

## Industrial Q1 2023

**5.3%**  
Vacancy Rate



**3K SF**  
Net Absorption, SF



**\$11.81**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q1 2023

**1.1M**  
Triangle Employment



**3.3%**  
Triangle Unemployment Rate



**3.5%**  
U.S. Unemployment Rate



Source: BLS

### ECONOMIC OVERVIEW

Raleigh-Durham's unemployment ended the quarter at 3.3%, 20 basis points (bps) below the U.S. average. The labor force continued to strengthen within the region marking a 3.4% increase in employment over the previous quarter. DHL announced an \$8M investment in the Triangle to open a new cold storage facility in Durham due to the thriving Life Science industry. The new facility will be 40,000 square feet (sf) and will be able to store goods at different temperatures. Manufacturing non-farm employment rose 2.6% year-over-year (YOY) to 63,200.

### SUPPLY & DEMAND

Overall vacancy rose 70 basis points QOQ to 5.3%. Warehouse/distribution (W/D) vacancy was slightly lower ending the quarter at 5.2%. Of the fourteen submarkets, nine boasted rates below 5.0%. Excluding sublease opportunities, the direct vacancy rate for combined W/D and flex properties in the industrial market ended Q1 at 4.3%. Some of the largest vacancies—each of which first hit the market in 2022—remained in place at 3039 East Cornwallis Road, Apex Commerce Center Building 1, and Eagle Crest Building 1 for a combined 721,250 sf.

Three speculative construction projects delivered this quarter bringing 451,631 sf of additional inventory to the market in Eastern Wake County and US 1 / Capital Blvd. In Eastern Wake County, Hinton Oaks Industrial Park Building VI (250,000 sf) delivered fully pre-leased while 2004 Citation Drive (115,831 sf) remains fully available for lease, contributing to the quarterly uptick in vacancy. In US 1 / Capital Blvd, 740 Merritt Capital Drive delivered 70% occupied with multiple tenants such as Window Nation LLC, Aramark, and Daikin Applied Americas pre-leasing space in the building.

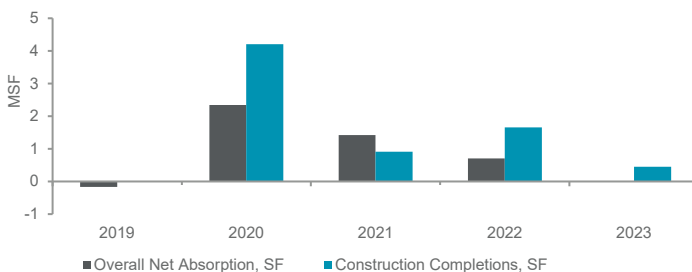
Raleigh-Durham's industrial market recorded nearly 700,000 sf of new leasing activity in Q1. Most transactions—56.8%—happened in the Eastern Wake County submarket. Large contributors to the total were 1-800-Pack-Rat at Eagle Crest Building 2 with over 100,000 sf and Kempower at Research Tri-Center South IV with more than 84,000 sf leased. The average deal size in Q1 was just over 30,000 sf, consistent with the average sizes over the last four quarters.

Net absorption remained stable, ending Q1 with 3,094 sf as demand slightly outpaced new supply. Southern Wake County submarket registered 110,269 sf of absorption gains due to Southern Industrial Constructors occupying its space at 601 Irving Parkway. The US 70/Glenwood submarket experienced -142,730 sf of net losses with 8605 Ebenezer Church Road becoming available this quarter.

### RENTAL RATE PRICING

Persistent demand in the W/D and flex sectors caused total industrial rental rates to remain stable QOQ with direct average asking rental rates increasing slightly in Q1 2023 to \$11.65 per square foot (psf) NNN. W/D rates increased 8.0% to \$9.89 psf while flex rates fell 2.7% to \$15.73 psf NNN. Cary and Downtown Durham were the priciest submarkets, with direct rents posting at \$17.56 psf NNN and \$16.00 psf NNN respectively.

### SPACE DEMAND / DELIVERIES



### DIRECT VACANCY & ASKING RENT



## Industrial Q1 2023

### MARKET STATISTICS \*\*

SUBMARKET	INVENTORY (SF)	W/D INVENTORY (SF)	FLEX 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)	OVERALL WEIGHTED AVG NET RENT (FLEX)	OVERALL WEIGHTED AVG NET RENT (W/D)
Chapel Hill (Orange County)	1,115,356	692,986	422,370	70,292	15.0%	1.0%	6.3%	0	116,300	0	\$10.00	\$16.50
Downtown Durham	591,838	487,680	104,158	44,559	25.0%	3.8%	7.5%	-32,059	0	0	-	\$16.00
North Durham	1,120,369	1,264,806	331,843	0	0.0%	0.0%	0.0%	0	249,600	0	-	-
South Durham	1,972,826	1,865,171	107,655	0	0.0%	0.0%	0.0%	0	274,370	0	-	-
Downtown Raleigh	229,239	124,089	105,150	0	0.0%	0.0%	0.0%	0	0	0	-	-
Cary	1,193,309	153,076	1,040,233	36,992	3.6%	0.0%	3.1%	-11,846	0	0	\$17.56	-
Eastern Wake County	13,612,702	12,156,134	1,456,568	1,051,946	0.2%	8.6%	7.7%	1,266	1,323,789	365,831	-	\$8.86
Falls of Neuse Rd	1,491,602	1,123,820	367,782	0	0.0%	0.0%	0.0%	0	0	0	-	-
RTP/I-40 Corridor	15,911,278	12,879,993	3,031,285	649,210	10.5%	2.6%	4.1%	-5,671	621,875	0	\$14.80	\$10.00
Six Forks Rd	110,000	110,000	0	0	0.0%	0.0%	0.0%	0	0	0	-	-
Southern Wake County	3,056,094	1,921,056	1,135,038	424,549	15.4%	13.0%	13.9%	110,269	1,361,476	0	\$16.87	\$8.63
US 1/Capital Blvd	8,209,664	3,968,513	4,241,151	318,533	3.6%	4.1%	3.9%	83,865	0	85,800	\$18.13	\$12.62
US 70/Glenwood	1,827,268	734,458	1,092,810	142,730	0.0%	19.4%	7.8%	-142,730	0	0	-	\$13.50
West Raleigh	819,461	203,615	615,846	11,841	1.9%	0.0%	1.4%	0	0	0	\$12.69	-
<b>TRIANGLE INDUSTRIAL TOTAL</b>	<b>51,261,006</b>	<b>37,209,117</b>	<b>14,051,889</b>	<b>2,750,652</b>	<b>5.6%</b>	<b>5.2%</b>	<b>5.3%</b>	<b>3,094</b>	<b>3,947,410</b>	<b>451,631</b>	<b>\$15.98</b>	<b>\$9.93</b>

\*Rental rates reflect weighted net asking \$psf/year \*\*Statistics not reflective of U.S. MarketBeat \*\*\*Current and historical data has been revised to exclude lab/R&D properties

### KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	PROPERTY TYPE	LEASE TYPE
Beacon Commerce Park   Building 3	Eastern Wake County	Undisclosed	164,956	Warehouse/Distribution	New
Eagle Crest   Building 2	Eastern Wake County	1-800-Pack-Rat	100,067	Warehouse/Distribution	New
Research Tri-Center South IV	RTP/I-40 Corridor	Kempower	84,600	Warehouse/Distribution	New
Beacon Commerce Park   Building 3	Eastern Wake County	Greentech Renewables	68,700	Warehouse/Distribution	New

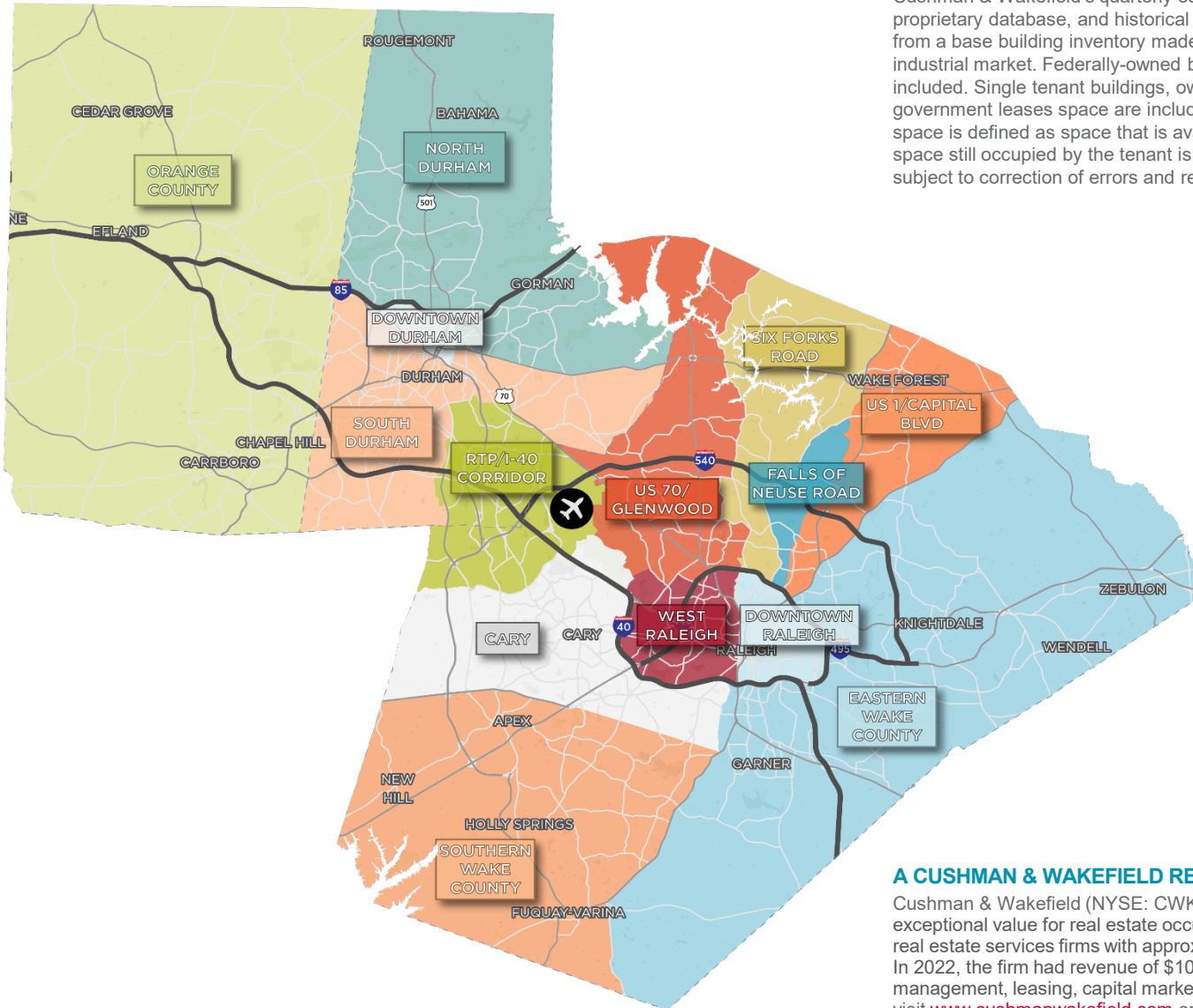
### KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF	PROPERTY TYPE
Garner Business Park 70 II, III, IV	Eastern Wake County	AL Neyer / Stream Realty	488,761	\$152.00	Industrial
Holly Springs Business Park	Southern Wake County	Stout Ventures / BBM Incorporated	130,127	\$219.00	Industrial

### KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANTS	RSF	OWNER/DEVELOPER
Hinton Oaks Industrial Park   Building VI	Eastern Wake County	Undisclosed, Chadwell Supply	250,000	Wake Stone Corporation
2004 Citation Drive	Eastern Wake County	N/A	115,831	Beacon Partners
740 Merritt Capital Drive	US 1/Capital Blvd.	Window Nation LLC, Aramark	85,800	Merritt 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 and properties with substantial lab/R&D components are not included. Single tenant buildings, owner-occupied buildings, privately-owned buildings in which the federal government leases space 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.

### JP Price

Research Manager, Carolinas  
Tel: +1 704 335 4433  
Jp.price@cushwake.com

### Madelyn Davis

Research Analyst  
Tel: +1 919 439 5148  
Madelyn.davis@cushwake.com

## A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow [@CushWake](https://twitter.com/CushWake) on Twitter.