OCTOBER 1, 2025 TO DECEMBER 31, 2025 | GALLIMORE & ASSOCIATES

FOURTH QUARTER OF 2025

Triangle Market Overview

SUMMARY | Q4 2025

GALLIMORE & ASSOCIATES

The Triangle commercial real estate market ended Q4 2025 in a period of stabilization, as leasing and investment activity remained selective amid a higher interest rate environment. Tenant demand continued to favor well-located, high-quality assets, while transaction volume improved modestly as buyer and seller expectations began to align.

Industrial performance remained relatively steady, while office, retail, and multifamily fundamentals varied by submarket and asset quality. Capital markets showed early signs of renewed activity, driven by motivated sellers and disciplined underwriting. Overall, Q4 reflected a market recalibrating and positioning for measured growth entering 2026.

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.

Achieving Results Exceeding Your Expectations!

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THE TRIANGLE'S ECONOMY

The Raleigh–Durham market remains one of the fastest-growing large metros in the U.S., continuing to outperform national averages in population growth, job growth, and corporate investment, despite some recent moderation. The combined Triangle population now exceeds 2.1 million, with Raleigh ranking third nationally for growth among markets over 1 million residents. Domestic migration remains the primary driver, supported by strong in-migration of educated workers.

Employment growth has significantly outpaced the national trend, led by professional services, life sciences, healthcare, and advanced manufacturing. Raleigh's GDP growth ranked among the top five nationally, fueled by financial services, construction, and hospitality. Major corporate investments—particularly in life sciences and manufacturing—continue to anchor long-term demand, including large-scale projects by Novo Nordisk, FUJIFILM Diosynth, Novartis, and Wolfspeed.

The region's economic strength is underpinned by a deep, highly educated labor pool supported by major universities and Research Triangle Park, which remains a key driver of innovation and investment. However, recent reductions in federal funding for research and education have introduced near-term uncertainty, particularly impacting Durham's academic and research-driven employment base. While these policy shifts may temper short-term growth, the Triangle's diversified economy, business-friendly environment, and talent pipeline continue to support a strong long-term outlook.

OCTOBER 1, 2025 TO DECEMBER 31, 2025 | GALLIMORE & ASSOCIATES

FOURTH QUARTER OF 2025

Industrial Market Overview

SUMMARY | Q4 2025

GALLIMORE & ASSOCIATES

Industrial fundamentals across the Raleigh–Durham market remain mixed as demand has stayed positive but continues to be met by elevated levels of new supply. Population growth, job creation, and corporate investment have supported above-average absorption; however, robust deliveries over the past several years have pushed vacancies above historical norms.

In Raleigh, vacancy stands at 6.3%, below the national average but well above the market's long 10-year norm, with smaller-format industrial space remaining relatively tight. Rent growth has slowed to approximately 3.0% year-over-year as new product continues to come online, while construction activity has moderated amid rising costs and broader economic uncertainty.

Durham has experienced greater vacancy pressure as supply growth has outpaced demand, pushing vacancy to roughly 9.0%. While absorption and rent growth remain above national averages—supported by life sciences and advanced manufacturing—elevated deliveries are expected to keep vacancies rising through 2026, limiting near-term rent growth across the market.

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

WAKE COUNTY’S INDUSTRIAL MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$1.06 ↑	$1.02 ↑
Vacancy Rate		6.3% ↓	7.6% ↑
Vacant SF		6.8M ↓	1.4B ↑
Availability Rate		9.9% ↑	9.6% ↑
Available SF Direct		11M ↑	1.6B ↑
Available SF Sublet		396K ↓	213M ↑
Available SF Total		11.3M ↑	1.8B ↑
Months on Market		6.2	7.5

Demand	Market	National Index
12 Mo Net Absorption SF	3.2M ↑	98.5M ↓
12 Mo Leased SF	6.7M ↓	770M ↓
6 Mo Leasing Probability	45.00%	46.50%

Sales		Market	National Index
12 Mo Transactions		191 ↑	21,379 ↑
Market Sale Price/SF		$156 ↑	$162 ↑
Average Market Sale Price		$5.3M ↑	$6.5M ↑
12 Mo Sales Volume		$1.5B ↑	$77.1B ↑
Market Cap Rate		7.7% ↓	7.2% ↓

DURHAM COUNTY'S INDUSTRIAL MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$0.98 ↑	$1.02 ↑
Vacancy Rate		8.9% ↑	7.6% ↑
Vacant SF		5.3M ↑	1.4B ↑
Availability Rate		11.9% ↑	9.6% ↑
Available SF Direct		6.8M ↑	1.6B ↑
Available SF Sublet		811K ↑	213M ↑
Available SF Total		7.5M ↑	1.8B ↑
Months on Market		9.2	7.5

Demand	Market	National Index
12 Mo Net Absorption SF	1.8M ↓	98.5M ↓
12 Mo Leased SF	2.3M ↓	770M ↓
6 Mo Leasing Probability	34.8%	46.50%

Sales		Market	National Index
12 Mo Transactions		51 ↑	21,379 ↑
Market Sale Price/SF		$149 ↑	$162 ↑
Average Market Sale Price		$8.2M ↑	$6.5M ↑
12 Mo Sales Volume		$696M ↑	$77.1B ↑
Market Cap Rate		7.1% ↓	7.2% ↓

RALEIGH'S LEASING ACTIVITY

Industrial demand in Raleigh has remained strong, though it has only recently begun to catch up with several years of elevated new supply. As a result, vacancy has risen from a low of 2.4% in early 2022 to approximately 6.8%, with the greatest pressure concentrated in mid-sized buildings between 100,000 and 500,000 SF.

Net absorption over the past 12 months totaled 3.2 million SF—well above the market's historical average—driven by build-to-suit deliveries and large move-ins across Southwest Wake County, Southeast Wake County, and surrounding submarkets. Demand has been supported by life sciences, advanced manufacturing, and food production tenants, many tied to Research Triangle Park and regional population growth.

Despite solid demand, construction activity remains elevated, with 2.9 million SF delivered over the past year and an additional 6.5 million SF under construction. While long-term fundamentals remain favorable, slower population growth and reduced research funding are expected to limit near-term absorption, keeping vacancy on an upward trajectory through much of 2026.

RALEIGH'S RENT SUMMARY

Annual rent growth in Raleigh's industrial market has continued to decelerate from its 2022 peak but remains well above the national average. Rents increased approximately 3.0% over the past year, below the market's long-term average but more than double the current national growth rate. Both logistics and flex rents posted modest gains, reflecting steady but more price-sensitive tenant demand.

Raleigh asking rents now exceed the national average, driven largely by the market's high concentration of flex and life science properties. Average asking rents stand at approximately $12.60/SF, with the RTP/RDU submarket commanding significantly higher rates due to its research and development focus. Flex properties remain a key differentiator, accounting for a much larger share of inventory than in most U.S. markets and achieving premium pricing. Looking ahead, rising vacancies are expected to keep rent growth muted through mid-2026.

However, Raleigh's specialized industrial base, limited comparable supply in peer Southeast markets, and long-term demand drivers are expected to support renewed rent growth in the latter half of the year.

RALEIGH'S CONSTRUCTION SUMMARY

Industrial construction activity in Raleigh remains elevated, with 2.9 million SF delivered over the past year—above the market's long-term average—and a particularly strong surge in mid-2025. Development has been concentrated in Southwest and Southeast Wake County, where land availability and more favorable development conditions continue to attract large-scale warehouse and distribution projects.

Raleigh's industrial pipeline is distinguished by a high concentration of flex and life science-related development. Flex buildings account for approximately 25% of existing inventory and about 20% of recent deliveries, far exceeding the national average. Major life science projects, including FUJIFILM Diosynth's 808,000-SF manufacturing facility, continue to drive this trend alongside more traditional logistics developments.

Construction starts have accelerated, pushing the active pipeline to approximately 6.5 million SF, representing a 6.0% expansion of total inventory. With several large facilities scheduled to deliver in 2026, elevated construction levels are expected to continue contributing to upward pressure on vacancies in the near to medium term.

SALES SUMMARY

Industrial sales activity in Raleigh has exceeded historical norms over the past year, driven primarily by a small number of large transactions. Rolling four-quarter transaction volume reached approximately $1.5 billion, well above the market's long-term average, though deal count remained in line with historical levels—indicating pricing strength at the top of the market rather than a broad-based surge in activity.

Institutional investors were the most active buyers, accounting for roughly half of total transaction volume, with distribution facilities representing the largest share of trades. Notable transactions included KKR's acquisition of Beacon Commerce Park and Olive Point Capital's purchase of a fully leased Amazon-occupied distribution facility, reflecting continued demand for well-located, credit-backed assets.

Cap rates for stabilized industrial assets generally range from the mid-6% range, with newer, well-leased properties trading more aggressively and older or vacant assets pricing higher. While elevated interest rates and policy uncertainty remain near-term headwinds, Raleigh's strong population growth and rising national profile support a positive long-term investment outlook.

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FOURTH QUARTER OF 2025

Office Market Overview

SUMMARY | Q4 2025

GALLIMORE & ASSOCIATES

Raleigh's office market has shown early signs of stabilization, with vacancy edging down from recent highs but remaining elevated at 11.2%, well above historical norms. Demand has been uneven, as hybrid work and space optimization continue to limit net absorption despite increased leasing tours and inquiries. Rent growth has slowed to approximately 1.6% year-over-year, with higher concessions weighing on effective rents, though fundamentals remain stronger than the national office market.

Durham's office market remains softer, with negative absorption over the past year driven by uncertainty in research and education funding. While demand has weakened in Research Triangle, Downtown Durham has continued to outperform due to its walkable, amenity-rich environment. Developers have responded cautiously, with net inventory declining and minimal new construction underway.

While office demand is likely to remain muted in the near term, constrained new supply and continued regional population and employment growth should support modest rent growth and comparatively healthier fundamentals over the medium term.

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

WAKE COUNTY'S OFFICE MARKET SUMMARY

Availability		Market	National Index
Market Asking Rent/SF		$2.64 ↑	$3.07 ↑
Vacancy Rate		11.2% ↓	14.2% ↑
Vacant SF		9.1M ↓	1.2B ↑
Availability Rate		13.4% ↓	15.6% ↓
Available SF Direct		9.2M ↓	1.1B ↓
Available SF Sublet		1.9M ↓	142M ↓
Available SF Total		10.9M ↓	1.3B ↓
Months on Market		12.1	14.4

Demand	Market	National Index
12 Mo Net Absorption SF	474K ↑	(5.2M) ↑
12 Mo Leased SF	3.2M ↓	310M ↓
6 Mo Leasing Probability	36.00%	35.30%

Sales	Market	National Index
12 Mo Transactions	211 ↓	17,952 ↑
Market Sale Price/SF	$206 =	$266 =
Average Market Sale Price	$4.6M ↓	$6.5M ↓
12 Mo Sales Volume	$427M ↓	$56.6B ↑
Market Cap Rate	9.1% ↑	9.1% ↑

DURHAM COUNTY'S OFFICE MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$2.43 ↑	$3.07 ↑
Vacancy Rate	9.8% ↑	14.2% ↑
Vacant SF	3.7M ↑	1.2B ↑
Availability Rate	14.3% ↓	15.6% ↓
Available SF Direct	4.1M ↓	1.1B ↓
Available SF Sublet	1.3M ↓	142M ↓
Available SF Total	5.3M ↓	1.3B ↓
Months on Market	13.0	14.4

Demand	Market	National Index
12 Mo Net Absorption SF	(459K) ↓	(5.2M) ↑
12 Mo Leased SF	1.1M ↑	310M ↓
6 Mo Leasing Probability	35.20%	35.30%

Sales	Market	National Index
12 Mo Transactions	119 ↑	17,952 ↑
Market Sale Price/SF	$219 ↑	$266 =
Average Market Sale Price	$5.2M ↑	$6.5M ↓
12 Mo Sales Volume	$454M ↑	$56.6B ↑
Market Cap Rate	9.0% ↑	9.1% ↑

RALEIGH'S LEASING ACTIVITY

Office demand in Raleigh has been inconsistent, with a strong rebound in 25q4 following a negative prior quarter. Net absorption totaled approximately 470,000 SF over the past year, below historical averages, as job growth in office-using sectors has slowed and many tenants continue to downsize into higher-quality, amenity-rich space.

Demand has been concentrated in top-tier properties, particularly 5 Star buildings in mixed-use environments, while lower-quality assets have experienced flat to negative absorption. Larger, high-profile leases remain the exception rather than the norm, with most recent leasing activity driven by smaller tenants and pre-built spec suites that offer flexibility and shorter decision timelines.

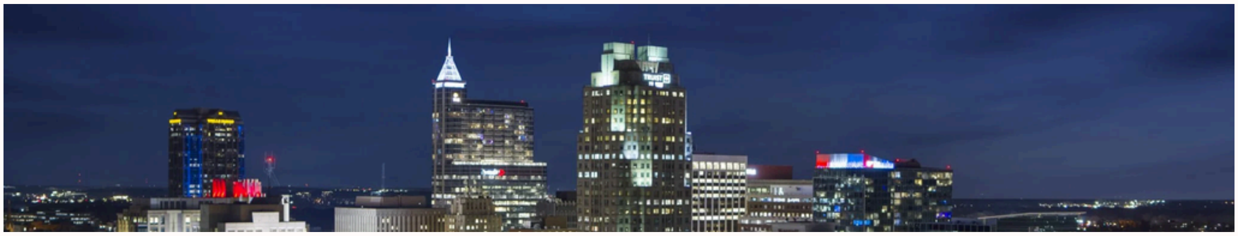
Construction activity has slowed significantly, limiting new supply and helping keep Raleigh's vacancy rate at approximately 11.2%, below national and peer-market levels. While population and employment growth are moderating, Raleigh's long-term fundamentals and constrained development pipeline are expected to support relative stability in the office market.

RALEIGH'S RENT SUMMARY

Office rent growth in Raleigh has continued to slow amid mixed demand and elevated vacancies, though it remains modestly above the national average. Asking rents increased approximately 1.6% over the past year, extending Raleigh's long-standing outperformance of national rent growth but remaining well below historical norms.

Rent performance varies by asset quality, with stronger pricing power concentrated in newer, amenity-rich buildings, particularly within mixed-use developments. While top-tier properties are achieving premium rents, increased concessions—such as free rent and elevated tenant improvement allowances—have reduced effective rents across much of the market.

Looking ahead, demand is expected to remain uneven, and rent growth is likely to stay subdued in the near term. However, Raleigh's relatively affordable rental rates compared to national averages and its continued economic growth should help support pricing stability over the medium term.



RALEIGH’S CONSTRUCTION SUMMARY

Office construction activity in Raleigh has slowed significantly amid mixed demand and elevated vacancies. Net deliveries totaled just 160,000 SF over the past year—well below historical norms—while demolition of older, lower-quality properties has further reduced available inventory in some segments.

Development activity has been limited and dispersed across suburban submarkets, with recent deliveries focused on smaller-scale projects and medical office buildings. Elevated construction costs and leasing uncertainty have caused developers to delay new starts, sharply reducing the active pipeline.

As a result, Raleigh’s office pipeline has contracted to approximately 480,000 SF, with more than 90% of that space already pre-leased or owner-occupied. With minimal speculative construction underway, supply-side pressure on vacancies is expected to remain limited, helping Raleigh maintain vacancy levels below the national average over the medium term.

SALES SUMMARY

Industrial sales activity in Raleigh has exceeded historical averages over the past year, driven largely by a handful of high-value transactions. Rolling four-quarter volume reached approximately $1.5 billion, well above long-term norms, though deal count remained in line with historical trends—indicating that a few large trades are inflating overall volume. Institutional investors were the most active buyers, targeting well-leased distribution and flex assets, with stabilized properties generally trading in the mid-6% cap rate range.

Durham also saw a notable rebound in industrial investment activity in the second half of 2025, with annual sales volume reaching roughly $695 million—its highest level since 2022. While total transactions remained slightly below historical averages, pricing held firm, with assets trading near or above national averages. Institutional buyers and REITs were particularly active, reflecting continued interest in newer, fully leased distribution facilities.

Looking ahead, both markets remain attractive to investors due to strong population growth, life science and manufacturing demand, and rising national profiles. However, elevated vacancies, slowing rent growth, and uncertainty tied to interest rates and federal research funding may temper near-term activity. Long term, Raleigh and Durham are well positioned to attract broader investor interest as market conditions normalize.

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FOURTH QUARTER OF 2025

Retail Market Overview

SUMMARY | Q4 2025

GALLIMORE & ASSOCIATES

Retail fundamentals across the Triangle remain exceptionally tight, driven by limited new supply and steady consumer demand. Raleigh's availability rate stands at just 2.6%, well below the national average, as below-average leasing activity has been constrained more by lack of available space than by weak demand. New deliveries have been limited and largely pre-leased, keeping availabilities compressed and supporting strong rent growth.

In Durham, retail availability has increased slightly to approximately 3.1% as demand has not fully kept pace with recent deliveries, though the market remains significantly tighter than national levels. Leasing activity has been led by food and beverage, personal services, and medical users, with select submarkets such as Research Triangle and Chatham County continuing to outperform. New construction remains largely pre-leased, limiting near-term supply risk.

Rent growth remains a key differentiator between the two markets. Raleigh posted robust rent growth of over 8% year-over-year, while Durham experienced slower but still positive growth. With population growth continuing across both markets and limited speculative development underway, retail availabilities are expected to remain low and rent growth is likely to continue outperforming national averages over the medium term.

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

WAKE COUNTY'S RETAIL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$2.42 ↑	$2.18 ↑
Vacancy Rate	2.5% ↓	4.3% ↑
Vacant SF	1.9M ↓	495M ↑
Availability Rate	2.6% ↓	4.8% ↑
Available SF Direct	2M ↓	531M ↑
Available SF Sublet	84.4K ↑	18.9M ↑
Available SF Total	2M ↓	549M ↑
Months on Market	7.8	10.5

Demand	Market	National Index
12 Mo Net Absorption SF	347K ↓	(4.4M) ↓
12 Mo Leased SF	1.4M ↓	180M ↓
6 Mo Leasing Probability	34.7%	34.2%

Sales	Market	National Index
12 Mo Transactions	260 ↑	44,198 ↑
Market Sale Price/SF	$275 ↑	$249 ↑
Average Market Sale Price	$3.5M ↑	$2.8M ↑
12 Mo Sales Volume	$809M ↓	$69B ↑
Market Cap Rate	6.8% ↓	7.3% ↑

DURHAM COUNTY'S RETAIL MARKET SUMMARY

Availability	Market	National Index
Market Asking Rent/SF	$2.08 ↑	$2.18 ↑
Vacancy Rate	2.7% ↑	4.3% ↑
Vacant SF	852K ↑	495M ↑
Availability Rate	3.1% ↑	4.8% ↑
Available SF Direct	968K ↑	531M ↑
Available SF Sublet	10.5K ↓	18.9M ↑
Available SF Total	978K ↑	549M ↑
Months on Market	9.2	10.5

Demand	Market	National Index
12 Mo Net Absorption SF	125k ↑	(4.4M) ↓
12 Mo Leased SF	464K ↓	180M ↓
6 Mo Leasing Probability	32.4%	34.2%

Sales	Market	National Index
12 Mo Transactions	96 ↑	44,198 ↑
Market Sale Price/SF	$238 ↑	$249 ↑
Average Market Sale Price	$2.9M ↑	$2.8M ↑
12 Mo Sales Volume	$161M ↑	$69B ↑
Market Cap Rate	8.9% ↑	7.3% ↑

RALEIGH'S LEASING ACTIVITY

Retail demand in Raleigh softened slightly in 25q4, breaking a prolonged streak of positive absorption, though annual demand remains positive. Leasing activity has slowed and remains below historical norms, largely due to a lack of available space rather than weak tenant interest, as population growth and retail spending in the market continue to outperform national trends.

New retail deliveries have been limited, helping keep availability extremely tight at approximately 2.6%. Smaller-format retail space is particularly constrained, with the lowest availability in buildings under 2,500 SF, reflecting continued demand from food-and-beverage users and smaller service-oriented tenants.

Availability remains tight across most submarkets, particularly in Southwest Wake County and Franklin County, while office-heavy areas such as Downtown Raleigh have slightly higher availability. With limited second-generation space and minimal new supply, Raleigh's retail market remains landlord-favorable despite moderating demand.

RALEIGH'S RENT SUMMARY

Retail rent growth in Raleigh remains exceptionally strong, with asking rents up approximately 8.4% year-over-year—well above the national average and the highest among major U.S. markets. Tight availability has created a highly competitive leasing environment, allowing landlords to push rates higher, particularly for well-located and second-generation space.

Rent growth has been broad-based across all submarkets, supported by strong population growth and rising retail sales. Raleigh's average asking rent has now climbed to roughly $29.00/SF, surpassing the national average after several years of sustained outperformance.

Premium pricing is most evident in power centers and core employment hubs such as RTP/RDU, where rents exceed $37/SF. Outlying submarkets continue to offer lower-cost options, though overall market conditions remain firmly landlord-favorable.

RALEIGH'S CONSTRUCTION SUMMARY

Despite tight availability and strong rent growth, retail construction activity in Raleigh has remained limited due to elevated development costs. Net deliveries totaled approximately 250,000 SF over the past year, well below historical norms, with most new space consisting of small-format strip centers and freestanding retail in outlying submarkets.

The development pipeline has begun to expand modestly, with approximately 930,000 SF currently under construction, representing a 1.2% increase in total inventory. More than 85% of this space is already pre-leased, suggesting minimal near-term supply risk. New projects remain focused outside the urban core, where land availability and costs are more favorable.

While large-format retail development has slowed compared to prior years, select big-box and mixed-use projects—such as multiple Target-anchored developments—are moving forward. Overall, limited speculative construction is expected to keep Raleigh's retail market tight through the medium term.

SALES SUMMARY

Retail sales activity in Raleigh has been strong, with transaction volume totaling approximately $809 million over the past year—above long-term averages—despite a slightly lower-than-normal number of deals. Tight market conditions, rising rents, and strong local buying power have pushed pricing above national averages, with well-leased and newer properties commanding premium values and lower cap rates.

Institutional and REIT buyers were notably more active in Raleigh, driven by several large transactions, including the acquisition of Crabtree Valley Mall. While most deals remain small in size, high-quality, well-located assets continue to attract aggressive pricing. Redevelopment and mixed-use repositioning of older retail properties remain an emerging investment theme.

In Durham, retail investment activity was more subdued, with total sales volume below historical norms and deal sizes skewing smaller. Pricing generally trailed national averages, and private investors remained the dominant buyer group. While elevated interest rates may continue to temper near-term activity, Durham's population growth and long-term fundamentals continue to support investor interest.

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FOURTH QUARTER OF 2025

Multi-Family Market Overview

SUMMARY | Q4 2025

GALLIMORE & ASSOCIATES

Multifamily demand in Raleigh remains exceptionally strong, driven by rapid population growth, with absorption well above historical norms as vacancies continue to ease from recent highs amid a slowing construction pipeline. Demand remains concentrated in higher-end properties, though elevated vacancy levels have continued to pressure rent growth in the near term.

In Durham, demand has remained consistently positive, led by Class A properties in South Durham and Downtown, while lower-tier assets have lagged. Although vacancies have declined from recent peaks, they remain above historical averages, and rent growth has stayed negative as the market works through recent supply.

Looking ahead, slowing deliveries and sustained population growth are expected to support gradual vacancy improvement across both markets, though rent growth is likely to remain muted in the near term as new inventory is absorbed.

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Availability	Market	National Index
Vacancy Rate	10.9% ↓	8.5% ↑
Vacant Units	15.1K ↓	1.7M ↑
Market Asking Rent/Unit	$1,540 ↓	$1,761 ↑
Market Effective Rent/Unit	$1,509 ↓	$1,741 ↑
Concession Rate	2.1% ↑	1.2% ↓
Studio Asking Rent	$1,289 ↓	$1,592 ↑
1 Bedroom Asking Rent	$1,365 ↓	$1,582 ↑
2 Bedroom Asking Rent	$1,609 ↓	$1,842 ↑
3 Bedroom Asking Rent	$1,976 ↓	$2,274 ↑

Sales	Market	National Index
Market Sale Price/Unit	$240K ↑	$234K ↑
12 Mo Asking Sale Price/Unit	$67.2K ↓	$242K ↑
12 Mo Sales Volume	-14.5% ↓	-7.4% ↑
Market Cap Rate	5.3% =	6.1% ↓
12 Mo Sales Volume	$903M ↑	$123B ↑
12 Mo Transactions	42 ↑	17,147 ↑
Months To Sale Past Year	5.0 ↑	5.6 ↑
For Sale Listings	6 ↓	8,009 ↑
For Sale Units	711 ↑	191,098 ↑

WAKE COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	138,182 ↑	20,389,475 ↑
Existing Buildings	963 ↑	425,946 ↑
Avg Units Per Bldg	143 ↑	48 ↑
12 Mo Demolished Units	83 ↑	4,488 ↓
12 Mo Occupancy % At Delivery	12.8% ↓	21.3% ↓
Under Construction Units	5,943 ↓	553,248 ↓
12 Mo Construction Starts Units	3,650 ↓	298,690 ↓
12 Mo Delivered Units	6,431 ↓	504,837 ↓
12 Mo Avg Delivered Units	245 ↑	162 ↑

Demand	Market	National Index
12 Mo Absorption Units	7,135 ↓	417,116 ↓
12 Mo Absorption % of Inv	5.2% ↓	2.1% ↓
Median Household Income	$101,409	$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	10.9% ↓	8.5% ↑
Vacant Units	7K ↓	1.7M ↑
Market Asking Rent/Unit	$1,535 ↓	$1,761 ↑
Market Effective Rent/Unit	$1,508 ↓	$1,741 ↑
Concession Rate	1.8% ↓	1.2% ↓
Studio Asking Rent	$1,335 ↓	$1,592 ↑
1 Bedroom Asking Rent	$1,362 ↓	$1,582 ↑
2 Bedroom Asking Rent	$1,600 ↓	$1,842 ↑
3 Bedroom Asking Rent	$2,011 ↓	$2,274 ↑

Sales	Market	National Index
Market Sale Price/Unit	$214K ↑	$234K ↑
12 Mo Asking Sale Price/Unit	$143K =	$242K ↑
12 Mo Sales Volume	4.0% =	-7.4% ↑
Market Cap Rate	5.6% ↑	6.1% ↓
12 Mo Sales Volume	$446M ↑	$123B ↑
12 Mo Transactions	23 ↑	17,147 ↑
Months To Sale Past Year	2.4 ↓	5.6 ↑
For Sale Listings	1 =	8,009 ↑
For Sale Units	11 ↑	191,098 ↑

DUHRAM COUNTY'S MULTI-FAMILY MARKET SUMMARY

Inventory	Market	National Index
Inventory Units	64,423 ↑	20,389,475 ↑
Existing Buildings	486 ↑	425,946 ↑
Avg Units Per Bldg	133 ↑	48 ↑
12 Mo Demolished Units	0 =	4,488 ↓
12 Mo Occupancy % At Delivery	14.3% ↓	21.3% ↓
Under Construction Units	3,536 ↓	553,248 ↓
12 Mo Construction Starts Units	800 ↓	298,690 ↓
12 Mo Delivered Units	1,885 ↓	504,837 ↓
12 Mo Avg Delivered Units	221 ↓	162 ↑

Demand	Market	National Index
12 Mo Absorption Units	2,620 ↓	417,116 ↓
12 Mo Absorption % of Inv	4.1% ↓	2.1% ↓
Median Household Income	$91,609	$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 vacancies in Raleigh have eased from record highs following a significant wave of new supply, though they remain elevated at 10.9% and above the market's long-term average. Vacancies peaked in early 2024 as deliveries outpaced demand, but have since declined in most recent quarters as absorption has remained strong and construction activity has slowed.

Demand in Raleigh continues to outperform historical norms, driven by rapid population growth, a large student population, and ongoing corporate investment. Net absorption has totaled well above the market's long-term average, with demand spread across multiple submarkets, particularly Northeast Raleigh, Cary/Morrisville, and Downtown. As fewer new units are delivered, vacancies are expected to continue moderating.

In Durham, multifamily vacancies have also declined from recent highs but remain elevated relative to historical and national levels. Demand has remained consistently positive, led by Class A properties in South Durham and Downtown, while lower-tier assets have lagged. With new supply expected to roughly match absorption over the next several years, Durham's vacancy rate is likely to remain elevated into 2027 before gradually improving.

RENT ACTIVITY

Multifamily rent growth in Raleigh remains negative as the market continues to absorb a large wave of recently delivered inventory. Asking rents declined approximately 1.8% over the past year, with the greatest pressure in higher-end properties where vacancies are most elevated. Rent softness has been widespread across nearly all submarkets, marking a notable departure from Raleigh's long-term trend of above-average rent growth.

Rent performance in Raleigh continues to vary by product type and location. Higher-quality 4 & 5 Star and mid-tier 3 Star properties have experienced rent declines, while lower-priced 1 & 2 Star units have remained relatively stable due to tighter vacancies. Despite near-term softness, Raleigh remains relatively affordable compared to national averages, and premium, highly amenitized properties in desirable locations continue to command top-of-market rents.

In Durham, multifamily rent growth has also remained negative, with rents declining approximately 1.7% over the past year amid persistently elevated vacancies. Rent pressure has been most pronounced in submarkets that have received significant new supply, while outlying areas have performed better. With a still-active construction pipeline, rent growth in Durham is expected to remain below historical norms in the near term, though long-term demand drivers and relative affordability continue to support the market's outlook.

CONSTRUCTION SUMMARY

Multifamily construction activity in Raleigh remains elevated but is clearly slowing after several years of aggressive development. Net deliveries totaled approximately 6,300 units over the past year—above historical averages—though construction starts have moderated and the active pipeline has declined significantly from recent peaks. New development has been heavily weighted toward higher-end properties, reflecting elevated construction and financing costs.

Development activity in Raleigh has been concentrated in Downtown and East Raleigh, where demand for urban and suburban lifestyles continues to attract renters. While the construction pipeline remains one of the largest among major U.S. markets on a percentage basis, the declining number of units under construction should help ease supply pressure over time, particularly as fewer new projects break ground.

In Durham, multifamily development has also moderated, though the pipeline remains sizable relative to the market. Deliveries have slowed, and the number of units under construction has fallen from recent highs, with activity concentrated in Downtown Durham and Chapel Hill. Despite the still-elevated pipeline, slowing starts and sustained demand are expected to support a gradual rebalancing of the market over the medium term.

SALES SUMMARY

Multifamily sales activity in Raleigh remains well below historical norms as elevated vacancies, negative rent growth, and high interest rates continue to weigh on investor activity. Transaction volume over the past year has been significantly lower than long-term averages, with fewer units trading as many buyers remain cautious despite strong long-term interest in the market.

Deal activity in Raleigh has been concentrated among private investors and smaller transactions, with suburban properties near major transportation corridors attracting the most attention. While several larger trades have occurred, pricing has adjusted downward, and transaction activity is expected to remain muted in the near term as the market works through recent supply additions.

In Durham, multifamily investment activity has also remained limited, with both transaction volume and unit sales well below historical averages. Private buyers have dominated recent trades, while institutional capital has largely remained on the sidelines. Although Durham's strong population and economic growth support a positive long-term outlook, elevated vacancies and a challenging financing environment are likely to keep sales activity constrained until market conditions improve.

OCTOBER 1, 2025 TO DECEMBER 31, 2025 | GALLIMORE & ASSOCIATES

FOURTH QUARTER OF 2025

Highlights

HIGHLIGHTS | Q4 2025

GALLIMORE & ASSOCIATES

The Triangle remains one of the Southeast's strongest-performing commercial real estate markets, supported by above-average population growth, continued job creation, and improving investor sentiment following the Federal Reserve's first rate cut in more than four years. Expansion across life sciences, advanced manufacturing, and technology continues to drive demand, while elevated interest rates and construction costs have tempered new development. Overall fundamentals remain stable across most asset classes, with long-term growth drivers firmly in place.

Quick Sector Snapshots:

- Office: Vacancies remain elevated but have largely stabilized as leasing activity improves modestly and new construction slows significantly across the region.
- Retail: Retail remains the Triangle's tightest sector, with extremely low availability, strong rent growth, and limited new supply supporting continued landlord-favorable conditions.
- Industrial: Industrial demand remains solid, though elevated deliveries have pushed vacancies above historical norms and moderated rent growth, particularly for newly delivered space.
- Multifamily: Absorption remains strong across Raleigh and Durham, but elevated vacancies and soft rent growth persist as the market continues to digest a recent wave of new supply.

OFFICE MARKET

The office market remains in transition, with vacancies elevated but largely stabilizing across the Triangle as leasing activity shows early signs of recovery. Tenant demand continues to favor high-quality, amenity-rich buildings in mixed-use environments, while older and lower-tier assets face ongoing pressure. New construction has slowed significantly, helping limit future supply, though elevated concessions are keeping effective rents under pressure. Even so, Raleigh and Durham continue to outperform many peer markets due to strong population growth and a highly educated workforce.

RETAIL MARKET

Retail continues to outperform all other property types, supported by extremely low availability, steady consumer demand, and limited new construction. Tight conditions—particularly for small-format retail and restaurant space—have driven strong rent growth across nearly all submarkets. While high construction costs continue to constrain new development, most space currently under construction is pre-leased, reinforcing the market's supply imbalance. Population growth and expanding suburban trade areas continue to support long-term retail fundamentals.

INDUSTRIAL MARKET

The industrial sector remains one of the Triangle's strongest performers, though elevated deliveries have pushed vacancies above historical norms and moderated rent growth. Demand remains solid, supported by logistics, life sciences, and advanced manufacturing, with absorption still exceeding long-term averages in both Raleigh and Durham. Construction activity remains active but is beginning to slow as developers grow more cautious. Investor interest continues to focus on well-leased, modern assets, reflecting confidence in the region's long-term industrial demand drivers.

MULT-FAMILY MARKET

Multifamily demand across Raleigh and Durham remains strong, driven by rapid population growth, in-migration, and employment expansion. Elevated vacancies and rent softness persist as the market continues to absorb a recent wave of new supply, most of which is concentrated in higher-end properties. With new deliveries expected to decline meaningfully over the next several quarters, vacancy rates should gradually improve. While near-term rent growth remains subdued, long-term fundamentals remain positive as housing affordability and job growth continue to attract renters to the region.

OCTOBER 1, 2025 TO DECEMBER 31, 2025 | GALLIMORE & ASSOCIATES

FOURTH QUARTER OF 2025

Insider Insights

INSIDER INSIGHTS | Q4 2025

GALLIMORE & ASSOCIATES

The Triangle market continues to transition from a period of rapid expansion to one of recalibration, as elevated supply in certain sectors is gradually absorbed. While leasing and investment activity remains selective, fundamentals across most asset classes have stabilized, supported by strong population growth and a diversified employment base.

Tenant and investor behavior continues to favor quality and location, with high-performing assets in mixed-use and growth-oriented submarkets consistently outperforming. Development activity has slowed meaningfully as higher costs and tighter credit conditions temper new starts, which should help support market balance over the medium term.

Looking ahead, near-term challenges—including elevated vacancies and muted rent growth in select sectors—are expected to persist. However, the Triangle's long-term growth drivers remain intact, positioning the region for renewed momentum as economic conditions normalize.

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

OFFICE MARKET

While still challenged, the office market is showing early signs of stabilization. Vacancies remain elevated but have largely leveled off as leasing activity steadies, particularly in mixed-use, amenity-rich submarkets such as North Hills, Downtown Durham, and RTP. Tenants continue to downsize but upgrade, prioritizing quality and location over footprint. With new construction at its lowest level in years, the market appears to be approaching an inflection point that could support gradual improvement in 2026.

RETAIL MARKET

Retail remains the Triangle's strongest-performing sector, defined by extremely low availability and limited new construction. Availability rates in Raleigh and Durham remain near historic lows at approximately 2.6%–3.1%, well below the national average, as steady consumer spending and population growth continue to support demand. Leasing activity has been constrained more by lack of space than by tenant interest, particularly for small-format retail and food-and-beverage users. With most new projects heavily pre-leased and construction costs limiting speculative development, landlords continue to push rents higher, reinforcing retail's position as the market's most landlord-favorable asset class.

MULT-FAMILY MARKET

Multifamily demand remains robust across both Raleigh and Durham, driven by strong in-migration, a growing employment base, and the region's relative affordability. Raleigh absorbed more than 7,000 units over the past year, while Durham absorbed approximately 2,600 units, though elevated vacancies persist as the market continues to digest a wave of recently delivered supply. Rent growth remains negative in both markets, particularly in higher-end properties, as owners compete for tenants. However, with construction pipelines declining meaningfully and fewer deliveries expected in 2026, vacancies are projected to continue moderating, setting the stage for rent stabilization and eventual growth.

INDUSTRIAL/FLEX MARKET

Industrial and flex fundamentals remain healthy as the market works through elevated levels of new supply. Vacancy rates have risen above historical norms, particularly for mid-sized and newly delivered space, but absorption remains well above long-term averages, supported by logistics, life sciences, and advanced manufacturing users. Construction activity remains active but has begun to slow as developers respond to economic uncertainty and rising costs. Investor interest continues to focus on well-leased, modern assets, and as deliveries taper, the industrial market is expected to move closer to equilibrium over the next several quarters.