



2Q 2021  
Triangle  
Market  
Report

**NAI** TRI PROPERTIES



# Triangle

## MARKET REVIEW

	2Q2020	2Q2021	FORECAST
<b>OFFICE</b>			
Overall Vacancy	10.64%	13.09%	▲
Class A Vacancy	8.60%	12.32%	▲
Class B Vacancy	15.62%	14.61%	▲
Class C Vacancy	8.28%	17.68%	▲
Net Absorption YTD	583,000	39,324	▼
<b>WAREHOUSE</b>			
Overall Vacancy	5.10%	2.81%	▼
Net Absorption YTD	478,000	977,151	▲
<b>FLEX/LAB</b>			
Overall Vacancy	7.93%	9.49%	▼
Net Absorption YTD	-282,200	253,855	▲
<b>RETAIL</b>			
Overall Vacancy	7.67%	7.46%	▲
Net Absorption YTD	-45,700	124,724	▼

### MARKET OVERVIEW

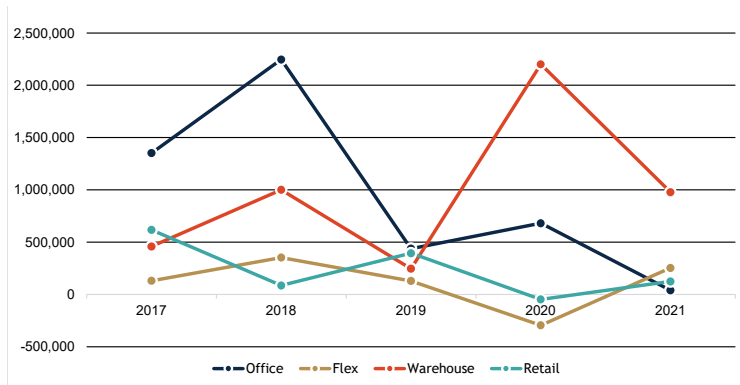
Office vacancy rose by .63% to 13.09%, warehouse vacancy fell by .41% to 2.81%, flex/lab vacancy rose by .94% to 9.49%, and retail vacancy fell by .98% to 7.46%.

Within the Triangle Metropolitan Statistic Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill and surrounding counties, the unemployment rate in June was reported at 4.2% which is down .4% from the previous quarter. The Triangle MSA's unemployment rate continues to outpace both the State and National unemployment rates which reported at 4.9% and 5.9% respectively.

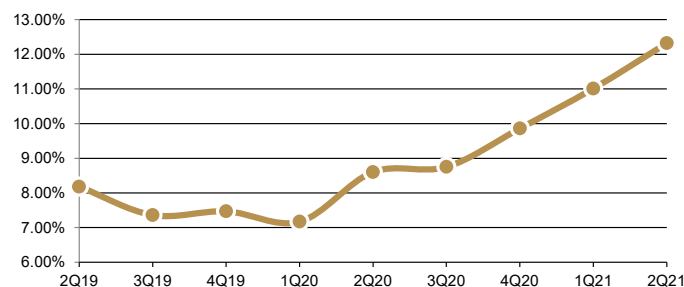
On the office development front, 2.5 million square feet of office space currently remains under construction across the region. On the industrial development front, 1,850,375 square feet of warehouse and 1,095,000 square feet of flex space remains under construction throughout the region. Additionally, 532,035 square feet of retail development remains under construction.

Highwoods Properties acquired both the Wells Fargo Capital Center (\$148 million/\$264.48 per square foot) and CapTrust Tower (\$12.5 million/\$474.38 per square foot) from Preferred Apartment Communities which marked the largest transactions for the quarter. Other notable sales transactions included the \$36.8 million (\$262.85 per square foot) acquisition of the 140,000 square foot Innovation I by Northridge Capital, and the acquisition of the 165,00 square foot office building at 2700 Wycliff Road for \$17.6 million (\$106.66 per square foot) by Chartwell Property Group.

### ABSORPTION



### CLASS A OFFICE VACANCY



# Office

## MARKET REVIEW

### OVERVIEW

The office vacancy rate rose by .63% to 13.09% in the second quarter of 2021. Positive absorption was reported at 499,539 square feet for the quarter, however, an inventory adjustment contributed to a vacancy rise due to new deliveries. Class A vacancy rose by 1.31% to for the second quarter. Additionally, average rental rates reported rose slightly by \$0.06 to \$26.80 per square foot. The average Class A asking rate reported rose by \$0.07 to \$31.61.

### NOTABLE MOVES AND TRANSACTIONS

- 245,159 SF** Invitae lease at The Stitch within the RTP/I-40 corridor submarket bringing the former outlet mall to 100% occupancy
- 83,801 SF** Forty540 delivered at 42% occupancy within the RTP/I-40 corridor submarket
- 82,477 SF** HealthPark II delivered at 96% occupancy within the Cary submarket
- 75,000 SF** Azzur Cleanrooms on Demand lease at the INC @ 1101 building within the RTP/I-40 Corridor bringing the converted former Sam's Club project to 100% occupancy

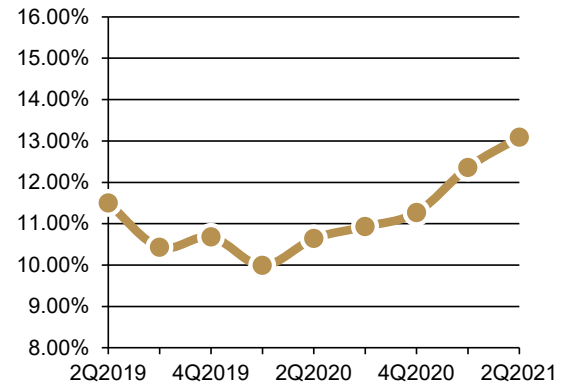
### FORECAST

Triangle office vacancy rose by .63% to 13.09% in the second quarter. Positive absorption of 499,539 square feet was largely attributed to a strong 463,853 of positive absorption within the RTP/I-40 Corridor submarket. Notably, 320,159 square feet of the positive absorption within RTP/I-40 at The Stitch and INC @ 1101 are both converted retail projects (See notable moves and transactions above).

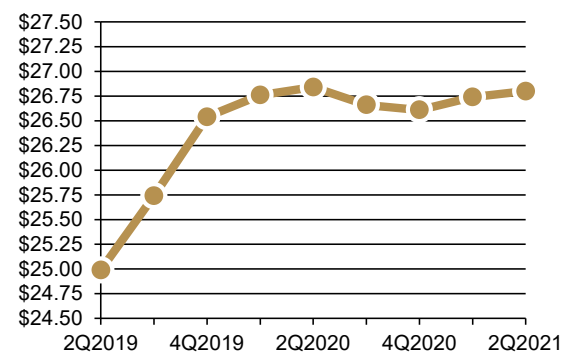
Class A vacancy remained above 10% at after crossing the threshold for the first time in seven years in the previous quarter. Class B vacancy remains higher but fell by .66% to 14.61%.

On the development front, over 2.5 million square feet of office space remains under construction. Notable new office development projects including Forty540 and Healthpark II all delivered during the quarter. (See Office Development Activity Map for notable projects).

### OFFICE VACANCY



### OFFICE RENTAL RATES



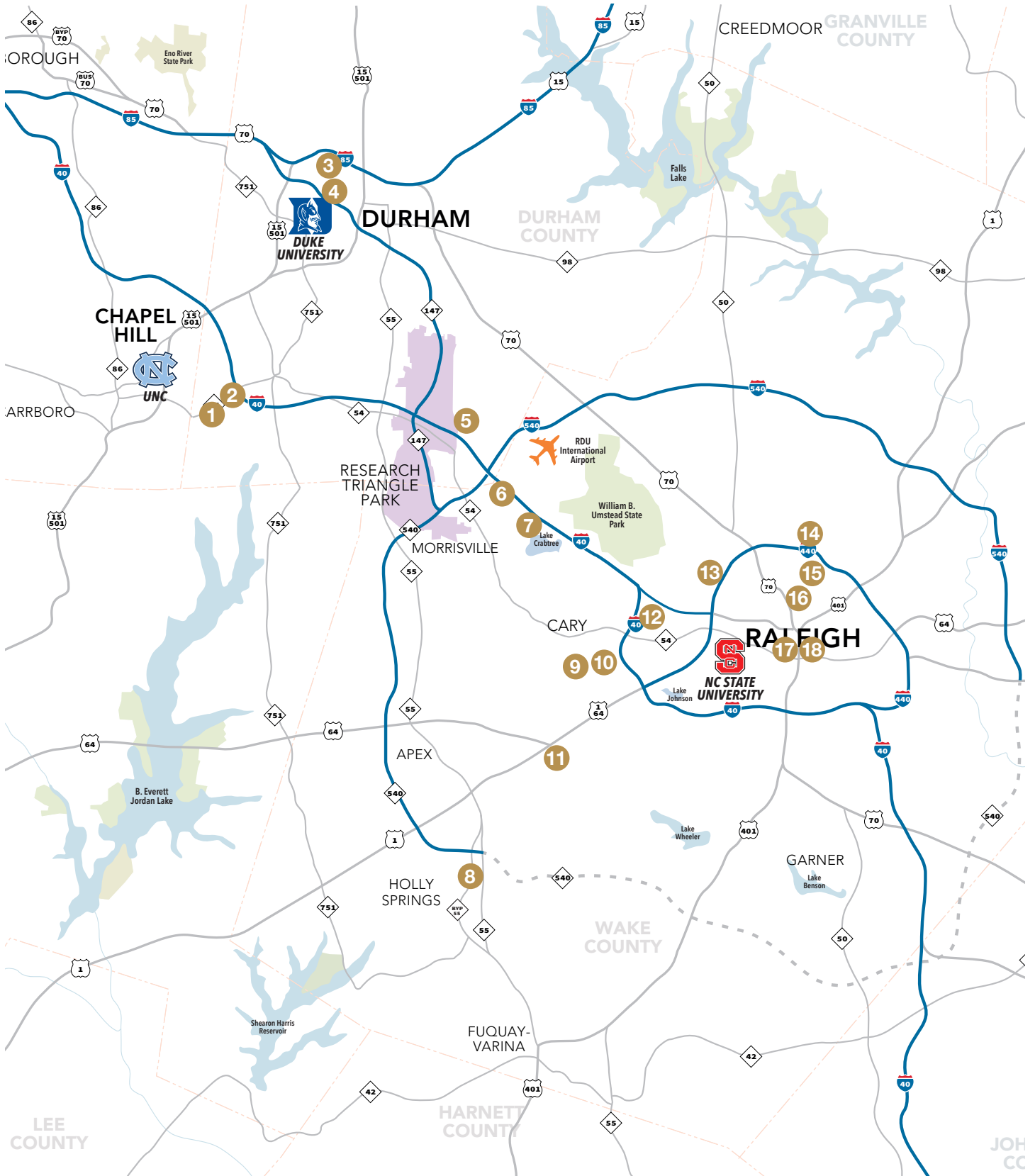
SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	6,366,425	10.88%	-51,024
US 70 /Glenwood	4,471,599	13.28%	39,648
Six Forks Road	4,379,119	6.35%	5,719
Falls of Neuse	3,135,108	9.26%	6,691
US 1/Capital Blvd.	2,253,554	11.26%	-18,481
Downtown Raleigh	5,887,992	13.60%	-12,536
Cary	7,529,922	14.33%	62,135
RTP/I-40 Corridor	12,589,769	11.87%	463,853
Central Durham	5,025,081	12.42%	-7,649
South Durham	1,918,963	20.01%	-12,922
Orange County	2,197,073	20.76%	10,649

# Office

## DEVELOPMENT

	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	PARKING	RATE	MAJOR TENANTS
1	The Gwendolyn	Orange County	109,000	1Q 2021	17% (19,054)	Structured Parking	\$38.50 Full service	
2	Hammes Medical Office Building	South Durham	168,000	1Q 2021	0%	Structured Parking	\$32.00	
3	949 Washington St.	Central Durham	37,492	4Q 2021	0%	Surface Parking	\$24.00 + NNN (\$31-\$31.50)	
4	The Roxboro at Venable Center	Central Durham	202,163	1Q 2022	0%	Structured Parking	\$38.50	
5	Park Point (Redevelopment)	RTP/I-40 Corridor	652,000	4Q 2021	42% (272,500)	Surface Parking	DNR	Grail, Charles River Labs, Cree
6	Forty540 Phase II	RTP/I-40 Corridor	198,548	Q2 2021	42% (83,801)	Structured and Surface Parking	\$32.50	Solar Winds
7	The Stitch (Redevelopment)	RTP/I-40 Corridor	245,159	2Q 2021	100%	Surface Parking	\$33.50	Invitae
8	The Block	Southern Wake Co.	54,600	1Q 2021	94% (51,137)	Surface Parking	\$28.00	
9	The Walker Walnut St	Cary	102,000	3Q 2021	25% (25,177)	Structured Parking	\$33.00	
10	Fenton - Phase 1	Cary	200,000	2Q 2022	0%	Structured and Surface Parking	\$38.50	
11	HealthPark II	Cary	86,172	1Q 2021	93% (79,758)	Structured and Surface Parking	\$32.50 FS	WakeMed Health
12	Palisades III 5401 Trinity Rd	West Raleigh	167,307	3Q 2021	0%	Structured and Surface Parking	\$33.00	
13	GlenLake Seven	US 70/ Glenwood	125,000	1Q 2021	100%	Structured Parking	\$36.00	Martin Marietta
14	Advance Auto Parts Tower	Six Forks Road	344,500	4Q 2020	100% (344,500)	Structured Parking	\$41.50	Advance Auto Parts, IAT Insurance, ABOA
15	Raleigh Iron Works	US 1/ Capital Blvd	430,000	2022	0%	Structured and Surface Parking	\$34.50	
16	Smoky Hollow	Downtown Raleigh	227,000	4Q 2020	19% (42,000)	Structured Parking	\$38.50	Clancy & Theys, Clark Nexsen
17	Tower Two Bloc 83	Downtown Raleigh	241,320	2Q 2021	39% (86,000)	Structured Parking	\$37.95	Envestnet, IE Interiors
18	Raleigh Crossing 301 Hillsborough Street	Downtown Raleigh	292,457	4Q 2021	45% (132,355)	Deck Parking	\$41.50	Pendo

# Office DEVELOPMENT



# Warehouse

## MARKET REVIEW

### OVERVIEW

The vacancy rate in the Triangle warehouse market fell by 41% to 2.81% in the second quarter of 2021. Positive absorption reported at 145,997 square feet leading to the vacancy shift. Furthermore, average asking rental rates for warehouse space rose by \$.12 to \$7.11 per square foot.

### NOTABLE MOVES & TRANSACTIONS

**169,352 SF** BlueSky Solutions lease at South 40 Distribution Center within the Eastern Wake submarket

**45,450 SF** Undisclosed Tenant lease at Pope Industrial Park within the Eastern Wake submarket

### FORECAST

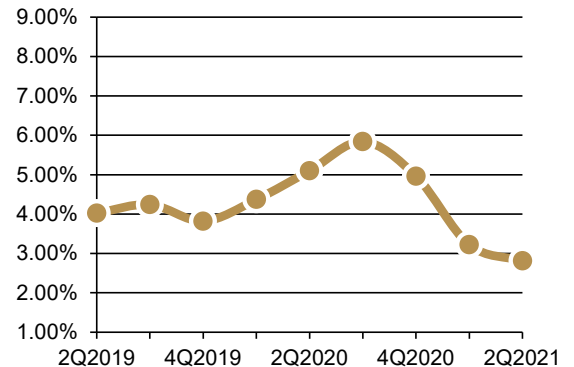
The second quarter of 2021 reported a vacancy decrease to an all-time vacancy low of 2.81%. The 145,997 square feet of positive absorption reported was largely attributed to the Eastern Wake County submarket which experienced 214,802 square feet of positive absorption for the quarter.

Demand for warehouse space within the centrally located and largest submarket, the RTP/I-40 Corridor, dropped by .12% to a record-low vacancy of 0.22% for the second quarter. Additionally, the Eastern Wake Co. submarket reported the second lowest vacancy among the submarkets for the quarter at 2.00%.

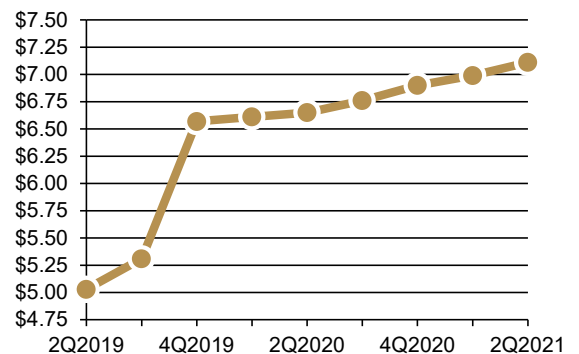
Absorption for the quarter dropped significantly from the first quarter total of 831,154 but is not entirely indicative of demand for warehouse space in the market. 578,000 square feet of warehouse will deliver in the upcoming quarter with 460,000 square feet already preleased.

With a low warehouse vacancy rate and warehouse/distribution services continuing expansion, 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	250,865	11.94%	0
US 70 /Glenwood	746,463	3.48%	16,985
Falls of Neuse	1,143,112	0.87%	3,075
US 1/Capital Blvd.	3,832,931	9.26%	-42,365
Cary	153,277	0.00%	0
RTP/I-40 Corridor	13,528,325	0.22%	16,000
Durham	2,609,383	4.07%	0
Eastern Wake Co.	10,821,428	2.00%	214,802
Southern Wake Co.	1,550,842	9.03%	7,500
Orange County	671,464	8.22%	28,000

# Flex/Lab

## MARKET REVIEW

### OVERVIEW

Flex/lab vacancy rates rose in the second quarter of 2021 by .94% to 9.49%. Net positive absorption of 6,763 square feet was reported for the quarter. The vacancy shift is largely attributable to new deliveries of flex/lab product with existing vacancy upon delivery. Meanwhile, average rental rates for Triangle flex space rose by \$0.05 to \$14.28.

### NOTABLE MOVES AND TRANSACTIONS

- 62,490 SF GSK vacated the entire building at 41 Moore Drive within the RTP/I-40 corridor submarket
- 36,590 SF Undisclosed Tenant lease at 4022 TBC within the RTP/I-40 corridor submarket
- 30,000 SF Peak City Business Park delivered at 50% occupancy within the Southern Wake submarket

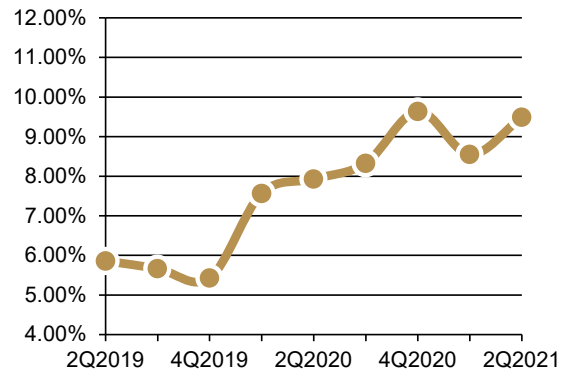
### FORECAST

Triangle flex/lab vacancy rose by .94% to 9.49% during the second quarter of 2021. Positive absorption of 6,763 square feet reported for the quarter whereas new deliveries added increased vacancy. The Southern Wake Co. and Cary submarkets had strong quarters with positive absorption of 63,537 and 45,750 square feet respectively.

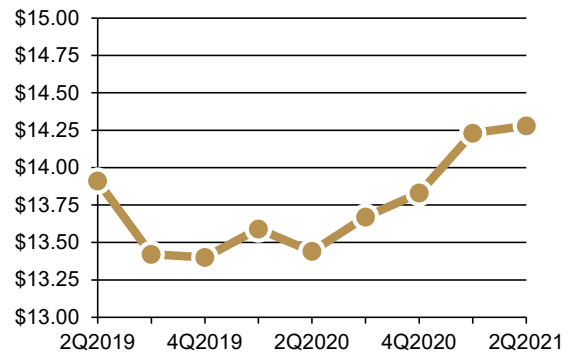
Flex vacancy indicators will continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Boulevard submarkets, which reported a poor quarter at net negative absorption of 115,449 square feet

On the development front 1,095,000 square feet of flex 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).

### FLEX VACANCY



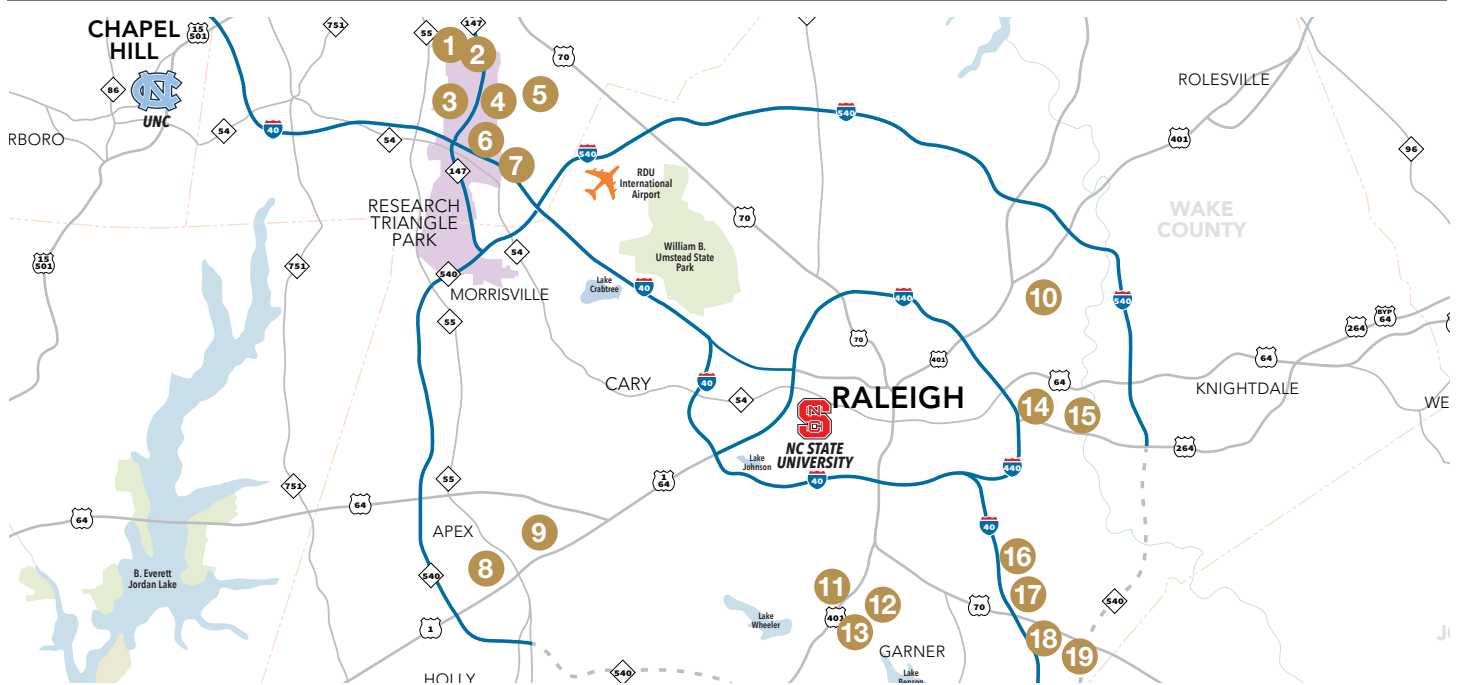
### FLEX RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	642,805	8.89%	-28,191
US 70 /Glenwood	1,206,993	5.31%	-30,974
Falls of Neuse	377,272	2.20%	35,860
US 1/Capital Blvd.	4,376,576	6.24%	-36,829
Cary	985,808	3.56%	45,750
RTP/I-40 Corridor	9,888,029	11.17%	-78,620
Durham	724,809	11.44%	-3,600
Eastern Wake Co.	1,602,059	5.58%	26,364
Southern Wake Co.	1,069,541	19.88%	63,537
Orange County	383,916	23.52%	0

# Industrial

## DEVELOPMENT



PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%LEASED(SF)	RATE	
1	Regional Commerce Center 3+4	Warehouse	RTP/I-40 Corridor	245,000	4Q 2021	0%	\$6.95 NNN
2	Regional Commerce Center 5	Flex	RTP/I-40 Corridor	56,000	4Q 2021	0%	DNR
3	Genesis - Building 1	Flex	RTP/I-40 Corridor	100,000	2022	100%	\$10-12 Shell
4	Merritt TW Crossing	Flex	RTP/I-40 Corridor	282,400	1Q/2Q 2021	46% (107,490)	\$13-16 NNN Tenant Driven
5	2175 Presidential Drive	Flex	RTP/I-40 Corridor	41,000	3Q 2021	0%	\$10.50 NNN Shell
6	Alexander Commerce Park	Warehouse	RTP/I-40 Corridor	441,280	4Q 2021	0%	DNR
7	Patriot Park, Building 5	Warehouse	RTP/I-40 Corridor	200,055	4Q 2021	0%	\$7.15 NNN
8	Norris Park	Flex	Southern Wake	36,000	1Q 2021	79% (28,500)	\$16.50 NNN
9	Peak City Business Park - Bldg 7	Flex	Southern Wake	60,000	2Q 2021	50% (30,000)	DNR
10	Merritt Capital Business Park	Flex	US 1/Capital Boulevard	452,000 (7 Buildings)	1Q 2022	0%	\$14-16 NNN Tenant Driven
11	Sommerville Business Park	Flex	Southern Wake	24,000 (3 Buildings)	1Q/2Q 2022	0%	\$13 NNN
12	8201 Old McCullers Rd	Flex	Southern Wake	23,600 (2 Buildings)	1Q/4Q 2021	36% (8,475)	\$13.75 NNN
13	Freedom Business Park	Warehouse	Eastern Wake	120,000	4Q 2021	100%	DNR
14	Eastgate 540, Bldgs. 3,4,6	Warehouse	Eastern Wake	399,820	3Q 2021	75% (300,000)	\$7.25NNN
15	Eastgate 540, Bldg. 7	Warehouse	Eastern Wake	204,220	1Q 2022	0%	\$7.25NNN
16	Southeast 40 Centre Business Park	Flex	Southern Wake	20,000	3Q 2021	0%	\$16-18 NNN
17	Garner Business Park 70, Bldg 2+3	Warehouse	Eastern Wake	120,114 Each	4Q 2021	32% (77,040)	\$6.95 NNN
18	3300 Waterfield Drive	Industrial	Eastern Wake	58,000	4Q 2021	0%	\$12.75 NNN
19	105 Sigma Drive	Flex	Eastern Wake	26,702	1Q 2021	0%	\$12.75 NNN



# Retail

## MARKET REVIEW

### OVERVIEW

The retail vacancy rate fell by .98% to 7.56% in the second quarter of 2021. Positive absorption reported at 9,953 square feet for the second quarter leading to the vacancy drop. Average rental rates reported rose by \$.33 to \$21.33 per square foot.

### NOTABLE MOVES & TRANSACTIONS

- 98,000 SF Wegman's Wake Forest opened fully leased within the US 1/Capital Boulevard submarket
- 47,300 SF Hamrick's vacated at Westgate Plaza within the South Durham submarket
- 40,000 SF Barnes & Noble vacated at Cary Commons within the Cary submarket

### FORECAST

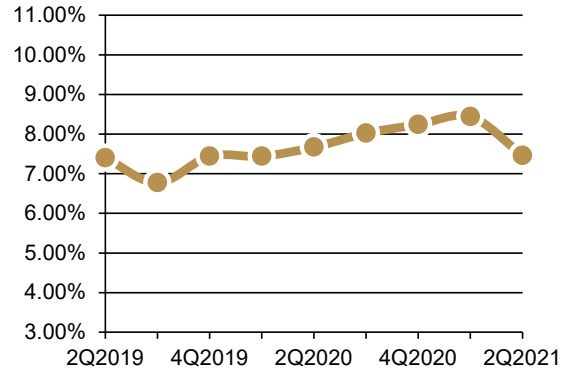
Triangle retail vacancy fell by .98% to 7.56% in the second quarter of 2021. Strong positive absorption of 87,437 square feet on the US 1/ Capital Boulevard was entirely attributed the delivery of a new Wegman's (See notable moves and transactions above).

The retail sector remains buoyed by the "pandemic-proof" grocers including: Wegman's, Food Lion, Aldi, Lidl, and Publix which continue to grow their respective footprints across the Triangle.

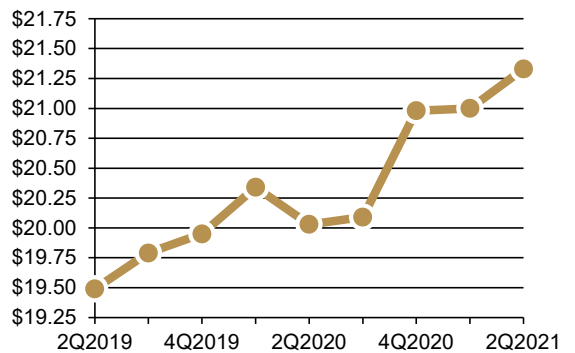
Retail owners will need to be nimble and creative to fill big box spaces that continue to remain vacant. Two options that are expensive but have seen leasing success in our market include dividing the space, as well as redevelopment into another property type, for example successful office conversions include The Stitch and INC projects. (See office overview for more details.)

New retail development has been exclusively supermarket driven or small unanchored strips. Over 532,035 square feet of retail product remains under construction during the second quarter. (See Retail Development Activity Map for notable projects).

### RETAIL VACANCY



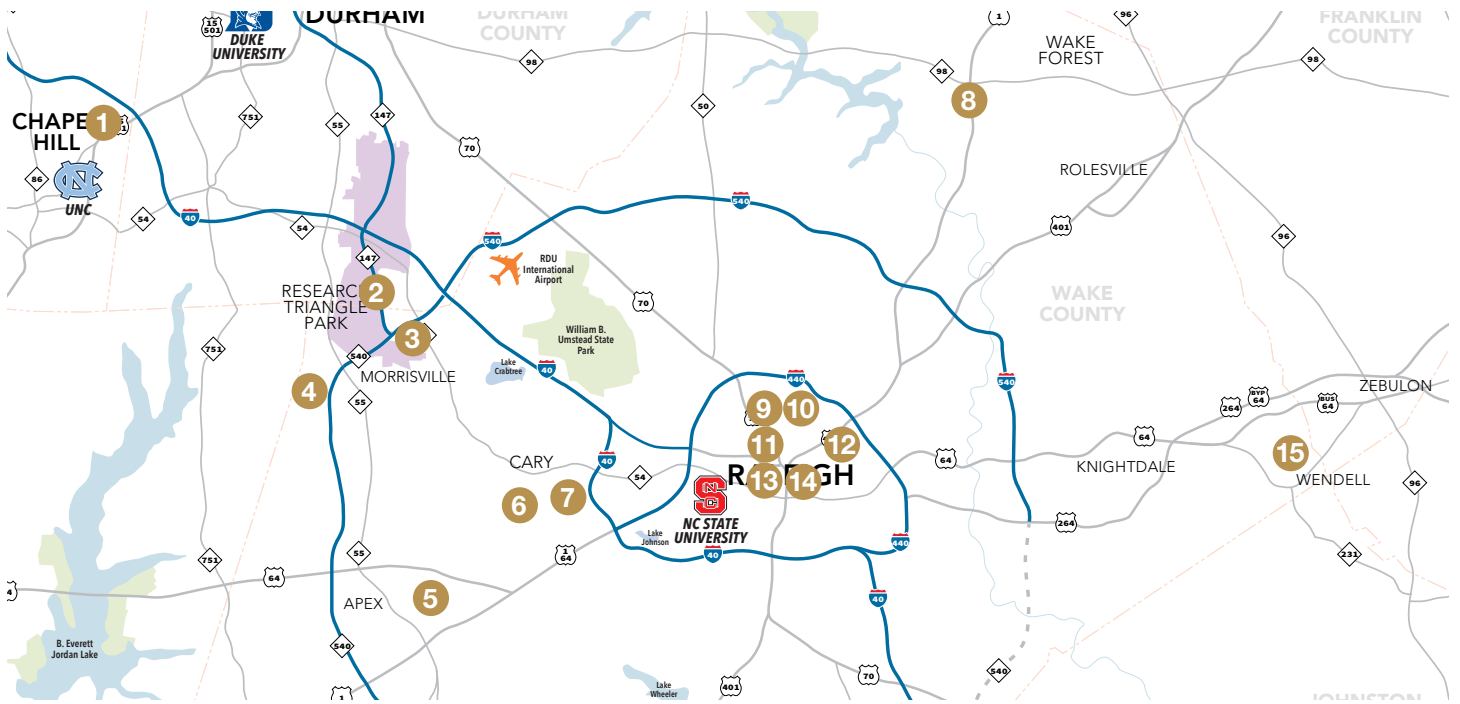
### RETAIL RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	953,354	6.07%	-1,987
US 70 /Glenwood	5,062,076	9.02%	-33,168
Six Forks Road	2,055,153	10.33%	8,636
Falls of Neuse	2,498,952	7.24%	-23,616
US 1/Capital Blvd.	6,345,068	6.72%	87,437
Downtown Raleigh	787,025	14.54%	0
Village District	635,120	7.32%	2,990
Eastern Wake	3,933,581	6.21%	-8,807
Southern Wake	4,054,284	4.49%	5,401
Cary	6,724,729	6.35%	27,310
RTP/I-40 Corridor	1,014,662	4.81%	7,779
Central Durham	905,762	19.71%	-19,094
North Durham	3,535,843	8.53%	-2,200
South Durham	5,153,914	6.89%	-51,801
Orange County	2,786,054	8.27%	11,073

# Retail

## DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	% LEASED(SF)	RATE	
1	Wegman's Chapel Hill	Orange County	99,000	Spring 2021	100% (99,000)	DNR
2	Kitt Creek Commons	RTP/I-40 Corridor	9,613	1Q 2021	0%	\$28 NNN
3	The Marketplace at Perimeter Park	RTP/I-40 Corridor	15,400	1Q 2021	65%(9,967)	\$28-\$29 NNN
4	Lowes Foods at Greystone	Cary	71,057	1Q 2021	92% (65,057)	\$28
5	Highline	Southern Wake	10,000	4Q 2021	68% (6,792)	\$30
6	Fenton- Phase 1	Cary	350,000	1Q 2021	62% (217,000)	DNR
7	The Walker Walnut St	Cary	20,251	2Q 2021	0%	\$33
8	Wegman's Wake Forest	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 Iron Works	US 1/Capital Blvd	80,000	2022	0%	DNR
11	Raleigh Crossing	Downtown Raleigh	12,145	4Q 2021	0%	DNR
12	Seaboard Station	Downtown Raleigh	52,300	2022	0%	DNR
13	Smokey Hollow II	Downtown Raleigh	41,254	1Q 2021	0%	DNR
14	Tower Two Bloc [83]	Downtown Raleigh	17,855	1Q 2021	0%	DNR
15	Publix at Wendell Falls Pkwy	Eastern Wake Co.	48,387	2Q 2021	100%	DNR

# Investment Sales

## MARKET REVIEW

### OVERVIEW

Highwoods Properties acquired both the Wells Fargo Capital Center (\$148 million/\$264.48 per square foot) and CapTrust Tower (\$12.5 million/\$474.38 per square foot) from Preferred Apartment Communities which marked the largest transactions for the quarter. Other notable sales transactions included the \$36.8 million (\$262.85 per square foot) acquisition of the 140,000 square foot Innovation I by Northridge Capital, and the acquisition of the 165,00 square foot office building at 2700 Wycliff Road for \$17.6 million (\$106.66 per square foot) by Chartwell Property Group.

The \$50.5 million (\$213.96 per square foot) sale of the 236,000 square foot 4357 South Alston Avenue warehouse facility marked a prominent industrial sale for the second quarter.

### NOTABLE SALES TRANSACTIONS

PROPERTY	TYPE	SUBMARKET	TOTAL SF	SALE \$/SF	BUYER/SELLER
Wells Fargo Capital Center	Office	Downtown Raleigh	\$148,000,000	\$264.48	Highwoods Properties/ Preferred Apartment Communities
CapTrust Tower	Office	Six Forks Rd.	\$142,500,000	\$474.38	Highwoods Properties/ Preferred Apartment Communities
4357 S. Alston Avenue	Warehouse	South Durham	\$50,500,000	\$213.98	BEL Durham Limited Partnership / Centrum Partners of Chicago
Innovation I	Office	RTP/I-40 Corridor	\$36,800,000	\$262.85	Northridge Capital / Scannell Properties
2700 Wycliff Road	Office	US 70/Glenwood Ave	\$17,600,000	\$106.66	Chartwell Property Group / Martin Marietta
1181 Weaver Dairy Road	Medical Office	Orange County	\$14,900,000	\$578.39	Four Springs Capital Trust / Independence Park LLC
3900 Browning Place	Medical Office	Six Forks Road	\$7,200,000	\$344.87	Flagship Healthcare Trust / Browning Place Partners LLC

### FORECAST

Investment activity picked up in the second quarter of 2021. Investors continue their strong interest in the investment market and demand for office space is making positive strides. Industrial space continues to be scarce in the Triangle with continued strong demand. Investor interest is strong driving industrial cap rates to all time lows and reportedly as low as 3.5% in one instance.

The Triangle area remains primed for an impressive post-Covid recovery. We expect continued investment activity moving forward into the second half of 2021.