

3Q 2024
**Triangle
Market
Report**

540

148

Triangle

MARKET REVIEW

Past 12 Mo. Change	3Q2023	3Q2024	FORECAST
OFFICE			
Overall Vacancy	14.47%	16.80%	▲
Class A Vacancy	14.26%	17.84%	▲
Class B Vacancy	15.64%	14.39%	▲
Class C Vacancy	10.16%	11.54%	▲
Net Absorption 3Q	450,793	22,778	▲
WAREHOUSE			
Overall Vacancy	5.76%	7.08%	▲
Net Absorption 3Q	796,374	670,756	▲
FLEX/LAB			
Overall Vacancy	11.47%	16.68%	▲
Net Absorption 3Q	384,561	283,742	▲
RETAIL			
Overall Vacancy	6.04%	6.12%	▼
Net Absorption 3Q	143,676	104,219	▲

MARKET OVERVIEW

From the second quarter of 2024 to the third quarter of 2024, office vacancies rose by .17% to 16.80%, warehouse vacancies decreased by .47% to 7.08%, flex/lab vacancies increased by .88% to 16.68%, and retail vacancy increased by .11% to 6.12%. All property types reported positive net absorption. The two previous times that positive absorption occurred across property types was also in the third quarter, in 2023 and 2022.

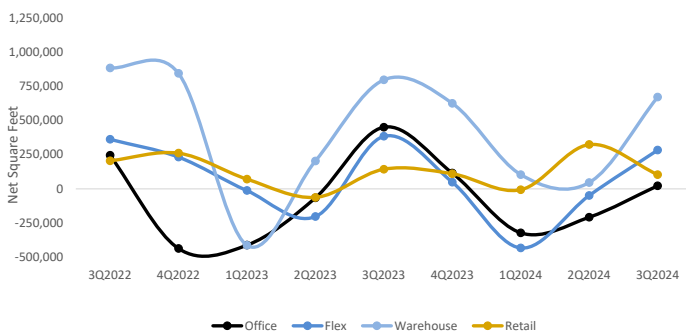
Within the Triangle Metropolitan Statistical Area (MSA), comprised of Raleigh, Cary, Durham, Chapel Hill, and surrounding counties, the unemployment rate in September was reported at 2.85%, down from 2.86% a year ago. The Triangle MSA's unemployment rate outpaces the Statewide Unemployment rate of 3.8% and the National Unemployment Rate of 4.1%.

On the development front, the pipeline for new projects has been sparse. Under construction totals for each property type include 497,964 square feet of office space, 2,384,944 square feet of warehouse, 169,017 square feet of flex/lab space, and 490,493 square feet of retail.

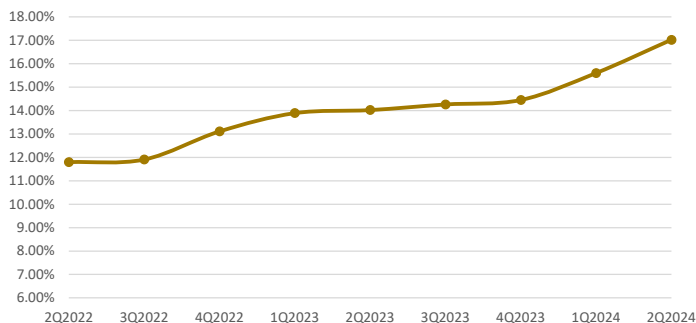
The largest Triangle transaction of the quarter was the sale of 900 Aviation Parkway in Morrisville. Stoltz Real Estate Partners purchased the 576,000 square foot warehouse from Dogwood Industrial Properties, an arm of TPG Real Estate Partners, for \$71 million (\$123/SF). Its previous sale in 2020 was \$42.8 million. It was 89% leased and its tenants include Burt's Bees, Tirehub, and Access Information Management.

Capital markets have continued to see lower-than-average historical volumes. The Fed made its first cut to lower the interest rate in September, which should help add a cash flow to the market. More cuts are anticipated for the end of 2024.

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.

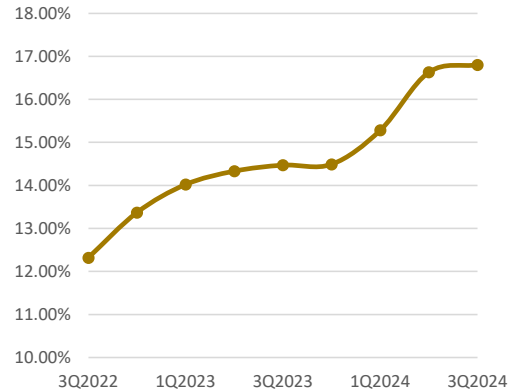
Office

MARKET REVIEW

Q3 OFFICE SNAPSHOT

Total SF	63,145,624
Total SF Vacant	10,606,631
Vacancy Rate	16.80%
Net Absorption	22,778
Avg. Asking Rent	\$29.55
Avg. Class A Asking Rent	\$34.05
SF Under Construction	497,964

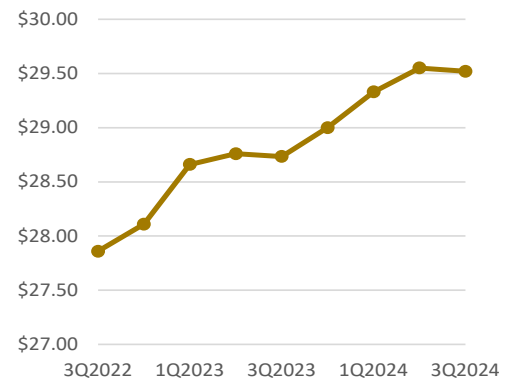
OFFICE VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 61,076 SF** Parexel lease at North Hills Tower V in the Six Forks submarket downsizing out 2520 Meridian Pkwy in RTP/I-40 submarket
- 34,458 SF** General Dynamics Information Technology lease at Wade IV in the West Raleigh submarket
- 55,250 SF** Siemens lease at 540 Tech Center in the US 1/Capital Blvd. submarket
- 31,553 SF** Jewelers Mutual Group lease at One North Hills in Six Forks submarket.

OFFICE RENTAL RATES



FORECAST

Triangle office direct vacancy rose by .17% to 16.80% in the third quarter, while office sublease availability dropped from 5.15% to 4.91% of inventory. A positive net absorption of 22,778 square feet was reported for the quarter. The RTP/I-40 Corridor submarket reported the largest negative net absorption of -131,881 square feet. And the US 1/Capital Blvd submarket had the largest positive net absorption, totaling 108,243 square feet.

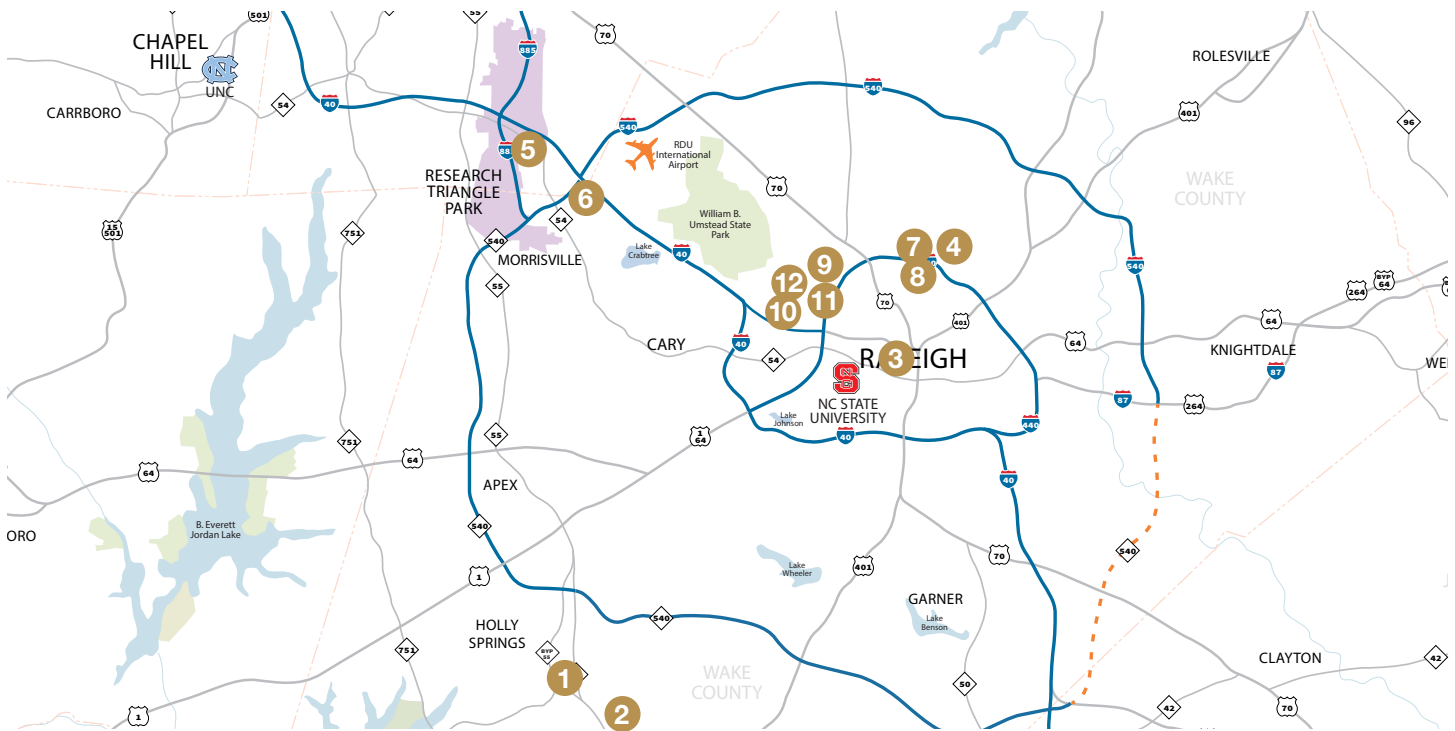
Class A vacancy rate has remained above 10% since the beginning of 2021 and increased .82% to 17.84% from the second to third quarter. While the overall office rental rate slightly decreased by \$.03, Class A office rental rates saw an increase of \$.72.

On the development front, 497,964 square feet of office space is under construction. The two largest projects delivered include Horseshoe at Hub RTP and The Macon at Edwards Mill. North Hills Tower V's delivery was pushed back again and is expected to deliver in the fourth quarter. There are no office projects in the 2025 construction pipeline, as all office construction is expected to be completed by the end of 2024. (See Office Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	7,490,318	17.86%	64,298
US 70 /Glenwood	4,575,939	17.71%	219
Six Forks Road	4,694,012	10.84%	55,044
Falls of Neuse	3,355,531	17.01%	-25,391
US 1/Capital Blvd.	2,604,862	21.46%	108,243
Downtown Raleigh	6,358,808	13.92%	-69,557
Village District	523,498	13.10%	1,592
Eastern Wake Co.	923,484	14.31%	-326
Southern Wake Co.	713,267	5.89%	25,713
Cary	7,485,152	15.78%	-38,300
RTP/I-40 Corridor	14,311,976	18.76%	-131,881
Central Durham	4,841,101	14.47%	49,871
North Durham	1,011,465	26.23%	-12,869
South Durham	1,836,577	21.28%	6,406
Orange County	2,419,634	19.38%	-10,284

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	54%	\$35.00
2 Lane Professional Park	Southern Wake County	67,350	4Q 2024	50%	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	119,065	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	60%	\$48.50 - \$52.00
7 North Hills Tower 5	Six Forks Road	354,466	4Q 2024	17%	\$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

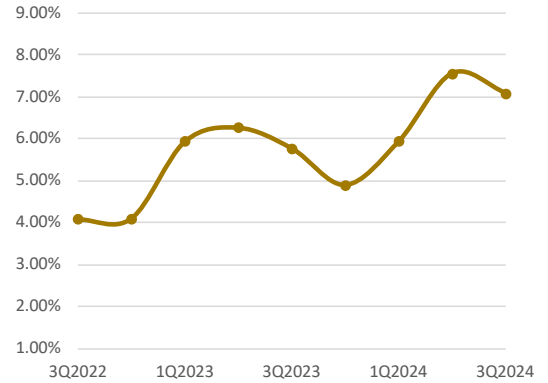
Warehouse

MARKET REVIEW

Q3 WAREHOUSE SNAPSHOT

Total SF	44,707,287
Total SF Vacant	3,167,151
Vacancy Rate	7.08%
Net Absorption	670,756
Avg. Asking Rent	\$9.80
SF Under Construction	2,384,944

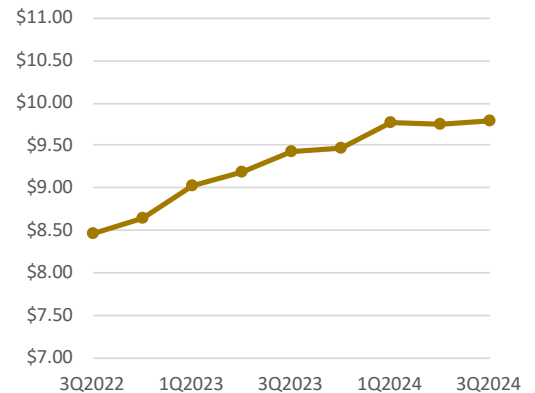
WAREHOUSE VACANCY



NOTABLE MOVES & TRANSACTIONS

- 221,363 SF** Undisclosed tenant lease at Knightdale Gateway, Building 2 in the Eastern Wake Co. submarket
- 225,000 SF** Ferguson Enterprises, LLC acquired 2231 US 70 Bus in the Eastern Wake Co. submarket
- 286,112 SF** Aisin NC Corp lease at 7110 E Washington Street in the Orange County submarket

WAREHOUSE RENTAL RATES



FORECAST

The third quarter of 2024 reported a vacancy decrease of .47% to 7.08%. Net positive absorption of 670,756 square feet was reported for the quarter, with the Eastern Wake Co. submarket reporting the most positive at 685,818 square feet and the Southern Wake Co. submarket reporting the most negative at 222,746 square feet.

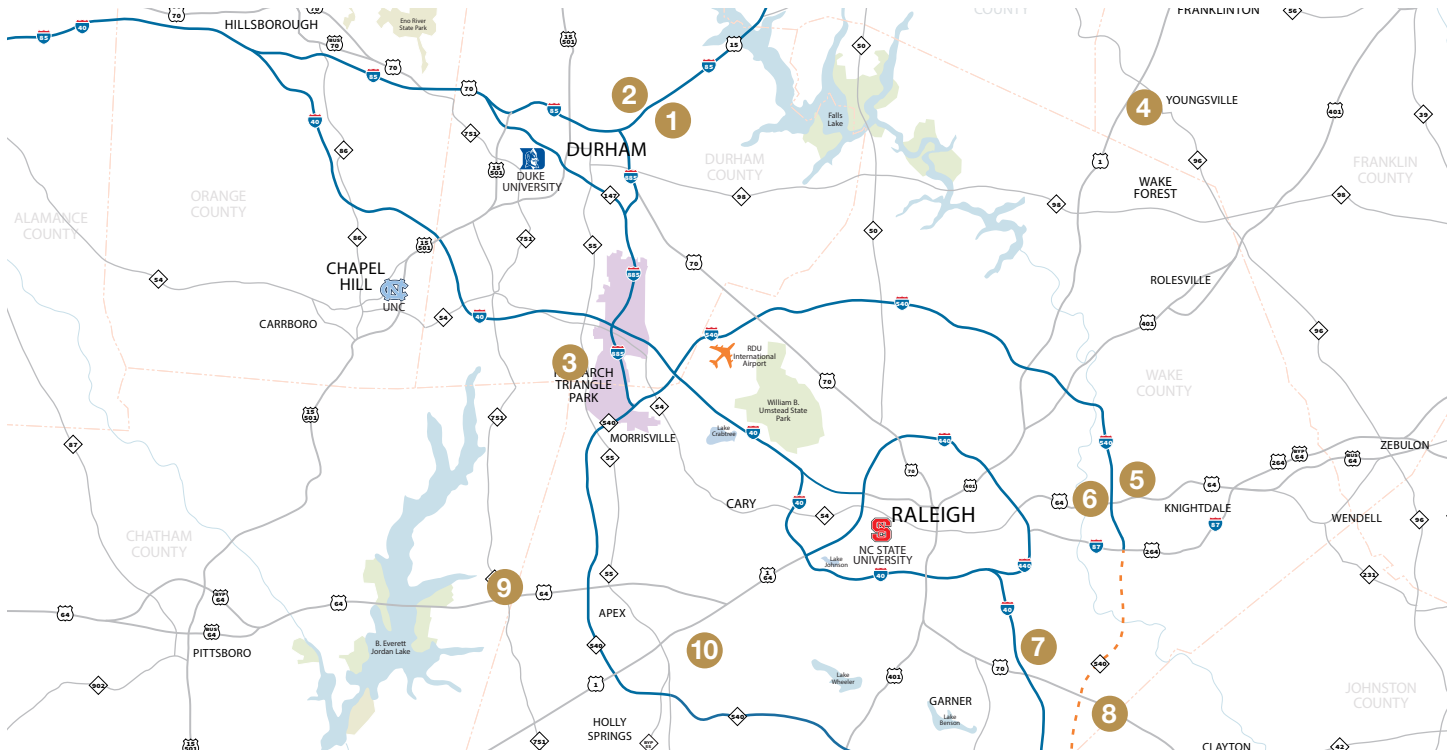
510,995 square feet of new inventory was added to the warehouse market in the third quarter of the year with the delivery of Knightdale Gateway Buildings 1 and 2 in the Eastern Wake Co. submarket. Building 2 was 100% preleased.

On the development front, 2,384,944 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	8.79%	18,440
US 1/Capital Blvd.	3,699,637	9.04%	12,732
Eastern Wake Co.	14,614,865	3.91%	685,818
Southern Wake Co.	2,266,647	25.53%	-222,746
RTP/I-40 Corridor	15,048,333	3.33%	-154,659
Central Durham	594,434	6.67%	0
North Durham	1,510,074	0.00%	0
South Durham	795,245	2.93%	40,000
Orange County	3,347,672	24.60%	284,171

Warehouse

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Durham85 Bldg 2	Warehouse	North Durham	249,600	2Q 2025	0%	DNR
2	Welcome Venture Park Bldg D	Warehouse	North Durham	103,200	4Q 2024	0%	DNR
2	Welcome Venture Park Bldg E	Warehouse	North Durham	74,400	4Q 2024	0%	DNR
2	Welcome Venture Park Bldg F	Warehouse	North Durham	192,000	4Q 2024	67%	DNR
2	Welcome Venture Park Bldg G	Warehouse	North Durham	25,200	1Q 2025	0%	DNR
3	Triangle 55 Bldg 2	Warehouse	RTP/I-40 Corridor	340,200	3Q 2025	100%	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	100%	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
10	Apex Commerce Center Bldg 2	Warehouse	Southern Wake	183,232	3Q 2025	0%	DNR
10	Apex Commerce Center Bldg 3	Warehouse	Southern Wake	222,121	3Q 2025	0%	DNR
10	Apex Commerce Center Bldg 4	Warehouse	Southern Wake	208,000	3Q 2025	0%	DNR

Flex/Lab

MARKET REVIEW

Q3 FLEX/LAB SNAPSHOT

Total SF	27,558,443
Total SF Vacant	4,596,451
Vacancy Rate	16.68%
Net Absorption	283,742
Avg. Asking Rent	\$18.93
SF Under Construction	169,017

NOTABLE MOVES AND TRANSACTIONS

- 190,500 SF** United Therapeutics Corp. acquired 78 TW Alexander Dr in the RTP/I-40 Corridor submarket
- 58,000 SF** Chapel Hill Police Department lease at 7310 Millhouse Rd in the Orange County submarket
- 47,869 SF** American Anesthesiology vacated 3100 Spring Forest Road in the US 1/Capital Boulevard submarket

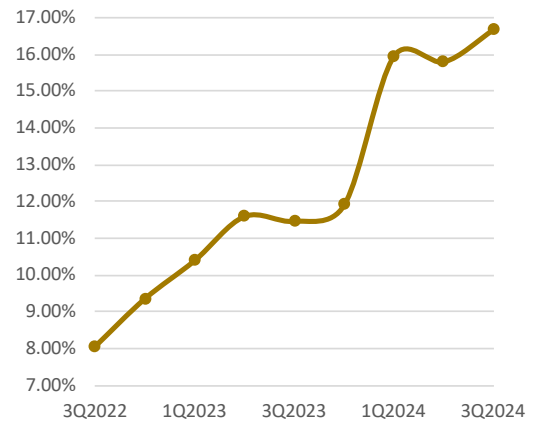
FORECAST

Triangle flex/lab vacancy slightly increased by .88% to 16.68% during the third quarter of 2024. Positive net absorption of 283,742 square feet was reported for the quarter. Flex-Industrial represented 8.5% of the 16.68% total vacancy.

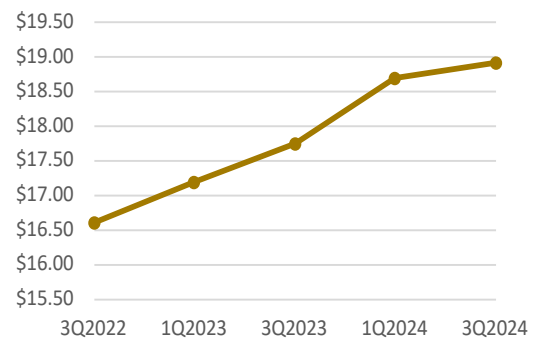
Flex vacancy indicators continue to be driven by the inventory-heavy RTP/I-40 Corridor submarket. Net positive absorption of 67,131 square feet was reported within the Orange County submarket for the quarter and the West Raleigh submarket reported the most negative at 6,533 square feet.

On the development front, 169,017 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).

FLEX/LAB VACANCY



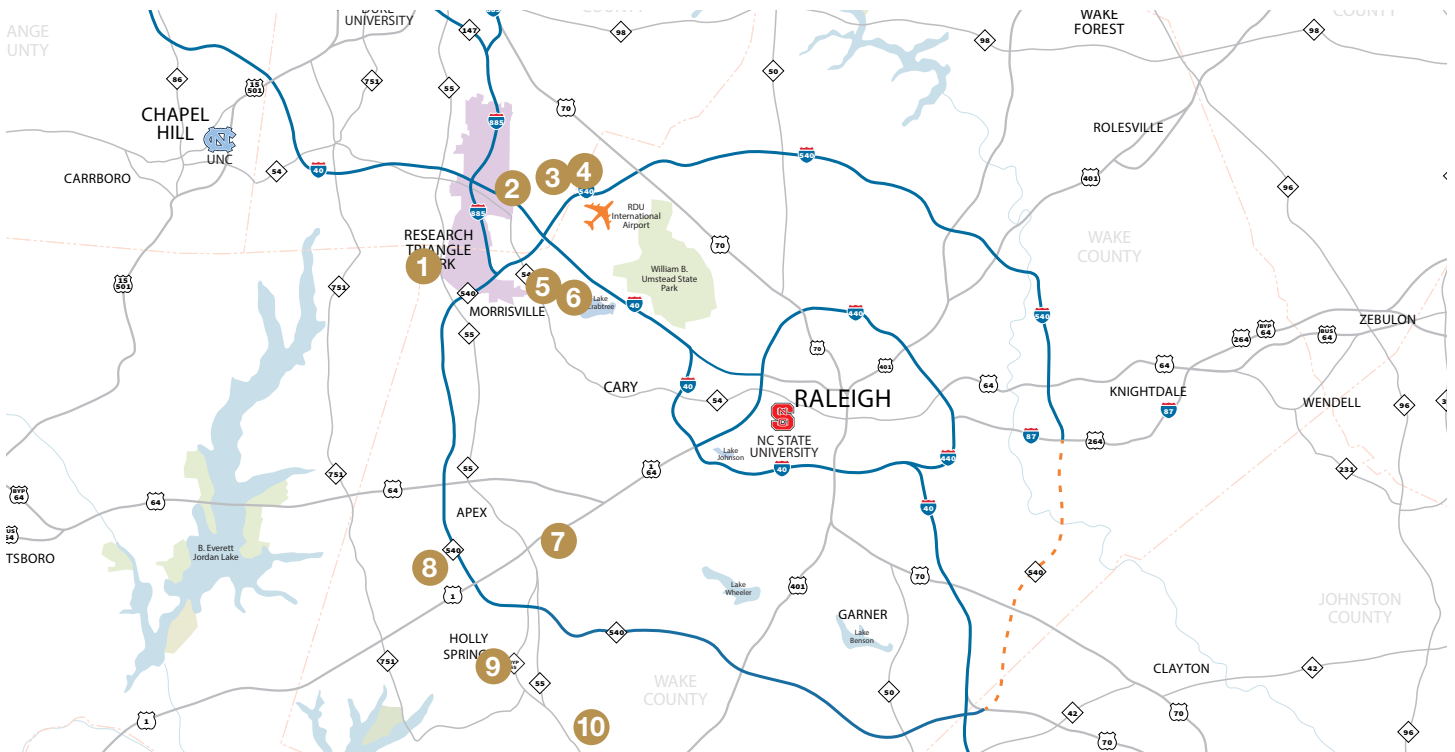
FLEX/LAB RENTAL RATES



SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	693,128	8.12%	-6,533
US 70 /Glenwood	1,267,254	0.00%	0
Six Forks	91,178	0.00%	0
Falls of Neuse	322,792	10.50%	0
US 1/Capital Blvd.	4,798,347	8.54%	2,922
Eastern Wake Co.	2,190,570	7.94%	7,333
Southern Wake Co.	2,093,400	42.84%	2,807
Cary	1,298,230	26.73%	-1,618
RTP/I-40 Corridor	12,965,058	19.07%	210,370
Central Durham	448,893	13.71%	4,150
North Durham	489,935	24.90%	-2,820
South Durham	221,398	0.64%	0
Orange County	543,266	1.32%	67,131

Flex/Lab

NOTABLE DEVELOPMENT



	PROJECT	TYPE	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Park Overlook Bldg 1	Flex	RTP/I-40 Corridor	106,333	1Q 2025	0%	DNR
1	Park Overlook Bldg 2	Flex	RTP/I-40 Corridor	55,684	1Q 2025	0%	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

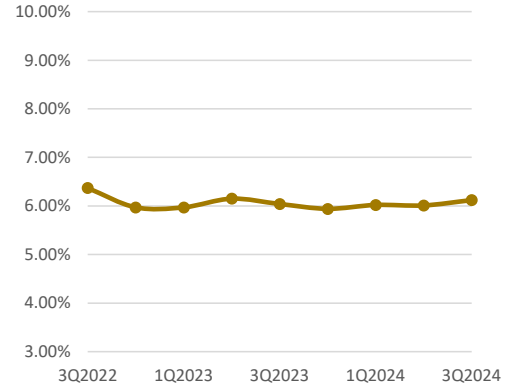
Retail

MARKET REVIEW

Q3 RETAIL SNAPSHOT

Total SF	48,634,808
Total SF Vacant	2,978,146
Vacancy Rate	6.12%
Net Absorption	104,219
Avg. Asking Rent	\$26.07
SF Under Construction	490,493

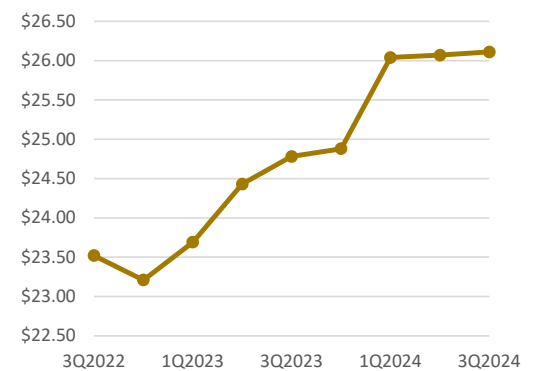
RETAIL VACANCY



NOTABLE MOVES AND TRANSACTIONS

- 27,730 SF** Pins Mechanical Co. lease at Seaboard Station in the Downtown Raleigh submarket
- 19,238 SF** ParTee Shack lease at Celebration Six Forks in the Six Forks Road submarket
- 7,085 SF** Boatman Distillery lease at Seaboard Station in the Downtown Raleigh submarket

RETAIL RENTAL RATES



FORECAST

Triangle vacancy increased by .11% to 6.12% in the third quarter of 2024. Net positive absorption slowed from the previous quarter, but still reported an impressive 104,219 square feet of positive absorption.

Submarkets with the highest vacancy rates were North Durham and Downtown Raleigh at 15.85% and 15.29%, respectively.

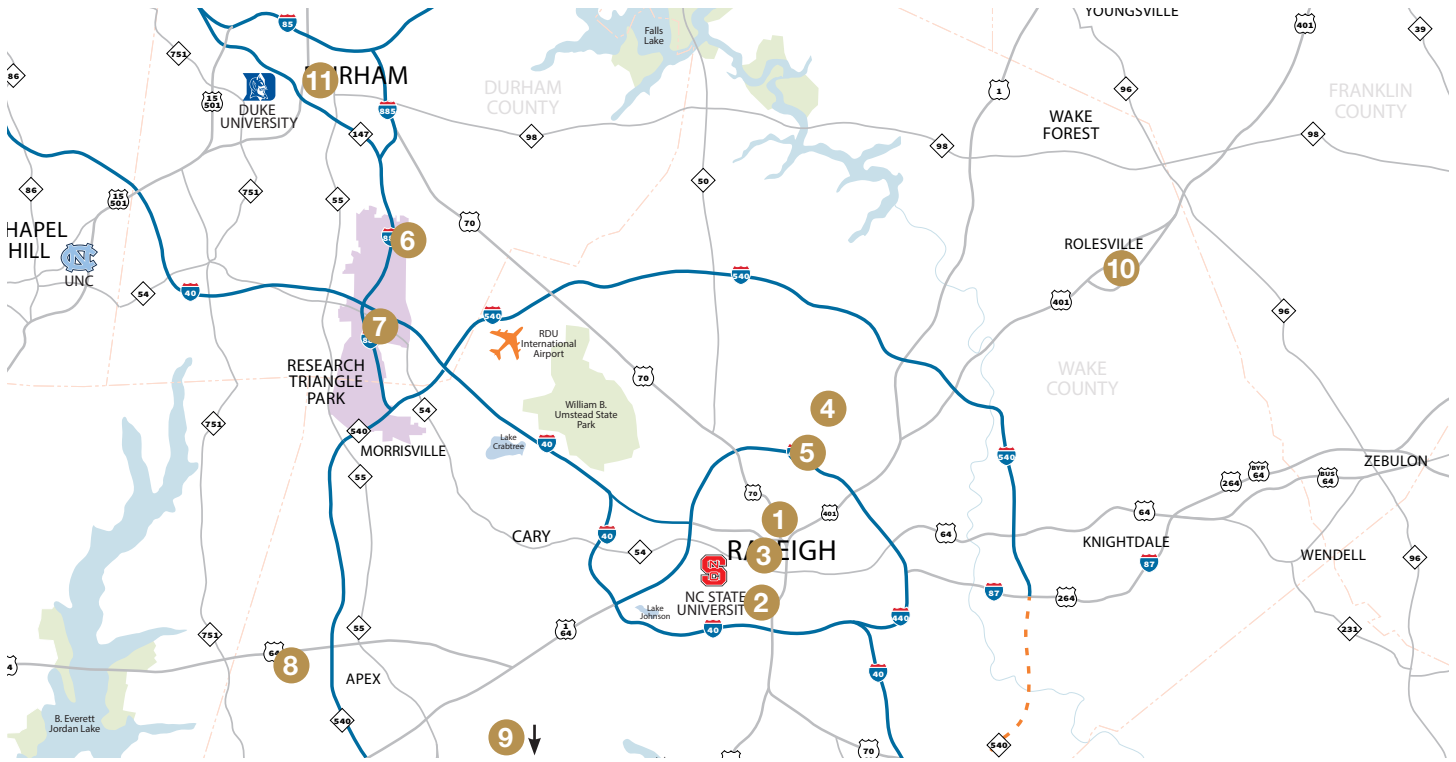
All but three submarkets had positive absorption in the third quarter. Downtown Raleigh had the most significant impact with 44,294 square feet of positive net absorption, followed by Six Forks Road submarket reporting 43,995 square feet of positive net absorption.

On the development front, there is 490,493 square feet under construction. Retail projects that delivered in the third quarter include Quail Corners II at 66% preleased and Horseshoe at Hub RTP with no preleases. (See Retail Development Activity Map for notable projects).

SUBMARKET	INVENTORY	VACANCY	ABSORPTION
West Raleigh	947,722	8.59%	6,693
US 70 /Glenwood	5,048,493	8.30%	-44,024
Six Forks Road	2,083,923	5.17%	43,995
Falls of Neuse	2,719,188	4.95%	6,301
US 1/Capital Blvd.	6,836,643	6.32%	-34,632
Downtown Raleigh	1,308,188	15.29%	44,294
Village District	642,920	0.74%	7,800
Eastern Wake	3,701,523	2.24%	10,953
Southern Wake	4,368,040	1.85%	17,806
Cary	7,173,031	4.74%	9,327
RTP/I-40 Corridor	1,195,107	5.60%	28,974
Central Durham	1,000,728	12.34%	10,252
North Durham	3,536,899	15.85%	-36,250
South Durham	5,247,826	4.05%	5,400
Orange County	2,824,577	4.66%	3,342

Retail

NOTABLE DEVELOPMENT



	PROJECT	SUBMARKET	TOTAL SF	DELIVERY	%PRELEASED	RATE
1	Seaboard Station - Block C	Downtown Raleigh	45,823	3Q 2024	75%	DNR
2	Rockway - The Row	Downtown Raleigh	18,000	4Q 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	4Q 2024	100%	DNR
5	Highland Residential	Six Forks Road	22,336	2Q 2024	100%	DNR
5	4114 Center at North Hills	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
10	Wallbrook 821 S. Main St., Rolesville	US 1/Capital Blvd	77,699	2Q 2025	78%	DNR
11	The Novus	Central Durham	21,558	4Q 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
Warehouse	900 Aviation Pkwy.	RTP/I-40 Corridor	576,000	\$71,000,000 / \$123/SF	Stoltz RE Partners / TPG Real Estate
Warehouse	78 TW Alexander Dr.	RTP/I-40 Corridor	190,500	\$33,000,000 / \$173/SF	United Therapeutics / Oxford Properties Group
Office	4601 Six Forks	Six Forks	166,653	\$21,300,000 / \$128/SF	Edgewater Ventures and Northridge Capital / BGO
Flex	2323 Operations Dr.	North Durham	119,180	\$16,750,000 / \$141/SF	NorthBridge CRE / Spruce Tree Ventures
Office	2530 Meridian Pkwy.	RTP/I-40 Corridor	106,101	\$12,670,000 / \$119/SF	TD Bank NA / Foundry Commercial
Retail	3638 Rogers Rd.	US 1/Capital Boulevard	68,778	\$15,600,000 / \$227/SF	Nuveen / BREIT
Retail	2750 Hwy. 55	Cary	54,498	\$6,900,000 / \$127/SF	Wal-Mart RE Trust / Realty Income Corp
Office	222 N. Person St.	Downtown Raleigh	41,904	\$9,213,000 / \$220/SF	Henry C Wood / North Carolina Medical Society
Flex	8851 Westgate Park Dr.	US 70/Glenwood Avenue	20,377	\$5,165,663 / \$254/SF	James Russell / 8851 West SP T1 LLC

FORECAST

Triangle investment sale activity remained lackluster in the third quarter across all property types as investors still face a challenging lending environment.

The largest Triangle transaction of the quarter was the sale of 900 Aviation Parkway in Morrisville. Stoltz Real Estate Partners purchased the 576,000 square foot warehouse from Dogwood Industrial Properties, an arm of TPG Real Estate Partners, for \$71 million (\$123/SF). Its previous sale in 2020 was \$42.8 million. It was 89% leased and its tenants include Burt's Bees, Tirehub, and Access Information Management.

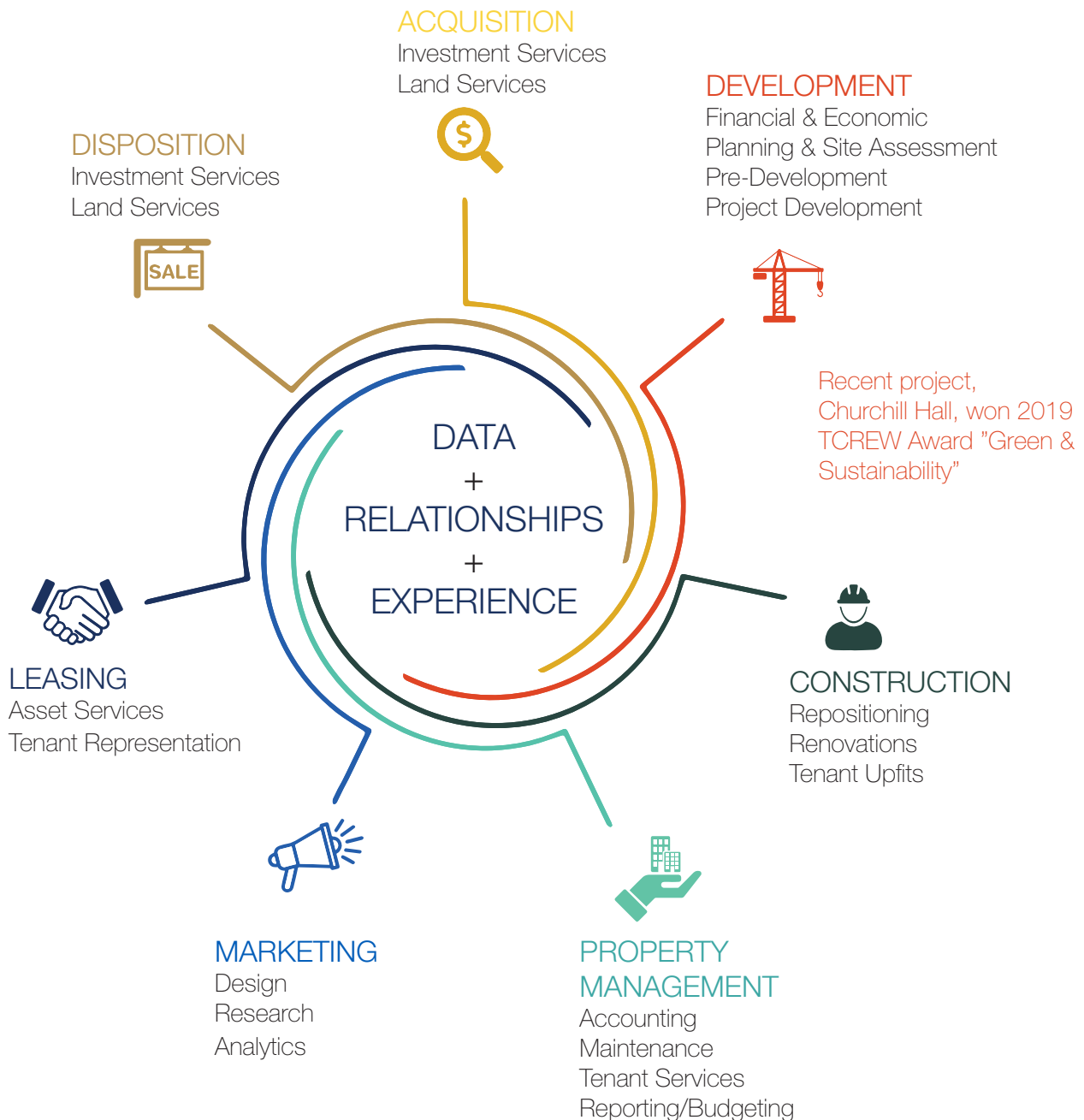
Another notable transaction was the sale of The Landmark at North Hills, an office property totaling 166,653 square feet. It was purchased by a joint venture between Edgewater Ventures and Northridge Capital from BGO on behalf of institutional investor Sun Life Assurance Company of Canada, selling for \$21.3 million (\$128/SF). It has an assessed value of about \$33.8 million and its previous sale was in 2006 for \$21.9 million.

Sale transaction volume can largely be attributed to fear of the election results, the Federal Reserve controlling interest rates to control inflation, and the lack of available capital from banks. As anticipated, the rate hikes continue to put upward pressure on cap rates across all property types. However, some reports indicate that cap rates may have peaked and, despite the turbulence, could decline by year-end. The Fed made its first cut to lower the interest rate in September, which should help add a cash flow back into the market. More cuts are anticipated for the end of 2024.

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