

A photograph of three medical professionals in a modern hospital setting. A woman in blue scrubs, a man in a white lab coat and tie, and another woman in a white lab coat are gathered around a tablet computer, looking at the screen. The background shows a bright, modern hospital interior with glass railings and a ceiling with recessed lighting.

Raleigh-Durham medical office market report

Q4 2022

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Medical office market trends

01

Sales volume

As with much of the commercial real estate market, sale transaction activity fell off a cliff in the fourth quarter of 2022, with quarterly volume plummeting 76% year-over-year. Only \$18m of property transacted in the fourth quarter, bringing the annual total to \$177m thanks to strong volume in the second and third quarters. Debt market pricing coupled with choppy capital markets made for a difficult investing environment. Price discovery caused many investors to sit on the sidelines rather than be market participants. Moving forward, this trend is expected to continue in the near term until the volatility in the debt markets subsides and economic uncertainty abates, unless there is a specific motivating capital event.

02

Leasing activity

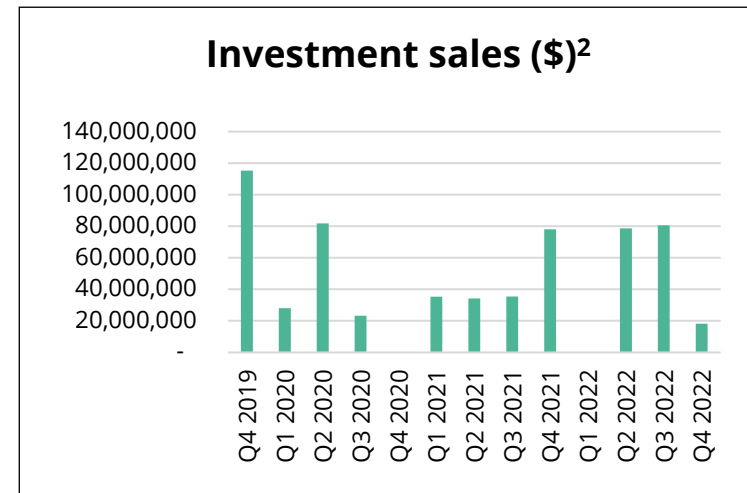
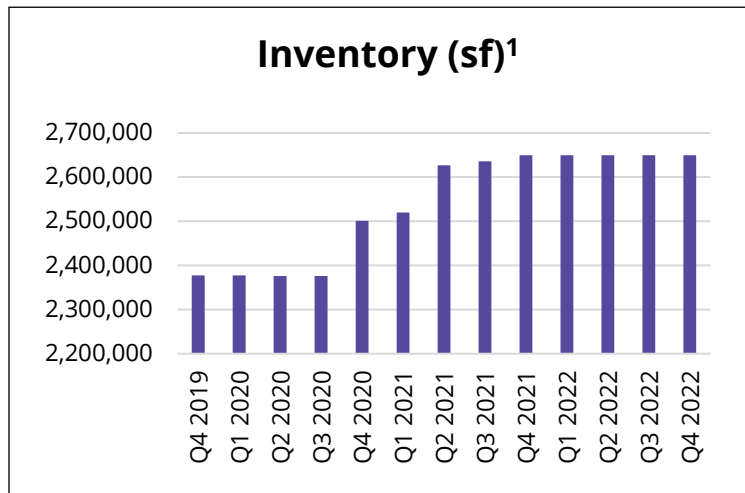
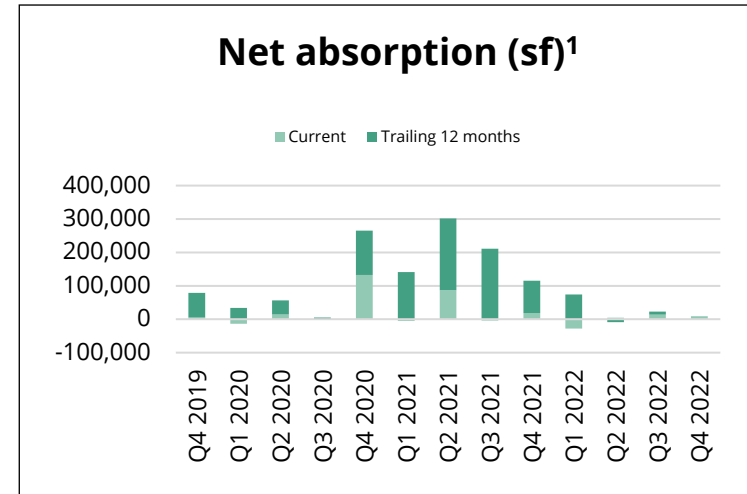
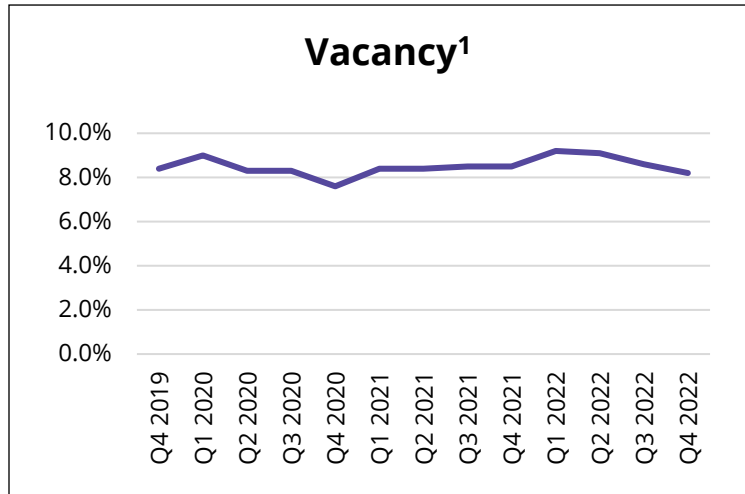
After peaking in the second quarter of 2021 at over 214,000 sf, trailing twelve-month net absorption has seen a steady decline for the most part, ending flat at the close of 2022. It is worth noting, though, that all 2022 individual quarters saw positive net absorption except the first quarter, which had negative absorption of 27,860 sf. This was caused largely by one occurrence, Duke's move-out at 4020 North Roxboro Street in Durham, vacating the 42,080-sf building in its entirety.

03

Vacancy rates

Vacancy among the medical submarkets covered in this report (page 4) continued its decline, landing at 8.2%, the lowest in two years. The WakeMed Raleigh submarket maintained the lowest vacancy for the fourth straight quarter, enjoying a 0.0% vacancy rate. Duke Raleigh Hospital's submarket was second with a significant decline from the previous quarter, dropping to 1.2% from 4.7% the previous quarter. The Duke Regional and WakeMed Cary areas again shared the top spots for highest vacancies but switched places, with Duke Regional's submarket 12.7% vacancy topping WakeMed Cary's 11.0%. All other submarkets had single digit vacancies.

Medical office market indicators



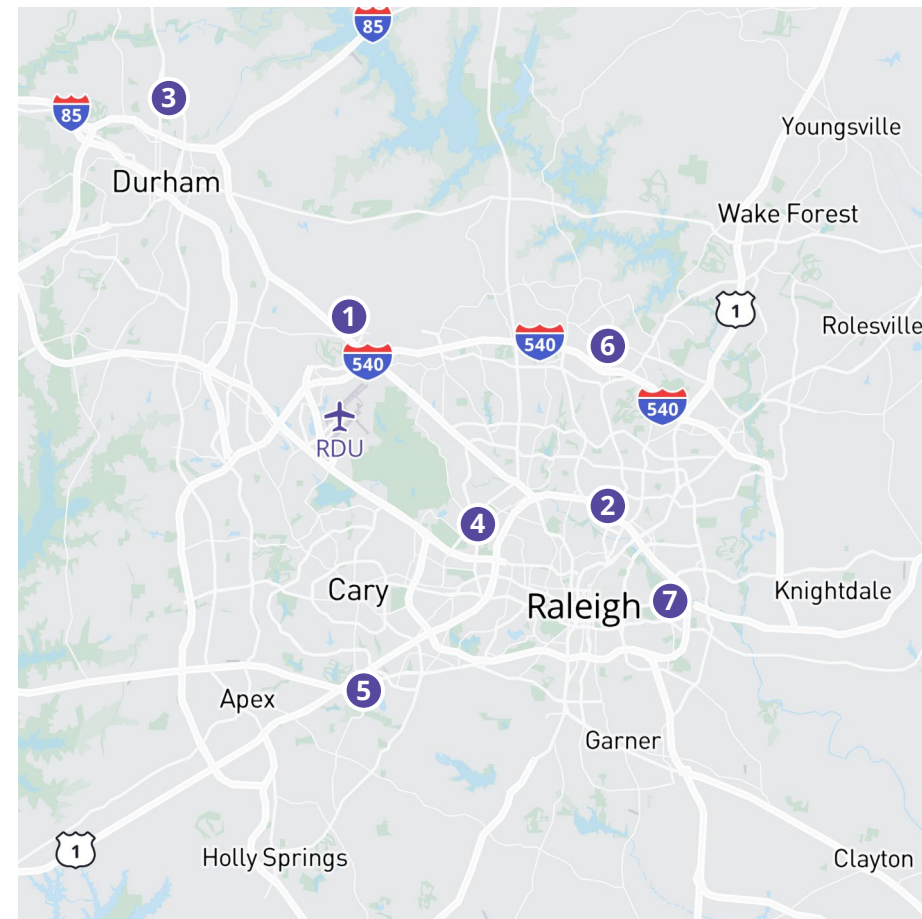
¹ Exclusive of MOB's owned by health systems

² Entire Raleigh-Durham medical market

Medical office market stats by submarket¹

By Submarket	Inventory (sf)	Vacancy		Net Absorption (sf)	
		SF	%	4Q 2022	Trailing 12 months
1 Brier Creek	217,009	6,394	2.9%	0	5,000
2 Duke Raleigh Hospital	95,660	1,166	1.2%	3,346	16,839
3 Duke Regional Hospital	461,693	58,629	12.7%	0	(43,600)
4 Rex Hospital	879,949	59,738	6.8%	(11,325)	(1,171)
5 WakeMed Cary	804,335	88,381	11.0%	16,950	15,168
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	218,512	8.2%	8,971	(389)

¹ Exclusive of MOB's owned by health systems



For more medical market
insights and information, contact

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