

Retail sector closes 2024 strong as absorption surges

▼ 4.8%

Vacancy Rate

▲ 289,586

SF Net Absorption

▼ 373,586

SF Under Construction

▲ \$281.0M

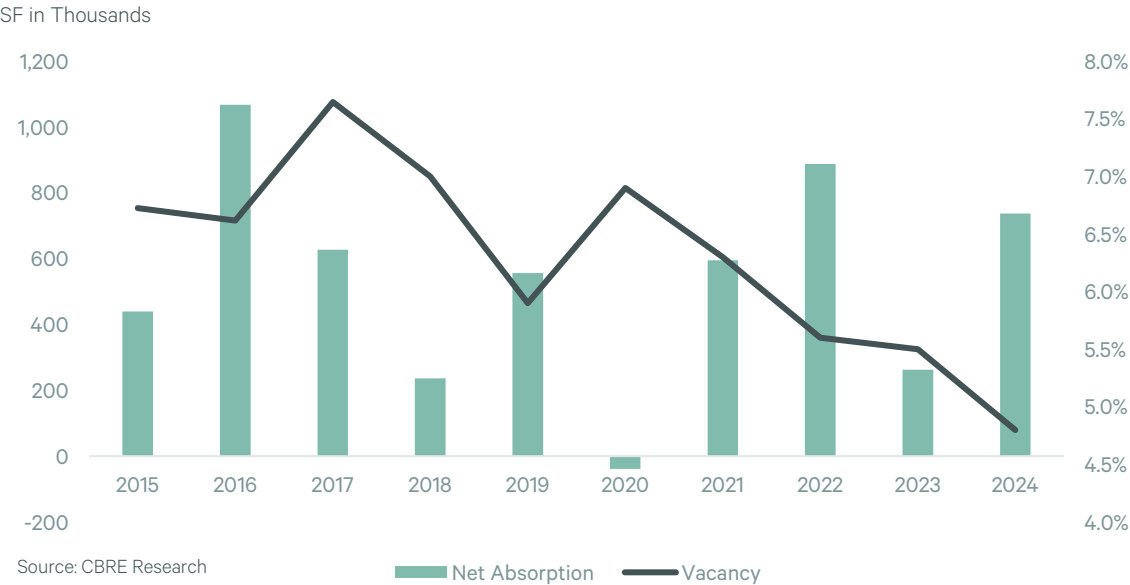
Trailing-12-Month Retail Investment Sales

Note: Arrows indicate change from previous quarter.

Market Report Highlights

- Raleigh-Durham’s retail market recorded 289,586 sq. ft. of net absorption during Q4 2024, bringing the year-to-date total to 737,091 sq. ft.
- Vacancy ended Q4 at 4.8%, down 40 basis points for the quarter and 70 bps year-over-year.
- Construction deliveries added 212,600 sq. ft. to inventory in Q4, with 85% of the space leased upon completion. Of the 373,586 sq. ft. still underway, 57% has been reported as leased.
- Six Forks Road and Southern Wake witnessed the strongest absorption of the quarter thanks to healthy take up of space in newly delivered mixed-use projects.

FIGURE 1: Net Absorption and Vacancy



Market Fundamentals

Raleigh-Durham’s retail sector turned in a strong performance in Q4 2024 as net absorption surged to 289,586 sq. ft., bringing the year-to-date total to 737,091 sq. ft. The activity was driven primarily by construction deliveries and strong tenant leasing activity. Vacancy fell to 4.8%, down 40 basis points for the quarter and 70 bps year-over-year.

Construction Deliveries Continue to Contribute to Strong Absorption

The Six Forks Road submarket reported the strongest absorption of the quarter with net absorption of 75,788 sq. ft. In North Hills, the delivery of RH Raleigh | The Gallery at North Hills, a 48,600 sq. ft. property, was a significant contributor to such high absorption in the submarket. This was the latest phase of the North Hills Main District expansion and is North Carolina’s second RH Gallery location. The Main District expansion also included new to market True Food Kitchen and Village Tavern plus flagship re-openings of Lululemon and Peter Millar.

Posting the second strongest absorption in our market was Southern Wake, bolstered by the delivery of the 64,000 sq. ft. Harris Teeter anchored Sweetwater Town Center in Western Apex. Largely attributed to Harris Teeter’s opening. Southern Wake reported a Q4 absorption of 69,389 sq. ft., bringing the YTD absorption in Southern Wake to 72,811 sq. ft.

In the US 1/Capital Boulevard submarket, the much anticipated 100,000 sq. ft. Salvage Yard at Raleigh Iron Works delivered. The property is currently anchored by Triangle Rock Club and will have several elevated local brands opening in 2025.

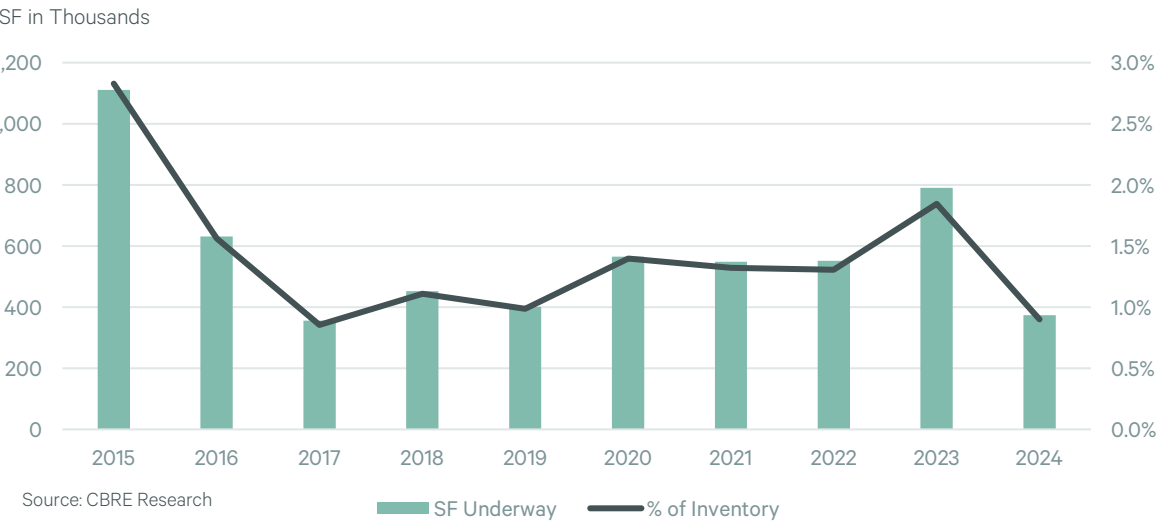
Of the 373,586 sq. ft. under construction in Q4, 57% has been reported as leased. The most recent project to break ground is phase one of Wallbrook in the US 1/Capital Boulevard submarket. The 77,699-sq.-ft. project will be anchored by Publix with an additional 17,412 sq. ft. of shop space available for lease and several outparcels available. 12 new retail tenants have been announced and will open in Q3 and Q4 2025.

FIGURE 2: Select Q4 2024 Lease Transactions

Tenant	Location	Square Feet	Submarket
Bob’s Discount Furniture*	Crossroads Plaza	43,015	Cary
Bob’s Discount Furniture	Patterson Place	33,839	South Durham
Hair Depot	Durham Plaza	27,720	North Durham
Skechers*	Renaissance Center at Southpoint	9,633	South Durham
PRIME STQ*	Hub RTP	7,957	RTP/I-40 Corridor
Solidcore*	The Novus	2,366	Central Durham

*Denotes CBRE Transaction

FIGURE 3: Historical Construction Activity



Activity in Capital Markets Remains Low, Despite Notable Sales

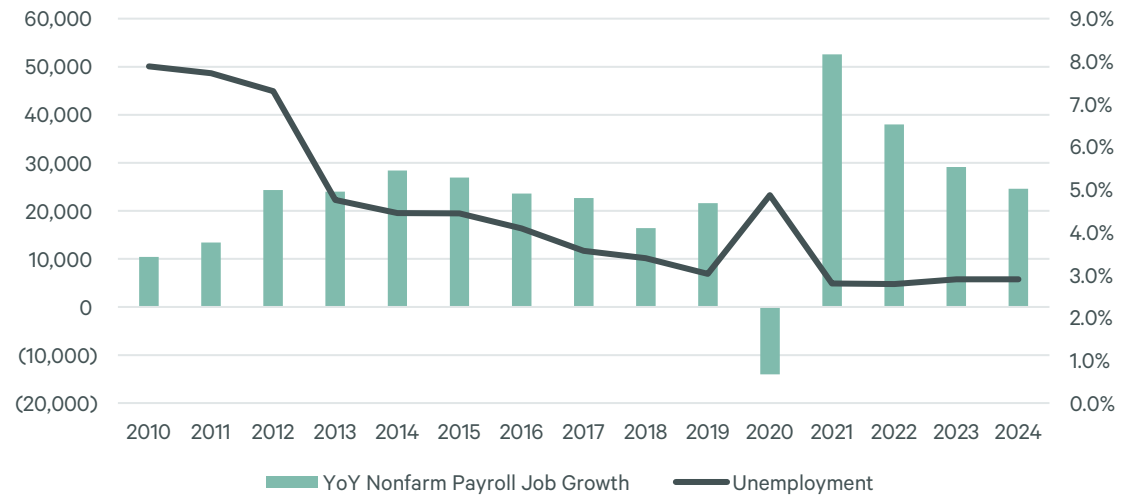
Due to a persistently challenging lending market, capital markets activity remained subdued through the end of 2024, despite increasing investor favorability towards the retail sector. According to Real Capital Analytics, Raleigh-Durham retail property sales totaled \$82.1 million in Q4, bringing the year-to-date total to just under \$281 million. The quarter's standout transaction was Brixmor's acquisition of North Ridge Shopping Center from Washington Prime Group for \$54.5 million (\$321/SF) in the Falls of Neuse submarket. Also of note, BrodyCo bought Hemlock Plaza in Cary from APG Capital for \$9.2 million (\$177/SF).

Outlook

Raleigh-Durham's retail sector looks promising heading into 2025, with a substantial amount of construction set to be completed in the first quarter, much of which is already leased. Retail sales continue to demonstrate solid performance, indicating the stability of consumers. The University of Michigan's consumer sentiment index rose to 74.0 in December, up from 70.1 in September. Easing inflation and the Fed's interest rate reduction were contributors.

Both locally and nationally, there is limited new retail space scheduled for delivery in 2025, with much of the upcoming space already substantially leased. The limited availability is expected to drive higher rents throughout 2025. However, potential store closures could offer an increase in available space. Demand from retailers seeking to expand or break into the rapidly growing Raleigh-Durham region shows no signs of abating. According to recently released data from the U.S. Census Bureau, North Carolina was the fifth fastest-growing state in 2023 and is projected to become the 7th most populated state in the U.S. in the early 2030s by their projections. Raleigh-Durham is among the areas driving that growth thanks to its healthy economy, relative affordability and high quality of life, which continue to make it a prime target for retailers. The region added 24,600 nonfarm payroll jobs in the 12 months ending with December 2024, and unemployment sat at 2.9%, well below the 3.8% unemployment rate at the national level.

FIGURE 4: Raleigh-Durham Unemployment and Job Growth, December of Each Year



Source: Bureau of Labor Statistics, December 2024, Not Seasonally Adjusted

FIGURE 5: Select Q4 2024 Sale Transactions

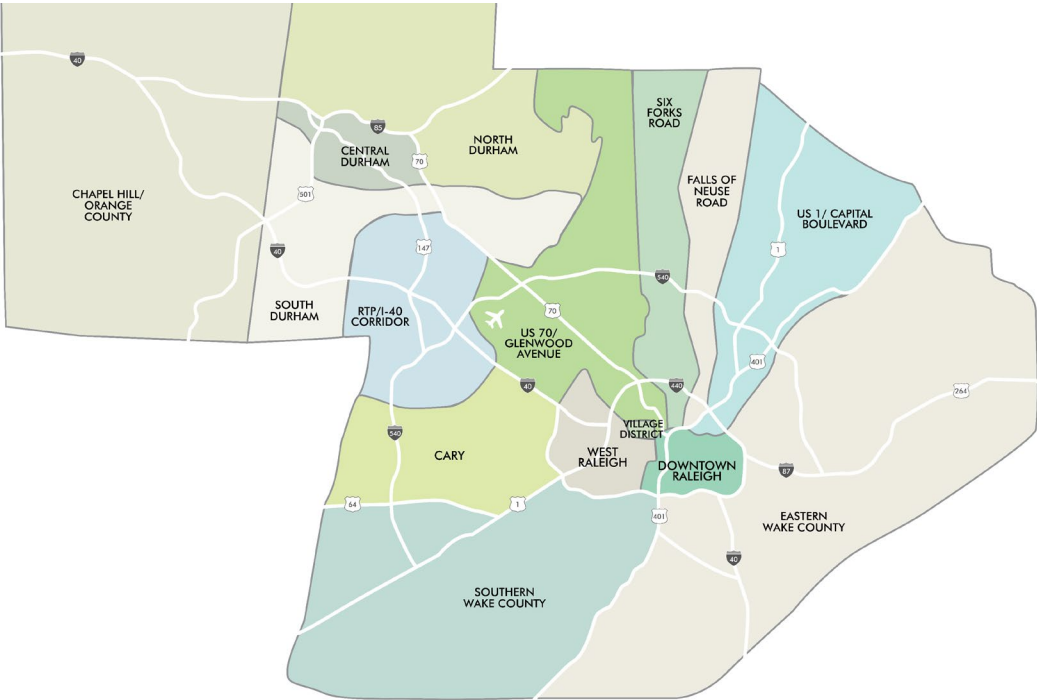
Building	SF	Price	Price Per SF	Submarket	Buyer
North Ridge Shopping Center	169,827	\$54.5M	\$321	Falls of Neuse	Brixmor
Centre Point Plaza	159,259	\$11.6M	\$73	Smithfield	United Properties Corp.

Source: Real Capital Analytics, CBRE Research

FIGURE 6: Submarket Breakdown

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Availability Rate	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)
West Raleigh	947,722	79,511	8.4%	8.4%	1,864	(11,652)	-
US 70/Glenwood Avenue	3,692,493	240,515	6.5%	6.5%	3,556	(31,350)	-
Six Forks Road	2,139,366	80,593	3.8%	3.8%	75,788	220,344	-
Falls of Neuse	2,718,846	121,500	4.5%	4.5%	13,073	44,032	-
US 1/Capital Boulevard	5,605,386	437,263	7.8%	8.1%	(49,662)	(7,132)	107,699
Downtown Raleigh	1,328,086	193,665	14.6%	16.7%	6,358	74,727	38,319
Village District	642,920	1,772	0.3%	0.3%	2,990	16,705	-
Eastern Wake	3,705,773	76,966	2.1%	2.4%	5,982	75,343	18,673
Southern Wake	4,441,809	75,308	1.7%	2.4%	69,389	72,811	125,670
Cary	7,159,686	270,934	3.8%	3.8%	68,935	108,442	-
RTP/I-40 Corridor	1,195,107	56,496	4.7%	4.7%	10,388	43,508	-
Central Durham	1,000,728	115,604	11.6%	16.5%	7,911	41,530	59,325
North Durham	2,929,376	138,761	4.7%	4.7%	2,997	(18,598)	-
South Durham	3,913,204	141,877	3.6%	3.6%	40,399	67,746	-
Chapel Hill/Orange County	2,490,666	91,897	3.7%	4.4%	29,618	40,635	23,900
Market Totals	43,911,168	2,122,662	4.8%	5.2%	289,586	737,091	373,586

Market Area Overview



Definitions

- Vacant Sq. Ft.: Space that can be occupied within 30 days.
- Vacancy Rate: Total vacant sq. ft. divided by the total building area.
- Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
- Availability Rate: Total available sq. ft. divided by the total building area.
- Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.
- Net Absorption: The change in occupied sq. ft. from one period to the next.
- Occupied Sq. Ft.: Building area not considered vacant.
- Market Rentable Area: Total sq. ft. of tracked inventory in the Raleigh-Durham market. Includes shopping centers with 25,000 sq. ft. or more and ground-level retail space in urban mixed-use projects totaling 10,000 sq. ft. or more. Enclosed malls are excluded.

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