

Industrial Q4 2019

FLEX

YoY
Chg12-Mo.
Forecast

5.6%

Vacancy Rate



64K

Net Absorption, SF



\$12.52

Asking Rent, PSF



WAREHOUSE

3.9%

Vacancy Rate



119K

Net Absorption, SF



\$5.74

Asking Rent, PSF



Overall, Net Asking Rent

*Market Indicators are not reflective of U.S. MarketBeat tables

ECONOMIC OVERVIEW

The Triangle continued to see strong economic growth to close out 2019. As of Q4 2019, the Triangle's unemployment rate rose 20 basis points (bps) to 3.5% year-over-year, but the outlook remains positive and is expected to decrease due to the influx of people moving to the area for jobs. North Carolina continued to receive national recognition for its explosive job growth and thriving business climate. Most notably, Forbes' ranked North Carolina as the best state for business in 2019 for the third consecutive year. Notable factors included its low cost of doing business and its young and educated workforce as key factors.

WAREHOUSE

Closing out 2019, the Triangle's warehouse market bounced back as net absorption increased from the subdued number seen in Q3 of 2019. Net absorption in the current quarter accounted for 119,153 square feet (sf) and boosted the overall year-end net absorption total to 536,972 sf. Despite this figure being below the five-year annual average of 869,918 sf, it's important to understand that the warehouse market is experiencing historically low vacancy levels. As a result, this provides many challenges for tenants looking for space. In Q4 2019, vacancy declined 80 bps from the previous quarter to 3.9%.

Market-wide warehouse rates increased to \$5.74 per square foot (psf) net and noted impressive year-over-year growth of 8.1%. Submarkets reflecting the largest rental rate growth were US 1/Capital Blvd. and RTP/I-40 at 17.6% and 4.0% year-over-year, respectively. In the face of growing demand and limited supply, several major developments such as 1201 N Greenfield Parkway, two buildings in Patriot Park and Regional Commerce Center Buildings 1 and 4 are expected to deliver in Q3 2020. Combined, these new developments total approximately 1,210,328 sf and will provide much needed relief for tenants.

ECONOMIC INDICATORS
Q4 2019YoY
Chg12-Mo.
Forecast

972K

Triangle
Employment

3.5%

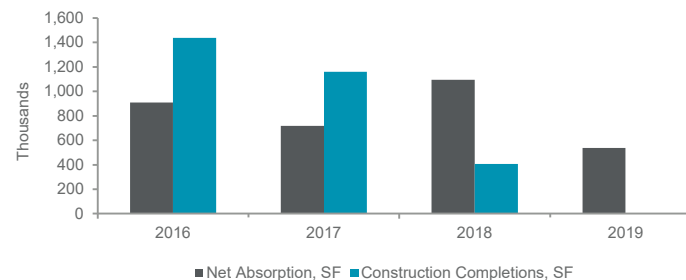
Triangle
Unemployment Rate

3.6%

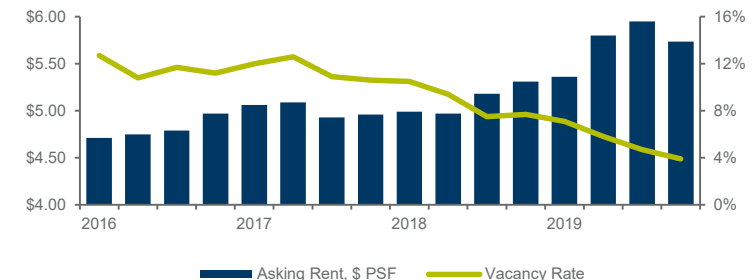
U.S.
Unemployment Rate

Source: BLS

SPACE DEMAND / DELIVERIES



WAREHOUSE VACANCY & ASKING RENT





FLEX

In Q4 2019, the Raleigh-Durham flex market posted solid absorption while vacancy slightly declined for the eighth consecutive quarter. Absorption figures in the fourth quarter totaled 63,700 sf. The US 1/Capital Blvd. submarket recorded the strongest leasing activity with 33,563 sf. Despite modest absorption figures, vacancy only declined 10 bps from the previous quarter to 5.5%, due to limited availabilities in the market.

Average market-wide rates for flex space increased to \$12.52 psf net and reflected robust growth of 6.2% year-over-year. Most notably, The US 1/Capital Blvd. submarket recorded the largest rental rate increase of 11.0% year-over-year, followed by West Raleigh at 8.9% and Southern Wake Co. at 5.6%. New supply for flex space continued to be a non-factor in 2019. With record-low vacancy, tenants will have to look for other alternatives.

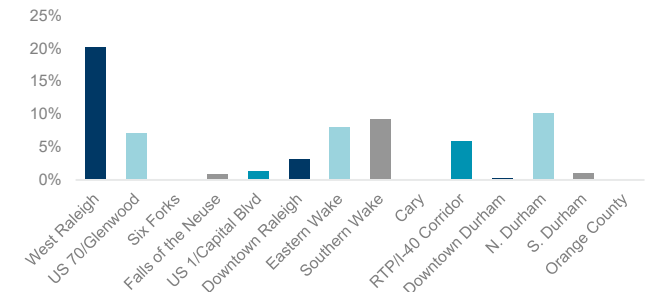
INVESTMENT SALES

In Q4 2019, investment activity totaled \$26.6 million, carrying 2019's total to over \$716.6 million. Closing out 2019, fourth quarter accounted for 3.7% of all transactions, a figure overshadowed by the sale of Bain Capital's RTP portfolio to Longfellow Real Estate Partners for \$405 million. Despite this slow down in Q4 2019, we expect sales to increase as the effects of ecommerce on investor's demands to continue to transform the retail and industrial real estate industry.

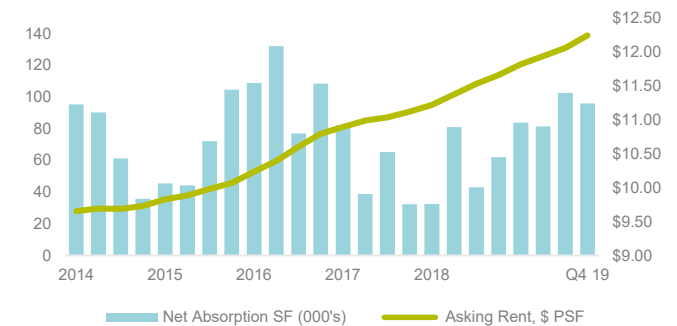
Outlook

- Due to solid demand and limited new supply in the industrial market, tenants eagerly await the deliveries of several major developments.
- Competitive rental rates will continue to drive demand, putting downward pressure on vacancy levels, which are already at historical lows.
- Expect investment activity to increase with investors looking for well-performing assets in strong markets.
- As vacancy in the flex market sets ne historical lows, we expect construction levels to rise as developers look to meet the demands of the market.

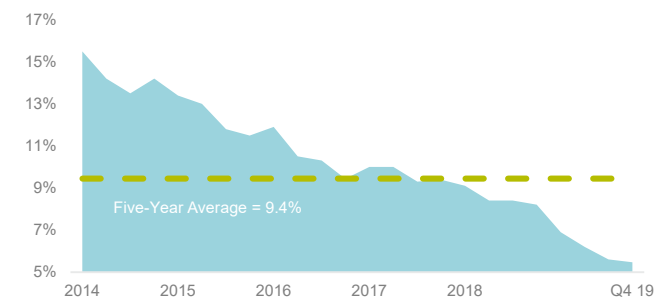
WAREHOUSE SUBMARKET COMPARISON



FLEX NET ABSORPTION & ASKING RENT 4-QTR TRAILING AVERAGE



FLEX VACANCY



MARKET STATISTICS

| SUBMARKET | TOTAL BLDGS | INVENTORY (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | 4-QTR OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | YTD CNSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT |
|----------------------------------|-------------|-------------------|--------------------|----------------------|------------------------------------|-----------------------------------|------------------|----------------------------|-------------------------------|
| Eastern Wake County | 101 | 7,242,216 | 488,724 | 6.7% | 57,730 | 397,876 | 1,265,921 | - | \$5.53 |
| Southern Wake County | 22 | 1,411,642 | 130,127 | 9.2% | - | -43,977 | 233,000 | - | \$4.14 |
| RTP/I-40 Corridor | 87 | 12,261,611 | 260,109 | 2.1% | 10,800 | 41,502 | 1,044,407 | - | \$6.03 |
| Falls of the Neuse | 19 | 1,131,208 | 8,900 | 0.8% | 317 | 3,100 | - | - | \$5.50 |
| South Durham | 13 | 780,925 | 7,042 | 0.9% | 24,745 | 17,703 | - | - | \$6.19 |
| US 1/Capital Boulevard | 64 | 3,885,488 | 50,127 | 1.3% | -22,664 | -23,511 | - | - | \$6.16 |
| ALL OTHER SUBMARKETS | 83 | 3,825,452 | 231,344 | 6.0% | 48,225 | 144,279 | - | - | \$5.79 |
| WAREHOUSE SUBTOTAL | 389 | 30,538,542 | 1,176,373 | 3.9% | 119,153 | 536,972 | 2,543,328 | - | \$5.74 |
| Cary | 42 | 990,225 | 94,670 | 9.6% | -400 | -42,424 | - | - | \$11.46 |
| Eastern Wake County | 57 | 1,538,299 | 88,935 | 5.8% | 800 | 23,751 | - | - | \$9.65 |
| Southern Wake County | 38 | 945,971 | 133,674 | 14.1% | -1,961 | 6,751 | 42,102 | - | \$10.62 |
| RTP/I-40 Corridor | 111 | 6,527,496 | 256,149 | 3.9% | 10,910 | 209,891 | - | - | \$14.80 |
| US 1/Capital Boulevard | 129 | 4,337,777 | 252,510 | 5.8% | 33,563 | 160,056 | - | - | \$11.79 |
| US 70/Glenwood Avenue | 63 | 1,173,182 | 13,826 | 1.2% | 23,598 | 34,200 | - | - | \$10.22 |
| West Raleigh | 29 | 630,105 | 34,974 | 5.6% | -3,816 | -6,599 | - | - | \$12.04 |
| ALL OTHER SUBMARKETS | 45 | 1,558,843 | 108,159 | 6.9% | 1,006 | -1,421 | - | - | \$11.15 |
| FLEX SUBTOTAL | 514 | 17,701,898 | 982,897 | 5.6% | 63,700 | 384,205 | 42,102 | - | \$12.52 |
| TRIANGLE INDUSTRIAL TOTAL | 903 | 48,240,440 | 2,159,270 | 4.5% | 182,853 | 921,177 | 2,585,430 | - | \$8.85 |

*Rental rates reflect weighted net asking \$psf/year

**Market Data is not reflective of U.S. Overview Tables

KEY LEASE TRANSACTIONS Q4 2019

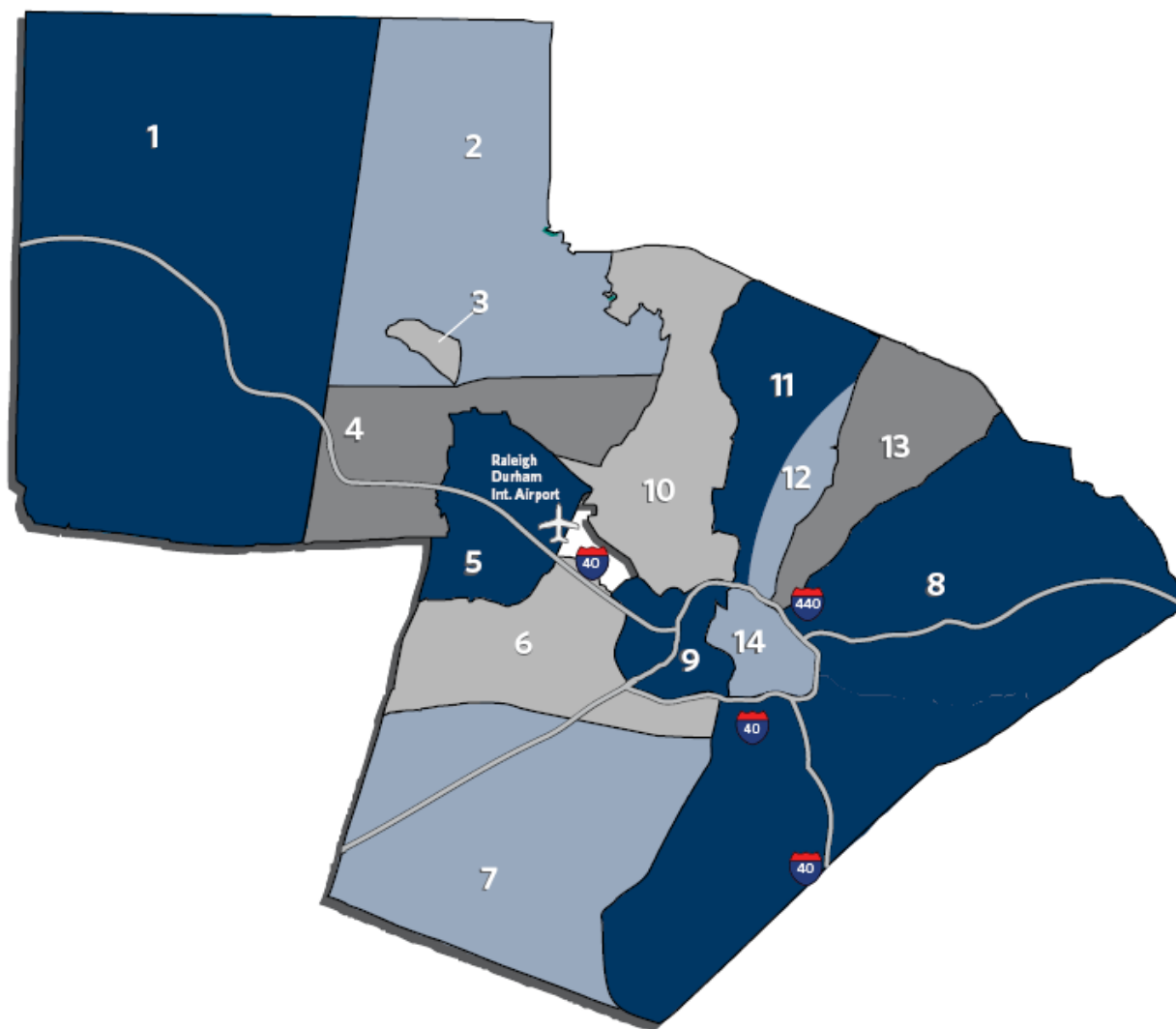
| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|---------------------------|---------------------|---------------------------------------|---------|-----------|
| Hinton Oaks IV | Eastern Wake County | Transpacific Suppliers Alliance, Inc. | 120,000 | New |
| Eastgate 540 Building 1 | Eastern Wake County | CHEP | 57,840 | New |
| 1101 Hamlin Rd | North Durham | KBI | 22,996 | Expansion |
| 20 TW Alexander Dr | RTP/I-40 Corridor | Precision Biosciences | 16,339 | Expansion |

KEY SALES TRANSACTIONS Q4 2019

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|-----------------------------------|-------------------|--|---------|-----------------|
| Newcastle North | RTP/I-40 Corridor | Capital Square Realty Advisors / Longfellow Real Estate Partners | 120,426 | \$12.1M / \$101 |
| Kitty Hawk Airport Executive Park | RTP/I-40 Corridor | Kerala Capital Partners / Atlantic Investment Management | 50,656 | \$6.6M / \$131 |
| 3300 Gateway Centre | Cary | Ticon Properties / Angier Road Investors LLC | 29,000 | \$6.2M / \$214 |



INDUSTRIAL SUBMARKETS

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