

Booming local economy and in-migration drive retail resurgence in Raleigh-Durham

▲ 6.7% Vacancy Rate ▼ 383,130 SF Net Absorption ▼ 329,328 SF Construction

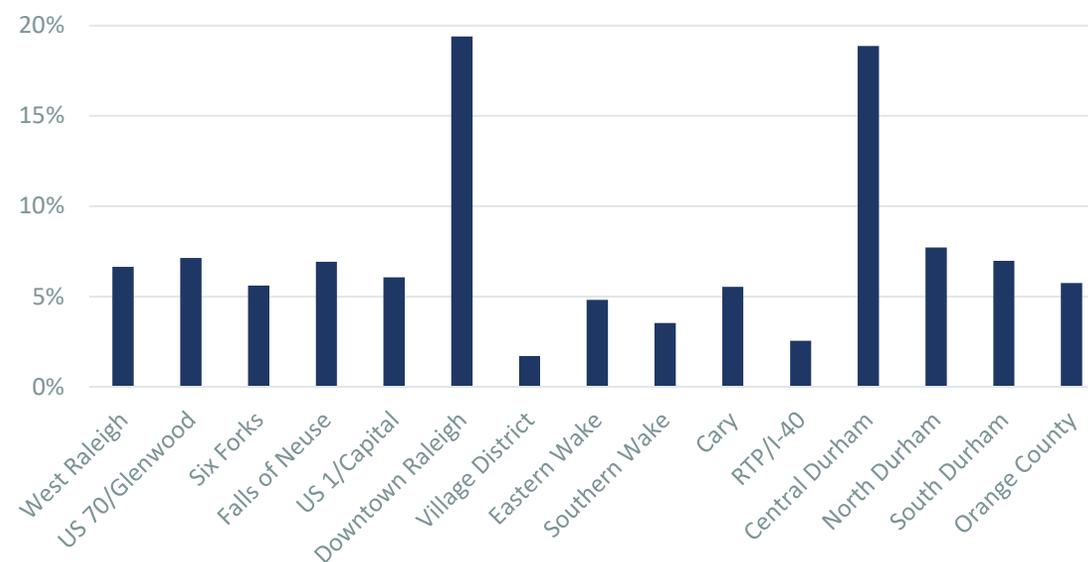
Note: Arrows indicate change from year-end report.

Market Report Highlights

- The retail market recorded 383,130 sq. ft. of net absorption during the first half of 2022.
- The Q2 2022 overall vacancy rate remained steady quarter-over-quarter at 6.7%.
- Construction activity remains healthy at 329,328 sq. ft.
- Construction deliveries through mid-year 2022 totaled 229,647 sq. ft.

CBRE | Raleigh tracks over 42 million sq. ft. of retail space in the Raleigh-Durham market. The market is composed of three counties - Wake, Durham and Orange - and 15 separate submarkets. The numbers reflected in the report exclude enclosed malls.

FIGURE 1: Overall Vacancy Rates



Source: CBRE Research, H1 2022

Raleigh-Durham ended Q2 2022 with robust retail leasing activity and declining vacancy year-over-year. The local retail sector remains resilient despite challenges related to staffing, construction costs, permitting delays and supply chain issues. CBRE|Raleigh is tracking record retail leasing activity and a healthy supply-demand balance in Raleigh-Durham’s suburban and urban trade areas. Net absorption topped 380,000 sq. ft. in the first six months of the year, sending vacancy down 40 basis points to 6.7% year-over-year. CBRE|Raleigh is carefully watching as high construction costs and the impact of rising interest rates on national debt markets cause some developers to delay or shelve new retail and mixed-use projects. Additionally, national retailers’ earnings are being hindered by rising product and upfit costs, supply chain issues and labor shortages.

Downtown Raleigh is experiencing a revival in food and beverage growth. With over 40,000 sq. ft. of pending retail leases, the submarket is poised to register stronger leasing activity in 2022 than it witnessed in the previous three years combined. Many national and regional tenants are focused on Downtown Raleigh, including new-to market-brands in the restaurant and entertainment industry. Several of these brands are close to executing leases that should be announced in the second half of 2022 at projects like Seaboard Station, Smoky Hollow, Raleigh Crossing at 301 Hillsborough and Bloc [83]. Even Downtown Raleigh’s Fayetteville Street District, which was most severely impacted by COVID-19, is seeing strong ground-floor activity.

Central Durham is also witnessing strong construction activity and leasing momentum. Google, GlaxoSmithKline and Clorox have made major office commitments to Central Durham, and Facebook parent Meta is reportedly planning a major presence in the submarket. Developers remain active with high-profile mixed-use projects: Collett Capital delivered Atlas Durham in Q2 2022, renovations continue at Brightleaf Square, Camden Durham will deliver in 2023, and Austin Lawrence Partners recently broke ground on Novus. Most notably, Hines and Capitol Broadcasting Company will expand American Tobacco’s massive campus with the construction of new retail, office and multifamily space. The Fresh Market has signed on to anchor the retail portion of the project. Investment activity has also been strong. Sterling Bay and Acram group closed on the Heritage Square redevelopment site at record pricing late June.

FIGURE 2: Top Lease/Sale Transactions in H1 2022

Lease: Tenant	Address	Square Feet	Submarket	
*TJ Maxx	Sexton Commons	23,000	Southern Wake	
*Pop Shelf	Beaver Creek Commons	12,960	Southern Wake	
*Skechers	Crossroads Plaza	10,400	Cary	

Sale: Building	Square Feet	Purchase Price	Price Per Sq. Ft.	Submarket
Waverly Place	198,000	\$88.5 M	\$446	Cary
At Home	119,000	\$11.5 M	\$97	US 1/Capital Blvd
Parkwest Crossing	85,500	\$13.25 M	\$155	South Durham

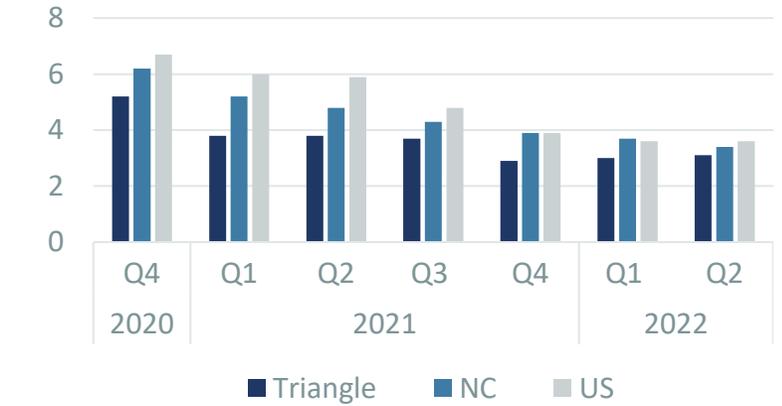
* Denotes CBRE|Raleigh Transaction

Among Raleigh-Durham’s suburban markets, Cary in particular is witnessing significant activity. Hines and Columbia Development opened phase one of Fenton in June. Fenton is one of the largest mixed-use projects to be delivered in the United States this year and features an impressive line-up of retailers and restaurants, including Williams Sonoma, Pottery Barn, Lululemon, Superica and Colletta. Northpond Partners and LODEN Properties are planning a massive redevelopment of South Hills, and Epic Games has started demolition of Cary Towne Center for its global headquarters. In Downtown Cary, Chatham Street Commercial and other developers are pressing forward with revitalization efforts. Market retail investment sale pipeline is also robust. Hines closed on the Whole Foods-anchored Waverly Place in June for \$88.5 million, and the Publix-anchored Bradford shopping center sold this summer.

FIGURE 3: Submarket Breakdown

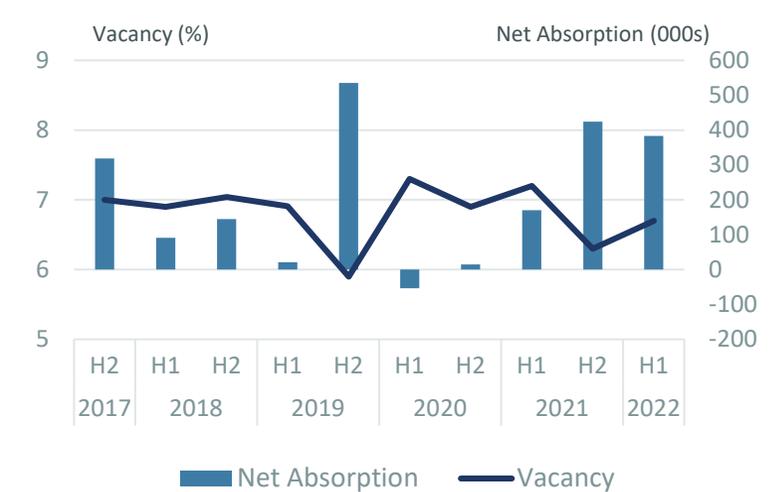
Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Availability Rate	Net Absorption (SF)	Under Construction (SF)
West Raleigh	957,651	63,629	6.6%	6.6%	(7,571)	0
US 70/Glenwood Ave	3,665,807	261,268	7.1%	7.4%	2,161	11,000
Six Forks Road	2,014,774	112,985	5.6%	5.9%	9,098	6,627
Falls of Neuse	2,511,597	173,770	6.9%	6.9%	(16,569)	0
US 1/Capital Blvd	5,295,591	490,778	6.1%	7.6%	82,270	123,703
Downtown Raleigh	858,481	166,531	19.4%	27.4%	(2,677)	68,300
Village District	635,120	10,781	1.7%	1.7%	(44)	0
Eastern Wake	3,553,456	171,315	4.8%	5.4%	22,756	33,053
Southern Wake	4,264,515	150,480	3.5%	3.9%	20,345	38,000
Cary	7,220,244	399,436	5.5%	6.3%	363,696	28,000
RTP/I-40 Corridor	1,014,662	25,787	2.5%	2.5%	16,782	9,613
Central Durham	931,415	175,838	18.9%	20.1%	3,794	11,032
North Durham	2,928,176	225,756	7.7%	7.7%	(121,013)	0
South Durham	3,819,292	266,752	7.0%	7.0%	(2,508)	0
Orange County	2,462,993	141,609	5.7%	5.7%	12,610	0
Market Totals	42,133,774	2,836,715	6.7%	7.4%	383,130	329,328

FIGURE 4: Unemployment Statistics (%)



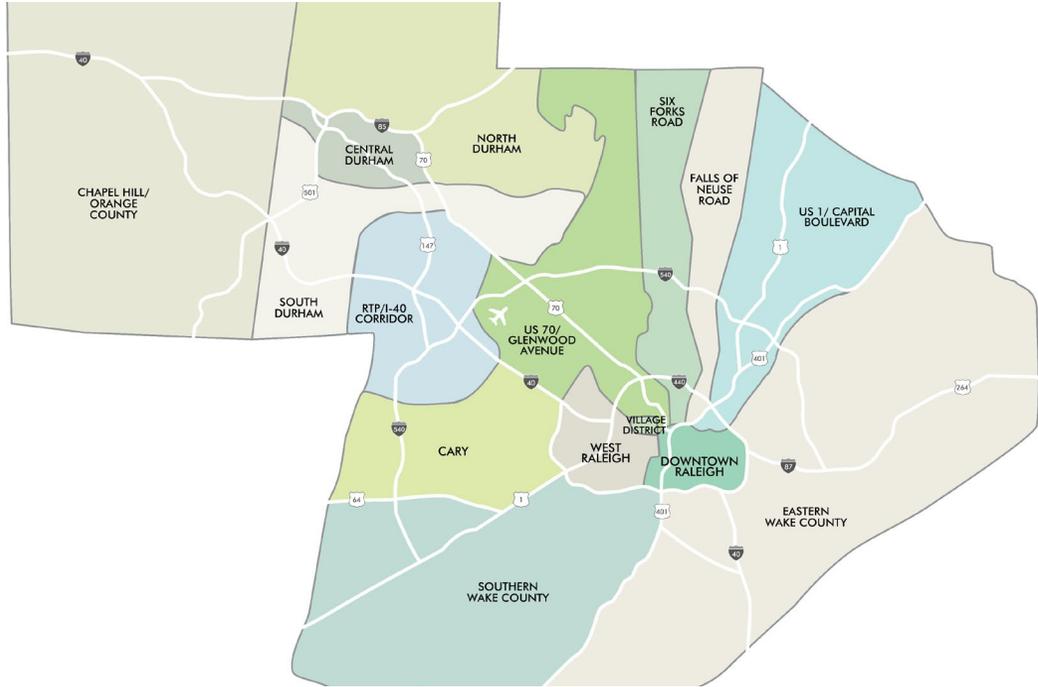
Source: BLS, June 2022

FIGURE 5: Vacancy and Net Absorption



Source: CBRE Research, H1 2022

Market Area Overview



Definitions

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. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days.

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