

TRI PROPERTIES

4Q 2022  
Triangle  
Market  
Report

**NAI** TRI PROPERTIES

# Triangle

## MARKET REVIEW

	4Q2021	4Q2022	FORECAST
<b>OFFICE</b>			
Overall Vacancy	12.78%	13.37%	▼
Class A Vacancy	12.53%	13.11%	▼
Class B Vacancy	13.28%	14.26%	▼
Class C Vacancy	14.32%	12.30%	▼
Net Absorption YTD	774,040	208,736	▲
<b>WAREHOUSE</b>			
Overall Vacancy	2.40%	4.09%	▲
Net Absorption YTD	1,500,204	3,363,048	▲
<b>FLEX/LAB</b>			
Overall Vacancy	8.41%	9.36%	▼
Net Absorption YTD	1,063,994	857,850	▲
<b>RETAIL</b>			
Overall Vacancy	6.57%	5.97%	▼
Net Absorption YTD	690,669	783,786	▲

### MARKET OVERVIEW

From the third to fourth quarter, office vacancy rose by 1.05% to 13.37%, warehouse vacancy rose marginally by .02% to 4.09%, flex/lab vacancy increased by 1.30% to 9.36%, and retail vacancy fell by .40% to 5.97%.

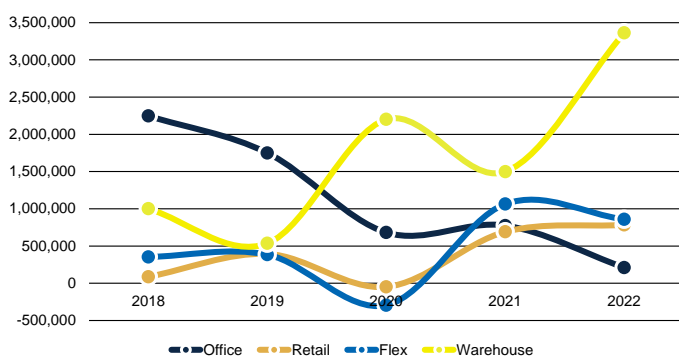
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in December was reported at 2.65% which is up a mere .03% from the previous year. The Triangle MSA's unemployment rate outpaces the National unemployment rate of 3.5% and State unemployment rate of 3.9%.

On the office development front, 2,443,931 square feet of office space remains under construction. On the industrial development front, 2,031,584 square feet of warehouse and 683,878 square feet of flex/lab space remains under construction. Additionally, 294,493 square feet of retail development is under construction.

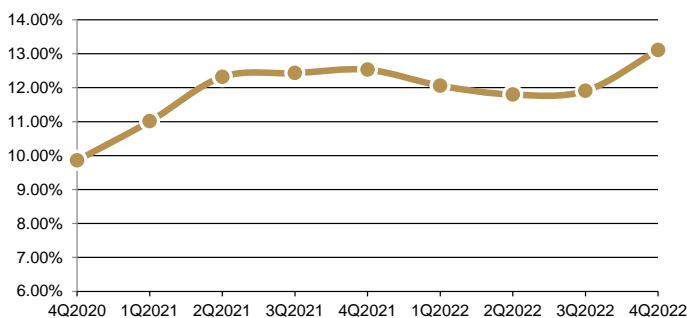
Investment activity volume decreased by roughly half compared to the third quarter. The largest sale in the fourth quarter of 2022 was Northchase Executive Center, consisting of two Class A office buildings totaling 171,237 square feet off Six Forks Road in Raleigh, sold for \$48,000,000 (\$280/SF). Debnam Commercial Real Estate purchased from seller JPB Raleigh Holdings.

The Federal Reserve increased interest rates to combat inflation concerns. As anticipated, the rate hikes from 2022 put upward pressure on cap rates and the market saw slight cap rate increases across all property types. We expect cap rates to continue to increase.

### 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	59,850,581
Total SF Vacant	8,001,620
Vacancy Rate	13.37%
Net Absorption	-435,488
Avg. Asking Rent	\$28.11
Avg. Class A Asking Rent	\$33.12
SF Under Construction	2,443,931

### NOTABLE MOVES AND TRANSACTIONS

- 31,000 SF** Summit lease at 1000 Social at the Exchange Raleigh in the Falls of Neuse submarket
- 50,000 SF** American Tower lease at The Fenton in the Cary submarket
- 83,182** ChannelAdvisor vacated 116,182 SF in Perimeter 4 and consolidated into 33,000 SF within Perimeter 6 in the RTP/I-40 Corridor submarket

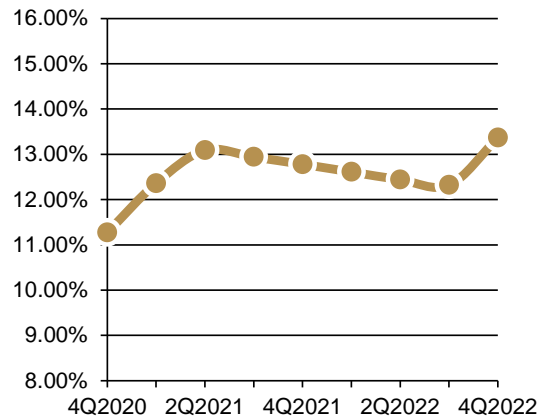
### FORECAST

Triangle office vacancy rose by 1.05% to 13.37% in the fourth quarter. Negative net absorption of 435,488 square feet was reported for the quarter, with the RTP/I-40 Corridor having the largest impact reporting negative net absorption 250,375 square feet.

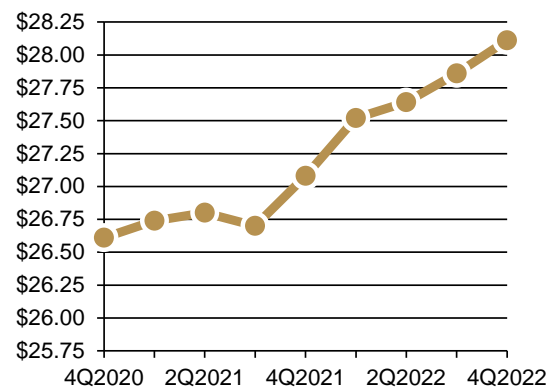
Class A vacancy remained above 10% for the eighth consecutive quarter and increased 1.20% to 13.11%. Class B vacancy remains higher and increased by .98% to 14.26%. Subleases have increased and are close to 3.6 million square feet, which is about 6% of the total office inventory in the Triangle. About 500,000 SF of this is GlaxoSmithKline in RTP.

On the development front, 2,443,931 square feet of office space remains under construction. (See Office Development Activity Map for notable projects).

### OFFICE VACANCY



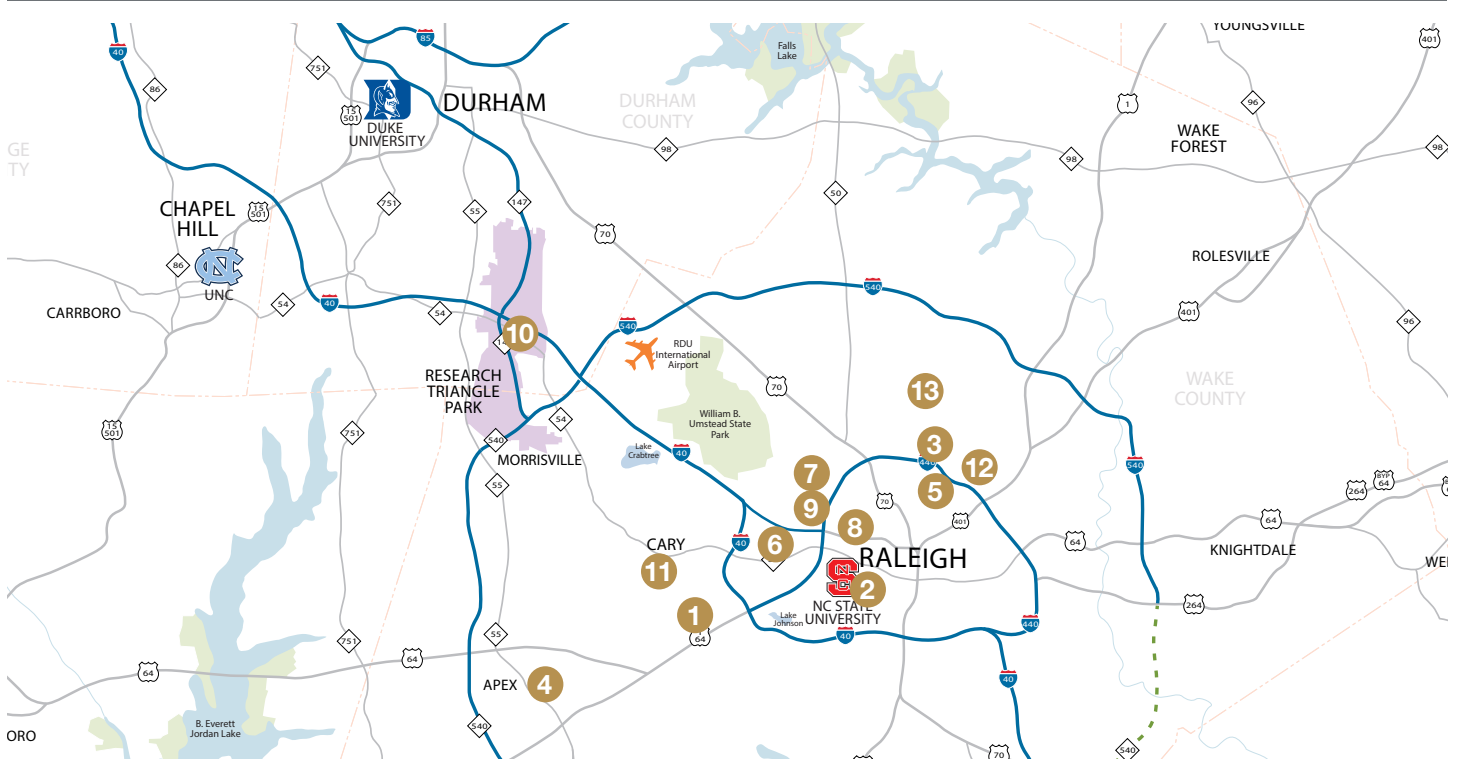
### OFFICE RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,707,759	14.56%	-81,858
US 70 /Glenwood	4,392,850	11.21%	43,118
Six Forks Road	4,341,873	4.94%	-3,820
Falls of Neuse	3,000,390	10.08%	-22,478
US 1/Capital Blvd.	2,561,417	26.70%	-196,314
Downtown Raleigh	6,154,268	11.28%	60,478
Cary	7,531,069	14.25%	-59,792
RTP/I-40 Corridor	12,873,568	13.28%	-250,375
Central Durham	5,211,732	11.48%	-6,662
South Durham	1,858,310	16.41%	7,801
Orange County	2,229,598	19.31%	24,628

# Office

## NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE	
1	Fenton Office - Phase 1	Cary	217,160	2Q 2022	42%	\$32 NNN +\$11 OPEX
2	400H	Downtown Raleigh	150,000	4Q 2023	0%	\$38.50, NNN
3	NHX   Creative Offices	Six Forks Road	87,503	2Q 2023	0%	\$45.50
3	One North Hills	Six Forks Road	264,632	2Q 2023	10%	\$45.50
3	North Hills Tower 5	Six Forks Road	354,466	2Q 2024	0%	N/A
4	Highline	Southern Wake	32,108	3Q 2022	93%	\$32.00
5	Raleigh Iron Works - Bow Truss	US-1/Capital Boulevard	69,749	3Q 2022	10%	\$45.50
5	Raleigh Iron Works	US-1/Capital Boulevard	175,832	3Q 2022	8%	DNR
5	Raleigh Iron Works - Double Gable	US-1/Capital Boulevard	111,000	3Q 2022	13%	\$46.50
6	Bandwidth Headquarters	West Raleigh	533,889	2Q 2023	100%	DNR
7	GlenLake III	West Raleigh	205,000	4Q 2023	19%	\$39.75
8	1309 Annapolis Dr, Raleigh	West Raleigh	50,000	1Q 2023	52%	\$38.50
9	The Grove	West Raleigh	152,768	2Q 2023	5%	\$35.00
10	Hub RTP Horseshoe Building	RTP/I-40 Corridor	110,000	3Q 2023	14%	\$46.50
11	Rogers Building	Cary	40,746	2Q 2023	53%	\$34.00
12	1000 Social at The Exchange	Falls of Neuse	353,500	4Q 2023	31%	DNR
13	Quail Commons	Falls of Neuse	72,000	1Q 2023	0%	DNR

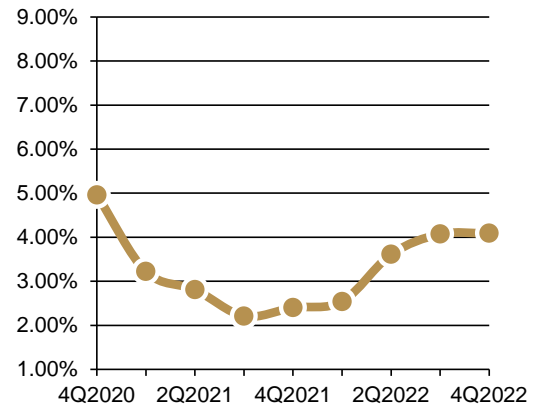
# Warehouse

## MARKET REVIEW

### WAREHOUSE SNAPSHOT

Total SF	40,688,017
Total SF Vacant	1,665,166
Vacancy Rate	4.09%
Net Absorption	848,894
Avg. Asking Rent	\$8.64
SF Under Construction	2,031,584

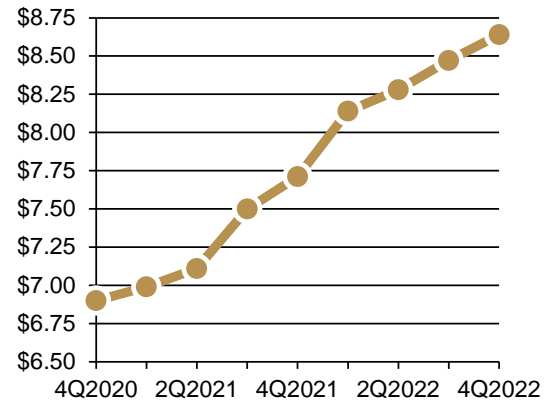
### WAREHOUSE VACANCY



### NOTABLE MOVES & TRANSACTIONS

- 240,010 SF** MD Logistics, LLC lease at Garner Business Park 70, Bldg 4 in the Southeast Wake County submarket
- 135,000 SF** Do Good Foods lease at Eastfield Crossing Business Park, Bldg 100 in the Johnston County submarket
- 130,850 SF** Fidelitone lease at 147 Exchange in the RTP/I-40 Corridor submarket

### WAREHOUSE RENTAL RATES



### FORECAST

The fourth quarter of 2022 reported a slight vacancy increase to 4.09%. Demand remained strong, totaling a positive net absorption of 843,894 SF, primarily impacted by 730,515 SF positive absorption in Eastern Wake County and 109,672 SF positive absorption in Orange County.

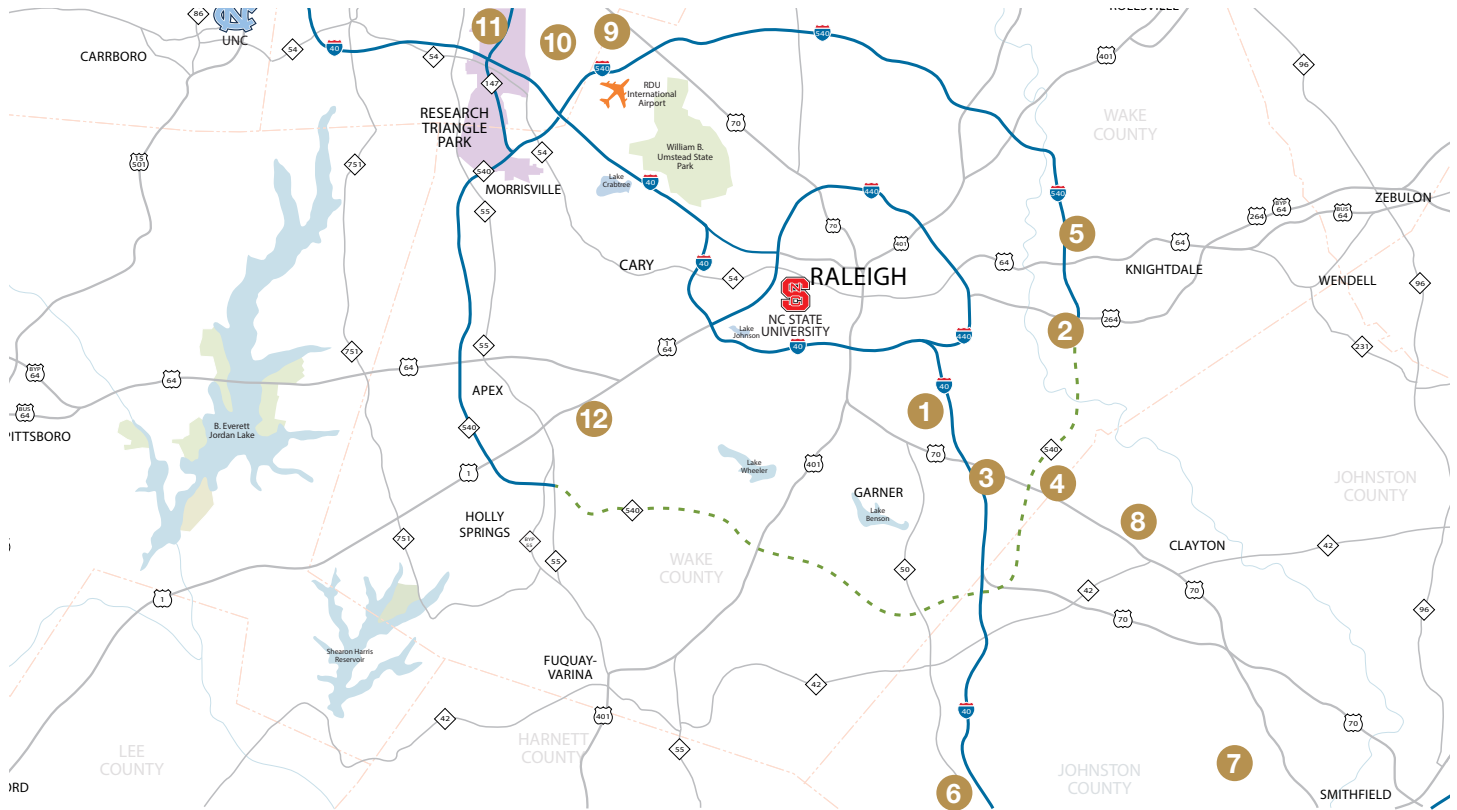
Warehouse absorption in total for 2022 set a historical record high for the market, tallying over 3.3 million square feet of positive absorption.

On the development front, 2,031,584 square feet of warehouse space is expected to deliver in 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 Warehouse Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	312,520	9.38%	-12,414
US 70/Glenwood Ave.	787,183	0.00%	13,900
Falls of Neuse Road	1,151,941	5.25%	-50,501
US 1/Capital Blvd.	3,713,069	3.80%	-21,960
Eastern Wake Co.	12,787,767	3.55%	730,515
Southern Wake Co.	1,894,116	16.73%	-5,000
RTP/I-40 Corridor	14,372,133	1.42%	75,231
Central Durham	594,434	1.02%	-6,059
North Durham	1,251,024	5.71%	0
South Durham	782,925	1.40%	0
Orange County	2,451,964	14.39%	109,672

# Warehouse

## NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	Eagle Crest Building 1+2	Warehouse	Eastern Wake Co	353,750	2Q 2023	28%	\$8.75-\$9.25 NNN
2	Eastgate 540 - Building 7	Warehouse	Eastern Wake Co	204,220	3Q 2022	0%	\$8.25 NNN
3	Greenfield 27	Warehouse	Eastern Wake Co	160,380	1Q 2023	0%	\$8-\$9 NNN
4	Garner Business Park 70, Bldg 4	Warehouse	Eastern Wake Co	240,010	4Q 2022	100%	\$7.05 NNN
5	Hinton Oaks Industrial Park 5	Warehouse	Eastern Wake Co	250,000	4Q 2022	100%	\$7.50 NNN
6	Benson Global II	Warehouse	Johnston County	270,734	2Q 2023	100%	\$6.50-\$6.95 NNN
7	Clayton Logistics Center Bldg 100	Warehouse	Johnston County	126,256	2Q 2023	26%	\$7.50 NNN
7	Clayton Logistics Center Bldg 200	Warehouse	Johnston County	109,412	2Q 2023	0%	\$7.50 NNN
8	Advance TEC Building	Warehouse	Johnston County	98,280	1Q 2023	36%	\$7.75 NNN
9	Alexander Commerce Park-Bldg 1	Warehouse	RTP/I-40 Corridor	189,072	1Q 2023	100%	\$8.75-\$9.25 NNN
9	Alexander Commerce Park-Bldg 2	Warehouse	RTP/I-40 Corridor	126,000	1Q 2023	100%	\$8.75-\$9.25 NNN
9	Alexander Commerce Park-Bldg 3	Warehouse	RTP/I-40 Corridor	126,000	1Q 2023	100%	\$8.75-\$9.25 NNN
10	5513 Lumley	Warehouse	RTP/I-40 Corridor	67,200	2Q 2023	63%	\$15.50 NNN
11	147 Exchange	Warehouse	RTP/I-40 Corridor	274,370	4Q 2022	0%	\$9.95 NNN
12	Apex Commerce Center Building 1	Warehouse	Southern Wake	234,000	1Q 2023	0%	\$8.25-\$9.95 NNN

# Flex/Lab

## MARKET REVIEW

### FLEX/LAB SNAPSHOT

Total SF	24,656,398
Total SF Vacant	2,297,886
Vacancy Rate	9.36%
Net Absorption	232,577
Avg. Asking Rent	\$16.65
SF Under Construction	683,878

### NOTABLE MOVES AND TRANSACTIONS

- 79,000 SF** Zoetis lease at 1050 Swabia Court within the RTP/I-40 Corridor submarket
- 58,422 SF** Black & Veatch lease at Greenfield Business Park within the Eastern Wake County submarket
- 21,551 SF** Telerent lease at 4191 Fayetteville Road within the Southern Wake County submarket
- 57,944 SF** Carolina Components lease at Merritt TW Crossing within the RTP/I-40 Corridor submarket

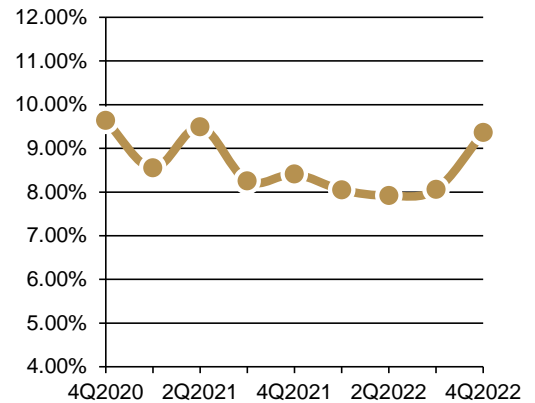
### FORECAST

Triangle flex/lab vacancy increased by 1.30% to 9.36% during the fourth quarter of 2022. Demand remained strong, with the quarter totaling net positive absorption of 232,577 square feet.

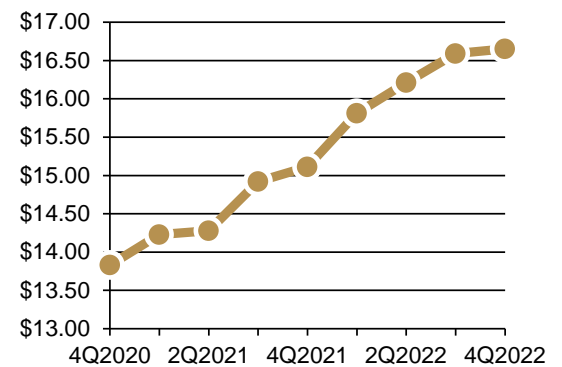
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets. Net positive absorption of 128,326 square was reported within the RTP/I-40 Corridor submarket and the Eastern Wake County submarket experienced 112,581 square feet of net positive absorption for the quarter.

On the development front, 683,878 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 Flex/Lab Development Activity map for notable projects).

### FLEX/LAB VACANCY



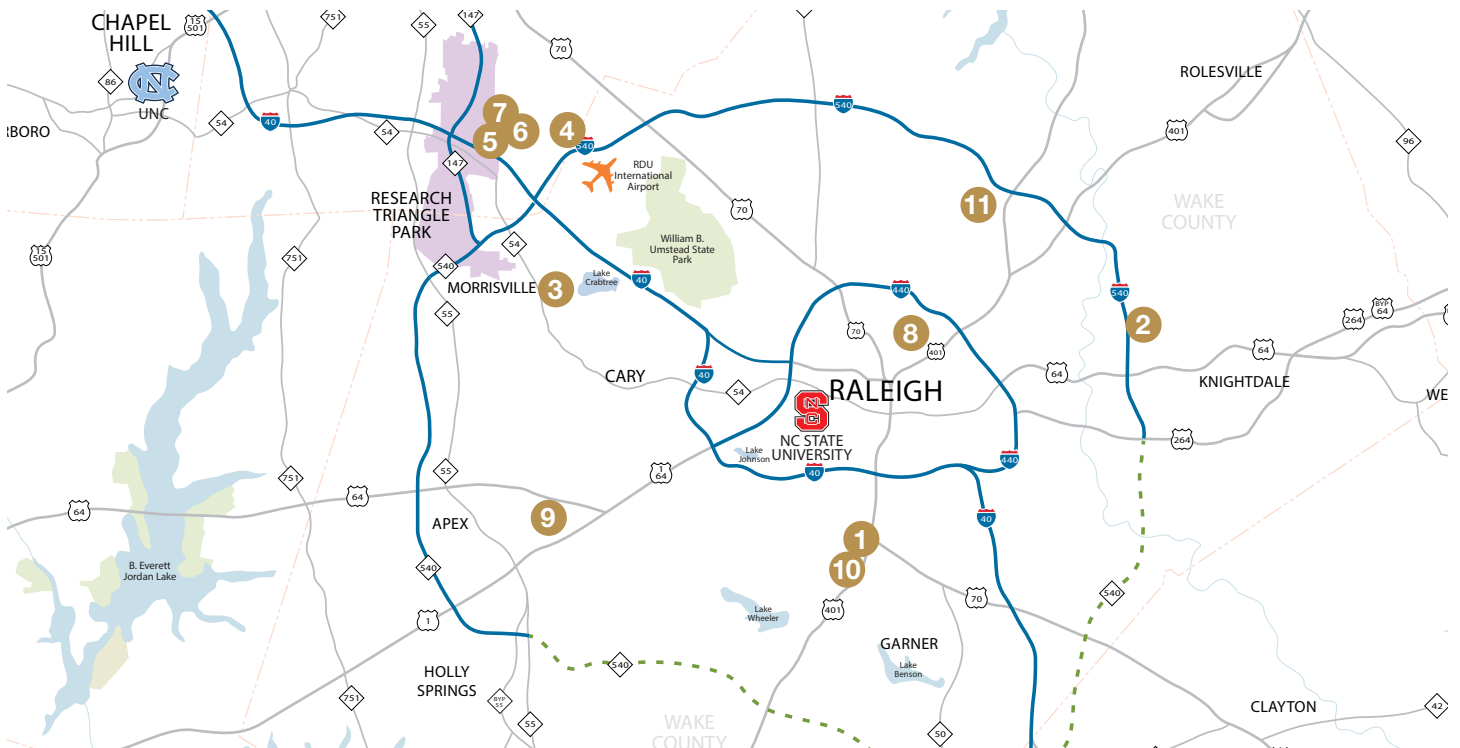
### FLEX/LAB RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	693,128	11.90%	-18,201
US 70 /Glenwood	1,235,774	2.07%	-23,809
Falls of Neuse	377,272	8.98%	0
US 1/Capital Blvd.	4,487,384	6.54%	-16,293
Eastern Wake Co.	1,918,649	8.89%	112,581
Southern Wake Co.	1,490,061	27.55%	19,801
Cary	1,241,922	22.14%	13,632
RTP/I-40 Corridor	11,857,114	7.61%	128,326
Central Durham	62,150	0.00%	0
North Durham	464,321	7.32%	6,540
South Durham	221,398	11.29%	0
Orange County	383,916	10.68%	0

# Flex/Lab

## NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE
1	Lincoln Park South 109	Flex	Eastern Wake	32,268	1Q 2023	0%	\$15.95
2	Merritt Midway Bus Park Bldg. 1+2	Flex	Eastern Wake	156,450	4Q 2022	13%	\$15-\$19
3	CAMP Morrisville	Flex	RTP/I-40 Corridor	100,000	1Q 2023	100%	DNR
4	World Trade Park Flex	Flex	RTP/I-40 Corridor	63,053	1Q 2023	0%	\$16.95 NNN
5	Beam Therapeutics	Flex	RTP/I-40 Corridor	100,000	3Q 2022	100%	DNR
6	78 TW Alexander	Flex	RTP/I-40 Corridor	142,600	4Q 2022	0%	\$40
7	Alexandria Center for Advanced Technologies	Flex	RTP/I-40 Corridor	170,000	3Q 2023	0%	DNR
8	Midtown Bio Center	Flex	Six Forks Road	100,000	2Q 2023	100%	\$32.00 NNN
9	3050 Lufkin Road	Flex	Southern Wake	14,976	1Q 2023	0%	\$14.75 NNN
10	INQ 4300	Flex	Southern Wake	180,072	2023	0%	\$15.95
11	Sumner Business Park, Bldg 203	Flex	US 1/Capital Boulevard	25,709	2Q 2023	51%	DNR



# Retail

## MARKET REVIEW

### RETAIL SNAPSHOT

Total SF	47,192,179
Total SF Vacant	2,817,467
Vacancy Rate	5.97%
Net Absorption	260,951
Avg. Asking Rent	\$23.21
SF Under Construction	294,493

### NOTABLE MOVES AND TRANSACTIONS

- 51,854 SF** Li Ming's Global Mart Grocery and Angel Island Fun Park lease space at Westgate Plaza in the South Durham submarket
- 37,880 SF** Painted Tree lease at Stonehenge Market in the US 70/ Glenwood submarket
- 23,660 SF** Planet Fitness lease at Towne Square in the US 1/ Capital Boulevard submarket

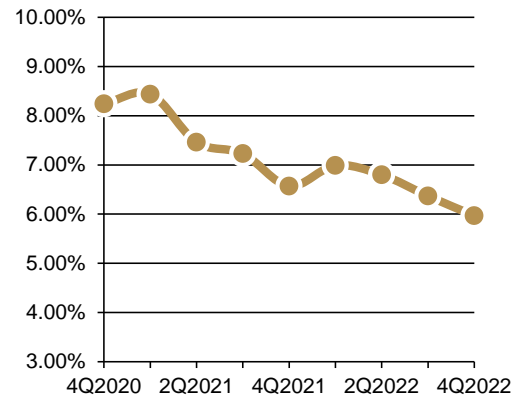
### FORECAST

Triangle retail vacancy fell by .40% to 5.97% in the fourth quarter of 2022. Net positive absorption of 260,951 square feet was reported for the quarter contributing to total net positive absorption of 783,786 square feet for 2022. The two submarkets with the greatest inventory, Cary and US 1/Capital Boulevard, contributed the most positive absorption at 56,827 and 61,746 square feet, respectively.

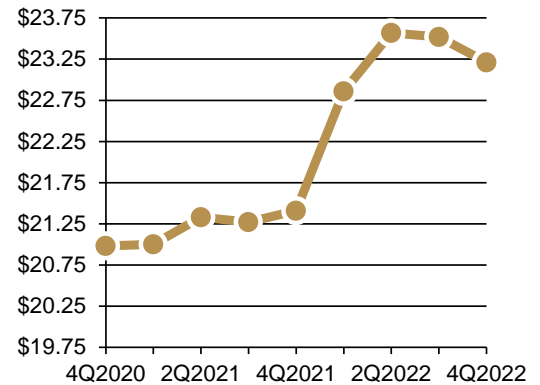
While big box stores continue to announce closings in the Triangle, such as Tuesday Morning and Bed Bath & Beyond, and some large vacancies remain, developers are seeing success in building creative mixed-use projects or repurposing existing facilities. Many projects on the development list are mixed-use with a retail component, including Seaboard Station, Fenton, and more.

On the development front, 294,493 square feet of retail is under construction. The Raleigh Iron Works – Bow Truss delivered in the fourth quarter adding 65,000 square feet. (See Retail Development Activity Map for notable projects).

### RETAIL VACANCY



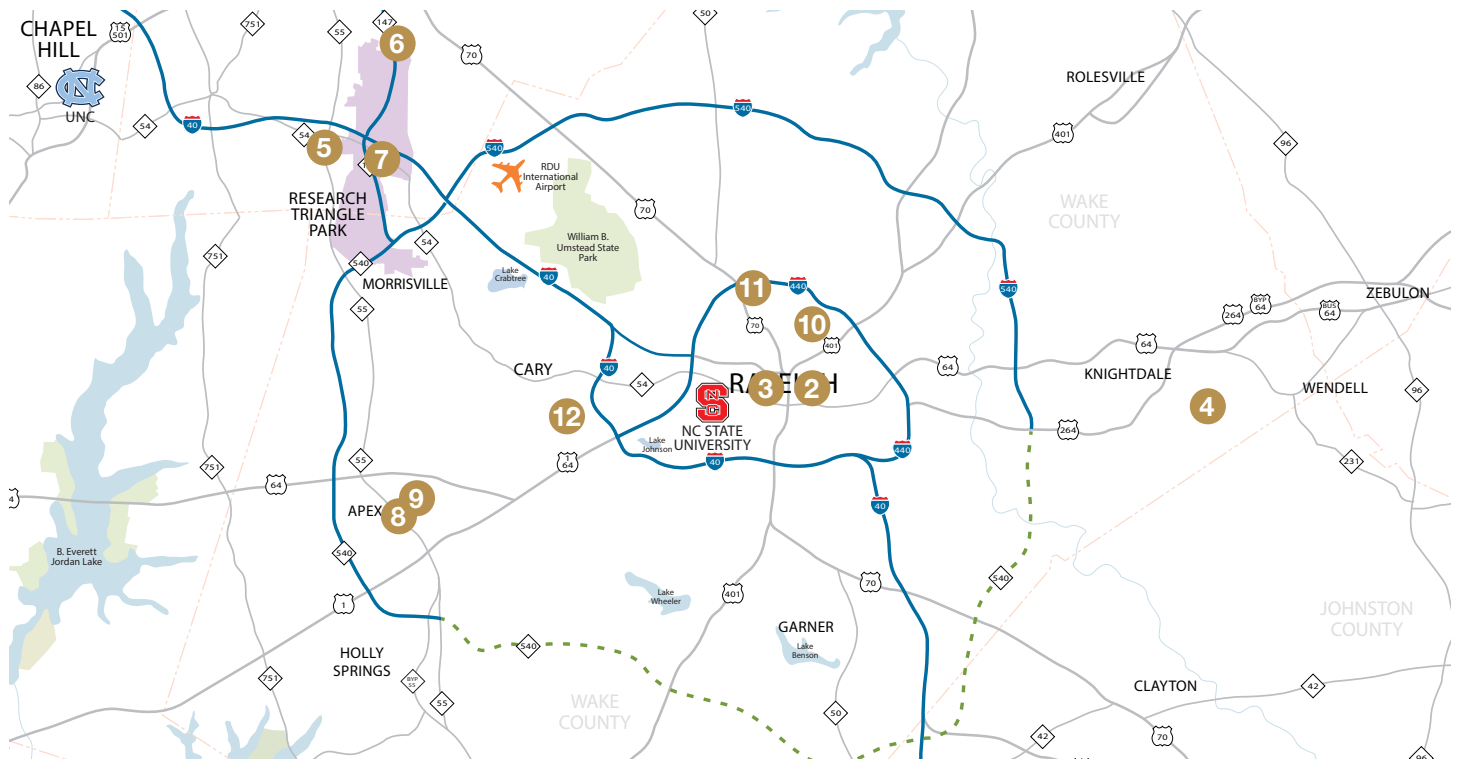
### RETAIL RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	7.15%	-6,750
US 70 /Glenwood	5,021,807	7.65%	34,708
Six Forks Road	2,014,323	3.87%	23,154
Falls of Neuse	2,533,452	6.63%	-9,001
US 1/Capital Blvd.	6,675,522	7.68%	61,746
Downtown Raleigh	891,307	18.54%	1,595
Village District	635,120	2.52%	-5,214
Eastern Wake	3,549,126	3.58%	-3,607
Southern Wake	4,289,607	1.95%	21,691
Cary	7,171,892	4.65%	56,827
RTP/I-40 Corridor	1,074,324	3.27%	7,723
Central Durham	931,415	16.41%	12,242
North Durham	3,536,899	11.28%	10,181
South Durham	5,183,437	2.70%	50,352
Orange County	2,726,297	5.62%	5,304

# Retail

## NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	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	1Q 2023	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	Market at Ellis Crossing	RTP/I-40 Corridor	71,810	4Q 2023	85%	DNR
7	Horseshoe at Hub RTP	RTP/I-40 Corridor	25,000	3Q 2023	0%	DNR
8	Highline	Southern Wake	10,000	3Q 2022	68%	\$30
9	76 Hunter	Southern Wake	28,000	3Q 2022	69%	\$27-\$29, NNN
10	Raleigh Iron Works - Bow Truss	US 1/Capital Blvd	65,000	4Q 2022	0%	DNR
10	Raleigh Iron Works - Forge Apts.	US 1/Capital Blvd	27,532	1Q 2023	0%	DNR
11	The Residences Glenwood Place	US 70/Glenwood	11,000	3Q 2022	0%	DNR
12	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
The Yield @ Oakview Innovation Park (Flex)	Southern Wake County	255,000 SF	\$40,500,000 / \$159/SF	Apollo Global RE JV GeneSuites / Crescent Communities
Sexton Commons (Retail)	Southern Wake County	49,033 SF	\$10,600,000 / \$217/SF	CC Realty / Madison International JV SITE Centers Corp
Brentwood Square (Retail)	Falls Of Neuse	67,000 SF	\$12,300,000 / \$183/SF	Pacific Partners Commercial / Ronald Dorrestein
78 TW Alexander (Flex)	RTP/I-40 Corridor	100,000 SF	\$21,400,000 / \$214/SF	Oxford Properties Group / Davidson Craven
Northchase Executive Center (Office)	Six Forks	171,237 SF	\$48,000,000 / \$280/SF	Debnam Commercial Real Estate / JPB Raleigh Holdings
7300 ACC Boulevard (Warehouse)	US/70 Glenwood Avenue	171,844 SF	\$18,000,000 / \$105/SF	Rise Properties LLC / Edwin D Harrison
3300 Waterfield Dr (Flex)	Eastern Wake	58,422 SF	\$16,200,000 / \$277.29/SF	Waterfield WIP, LLC / Wigeon Capital
200 Laurensfield Court (Warehouse)	Eastern Wake	97,332 SF	\$16,632,674 / \$170.89/SF	Realty Income Corp. / Wigeon Capital

### FORECAST

Investment sale activity was down approximately 50% from the third quarter across all property types, as the number of sale transactions shrunk. Northchase Executive Center, consisting of two Class A Office buildings totaling 171,237 square feet, sold for \$48,000,000 (\$280/SF) and was the largest sale of the quarter. Debnam Commercial Real Estate purchased from seller JPB Raleigh Holdings.

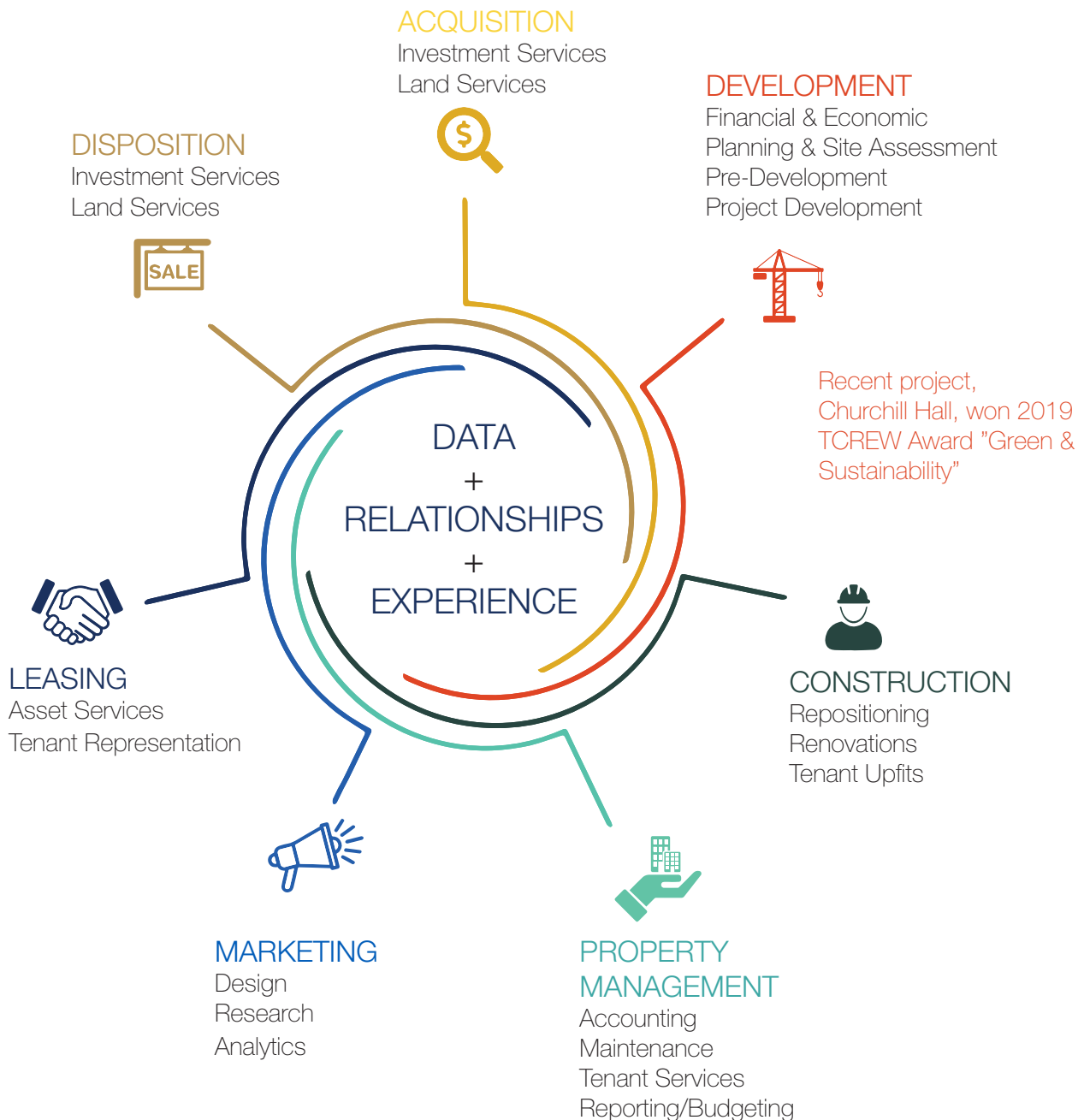
Another notable transaction was the sale of The Yield at Oakview Innovation Park, a 255,000 SF biomanufacturing facility in Southern Wake County for \$40,500,000 (\$159/SF) from Apollo Global RE JV GeneSuites to Crescent Communities. It has since been rebranded and is now known as Catalyst BioCampus.

The decrease in sales can largely be attributed to the Federal Reserve increasing interest rates to combat inflation concerns. As anticipated, the rate hikes have started to put upward pressure on cap rates and there have been slight increases across all property types. We expect this upward trend of cap rates to continue.

# Full Service

## SOLUTIONS

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