

RALEIGH - DURHAM

# INDUSTRIAL MARKET OVERVIEW

## WAREHOUSE MARKET INDICATORS

	Q4 2013	Q4 2014
VACANCY	↓	↓
NET ABSORPTION	↑	↑
COMPLETIONS	—	↑
RENTAL RATE	↑	↓
US UNEMPLOYMENT	6.7%	5.6%
TRIANGLE UNEMPLOYMENT	5.0%	4.3%

## ECONOMIC OVERVIEW

The year 2014 produced one of the largest record-setting years in the Triangle market since the recession. With investor interest at an all-time high, consistently stable employment numbers and exploding growth rates, the Raleigh-Durham market experienced an exceptional 4Q and can expect an equally steady 2015.

The Triangle unemployment rate dropped to 4.3% as of December, down 0.7 points since the end of the third quarter and notably lower than the nation's unemployment rate of 5.6%. Since the beginning of 2014, 77 companies announced relocations or expansions in Wake County alone, which accounts for 4,541 new jobs and a solid investment of more than \$474 million. The Triangle ranks 10th in the nation for potential commercial real estate investments in 2015, with major growth rates expected to be upwards of 5%. The commercial real estate market relished in \$3.6 billion in office, industrial, retail and apartment property sales in 2014, which was 28% higher than the Triangle market's previous peak in 2007.

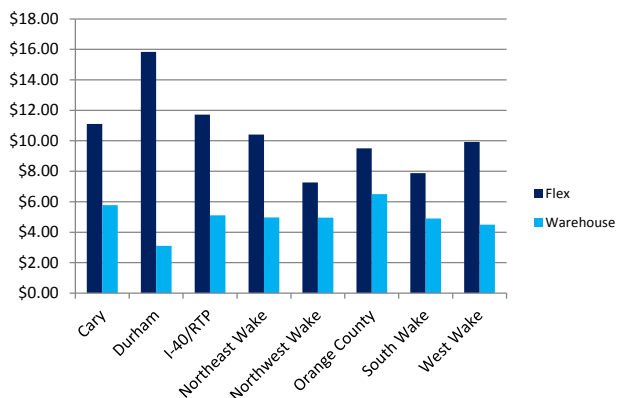
## FLEX MARKET INDICATORS

	Q4 2013	Q4 2014
VACANCY	↓	↓
NET ABSORPTION	↑	↓
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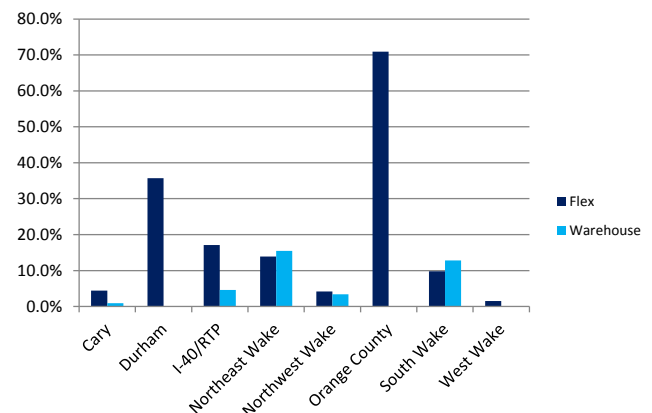
## MARKET OVERVIEW

At the end of 2014, the Triangle region's industrial inventory totalled over 29.88 million SF and included 414 buildings. The overall net absorption in the warehouse sector for the year end was reported at 771,640 SF, decreasing the market's vacancy rate to a record-low of 7.8%. This is the lowest vacancy rate reported in the warehouse sector since 2007. Both the South Wake and Northwest Wake submarkets provided the majority of the Triangle's positive warehouse demand for the fourth quarter of 2014 totalling 45,332 SF. As expected with several lease expirations at the end of the quarter, the Triangle flex market did experience a small set-back with a reported negative 166,827 SF of net absorption. However, in the Triangle's I-40/RTP submarket, Pearl Therapeutics expanded into 13,000 SF at Royal Center I. The flex market could see it's first new delivery since 2009 in the beginning of 2015 with the completion of Triangle East Business Park and ACC Building I, adding an additional 44,000 SF.

RENTAL RATES



VACANCY RATES



## MARKET COMPARISONS

## FLEX MARKET

Submarket	BLDGS	Total Inventory SF	Weighted Vacancy Rate	Net Absorption Current Quarter SF	Completions Current Quarter SF	Under Construction SF	Proposed SF	Weighted Average Rental Rate
Cary	25	903,150	4.4%	10,293	-	-	-	\$11.11
Durham	6	437,631	35.7%	-	-	-	-	\$15.84
I-40/RTP	77	5,706,730	17.1%	(176,982)	-	-	205,426	\$11.72
Northeast Wake	67	2,697,629	13.9%	(183)	-	-	18,000	\$10.41
Northwest Wake	7	237,469	4.2%	7,450	-	24,000	30,371	\$7.26
Orange County	2	43,000	70.9%	-	-	-	31,000	\$9.50
South Wake	21	967,863	9.8%	(7,405)	-	20,000	-	\$7.87
West Wake	23	483,925	1.5%	-	-	-	-	\$9.92
<b>TOTAL</b>	<b>228</b>	<b>11,477,397</b>	<b>14.7%</b>	<b>(166,827)</b>	<b>-</b>	<b>44,000</b>	<b>284,797</b>	<b>\$10.95</b>

## MARKET COMPARISONS

## WAREHOUSE MARKET

Submarket	BLDGS	Total Inventory SF	Weighted Vacancy Rate	Net Absorption Current Quarter SF	Completions Current Quarter SF	Under Construction SF	Proposed SF	Weighted Average Rental Rate
Cary	5	233,527	0.9%	-	-	-	-	\$5.77
Durham	12	1,417,022	0.1%	-	-	-	255,000	\$3.11
I-40/RTP	60	8,798,136	4.6%	921	-	97,500	277,644	\$5.11
Northeast Wake	58	4,210,502	15.5%	3,868	-	-	-	\$4.97
Northwest Wake	8	618,450	3.4%	27,860	-	-	-	\$4.95
Orange County	1	260,000	0.0%	-	-	-	-	\$6.50
South Wake	41	2,796,324	12.8%	17,652	-	-	280,250	\$4.90
West Wake	1	71,389	0.0%	-	-	-	-	\$4.50
<b>TOTAL</b>	<b>186</b>	<b>18,405,350</b>	<b>7.8%</b>	<b>50,301</b>	<b>-</b>	<b>97,500</b>	<b>812,894</b>	<b>\$4.97</b>

## FLEX MARKET OVERVIEW

The Triangle flex market experienced a \$0.57 increase in average rental rates since the end of 2013, with 4Q rates reported at \$10.95 per square foot. The Durham submarket posted the highest average rental rates for this quarter at \$15.84 per square foot. While the flex market showed a slight uptick in average vacancy rates for the fourth quarter, the proposed 284,797 SF of new space could be delivered as early as the beginning of 2015 with a pre-leasing rate of 80% at the ACC-Building I in the Northwest Wake submarket. The Cary submarket experienced the most positive net demand with a net absorption of 10,293 SF.

## WAREHOUSE MARKET OVERVIEW

The region's warehouse market experienced 50,301 SF of positive net absorption for the fourth quarter of 2014. The Northwest Wake submarket posted the strongest numbers for this quarter with 27,680 SF of net demand and a reported vacancy rate of 3.4%. The uptick in positive absorption was a direct result of Guardian Logistics Solution's occupancy of 25,000 SF in Building II at Westgate Industrial Park and Alpine Air's occupancy of 2,860 SF at 6800 Triangle Drive. Over the course of 2014, the warehouse market in the Raleigh-Durham market reported 772,000 SF of positive net absorption. Average rents across the Triangle region's warehouse market were reported at \$4.97 per square foot, a 0.1 percentage point drop since the end of 2013. The Cary submarket posted the highest average rents for the fourth quarter at \$6.50 per square foot. At 7.8%, the average vacancy rate in the Triangle's warehouse market dropped for the fifth consecutive year to pre-recession levels and a rate not seen since 2010.



KEYSTONE PARK



WAKE TECH COMMUNITY COLLEGE

## SELECT Q4 2014 INDUSTRIAL TRANSACTIONS

SALES	BUILDING	SUBMARKET	SALE PRICE	SF	TYPE
	former Synthon Building	I-40/RTP	\$5,100,000	30,536	Flex
	4800 Old Powell Road	Southeast Wake	\$4,715,000	56,442	Warehouse
	Hughes Supply	Northeast Wake	\$3,250,000	68,109	Warehouse
LEASES	BUILDING	SUBMARKET	TENANT	SF	TYPE
	3200 Bush Street	Northeast Wake	Wake Tech Community College	81,090	Warehouse
	Research Tri-Center South	I-40/RTP	Move Loot	51,863	Warehouse
	Keystone Park - Bldg. B	I-40/RTP	Champagne Logistics	40,000	Warehouse; Renewal
	Royal Center I	I-40/RTP	Pearl Therapeutics	13,000	Flex; Expansion
	MacGregor Park	Cary	Epic Games	5,700	Flex

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- › Build-to-Suit
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- › Reposition/Retrofit
- › Sale/Leaseback

485 offices in  
63 countries

- \$2.1 billion in Revenue
- \$75 billion Total Transaction Value
- 1.46 billion square feet managed
- 15,800 Professionals

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