

# Strong construction pipeline seeks to soften tight vacancies in Raleigh-Durham

▼ 1.9%

Warehouse Vacancy

▲ \$6.97

Warehouse Rental Rate

▲ 8.5%

Flex Vacancy

▲ \$14.71

Flex Rental Rate

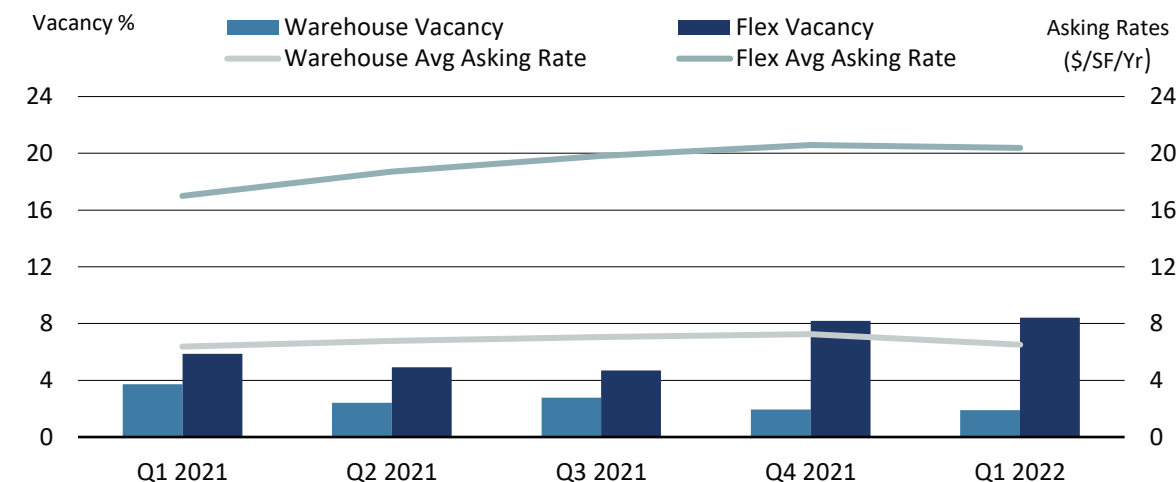
Note: Arrows indicate change from previous quarter.

## Market Report Highlights

- The warehouse market recorded 257,600 sq. ft. of positive net absorption
- The flex market recorded 3,400 sq. ft. of positive net absorption
- New construction remains active at 4.4 million sq. ft.
- Construction deliveries in Q1 totaled 125,000 sq. ft.

CBRE | Raleigh tracks over 65 million sq. ft. of warehouse space and over 20 million sq. ft. of flex space in the Raleigh-Durham market. The industrial market is composed of 6 counties, Wake, Durham, Orange, Johnston, Lee and Chatham county with 13 separate submarkets.

FIGURE 1: Vacancy and Avg. Asking Rates



Source: CBRE Research, Q1 2022

Absorption

The warehouse market recorded 257,619 sq. ft. of positive net absorption during Q1, with Eastern Wake experiencing the highest absorption of any submarket at 200,600 sq. ft. The positive absorption number can be attributed to several large warehouse transactions during the quarter, backfilling many buildings soon to be vacant. The flex market recorded 3,429 sq. ft. of positive net absorption as the life science industry continues to affect how developers and occupiers are leasing and converting flex properties to lab space.

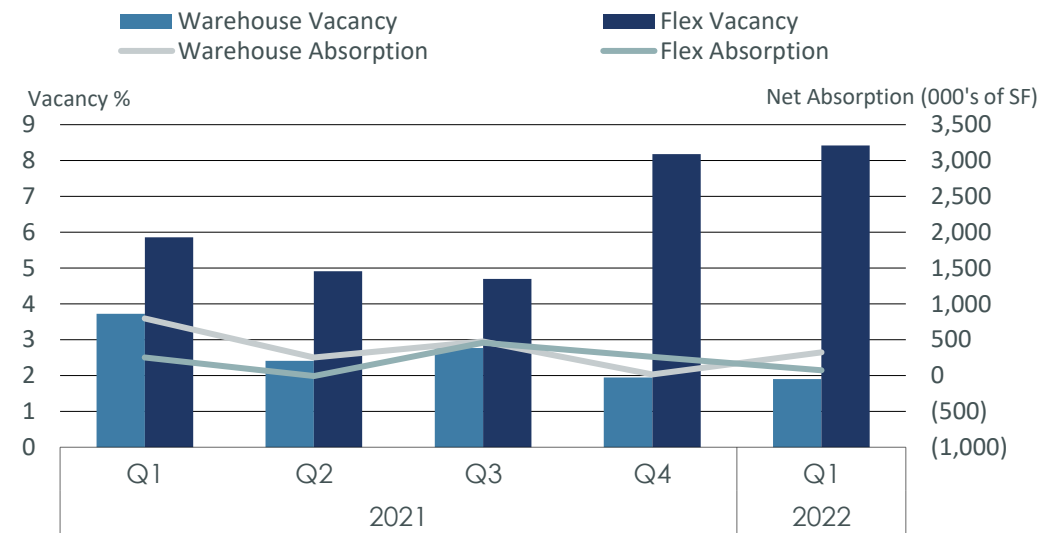
Vacancy

Warehouse and flex markets continue to experience low vacancy as high demand for space shows no signs of slowing down. The warehouse market remained steady, decreasing only 5 basis points quarter-over-quarter to 1.91%, while the flex market increased 38 basis points quarter-over-quarter to 8.56%.

Asking Rates

Average lease rates across the market remained steady quarter-over-quarter. Warehouse asking rates ended the quarter with an average of \$6.97 per sq. ft., with Cary having the highest average of \$13.51 per sq. ft. The flex market recorded an average lease rate of \$14.71 per. sq. ft., with North Durham averaging the highest at \$19.95 per sq. ft. Lab lease rates in the market recorded an average asking rate of \$33 per sq. ft.

FIGURE 2: Net Absorption and Vacancy Rates



Source: CBRE Research, Q1 2022

Under Construction

New construction continues to remain highly active in the market, totaling 4.6 million sq. ft. at 62% preleased. In the RTP/I-40 Corridor, Alexander Commerce Park Buildings 1, 2 and 3 are under construction totaling 441,000 sq. ft. Also in the RTP/I-40 Corridor, Regional Commerce Center Building 4 expects to deliver 127,000 sq. ft. in Q2. In Eastern Wake, Garner Business Park 70 buildings 2, 3 and 4 remain under construction totaling 488,000 sq. ft. and Merrit Midway Business Park buildings 1, 2 and 3 are underway totaling 211,000 sq. ft. Raleigh-Durham continues to see an influx of developers converting not only traditional office space, but now traditional big-box retail spaces into R&D/GMP space. New conversions include 100,000 sq. ft. Midtown Bio Center in Six Forks, a former 80,000 sq. ft. Kroger and INQ 4300 in Southern Wake, previously occupied by a 170,000 sq. ft. Kmart.

Construction Deliveries

Significant new construction deliveries for the quarter were concentrated in the RTP/I-40 Corridor. Patriot Park Building 5 delivered 200,00 sq. ft. and is 100% leased to Amazon. Regional Commerce Center Building 5 delivered 56,000 sq. ft. and will be 100% occupied by owner Cyro-Cell. Alexander Industrial Park delivered 43,200 sq. ft. and is 100% leased. Despite a lull in new deliveries this quarter, many of the projects currently under construction expect to deliver in Q2.

Notable Lease Transactions

Leasing activity was strong in Raleigh-Durham during Q1 as several significant leases were signed in the RTP/I-40 Corridor and Eastern Wake submarkets. Millenium Print Group leased 100% of the 230,000 sq. ft. warehouse building at 1757 TW Alexander in the RTP/I-40 Corridor. Garner Business Park in Eastern Wake saw notable activity with Hilldrups Moving & Storage leasing 120,000 sq. ft. at building 3 and Precision Packing leasing 43,000 sq. ft. at building 2. Also in Eastern Wake, WakeMed leased 57,840 sq. ft. at Eastgate 540 Building 1 and Core & Main leased 33,000 sq. ft. at Beacon Commerce Park Building 2.

Sales Activity

Investment sales remained active in Q1, notably in the RTP/I-40 Corridor. Commercial Park West, a 124,800 sq. ft. warehouse building in Durham, was purchased by Alidade Capital for \$22 million or \$176 per sq. ft. Alexandria Real Estate Equities continued to expand their portfolio in the market with the purchase of The Labs at RTP. The 70,000 sq. ft., 6 building life science/flex portfolio sold for \$80 million or \$1,140 per sq. ft. Also in the submarket, biomedical firm Cyro-Cell purchased 56,000 sq. ft. of newly delivered space at Regional Commerce Center. Scannell Properties sold the property for \$11.2 million or \$200 per sq. ft. and Cyro-Cell plans to use the facility to expand its cryopreservation and cold storage business.

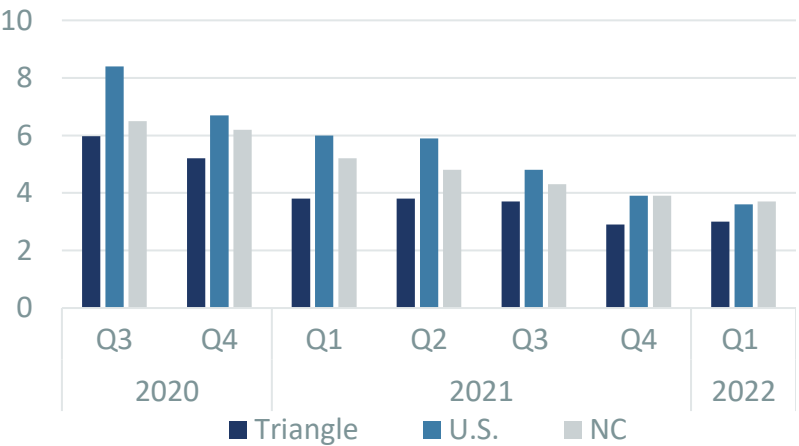
FIGURE 3: Top Lease/Sale Transactions Q1 2022

Lease: Tenant	Address	Square Feet	Submarket
Millenium Print Group	1575 TW Alexander Dr	230,580	RTP/I-40 Corridor
Hilldrups Moving & Storage	Garner Business Park 70 Bldg 2	210,114	Eastern Wake
WakeMed	Eastgate 540 Bldg 1	57,840	Eastern Wake

Sale: Building	Purchase Price	Square Feet	Submarket
Commercial Park West	\$22.0 M	124,888	Durham
The Labs at RTP	\$80.0 M	70,132	RTP/I-40 Corridor
Regional Commerce Center 3	\$11.2 M	56,000	RTP/I-40 Corridor

Source: CBRE Research, Q1 2022

FIGURE 4: Unemployment Statistics



Source: BLS, March 2022

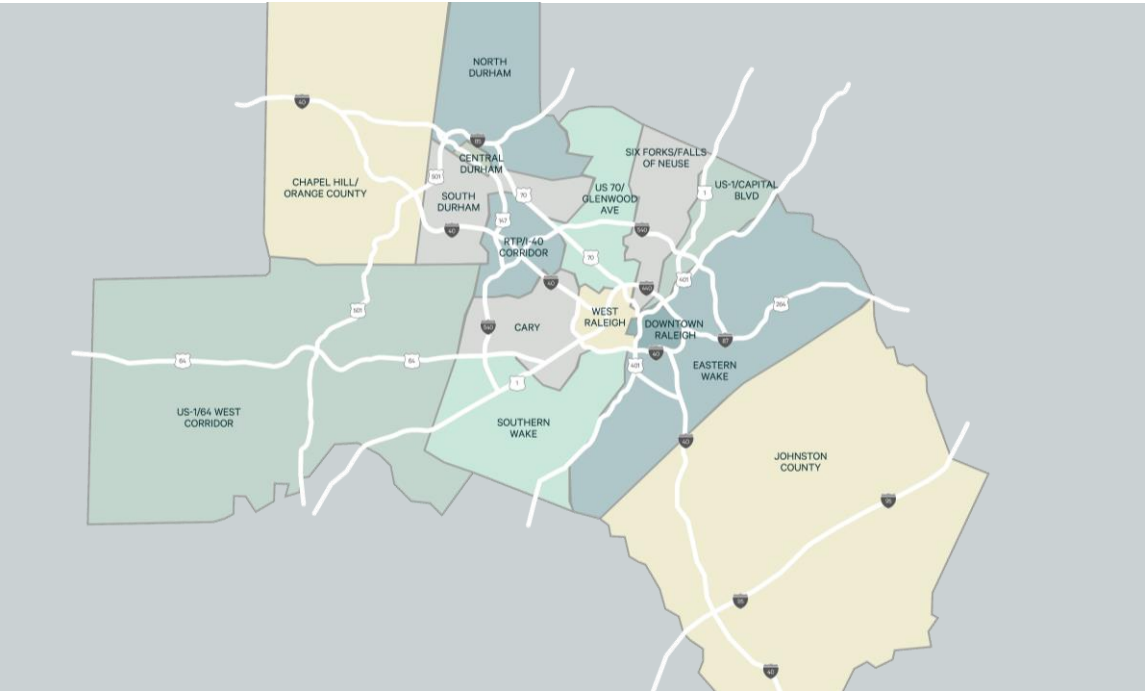
FIGURE 5: Submarket Breakdown

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Availability Rate	Net Absorption (SF)	Under Construction (SF)	Net Avg. Asking Lease Rate (\$/SF/Yr)
West Raleigh	1,057,596	31,150	2.9%	2.9%	0	0	12.59
US 70/Glenwood Avenue	1,235,908	0	0.0%	0.6%	0	0	8.20
Six Forks Road / Falls	2,489,117	28,902	1.2%	2.6%	-1,500	0	7.52
US 1/Capital Boulevard	3,784,137	138,139	3.7%	3.0%	-22,958	0	9.10
Eastern Wake	17,626,109	268,709	1.5%	12.6%	200,602	1,762,087	6.94
Southern Wake	3,666,253	303,748	8.3%	1.8%	-40,000	234,000	7.67
Cary	1,224,925	190,875	15.6%	16.4%	6,217	0	13.51
RTP/I-40 Corridor	14,583,252	65,599	0.4%	6.1%	80,578	1,110,297	7.19
North Durham	3,119,432	0	0.0%	0.0%	0	0	6.17
South Durham	2,867,431	26,000	0.9%	14.1%	0	0	5.50
Orange County	2,305,009	56,100	2.4%	22.2%	11,600	0	5.61
Johnston County	9,497,132	19,866	0.2%	3.2%	13,428	135,000	5.22
US 1 / 64 West Corridor	1,791,917	117,133	6.5%	6.5%	9,652	0	5.73
<b>Warehouse Totals</b>	<b>64,727,750</b>	<b>1,230,636</b>	<b>1.90%</b>	<b>7.53%</b>	<b>257,619</b>	<b>3,041,329</b>	<b>\$6.97</b>

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Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Availability Rate	Net Absorption (SF)	Under Construction (SF)	Net Avg. Asking Lease Rate (\$/SF/Yr)
West Raleigh	1,138,985	2,280	0.2%	0.8%	-2,280	0	12.75
US 70/Glenwood Avenue	307,006	0	0.0%	0.0%	0	0	12.82
Six Forks Road / Falls	407,749	300	0.1%	0.5%	7,265	100,000	18.68
US 1/Capital Boulevard	2,467,190	143,508	5.8%	10.8%	102	85,800	14.50
Eastern Wake	2,336,712	192,379	8.2%	20.6%	73,054	292,850	15.06
Southern Wake	1,106,598	73,747	6.7%	12.5%	-2,512	255,048	15.85
Cary	1,009,510	35,210	3.5%	4.9%	-2,375	248,667	14.61
RTP/I-40 Corridor	10,675,670	1,076,011	10.1%	15.9%	-11,771	279,000	15.10
North Durham	673,056	136,926	20.3%	6.0%	2,000	0	19.95
South Durham	509,040	59,178	11.6%	22.6%	-3,500	0	15.44
Orange County	611,422	69,292	11.3%	27.6%	12,000	116,300	9.86
<b>Flex Totals</b>	<b>20,722,470</b>	<b>1,773,246</b>	<b>8.56%</b>	<b>14.30%</b>	<b>3,429</b>	<b>1,377,665</b>	<b>\$14.71</b>

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.  
Availability Rate: Total Available Sq. Ft. divided by the total building Area.

Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.

Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.  
Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions.

Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.  
Net Absorption: The change in Occupied Sq. Ft. from one period to the next.

Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.

Occupied Sq. Ft.: Building Area not considered vacant.

Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.

Vacant Sq. Ft.: Space that can be occupied within 30 days.

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