



NAITRI PROPERTIES

2Q 2023
Triangle
Market
Report

Triangle

MARKET REVIEW

	2Q2022	2Q2023	FORECAST
OFFICE			
Overall Vacancy	12.44%	14.33%	▲
Class A Vacancy	11.80%	14.02%	▲
Class B Vacancy	14.00%	15.71%	▲
Class C Vacancy	14.77%	10.44%	▲
Net Absorption YTD	398,810	-476,709	▲
WAREHOUSE			
Overall Vacancy	3.61%	6.25%	▲
Net Absorption YTD	1,635,535	-208,373	▲
FLEX/LAB			
Overall Vacancy	7.92%	11.60%	▼
Net Absorption YTD	262,980	-214,427	▲
RETAIL			
Overall Vacancy	6.80%	6.15%	▼
Net Absorption YTD	317,549	8,649	▲

MARKET OVERVIEW

From the first quarter to the second quarter of 2023, office vacancies rose by .31% to 14.33%, warehouse vacancies rose by .33% to 6.25%, flex/lab vacancies increased by 1.2% to 11.60%, and retail vacancies increased by .18% to 6.15%.

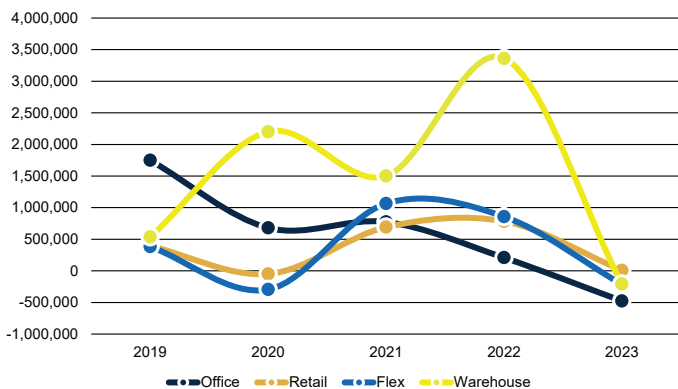
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in June was reported at 3.2%, down from 3.46% a year ago. The Triangle MSA's unemployment rate outpaces the National and State unemployment rates, at 3.6% and 3.3%, respectively.

On the development front, new projects have slowed down. Under construction totals for each property type include 1,933,482 square feet of office space, 1,879,570 square feet of warehouse, 1,634,411 square feet of flex/lab space, and 190,018 square feet of retail.

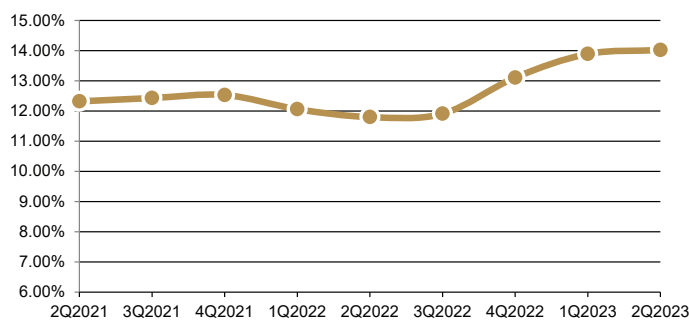
Investment sale activity decreased in the second quarter across all property types. The largest Triangle transaction of the quarter was the sale of the Implus Building at 2001 TW Alexander Drive in Durham. The 100% occupied 309,000 SF warehouse facility was purchased by LBA Realty from Broadstone Net Lease Inc for \$34,950,000 (\$113/SF).

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

ABSORPTION YTD



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

Q2 OFFICE SNAPSHOT

Total SF	60,687,153
Total SF Vacant	8,693,621
Vacancy Rate	14.33%
Net Absorption	-65,542
Avg. Asking Rent	\$28.76
Avg. Class A Asking Rent	\$33.11
SF Under Construction	1,933,482

NOTABLE MOVES AND TRANSACTIONS

- 40,076 SF** WithersRavenel and Cary Founded combined prelease at Rogers Building in the Cary submarket
- 52,000 SF** Hillrom lease at Palisades III, 1501 Nowell Rd in the West Raleigh submarket
- 20,838 SF** LS3P lease at 421 N Harrington St. in the Downtown Raleigh submarket, relocating from Truist/Two Hannover Square Tower
- 61,600 SF** BASF space moved from sublease to direct vacancy in the RTP/I-40 Corridor

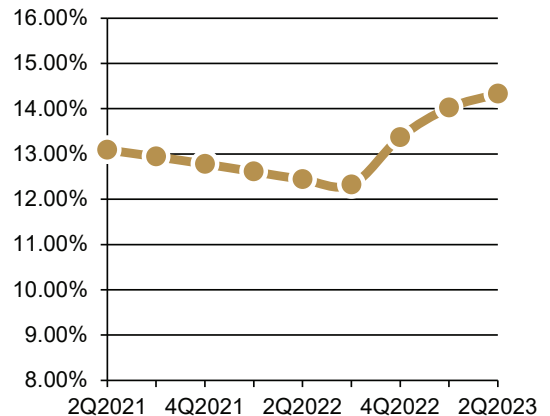
FORECAST

Triangle office vacancy rose by .31% to 14.33% in the second quarter. Negative net absorption of 65,542 square feet was reported for the quarter, with the RTP/I-40 Corridor having the largest impact reporting negative net absorption of 82,904 square feet.

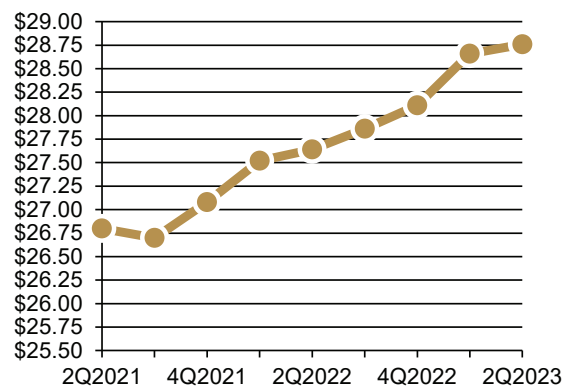
Class A vacancy remained above 10% for the tenth consecutive quarter and increased .13% to 14.02%. Sublease inventory declined this quarter to 3.9 million square feet, which is about 6% of the total office inventory in the Triangle. Over half of the total sublease space is in the RTP/I-40 Corridor submarket, the largest being ~500,000 SF from GlaxoSmithKline.

On the development front, 1,933,482 square feet of office space remains under construction. Bandwidth delivered 100% occupied and RDU Galleria delivered with 12% occupancy. (See Office Development Activity Map for notable projects).

OFFICE VACANCY



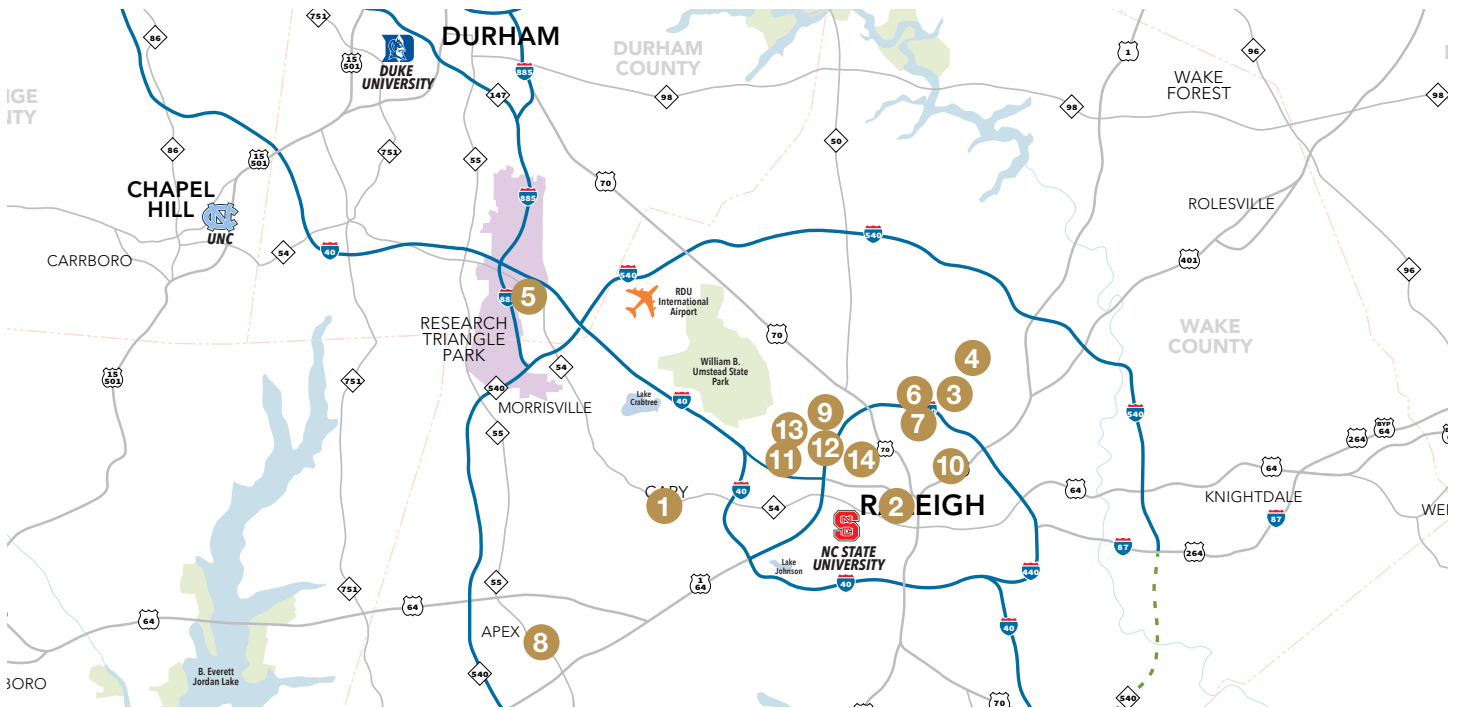
OFFICE RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,725,090	14.89%	81,664
US 70 /Glenwood	4,423,014	13.42%	-38,207
Six Forks Road	4,327,983	5.31%	-28,130
Falls of Neuse	3,018,674	10.50%	-570
US 1/Capital Blvd.	2,561,417	28.47%	-28,940
Downtown Raleigh	6,153,881	11.55%	45,881
Village District	522,414	16.96%	3,876
Eastern Wake Co.	902,430	10.12%	31,402
Southern Wake Co.	631,413	7.89%	4,368
Cary	7,687,652	15.75%	27,564
RTP/I-40 Corridor	13,425,536	14.51%	-82,904
Central Durham	5,211,732	13.47%	-78,685
North Durham	1,008,933	28.83%	0
South Durham	1,855,424	18.16%	-34,123
Orange County	2,231,560	17.64%	31,262

Office

NOTABLE DEVELOPMENT



	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Rogers Building	Cary	40,076	4Q 2023	100%	\$33.00
2	400H	Downtown Raleigh	150,000	4Q 2023	0%	\$38.50, NNN
3	1000 Social at The Exchange	Falls of Neuse	315,427	1Q 2024	46%	\$47.00
4	Quail Commons	Falls of Neuse	72,000	2Q 2023	DNR	DNR
5	Horseshoe at Hub RTP	RTP/I-40 Corridor	110,000	3Q 2023	18%	\$46.50
6	4114 Creative Offices	Six Forks Road	87,503	3Q 2023	0%	\$46.50
6	One North Hills	Six Forks Road	264,632	3Q 2023	10%	\$46.50
6	North Hills Tower 5	Six Forks Road	354,466	2Q 2024	0%	DNR
7	3700 Barrett Drive	Six Forks Road	55,000	2024	67%	\$38 NNN
8	Highline	Southern Wake	32,108	3Q 2022	93%	\$32.00
9	GlenLake III	US 70/Glenwood Ave	205,000	4Q 2023	16%	\$41.00
10	Raleigh Iron Works - Bow Truss	US-1/Capital Boulevard	69,749	3Q 2022	10%	\$45.50
10	Raleigh Iron Works	US-1/Capital Boulevard	175,832	3Q 2022	8%	DNR
10	Raleigh Iron Works - Double Gable	US-1/Capital Boulevard	111,000	3Q 2022	13%	\$46.50
11	Bandwidth Headquarters	West Raleigh	533,889	2Q 2023	100%	DNR
12	The Grove	West Raleigh	152,768	3Q2023	29%	\$35.00
13	The Macon at Edwards Mill	West Raleigh	120,694	2Q 2024	17%	\$32-\$34 NNN
14	1309 Annapolis Dr, Raleigh	West Raleigh	50,000	1Q 2023	52%	\$38.50

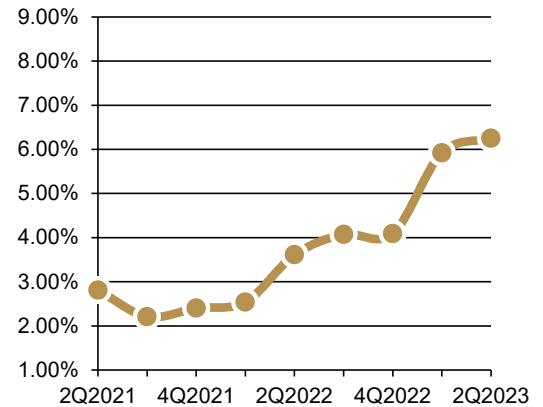
Warehouse

MARKET REVIEW

Q2 WAREHOUSE SNAPSHOT

Total SF	41,723,609
Total SF Vacant	2,608,376
Vacancy Rate	6.25%
Net Absorption	203,755
Avg. Asking Rent	\$9.18
SF Under Construction	1,879,570

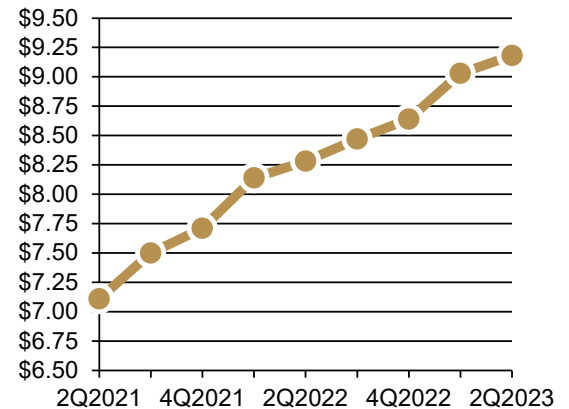
WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

- 68,000 SF** Hubbard Pipe & Supply Inc. lease at 1000 Management Way in the Eastern Wake County submarket
- 139,560 SF** Inventory Management Inc. lease at Eastgate 540 in the Eastern Wake County submarket
- 250,541 SF** Life Science Logistics lease at Durham 85 in the RTP/I-40 Corridor submarket

WAREHOUSE RENTAL RATES



FORECAST

The second quarter of 2023 reported a negligible vacancy increase of .33% to 6.25%. Net positive absorption of 203,755 square feet was reported for the quarter, with Eastern Wake County submarket reporting the most positive at 280,520 SF and Orange County the most negative at 108,372.

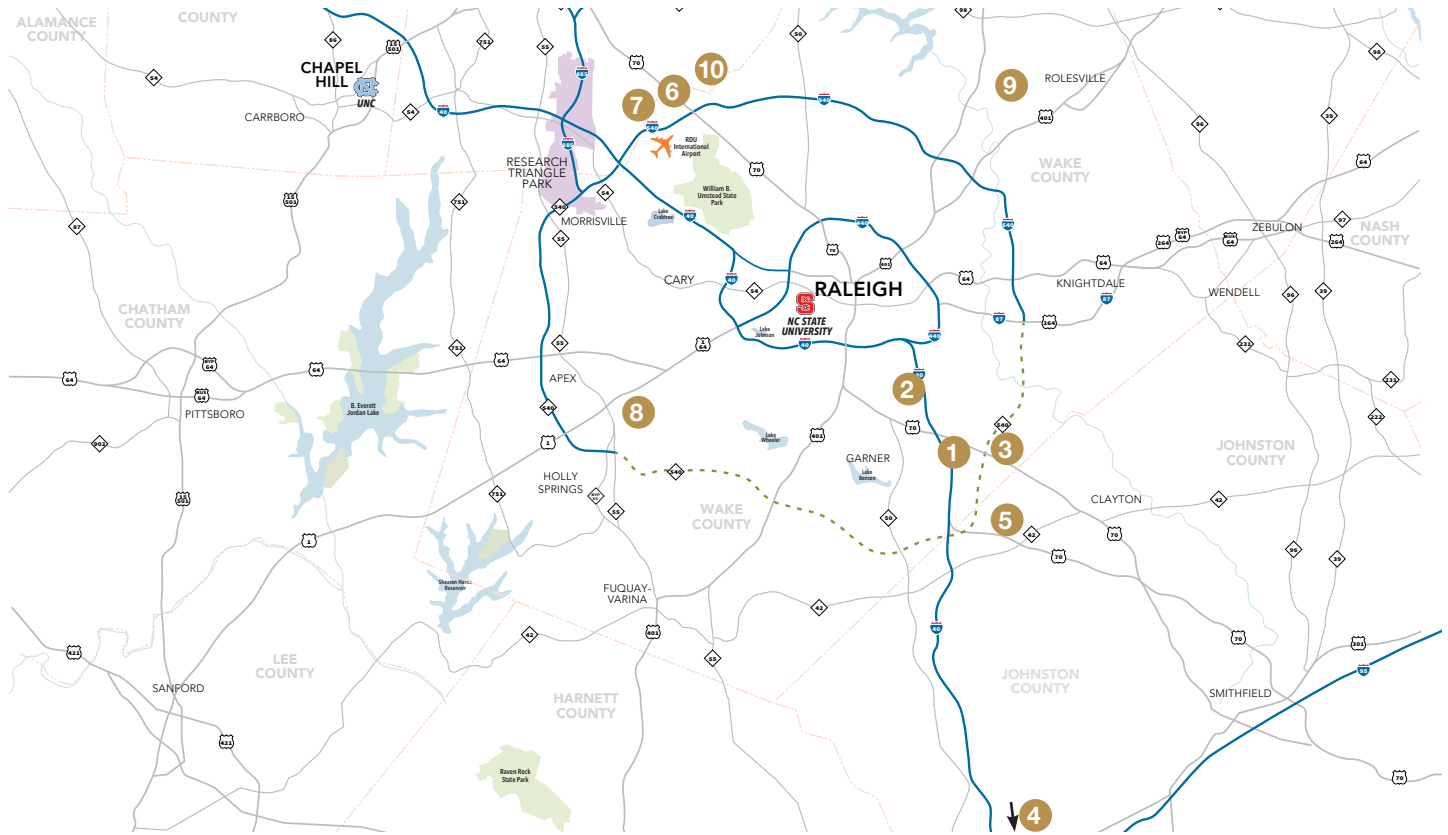
The slight vacancy increase shows the warehouse market held steady for the quarter. Six new warehouse sublease listings totaling 563,874 square feet were added in the second quarter.

On the development front, 1,879,570 square feet of warehouse space is expected to deliver in the next year. Four projects were completed adding 536,868 SF of inventory, 44% of which was preleased. If financing can be obtained for developers, the low vacancy will continue to drive new development. (See Warehouse Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	312,520	10.25%	-7,612
US 70/Glenwood Ave.	787,183	0.00%	0
Falls of Neuse Road	1,151,941	5.25%	0
US 1/Capital Blvd.	3,766,807	10.22%	-91,535
Eastern Wake Co.	13,223,680	4.26%	280,520
Southern Wake Co.	2,268,409	21.56%	62,042
RTP/I-40 Corridor	14,531,323	1.51%	54,163
Central Durham	594,434	0.00%	6,059
North Durham	1,260,474	0.00%	0
South Durham	782,925	1.40%	0
Orange County	2,454,972	34.51%	-108,372

Warehouse

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%RELEASED	RATE
1	Greenfield 27 Bldg 1	Warehouse	Eastern Wake Co	160,380	3Q 2023	0%	DNR
1	Greenfield 27 Bldg 2	Warehouse	Eastern Wake Co	57,600	3Q 2023	0%	DNR
1	Greenfield 27 Bldg 3	Warehouse	Eastern Wake Co	44,800	3Q 2023	100%	DNR
2	Beacon Commerce Center Park 3	Warehouse	Eastern Wake Co	260,954	2Q 2024	90%	DNR
3	Garner Business Park 70 Bldg 5	Warehouse	Eastern Wake Co	225,000	2Q 2024	0%	\$8.95
4	Benson Global II	Warehouse	Johnston County	270,734	1Q 2024	0%	DNR
5	Clayton Logistics Center Bldg 1	Warehouse	Johnston County	126,256	2Q 2023	65%	DNR
5	Clayton Logistics Center Bldg 2	Warehouse	Johnston County	109,412	2Q 2023	100%	DNR
6	Alexander Commerce Park Bldg 1	Warehouse	RTP/I-40 Corridor	189,072	3Q 2023	100%	\$8.75-\$9.25 NNN
6	Alexander Commerce Park Bldg 2	Warehouse	RTP/I-40 Corridor	126,000	3Q 2023	100%	\$8.75-\$9.25 NNN
6	Alexander Commerce Park Bldg 3	Warehouse	RTP/I-40 Corridor	126,000	3Q 2023	100%	\$8.75-\$9.25 NNN
7	5513 Lumley	Warehouse	RTP/I-40 Corridor	67,200	2Q 2023	63%	DNR
8	Apex Commerce Center Bldg 1	Warehouse	Southern Wake	234,000	2Q 2023	0%	DNR
9	US1 North Commerce Center Bldg 1	Warehouse	Franklin Co	169,940	1Q 2024	0%	DNR
9	US1 North Commerce Center Bldg 2	Warehouse	Franklin Co	224,490	1Q 2024	0%	DNR
10	Durham85 Bldg 3	Warehouse	North Durham	249,600	4Q 2023	100%	\$9.85 NNN

Flex/Lab

MARKET REVIEW

Q2 FLEX/LAB SNAPSHOT

Total SF	24,772,641
Total SF Vacant	2,873,950
Vacancy Rate	11.60%
Net Absorption	-202,229
Avg. Asking Rent	\$17.53
SF Under Construction	1,634,411

NOTABLE MOVES AND TRANSACTIONS

- 71,059 SF Undisclosed tenant vacated 500 EastRidge at Perimeter Park in the RTP/I-40 Corridor submarket
- 56,212 SF Undisclosed tenant vacated Southport 10 within the RTP/I-40 Corridor submarket
- 28,500 SF Undisclosed tenant lease at Alexandria Center for Life Sciences within the RTP/I-40 Corridor submarket

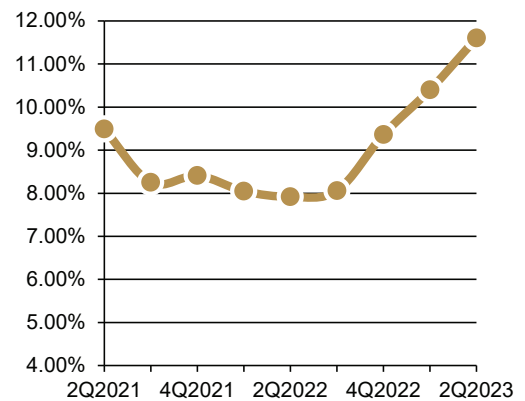
FORECAST

Triangle flex/lab vacancy increased by 1.2% to 11.60% during the second quarter of 2023. Negative net absorption of 202,229 square feet was reported for the quarter, with the RTP/I-40 Corridor having the largest impact of negative net absorption of 147,919 square feet.

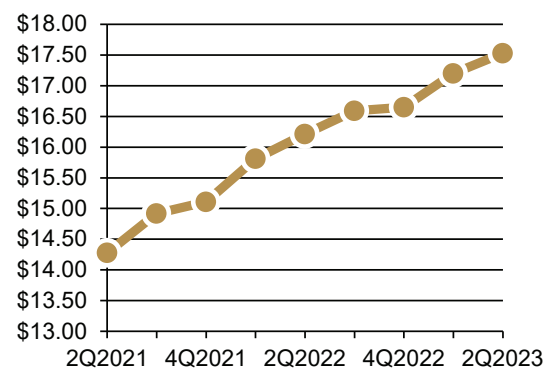
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets. Net positive absorption of 68,102 square feet was reported within the US 1/Capital Boulevard submarket for the quarter.

On the development front, 1,634,411 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).

FLEX/LAB VACANCY



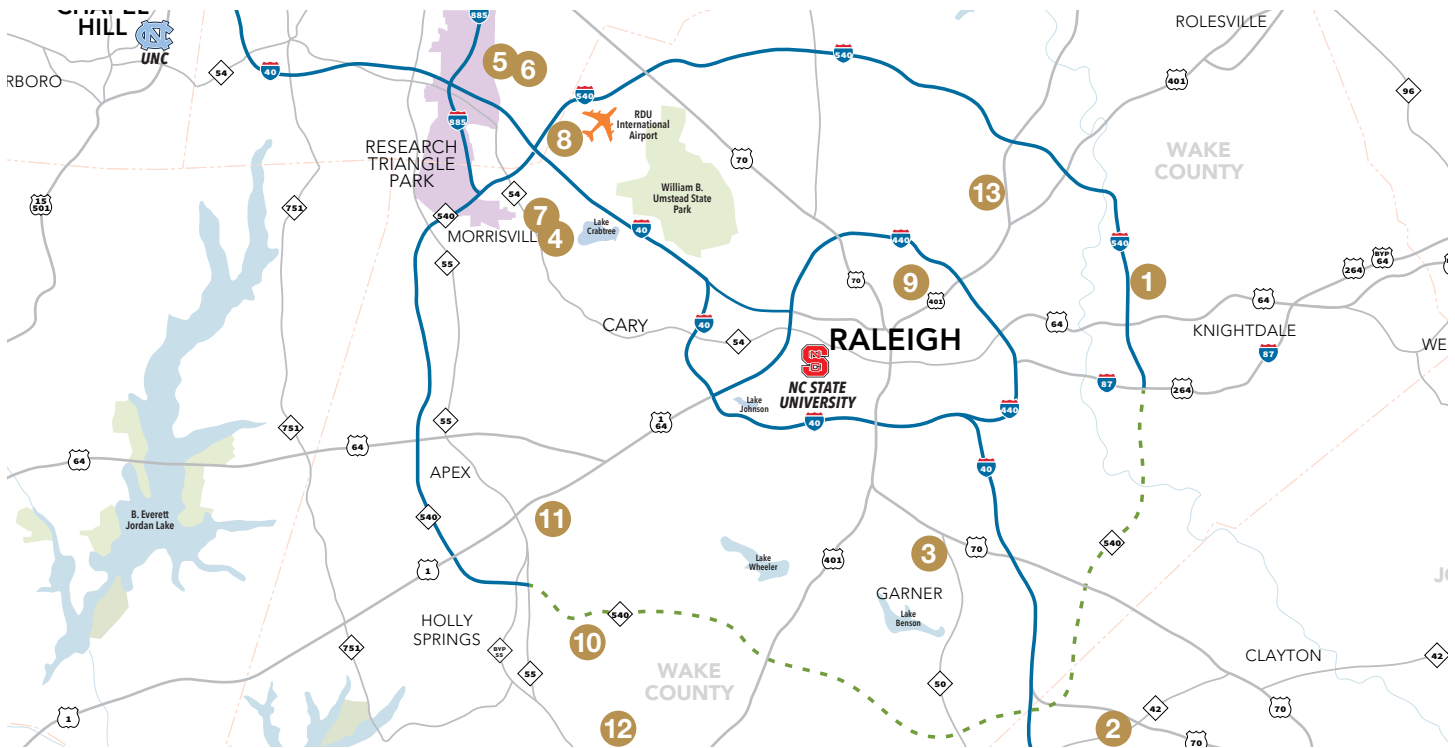
FLEX/LAB RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	693,128	6.00%	-7,699
US 70 /Glenwood	1,245,854	2.99%	-11,702
Falls of Neuse	377,272	11.25%	0
US 1/Capital Blvd.	4,538,218	5.99%	68,102
Eastern Wake Co.	2,048,596	9.71%	-18,792
Southern Wake Co.	1,650,168	34.75%	-19,900
Cary	1,290,991	23.83%	3,920
RTP/I-40 Corridor	11,596,820	10.74%	-147,919
Central Durham	95,650	35.02%	-33,500
North Durham	464,321	14.65%	-34,000
South Durham	221,398	3.92%	-739
Orange County	426,966	10.52%	0

Flex/Lab

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Merritt Midway Bus Park Bldg 1+2	Flex	Eastern Wake	156,450	4Q 2022	13%	\$15-\$19
2	42 West Business Park 2	Flex	Johnston Co	100,000	3Q 2023	0%	DNR
3	Garner Commerce Center	Flex	Johnston Co	128,000	3Q 2023	0%	DNR
4	CAMP Morrisville	Flex	RTP/I-40 Corridor	100,000	3Q 2023	0%	DNR
5	78 TW Alexander	Flex	RTP/I-40 Corridor	142,600	4Q 2022	0%	\$40
6	Alexandria Center for Advanced Technologies	Flex	RTP/I-40 Corridor	171,366	3Q 2023	0%	Negotiable
7	Spark - Biomanufacturing 1	Flex	RTP/I-40 Corridor	162,000	3Q 2023	0%	DNR
8	Pathway Triangle Bldg 1	Flex	RTP/I-40 Corridor	160,000	3Q 2023	0%	DNR
8	Pathway Triangle Bldg 2	Flex	RTP/I-40 Corridor	200,000	4Q 2023	0%	DNR
8	Pathway Triangle Bldg 3	Flex	RTP/I-40 Corridor	126,000	3Q 2023	0%	DNR
9	Midtown Bio Center	Flex	Six Forks Road	100,000	3Q 2023	100%	\$32.00 NNN
10	The Yield Holly Springs North	Flex	Southern Wake	850,000	1Q 2023	0%	DNR
10	The Yield Holly Springs Bldg H	Flex	Southern Wake	110,000	3Q 2023	0%	DNR
10	The Yield Holly Springs Bldg I	Flex	Southern Wake	110,000	4Q 2023	0%	DNR
11	Pinnacle Park	Flex	Southern Wake	18,000	3Q 2023	0%	DNR
12	80 Technology Park Lane	Flex	Southern Wake	24,960	4Q 2023	0%	DNR
13	Sumner Business Park Bldg 203	Flex	US 1/Capital Blvd	25,709	3Q 2023	91%	DNR

Retail

MARKET REVIEW

Q2 RETAIL SNAPSHOT

Total SF	47,598,573
Total SF Vacant	2,928,957
Vacancy Rate	6.15%
Net Absorption	-62,409
Avg. Asking Rent	\$24.43
SF Under Construction	190,018

NOTABLE MOVES AND TRANSACTIONS

- 19,146 SF** Surplus Freight & Furniture vacating Market of Wake Forest in the US 1/Capital Blvd submarket
- 14,386 SF** Note in the Pocket lease at 1010 Martin Luther King Jr. Parkway in the South Durham submarket
- 18,870 SF** Raleigh Oaks Charter School vacated Six Forks Station in the Six Forks Road submarket relocating to Sumner Business Park

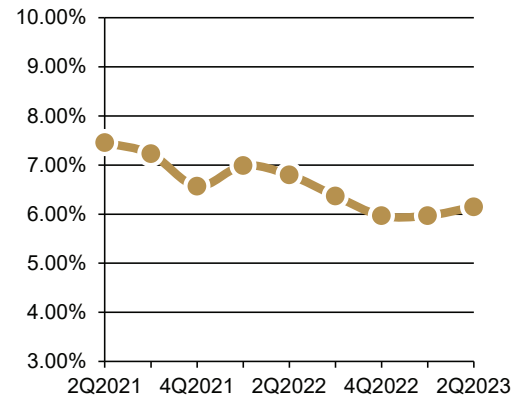
FORECAST

Triangle retail vacancy increased .18% to 6.15% in the second quarter of 2023. Net negative absorption of 62,409 square feet was reported for the quarter. The largest inventory vacancies are in Downtown Raleigh and Central Durham, reporting 19.51% and 18.23%, respectively. North Durham reported the highest positive absorption, and Six Forks Road submarket reported the most negative.

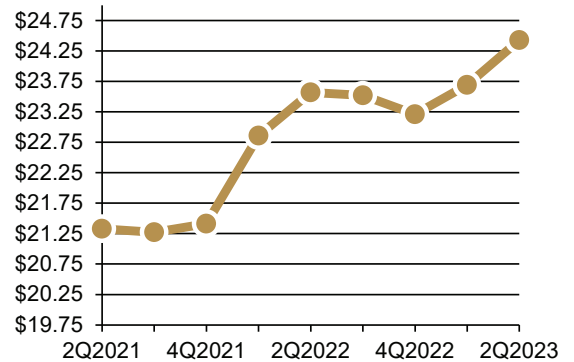
While big box stores such as Bed Bath & Beyond and Tuesday Morning continue to vacate, suburban retail leasing remains strong as the spaces have been absorbed by other retailers. Developers are seeing success in building creative mixed-use projects or repurposing existing facilities. But most new shopping centers developments are being driven by supermarkets and shadow strip centers.

On the development front, 190,018 square feet of retail is under construction. (See Retail Development Activity Map for notable projects).

RETAIL VACANCY



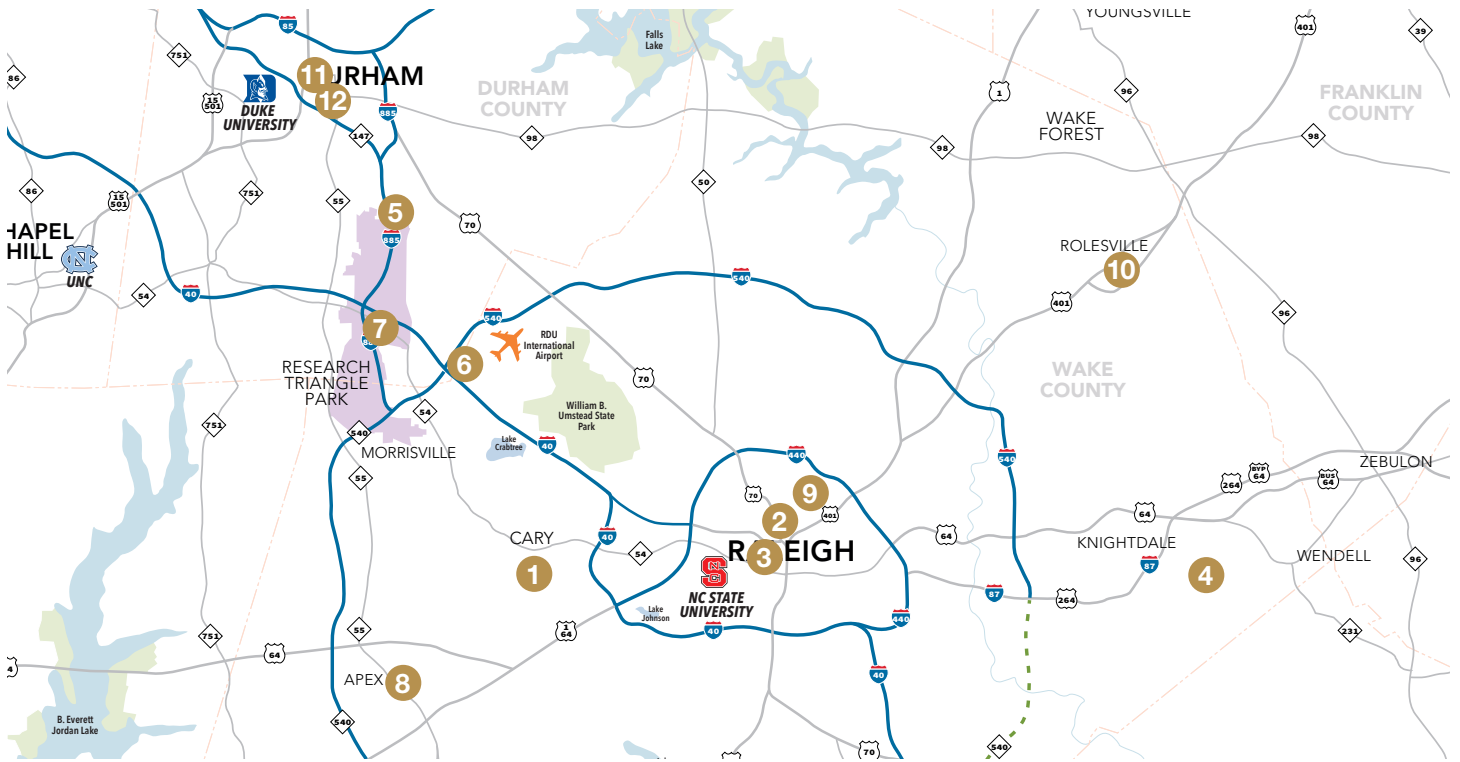
RETAIL RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	6.35%	6,012
US 70 /Glenwood	5,021,807	7.44%	6,323
Six Forks Road	2,014,323	8.53%	-28,108
Falls of Neuse	2,709,120	5.89%	4,649
US 1/Capital Blvd.	6,8696,328	6.99%	-9,449
Downtown Raleigh	870,569	19.51%	-4,991
Village District	635,120	1.27%	10,080
Eastern Wake	3,568,638	5.58%	-27,842
Southern Wake	4,348,213	1.95%	2,454
Cary	7,182,229	5.18%	-23,116
RTP/I-40 Corridor	1,147,002	3.33%	434
Central Durham	964,664	18.23%	-18,619
North Durham	3,536,899	10.48%	12,567
South Durham	5,199,437	2.57%	461
Orange County	2,7346,573	5.18%	6,736

Retail

NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE	
1	The Walker Walnut St	Cary	16,460	4Q 2022	30%	\$33
2	Seaboard Station - Block C	Downtown Raleigh	48,243	2Q 2024	0%	DNR
2	Seaboard Station - Block B	Downtown Raleigh	28,856	2Q 2023	6%	DNR
2	Seaboard Station - Block A	Downtown Raleigh	10,335	2Q 2024	0%	DNR
3	400H	Downtown Raleigh	16,000	4Q 2023	26%	DNR
4	Treelight at Wendell Falls	Eastern Wake Co.	33,053	2Q 2023	93%	DNR
5	Market at Ellis Crossing	RTP/I-40 Corridor	71,810	4Q 2023	85%	DNR
6	RDU Galleria	RTP/I-40 Corridor	11,484	2Q 2023	100%	\$33.00 FS
7	Horshoe at Hub RTP	RTP/I-40 Corridor	25,000	3Q 2023	0%	DNR
8	76 Hunter	Southern Wake	28,000	3Q 2022	69%	\$27-\$29, NNN
9	Raleigh Iron Works - Bow Truss	US 1/Capital Blvd	65,000	4Q 2022	0%	DNR
9	Raleigh Iron Works - Forge Apts.	US 1/Capital Blvd	27,555	2Q 2023	0%	DNR
10	Cobbleston Village	US 1/Capital Blvd	50,000	3Q 2023	85%	\$28.00
11	GeerHouse	Central Durham	13,220	4Q 2023	0%	TBD
12	The Novus	Central Durham	21,558	3Q 2024	0%	DNR

Investment Sales

MARKET REVIEW

NOTABLE SALE TRANSACTIONS

PROPERTY	SUBMARKET	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
3515 Glenwood Avenue	Raleigh	72,963 SF	\$24,310,000 / \$333/SF	CGN Global / Bank of North Carolina (Pinnacle Financial Partners)
Duke Health - 4709 Creekstone Drive	Durham	56,604 SF	\$20,706,667 / \$366/SF	Fidelity Investments / Highwoods Properties
North Park 5000	Raleigh	74,753 SF	\$11,000,000 / \$147/SF	Duy Khong Ong / Highwoods Properties
200 West Morgan Street	Raleigh - CBD	19,710 SF	\$9,100,000 / \$462/SF	DRW Trading / Diocesan House Foundation-Episcopal Diocese of NC
Implus Building - 2001 TW Alexander Drive	Durham	309,000 SF	\$34,950,000 / \$113/SF	LBA Realty / Broadstone Net Lease Inc
205-207 Brickett Blvd	Raleigh	12,096 SF	\$4,060,000 / \$336/SF	David C Meeker / Kennedy Kenneth D Jr & Sara L R
Med Express Repairs - 4620 Industry Lane	Durham	13,900 SF	\$2,500,000 / \$180/SF	Rasidul Amin / Cimarron Holdings LLC
Preston Corners Shopping Center - 940 High House Road	Raleigh	42,775 SF	\$13,200,000 / \$309/SF	NorthPond Partners / Sun Life Financial
Churton Grove Center - 101 N Scottswood Blvd	Chapel Hill/ Orange Co	64,136 SF	\$8,300,000 / \$129/SF	Ted M Vick / John P Graham, Dennis A Howell, Dennis H Howell

FORECAST

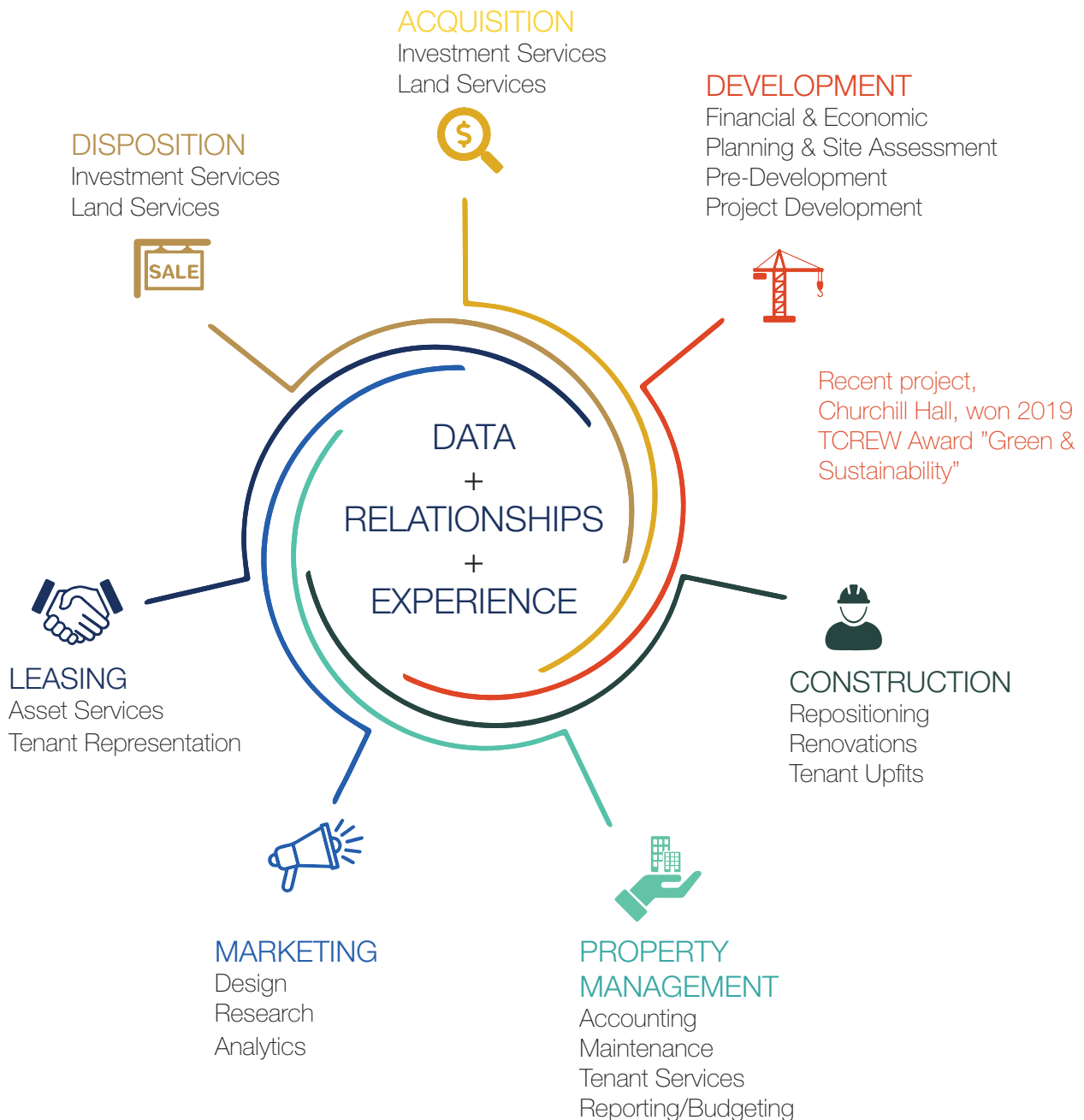
Triangle investment sale activity decreased drastically from the first quarter across all property types, as sale transactions shrunk by about 70%.

The largest Triangle transaction of the quarter was the sale of the Implus Building at 2001 TW Alexander Drive in Durham. The 100% occupied 309,000 SF warehouse facility was purchased by LBA Realty from Broadstone Net Lease Inc for \$34,950,000 (\$113/SF). The largest office purchase was 3515 Glenwood Avenue in Raleigh, a 72,963 square foot 3-story Class A office building that sold for \$24.31 million (\$333/SF). CGN Global purchased the building from Pinnacle Financial Partners.

The decline in sales transactions can largely be attributed to the Federal Reserve increasing 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; we expect low investment sales volume to continue.

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