

A photograph of three medical professionals walking away from the camera in a modern hospital hallway. On the left, a woman in blue scrubs. In the center, a man in a white lab coat. On the right, a woman in blue scrubs. The hallway has large windows and a polished floor.

Raleigh-Durham medical office market report

Q3 2022

**AVISON
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Medical office market trends

01

Sales volume

Sale transaction activity in the third quarter of 2022 remained fairly consistent with the prior quarter when over \$80m of investment sale transactions closed. Institutional investors were the most active as dealmaking in the space becomes consolidated amongst a few larger players and access to capital more constrained. Volatility in the debt markets has started to ripple through the capital markets putting pressure on not only borrowing costs, but also return premiums, leading the property markets into a period of price discovery where transactional activity is likely to slow. In the near-term, leveraged buyers are not likely to be competitive, rather well-capitalized players are expected to dominate transaction activity.

02

Leasing activity

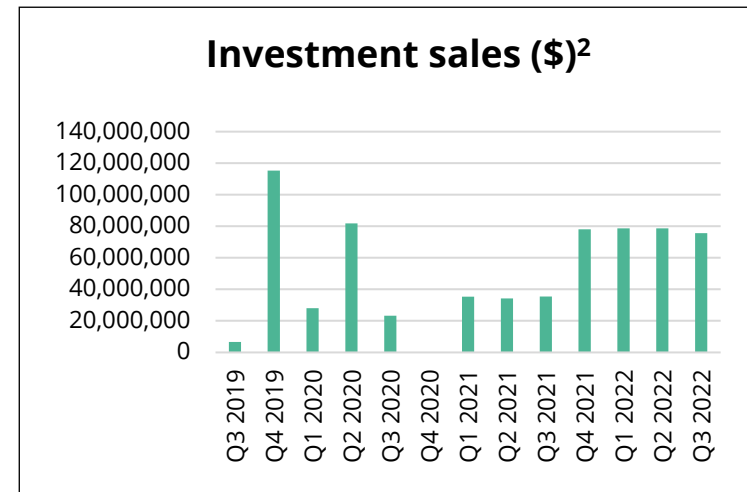
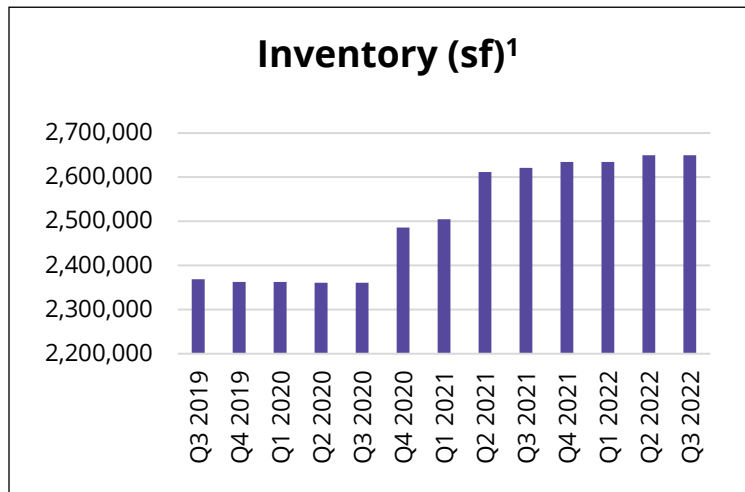
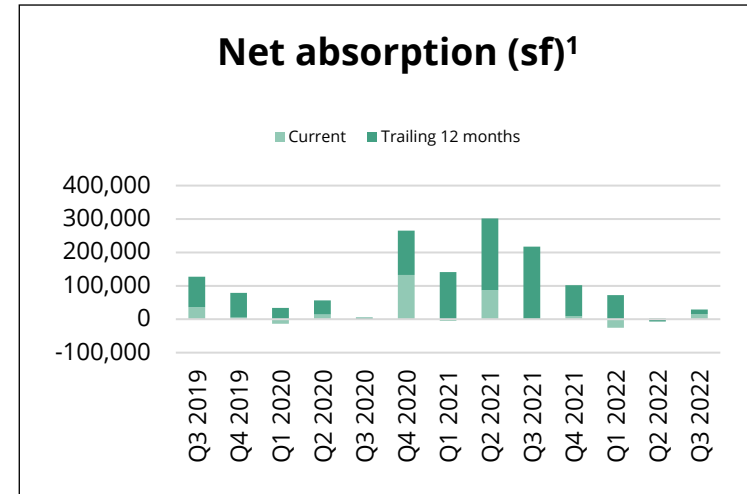
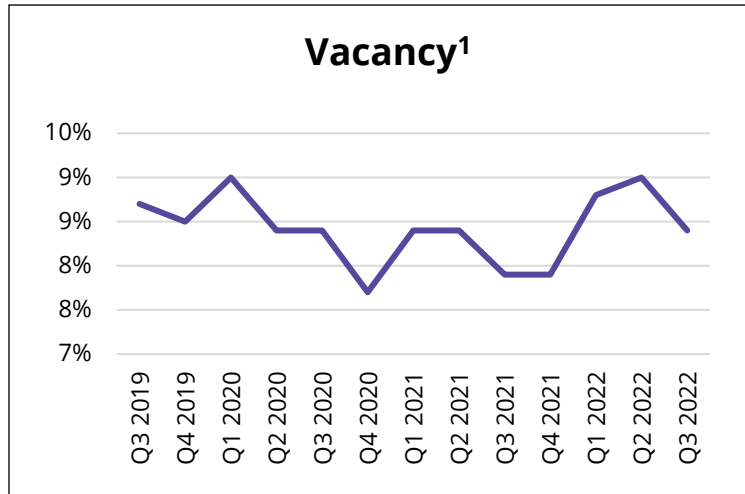
The third quarter saw net absorption approaching 16,000 sf, with zero to negligible net absorption in all submarkets other than Rex Hospital (8,105 sf), Duke Raleigh Hospital (5,349 sf), and WakeMed Cary (3,878 sf). As a reminder, medical office buildings that are owned by health systems are not included in this report and, if included, could change absorption numbers substantially. The market seems to be taking a slight pause to catch its breath, as 12-month net absorption was only 13,156 sf, compared to over 211,000 sf a year ago.

03

Vacancy rates

The consolidated vacancy rate among the medical submarkets covered in this report (page 4) dropped by 60 basis points in the third quarter, from 9.0% in the second quarter to 8.4%, the lowest since the end of 2021. For the third consecutive quarter, the WakeMed Raleigh and Brier Creek submarkets maintained the lowest vacancy rates, 0.0% and 1.6% respectively. The WakeMed Cary submarket again had the highest vacancy, 13.1%, even though it dropped from 13.6% in the second quarter. The Duke Regional area's vacancies increased from 12.4% to 12.7%, keeping the submarket in second place of high vacancy rates.

Medical office market indicators



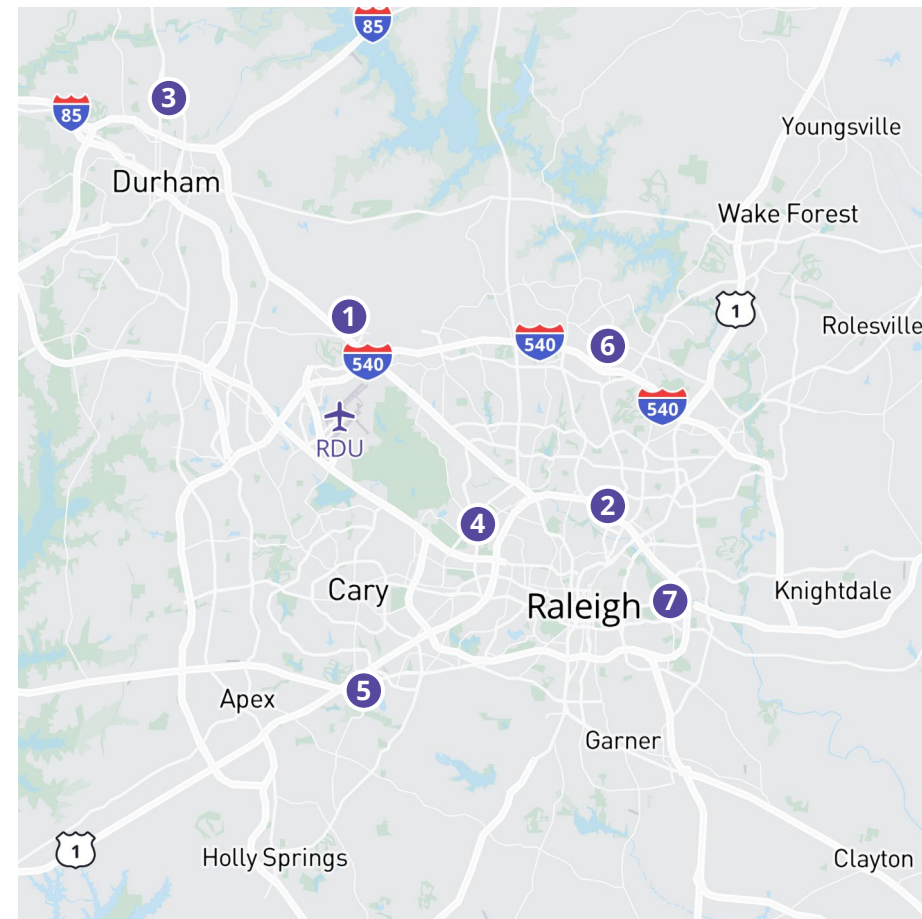
¹ Exclusive of MOB's owned by health systems

² Entire Raleigh-Durham medical market

Medical office market stats by submarket¹

By Submarket	Inventory (sf)	Vacancy		Net Absorption (sf)	
		SF	%	3Q 2022	Trailing 12 months
1 Brier Creek	217,009	3,471	1.6%	0	19,545
2 Duke Raleigh Hospital	95,660	4,512	4.7%	5,349	13,493
3 Duke Regional Hospital	461,693	58,629	12.7%	(1,520)	(43,600)
4 Rex Hospital	879,949	47,439	5.4%	8,105	30,182
5 WakeMed Cary	804,335	105,331	13.1%	3,878	(13,839)
6 WakeMed North Hospital	121,243	4,204	3.5%	0	0
7 WakeMed Raleigh	69,666	0	0.0%	0	7,375
Total	2,649,555	223,586	8.4%	15,812	13,156

¹ Exclusive of MOB's owned by health systems



For more medical market
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