

# Raleigh-Durham



## Market Indicators

		YoY Change
Vacancy	8.0%	▲
Absorption (TTM)	139,154 sf	▼
Deliveries (TTM)	326,345 sf	▼
Under Construction	577,259 sf	▲
Avg. Asking Rate	\$19.92 psf	▲

The Urban Land Institute named the Triangle the **#1 U.S. Market to Watch for Overall Real Estate Prospects in 2021** in its recently released Emerging Trends in Real Estate report.

Triangle retail vacancy inched higher in 3Q20, rising 120 bps year-over-year to end the quarter at 8%. Net absorption was positive at nearly 111,000 sf primarily as a result of the completion of Twin Lakes Center, a 126,000-sf Wegmans-anchored center in Cary; and Peace, a 12-story apartment building with a 45,000-sf Publix on the ground floor in Downtown Raleigh. Without the deliveries, absorption would have been in the red.

With North Carolina still slowly making its way through a phased re-opening, many retail businesses are under enormous strain, with both national and local brands making the difficult decision to close permanently. The news has not all been bad for the Triangle's retail sector. Tenants with the wherewithal to expand are still drawn to the area for its rapidly growing, highly educated population. Many of the dynamics that made the Triangle attractive pre-COVID have been enhanced by the challenges faced by larger, more densely populated areas in the current environment. Some tenants have seized the opportunities presented by newly vacant spaces in prime

locations, particularly restaurants, which can get up and running quickly without substantial fit-up costs.

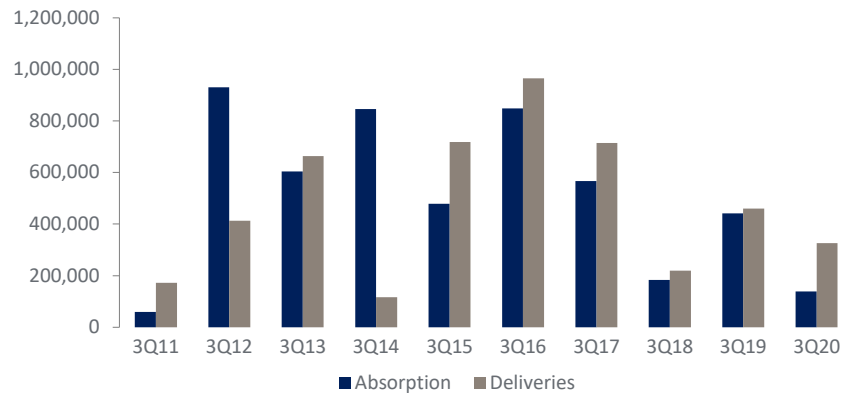
Of the 578,000 sf underway in 3Q20, 68% has been reported as preleased. The largest projects are grocery-anchored centers, including two additional Wegmans locations in Chapel Hill and Wake Forest. Triangle retail investment sales totaled \$104 million in 3Q20, led by the sale of two Triangle Wegmans locations. Realty Income paid Leyland Alliance \$34.9 million (\$350 psf) for a Wegmans store at the recently delivered Twin Lakes Center in Cary. In Chapel Hill, Agree Realty Corporation paid Leon Capital Group \$32 million (\$323 psf) for a store that is currently underway at 1810 Fordham Boulevard.

Despite near-term challenges, developers remain bullish on the Triangle market, with work slated to begin on a handful of large-scale mixed-use projects by early 2021. In its recently released Emerging Trends in Real Estate report, the Urban Land Institute named the Triangle the top U.S. market to watch for overall real estate prospects in 2021.

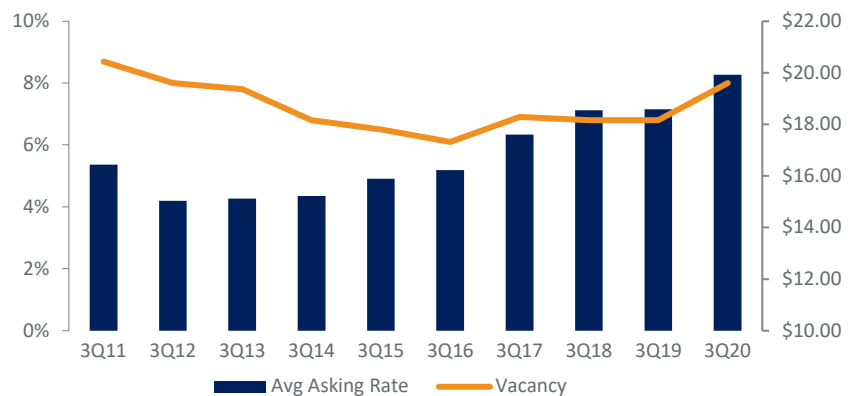
## Market Highlights

- Hoffman & Associates announced it will begin construction in 4Q20 on phase one of its Seaboard Station redevelopment. The first phase will include a seven-story, 300-unit apartment building with 30,000 sf of ground floor retail space. Another 100,000 sf of retail space is slated for future phases, along with an additional 300 apartments, a hotel and entertainment space.
- Turnbridge Equities revealed plans to break ground on the redevelopment of Cary Towne Center in early 2021. The project, dubbed Carolina Yards, will transform the long-struggling mall into a mixed-use destination with 360,000 sf of retail space, 1.2 msf of office space, 1,800 residential units and 450 hotel rooms.
- Just after the close of the quarter, Kane Realty Corporation revealed details for its plans to redevelop the former JCPenney site at North Hills. The project will include 100,000 sf of retail and 346,000 sf of office space, along with a 12-story apartment building. Restoration Hardware will open the Triangle's first RH gallery concept at the project. RH Raleigh will total 50,000 sf and will include a rooftop restaurant.
- Following the cumulative loss of 142,800 jobs over the course of March, April and May, the Triangle job market began to bounce back in June with the gradual easing of local lock-down measures. According to the Bureau of Labor Statistics, the Triangle regained 59,100 jobs (seasonally adjusted) between June and September. Unemployment has fallen from a peak of 11.2% in April to 6.1% in September, but the local labor force remains down by nearly 42,000 people versus year-end 2019.

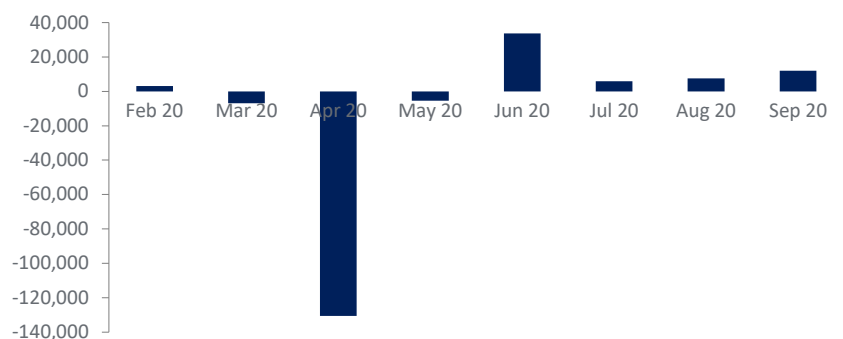
Absorption and Deliveries (trailing 12 months)



Vacancy and Average Asking Rental Rate (all classes - \$/sf/full service)



Triangle Monthly Job Growth (seasonally adjusted)



## Market By The Numbers

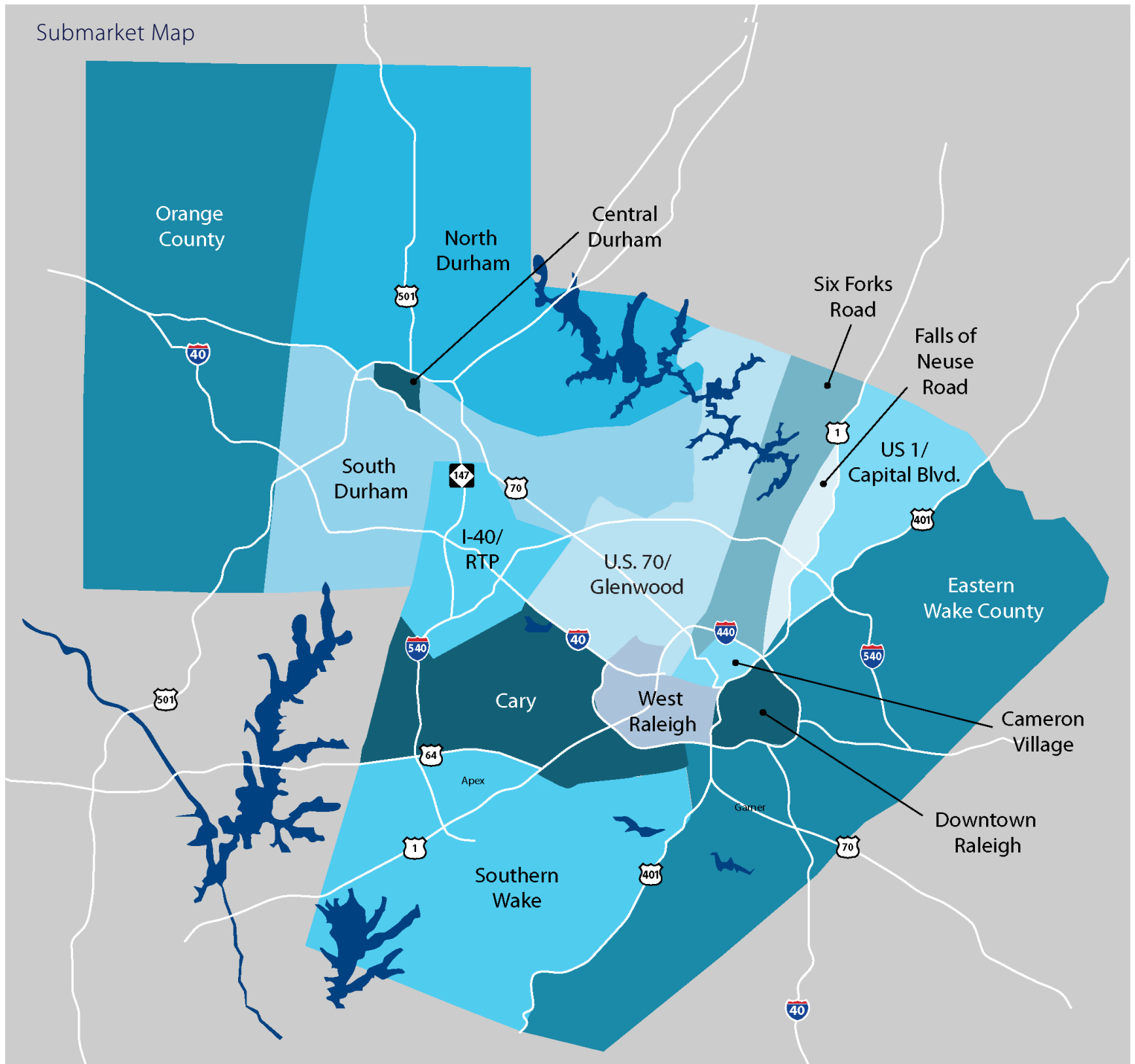
BY SUBMARKET	VACANCY			NET ABSORPTION		
	Inventory	Vacant SF	Vacant %	3Q20	Last 12 Mos.	SF Underway
West Raleigh	953,296	62,020	6.5%	(2,729)	9,140	-
US 70/Glenwood Avenue	5,051,836	382,292	7.6%	31,685	36,304	-
Six Forks Road	2,052,781	183,817	9.0%	(24,095)	(22,996)	8,215
Wake Forest/Falls of Neuse Road	2,498,952	116,175	4.6%	3,258	(5,966)	-
US 1/Capital Boulevard	6,242,353	486,662	7.8%	(19,855)	(92,243)	156,244
Downtown Raleigh	777,936	99,859	12.8%	32,814	45,662	74,109
Cameron Village	635,120	45,078	7.1%	14,291	(16,895)	-
Eastern Wake	3,919,593	250,190	6.4%	(200)	3,159	48,387
Southern Wake	3,904,201	186,927	4.8%	(52,150)	(48,112)	14,538
Cary	7,568,096	993,447	13.1%	84,434	115,734	71,057
I-40/RTP	990,982	52,400	5.3%	(706)	19,489	42,003
Central Durham	775,015	150,557	19.4%	(2,396)	(29,818)	5,006
North Durham	3,526,334	291,178	8.3%	12,746	56,796	-
South Durham	5,154,202	252,664	4.9%	35,108	78,412	58,700
Orange County	2,630,945	199,569	7.6%	(1,279)	(9,512)	99,000
<b>Totals</b>	<b>46,681,642</b>	<b>3,752,835</b>	<b>8.0%</b>	<b>110,926</b>	<b>139,154</b>	<b>577,259</b>

## New/Expanding Retailers

Tenant	Submarket	Comments
Wegmans	Cary	Opened new store at recently delivered Twin Lakes Center. Second Triangle location.
Publix	Downtown Raleigh	Opened new location on ground floor of recently delivered Peace apartments at Smoky Hollow.
Parker & Otis	Downtown Durham	Durham wine shop and bar backfilling former Tyler's Taproom at the American Tobacco Campus.
Chicken Salad Chick	Cary	Alabama-based restaurant opening first Triangle location at Waverly Place.
Fresh International Market	US 70/Glenwood	Illinois-based Asian grocer will backfill the former Earth Fare at Brierdale at Brier Creek. First NC location.
Longleaf Swine BBQ	Downtown Raleigh	Local restaurant will backfill the recently closed Oakwood Cafe.
RH Raleigh	Six Forks Road	Expansion at site of former North Hills JCPenney will include the Triangle's first Restoration Hardware Gallery.

## Closing/Contracting Retailers

Tenant	Submarket	Comments
Stein Mart	Multiple	Going out of business. Closing all U.S. stores, including five in the Triangle.
K&W Cafeteria	Multiple	Closing one-third of its locations, including two in the Triangle, after filing for bankruptcy.
Lou & Grey	North Hills	Closing North Hills location as part of Ascena Retail Group's bankruptcy filing.
Flywheel Sports	Cameron Village	Filed for Chapter 7 bankruptcy and closed all locations.
Bed Bath & Beyond	US 70/Glenwood	Pleasant Valley Promenade store one of 63 locations slated to close by the end of the year.
Brio Tuscan Grille	US 70/Glenwood	Closed Crabtree Valley Mall location permanently following bankruptcy filing of parent company.



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