

RALEIGH-DURHAM

Industrial Q2 2023

7.1%
Vacancy Rate



188 KSF
Net Absorption, SF YTD



\$11.71
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2023

1.0M
Triangle Employment



3.0%
Triangle Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The Triangle unemployment rate fell 30 basis points (bps) in the second quarter landing at 3.0%. This is well below the national average of 3.6%. Nonfarm employment grew 2.9% year-over-year (YOY) with more pronounced growth in some industrial sectors. In the Raleigh MSA, manufacturing employment was up 5.1% YOY while across Raleigh-Durham as a whole, jobs in the manufacturing; construction; and trade, transportation, and utilities industries each increased 3.9%, 2.1%, and 1.0% respectively throughout the year.

SUPPLY & DEMAND

Raleigh-Durham's industrial overall vacancy rate increased by a modest 20 bps QOQ to 7.1%. Warehouse/distribution (W/D) vacancy was slightly lower ending the quarter at 6.5% while flex vacancy ended Q2 at 8.6%. The Orange County submarket posted the highest W/D vacancy rate of 38.8% due to Gildan Distribution Center, a 386,008-square-foot (sf), second-generation building which has been fully vacant since the second quarter of 2022. The Cary and North Durham submarkets both reported low vacancy rates of 1.9% and 1.5% respectively. The market recorded modest net occupancy gains with 125,161 sf of direct absorption in Q2.

Five small buildings totaling just over 164,000 sf of new space delivered in Q2 bringing the 2023 total to more than 1.0 million square feet (msf). Notable completions include 5513 Lumley Road, Norris Park | Building 3, and Stony Brook Business Center | Buildings 1 and 2. Only 26.6% of the product delivered during Q2 remained vacant at the close of the quarter. An additional 3.2 msf of construction remains underway across Raleigh-Durham.

Leasing was down from Q1 of 2023 with 550,121 sf of new transactions signed. Out of all leasing activity in the second quarter, 89.5% occurred within W/D buildings with the largest being a 3PL / Life Science Company with over 250,000 sf at 2324 Ferrell Road in North Durham, and Novo Nordisk with 109,400 sf at 935 Shotwell Road in Eastern Wake. Together, the submarkets housing these transactions accounted for 60.3% of Raleigh-Durham's quarterly leasing activity. Renewals hit a recent high with over 211,000 sf due to Spectrum Southeast renewing 160,500 sf at 101 Innovation Ave and 100 Innovation Ave in the RTP/I-40 Corridor submarket. The average deal size decreased to just over 37,000 sf which is slightly smaller than previous quarters which averaged around 42,000 sf.

RENTAL RATE PRICING

Overall asking rents rose 5.7% QOQ in Q2, ending the quarter at \$11.71 per square foot (psf). While flex rents decreased 1.6% QOQ to \$15.23 psf, W/D rents increased 8.4% in that same time to \$10.53 psf. The US 1/Capital Blvd submarket recorded the highest flex asking rents in Q2 posting at \$17.98 psf. New Class A flex product reported overall asking rates of \$15.06 psf with North Chapel Business Center 1 & 2 in the Orange County submarket being examples of this.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



Industrial Q2 2023

MARKET STATISTICS **

SUBMARKET	INVENTORY (SF)	W/D INVENTORY (SF)	FLEX INVENTORY (SF)	OVERALL VACANT (SF)	FLEX OVERALL VACANCY RATE	W/D OVERALL 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)*
Orange County	1,901,255	1,478,885	422,370	615,173	9.7%	38.8%	32.4%	33,975	381,500	0	-	\$5.37
Downtown Durham	591,838	475,180	116,658	78,173	33.0%	8.3%	13.2%	-33,614	0	0	\$16.00	\$10.47
North Durham	1,120,369	788,526	331,843	16,300	0.0%	2.1%	1.5%	-16,300	726,821	0	-	\$15.00
South Durham	2,247,196	2,139,541	107,655	96,520	0.0%	4.5%	4.3%	0	0	274,370	-	\$10.00
Downtown Raleigh	215,239	124,089	91,150	0	0.0%	0.0%	0.0%	0	0	0	-	-
Cary	1,193,309	153,076	1,040,233	22,407	2.2%	0.0%	1.9%	14,585	0	0	\$17.69	-
Eastern Wake County	14,154,373	12,390,393	1,763,980	1,010,726	13.7%	6.2%	7.1%	16,199	887,780	310,984	\$13.83	\$8.61
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	16,381,210	13,254,765	3,126,445	877,076	17.8%	2.4%	5.4%	-31,301	257,303	319,200	\$15.04	\$11.76
Six Forks Rd	110,000	110,000	0	0	0.0%	0.0%	0.0%	0	0	0	-	-
Southern Wake County	3,237,363	2,051,349	1,186,014	468,661	13.8%	14.9%	14.5%	50,685	954,320	50,976	\$17.04	\$8.33
US 1/Capital Blvd	8,067,895	3,826,744	4,241,151	453,134	4.2%	7.2%	5.6%	47,535	0	85,800	\$17.98	\$14.64
US 70/Glenwood	1,864,282	734,458	1,129,824	142,730	0.0%	19.4%	7.7%	0	0	0	-	\$13.50
West Raleigh	853,561	203,615	649,946	19,540	3.0%	0.0%	2.3%	4,841	0	0	\$11.87	-
TRIANGLE INDUSTRIAL TOTAL	53,429,492	38,854,441	14,575,051	3,800,440	8.6%	6.5%	7.1%	86,605	3,207,724	1,041,330	\$15.23	\$10.52

*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 Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	PROPERTY TYPE	LEASE TYPE
Durham 85 Building 3	North Durham	3PL Life Science Company	250,541	Warehouse/Distribution	New
Clayton Logistics Center Building 200	Eastern Wake County	Novo Nordisk	109,412	Warehouse/Distribution	New
101 Innovation Ave	RTP/I-40 Corridor	Spectrum Southeast	97,500	Warehouse/Distribution	Renewal

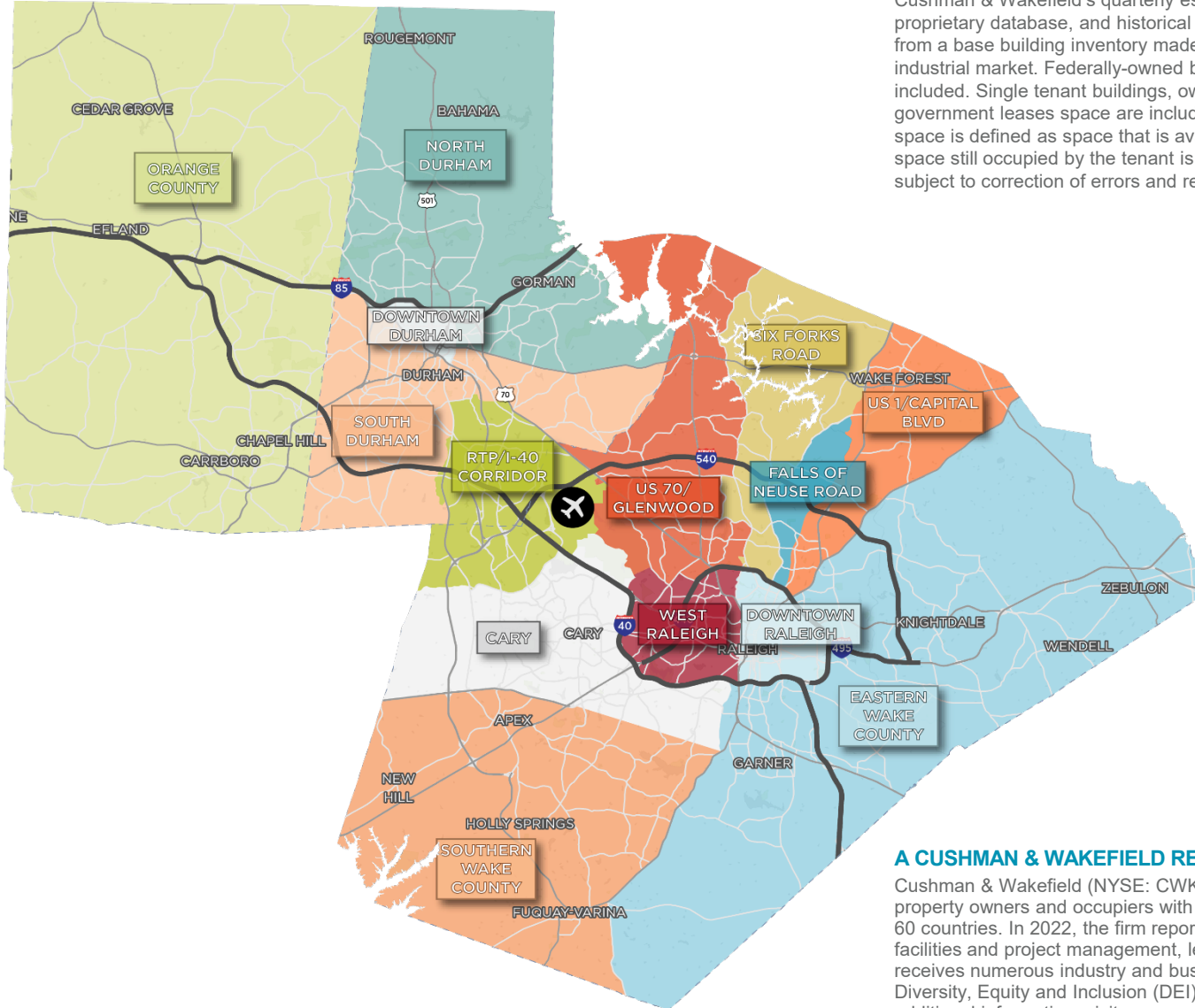
KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF	PROPERTY TYPE
4620 Industry Lane	South Durham	Cimarron Holdings LLC / Rasidul Amin	17,000	\$147	Warehouse/Distribution
2001 TW Alexander Dr	RTP/I-40 Corridor	Broadstone Net Lease Inc / LBA Realty	308,964	\$113	Warehouse/Distribution

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANTS	RSF	OWNER/DEVELOPER
147 Exchange	South Durham	Fidelitone, Special Service Co.	274,370	Link Logistics
Hinton Oaks Industrial Park Bldg VI	Eastern Wake County	Undisclosed, Chadwell Supply	250,000	Wake Stone Corporation
Alexander Commerce Park Building 2	RTP/I-40 Corridor	Upper Deck	126,000	Trinity Capital

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.

MADELYN DAVIS

Research Analyst

Tel: +1 919 439 5148

Madelyn.davis@cushwake.com

JP PRICE

Research Manager, Carolinas

Tel: +1 704 335 4433

Jp.price@cushwake.com

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