NAI Tri Properties

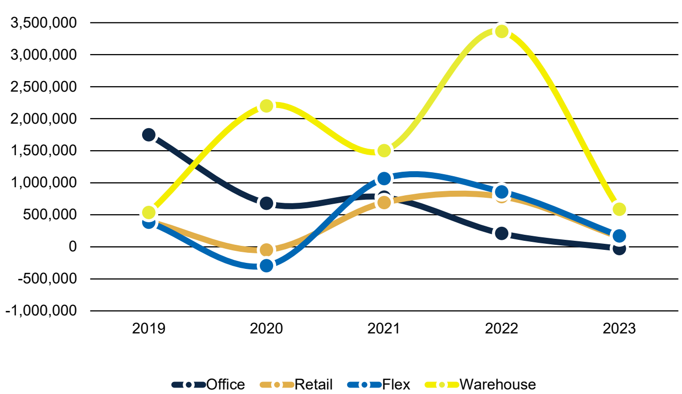
3Q 2023

Triangle Market Report

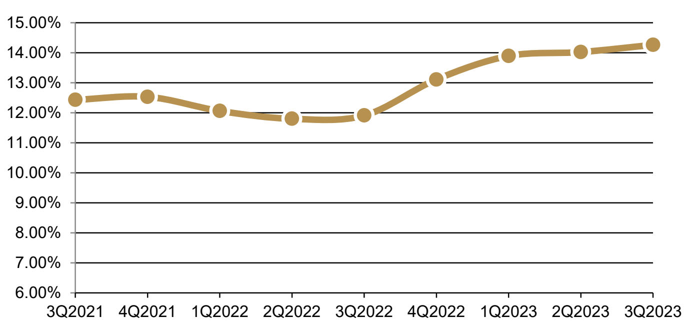
Triangle
MARKET REVIEW

Past 12 Mo. Change	3Q2022	3Q2023	FORECAST
OFFICE			
Overall Vacancy	12.32%	14.47%	▲
Class A Vacancy	11.91%	14.26%	▲
Class B Vacancy	13.28%	15.64%	▲
Class C Vacancy	13.74%	10.16%	▲
Net Absorption YTD	644,224	-25,916	▲
WAREHOUSE			
Overall Vacancy	4.07%	5.76%	▲
Net Absorption YTD	2,519,154	588,001	▲
FLEX/LAB			
Overall Vacancy	8.06%	11.47%	▼
Net Absorption YTD	625,273	170,134	▲
RETAIL			
Overall Vacancy	6.37%	6.04%	▼
Net Absorption YTD	522,835	152,325	▲

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.

MARKET OVERVIEW

From the second quarter to the third quarter of 2023, office vacancies rose by .14% to 14.47%, warehouse vacancies decreased by .49% to 5.76%, flex/lab vacancies decreased by .13% to 11.47%, and retail vacancies decreased by .11% to 6.04%.

Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in September was reported at 3.2%, up from 3.00% a year ago. The Triangle MSA's unemployment rate outpaces the National and State unemployment rates, at 3.8% and 3.4%, respectively.

On the development front, new projects have slowed down. Under construction totals for each property type include 1,829,394 square feet of office space, 2,485,749 square feet of warehouse, 1,471,963 square feet of flex/lab space, and 264,951 square feet of retail.

Investment sale activity decreased in the third quarter across all property types. The largest Triangle sale transaction of the quarter was 227 Fayetteville Street in Downtown Raleigh, a 101,466 square foot Class A office building that was deeded back to the lender, PNL Companies, from LRC Properties for $14,000,000 ($138/SF). LRC reported it did not default, but was unable to refinance with the existing lender.

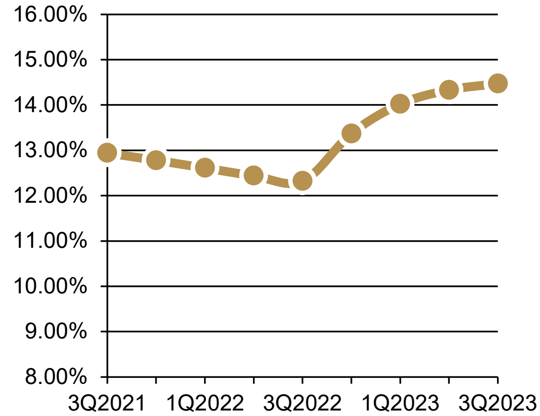
As the Federal Reserve continues to increase interest rates to combat inflation concerns, and lending tightens, we anticipate low sales transaction volumes and increased cap rates across all property types.

Office

MARKET REVIEW

Q3 OFFICE SNAPSHOT	
Total SF	61,132,278
Total SF Vacant	8,847,108
Vacancy Rate	14.47%
Net Absorption	450,793
Avg. Asking Rent	$28.73
Avg. Class A Asking Rent	$33.15
SF Under Construction	1,829,394

OFFICE VACANCY



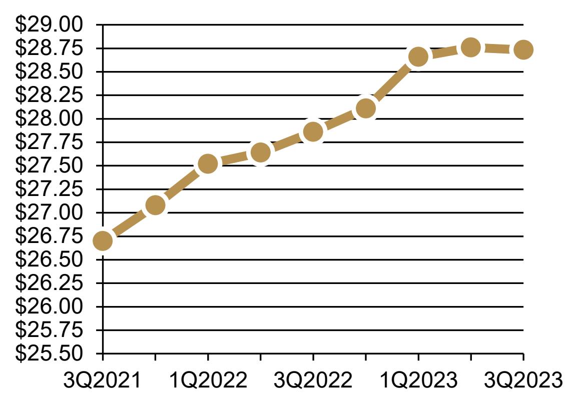
NOTABLE MOVES AND TRANSACTIONS

460,000 SF — Bandwidth moved into its new headquarters facility in the West Raleigh submarket

-79,000 SF — Oracle downsized and vacated three buildings in American Tobacco in the Central Durham submarket

18,000 SF — TEKsystems prelease at GlenLake Three in the US 70/ Glenwood submarket

OFFICE RENTAL RATES



FORECAST

Triangle office vacancy rose by .14% to 14.47% in the third quarter. Positive net absorption of 450,793 square feet was reported for the quarter, with the West Raleigh submarket having the largest impact reporting positive net absorption of 531,531 square feet.

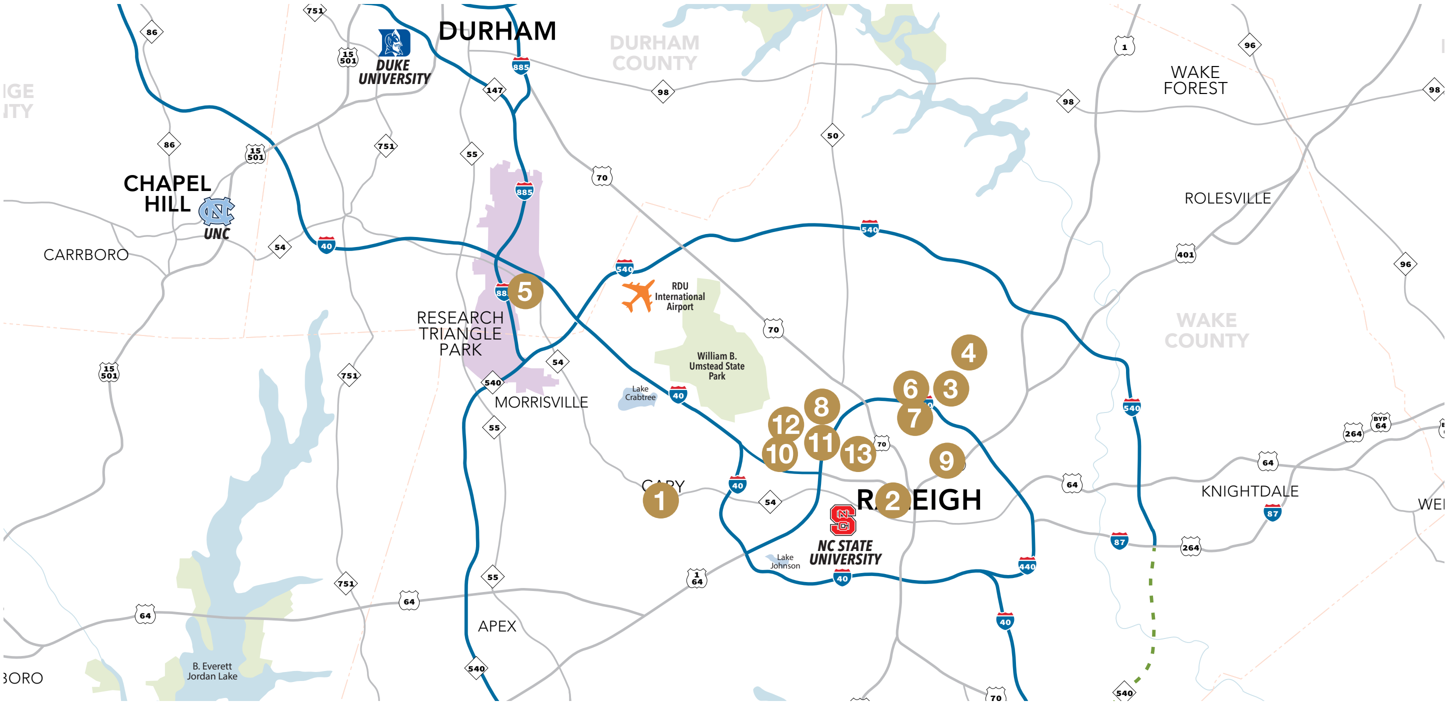
Class A vacancy remained above 10% for the eleventh consecutive quarter and increased .24% to 14.26%. Sublease inventory declined this quarter and makes up about 6.2% of the total office inventory in the Triangle. Over half of the total sublease space is in the RTP/I-40 Corridor submarket, the largest being ~500,000 SF from GlaxoSmithKline.

On the development front, 1,829,394 square feet of office space remains under construction. Correction from our 2Q report: Bandwidth received its certificate of occupancy in July, and the market is calculating its absorption into 3Q. Also in 3Q, The Grove delivered at 29% leased. Several anticipated projects are expected to deliver 4Q, including 400H and Glenlake III. (See Office Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	7,338,346	14.75%	531,531
US 70 /Glenwood	4,375,814	13.43%	5,736
Six Forks Road	4,278,723	5.70%	-13.957
Falls of Neuse	3,026,255	10.05%	68,254
US 1/Capital Blvd.	2,582,578	28.10%	3,593
Downtown Raleigh	6,156,932	12.33%	-48,486
Village District	522,414	15.93%	5,392
Eastern Wake Co.	923,430	11.37%	7,400
Southern Wake Co.	631,413	7.30%	3,738
Cary	7,614,076	15.43%	36,475
RTP/I-40 Corridor	13,406,788	14.19%	-40,811
Central Durham	5,162,366	15.64%	-104,639
North Durham	1,008,457	28.78%	676
South Durham	1,855,939	18.80%	-12,063
Orange County	2,248,747	17.15%	7,954

Office

NOTABLE DEVELOPMENT

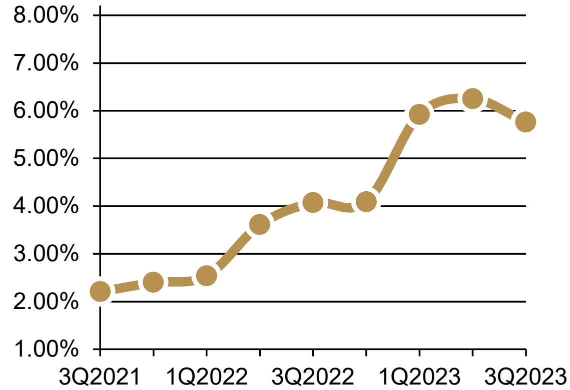


	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Rogers Building	Cary	40,076	4Q 2023	100%	$33.00
2	400H	Downtown Raleigh	150,000	4Q 2023	0%	$38.50, NNN
3	1000 Social at The Exchange	Falls of Neuse	315,427	1Q 2024	50%	$47.00
4	Quail Commons Redevelopment	Falls of Neuse	72,000	2Q 2023	DNR	DNR
5	Horseshoe at Hub RTP	RTP/I-40 Corridor	110,000	1Q 2024	18%	$46.50
6	4114 | Creative Offices	Six Forks Road	87,503	1Q 2024	0%	$46.50
6	One North Hills	Six Forks Road	264,632	1Q 2024	12%	$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	80%	$38 NNN
8	GlenLake III	US 70/Glenwood Ave	205,000	4Q 2023	27%	$42.00
9	Raleigh Iron Works - Bow Truss	US-1/Capital Boulevard	69,749	3Q 2022	10%	$45.50
9	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	460,073	3Q 2023	100%	DNR
11	The Grove	West Raleigh	153,076	3Q 2023	29%	$35.00
12	The Macon at Edwards Mill	West Raleigh	120,694	2Q 2024	17%	$32-$34 NNN
13	1309 Annapolis Dr, Raleigh	West Raleigh	50,000	1Q 2023	52%	$38.50

Warehouse
MARKET REVIEW

Q3 WAREHOUSE SNAPSHOT	
Total SF	42,432,881
Total SF Vacant	2,445,187
Vacancy Rate	5.76%
Net Absorption	796,374
Avg. Asking Rent	$9.42
SF Under Construction	2,485,749

WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

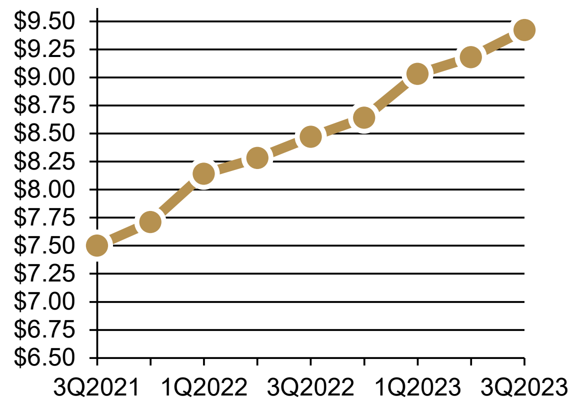
129,751 SF — Curated Events lease at Apex Commerce Center Building 1 in the Southern Wake County submarket.

189,072 SF — Flexential lease at Alexander Commerce Park Building 1 in the RTP/I-40 Corridor submarket.

-130,293 SF — OFM, Inc. vacated 161 Traditional Trial in the Southwest Wake County submarket.

248,700 SF — Millenium lease at Medline Distributuion Center in Orange County submarket.

WAREHOUSE RENTAL RATES



FORECAST

The third quarter of 2023 reported a vacancy decrease of .49% to 5.76%. Net positive absorption of 796,374 square feet was reported for the quarter, with the RTP/I-40 Corridor submarket reporting the most positive at 441,072 square feet and the US 70/Glenwood Ave. submarket the most negative at 150,165 square feet.

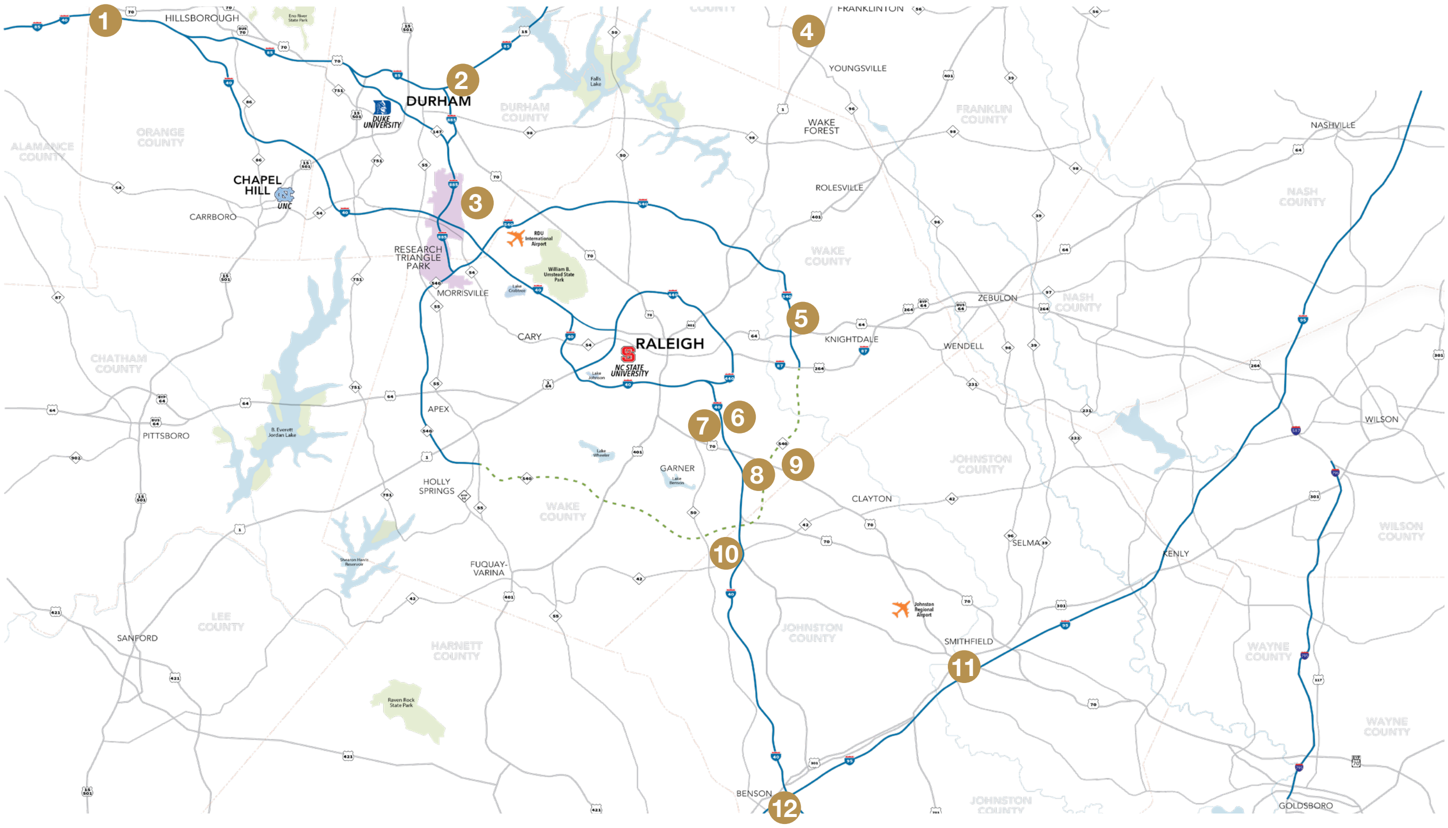
Six new warehouse properties totaling 704,000 square feet were delivered during the quarter, of which 77% was preleased. This includes Alexander Commerce Park Buildings 1-3 totaling 441,072 SF, all fully leased in the RTP/I-40 Corridor.

On the development front, 2,485,749 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. 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%	0
US 70/Glenwood Ave.	788,828	19.04%	-150,165
Falls of Neuse Road	1,151,941	5.25%	0
US 1/Capital Blvd.	3,766,807	9.13%	41,164
Eastern Wake Co.	13,502,085	4.84%	155,805
Southern Wake Co.	2,268,409	17.75%	86,398
RTP/I-40 Corridor	14,972,395	1.11%	441,072
Central Durham	594,434	3.92%	-23,300
North Durham	1,260,474	0.00%	0
South Durham	782,925	1.40%	0
Orange County	2,454,972	24.38%	248,700

Warehouse

NOTABLE DEVELOPMENT

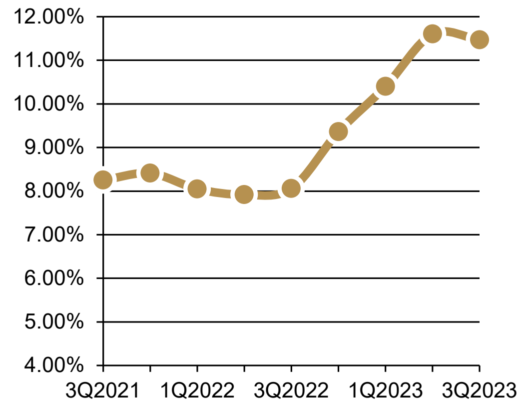


	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Buckhorn Industrial Park II Bldg 3	Warehouse	Orange Co	265,200	2024	100%	DNR
2	Durham85 Bldg 3	Warehouse	North Durham	249,600	4Q 2023	100%	$9.85 NNN
3	Alexander Commerce Park Bldg 1	Warehouse	RTP/I-40 Corridor	189,072	3Q 2023	100%	$8.75-$9.25 NNN
3	Alexander Commerce Park Bldg 2	Warehouse	RTP/I-40 Corridor	126,000	3Q 2023	100%	$8.75-$9.25 NNN
3	Alexander Commerce Park Bldg 3	Warehouse	RTP/I-40 Corridor	126,000	3Q 2023	100%	$8.75-$9.25 NNN
4	US1 North Commerce Center Bldg 2	Warehouse	Franklin Co	224,490	1Q 2024	0%	DNR
4	US1 North Commerce Center Bldg 1	Warehouse	Franklin Co	169,940	1Q 2024	0%	DNR
5	Hinton Oaks Industrial Park Bldg 6	Warehouse	Eastern Wake Co	180,000	4Q 2024	0%	$10 NNN
6	Citation Dr	Warehouse	Eastern Wake Co	115,831	1Q 2024	0%	DNR
7	Beacon Commerce Center Park 3	Warehouse	Eastern Wake Co	260,954	4Q 2023	10%	DNR
8	Greenfield 27 Bldg 1	Warehouse	Eastern Wake Co	160,380	3Q 2023	0%	DNR
8	Greenfield 27 Bldg 2	Warehouse	Eastern Wake Co	57,600	3Q 2023	100%	DNR
8	Greenfield 27 Bldg 3	Warehouse	Eastern Wake Co	44,800	3Q 2023	100%	DNR
9	Garner Business Park 70 Bldg 5	Warehouse	Eastern Wake Co	225,000	1Q 2024	0%	$8.95
10	42 Crossing Bldg 3	Warehouse	Eastern Wake Co	28,800	1Q 2024	100%	DNR
11	Brogden Industrial	Warehouse	Johnston Co	264,814	1Q 2024	0%	DNR
12	Crosspoint Logistics Center	Warehouse	Johnston Co	501,120	4Q 2023	0%	DNR

Flex/Lab
MARKET REVIEW

Q3 FLEX/LAB SNAPSHOT	
Total SF	25,286,972
Total SF Vacant	2,900,805
Vacancy Rate	11.47%
Net Absorption	384,561
Avg. Asking Rent	$17.74
SF Under Construction	1,471,963

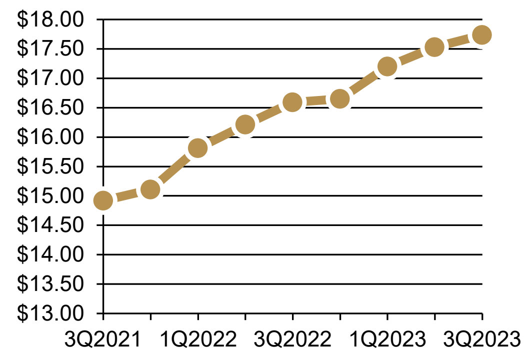
FLEX/LAB VACANCY



NOTABLE MOVES AND TRANSACTIONS

91,000 SF	Targan lease at Midtown BioCenter in the Six Forks Rd submarket.
60,053 SF	Undisclosed tenant lease at World Trade Park in the RTP/I-40 Corridor submarket.
21,020 SF	America Stone and Cabinet lease at Merritt Midway Business Park Building 1 in the Northeast Wake County
26,065 SF	Voxel Innovations lease at Merritt Midway Business Park Building 1 in the Northeast Wake County

FLEX/LAB RENTAL RATES



FORECAST

Triangle flex/lab vacancy slightly decreased by .13% to 11.47% during the third quarter of 2023. Positive net absorption of 384,561 square feet was reported for the quarter, with the US 1/Capital Blvd. submarketing having the largest impact of net positive absorption of 91,531 square feet.

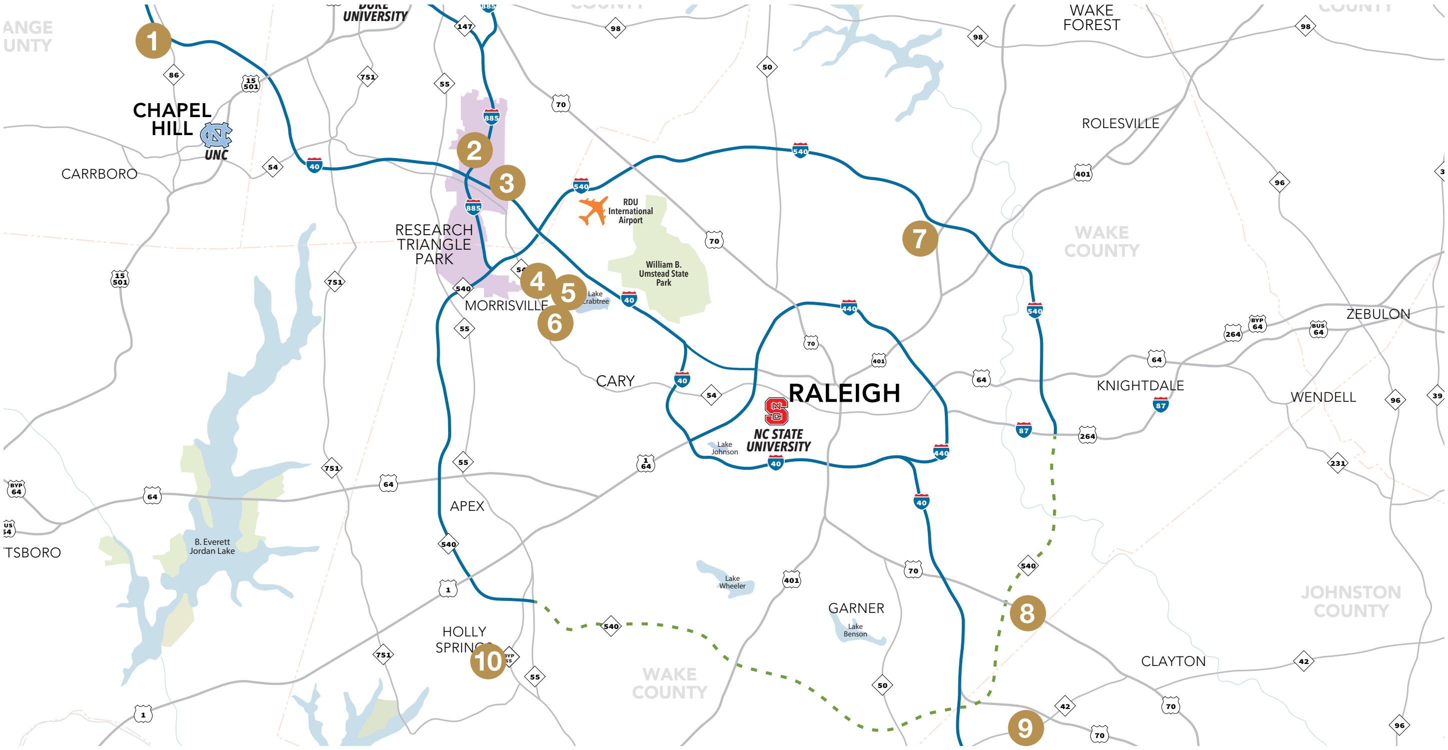
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets. Net positive absorption of 91,531 square feet was reported within the US 1/Capital Boulevard submarket for the quarter with the Southern Wake Co. submarket following closely with net positive absortion of 87,338 squre feet.

On the development front, 1,471,963 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	4.86%	7,860
US 70 /Glenwood	1,256,094	23.39%	-5,364
Six Forks	91,178	0.00%	91,178
Falls of Neuse	322,792	10.05%	1,870
US 1/Capital Blvd.	4,685,808	4.59%	91,531
Eastern Wake Co.	2,129,612	5.38%	84,487
Southern Wake Co.	1,830,240	36.39%	87,338
Cary	1,290,991	23.83%	009
RTP/I-40 Corridor	11,714,186	11.32%	65,714
Central Durham	121,650	48.91%	-26,000
North Durham	367,935	9.24%	0
South Durham	221,398	3.92%	0
Orange County	426,966	10.52%	0

Flex/Lab

NOTABLE DEVELOPMENT

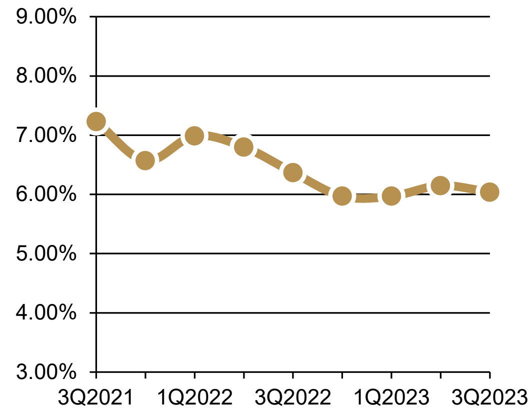


	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	North Chapel Business Center 100-185	Flex	Orange County	61,700	4Q 2023	0%	DNR
1	North Chapel Business Center 125-180	Flex	Orange County	54,600	4Q 2023	67%	DNR
2	Alexandria Center for Life Sciences	Flex	RTP/I-40 Corridor	105,000	3Q 2023	0%	Negotiable
3	Alexandria Center for Advanced Technologies	Flex	RTP/I-40 Corridor	171,366	1Q 2024	0%	Negotiable
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	4Q 2023	0%	DNR
5	Pathway Triangle Bldg 2	Flex	RTP/I-40 Corridor	198,310	4Q 2023	0%	DNR
5	Pathway Triangle Bldg 3	Flex	RTP/I-40 Corridor	126,000	4Q 2023	0%	DNR
6	CAMP Morrisville	Flex	RTP/I-40 Corridor	100,000	3Q 2023	0%	DNR
7	Sumner Business Park, Bldg 3	Flex	US 1/Capital Blvd	25,709	3Q 2023	91%	DNR
8	Garner Commerce Center	Flex	Johnston Co	128,000	4Q 2023	0%	DNR
9	42 West Business Park 2	Flex	Johnston Co	100,000	4Q 2023	0%	DNR
9	42 West Business Park 1	Flex	Johnston Co	25,000	4Q 2023	0%	DNR
10	The Yield Holly Springs Bldg H	Flex	Southern Wake	110,000	1Q 2024	0%	DNR
10	The Yield Holly Springs Bldg I	Flex	Southern Wake	110,000	1Q 2024	0%	DNR

Retail
MARKET REVIEW

Q3 RETAIL SNAPSHOT	
Total SF	47,641,538
Total SF Vacant	2,879,412
Vacancy Rate	6.04%
Net Absorption	143,676
Avg. Asking Rent	$24.78
SF Under Construction	264,951

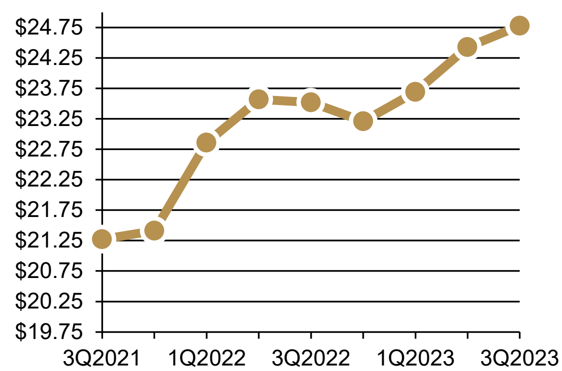
RETAIL VACANCY



NOTABLE MOVES AND TRANSACTIONS

53,520 SF	Bed Bath & Beyond and Furniture Bell vacated at Patterson Place in South Durham submarket
35,881 SF	Restoration Hardware Outlet lease at Parkside Town Commons in Cary submarket
11,256 SF	ImageQuix lease at East End Market in the Capital Boulevard submarket

RETAIL RENTAL RATES



FORECAST

Triangle retail vacancy decreased .11% to 6.04% in the third quarter of 2023. Net positive absorption of 143,676 square feet was reported for the quarter. The largest inventory vacancy rates are in Downtown Raleigh and Central Durham, reporting 19.55% and 19.51%, respectively. US 1/Capital Boulevard reported the highest positive absorption, and South Durham submarket reported the most negative.

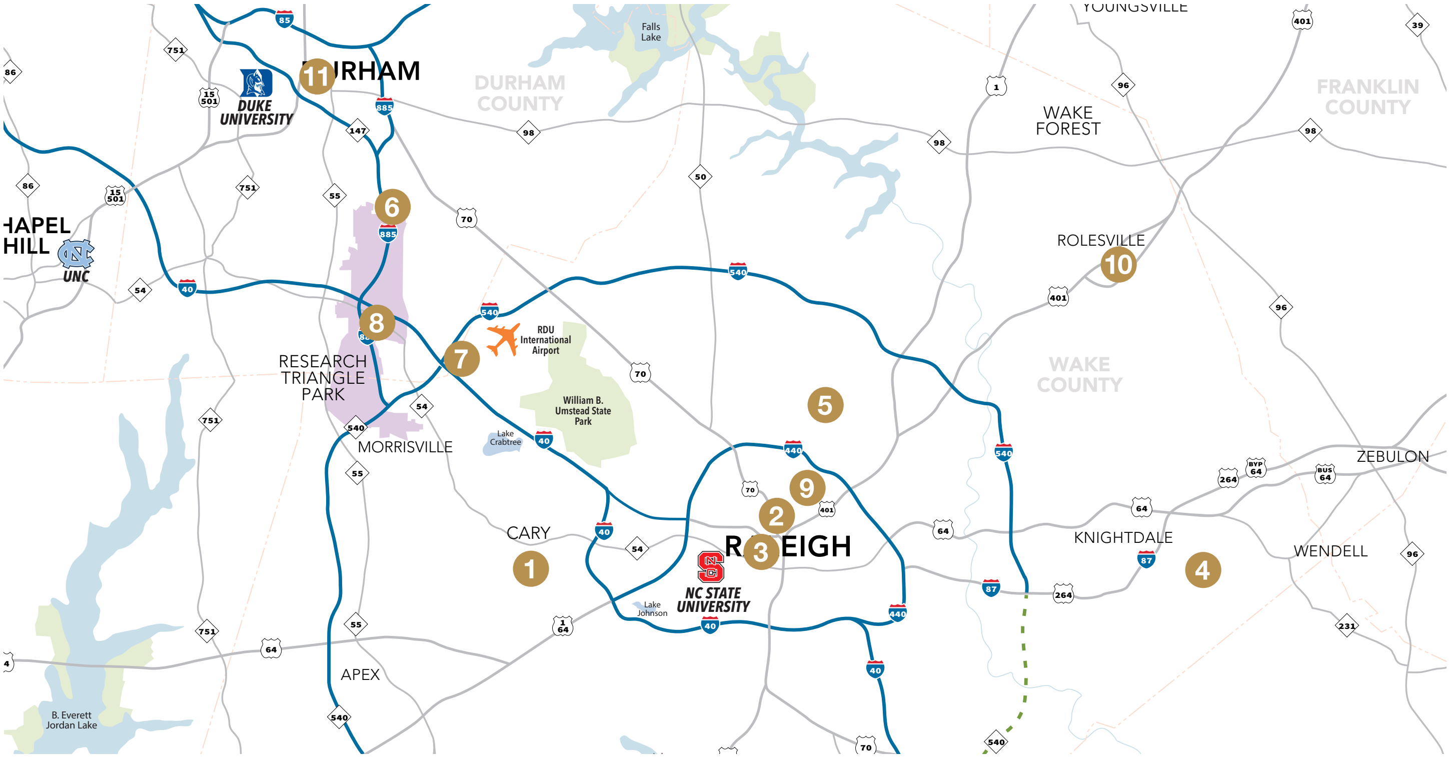
Suburban retail leasing remains especially strong. Many of the national big box companies that vacated, like Bed Bath & Beyond, Tuesday Morning, Pier 1 Imports, and BuyBuy Baby have been absorbed by other retailers.

On the development front, 264,951 square feet of retail is under construction. (See Retail Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	6.86%	-4,935
US 70 /Glenwood	5,021,807	7.26%	8,936
Six Forks Road	2,014,323	8.19%	6,881
Falls of Neuse	2,663,043	5.84%	3,972
US 1/Capital Blvd.	6,724,065	6.27%	74,206
Downtown Raleigh	900,466	19.55%	23,668
Village District	635,120	1.21%	362
Eastern Wake	3,601,691	5.22%	31,049
Southern Wake	4,348,213	2.00%	-2,156
Cary	7,182,229	4.50%	49,074
RTP/I-40 Corridor	1,158,486	3.08%	14,070
Central Durham	951,535	19.51%	-4,518
North Durham	3,536,899	10.55%	-2,338
South Durham	5,199,437	3.94%	-71,282
Orange County	2,746,573	4.58%	16,687

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	3Q 2023	28%	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	3Q 2023	93%	DNR
5	Quail Corners II	Falls of Neuse	36,108	3Q 2024	0%	DNR
6	Market at Ellis Crossing	RTP/I-40 Corridor	71,810	3Q 2023	85%	DNR
7	RDU Galleria	RTP/I-40 Corridor	11,484	3Q 2023	100%	$33.00 FS
8	Horshoe at Hub RTP	RTP/I-40 Corridor	25,000	1Q 2024	0%	DNR
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	3Q 2023	78%	DNR
10	Cobbleston Village	US 1/Capital Blvd	50,000	4Q 2023	59%	$28.00
11	GeerHouse	Central Durham	13,220	4Q 2023	0%	Negotiable
11	The Novus	Central Durham	21,558	3Q 2024	0%	DNR
11	Shops at Wye	Central Durham	26,487	2Q 2025	35%	Negotiable

Investment Sales

MARKET REVIEW

NOTABLE SALE TRANSACTIONS

PROPERTY	CITY	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
227 Fayetteville Street	Raleigh	101,661	$14,000,000 / $138/SF	PNL Ventures / LRC Opportunity Fund
311 Oberlin Road	Raleigh	4,108	$6,450,000 / $1,570/SF	GLM Holdings LLC / Bella Vista Development Group
170 Weston Oaks Court	Cary	20,768	$5,400,000 / $260/SF	Nathan T Luck / Analog Devices Inc
3301 Integrity Drive	Raleigh	23,004	$7,790,000 / $339/SF	HCEW L & B Leasing II LLC / CTR Properties LLC
1734 Five Points Lane	Fuquay Varina	90,000	$7,250,000 / $81/SF	Christopher C Papadopoulos / Powell Brothers
400 Park Avenue	Youngsville	50,750	$6,450,000 / $127/SF	Dirty Bird Guns & Ammo; Jay Pitcher / APC Holdings LLC
3825 South Roxboro Street	Durham	115,000	$11,573,500 / $101/SF	Durham County / BC Wood Companies
214 W Franklin Street	Chapel Hill	2,856	$7,500,000 / $2,626/SF	Longfellow RE Partners / The Ireland Family Foundation

FORECAST

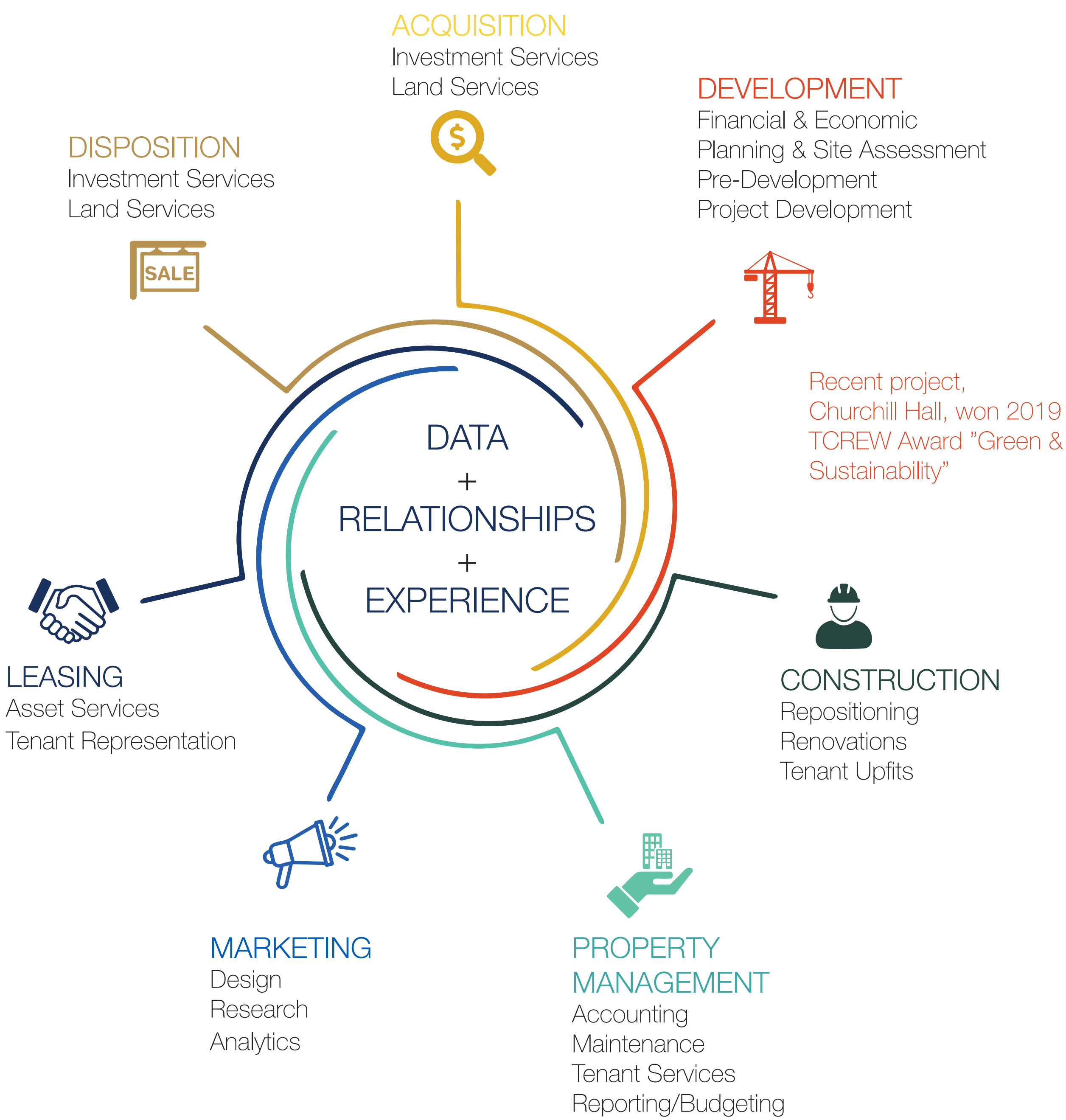
Triangle investment sale activity remained slow in the third quarter across all property types.

The largest Triangle transaction of the quarter was 227 Fayetteville Street in Downtown Raleigh, a 101,466 square foot Class A office building. Property tenants include YMCA, Ratio Architects, VitalSource and Amitie Macaron Café. It was deeded back to the lender, PNL Companies, from LRC Properties for $14,000,000 ($138/SF). LRC reported it did not default, but was unable to refinance with the existing lender. The building is expected be taken to auction in the fourth quarter of 2023.

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.

Full Service
SOLUTIONS

Corporate Services | Healthcare | Investment Sales | Land Services
Office Asset Leasing | Retail | Warehouse | Flex
Construction Services | Development | Property & Facilities Management



5425 Page Road, Suite 100
Durham, NC 27703

5121 Kingdom Way, Suite 200
Raleigh, NC 27607

919.941.5745 | triprop.com