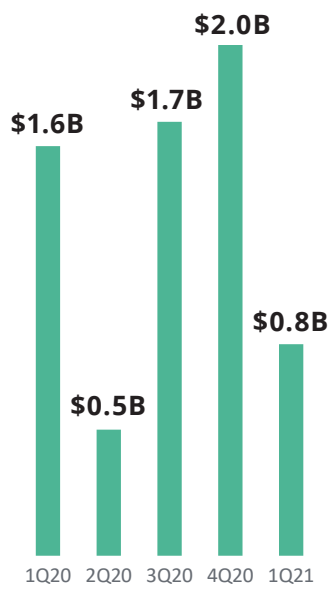


Raleigh-Durham

Investment volume by quarter

Investors caught their breath in the first quarter of 2021 following impressive activity in the second half of 2020.



First-quarter decline in volume likely to be short-lived as demand for Triangle real estate remains profound

Triangle investment sales moderated in the opening months of 2021 following the breakneck pace of activity, due in part to pent-up demand, in the second half of 2020. Underscoring the Triangle's growing appeal to national and global investors, the region experienced only a brief slowdown in sales in response to the onset of the COVID-19 pandemic in early 2020. Demand bounced back by 3Q20, and the region ended the year with volume on par with 2019's record-setting activity of \$5.9 billion. Sales of office, industrial, retail and multifamily properties totaled \$837 million in 1Q21, bringing trailing-12-month volume to \$5.1 billion.

Multifamily

The multifamily sector once again attracted the lion's share of capital in 1Q21, with volume clocking in at \$451 million. The Triangle's multifamily leasing market has held its own through the course of the pandemic, buoyed by a high concentration of STEM and education-driven employment and an accelerated influx of new residents from more costly and densely populated markets. Occupancy has remained healthy, and rent growth has stayed positive despite abundant new supply. Atlanta-based Cortland went on a Triangle buying spree in the first quarter, purchasing three communities in Cary and West Raleigh for a total of \$143 million.

Office

Following record-setting volume of \$2 billion in 2020, office sales were fairly light in 1Q21 at \$192 million. In the largest transaction of the quarter, Raleigh-based REIT, Highwoods Properties, bought out Germany-based

Balandis Real Estate AG's 75% interest in The Forum for \$131.3 million. In a testament to the REIT's confidence in the future of office space, Highwoods announced in April 2021 that it had entered into an agreement to acquire the Captrust Tower at North Hills and Wells Fargo Capitol Center in Downtown Raleigh as part of a \$717-million portfolio acquisition from Preferred Office Properties in Raleigh, Charlotte and Atlanta. The sale is scheduled to close later this year. As in most office markets across the U.S., Triangle office leasing remains stagnant, but sustained job growth among the region's office-using tenants and recently announced plans by Google and Apple to bring more than 4,000 jobs to the area point to a bright long-term outlook for the sector.

Industrial

Industrial continues to be a favored asset class both nationally and in the Triangle, but the region's relatively small industrial footprint provides fewer investment opportunities than can be found in North Carolina's more established markets such as Charlotte and the Triad. First-quarter volume was light at \$64 million. The increased importance of having facilities close to population centers is a key strength for the rapidly growing Triangle market, and national developers are increasingly targeting the region as vacancy hovers near a historic low. More investment opportunities will emerge as new, more modern facilities are constructed. In addition to e-commerce, strong leasing activity is being driven by construction-related tenants and life science users.

Retail

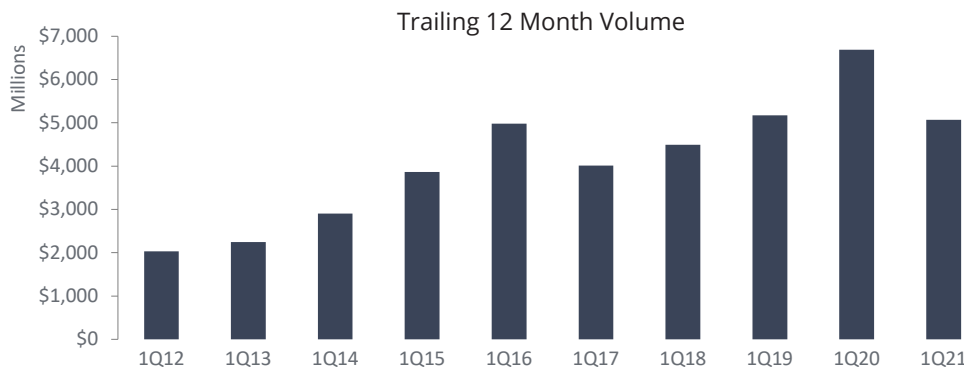
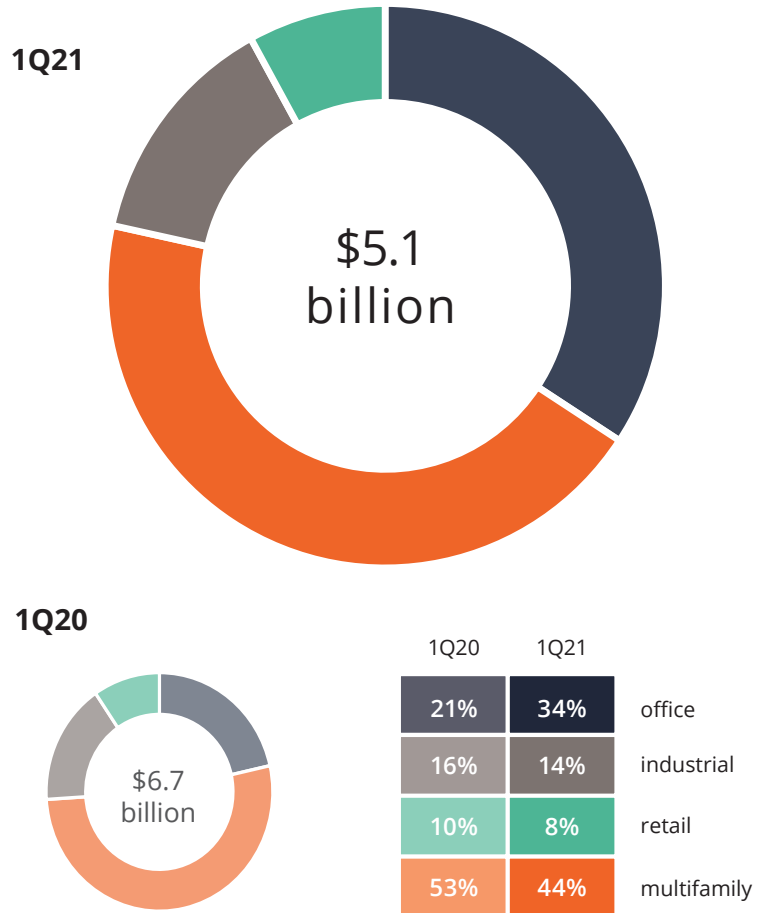
Triangle retail volume totaled \$128.6 million in 1Q21. Retail investors remain highly selective, but demand exists for well-located properties, particularly grocery-anchored centers and single-tenant opportunities. In the largest sale of the quarter, Kite Realty Group paid Federal Realty \$46 million for Eastgate Crossing in Chapel Hill. The 153,000-sf center is situated in a high-barrier-to-entry submarket and is anchored by Trader Joe's, Great Outdoor Provision Company and Petco.

Outlook

The Triangle is well positioned as it emerges from the pandemic. Both North Carolina and the Triangle achieved an extraordinary number of economic development wins over the last 12 months, and recent decisions by Google and Apple to establish major East Coast hubs in the region further elevate the area's profile among businesses, job seekers and investors. Abundant capital seeking a home in fast-growing secondary markets, low interest rates and growing prospects for inflation will drive strong demand for Triangle real estate in the coming months. A shallow pool of quality opportunities driven by a recent gap in buyer/seller expectations may serve as a limiting factor in the short term. Additional cap rate compression is likely for core assets as the region attracts more institutional capital, while a flight to safety will limit transaction volume for value-add and opportunistic deals.

Share of volume by product type - trailing 12 months

Multifamily continued to lead the Triangle in volume over the last 12 months, but its share of activity as a percentage of volume declined as office sales increased notably.

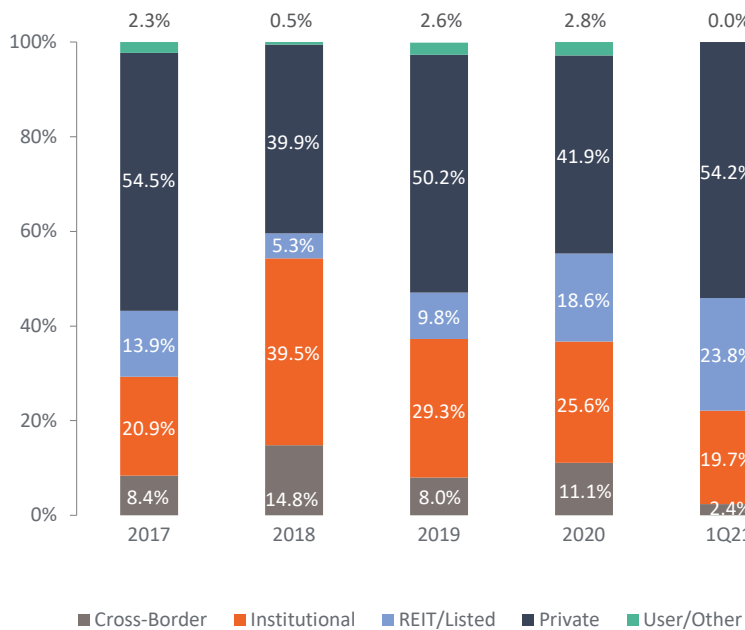


Investment volume

Trailing-12-month volume of \$5.1 billion in 1Q21 was 24% below that witnessed one year ago, reflecting the COVID-driven pause in activity in 2Q20.

Trailing 12-month investment volume, year-over-year trend

During the last year, investment volume declined compared to the previous 12-month period for all asset classes except office, where trophy sales and life science conversion plays drove robust demand despite the pandemic.

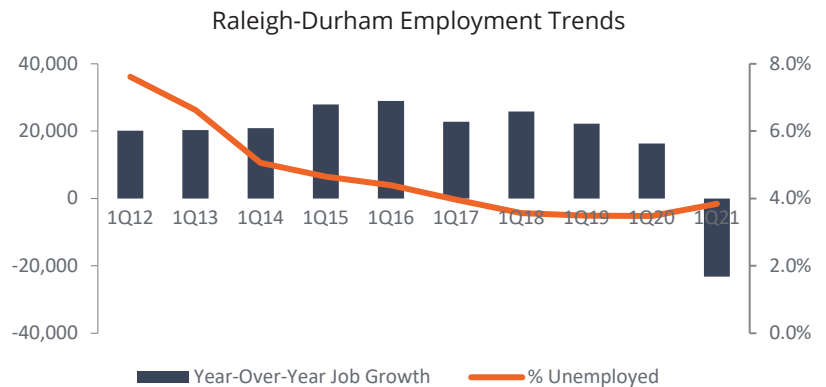


Buyer composition

The Triangle region has become increasingly attractive to investors as abundant capital shuns gateway cities in favor of high-performing secondary growth markets. Private equity has dominated the local buyer pool over the last year, followed by REITs. Cross-border capital has been negligible throughout the pandemic.

Employment trends

Triangle unemployment stood at 3.8% in March 2021, just 80 bps above its pre-pandemic level. The region has regained 75% of the jobs lost in early 2020. Governor Cooper intends to lift remaining occupancy restrictions on June 1st, which should accelerate the pace of recovery.



Select First Quarter Sales

Property	Type	Buyer	Size	Price (millions)	Price per sf/unit
The Forum ¹	Office	Highwoods Properties	635,380 sf	\$175.1	\$276
3801 & 3803 Computer Drive	Office	Atlas Stark	54,688 sf	\$9.9	\$181
Duke Medical Plaza	Medical Office	Healthcare Trust of America	40,725 sf	\$16.3	\$400
North 70 Distribution Center ²	Industrial	Brookfield Asset Management	259,934	\$20.3	\$78
120 Trans Air Drive	Industrial	Exeter	164,005 sf	\$16.1	\$98
Eastgate Crossing	Retail	Kite Realty Group	153,000 sf	\$46.0	\$301
Avent Ferry Shopping Center	Retail	Broad Reach Retail Partners	111,600 sf	\$15.8	\$142
Chatham Crossing	Retail	Stanton Partners	85,811 sf	\$14.8	\$172
Holly Springs Towne Center Outparcels	Retail	Agree Limited Partnership	62,000 sf	\$11.0	\$177
ARIUM Pinnacle Ridge	Multifamily	Priderock Capital Partners	350 units	\$59.5	\$170,000
Solis Alston	Multifamily	Cortland	240 units	\$59.4	\$247,500
Cortland Olde Raleigh	Multifamily	Cortland	228 units	\$42.7	\$187,281
Cortland Highcroft	Multifamily	Cortland	302 units	\$40.9	\$135,455
Pointe at Heritage	Multifamily	Beacon Real Estate Group	260 units	\$39.0	\$149,923
Woodlake Reserve	Multifamily	Harbor Group International	266 units	\$32.5	\$122,345

¹Majority interest (75%) sale. Price reflects full valuation. Purchase price for majority interest was \$131.3 million.

²Portfolio recapitalization. Seller retained minority interest.

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