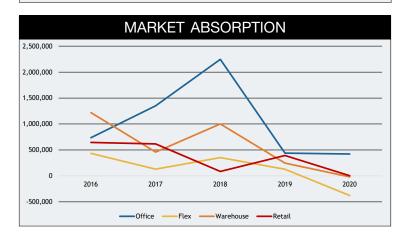
- 1Q 2020 TRIANGLE MARKET REPORT

TRI PROPERTIES Malcarolantic Realty

TRIANGLE MARKET REVIEW

	MARKET SN/	APSHOT	
	1Q2019	1Q2020	FORECAST
OFFICE			
Overall Vacancy	12.59%	9.99%	
Class A Vacancy	9.05%	7.30%	
Class B Vacancy	21.30%	16.34%	
Class C Vacancy	7.55%	7.45%	
Net Absorption YTD	438,500	421,020	▼
WAREHOUSE			
Overall Vacancy	7.01%	4.37%	
Net Absorption YTD	246,300	-19,158	▼
FLEX			
Overall Vacancy	7.03%	7.57%	
Net Absorption YTD	128,400	-378,913	▼
RETAIL			
Overall Vacancy	7.60%	7.44%	
Net Absorption YTD	-218,400	2,197	▼





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 and CoStar Market Analytics.

At the time of compiling this report the world is in the midst of the COVID-19 pandemic. This report is reflective of the results reported for the first quarter of 2020, when the full effects of the pandemic have yet to be fully realized. We anticipate that the second quarter report will be more reflective of this unprecedented event and its impact on the Triangle commercial real estate market.

Office vacancy decreased by .80% to a record level low of 9.99%, retail vacancy held at 7.44%, flex vacancy increased 2.02% to 7.57% and warehouse vacancy increased .52% to 4.37%. While Class A, B and C office spaces all decreased in vacancy, the largest change was seen in Class B spaces with a decrease by 2.13%.

Within the Triangle Metropolitan Statistic Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill and surrounding counties, the unemployment rate in March was reported at 3.64% which is up .74% from the previous quarter. The Triangle MSA's unemployment rate continues to outpace both the State and National unemployment rates, reported at 4.4% and 4.4%, respectively. The numbers reported for the first quarter do not yet reflect the seismic unemployment figures locally and nationwide during the beginning of the second quarter due to the COVID-19 pandemic.

On the office development front, 4.0 million square feet of office space currently remains under construction across the region. On the warehouse development front, 1.5 million square feet of warehouse space remains under construction throughout the region.

The \$80 million (\$458 per square foot) sale of the The Center for Technology & Innovation and Keystone Science Center marked one the largest per square foot transactions in market history. The 174,444 square foot properties were acquired by Ventas from Keystone Corporation. Additionally, the largest portfolio transaction for the quarter was the \$64.6 million (\$161.88 per square foot) acquisition of the five-building Perimeter's Edge office/flex portfolio in RTP/I-40 Corridor. The 399,072 square foot portfolio was acquired by Longfellow Real Estate Partners from Singerman Real Estate.

OVERVIEW

The office vacancy rate fell by .80% to 9.99% in the first quarter of 2020. Positive net absorption reported at 350,155 square feet for the quarter contributing to the shift. Class A vacancy fell slightly by .17% for the first quarter with 421,020 square feet of positive absorption reported. Additionally, average rental rates reported rose by \$0.22 to \$26.76 per square foot. The average Class A asking rate reported for the quarter was up \$.25 to \$31.71.

NOTABLE MOVES & TRANSACTIONS

- 505,899 SF : Leases totaling 505,899 square feet (Duke -275,000 SF, Q2 Solutions - 160,000 and Undisclosed - 70,899 SF) of office and lab space at Parmer RTP in the RTP/I-40 Corridor submarket.
- 80,000 SF : Asklepios Biopharmaceutical renewal and expansion at 20 T.W. Alexander Drive in the RTP/I-40 Corridor submarket.
- 16,646 SF : Leases by Ampere Computing, Newcomb & Boyd and TigerRisk brought the Churchill Hall at Imperial Center building to 100% occupancy within the RTP/I-40 Corridor submarket.

FORECAST

Triangle office vacancy decreased by .80% to 9.99% in the first quarter of 2020. The positive absorption total was primarily attributed to net positive absorption gains in the RTP/I-40 Corridor of 558,093 square feet.

Class A vacancy remains a strong indicator of market strength and reported at 7.30% for the quarter. Class B vacancy remains higher at 16.34% however fell a substantial 2.18% from the previous quarter. It remains to be seen if tenants will shift to value office options due to the pandemic and continue to push Class B vacancy down throughout the Triangle.

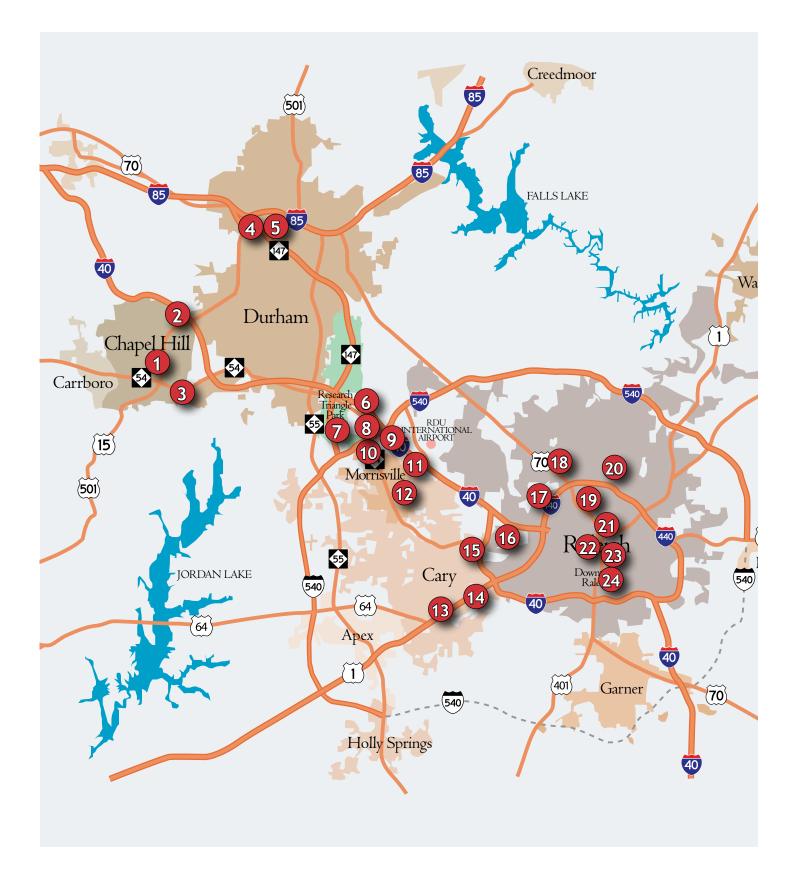
On the development front, over 4.0 million square feet of office space remains under construction. (See Office Development Activity Map for notable projects).



OFFICE RENTAL RATES \$27.00 \$26.50 \$26.00 \$25.50 \$25.00 \$24.50 \$24.00 \$23.50 \$23.00 \$22 50 \$22.00 1Q2018 3Q2018 1Q2020 1Q2019 3Q2019

SUBMARKET	OFFICE LEASABLE SF	OFFICE VACANCY	OFFICE ABSORPTION SF
West Raleigh	6,099,829	5.45%	-42,854
US 70/Glenwood Ave.	4,109,504	9.66%	1,881
Six Forks Road	3,959,340	6.27%	-8,640
Falls of Neuse	3,163,207	10.94%	757
US 1/Capital Blvd.	2,122,939	6.07%	31,062
Downtown Raleigh	5,339,508	4.98%	5,259
Cary	6,956,661	11.15%	-33,007
RTP/I-40 Corridor	14,495,031	11.48%	558,093
Central Durham	4,663,080	7.60%	-51,448
South Durham	1,918,415	16.45%	-5,184
Orange County	2,019,143	19.59%	8,397

OFFICE DEVELOPMENT



OFFICE DEVELOPMENT

	PROJECT	SUBMARKET	TOTAL OFFICE SF	DELIVERY	%LEASED(SF)	PARKING	ASKING RATE	MAJOR TENANTS
1	The Parkline (Redevelopment	Orange County	195,300	4Q 2019	0%	Surface/ Structured Parking	\$28.00- Lower Level \$33.00 - Upper Level	
2	100 Eastowne Dr.	Orange County	150,000	Fall 2020	100%	Surface Parking	DNR	UNC Health Care
3	The Gwendolyn	Orange County	106,000	2020	0%	Deck Parking	\$35.00	
4	555 Mangum	Central Durham	217,869	2Q 2020	45% (96,984)	Garage Parking	\$36.50 - \$39.50	Spaces, PolicyGenius
5	The Roxboro at Venable Center	Central Durham	202,163	3Q 2021	0%	Structured Parking	\$36.50	
6	Park Point (Redevelopment)	RTP/I-40 Corridor	652,000	2Q 2020	0%	Surface Parking	DNR	
7	6933 Louis Stephens Dr.	RTP/I-40 Corridor	205,000	3Q 2019	100%	Surface Parking	DNR	Credit Suisse
8	Innovation I at Imperial Center	RTP/I-40 Corridor	139,024	May 2020	DNR	Surface Parking	\$26.75	
9	Forty540 Phase II	RTP/I-40 Corridor	198,548	4Q 2020	42% (83,801)	Structured/Surface Parking	\$32.50	Solar Winds
10	INQ @ 1101 Shiloh Glenn Dr.	RTP/I-40 Corridor	140,302	Sept. 2020	0%	Surface Parking	\$28.00	
11	The Stitch (Redevelopment)	RTP/I-40 Corridor	250,000	2Q 2020	0%	Surface Parking	DNR	
12	4000 Paramount	RTP/I-40 Corridor	90,000	DNR	50% (45,000)	Surface Parking	DNR	UCB Biosciences
13	WakeMed Medical Park of Cary 210 Ashville Ave	Cary	125,000	3Q 2020	76% (95,000)	Surface Parking	DNR	
14	Twenty Three 33, 2333 Walnut St.	Cary	133,628	2Q 2020	0%	Surface Parking	\$28.00	
15	Palisades III, 5401 Trinity Rd	West Raleigh	166,290	4Q 2020	25% (42,046)	Surface/Deck Parking	\$32.00	Golden Corral
16	Wade V	West Raleigh	209,783	April 2020	20% (44,000)	Surface/Deck Parking	\$34.00	Vontier, Samet
17	GlenLake Seven	US 70/Glenwood Ave.	125,000	3Q 2020	100%	Surface/Deck Parking	\$34.50	Martin Marietta
18	Crabtree Terrace	US 70/Glenwood Ave.	168,000	4Q 2019	46% (76,801)	Deck Parking	\$36.50	Spaces, Longleaf, JLL
19	3800 Glenwood	US 70/Glenwood Ave.	115,000	2Q 2020	51% (58,481)	Structured Parking	\$37.50	Brasfield & Gorrie, Cherry Bekaert
20	Advance Auto Parts Tower	Six Forks Road	328,648	DNR	93% (306,633)	Deck Parking	\$41.50	Advance Auto Parts, IAT Insurance
21	Smoky Hollow	Downtown Raleigh	226,972	2020	8% (18,316)	Structured Parking	\$38.50	Clancy and Theys
22	Tower Two Bloc 83	Downtown Raleigh	241,750	1Q 2021	34% (81,810)	Covered Deck	\$37.50	Envestnet
23	The Crossing 301 Hillsborough Street	Downtown Raleigh	292,457	4Q 2021	45% (132,663)	Deck Parking	\$41.50	Pendo
24	FNB Tower	Downtown Raleigh	154,006	4Q 2019	55% (84,474)	TBD	\$35.50	First National Bank, McGuire Woods

WAREHOUSE REVIEW

OVERVIEW

The vacancy rate in the Triangle warehouse market rose by .52% to 4.37% in the first quarter of 2020, following a quarter that marked an all-time market low. Negative net absorption of 19,158 square feet contributed to the slight shift. Furthermore, average asking rental rates for warehouse space rose by \$.04 to \$6.61 per square foot.

NOTABLE MOVES & TRANSACTIONS

- 42,788 SF: Undisclosed tenant vacated Seaboard Industrial Park in the Falls of Neuse submarket.
- 50,000 SF : Undisclosed tenant vacated from 118 E. Jones St, Fuquay-Varina in the Southern Wake submarket.
- 46,080 SF : Trade Venture Stones leased at Eastate 540, Building 2 in Eastern Wake submarket

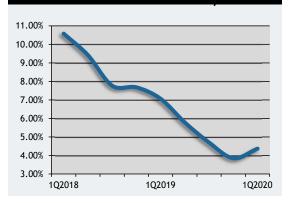
FORECAST

The first quarter of 2020 reported a slight vacancy increase up to 4.37%, but remains the lowest of the product types. Net negative absorption of 19,158 square feet contributed to the vacancy increase. Large negative absorption totals within the Falls of Neuse and Southern Wake Co. submarkets of negative 42,638 and negative 50,000 square feet, respectively, contributed to the shift.

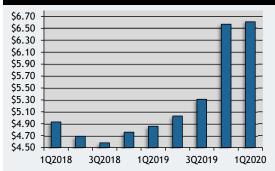
Demand for warehouse space within the centrally located and inventory heavy RTP/I-40 Corridor submarket remains high with reported vacancy at 1.92% for the first quarter. Vacancy in the second largest submarket, Eastern Wake County, was reported at 8.72% for the first quarter.

On the development front, an additional 2,198,921 square feet remains under construction throughout the region which is largely attributed to the 700,000 square foot Amazon Distribution Center in Garner. With a low warehouse vacancy rate and warehouse/distribution services operating as essential businesses, we anticipate additional warehouse projects to break ground in the next 12 months. (See Industrial Development Activity Map for notable projects).

WAREHOUSE VACANCY



WAREHOUSE RENTAL RATES



SUBMARKET	WAREHOUSE LEASABLE SF	WAREHOUSE VACANCY	WAREHOUSE ABSORPTION SF
West Raleigh	256,865	4.61%	40,010
US 70 /Glenwood Ave.	699,238	4.83%	16,000
Falls of Neuse	1,131,208	4.56%	-42,638
US 1/Capital Blvd.	3,885,488	3,885,488 1.27%	
Cary	153,277	0%	0
RTP/I-40 Corridor	12,315,361	1.92%	24,000
Durham	2,526,383	4.93%	1,694
Eastern Wake Co.	7,427,904	8.72%	-9,108
Southern Wake Co.	1,430,842	12.59%	-50,000
Orange County	540,525	.05%	0

OVERVIEW

Flex vacancy rates rose in the first quarter of 2020 by a substantial 2.02% to 7.57% following a quarter which marked the lowest flex vacancy in the Triangle market's history. Net negative absorption of 378,913 square feet was reported for the quarter. Meanwhile, average rental rates for Triangle flex space rose by \$0.19 to \$13.59 per square foot.

NOTABLE MOVES & TRANSACTIONS

- 120,426 SF : Reichhold vacated Newcastle North at 1035 Swabia Court in the RTP/I-40 Corridor submarket.
- 74,692 SF : Undisclosed tenant(s) vacated at Eno River Mill in the Orange County submarket.

FORECAST

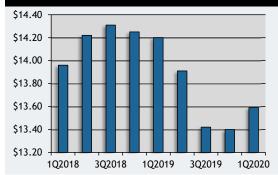
Triangle flex vacancy increased to 7.57% during the first quarter of 2020, marking the first quarter with vacancy increase for flex product in three years. The 378,913 square feet of negative absorption for the quarter were influenced largely by negative absorption of 234,285 square feet and 77,252 square feet within the RTP/I-40 Corridor and Orange County submarkets, respectively.

Flex vacancy indicators will continue to be driven by the inventoryheavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets. RTP/I-40's vacancy this quarter is largely impacted by the vacancy at 1035 Swabia Court, as the entire building of 120,426 square feet is currently undergoing a renovation to lab space.

On the development front, 49,400 square feet of flex space delivered during the quarter within the Southern Wake submarket. The singledigit vacancy rate for flex product will continue to make proposed development projects viable. (See Industrial Development Activity Map for projects currently under construction).

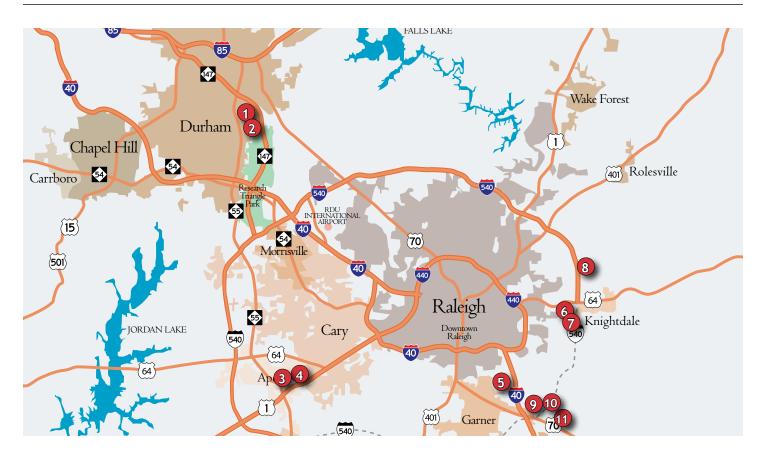


FLEX RENTAL RATES



SUBMARKET	FLEX LEASABLE SF	FLEX VACANCY	FLEX ABSORPTION SF
West Raleigh	642,805	7.95%	-16,152
US 70/Glenwood Ave.	1,153,682	1.20%	0
Falls of Neuse	350,182	2.00%	2,070
US 1/Capital Blvd.	4,349,277	5.95%	-6,132
Cary	988,661	11.98%	-23,804
RTP/I-40 Corridor	6,581,288	7.45%	-234,285
Durham	707,667	11.33%	0
Eastern Wake Co.	1,538,299	7.30%	-23,358
Southern Wake Co.	961,823	13.34%	0
Orange County	383,916	20.12%	-77,252

INDUSTRIAL DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	ASKING RATE
1	Regional Commerce Center Building 1	Warehouse	RTP/I-40 Corridor	410,000	Spring 2020	0%	DNR
2	Regional Commerce Center Building 4	Warehouse	RTP/I-40 Corridor	260,000	Spring 2020	60% (156,000)	5.95 NNN
3	Peak City Bus. Park Bldg. 5	Flex	Southern Wake	28,600	1Q 2020	0%	DNR
4	Peak City Bus. Park Bldg. 6	Flex	Southern Wake	20,800	1Q 2020	0%	DNR
5	Amazon Distribution Center, 4851 Jones Sausage Road	Warehouse	Eastern Wake County	700,000	2020	100% (700,000)	DNR
6	Eastgate 540, Bldg. 2	Warehouse	Eastern Wake County	150,000	Jan 2020	31% (46,080)	\$6.25 NNN
7	Eastgate 540, Bldg. 5	Warehouse	Eastern Wake County	280,000	2Q 2020	85% (236,869)	\$6.50 NNN
8	Hinton Oaks IV	Warehouse	Eastern Wake County	120,000	1Q 2020	DNR	\$5.95 NNN
9	Garner Business Park 70, Bldg 1	Warehouse	Eastern Wake County	150,000	2Q 2020	0%	DNR
10	Parksite, 1100 North Greenfield Pkwy.	Warehouse	Eastern Wake County	83,000	3Q 2020	DNR	DNR
11	Greenfield North, 1201 North Greenfield Pkwy.	Warehouse	Eastern Wake County	165,921	3Q 2020	0%	\$5.95 NNN
12	Garner Business Park 70, Bldg 1	Warehouse	Eastern Wake County	150,000	2Q 2020	0%	DNR

OVERVIEW

The retail vacancy rate remained at 7.44% in the first quarter of 2020. Positive net absorption reported at 2,197 square feet for the quarter and did not shift marketwide vacancy. Average rental rates reported rose by \$0.39 to \$20.34 per square foot.

NOTABLE MOVES & TRANSACTIONS

- 40,809 SF : Undisclosed tenant(s) vacated at Poyner Place in the US 1/Capital Blvd. submarket.
- 31,718 SF: Undisclosed tenant(s) leased at Renaissance Center at Southpoint in the South Durham submarket.

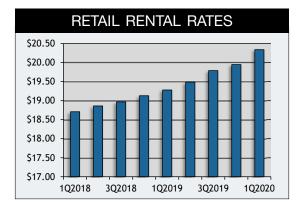
FORECAST

Triangle retail vacancy remained at 7.44% in the first quarter of 2020. Modest net absorption gains were helped by the positive gains of 15,357 square feet and 14,453 square feet within the North Durham and West Raleigh submarkets respectively. These gains also helped to offset negative net absorption of 63,920 square feet within the US 1/Capital Blvd. submarket as the result of a large vacancy reported at the Poyner Place center.

The retail sector has been most vulnerable to the immediate effects of COVID-19 as stay at home orders blanketed the nation and restrictions were put into place. Grocers and other select retailers, however have fared well due to the increased demand and many essential retail businesses have set revenue records as a result of the situation.

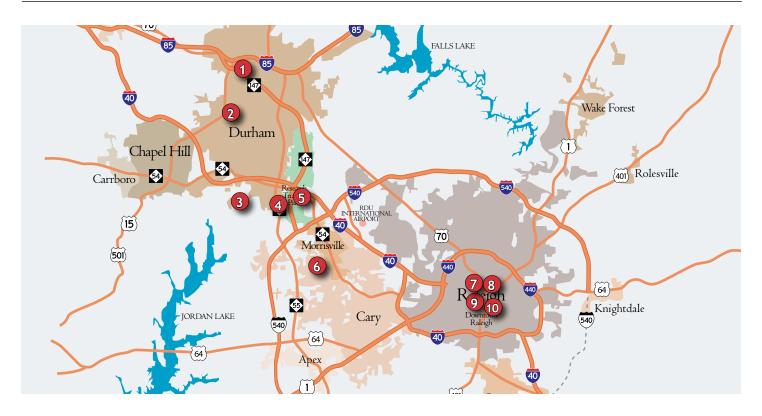
415,025 square feet of retail product remains under construction during the first quarter. (See Retail Development Activity Map for notable projects).





SUBMARKET	RETAIL LEASABLE SF	RETAIL VACANCY	RETAIL ABSORPTION SF
West Raleigh	953,296	5.60%	14,453
US 70/Glenwood Ave.	5,029,549	7.51%	6,278
Six Forks Road	2,046,011	3.76%	-92
Falls of Neuse	2,502,251	4.42%	-3,349
US 1/Capital Blvd.	6,282,702	7.98%	-63,920
Downtown Raleigh	716,769	11.94%	3,615
Cameron Village	635,120	4.19%	1,559
Eastern Wake	3,907,682	6.17%	-819
Southern Wake	3,925,693	2.44%	9,717
Cary	7,505,424	12.50%	1,447
RTP/I-40 Corridor	1,015,982	5.09%	6,476
Central Durham	768,554	14.27%	-9,015
North Durham	3,486,332	9.82%	15,357
South Durham	4,935,647	5.26%	11,202
Orange County	2,623,825	6.75%	9,288

RETAIL DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	ASKING RATE
1	555 Mangum	Retail	Central Durham	23,461	2Q 2020	0%	\$38.00
2	University Hill Mixed-Use	Retail	South Durham	55,000	Spring 2020	55% (30,000)	DNR
3	751 South, 9252 NC 751 HWY	Retail	South Durham	58,700	Oct. 2020	85% (50,000)	DNR
4	Kitt Creek Commons	Retail	RTP/I-40 Corridor	15,243	3Q 2020	20% (3,008)	\$28 NNN
5	Boxyard RTP, 900 Park Office Dr.	Retail	RTP/I-40 Corridor	11,630	Fall 2020	92% (10,400)	DNR
6	Twin Lakes Center/Wegmans	Retail	Cary	126,000	3Q 2020	98% (123,000)	DNR
7	Raleigh Crossing	Retail	Downtown Raleigh	15,000	4Q 2021	0%	DNR
8	Publix at Peace Street	Retail	Downtown Raleigh	50,882	Spring 2020	90% (45,600)	DNR
9	Smokey Hollow II	Retail	Downtown Raleigh	41,254	Fall 2020	0%	DNR
10	Tower Two Bloc [83]	Retail	Downtown Raleigh	17,855	1Q 2021	0%	DNR

INVESTMENT SALES REVIEW

OVERVIEW

The \$80 million (\$458 per square foot) sale of the The Center for Technology & Innovation and Keystone Science Center marked one the largest per square foot transactions in market history. The 174,444 square foot properties were acquired by Ventas from Keystone Corporation. The largest portfolio transaction for the quarter was the \$64.6 million (\$161.88 per square foot) acquisition of the five-building Perimeter's Edge office/flex portfolio in RTP/I-40 Corridor. The 399,072 square foot portfolio was acquired by Longfellow Real Estate Partners from Singerman Real Estate.

Additional notable office sales transactions included the \$40.9 million (\$182 per square foot) acquisition of the 224,729 square foot Berrington and Bradford buildings in the RTP/I-40 Corridor submarket by Alidade Capital from Crown Realty & Development and the \$33 million (\$204.08 per square foot) acquisition of the 161,698 square foot Capital Center building in the West Raleigh submarket by Bridge Investment Group from The Dilweg Companies.

PROPERTY	TYPE	SUBMARKET	TOTAL SF	SALES PRICE/PER SQUARE FOOT	BUYER/SELLER	TRANSACTION NOTES
Perimeter's Edge	Office/Flex	RTP/I-40 Corridor	399,072	\$64,600,000/\$161.88	Longfellow Real Estate Partners/Singerman Real Estate	72% Occupied
Wakefield Crossing	Retail	US 1/Capital Blvd.	75,927	\$12,100,000/\$159.36	New Market/Hackney Real Estate Partners	98% Occupied
Bradford and Berrington Center	Office/Flex	RTP/I-40 Corridor	224,729	\$40,900,000/\$182.00	Alidade Capital/Crown Realty & Development	100% Occupied
Saltbox Village	Retail	Cary	53,395	\$15,000,000/\$280.93	Fairway Investments/Principal Financial Group	100% Occupied
The Center for Technology & Innovation and Keystone Science Center	Office	West Raleigh	174,444	\$80,000,000/\$458.60	Ventas/Keystone Corporation	100% Occupied
Capital Center	Office	West Raleigh	161,698	\$33,000,000/\$204.08	Bridge Investment Group/The Dilweg Companies	93% Occupied
Somerset Corporate Center	Office	Falls of Neuse	168,310	\$29,750,000/\$176.76	Bridge Investment Group/The Dilweg Companies	90% Occupied
3509 Haworth Drive, 3820 & 3900 Merton Drive, 3800, 3824, & 3900 Barrett Drive	Office	Six Forks	145,265	\$21,500,000/\$148.01	Atlas Stark/PGP Barrett LLC	85% Occupied

NOTABLE SALES TRANSACTIONS

FORECAST

The investment sales market started the year with numerous notable transactions recorded throughout during the first quarter of 2020. With the The Center for Technology & Innovation and Keystone Science Center near record per square foot sales price, we anticipate continued investment within the region will surpass the \$400 per square foot threshold that has only been achieved within this market five times ever. In addition, the \$500 per square foor threshold is becoming increasingly feasible within the Triangle marketplace.

We anticipate the effects the COVID-19 epidemic to take shape later in the year as capital markets react to its effects. At this time it is too early to forecast the size of impact.