

TRI PROPERTIES

1Q 2022  
Triangle  
Market  
Report

**NAI** TRI PROPERTIES



# Triangle

## MARKET REVIEW

	1Q2021	1Q2022	FORECAST
<b>OFFICE</b>			
Overall Vacancy	12.36%	12.61%	▼
Class A Vacancy	11.01%	12.06%	▼
Class B Vacancy	15.27%	14.10%	▼
Class C Vacancy	16.92%	13.04%	▼
Net Absorption YTD	-460,215	79,500	▲
<b>WAREHOUSE</b>			
Overall Vacancy	3.22%	2.54%	▼
Net Absorption YTD	831,154	1,488,417	▲
<b>FLEX/LAB</b>			
Overall Vacancy	8.55%	8.05%	▼
Net Absorption YTD	260,618	93,923	▲
<b>RETAIL</b>			
Overall Vacancy	8.44%	6.99%	▼
Net Absorption YTD	114,771	-172,082	▲

### MARKET OVERVIEW

Office vacancy fell by .17% to 12.61%, warehouse vacancy rose by .14% to 2.54%, flex/lab vacancy fell by .36% to 8.05%, and retail vacancy rose by .42% to 6.99%.

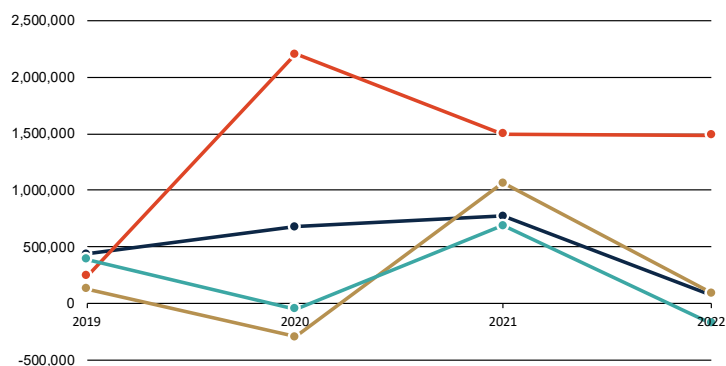
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill and surrounding counties, the unemployment rate in March was reported at 2.9% which is down .9% from the previous year. The Triangle MSA's unemployment rate continues to outpace both the State and National unemployment rates which reported at 3.4% and 3.6% respectively.

On the office development front, 2,102,968 square feet of office space currently remains under construction. On the industrial development front, 2,314,342 square feet of warehouse and 1,207,465 square feet of flex/lab space remains under construction. Additionally, 585,337 square feet of retail development remains under construction.

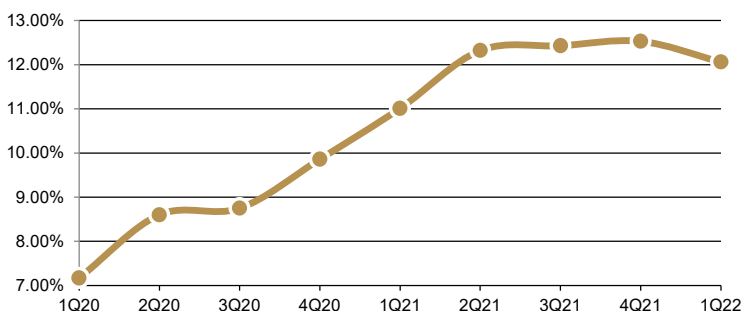
Following an historic previous quarter to close 2021, investment activity in the first quarter slowed but there were several notable transactions. The \$92,000,000 (\$220.72 per square foot) sale leaseback acquisition of the Credit Suisse building by ElmTree Funds from Credit Suisse marked the largest overall transaction for the quarter.

At the time of writing this report, the Federal Reserve has begun to raise interest rates to combat inflation concerns. It is too early to tell, but the rate hikes may put some upward pressure on cap rates which had continued compressing prior to the Fed's actions.

### 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.

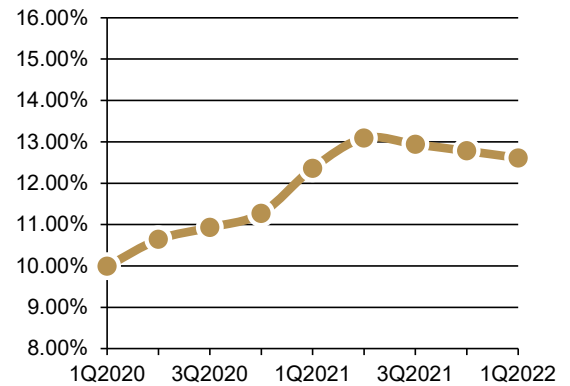
# Office

## MARKET REVIEW

### OFFICE SNAPSHOT

Total SF	59,685,932
Total SF Vacant	7,523,552
Vacancy Rate	12.61%
Net Absorption	79,500
Avg. Asking Rent	\$27.52
Avg. Class A Asking Rent	\$32.50
SF Under Construction	2,102,968

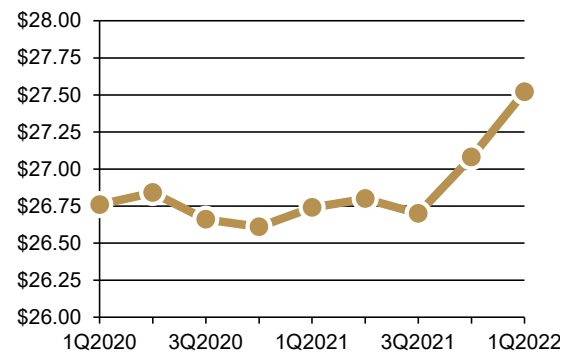
### OFFICE VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 211,200 SF** Credit Suisse sale-leaseback at 7033 Louis Stephens Drive in the RTP/I-40 Corridor submarket
- 156,000 SF** Analog Devices lease at Park Point in the RTP/I-40 Corridor submarket
- 50,225 SF** Restor3d lease at Park Point in the RTP/I-40 Corridor submarket

### OFFICE RENTAL RATES



### FORECAST

Triangle office vacancy fell by .17% to 12.61% in the first quarter. Slight net positive absorption of 79,500 square feet was reported for the quarter. Net positive absorption of 72,932 square feet in the Downtown Raleigh submarket contributed to the bulk of the absorption total.

Class A vacancy remained above 10% for the fifth consecutive quarter but dropped .45% to 12.06%. Class B vacancy remains higher and rose .82% to 14.10%.

On the development front, 2.1 million square feet of office space remains under construction. The Roxboro at Venable in Downtown Durham delivered during the first quarter (See Office Development Activity Map for notable projects).

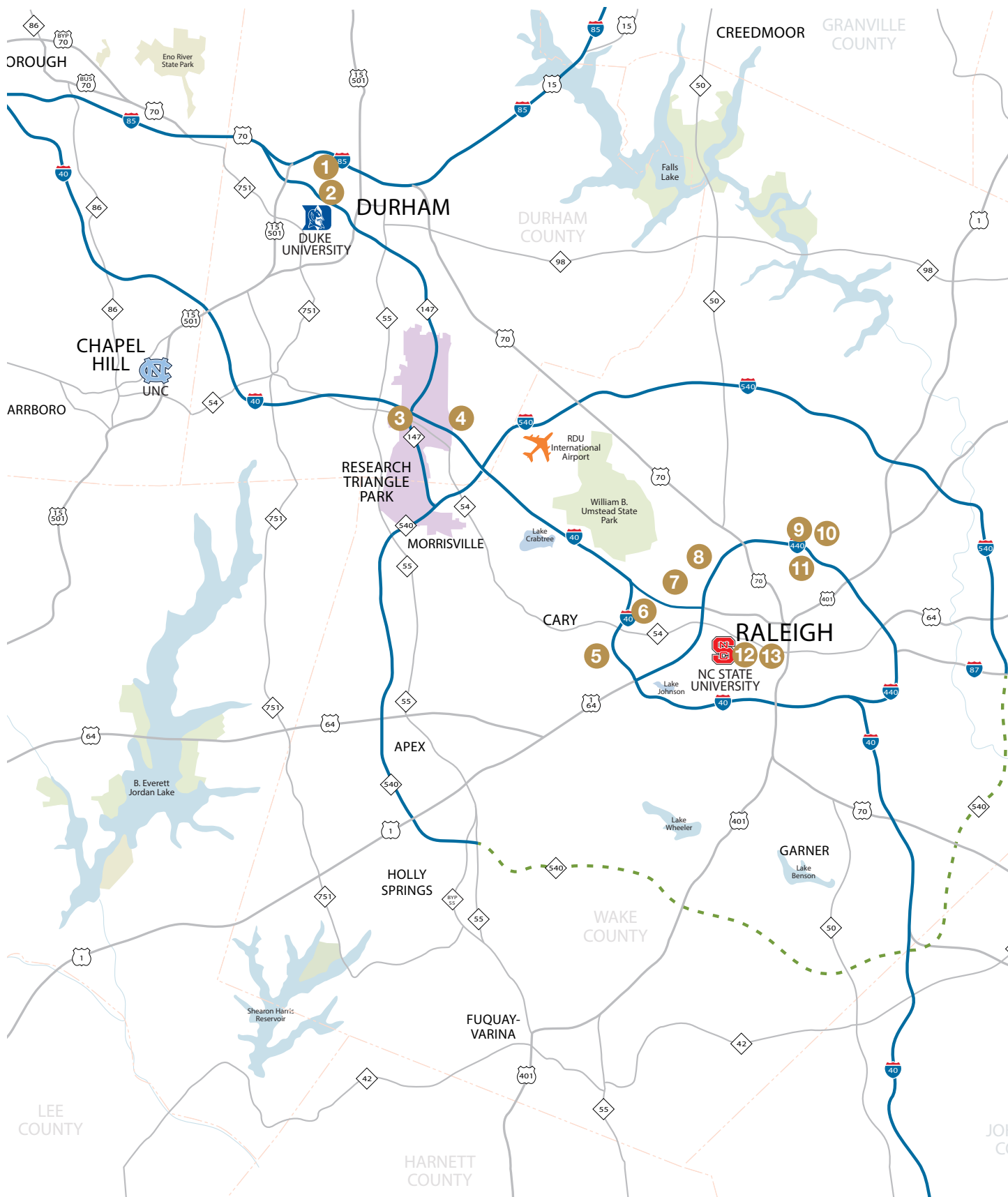
SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,622,679	13.26%	-17,325
US 70 /Glenwood	4,467,979	12.46	-16,559
Six Forks Road	4,339,119	4.95	-1,042
Falls of Neuse	3,136,239	7.99%	-7,372
US 1/Capital Blvd.	2,190,226	9.01%	3,813
Downtown Raleigh	6,179,562	12.74%	72,932
Cary	7,400,921	11.49%	-1,369
RTP/I-40 Corridor	13,100,529	12.86%	16,948
Central Durham	5,200,995	13.61%	4,165
South Durham	1,898,622	18.45%	11,669
Orange County	2,259,640	19.84%	-3,143

# Office

## NOTABLE DEVELOPMENT

	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	PARKING	RATE	MAJOR TENANTS
1	949 Washington St.	Central Durham	37,492	4Q 2021	0%	Surface Parking	DNR	
2	The Roxboro at Venable Center	Central Durham	202,163	1Q 2022	0%	Structured Parking	\$38.50	
3	Hub RTP Horeshoe Building	RTP/I-40 Corridor	100,000	3Q 2023	0%	Structured Parking	\$41.50	
4	Park Point (Redevelopment)	RTP/I-40 Corridor	652,000	4Q 2021	83% (543,934)	Surface Parking	DNR	Grail, Charles River Labs, Cree, Analog Devices, Restor3d
5	Fenton - Phase 1	Cary	200,000	2Q 2022	5%	Structured and Surface Parking	\$42.00	Compass
6	Palisades III	West Raleigh	167,307	4Q 2021	0%	Structured and Surface Parking	\$34.00	
7	Bandwidth Headquarters	West Raleigh	533,889	2Q 2023	100%	Structured and Surface Parking	DNR	Bandwidth
8	GlenLake III	West Raleigh	205,000	4Q 2023	5%	Structured and Surface Parking	DNR	
9	NHX I Creative Office	Six Forks Road	87,503	2Q 2023	0%	Structured Parking	\$45.50	
10	One North Hills	Six Forks Road	264,632	2Q 2023	0%	Structured Parking	\$45.50	
11	Raleigh Iron Works	US 1/ Capital Blvd	354,567	3Q 2022	4%	Structured and Surface Parking	\$45.50	Wasserman
12	400H	Downtown Raleigh	150,000	4Q 2023	0%	Deck Parking	\$38.50, NNN	
13	Raleigh Crossing	Downtown Raleigh	292,457	4Q 2021	74% (200,668)	Deck Parking	\$41.50	Pendo, Nelson Mullins, RapidScale

## NOTABLE DEVELOPMENT



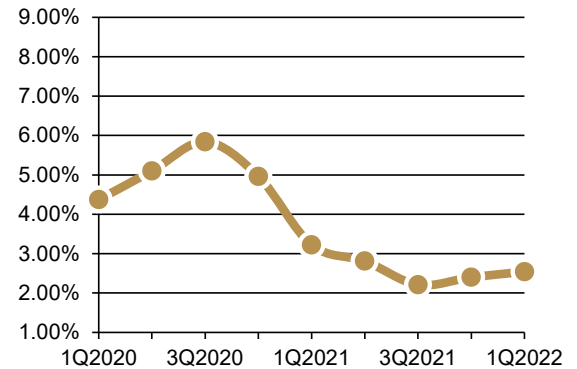
# Warehouse

## MARKET REVIEW

### WAREHOUSE SNAPSHOT

Total SF	37,815,954
Total SF Vacant	959,990
Vacancy Rate	2.54%
Net Absorption	1,488,417
Avg. Asking Rent	\$8.14
SF Under Construction	2,314,342

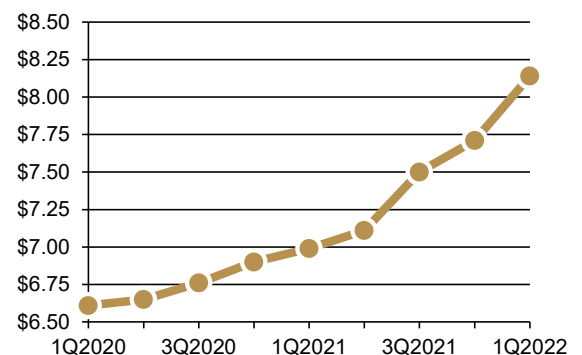
### WAREHOUSE VACANCY



### NOTABLE MOVES & TRANSACTIONS

- 950,000 SF** 1.2 MM SF Medline Distribution Center opened in Orange County with 250,000 remaining available
- 80,578 SF** Peter Millar lease at 2702 Weck Drive in the RTP/I-40 Corridor submarket
- 60,134 SF** Pactiv lease at Eastgate 540 Building 3 in the Eastern Wake submarket

### WAREHOUSE RENTAL RATES



### FORECAST

The first quarter of 2022 reported a slight vacancy increase by .14% to 2.54%. Demand remained strong totaling a positive net absorption of 1,488,417 SF, largely due to the new construction delivery of Medline Distribution Center with 950,000 SF leased of its total 1.2 million SF.

High demand for warehouse space within the Triangle region continues to mirror nationwide trends. Prologis reported a new metric called True Months of Supply (TMS) which totals nationwide supply in the largest 30 industrial markets against current demand. The current TMS forecast is at a 16-month supply whereas prior to 2021 it had never dipped below 32 months.

On the development front, 2,314,342 square feet of warehouse space is under construction throughout the region. The historical low vacancy will continue to make development projects attractive. We anticipate additional warehouse projects to break ground in the next 12 months. (See Industrial Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	312,520	15.57%	0
US 70/Glenwood Ave.	736,463	0.00%	0
Falls of Neuse Road	1,152,912	1.29%	-3,629
US 1/Capital Blvd.	3,742,177	5.43%	1,343
Eastern Wake Co.	11,361,849	1.46%	84,586
Southern Wake Co.	1,550,842	1.29%	0
RTP/I-40 Corridor	13,894,003	0.88%	21,207
Central Durham	594,434	0.00%	0
North Durham	1,251,024	8.48%	0
South Durham	771,175	0.00%	0
Orange County	1,871,464	13.36%	-194,800

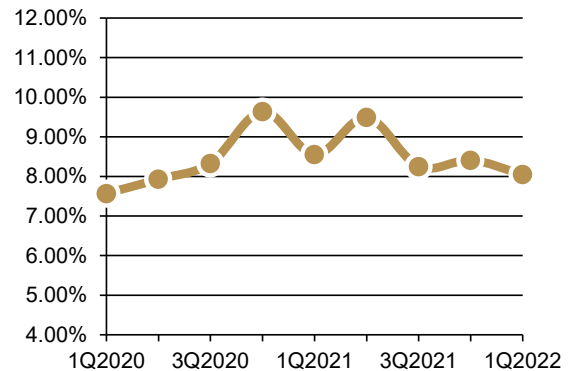
# Flex/Lab

## MARKET REVIEW

### FLEX/LAB SNAPSHOT

Total SF	22,797,239
Total SF Vacant	1,835,430
Vacancy Rate	8.05%
Net Absorption	93,923
Avg. Asking Rent	\$15.81
SF Under Construction	1,207,465

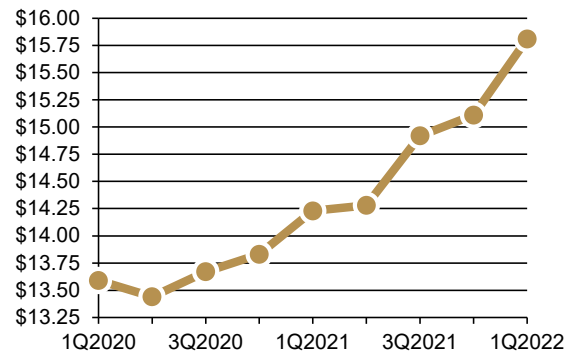
### FLEX/LAB VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 72,696 SF** Multiple leases signed at Peak City Business park in the Southern Wake submarket
- 34,000 SF** Undisclosed lease at the Alexandria Center for Advanced Technology within the RTP/I-40 Corridor submarket
- 40,502 SF** Nimble Storage downsized at Newcastle South within the RTP/I-40 Corridor submarket

### FLEX/LAB RENTAL RATES



### FORECAST

Positive net absorption of 93,923 square feet resulted in Triangle flex/lab vacancy falling by .36% to 8.05% during the first quarter of 2022. Southern Wake submarket contributed to the bulk of leasing activity adding 87,936 square feet of positive absorption.

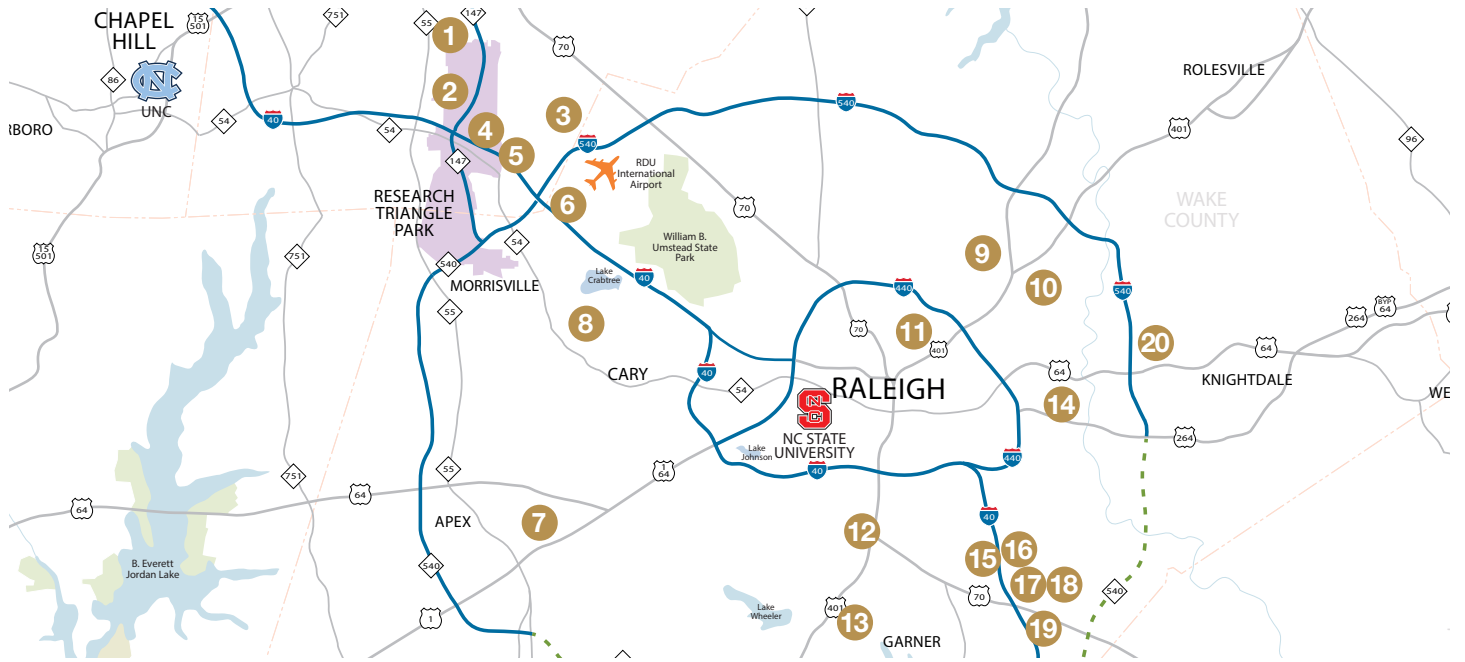
Flex vacancy indicators will continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets, which each had an underwhelming quarter. Net positive absorption of 17,464 square was reported within the US 1/Capital Boulevard submarket whereas, RTP/I-40 Corridor experienced slight net negative absorption of 35,540 square feet for the quarter.

On the development front, 1,207,465 square feet of flex and lab space is under construction. The single-digit vacancy rate for flex/lab product will continue to make development projects viable. (See Industrial Development Activity map for projects currently under construction).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	642,805	2.48%	220
US 70 /Glenwood	1,217,577	0.64%	13,369
Falls of Neuse	377,272	8.98%	-30,562
US 1/Capital Blvd.	4,415,914	5.02%	17,464
Cary	977,886	2.81%	-828
RTP/I-40 Corridor	11,073,459	10.26%	-35,540
Central Durham	62,150	0.00%	0
North Durham	504,861	14.89%	0
South Durham	189,798	4.09%	0
Eastern Wake Co.	1,690,490	3.56%	24,924
Southern Wake Co.	1,145,944	16.35%	87,936
Orange County	383,916	13.64%	16,940

# Industrial

## NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	Regional Commerce Center 3+4	Warehouse	RTP/I-40 Corridor	259,500	1Q 2022	75% (195,750)	DNR
2	Genesis - Building 1	Flex	RTP/I-40 Corridor	100,000	2022	100%	\$10-12 Shell
3	5513 Lumley	Warehouse	RTP/I-40 Corridor	67,200	3Q 2022	63% (42,000)	DNR
4	Alexander Commerce Park 2	Warehouse	RTP/I-40 Corridor	126,000	2Q 2022	100%	DNR
5	Patriot Park, Building 5	Warehouse	RTP/I-40 Corridor	200,055	2Q 2022	100%	DNR
6	Beam Therapeutics	Flex	RTP/I-40 Corridor	100,000	2022	100%	DNR
7	Peak City Business Park - Bldg 10	Flex	Southern Wake	60,000	2Q 2022	50% (30,000)	DNR
8	The Press	Flex/Lab	Cary	248,667	DNR	0%	DNR
9	540 Tech Center	Flex	US 1/Capital Blvd.	110,500	2Q 2022	0%	DNR
10	Merritt Capital Business Park	Flex/ Warehouse	US 1/Capital Blvd.	452,000 (7 Buildings)	1Q 2022	3% (13,276)	DNR
11	Midtown BioCenter (Former Kroger)	Lab	Six Forks Road	100,000	4Q 2022	0%	\$32.00,NNN
12	INQ 4300 (Former Kmart)	Lab	Eastern Wake	180,072	TBD	0%	DNR
13	Freedom Business Park	Warehouse	Eastern Wake	120,000	2Q 2022	100%	DNR
14	Eastgate 540, Bldg. 7	Warehouse	Eastern Wake	204,220	3Q 2022	0%	\$7.25NNN
15	Beacon Commerce Center 1+2	Warehouse	Eastern Wake	370,079	1Q 2022	18% (66,935)	DNR
16	Eagle Crest 1+2	Warehouse	Eastern Wake	353,750	4Q 2022	0%	DNR
17	Garner Business Park 70, Bldg 2+3	Warehouse	Eastern Wake	248,028	2Q/3Q 2022	100%	DNR
18	Garner Business Park 70, Bldg 4	Warehouse	Eastern Wake	240,010	3Q 2022	0%	DNR
19	3300 Waterfield Drive	Industrial	Eastern Wake	58,000	3Q 2022	100%	DNR
20	Merritt Midway Business Park	Flex	Eastern Wake	271,450	2Q 2022	6% (16,666)	DNR



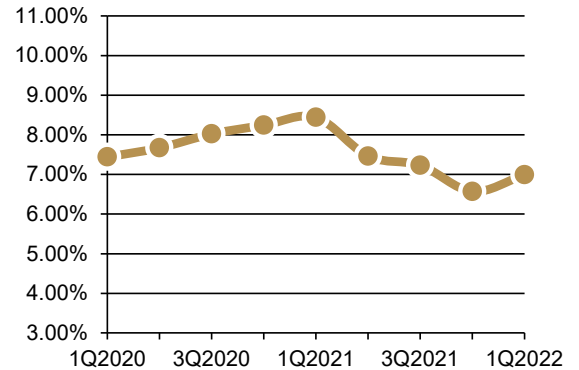
# Retail

## MARKET REVIEW

### RETAIL SNAPSHOT

Total SF	46,658,614
Total SF Vacant	3,261,648
Vacancy Rate	6.99%
Net Absorption	-172,082
Avg. Asking Rent	\$22.86
SF Under Construction	585,337

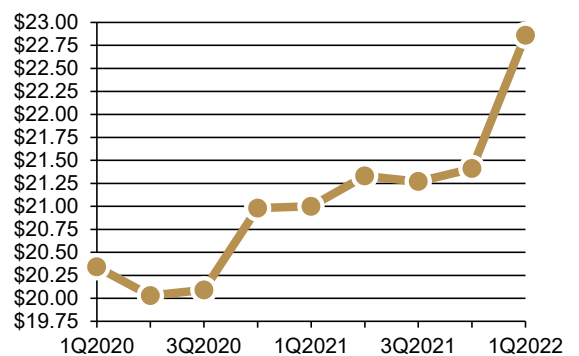
### RETAIL VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 10,400 SF** Sketchers lease at Crossroads Plaza in the Cary submarket
- 29,050 SF** Fitness Connection vacated at Shoppes at Kildaire in the Cary submarket
- 154,000 SF** Sears formally vacated an anchor building at Triangle Town Center in the US 1/Capital Boulevard submarket

### RETAIL RENTAL RATES



### FORECAST

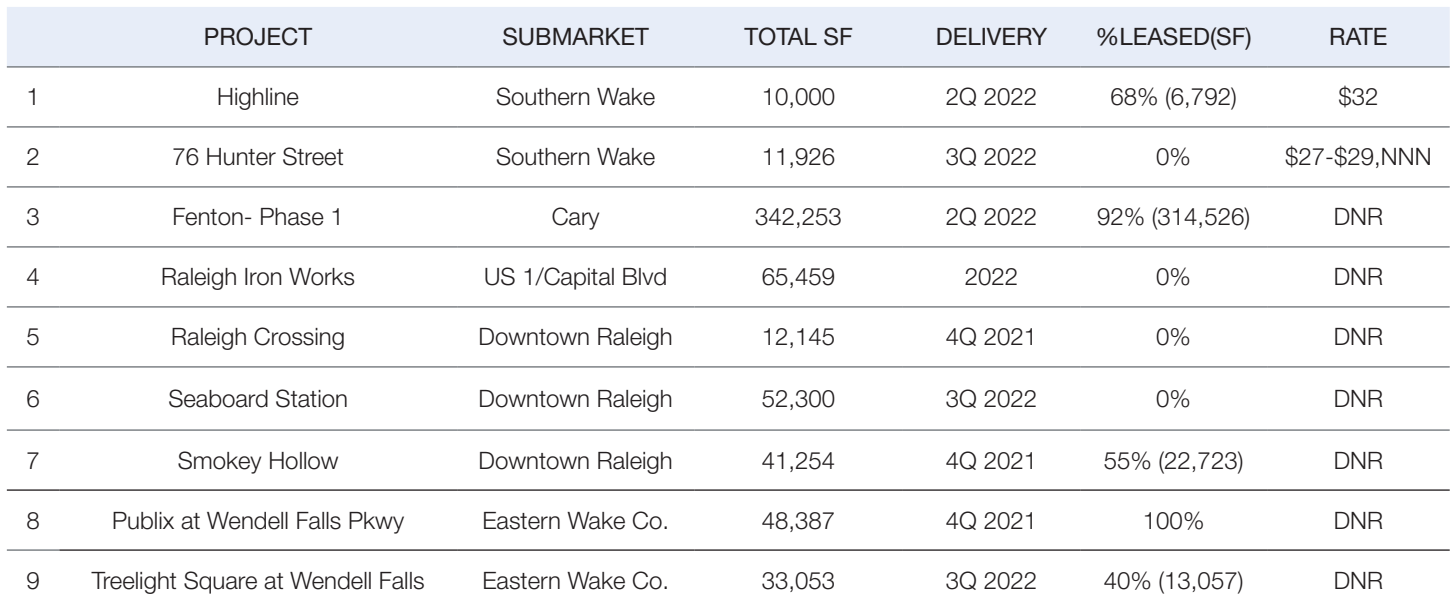
Triangle retail vacancy rose by .42% to 6.99% in the first quarter of 2022. Net negative absorption of 172,082 square feet was reported for the quarter. Net negative absorption within the US 1/Capital Boulevard submarket of 143,659 square feet is attributed entirely to the vacant Sears building at Triangle Town Center hitting during this quarter. Low availability of small shop space has pushed rental rates upward.

Retail owners should remain inventive to fill large big box spaces that continue to remain vacant such as the aforementioned Sears vacancy. The conversion of a former Kroger in the Six Forks Road submarket and a former Kmart in Garner into life science uses remain under construction this quarter.

On the development front, 585,337 square feet of retail product remains under construction during the first quarter. The 342,253 square foot Fenton project in Cary will deliver next quarter and is currently at 92% occupancy (See Retail Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	6.18%	-2,688
US 70 /Glenwood	5,021,807	8.59%	-15,743
Six Forks Road	2,008,147	5.46%	12,382
Falls of Neuse	2,511,597	7.01%	-19,267
US 1/Capital Blvd.	6,548,709	8.62%	-143,959
Downtown Raleigh	847,913	18.44%	-2,667
Village District	635,120	1.57%	782
Eastern Wake	3,553,456	5.01%	19,490
Southern Wake	4,264,515	3.93%	4,931
Cary	6,887,955	6.59%	-30,663
RTP/I-40 Corridor	1,014,662	4.20%	694
Central Durham	931,415	18.01%	11,928
North Durham	3,535,699	8.77%	-32,971
South Durham	5,153,914	5.48%	-5,772
Orange County	2,786,054	5.48%	31,441

## NOTABLE DEVELOPMENT



# Investment Sales

## MARKET REVIEW

### NOTABLE OFFICE/R&D TRANSACTIONS

PROPERTY	SUBMARKET	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
Credit Suisse	RTP/I-40 Corridor	416,817 (2 buildings)	\$92,000,000 / \$220.72	ElmTree Funds / Credit Suisse
The Labs at Research Triangle Park	RTP/I-40 Corridor	69,059 (6 buildings) + 72 acres	\$80,000,000	Alexandria Real Estate Equities / Thor Equities
Regency Woods II	Cary	150,000	\$53,900,000 / \$359.33	GI Partners / Spectrum Companies
Southcourt at South Square	North Durham	131,976	\$22,400,000 / \$169.73	Crescent Communities JV Faison / Gemini Rosemont JV Burell Group
4900 Prospectus Drive	RTP/I-40 Corridor	124,888	\$22,000,000/\$176.16	Alidade Capital / Harrod Properties III, LLC
Park 40 Plaza	RTP/I-40 Corridor	122,000	\$14,400,000 / \$118.03	Woodside Capital Partners / Continental Realty Services
Keystone 100	RTP/I-40 Corridor	63,144	\$8,800,000 / \$139.36	630 Davis Drive LLC / Origin Investments
RDU Center II	RTP/I-40 Corridor	61,481	\$6,300,000 / \$102.47	Woodside Capital Partners / Continental Realty Services

### FORECAST

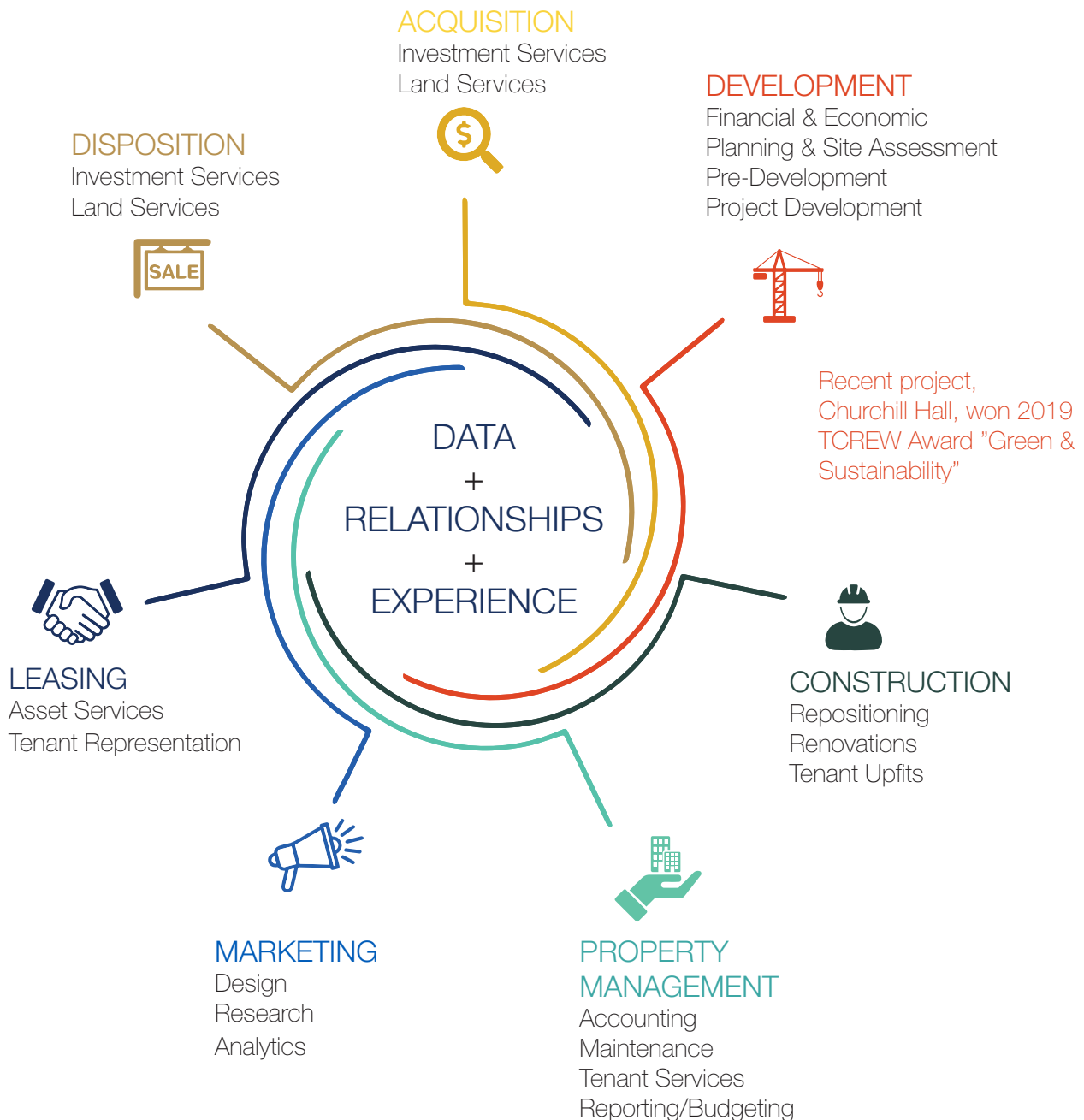
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At the time of writing this report, the Federal Reserve has begun to raise interest rates to combat inflation concerns. It is too early to tell, but the rate hikes may put some upward pressure on cap rates which had continued compressing prior to the Fed's actions.

# Full Service

## SOLUTIONS

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