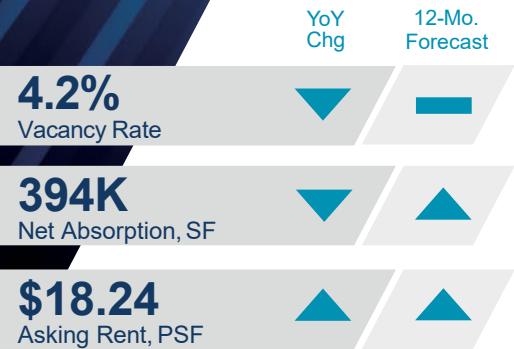
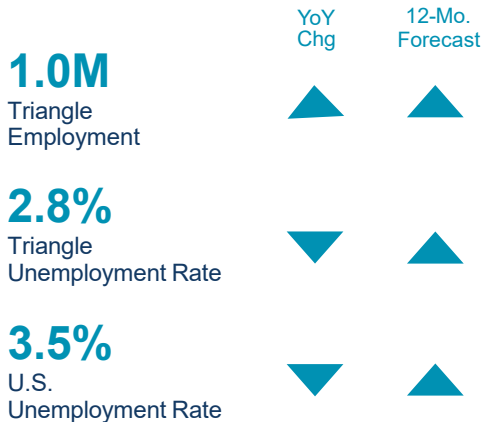


## Industrial Q3 2022



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q3 2022



Source: BLS

### ECONOMIC OVERVIEW

Raleigh-Durham's economy continued to trend positively in Q3 2022 with nonfarm employment numbers rising and the unemployment rate staying well below the national average of 3.5%. A major strength for the region has been in job growth, with a tremendous 42,100 jobs added year-over-year (YOY). The unemployment rate remained steady quarter-over-quarter (QOQ) but was down 110 basis points (bps) YOY, a figure that is expected to stay consistent over the next year. A major win for the region came with the announcement of semiconductor manufacturer Wolfspeed choosing Raleigh-Durham for its next generation material operations facility, a deal that is expected to bring 1,802 jobs, \$5 billion in investment and open the area to the Electric Vehicle market, a booming growth market due to the recently passed CHIPS Act.

### SUPPLY AND DEMAND

The Triangle's warehouse/distribution (W/D) and flex markets continued to improve, with the overall vacancy rate decreasing to 4.2%, a 30-basis point (bp) drop quarter-over-quarter (QOQ). The supply of flex product tightened further as the direct vacancy rate decreased to 6.8%, a drop of 110 bps since Q1 2022. Flex product continued to see positive absorption gains and supply should be expected to stay low as life science users continue to lease and take up this space.

More than 394,151 square feet (sf) of overall net absorption gains were recorded in Q3. The Eastern Wake County and US 70/Glenwood submarkets accounted for the majority of these gains, with the W/D product in these submarkets netting 202,504 sf of net absorption. In the US 70/Glenwood submarket, Long Beverage occupied it's 142,730-sf W/D space in a short-term sale leaseback at 8605 Ebenezer Church Rd. The Eastern Wake submarket recorded nearly 84,000 sf of net absorption as Pactiv, a food packaging company, moved into 60,134 sf of W/D space at Eastgate 540. As well, motor parts distributor Mountain Power Systems moved into it's 55,2000-sf space at 144 Old Lystra Rd in the Chapel Hill (Orange County) submarket.

The market recorded another strong quarter of leasing activity with a total of 1,044,223 sf of new leases signed, marking the third quarter in a row where the Triangle has surpassed the 1.0 million square feet (msf) mark. Southern Wake County was responsible for 42.5% of this activity followed by the RTP/I-40 Corridor with 21.3% of activity. Almost 72.0% of the total leasing activity in the quarter was in W/D space while 28.1% was within life science/flex space. The largest lease this quarter was signed by Empire Distributors, a beverage logistics company for 300,000 sf of W/D space at 1201 Burma Dr in the Southern Wake County submarket. Other top leases included Long Beverage's sale leaseback as mentioned above, Southern Industrial Construction for 130,127 sf at 601 Irving Pkwy in Southern Wake County and Targan, a bio-systems company which leased just over 100,000 sf in Midtown BioCenter a life science facility that is slated for completion next year.

### SPACE DEMAND / DELIVERIES



### DIRECT VACANCY & ASKING RENT



## Industrial Q3 2022

### RENTAL RATES

The average asking rate for vacant W/D space fell during Q3 while flex space saw a significant increase in the overall and direct asking rents. Overall asking rates for warehouse inventory posted at \$8.43 per square foot (psf), down 3.5% from \$8.74 psf in Q2. This drop can be attributed to the low supply of available warehouse space with lower priced spaces that are below 50,000 sf contributing more to the average asking rent. This figure is expected to rise as larger big box product delivers in coming quarters. The asking rates for flex space continued to push upwards with Q3 overall rates increasing 5.2% QOQ, posting at \$22.31 psf. The highest flex rates are concentrated in the RTP/I-40 Corridor submarket where much of the flex space has been converted to include specialized lab space for life science tenants. With a direct rate of \$29.34 psf, occupiers looking in this submarket can expect a premium of 28.9% above the total market direct asking rent for flex space.

### DEVELOPMENT PIPELINE

The Raleigh-Durham region again experienced a slowdown in construction deliveries in Q3, with construction delays and pushing delivery timelines further into the year. The sole delivery this quarter came at 1500 Jones Sausage Rd where Beacon Partners completed Building 1 of Beacon Commerce Park. This building brought 280,147 sf of vacant available W/D space to market in the Eastern Wake County submarket and brought the YTD total for construction completions to 826,529 sf. A few under construction projects came close to delivering in Q3 so expect this figure to rise as a slew of projects deliver to close out the year. As well, expect rental rates to rise with new product hitting the market, especially in flex space where the overall asking rate for under construction product is \$26.17 psf and some product is quoting even as high as \$32.00 psf. With 3.9 msf of product currently under construction and another 8.8 msf proposed, the industrial market's demand and growth looks to continue unabated as Raleigh-Durham establishes itself as a robust market for both traditional warehouse inventory and flex/life science spaces.

### INVESTMENT SALES

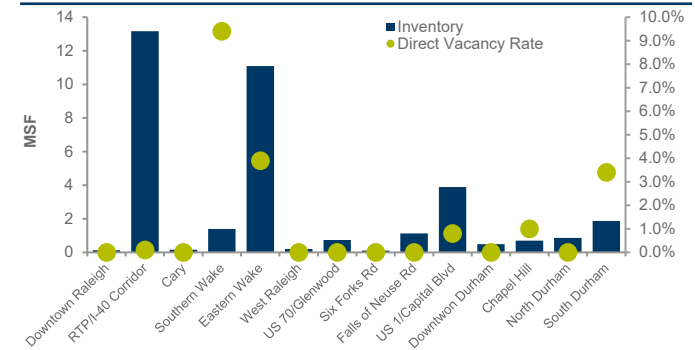
In Q3, The Triangle continued to see a strong interest in life science buildings being sold. Over 690,000 sf was sold in the industrial market in Raleigh-Durham with both sales having occurred in the Durham. Part of a five-building portfolio, Park Point at Research Triangle Park was sold for an impressive \$380M to CBRE Investment Management from a Joint Venture between Trinity Capital, Starwood Property Trust and Vanderbilt Partners. The research park, totaling 662,602 sf, was 88% leased at the time of sale. The second building, Triangle Biotechnology Center at 401 Foster St totaled 27,691 sf and was sold by Arcos Properties to Tribek Properties for \$9.4M.

### OUTLOOK

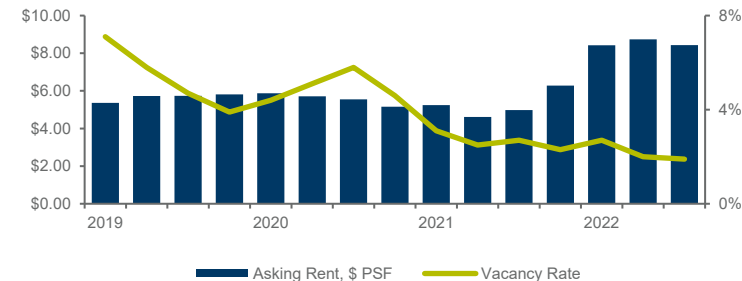
Construction completions are expected to close out strong at the end of the year as construction delays and supply chain issues start to ease for the delivery of new product.

Rental rates will continue to push upward, especially in flex product due to the conversion of traditional flex product to industrial lab space to satisfy the demand of Life Science users.

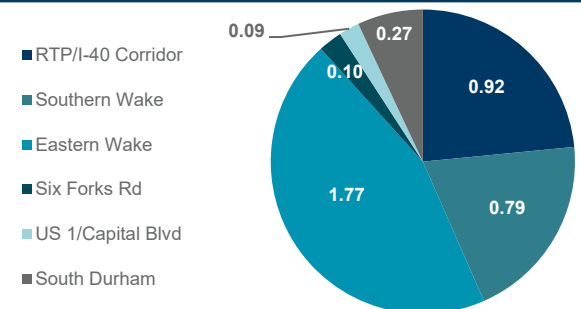
### WAREHOUSE SUBMARKET COMPARISON



### WAREHOUSE DIRECT VACANCY AND ASKING RENTS



### 2022 CONSTRUCTION PIPELINE, MSF



## Industrial Q3 2022

### MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL FLEX VACANCY RATE	OVERALL W/D VACANCY RATE	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	FLEX		WAREHOUSE/DISTRIBUTION	
									OVERALL VACANT WEIGHTED AVG NET RENT	TOTAL INVENTORY ASKING RENT	OVERALL VACANT WEIGHTED AVG NET RENT	TOTAL INVENTORY ASKING RENT
Chapel Hill (Orange County)	1,115,356	70,292	15.0%	1.0%	6.3%	55,200	0	0	\$10.00	\$10.08	\$16.50	\$5.50
Downtown Durham	549,362	0	0.0%	0.0%	0.0%	0	0	0	-	-	-	\$5.14
North Durham	1,379,143	40,540	7.8%	0.0%	2.9%	25,376	0	0	\$19.95	\$19.95	-	\$7.31
South Durham	2,037,827	63,800	0.0%	3.4%	3.1%	0	274,370	315,600	-	\$10.50	-	\$6.83
Downtown Raleigh	229,239	0	0.0%	0.0%	0.0%	0	0	0	-	-	-	\$6.42
Cary	1,131,249	25,146	2.6%	0.0%	2.2%	0	0	0	\$16.72	\$14.74	-	\$5.81
Eastern Wake County	12,548,901	447,064	1.1%	3.9%	3.6%	83,524	1,766,220	499,079	\$15.00	\$11.33	\$8.18	\$7.31
Falls of Neuse Rd	1,491,602	54,480	14.8%	0.0%	3.7%	0	0	0	\$10.00	\$10.86	-	\$9.67
RTP/I-40 Corridor	20,657,515	1,033,182	13.3%	0.4%	5.0%	19,946	922,780	0	\$27.76	\$27.07	-	\$7.33
Six Forks Rd	110,000	0	0.0%	0.0%	0.0%	0	100,000	0	-	-	-	-
Southern Wake County	2,522,094	309,469	15.8%	9.4%	12.3%	19,000	785,170	11,850	\$16.47	\$15.68	\$10.22	\$5.88
US 1/Capital Blvd	8,220,760	262,021	4.5%	1.7%	3.2%	9,185	85,800	0	\$16.80	\$14.04	-	\$8.95
US 70/Glenwood	1,894,282	0	0.0%	0.0%	0.0%	142,370	0	0	-	\$11.06	-	\$6.92
West Raleigh	952,734	11,841	1.6%	0.0%	1.2%	39,550	0	0	\$13.20	\$13.11	-	\$11.08
<b>TRIANGLE INDUSTRIAL TOTAL</b>	<b>54,840,064</b>	<b>2,317,835</b>	<b>8.3%</b>	<b>2.1%</b>	<b>4.2%</b>	<b>394,151</b>	<b>3,934,340</b>	<b>826,529</b>	<b>\$22.31</b>	<b>\$14.68</b>	<b>\$8.43</b>	<b>\$7.22</b>

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

### KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	PROPERTY TYPE	LEASE TYPE
1201 Burma Drive	Southern Wake County	Empire Distributors, Inc.	300,000	Warehouse/Distribution	New
8605 Ebenezer Church Road	US 70/Glenwood	Long Beverages, Inc.	142,730	Warehouse/Distribution	New
601 Irving Parkway	Southern Wake County	Southern Industrial Constructors	130,127	Warehouse/Distribution	New
350 East Six Forks Road	Six Forks Road	Targan	100,466	Life Science	Pre-Lease

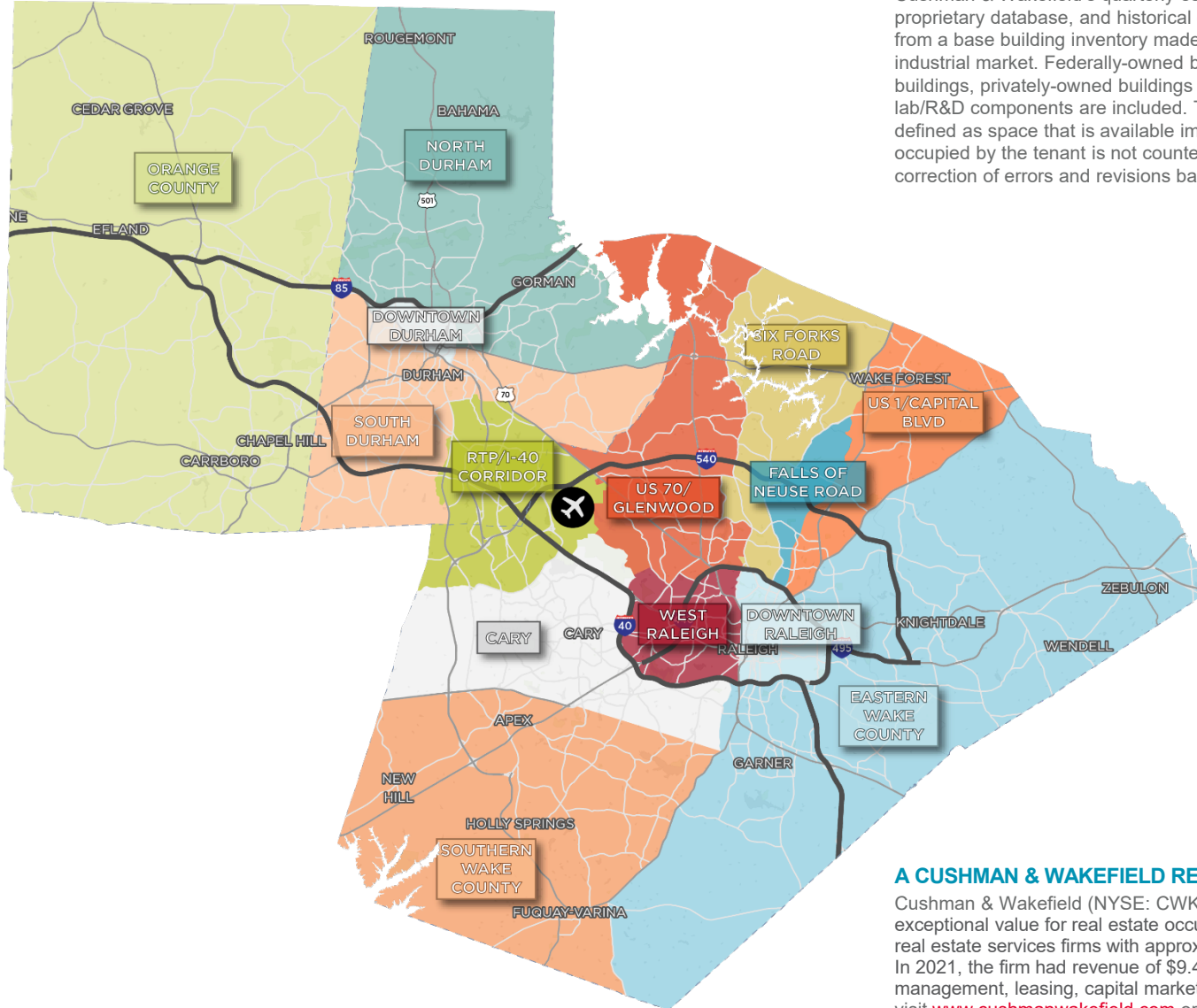
### KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF	PROPERTY TYPE
Park Point at Research Triangle Park	Durham	JV Trinity Capital, Starwood Property Trust, Vanderbilt Partners / CBRE Investment Management	662,607	\$573.49	Life Sciences
Triangle Biotechnology Center	Durham	Arcos Properties / Tribek Properties	27,691	\$341.99	Life Sciences

### KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANTS	RSF	OWNER/DEVELOPER
Beacon Commerce Park – Building 1	Eastern Wake County	N/A	280,147	Beacon Partners
Regional Commerce Center – Building 3	South Durham	Life Science Logistics	132,000	Blackstone
Regional Commerce Center – Building 4	South Durham	CEVA Logistics / Costco	127,600	Scannell Properties

## INDUSTRIAL SUBMARKETS



## METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of industrial properties deemed to be competitive in the local industrial market. Federally-owned buildings are not included. Single tenant buildings, owner-occupied buildings, privately-owned buildings in which the federal government leases space, and flex buildings with lab/R&D components are included. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as vacant space. All information contained in the report is subject to correction of errors and revisions based on additional data received.

## EXPLANATION OF TERMS

**Total Inventory:** The total amount of office space in buildings 10,000 sf or greater that can be rented by a third party.

**Overall Vacancy Rate:** The amount of unoccupied space (new, relet, and sublet) expressed as a percentage of total inventory.

**Absorption:** The net change in occupied space between two points in time. Transactions positively impact absorption upon tenant occupancy, not upon lease signature. However, new-to-market tenants in Raleigh-Durham are factored into absorption upon lease signature and the beginning of build-out as opposed to upon occupancy.

**Overall Weighted Asking Rents:** Net average asking rents weighted by the amount of available direct and sublease space in Class A, B and C properties.

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