

Industrial Q4 2023

8.6%
Vacancy Rate



-52 KSF
Net Absorption, SF YTD



\$10.90
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2023

1.1M
Triangle Employment



3.1%
Triangle Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS, CoStar

ECONOMIC OVERVIEW

While the national economy remained uncertain through the end of 2023, positive trends persisted in Raleigh-Durham. The unemployment rate dropped 30 basis points (bps) year-over-year (YOY) landing at 3.1%. Nonfarm employment grew by 3.8% YOY, adding 39,400 jobs to the region, pushing the total labor force figure to nearly 1.1 million. In Q4, Duke Energy announced an investment of \$1.1M in Johnston County, just outside of Wake County, as industrial development expands beyond current city lines and the need for utilities grows in the surrounding counties.

SUPPLY & DEMAND

Overall vacancy continued to rise in Q4, increasing to 8.6%, a 110-bps increase quarter-over-quarter (QOQ) while direct vacancy—which excludes sublease spaces—finished Q4 at 7.1%. Warehouse/distribution (W/D) overall vacancy climbed 140 bps while flex overall vacancy only rose 50 bps. As overall vacancy rose, sublease vacant space decreased to just under 120,000 sf, its lowest level in seven quarters. Three large direct spaces over 120,000 square feet (sf) became available in Q4: 2728 Capital Blvd., 4102 S. Miami Blvd., and 400 Vintage Park Drive. These spaces contributed to almost half of the new quarterly vacancies, which totaled 881,000 sf. Because of these large space additions, Q4 ended with nearly 250,000 sf of occupancy losses. Following three quarters of positive occupancy gains, this brought the year-to-date (YTD) absorption total to -52,899 sf. Of the nearly 2.0 million square feet (msf) of new product delivered in 2023, only 19.5% remained vacant at year-end, and this number was even tighter in W/D spaces at 15.9%. Of the new product that is expected to deliver in 2024, 26.0% is currently preleased.

More than 459,000 sf of new leasing activity was reported in Q4, bringing the annual total to just over 3.5 msf, a 20% decrease in demand YOY. Leasing volume was mostly concentrated in the Eastern Wake County Submarket with 25.1% of all new Q4 leasing activity. Annual demand was also focused in the Eastern Wake and RTP/I-40 Corridor submarkets with 27.8% and 23.6% of new leasing, respectively. W/D buildings accounted for the majority of Q4 leasing activity with 88.2% while flex buildings were responsible for 11.8%. The average deal size in Q4 was just under 32,000 sf, lower than the yearly average of 41,000 sf.

RENTAL RATE PRICING

W/D asking rents rose at a rapid pace, increasing by 18.4% QOQ to \$9.06 per square foot (psf), which caused overall rents to also rise in Q4 to \$10.82. Flex rents remained steady with the Orange County submarket, up 33.6% YOY \$13.36 psf. This increase was largely due to North Chapel Business Center | Building 1 and 2 delivering with rates in the \$16.00-\$19.00 psf range. As new buildings deliver, rates are expected to decrease slightly with the weighted average rental rate for under construction properties averaging \$9.13 psf.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



Industrial Q4 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	3,310,055	2,771,385	538,670	707,351	24.7%	20.7%	21.4%	6,000	805,200	116,300	\$13.98	\$7.35
Downtown Durham	620,638	456,780	163,858	99,673	47.7%	4.7%	16.1%	-21,500	0	-	\$10.84	N/A
North Durham	1,132,689	686,526	446,163	20,820	4.7%	0.0%	1.8%	-4,520	1,368,821	-	\$10.00	N/A
South Durham	2,247,196	2,139,541	107,655	96,037	0.0%	4.5%	4.3%	0	0	274,370	N/A	N/A
Downtown Raleigh	305,260	124,089	181,171	16,135	8.9%	0.0%	5.3%	0	0	-	\$11.09	N/A
Cary	1,193,309	153,076	1,040,233	30,019	2.9%	0.0%	2.5%	-7,612	0	-	\$14.88	N/A
Eastern Wake County	15,016,600	13,318,520	1,698,080	1,452,293	13.8%	9.1%	9.7%	45,113	931,926	834,718	\$14.36	\$8.71
Falls of Neuse Rd	1,491,289	1,123,507	367,782	78,758	0.0%	7.0%	5.3%	-27,758	0	-	N/A	\$9.47
RTP/I-40 Corridor	16,161,912	13,278,120	2,883,792	926,096	11.5%	4.5%	5.7%	-171,052	57,000	379,253	\$16.50	\$11.26
Six Forks Rd	110,000	110,000	0	0	0.0%	0.0%	0.0%	0	0	-	N/A	N/A
Southern Wake County	3,249,763	2,051,349	1,198,414	412,257	9.0%	14.8%	12.7%	76,504	493,320	50,976	\$16.65	\$8.90
US 1/Capital Blvd	8,176,979	3,475,031	4,701,948	731,913	7.0%	11.6%	9.0%	-134,011	394,430	225,440	\$16.62	\$9.64
US 70/Glenwood	1,926,478	786,414	1,140,064	200,836	0.0%	25.5%	10.4%	-4,400	0	-	N/A	\$13.24
West Raleigh	853,561	203,615	649,946	19,540	3.0%	0.0%	2.3%	0	0	-	\$11.87	-
TRIANGLE INDUSTRIAL TOTAL	55,795,729	40,677,953	15,117,776	4,791,728	8.6%	8.6%	8.6%	-243,236	4,050,697	1,881,057	\$15.25	\$9.17

*Rental rates reflect weighted net asking \$psf/year **Current and historical data has been revised to exclude lab/R&D properties

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	PROPERTY TYPE	LEASE TYPE
147 Exchange	South Durham	Freight Company	96,037	Warehouse/Distribution	Expansion
Globe Center V	RTP/I-40 Corridor	Tecan US Inc	59,420	Warehouse/Distribution	Renewal
Greenfield 27 Building 2	Eastern Wake County	Confidential	57,600	Warehouse/Distribution	New Lease

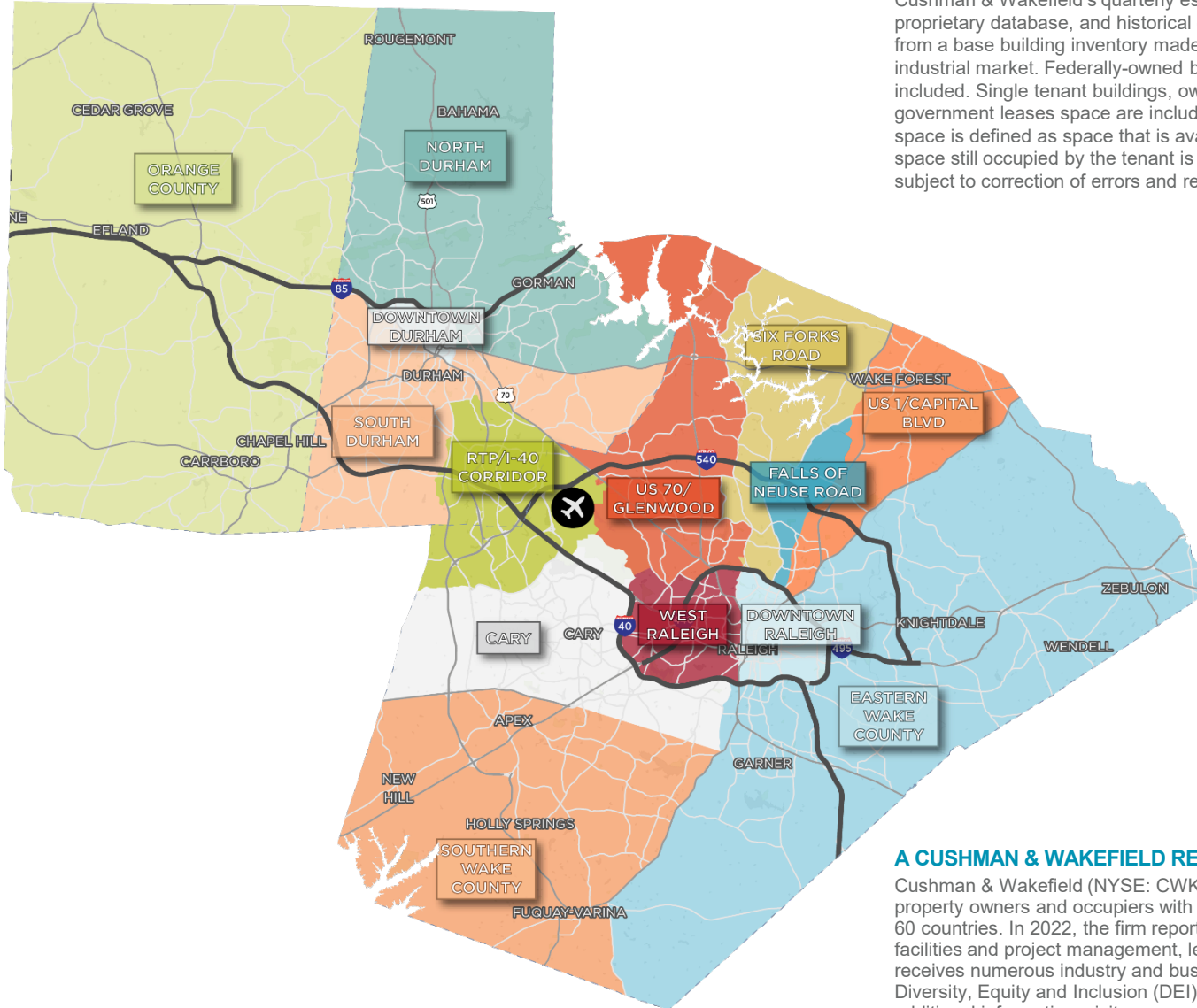
KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF	PROPERTY TYPE
3615 Pleasant Grove Church Rd	RTP/I-40 Corridor	Proto Labs Inc.	120,000	\$135.40	Warehouse/Distribution
5640 Departure Drive	Falls of Neuse Road	MPS Investments/Johnstone Supply	54,480	\$174.00	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
Beacon Commerce Park Bldg 3	Eastern Wake County	Undisclosed, Greentech Renewables	260,954	Beacon Partners
Hinton Oaks Industrial Park Bldg V	Eastern Wake County	Daltile Slab & Sone Center, 84 Lumbar	250,000	Wake Stone Corporation

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.

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