

TRI PROPERTIES

3Q 2022
Triangle
Market
Report

NAI TRI PROPERTIES

Triangle

MARKET REVIEW

	3Q2021	3Q2022	FORECAST
OFFICE			
Overall Vacancy	12.94%	12.32%	▼
Class A Vacancy	12.43%	11.91%	▼
Class B Vacancy	13.91%	13.28%	▼
Class C Vacancy	16.32%	13.74%	▼
Net Absorption YTD	45,879	644,224	▲
WAREHOUSE			
Overall Vacancy	2.21%	4.07%	▲
Net Absorption YTD	1,343,505	2,519,154	▲
FLEX/LAB			
Overall Vacancy	8.25%	8.06%	▼
Net Absorption YTD	813,632	625,273	▲
RETAIL			
Overall Vacancy	7.23%	6.37%	▼
Net Absorption YTD	234,005	522,835	▲

MARKET OVERVIEW

Office vacancy fell by .12% to 12.32%, warehouse vacancy rose by .46% to 4.07%, flex/lab vacancy increased by .14% to 8.06%, and retail vacancy fell by .43% to 6.37%.

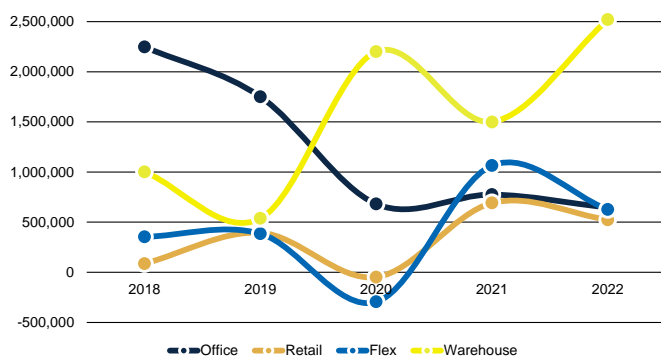
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill and surrounding counties, the unemployment rate in June was reported at 2.78% which is down .62% from the previous year. The Triangle MSA's unemployment rate outpaces the National unemployment rate of 3.5% and State unemployment rate of 3.6%.

On the office development front, 1,651,733 square feet of office space currently remains under construction. On the industrial development front, 2,534,916 square feet of warehouse and 1,050,128 square feet of flex/lab space remains under construction. Additionally, 212,426 square feet of retail development remains under construction.

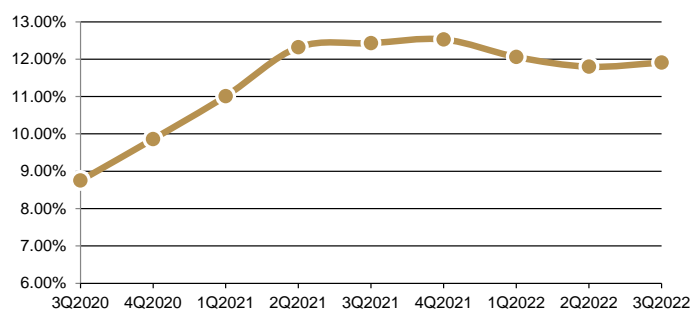
Investment activity remained level. Park Point at Research Triangle Park was one of the largest transactions of the quarter, selling at \$380,000,000 (\$573.00/SF). The 650,000 SF life science property has been purchased by CBRE Capital Partners for renovation. Its prior sale in July 2019 was \$37,000,000.

The Federal Reserve increased interest rates to combat inflation concerns. 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.

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	59,874,431
Total SF Vacant	7,374,063
Vacancy Rate	12.32%
Net Absorption	245,414
Avg. Asking Rent	\$27.86
Avg. Class A Asking Rent	\$33.04
SF Under Construction	1,651,733

NOTABLE MOVES AND TRANSACTIONS

- 26,328 SF** K&L Gates law firm lease at 301 Hillsborough St in the Downtown Raleigh submarket
- 18,000 SF** Data 443 Risk Mitigation lease at 4000 Park Drive in the RTP/I-40 Corridor submarket
- 32,887 SF** Campo lease at One Fenton Main in the Cary submarket

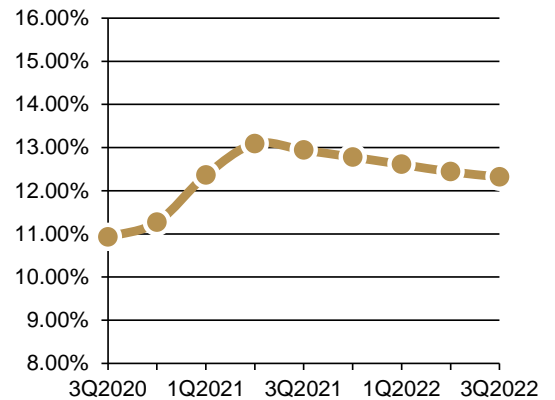
FORECAST

Triangle office vacancy fell by .12% to 12.32% in the third quarter. Net positive absorption of 245,414 square feet was reported for the quarter, the bulk of positive activity coming from RTP/I-40 Corridor and Downtown Raleigh at 123,032 and 68,396 square feet, respectively.

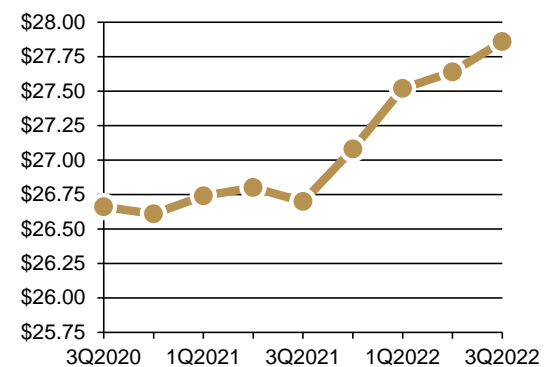
Class A vacancy remained above 10% for the seventh consecutive quarter and increased .11% to 11.91%. Class B vacancy remains higher but declined slightly by .72% to 13.28%. Subleases have increased and are close to 3 million square feet, which is about 5% of the total office inventory in the Triangle.

On the development front, 1,651,733 square feet of office space remains under construction. Raleigh at Iron Works delivered in Downtown Raleigh. (See Office Development Activity Map for notable projects).

OFFICE VACANCY



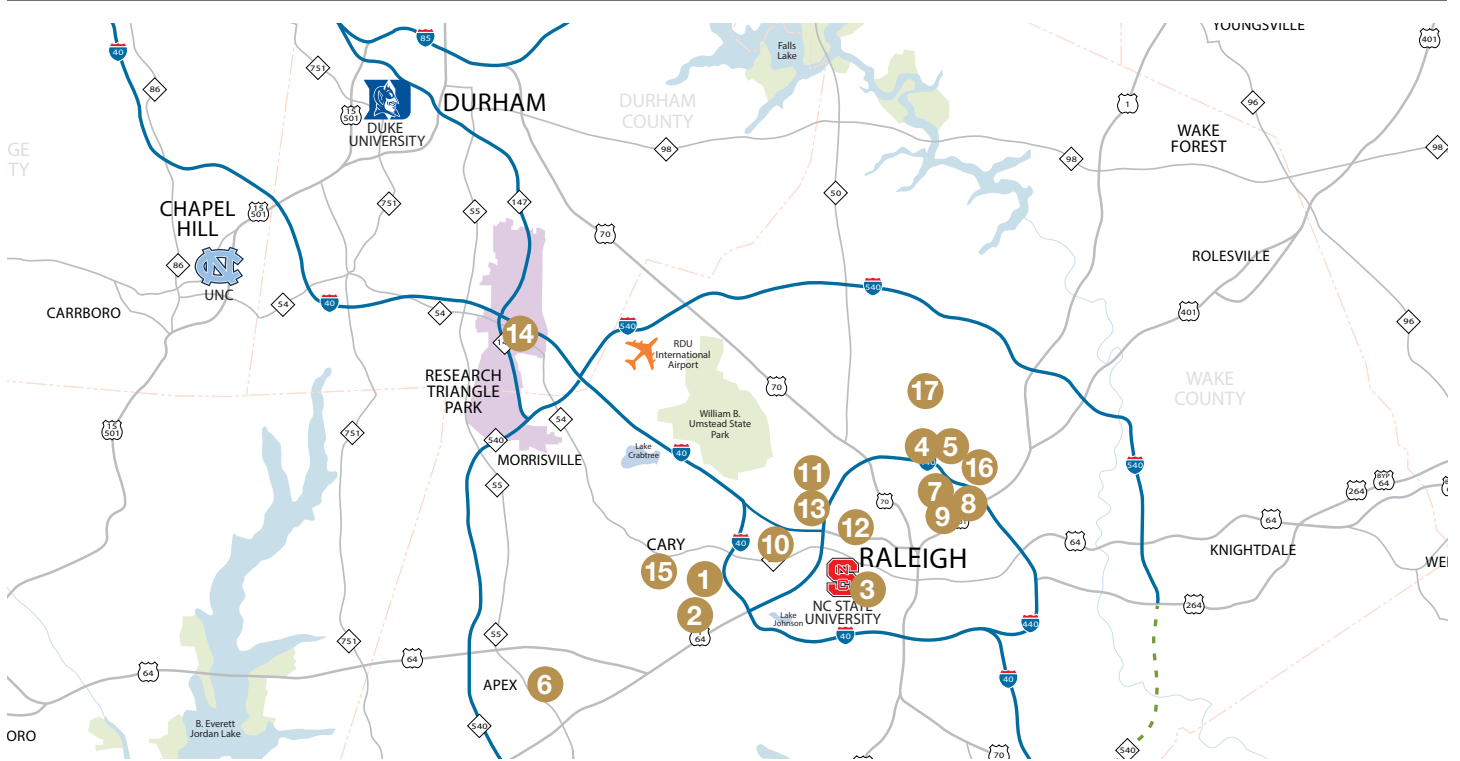
OFFICE RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,650,940	13.45%	-68,452
US 70 /Glenwood	4,455,870	12.02%	-28,549
Six Forks Road	4,342,484	4.86%	11,682
Falls of Neuse	3,000,832	9.33%	22,871
US 1/Capital Blvd.	2,387,028	13.20%	29,556
Downtown Raleigh	6,147,172	12.43%	68,396
Cary	7,528,621	13.46%	7,375
RTP/I-40 Corridor	13,095,573	11.07%	123,032
Central Durham	5,198,072	11.38%	28,521
South Durham	1,889,910	16.55%	30,004
Orange County	2,227,435	19.61%	-16,893

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%	\$32 NNN +\$11 OPEX
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	5%	\$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%	\$35.00
14	Hub RTP Horseshoe Building	RTP/I-40 Corridor	100,000	3Q 2023	14%	\$41.50
15	Rogers Building	Cary	40,746	2Q 2023	100%	\$33.00
16	1000 Social at The Exchange	Falls of Neuse	353,500	4Q 2023	6%	DNR
17	Quail Commons	Falls of Neuse	72,000	1Q 2023	0%	DNR

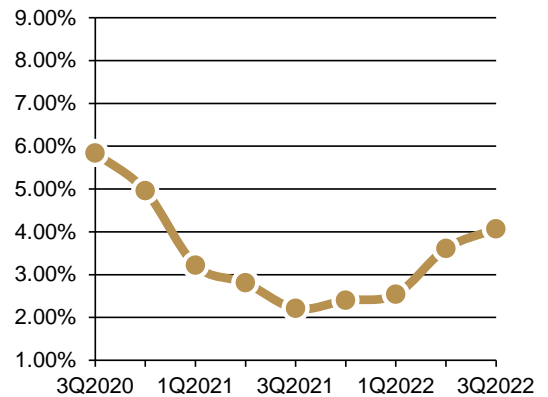
Warehouse

MARKET REVIEW

WAREHOUSE SNAPSHOT

Total SF	39,854,622
Total SF Vacant	1,620,666
Vacancy Rate	4.07%
Net Absorption	883,619
Avg. Asking Rent	\$8.47
SF Under Construction	2,534,916

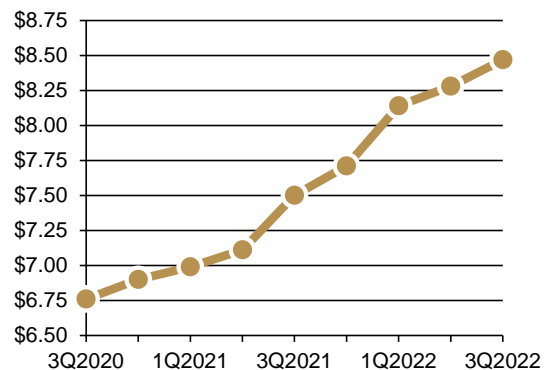
WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

- 375,000 SF** Thermo Fisher Scientific lease at Buckhorn I Industrial Park in the Orange County submarket
- 200,055 SF** Amazon lease at Patriot Park 5 in the RTP/I-40 Corridor submarket
- 133,000 SF** Southern Industrial Constructors lease at 601 Irving Parkway in the Southern Wake submarket

WAREHOUSE RENTAL RATES



FORECAST

The third quarter of 2022 reported a vacancy increase of .46% to 4.07%. Demand remained strong, totaling a positive net absorption of 883,619 SF, primarily impacted by 368,000 SF positive absorption in Orange County and 258,212 SF positive absorption in RTP/I-40 Corridor.

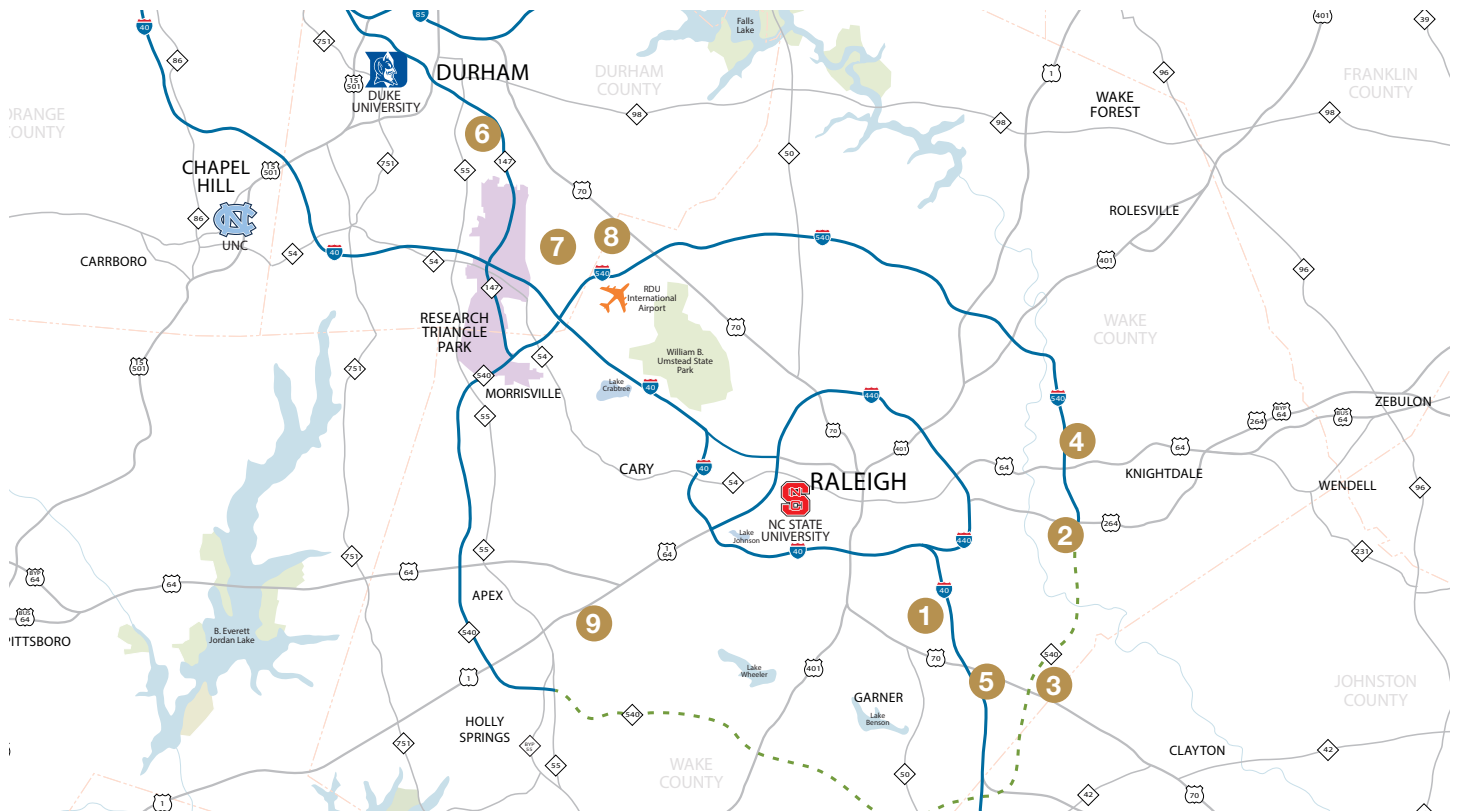
The vacancy increase was due to new inventory. A notable add was the delivery of Eastgate 540 Building 7 in the Eastern Wake submarket adding 204,220 square feet to the market, of which 32 percent was preleased.

On the development front, 2.5 million square feet of warehouse space is expected to deliver by early 2023. 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	5.41%	608
US 70/Glenwood Ave.	787,183	1.77%	-13,900
Falls of Neuse Road	1,152,753	0.87%	4,829
US 1/Capital Blvd.	3,721,501	3.20%	11,075
Eastern Wake Co.	12,223,203	4.66%	92,846
Southern Wake Co.	1,894,116	16.46%	132,949
RTP/I-40 Corridor	14,094,058	0.03%	258,212
Central Durham	594,434	0.00%	0
North Durham	1,251,024	5.71%	0
South Durham	782,925	1.40%	29,000
Orange County	2,451,964	18.86%	368,000

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%	\$7.95 NNN
2	Eastgate 540 - Building 7	Warehouse	Eastern Wake County	204,220	3Q 2022	0%	\$8.25 NNN
3	Garner Business Park 70, Bld 4	Warehouse	Eastern Wake County	240,010	4Q 2022	100%	\$7.95 NNN
4	Hinton Oaks Industrial Park 5	Warehouse	Eastern Wake County	250,000	4Q 2022	100%	\$7.50 NNN
5	Greenfield 27	Warehouse	Eastern Wake County	160,380	4Q 2022	0%	DNR
6	147 Exchange	Warehouse	RTP/I-40 Corridor	274,370	4Q 2022	0%	DNR
7	Alexander Commerce Park-Bld 1	Warehouse	RTP/I-40 Corridor	189,072	1Q 2023	100%	\$8.50 NNN
7	Alexander Commerce Park-Bld 2	Warehouse	RTP/I-40 Corridor	126,000	1Q 2023	100%	\$8.50 NNN
7	Alexander Commerce Park-Bld 3	Warehouse	RTP/I-40 Corridor	126,000	1Q 2023	100%	\$8.50 NNN
8	5513 Lumley	Warehouse	RTP/I-40 Corridor	67,200	2Q 2023	63%	\$14.00 NNN
9	Apex Commerce Center Building 1	Warehouse	Southern Wake	234,000	4Q 2022	100%	\$8.50 NNN

Flex/Lab

MARKET REVIEW

FLEX/LAB SNAPSHOT

Total SF	23,528,711
Total SF Vacant	1,895,550
Vacancy Rate	8.06%
Net Absorption	362,293
Avg. Asking Rent	\$16.59
SF Under Construction	1,050,128

NOTABLE MOVES AND TRANSACTIONS

- 100,000 SF** Targan prelease Midtown Biocenter at 350 Six Forks Road within the Six Forks submarket
- 56,000 SF** Undisclosed lease at Regional Commerce Center within the RTP/I-40 Corridor submarket
- 82,000 SF** Undisclosed lease at 407 Davis Drive within the RTP/I-40 Corridor submarket

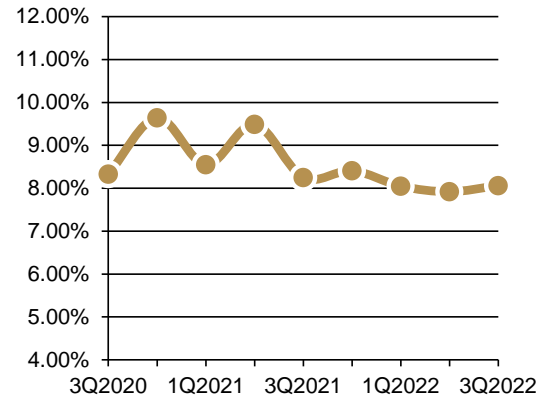
FORECAST

Triangle flex/lab vacancy increased by .14% to 8.06% during the third quarter of 2022. Demand remained strong, with the quarter totaling net positive absorption of 362,293 square feet. It is worth noting there is more than 1.3 million square feet of sublease space on the market, about 1 million of which is in RTP for 3 companies, IBM, GSK and Labcorp.

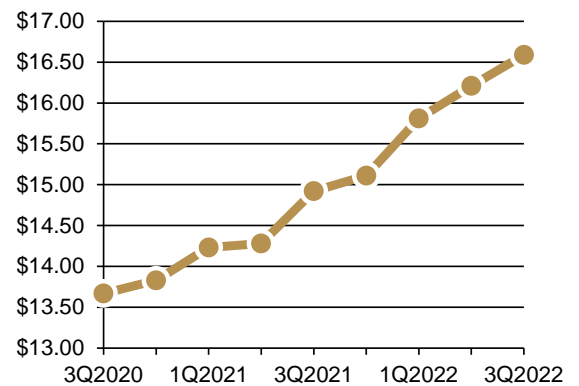
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets. Net positive absorption of 354,867 square was reported within the RTP/I-40 Corridor submarket and US 1/Capital Boulevard submarket experienced 66,990 square feet of net positive absorption for the quarter.

On the development front, 1,050,128 square feet of flex and lab space is under construction. The single-digit vacancy rate for flex/lab products will continue to make development projects viable. (See Industrial Development Activity map for projects currently under construction).

FLEX/LAB VACANCY



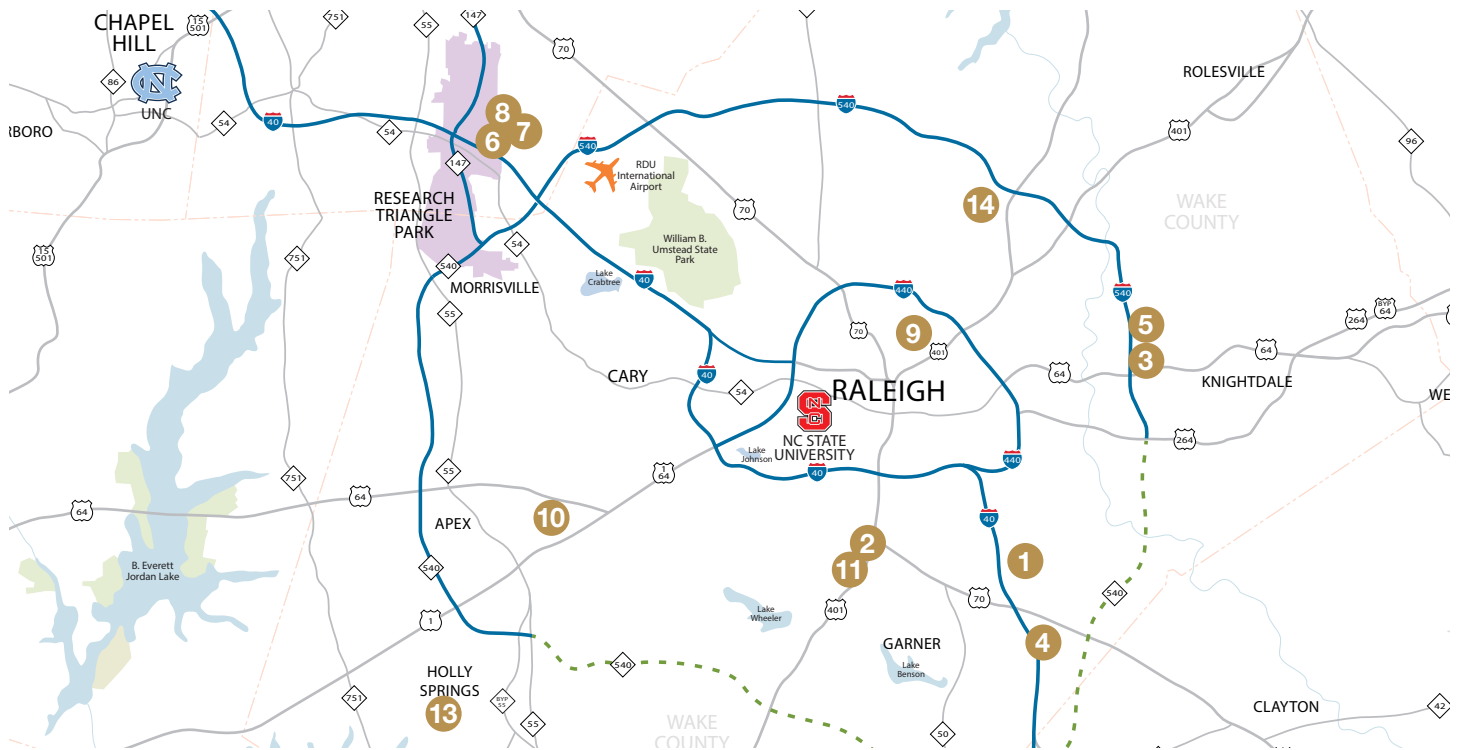
FLEX/LAB RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	693,128	9.27%	-55,411
US 70 /Glenwood	1,245,774	0.14%	10,419
Falls of Neuse	377,272	8.98%	0
US 1/Capital Blvd.	4,667,580	8.30%	66,990
Cary	1,240,286	23.27%	-4,000
RTP/I-40 Corridor	11,076,535	6.84%	354,867
Central Durham	62,150	0.00%	0
North Durham	504,861	8.03%	0
South Durham	189,798	13.16%	-17,214
Eastern Wake Co.	1,691,777	3.33%	0
Southern Wake Co.	1,258,325	14.72%	10,419
Orange County	383,916	10.68%	0

Flex/Lab

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	3807 Centurion Dr	Flex	Eastern Wake	12,000	3Q 2022	100%	\$13.50 NNN
2	Lincoln Park South 109	Flex	Eastern Wake	32,268	1Q 2023	0%	DNR
3	Merritt Midway Bus Park Bldg. 3	Flex	Eastern Wake	55,000	3Q 2022	30%	DNR
4	Greenfield Bus. Park, 3300 Waterfield Dr	Flex	Eastern Wake	58,000	3Q 2022	100%	DNR
5	Merritt Midway Bus Park Bldg. 1+2	Flex	Eastern Wake	156,450	4Q 2022	0%	DNR
6	Beam Therapeutics	Flex	RTP/I-40 Corridor	100,000	3Q 2022	100%	DNR
7	78 TW Alexander	Flex	RTP/I-40 Corridor	142,600	4Q 2022	0%	DNR
8	Alexandria Center for Advanced Technologies	Flex	RTP/I-40 Corridor	180,000	3Q 2023	0%	DNR
9	Midtown Bio Center	Flex	Six Forks Road	100,000	4Q 2022	100%	\$32.00 NNN
10	3050 Luftkin Road	Flex	Southern Wake	14,976	4Q 2022	0%	\$14.75 NNN
11	INQ 4300	Flex	Southern Wake	180,072	2023	0%	DNR
12	Sumner Business Park, Bldg 203	Flex	US 1/Capital Boulevard	25,709	2Q 2023	0%	DNR

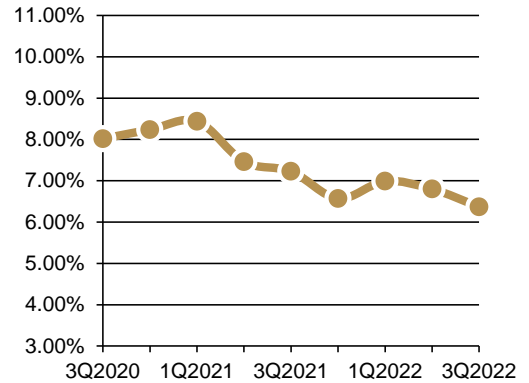
Retail

MARKET REVIEW

RETAIL SNAPSHOT

Total SF	47,093,036
Total SF Vacant	2,998,697
Vacancy Rate	6.37%
Net Absorption	205,286
Avg. Asking Rent	\$23.52
SF Under Construction	212,426

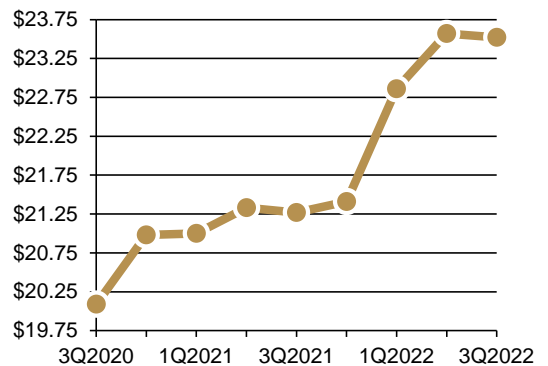
RETAIL VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 30,000 SF** Havertys lease at Renaissance Village in the South Durham submarket
- 11,000 SF** Big Blue Swim School lease at Beaver Creek Commons in Southern Wake submarket
- Fenton in Cary submarket gained several new tenants including Warby Parker, Fahery, Bluemercury

RETAIL RENTAL RATES



FORECAST

Triangle retail vacancy fell by .43% to 6.37% in the third quarter of 2022. Net positive absorption of 205,286 square feet was reported for the quarter contributing to total net positive absorption of 522,835 square feet for 2022. The Fenton in Cary, which delivered last quarter at 92% leased, continued to add tenants including Warby Parker, Fahery, and Bluemercury.

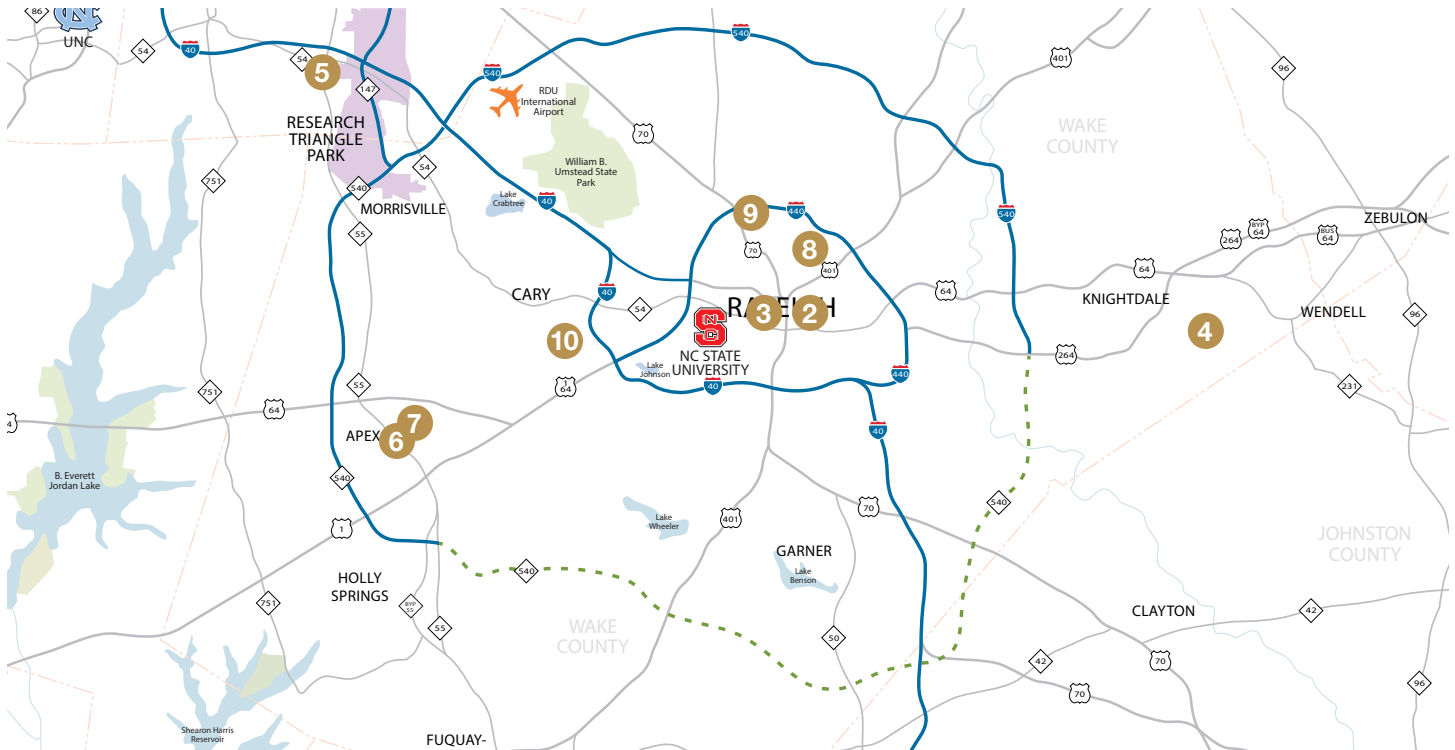
While some large big bog vacancies still remain in the Triangle, developers are seeing success in building creative mixed-use projects and repurposing. For example, Raleigh Iron Works in downtown Raleigh is a redevelopment of a former steel mill and warehouse into a mixed-use office and retail space.

On the development front of projects over 10,000 square feet, only 7 are currently under construction, and all of them are under 65,000 square feet. The Raleigh Iron Works – Bow Truss is expected to deliver by end of 2022. (See Retail Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	6.44%	-2,468
US 70 /Glenwood	5,021,807	8.34%	-14,881
Six Forks Road	2,014,323	5.02%	11,958
Falls of Neuse	2,511,597	6.33%	19,563
US 1/Capital Blvd.	6,651,906	8.28%	7,540
Downtown Raleigh	870,985	18.08%	7,740
Village District	635,120	1.70%	0
Eastern Wake	3,549,126	3.48%	47,070
Southern Wake	4,263,055	1.76%	55,949
Cary	7,193,421	5.20%	16,034
RTP/I-40 Corridor	1,074,324	3.99%	-7,070
Central Durham	931,415	17.73%	10,726
North Durham	3,535,699	11.58%	-8,105
South Durham	5,153,914	3.69%	82,361
Orange County	2,728,693	5.81%	-21,131

Retail

NOTABLE DEVELOPMENT



	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	The Walker Walnut St		16,460	4Q 2022	30%	\$33
2	Seaboard Station		48,243	2Q 2024	0%	DNR
2	Seaboard Station	Downtown Raleigh	28,856	4Q 2022	0%	DNR
2	Seaboard Station - Block A	Downtown Raleigh	10,335	2Q 2024	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%	\$30
7	76 Hunter	Southern Wake	28,000	3Q 2022	69%	\$27-\$29, NNN
8	Raleigh Iron Works - Bow Truss	US 1/Capital Blvd	65,000	4Q 2022	0%	DNR
8	Raleigh Iron Works - Forge Apts.	US 1/Capital Blvd	27,532	1Q 2023	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
Park Point at Research Triangle Park (Office)	Research Triangle	662,607 SF	\$380,000,000 / \$573/SF	CBRE Captial Partners / Starwood Property Trust, Trinity Capital, Vanderbilt Partners
Pergo Distribution (Industrial)	Southeast Wake County	17,230 SF	\$19,500,000 / \$1111/SF	Caribou 7267 Schantz Road LLC / EQT Exeter
Wakeforest Crossing I & II (Retail)	Route 1	203,006 SF	\$40,900,000 / \$202/SF	Hadmad Yezen / Acadia Realty
Perimeter Six (Office)	RTP/RDU	199,800 SF	\$66,000,000 / \$330/SF	Menlo Equities / Starwood Capital, Trinity Capital
Triangle Biotechnology Center (Industrial)	Downtown Durham	18,491 SF	\$9,500,000 / \$512/SF	Tribek Properties / Arcos Properties
4000 Paramount Parkway (Office)	RTP/RDU	95,034 SF	\$29,200,000 / \$307/SF	Zurich Financial / Starwood Capital
Bradford Shops (Retail)	Cary	76,000 SF	\$42,200,000 / \$555/SF	National RE Mangement / Northwood Ravin
Mims Distributing Company (Industrial)	Glenwood/ Creedmoor	87,934 SF	\$25,500,000 / \$290/SF	Abor RDU Ebenezer CH Road A LLC / David Long

FORECAST

Investment sale activity remained strong for all property types as the number of sale transactions from the second quarter to the third quarter remained level. Park Point at Research Triangle Park was one of the largest transactions of the quarter, selling at \$380,000,000 (\$573.00/SF). The 650,000 SF life science property has been purchased by CBRE Capital Partners for renovation. Its prior sale in July 2019 was \$37,000,000. The former Nortel building sat vacant for about a decade deteriorating, and the 100 acre campus was completely transformed with developers investing about \$120 million into the project.

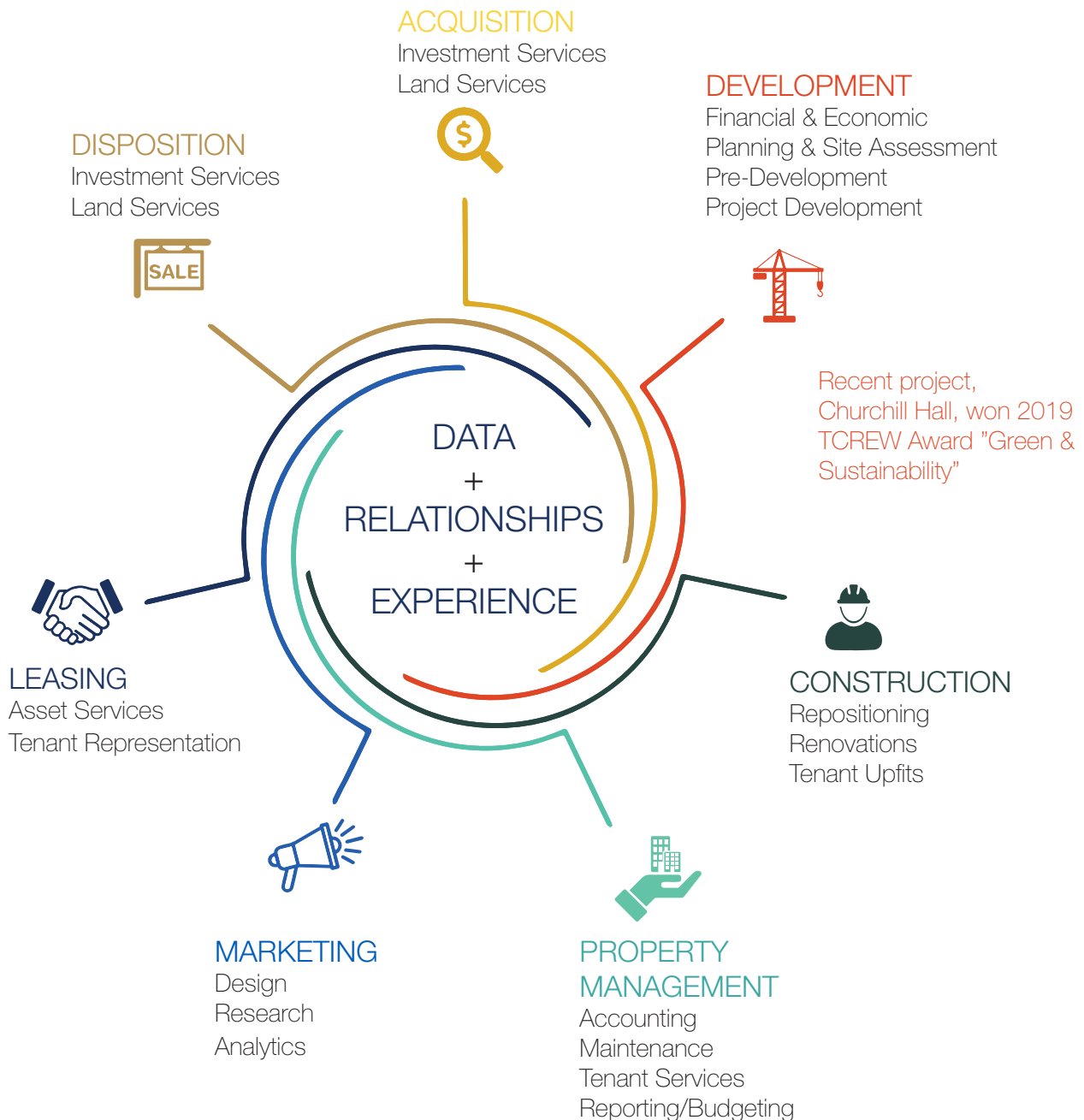
Another notable transaction was the sale of Perimeter Six, a 250,000 SF office building in RTP/RDU for \$66,000,000 (\$330/SF) from Starwood Capital and Trinity Capital to Menlo Equities.

The Federal Reserve increased interest rates to combat inflation concerns. 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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