



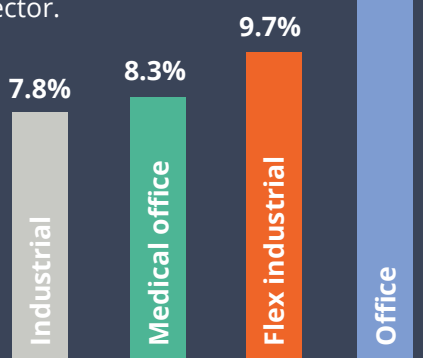
the Pulse



MEDICAL MARKET PREVAILS IN RECENT OFFICE SLUMP

Medical office remains one of the most fundamentally competitive CRE asset classes, with tight vacancy rates rivaling the much-favored industrial sector.

Availability by Product Type



Quick facts

8.3%
Vacancy

\$25.37M
Sales Volume

178,018 SF
Net Absorption (TTM*)

148,000 SF
Construction Starts (TTM)

OPPORTUNITY IN 2024

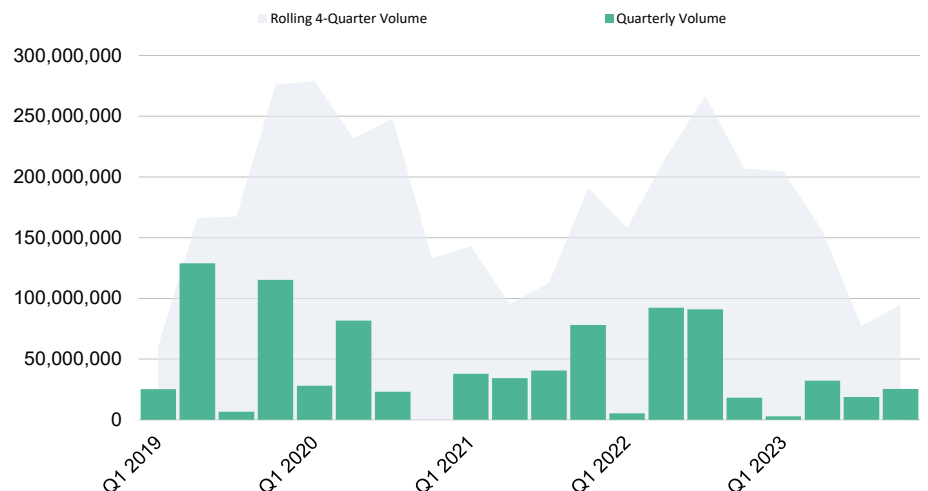
Medical office sales activity remained weak throughout 2023, as interest rates reached their peak. Pent up demand and the expectation of falling rates provide opportunity moving into 2024 for those looking to sell assets.

Note: This report is exclusive of health system- and other owner-occupant buildings

** Trailing Twelve Months (TTM)*

Sales Volume (\$)

Source: MSCI Real Capital Analytics

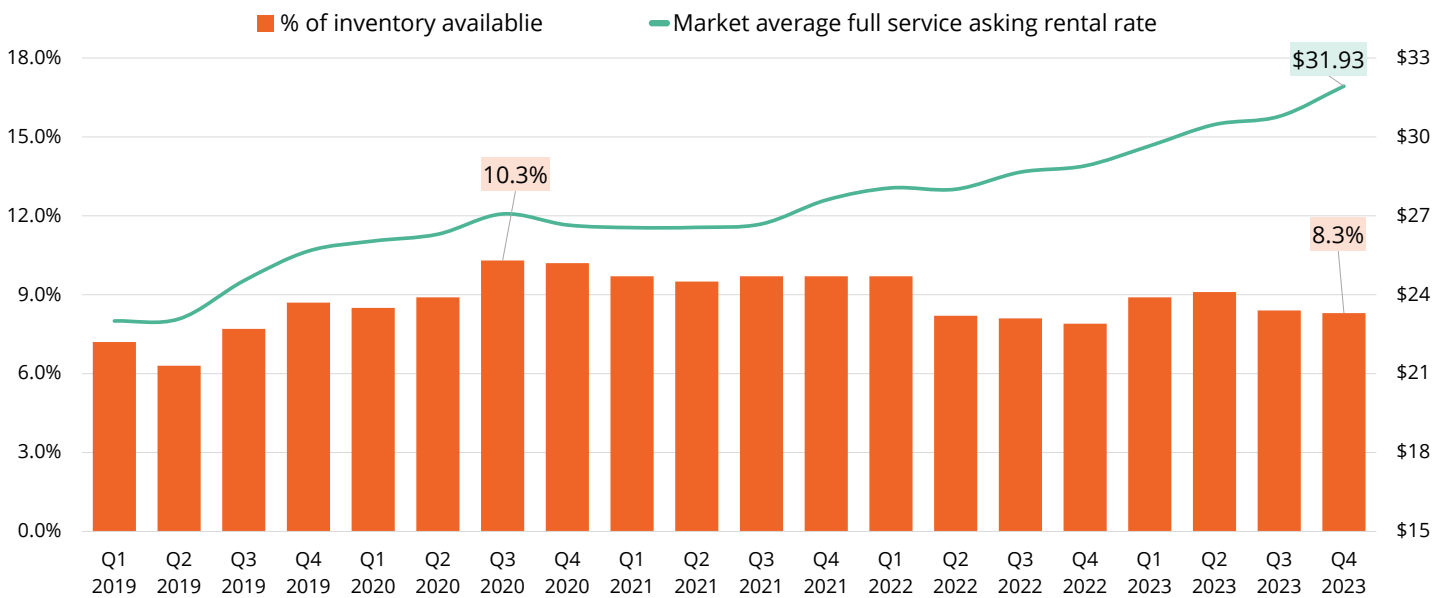




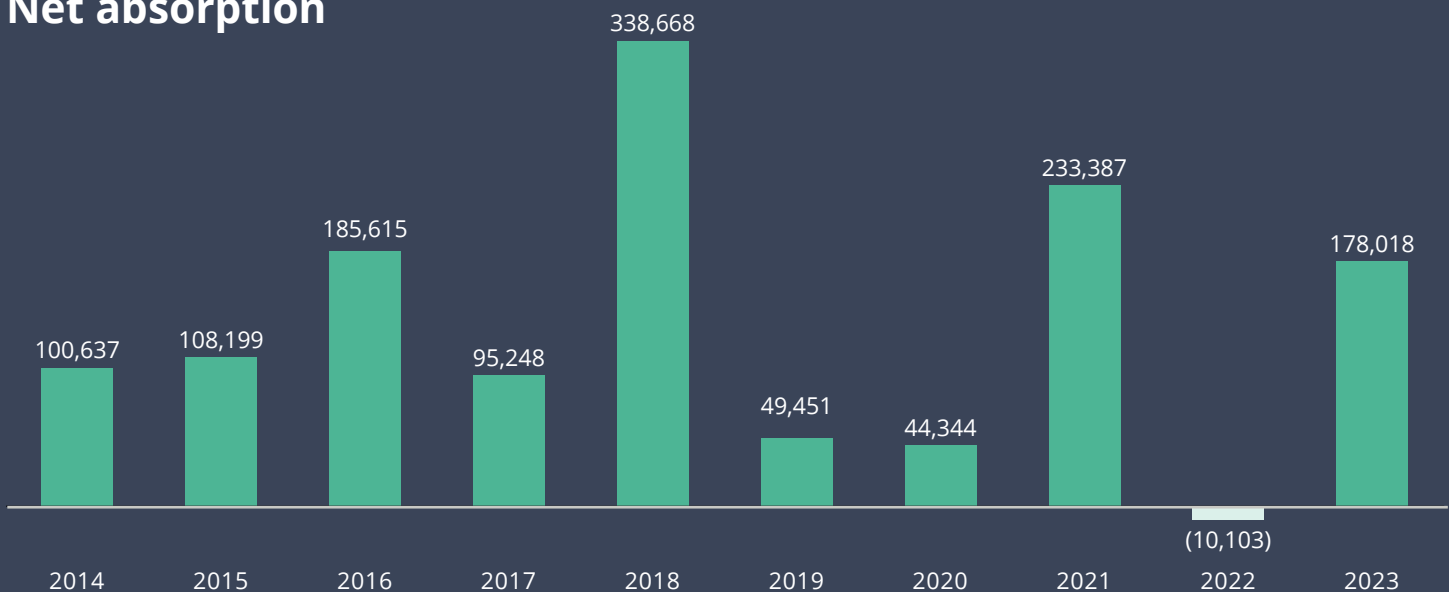
RENTAL RATES ON THE RISE

After relatively flat rental rates during 2020 and the first half of 2021, rates have been on an increasing trajectory, rising 19.6% since the third quarter of 2021. A lack of new deliveries in 2022 contributed to lower vacancies, paving the path for landlords to increase rents.

Vacancy and Rental Rates



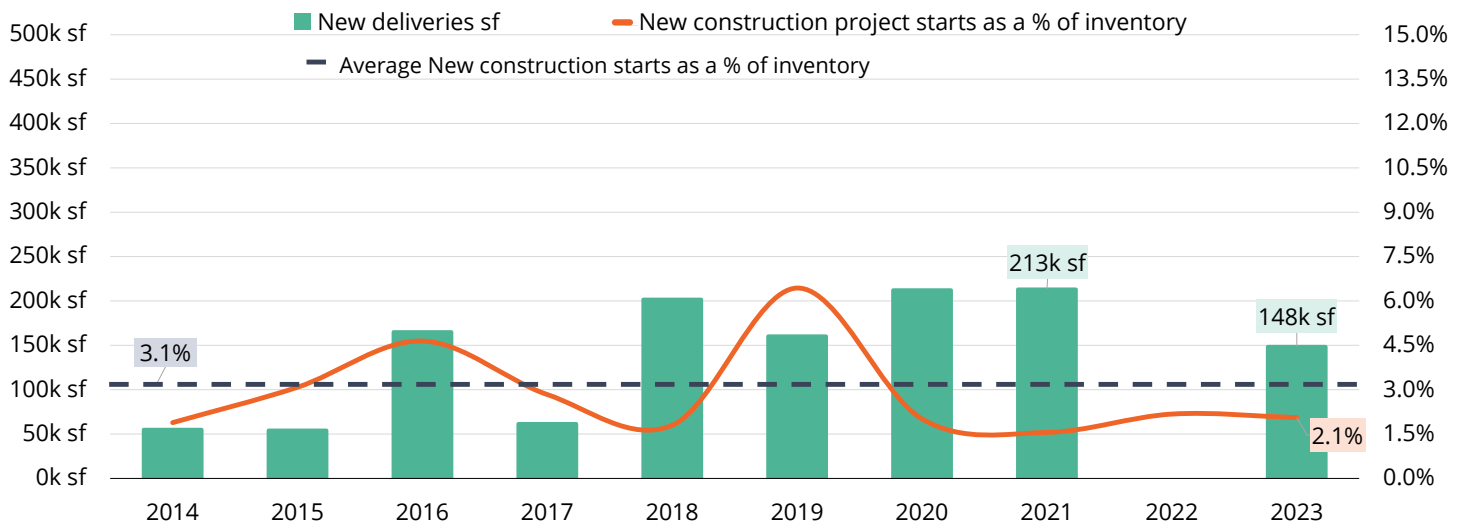
Net absorption



CONSTRUCTION STARTS REMAIN BELOW HISTORIC NORM

While fundamentals remain relatively strong, rising construction costs and high interest rates are moderating construction starts below historical norms, which will continue to put upward pressure on rents as tenants compete for limited inventory.

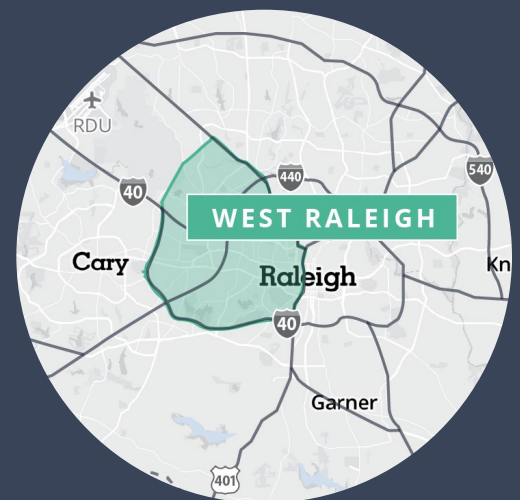
Construction starts and deliveries



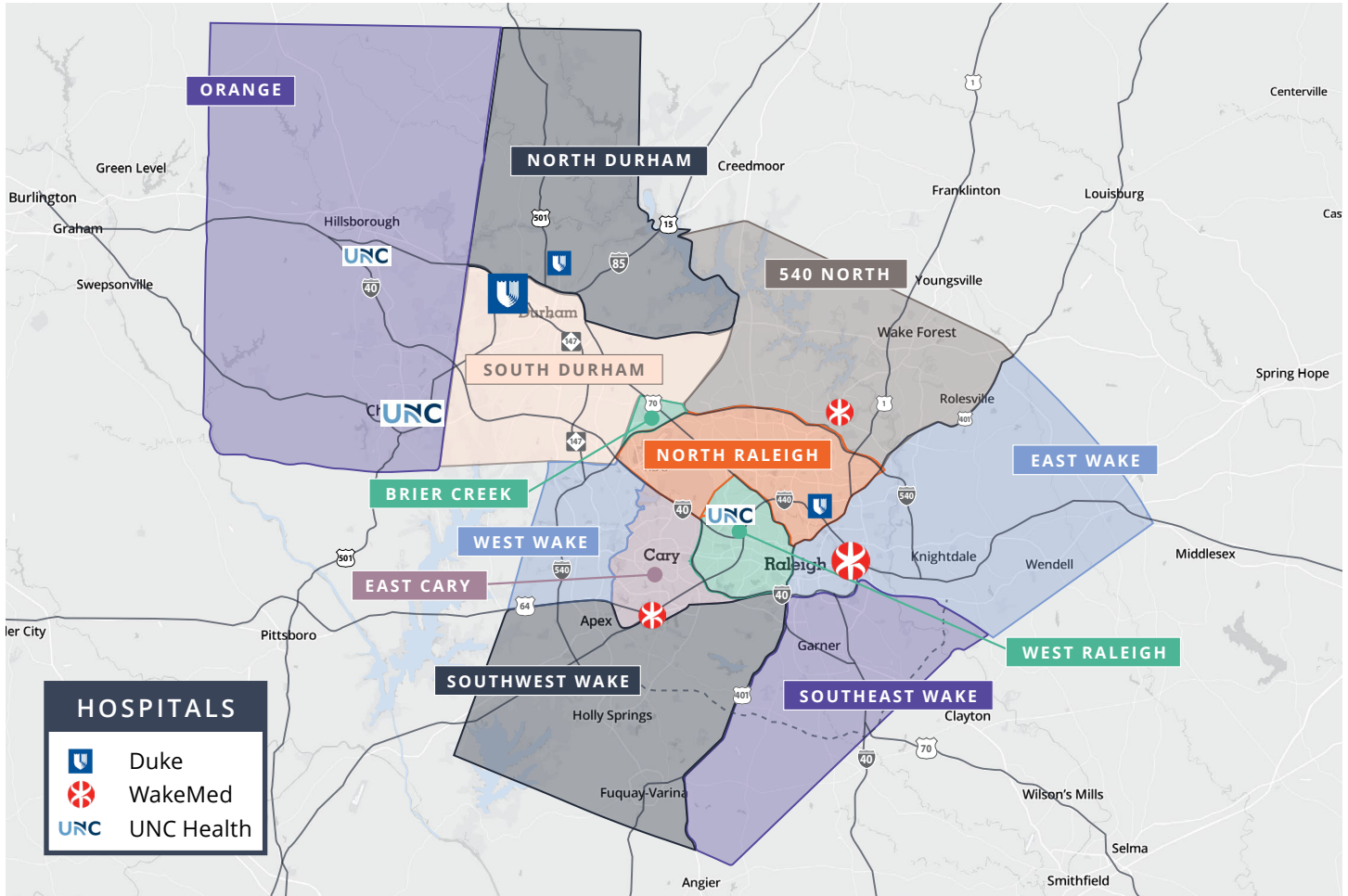
Raleigh-Durham submarkets

SUBMARKET UNDER THE MICROSCOPE

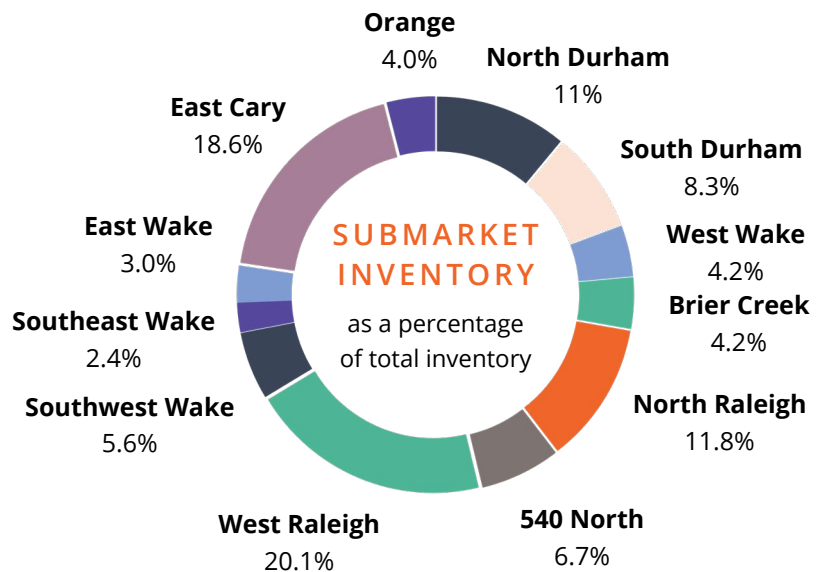
The West Raleigh submarket, which encompasses the area surrounding UNC Rex Hospital, ended 2023 with double digit vacancy for the first time since 2017. This was due in large part to Wake Internal Medicine Consultants and its affiliated practices vacating 40,791 square feet at 3100 Blue Ridge Road in favor of ownership interest in their new facility down the street, resulting in a downward impact of 360 basis points on the West Raleigh vacancy rate.



Raleigh-Durham submarkets



West Raleigh and East Cary comprise over a third of the medical market, with UNC Health Rex and WakeMed Cary Hospital serving as magnets respectively.





Submarket	Existing inventory (sf)	Deliveries (sf - TTM)	Under development (sf)	Total availability* (sf)	Total availability (%)	Net absorption (sf - TTM)	Net absorption as a % of inventory (TTM)	Direct asking rent (FS)
Western Wake	240,501	62,181	0	28,720	11.90%	16,350	6.80%	\$28.18
Brier Creek	246,901	0	0	15,265	6.20%	3,166	1.30%	\$30.98
North Raleigh	668,891	75,000	55,000	102,082	14.10%	50,451	7.50%	\$31.99
Falls Lake	378,459	0	0	15,290	4.00%	(890)	(0.20%)	\$28.50
West Raleigh	1,140,471	0	120,694	178,046	14.10%	(14,031)	(1.20%)	\$31.80
Southeast Wake	143,399	0	0	1,752	1.30%	4,801	3.50%	\$22.50
East Wake	170,445	0	0	12,025	7.10%	(3,846)	(2.30%)	\$26.38
East Cary	1,057,230	0	0	97,461	9.20%	19,688	1.90%	\$34.38
Southwest Wake	318,909	11,255	0	21,227	6.70%	31,531	9.90%	\$26.86
North Durham	636,289	0	0	1,764	0.30%	44,614	7.10%	\$29.93
South Durham	470,408	0	0	7,221	1.50%	11,924	2.50%	\$30.00
Orange County	226,333	0	0	7,283	3.20%	14,260	6.30%	\$32.50
Submarket total	5,698,236	148,436	175,694	488,292	8.30%	178,018	3.10%	\$31.93

Class	Existing inventory (sf)	Deliveries (sf - TTM)	Under development (sf)	Total availability (sf)	Total availability (%)	Net absorption (sf - TTM)	Net absorption as a % of inventory (TTM)	Direct asking rent (FS)
Class A	1,973,569	148,436	175,694	268,216	12.50%	109,724	5.60%	\$32.72
Class B	3,582,176	11,255	N/A	205,076	5.70%	76,826	2.10%	\$31.54

*includes subleases

Let's Connect.

NORTH CAROLINA TEAM

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