

Industrial Q1 2021

| | YoY Chg | 12-Mo. Forecast |
|-----------------------------------|---------|-----------------|
| 4.1% Vacancy Rate | ▲ | ▬ |
| 0.4M Net Absorption, SF | ▲ | ▲ |
| \$7.81 Asking Rent, PSF | ▲ | ▲ |

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 956.7K Triangle Employment | ▼ | ▲ |
| 5.1% Triangle Unemployment Rate | ▲ | ▼ |
| 6.0% U.S. Unemployment Rate | ▲ | ▼ |

Source: BLS

ECONOMIC OVERVIEW

COVID-19 caused a seismic shift in consumer behavior over the past year, and e-commerce sales are at an all-time high. U.S. online sales through year-end 2020 totaled \$788 billion, an increase of 32.1% from the previous year. E-commerce sales accounted for 14% of total retail sales for 2020, prompting a surge in demand for warehouse space by both retailers and logistics firms.

The unemployment rate in the Triangle continued to decline in the first months of 2021, dropping to 5.1% and recovering at a faster rate than the nation. More than 79,200 jobs have been added in Raleigh/Durham since the recent low point in May 2020, and total non-farm employment is expected to return to pre-pandemic levels by early 2022.

SUPPLY AND DEMAND

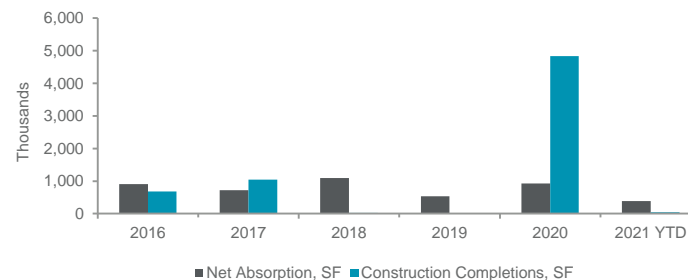
Industrial market fundamentals continued to improve across the Raleigh-Durham market during Q1 2021. Vacancy fell once again, dropping 70 basis points (bps) quarter-over-quarter (QOQ) to 4.1%--the lowest vacancy rate on historical record. For tenants seeking warehouse/distribution (W/D) space 100,000 square feet (sf) or greater, only four options are available for immediate occupancy. Demand continued to outpace supply and the Triangle recorded nearly 389,000 sf of net absorption gains throughout the quarter. The most substantial occupancy gains occurred in RTP/I-40 Corridor (318,728 sf) and US 1/Capital Blvd (127,184 sf).

While the life sciences industry continued to drive leasing totals in flex buildings, W/D properties experienced demand from a variety of company types. Three of the largest transactions of the quarter occurred in RTP/I-40 Corridor: Millennium Printing Group leased 168,847 sf, Global Electric Electronic Processing renewed its 107,968-sf space, and Advance Auto Parts signed for 43,818 sf. In total, 17 new and renewal leases 20,000 sf or greater were signed throughout the Triangle.

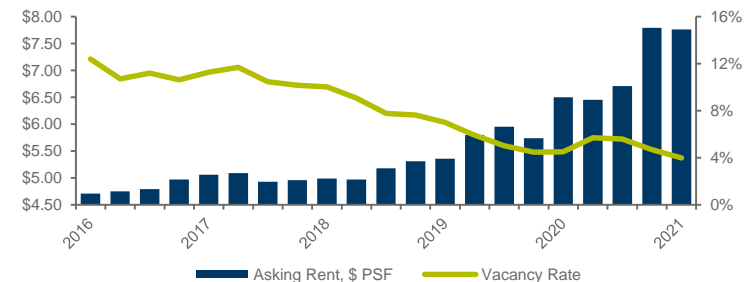
RENTAL RATES

Average triple net asking rates continued to escalate, with flex properties in particular driving the direct average industrial asking rent to \$7.76 per square foot (psf). W/D rents remained fairly stable since Q4 2020 at \$5.15 psf, while flex product recorded a 9.9% QOQ uptick to \$14.02 psf. Rates for new product are expected to rise throughout the year as the steel and construction supply shortage drive prices upward and extend lead times for developers.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



DEVELOPMENT PIPELINE

The Triangle recorded record-setting construction deliveries in 2020 with more than 4.8 msf of industrial development. This historical high was bolstered by the completion of a 2.5-msf Amazon distribution center in Eastern Wake. The sole construction project to deliver during Q1 occurred in the RTP/I-40 Corridor submarket, where development completed on Merritt TW Crossing Building 4. The 48,650-sf flex facility was built on a speculative basis but delivered 88.9% pre-leased to firms including Asensus Surgical (27,807 sf) and Shimadzu Scientific Instruments (7,305 sf).

Construction remains underway on 2.0 msf of industrial product – 1.6 msf of W/D space and 369,825 sf of flex space. Build-to-suit opportunities remain a popular option for W/D space users and pre-leasing activity is robust in speculative projects. In total, 99.0% of the W/D product currently under development is already leased. Meanwhile, all nine flex buildings in the construction pipeline are being built on a speculative basis and remain fully-available.

INVESTMENT SALES

Industrial sales volume for Q1 2021 totaled \$80.9 million, the bulk of which was comprised of W/D transactions. The largest sale of the quarter occurred just outside the region in Outer Triangle where Bankers Commercial Corp. purchased the two-building NC Industrial Center portfolio of Jabil Packaging buildings for \$106 psf. In North Durham, Brookfield Properties JV NorthBridge Partners purchased the majority interest of 259,934-sf North 70 Distribution Center for \$78 psf as part of a 24-building portfolio. In RTP/I-40 Corridor, Exeter purchased the 163,608-sf Anixter Building at Airpark Distribution Center from NorthStar Realty Finance for \$98 psf as part of a 22-building portfolio. In the only flex transaction documented in Q1, Martin Enterprises bought Tryon Hills Industrial Center and The Lawrence Center, together totaling 59,771 sf, from Palm Park Inc. for \$88 psf.

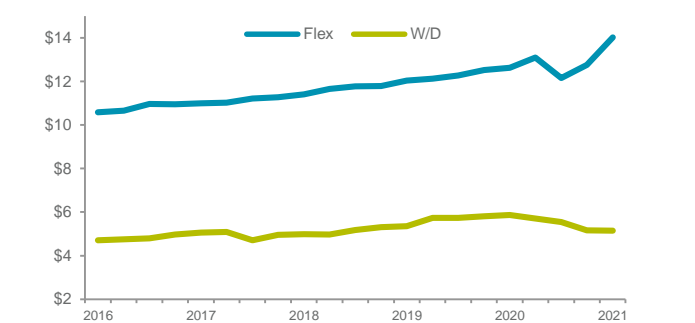
OUTLOOK

- Robust tenant demand coupled with competitive rental rates throughout most of the Triangle are expected to put downward pressure on vacancy levels as they retreat to historical lows.
- Asking rents are expected to continue rising throughout 2021, driven not just by significant demand but by a surge in construction supply pricing as well. A shortage of steel and other construction supplies, including roof joists and decking, have significantly increased lead times for developers and will drive a steeper increase in asking rental rates in the coming quarters.
- Historically, the market has favored landlords over tenants and this trend is expected to continue in the coming quarters as demand outpaces current supply levels.

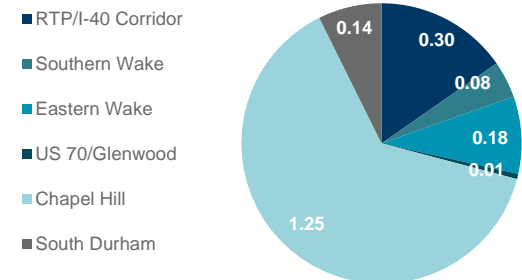
WAREHOUSE SUBMARKET COMPARISON



DIRECT NNN AVERAGE ASKING RENT



2021 CONSTRUCTION PIPELINE



Industrial Q1 2021

MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | OVERALL VACANT (SF) | 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) | 1,092,713 | 164,292 | 15.0% | 60,600 | 1,250,000 | - | \$8.51 | \$5.50 |
| Downtown Durham | 537,330 | 7,334 | 1.4% | 0 | - | - | N/A | N/A |
| North Durham | 1,306,122 | 11,700 | 0.9% | 0 | - | - | N/A | \$12.00 |
| South Durham | 1,538,227 | 0 | 0 | 0 | 144,000 | - | N/A | N/A |
| Downtown Raleigh | 229,239 | 13,685 | 6.0% | -5,000 | - | - | N/A | \$8.12 |
| Cary | 1,131,249 | 56,078 | 5.0% | 0 | - | - | \$16.65 | N/A |
| Eastern Wake County | 11,607,975 | 672,937 | 5.8% | -125,777 | 175,089 | - | N/A | \$4.49 |
| Falls of Neuse Rd | 1,491,602 | 0 | 0 | 7,926 | - | - | N/A | N/A |
| RTP/I-40 Corridor | 19,193,134 | 593,249 | 3.1% | 318,728 | 301,590 | 48,650 | \$24.97 | \$7.15 |
| Six Forks Rd | 110,000 | 0 | 0 | 0 | - | - | N/A | N/A |
| Southern Wake County | 2,413,894 | 253,401 | 10.5% | 11,787 | 83,700 | - | \$13.77 | \$4.50 |
| US 1/Capital Blvd | 8,029,841 | 284,465 | 3.5% | 127,184 | - | - | \$13.64 | \$5.30 |
| US 70/Glenwood | 1,882,382 | 25,583 | 1.4% | -4,423 | 11,900 | - | N/A | \$8.70 |
| West Raleigh | 877,961 | 35,693 | 4.1% | -2,400 | - | - | N/A | \$8.08 |
| TRIANGLE INDUSTRIAL TOTAL | 51,441,669 | 2,118,417 | 4.1% | 388,625 | 1,966,279 | 48,650 | \$14.04 | \$5.15 |

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

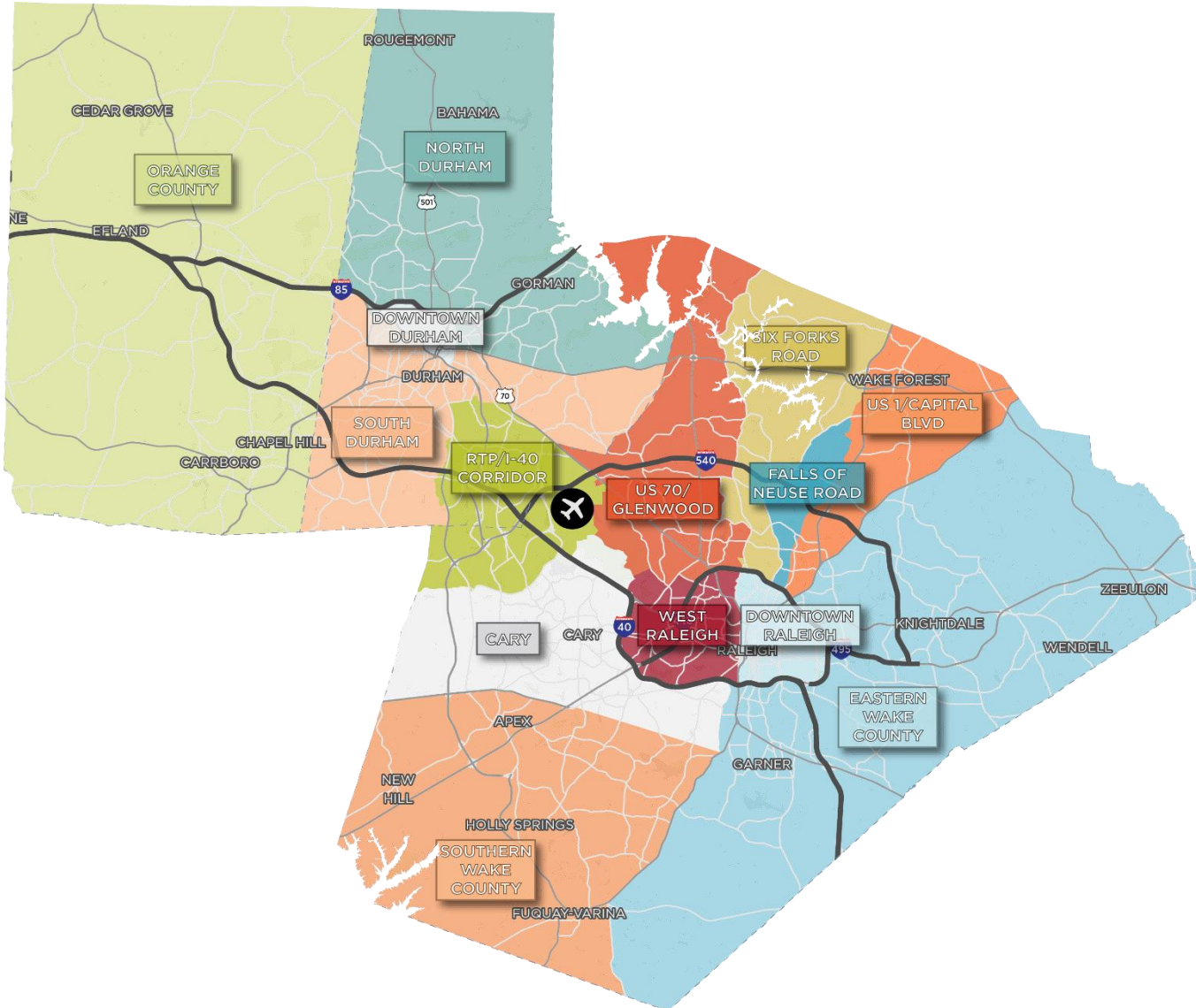
KEY LEASE TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | TENANT | RSF | PROPERTY TYPE | LEASE TYPE |
|---------------------|-------------------|------------------------|---------|------------------------|------------|
| 2910 Weck Drive | RTP/I-40 Corridor | Millennium Print Group | 168,847 | Warehouse/Distribution | New Lease |
| 2710 Weck Drive | RTP/I-40 Corridor | Regency Technologies | 107,968 | Warehouse/Distribution | Renewal |
| 144 Old Lystra Road | Chapel Hill | Polaronyx | 60,600 | Warehouse/Distribution | New Lease |

KEY SALES TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF | PROPERTY TYPE |
|--|---------------------|--|---------|----------------|------------------------|
| North 70 Distribution Center | North Durham | NorthBridge Partners / Brookfield Properties | 259,934 | \$20.3M / \$78 | Warehouse/Distribution |
| Airpark Distribution Center – Anixter Bldg | RTP/I-40 | NorthStar Realty Finance / Exeter | 163,608 | \$16.1M / \$98 | Warehouse/Distribution |
| Tryon Hills Industrial & The Lawrence Center Portfolio | Eastern Wake & Cary | Palm Park Inc / Martin Enterprises | 59,771 | \$5.3M / \$88 | Flex |

INDUSTRIAL SUBMARKETS



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