


Raleigh-Durham continues to experience high demand & low vacancy in Q2 2021

 Flex Vacancy
9.2%

 Flex Rental Rate
\$12.63 PSF

 Warehouse Vacancy
4.0%

 Warehouse Rental Rate
\$6.09 PSF

The industrial market in Raleigh-Durham continues to be highlighted by low vacancy, while the influx of manufacturing companies and the steady growth of the life-science sector continues to create strong demand. The warehouse market recorded 58,294 sq. ft. of positive net absorption in Q2, while the flex market recorded a net absorption of negative 6,703 sq. ft. While many companies have historically focused on Research Triangle Park, the market continues to expand with increasing activity levels in the peripheral areas of the market, especially in Southern and Eastern Wake County submarkets. Notably, Eastern Wake had the most positive net absorption of all warehouse submarkets in Q2 at 214,802 sq. ft.

Warehouse vacancy decreased 70 basis points quarter-over-quarter at 4.0% while flex vacancy increased 97 basis points quarter-over-quarter to 9.2%. Warehouse average asking rates further increased 1.7% to \$6.09 per sq. ft. and flex average asking rates saw a very slight decrease in asking rates at \$12.63 per sq. ft. The flex market continues to experience lab conversions, notably in the RTP/I-40 Corridor, and those existing lab spaces now have an average asking rate of \$30.29 per sq. ft.

Q2 leasing activity remained strong as several significant leases were signed. In Southern Wake, BlueSky Solutions leased 158,000 sq. ft. at South 40

Distribution Center. In the RTP/I-40 Corridor, Park Communications leased 168,800 sq. ft. at 2910 Weck Drive, while also renewing their lease at 9301 Globe Center at 111,000 sq. ft. The Upper Deck Company leased 126,000 sq. ft. at Alexander Commerce Park in RTP as well.

Investment sales for the quarter included Beacon Partner's purchase of 2728 Capital Blvd in Raleigh. The 495,500 sq. ft. building sold for \$41.7 million or \$84 per sq. ft. In the RTP/I-40 Corridor, Nortel at Woodlake traded for \$45 million or \$150 per sq. ft. The 300,000 sq. ft. warehouse building was purchased by ASB Allegiance Acquisitions. Also in RTP, Centrum Partners purchased the Fed Ex Ground Warehouse at 78 TW Alexander. The 236,900 sq. ft. property sold for \$50 million or \$213 per sq. ft.

New construction deliveries for the quarter included Merritt TW Crossing Buildings 2 & 3 delivering a combined 129,500 sq. ft. in the RTP/ I-40 Corridor. Building 2 delivered 79% leased while Building 3 delivered 100% leased. I-40 Innovation Center Building 1 delivered 50,000 sq. ft. of warehouse space at 100% leased. In Eastern Wake, 105 Sigma Drive delivered 26,700 sq. ft. of flex space, while in Southern Wake, Peak City Building 7 delivered 60,000 sq. ft. of flex space.

Construction activity remains active in the RTP/I-40 Corridor, Eastern Wake and Southern Wake submarkets totaling 1.5 M sq. ft. In addition to Eastgate 540 Buildings 3, 4, and 6 remaining under construction in Eastern Wake, Building 7 broke ground in Q2. Beacon Commerce Park Buildings 1 and 2 started construction late in the quarter, totaling 369,000 sq. ft. of warehouse space. In the RTP I-40 Corridor submarket, Patriot Park Building 5 and Regional Commerce Center Buildings 3, 4, and 5 are expected to deliver later this year. In Southern Wake, Peak City Business Park Building 10 began construction on a 60,000 sq. ft. flex building.

- Warehouse product experienced 253,600 sq. ft. of positive net absorption in Q2.
- Construction remains active with over 1.5 million sq. ft. under construction across the market.
- Park Communications/ Millennium Print Group now has a combined 279,800 sq. ft. in the RTP/I-40 Corridor.

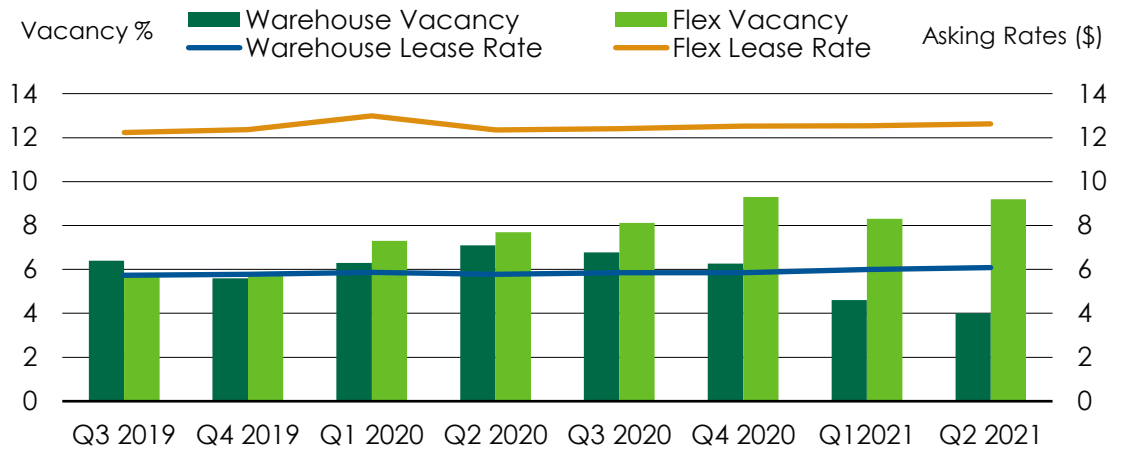
Figure 1: Market Statistics Q2 2021

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Q2 2021 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avail Rate (%)	NNN Avg. Asking Rate (\$/SF/Yr)
Warehouse							
US 70/Glenwood Ave	746,463	3.5%	16,985	32,985	0	3.5%	\$7.24
US 1/Capital Blvd	3,832,931	7.1%	(42,365)	(102,266)	0	8.5%	\$6.28
Eastern Wake	10,821,428	2.0%	214,802	314,388	1,030,168	7.4%	\$6.01
Southern Wake	1,550,842	9.0%	7,500	137,627	0	9.0%	\$6.12
RTP/I-40 Corridor	13,528,325	0.2%	16,000	482,382	459,655	3.8%	\$6.24
Durham County ⁽¹⁾	2,609,383	4.1%	0	63,400	0	4.1%	\$0.00
Johnston County	3,885,429	17.4%	40,693	56,693	0	17.4%	\$5.36
Warehouse Totals:	36,974,801	4.0%	253,615	985,209	1,489,823	7.0%	\$6.09
Flex							
West Raleigh	642,805	8.9%	(28,191)	(19,302)	0	8.9%	\$12.34
US 70/Glenwood Ave	1,206,993	5.3%	(30,974)	(27,039)	0	6.3%	\$11.89
Falls of Neuse Rd	377,272	2.2%	35,860	38,764	0	2.2%	-
US 1/Capital Blvd	4,376,576	6.2%	(36,829)	(32,083)	0	8.2%	\$12.68
Eastern Wake	1,602,059	5.6%	26,364	(15,132)	12,000	6.3%	\$10.33
Southern Wake	1,069,541	19.9%	63,537	40,650	86,776	27.2%	\$12.83
Cary	985,808	3.6%	45,750	52,943	0	3.6%	\$12.93
RTP/I-40 Corridor	9,888,029	11.2%	(78,620)	139,476	428,700	14.5%	\$14.82
Durham County ⁽¹⁾	724,809	11.4%	(3,600)	(1,227)	0	11.4%	N/A
Flex Totals:	20,873,892	9.2%	(6,703)	(75,768)	527,476	11.7%	\$12.63

1. North Durham, Central Durham and South Durham submarkets have been combined to Durham County.
2. West Raleigh, Six Forks Road, Falls of Neuse, Downtown Raleigh and Cary submarkets have been removed from the Industrial Market Report due to the minimal impact on the overall Raleigh-Durham warehouse market.

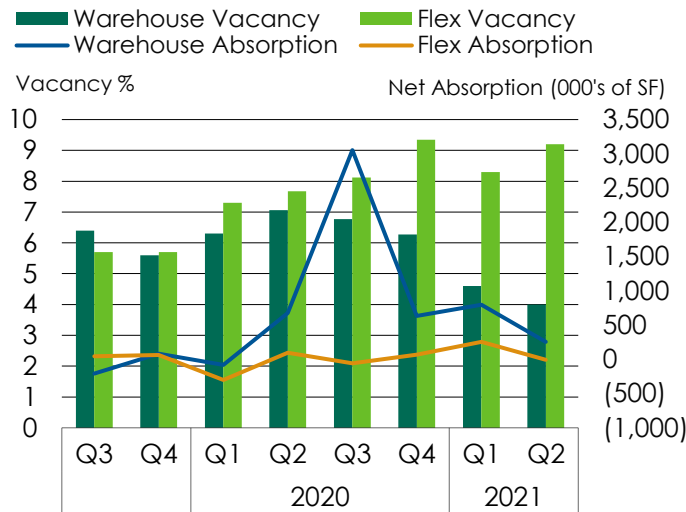
Source: CBRE Research, Q2 2021

Figure 2: Vacancy and Lease Rates



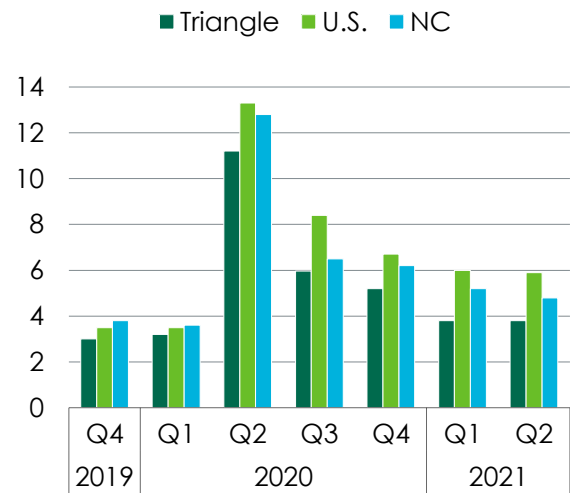
Source: CBRE Research, Q2 2021

Figure 3: Vacancy and Absorption



Source: CBRE Research, Q2 2021

Figure 4: Unemployment Statistics



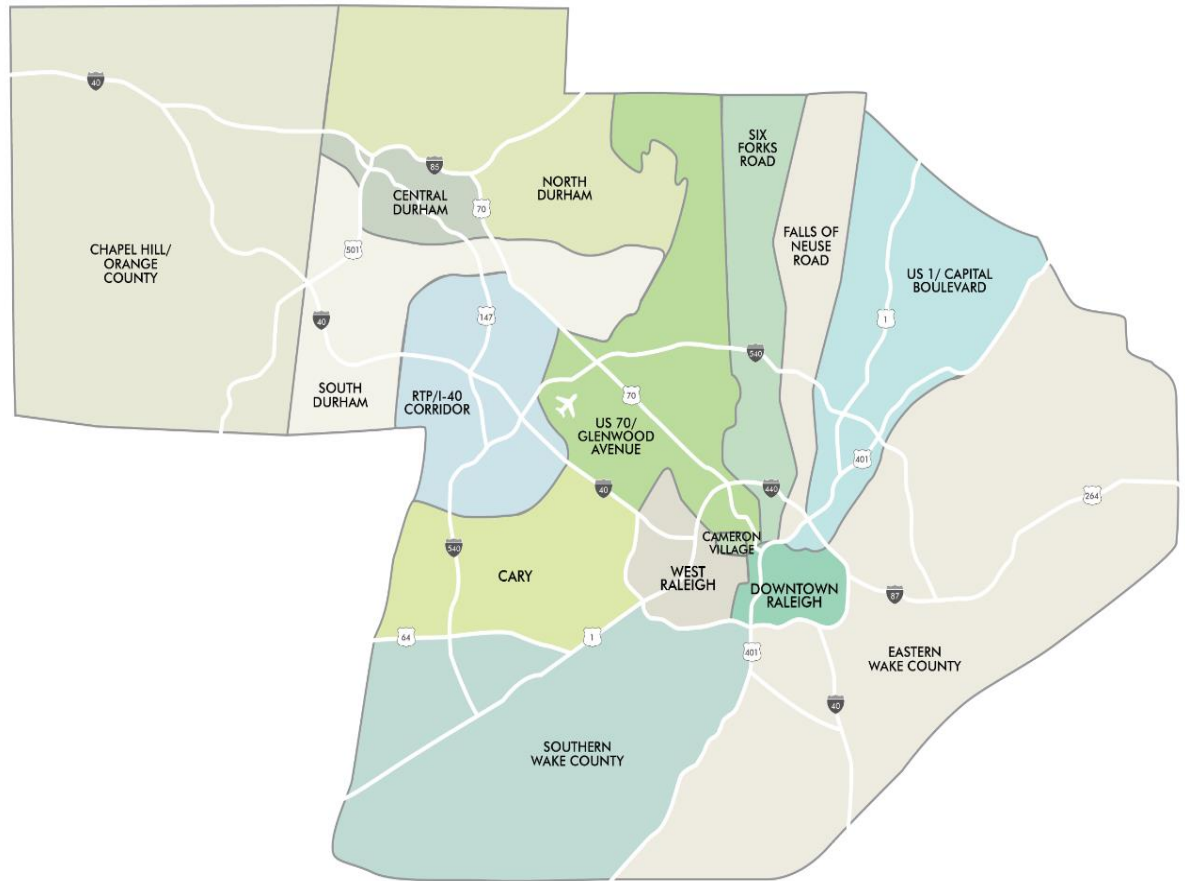
Source: BLS, June 2021

Figure 5: Top Lease/Sale Transactions: Q2 2021

Lease: Tenant	Building	Sq. Ft.	Submarket	Lease Type
Park Communications	2910 Weck Drive	168,800	RTP/I-40	New
BlueSky Solutions*	South 40 Distribution Center	158,000	Southern Wake	New
The Upper Deck Company*	Alexander Commerce Park	126,000	RTP/I-40	New
Sales: Building	Buyer	Sq. Ft.	Submarket	Sale Price
2728 Capital Blvd	Beacon Partners	495,500	US 1- Capital Blvd	\$41.7 M
Nortel at Woodlake	ASB Allegiance Acquisitions	300,000	RTP/I-40	\$45M
FedEx Ground	Centrum Partners	236,900	RTP/I-40	\$50.5 M

*Denotes CBRE | Raleigh Transaction

Source: CBRE Research, Q2 2021



CONTACTS

TOM FRITSCH

Senior Managing Director

+1 919 831 8200

Tom.Fritsch@cbre-raleigh.com

DODSON SCHENCK

Managing Director, Industrial Services

+1 336 478 0234

Dodson.Schenck@cbre-raleigh.com

RACHEL MULLIGAN

Research Analyst

+1 919 831 8231

Rachel.Mulligan@cbre-raleigh.com

CBRE OFFICE

CBRE | Raleigh

555 Fayetteville Street, Suite 800

Raleigh, NC 27601

www.cbre.us/raleigh