

2Q 2024

# Triangle Market Report

# Triangle

## MARKET REVIEW

Past 12 Mo. Change	2Q2023	2Q2024	FORECAST
<b>OFFICE</b>			
Overall Vacancy	14.33%	16.63%	▲
Class A Vacancy	14.02%	17.02%	▲
Class B Vacancy	15.71%	16.09%	▲
Class C Vacancy	10.44%	11.81%	▲
Net Absorption 2Q	-476,709	-206,989	▲
<b>WAREHOUSE</b>			
Overall Vacancy	6.25%	7.55%	▲
Net Absorption 2Q	-208,373	46,430	▲
<b>FLEX/LAB</b>			
Overall Vacancy	11.60%	15.80%	▲
Net Absorption 2Q	-214,427	-47,821	▲
<b>RETAIL</b>			
Overall Vacancy	6.15%	6.01%	▼
Net Absorption 2Q	8,649	323,760	▲

### MARKET OVERVIEW

From the first quarter of 2024 to the second quarter of 2024, office vacancies rose by 1.35% to 16.63%, warehouse vacancies increased 1.62% to 7.55%, flex/lab vacancies decreased 0.16% to 15.80%, and retail vacancies decreased .01% to 6.01%. Retail outperformed all property types boasting the lowest vacancy and highest absorption.

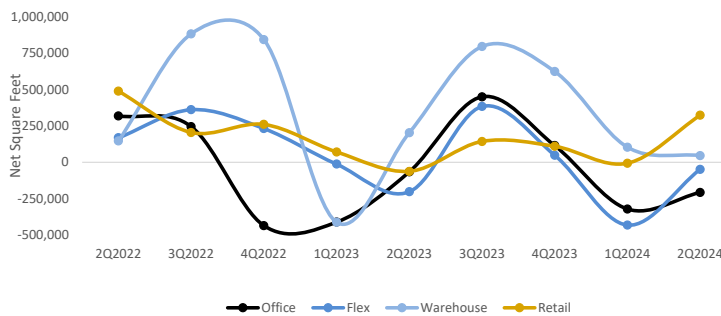
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in June was reported at 3.60%, up from 3.16% a year ago. The Triangle MSA's unemployment rate matches the Statewide Unemployment rate and outpaces the National Unemployment Rate of 4.10%.

On the development front, the pipeline for new projects has been sparse. Under construction totals for each property type include 867,008 square feet of office space, 1,692,786 square feet of warehouse, 270,466 square feet of flex/lab space, and 547,512 square feet of retail.

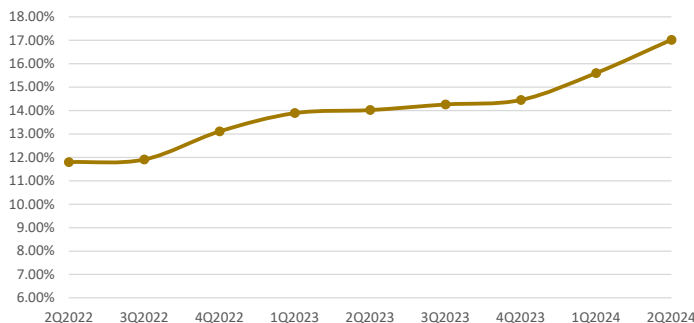
The largest Triangle sales transaction of the quarter was MacGregor Village in Cary to Blue Ridge Capital. The 142,400 square foot retail center was purchased for \$30,240,000 (\$212/SF). The seller, Washington Prime Group, filed for Chapter 11 bankruptcy in 2021.

In capital markets, while slow compared to historical volumes, 2024 is on pace to outperform 2023 sale volumes across all property types.

### QUARTER-OVER-QUARTER 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.

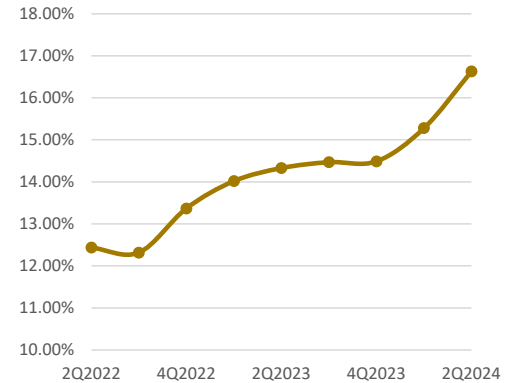
# Office

## MARKET REVIEW

### Q2 OFFICE SNAPSHOT

Total SF	63,059,671
Total SF Vacant	10,488,242
Vacancy Rate	16.63%
Net Absorption	-206,989
Avg. Asking Rent	\$29.55
Avg. Class A Asking Rent	\$34.05
SF Under Construction	867,008

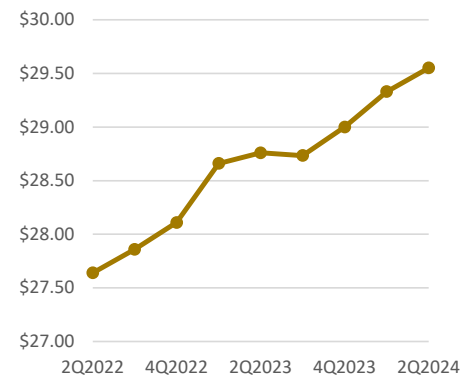
### OFFICE VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 77,239 SF IQVIA vacated at 1700 Perimeter Park Dr in RTP/I-40 Corridor.
- 29,780 SF Common Desk terminated its lease at Canterbury Hall in RTP/I-40 Corridor.
- 31,000 SF HNTB lease at One North Hills in Six Forks submarket.
- 17,000 SF JTI lease at One North Hills in Six Forks submarket.

### OFFICE RENTAL RATES



### FORECAST

Triangle office vacancy rose by 1.35% to 16.63% in the second quarter. Negative net absorption of 206,989 square feet was reported for the quarter, with RTP/I-40 Corridor and Cary submarkets having the largest negative absorptions at 217,561 square feet and 104,788 square feet, respectively. Notably, the Six Forks submarket saw a positive net absorption of 121,792 square feet.

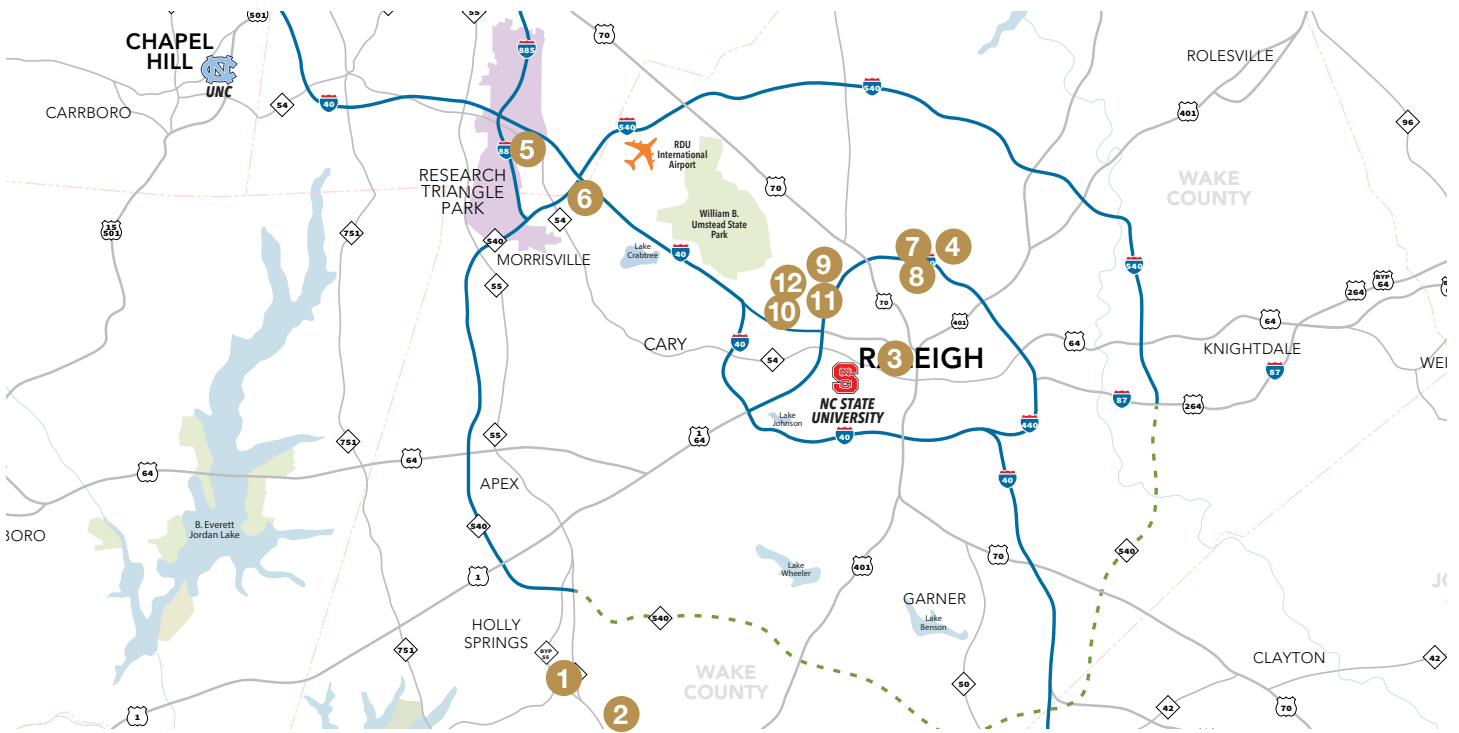
Class A vacancy has remained above 10% since the beginning of 2021 and increased 1.42% to 17.02%. Sublease availability dropped from 5.52% to 5.15% of inventory.

On the development front, 867,008 square feet of office space remains under construction. Of the anticipated new construction deliveries this quarter, several projects' deliveries have been pushed out, including North Hills Tower V and Horseshoe at Hub RTP, both of which have had no preleases signed. Four office projects delivered, adding 687,562 SF of inventory to the market, of which 39% was preleased. The largest prelease was GFL Environmental at 1000 Social at around 92,300 SF. (See Office Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	7,415,272	17.28%	-28,934
US 70 /Glenwood	4,575,939	17.71%	-18,033
Six Forks Road	4,639,055	10.97%	121,792
Falls of Neuse	3,355,091	16.26%	75,016
US 1/Capital Blvd.	2,604,862	25.48%	4,963
Downtown Raleigh	6,358,808	12.82%	45,166
Village District	523,498	13.41%	3,492
Eastern Wake Co.	923,484	14.27%	-30,080
Southern Wake Co.	664,514	2.97%	4,121
Cary	7,734,449	17.69%	-104,788
RTP/I-40 Corridor	14,157,561	16.94%	-217,561
Central Durham	4,833,938	15.84%	-55,745
North Durham	1,012,213	24.94%	5,973
South Durham	1,841,353	21.57%	-14,175
Orange County	2,419,634	18.96%	1,804

# Office

## NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1 Office Park At Village Gate - MOB #2	Southern Wake County	48,000	3Q 2024	48%	\$35.00
2 Lane Professional Park	Southern Wake County	67,350	4Q 2024	56%	DNR
3 400H	Downtown Raleigh	150,000	1Q 2024	2%	\$38.50, NNN
4 1000 Social at The Exchange	Falls of Neuse	315,427	2Q 2024	50%	\$47.00
5 Horseshoe at Hub RTP	RTP/I-40 Corridor	110,000	3Q 2024	0%	\$46.50 - \$49.50
6 Slater Station	RTP/I-40 Corridor	35,350	3Q 2024	33%	\$28.50 NNN
7 4114   Creative Offices	Six Forks Road	87,503	2Q 2024	28%	\$48.50 - \$52.00
7 One North Hills	Six Forks Road	264,632	2Q 2024	27%	\$48.50 - \$52.00
7 North Hills Tower 5	Six Forks Road	354,466	3Q 2024	0%	\$49.50
8 3700 Barrett Drive	Six Forks Road	55,000	3Q 2024	90%	\$38 NNN
9 GlenLake III	US 70/Glenwood Ave	205,000	4Q 2023	27%	\$42.00
10 Bandwidth Headquarters	West Raleigh	460,073	3Q 2023	100%	DNR
11 The Grove	West Raleigh	153,076	3Q 2023	66%	\$38.00
12 The Macon at Edwards Mill	West Raleigh	120,694	3Q 2024	42%	\$32-\$34 NNN

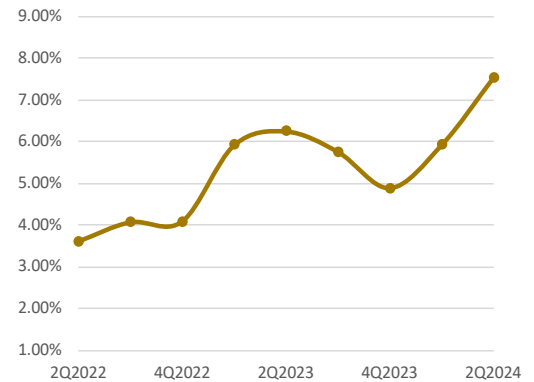
# Warehouse

## MARKET REVIEW

### Q2 WAREHOUSE SNAPSHOT

Total SF	44,067,833
Total SF Vacant	3,326,371
Vacancy Rate	7.55%
Net Absorption	46,430
Avg. Asking Rent	\$9.75
SF Under Construction	1,672,786

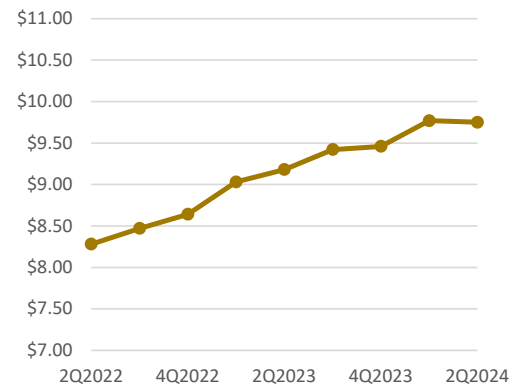
### WAREHOUSE VACANCY



### NOTABLE MOVES & TRANSACTIONS

- 160,380 SF** Wake County ABC acquired 600 S. Greenfield Parkway in the Eastern Wake Co. submarket
- 265,200 SF** Mid-Atlantic Stihl lease at 6485 Buckhorn Industrial Parkway in the Orange County submarket
- 272,396 SF** Undisclosed tenant vacated 3508 TriCenter Blvd. in the RTP/I-40 submarket

### WAREHOUSE RENTAL RATES



### FORECAST

The second quarter of 2024 reported a vacancy increase of 1.62% to 7.55%. This is the first time since 2019 that warehouse vacancy exceeded 6%. Net positive absorption of 46,430 square feet was reported for the quarter, with the Eastern Wake Co. submarket reporting the most positive at 219,400 square feet and the RTP/I-40 Corridor submarket reporting the most negative at 261,553 square feet.

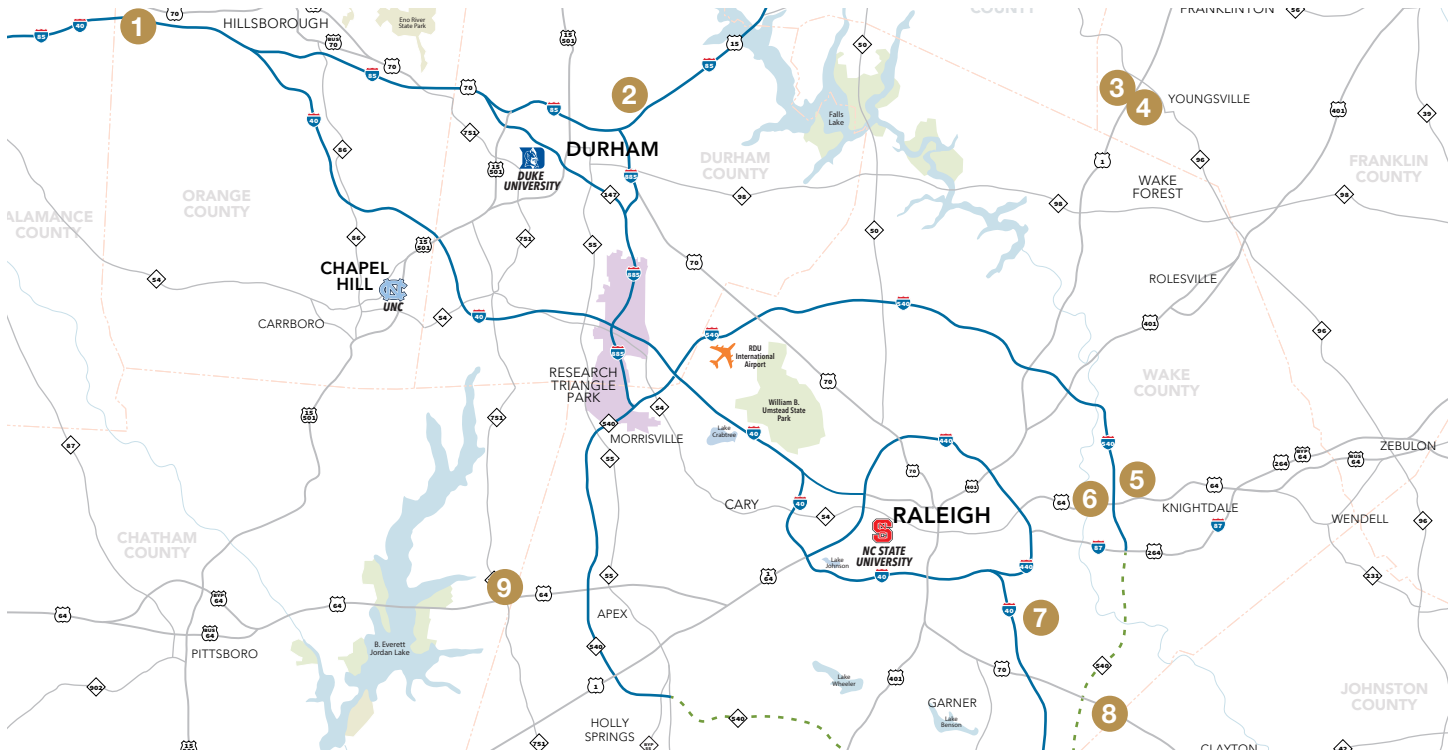
1,199,630 square feet of new inventory was added to the warehouse market in the second quarter of the year. A notable development was the delivery of Al. Neyer's last three buildings in the Buckhorn Industrial Park in the Orange Co. submarket totaling 805,200 square feet, with Building 3 being 100% leased to Mid-Atlantic Stihl.

On the development front, 1,672,786 square feet of warehouse space is expected to be delivered in the next year. The Triangle's warehouse inventory is reaching equilibrium after several years of steady supplier disruption and growth. (See Warehouse Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	312,520	16.33%	0
US 70/Glenwood Ave.	788,828	18.26%	0
Falls of Neuse Road	1,151,941	10.39%	-50,800
US 1/Capital Blvd.	3,657,457	9.49%	-26,225
Eastern Wake Co.	14,103,870	5.29%	219,400
Southern Wake Co.	2,268,409	15.69%	9,408
RTP/I-40 Corridor	15,047,792	2.30%	-261,553
Central Durham	594,434	6.67%	0
North Durham	1,510,074	0.00%	0
South Durham	795,245	7.96%	-40,000
Orange County	3,260,172	33.97%	196,200

# Warehouse

## NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Buckhorn Industrial Park II Bldg 1	Warehouse	Orange Co	210,000	2Q 2024	0%	DNR
1	Buckhorn Industrial Park II Bldg 2	Warehouse	Orange Co	330,000	2Q 2024	0%	DNR
1	Buckhorn Industrial Park II Bldg 3	Warehouse	Orange Co	265,200	2Q 2024	100%	DNR
2	Welcome Venture Park Bldg D	Warehouse	North Durham	103,200	3Q 2024	0%	DNR
2	Welcome Venture Park Bldg E	Warehouse	North Durham	74,400	3Q 2024	0%	DNR
2	Welcome Venture Park Bldg F	Warehouse	North Durham	192,000	3Q 2024	67%	DNR
2	Welcome Venture Park Bldg G	Warehouse	North Durham	25,200	3Q 2024	0%	DNR
3	US1 North Commerce Center Bldg 1	Warehouse	Franklin Co	169,940	2Q 2024	100%	DNR
3	US1 North Commerce Center Bldg 2	Warehouse	Franklin Co	224,490	2Q 2024	81%	DNR
4	Jeffrey Drive Commercial	Warehouse	Franklin Co	20,000	4Q 2024	0%	\$7.75
5	Hinton Oaks Industrial Park Bldg 6	Warehouse	Eastern Wake Co	180,000	1Q 2025	0%	\$10 NNN
6	Knightdale Gateway Bldg 1	Warehouse	Eastern Wake Co	289,632	3Q 2024	0%	DNR
6	Knightdale Gateway Bldg 2	Warehouse	Eastern Wake Co	221,363	3Q 2024	100%	DNR
7	2000 Citation Drive	Warehouse	Eastern Wake Co	115,831	1Q 2024	50%	DNR
8	Garner Business Park 70 Bldg 5	Warehouse	Eastern Wake Co	225,000	1Q 2024	0%	\$8.95
9	Apex Gateway Bldg 1	Warehouse	Southern Wake	66,754	4Q 2024	0%	DNR
9	Apex Gateway Bldg 2	Warehouse	Southern Wake	176,571	4Q 2024	100%	DNR
9	Apex Gateway Bldg 3	Warehouse	Southern Wake	137,890	1Q 2025	0%	DNR
9	Apex Gateway Bldg 4	Warehouse	Southern Wake	205,776	1Q 2025	0%	DNR

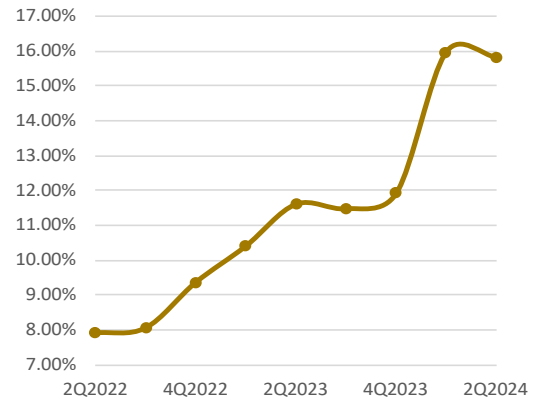
# Flex/Lab

## MARKET REVIEW

### Q2 FLEX/LAB SNAPSHOT

Total SF	26,913,356
Total SF Vacant	4,251,687
Vacancy Rate	15.80%
Net Absorption	-47,821
Avg. Asking Rent	\$18.97
SF Under Construction	270,466

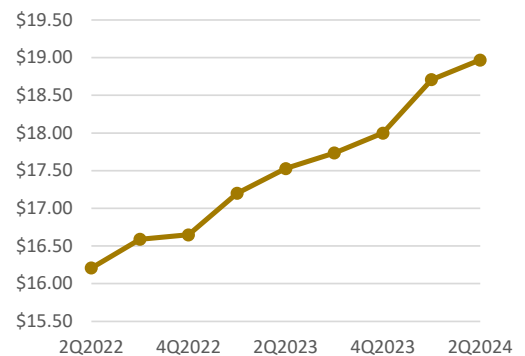
### FLEX/LAB VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 57,000 SF** Kryosphere, Inc. lease at World Trade Park in the RTP/I-40 Corridor submarket
- 30,977 SF** Undisclosed lease at Merritt Midway Business Park, Bldg 1 in the Eastern Wake Co. submarket
- 119,180 SF** Truist vacated data center on Operations Dr. in the North Durham submarket

### FLEX/LAB RENTAL RATES



### FORECAST

Triangle flex/lab vacancy slightly decreased by 0.16% to 15.80% during the second quarter of 2024. Negative net absorption of 47,821 square feet was reported for the quarter. Flex-Industrial represented 8.8% of the 15.80% total vacancy.

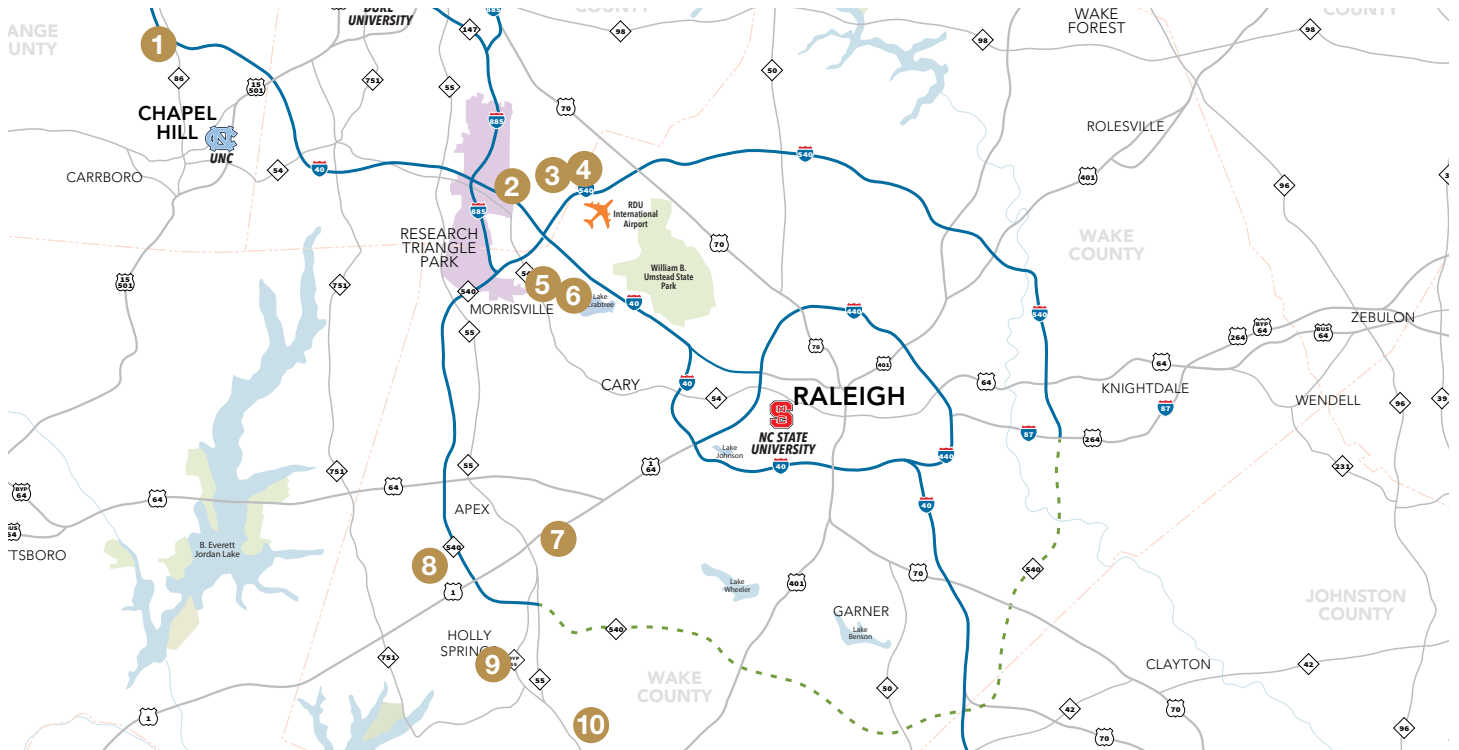
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor and US 1/Capital Blvd. submarkets. Net positive absorption of 40,401 square feet was reported within the Eastern Wake Co. submarket for the quarter and the North Durham submarket reported the most negative at 119,180 square feet.

On the development front, 270,466 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	7.18%	6,829
US 70 /Glenwood	1,267,254	0.00%	31,357
Six Forks	91,178	0.00%	0
Falls of Neuse	322,792	10.50%	0
US 1/Capital Blvd.	4,784,607	8.62%	-13,990
Eastern Wake Co.	2,190,570	8.27%	40,401
Southern Wake Co.	2,093,200	42.98%	13,367
Cary	1,298,230	26.61%	7,497
RTP/I-40 Corridor	12,336,731	16.65%	-42,484
Central Durham	448,893	14.64%	0
North Durham	487,115	24.47%	-119,180
South Durham	221,398	0.64%	0
Orange County	543,266	13.67%	28,382

# 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	100%	DNR
1	North Chapel Business Center 125-180	Flex	Orange County	54,600	4Q 2023	100%	DNR
2	Alexandria Center for Advanced Technologies	Flex	RTP/I-40 Corridor	171,366	3Q 2024	0%	Negotiable
3	10601 World Trade Blvd	Flex	RTP/I-40 Corridor	35,100	3Q 2024	34%	\$19.95 NNN
4	World Trade Park Flex	Flex	RTP/I-40 Corridor	57,000	3Q 2024	100%	DNR
5	Spark - Biomanufacturing 1	Flex	RTP/I-40 Corridor	162,000	1Q 2024	0%	DNR
6	Pathway Triangle Bldg 1	Flex	RTP/I-40 Corridor	163,157	1Q 2024	0%	DNR
6	Pathway Triangle Bldg 2	Flex	RTP/I-40 Corridor	198,310	1Q 2024	0%	DNR
7	Pinnacle Park	Flex	Southern Wake	18,000	4Q 2023	100%	DNR
8	1718-1720 Round Rock Dr	Flex	US1/Capital Blvd	11,870	4Q 2023	100%	\$16.95
9	The Yield Holly Springs Bldg H	Flex	Southern Wake	110,000	1Q 2024	0%	DNR
9	The Yield Holly Springs Bldg I	Flex	Southern Wake	110,000	1Q 2024	0%	DNR
10	80 Technology Park Lane	Flex	Southern Wake	24,960	1Q 2024	36%	\$18.50 NNN



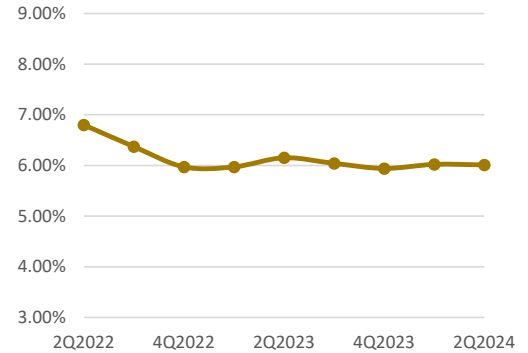
# Retail

## MARKET REVIEW

### Q2 RETAIL SNAPSHOT

Total SF	48,438,970
Total SF Vacant	2,911,266
Vacancy Rate	6.01%
Net Absorption	323,760
Avg. Asking Rent	\$26.07
SF Under Construction	547,512

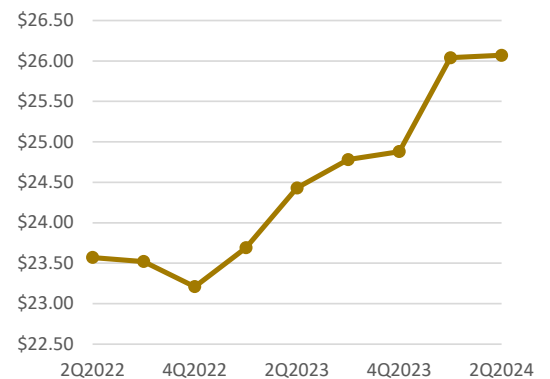
### RETAIL VACANCY



### NOTABLE MOVES AND TRANSACTIONS

- 38,369 SF** Tenant mix including Wolfgang Bakery, Upscale Nail Spa, Mezcalito's, Pixel Bar +Arcade opened at Cobblestone Village in US 1/Capital Blvd submarket.
- 19,000 SF** Ace Hardware and Flor and Fauna lease at Market of Wake Forest in US 1/Capital Blvd submarket
- 22,336 SF** Tenant mix including Ruth's Chris, Village Tavern, Peter Millar, Fink's Jewelers and J.Crew opened at Highland Residential in the Six Forks submarket.

### RETAIL RENTAL RATES



### FORECAST

Triangle vacancy decreased by .01% to 6.01% in the second quarter of 2024. Net positive absorption of 323,760 square feet was reported for the quarter. Once again, Downtown Raleigh has the highest inventory vacancy rate; however, the vacancy rate dropped drastically from 21.28% to 15.09%.

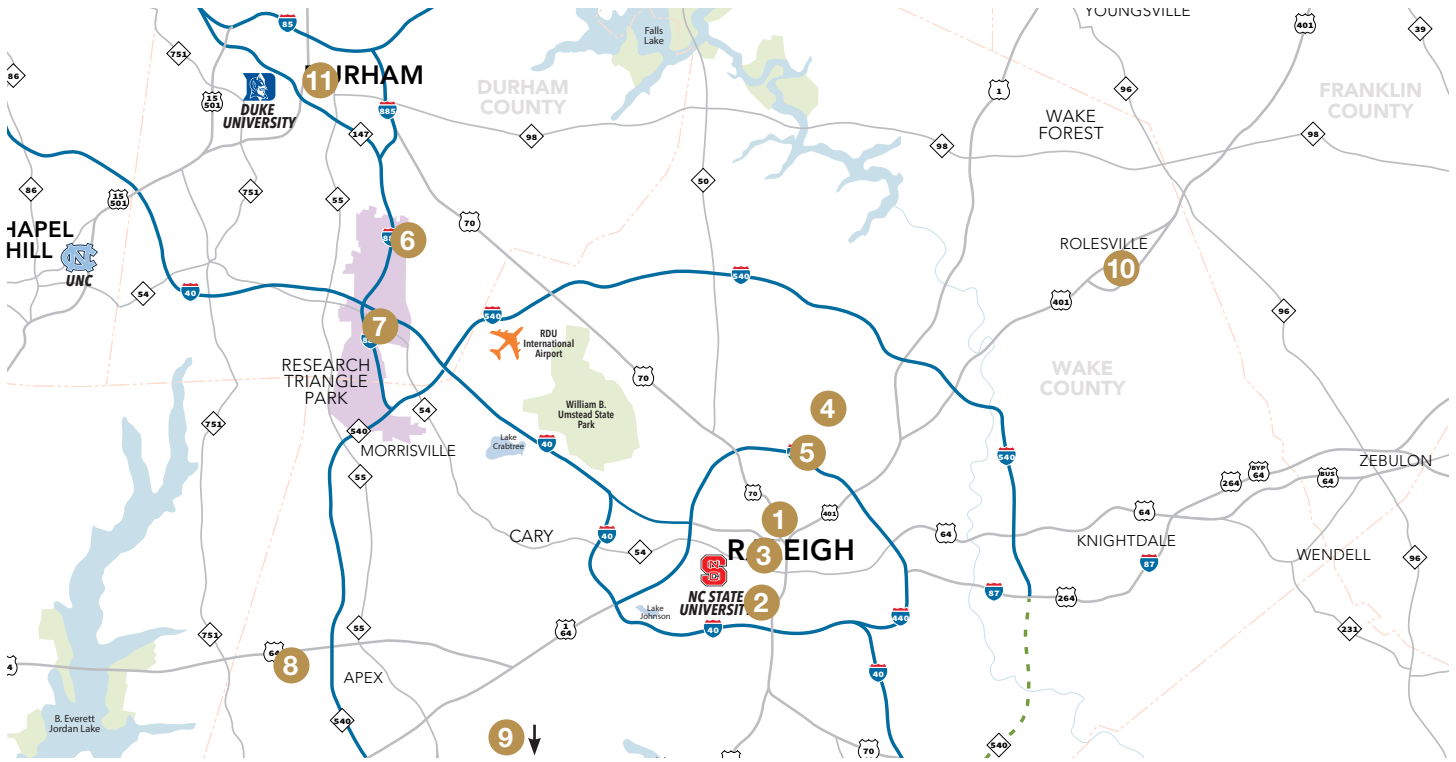
Almost all submarkets had positive absorption in the second quarter. The US 1/Capital Blvd and the Eastern Wake submarkets reported the highest positive absorptions of 73,793 square feet and 52,997 square feet, respectively.

On the development front, 547,512 square feet of retail is under construction. Six projects' deliveries have been pushed out until later this year. Cobblestone Village was delivered at 79% preleased, and Highland Residential with ground-floor retail was delivered fully preleased. (See Retail Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	955,282	9.22%	12,542
US 70 /Glenwood	5,048,493	7.43%	-3,669
Six Forks Road	2,051,659	5.83%	47,752
Falls of Neuse	2,683,043	4.80%	19,205
US 1/Capital Blvd.	6,814,484	5.59%	73,793
Downtown Raleigh	1,245,745	15.09%	23,652
Village District	642,920	1.95%	0
Eastern Wake	3,701,420	2.54%	52,997
Southern Wake	4,368,040	2.26%	-6,864
Cary	7,180,307	4.91%	47,092
RTP/I-40 Corridor	1,176,319	5.37%	8,460
Central Durham	1,000,060	13.31%	10,387
North Durham	3,536,899	14.82%	20,282
South Durham	5,247,826	4.15%	24,297
Orange County	2,786,473	4.84%	-6,166

# Retail

## NOTABLE DEVELOPMENT



PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE	
1	Seaboard Station - Block C	Downtown Raleigh	45,823	2Q 2024	0%	DNR
2	Rockway - The Row	Downtown Raleigh	18,000	3Q 2024	100%	DNR
3	400H	Downtown Raleigh	16,000	1Q 2024	52%	DNR
4	Quail Corners II	Falls of Neuse	36,108	3Q 2024	66%	DNR
5	RH Raleigh - The Gallery at North Hills	Six Forks Road	48,600	3Q 2024	100%	DNR
5	Highland Residential	Six Forks Road	22,336	2Q 2024	100%	DNR
5	4114 Creative Offices	Six Forks Road	19,827	3Q 2024	55%	DNR
5	One North Hills Tower	Six Forks Road	12,437	3Q 2024	100%	DNR
6	Market at Ellis Crossing	RTP/I-40 Corridor	71,810	3Q 2023	85%	DNR
7	Horseshoe at Hub RTP	RTP/I-40 Corridor	32,710	3Q 2024	0%	DNR
8	Sweetwater Town Center - East Side	Southern Wake	67,182	3Q 2024	100%	DNR
8	Sweetwater Town Center - Harris Teeter Satellite Building	Southern Wake	64,000	4Q 2024	100%	DNR
9	Peterson Station	Southern Wake	46,988	1Q 2025	0%	DNR
10	Cobblestone Village	US 1/Capital Blvd	48,869	2Q 2024	79%	\$28.00
11	The Novus	Central Durham	21,558	3Q 2024	0%	DNR
11	Shops at Wye	Central Durham	26,487	2Q 2025	36%	Negotiable

# Investment Sales

## MARKET REVIEW

### NOTABLE SALE TRANSACTIONS

TYPE	PROPERTY	SUBMARKET	TOTAL SF	SALE PRICE/PER SF	BUYER/SELLER
Retail	MacGregor Village	Cary	142,400	\$30,240,000 / \$212/SF	Blue Ridge Capital / Washington Prime Group
Industrial	4101 and 4501 Waterfield Drive	Southeast Wake	102,400	\$19,810,000 / \$193/SF	Foxfield Real Estate / Wigeon Capital
Office	Duke Family Medicine	North Durham	40,725 SF	\$15,161,000 / \$372/SF	AW Property Co / Healthcare Realty Trust Inc (fmr HTA)
Office	Somerset Business Center	Falls of Neuse	110,310 SF	\$8,000,000 / \$73/SF	Nova Cap Partners LLC / Bridge Investments Group
Office	2323 Operations Drive	South Durham	119,180 SF	\$5,400,000 / \$45/SF	Spruce Tree Ventures / Truist
Retail	Springwood Forest	US 1 / Capital Blvd	23,736 SF	\$5,038,000 / \$212/SF	Spring Forest 2024 LLC / Springwood Forest LLC
Retail	Walgreens - Raleigh	Falls of Neuse	14,800 SF	\$4,125,000 / \$279/SF	The Garrett Company / Frank & Lynn Kirk RT
Industrial	2741 Noblin Road	US 1 / Capital Blvd	20,584 SF	\$3,500,000 / \$170/SF	Bennett Funderburk / Lilley International

### FORECAST

Triangle investment sale activity remained lackluster in the second quarter across all property types. However, 2024 volume numbers, only halfway through the year, are near equal to what all of 2023 reported. 2024 is on pace to outperform sale volumes across all property types.

The largest Triangle transaction of the quarter was MacGregor Village in Cary to Blue Ridge Capital. The 142,400 square foot retail center was purchased for \$30,240,000 (\$212/SF). The seller, Washington Prime Group, filed for Chapter 11 bankruptcy in 2021.

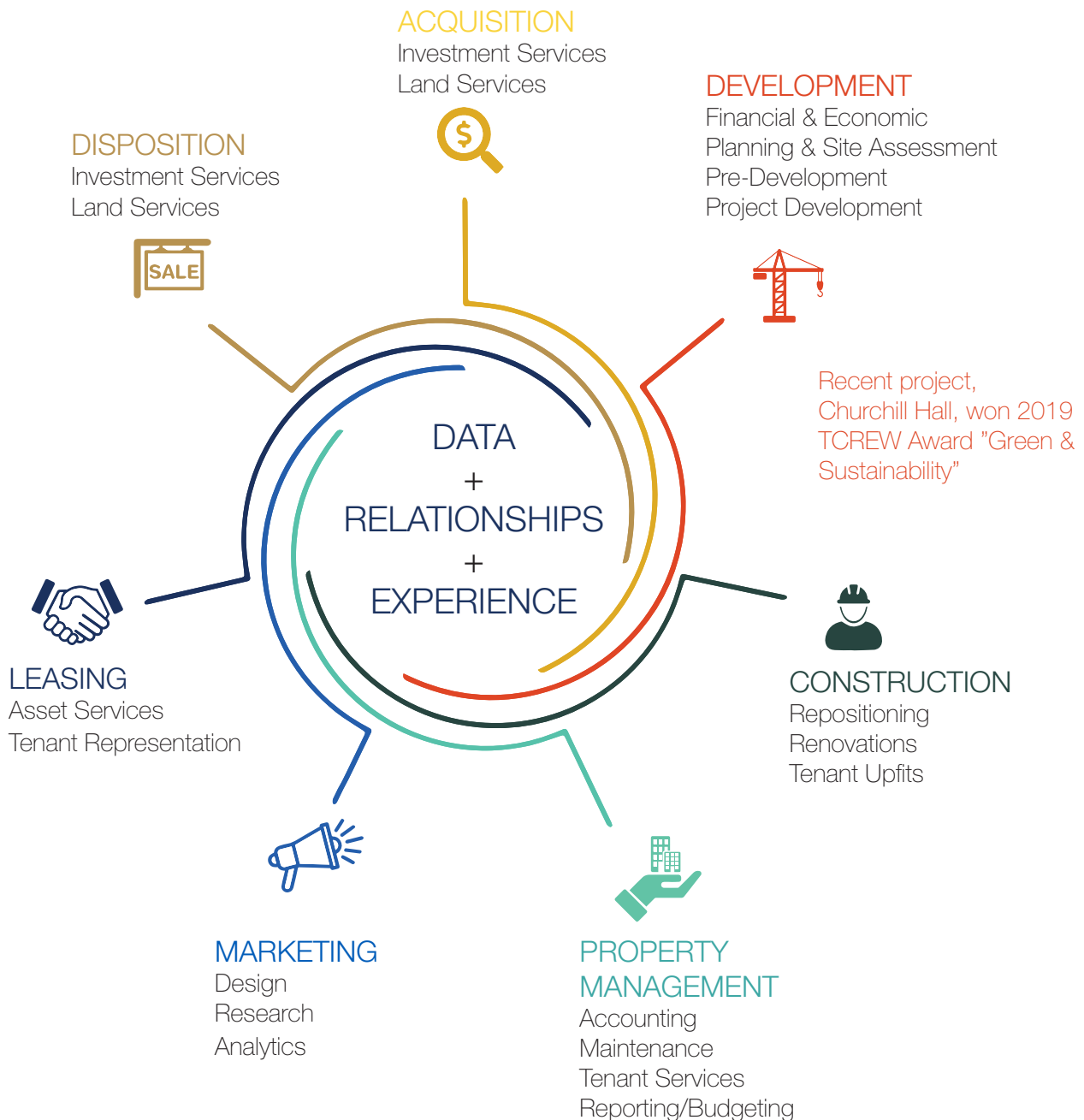
Another notable transaction was the sale of warehouses 4101 and 4501 Waterfield Drive in Garner totaling 102,400 square feet from owner and developer Wigeon Capital to Foxfield Real Estate for \$19,810,000 (\$193/SF). Tri Properties fully leased and sold these properties representing the owner.

Sale transaction volume can largely be attributed to the Federal Reserve holding interest rates to control 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, however, some reports indicate that cap rates may have peaked and despite turbulence could decline later this year. At the time of publishing, the Fed has announced a possible interest rate cut in September if the US economy follows its expected path, which will help add a flow of cash back into the market.

# Full Service

## SOLUTIONS

**Corporate Services | Healthcare | Investment Sales | Land Services**  
**Office Asset Leasing | Retail | Warehouse | Flex**  
**Construction Services | Development | Property & Facilities Management**



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Durham, NC 27703

5121 Kingdom Way, Suite 200  
Raleigh, NC 27607