JULY 1, 2025 TO SEPTERMBER 30, 2025 | GALLIMORE & ASSOCIATES

THIRD QUARTER OF 2025

Triangle Market Overview

SUMMARY | Q3 2025

GALLIMORE & ASSOCIATES

The third quarter of 2025 underscored both challenges and opportunities in commercial real estate as market performance continued to diverge sharply across sectors. Industrial and multifamily assets remained highly resilient, bolstered by strong tenant demand and steady investor interest, while data centers and other alternative property types gained further traction as structural growth drivers continued to play out. In contrast, office properties faced persistent headwinds with elevated vacancies, limited leasing momentum, and mounting refinancing risk, prompting a rise in conversion and repositioning strategies. Transaction volumes showed signs of recovery, aided by the Federal Reserve’s recent rate cut, though higher yields and cautious lending kept pricing disciplined and cap rates elevated. Looking ahead, investors are increasingly focused on quality assets, operational execution, and adaptive reuse, positioning themselves to capture value as the market gradually rebalances.

MARKET REPORTS

CHECK OUT

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

As of Q3 2025, the Triangle continues to be one of the nation's fastest-growing regions, with population growth, job creation, and corporate investment outpacing most other metros. Raleigh's population grew 2.6% last year—the third-highest rate among markets over one million residents—while Durham added to the region's momentum with its own above-average expansion. Together, the Triangle now surpasses 2.1 million residents, fueled primarily by net domestic migration and international arrivals. This steady inflow of new residents reflects the area's appeal: a highly educated workforce, strong quality of life, and lower costs compared to peer metros.

Employment growth has been equally impressive. Raleigh's workforce is up 15% compared to its pre-pandemic peak, more than double the national average, while Durham's employment has expanded 8%. Professional and business services, advanced manufacturing, and life sciences are leading drivers, supported by the region's deep talent pipeline from NC State, Duke, UNC-Chapel Hill, and Wake Tech. GDP growth underscores this strength: Raleigh posted a 9.5% gain last year, ranking fourth nationwide, with financial services, construction, and hospitality among the fastest-growing sectors.

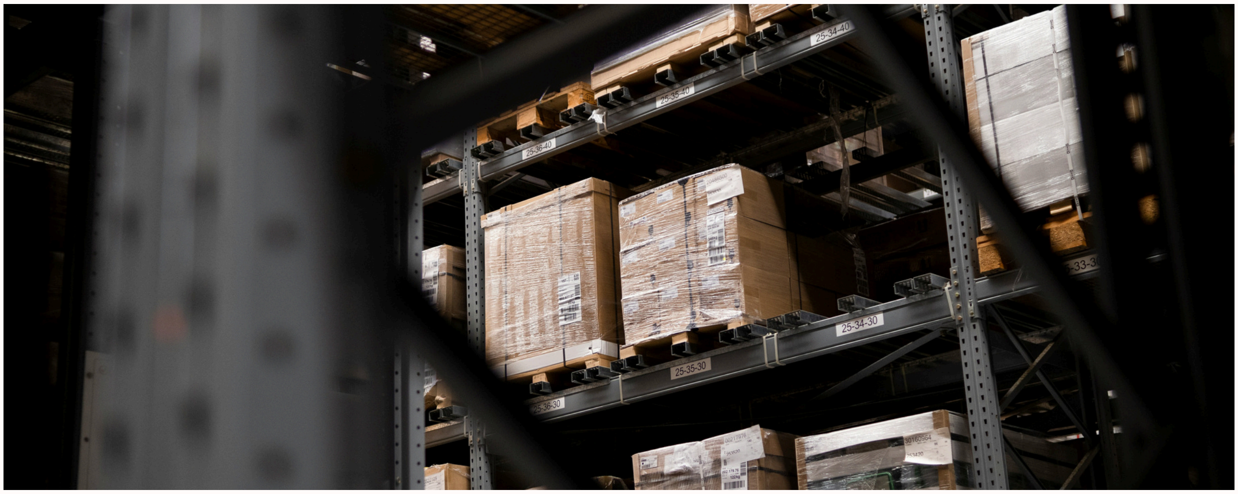
Corporate investment is surging, cementing the Triangle as a top destination for global employers. FUJIFILM Diosynth opened a $2B biomanufacturing facility in Holly Springs, Novo Nordisk is advancing a $4.1B expansion—the largest life science investment in state history—and Wolfspeed is building out a $5B silicon carbide facility in Chatham County. At the same time, Kempower's EV charging plant and expansions from Kyowa Kirin, SCHOTT Pharma, Eli Lilly, and GRAIL demonstrate the region's broad appeal across industries. Research Triangle Park, home to more than 350 firms, is evolving with new mixed-use projects like HubRTP, reinforcing its role as a national innovation hub.

Despite these strengths, the region faces headwinds. Reductions in federal funding for education and research have slowed hiring at some institutions, raising concerns about long-term impacts on innovation. Immigration policy is another critical factor, as nearly 40% of Raleigh's annual growth stems from international migration. Even so, with a diversified economy, strong business climate—North Carolina was again named CNBC's Top State for Business in 2025—and an unmatched talent base, the Triangle remains positioned to outperform most major markets in the years ahead.

JULY 1, 2025 TO SEPTEMBER 30, 2025 | GALLIMORE & ASSOCIATES

THIRD QUARTER OF 2025

Industrial Market Overview



SUMMARY | Q3 2025

GALLIMORE & ASSOCIATES

The Triangle's industrial market remains active, though heavy construction has pushed vacancies higher.

In Durham, vacancy rose to 7.7% in Q3 from 5.7% a year ago, as 3.7M SF of new supply outpaced 2.4M SF of absorption. Demand remains strong from e-commerce, life sciences, and advanced manufacturing, but with 2.9M SF still under construction, vacancies are expected to keep climbing and rent growth to slow into 2026.

In Raleigh, vacancy stands at 6.9%, above the 10-year average of 3.9%. Larger buildings have been hit hardest, with vacancies rising from 1.9% in 2022 to 9.4% today. The market absorbed 2.8M SF over the past year against 3.0M SF delivered, with another 3.4M SF underway. Annual rent growth has cooled to 3.2% from its 2022 peak of 10.4%, though asking rates of $12.50/SF still top the U.S. average.

Overall, demand remains positive, but elevated supply pipelines are likely to keep vacancies high and rent growth subdued until construction eases.

WAKE COUNTY'S INDUSTRIAL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$12.51 ↑	$12.03 ↑
Vacancy Rate	6.9% ↑	7.5% ↑
Vacant SF	7.4M ↑	1.5B ↑
Availability Rate	9.2% ↑	9.7% ↑
Available SF Direct	9.9M ↑	1.7B ↑
Available SF Sublet	379K ↓	230M ↑
Available SF Total	10.3M ↑	1.9B ↑
Months on Market	6.7	6.9

Demand	Market	National Index
12 Mo Net Absorption SF	2.8M ↑	53.8M ↓
12 Mo Leased SF	5.6M ↓	762M ↓
6 Mo Leasing Probability	44.20%	46.00%

Sales	Market	National Index
12 Mo Transactions	164 ↑	20,964 ↑
Market Sale Price/SF	$146 ↑	$157 ↑
Average Market Sale Price	$4.8M ↑	$6.3M ↑
12 Mo Sales Volume	$1.1B ↑	$77.2B ↑
Market Cap Rate	7.8% ↓	7.3% ↓

DURHAM COUNTY'S INDUSTRIAL MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$11.55 ↑	12.03 ↑
Vacancy Rate		7.7% ↑	7.5% ↑
Vacant SF		4.5M ↑	1.5B ↑
Availability Rate		11.3% ↑	9.7% ↑
Available SF Direct		6.3M ↑	1.7B ↑
Available SF Sublet		829K ↑	230M ↑
Available SF Total		7M ↑	1.9B ↑
Months on Market		8	6.9

Demand	Market	National Index
12 Mo Net Absorption SF	2.3M ↑	53.8M ↓
12 Mo Leased SF	2M ↓	762M ↓
6 Mo Leasing Probability	35.1%	46.0%

Sales		Market	National Index
12 Mo Transactions		40 ↑	20,964 ↑
Market Sale Price/SF		$137 ↑	$157 ↑
Average Market Sale Price		$7.5M ↑	$6.3M ↑
12 Mo Sales Volume		$582M ↑	$77.2B ↑
Market Cap Rate		7.2% ↓	7.3% ↓

LEASING ACTIVITY

The Triangle's industrial sector remains active, but new supply continues to push vacancies higher.

In Durham, vacancy climbed to 7.7% from 5.7% a year ago as 3.7M SF of deliveries outpaced 2.4M SF of absorption. Demand is diverse—life sciences, pharmaceuticals, advanced manufacturing, and e-commerce—but with 2.9M SF still underway, vacancies are likely to keep rising and rent growth slowing, despite rents still outperforming the U.S. average.

In Raleigh, vacancy rose to 6.9%, up from 2.4% in 2022, with large buildings hardest hit at 9.4%. The market absorbed 2.8M SF over the past year, boosted by move-ins from Fujifilm Diosynth, Amgen, and others, but that trailed 3.0M SF of new supply, with another 3.4M SF under construction. Rent growth has cooled to 3.2% annually but remains slightly above the national average.

Overall, demand remains healthy, yet heavy construction pipelines will likely keep vacancies elevated and rent growth muted through 2026 before conditions begin to stabilize.

RALEIGH'S RENT SUMMARY

Raleigh's industrial rents have been decelerating for three years after peaking at 10.3% growth in mid-2022. Over the past 12 months, rents rose 3.2%—below the market's historical average of 6.5% but still well above the U.S. rate of 1.3%. Market rent now averages $12.50/SF, exceeding the national average of $12.00/SF and significantly higher than Southeastern peers like Charlotte and Atlanta, where rates remain under $10/SF.

Flex space is a major driver of this premium. About 25% of Raleigh's industrial stock is flex—more than double the national share—with asking rents averaging $19.10/SF. Recent flex deals include Alset Auto Repair leasing 4,000 SF in Glenwood/Creedmoor at $20.25/SF. Logistics space has grown more modestly, with 2.8% rent growth in the past year. The RTP/RDU submarket, heavily weighted toward R&D and life science users, commands the highest rents at $15.50+/SF, with recent leases topping $19.95/SF.

While demand for high-quality space remains strong, rising vacancies are expected to keep rent growth muted through the rest of 2025 before beginning to reaccelerate in 2026.

RALEIGH'S CONSTRUCTION SUMMARY

Construction activity in Raleigh remains elevated, with 3.0M SF delivered over the past year—well above the historical average of 2.0M SF—and another 3.4M SF currently underway, expanding inventory by 3.1%. Development has been concentrated in Southwest Wake, Northeast Wake, and Franklin counties, where land is more affordable and local governments are more favorable to industrial projects.

A defining feature of Raleigh's market is its unusually high share of flex space. About 25% of existing inventory is flex, compared to just 10% nationally, and more than 15% of new deliveries in the past year have been flex buildings, driven largely by life sciences and R&D demand.

Recent major completions highlight this trend. FUJIFILM Diosynth delivered an 808,000-SF biomanufacturing facility in Holly Springs, part of a $2B investment expected to create 725 jobs, while Amgen completed a 350,000-SF advanced drug facility in Southwest Wake in January 2025. Traditional warehouse development continues as well, including a 180,000-SF building in Hinton Oaks Industrial Park delivered in April.

Looking ahead, speculative projects such as the 260,000-SF Building 1C at Wendell Commerce Center (estimated rents $8–$10/SF) show developers remain confident in long-term demand, even as near-term supply pressures keep vacancies elevated.

SALES SUMMARY

Industrial sales have been elevated across the Triangle, with both Raleigh and Durham exceeding historical averages. Durham recorded $582M in transaction volume over the past year versus a 10-year average of $391M, though deal count was lower at 40 sales compared to the typical 60. Prices averaged $141/SF, just under the U.S. benchmark, while cap rates stayed in line with national levels. Investor mix has shifted from being institution-heavy to more evenly split, with private buyers and REITs each taking about 30% of deals. A standout trade was EastGroup Properties' $47M acquisition of a 250K-SF Durham85 Park facility fully leased to Life Science Logistics. Despite rising vacancies, Durham remains attractive due to its life sciences, logistics, and advanced manufacturing base.

In Raleigh, sales volume reached $1.1B over the past 12 months—more than double its $508M average—with deal count steady at about 160 transactions. Larger trades lifted overall volume, with assets averaging $175/SF and cap rates generally in the 6.25–6.75% range, up from 5–5.5% in 2022. Distribution properties led activity, including Olive Point Capital's $44.5M purchase of an Amazon-leased warehouse at $345/SF, while flex and R&D assets also sold actively, such as the Park at Gateway Centre North for $9.2M. Although high interest rates and vacancy pressures may slow near-term activity, Raleigh's strong population growth and life sciences cluster continue to make it a favored market for investors.

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THIRD QUARTER OF 2025

Office Market Overview

SUMMARY | Q3 2025

GALLIMORE & ASSOCIATES

The Triangle's office markets remain under pressure, with vacancies elevated and demand uneven, though conditions are still healthier than the national average. In Raleigh, vacancy stands at 11.3%, near a 20-year high, after a wave of new supply and inconsistent demand. Net absorption totaled just 300K SF over the past year, well below the 10-year average of 740K SF, as tenants continue downsizing with hybrid work. Rent growth has slowed to 1.2% annually, with effective rents falling as concessions rise. On the positive side, new supply has tapered, with the construction pipeline shrinking from 2.9M SF in 2023 to just 640K SF today, limiting further upward pressure on vacancies.

In Durham, fundamentals have softened, but the market remains tighter than Raleigh and the U.S. overall. Vacancy is 9.8%, up from a year ago, with net absorption at -240K SF versus a 10-year average of +400K SF. Research Triangle Park, the largest submarket, has seen the sharpest pullback amid uncertainty over federal research funding. Rent growth has slowed to 1.8% annually, below historical norms but above the U.S. average of 0.7%. Construction has nearly halted, with only 61K SF underway compared to 1.5M SF in 2020, which should help stabilize vacancies. Despite headwinds, Durham's stronger growth trajectory and limited pipeline suggest it will remain one of the healthier U.S. office markets.

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

WAKE COUNTY'S OFFICE MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$30.18 ↑	$35.95 ↑
Vacancy Rate	11.3% ↑	14.1% ↑
Vacant SF	9.2M ↑	1.2B ↑
Availability Rate	13.6% ↓	15.7% ↓
Available SF Direct	9.5M ↓	1.2B ↓
Available SF Sublet	1.9M ↓	157M ↓
Available SF Total	11.1M ↓	1.3B ↓
Months on Market	11.4	14.2

Demand	Market	National Index
12 Mo Net Absorption SF	297K ↑	(6.1M) ↑
12 Mo Leased SF	3.1M ↓	322M ↓
6 Mo Leasing Probability	35.80%	35.10%

Sales	Market	National Index
12 Mo Transactions	247 ↑	18,195 ↑
Market Sale Price/SF	$205 ↑	$266 ↓
Average Market Sale Price	$4.6M ↑	$6.5M ↓
12 Mo Sales Volume	$609M ↑	$55.6B ↑
Market Cap Rate	9.1% ↑	9.1% ↑

DURHAM COUNTY'S OFFICE MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$28.82 ↑	$35.95 ↑
Vacancy Rate		9.8% ↑	14.1% ↑
Vacant SF		3.7M ↑	1.2B ↑
Availability Rate		15.0% ↑	15.7% ↓
Available SF Direct		4.2M ↓	1.2B ↓
Available SF Sublet		1.7M ↑	157M ↓
Available SF Total		5.7M ↑	1.3B ↓
Months on Market		14.6	14.2

Demand	Market	National Index
12 Mo Net Absorption SF	(242K) ↓	(6.1M) ↑
12 Mo Leased SF	1.1M ↑	322M ↓
6 Mo Leasing Probability	35.20%	35.10%

Sales	Market	National Index
12 Mo Transactions	113 ↑	18,195 ↑
Market Sale Price/SF	$207 ↓	$266 ↓
Average Market Sale Price	$4.9M ↓	$6.5M ↓
12 Mo Sales Volume	$125M ↓	$55.6B ↑
Market Cap Rate	9.0% ↑	9.1% ↑

RALEIGH'S LEASING ACTIVITY

Raleigh's office market continues to face weak demand, with net absorption totaling just 300K SF over the past year compared to a 10-year average of 740K SF. Vacancies sit at 11.3%, near record highs, as many tenants downsize at lease expiration despite growth in office-using employment. Leasing has been strongest in top-tier 5 Star buildings (+280K SF) as companies seek modern, amenity-rich environments, while 3 Star and lower properties have posted steep losses. High-profile deals like Weatherby Healthcare's 46K-SF lease at One North Hills Tower highlight the flight-to-quality trend, though the average lease signed remains small at about 4,200 SF.

Over the past year, 610K SF of new supply has delivered, adding to vacancy pressures. Still, Raleigh's vacancy rate remains healthier than the national average (14.1%) and peer markets like Charlotte and Atlanta. While demand is expected to stay soft in the near term, Raleigh's strong population growth, educated workforce, and business-friendly environment should provide long-term stability and support fundamentals once the market begins to rebalance.

RALEIGH'S RENT SUMMARY

Rent growth in Raleigh's office market has slowed sharply as vacancies rise and demand lags. Asking rents grew just 1.2% over the past year, down from 2% a year ago and 4% two years ago, though still above the U.S. average of 0.7%. Nominal rates continue to rise, but higher concessions—often a month of free rent per lease year and tenant improvement allowances exceeding $100/SF in some cases—mean effective rents are declining.

Average asking rents are $30/SF, below the national $36/SF average, with Downtown and North Hills submarkets achieving the highest rates. Class spreads remain narrow: 3 Star properties average $28/SF, while 4 & 5 Star properties average $36/SF. New mixed-use developments push rates above $50/SF, such as Linesight's July 2025 lease at $55/SF in North Hills. With demand expected to stay soft, rent growth is likely to continue decelerating and may turn negative before recovering longer term.

RALEIGH'S CONSTRUCTION ACTIVITY

Raleigh's office construction has slowed sharply in 2025 after a busy 2024. Deliveries totaled 610K SF over the past year—half the 10-year average—led by high-end projects like Tower 5 at North Hills. With vacancies high and costs elevated, few new projects are starting. The pipeline has dropped from 2.9M SF in 2023 to just 640K SF, meaning limited new supply ahead and less pressure on vacancies.

SALES SUMMARY

Office sales remain well below average across the Triangle. In Raleigh, transaction volume reached $609M over the past year, short of the 10-year average of $918M, with 250 sales versus the historical 280. Most deals have been midsized, averaging $3.6M at $240/SF—above the national $195/SF average. A notable exception was Highwoods Properties' $138M purchase of the Advance Auto Parts Tower in North Hills at $398/SF, highlighting ongoing interest in high-quality, fully leased assets. Cap rates have risen in recent years, with prime properties trading in the mid-6% to mid-7% range.

In Durham, sales volume totaled just $125M over the past year, a fraction of its $383M average, though deal count has held steady at about 110 transactions. Smaller properties dominated activity, averaging $1.4M at $104/SF, well below national levels. Larger trades underscored falling values, such as SouthCourt's January 2025 sale at $87/SF—down from $159/SF in 2022. Private buyers have been the most active participants, while institutional activity has slowed. Despite challenges, Durham's strong demographics and industry mix should support long-term investment, though high interest rates and reduced federal funding for research will likely keep near-term activity subdued.

JULY 1, 2025 TO SEPTEMBER 30, 2025 | GALLIMORE & ASSOCIATES

THIRD QUARTER OF 2025

Retail Market Overview

SUMMARY | Q3 2025

GALLIMORE & ASSOCIATES

The Triangle's retail market remains exceptionally tight, driven by strong population growth and limited new supply. In Raleigh, availability is just 2.7%, far below the national 4.8%, as net absorption of 410K SF and minimal new construction have constrained leasing. Only 310K SF delivered over the past year and 650K SF is underway—80% pre-leased—keeping conditions competitive. Tenant reps report difficulty finding quality space, especially for restaurants, and rents have surged 8.0% year-over-year, far above the 1.8% national average. With steady in-migration and a pre-leased construction pipeline, Raleigh's retail fundamentals are expected to remain among the strongest in the nation.

In Durham, availability has edged up but remains low at 2.7%, while demand has softened slightly due to a few large move-outs. Leasing is led by food, beverage, and service users, with modest new construction of 250K SF, over 80% pre-leased. Rent growth has slowed to 1.0% from 4.5% last year, though asking rents now average $25/SF, nearly equal to the U.S. $26/SF. With limited supply and ongoing population and economic expansion, Durham's retail market is expected to stay tight through 2026, with rent growth stabilizing after a short-term slowdown.

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

WAKE COUNTY'S RETAIL MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$28.42 ↑	$25.52 ↑
Vacancy Rate		2.4% ↓	4.3% ↑
Vacant SF		1.8M ↓	513M ↑
Availability Rate		2.7% ↓	4.8% ↑
Available SF Direct		2M ↓	559M ↑
Available SF Sublet		110K ↑	19.6M ↑
Available SF Total		2.1M ↓	577M ↑
Months on Market		8.4	10.4

Demand	Market	National Index
12 Mo Net Absorption SF	411K ↓	(5.4M) ↓
12 Mo Leased SF	1.3M ↓	189M ↓
6 Mo Leasing Probability	34.2%	33.8%

Sales	Market	National Index
12 Mo Transactions	240 ↑	44,289 ↑
Market Sale Price/SF	$267 ↑	$246 ↑
Average Market Sale Price	$3.4M ↑	$2.7M ↑
12 Mo Sales Volume	$776M ↓	$66.4B ↑
Market Cap Rate	6.8% ↓	7.2% ↑

DURHAM COUNTY'S RETAIL MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$24.58 ↑	$25.52 ↑
Vacancy Rate		2.4% ↑	4.3% ↑
Vacant SF		751K ↑	513M ↑
Availability Rate		2.7% ↑	4.8% ↑
Available SF Direct		821K ↑	559M ↑
Available SF Sublet		10.5K ↓	19.6M ↑
Available SF Total		832K ↑	577M ↑
Months on Market		9.9	10.4

Demand	Market	National Index
12 Mo Net Absorption SF	(109K) ↓	(5.4M) ↓
12 Mo Leased SF	522K ↓	189M ↓
6 Mo Leasing Probability	32.2%	33.8%

Sales	Market	National Index
12 Mo Transactions	92 ↑	44,289 ↑
Market Sale Price/SF	$242 ↑	$246 ↑
Average Market Sale Price	$2.9M ↑	$2.7M ↑
12 Mo Sales Volume	$99.8M ↓	$66.4B ↑
Market Cap Rate	8.7% ↑	7.1% ↑

RALEIGH LEASING ACTIVITY

Retail demand in Raleigh remains positive but subdued as limited space availability continues to constrain leasing. Net absorption totaled 410K SF over the past year—well below the 10-year average of 690K SF—despite steady population growth and a 3% annual rise in retail spending. Leasing activity reached 1.4M SF, also below average, as tenants face a shortage of second-generation space and high upfit costs for new builds.

With only 310K SF of new deliveries this year and availability at just 2.7%, Raleigh remains one of the tightest retail markets in the U.S. Smaller spaces are especially scarce, with sub-2,500-SF buildings only 0.6% available. Availabilities are lowest in Franklin and Southwest Wake counties, while West Raleigh and Downtown see higher vacancies due to weaker office traffic. Food, beverage, and discount retailers remain active, with recent leases from Little Caesars (1,900 SF) and Big Deal Outlet (17,450 SF) illustrating steady but space-constrained demand.

RALEIGH RENT SUMMARY

Raleigh continues to post some of the fastest retail rent growth in the nation. Asking rents have climbed 8.0% year-over-year, far above the 1.8% national rate, marking the eighth consecutive year of outperformance. Strong population gains and rising retail sales—up about 3% in Wake County—are fueling competition for limited space, with landlords often receiving multiple offers on prime locations.

Market rents now average $28/SF, surpassing the U.S. average of $26/SF, after years of trailing it. Power centers command the highest premiums at $32/SF versus $28/SF nationally, while top submarkets like RTP/RDU average $36.50/SF, with recent leases reaching $40/SF. Outlying areas such as Franklin and Johnston counties remain more affordable at below $15–$23/SF, but are seeing the fastest rent growth. With tight vacancies and steady in-migration, Raleigh's retail rents are expected to stay on an upward trajectory into 2026.

CONSTRUCTION SUMMARY

Retail construction in Raleigh has slowed notably despite strong fundamentals, as high construction costs and elevated interest rates continue to limit new development. Net deliveries totaled 310K SF over the past year—well below the 10-year average of 540K SF—with most new projects consisting of small strip centers and freestanding retail rather than large power centers.

Major recent completions include a 69.7K-SF Academy Sports + Outdoors at Eastfield Crossing in Johnston County, part of a larger 3M-SF mixed-use project. Currently, 650K SF is under construction, down from 900K SF in early 2024, representing less than 1% inventory growth. About 80% of this pipeline is pre-leased, including two new Target stores (148K SF in Southeast Wake and 128K SF at Eastfield Crossing). With limited new starts expected, Raleigh's retail supply should remain constrained, supporting continued low availability and steady rent growth.

SALES SUMMARY

Retail investment activity has been uneven across the Triangle, with Raleigh outperforming while Durham remains subdued. Raleigh recorded $776M in retail sales over the past year, above its 10-year average of $608M, though transaction counts have dipped to about 60 per quarter versus the historical 70. REITs and public companies drove much of the recent volume, led by major deals like The Macerich Company's $290M purchase of Crabtree Valley Mall. Average pricing reached $240/SF, slightly above the national $220/SF, with cap rates generally in the mid- to high-6% range. Smaller trades remain common—about half under $2M—while high-quality assets, such as a Meineke-leased property that sold for $1.98M ($399/SF), continue to command premiums. Redevelopment trends are also emerging, with older retail centers being converted to mixed-use or lab space.

In Durham, retail sales totaled just $100M in the past 12 months, nearly half the 10-year average of $185M. The market saw 92 deals, down from the typical 120, with average pricing of $200/SF and smaller assets dominating activity. Institutional investors have become slightly more active, accounting for over a quarter of recent trades. A typical example includes an 8,100-SF strip center in Chatham County that sold for $1.35M ($166/SF). While Durham's strong fundamentals and population growth continue to attract long-term interest, elevated interest rates are expected to keep sales volume below average through 2026.

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THIRD QUARTER OF 2025

Multi-Family Market Overview

SUMMARY | Q3 2025

GALLIMORE & ASSOCIATES

The Triangle's multifamily market continues to experience strong demand, though vacancies remain elevated after several years of heavy construction. In Raleigh, absorption has exceeded 1,700 units for six consecutive quarters and totaled 8,300 units over the past year—double the 10-year average. New deliveries remain high at 7,600 units in the past 12 months, but the pace is slowing, with completions expected to fall below 1,700 units in 2026. The vacancy rate has eased from a 2024 peak of 12.9% to 10.9%, still above the 8.2% U.S. average. Rents have declined 1.6% year-over-year as the market digests new supply, but Raleigh's strong population growth and robust job market should drive renewed rent growth by 2026 as construction cools.

In Durham, both demand and new supply remain elevated, keeping vacancies stable but high at 11.0%, down slightly from 11.9% a year ago. The market absorbed 2,700 units over the past 12 months, led by strong leasing in South Durham and Downtown. However, deliveries of 2,300 units outpaced absorption, pressuring rents, which fell 1.1% year-over-year. Construction remains active with 4,700 units underway, concentrated in Downtown, South Durham, and Chapel Hill. While Durham's economy and population growth continue to support long-term demand, the large pipeline is expected to keep vacancies elevated through mid-2026 before easing.

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

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Availability	Market	National Index
Vacancy Rate	10.9% ↓	8.2% ↑
Vacant Units	15.1K ↓	1.7M ↑
Market Asking Rent/Unit	$1,549 ↓	$1,764 ↑
Market Effective Rent/Unit	$1,522 ↓	$1,743 ↑
Concession Rate	1.8% ↓	1.2% ↑
Studio Asking Rent	$1,283 ↓	$1,594 ↑
1 Bedroom Asking Rent	$1,377 ↓	$1,584 ↑
2 Bedroom Asking Rent	$1,617 ↓	$1,846 ↑
3 Bedroom Asking Rent	$1,992 ↓	$2,276 ↑

Sales	Market	National Index
Market Sale Price/Unit	$239K ↑	$235K ↑
12 Mo Asking Sale Price/Unit	$53.6K ↕	$239K ↑
12 Mo Sales Volume	-14.5% ↕	-7.0% ↑
Market Cap Rate	5.3% ↓	6.0% ↓
12 Mo Sales Volume	$917M ↓	$118B ↑
12 Mo Transactions	39 ↑	16,447 ↑
Months To Sale Past Year	3.3 ↕	5.5 ↑
For Sale Listings	2 ↓	8,724 ↑
For Sale Units	422 ↑	214,149 ↑

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	138,107 ↑	20,709,575 ↑
Existing Buildings	964 ↑	431,834 ↑
Avg Units Per Bldg	143 ↑	48 ↑
12 Mo Demolished Units	23 ↓	5,328 ↑
12 Mo Occupancy % At Delivery	15.3% ↑	21.1% ↓
Under Construction Units	4,412 ↓	547,915 ↓
12 Mo Construction Starts Units	3,059 ↓	285,059 ↓
12 Mo Delivered Units	7,629 ↓	562,898 ↓
12 Mo Avg Delivered Units	249 ↑	166 ↑

Demand	Market	National Index
12 Mo Absorption Units	8,301	502,397
12 Mo Absorption % of Inv	6.1%	2.4%
Median Household Income	$99,899	$81,519
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	11.0% ↓	8.2% ↑
Vacant Units	7.1K ↓	1.7M ↑
Market Asking Rent/Unit	$1,546 ↓	$1,764 ↑
Market Effective Rent/Unit	$1,516 ↓	$1,743 ↑
Concession Rate	1.9% ↓	1.2% ↑
Studio Asking Rent	$1,336 ↓	$1,594 ↑
1 Bedroom Asking Rent	$1,379 ↓	$1,584 ↑
2 Bedroom Asking Rent	$1,607 ↓	$1,846 ↑
3 Bedroom Asking Rent	$2,006 ↑	$2,276 ↑

Sales	Market	National Index
Market Sale Price/Unit	$220K ↑	$235K ↑
12 Mo Asking Sale Price/Unit	-	$239K ↑
12 Mo Sales Volume	-	-7.0% ↑
Market Cap Rate	5.5% ↓	6.0% ↓
12 Mo Sales Volume	$320M ↓	$118B ↑
12 Mo Transactions	18 ↓	16,447 ↑
Months To Sale Past Year	4.5 ↕	5.5 ↑
For Sale Listings	0 ↓	8,724 ↑
For Sale Units	0 ↓	214,149 ↑

DUHRAM COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	64,600 ↑	20,709,575 ↑
Existing Buildings	487 ↑	431,834 ↑
Avg Units Per Bldg	133 ↑	48 ↑
12 Mo Demolished Units	0 ↕	5,328 ↑
12 Mo Occupancy % At Delivery	16.3% ↑	21.1% ↓
Under Construction Units	4,733 ↓	547,915 ↓
12 Mo Construction Starts Units	889 ↓	285,059 ↓
12 Mo Delivered Units	2,334 ↓	562,898 ↓
12 Mo Avg Delivered Units	170 ↑	166 ↑

Demand	Market	National Index
12 Mo Absorption Units	2,672	502,397
12 Mo Absorption % of Inv	4.2%	2.4%
Median Household Income	$89,651	$81,519
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

Multifamily demand across the Triangle remains strong, though vacancies stay elevated following several years of heavy construction. In Raleigh, absorption has outpaced supply for over two years, totaling 8,300 units in the past 12 months—more than double the 10-year average. Population growth of 2.6% annually, steady in-migration, and job creation from major projects like Amgen's $1B and Novo Nordisk's $4.1B manufacturing facilities continue to fuel demand. Despite this, vacancies remain high at 10.9%, down from a 2024 peak of 12.9% but above the national 8.2%. Net deliveries of 7,600 units over the past year—mainly in Downtown, East, and South Raleigh—have kept pressure on the market. With 4,400 units still under construction, vacancies are expected to stay elevated through 2025 before tightening in 2026 as supply eases.

In Durham, strong absorption of 2,700 units over the past year has not kept pace with 2,300 new deliveries, keeping vacancy high at 11.0%, well above the national average. Demand is concentrated in South Durham and Downtown, driven by proximity to Research Triangle Park and Duke University. Most leasing activity has been in 4 & 5 Star assets, where absorption matched deliveries but vacancies remain at 11.9%. Midrange properties are performing moderately well, while 1 & 2 Star assets continue to lose tenants. With 4,700 units under construction—many in core submarkets—Durham's vacancies are likely to rise through 2026 before gradually improving as supply is absorbed.

RENT ACTIVITY

Multifamily rent growth across the Triangle remains negative but is showing signs of stabilization as the wave of new supply slows. In Raleigh, asking rents declined 1.6% over the past year, an improvement from the 2.3% drop a year earlier. High vacancies—particularly in 4 & 5 Star properties at 12.8%—have limited landlords' pricing power, while 1 & 2 Star assets with lower vacancies have seen modest rent gains. Average rents in Raleigh are $1,550/month, below the U.S. average of $1,760, with suburban submarkets like Cary/Morrisville leading at $1,660/month, and Downtown units averaging $1,630/month. High-end new developments such as Maeve and The Allison at Fenton command rents up to $2,900/month. With 4,400 units under construction and vacancies gradually easing, rent growth is expected to turn positive again by 2026 but remain below historical norms.

In Durham, asking rents fell 1.1% over the past year following a 1.7% drop a year ago, marking more than two years of negative rent growth. Declines have been most pronounced in mid- to high-end properties, especially in Downtown and South Durham, where new supply remains heavy. Average rents are $1,550/month, also below the national average, with the highest rates in East Durham, Chatham County (~$1,600/month), and Chapel Hill, where top-tier apartments such as Carolina Square reach $3,400/month. With 4,700 units underway—expanding inventory by 7.3%—Durham's rent growth will likely stay muted through 2026 before gradually rebounding as supply is absorbed.

CONSTRUCTION SUMMARY

Multifamily construction across the Triangle remains active but is slowing from historic highs. In Raleigh, net deliveries totaled 7,600 units over the past year—well above the 10-year average of 5,000 units—with roughly 85% of new projects classified as high-end 4 & 5 Star properties. Development has been concentrated in Downtown and East Raleigh, highlighted by completions such as The Holston at Weld (283 units) and Solis Buffalo (322 units). The construction pipeline has dropped to 4,400 units, down sharply from a 2022 peak of 16,000, but still represents 3.2% of inventory—keeping Raleigh among the nation's top 15 major metros for active development. Ongoing projects include Knightdale at Smithfield Road (489 units) and Ray at the Weld (392 units), both slated for completion in 2025–2026.

In Durham, development has also cooled but remains elevated, with 2,300 units delivered in the past year—well above the 10-year average of 1,800. Most new supply is in Downtown and South Durham, which together accounted for about 65% of recent deliveries. Recent completions include Maizon Durham (248 units) in Downtown, offering luxury units averaging over $2,100/month. The market's 4,700 units under construction will expand inventory by 7.3%, nearly triple the national rate, with about 75% of projects rated 4 & 5 Star. Major developments include Novel UHill (400 units, delivering 2026) and Chapel Hill's South Creek by Beechwood, a mixed-use project slated for Q3 2026.

SALES SUMMARY

Multifamily investment activity across the Triangle remains muted despite a few large deals boosting recent totals. In Raleigh, sales volume reached $917M over the past 12 months—well below the 10-year average of $1.6B—as high vacancies, negative rent growth, and elevated interest rates continue to weigh on the market. Transaction counts have fallen sharply, with about 1,000 units trading per quarter versus a historic average of 2,500. Pricing averaged $210K/unit, and most deals were under $10M, though larger sales like The Averly at Flowers ($92M, $232K/unit) and a Cary garden property ($41M, $230K/unit) lifted the market average. Private buyers remain dominant, especially in suburban submarkets along major corridors. While volume is expected to stay below normal in the near term, Raleigh's strong growth outlook supports a favorable long-term investment environment.

In Durham, annual sales volume totaled $320M, less than half the 10-year average of $854M, as high vacancies and tight financing conditions suppress deal activity. About 850 units have traded quarterly, with prices averaging $170K/unit, a discount to the national $210K/unit average. Institutional investors have been the most active buyers recently, accounting for the majority of acquisitions. Notable deals include Aventura RTP ($61.6M, $187K/unit) and Chateau Apartments ($21M, $125K/unit at a 5.73% cap). Cap rates have stabilized in the 5–6% range after rising 100–125 basis points since 2022. While Durham's expanding economy and population provide long-term support, limited financing and elevated vacancies will likely keep transaction volume subdued through 2026.

JULY 1, 2025 TO SEPTEMBER 30, 2025 | GALLIMORE & ASSOCIATES

THIRD QUARTER OF 2025

Highlights

HIGHLIGHTS | Q3 2025

GALLIMORE & ASSOCIATES

The Triangle remains one of the Southeast's strongest-performing regions, supported by steady job creation, robust in-migration, and renewed investor confidence following the Federal Reserve's first rate cut in over four years. Population and employment growth continue to outpace national trends, driven by expansion in life sciences, advanced manufacturing, and technology. Developers are becoming more cautious amid tighter credit and high construction costs, but fundamentals across most sectors remain stable with positive long-term momentum.

Quick Sector Snapshots:

- Office: Vacancies remain high but stable as leasing activity steadies and new construction slows sharply across the Triangle.
- Retail: Retail remains the Triangle's tightest sector, with record-low availability, strong rent growth, and minimal new construction.
- Warehouse/Industrial: Demand stays strong despite elevated vacancies, with rent growth moderating as new supply from major projects continues to deliver.
- Multifamily: High absorption persists across both metros, but vacancies and rent softness linger as the market works through heavy new supply.

OFFICE MARKET

The office market remains in transition, with vacancies elevated but stabilizing. Raleigh's vacancy rate is 11.3% and Durham's is 9.8%, both below national levels but above historic norms. Hybrid work continues to influence downsizing, with tenants prioritizing high-quality, amenity-rich space in areas like North Hills and Downtown Durham. Leasing has picked up modestly, particularly in newer Class A properties, while development has slowed sharply—Raleigh's pipeline now totals just 640,000 SF. Rent growth is limited, and concessions have increased, but local fundamentals remain stronger than most peer markets.

RETAIL MARKET

Retail continues to outperform, defined by tight availability, steady demand, and limited new construction. Both Raleigh and Durham have availability rates of 2.7%, far below the national average of 4.8%. Rent growth remains strong—Raleigh up 8% and Durham up 1%—supported by high consumer spending and population growth. Developers remain cautious due to financing costs, keeping new supply limited at 310K SF in Raleigh and 250K SF in Durham, most of which is pre-leased. Retail investment has been active in Raleigh—highlighted by Crabtree Valley Mall's $290M sale—while Durham's smaller scale keeps volume modest.

INDUSTRIAL MARKET

The industrial sector remains one of the Triangle's strongest performers, powered by logistics, advanced manufacturing, and life sciences. Raleigh's vacancy rate is 6.9% and Durham's 7.7%, up slightly as new deliveries outpaced absorption. Demand remains solid, with Raleigh absorbing 2.8M SF and Durham 2.4M SF—well above long-term averages. Rent growth has moderated to 3.2% and 3.3%, respectively, but still exceeds national norms. Construction activity is high but easing, led by major projects like FUJIFILM Diosynth and Wolfspeed, while investor interest has revived, with combined annual sales topping $1.6B across both metros.

MULT-FAMILY MARKET

Multifamily conditions remain mixed as high demand meets heavy new supply. Raleigh absorbed 8,300 units and Durham 2,700 over the past year, but vacancies remain high at 10.9% and 11.0%, respectively. Rent growth is still negative but improving, with Raleigh down 1.6% and Durham down 1.1% year-over-year. Construction pipelines are tapering—4,400 units in Raleigh and 4,700 in Durham—which should help vacancies tighten in 2026. Investors remain cautious amid rent softness, though sales have ticked up with Raleigh posting $917M and Durham $320M in volume. Long-term fundamentals remain strong, supported by the Triangle's continued population and employment growth.

JULY 1, 2025 TO SEPTEMBER 30, 2025 | GALLIMORE & ASSOCIATES

THIRD QUARTER OF 2025

Insider Insights

INSIDER INSIGHTS | Q3 2025

GALLIMORE & ASSOCIATES

The Triangle's commercial real estate market remains one of the most stable and growth-oriented regions in the country, even as national markets grapple with high vacancies, soft rent growth, and shifting investor sentiment. With the Federal Reserve cutting rates in September, borrowing costs are finally starting to ease, providing a much-needed boost to transaction activity heading into 2026. Local brokers report an uptick in buyer inquiries, particularly for well-located industrial and retail assets, though underwriting remains disciplined as lenders and investors wait for further clarity on pricing and interest rate trends.

Overall, the Triangle continues to distinguish itself as a long-term growth market. The combination of population inflows, job creation, and institutional investment keeps Raleigh-Durham among the nation's most resilient metros. As rate cuts work their way through the system and new supply eases, local experts expect to see a stronger investment climate, improving rent growth, and continued migration-driven demand across all major property sectors.

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

OFFICE MARKET

While still challenged, is showing signs of slow recovery. Vacancies remain high but stable as leasing activity steadies, particularly in North Hills, Downtown Durham, and RTP, where demand for mixed-use, amenity-rich environments is strongest. Tenants continue to downsize but upgrade, trading square footage for quality. With new construction at its lowest level in a decade, the market appears to be reaching an inflection point that could set the stage for gradual improvement in 2026.

RETAIL MARKET

Retail remains the standout performer of the Triangle's property sectors. Availability rates in both Raleigh and Durham sit near historic lows at 2.7%, and landlords continue to push rents—up 8% year-over-year in Raleigh, one of the highest rates in the nation. Local tenant representatives note that small spaces in prime locations rarely stay on the market for long, and most new developments are 80% or more pre-leased before delivery. This sustained retail strength underscores the Triangle's expanding consumer base and high household income growth.

MULT-FAMILY MARKET

Multifamily demand remains robust, bolstered by the Triangle's strong job market and population inflows. Raleigh absorbed over 8,000 units in the past year—double its historical average—while Durham added nearly 2,700. However, both markets are still digesting record levels of new supply, keeping vacancies elevated at 10.9% in Raleigh and 11.0% in Durham. Rent growth remains slightly negative but is showing signs of improvement as construction activity slows. With 4,400 units under construction in Raleigh and 4,700 in Durham, the development pipeline is finally easing, setting the stage for a potential rebound in rent growth by mid-2026.

INDUSTRIAL/FLEX MARKET

Industrial fundamentals remain healthy as the market works through a wave of new supply. Raleigh's vacancy rate of 6.9% and Durham's 7.7% reflect an adjustment period rather than a downturn, as absorption continues to outpace long-term averages—2.8 million SF in Raleigh and 2.4 million SF in Durham over the past year. Developers are beginning to scale back speculative projects, suggesting the market may be near equilibrium by mid-2026. Rent growth has moderated to roughly 3% annually, but demand from advanced manufacturing and life sciences users—such as Wolfspeed and FUJIFILM Diosynth—remains a long-term driver of space utilization and investment.