

An aerial photograph of a city, likely Raleigh, North Carolina, with a blue color overlay. A white rectangular frame is positioned in the upper right quadrant, containing the text '4Q 2020 Triangle Market Report'. The city features a mix of high-rise office buildings, residential structures, and green spaces. A major highway interchange is visible in the lower left.

4Q 2020
Triangle
Market
Report

TRI PROPERTIES

NAI Carolantic Realty

Triangle

MARKET REVIEW

	4Q2019	4Q2020	FORECAST
OFFICE			
Overall Vacancy	10.79%	11.27%	▲
Class A Vacancy	7.47%	9.86%	▲
Class B Vacancy	18.52%	15.21%	▲
Class C Vacancy	8.15%	10.04%	▲
Net Absorption YTD	1,749,595	680,736	▼
WAREHOUSE			
Overall Vacancy	3.85%	4.96%	▼
Net Absorption YTD	537,019	2,200,978	▲
FLEX/LAB			
Overall Vacancy	5.55%	9.64%	▲
Net Absorption YTD	384,205	-294,620	▼
RETAIL			
Overall Vacancy	6.73%	8.24%	▲
Net Absorption YTD	394,174	-48,374	▼

MARKET OVERVIEW

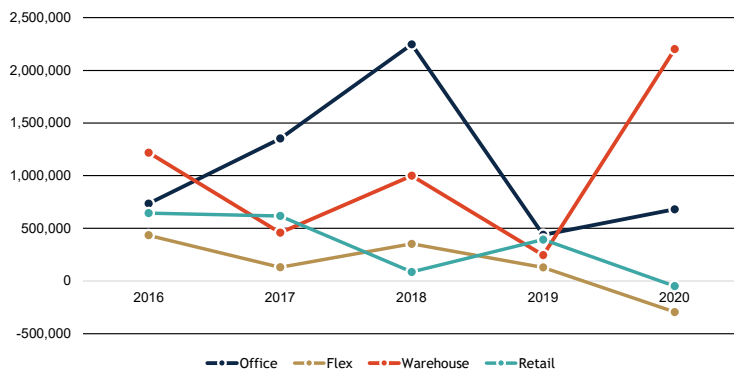
Office vacancy rose by .34% to 11.27%, warehouse vacancy fell by .88% to 4.96%, flex/lab vacancy rose by 1.31% to 9.64%, and retail vacancy rose by .22% to 8.24%.

Within the Triangle Metropolitan Statistic Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill and surrounding counties, the unemployment rate in December was reported at 5.17% which is down .59% from the previous quarter. The Triangle MSA's unemployment rate continues to outpace both the State and National unemployment rates which reported at 6.1% and 6.7% respectively.

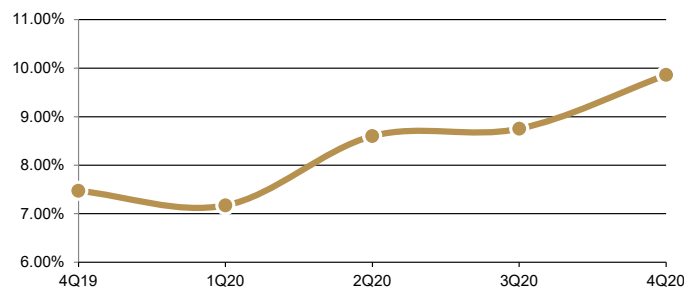
On the office development front, 3.1 million square feet of office space currently remains under construction across the region. On the industrial development front, 830,100 square feet of warehouse and 288,642 square feet of flex space remains under construction throughout the region. Additionally, 744,541 square feet of retail development remains under construction.

The \$226 million sale of the The Dillon in Downtown Raleigh marked largest transaction of the quarter. The mixed use project totaled 221,300 square feet of office, 52,600 square feet of retail and 271 apartment units. MetLife Investment Management acquired the property from Kane Realty. Additional notable sales and transactions include the \$208.6 million (\$228.80 per square foot) acquisition of Southport Business Park by Starwood Property Trust and Trinity Capital Advisors from GID and the \$159.1 million (\$249.67 per square foot) acquisition of an eight-building portfolio in Perimeter Park by Mapletree Investments from Goldman Sachs.

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 and CoStar Market Analytics.

Office

MARKET REVIEW

OVERVIEW

The office vacancy rate rose by .34% to 11.27% in the fourth quarter of 2020. Positive net absorption was reported at 170,532 square feet for the quarter and the vacancy change is attributable to a shift within inventory. Class A vacancy rose by 1.11% for the fourth quarter with 222,744 square feet of positive absorption reported and again was impacted by the aforementioned inventory shift. Additionally, average rental rates reported fell slightly by \$0.05 to \$26.61 per square foot. The average Class A asking rate reported also fell for the quarter down \$0.30 to \$31.53.

NOTABLE MOVES AND TRANSACTIONS

- 328,648 SF** Advance Auto Parts Tower delivered at 100% occupancy in the Six Forks Road submarket.
- 32,500 SF** Aecom lease at Wade V in the West Raleigh submarket.
- 24,401 SF** Meta Metrics lease at the Golden Belt Campus in the Downtown Durham submarket.

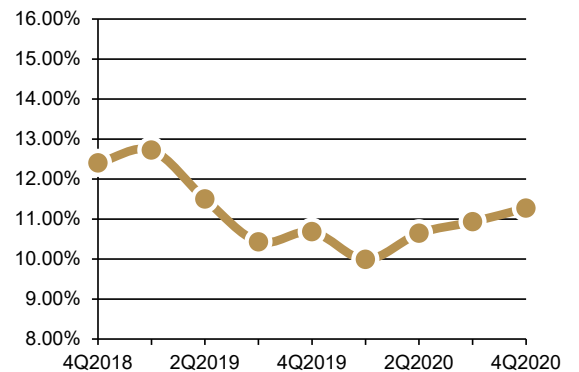
FORECAST

Despite Triangle office vacancy rising by .34% to 11.27% in the fourth quarter, the vacancy reported marks the sixth lowest quarter in the market's history. Positive absorption gains were primarily attributed to net positive absorption gains of 310,037 square feet in the Six Forks Road submarket due to the delivery of the Advance Auto Parts Tower. The total 12-month absorption for office across the Triangle market totaled 680,736 square feet.

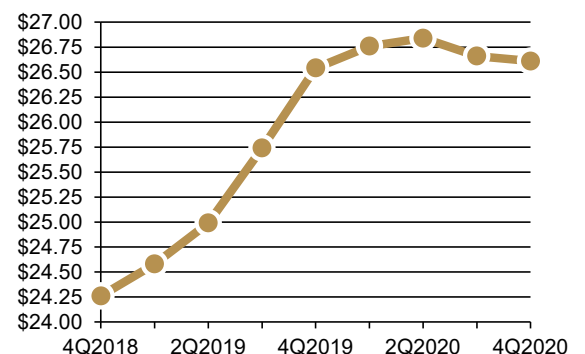
Class A vacancy remains below 10% and reported at 9.86% for the quarter. Class B vacancy remains higher but fell by .94% to 15.21% which is 3.31% lower than the total reported 12 months prior. It remains to be seen if tenants will shift to value office options due to the pandemic and continue to push Class B vacancy down throughout the Triangle.

On the development front, over 3.1 million square feet of office space remains under construction. Notable projects including the aforementioned Advance Auto Parts Tower in the Six Forks Road submarket delivered during the quarter. (See Office Development Activity Map for notable projects).

OFFICE VACANCY

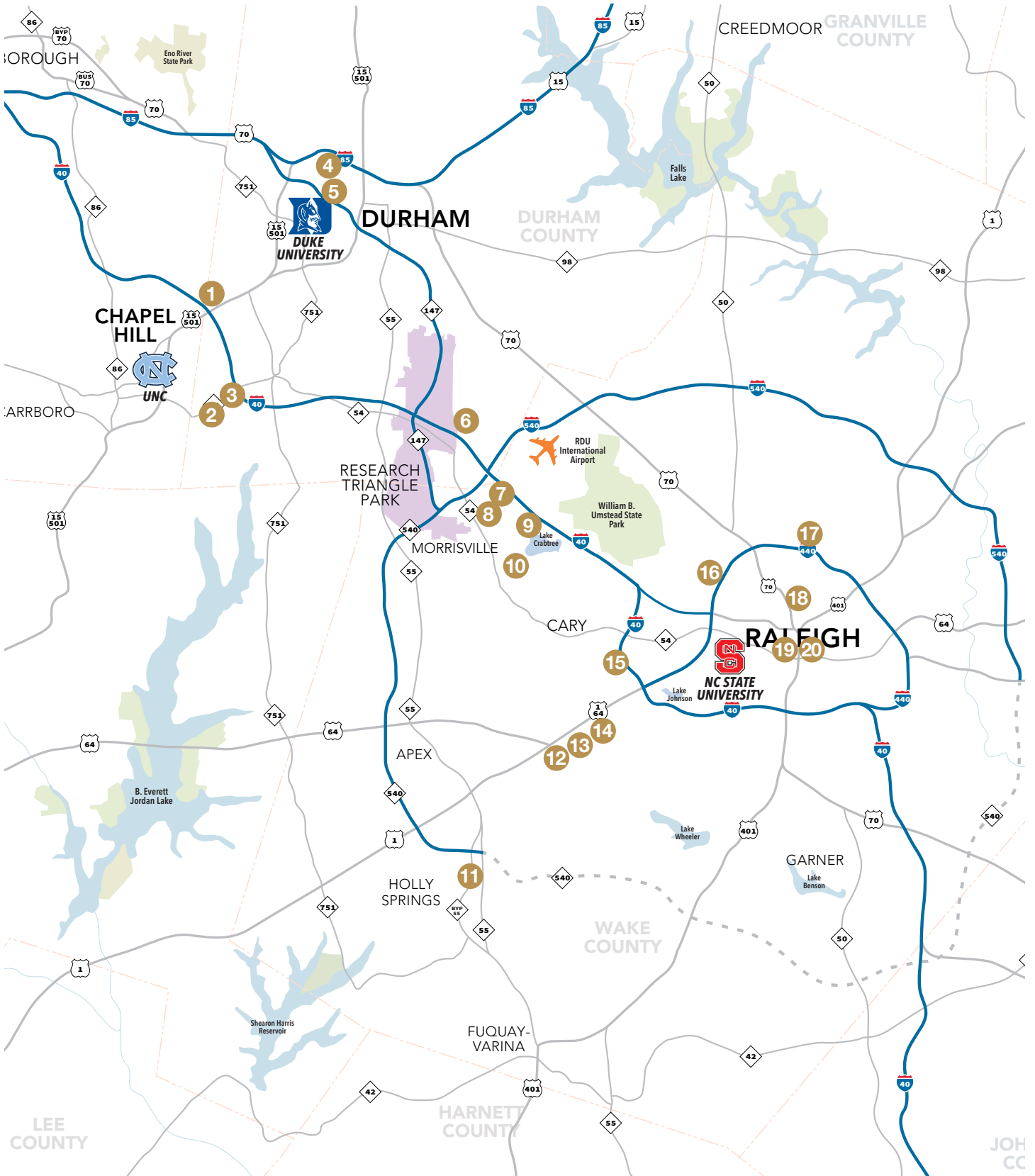


OFFICE RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,310,947	9.59%	-20,739
US 70 /Glenwood	4,328,777	13.22%	-16,208
Six Forks Road	4,336,528	6.81%	310,037
Falls of Neuse	3,167,996	10.35%	-50,686
US 1/Capital Blvd.	2,145,568	9.14%	-11,970
Downtown Raleigh	5,368,561	5.21%	-4,876
Cary	7,407,683	12.64%	21,936
RTP/I-40 Corridor	12,020,390	12.06%	-24,883
Central Durham	4,951,388	11.55%	-78,192
South Durham	1,918,970	17.89%	38,723
Orange County	2,084,652	16.52%	10,040

Office DEVELOPMENT



Office DEVELOPMENT

	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	PARKING	RATE	MAJOR TENANTS
1	100 Eastowne Dr.	Orange County	150,000	Fall 2020	100%	Surface Parking	DNR	UNC Health Care
2	The Gwendolyn	Orange County	109,000	Jan-21	15% (16,716)	Deck Parking	\$38.50 Full service	
3	Hammes Medical Office Building	South Durham	168,000	1Q 2021	0%	Structured Parking	\$32.00	
4	949 Washington St.	Central Durham	36,628	Q3 2021	0%	Surface Parking	\$24.00 + NNN (\$31-\$31.50)	
5	The Roxboro at Venable Center	Central Durham	202,163	4Q 2021	0%	Structured Parking	\$38.50	
6	Park Point (Redevelopment)	RTP/I-40 Corridor	652,000	1Q 2021	42% (273,840)	Surface Parking	DNR	Grail, Charles River Labs
7	Forty540 Phase II	RTP/I-40 Corridor	205,000	Apr-21	42% (83,801)	Structured/ Surface Parking	\$32.50	Solar Winds
8	INQ @ 1101 Shiloh Glenn Dr.	RTP/I-40 Corridor	140,302	Sept. 2020	0%	Surface Parking	\$28.00	
9	The Stitch (Redevelopment)	RTP/I-40 Corridor	245,159	1Q 2021	0%	Surface Parking	\$33.00	
10	4000 Paramount	RTP/I-40 Corridor	90,000	Oct-20	49% (46,090)	Surface Parking	\$27.50	UCB Biosciences
11	The Block	Southern Wake Co	54,600	1Q 2021	94% (51,137)	Surface Parking	\$28.00	
12	HealthPark II	Cary	86,172	1Q 2021	93% (79758)	Deck and Surface Parking	\$32.50 FS	WakeMed Health
13	WakeMed Medical Park of Cary 210 Ashville Ave	Cary	125,000	3Q 2020	76% (95,000)	Surface Parking	\$27.00	WakeMed Health, Duke
14	Twenty Three 33 2333 Walnut St	Cary	133,628	4Q 2020	0%	Surface Parking	\$28.00	
15	Palisades III, 5401 Trinity Rd	West Raleigh	166,290	3Q 2021	0%	Surface/ Structured Parking	\$32.00	
16	GlenLake Seven	US 70/Glenwood Ave.	125,000	1Q 2021	100%	Structured Parking	\$36.00	Martin Marietta
17	Advance Auto Parts Tower	Six Forks Road	344,500	Q4 2020	100% (344,500)	Structured Parking	\$41.50	Advance Auto Parts, IAT Insurance, ABOA
18	Smoky Hollow	Downtown Raleigh	220,000	4Q 2020	8% (18,000)	Structured Parking	\$38.50	Clancy & Theys
19	Tower Two Bloc 83	Downtown Raleigh	241,320	1Q 2021	34% (81,380)	Structured Parking	\$37.50	Envestnet, IE Interiors
20	The Crossing 301 Hillsborough Street	Downtown Raleigh	292,457	4Q 2021	45% (132,355)	Deck Parking	\$41.50	Pendo

Warehouse

MARKET REVIEW

OVERVIEW

The vacancy rate in the Triangle warehouse market fell by .88% to 4.96% in the fourth quarter of 2020. Positive absorption reported at 689,507 square feet leading to the substantial vacancy shift. Furthermore, average asking rental rates for warehouse space rose by \$.14 to \$6.90 per square foot.

NOTABLE MOVES & TRANSACTIONS

374,415 SF Two buildings at Patriot Park delivered at 100% occupancy in the RTP/I-40 submarket.

108,830 SF Positive absorption at Eastgate 540 within the Eastern Wake Co. submarket.

FORECAST

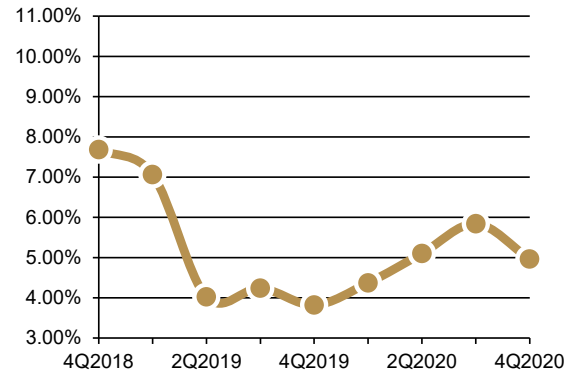
The fourth quarter of 2020 reported a vacancy decrease back under 5% to 4.96% and remains the lowest vacancy of the product types. The 689,507 square feet of positive absorption reported was largely attributed to the RTP/I-40 Corridor submarket which experienced 652,373 square feet of positive absorption for the quarter. The total 12-month absorption for warehouse across the Triangle market totaled an all-time annual high of 2,200,978 square feet.

Demand for warehouse space within the centrally located and largest submarket, the RTP/I-40 Corridor, remains high with record-low vacancy of 2.27% for the fourth quarter. Additionally, the Eastern Wake Co. submarket had positive absorption of 155,417 and reported the second lowest vacancy among the submarkets for the quarter at 5.14%.

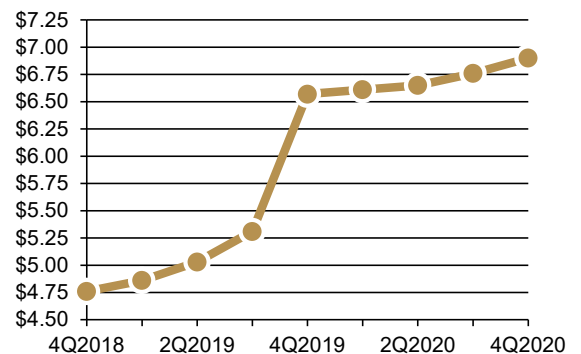
Ecommerce distribution will continue to push demand for industrial space as evidenced by the all-time annual absorption high and shows no signs of slowing as we enter 2021. Amazon and emerging competitors will continue to be a driver both nationally and locally for warehouse space.

On the development front, an additional 830,100 square feet remains under construction throughout the region. With a low warehouse vacancy rate and warehouse/distribution services we anticipate additional warehouse projects to break ground in the next 12 months. (See Industrial Development Activity Map for notable projects).

WAREHOUSE VACANCY



WAREHOUSE RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	256,865	7.34%	0
US 70 /Glenwood	746,463	5.76%	33,751
Falls of Neuse	1,143,112	1.14%	8,750
US 1/Capital Blvd.	3,832,931	6.59%	-70,496
Cary	153,277	0.00%	0
RTP/I-40 Corridor	13,320,019	2.27%	652,373
Durham	2,566,383	5.37%	0
Eastern Wake Co.	10,981,028	5.14%	155,417
Southern Wake Co.	1,550,842	17.90%	-120,000
Orange County	671,464	21.42%	0

OVERVIEW

Flex vacancy rates rose in the fourth quarter of 2020 by 1.31% to 9.64%. Net positive absorption of 38,484 square feet was reported for the quarter. The shift was entirely due to reclassification within the inventory due to approximately 2.6 million square feet of lab space being moved from office into the flex category. With lab space removed, the traditional industrial flex vacancy would have reported at a much stronger 7.71% for the fourth quarter. The continued emphasis on life science conversions will have an impact on the flex market in the near term until it is eventually broken out in a distinctive category. Meanwhile, average rental rates for Triangle flex space rose by \$0.16 to \$13.83.

NOTABLE MOVES AND TRANSACTIONS

- 33,890 SF** Unknown tenant vacated space at 912 Hodges Street in the Falls of Neuse submarket.
- 31,200 SF** Unknown tenant vacated space at 5320 Departure Drive in the US 1/Capital Boulevard submarket.

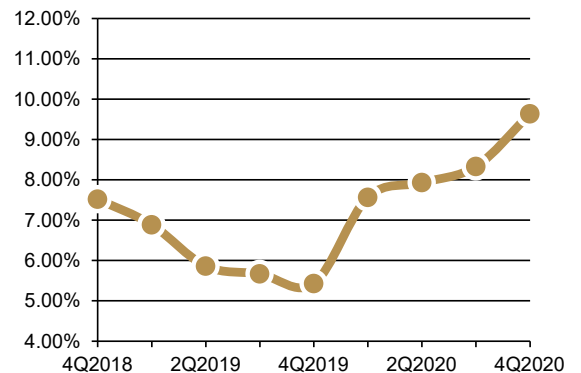
FORECAST

Triangle flex vacancy increased by 1.31% to 9.64% during the fourth quarter of 2020. The vacancy shift as noted above was primarily due to the shift in classification of lab product to the flex category from office. The total 12-month absorption for office across the Triangle market totaled negative 294,620 square feet.

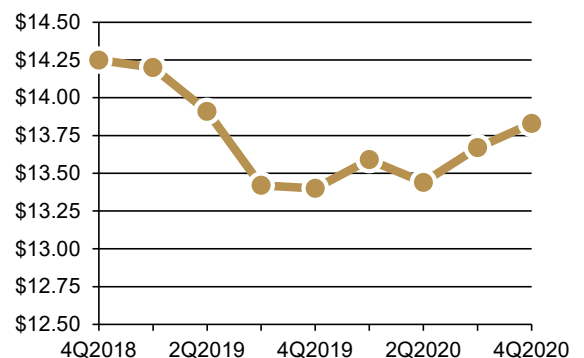
Flex vacancy indicators will continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets, which combined for a total net positive absorption total of 124,797 square feet for the quarter. There was an additional 55,571 square feet of positive absorption within the Cary submarket.

On the development front 288,642 square feet of flex space is under construction. The single-digit vacancy rate for flex product will continue to make development projects viable. (See Industrial Development Activity map for projects currently under construction).

FLEX VACANCY



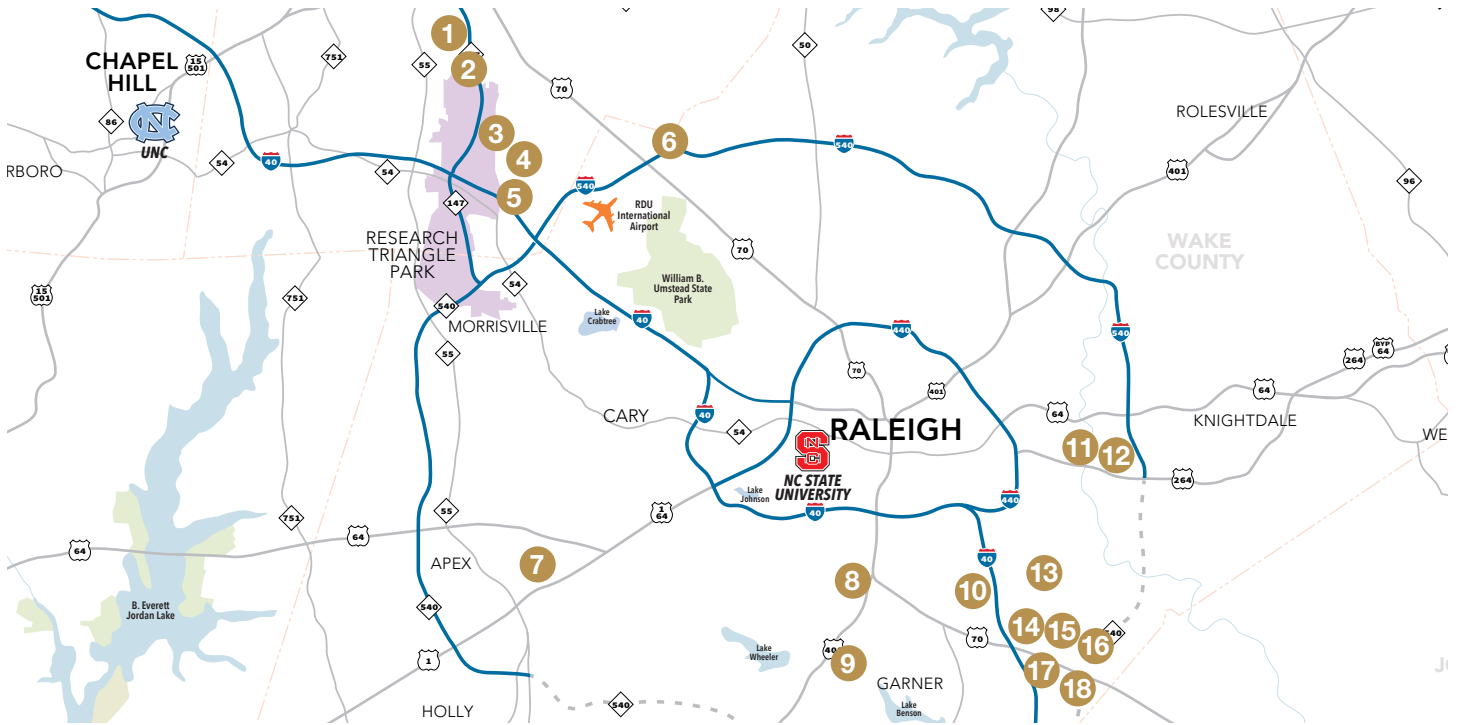
FLEX RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	642,805	6.29%	0
US 70 /Glenwood	1,194,993	3.10%	-4,149
Falls of Neuse	377,272	12.47%	-42,879
US 1/Capital Blvd.	4,326,470	5.92%	22,231
Cary	985,806	8.93%	55,571
RTP/I-40 Corridor	9,493,700	11.27%	102,566
Durham	707,809	19.47%	0
Eastern Wake Co.	1,575,357	4.74%	-25,278
Southern Wake Co.	998,172	20.66%	-38,578
Orange County	383,916	25.55%	-21,000

Industrial

DEVELOPMENT



PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	% LEASED(SF)	RATE	
1	Regional Commerce Center Building 2	Warehouse	RTP/I-40 Corridor	52,000	Oct. 2020	75% (156,000)	DNR
2	Regional Commerce Center Buildings 3,4, 5	Warehouse	RTP/I-40 Corridor	295,500	Oct. 2021	0%	DNR
3	Merritt TW Crossing	Flex	RTP/I-40 Corridor	178,140	1Q 2021	24%	DNR
4	I-40 Innovation Center, 3921 S. Miami Blvd.	Warehouse	RTP/I-40 Corridor	66,000 Two buildings	2020	76% (50,000)	\$8.50 -9.25 NNN
5	Patriot Park, Buildings 3+4	Warehouse	RTP/I-40 Corridor	187,500 Each	1Q 2021	100%	\$6.50 NNN
6	7320 ACC Boulevard	Flex	US 70/Glenwood	11,900	4Q 2020	0%	\$13.75 NNN
7	Peak City Business Park - Bldg 7	Flex	Southern Wake	60,000	2Q 2021	0%	DNR
8	110 Rupert Road	Flex	Southern Wake	14,000	4Q 2020	0%	\$12-14 NNN
9	8201 Old McCullers Rd	Flex	Southern Wake	11,800	1Q 2021	0%	\$12.50 NNN
10	Amazon Distribution Center, 4851 Jones Sausage Road	Warehouse	Eastern Wake	700,000	Fall 2020	100%	DNR
11	Eastgate 540, Bldg. 5	Warehouse	Eastern Wake	280,000	Aug 2020	85% (236,869)	\$6.50 NNN
12	Eastgate 540, Bldg. 6	Warehouse	Eastern Wake	159,600	Apr 2021	100%	\$6.50 NNN
13	3807 Centurion Dr	Flex	Eastern Wake	12,000	1Q 2021	0%	\$13.50 NNN
14	Garner Business Park 70, Bldg 2+3	Warehouse	Eastern Wake	120,114 Each	Oct-21	100%	\$6.25 NNN
15	Parksite, 1100 North Greenfield Pkwy.	Warehouse	Eastern Wake	83,000	3Q 2020	100%	DNR
16	Greenfield North, 1201 North Greenfield Pkwy.	Warehouse	Eastern Wake	165,921	3Q 2020	0%	\$6.25 NNN
17	3300 Waterfield Drive at Greenfield Business Park	Industrial	Eastern Wake	58,000	4Q 2021	0%	\$12.75 NNN
18	105 Sigma Drive	Flex	Eastern Wake	26,702	1Q 2021	0%	\$12.75 NNN

Retail

MARKET REVIEW

OVERVIEW

The retail vacancy rate increased by .22% to 8.24% in the fourth quarter of 2020. Negative net absorption reported at 113,627 square feet for the quarter contributed to the shift. Average rental rates reported rose by \$0.89 to \$20.98 per square foot.

NOTABLE MOVES & TRANSACTIONS

- 30,000 SF** O2 Fitness lease at Renaissance Village in the South Durham submarket.
- 20,494 SF** Jimmy V's lease expiration at MacGregor Village in the Cary submarket.
- 60,000 SF** The closing of two additional Stein Mart stores in Falls of Neuse and North Raleigh.

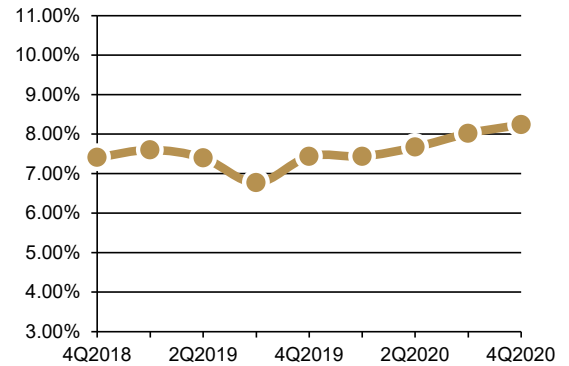
FORECAST

Triangle retail vacancy increased by .22% to 8.24% in the fourth quarter of 2020. Negative net absorption of 113,627 square feet was largely attributable to net negative absorption totals of 53,078 and 51,202 square feet within the Falls of Neuse and South Durham submarkets respectively. The total 12-month absorption for retail across the Triangle market totaled net negative 48,374 square feet.

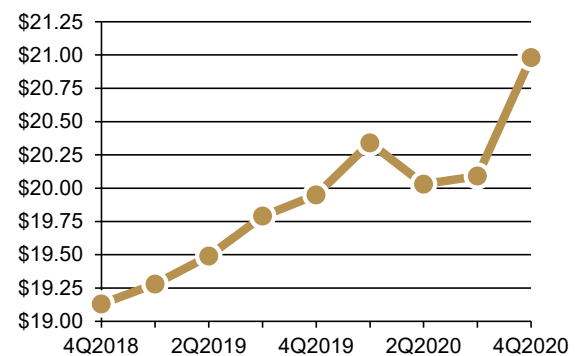
The retail sector continues to be most vulnerable to the effects of COVID-19 however it is trending upwards. The lifting of restrictions and positive downward trends in cases locally and nationally have helped to ease some pressures. Grocers continue to expand their presence throughout the Triangle and remain "Pandemic Proof". Wegmans, Publix, Food Lion, Aldi and Lidl are all planning future expansion within the region.

Over 744,541 square feet of retail product remains under construction during the fourth quarter. (See Retail Development Activity Map for notable projects).

RETAIL VACANCY



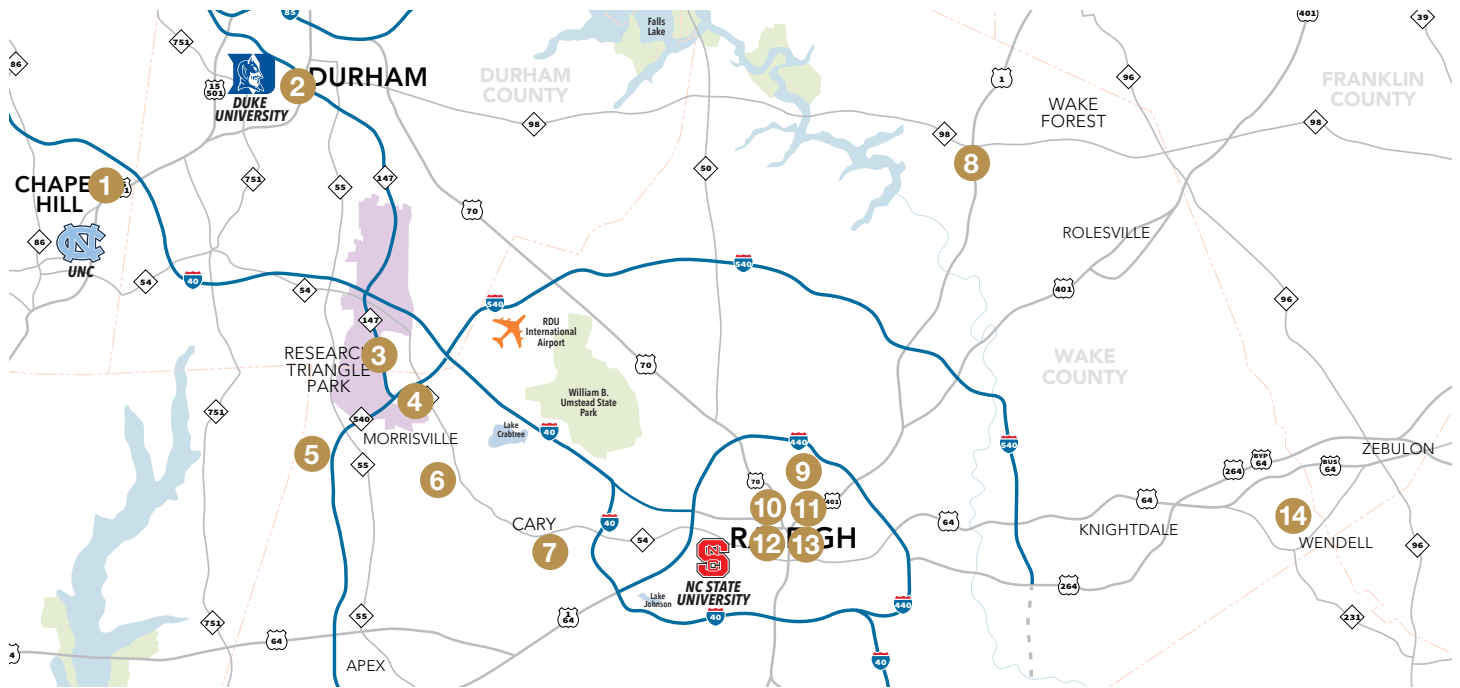
RETAIL RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	953,296	10.22%	-35,407
US 70 /Glenwood	5,051,836	8.22%	-33,213
Six Forks Road	2,060,475	9.14%	3,651
Falls of Neuse	2,498,952	6.77%	-53,078
US 1/Capital Blvd.	6,242,353	7.15%	17,498
Downtown Raleigh	778,253	12.83%	0
Cameron Village	635,120	7.58%	-3,062
Eastern Wake	3,919,593	6.09%	11,426
Southern Wake	3,904,201	4.27%	23,959
Cary	7,551,721	13.29%	-9,909
RTP/I-40 Corridor	990,982	4.26%	10,209
Central Durham	761,637	17.55%	6,388
North Durham	3,526,334	8.32%	-2,379
South Durham	5,146,202	5.90%	-51,202
Orange County	2,630,945	7.53%	1,470

Retail

DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	% LEASED(SF)	RATE	
1	Wegmans Chapel Hill	Orange County	99,000	Spring 2021	100% (99,000)	DNR
2	751 South, 9252 NC 751 HWY	South Durham	58,700	Oct. 2020	85% (50,000)	DNR
3	Kitt Creek Commons	RTP/I-40 Corridor	15,243	1Q 2021	0%	\$28 NNN
4	The Marketplace at Perimeter Park	RTP/I-40 Corridor	15,400	1Q 2021	65%(9,967)	\$28-\$29 NNN
5	Lowes at Greystone	Cary	71,057	1Q 2021	92% (65,057)	\$28
6	Twin Lakes Center/Wegmans	Cary	126,000	3Q 2020	98% (123,000)	DNR
7	Fenton- Phase 1	Cary	179,603	2Q 2021	28% (49,603)	
8	Grove Ninety Eight	US 1/Capital Blvd	98,000	2Q 2021	100% (98,000)	DNR
9	East End Market, 2020 Progress Court	US 1/Capital Blvd	58,244	2Q 2021	54% (31,165)	\$38.50
10	Raleigh Crossing	Downtown Raleigh	15,000	4Q 2021	0%	DNR
11	Publix at Peace Street	Downtown Raleigh	50,882	Fall 2020	90% (45,600)	DNR
12	Smokey Hollow II	Downtown Raleigh	41,254	1Q 2021	0%	DNR
13	Tower Two Bloc [83]	Downtown Raleigh	17,855	1Q 2021	0%	DNR
14	Publix at Wendell Falls Pkwy	Eastern Wake Co.	48,387	2Q 2021	100%	

Investment Sales

MARKET REVIEW

OVERVIEW

The \$226 million sale of the The Dillon in Downtown Raleigh marked largest transaction of the quarter. The mixed use project totaled 221,300 square feet of office, 52,600 square feet of retail and 271 apartment units. MetLife Investment Management acquired the property from Kane Realty.

Additional notable sales and transactions include the \$208.6 million (\$228.80 per square foot) acquisition of Southport Business Park by Starwood Property Trust and Trinity Capital Advisors from GID and the \$159.1 million (\$249.67 per square foot) acquisition of an eight-building portfolio in Perimeter Park by Mapletree Investments from Goldman Sachs.

NOTABLE SALES TRANSACTIONS

PROPERTY	TYPE	SUBMARKET	TOTAL SF	SALE \$/SF	BUYER/SELLER
The Dillon	Mixed-Use	Downtown Raleigh	"221,300 SF Office 52,600 SF Retail 271 Apartment Units"	\$226,000,000	MetLife Investment Management/ Kane Realty
Southport Business Park	Flex	Cary	911,702	\$208,600,000 / \$228.80	Starwood Property Trust and Trinity Capital Advisors / GID
Perimeter Park	Office	RTP/I-40 Corridor	636,836	\$159,100,000 / \$249.67	Mapletree Investments/Goldman Sachs
Cary Towne Center	Retail	Cary	980,000	\$95,000,000 / \$96.94	Epic Games / Turnbridge Equities and Denali Properties
IQVIA Tower	Office	RTP/I-40 Corridor	259,531	\$87,700,000 / \$335.22	Drawbridge Realty / IQVIA
2635 E. Highway 54	Office	RTP/I-40 Corridor	160,000	\$53,700,000 / \$333.54	Laulima Capital Investors / The Keith Corporation
Martin Brower/McDonalds Distribution Center, Dry/Cold Storage Facility	Warehouse	Eastern Wake Co.	132,449	\$40,900,000 / \$308.80	NYSE: O / Oak Street Capital
106 and 114 Roche Drive	Warehouse	RTP/I-40 Corridor	149,538	\$25,500,000 / \$170.47	Dyt Family Trust / Brookwood Capital Partners
13000 and 14001 Weston Pkwy	Flex	Cary	137,759	\$25,000,000 / \$181.48	Alidade Capital / JPB Holdings
4401 Creedmoor Rd	Office	US70/Glenwood Ave	161,000	\$22,000,000 / \$136.65	SECU / Nationwide Mutual Insurance
130 Mosswood Blvd and 9257 Highway 70 E.	Warehouse	US1/Capital Blvd Eastern Wake Co.	239,500	\$18,300,000 / \$76.41	LM Real Estate / Equus Capital Partners Ltd.
4918 Prospectus Dr	Warehouse	RTP/I-40 Corridor	178,564	\$12,900,000 / \$72.24	Reich Brothers / Valassis Manufacturing Company
Crabtree Center Office Building	Office	US70/Glenwood Ave	65,808	\$11,400,000 / \$173.23	Grubb Ventures / Crabtree Center LLC
1400 Crescent Green Dr	Office	Cary	50,070	\$11,000,000 / \$219.69	Yezen Hamad LLC / Lochmere West Associates LLC
3604 Bush St	Medical Office	Falls of Neuse	31,307	\$9,400,000 / \$300.25	A Charlotte LLC / Atlas Stark

FORECAST

Investment activity picked up in the fourth quarter of 2020 to close the year. The region has become increasingly attractive to outside investment in the wake of COVID as investors look to deploy capital to mid-size markets away from large cities. Cap rates are compressed and the price per square foot has increased throughout the Triangle. The conversion of traditional flex portfolios to life science use continues to be prevalent and the Southport transaction detailed above is one such example.

The Triangle market is well-positioned for a post-COVID recovery and was recently named by CrowdStreet as the "Clear #1" real estate market for investment in for 2021. An educated population, top universities, world class research facilities and affordability relative to other metros will continue to make the region desirable.