APRIL 1, 2025 TO JUNE 30, 2025 | GALLIMORE & ASSOCIATES

SECOND QUARTER OF 2025

Triangle Market Overview

SUMMARY | Q2 2025

GALLIMORE & ASSOCIATES

The Raleigh-Durham commercial real estate market showed continued sector divergence in Q2 2025. Industrial and retail remain the most resilient, buoyed by long-term population growth and e-commerce tailwinds, though vacancies are slowly rising in newly delivered industrial product. Office demand continues to face structural headwinds, with hybrid work flattening absorption and raising concessions despite stable pricing. Multifamily demand remains strong, but an oversupply of new deliveries is keeping vacancies high and rents soft. Capital markets activity picked up slightly across sectors, but pricing adjustments and interest rate pressures continue to shape a cautious investment environment. Fundamentals remain sound in Raleigh's growth corridors, setting the stage for rebalancing into 2026.

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.

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THE TRIANGLE'S ECONOMY

The Raleigh-Durham-Chapel Hill region continues to be one of the fastest-growing metro areas in the country. Raleigh's population expanded by 2.6% over the past year, ranking it among the top three growth markets nationwide. This growth is driven by a steady influx of new residents attracted by job opportunities, a high quality of life, and relative affordability. The region's total population now exceeds 2.1 million, with strong net domestic migration from larger, costlier cities like New York, D.C., and San Francisco. As a result, housing demand, consumer spending, and infrastructure investments continue to scale alongside population gains.

Employment growth remains healthy, especially in Raleigh's key sectors: professional services, life sciences, advanced manufacturing, and tech. Office-using employment has stabilized, even as hybrid work policies persist. Major employers such as Apple, FUJIFILM Diosynth, and Wolfspeed have reaffirmed their long-term commitments to the area, even if project timelines have been adjusted in response to national capital conditions. Raleigh's GDP grew 9.5% in 2024, and early 2025 indicators suggest continued momentum in financial services, construction, and hospitality. Unemployment remains well below the national average.

The Research Triangle region benefits from a uniquely diversified economic base. Anchored by Duke University, UNC Chapel Hill, and NC State, the area's talent pipeline supports ongoing investment in biotechnology, pharmaceuticals, and R&D. Research Triangle Park (RTP), home to over 300 companies, continues to attract global attention. In 2025, several multinational firms expanded local footprints, including Google and Biogen, while local startups gained increased venture capital backing. Durham and Chapel Hill also continue to see strong performance in healthcare, higher education, and tech-enabled services.

Despite national economic headwinds—including persistent inflation, tight credit conditions, and cautious capital markets—the Triangle has remained resilient. Developers have slowed new project starts in sectors like multifamily and office, but the long-term demand drivers remain intact. Infrastructure projects, including public transit improvements and expansion of the Raleigh Convention Center, underscore the region's forward-looking strategy. With high educational attainment, sustained in-migration, and a pro-business environment, the Raleigh-Durham-Chapel Hill economy is expected to outperform national averages through 2026.

APRIL 1, 2025 TO JUNE 30, 2025 | GALLIMORE & ASSOCIATES

SECOND QUARTER OF 2025

Industrial Market Overview

SUMMARY | Q2 2025

GALLIMORE & ASSOCIATES

The Raleigh-Durham industrial market is softening as supply continues to outpace demand. In Raleigh, the vacancy rate rose to 6.8%, well above its 10-year average, driven by 2.3 million SF in new deliveries and a still-active pipeline of 3.2 million SF. Larger buildings over 100,000 SF are seeing the highest vacancy, while rent growth has decelerated to 3.1% annually.

Durham's vacancy rate increased to 7.8%, up from 6.2% a year ago, following 3.2 million SF in deliveries. The market absorbed 2.1 million SF, supported by population growth and demand from life sciences and manufacturing. Asking rents rose 3.1%, but further increases may be limited as another 3.4 million SF remains under construction.

Overall, both markets retain solid long-term fundamentals, but rising vacancies and a full construction pipeline are expected to keep rent growth muted into 2026.

WAKE COUNTY'S INDUSTRIAL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	12.58 ↑	12.14 ↑
Vacancy Rate	6.8% ↓	7.4% ↑
Vacant SF	7.3M ↑	1.4B ↑
Availability Rate	9.6% ↑	9.6% ↑
Available SF Direct	10.1M ↑	1.7B ↑
Available SF Sublet	792K	223M ↑
Available SF Total	10.6M ↑	1.9B ↑
Months on Market	6.5	6.7

Demand	Market	National Index
12 Mo Net Absorption SF	2.2M ↑	72.5M ↓
12 Mo Leased SF	5.1M ↓	739M ↓
6 Mo Leasing Probability	44.20%	45.90%

Sales	Market	National Index
12 Mo Transactions	98 ↓	19657 ↑
Market Sale Price/SF	139 ↑	154 ↑
Average Market Sale Price	$4.6M ↑	$6.2M ↑
12 Mo Sales Volume	$618M ↑	$68.1B ↑
Market Cap Rate	8% ↓	7.3% ↑

DURHAM COUNTY'S INDUSTRIAL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$11.61 ↑	12.14 ↑
Vacancy Rate	7.8% ↑	7.4% ↑
Vacant SF	4.5M ↑	1.4B ↑
Availability Rate	11.9% ↑	9.6% ↑
Available SF Direct	6.6M ↑	1.7B ↑
Available SF Sublet	825K ↑	224M ↑
Available SF Total	7.3M ↑	1.9B ↑
Months on Market	7.4	6.7

Demand	Market	National Index
12 Mo Net Absorption SF	2.1M ↑	72.5M ↓
12 Mo Leased SF	2.2M ↓	739M ↓
6 Mo Leasing Probability	35.0%	45.9%

Sales	Market	National Index
12 Mo Transactions	29 ↓	19290 ↑
Market Sale Price/SF	$131 ↑	$154 ↑
Average Market Sale Price	$7.1M ↑	$6.2M ↑
12 Mo Sales Volume	$312M ↑	$68.1B ↑
Market Cap Rate	7.4% ↕	7.3% ↑

LEASING ACTIVITY

Vacancies continue to rise across Raleigh and Durham as new supply outpaces demand. Raleigh's industrial vacancy rate has climbed from 2.4% in early 2022 to 6.8% in Q2 2025, with the steepest increases in larger facilities over 100,000 SF, where vacancy now stands at 8.8%. Smaller buildings under 100,000 SF are tighter, with a 5.4% vacancy rate. Net absorption in Raleigh totaled 2.2 million SF over the past year—above the market's 10-year average—but average lease sizes have declined. Construction remains active, with 3.2 million SF underway, expected to expand inventory by nearly 3%. Submarkets like Northeast and Southeast Wake County continue to lead in demand and development activity.

In Durham, leasing activity has slowed after peaking in early 2024, with just 500,000 SF leased in Q1 2025. Still, net absorption over the past year totaled 2.1 million SF—well above the market average—driven by logistics and manufacturing tenants in Orange and Chatham counties. Notable move-ins include Wolfspeed, Jose Mendez, and upcoming projects like Morinaga's new Hi-Chew facility. However, with 3.2 million SF delivered and 3.4 million SF still under construction—40% of which is unleased—Durham's vacancy rate has risen to 7.8% and is expected to continue climbing modestly in the near term.

RENT SUMMARY

Industrial rent growth in Raleigh has slowed to 3.1% year-over-year, down from a peak of 10.5% in 2022, but still outpacing the national average of 1.7%. The market's average rent is $12.60/SF, slightly above the U.S. average and well ahead of Southeastern peers like Charlotte and Atlanta. Flex properties command higher rents, averaging $18.80/SF, thanks to Raleigh's large base of R&D and life science tenants. The RTP/RDU submarket remains the most expensive at $15.50/SF, with top-tier leases reaching nearly $20/SF or more. Rent growth is expected to remain near current levels through 2025 as vacancies stay elevated.

In Durham, rent growth also slowed to 3.1%—a notable drop from the 7.2% seen a year ago—but remains above the national trend. The average industrial asking rent is $11.60/SF, with flex space reaching $21.00/SF and high-end leases topping $30/SF in the Research Triangle submarket. More affordable space is still available in outlying areas like Person and Chatham counties, where rents average below $6/SF. With rising vacancies and a strong construction pipeline, rent growth in both markets is expected to remain subdued in the near term before potentially picking back up in 2026.

CONSTRUCTION SUMMARY

Construction activity remains elevated across the Triangle, with Raleigh delivering 2.3 million SF over the past year—above its historical average. Development is concentrated in Northeast and Southwest Wake County, where land is more affordable and local governments are supportive. Flex space continues to be a defining feature of Raleigh's industrial market, accounting for 30% of new deliveries, well above the national average. Major completions include Amgen's 350,000-SF facility in Holly Springs and a 180,000-SF warehouse in Hinton Oaks Industrial Park.

Raleigh currently has 3.2 million SF under construction, with notable projects like FUJIFILM Diosynth's 809,000-SF biomanufacturing plant and Apex Commerce Center's 222,000-SF speculative facility. Flex and life science facilities are expected to drive additional supplier activity, but the steady pace of development may continue to push vacancies higher in the short term.

In Durham, 3.2 million SF was delivered over the past year—nearly triple its typical volume. Most activity is in Chatham County, including Wolfspeed's 2 million-SF silicon carbide plant. The construction pipeline totals 3.4 million SF, with about 40% preleased. Though some projects, like VinFast's EV facility, have been delayed, the region is gaining traction as a hub for advanced manufacturing and life sciences. However, the ongoing influx of new space may keep vacancy elevated into 2026.

SALES SUMMARY

Raleigh's industrial sales totaled $618 million over the past year, above the 10-year average of $477 million. However, that figure was driven by a few large transactions, such as KKR's $122 million portfolio purchase in Southeast Wake County. Deal flow remains below average, with only 98 sales compared to the historical norm of 160 per year. Private equity firms led transaction volume at 35%, followed closely by individual private buyers. Average pricing stood at $148/SF, in line with national benchmarks, while cap rates ranged from 5.5% to 7%, depending on asset quality and lease terms.

In Durham, transaction volume lagged at $308 million, below the 10-year average of $367 million, with just 29 properties sold in the past year. Despite the slowdown, several large deals helped push the average deal size close to $15 million. Notable trades included Lightstone Group's $40 million acquisition of an 83,500-SF R&D building and Prologis' $80 million purchase of three newer buildings in Alexander Commerce Park. The average sales price in Durham was $96/SF—well below national and Raleigh pricing levels—but cap rates remain competitive for the region.

Overall, high interest rates, rising vacancies, and economic uncertainty have slowed transaction volume across both markets. Still, investor interest remains intact due to strong long-term fundamentals. Raleigh's rapid population growth and Durham's deep base of life science, R&D, and emerging EV-related tenants position both markets well for renewed capital deployment as lending conditions improve and rent growth stabilizes.

APRIL 1, 2025 TO JUNE 30, 2025 | GALLIMORE & ASSOCIATES

SECOND QUARTER OF 2025

Office Market Overview

SUMMARY | Q2 2025

GALLIMORE & ASSOCIATES

Raleigh's office vacancy rate sits at 12.1%, near a 20-year high, as demand remains weak and the market adjusts to a wave of supply delivered in 2024. Net absorption over the past year was -220,000 SF, well below average, with many tenants downsizing amid hybrid work trends. While asking rents rose 1.3%, increased concessions have driven effective rents lower. New construction has slowed significantly, with just 280,000 SF in the pipeline, easing future supply pressure.

Durham's office market is relatively healthier, with a vacancy rate of 10.4%, outperforming the national average of 14.1%. Absorption turned negative in early 2025, but new construction remains minimal, keeping conditions more stable. Rents grew 1.3% year-over-year, in line with national trends. The Research Triangle submarket continues to drive demand, though uncertainty around federal research funding could weigh on future growth.

Despite soft demand, both markets benefit from limited new supply and strong regional growth. As construction remains muted, vacancies are expected to stabilize, positioning Raleigh and Durham to outperform many peer metros.

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

WAKE COUNTY'S OFFICE MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$30.68 ↑	$35.55 ↑
Vacancy Rate	12.1% ↑	14.1% ↑
Vacant SF	9.9M ↑	1.2B ↑
Availability Rate	14.1% ↓	16.0% ↓
Available SF Direct	9.7M ↑	1.2B ↓
Available SF Sublet	2M ↓	167M ↓
Available SF Total	11.5M ↓	1.4B ↓
Months on Market	11.2	14.3

Demand	Market	National Index
12 Mo Net Absorption SF	218K ↓	15M ↑
12 Mo Leased SF	3.3M ↓	323M ↓
6 Mo Leasing Probability	35.80%	35.00%

Sales	Market	National Index
12 Mo Transactions	230 ↑	16,730 ↑
Market Sale Price/SF	$208 ↓	$258 ↓
Average Market Sale Price	$4.6M ↓	$6.3M ↓
12 Mo Sales Volume	$624M ↑	$49B ↑
Market Cap Rate	8.8% ↑	9.0% ↑

DURHAM COUNTY'S OFFICE MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$28.66 ↑	$35.55 ↑
Vacancy Rate	10.4% ↑	14.1% ↑
Vacant SF	3.9M ↑	1.2B ↑
Availability Rate	15.8% ↑	16.0% ↓
Available SF Direct	4.3M ↑	1.2B ↓
Available SF Sublet	1.9M ↑	167M ↓
Available SF Total	6M ↑	1.4B ↓
Months on Market	15.3	14.3

Demand	Market	National Index
12 Mo Net Absorption SF	146K ↓	15M ↑
12 Mo Leased SF	880K ↓	323M ↓
6 Mo Leasing Probability	35.20%	35.00%

Sales	Market	National Index
12 Mo Transactions	92 ↑	16,730 ↑
Market Sale Price/SF	$211 ↓	$258 ↓
Average Market Sale Price	$5M ↓	$6.3M ↓
12 Mo Sales Volume	$90.7M ↓	$49B ↑
Market Cap Rate	8.9% ↑	9.0% ↑

LEASING ACTIVITY

Raleigh's office market continues to see soft demand, with net absorption at -220,000 SF over the past year. Tenants are downsizing and prioritizing high-end space, leading to positive absorption in 4 & 5 Star buildings but losses in lower-tier properties. The vacancy rate has risen to 12.1%, though still below national and peer market levels. Average lease sizes remain small, and construction has slowed, which should limit further supply pressure.

Durham recorded -150,000 SF in net absorption, with demand concentrated in higher-end buildings and modest lease sizes from small professional firms. Vacancy rose slightly to 10.4%, still outperforming the national average. New construction remains limited, helping maintain relative stability despite softer demand.

Sublease availability in Durham has surged to 1.9 million SF, led by large blocks like 4820 Emperor Blvd. While leasing is expected to stay slow in the near term, both markets benefit from minimal new supply and strong job growth, helping keep vacancy rates below national trends.

RENT SUMMARY

Rent growth in Raleigh's office market has slowed significantly, with asking rents increasing just 1.3% over the past year—down from 2.9% in 2024 and 4.9% in 2023. While nominal rents remain higher than the national average of 0.6%, rising concessions like free rent and tenant improvement allowances have caused effective rents to decline. The average asking rent is $31.00/SF, with premium submarkets like Downtown Raleigh and North Hills commanding over $50/SF in newer mixed-use buildings. Rent spreads between 3 Star and 4 & 5 Star properties are relatively narrow, with the latter averaging $36.00/SF.

In Durham, rent growth has similarly decelerated to 1.3%, approaching the national average. Average asking rents sit at $29.00/SF, with 3 Star space averaging $27.00/SF and top-tier buildings reaching the mid-$30s/SF. Downtown Durham remains the most expensive submarket, especially for newly built or redeveloped properties. Landlords report growing concessions, with free rent doubling in some cases over the past year, impacting net revenue despite nominal rent growth.

Overall, both markets are seeing softer rent growth due to high vacancies and cautious tenant behavior. However, limited new supply and demand for high-end space in amenity-rich environments continue to support premium pricing in select buildings and submarkets. Rent growth is expected to remain muted in the near term but may recover as market fundamentals stabilize.

CONSTRUCTION ACTIVITY

Raleigh saw a surge in office deliveries in 2024, totaling 1.8 million SF—the highest since 2008. Most of that new space was high-end 4 & 5 Star product in mixed-use developments like North Hills and The Exchange Raleigh. In contrast, 2025 has seen very limited completions so far, with under 50,000 SF delivered, mostly in small medical office projects. The construction pipeline has dropped sharply, from 2.9 million SF in early 2023 to just 280,000 SF today, as developers pull back amid high vacancies and rising costs.

Durham's construction activity has remained modest, with just 140,000 SF delivered over the past year—well below its 10-year average. The main recent delivery was Horseshoe at Hub RTP, a 157,500-SF mixed-use building completed in December 2024, which includes office and retail components. Leasing has been steady, but no major new projects have broken ground since, except for a 39,500-SF building underway at the MOSAIC development in Chatham County.

Overall, both Raleigh and Durham are entering a low-supply environment as developers scale back amid elevated costs and uncertain demand. This slowdown in construction is expected to ease supply-side pressure on vacancies in the near to medium term, helping support market stabilization despite ongoing leasing softness.

SALES SUMMARY

Office sales activity in Raleigh remains well below historical norms, with $624 million in transaction volume over the past year—down from the 10-year average of $894 million. Most deals have been smaller, with an average price of $230/SF, though a few large trades have lifted the average. Notably, Highwoods Properties acquired the Advance Auto Parts Tower in North Hills for $138 million at a cap rate of 8.62%. Cap rates in Raleigh now range from mid-6% to mid-9% depending on quality and occupancy, reflecting higher risk premiums amid uncertain demand.

In Durham, office sales have been even more limited, totaling just $90.7 million over the past year—well below the $380 million 10-year average. The number of transactions has declined as well, with 92 deals completed versus a typical 110. Average pricing came in at $122/SF, with most sales modest in size. Larger deals, such as the SouthCourt building's sale at $87/SF (down from $159/SF in 2022), highlight the recent softening in values. Private buyers have dominated activity, accounting for about half of the volume.

Both markets are experiencing the effects of high interest rates, hybrid work uncertainty, and muted rent growth, which continue to constrain investment. While Raleigh benefits from strong population and job growth, and Durham retains its base of life science and tech tenants, investment volumes are expected to stay below average until economic and market conditions stabilize.

APRIL 1, 2025 TO JUNE 30, 2025 | GALLIMORE & ASSOCIATES

SECOND QUARTER OF 2025

Retail Market Overview

SUMMARY | Q2 2025

GALLIMORE & ASSOCIATES

Raleigh's retail market remains extremely tight, with a 2.6% availability rate—well below the national average of 4.9%. Net absorption totaled 410,000 SF over the past year, slightly below average, as limited availability continues to constrain leasing activity. Move-outs have risen modestly, and 520,000 SF of new supply was delivered, though less than 10% is available. Construction starts have slowed due to high costs and interest rates, reducing the pipeline to 380,000 SF—80% of which is preleased. Rents rose 7.7% year-over-year, supported by continued population growth.

Durham's retail market has also loosened slightly, with availability rising to 2.7%, but it remains tighter than the national average. Net absorption has been negative or flat over the past year, largely due to move-outs across most submarkets, except for growth areas like Chatham County. Leasing has focused on food and medical tenants, while construction remains limited at 290,000 SF, over 80% of which is preleased. Despite slower leasing, rents rose 2.3%, slightly above the national average.

Both markets are expected to maintain low vacancy rates due to limited new supply and steady population growth. While rent growth may cool slightly, Raleigh and Durham are positioned to outperform the national retail market through at least the medium term.

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

WAKE COUNTY'S RETAIL MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$27.74 ↑	$25.41 ↑
Vacancy Rate		2.3% ↑	4.1% ↑
Vacant SF		1.8M ↑	516M ↑
Availability Rate		2.7% ↑	4.9% ↑
Available SF Direct		2M ↑	566M ↑
Available SF Sublet		73.6K ↓	19.3M ↑
Available SF Total		2M ↑	584M ↑
Months on Market		9	10.4

Demand	Market	National Index
12 Mo Net Absorption SF	413K ↓	5.3M ↓
12 Mo Leased SF	1.4M ↓	189M ↓
6 Mo Leasing Probability	34.2%	33.8%

Sales	Market	National Index
12 Mo Transactions	217 ↓	42,356 ↑
Market Sale Price/SF	$265 ↑	$245 ↑
Average Market Sale Price	$3.3M ↑	$2.7M ↑
12 Mo Sales Volume	$403M ↑	$59.2B ↑
Market Cap Rate	6.6% ↓	7.1% ↑

DURHAM COUNTY'S RETAIL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$24.73 ↑	$25.41 ↑
Vacancy Rate	2.2% ↑	4.3% ↑
Vacant SF	691K ↑	516M ↑
Availability Rate	2.7% ↑	4.9% ↑
Available SF Direct	839K ↑	566M ↑
Available SF Sublet	10.5K ↑	19.3M ↑
Available SF Total	849K ↑	584M ↑
Months on Market	10.6	10.4

Demand	Market	National Index
12 Mo Net Absorption SF	90.9K ↓	5.3M ↓
12 Mo Leased SF	491K ↓	189M ↓
6 Mo Leasing Probability	32.2%	33.8%

Sales	Market	National Index
12 Mo Transactions	83 ↓	42,356 ↑
Market Sale Price/SF	$240 ↑	$245 ↑
Average Market Sale Price	$2.9M ↑	$2.7M ↑
12 Mo Sales Volume	$75.8M ↑	$59.2B ↑
Market Cap Rate	8.7% ↑	7.1% ↑

LEASING ACTIVITY

Retail leasing in Raleigh has slowed, with net absorption totaling 410,000 SF—well below the 10-year average—while leasing volume hit 1.6 million SF and move-outs increased. Deliveries outpaced demand at 520,000 SF, nudging availability to 2.6%. Smaller spaces remain most in demand, with sub-2,500 SF buildings at just 0.8% availability. Activity is strongest in Southwest Wake and Johnston County. Notable leases include Fiesta Mexicana and Access Fitness.

Durham's leasing volume remains steady at 160,000 SF per quarter, but net absorption turned negative at -91,000 SF due to mall vacancies. Overall availability sits at 2.7%, with general retail at just 2.3%. Food and medical users continue to drive demand, with recent leases signed across South Durham, North Durham, and Chapel Hill.

While absorption has softened, both markets remain supply-constrained. Tight availabilities, steady tenant demand, and population growth continue to support a resilient retail leasing environment.

RENT SUMMARY

Raleigh's retail rents rose 7.7% year-over-year, continuing an eight-year streak of outperforming the national average, which currently stands at 2.0%. Growth has been fueled by strong population gains and retail spending, especially in outlying submarkets like Northeast Wake, Johnston County, and Franklin County. Asking rents now average $28.00/SF—above the national average of $25.00/SF—with power centers at $32.00/SF and RTP/RDU pushing $36.00/SF. While West Raleigh and Cary saw slightly slower growth due to hybrid work's impact on foot traffic, rent increases there still outpace national figures.

Durham's rent growth has cooled to 2.3% from 5% a year ago but remains slightly ahead of the national rate. Gains were consistent across all submarkets, with neighborhood and power centers posting the strongest increases. Average asking rents in Durham are $25.00/SF, but vary widely—South Durham leads at $29.50/SF, while outer submarkets like Person and Chatham Counties average under $20/SF. Malls command the highest rents at $37.00/SF.

Despite a slight slowdown in Durham, both markets remain tight and competitive. Limited supply and steady demand—particularly for well-located and smaller-format retail—continue to support rent growth above national norms.

CONSTRUCTION SUMMARY

Retail construction in Raleigh has slowed despite strong fundamentals, with just 240,000 SF of new starts over the past year. Net deliveries totaled 520,000 SF—near the 10-year average—but the pipeline has dropped to 380,000 SF, 80% of which is preleased. Recent completions include Eastfield Crossing in Johnston County. New development is focused on smaller strip centers in growing areas like Northeast Wake and Southwest Wake.

Durham saw just 26,000 SF in net deliveries and currently has 290,000 SF under construction, mainly in Research Triangle and Chatham County. Projects include Hub RTP and the MOSAIC mixed-use district. Redevelopment is also underway, with Northgate Mall slated for conversion into office and life science use.

Despite limited construction, both markets remain supported by tight availability and strong population growth, driving continued interest in selective retail development.

SALES SUMMARY

Retail investment activity in Raleigh remains below historical levels as high interest rates continue to weigh on buyer confidence. Transaction volume over the past 12 months totaled $403 million, falling short of the 10-year annual average of $535 million. Deal flow has slowed as well, with about 50 retail property sales per quarter—down from a historical average of 70. Most activity has involved smaller, stabilized assets, and private buyers remain the most active, accounting for 65% of all purchases.

Pricing has continued to climb despite softer volume, with average sales reaching $230/SF—slightly above the national average of $210/SF. Cap rates for retail assets in Raleigh generally fall in the mid- to high-6% range, though well-leased, newer properties are trading at lower yields. Notable trades include a Chipotle-leased QSR that sold for $3.3 million ($1,300/SF) at a 5% cap rate and the $54.6 million acquisition of North Ridge Shopping Center by REIT Brixmor. Adaptive reuse is also on the rise, with former big-box stores such as K-Mart and Kroger sites being repositioned into office, lab, or mixed-use projects.

Durham's retail investment market has seen even more pronounced declines, with only $75.8 million in sales over the past year—less than half its 10-year average of $183 million. The number of deals fell to 83, down from a typical 120 annually. Like Raleigh, most transactions have involved smaller assets, with an average deal size of $1.4 million and pricing at $185/SF. Private investors accounted for 75% of the activity, while user-owners made up a growing share at 15%. Until borrowing costs decline, transaction volume is expected to remain muted, though Durham's growing population and appeal to long-term investors continues to support the market's fundamentals.

APRIL 1, 2025 TO JUNE 30, 2025 | GALLIMORE & ASSOCIATES

SECOND QUARTER OF 2025

Multi-Family Market Overview

SUMMARY | Q2 2025

GALLIMORE & ASSOCIATES

Raleigh's multifamily market continues to post strong demand, with 8,100 units absorbed over the past year—more than double the 10-year average. Most absorption occurred in 4 & 5 Star properties, and while 9,000 new units were delivered, vacancies have improved slightly to 12.2% from a peak of 12.7%. Rents are still down 1.4% year-over-year, but Raleigh's high population growth and steady employment gains support long-term stability.

The construction pipeline remains elevated at 6,000 units, but starts are slowing. Deliveries are expected to drop to around 3,000 units by 2026, helping balance supply. With absorption forecasted at 5,800 units in 2025, vacancies should level off before tightening, and rent growth is expected to turn positive by year-end.

Durham also saw solid absorption at 2,900 units, but supply slightly outpaced demand, with 3,000 new units delivered. Vacancies remain high at 12.1%, and rents are down 1.7%. Most demand came from Downtown and South Durham, but with 6,000 units still under construction, vacancies may rise further before stabilizing once the market digests the new inventory.

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Availability	Market	National Index
Vacancy Rate	12.2% ↓	8.1% ↑
Vacant Units	16.6K ↑	1.7M ↑
Market Asking Rent/Unit	$1,579 ↓	$1,772 ↑
Market Effective Rent/Unit	$1,552 ↓	$1,754 ↑
Concession Rate	1.8% ↓	1.0% ↓
Studio Asking Rent	$1,314 ↓	$1,595 ↑
1 Bedroom Asking Rent	$1,409 ↓	$1,592 ↑
2 Bedroom Asking Rent	$1,656 ↓	$1,857 ↑
3 Bedroom Asking Rent	$1,986 ↓	$2,283 ↑

Sales	Market	National Index
Market Sale Price/Unit	$238K ↑	$231K ↑
12 Mo Asking Sale Price/Unit	$156K ↓	$184K ↓
12 Mo Sales Volume	-14.5% ↓	-7.3% ↑
Market Cap Rate	5.3% ↑	6.1% ↓
12 Mo Sales Volume	$612M ↓	$109B ↑
12 Mo Transactions	28 ↓	15,391 ↑
Months To Sale Past Year	3.3 ↓	5.5 ↑
For Sale Listings	1 ↓	8,519 ↑
For Sale Units	16 ↓	205,374 ↑

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	136,485 ↑	20,531,127 ↑
Existing Buildings	949 ↑	428,493 ↑
Avg Units Per Bldg	144 ↑	48 ↑
12 Mo Demolished Units	24 ↑	5,714 ↑
12 Mo Occupancy % At Delivery	14.8% ↓	21.3% ↓
Under Construction Units	6,043 ↓	595,308 ↓
12 Mo Construction Starts Units	3,661 ↓	284,753 ↓
12 Mo Delivered Units	9,020 ↓	612,581 ↓
12 Mo Avg Delivered Units	250 ↑	170 ↑

Demand	Market	National Index
12 Mo Absorption Units	8,077	527,289
12 Mo Absorption % of Inv	6.1%	2.6%
Median Household Income	$98,806	$81,010
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	12.1% ↓	8.1% ↑
Vacant Units	7.7K ↑	1.7M ↑
Market Asking Rent/Unit	$1,572 ↓	$1,772 ↑
Market Effective Rent/Unit	$1,547 ↓	$1,754 ↑
Concession Rate	1.5% ↓	1.0% ↓
Studio Asking Rent	$1,362 ↓	$1,595 ↑
1 Bedroom Asking Rent	$1,410 ↓	$1,592 ↑
2 Bedroom Asking Rent	$1,636 ↓	$1,857 ↑
3 Bedroom Asking Rent	$2,011 ↓	$2,283 ↑

Sales	Market	National Index
Market Sale Price/Unit	$215K ↑	$231K ↑
12 Mo Asking Sale Price/Unit	$150K ↓	$184K ↓
12 Mo Sales Volume	-	-7.3% ↑
Market Cap Rate	5.6% ↑	6.1% ↓
12 Mo Sales Volume	$335M ↓	$109B ↑
12 Mo Transactions	19 ↓	15,391 ↑
Months To Sale Past Year	4.5 ↓	5.5 ↑
For Sale Listings	1 ↓	8,519 ↑
For Sale Units	5 ↓	205,374 ↑

DUHRAM COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	63,885 ↑	20,531,127 ↑
Existing Buildings	483 ↑	428,493 ↑
Avg Units Per Bldg	132 ↑	48 ↑
12 Mo Demolished Units	0 =	5,714 ↑
12 Mo Occupancy % At Delivery	17.9% ↑	21.3% ↓
Under Construction Units	5,955 ↓	595,308 ↓
12 Mo Construction Starts Units	2,753 ↓	284,753 ↓
12 Mo Delivered Units	2,964 ↓	612,581 ↓
12 Mo Avg Delivered Units	197 ↑	170 ↑

Demand	Market	National Index
12 Mo Absorption Units	2,864	527,289
12 Mo Absorption % of Inv	4.6%	2.6%
Median Household Income	$89,043	$81,010
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

Raleigh's multifamily vacancy rate sits at 12.2%, down slightly from a recent peak but still well above the historical average of 8.7% and the national rate of 8.1%. A wave of new supply—9,000 units delivered over the past year—outpaced even Raleigh's strong demand of 8,100 units, driven by rapid population growth, university presence, and major job announcements like Novo Nordisk's new facility. Absorption has been strongest in high-end 4 & 5 Star properties and in submarkets like Downtown Raleigh and North Cary/Morrisville. With 6,000 units still under construction and 7,400 expected to deliver this year, vacancies may stay elevated in the near term before tightening in 2026.

Durham's vacancy rate also remains high at 12.1%, despite positive net absorption of 2,900 units over the past year—nearly double the market's 10-year average. Demand has been strongest in Downtown and South Durham, especially in 4 & 5 Star properties, though supply continues to outpace absorption. South Durham led in new deliveries, and rising vacancies are expected to persist through 2026 as development remains robust.

While both Raleigh and Durham show strong fundamentals and long-term population growth, near-term vacancies will likely remain elevated due to continued supply pressure. A slowdown in construction should help balance conditions in 2026, with rent growth likely to return as vacancies stabilize.

RENT ACTIVITY

Raleigh saw rents decline 1.4% over the past year, an improvement from -2.3% a year ago. Vacancies remain elevated—especially in 4 & 5 Star and 3 Star properties—while 1 & 2 Star buildings have seen slight rent gains. Only Johnston County posted positive rent growth. The average asking rent is $1,580/month, below the national average of $1,770. High-end suburbs like Cary and Morrisville have the highest rents, with new luxury buildings leasing for over $2,500/month. With 6,000 units under construction, rent growth may stay below historical norms through year-end.

Durham recorded -1.7% annual rent growth, with 4 & 5 Star properties seeing the biggest drops. Downtown and South Durham, which received the most new supply, posted the steepest declines, while some outlying areas saw increases. The average rent is $1,570/month, also below the national average. High-end developments in East Durham, Chatham County, and Chapel Hill command premium pricing. With another 6,000 units underway, rent growth in Durham is expected to remain soft into 2026.

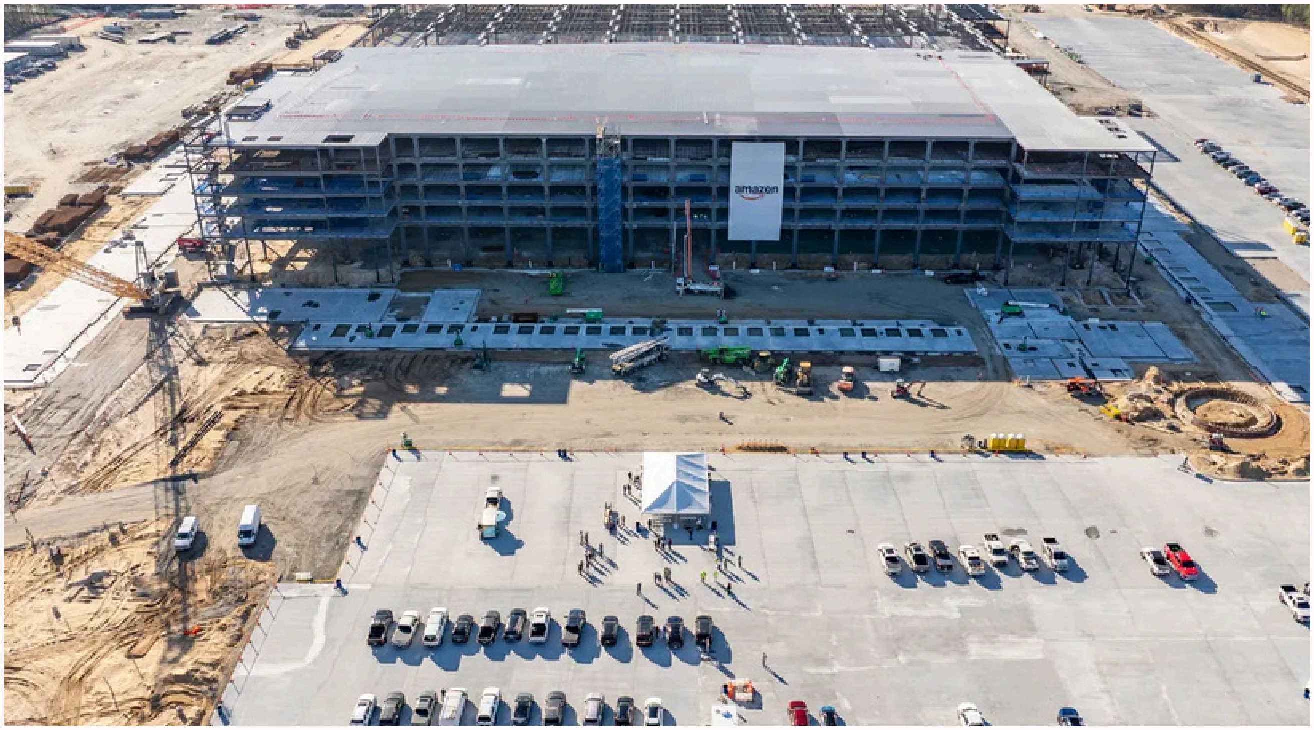
Elevated supply and high vacancies are keeping rent growth negative, but strong long-term demand could support recovery by late 2025 or early 2026.

CONSTRUCTION

Construction activity in Raleigh remains elevated but is slowing. Net deliveries over the past 12 months totaled 9,000 units—nearly double the market's 10-year average. High development costs have led to a focus on premium 4 & 5 Star properties, which account for 85% of recent deliveries. New supply has been concentrated in Downtown Raleigh, Northeast Raleigh, and North Cary/Morrisville, with standout projects like Maeve and Elan at Capital Hills. With fewer starts, Raleigh's construction pipeline has dropped to 6,000 units, down from nearly 16,000 in 2022. Still, this pipeline will expand inventory by 4.4%, keeping Raleigh among the top U.S. metros for supply growth. Key submarkets under construction include East Raleigh, South Cary/Apex, and Downtown Raleigh.

Durham saw record deliveries in 2024 with 3,900 new units, followed by 800 more in Q1 2025. Despite high costs, construction remains robust with 6,000 units underway, projected to grow inventory by 9.3%—more than triple the national rate. Downtown Durham and South Durham have led recent completions, including properties like Vintage Durham. The construction pipeline is heavily weighted toward 4 & 5 Star assets. Downtown Durham alone accounts for 45% of ongoing development, while Chapel Hill holds another 20%, including mixed-use projects like South Creek by Beechwood. Developers report ongoing delays due to supply chain and labor issues.

Both Raleigh and Durham are delivering large volumes of new multifamily inventory, but a slowdown in starts is beginning. Demand remains strong in both markets, but elevated construction pipelines will keep vacancy rates high and rent growth subdued in the near term.



SALES SUMMARY

Multifamily investment activity in Raleigh remains well below historical levels, with $612 million in transaction volume over the past year—less than half the 10-year average. The number of units sold has dropped sharply due to elevated vacancies, high interest rates, and weak rent growth. Deal volume is being led by private buyers, and average pricing stands at $230,000/unit. While most activity is occurring in suburban areas, large deals like ECI Group's $92 million acquisition of The Averly at Flowers highlight investor interest in newer assets. With ongoing market headwinds, sales are expected to remain slow in the near term but should rebound once interest rates ease and supply is absorbed.

Durham has also seen muted multifamily sales activity, with $335 million in volume over the past year, significantly below the 10-year average of $854 million. Unit sales average just 850 per quarter. Pricing has averaged $180,000/unit, with private investors accounting for the majority of activity. Cap rates have stabilized but remain elevated. Recent transactions range from small local deals to larger institutional purchases like Boston Capital's $61.6 million acquisition of Aventura RTP. Although Durham benefits from strong long-term fundamentals, high vacancies and tough financing conditions are likely to keep transaction activity subdued in the short term.

Both markets are challenged by elevated vacancies, high financing costs, and soft rent growth. While long-term fundamentals remain strong, particularly due to population and job growth, capital markets activity is expected to stay sluggish until borrowing conditions improve and new supply is digested.

APRIL 1, 2025 TO JUNE 30, 2025 | GALLIMORE & ASSOCIATES

SECOND QUARTER OF 2025

Highlights

HIGHLIGHTS | Q2 2025

GALLIMORE & ASSOCIATES

The Triangle remains one of the fastest-growing regions in the U.S., driven by robust population growth, sustained corporate investment, and a highly educated labor force fed by top-tier universities. Raleigh's 2.6% population growth ranks third among major U.S. metros, and the area continues to see significant expansions from major players in life sciences, biotech, and advanced manufacturing—such as Novo Nordisk, Fujifilm Diosynth, and Wolfspeed. GDP and employment growth outpace national averages, with the region's affordability, business-friendly environment, and quality of life attracting residents and employers alike.

Quick Sector Snapshots:

- Office: Soft demand persists, but leasing has stabilized; vacancies remain elevated.
- Retail: Tight availability, strong rent growth, and limited construction keep fundamentals strong.
- Warehouse/Industrial: Healthy demand with supply catching up; rent growth has cooled.
- Multifamily: Demand is high, but vacancies and rent softness persist due to heavy new supply.

OFFICE MARKET

The office market in Raleigh-Durham continues to face headwinds. While leasing activity has stabilized somewhat, demand remains below historical norms due to hybrid work trends and tenant downsizing. Raleigh's office vacancy sits at 12.1%, near 20-year highs, and Durham is at 10.4%, both still below the national average of 14.1%. New construction has slowed significantly, with very little speculative development in the pipeline. Rents are flat to slightly declining, especially after concessions. Demand is strongest in high-end 4 & 5 Star properties, though sublease space remains elevated.

RETAIL MARKET

Retail is the Triangle's most resilient asset class. Availability rates are 2.6% in Raleigh and 2.7% in Durham, both well below the national average of 4.9%. Rent growth in Raleigh is a strong 7.7% YoY, with Durham seeing more modest gains at 2.3%. Demand is driven by population growth, particularly in outlying suburbs like Johnston County and Chatham County. Construction is limited, and nearly all new space is pre-leased. Food, beverage, medical, and fitness tenants remain active. The lack of second-generation space is driving competition and supporting rent gains.

INDUSTRIAL MARKET

Demand for industrial and flex space remains healthy across the Triangle, though the pace has cooled slightly from pandemic-era highs. Vacancy rates are beginning to normalize as supply catches up, but they remain low relative to national levels. New construction has moderated, and developers are more selective due to rising costs and cautious financing. Leasing activity is still robust in logistics hubs and life science-focused submarkets, such as Johnston County and RTP. Rent growth has slowed but remains positive, supported by strong fundamentals and limited availability of large, modern space.

MULT-FAMILY MARKET

Multifamily demand is strong in both Raleigh and Durham, supported by rapid population and job growth. However, record new deliveries have outpaced absorption, pushing vacancies to 12.2% in Raleigh and 12.1% in Durham—well above the national average. Rent growth remains negative: -1.4% in Raleigh and -1.7% in Durham over the past 12 months. Most new supply is concentrated in 4 & 5 Star properties, which are also experiencing the highest vacancies. Construction pipelines are elevated but declining, and rents are expected to stabilize in 2026 as supply normalizes and absorption stays positive.

APRIL 1, 2025 TO JUNE 30, 2025 | GALLIMORE & ASSOCIATES

SECOND QUARTER OF 2025

Insider Insights

HIGHLIGHTS | Q2 2025

GALLIMORE & ASSOCIATES

Investor sentiment across Raleigh-Durham remains cautious, particularly in the office and multifamily sectors. Office leasing has stabilized, but vacancies remain elevated, and most activity is driven by tenants seeking higher-quality space. New office construction is nearly frozen, which could help ease oversupply in the long run. Meanwhile, retail continues to outperform, fueled by tight availability, suburban expansion, and strong rent growth in small-format and service-driven spaces.

Multifamily demand remains strong, but a wave of recent deliveries—especially in Class A product—has pushed vacancies above 12% in both Raleigh and Durham. Rent growth is still negative across most submarkets, and with over 12,000 units under construction, pressure is expected to persist through 2025. Still, the region's population growth and economic fundamentals suggest a longer-term recovery once supply normalizes.

Industrial and flex properties continue to benefit from tenant demand and life science growth, particularly in outlying areas. Construction starts have slowed while supply catches up, softening rent growth but keeping fundamentals stable. Infill opportunities and smaller, more flexible formats are gaining traction among investors looking for value amid shifting user needs.

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

OFFICE MARKET

While overall office demand remains weak, tenants continue to gravitate toward amenitized, mixed-use environments—especially in Raleigh's North Hills and Durham's Downtown core. Leasing is driven largely by smaller, professional services users consolidating footprints. Developers are holding off on new starts, with speculative projects all but paused.

Watch for: More adaptive reuse of aging office assets and a modest rebound in leasing from downsizing corporate tenants by late 2025.

RETAIL MARKET

Despite rising move-outs and supply headwinds, Raleigh-Durham retail remains landlord-favorable, with asking rents pushing higher in tight suburban corridors. Owners are taking advantage of limited inventory to secure longer-term leases and stronger tenant covenants. Construction remains selective, and tenant demand is strongest among service and food operators.

Watch for: Increased backfilling of vacant mall space and new interest from healthcare users converting former retail boxes.

MULT-FAMILY MARKET

Vacancies remain elevated across the Triangle due to aggressive deliveries, but demand remains historically high—especially in growth corridors like East Raleigh and South Durham. Concessions are widespread in 4 & 5 Star assets, while stabilized Class B properties are outperforming. Investors are cautiously returning to the market, targeting 3 Star product with value-add potential.

Watch for: Lease-ups accelerating in late 2025 and policy momentum around affordability and missing-middle housing options.

INDUSTRIAL/FLEX MARKET

After several years of outsized expansion, the industrial market is approaching equilibrium. Demand is still solid, especially for last-mile logistics and manufacturing users, but rent growth is moderating. Flex space remains highly competitive, with low vacancy and steady pre-leasing of new projects in Wake and Johnston counties.

Watch for: Suburban land constraints driving vertical development and more owner-users entering the flex segment.