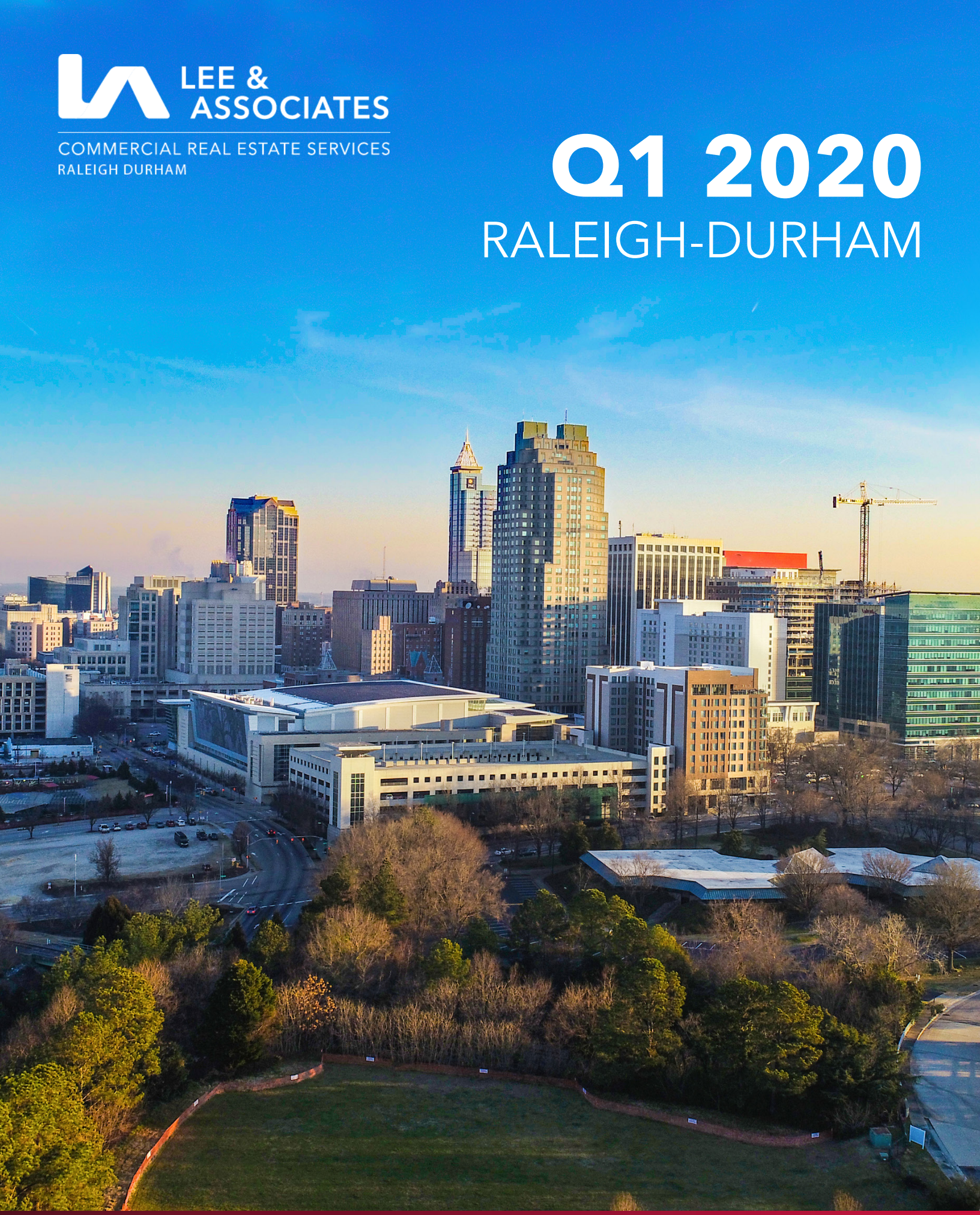
LEE & ASSOCIATES

COMMERCIAL REAL ESTATE SERVICES
RALEIGH DURHAM

Q1 2020
RALEIGH-DURHAM



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COMMERCIAL REAL ESTATE SERVICES

Q1 2020
RALEIGH, NC

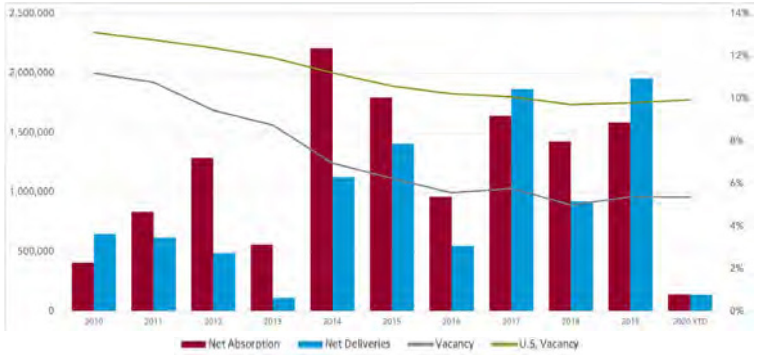
OFFICE MARKET OVERVIEW

BRIAN FARMER, *Senior Director*

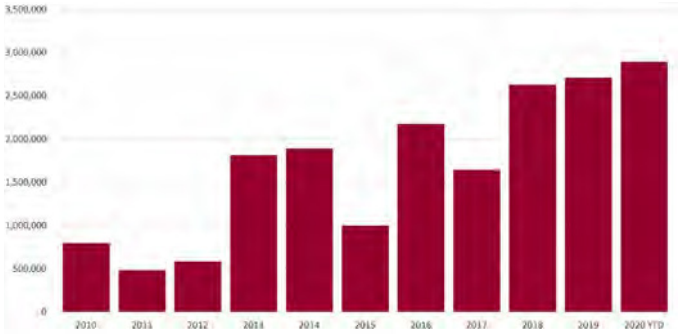
Positive absorption continued in the Raleigh office market in Q12020. Approximately 1 million SF was leased reducing the vacancy rate to 5.1%. While asking rents increased again, we expect some pricing correction as the market recovers from COVID-19 in the next quarters. Martin Marietta's relocation from a Class B building to a new build-to-suit Class A office was the largest lease. This deal as well as Golden Corral's corporate headquarters leases were both pre-leases of new developments. Rental rates we are seeing for new buildings are in the mid $30s/RSF, full service. Institutional investors continue to expand their office portfolios as represented by Alidade Capital's acquisition of Millpond Village mixed-use development.

MARKET INDICATORS	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
▼ Net Absorption	987,642 SF	1,584,763 SF	1,547,606 SF	1,593,967 SF	2,003,791 SF
▼ Vacancy Rate	5.10%	5.40%	4.90%	4.80%	4.70%
▲ Avg FSG Asking Rate	$27.46/SF	$27.06/SF	$26.73/SF	$26.41/SF	$26.05/SF
▲ Under Construction	2,909,177 SF	2,710,490 SF	3,218,788 SF	2,556,068 SF	2,083,015 SF
▲ Inventory	73,608,363 SF	73,487,574 SF	72,539,689 SF	72,293,157 SF	72,264,033 SF

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
3434 Kildaire Farm Rd Cary, NC	202,768 SF	$15,700,000 $77.43/SF	Alidade Capital The Simpson Org	Class B
5511 Capital Center Dr Raleigh, NC	161,060 SF	$33,000,000 $204.89/SF	Bridge Investment Group The Dilweg Companies	Class A
4505 Falls of Neuse Rd Raleigh, NC	111,534 SF	$19,747,521 $177.05/SF	Bridge Investment Group The Dilweg companies	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
4143 Parklake Ave Raleigh, NC	125,000 SF	Highwoods Properties	Martin Marietta	Business Services
4000 Paramount Pky Morrisville, NC	50,000 SF	SVT Paramount Pkwy LP	UCB Biosciences	Manufacturing
5401 Trinity Rd Raleigh, NC	39,438 SF	Keystone Corporation	Golden Corral	Restaurant

LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

Q1 2020
DURHAM, NC

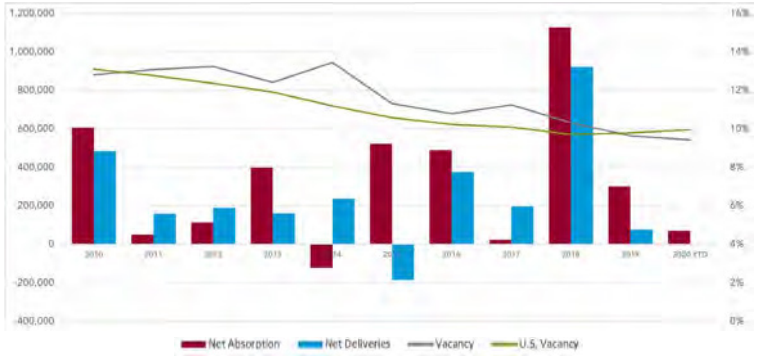
OFFICE MARKET OVERVIEW

MARLENE SPRITZER, JD, CCIM, *Senior Director*

Durham has been a vibrant location for companies to relocate and expand due to affordable rents paired with a strong university, pharmaceutical and life science centered market, and a steady supply of educated workers from top-rated universities however, it is most challenging to provide a forecast of the market impact of COVID-19. Current vacancy is ~9.0% and is expected to rise in the next few quarters. Durham's two most dynamic submarkets, Downtown and Research Triangle, have benefited the most from new and expanding tenants, specifically in the medical and technology sectors. These submarkets have posted the strongest rent growth numbers in the metro area.

MARKET INDICATORS	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
▲ Net Absorption	323,398 SF	300,968 SF	739,450 SF	964,866 SF	1,134,268 SF
▼ Vacancy Rate	9.40%	9.60%	10.10%	10.30%	10.00%
▲ Avg FSG Asking Rate	$24.52/SF	$24.37/SF	$24.30/SF	$24.18/SF	$23.90/SF
▲ Under Construction	1,342,636 SF	1,182,636 SF	1,062,636 SF	1,022,794 SF	1,028,566 SF
◄ ► Inventory	33,758,702 SF	33,758,702 SF	33,758,702 SF	33,745,442 SF	33,608,460 SF

NET ABSORPTION, NET DELIVERIES, & VACANCY



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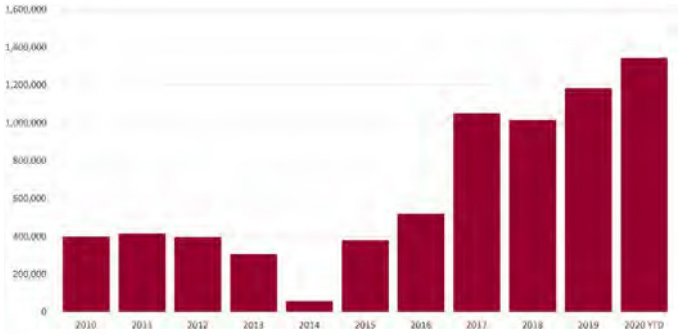
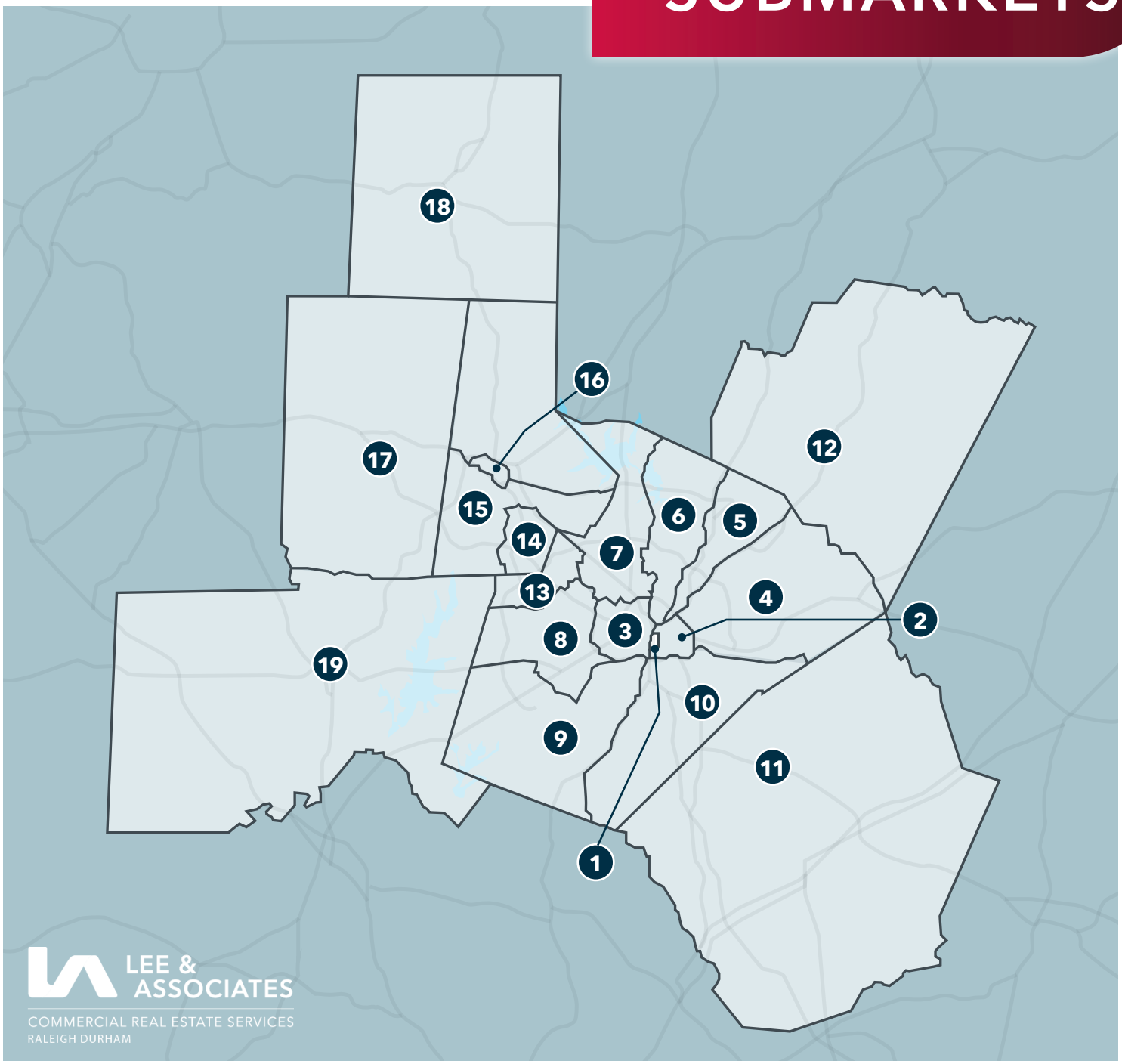


TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
5927 S Miami Blvd Durham, NC	102,896 SF	$21,556,000 $209.49/SF	Alidade Capital Crown Realty & Development	Class B
112 N Duke St Durham, NC	25,000 SF	$7,000,000 $280.00/SF	Asana Partners 2500 Bentley, LLC	Class B
323 Foster St Durham, NC	18,491 SF	$6,544,000 $353.91/SF	Arcos Properties The Seng Co.	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
710 Slater Rd Morrisville, NC	80,000 SF	Undisclosed	SolarWinds	Computer/Data Proc
3829-3839 S Alston Ave Durham, NC	23,239 SF	Scannell Properties	Lindenmyer Monroe	Manufacturing
3015 Carrington Mill Blvd Morrisville, NC	10,342 SF	Ascendas-Singbridge Group	Marvell Semiconductor	Manufacturing

RALEIGH-DURHAM

SUBMARKETS



01	Downtown Raleigh	06	Six Forks/Falls of Neuse	11	Johnston Co.	16	Downtown Durham
02	East Raleigh	07	Glenwood/Creedmoor	12	Franklin Co.	17	Orange Co.
03	West Raleigh	08	Cary	13	RTP/RDU	18	Person Co.
04	Northeast Wake Co.	09	Southwest Wake Co.	14	Research Triangle	19	Chatham Co.
05	US 1	10	Southeast Wake Co.	15	South Durham		

SERVICES & SPECIALTIES

Engaging the services of a qualified real estate professional is critical to the completion of a successful transaction, whether the transaction involves the acquisition, disposition, management, appraisal or leasing of commercial property. You can count on your local Lee & Associates professional to have the experience, knowledge and resources needed to meet the unique challenges of your transaction, and ensure that you make the most informed decision possible.

OFFICE An unprecedented demographic shift in the workforce has business owners rethinking workspace design to attract those that will help their businesses grow and thrive. The office has become a home away from home, and a place to create and collaborate. Lee office specialists have the experience and knowledge to help you navigate this changing world.

INDUSTRIAL Industrial users are faced with new challenges every day, including changing regulations, international competition, new technologies, and a shortage of efficient, cost-effective space. Our experienced industrial professionals are specialists in their local marketplaces who can help you secure a property that optimizes the operation of your business.

LAND Lee & Associates' team of professionals includes some of North America's top Land brokers. Their expertise in land entitlement and disposition provides our clients with an extensive knowledge of local market conditions, as well as development trends, and regulatory issues.

INVESTMENT The successful underwriting of any investment property is directly related to the depth of knowledge regarding occupier market dynamics, a core strength of every Lee office. Our brokers are local specialists who utilize their hands-on experience and comprehensive suite of analytical tools to help you acquire or dispose of commercial real estate assets when the time is right.

SUPPLY CHAIN & LOGISTICS The enormous growth of big-box and online retailing has been the catalyst for rapid logistics industry growth. Advances in materials handling technology and the construction of state-of-the-art facilities near intermodal hubs, has changed the way goods reach the consumer. Our dedicated logistics/supply chain specialists across the country speak your language and work together to get what you need when you need it.

MULTIFAMILY The multifamily investment market has experienced explosive growth in recent years. Demographic shifts and the re-urbanization and gentrification of neighborhoods across the country have put multifamily investment front and center. Safe, stable, more resilient to real estate cycles, and with their diversified tenant base, these factors make them a favorite among both institutional and private investors of all sizes. Lee & Associates has seasoned multifamily team, experts in their respective markets, who have the experience and track record to help you sort through their unique complexities.

SENIOR HOUSING & HEALTHCARE With the aging of the Baby Boomer generation, the largest in human history, comes a complex set of challenges for the senior housing and healthcare industry. That also means tremendous opportunity for investors and operators in the sector. Our Senior Housing/Healthcare specialists are trained and experienced in the sale and lease of specialized health-related facilities, including assisted living, skilled nursing and medical office properties.

RETAIL The proliferation of online retailing has triggered a transformation in the retail sector that we see as an opportunity. Retailers have adapted their brick-and-mortar platforms to include omnichannel retailing and "click and bricks" integration along with revised site requirements. Our retail specialists are at the leading edge of this transformation and understand your unique challenges. Our specialists will help you find a tenant/buyer, or the right location that optimizes market positioning, revenue growth, stability, and profitability.

DATA CENTERS Information Technology has become a mission-critical hub for every aspect of our clients' revenue generating business. The data center requires 100% uptime, and needs to be efficient, scalable, and secure. Lee & Associates' Data Center Advisory is dedicated to achieving these goals, while saving our clients time and money on their data center deployments.

CORPORATE SOLUTIONS At Lee & Associates we recognize the special needs of companies located in multiple markets, and we have specialists dedicated to meeting the unique challenges. We become your outsourced real estate department, and provide specialized services critical to the successful management of a portfolio of operating locations. Whether it's finding a new location, renewing a lease, or keeping track of all your current leases, we can help.

SELF STORAGE The storage industry, like other niche property types, has undergone a period of rapid change. While many facilities are still family owned, institutional players have increased their stakes in the industry, presenting new challenges to local investors. At Lee & Associates we have dedicated specialists to help you evaluate acquisition opportunities, or position your property for sale at terms that maximize your investment yield.

VALUATION & CONSULTING Our appraisers provide comprehensive, accurate appraisals across all commercial property types throughout the United States and Canada. They have unrestricted access to commercial property specialists in our offices nationwide. Lee brokers on the front line track every transaction in the marketplace and are the perfect source for the latest market intelligence that is vital to accurate property valuation. Our appraisers use the latest technology and analytical tools to complete each assignment, so that you can be confident in the result.

PROPERTY MANAGEMENT Our full-service property management services and daily oversight of commercial space are focused on reducing the efforts of our clients and tenants. We realize the importance of always being available in order to keep your property maintained at the highest level of service.

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Karah Jennings
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