

Raleigh-Durham investment market trends

Second Quarter 2021

After a slow start to the year, Raleigh-Durham investment sales picked up in the second quarter. Overall volume of \$1.6 billion brought the trailing-12-month total to \$6.3 billion, slightly ahead of volume witnessed during the prior trailing-12-month period.

Multifamily sales once again led the way with more than \$945 million in property changing hands in the second quarter. Occupancy has held up well despite new supply, and rent growth has strengthened since the beginning of the year.

The industrial sector also turned in a strong performance, with second-quarter volume clocking in at \$526 million. The recapitalization of a 37-property portfolio by Equus Capital Partners accounted for \$414 million of that total as six properties were located in Raleigh-Durham. Other major sales included single-tenant

properties leased to Amazon and FedEx. The local industrial market is experiencing record-low vacancy.

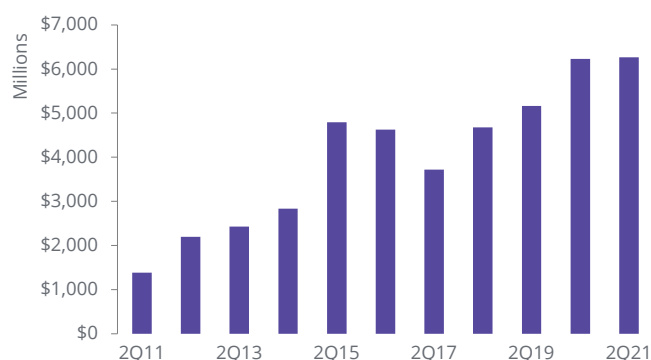
Office sales were light at just \$100.4 million in the second quarter due primarily to a lack of available opportunities to acquire well located, stabilized assets. Volume is expected to rebound in the second half of the year as more properties come to market. As a high-growth STEM market that has recently garnered major jobs announcements from companies such as Apple and Google, investors remain bullish on long-term prospects for the local office sector despite near-term pandemic-related uncertainty.

Retail property sales remain light as the pandemic and structural challenges keep investors highly selective. Sales totaled \$74.6 million in the second quarter, driven almost entirely by single-tenant assets.

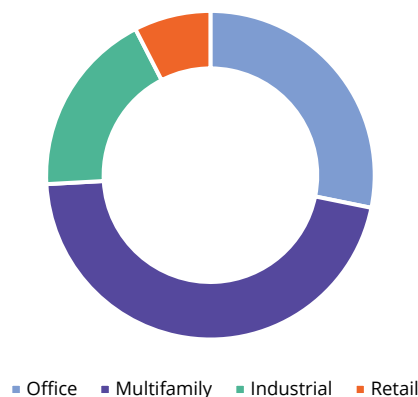
| TTM volume | Q2 2021 | Q2 2020 |
|-------------|---------------|---------------|
| Office | \$1.8 billion | \$1.3 billion |
| Multifamily | \$2.9 billion | \$3.4 billion |
| Retail | \$473 million | \$504 million |
| Industrial | \$1.1 billion | \$1.1 billion |
| Total | \$6.3 billion | \$6.2 billion |



Historical transaction volume (trailing 12 months)



Volume by product type (trailing 12 months)



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Select second-quarter sales

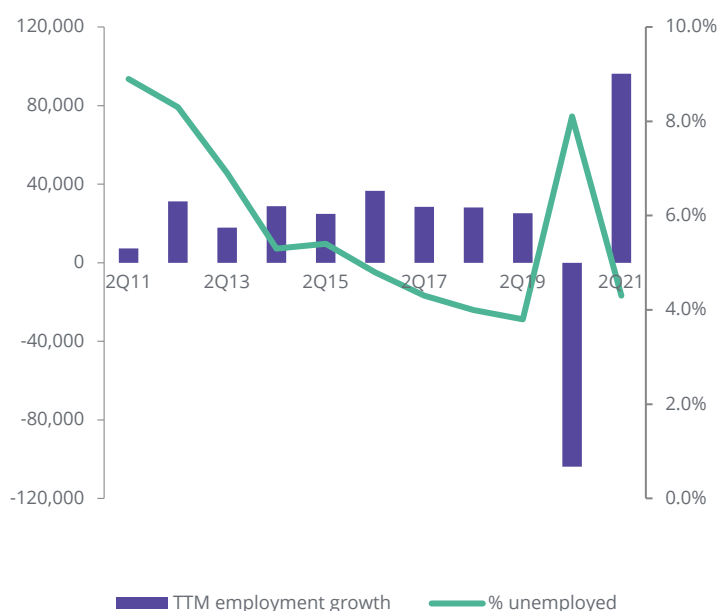
| Property | Type | Buyer | Size | Price (millions) | Price per sf/unit |
|--|----------------|---|--------------|------------------|-------------------|
| Innovation I | Office | Northridge Capital | 140,000 sf | \$36.8 | \$264 |
| 2700 & 2710 Wycliff Road | Office | Chartwell Property Group | 165,000 sf | \$17.6 | \$107 |
| Weaver Crossing | Medical Office | Four Springs Capital Trust | 25,738 sf | \$14.9 | \$579 |
| Allister North Hills | Multifamily | TA Realty | 434 units | \$120.0 | \$276,498 |
| Willow Creek North Ridge | Multifamily | Bridge Investment Group | 600 units | \$82.7 | \$137,750 |
| 605 West End | Multifamily | Exeter Property Group | 340 units | \$77.0 | \$226,471 |
| Residences at Shiloh Crossing | Multifamily | CBRE Global Investors | 318 units | \$75.7 | \$238,050 |
| Avana on Broad | Multifamily | Greystar | 320 units | \$64.5 | \$201,563 |
| View at Legacy Oaks | Multifamily | Crow Holdings, Preiss Co., Township Capital | 304 units | \$63.8 | \$209,868 |
| Century Park Place | Multifamily | Starwood Capital Group | 312 units | \$60.1 | \$192,748 |
| Equus Portfolio (six buildings) ¹ | Industrial | AIG | 2,610,269 sf | \$414.0 | \$159 |
| 78 TW Alexander Drive | Industrial | Eaton Vance | 236,976 sf | \$50.5 | \$213 |
| 1000 Innovation Avenue | Industrial | ASB Capital Management | 322,699 sf | \$45.0 | \$139 |
| 2728 Capital Boulevard | Industrial | Beacon Partners | 495,556 sf | \$41.7 | \$84 |
| 2710 & 2910 Weck Drive | Industrial | DRA Advisors | 276,298 sf | \$30.8 | \$111 |
| Academy Sports Apex | Retail | Tarakhan Holdings LLC | 64,327 sf | \$12.3 | \$190 |

¹Recapitalization/majority interest sale. Part of \$1 billion portfolio sale of 37 properties in North Carolina, Tennessee, Georgia, Virginia and West Virginia.

Raleigh-Durham economic trends

The Raleigh-Durham region was a magnet for both businesses and new residents prior to the COVID-19 pandemic, and the area's appeal has only been enhanced by the crisis. According to North American Moving Services, North Carolina was the number five state for inbound moves in 2020. Wake County, home to Raleigh, surpassed Mecklenburg County in 2020 to become the most populous county in the state, according to the U.S. Census Bureau. Since January 2020, companies have unveiled plans for more than 11,000 new jobs for the Raleigh-Durham region, with the largest announcements coming from office-using technology tenants such as Apple (3,000 jobs), Bandwidth (1,165 jobs) and Google (1,000 jobs).

According to data from the Bureau of Labor Statistics, the Raleigh-Durham-Chapel Hill combined statistical area has recovered nearly all of the jobs lost to the pandemic. Unemployment stood at 4.3% in June 2021, down from 8.1% one year earlier.



Capital markets

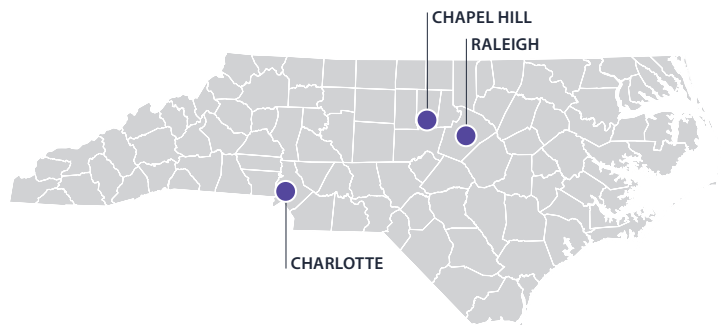
Benchmark rates, such as the 30-day LIBOR and the 10-year UST, continue to hover near or at all-time lows, and well-below levels seen in the aftermath of the Great Financial Crisis. With progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses. Even while inflation measures have spiked in recent months, the Fed remains committed to a target Funds rate range of 0.00% to 0.25% and its \$120-billion per month bond buying program, reflecting the belief that recent data indicating $\pm 6\%$ inflation (on an annualized basis) is largely transitory.

The improving U.S. economy created a favorable capital markets environment for commercial real estate lending through 1H2021. Credit spreads and all-in lending rates continue to be extraordinarily attractive, especially for preferred product types with strong sponsors. Many regional banks provided capital across a variety of product types, including permanent, bridge and construction loans. Alternative lenders, such as debt and pension funds, continue to be a strong source of bridge capital for transitional assets. While lending for retail and hospitality assets is limited, industrial, multifamily and well-leased, well-located office have been in favor. With workforces in many regions planning to return to the office in the second half of this year, liquidity is expected to flow to office assets, providing strong pricing support, particularly in the highly desirable Triangle market.

Raleigh-Durham Capital Markets Team

Avison Young's capital markets group offers comprehensive real estate transaction services to a global client base. A trusted advisor to real estate owners and operators for more than 30 years, we source investment opportunities and provide investment sales and structured finance executions for clients in the U.S., Canada, Europe and Asia.

Our full suite of services coupled with deeply rooted relationships and an expansive network throughout the Southeast helps drive value to achieve client objectives. With offices in Raleigh, Chapel Hill and Charlotte, our Capital Markets team offers full market coverage across the rapidly growing North Carolina market.



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