

1Q 2024

Triangle Market Report

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WEST

Triangle

MARKET REVIEW

Past 12 Mo. Change	1Q2023	1Q2024	FORECAST
OFFICE			
Overall Vacancy	14.02%	15.28%	▲
Class A Vacancy	13.89%	15.60%	▲
Class B Vacancy	14.65%	14.93%	▲
Class C Vacancy	12.27%	10.52%	▲
Net Absorption 1Q	-411,167	-321,067	▲
WAREHOUSE			
Overall Vacancy	5.92%	5.93%	▲
Net Absorption 1Q	-412,128	104,290	▲
FLEX/LAB			
Overall Vacancy	10.40%	15.96%	▲
Net Absorption 1Q	-12,198	-431,343	▲
RETAIL			
Overall Vacancy	5.97%	6.02%	▼
Net Absorption 1Q	71,058	-6,532	▲

MARKET OVERVIEW

From the fourth quarter of 2023 to the first quarter of 2024, office vacancies rose .79% to 15.28%, warehouse vacancies increased 1.04% to 5.93%, flex/lab vacancies increased by 4.05% to 15.96%, and retail vacancies increased by .08% to 6.02%. Warehouse was the only property type to come out of first quarter with a positive net absorption.

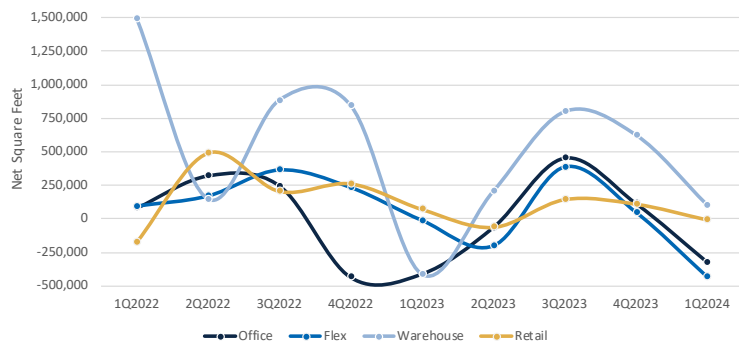
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in March was reported at 3.33%, up from 3.10% a year ago. The Triangle MSA's unemployment rate outpaces the National and State unemployment rates, at 3.8% and 3.5%, respectively.

On the development front, new projects have slowed down. Under construction totals for each property type include 1,403,112 square feet of office space, 2,285,425 square feet of warehouse, 213,466 square feet of flex/lab space, and 591,602 square feet of retail.

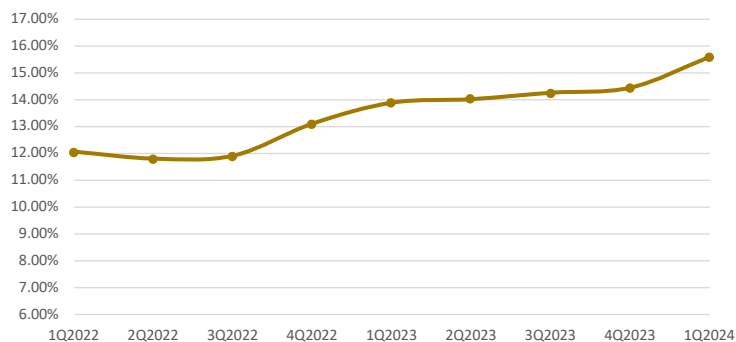
The largest single transaction was the sale of Maynard Crossing, a 122,781 square foot retail neighborhood center anchored by Harris Teeter, in Cary for \$26,500,000 (\$216/SF). It sold for less than its previous sale of \$29.9 million in 2017.

In capital markets, we anticipate continued low sales transaction volumes and increased cap rates across all property types.

QUARTER-OVER-QUARTER NET 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.

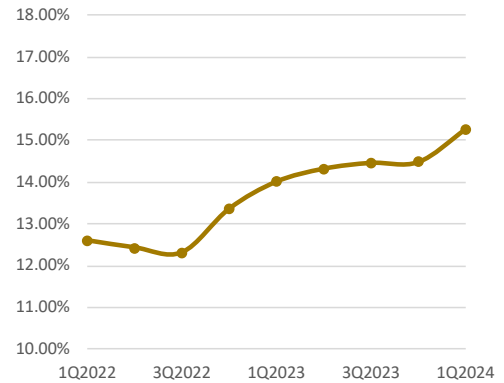
Office

MARKET REVIEW

Q1 OFFICE SNAPSHOT

Total SF	62,667,044
Total SF Vacant	9,578,400
Vacancy Rate	15.28%
Net Absorption	-321,067
Avg. Asking Rent	\$29.33
Avg. Class A Asking Rent	\$33.98
SF Under Construction	1,403,112

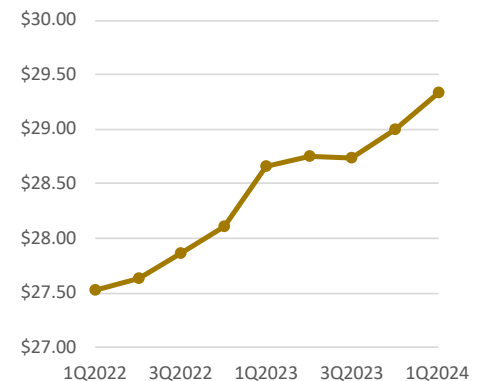
OFFICE VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 126,254 SF** Bandwidth's lease expired at Venture Center III in West Raleigh submarket
- 61,440 SF** Hill-Rom relocated out of Crescent Lakeside in the Cary submarket and moved into 52,758 SF at Palisades III in the West Raleigh submarket
- 23,400 SF** Syneos vacated at 430 Davis Drive in the RTP/I-40 submarket
- 39,257 SF** Microsoft terminated at Perimeter Four in the RTP/I-40 submarket

OFFICE RENTAL RATES



FORECAST

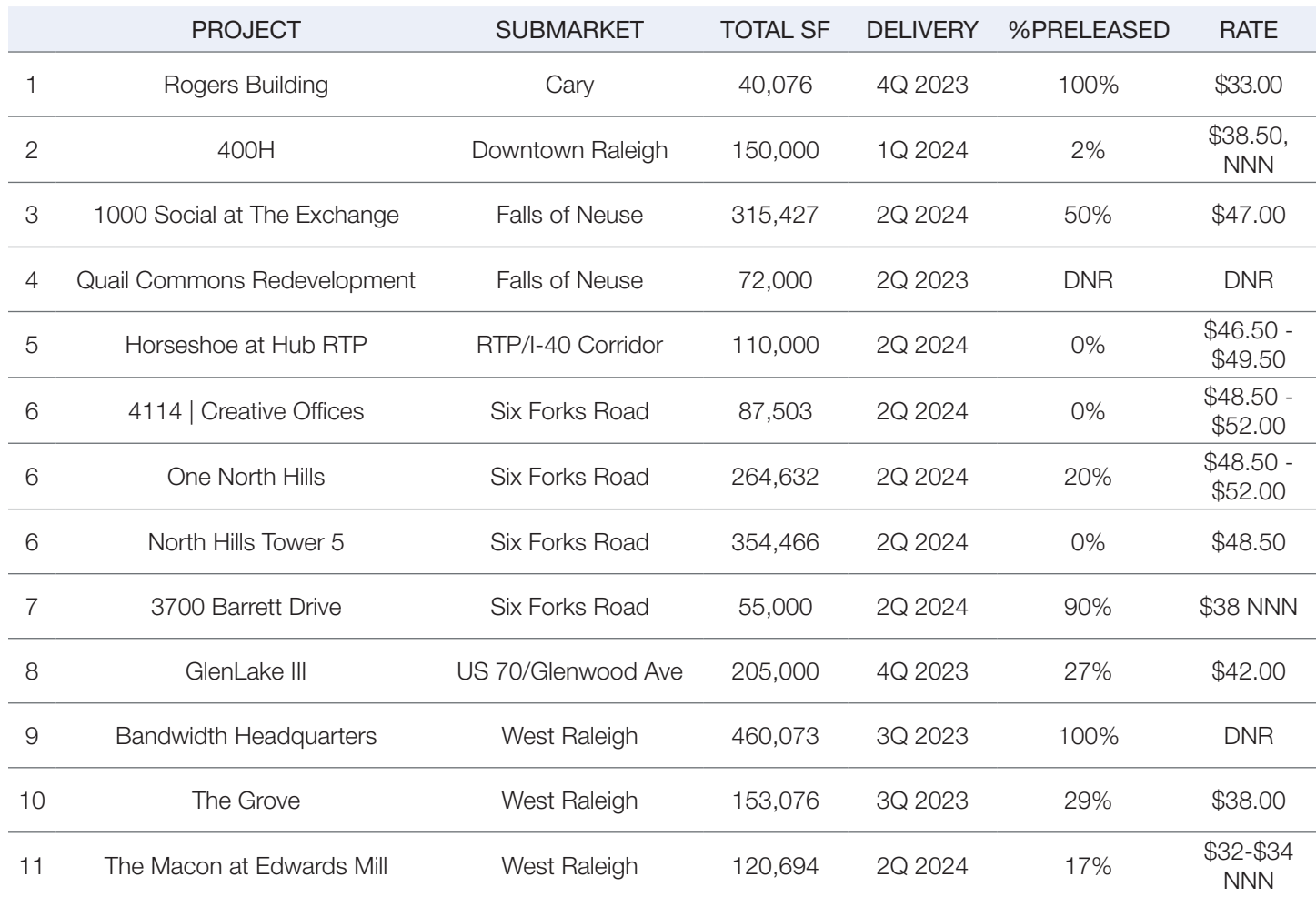
Triangle office vacancy rose by .79% to 15.28% in the first quarter. Negative net absorption of 321,067 square feet was reported for the quarter, with RTP/I-40 Corridor and West Raleigh having the biggest negative absorptions at 109,011 SF and 96,434 SF, respectively.

Class A vacancy has remained above 10% since the beginning of 2021 and increased 1.15% to 15.60%. Sublease availability is currently 5.52% of the total office inventory in the Triangle. Over half of the total sublease space continues to be in the RTP/I-40 Corridor submarket, which contains the market's two largest subleases being GSK's 298,206 SF at 42 Moore Dr and IQVIA's 259,531 SF 4820 Emperor Blvd.

On the development front, 1,403,112 square feet of office space remains under construction. 400H in Downtown Raleigh delivered 150,000 SF in the first quarter of 2024 at 2% preleased. Seven projects are scheduled to deliver in second quarter. (See Office Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	7,414,814	16.89%	-96,434
US 70 /Glenwood	4,575,939	17.32%	-16,732
Six Forks Road	4,260,967	6.54%	14,210
Falls of Neuse	3,027,382	10.07%	13,178
US 1/Capital Blvd.	2,605,876	25.66%	-22,493
Downtown Raleigh	6,335,242	13.58%	-12,861
Village District	522,414	14.10%	0
Eastern Wake Co.	923,430	11.01%	34,552
Southern Wake Co.	664,514	3.59%	8,269
Cary	7,655,569	16.24%	-72,896
RTP/I-40 Corridor	14,218,733	15.10%	-109,011
Central Durham	5,192,720	14.03%	-8,568
North Durham	1,008,457	25.63%	-2,421
South Durham	1,841,353	20.80%	-28,997
Orange County	2,419,634	19.03%	-20,954

NOTABLE DEVELOPMENT



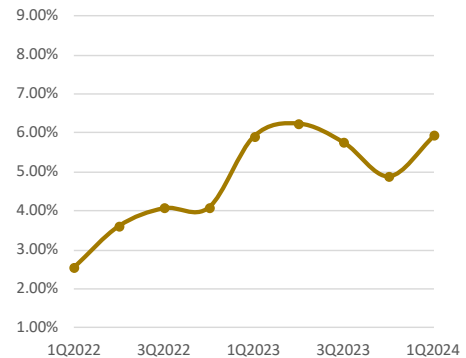
Warehouse

MARKET REVIEW

Q1 WAREHOUSE SNAPSHOT

Total SF	43,262,633
Total SF Vacant	2,567,601
Vacancy Rate	5.93%
Net Absorption	104,290
Avg. Asking Rent	\$9.77
SF Under Construction	2,285,425

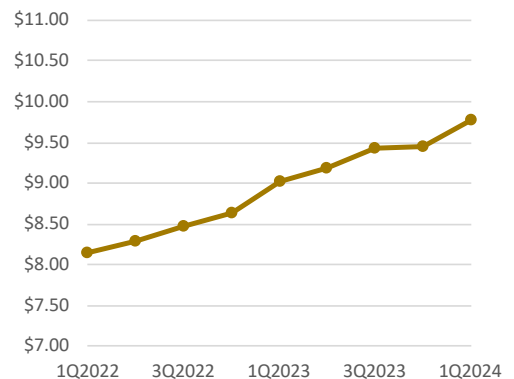
WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

- 249,600 SF** Life Sciences Logistics lease at Durham85 in the North Durham submarket
- 58,059 SF** Undisclosed lease at 2000 Citation Drive in the Eastern Wake County submarket
- 225,000 SF** Garner Business Park Building 5 delivered at 0% occupancy in the Eastern Wake submarket

WAREHOUSE RENTAL RATES



FORECAST

The first quarter of 2024 reported a vacancy increase of 1.04% to 5.93%. Net positive absorption of 104,290 square feet was reported for the quarter, with the North Durham submarket reporting the most positive at 249,000 square feet and the US 70/Glenwood Ave. submarket the most negative at 137,865 square feet.

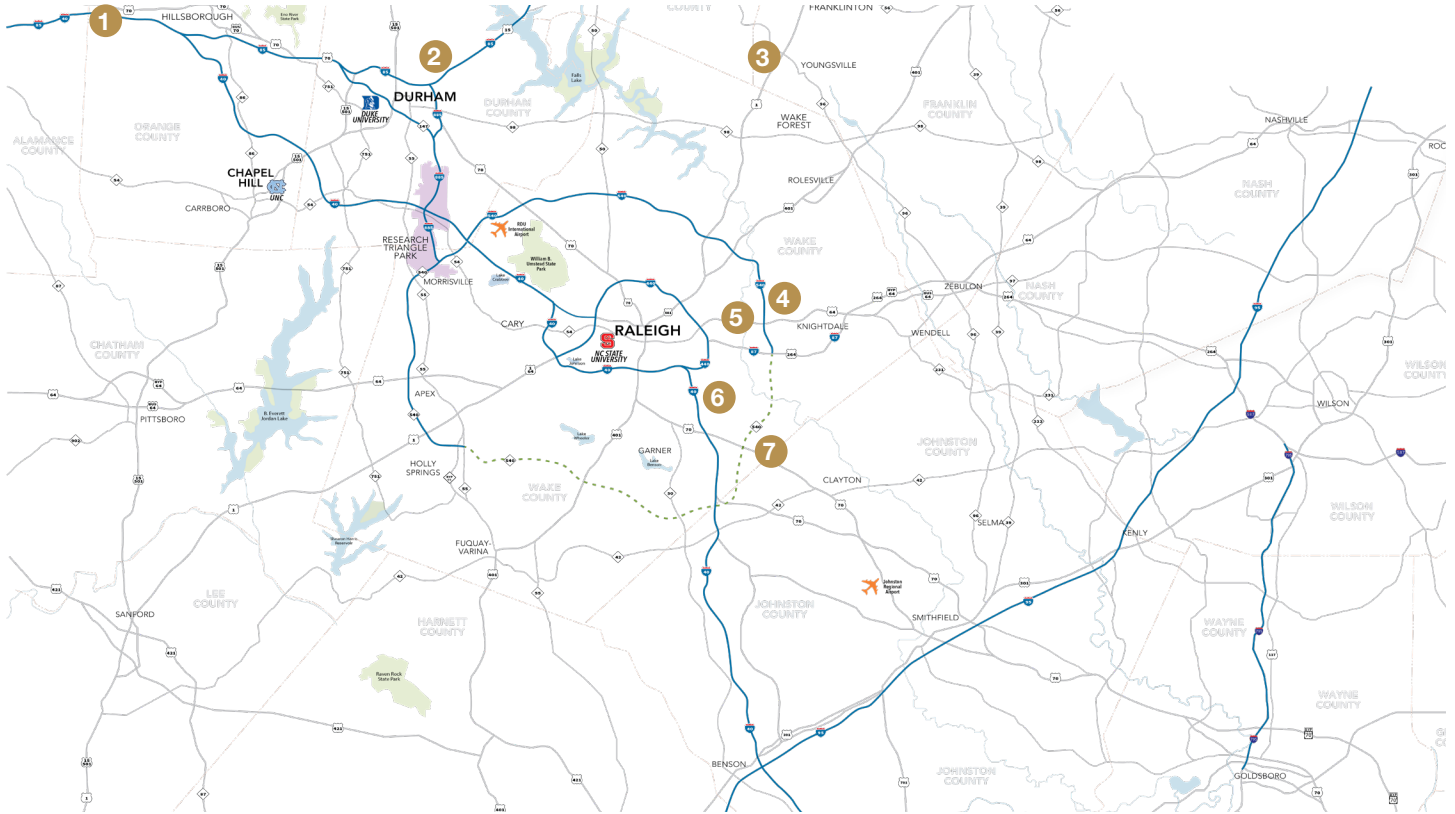
804,000 square feet of new inventory was added to the Triangle warehouse market in the first quarter of the year. A notable development was the delivery of the 249,600 square foot Building 3 at Durham85 which was 100% leased to Lifescience Logistics.

On the development front, 2,285,425 square feet of warehouse space is expected to deliver in the next year. The national warehouse and industrial market is showing signs of cooling while the Triangle market remains steady. The slow down of new construction projects will tighten the vacancy rate in the Triangle region projected into 2025. (See Warehouse Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	312,520	16.33%	-19,000
US 70/Glenwood Ave.	788,828	18.26%	-137,865
Falls of Neuse Road	1,151,941	5.98%	-8,440
US 1/Capital Blvd.	3,657,457	8.77%	28,801
Eastern Wake Co.	14,103,870	6.84%	-25,428
Southern Wake Co.	2,268,409	16.10%	39,000
RTP/I-40 Corridor	15,047,792	.56%	0
Central Durham	594,434	6.67%	0
North Durham	1,510,074	0.00%	249,600
South Durham	795,245	2.93%	0
Orange County	2,454,972	20.31%	-15,378

Warehouse

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Buckhorn Industrial Park II Bldg 1	Warehouse	Orange Co	210,000	2024	0%	DNR
1	Buckhorn Industrial Park II Bldg 2	Warehouse	Orange Co	330,000	2Q 2024	0%	DNR
1	Buckhorn Industrial Park II Bldg 3	Warehouse	Orange Co	265,200	2024	100%	DNR
2	Welcome Venture Park Bldg D	Warehouse	North Durham	103,200	2Q 2024	0%	DNR
2	Welcome Venture Park Bldg E	Warehouse	North Durham	74,400	2Q 2024	0%	DNR
2	Welcome Venture Park Bldg F	Warehouse	North Durham	192,000	2Q 2024	0%	DNR
2	Welcome Venture Park Bldg G	Warehouse	North Durham	25,200	2Q 2024	0%	DNR
3	US1 North Commerce Center Bldg 2	Warehouse	Franklin Co	224,490	2Q 2024	56%	DNR
3	US1 North Commerce Center Bldg 1	Warehouse	Franklin Co	169,940	2Q 2024	0%	DNR
4	Hinton Oaks Industrial Park Bldg 6	Warehouse	Eastern Wake Co	180,000	4Q 2024	0%	\$10 NNN
5	Knightdale Gateway Bldg 1	Warehouse	Eastern Wake Co	289,632	2Q 2024	0%	DNR
5	Knightdale Gateway Bldg 2	Warehouse	Eastern Wake Co	221,363	2Q 2024	100%	DNR
6	2000 Citation Drive	Warehouse	Eastern Wake Co	115,831	1Q 2024	50%	DNR
7	Garner Business Park 70 Bldg 5	Warehouse	Eastern Wake Co	225,000	1Q 2024	0%	\$8.95

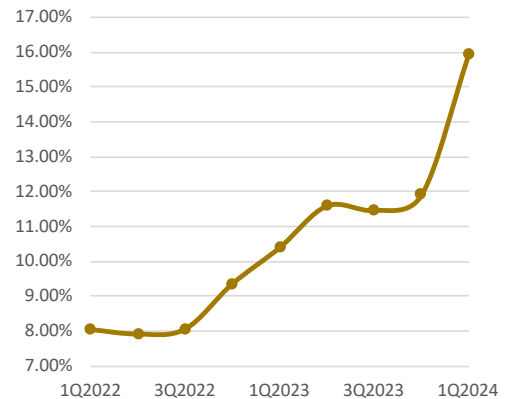
Flex/Lab

MARKET REVIEW

Q1 FLEX/LAB SNAPSHOT

Total SF	26,419,291
Total SF Vacant	4,217,400
Vacancy Rate	15.96%
Net Absorption	-431,343
Avg. Asking Rent	\$18.71
SF Under Construction	213,466

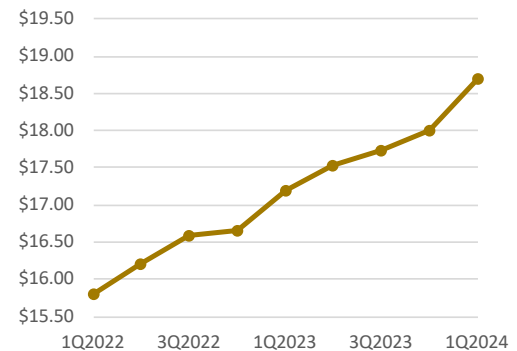
FLEX/LAB VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 245,159 SF** Invitae canceled lease contract for the Stitch building in the RTP/I-40 Corridor submarket
- 22,535 SF** Undisclosed tenant vacated 5609 Departure Dr. in the US1/Capital Blvd. submarket
- 32,243 SF** Supply Point Systems vacated 220 James Jackson Ave. in the Cary submarket

FLEX/LAB RENTAL RATES



FORECAST

Triangle flex/lab vacancy increased by 4.05% to 15.96% during the first quarter of 2024. Negative net absorption of 431,343 square feet was reported for the quarter. Flex-Industrial represented 9% of the 15.96% total vacancy.

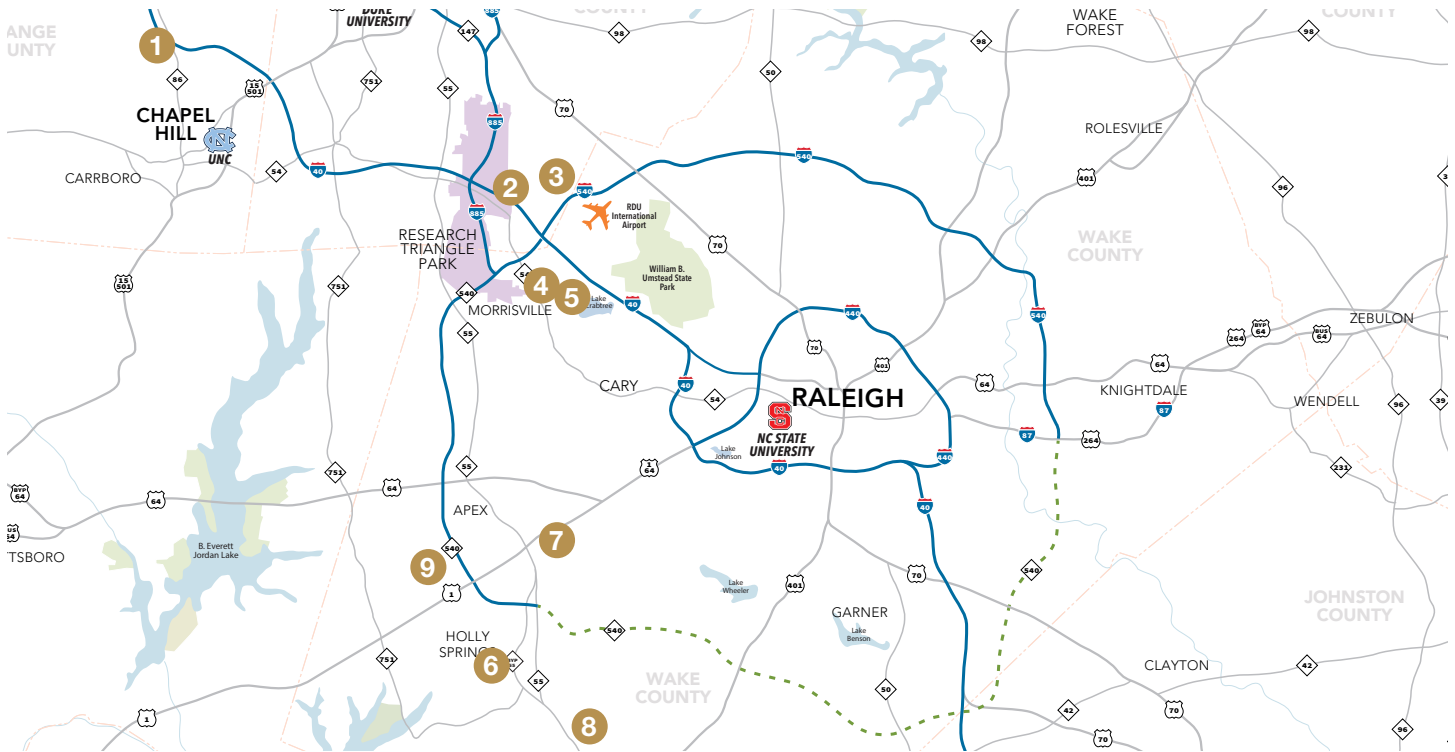
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Blvd. submarkets. Net positive absorption of 13,672 square feet was reported within the Eastern Wake Co. submarket for the quarter and the RTP/I-40 Corridor submarket reported the most negative at 221,323 square feet.

On the development front, 213,466 square feet of flex and lab space is under construction. We expect several flex/lab projects to be complete in the next year. (See Flex/Lab Development Activity map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	693,128	8.16%	-23,291
US 70 /Glenwood	1,252,794	2.50%	1,750
Six Forks	91,178	0.00%	0
Falls of Neuse	322,792	10.50%	0
US 1/Capital Blvd.	4,863,449	8.20%	-162,693
Eastern Wake Co.	2,190,570	10.11%	13,672
Southern Wake Co.	2,093,200	43.62%	10,547
Cary	1,298,230	29.67%	-39,393
RTP/I-40 Corridor	12,224,707	16.46%	-221,323
Central Durham	121,650	38.64%	-13,500
North Durham	367,935	0.00%	0
South Durham	221,398	0.64%	926
Orange County	543,266	18.90%	-15,378

Flex/Lab

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	North Chapel Business Center 100-185	Flex	Orange County	61,700	4Q 2023	0%	DNR
1	North Chapel Business Center 125-180	Flex	Orange County	54,600	4Q 2023	33%	DNR
2	Alexandria Center for Advanced Technologies	Flex	RTP/I-40 Corridor	171,366	2Q 2024	0%	Negotiable
3	10601 World Trade Blvd	Flex	RTP/I-40 Corridor	35,100	3Q 2024	34%	\$18.95 NNN
4	Spark - Biomanufacturing 1	Flex	RTP/I-40 Corridor	162,000	1Q 2024	0%	DNR
5	Pathway Triangle Bldg 1	Flex	RTP/I-40 Corridor	163,157	1Q 2024	0%	DNR
5	Pathway Triangle Bldg 2	Flex	RTP/I-40 Corridor	198,310	1Q 2024	0%	DNR
6	The Yield Holly Springs Bldg H	Flex	Southern Wake	110,000	1Q 2024	0%	DNR
6	The Yield Holly Springs Bldg I	Flex	Southern Wake	110,000	1Q 2024	0%	DNR
7	Pinnacle Park	Flex	Southern Wake	18,000	4Q 2023	0%	DNR
8	80 Technology Park Lane	Flex	Southern Wake	24,960	1Q 2024	36%	\$18.50 NNN
9	1718-1720 Round Rock Dr	Flex	US1/Capital Blvd	11,870	4Q 2023	0%	\$16.95

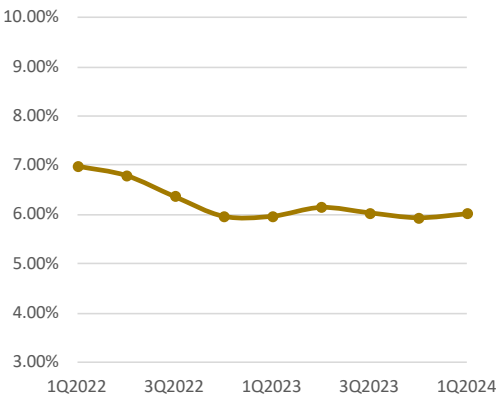
Retail

MARKET REVIEW

Q1 RETAIL SNAPSHOT

Total SF	47,946,979
Total SF Vacant	2,888,382
Vacancy Rate	6.02%
Net Absorption	-6,532
Avg. Asking Rent	\$26.04
SF Under Construction	591,602

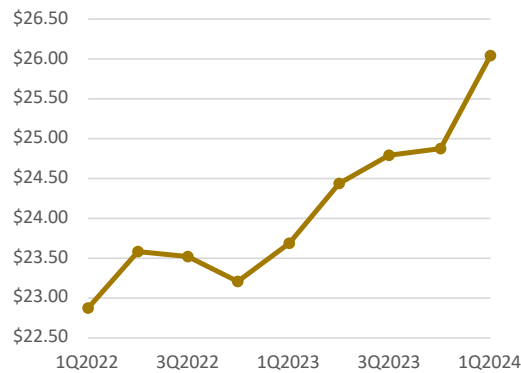
RETAIL VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 55,688 SF** Hobby Lobby lease at Six Forks Station in the Six Forks Road submarket
- 45,000 SF** Academy Sports lease at Knightdale Marketplace East in the Eastern Wake submarket
- 32,751 SF** Mission Valley Cinemas lease expired at Mission Valley shipping center in the West Raleigh submarket

RETAIL RENTAL RATES



FORECAST

After ending 2023 with a record-setting low vacancy rate, Triangle retail vacancy increased by .08% to 6.02% in the first quarter of 2024. Net negative absorption of 6,532 square feet was reported for the quarter.

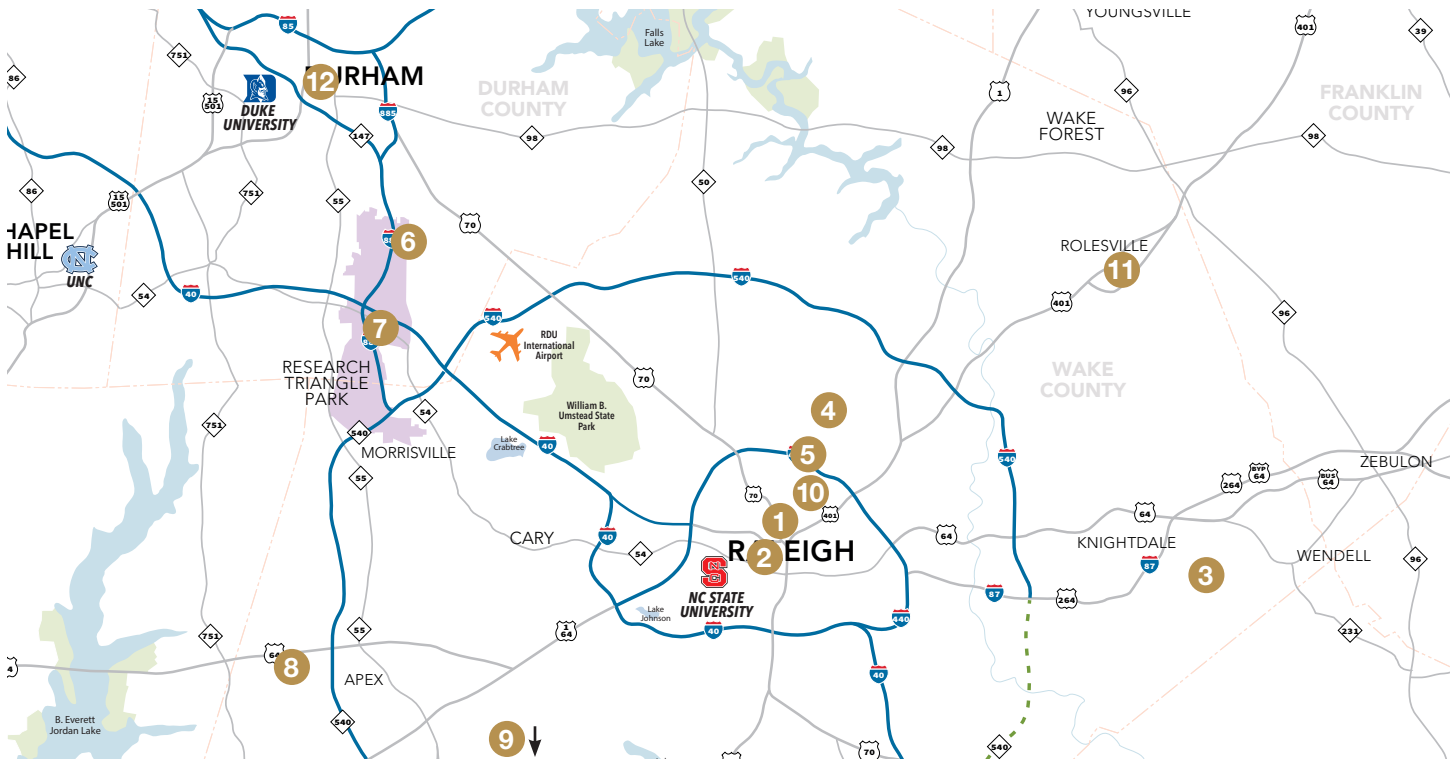
The largest inventory vacancy rates are in Downtown Raleigh and Central Durham, reporting 21.28% and 13.64%, respectively. The Eastern Wake submarket reported the highest positive absorption of 31,352 square feet, and the West Raleigh submarket reported the most negative absorption of 33,651 square feet.

On the development front, 591,600 square feet of retail is under construction. 400H in Downtown Raleigh added 16,000 square feet of inventory. The second quarter is expected to deliver 58% of the entire development pipeline. (See Retail Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	10.51%	-33,651
US 70 /Glenwood	5,048,493	7.36%	6,520
Six Forks Road	2,029,323	7.14%	28,024
Falls of Neuse	2,663,043	4.80%	7,944
US 1/Capital Blvd.	6,764,815	6.00%	-8,082
Downtown Raleigh	994,466	21.28%	4,940
Village District	642,920	1.95%	-1,885
Eastern Wake	3,632,843	4.04%	31,352
Southern Wake	4,368,040	2.10%	-7,520
Cary	7,181,870	5.57%	-15,062
RTP/I-40 Corridor	1,162,516	6.16%	-946
Central Durham	955,301	13.64%	9,715
North Durham	3,536,899	8.55%	-7,782
South Durham	5,247,826	4.61%	-24,086
Orange County	2,760,973	4.67%	3,987

Retail

NOTABLE DEVELOPMENT



	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Seaboard Station - Block C	Downtown Raleigh	48,243	2Q 2024	0%	DNR
1	Seaboard Station - Block B	Downtown Raleigh	28,856	3Q 2023	28%	DNR
1	Seaboard Station - Block A	Downtown Raleigh	10,335	2Q 2024	0%	DNR
2	400H	Downtown Raleigh	16,000	1Q 2024	52%	DNR
3	Treelight at Wendell Falls	Eastern Wake Co.	33,053	3Q 2023	93%	DNR
4	Quail Corners II	Falls of Neuse	36,108	3Q 2024	57%	DNR
5	RH Raleigh - The Gallery at North Hills	Six Forks Road	48,600	2Q 2024	100%	DNR
5	Highland Residential	Six Forks Road	22,009	2Q 2024	100%	DNR
5	4114 Creative Offices	Six Forks Road	19,827	2Q 2024	55%	DNR
6	Market at Ellis Crossing	RTP/I-40 Corridor	71,810	3Q 2023	85%	DNR
7	Horseshoe at Hub RTP	RTP/I-40 Corridor	32,710	2Q 2024	0%	DNR
8	Sweetwater Town Center - East Side	Southern Wake	67,182	2Q 2024	100%	DNR
8	Sweetwater Town Center - Harris Teeter Satellite Building	Southern Wake	64,000	4Q 2024	100%	DNR
9	Peterson Station	Southern Wake	46,988	1Q 2025	0%	DNR
10	Raleigh Iron Works - Forge Apts.	US 1/Capital Blvd	27,555	3Q 2023	78%	DNR
11	Cobblestone Village	US 1/Capital Blvd	50,000	4Q 2023	59%	\$28.00
12	The Novus	Central Durham	21,558	3Q 2024	0%	DNR
12	Shops at Wye	Central Durham	26,487	2Q 2025	35%	Negotiable

Investment Sales

MARKET REVIEW

NOTABLE SALE TRANSACTIONS

TYPE	PROPERTY	CITY	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
Retail	Maynard Crossing	Cary	122,781 SF	\$26,500,000 / \$216/SF	Mack RE Group, Soundwater Properties / BREIT
Retail	Shops at Grove 98	US 1/Capital Blvd	17,202 SF	\$11,500,000 / \$669/SF	SM RET EIV LLC / G98 Commercial PH I LLC
Industrial	Blind Industries	Falls of Neuse	89,017 SF	\$10,500,000 / \$118/SF	Tim Peters, Patrick Gatewood, Oak City Commercial / Holly B Stanley
Office	2625 Appliance Court	US 1/Capital Blvd	28,270 SF	\$9,500,000 / \$336/SF	William Ulm, Marcia Ulm / APG Capital
Office	4825 Creekstone Drive	RTP/I-40	96,802 SF	\$9,400,000 / \$97/SF	APG Capital / Highwoods Properties
Industrial	2810 Yonkers Road	Eastern Wake	50,330 SF	\$8,300,000 / \$165/SF	Nikita Zhitov / Watson H Bryant
Industrial	Devil-Dog Dungarees	Eastern Wake	148,004 SF	\$7,618,000 / \$51/SF	Edward A Morrell / General Sportswear
Retail	Shops at Gardner Plaza	South Wake	57,000 SF	\$6,650,000 / \$117/SF	Canvas Investments / Prudent Growth Partners

FORECAST

Triangle investment sale activity remained pallid in the first quarter across all property types.

The largest Triangle transaction of the quarter was a package sale of Leith auto properties across North Carolina to Holman PA Real Estate LLC based out of New Jersey. In Wake County, the properties and its 177 acres totaled \$249.8 million. Holman PA Real Estate also acquired the Leith business for an undisclosed amount and will continue to operate the North Carolina auto dealership locations under the Leith branding.

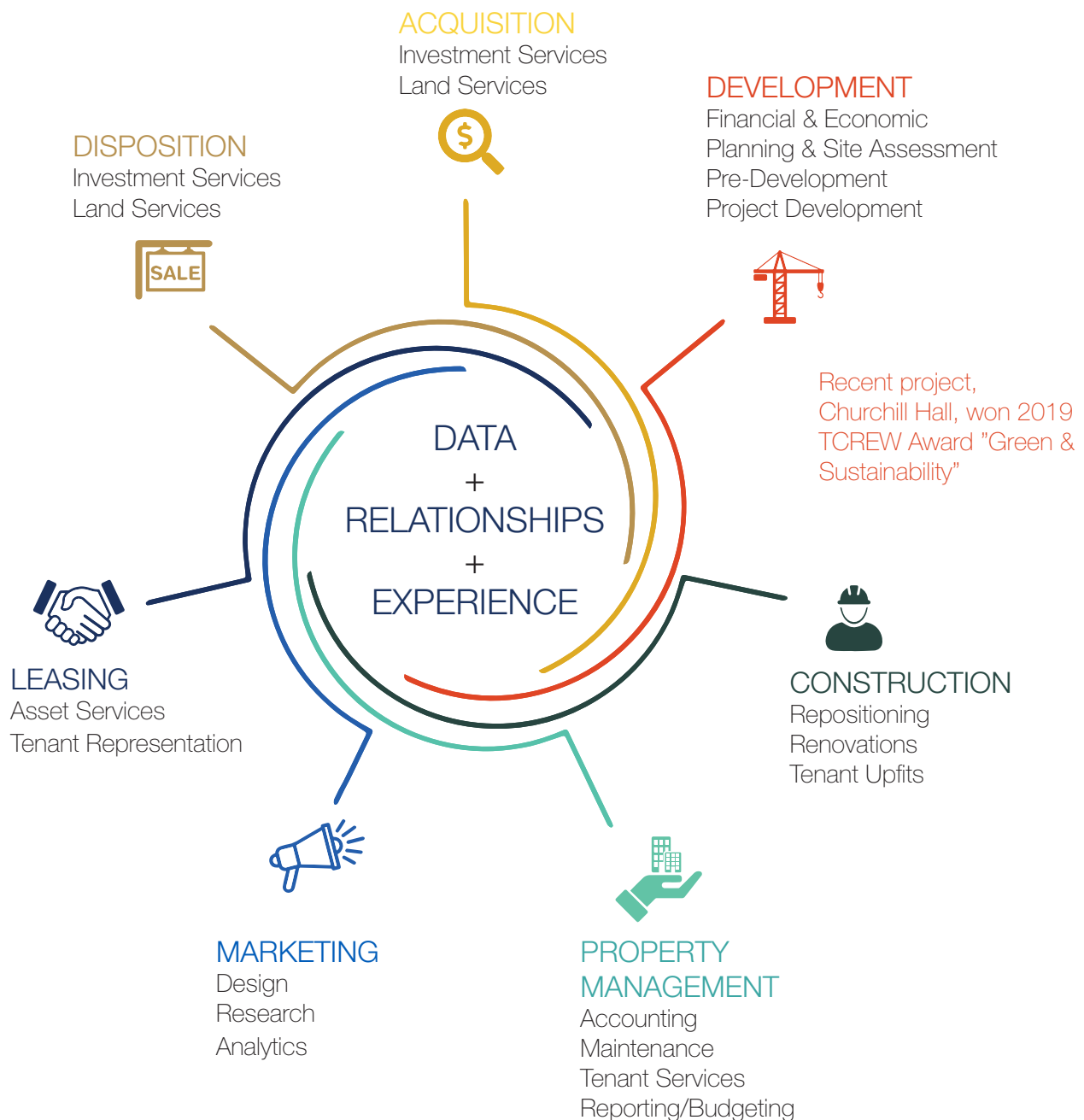
The largest single transaction was the sale of Maynard Crossing, a 122,781 square foot retail neighborhood center anchored by Harris Teeter, in Cary for \$26,500,000 (\$216/SF). It sold for less than its previous sale of \$29.9 million in 2017.

The stagnant sales transactions can largely be attributed to the Federal Reserve holding interest rates, rising inflation, and the lack of available capital from banks. As anticipated, the rate hikes are putting upward pressure on cap rates across all property types. These trends are nationwide. The expectation of a drop in interest rates mid-year as hoped isn't looking promising, as the Fed still tries to control inflation, so we anticipate a low investment sales volume to continue.

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