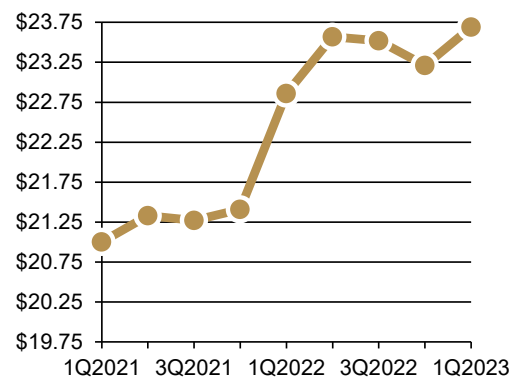
While big box stores continue to announce closings in the Triangle, such as Tuesday Morning and Bed Bath & Beyond, and some large vacancies remain, developers are seeing success in building creative mixed-use projects or repurposing existing facilities. Many projects on the development list are mixed-use with a retail component, including Horseshoe at Hub RTP, Seaboard Station, Fenton, and more.

On the development front, 346,550 square feet of retail is under construction. (See Retail Development Activity Map for notable projects).

RETAIL VACANCY



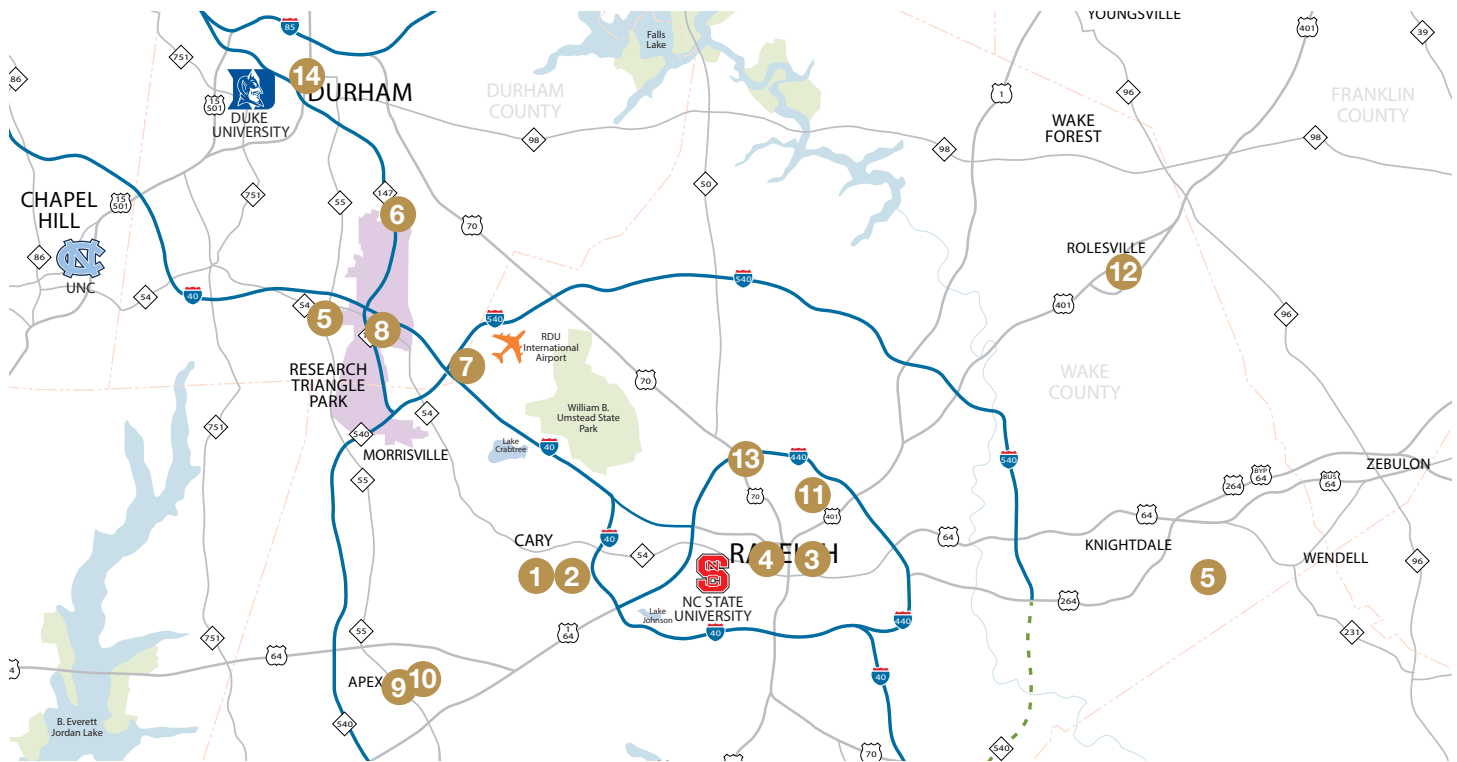
RETAIL RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	6.98%	1,656
US 70 /Glenwood	5,021,807	7.57%	4,122
Six Forks Road	2,014,323	7.13%	-65,843
Falls of Neuse	2,683,657	6.11%	3,853
US 1/Capital Blvd.	6,857,421	6.69%	54,023
Downtown Raleigh	834,610	19.75%	-4,099
Village District	635,120	2.85%	-2,134
Eastern Wake	3,548,622	4.80%	-24,559
Southern Wake	4,318,735	2.02%	-3,606
Cary	7,157,229	4.65%	809
RTP/I-40 Corridor	1,147,002	3.37%	68,297
Central Durham	937,144	16.78%	1,384
North Durham	3,536,899	10.84%	15,821
South Durham	5,183,437	2.37%	17,103
Orange County	2,735,709	5.45%	4,231

Retail

NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE	
1	The Walker Walnut St	Cary	16,460	4Q 2022	30%	\$33
2	Fenton- Phase 1	Cary	342,253	2Q 2022	92%	DNR
3	Seaboard Station - Block C	Downtown Raleigh	48,243	2Q 2024	0%	DNR
3	Seaboard Station - Block B	Downtown Raleigh	28,856	2Q 2023	6%	DNR
3	Seaboard Station - Block A	Downtown Raleigh	10,335	2Q 2024	0%	DNR
4	400H	Downtown Raleigh	16,000	4Q 2023	1%	DNR
5	Treelight at Wendell Falls	Eastern Wake Co.	33,053	2Q 2023	89%	DNR
6	Market at Ellis Crossing	RTP/I-40 Corridor	71,810	4Q 2023	85%	DNR
7	RDU Galleria	RTP/I-40 Corridor	11,484	2Q 2023	100%	\$33.00 FS
8	Horshoe at Hub RTP	RTP/I-40 Corridor	25,000	3Q 2023	0%	DNR
9	Highline	Southern Wake	10,000	3Q 2022	68%	\$30
10	76 Hunter	Southern Wake	28,000	3Q 2022	69%	\$27-\$29, NNN
11	Raleigh Iron Works - Bow Truss	US 1/Capital Blvd	65,000	4Q 2022	0%	DNR
11	Raleigh Iron Works - Forge Apts.	US 1/Capital Blvd	27,555	2Q 2023	0%	DNR
12	Cobbleston Village	US 1/Capital Blvd	50,000	3Q 2023	85%	\$28.00
13	The Residences Glenwood Place	US 70/Glenwood	11,000	3Q 2022	0%	DNR
14	GeerHouse	Central Durham	13,220	4Q 2023	0%	TBD

Investment Sales

MARKET REVIEW

NOTABLE SALE TRANSACTIONS

PROPERTY	SUBMARKET	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
300 N Duke St (Office)	Downtown Durham	114,600 SF	\$73,499,972 / \$641	Brookfield AM / Healthpeak Properties Inc, Longfellow RE Prtnrs
710 W Main St (Office)	Downtown Durham	51,174 SF	\$39,500,000 / \$772/SF	Brookfield AM / Healthpeak Properties Inc, Longfellow RE Prtnrs
601 Irving Parkway (Warehouse)	Southern Wake County	130,127 SF	\$20,546,368 / \$158/SF	BBM Incorporated, Dwight Yackley / Watson H Bryant
Wakefield Crossing (Retail)	Falls Of Neuse	75,929 SF	\$14,300,000 / \$188/SF	Granite Canyon Partners / BREIT
7101 Creedmoor Road (Office)	US/70 Glenwood Avenue	30,770 SF	\$10,900,000 / \$354/SF	Lat Purser & Assoc / Stonehenge Office Partners LLC
1010 Burma Drive (Warehouse)	Southern Wake County	47,036 SF	\$9,232,500 / \$196/SF	Madern Realty Holdings / Madern Realty USA LLC
2810 Yonkers Road (Flex)	Downtown Raleigh	50,330 SF	\$5,400,000 / \$107/SF	Watson H Bryant / Thomas of Hendrick Partnership
2101 Clark Avenue (Retail)	Cameron Village	2,804 SF	\$4,800,000 / \$1,730/SF	State Employees' Federal Credit Union / Phillip Scott York
120 Weathers Street (Flex)	Eastern Wake Co	20,000 SF	\$2,900,000 / \$145/SF	Property Resources of Raleigh / KPMBE Investment Group LLC

FORECAST

Investment sale activity decreased from the fourth quarter across all property types, as the number of sale transactions shrunk. The largest Triangle transaction of the quarter was 300 N Duke Street in Downtown Durham. A 114,600 square foot 2-story office R&D building that sold for \$73,499,972 (\$641/SF). Brookfield AM purchased from seller Healthpeak Properties and Longfellow RE Partners as part of a portfolio purchase along with 710 W Street in downtown Durham. Both portfolio properties are leased by Duke University.

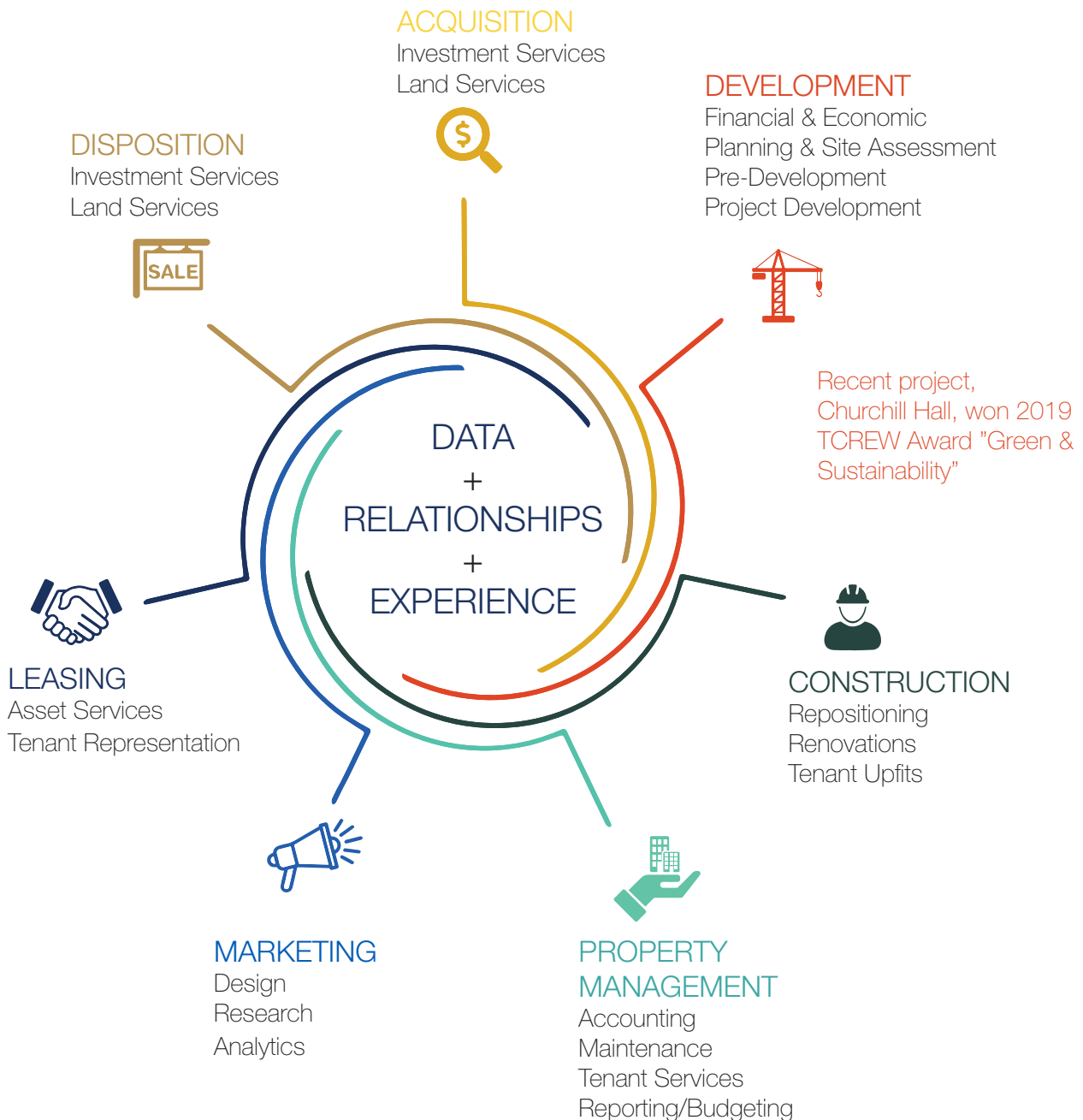
The largest warehouse purchase was 601 Irving Parkway in Holly Springs, 130,127 square feet which sold for \$20,546,368 (\$158/SF). BBM Incorporated purchased from Watson H Bryant.

The decline in sales transactions can largely be attributed to the Federal Reserve increasing interest rates to combat inflation concerns and expectations that it will continue to increase. As anticipated, the rate hikes are putting upward pressure on cap rates across all property types. These trends are nationwide and we expect low investment sales volume to continue across property types.

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