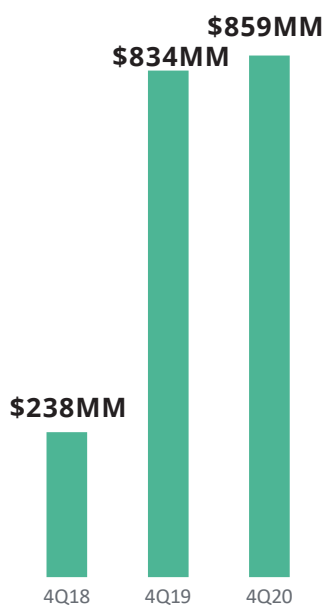


Raleigh-Durham

Sale volume

Investor interest in Triangle industrial properties has surged in the last two years in response to historically strong leasing fundamentals.



Pandemic accelerates already-strong tenant and investor demand for Triangle industrial product

Following a tumultuous start to the year, the Triangle industrial market closed out 2020 with record-setting absorption and construction deliveries. While leasing and sales activity paused in response to stay-at-home orders early in the year, COVID-19 supercharged structural changes that were already underway in the sector. The market witnessed unprecedented tenant demand in the second half of the year as e-commerce activity spiked and companies scrambled to address supply chain vulnerabilities laid bare by the pandemic.

Leasing Fundamentals

Triangle industrial vacancy¹ ended the year at 4%, down 40 bps for the quarter but still up 100 bps year-over-year as much-needed new construction was added to the market. Vacancy had fallen to a record low of just 2.9% in 3Q19. Vacancy remains severely constrained at just 2.4% in the region's largest submarket, I-40/RTP, despite deliveries totaling 1.1 msf. Among the Triangle's outlying counties, Johnston County ended the year with the lowest vacancy at just 1.9%. Robust leasing activity continued to support strong rent growth in 2020. The average warehouse/distribution asking rate rose 7% year-over-year to a record high of \$5.62 psf, and the average flex rate rose 6% to \$13.04 psf.

Construction Activity

Construction deliveries totaled 4.8 msf in 2020. The largest completion by far was Amazon's four-story, 2.6-msf² fulfillment center in Garner, the first of its kind for the Triangle region. A large number of speculative deliveries also contributed to demand, particularly in the I-40/RTP, Northeast Wake and Southeast

Wake submarkets. The new product was substantially pre-leased prior to completion or shortly following delivery. Annual net absorption totaled a record-setting 3.7 msf for the year, a figure that would have been even higher were it not for the fact that many second-generation spaces were backfilled before ever hitting the market.

Sales

Investor demand for Triangle industrial properties was strong in 2020, driven by growth in both e-commerce/logistics and the region's burgeoning life science sector. Volume totaled \$859 million for the year, on par with the sector's 2019 performance. In the largest sale of the year, Trinity Capital Advisors and Starwood Property Trust acquired Southport Business Park for \$208.6 million. Located in the I-40/RTP submarket, the 900,000-sf features a mix of flex, lab and office tenants. The new owners have re-branded the park as Southport Innovation Center and will target lab and technology tenants moving forward.

Inventory Adjustments

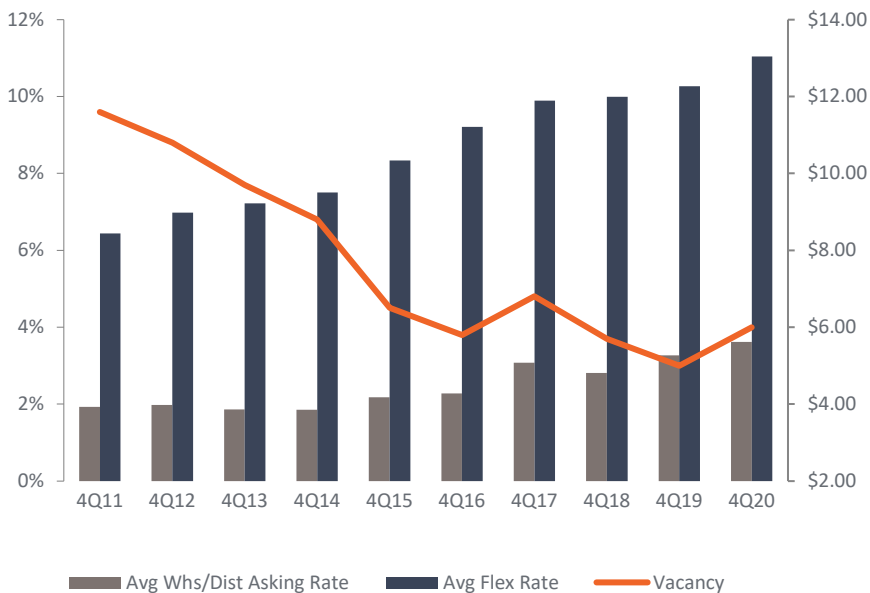
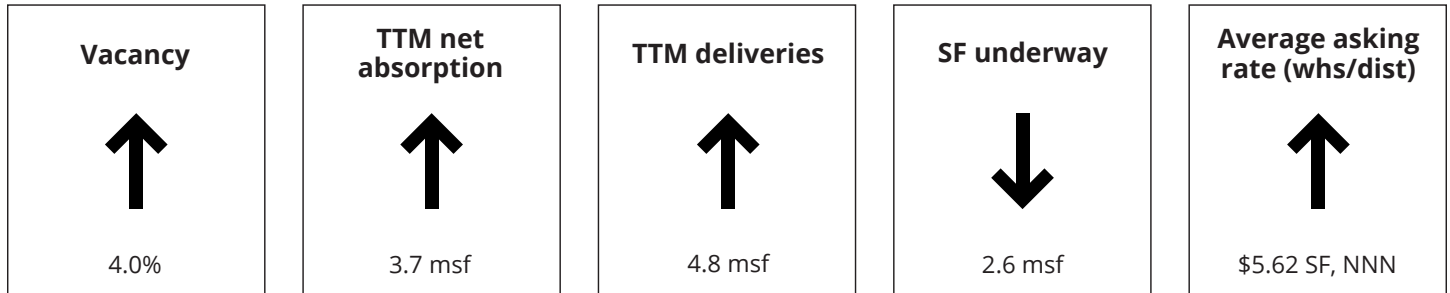
COVID-19 has accelerated the pace of growth in the Triangle's life science sector. Rising demand from both tenants and investors is fueling an increasing number of property conversions to life science use. As a result, some properties that were previously being marketed as traditional flex space have been removed from inventory and will be tracked in the life science category moving forward. The I-40/RTP submarket was most notably impacted with these adjustments.

¹Historical vacancy has been revised from previous reports due to inventory adjustments made as a result of life science conversions.

²The size of Amazon's new facility has been adjusted from earlier reports to reflect the building's square footage according to Wake County tax records.

Industrial market year-over-year trends

Industrial vacancy ended the year at 4.0%, up 100 bps since year-end 2019 but still extraordinarily low. Tight market conditions in the face of unprecedented tenant demand continue to place substantial upward pressure on rental rates and will drive another wave of speculative construction activity in 2021.

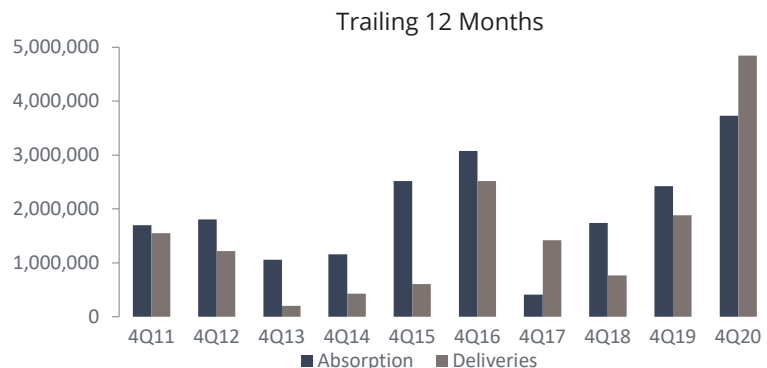


Vacancy and rental rates

Triangle industrial vacancy has increased in recent months but remains constrained as developers race to keep pace with demand. The average warehouse/distribution rate rose 60 bps to 3.4% in 2020, while the average flex rate rose 290 bps to 6.5%.

Absorption and deliveries

The Triangle registered record-setting absorption and deliveries in 2020 as a wave of newly completed speculative projects was delivered and Amazon took occupancy of its new 2.6-msf fulfillment center.



Market by the numbers

BY SUBMARKET	Total SF	VACANCY			NET ABSORPTION			AVERAGE ASKING RENT	
		Total	Whs/Dist	Flex	4Q20	Last 12 Mos.	SF Underway	Whs/Dist	Flex
Cary	2,833,405	2.6%	0.5%	6.9%	18,234	(27,578)	-	-	\$12.70
Downtown Durham	300,988	0.2%	-	10.0%	100	(180)	-	-	-
East Raleigh	1,069,132	7.3%	6.7%	9.6%	(14,929)	(77,890)	-	\$9.60	\$14.63
I-40/RTP	21,484,366	2.4%	1.5%	6.0%	1,061,741	871,379	747,240	\$6.19	\$12.61
North Durham	2,469,460	4.4%	-	15.6%	1,550	(12,500)	-	-	-
Northeast Wake	9,445,307	3.3%	3.1%	4.2%	239,632	388,586	423,326	\$6.03	\$12.34
Orange County	1,907,865	4.1%	3.3%	10.9%	3,000	2,600	16,800	-	\$9.50
Six Forks Road/Falls of Neuse	2,930,584	1.4%	1.4%	1.1%	(3,262)	16,338	-	\$8.19	\$9.50
South Durham	2,076,757	0.8%	-	2.1%	-	(16,294)	-	-	\$16.92
Southeast Wake	9,604,581	6.5%	6.7%	4.9%	31,115	2,685,546	205,300	\$6.04	\$12.55
Southwest Wake	5,746,095	5.3%	3.7%	8.9%	5,219	(107,569)	-	\$5.20	\$16.15
US 1/Capital Boulevard	6,808,558	5.2%	2.4%	8.5%	32,431	(166,125)	479,600	\$7.10	\$12.70
US 70/Glenwood	2,366,706	3.0%	2.8%	3.2%	14,671	(4,838)	11,900	\$7.07	\$12.40
West Raleigh	1,266,362	3.4%	1.8%	5.0%	-	(7,337)	-	-	\$12.28
Core Markets	70,310,166	3.7%	2.8%	6.5%	1,389,502	3,544,138	1,884,166	\$6.16	\$13.18
Chatham County	573,834	26.5%	26.0%	40.0%	34,500	12,000	-	\$3.95	\$12.00
East Alamance	6,593,434	4.2%	4.3%	-	-	(102,000)	497,675	\$4.61	-
Johnston County	10,182,424	1.9%	1.6%	6.6%	13,323	344,013	142,406	\$4.45	\$8.50
Lee County	6,733,509	8.3%	8.3%	-	(420,330)	(303,330)	117,133	\$4.41	-
South Granville	2,301,480	2.5%	2.5%	-	-	234,504	-	\$5.75	-
Outlying Markets	26,384,681	4.7%	4.6%	6.4%	(372,507)	185,187	757,214	\$4.49	\$9.24
Total	96,694,847	4.0%	3.4%	6.5%	1,016,995	3,729,325	2,641,380	\$5.62	\$13.04

Recent leases

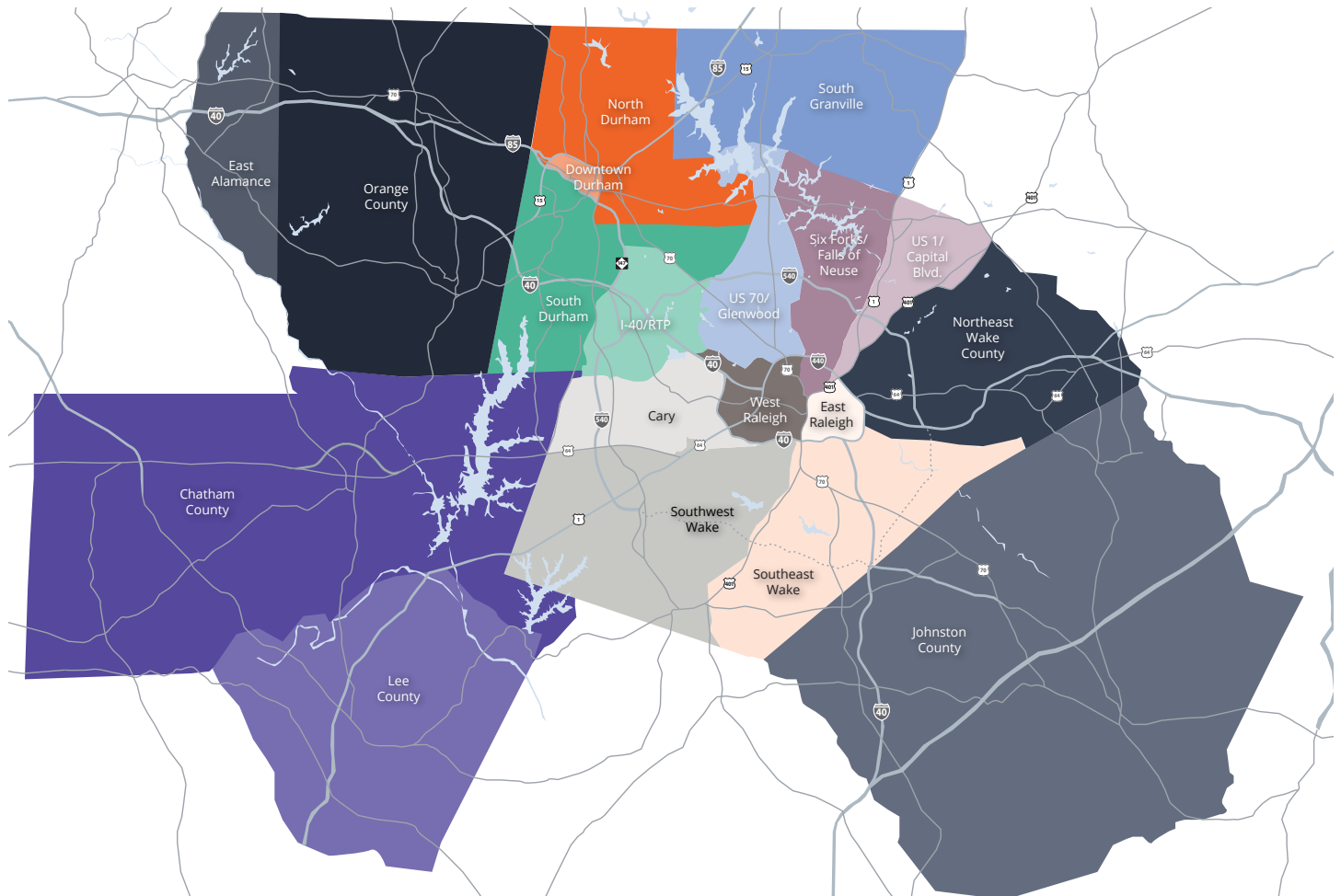
Tenant	Property	Type	Submarket	SF
Taysha Gene Therapies	Patriot Park	New Lease	I-40/RTP	187,500
KBI Biopharma	Patriot Park	New Lease	I-40/RTP	187,500
PCX Corporation	Eastgate 540	Pre-Lease	Northeast Wake	159,600
Amazon	Greenfield North	New Lease	Southeast Wake	165,921
Spoonflower	Research TriCenter South V	New Lease	I-40/RTP	108,830
Kuehn + Nagel	Whilden Industrial Centre	Expansion	I-40/RTP	95,352
Heritage Kitchen & Bath	6833 Mt. Herman Road	New Lease	I-40/RTP	78,991

Recent sales

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Southport Business Park*	I-40/RTP	Trinity Capital, Starwood Property Trust	900,000	\$208.6 million	\$232
1400 N Greenfield Parkway	Southeast Wake	Realty Income Corporation	133,889	\$40.9 million	\$305
13000 & 14001 Weston Parkway*	Cary	Alidade Capital	137,747	\$25.0 million	\$181
Alexander Industrial Park	I-40/RTP	Dyt Family Trust	149,538	\$25.5 million	\$171

*Purchased for conversion to life science

Raleigh-Durham industrial submarkets



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