

RALEIGH-DURHAM

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
3.1% Vacancy Rate	▼	▬
518K Net Absorption, SF	▼	▲
\$8.81 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
965.3K Triangle Employment	▲	▲
4.1% Triangle Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW

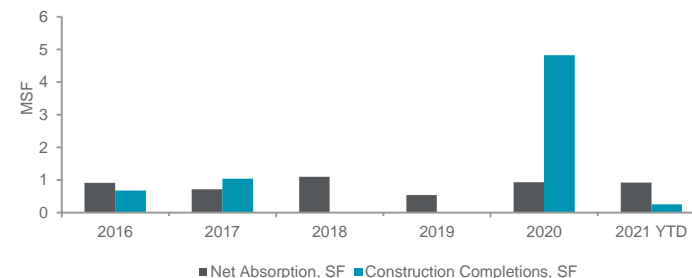
Economic conditions in Raleigh-Durham continued to improve. The Triangle unemployment rate dropped this quarter to 4.1%, a decrease of 700 basis points (bps) year over year (YOY). The unemployment rate remains 180 bps below the U.S. average. Raleigh-Durham is recovering at an impressive pace and the outlook for the second half of 2021 is positive. While the economy suffered setbacks from the pandemic last year, the industrial sector remained strong with consistent leasing activity and high absorption. This demand persisted in the first half of 2021. U.S. e-commerce sales totaled \$215.0 billion last quarter, a 39.1% YOY increase. National consumer confidence reached its highest point since before the pandemic in June of 2021, and the reopening of the economy and increasing labor market optimism should fuel the high demand for industrial product in Raleigh-Durham.

SUPPLY AND DEMAND

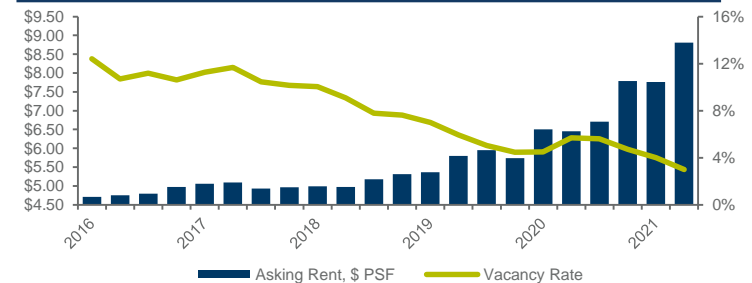
The overall vacancy rate declined to 3.1%, the lowest point on historical record, dropping 300 bps YOY. Demand in the warehouse/distribution sector continues to remain strong with vacancy posting at 2.2% and minimal warehouse spaces 100,000 square feet (sf) or greater available for immediate occupancy. There were multiple move-ins this quarter resulting in 517,905 sf of positive overall absorption for the Raleigh-Durham market. Significant occupancy gains occurred in the Eastern Wake County and RTP/I-40 Corridor submarkets. In Eastern Wake County BlueSky Resource Solutions, a telecom/IT staffing company, moved into more than 169,000 sf at 2201 S Wilmington St. In the RTP/I-40 Corridor submarket, a digital printing company Spoonflower occupied more than 100,000 sf at Research Tri-Center South V and Capital Discount Furniture moved into 50,000 sf at I-40 Innovation Center.

The Raleigh-Durham industrial market recorded more than 1.0 M sf of new leasing activity, up 45.6% YOY. The majority of activity occurred in RTP/I-40 and Eastern Wake County; these two submarkets together totaled 852,549 sf, 83% of total transactions for the entire market. In one of the largest warehouse deals, Amazon signed a 129,000-sf lease at a building currently under construction at Freedom Business Park, bringing the building to 100% preleased, and trading card company Upper Deck signed a 126,000-sf lease for the entire proposed Building 2 at Alexander Commerce Park. Within the flex inventory, the top lease was signed by Zoetis LLC at 1050 Swabia Court, a 78,394-sf proposed building. The global animal health company will occupy the entire site once delivered. Preleasing activity such as this has been very common across the market for the last several quarters as demand has surpassed supply and this trend is expected to continue. Overall, a significant amount of new leases completed in 2021 have been greater than 20,000 sf, bringing the YTD activity total to nearly 2.4 million-square-feet (msf).

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



Industrial Q2 2021

RENTAL RATES

The overall average net asking rents for vacant product reached \$8.81 per square foot (psf) during Q2, a 12.8% increase quarter-over-quarter. The overall warehouse rate of \$4.67 psf was down slightly from \$5.15 psf in Q1 2021, with the West Raleigh submarket posting the most expensive average rate of \$8.08 psf. The overall flex rate of \$14.43 psf was up from \$14.04 psf in Q1. The highest flex rates are found in the RTP/I-40 Corridor submarket where there is an ongoing trend of converting flex space into life science space. As a result of blending flex product and life science space, flex rates have reached \$22.42 psf in RTP/I-40.

DEVELOPMENT PIPELINE

The development pipeline remained robust in 2021 following a year of historically high delivery numbers in 2020. Three industrial projects, two warehouse and one flex building, totaling 205,900 sf delivered Q2 2021 - 144,000 sf at Regional Commerce Center in South Durham (100% preleased to Candle Science), 50,000 sf at I-40 Innovation Center in RTP/I-40 (100% preleased to Carolina Discount Furniture), and 11,900 sf at 7230 ACC Blvd in US 70/Glenwood (fully-available). Construction remains underway on 2.3 msf of industrial product – 2.0 msf of W/D space and 357,925 sf of flex. In total, the product currently under construction across Raleigh-Durham is nearly 50% preleased as a whole.

INVESTMENT SALES

Industrial sales volume for Q2 2021 totaled \$144.6 million across six warehouse transactions and one flex sale, bringing the year-to-date investment sales total up to \$225.5 million. Five of these transactions had sales prices of over \$100 psf. The largest sale occurred in the RTP/I-40 Corridor where Eaton Vance RE purchased the 236,976-sf FedEx Ground distribution center at 4357 S Alston Ave for \$213 psf. Three additional deals closed in the same submarket: a two-building portfolio totaling 397,556 sf at Woodlake Center sold for \$113 psf, another two-building portfolio on Weck Drive sold for \$111 psf, and the 11,809-sf building at 1023 S Miami Blvd sold for \$107 psf to an owner user. The Weck Drive buildings were bundled with two industrial buildings in the Charlotte market, making the entire portfolio 869,815 sf. The four properties were purchased by DRA Advisors LLC for \$82 psf. In the Orange County submarket, a 22,643-sf flex building at 505 W Franklin Street sold for \$181 psf. Just outside of the Eastern Wake County submarket a 343,14-sf cold storage distribution center was purchased for approximately \$100 psf by Stoltz Real Estate Partners.

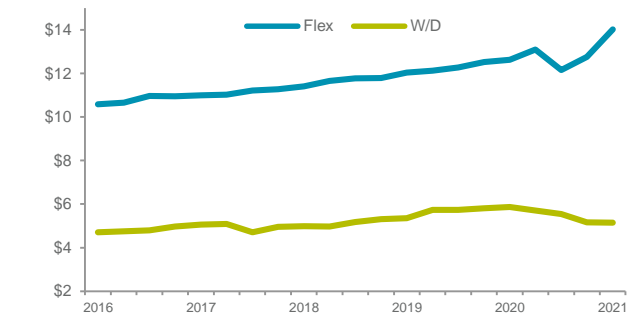
OUTLOOK

- Leasing activity has increased significantly from this time last year and will continue to rise as the surge in consumer confidence drives demand for industrial users.
- Vacancy rates are expected to remain low throughout 2021, even with the addition of newly delivered space, due to robust preleasing activity.
- The lack of supply on the market will allow landlords to continue setting higher asking rents for the limited vacant space.

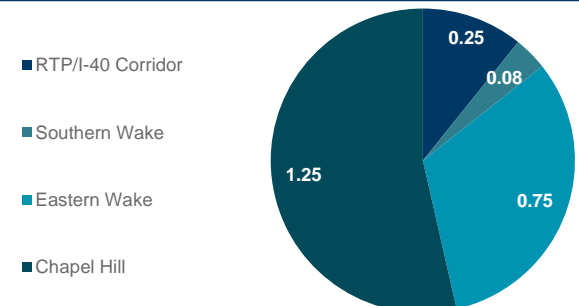
WAREHOUSE SUBMARKET COMPARISON



DIRECT NNN AVERAGE ASKING RENT



2021 CONSTRUCTION PIPELINE, MSF



Industrial Q2 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 VACANT WEIGHTED AVG NET RENT (FLEX)	OVERALL VACANT WEIGHTED AVG NET RENT (W/D)
Chapel Hill (Orange County)	1,115,356	152,492	13.7%	7,800	1,250,000	-	\$8.01	\$5.50
Downtown Durham	537,330	0	0.0%	7,334	-	-	N/A	N/A
North Durham	1,306,122	0	0.0%	11,700	-	-	N/A	N/A
South Durham	1,682,227	0	0.0%	144,000	-	144,000	N/A	N/A
Downtown Raleigh	229,239	5,000	2.2%	0	-	-	N/A	N/A
Cary	1,131,249	39,714	3.5%	10,034	-	-	\$17.63	N/A
Eastern Wake County	11,694,453	337,664	2.9%	169,352	748,555	-	N/A	\$4.49
Falls of Neuse Rd	1,491,602	0	0.0%	0	-	-	N/A	N/A
RTP/I-40 Corridor	19,812,919	496,492	2.5%	154,743	251,590	98,650	\$22.42	N/A
Six Forks Rd	110,000	0	0.0%	0	-	-	N/A	N/A
Southern Wake County	2,413,894	117,434	4.9%	-860	83,700	-	\$13.77	N/A
US 1/Capital Blvd	8,068,862	414,945	5.1%	0	-	-	\$14.13	\$3.95
US 70/Glenwood	1,894,282	18,281	1.0%	13,802	-	11,900	\$13.75	N/A
West Raleigh	877,961	35,693	4.1%	0	-	-	\$13.25	\$8.08
TRIANGLE INDUSTRIAL TOTAL	52,365,496	1,617,715	3.1%	517,905	2,333,845	254,550	\$14.43	\$4.67

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

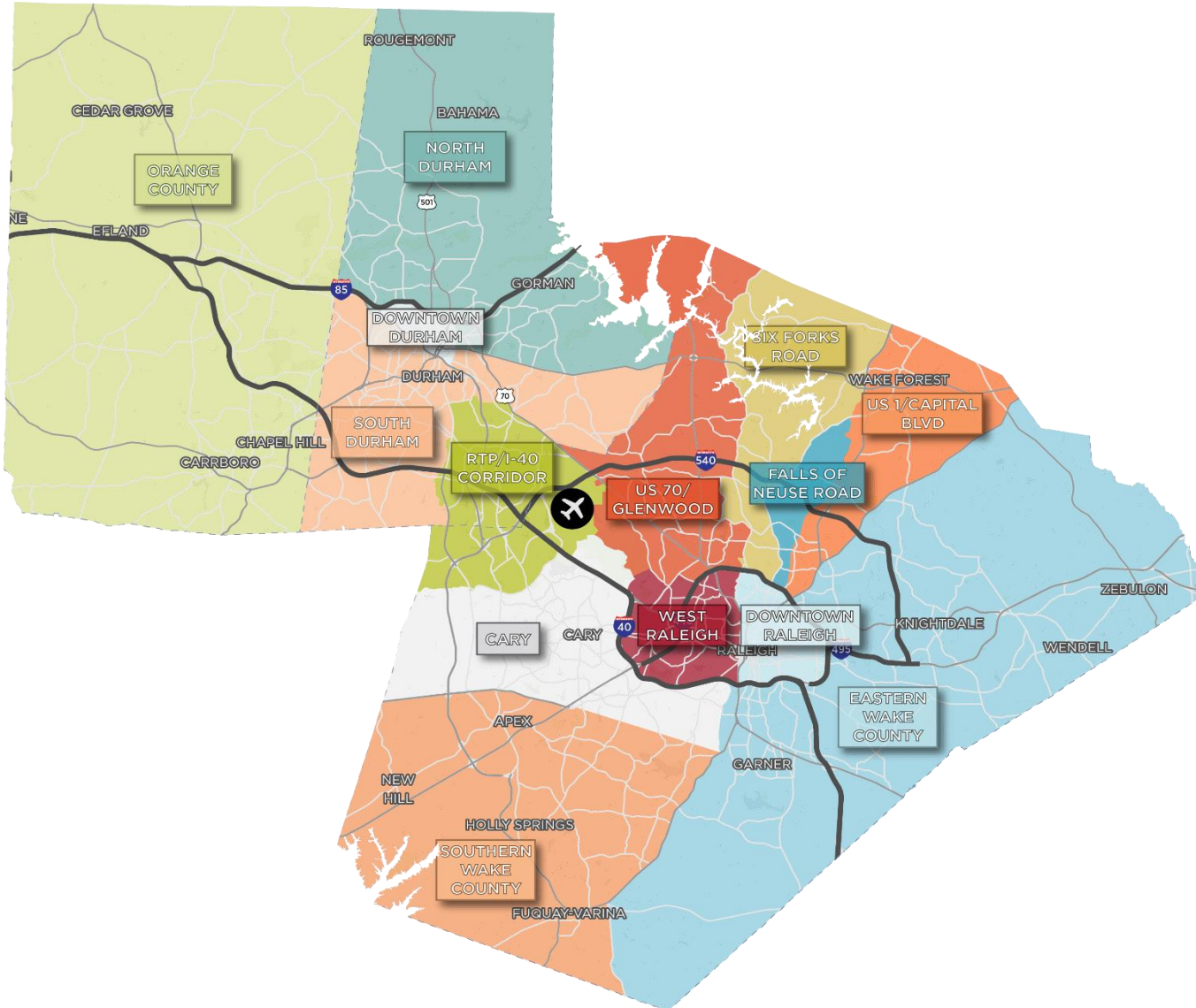
KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	PROPERTY TYPE	LEASE TYPE
Beltline Center 2201 S Wilmington St	Eastern Wake County	BlueSky Resource Solutions	169,352	Warehouse/Distribution	New Lease
Freedom Business Park	Eastern Wake County	Amazon	129,000	Warehouse/Distribution	New Lease
Alexander Commerce Park Bldg 2	RTP/I-40 Corridor	Upper Deck	126,000	Warehouse/Distribution	New Lease
9301 Globe Center Dr	RTP/I-40 Corridor	Park Communications	111,128	Warehouse/Distribution	New Lease
Walnut Creek V	Eastern Wake County	J & K Cabinetry	100,000	Warehouse/Distribution	New Lease

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF	PROPERTY TYPE
2710 & 2910 Weck Drive, 1001 Bond St, & 4001 Performance Rd	RTP/I-40 Corridor (RDU) Northwest (CLT) West Airport (CLT)	Rialto Capital Management / DRA Advisors	862,817	\$71.0M / \$82	Warehouse/Distribution
Woodlake Center 1000 & 1200 Innovation Ave	RTP/I-40 Corridor	Duke Realty / ASB Capital Management LLC	397,556	\$45.0M / \$113	Warehouse/Distribution
4357 S Alston Ave	RTP/I-40 Corridor	Centrum Partners / Eaton Vance RE	236,976	\$50.5M / \$213	Warehouse/Distribution
5201 Departure Dr	US 1/Capital Blvd	C&F Foods Inc / Stout Departure 5201 LLC	134,256	\$8.0M / \$60	Warehouse/Distribution

INDUSTRIAL SUBMARKETS



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