

4Q 2023
Triangle
Market
Report

Triangle

MARKET REVIEW

Past 12 Mo. Change	4Q2022	4Q2023	FORECAST
OFFICE			
Overall Vacancy	13.37%	14.49%	▲
Class A Vacancy	13.11%	14.45%	▲
Class B Vacancy	14.26%	15.09%	▲
Class C Vacancy	12.30%	10.57%	▲
Net Absorption YTD	208,736	89,144	▲
WAREHOUSE			
Overall Vacancy	4.09%	4.89%	▲
Net Absorption YTD	3,363,048	1,212,682	▲
FLEX/LAB			
Overall Vacancy	9.36%	11.91%	▲
Net Absorption YTD	857,850	219,307	▲
RETAIL			
Overall Vacancy	5.97%	5.94%	▼
Net Absorption YTD	783,786	262,616	▲

MARKET OVERVIEW

From the third quarter to the fourth quarter of 2023, office vacancies rose by .02% to 14.49%, warehouse decreased by .87% to 4.89%, flex/lab vacancies increased by .44% to 11.91%, and retail vacancies .10% to 5.94%. All property types ended the year in positive net absorption.

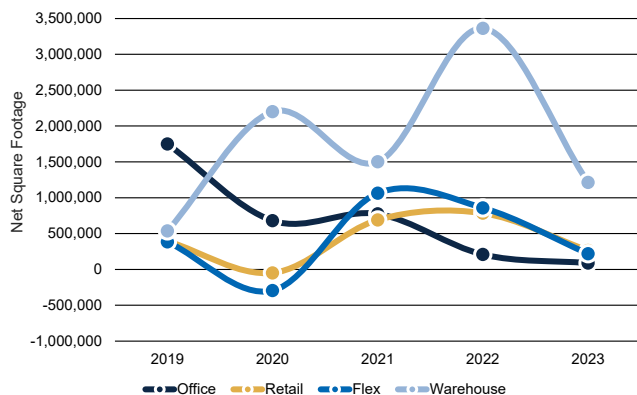
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in December was reported at 2.83%, up from .18% a year ago. The Triangle MSA's unemployment rate outpaces the National and State unemployment rates, at 3.7% and 3.5%, respectively.

On the development front, new projects have slowed down. Under construction totals for each property type include 1,573,112 square feet of office space, 1,998,861 square feet of warehouse, 946,793 square feet of flex/lab space, and 435,279 square feet of retail.

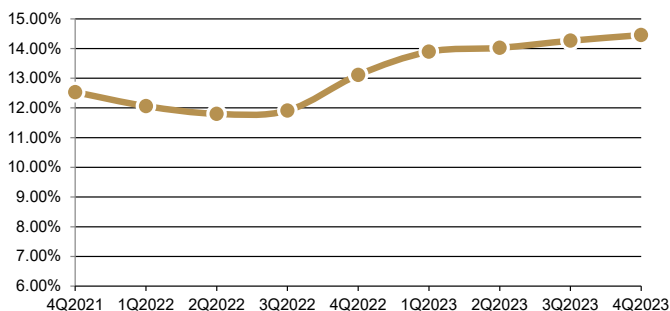
The largest Triangle transaction of the quarter was Midtown Plaza at 305 Church at North Hills St in Raleigh, a 12-story, 330,000 square foot Class-A office building. Lionstone sold the building for \$132,720,000 (\$402/SF) to Crescent Real Estate. The building is 100% leased with about 24% available for sublease. Its previous sale was in 2018 for \$127 million.

Although there is an expectation of a drop in interest rates mid-year, with continued lending restrictions, we anticipate low sales transaction volumes and increased cap rates across all property types.

YEAR-OVER-YEAR NET 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.

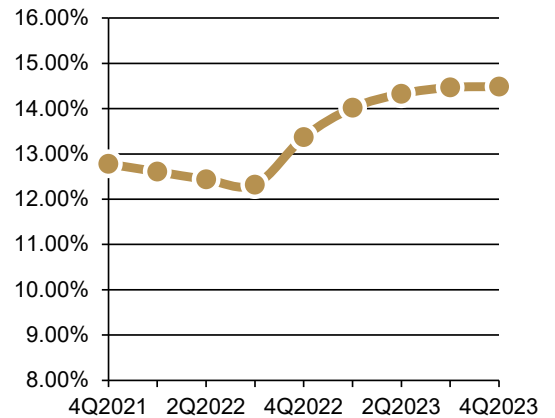
Office

MARKET REVIEW

Q4 OFFICE SNAPSHOT

Total SF	62,435,657
Total SF Vacant	9,048,318
Vacancy Rate	14.49%
Net Absorption	115,060
Avg. Asking Rent	\$29.00
Avg. Class A Asking Rent	\$33.61
SF Under Construction	1,573,112

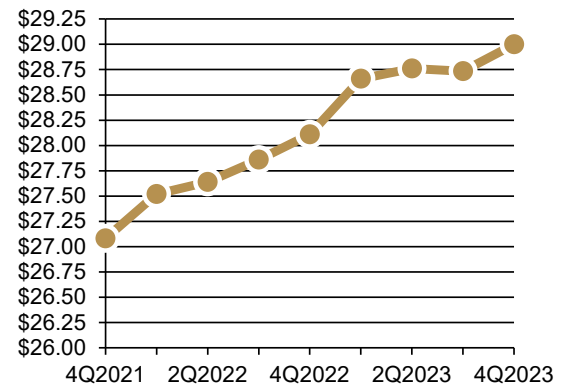
OFFICE VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 41,327 SF** bioMerieux lease at Perimeter Three in RTP/I-40 Corridor
- 24,628 SF** The State of North Carolina OSHAR lease in Downtown Raleigh submarket
- 44,107 SF** Tanium, Heelstone Energy, and Beghou Consulting leases at 555 Mangum Street in Central Durham submarket
- 124,847 SF** State of North Carolina lease at 3200 Beechleaf Court in US 1/Capital Blvd. submarket

OFFICE RENTAL RATES



FORECAST

Triangle office vacancy rose by .02% to 14.49% in the fourth quarter. Positive net absorption of 115,060 square feet was reported for the quarter, with Central Durham and Downtown Raleigh having the biggest positive absorptions at 87,657 SF and 84,478 SF, respectively.

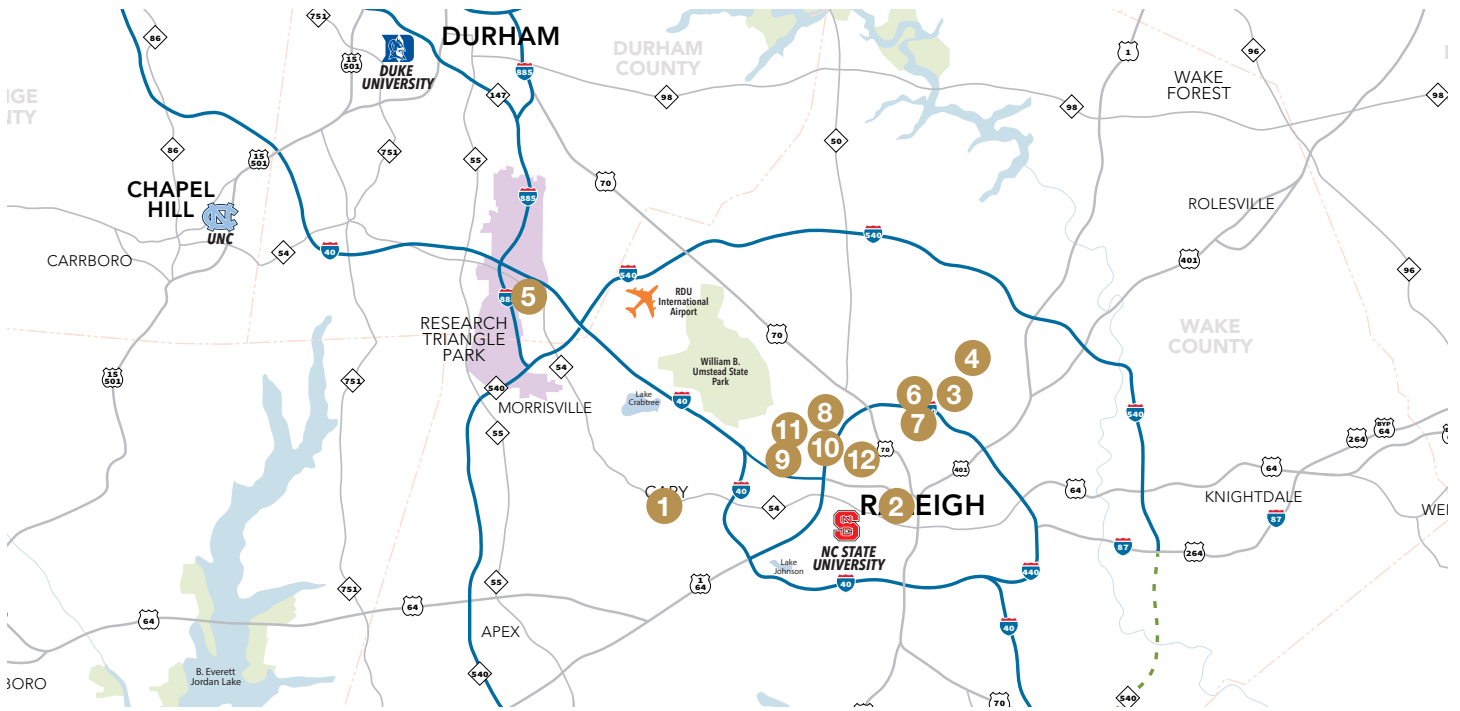
Class A vacancy has remained above 10% since the beginning of 2021 and increased .19% to 14.45%. Sublease availability is currently 7.74% of the total office inventory in the Triangle. Over half of the total sublease space continues to be in the RTP/I-40 Corridor submarket, which contains the market's two largest subleases being GSK's 298,206 SF at 42 Moore Dr and IQVIA's 259,531 SF 4820 Emperor Blvd.

On the development front, 1,573,112 square feet of office space remains under construction. Glenlake III delivered at 22% occupancy. 400H in Downtown Raleigh delivers in the first quarter of 2024 and currently has no preleases. (See Office Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	7,413,336	15.60%	-26,297
US 70 /Glenwood	4,580,814	16.94%	16,957
Six Forks Road	4,260,967	6.87%	-48,987
Falls of Neuse	3,027,302	10.51%	-14,175
US 1/Capital Blvd.	2,583,341	25.02%	79,425
Downtown Raleigh	6,184,604	11.28%	84,478
Village District	522,414	14.10%	9,520
Eastern Wake Co.	923,430	14.76%	-31,309
Southern Wake Co.	664,514	4.84%	13,964
Cary	7,654,859	15.29%	44,751
RTP/I-40 Corridor	14,206,479	14.07%	-96,174
Central Durham	5,177,107	13.91%	87,657
North Durham	1,008,457	25.39%	34,200
South Durham	1,841,353	19.23%	-5,074
Orange County	2,386,680	17.58%	-33,876

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	1Q 2024	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%	\$49.50
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	Bandwidth Headquarters	West Raleigh	460,073	3Q 2023	100%	DNR
10	The Grove	West Raleigh	153,076	3Q 2023	29%	\$35.00
11	The Macon at Edwards Mill	West Raleigh	120,694	2Q 2024	17%	\$32-\$34 NNN
12	1309 Annapolis Dr, Raleigh	West Raleigh	50,000	1Q 2023	52%	\$38.50

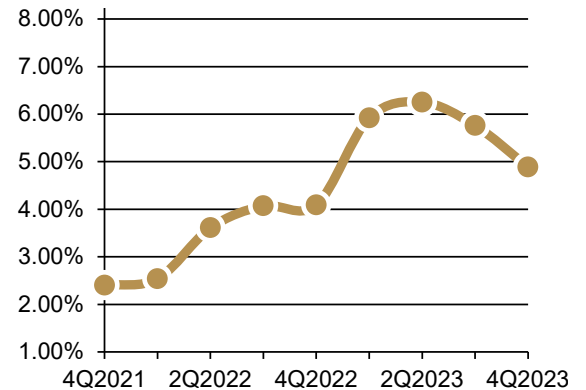
Warehouse

MARKET REVIEW

Q4 WAREHOUSE SNAPSHOT

Total SF	42,596,805
Total SF Vacant	2,081,460
Vacancy Rate	4.89%
Net Absorption	624,681
Avg. Asking Rent	\$9.46
SF Under Construction	1,998,861

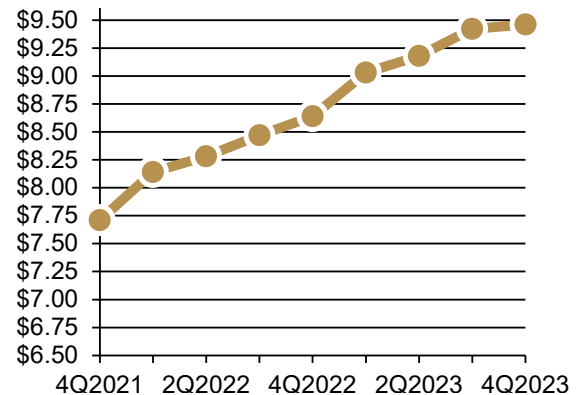
WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

- 250,541 SF** Life Sciences Logistics lease at Durham85 in the North Durham submarket
- 233,656 SF** Greentech Renewable lease at Beacon Commerce Park 3 in the Eastern Wake County submarket
- 115,274 SF** Sports Endeavors lease at 7100 E. Washington Street in the Orange County submarket

WAREHOUSE RENTAL RATES



FORECAST

The fourth quarter of 2023 reported a vacancy decrease of .87% to 4.89%. Net positive absorption of 624,681 square feet was reported for the quarter, with the Eastern Wake Co. submarket reporting the most positive at 315,850 square feet and the Central Durham submarket the most negative at 16,373 square feet.

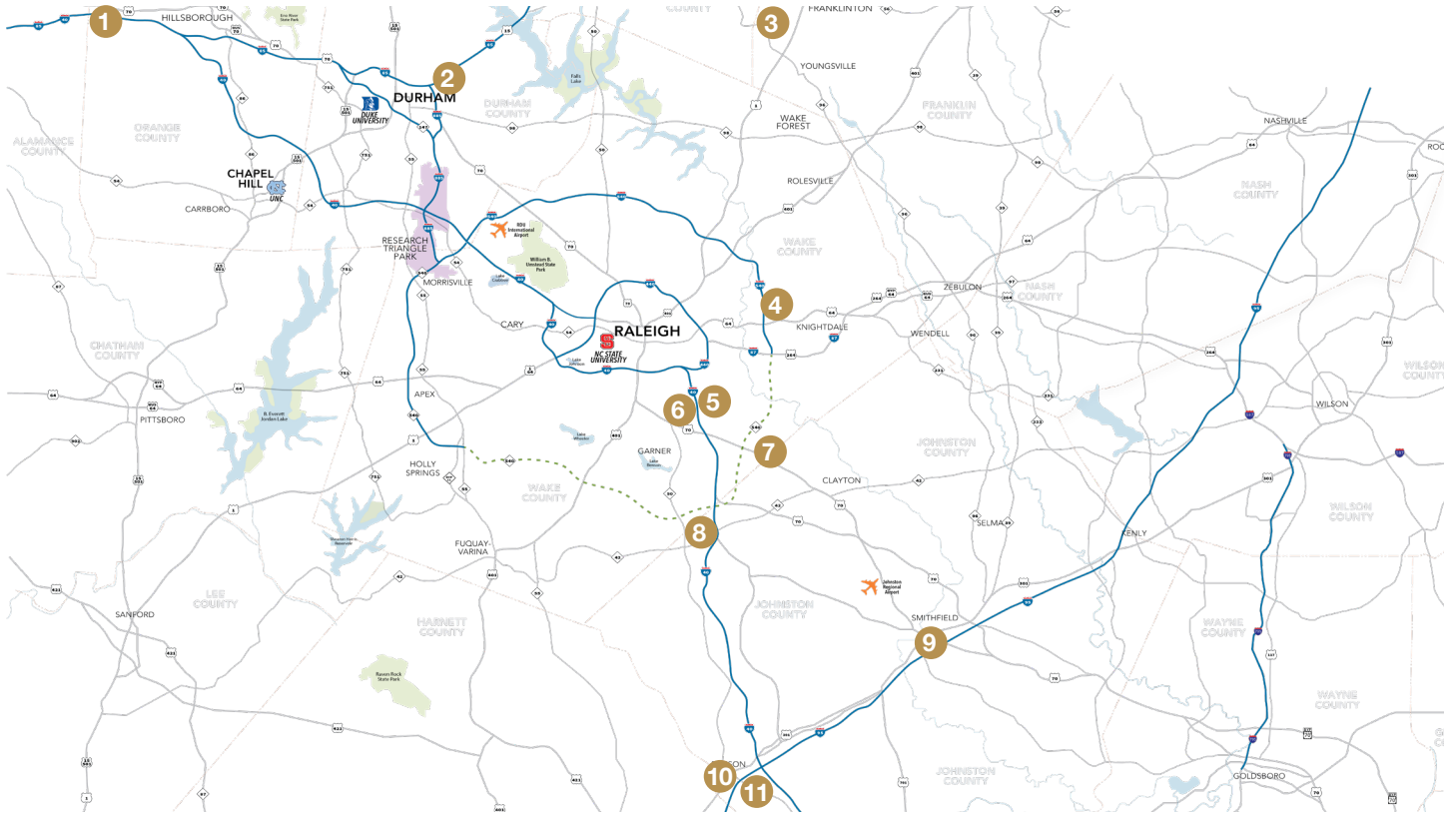
Four new warehouse properties totaling 1,276,488 square feet were delivered during the quarter. A notable development was the delivery of Durham85 in the North Durham submarket adding 250,541 square feet to the market of which 100% was preleased.

On the development front, 1,998,861 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	.78%	144,015
Falls of Neuse Road	1,151,941	5.25%	0
US 1/Capital Blvd.	3,657,457	9.56%	-5,743
Eastern Wake Co.	13,763,039	4.35%	315,850
Southern Wake Co.	2,268,409	17.82%	-1,541
RTP/I-40 Corridor	14,972,395	.56%	82,219
Central Durham	594,434	6.67%	-16,373
North Durham	1,260,474	0.00%	0
South Durham	795,245	2.93%	-12,320
Orange County	2,454,972	19.68%	115,274

Warehouse

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Buckhorn Industrial Park II Bldg 1	Warehouse	Orange Co	210,000	1Q 2024	0%	DNR
1	Buckhorn Industrial Park II Bldg 2	Warehouse	Orange Co	330,000	1Q 2024	0%	DNR
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	US1 North Commerce Center Bldg 2	Warehouse	Franklin Co	224,490	1Q 2024	56%	DNR
3	US1 North Commerce Center Bldg 1	Warehouse	Franklin Co	169,940	1Q 2024	0%	DNR
4	Hinton Oaks Industrial Park Bldg 6	Warehouse	Eastern Wake Co	180,000	4Q 2024	0%	\$10 NNN
5	Citation Dr	Warehouse	Eastern Wake Co	115,831	1Q 2024	23%	DNR
6	Beacon Commerce Center Park 3	Warehouse	Eastern Wake Co	260,954	4Q 2023	90%	DNR
7	Garner Business Park 70 Bldg 5	Warehouse	Eastern Wake Co	225,000	1Q 2024	0%	\$8.95
8	42 Crossing Bldg 3	Warehouse	Johnston Co	28,800	1Q 2024	0%	DNR
9	Brogden Industrial	Warehouse	Johnston Co	264,814	4Q 2023	0%	DNR
10	Benson Global II	Warehouse	Johnston Co	270,734	1Q 2024	0%	DNR
11	Crosspoint Logistics Center	Warehouse	Johnston Co	501,120	4Q 2023	0%	DNR

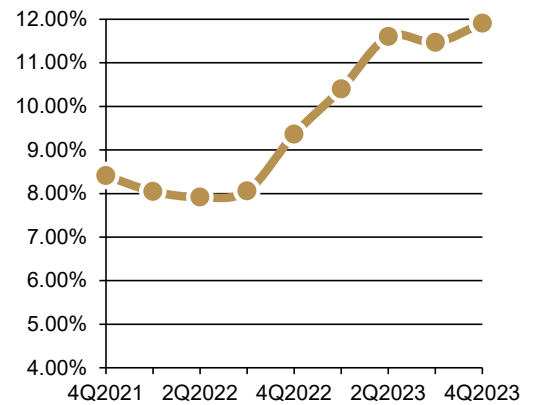
Flex/Lab

MARKET REVIEW

Q4 FLEX/LAB SNAPSHOT

Total SF	25,627,710
Total SF Vacant	3,051,630
Vacancy Rate	11.91%
Net Absorption	49,173
Avg. Asking Rent	\$18.00
SF Under Construction	946,793

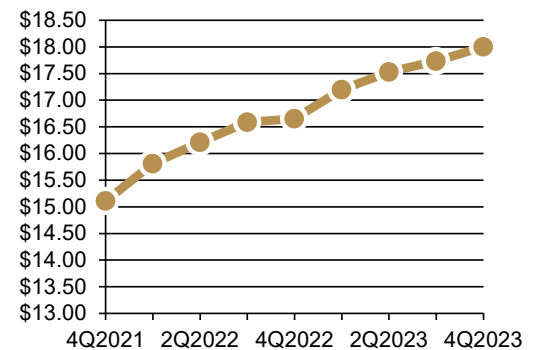
FLEX/LAB VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 53,828 SF** Frontier Auto Parts lease at Frontier Plaza - Flex in the Eastern Wake submarket
- 45,922 SF** Trialcard vacated at 5150 McCrimmon Parkway in the RTP/I-40 Corridor submarket
- 123,547 SF** Vinventions vacated 400 Vintage Park Dr. in the Eastern Wake submarket

FLEX/LAB RENTAL RATES



FORECAST

Triangle flex/lab vacancy increased by .44% to 11.91% during the fourth quarter of 2023. Positive net absorption of 49,173 square feet was reported for the quarter.

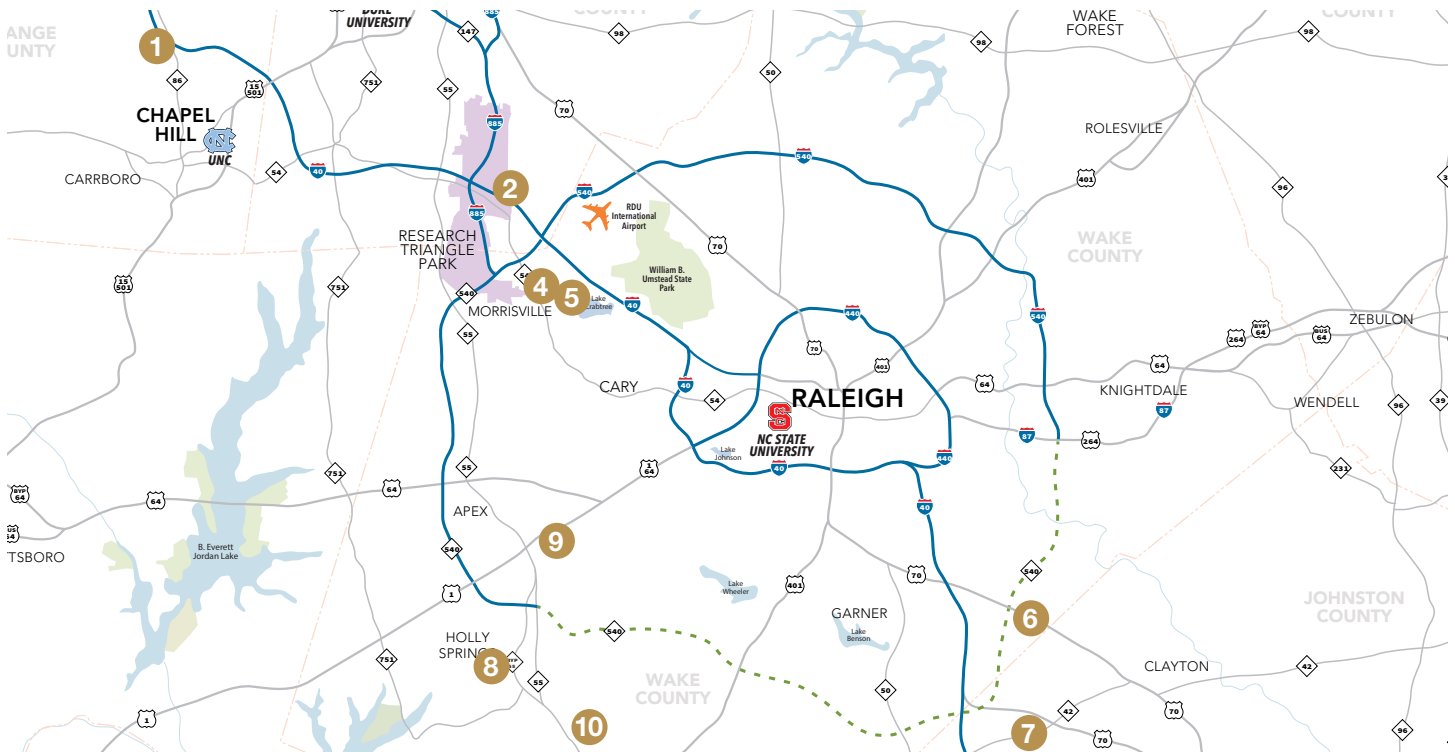
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and Orange Co. submarkets. Net positive absorption of 58,695 square feet was reported within the RTP/I-40 Corridor submarket for the quarter and the Eastern Wake Co. submarket reported the most negative at 66,879 square feet.

On the development front, 946,793 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	4.80%	430
US 70 /Glenwood	1,268,094	2.61%	9,520
Six Forks	91,178	0.00%	0
Falls of Neuse	322,792	10.50%	0
US 1/Capital Blvd.	4,826,418	4.89%	-8,923
Eastern Wake Co.	2,183,440	10.77%	-66,879
Southern Wake Co.	1,848,240	36.72%	5,476
Cary	1,290,991	26.78%	-38,077
RTP/I-40 Corridor	11,714,186	10.82%	58,695
Central Durham	121,650	27.54%	26,000
North Durham	367,935	9.24%	0
South Durham	221,398	1.06%	6,346
Orange County	543,226	19.26%	56,585

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 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
6	Garner Commerce Center	Flex	Johnston Co	128,000	4Q 2023	0%	DNR
7	42 West Business Park 2	Flex	Johnston Co	100,000	4Q 2023	0%	DNR
7	42 West Business Park 1	Flex	Johnston Co	25,000	4Q 2023	0%	DNR
8	The Yield Holly Springs Bldg H	Flex	Southern Wake	110,000	1Q 2024	0%	DNR
8	The Yield Holly Springs Bldg I	Flex	Southern Wake	110,000	1Q 2024	0%	DNR
9	Pinnacle Park	Flex	Southern Wake	18,000	4Q 2023	0%	DNR
10	80 Technology Park Lane	Flex	Southern Wake	24,960	1Q 2024	36%	\$18.50 NNN

Retail

MARKET REVIEW

Q4 RETAIL SNAPSHOT

Total SF	47,790,765
Total SF Vacant	2,839,850
Vacancy Rate	5.94%
Net Absorption	110,291
Avg. Asking Rent	\$24.88
SF Under Construction	435,279

NOTABLE MOVES AND TRANSACTIONS

- 24,004 SF** Pep Boys lease at Triangle Center Mall former Sears Auto Center building in the US 1/Capital Blvd submarket
- 25,912 SF** BuyBuy Baby vacated Park West Village in Cary submarket
- 79,454 SF** Nova Trampoline Park lease at Oxford Commons in North Durham submarket

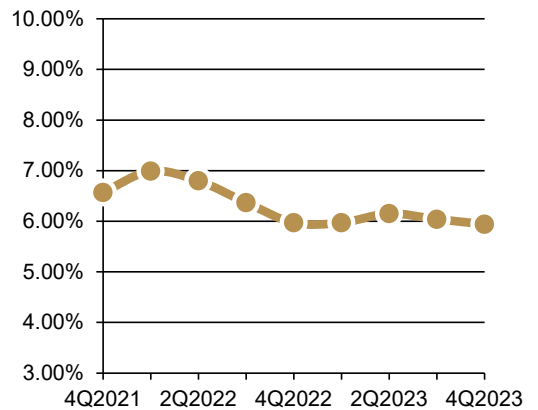
FORECAST

Triangle retail vacancy decreased .10% to a record low of 5.94% in the fourth quarter of 2023. Net positive absorption of 110,291 square feet was reported for the quarter. The largest inventory vacancy rates are in Downtown Raleigh and Central Durham, reporting 19.38% and 15.17%, respectively. However, it should also be noted that both those vacancies decreased from the third quarter to the fourth quarter, with Central Durham's vacancy decreasing from 19.51% to 15.17%. North Durham submarket reported the highest positive absorption of 78,572 square feet, and Cary submarket reported the most negative absorption of 61,557 square feet

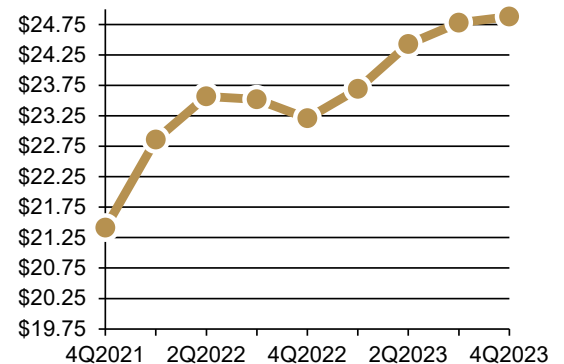
On the development front, 435,279 square feet of retail is under construction.

(See Retail Development Activity Map for notable projects).

RETAIL VACANCY



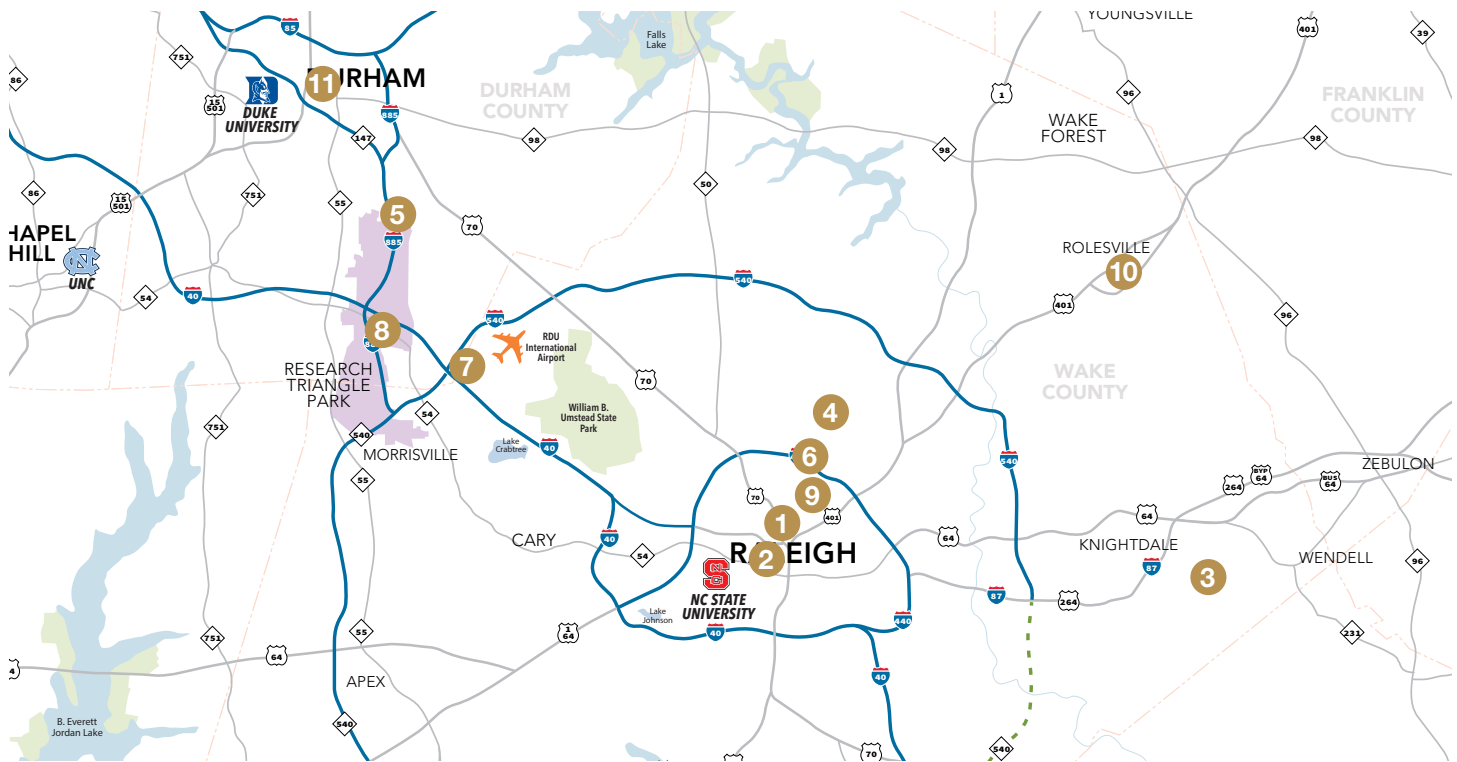
RETAIL RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	957,651	6.99%	-1,223
US 70 /Glenwood	5,048,628	7.49%	-13,346
Six Forks Road	2,029,323	8.52%	-8,009
Falls of Neuse	2,663,043	5.10%	19,572
US 1/Capital Blvd.	6,764,815	5.88%	64,656
Downtown Raleigh	900,466	19.38%	1,512
Village District	635,120	1.68%	-2,990
Eastern Wake	3,614,503	4.93%	22,425
Southern Wake	4,368,040	1.93%	2,996
Cary	7,182,229	5.36%	-61,557
RTP/I-40 Corridor	1,158,486	6.10%	-35,035
Central Durham	922,763	15.17%	48,470
North Durham	3,536,899	8.33%	78,572
South Durham	5,247,826	4.15%	-13,011
Orange County	2,760,973	4.81%	7,259

Retail

NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE	
1	Seaboard Station - Block C	Downtown Raleigh	48,243	2Q 2024	0%	DNR
1	Seaboard Station - Block B	Downtown Raleigh	28,856	3Q 2023	28%	DNR
1	Seaboard Station - Block A	Downtown Raleigh	10,335	2Q 2024	0%	DNR
2	400H	Downtown Raleigh	16,000	1Q 2024	26%	DNR
3	Treelight at Wendell Falls	Eastern Wake Co.	33,053	3Q 2023	93%	DNR
4	Quail Corners II	Falls of Neuse	36,108	3Q 2024	0%	DNR
5	Market at Ellis Crossing	RTP/I-40 Corridor	71,810	3Q 2023	85%	DNR
6	RH Raleigh - The Gallery at North Hills	Six Forks Road	48,600	1Q 2024	100%	DNR
6	Highland Residential	Six Forks Road	22,009	1Q 2024	100%	DNR
6	4114 Creative Offices	Six Forks Road	19,827	1Q 2024	55%	DNR
7	RDU Galleria	RTP/I-40 Corridor	11,484	3Q 2023	100%	\$33.00 FS
8	Horseshoe at Hub RTP	RTP/I-40 Corridor	25,000	1Q 2024	0%	DNR
9	Raleigh Iron Works - Forge Apts.	US 1/Capital Blvd	27,555	3Q 2023	78%	DNR
10	Cobblestone 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

TYPE	PROPERTY	CITY	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
Office	Midtown Plaza	Raleigh	330,000	\$132,720,000 / \$402.18	Crescent / Lionstone Investments
Office	IBM 500 Campus	Durham	774,000	\$66,000,000 / \$85.27	Hines / IBM
Office	Wake Internal Medicine	Raleigh	48,000	\$17,765,000 / \$370.10	Wake Internal Medicine / The Keith Corporation
Warehouse	8605 Ebenezer Church Road	Raleigh	144,015	\$32,500,000 / \$225.67	Ammons Building Corp / Arbor RDU Ebenezer CH Road A LLC
Warehouse	101 Stamford Drive	Raleigh	154,096	\$25,000,000 / \$162.24	Stonemont Financial / Commscope Technologies LLC
Warehouse	Xellia Pharmaceuticals	Raleigh	88,687	\$11,476,000 / \$129.40	Indivior Inc / Sagent Pharmaceuticals
Retail	Marketplace at Ellis Crossing	Durham	71,517	\$26,350,000 / \$368.44	Publix / Thompson Thrift
Retail	The Falls Center	Raleigh	106,660	\$15,700,000 / \$147.20	Fairway Investments / Sterling Organization, CentreCorp
Retail	1260 W Williams Street	Apex	17,416	\$9,375,000 / \$538.30	Central Mall Partnership / Win Apex LLC

FORECAST

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

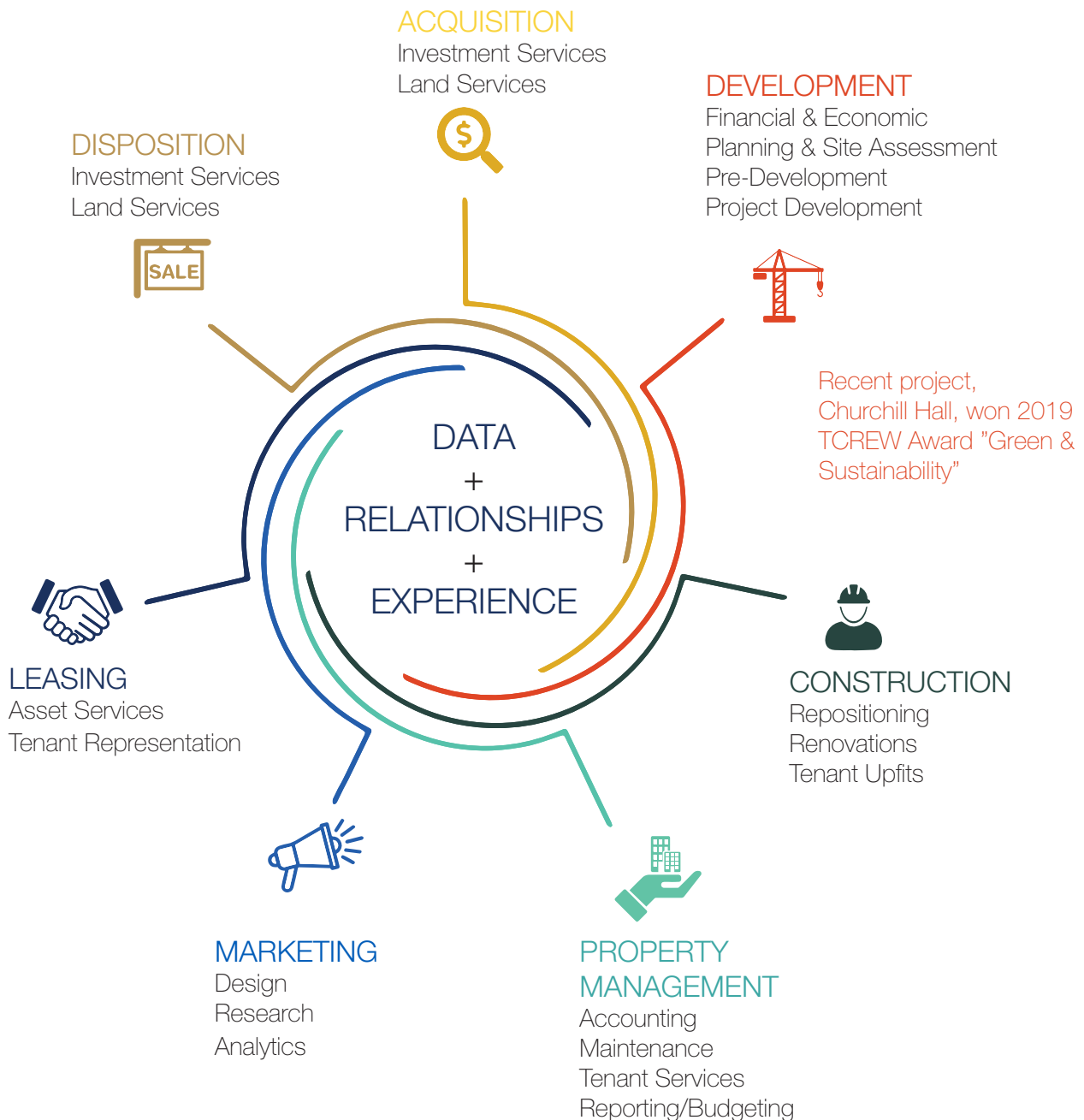
The largest Triangle transaction of the quarter was Midtown Plaza at 305 Church at North Hills St in Raleigh, a 12-story 330,000 square foot Class-A office building. Lionstone sold the building for \$132,720,000 (\$402/SF) to Crescent Real Estate. The building is 100% leased with about 24% available for sublease. Its previous sale was in 2018 for \$127 million.

The decline in sales transactions can largely be attributed to the Federal Reserve holding 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. Although there is an expectation of a drop in interest rates mid-year, we expect low investment sales volume to continue.

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