

TRI PROPERTIES

2Q 2022
Triangle
Market
Report

NAI TRI PROPERTIES

Triangle

MARKET REVIEW

	2Q2021	2Q2022	FORECAST
OFFICE			
Overall Vacancy	13.09%	12.44%	▼
Class A Vacancy	12.32%	11.80%	▼
Class B Vacancy	14.61%	14.00%	▼
Class C Vacancy	17.68%	14.77%	▼
Net Absorption YTD	39,324	398,810	▲
WAREHOUSE			
Overall Vacancy	2.81%	3.61%	▲
Net Absorption YTD	977,151	1,635,535	▲
FLEX/LAB			
Overall Vacancy	9.49%	7.92%	▼
Net Absorption YTD	253,855	262,980	▲
RETAIL			
Overall Vacancy	7.46%	6.80%	▼
Net Absorption YTD	124,724	317,549	▲

MARKET OVERVIEW

Office vacancy fell by .17% to 12.44%, warehouse vacancy rose by 1.07% to 3.61%, flex/lab vacancy fell by .13% to 7.92%, and retail vacancy fell by .19% to 6.80%.

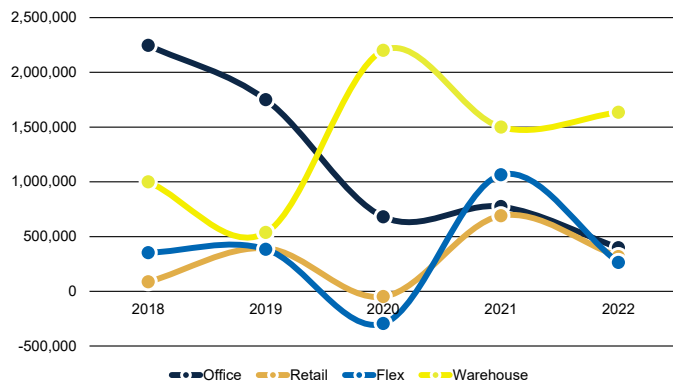
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill and surrounding counties, the unemployment rate in June was reported at 3.46% which is down 1.17% from the previous year. The Triangle MSA's unemployment rate outpaces the National unemployment rate of 3.6% and is only slightly higher than the State unemployment rate of 3.4%.

On the office development front, 2,080,884 square feet of office space currently remains under construction. On the industrial development front, 2,738,185 square feet of warehouse and 2,155,742 square feet of flex/lab space remains under construction. Additionally, 252,936 square feet of retail development remains under construction.

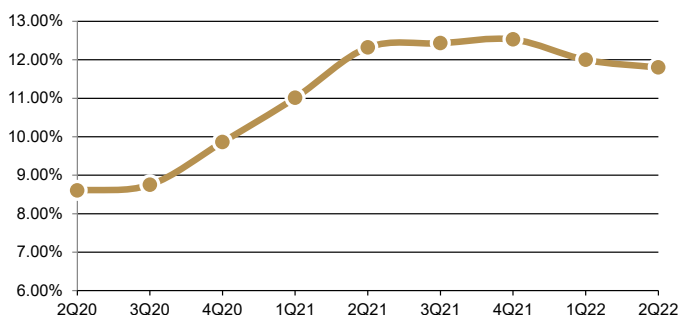
Investment activity increased and remains strong. The sale of Heritage Square in downtown Durham at \$62,600,000 marked the largest overall transaction for the quarter. Currently a shopping center, the new owners are considering plans to redevelop Heritage Square to a mixed-use property including office, laboratory, and residential.

The Federal Reserve has risen 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	59,862,956
Total SF Vacant	7,448,585
Vacancy Rate	12.44%
Net Absorption	319,310
Avg. Asking Rent	\$27.64
Avg. Class A Asking Rent	\$32.95
SF Under Construction	2,080,884

NOTABLE MOVES AND TRANSACTIONS

- 88,600 SF Renesas lease at Forty540 Building 2 in the RTP/I-40 Corridor submarket
- 69,000 SF ElevateBio lease at Durham.ID 300 Morris building in the Central Durham submarket
- 34,000 SF SASR Workforce Solutions sublease at CentreGreen Five in the Cary submarket

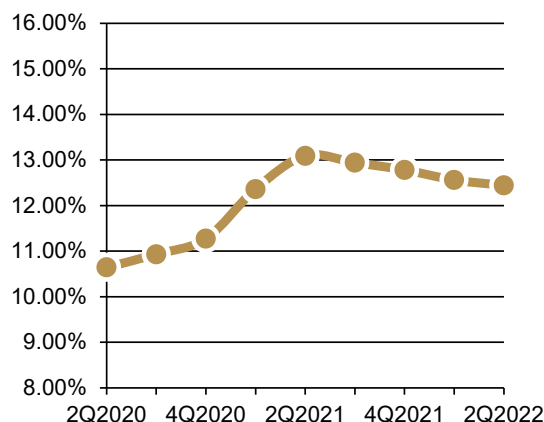
FORECAST

Triangle office vacancy fell by .17% to 12.44% in the second quarter. Net positive absorption of 319,310 square feet was reported for the quarter, the bulk of positive activity coming from RTP/I-40 Corridor and Central Durham at 113,032 and 101,527 square feet, respectively.

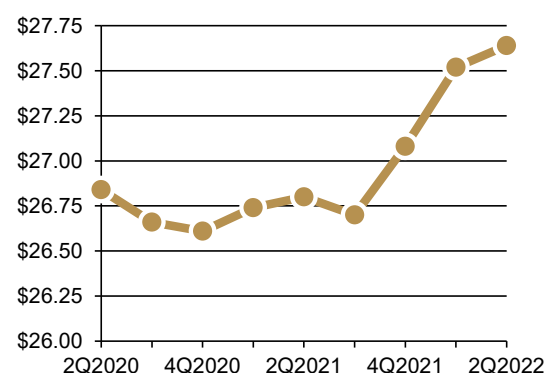
Class A vacancy remained above 10% for the sixth consecutive quarter but dropped .26% to 11.80%. Class B vacancy remains higher but also declined slightly .10% to 14.00%.

On the development front, 2,080,884 square feet of office space remains under construction. Offices at Fenton Phase 1 delivered during the second quarter at 10% occupancy (See Office Development Activity Map for notable projects).

OFFICE VACANCY



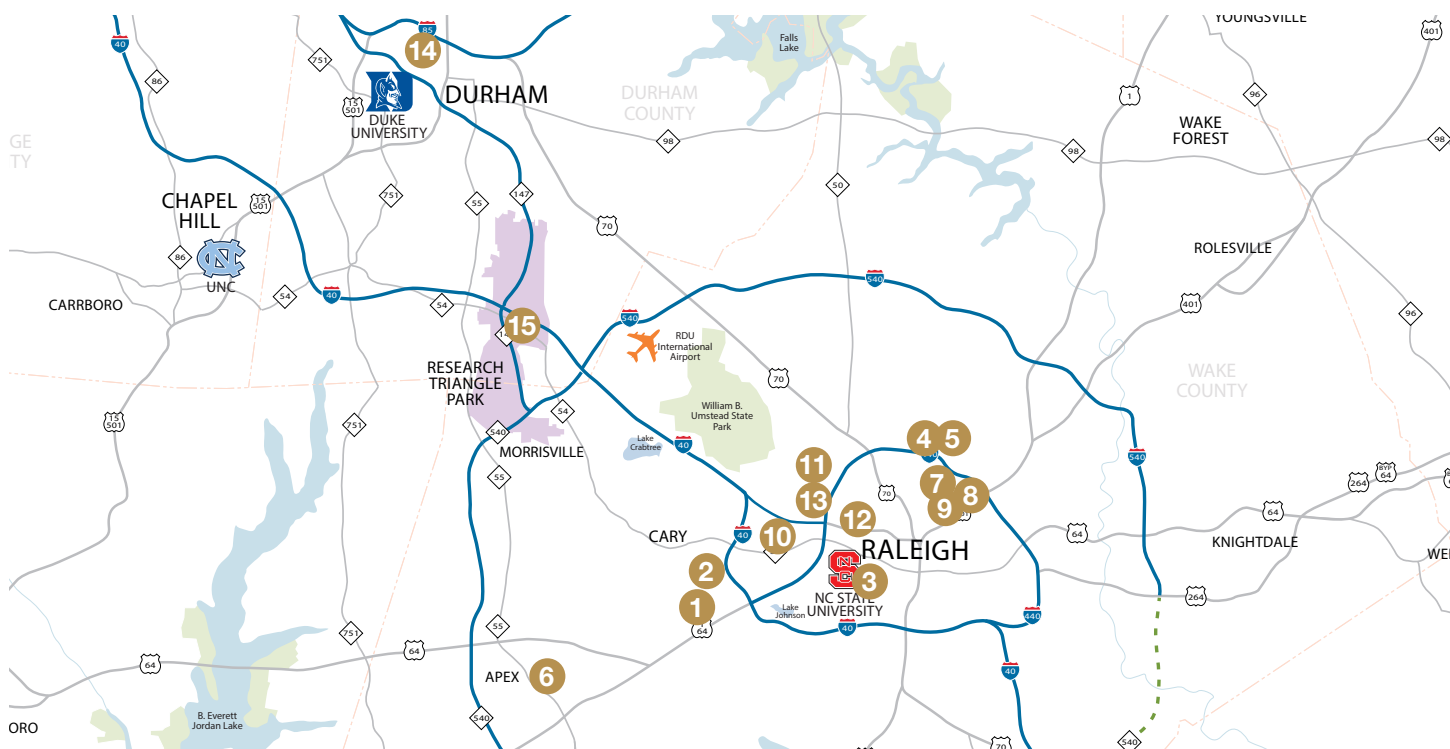
OFFICE RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,622,679	12.45%	53,789
US 70 /Glenwood	4,469,613	11.34%	49,650
Six Forks Road	4,349,119	5.12%	-7,934
Falls of Neuse	3,185,832	9.50%	-18,419
US 1/Capital Blvd.	2,255,116	9.43%	-15,464
Downtown Raleigh	6,138,366	13.64%	-49,893
Cary	7,554,837	13.51%	47,245
RTP/I-40 Corridor	13,098,085	12.00%	113,032
Central Durham	5,214,762	11.89%	101,527
South Durham	1,898,622	18.05%	7,574
Orange County	2,179,209	18.81%	34,551

Office

NOTABLE DEVELOPMENT



	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	The Walker	Cary	102,000	4Q 2022	25%	\$33.00
2	Fenton Office - Phase 1	Cary	217,160	2Q 2022	10%	\$42.00
3	400H	Downtown Raleigh	150,000	4Q 2023	0%	\$38.50, NNN
4	NHX Creative Offices	Six Forks Road	87,503	2Q 2023	0%	\$45.50
5	One North Hills	Six Forks Road	264,632	2Q 2023	0%	\$45.50
6	Highline	Southern Wake	32,108	3Q 2022	93%	\$32.00
7	Raleigh Iron Works - Bow Truss	US-1/Capital Boulevard	69,749	3Q 2022	10%	\$45.50
8	Raleigh Iron Works	US-1/Capital Boulevard	175,832	3Q 2022	8%	DNR
9	Raleigh Iron Works - Double Gable	US-1/Capital Boulevard	111,000	3Q 2022	13%	\$46.50
10	Bandwidth Headquarters	West Raleigh	533,889	2Q 2023	100%	DNR
11	GlenLake III	West Raleigh	205,000	4Q 2023	19%	\$39.75
12	1309 Annapolis Dr, Raleigh	West Raleigh	50,000	4Q 2022	52%	\$38.50
13	The Grove	West Raleigh	166,209	4Q 2022	0%	DNR
14	The Roxboro at Venable Center	Central Durham	202,163	1Q 2022	0%	\$38.50
15	Hub RTP Horseshoe Building	RTP/I-40 Corridor	100,000	3Q 2023	0%	\$41.50

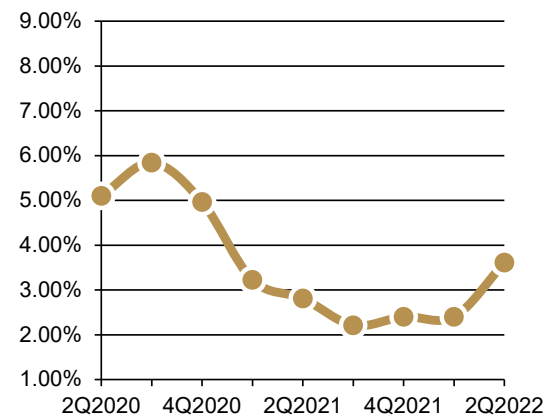
Warehouse

MARKET REVIEW

WAREHOUSE SNAPSHOT

Total SF	38,540,766
Total SF Vacant	1,392,385
Vacancy Rate	3.61%
Net Absorption	147,118
Avg. Asking Rent	\$8.28
SF Under Construction	2,738,185

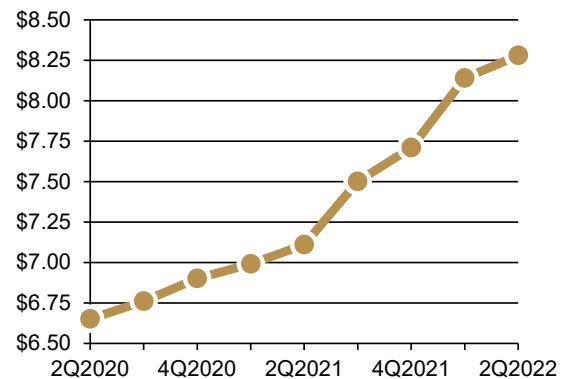
WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

- 120,000 SF** Amazon Logistics lease at Freedom Business Park in the Eastern Wake submarket
- 80,940 SF** Keystone Automotive lease at Garner Business Park 70 Building 2 in the Eastern Wake submarket
- 42,505 SF** Precision Packaging lease at Garner Business Park 70 Building 2 in the Eastern Wake submarket

WAREHOUSE RENTAL RATES



FORECAST

The second quarter of 2022 reported a vacancy increase of 1.07% to 3.61%. Demand remained strong, totaling a positive net absorption of 147,118 SF, primarily impacted by 321,577 SF positive absorption in the Eastern Wake County submarket which includes the delivery of 120,000 square feet at Freedom Business Park fully leased to Amazon.

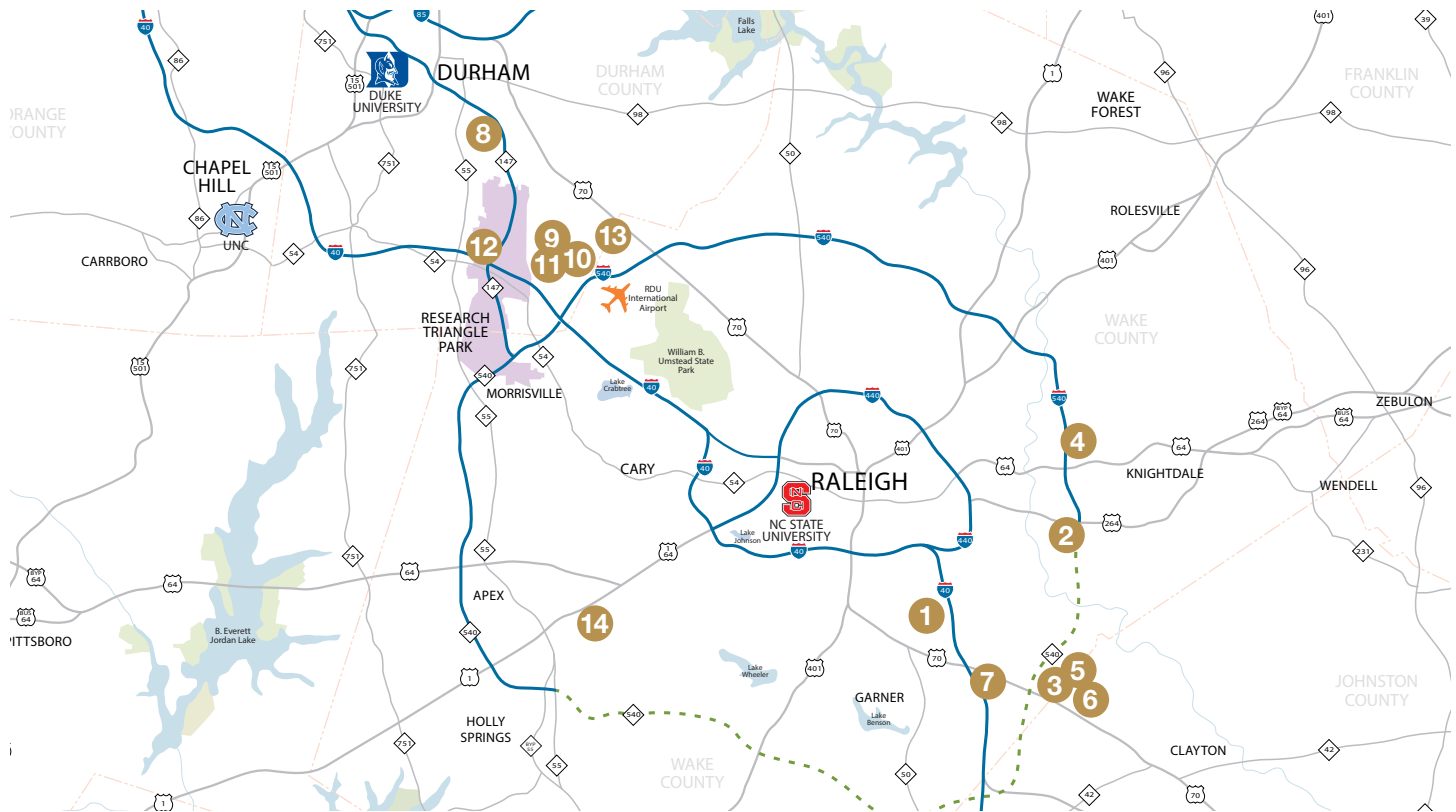
The vacancy increase was due to new inventory. Industrial developers added 614,100 square feet to the market, of which 54 percent was preleased before completion.

On the development front, 2,738,185 square feet of warehouse space is under construction throughout the region. The 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	5.60%	31,150
US 70/Glenwood Ave.	788,878	18.26%	-144,015
Falls of Neuse Road	1,152,753	1.29%	0
US 1/Capital Blvd.	3,742,177	4.03%	52,568
Eastern Wake Co.	12,018,983	3.82%	321,577
Southern Wake Co.	1,553,664	9.84%	-132,949
RTP/I-40 Corridor	13,894,003	0.45%	58,787
Central Durham	594,434	0.00%	0
North Durham	1,251,024	5.71%	0
South Durham	771,925	5.18%	-40,000
Orange County	1,871,464	13.36%	0

Warehouse

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	Eagle Crest Building 1+2	Warehouse	Eastern Wake County	353,750	4Q 2022	0%	DNR
2	Eastgate 540 - Building 7	Warehouse	Eastern Wake County	204,220	3Q 2022	0%	DNR
3	Garner Business Park 70, Bldg 4	Warehouse	Eastern Wake County	240,010	3Q 2022	100%	DNR
4	Hinton Oaks Industrial Park, Building 5	Warehouse	Eastern Wake County	250,000	3Q 2022	100%	\$7.50 NNN
5	Garner Business Park 70, Bldg 2	Warehouse	Eastern Wake County	120,114	2Q 2022	100%	\$6.25 NNN
6	Garner Business Park 70, Bldg 3	Warehouse	Eastern Wake County	120,114	3Q 2022	100%	\$6.25 NNN
7	Greenfield 27	Warehouse	Eastern Wake County	160,380	4Q 2022	0%	DNR
8	147 Exchange	Warehouse	RTP/I-40 Corridor	274,370	4Q 2022	0%	DNR
9	Alexander Commerce Park-Bldg 1	Warehouse	RTP/I-40 Corridor	189,072	4Q 2022	100%	DNR
10	Alexander Commerce Park-Bldg 2	Warehouse	RTP/I-40 Corridor	126,000	2Q 2022	100%	DNR
11	Alexander Commerce Park-Bldg 3	Warehouse	RTP/I-40 Corridor	126,000	4Q 2022	59%	DNR
12	Patriot Park Building 5	Warehouse	RTP/I-40 Corridor	200,055	2Q 2022	100%	DNR
13	5513 Lumley	Warehouse	RTP/I-40 Corridor	67,200	3Q 2022	63%	\$8.95 NNN
14	Apex Commerce Center Building 1	Warehouse	Southern Wake	234,000	4Q 2022	100%	DNR

Flex/Lab

MARKET REVIEW

FLEX/LAB SNAPSHOT

Total SF	23,023,867
Total SF Vacant	1,824,002
Vacancy Rate	7.92%
Net Absorption	169,057
Avg. Asking Rent	\$16.21
SF Under Construction	2,155,742

NOTABLE MOVES AND TRANSACTIONS

103,000 SF Wolfspeed lease at the Pilot Plant building in Alexandria Center for Life Science campus within the RTP/I-40 Corridor submarket

82,000 SF BASF vacated at 407 Davis Dr within the RTP/I-40 Corridor submarket

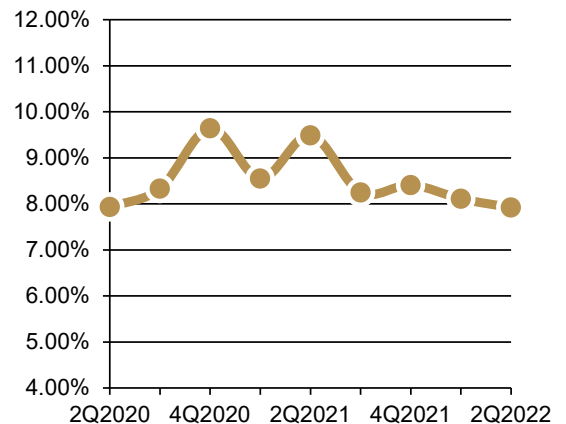
FORECAST

Positive net absorption of 169,057 square feet resulted in Triangle flex/lab vacancy falling by .13% to 7.92% during the second quarter of 2022. Southern Wake submarket contributed to the bulk of leasing activity, adding 63,459 square feet of positive absorption.

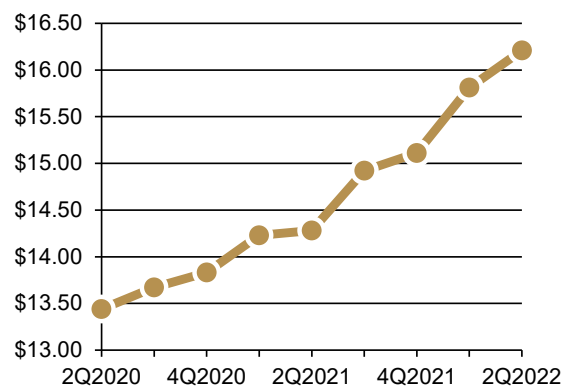
Flex vacancy indicators will continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets. Net positive absorption of 13,884 square was reported within the US 1/Capital Boulevard submarket and RTP/I-40 Corridor experienced net positive absorption of 13,640 square feet for the quarter.

On the development front, 2,155,742 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).

FLEX/LAB VACANCY

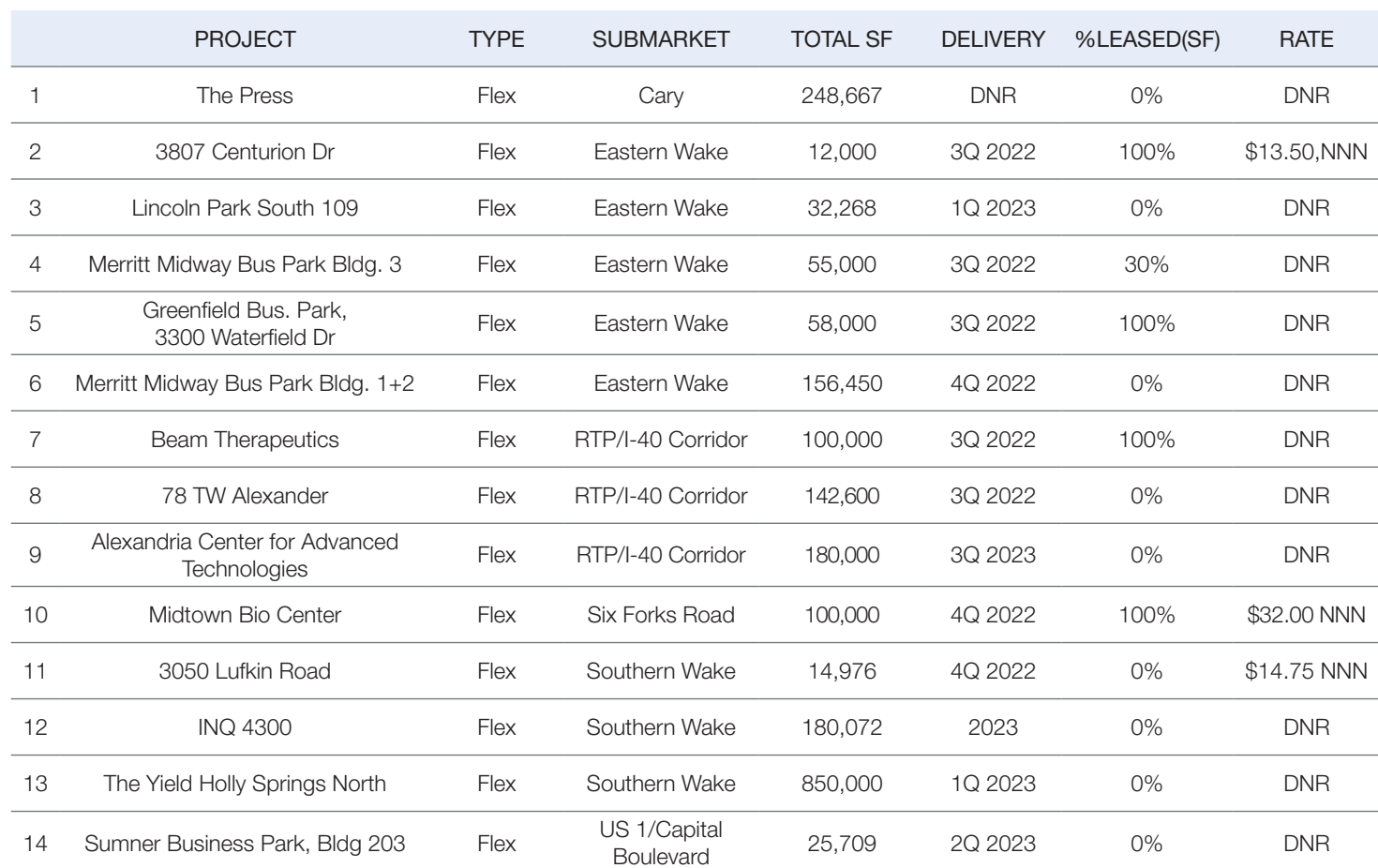


FLEX/LAB RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	642,805	1.38%	7,080
US 70 /Glenwood	1,215,827	1.00%	-4,331
Falls of Neuse	377,272	8.98%	0
US 1/Capital Blvd.	4,526,414	7.03%	13,884
Cary	977,886	2.28%	5,205
RTP/I-40 Corridor	11,036,537	9.76%	13,640
Central Durham	62,150	0.00%	0
North Durham	504,861	8.03%	0
South Durham	189,798	4.09%	0
Eastern Wake Co.	1,773,490	3.18%	58,768
Southern Wake Co.	1,217,744	16.07%	63,459
Orange County	383,916	10.68%	11,352

NOTABLE DEVELOPMENT



Retail

MARKET REVIEW

RETAIL SNAPSHOT

Total SF	47,047,906
Total SF Vacant	3,199,640
Vacancy Rate	6.80%
Net Absorption	489,631
Avg. Asking Rent	\$23.57
SF Under Construction	252,936

NOTABLE MOVES AND TRANSACTIONS

- 32,500 SF** Big Air Trampoline Park lease on Hillburn Drive in the US 70/Glenwood submarket
- 305,705 SF** Mixed retail tenants lease at The Fenton that delivered in the Cary submarket including Paragon Theaters, Williams Sonoma, Pottery Barn, Arhaus
- 22,000 SF** Sports & Social lease at The Fenton in the Cary submarket will be the Triangle's largest sports bar

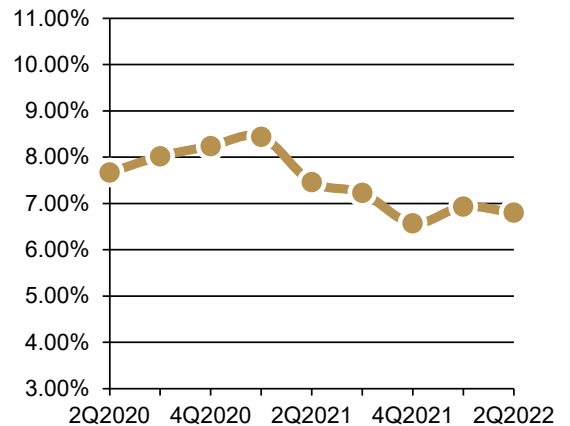
FORECAST

Triangle retail vacancy fell by .19% to 6.80% in the second quarter of 2022. Strong net positive absorption of 489,631 square feet was reported for the quarter contributing to total net positive absorption of 317,549 square feet for 2022. The Fenton in Cary delivered 332,289 square feet at 92% leased and East End Market in the US 1/Capital Boulevard submarket added 78,139 square feet of inventory.

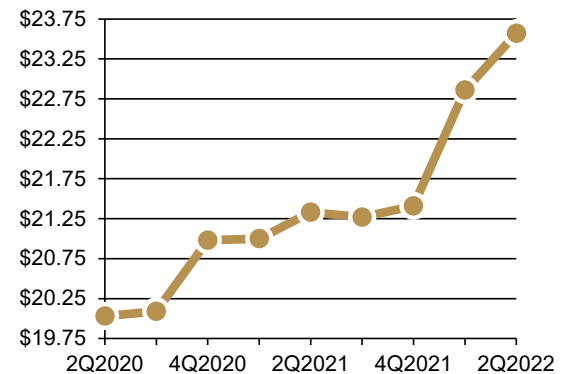
Retail owners should continue creative solutions, such as redevelopments to life science properties, to fill big box spaces that remain vacant such as the Sears at Triangle Town Center that vacated last quarter.

On the development front, 252,936 square feet of retail product remains under construction during the second quarter. Seaboard Station in downtown Raleigh and Treelight Square at Wendell Falls are expected to deliver next quarter, which will add 85,353 square feet of inventory. (See Retail Development Activity Map for notable projects).

RETAIL VACANCY

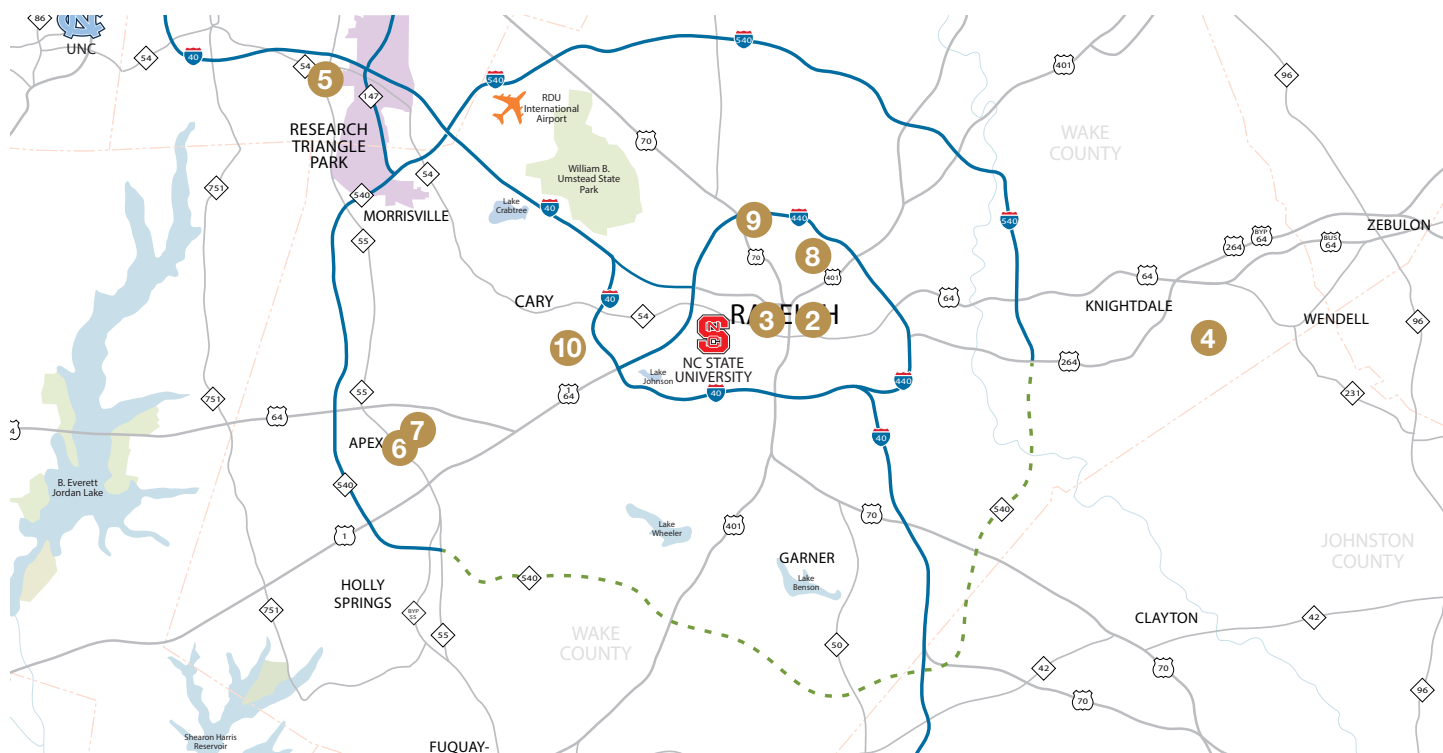


RETAIL RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	6.19%	-32
US 70 /Glenwood	5,021,807	8.04%	27,504
Six Forks Road	2,014,774	5.61%	3,343
Falls of Neuse	2,511,597	7.11%	-2,336
US 1/Capital Blvd.	6,626,647	8.21%	98,356
Downtown Raleigh	858,481	19.24%	1,678
Village District	635,120	1.70%	-826
Eastern Wake	3,553,456	4.80%	7,292
Southern Wake	4,264,515	3.08%	36,330
Cary	7,182,114	5.43%	395,962
RTP/I-40 Corridor	1,014,662	3.53%	6,782
Central Durham	931,415	18.88%	-8,134
North Durham	3,535,699	11.35%	-91,242
South Durham	5,153,914	5.29%	9,670
Orange County	2,786,054	5.29%	5,284

NOTABLE DEVELOPMENT



	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	The Walker Walnut St	Cary	27,970	4Q 2022	0%	\$33
2	Seaboard Station	Downtown Raleigh	52,300	3Q 2022	0%	DNR
3	400H	Downtown Raleigh	16,000	4Q 2023	0%	DNR
4	Treelight at Wendell Falls	Eastern Wake Co.	33,053	3Q 2022	40%	DNR
5	Kitt Creek Commons	RTP/I-40 Corridor	9,613	3Q 2022	100%	\$28 NNN
6	Highline	Southern Wake	10,000	3Q 2022	68%	\$32
7	76 Hunter	Southern Wake	28,000	3Q 2022	69%	\$27-\$29, NNN
8	Raleigh Iron Works	US 1/Capital Blvd	65,000	2022	0%	DNR
9	The Residences Glenwood Place	US 70/Glenwood	11,000	3Q 2022	0%	DNR
10	Fenton- Phase 1	Cary	342,253	2Q 2022	92%	DNR

Investment Sales

MARKET REVIEW

NOTABLE SALE TRANSACTIONS

PROPERTY	SUBMARKET	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
406 West Davie Street (Office)	Downtown Raleigh	21,282 SF	\$13,000,000 / \$612/SF	Flank Inc / Mikels & Jones Properties
Cary Medical Plaza III (Medical Office)	Cary	16,583 SF	\$6,500,000 / \$392/SF	Healthcare Realty Trust / Hamad Yezen - Abdelbaky Hesham
Gateway Centre I (Office)	RTP/I-40 Corridor	160,000 SF	\$47,700,000 / \$298/SF	CapRidge Partners / Alidade Capital
Gateway Centre II (Flex/R&D)	RTP/I-40 Corridor	140,000 SF	\$27,300,000 / \$195/SF	CapRidge Partners / Alidade Capital
3200 Bush Street (Industrial)	Falls of Neuse	209,738 SF	\$46,800,000 / \$223/SF	Pennybacker Capital / New Market Strategies
1211 Person Street (Industrial)	South Durham	127,600 SF	\$26,300,000 / \$206/SF	Blackstone Properties / Scannell
Heritage Square (Retail)	South Durham	60,788 SF	\$62,600,000	Sterling Bay Cos / Blake Nucci, Chris Kono
Waverly Place (Retail)	Cary	198,271 SF	\$88,500,000 SF / \$446/SF	Hines Global REIT I / Northwood Investors

FORECAST

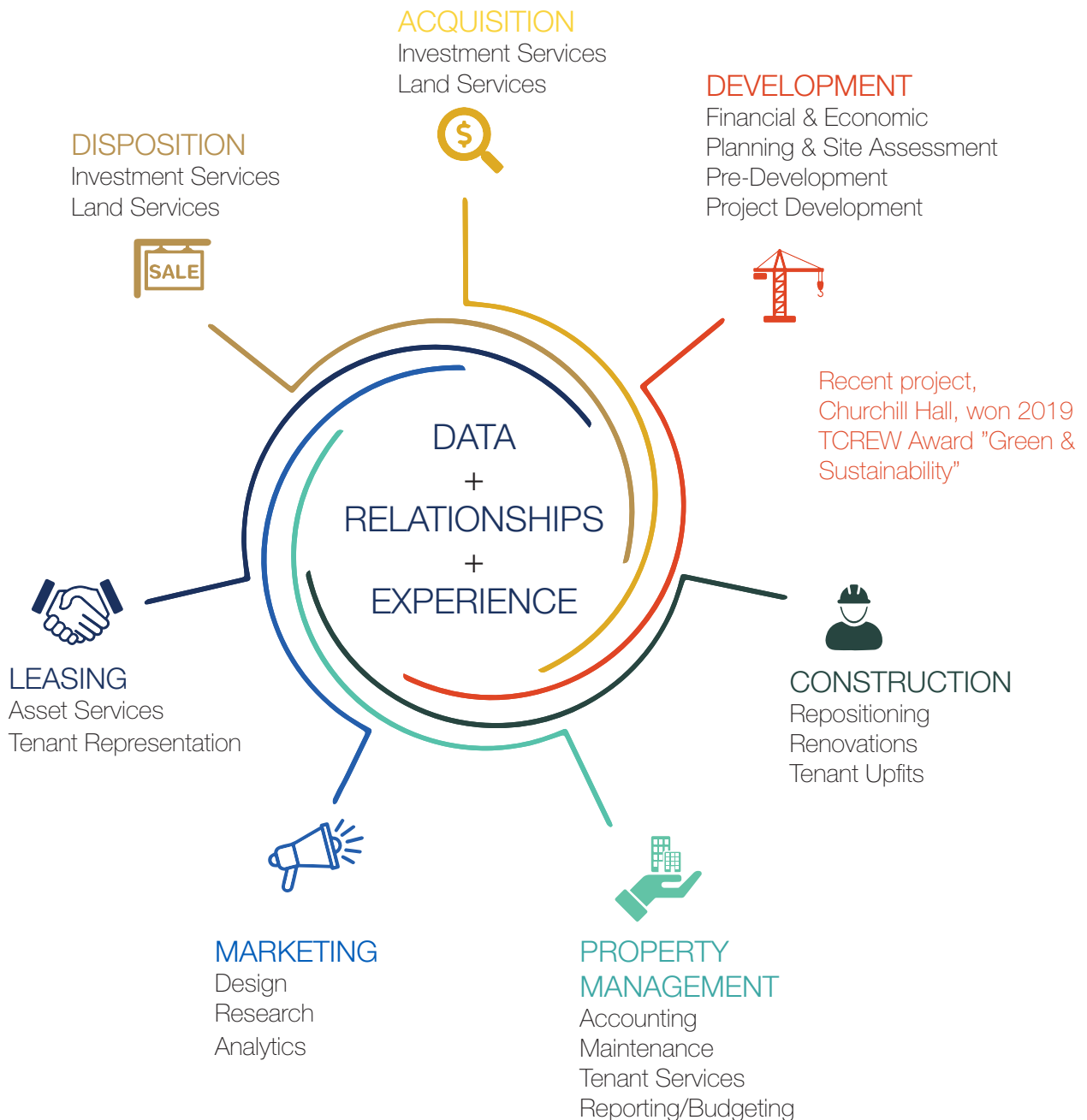
Investment activity continues to be strong. Sales volume across all property types increased in the second quarter. Heritage Square in downtown Durham was one of the largest transactions of the quarter selling at \$62,600,000. The joint venture investors are planning to transform the property into mixed-use considering Class A office, laboratory space, and residential. Another notable transaction was the sale of retail center Waverly Place in Cary for \$88,500,000 (\$446/SF) anchored by Whole Foods from Hines Global REIT I to Northwood Investors.

The Federal Reserve increased interest rates to combat inflation concern. At the time of this report the average transaction cap rate across all property types did not increase, but we anticipate the rate hikes will put upward pressure on cap rates.

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