

IOVIA

4Q 2021  
Triangle  
Market  
Report

**NAI**TRI PROPERTIES

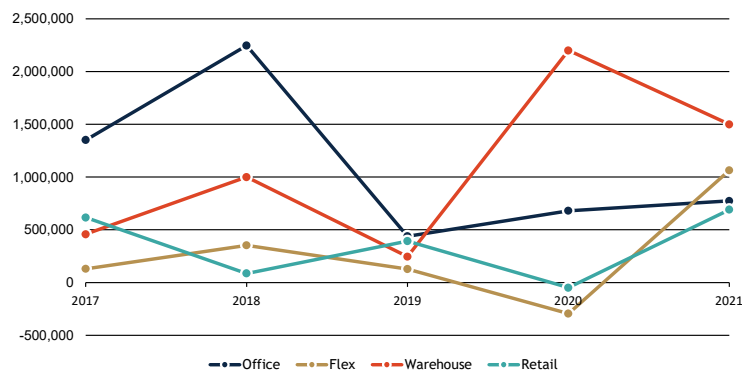


# Triangle

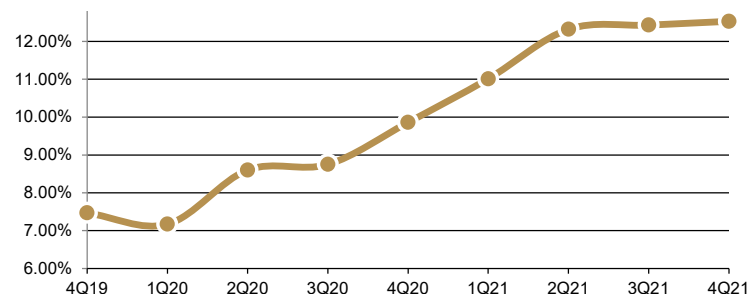
## MARKET REVIEW

	4Q2020	4Q2021	FORECAST
<b>OFFICE</b>			
Overall Vacancy	11.27%	12.78%	▼
Class A Vacancy	9.86%	12.53%	▼
Class B Vacancy	15.21%	13.28%	▼
Class C Vacancy	10.04%	14.32%	▼
Net Absorption YTD	680,736	774,040	▲
<b>WAREHOUSE</b>			
Overall Vacancy	4.96%	2.40%	▼
Net Absorption YTD	2,200,978	1,500,204	▲
<b>FLEX/LAB</b>			
Overall Vacancy	9.64%	8.41%	▼
Net Absorption YTD	-294,620	1,063,994	▲
<b>RETAIL</b>			
Overall Vacancy	8.24%	6.57%	▼
Net Absorption YTD	-48,374	690,669	▲

### ABSORPTION



### CLASS A OFFICE VACANCY



### MARKET OVERVIEW

Office vacancy fell by .16% to 12.78%, warehouse vacancy rose by .19% to 2.40%, flex/lab vacancy rose by .16% to 8.41%, and retail vacancy fell by .66% to 6.57%. The four product types above reported net positive absorption for 2021.

Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill and surrounding counties, the unemployment rate in December was reported at 2.6% which is down .8% from the previous quarter. The Triangle MSA's unemployment rate continues to outpace both the State and National unemployment rates which reported at 3.7% and 3.9% respectively.

On the office development front, 1,840,701 square feet of office space currently remains under construction. On the industrial development front, 3,576,852 square feet of warehouse and 718,836 square feet of flex/lab space remains under construction. Additionally, 652,327 square feet of retail development remains under construction.

A flurry of investment activity during the fourth quarter finished 2021 with many historic transaction benchmarks for the Triangle region. The \$330,000,000 (\$642.65 per square foot) acquisition of Bloc [83] marked the largest overall transaction for the quarter and was a record sale for Downtown Raleigh on a per square foot basis. The \$181,000,000 (\$733.06 per square foot) of The Stitch marked a record on a per square foot basis for the market and first time exceeding the \$700 per square foot threshold.

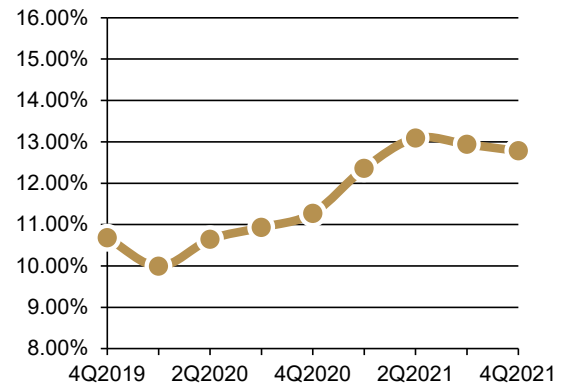
# Office

## MARKET REVIEW

### OFFICE SNAPSHOT

Total SF	59,588,408
Total SF Vacant	7,612,610
Vacancy Rate	12.78%
Net Absorption	728,161
Avg. Asking Rent	\$27.08
Avg. Class A Asking Rent	\$32.04
SF Under Construction	1,840,701

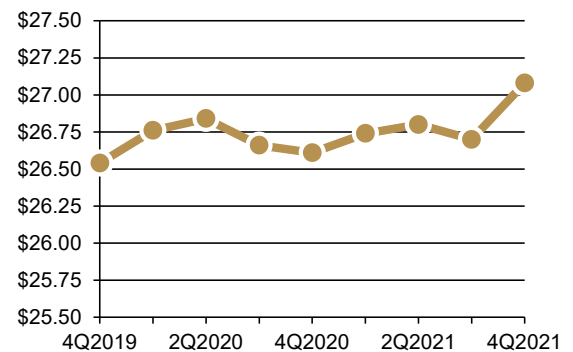
### OFFICE VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 54,000 SF** McAdams lease at Bloc [83] in the Downtown Raleigh submarket
- 45,236 SF** IXL Learning lease at 1600 Perimeter Park Drive in the RTP/I-40 Corridor submarket
- 32,000 SF** Pacific Western Bank lease at 555 Mangum in the Central Durham submarket

### OFFICE RENTAL RATES



### FORECAST

Triangle office vacancy fell by .16% to 12.78% in the fourth quarter. Strong net positive absorption of 728,161 square feet was reported for the quarter contributing to total net positive absorption of 774,040 square feet for 2021. Net positive absorption totals of 280,380 square feet and 222,122 square feet within the RTP/I-40 Corridor and Downtown Raleigh submarkets respectively contributed to the total.

Class A vacancy remained above 10% at 12.53% and sits just below overall office vacancy. Class B vacancy remains slightly higher but fell by .63% to 13.28%.

On the development front, nearly 1.85 million square feet of office space remains under construction. Notable new office development projects including Raleigh Crossing and Palisades III delivered during the fourth quarter (See Office Development Activity Map for notable projects).

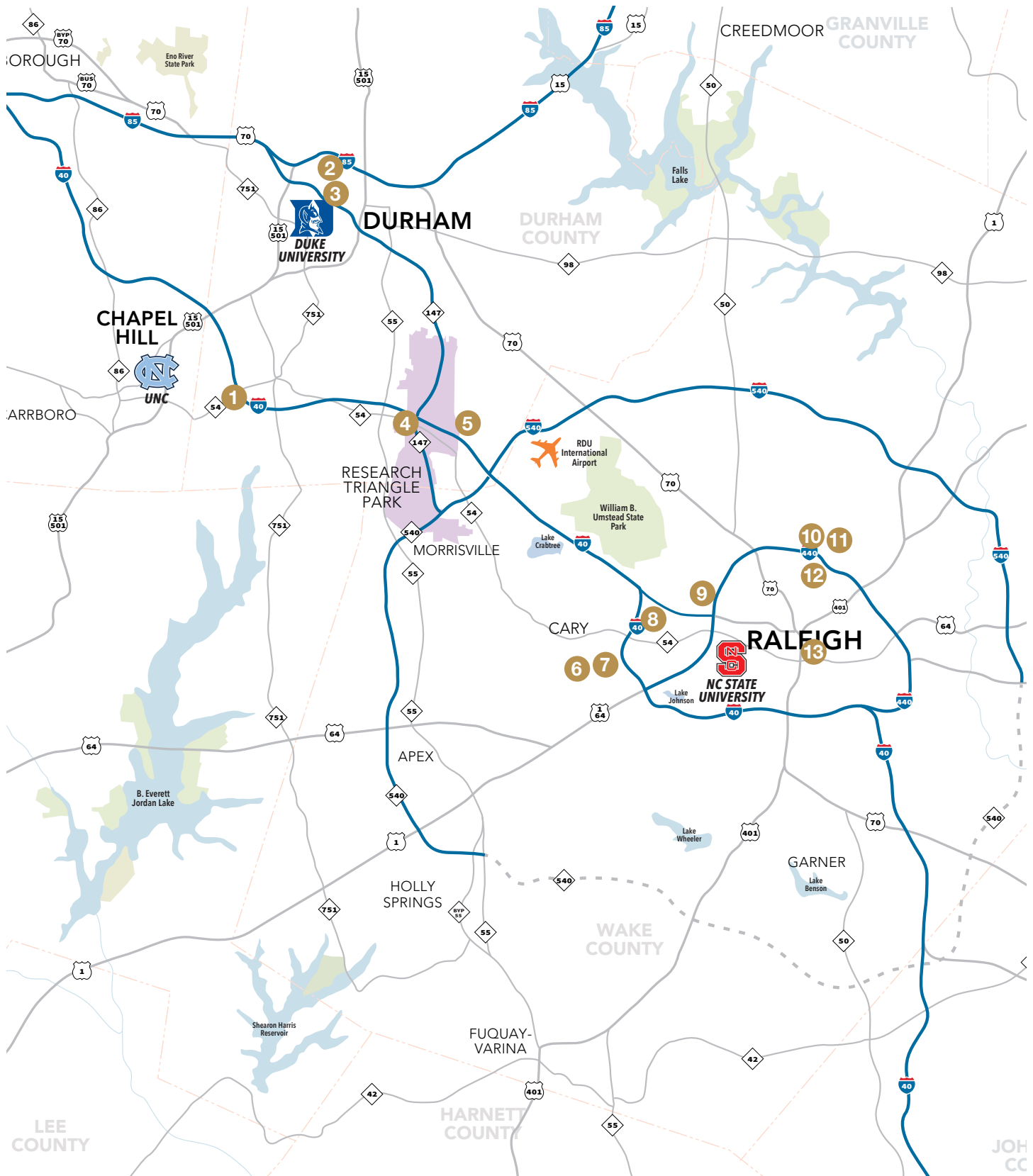
SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,534,336	13.18%	43,387
US 70 /Glenwood	4,470,705	12.08%	28,946
Six Forks Road	4,339,119	4.92%	24,310
Falls of Neuse	3,136,239	7.75%	23,625
US 1/Capital Blvd.	2,190,226	9.18%	8,763
Downtown Raleigh	6,179,562	13.92%	222,122
Cary	7,668,262	11.12%	102,021
RTP/I-40 Corridor	12,859,179	13.24%	280,380
Central Durham	5,218,937	13.65%	41,546
South Durham	1,919,887	19.92%	-7,708
Orange County	2,197,073	20.27%	126

# Office

## NOTABLE DEVELOPMENT

	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	PARKING	RATE	MAJOR TENANTS
1	Hammes Medical Office Building	South Durham	168,000	1Q 2022	0%	Structured Parking	\$32.00	
2	949 Washington St.	Central Durham	37,492	4Q 2021	0%	Surface Parking	\$24.00 + NNN (\$31-\$31.50)	
3	The Roxboro at Venable Center	Central Durham	202,163	1Q 2022	0%	Structured Parking	\$38.50	
4	Hub RTP Horeshoe Building	RTP/I-40 Corridor	100,000	3Q 2023	0%	Structured Parking	\$41.50	
5	Park Point (Redevelopment)	RTP/I-40 Corridor	652,000	4Q 2021	55% (355,000)	Surface Parking	DNR	Grail, Charles River Labs, Cree
6	The Walker Walnut St	Cary	102,000	3Q 2021	25% (25,177)	Structured Parking	\$33.00	
7	Fenton - Phase 1	Cary	175,110	2Q 2022	0%	Structured and Surface Parking	\$38.50	
8	Palisades III 5401 Trinity Rd	West Raleigh	167,307	4Q 2021	0%	Structured and Surface Parking	\$33.00	
9	Bandwidth Headquarters	West Raleigh	533,889	2Q 2023	100%	Structured and Surface Parking	DNR	Bandwidth
10	NHX I Creative Office	Six Forks Road	87,503	2Q 2023	0%	Structured Parking	\$44.50	
11	One North Hills	Six Forks Road	264,632	2Q 2023	0%	Structured Parking	\$44.50	
12	Raleigh Iron Works	US 1/ Capital Blvd	354,567	3Q 2022	0%	Structured and Surface Parking	\$45.00	
13	Raleigh Crossing 301 Hillsborough Street	Downtown Raleigh	292,457	4Q 2021	46% (135,023)	Deck Parking	\$41.50	Pendo, Nexus Strategies

## NOTABLE DEVELOPMENT



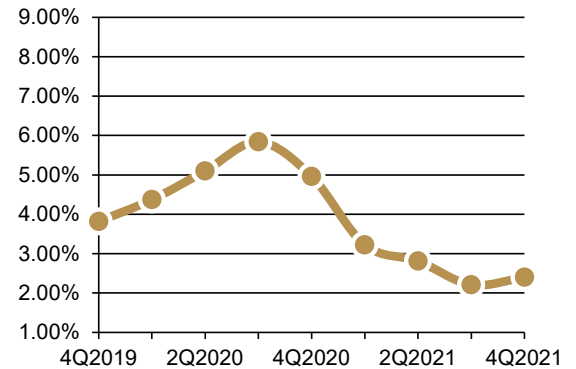
# Warehouse

## MARKET REVIEW

### WAREHOUSE SNAPSHOT

Total SF	36,196,994
Total SF Vacant	868,697
Vacancy Rate	2.40%
Net Absorption	156,699
Avg. Asking Rent	\$7.71
SF Under Construction	3,576,852

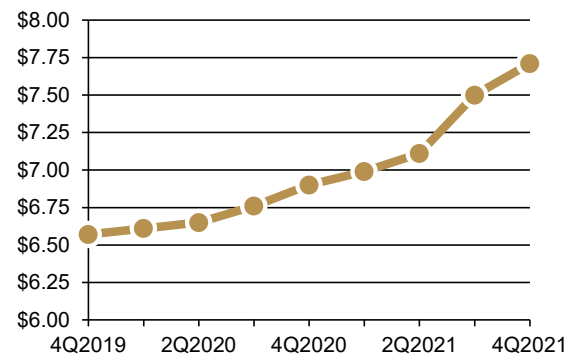
### WAREHOUSE VACANCY



### NOTABLE MOVES & TRANSACTIONS

- 37,296 SF** Undisclosed Tenant lease at 5201 Departure Drive in the US 1/Capital Boulevard corridor submarket
- 21,000 SF** Fleet Feet lease at 601 Cook Street in the Eastern Wake County submarket
- 80,578 SF** Cree/Wolfspeed vacated the full building at 2702 Weck Drive in the RTP/I-40 Corridor submarket

### WAREHOUSE RENTAL RATES



### FORECAST

The fourth quarter of 2021 reported a slight vacancy increase by .19% to 2.40%. Net positive absorption of 156,699 square feet reported for the quarter contributing to total net positive absorption of 1,500,204 square feet for 2021.

High demand for warehouse within the Triangle region continues to mirror nationwide trends. Additionally, Prologis reported rent growth for 2021 across the U.S. and Canada of 17.6% as a result of such demand. Warehouse vacancy within the centrally located and largest submarket, the RTP/I-40 Corridor, remained at a low vacancy rate of 1.05% despite net negative absorption of 141,951 square feet.

On the development front 3,576,852 square feet of warehouse space is under construction throughout the region. The historically low vacancy rate 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	15.57%	1,352
US 70 /Glenwood	736,463	0.00%	0
Falls of Neuse	1,152,912	.97%	10,800
US 1/Capital Blvd.	3,742,177	5.47%	-377
Cary	153,277	0.00%	0
RTP/I-40 Corridor	13,634,403	1.05%	-142,951
Durham	2,577,383	4.12%	7,205
Eastern Wake Co.	11,241,739	2.23%	54,460
Southern Wake Co.	1,550,842	1.29%	0
Orange County	671,464	8.22%	0

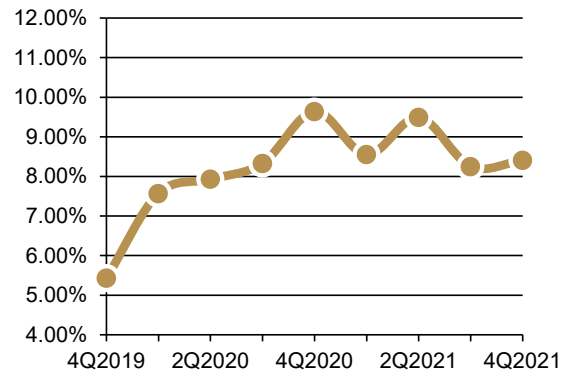
# Flex/Lab

## MARKET REVIEW

### FLEX/LAB SNAPSHOT

Total SF	22,768,514
Total SF Vacant	1,915,353
Vacancy Rate	8.41%
Net Absorption	250,362
Avg. Asking Rent	\$15.11
SF Under Construction	718,836

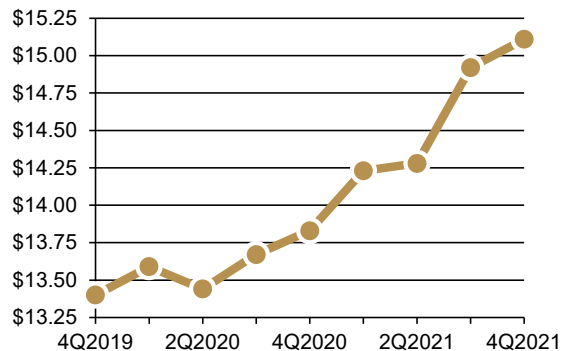
### FLEX/LAB VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 124,150 SF** Alexandria Center for AgTech opened at 75% occupancy within the RTP/I-40 corridor submarket
- 121,000 SF** Alexandria Center for Advanced Technology opened at 75% occupancy within the RTP/I-40 corridor submarket
- 68,149 SF** Undisclosed Tenant lease at Alexander Center for Life Sciences within the RTP/I-40 corridor submarket

### FLEX/LAB RENTAL RATES



### FORECAST

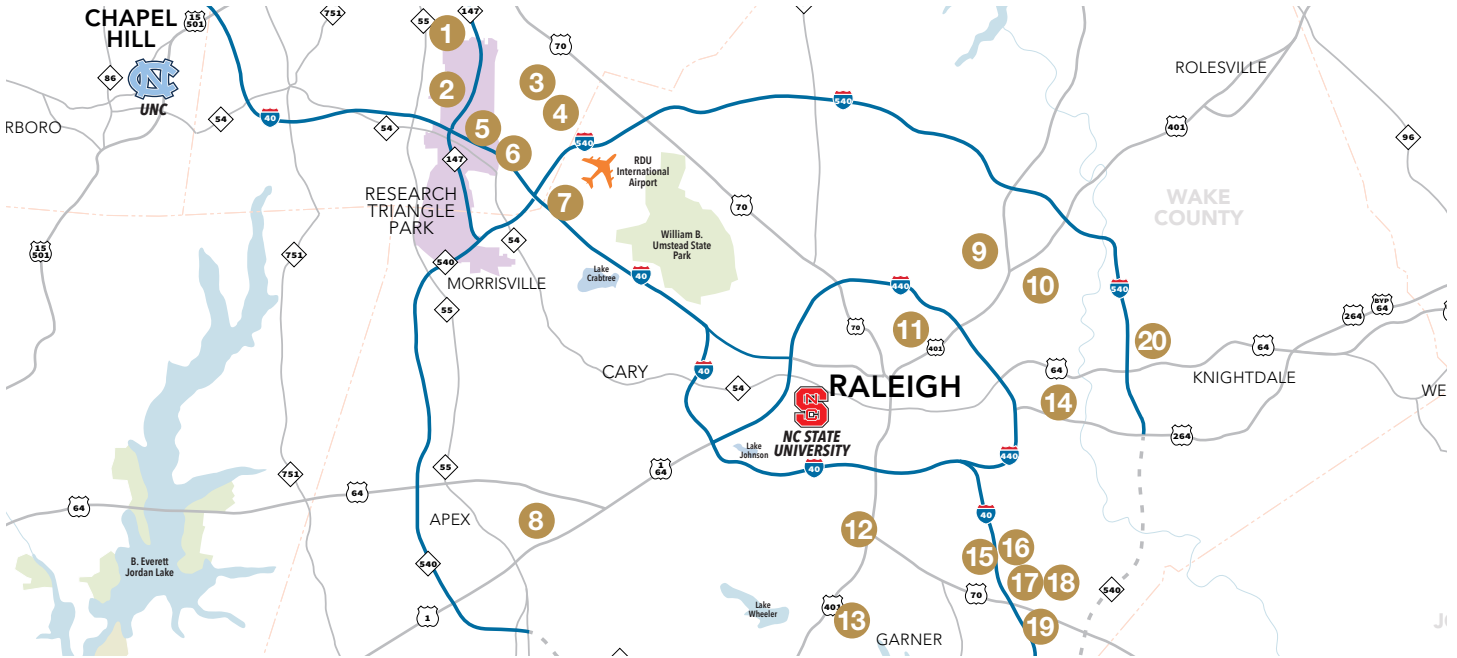
Triangle flex/lab vacancy rose slightly by .16% to 8.41% during the fourth quarter of 2021. Net positive absorption of 250,362 square feet reported for the quarter contributing to total net positive absorption of 1,063,994 square feet for 2021.

Flex vacancy indicators will continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets, Strong net positive absorption of 346,941 square was reported within the RTP/I-40 Corridor submarket however, US 1/Capital Boulevard experienced slight net negative absorption of 43,487 square feet for the quarter.

On the development front 718,836 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).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	642,805	2.51%	44,395
US 70 /Glenwood	1,217,577	1.74%	16,474
Falls of Neuse	377,272	.88%	4,957
US 1/Capital Blvd.	4,417,975	5.41%	-43,487
Cary	975,408	2.73%	-5,168
RTP/I-40 Corridor	11,073,792	9.94%	346,941
Durham	756,809	10.96%	3,533
Eastern Wake Co.	1,661,849	4.28%	-32,311
Southern Wake Co.	1,145,944	24.02%	-84,972
Orange County	383,916	18.05%	0

## NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	Regional Commerce Center 3+4	Warehouse	RTP/I-40 Corridor	245,000	1Q 2022	54% (132,000)	DNR
2	Genesis - Building 1	Flex	RTP/I-40 Corridor	100,000	2022	100%	\$10-12 Shell
3	2175 Presidential Drive	Flex	RTP/I-40 Corridor	41,000	4Q 2021	38% (15,400)	DNR
4	5513 Lumley	Warehouse	RTP/I-40 Corridor	67,200	3Q 2022	63% (42,000)	DNR
5	Alexander Commerce Park 2	Warehouse	RTP/I-40 Corridor	126,000	2Q 2022	100%	DNR
6	Patriot Park, Building 5	Warehouse	RTP/I-40 Corridor	200,055	2Q 2022	100%	DNR
7	Beam Therapeutics	Flex	RTP/I-40 Corridor	100,000	4Q 2021	100%	DNR
8	Peak City Business Park - Bldg 10	Flex	Southern Wake	60,000	2Q 2022	0%	DNR
9	540 Tech Center	Flex	US 1/Capital Blvd.	110,500	1Q 2022	0%	DNR
10	Merritt Capital Business Park	Flex/ Warehouse	US 1/Capital Blvd.	452,000 (7 Buildings)	1Q 2022	3% (13,276)	DNR
11	Midtown BioCenter (Former Kroger)	Lab	Six Forks Road	100,000	4Q 2022	0%	\$32.00,NNN
12	INQ 4300 (Former Kmart)	Lab	Eastern Wake	169,060	TBD	0%	DNR
13	Freedom Business Park	Warehouse	Eastern Wake	120,000	4Q 2021	100%	DNR
14	Eastgate 540, Bldg. 4+7	Warehouse	Eastern Wake	324,330	1Q 2022	37% (120,110)	\$7.25NNN
15	Beacon Commerce Center 1+2	Warehouse	Eastern Wake	370,079	1Q 2022	10% (33,639)	DNR
16	Eagle Crest 1+2	Warehouse	Eastern Wake	353,750	3Q 2022	0%	DNR
17	Garner Business Park 70, Bldg 2+3	Warehouse	Eastern Wake	248,028	1Q 2022	33% (80,940)	DNR
18	Garner Business Park 70, Bldg 4	Warehouse	Eastern Wake	240,010	4Q 2022	0%	DNR
19	3300 Waterfield Drive	Industrial	Eastern Wake	58,000	4Q 2021	1Q 2022	DNR
20	Merritt Midway Business Park	Flex	Eastern Wake	271,450	1Q 2022	1Q 2022	DNR



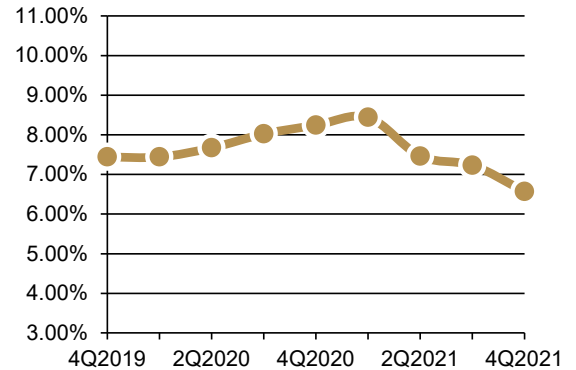
# Retail

## MARKET REVIEW

### RETAIL SNAPSHOT

Total SF	46,552,624
Total SF Vacant	3,060,377
Vacancy Rate	6.57%
Net Absorption	456,664
Avg. Asking Rent	\$21.41
SF Under Construction	652,327

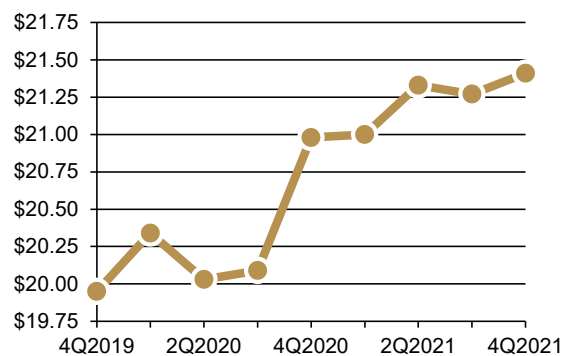
### RETAIL VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 133,000 SF** EchoPark Automotive lease at Twenty Three 33 in the Cary submarket
- 48,000 SF** Publix opened at Wendell Falls in the Eastern Wake County submarket
- 21,000 SF** Furniture Bell lease at Patterson Place in the South Durham submarket

### RETAIL RENTAL RATES



### FORECAST

Triangle retail vacancy fell by .66% to 6.57% in the fourth quarter of 2021. Strong net positive absorption of 456,664 square feet was reported for the quarter contributing to total net positive absorption of 690,699 square feet for 2021. Net positive absorption totals of 158,781 square feet and 68,500 square feet within the Cary and Eastern Wake County submarkets respectively contributed to the total.

Retail owners will need to be nimble and creative to fill big box spaces that continue to remain vacant. Two notable planned redevelopment projects include the conversion of a former Kroger in the Six Forks Road submarket and a former Kmart in Garner into life science uses.

New retail construction is either supermarket-anchor driven or in infill, mixed-use locations. 652,327 square feet of retail product remains under construction during the fourth quarter. (See Retail Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	5.90%	2,046
US 70 /Glenwood	4,470,705	8.29%	38,903
Six Forks Road	1,967,153	6.21%	-92
Falls of Neuse	2,498,952	6.28%	17,436
US 1/Capital Blvd.	6,548,754	6.42%	22,850
Downtown Raleigh	847,913	18.12%	24,106
Village District	635,120	1.69%	21,523
Eastern Wake	3,553,956	5.55%	68,500
Southern Wake	4,264,515	4.04%	6,065
Cary	6,851,452	6.17%	158,781
RTP/I-40 Corridor	1,014,662	4.26%	895
Central Durham	924,726	18.70%	-2,525
North Durham	3,535,699	7.20%	26,566
South Durham	5,153,914	5.37%	32,097
Orange County	2,786,054	6.61%	39,512

## NOTABLE DEVELOPMENT



# Investment Sales

## MARKET REVIEW

### NOTABLE OFFICE/R&D TRANSACTIONS

PROPERTY	SUBMARKET	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
Bloc [83]	Downtown Raleigh	513,500 (2 buildings)	\$330,000,000/\$642.65	City Office REIT/ Heritage Properties
The Stitch	RTP/I-40 Corridor	248,000	\$181,800,000/\$733.06	Related Companies/ Equator Capital Management
Research Commons	RTP/I-40 Corridor	422,000 (5 buildings)	\$138,000,000/\$327.01	Oxford Properties Group/ Global Mutual
Imperial Center	RTP/I-40 Corridor	421,378 (6 buildings)	\$94,100,000/\$223.32	Admiral Capital Group/ OA Development
INQ 1101	RTP/I-40 Corridor	140,302	\$88,000,000/\$627.22	TPG Real Estate/DRA Advisors
Palisades	West Raleigh	332,634 (3 buildings)	\$87,100,000/\$261.85	Alidade Capital/ Keystone Corporation
8041 Arco Corporate Drive	US 70/Glenwood Avenue	133,068	\$39,000,000/\$293.08	Dean Debnam/Southmark Capital
Duke Medical Plaza at Patterson Place	South Durham	60,500	\$36,100,000/\$596.69	LaSalle/Boulevard Properties
Smoketree Tower/Cottonwood	US 1/Capital Boulevard	190,537	\$35,000,000/\$183.69	Dean & Sasha Debnam/ Highwoods Properties
Carolina Place	US 70/Glenwood Avenue	99,974	\$32,500,000/\$325.08	Dean Debnam/Griffin Partners

### NOTABLE INDUSTRIAL TRANSACTIONS

PROPERTY	SUBMARKET	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
South 40 Distribution Center	Eastern Wake Co.	492,446 (2 buildings)	\$55,500,000/\$112.70	Pennybacker Capital/ LM Real Estate Partners
Eastgate 540	Eastern Wake Co.	240,067 (2 buildings)	\$41,800,000/\$174.12	BentallGreenOak/Trinity Capital
2001 Evans Road	Cary	260,000	\$38,000,000/\$146.15	TPG Real Estate/ Masters & Scholars Oxford Press
Greens Dairy/One North Commerce	US 1/Capital Boulevard	193,076 (5 buildings)	\$29,100,000/\$150.72	Adler Real Estate Partners/ Dilweg Companies
Gresham Lake Distribution Center	US 1/Capital Boulevard	235,404	\$28,000,000/\$118.94	TPG Real Estate/ Hamilton Partners

### FORECAST

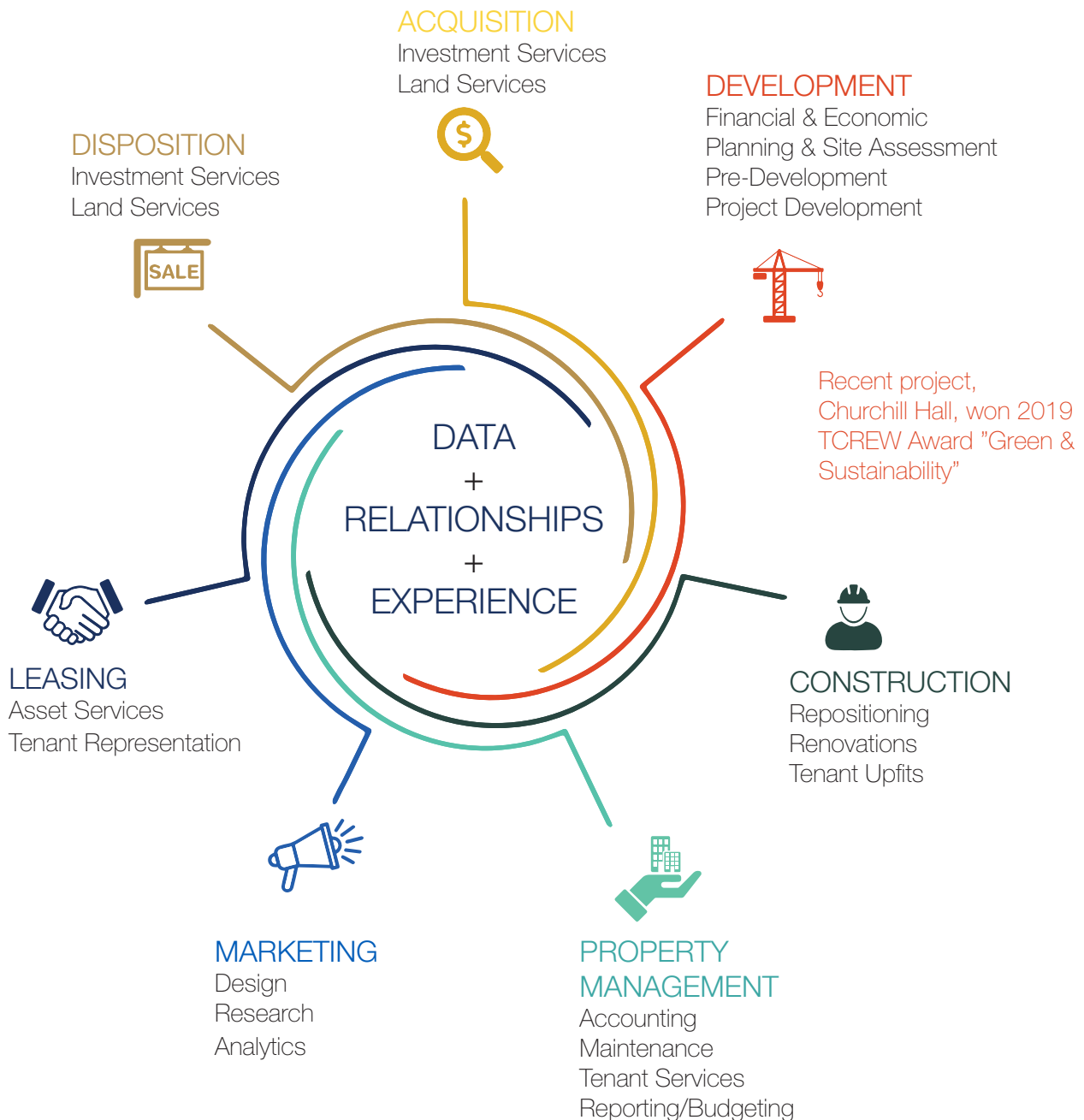
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# Full Service

## SOLUTIONS

**Corporate Services | Healthcare | Investment Sales | Land Services**  
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