JANUARY 1, 2025 TO MARCH 31, 2025 | GALLIMORE & ASSOCIATES

FIRST QUARTER OF 2025

Triangle Market Overview

SUMMARY | Q1 2025

GALLIMORE & ASSOCIATES

In Q1 2025, North Carolina's commercial real estate market demonstrated steady performance with sector-specific resilience. The industrial and retail sectors remained strong, driven by continued demand for distribution space and consumer-facing retail in high-growth suburban areas. Multifamily demand stayed healthy due to high mortgage rates, though vacancy rates edged up slightly with new supply hitting the market. The office sector is still in recovery mode, but premium, well-located Class A spaces—particularly in Charlotte's CBD and Raleigh's North Hills—are seeing renewed interest. Investor activity is cautiously increasing, with capital targeting quality assets and long-term growth markets. Overall, the market reflects a balanced outlook, with strength in fundamentals and growing confidence across key segments.

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ABOUT GALLIMORE & ASSOCIATES

At Gallimore & Associates, we are dedicated to guiding clients toward their commercial real estate goals. Our mission is to help individual clients achieve their financial objectives through strategic real estate investments.

We offer a comprehensive suite of services, including our proprietary Investor Portfolio Development Plan℠, which empowers clients to make informed decisions and maximize returns. Our expertise spans tenant and landlord representation, buyer and seller transactions, and advisory consulting.

Our team, led by Debbie Gallimore, CCIM, CIPS, brings a wealth of experience in commercial brokerage and development facilitation. Debbie's diverse background in architectural drafting, construction, and real estate investing positions her as a trusted advisor for investors, developers, and business owners.

At Gallimore & Associates, we are committed to excellence, personalized service, and comprehensive solutions that set us apart in the industry.

Achieving Results Exceeding Your Expectations!

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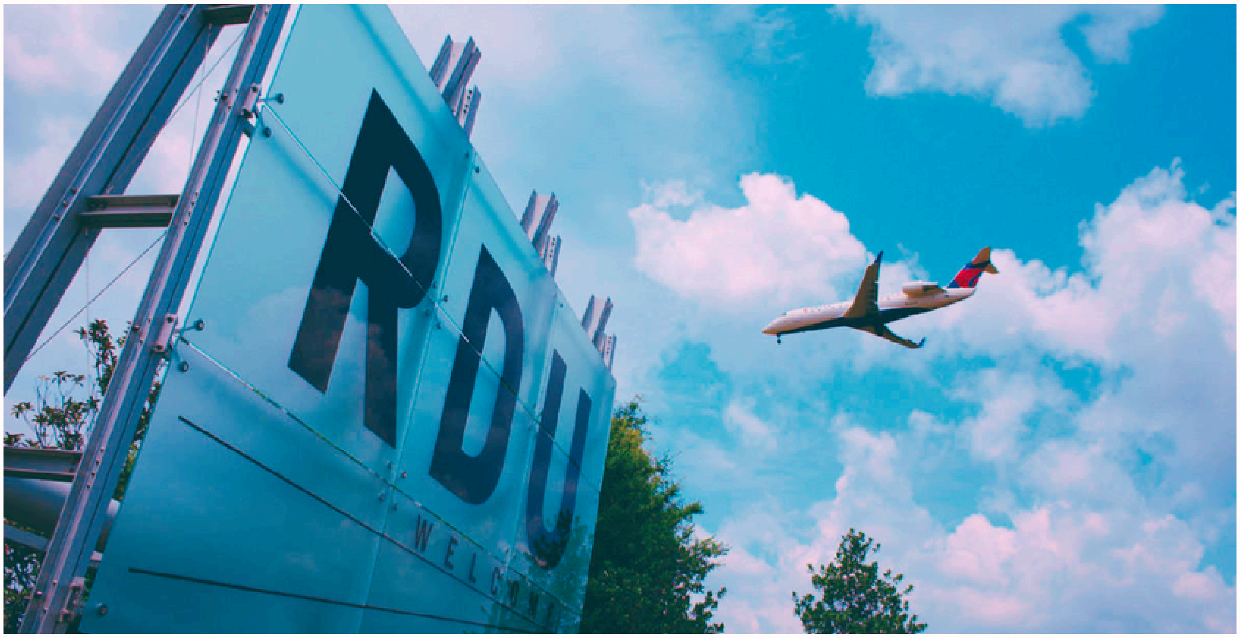
THE TRIANGLE'S ECONOMY

The Raleigh-Durham region continues to be one of the fastest-growing and most economically dynamic areas in the United States. Raleigh's population grew by 2.6% last year, making it the third-fastest growing major metro, while job growth, GDP expansion, and corporate investment consistently outperform national averages. The metro's population now exceeds 2.1 million, fueled largely by domestic and international migration.

Raleigh's employment base has grown 15% since the pre-pandemic peak, with major gains in professional services and life sciences, and its GDP rose 9.5% in 2024—led by financial services, construction, and hospitality. The city continues to attract high-impact investment from companies like FUJIFILM Diosynth, Novo Nordisk, and Amgen, thanks to its highly educated workforce, affordability, and business-friendly environment.

Durham's economy is equally robust and diversified, with strong performance in biotech, healthcare, and advanced manufacturing. Anchored by Duke University and Research Triangle Park, the city has seen 42% GDP growth over the past five years, far outpacing national growth. Durham's job market has rebounded strongly, with total employment up 9% from pre-pandemic levels, and professional services jobs rising 38%.

Major recent investments include Wolfspeed's $5B semiconductor plant, Kempower's EV charging facility, and new research projects in Research Triangle Park by companies like GRAIL, Eli Lilly, and Taysha Gene Therapies. With their young, educated populations, thriving innovation ecosystems, and national investment appeal, both cities are positioned for sustained long-term growth, despite near-term macroeconomic uncertainties.



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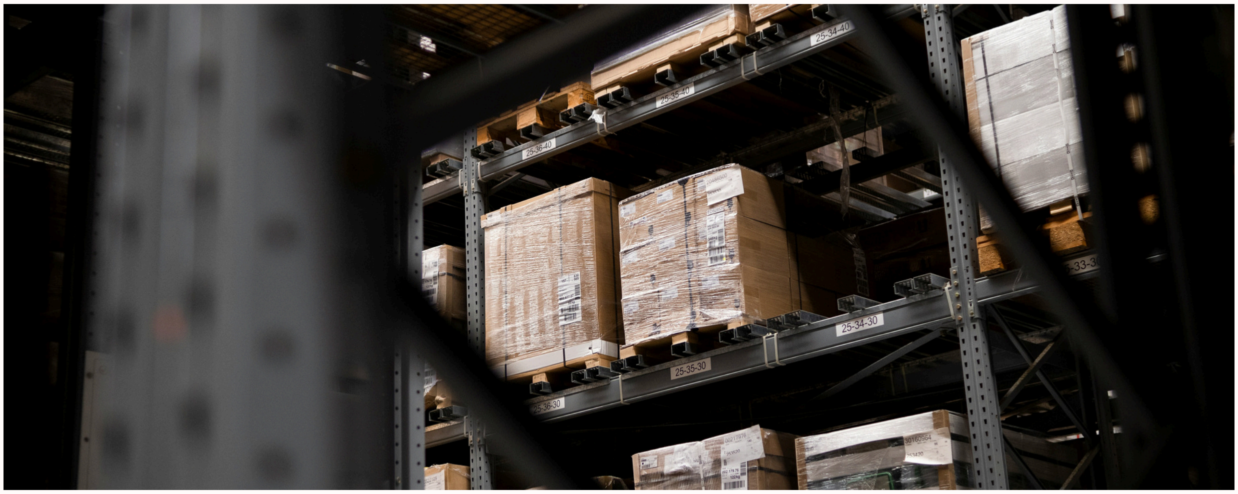
FIRST QUARTER OF 2025

Industrial Market Overview



SUMMARY | Q1 2025

GALLIMORE & ASSOCIATES

The Triangle's industrial sector is experiencing elevated vacancy rates as robust construction activity has outpaced demand in both Durham (7.3%) and Raleigh (7.0%), well above their respective 10-year averages. While net absorption remains positive—Durham at 2.0 million SF and Raleigh at 1.4 million SF—ongoing deliveries (2.9M SF in Durham, 2.0M SF in Raleigh) are putting upward pressure on vacancies. Larger buildings, especially those over 100,000 SF in Raleigh, are seeing the highest vacancy rates.

Rent growth is decelerating in both markets but remains above national averages, with 12-month growth at 3.7% in each city. Durham benefits from a diversified demand base, including life sciences, e-commerce, and advanced manufacturing (e.g., Wolfspeed), while Raleigh's investment market remains active, showing strong private equity interest and modest price increases.

Construction pipelines remain substantial—Durham has 3.3M SF under construction and Raleigh 4.0M SF—most of which is speculative and not yet preleased. As a result, vacancies are expected to stay elevated in the short term, and rent growth is likely to continue softening until supply pressures ease, possibly starting in 2026.

INDUSTRIAL/FLEX | OFFICE | RETAIL | MULT-FAMILY | HIGHLIGHTS

WAKE COUNTY'S INDUSTRIAL MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		12.45 ↑	12.15 ↑
Vacancy Rate		7% ↑	7.1% ↑
Vacant SF		7.5M ↑	1.4B ↑
Availability Rate		9.6% ↑	9.5% ↑
Available SF Direct		10M ↑	1.7B ↑
Available SF Sublet		831K	223M ↑
Available SF Total		10.6M ↑	1.9B ↑
Months on Market		6.6	6.7

Demand	Market	National Index
12 Mo Net Absorption SF	1.4M ↑	107M ↓
12 Mo Leased SF	4.7M ↓	765M ↓
6 Mo Leasing Probability	44.20%	45.90%

Sales		Market	National Index
12 Mo Transactions		95 ↓	19290 ↑
Market Sale Price/SF		138 ↑	154 ↑
Average Market Sale Price		$4.5M ↑	$6.2M ↑
12 Mo Sales Volume		$632M ↑	$68.6B ↑
Market Cap Rate		8% ↓	7.4% ↑

DURHAM COUNTY'S INDUSTRIAL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$11.62 ↑	12.15 ↑
Vacancy Rate	7.3% ↑	7.1% ↑
Vacant SF	4.2M ↑	1.4B ↑
Availability Rate	11.3% ↑	9.5% ↑
Available SF Direct	6.2M ↑	1.7B ↑
Available SF Sublet	828K ↑	223M ↑
Available SF Total	6.9M ↑	1.9B ↑
Months on Market	7	6.7

Demand	Market	National Index
12 Mo Net Absorption SF	2M ↑	107M ↓
12 Mo Leased SF	2.8M ↓	765M ↓
6 Mo Leasing Probability	35.1%	45.9%

Sales	Market	National Index
12 Mo Transactions	33 ↑	19290 ↑
Market Sale Price/SF	$131 ↑	$154 ↑
Average Market Sale Price	$7.1M ↑	$6.2M ↑
12 Mo Sales Volume	$312M ↑	$68.6B ↑
Market Cap Rate	7.4% ↓	7.4% ↑

LEASING ACTIVITY

Leasing activity across the Durham and Raleigh industrial markets has moderated following several strong years of growth. In Durham, leasing volume has declined in three of the past four quarters after hitting a peak of 2.6 million SF in Q1 2024. Despite this, net absorption remains positive, particularly in logistics and flex properties, with demand concentrated in Orange and Chatham Counties. Notable recent deals include Semiconductor Components Industries, Conklin Metal Industries, and Morinaga, which is building a 132,000-SF candy factory expected to open in 2026.

In Raleigh, leasing activity has softened as larger buildings (100,000+ SF) face rising vacancies (currently 8.8%), while smaller properties remain more resilient with a vacancy rate of 5.4%. The average lease size in the market has declined from 12,200 SF to about 10,650 SF. Leasing has been strongest in Northeast and Southeast Wake County, with tenants like Carolina Basement Systems and VeeTee Foods signing new deals in early 2025.

Overall, while leasing volumes and average deal sizes have declined, both markets are still absorbing space, particularly in areas with strong population growth, e-commerce, and life sciences activity. However, with large construction pipelines still in motion, leasing demand will need to stay consistent to balance rising supply through 2025.

RENT SUMMARY

Industrial rent growth is slowing across both Raleigh and Durham, but rates continue to outpace national averages. Over the past 12 months, asking rents in both markets rose 3.7%, well above the U.S. average of 2.1%, though well below the double-digit growth seen in 2022. In Raleigh, average industrial rent is $12.50/SF, higher than most Southeastern markets including Charlotte and Atlanta. Flex space rents average $18.80/SF, with prime submarkets like RTP/RDU reaching $15.50–$20+/SF. Flex properties are a major factor in Raleigh's premium pricing, accounting for 25% of its industrial inventory—more than double the national share.

In Durham, the average rent is slightly lower at $11.60/SF, but the market offers a broad range. Flex properties—especially biotech and lab spaces—command the highest rates, averaging $21/SF, with some leases exceeding $30/SF in Research Triangle Park. In contrast, logistics and warehouse spaces range from $8 to $9.30/SF, with the lowest rents found in outlying submarkets like Chatham and Person Counties.

Looking ahead, rent growth in both cities is expected to remain muted through the rest of 2025 due to rising vacancies and ongoing construction, but is likely to regain momentum in 2026 as supply pressures ease.

CONSTRUCTION SUMMARY

Construction activity remains robust across both Raleigh and Durham, with significant expansions driven by life sciences, advanced manufacturing, and logistics demand.
In Raleigh, 2.0 million SF was delivered in the past year—slightly above its historical average—with strong development in Northeast and Southwest Wake County. Notable completions include Amgen's 350,000-SF drug manufacturing facility and a 180,000-SF logistics building in Hinton Oaks Industrial Park. Raleigh currently has 4.0 million SF under construction, led by major projects like FUJIFILM Diosynth's 809,000-SF biopharmaceutical plant in Holly Springs. The area's high share of flex buildings (25% of inventory) reflects its strong base of R&D and life sciences tenants.

In Durham, construction has surged, with 2.9 million SF delivered in the past year, far exceeding its 10-year average. Much of this growth is concentrated in Chatham and Orange Counties, where land availability and business-friendly conditions support large-scale development. Durham has 3.3 million SF under construction, representing a 5.7% expansion of its inventory—well above the national average. Key projects include Wolfspeed's 2M SF silicon carbide plant, the 955,000-SF VinFast EV facility (now delayed to 2028), and multiple fully preleased logistics properties.

While elevated supply may pressure vacancies in the short term, high pre-leasing rates (especially in Durham) and strong long-term demand drivers—like EV manufacturing and biotech—position the region for continued industrial growth.

SALES SUMMARY

Industrial sales activity in the Raleigh-Durham region has been mixed, with transaction volumes elevated in Raleigh but still recovering in Durham.

In Raleigh, total industrial sales reached $632 million over the past 12 months—well above the 10-year average of $478 million. However, this volume was heavily driven by a few large portfolio deals, and the actual number of transactions (95) remains well below the historical average of 160. The average sale price was $147/SF, with typical cap rates now ranging from 6.25% to 6.75%, up from 5–5.5% in 2022.

In Durham, annual transaction volume reached $312 million, just shy of the 10-year average of $367 million, but with only 33 sales, down from an average of 60 per year. The average price was $108/SF, significantly below the national average of $144/SF. Notable recent activity includes Prologis' $80M acquisition of three R&D buildings and Lightstone Group's $40M single-asset purchase. Public REIT activity in Durham increased to over 30% of volume due to these high-profile deals.

High interest rates and rising vacancies have suppressed deal flow, but both markets retain strong long-term appeal. Durham's life science and EV sectors, and Raleigh's rapid population growth and rising investor interest, are expected to support renewed investor activity as economic conditions stabilize.

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Office Market Overview

SUMMARY | Q1 2025

GALLIMORE & ASSOCIATES

The Raleigh-Durham office market continues to outperform many U.S. metros, though challenges remain as vacancy rates stay elevated and demand trends remain soft due to ongoing hybrid work dynamics and cautious corporate expansions.

In Raleigh, the vacancy rate stands at 11.5%, close to a 20-year high. Net absorption totaled just 360,000 SF over the past year, far below the market's 10-year average of 860,000 SF. While leasing activity picked up briefly in Q1, most deals involve tenants downsizing or relocating rather than expanding. Rent growth has slowed to 1.1% annually, and rising concessions are putting pressure on effective rates. The delivery of 1.8 million SF in 2024 added significant supply, though new deliveries have tapered off in 2025, which should help moderate further vacancy increases.

In Durham, vacancy remains lower at 10.4%, and the market has seen less new construction activity, with just 140,000 SF delivered over the past year. However, demand has softened, with net absorption turning negative (-91,000 SF). Leasing has been especially flat in Downtown Durham, while the Research Triangle submarket remains active with interest from life sciences and pharmaceutical firms. Asking rents in Durham have increased 1.4% over the past 12 months, slightly above the national average but below its own historical growth rates.

INDUSTRIAL/FLEX | OFFICE | RETAIL | MULT-FAMILY | HIGHLIGHTS

WAKE COUNTY'S OFFICE MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$30.56 ↑	$36.04 ↑
Vacancy Rate	11.5% ↑	14% ↑
Vacant SF	9.3M ↑	1.2B ↑
Availability Rate	13.7% ↓	16.0% ↓
Available SF Direct	9.7M ↑	1.2B ↓
Available SF Sublet	1.8M ↓	170M ↓
Available SF Total	11.2M ↓	1.4B ↓
Months on Market	10.6	14.2

Demand	Market	National Index
12 Mo Net Absorption SF	360K ↓	2.8M ↑
12 Mo Leased SF	3.4M ↓	335M ↓
6 Mo Leasing Probability	35.70%	35.10%

Sales	Market	National Index
12 Mo Transactions	229 ↑	16,375 ↑
Market Sale Price/SF	$207 ↓	$258 ↓
Average Market Sale Price	$4.6M ↓	$6.3M ↓
12 Mo Sales Volume	$620M ↑	$46.8B ↑
Market Cap Rate	8.9% ↑	9.0% ↑

DURHAM COUNTY'S OFFICE MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$28.58 ↑	$36.04 ↑
Vacancy Rate	10.4% ↑	14% ↑
Vacant SF	3.9M ↑	1.2B ↑
Availability Rate	15.9% ↑	16.0% ↓
Available SF Direct	4.4M ↑	1.2B ↓
Available SF Sublet	1.9M ↑	170M ↓
Available SF Total	6M ↑	1.4B ↓
Months on Market	14.4	14.2

Demand	Market	National Index
12 Mo Net Absorption SF	90.9K ↓	2.8M ↑
12 Mo Leased SF	863K ↓	335M ↓
6 Mo Leasing Probability	35.20%	35.10%

Sales	Market	National Index
12 Mo Transactions	86 ↑	16,375 ↑
Market Sale Price/SF	$209 ↓	$258 ↓
Average Market Sale Price	$5M ↓	$6.3M ↓
12 Mo Sales Volume	$116M ↓	$46.8B ↑
Market Cap Rate	8.9% ↑	9.0% ↑

WAKE COUNTY'S RENT DATA

Rents	Market	National Index
Market Asking Rent/SF	$30.56	$36.04
Market Starting Rent/SF	$24.94	$33.14
Annual Escalations	2.5%	2.70%
Free Rent in Months	5	4.8
Tenant Improvement Allowance/SF	$49.07	$37.34
Term in Months	69.5	64.7
Market Effective Rent/SF	$21.21	$29.86

DURHAM COUNTY'S RENT DATA

Rents	Market	National Index
Market Asking Rent/SF	$28.58	$36.04
Market Starting Rent/SF	$27.39	$33.14
Annual Escalations	3.0%	2.70%
Free Rent in Months	4.6	4.8
Tenant Improvement Allowance/SF	$43.28	$37.34
Term in Months	72.2	64.7
Market Effective Rent/SF	$24.99	$29.86

LEASING ACTIVITY

Office demand in both Raleigh and Durham remains below historical norms, with rising vacancies driven by hybrid work trends, tenant downsizing, and more selective leasing behavior. Both markets are seeing soft absorption levels, with most leasing activity concentrated in newer, high-end properties.

In Raleigh, net absorption over the past year totaled just 360,000 SF, less than half the 10-year average. Demand is strongest for 5 Star properties, which absorbed 320,000 SF, while lower-quality buildings continue to lose tenants. Larger leases, like Weatherby Locum's 46,000 SF deal in One North Hills Tower, are rare—the average deal size is under 4,000 SF. With 1.3 million SF delivered and weak demand, vacancy has climbed to 11.5%, though still below national and peer city levels.

Durham's office market shows similar softness, with net absorption at -91,000 SF over the past year and rising vacancy now at 10.4%. The Research Triangle submarket remains the most resilient, supported by life sciences demand, but Downtown Durham has flattened. Very little new construction is underway (only 40,000 SF), which should prevent sharp increases in vacancy.

RENT SUMMARY

Rent growth in both Raleigh and Durham continues to decelerate as soft demand and elevated vacancies put pressure on pricing power. Despite nominal increases, rising concessions mean effective rents are declining across the board. In Raleigh, annual rent growth is 1.1% and in Durham 1.4%, with both markets seeing tenants shift toward smaller footprints and landlords offering more generous incentives to close deals.

In Raleigh, annual rent growth slowed to 1.1%, down from 2.9% a year ago and 4.9% two years ago. Asking rents average $31.00/SF, below the national average of $36.00/SF. Rents for 4 & 5 Star buildings have been flat, while 3 Star properties rose 1.5%. New mixed-use developments like North Hills and Raleigh Iron Works are pushing asking rates above $50/SF, as premium tenants prioritize amenities. However, increased concessions—commonly one month free per year of lease term—are cutting into landlord revenues.

In Durham, rent growth fell to 1.4%, down from 4% the year prior. Asking rents average $29.00/SF, with 4 & 5 Star properties averaging $34.00/SF and 3 Star properties around $27.00/SF. Premium buildings in Downtown Durham and adaptive reuse projects like Roxboro at Venable Center and the American Tobacco Campus are fetching rates around $39/SF. Despite modest gains, landlords are offering heavier incentives—six months of free rent on five-year deals is increasingly common.

CONSTRUCTION ACTIVITY

Office construction activity has slowed significantly in both Raleigh and Durham, as developers pull back in response to rising vacancies, high construction costs, and tepid demand driven by hybrid work trends.

In Raleigh, construction peaked in 2024 with 1.8 million SF delivered—the city's largest annual total since 2008—driven by high-end mixed-use developments like Tower 5 in North Hills and 1000 Social at The Exchange Raleigh. However, only less than 50,000 SF has delivered so far in 2025, and the pipeline has shrunk dramatically to just 270,000 SF under construction. Recent projects have been smaller, including several medical office buildings in suburban submarkets.

In Durham, activity has been even more constrained, with only 140,000 SF delivered over the past year—well below its 10-year average. The most notable recent delivery is Horseshoe at Hub RTP, a five-story office and retail project in Research Triangle Park. Very few new projects are underway, with only a 39,500-SF speculative building in Chatham County currently under construction.

With developers in both markets showing caution, future office supply will be minimal, helping to limit additional pressure on rising vacancies in the near term.

SALES SUMMARY

Office sales volume remains well below historical averages in both Raleigh and Durham, reflecting ongoing market caution due to high interest rates, hybrid work trends, and uncertain long-term demand.

In Raleigh, total office sales reached $620 million over the past year, down from the 10-year average of $905 million, with 230 sales recorded—also below average. Most deals have been small, but notable exceptions include Highwoods Properties' $138 million purchase of the Advance Auto Parts Tower at $398/SF and an 8.62% cap rate. The average deal size sits at $3.6 million, with pricing averaging $220/SF, above the national average.

In Durham, activity has slowed more significantly. Sales volume totaled just $116 million, with only 86 transactions, well below the historical average. The average deal size was $1.9 million at $143/SF, a discount to both Raleigh and national averages. One example of the value decline is the SouthCourt building, which sold for $87/SF in 2025—down from $159/SF just two years earlier.

Private investors have been the dominant buyers in both markets recently, especially in Durham. While long-term fundamentals remain strong, investment activity is expected to remain muted until market confidence and capital costs improve.

JANUARY 1, 2025 TO MARCH 31, 2025 | GALLIMORE & ASSOCIATES

FIRST QUARTER OF 2025

Retail Market Overview

SUMMARY | Q1 2025

GALLIMORE & ASSOCIATES

Retail markets in both Raleigh and Durham remain among the tightest in the nation, with availability rates of just 2.7% and 3.9% respectively, well below the U.S. average of 4.8%. Limited space and high preleasing levels are restricting leasing activity despite steady demand and growing populations. With minimal new construction, strong population growth, and robust local economies, both markets are expected to maintain tight fundamentals and above-average rent growth through at least the medium term.

In Raleigh, net absorption slowed to 360,000 SF, slightly below average, due to both low availability and a modest rise in tenant move-outs. Rent growth eased to 5.9%, but still outpaces national levels. While 640,000 SF delivered over the past year, less than 10% remains available. Construction starts have dropped, with only 410,000 SF underway, most of which is already preleased.

In Durham, leasing activity remains modest, but largely due to constrained supply rather than weak demand. Availability is tight across all retail subtypes, and with just 280,000 SF under construction, of which 80% is preleased, supply-side pressure will remain low. Rents have risen 3.2% year-over-year, fueled by competition for limited space.

INDUSTRIAL/FLEX | OFFICE | RETAIL | MULT-FAMILY | HIGHLIGHTS

WAKE COUNTY'S RETAIL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$27.07 ↑	$25.43 ↑
Vacancy Rate	2.3% ↑	4.2% ↑
Vacant SF	1.8M ↑	511M ↑
Availability Rate	2.7% ↑	4.8% ↑
Available SF Direct	2M ↑	566M ↑
Available SF Sublet	66.6K ↓	18.8M ↑
Available SF Total	2.1M ↑	583M ↑
Months on Market	8.5	10.5

Demand	Market	National Index
12 Mo Net Absorption SF	363K ↓	7.3M ↓
12 Mo Leased SF	1.5M ↓	195M ↓
6 Mo Leasing Probability	34.2%	33.8%

Sales	Market	National Index
12 Mo Transactions	204 ↓	41,666 ↑
Market Sale Price/SF	$263 ↑	$246 ↑
Average Market Sale Price	$3.3M ↑	$2.8M ↑
12 Mo Sales Volume	$391M ↑	$59.8B ↑
Market Cap Rate	6.7% ↓	7.1% ↑

DURHAM COUNTY'S RETAIL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$25.04 ↑	$25.43 ↑
Vacancy Rate	3.3% ↑	4.2% ↑
Vacant SF	1M ↑	511M ↑
Availability Rate	3.9% ↑	4.8% ↑
Available SF Direct	1.2M ↑	566M ↑
Available SF Sublet	10.5K ↑	18.8M ↑
Available SF Total	1.2M ↑	583M ↑
Months on Market	10.6	10.5

Demand	Market	National Index
12 Mo Net Absorption SF	401K ↓	7.3M ↓
12 Mo Leased SF	558K ↓	195M ↓
6 Mo Leasing Probability	32.1%	33.8%

Sales	Market	National Index
12 Mo Transactions	77 ↓	41,666 ↑
Market Sale Price/SF	$244 ↑	$246 ↑
Average Market Sale Price	$2.9M ↑	$2.8M ↑
12 Mo Sales Volume	$62.6M ↑	$59.8B ↑
Market Cap Rate	8.6% ↓	7.1% ↑

LEASING ACTIVITY

Retail leasing activity has slowed in both Raleigh and Durham, largely due to tight availability and rising construction costs. Despite lower lease volumes, demand remains steady, especially from food, beverage, and healthcare tenants.

In Raleigh, annual leasing fell to 1.6 million SF in 2024, below the 10-year average of 2.0 million SF, while net absorption totaled just 360,000 SF, well below the long-term norm of 740,000 SF. Move-outs have increased slightly, driven by rising rents and limited affordable second-generation space. Smaller retail buildings are in highest demand—availabilities under 2,500 SF are just 0.9%. Food and beverage tenants remain active, with recent leases ranging from 1,200 SF restaurants to an 18,700 SF fitness facility in Southwest Wake County.

In Durham, leasing totaled only 400,000 SF in 2024, the lowest in over a decade. Net absorption turned negative at -51,000 SF, a market low since tracking began. The primary constraint is a lack of available space—Durham's retail availability is just 3.9%, well below the national average. Medical providers and restaurants continue to lease space, but limited inventory is suppressing deal volume.

RENT SUMMARY

Retail rents in both Raleigh and Durham continue to rise faster than the national average, fueled by tight availability, steady population growth, and healthy retail spending.

In Raleigh, asking rents increased 5.9% over the past year, down from a peak of 6.7% in late 2023 but still well above the U.S. average of 1.7%. Rents now average $27.00/SF, surpassing the national average for the first time in recent years. Growth has been strongest in outer submarkets like Franklin and Johnston counties, while Downtown Raleigh lags due to lower foot traffic. Power centers command the highest rents, averaging $31.00/SF, with select spaces in RTP/RDU leasing for $35–$40/SF.

In Durham, annual rent growth stands at 3.2%, also outpacing national levels despite moderating from its 2022 peak. Rents average $25.00/SF, with all submarkets and retail subtypes showing positive gains. Mall rents top the local chart at $39.00/SF, while neighborhood centers average around $22.00/SF. High demand and limited new supply are keeping leasing competition strong, particularly in South Durham and core urban nodes.

CONSTRUCTION SUMMARY

Retail construction has slowed across both Raleigh and Durham, as high construction costs and elevated interest rates limit new development—even amid strong demand and tight availability.

In Raleigh, net deliveries over the past year totaled 640,000 SF, slightly above the 10-year average. Notable completions include Eastfield Crossing C-2, a 211,000-SF power center in Johnston County that's 97% leased. However, new construction starts have declined for five consecutive quarters, and only 255,000 SF broke ground in 2024—the lowest annual total since 2006. 390,000 SF remains under construction, with about 65% already preleased.

In Durham, construction has been even more limited, with just 33,000 SF delivered over the past year and 280,000 SF currently underway, primarily in Research Triangle Park and Chatham County. Projects include retail components at Hub RTP and MOSAIC, a 44-acre mixed-use development in Chatham Park. Redevelopment is also on the horizon—Northgate Mall is being repositioned, potentially following the example of Morrisville Outlet Mall's conversion to life sciences and office space.

SALES SUMMARY

Retail sales activity in both Raleigh and Durham remains well below historical norms, largely due to elevated interest rates making it more costly to finance deals. While buyer interest is steady, most transactions involve smaller, privately held properties, and larger institutional activity has slowed.

In Raleigh, total transaction volume over the past year reached $391 million, significantly under its 10-year average of $538 million. Sales counts have declined, with 55 properties trading per quarter versus 70 historically. Most buyers are private investors (65%), with average deal sizes around $2.5 million and average pricing at $220/SF, above the national average. Notable deals include Brixmor's $54.6M purchase of North Ridge Shopping Center and several repurposing plays, such as conversions of former big-box stores into mixed-use or life sciences space.

In Durham, sales volume totaled just $62.6 million, far below the 10-year average of $183 million. Only 77 properties traded over the past year, with average pricing around $210/SF and average deal size of $1.6 million. Private buyers made up 70% of transactions, with users purchasing an unusually high share (25%). A typical deal involved a fully occupied 12,000-SF building in the Research Triangle, which sold for $2.2 million at $185/SF.

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FIRST QUARTER OF 2025

Multi-Family Market Overview

SUMMARY | Q1 2025

GALLIMORE & ASSOCIATES

Raleigh and Durham continue to experience high multifamily demand, but elevated vacancy rates and ongoing new supply are keeping rent growth in check and challenging pricing power for landlords.

In Raleigh, net absorption reached 7,600 units over the past year—double the 10-year average—fueled by population growth and a strong job market. However, 8,500 new units delivered in the same period, pushing vacancy up to 12.3%, slightly below its 2024 peak. Rents have declined 0.9% year-over-year, though rent growth is expected to recover later in 2025 as construction slows. With 7,300 units still underway, vacancy is likely to remain elevated in the near term.

In Durham, net absorption totaled 3,200 units, also above the historical norm, but 3,500 new units delivered, keeping vacancy high at 11.5%. Rents declined 0.6% over the past year, with the bulk of demand concentrated in 4 & 5 Star properties in Downtown and South Durham. The construction pipeline remains full, with 7,100 units under construction, suggesting vacancy may continue to rise before stabilizing as the market absorbs new inventory.

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Availability	Market	National Index
Vacancy Rate	12.3% ↓	8.0% ↑
Vacant Units	16.6K ↑	1.6M ↑
Market Asking Rent/Unit	$1,576 ↓	$1,764 ↑
Market Effective Rent/Unit	$1,549 ↓	$1,745 ↑
Concession Rate	1.7% ↓	1.0% ↓
Studio Asking Rent	$1,301 ↓	$1,584 ↑
1 Bedroom Asking Rent	$1,410 ↓	1585 ↑
2 Bedroom Asking Rent	$1,649 ↓	$1,848 ↑
3 Bedroom Asking Rent	$1,975 ↓	$2,271 ↑

Sales	Market	National Index
Market Sale Price/Unit	$236K ↑	$230K ↑
12 Mo Asking Sale Price/Unit	$227K ↓	$181K ↓
12 Mo Sales Volume	-14.5% ↓	-7.6% ↑
Market Cap Rate	5.2% ↑	6.1% =
12 Mo Sales Volume	$737M ↓	$112B ↑
12 Mo Transactions	28 ↓	15,146 ↑
Months To Sale Past Year	3.3 ↓	5.5 ↑
For Sale Listings	4 ↑	8,526 ↑
For Sale Units	39 ↑	131,243 ↑

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	134,731 ↑	20,467,304 ↑
Existing Buildings	949 ↑	427,554 ↑
Avg Units Per Bldg	142 ↑	48 ↑
12 Mo Demolished Units	24 ↑	4,386 ↑
12 Mo Occupancy % At Delivery	16.4% ↑	23.3% ↓
Under Construction Units	7,312 ↓	629,134 ↓
12 Mo Construction Starts Units	3,816 ↓	276,083 ↓
12 Mo Delivered Units	8,510 ↓	618,365 ↓
12 Mo Avg Delivered Units	229 ↑	168 ↑

Demand	Market	National Index
12 Mo Absorption Units	7,640	539,960
12 Mo Absorption % of Inv	5.8%	2.7%
Median Household Income	$98,574	$80,707
Population Growth 5 Yrs	11.9%	2.8%
Pop Growth 5 Yrs 20-29	8.7%	-0.4%
Pop Growth 5 Yrs 30-39	4.0%	-0.1%
Pop Growth 5 Yrs 40-54	9.7%	3.8%
Pop Growth 5 Yrs 55+	23.2%	7.2%

DURHAM COUNTY’S MULTI-FAMILY MARKET SUMMARY

Availability	Market	National Index
Vacancy Rate	11.5% ↓	8.0% ↑
Vacant Units	7.4K ↑	1.6M ↑
Market Asking Rent/Unit	$1,576 ↓	$1,764 ↑
Market Effective Rent/Unit	$1,553 ↓	$1,745 ↑
Concession Rate	1.5% ↓	1.0% ↓
Studio Asking Rent	$1,377 ↓	$1,584 ↑
1 Bedroom Asking Rent	$1,406 ↓	1585 ↑
2 Bedroom Asking Rent	$1,640 ↓	$1,848 ↑
3 Bedroom Asking Rent	$2,032 ↓	$2,271 ↑

Sales	Market	National Index
Market Sale Price/Unit	$218K ↑	$230K ↑
12 Mo Asking Sale Price/Unit	$150K ↓	$181K ↓
12 Mo Sales Volume	-	-7.6% ↑
Market Cap Rate	5.5% =	6.1% =
12 Mo Sales Volume	$335M ↓	$112B ↑
12 Mo Transactions	20 ↓	15,146 ↑
Months To Sale Past Year	4.5 ↓	5.5 ↑
For Sale Listings	1 ↑	8,526 ↑
For Sale Units	5 ↑	131,243 ↑

DUHRAM COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	63,836 ↑	20,467,304 ↑
Existing Buildings	483 ↑	427,554 ↑
Avg Units Per Bldg	132 ↑	48 ↑
12 Mo Demolished Units	0 =	4,386 ↑
12 Mo Occupancy % At Delivery	20.1% ↑	23.3% ↓
Under Construction Units	7,061 ↓	629,134 ↓
12 Mo Construction Starts Units	3,867 ↓	276,083 ↓
12 Mo Delivered Units	3,465 ↓	618,365 ↓
12 Mo Avg Delivered Units	219 ↑	168 ↑

Demand	Market	National Index
12 Mo Absorption Units	3,224	539,960
12 Mo Absorption % of Inv	5.1%	2.7%
Median Household Income	$88,678	$80,707
Population Growth 5 Yrs	2.6%	2.8%
Pop Growth 5 Yrs 20-29	-7.0%	-0.4%
Pop Growth 5 Yrs 30-39	1.2%	-0.1%
Pop Growth 5 Yrs 40-54	7.0%	3.8%
Pop Growth 5 Yrs 55+	6.4%	7.2%

VACANCIES

Both Raleigh and Durham continue to post strong multifamily demand, but sustained high levels of new construction have kept vacancies elevated and rent growth subdued.

In Raleigh, the vacancy rate stands at 12.3%, down slightly from its peak but still well above the historical average of 8.6% and the national average of 8.0%. Demand has been robust, with net absorption totaling 7,600 units over the past year, double the 10-year average. High absorption has been recorded in North Cary/Morrisville, Downtown, Northeast, and East Raleigh. However, 8,500 new units were delivered in the same timeframe, heavily concentrated in 4 & 5 Star properties, where vacancies have reached 14.6%. With 7,300 units under construction, supply will likely continue to outpace absorption through 2025 before tightening in 2026.

In Durham, the vacancy rate is 11.5%, down modestly from its 2024 high of 12.6%, but still far above the 10-year average of 8.9%. Annual net absorption totaled 3,200 units, more than double the market's historical average. Like Raleigh, most new demand has been in 4 & 5 Star assets, with Downtown and South Durham leading submarket absorption. But with 3,500 units delivered and 7,100 units under construction, vacancies—particularly in high-end properties—remain elevated at 14.4%. Rent growth has turned negative and is expected to stay below average due to ongoing supply pressure.

RENT ACTIVITY

Multifamily rent growth in Raleigh and Durham remains negative, as elevated vacancies and a steady flow of new supply continue to limit landlords' pricing power—especially in higher-end properties.

In Raleigh, rents have declined 0.9% over the past year, improving from the 2.3% drop a year ago. The deepest declines are in 4 & 5 Star and 3 Star properties, where vacancy remains high, while 1 & 2 Star units have posted rent gains. Rents fell in nearly every submarket, with Johnston County as the only exception. The average asking rent is $1,580/month, with the highest rates found in Cary and Morrisville ($1,650/month) and newer high-end developments like Maeve and the Allison at Fenton pushing rates well above $2,600/month.

In Durham, rents have declined 0.6% year-over-year, with the sharpest drops in Downtown and South Durham, where most new supply has been delivered. 4 & 5 Star properties saw rents fall 1.0%, while 1 & 2 Star properties experienced modest increases. Despite supply-side pressure, demand has remained positive, but rent growth is expected to stay below historical norms. Like Raleigh, Durham's average rent is $1,580/month, with the highest pricing in East Durham, Chatham County, and Chapel Hill, where new upscale developments and university-driven demand continue to support premium rates.

CONSTRUCTION

Multifamily construction remains elevated across both Raleigh and Durham, though activity is beginning to moderate following record-setting delivery volumes in recent years.

In Raleigh, 8,500 units were delivered over the past year, the second-highest total on record, with 85% classified as 4 & 5 Star properties. Key areas for development include Downtown Raleigh, North Cary/Morrisville, Northeast Raleigh, and East Raleigh. Notable completions include Maeve, a 297-unit luxury tower in the Warehouse District, and Elan at Capital Hills, a 404-unit community in Northeast Raleigh. The pipeline is beginning to ease, with 7,300 units under construction, down from 15,800 in late 2022. Projects like Knightdale at Smithfield Road and Livano Cary highlight a shift toward outer submarkets and mixed-use hubs.

In Durham, 3,900 units delivered in 2024—the highest annual total on record—with another 2,900 expected in 2025. South Durham and Downtown Durham have absorbed the majority of new supply, including projects like Vintage Durham, a 208-unit development offering rent concessions amid competition. The city still has 7,100 units under construction, representing an 11.1% expansion of inventory, the highest in the Triangle and well above the national average. Downtown Durham and Chapel Hill account for nearly two-thirds of the market's active construction, with major projects like Commerce Street Apartments and South Creek by Beechwood in progress.

Despite continued demand, developers face challenges from elevated interest rates, construction costs, and supply chain delays, which are beginning to slow new starts across both markets.

SALES SUMMARY

Multifamily sales activity in both Raleigh and Durham remains well below historical levels, as high interest rates, elevated vacancies, and limited rent growth continue to challenge the investment environment. In the near term, investment activity is expected to remain muted, but both cities' strong economic growth, population gains, and long-term fundamentals position the Triangle for a recovery once interest rates decline and the current supply wave is absorbed.

In Raleigh, transaction volume totaled $737 million over the past year, less than half of the market’s 10-year average of $1.6 billion. An average of 1,000 units sold per quarter, compared to a historical pace of 2,500. The average sale price was $240,000/unit, with deals led by private buyers and institutional players, including REITs, which accounted for over 10% of recent volume. Notable sales include The Averly at Flowers in Johnston County (396 units for $92M) and a 180-unit garden-style property in Cary that sold for $229,800/unit.

In Durham, annual sales volume reached $335 million, well below the 10-year average of $867 million. Unit sales averaged 850 per quarter, far under the 1,450-unit historical norm. The average price per unit was $170,000, with most activity led by private buyers (55%) and institutional investors. Recent deals ranged from a 36-unit property in Downtown Durham selling for $6M, to Boston Capital’s $61.6M acquisition of Aventura RTP, a 330-unit property formerly known as 200 East. Cap rates have stabilized, with 4 & 5 Star assets trading in the low to mid-5% range.

JANUARY 1, 2025 TO MARCH 31, 2025 | GALLIMORE & ASSOCIATES

FIRST QUARTER OF 2025

Highlights

HIGHLIGHTS | Q1 2025

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Capital markets remain cautious, especially in office and multifamily. In Raleigh, multifamily transaction volume totaled **$737 million**, down sharply from its $1.6B norm. **Durham's was just $335 million**, with both cities facing high interest rates and subdued rent growth. Retail and industrial have seen steadier activity, though pricing is softening slightly. Cap rates have stabilized after rising 100–125 basis points since 2022.

Private investors remain the most active buyers, with institutional capital mostly on the sidelines. Deal volume is expected to stay low until borrowing costs ease or fundamentals improve, likely in late 2025 or early 2026.

- **Retail remains the strongest-performing sector**, with tight availability and positive rent growth.
- **Office fundamentals are weak but stabilizing**, with little new supply on the horizon.
- **Multifamily demand is strong**, but **high vacancies and rent declines** will persist through 2025.
- **Industrial markets remain healthy**, but rent growth has cooled and supply is catching up.

OFFICE MARKET

Vacancy rates in the office sector remain elevated across the Triangle. In Raleigh, vacancy stands at 11.5%, just under a 20-year high, while Durham posts a slightly lower rate of 10.4%. Demand has been soft, with Raleigh recording only 360,000 SF of net absorption over the past year—well below its 10-year average. In Durham, absorption turned negative at -91,000 SF, with leasing activity slowed by tenant downsizing and hybrid work arrangements. Class A space continues to outperform in both cities, especially in mixed-use nodes like North Hills and Research Triangle Park.

Construction has significantly slowed, especially in Durham, where only 40,000 SF is under construction. Raleigh has more momentum from recently completed projects in North Hills and The Exchange Raleigh, but starts have reached historic lows, and supply-side pressure is expected to ease. Asking rents are relatively flat: Raleigh is up 1.1% YoY, Durham 1.4%, with rising concessions cutting into net effective rents.

RETAIL MARKET

The retail sector remains the tightest segment in Triangle commercial real estate. Raleigh's availability rate is just 2.7%, and Durham's is 3.9%, both well below the national average of 4.8%. Leasing activity has slowed in both markets, largely due to lack of available space, not demand. Raleigh posted 1.6 million SF of leasing in 2024, while Durham totaled only 400,000 SF—its lowest in over a decade.

Rent growth is outperforming the U.S. average. Raleigh rents rose 5.9% YoY, driven by suburban and neighborhood strip centers. Durham rents rose 3.2%, with all retail subtypes posting gains despite limited new supply. Construction activity is constrained by high costs and limited land availability. Only 410,000 SF is under construction in Raleigh and 280,000 SF in Durham, most of which is preleased.

MULT-FAMILY MARKET

Multifamily vacancies remain elevated, though demand is strong in both Raleigh and Durham. Raleigh's vacancy is 12.3%, while Durham's is 11.5%, both far above historical averages. Net absorption has been robust—7,600 units in Raleigh, and 3,200 in Durham over the past year—but is still being outpaced by new supply. Construction is moderating in Raleigh with 7,300 units under construction, down from peak levels. Durham remains heavily active, with 7,100 units underway, expanding its inventory by 11.1%.

Rent growth is negative in both cities. Raleigh rents declined 0.9%, and Durham fell 0.6% YoY, with 4 & 5 Star properties seeing the greatest softness. Lower-tier units are performing better in both markets. Pricing pressure is expected to continue through 2025 before improving in 2026 as deliveries taper off.

INDUSTRIAL & FLEX MARKET

Triangle industrial markets remain well occupied, though vacancy is rising modestly due to recent supply expansions. Raleigh's industrial vacancy is 7.0%, while Durham stands at 7.3%, both above their historical averages. Raleigh absorbed 1.4 million SF in the past year, and Durham absorbed 2.0 million SF, with demand concentrated in logistics and light manufacturing. Rent growth has cooled but remains healthy: 3.7% in both cities, outperforming the national average.

Construction activity is strong, particularly in Raleigh, where 4.0 million SF is underway, including major buildouts in Wake and Johnston counties. Durham has 3.3 million SF under construction, largely in Chatham County and Research Triangle Park, including Wolfspeed's $5B silicon carbide facility and additional electric vehicle-related projects.

Investment remains active in Raleigh, with sales volume above average and cap rates ranging from 5.5%–7%. Durham's industrial investment is more modest, with $312 million in annual sales, but demand remains solid due to population and employment growth.

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FIRST QUARTER OF 2025

Insider Insights

HIGHLIGHTS | Q1 2025

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As we move through 2025, the Triangle's commercial real estate market reflects a tale of two cycles—strong underlying fundamentals in demand and growth, tempered by short-term challenges around vacancy, pricing power, and capital flow. Across sectors, deals are still happening, but they're more strategic, more cautious, and more concentrated in quality locations, stable cash flow, and growth corridors.

Leasing tours are up, but tenants are slower to commit. Construction pipelines are full but starting to shrink, and while rent growth is flat or negative in some segments, owners are holding firm on long-term positioning. Retail remains the outperformer, industrial is recalibrating, office is stabilizing in select submarkets, and multifamily is navigating through a high-supply phase with solid absorption underneath.

Smart players are using this moment to lock in leases, explore distressed or value-add buys, and re-underwrite with 2026 and 2027 in mind. This is not a downturn—it's a rebalancing. And it's creating real opportunities for those who stay close to the market.

INDUSTRIAL/FLEX | OFFICE | RETAIL | MULT-FAMILY | HIGHLIGHTS

OFFICE MARKET

Landlords are getting creative to backfill space—particularly in Downtown Raleigh, where tenant downsizing continues, and in Research Triangle Park, where amenity-driven Class A buildings are seeing more tours but slower conversions. Hybrid work isn't going away, but tenants are increasingly seeking space that supports collaboration and client-facing activity. Newer builds in mixed-use environments like North Hills and Hub RTP are commanding attention, even at a premium.

Watch for: Flight-to-quality trends accelerating; potential small-tenant clustering in suburban nodes.

RETAIL MARKET

Despite tight availability, deals are still getting done—especially by service-based tenants and medical users. Tenant reps say the biggest challenge isn't demand, but lack of second-generation space and high upfit costs in new construction. Drive-thru-only models and experiential concepts are growing rapidly, especially in fast-growing areas like Southwest Wake and Chatham County.

Watch for: Conversions of underutilized big-box space and stronger interest in neighborhood strips over power centers.

MULT-FAMILY MARKET

While rent growth is currently negative, owners of stabilized assets are holding firm, betting on absorption to catch up by 2026. Developers report more cautious underwriting and a shift toward smaller, suburban projects that can lease up faster. Investors are showing renewed interest in value-add 3 Star deals in secondary submarkets, as those assets have outperformed high-end Class A.

Watch for: Bulk lease-ups in late 2025 and increasing activity around affordable or workforce housing initiatives.

INDUSTRIAL/FLEX MARKET

Raleigh and Durham continue to attract logistics and advanced manufacturing users, but developers say leasing cycles have lengthened, and spec space is sitting longer—especially in older stock. That said, interest in life sciences flex remains strong in pockets of Durham and Chapel Hill. Tenants are asking for more functional loading, higher clear heights, and better highway access, particularly in Johnston and Franklin Counties.

Watch for: Spec-to-suit transitions and uptick in mid-sized user deals as interest rate pressures ease.