JULY 1, 2026 TO SEPTEMBER 30, 2026 | GALLIMORE & ASSOCIATES

# THIRD QUARTER OF 2026

Triangle Market Overview



## SUMMARY | Q3 2026

### GALLIMORE & ASSOCIATES

Across Raleigh and Durham, population growth continues to support demand, while differences in available supply, location, and property quality are shaping opportunities for owners, tenants, and investors.

Industrial leasing remains a bright spot, supported by manufacturing and distribution users seeking larger, modern facilities. Office activity continues to favor high-quality buildings, with renewals and relocations driving much of the demand. Retail space remains limited in many growing suburban communities, reinforcing the sector's resilience. Meanwhile, multifamily is showing improvement as new deliveries slow and occupancy strengthens, although the recovery remains stronger in Raleigh than Durham and rent pressures have not disappeared.

Elevated financing and construction costs continue to challenge transactions and new development, making realistic pricing and a clear understanding of individual properties essential. In this issue, we explore the trends shaping the Triangle's major property sectors and what they could mean for your next lease, acquisition, or sale.

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## ABOUT GALLIMORE & ASSOCIATES

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

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

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

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

***Achieving Results Exceeding Your Expectations!***

Contact Us:
Email: info@gallimoreassociates.com
Phone: (919) 588-3240
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# THE TRIANGLE'S ECONOMY

The Research Triangle continues to attract residents, businesses, and investment, although growth is becoming more uneven across the region. The Raleigh and Durham metropolitan areas have a combined population of more than 2.2 million residents, including approximately 1.6 million in Raleigh and over 620,000 in Durham. Raleigh's annual population growth of 2.4% remains well above the national average, while its employment base exceeds 780,000 jobs.

North Carolina ranked second in CNBC's 2026 Top States for Business, reinforcing its appeal to employers. The Triangle's universities and community colleges provide a steady pipeline of skilled workers, while healthcare, education, technology, life sciences, and government support a diverse economy. Research Triangle Park is also evolving beyond its traditional corporate campus model, with projects such as HubRTP supporting a more connected, mixed-use environment.

Life sciences and advanced manufacturing remain major drivers of investment. Novo Nordisk's $4.1 billion manufacturing expansion is expected to create approximately 1,000 jobs, with its first phase anticipated in 2027. FUJIFILM Diosynth Biotechnologies has completed a $2 billion cell culture production facility in Holly Springs, while AbbVie has announced a $1.4 billion pharmaceutical manufacturing campus in Durham, expected to be completed by the end of 2028. These investments highlight the growing role of manufacturing and research facilities in the region's economy.

Despite these strengths, economic uncertainty has increased. Federal research and education funding reductions have contributed to hiring freezes and layoffs, particularly in Durham, where employment has declined over the past year. Reduced international immigration has also moderated population growth, although domestic migration continues to support Raleigh. For commercial real estate, the Triangle's long-term foundations remain strong, but local employment conditions and the timing of major investments will increasingly shape opportunities across individual properties and submarkets.




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# THIRD QUARTER OF 2026

Industrial Market Overview



## SUMMARY | Q3 2026

**GALLIMORE & ASSOCIATES**

New construction continues to outpace demand across the Triangle's industrial market, pushing vacancies higher despite positive leasing activity. In Raleigh, vacancy reached 7.7% in Q3 2026, slightly above the national rate of 7.3%. Annual net absorption totaled 2.8 million SF—above the market's historical average—but trailed 4.2 million SF of new deliveries. Asking rents increased 3.1% to $13.20/SF, reflecting slower growth while still outperforming the national average.

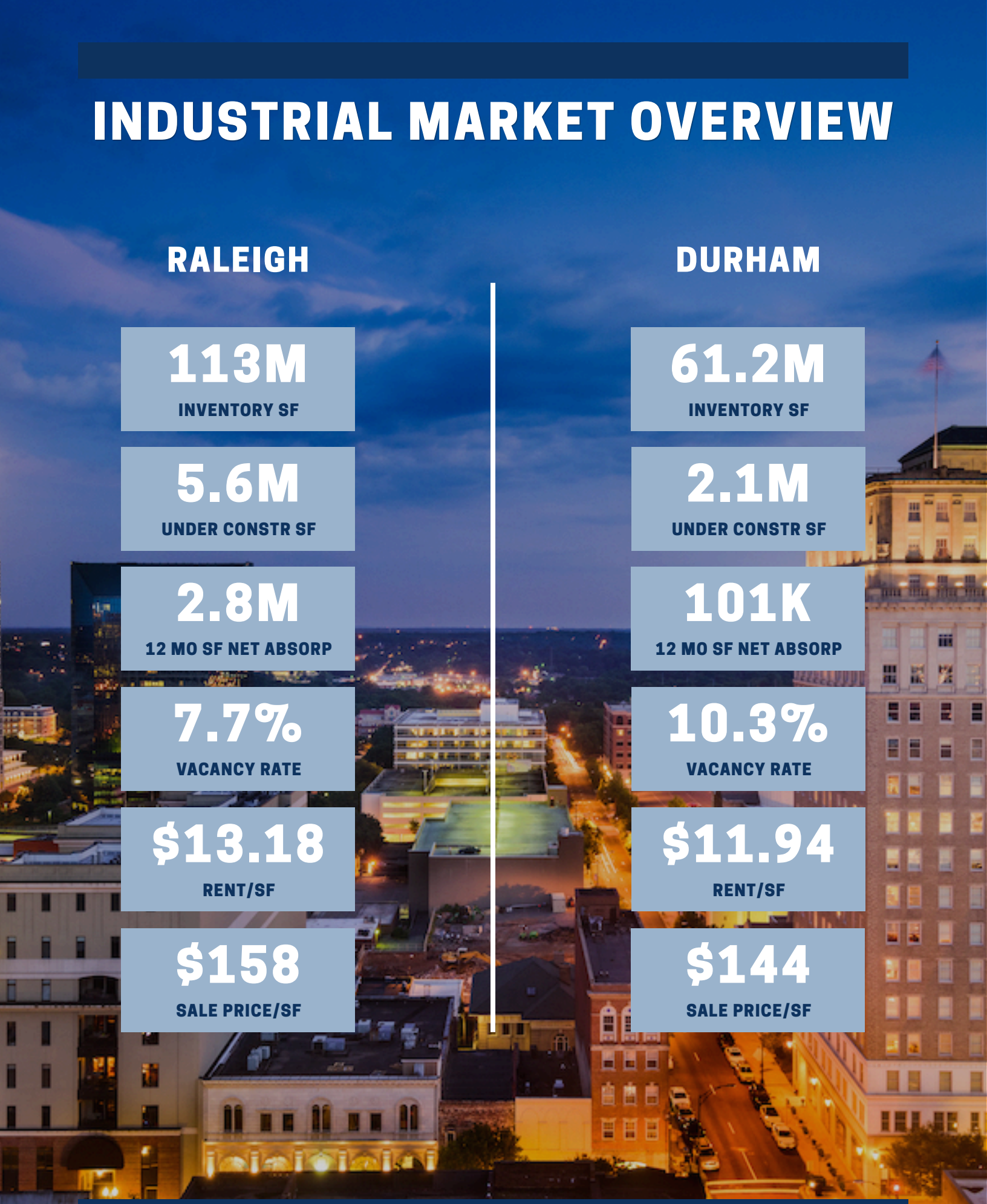
Durham's industrial demand is showing signs of recovery, with positive absorption for two consecutive quarters. However, annual net absorption of just 100,000 SF remains well below historical levels, while 2.1 million SF of new deliveries contributed to a reported vacancy rate of 10.3%. Life sciences, pharmaceuticals, and advanced manufacturing remain important demand drivers, although federal research funding cuts have weighed on some tenants. Annual asking rent growth slowed to 3.6% but remained above the national rate of 1.3%.

The construction pipeline will continue to shape both markets. Raleigh has 5.6 million SF underway, with much of that concentrated in mid-sized buildings—the segment already experiencing the highest vacancy. Durham has 2.1 million SF under construction, but less than 30% remains available, suggesting a more favorable balance between incoming supply and demand. Raleigh faces continued near-term vacancy pressure, while Durham could see conditions stabilize as demand improves.

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

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# INDUSTRIAL MARKET OVERVIEW



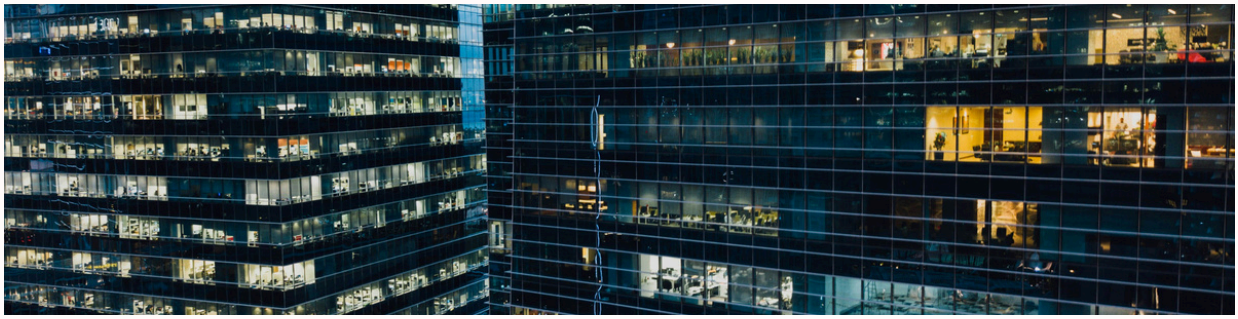
| RALEIGH | | DURHAM | |
|---|---|---|---|
| 113M | INVENTORY SF | 61.2M | INVENTORY SF |
| 5.6M | UNDER CONSTR SF | 2.1M | UNDER CONSTR SF |
| 2.8M | 12 MO SF NET ABSORP | 101K | 12 MO SF NET ABSORP |
| 7.7% | VACANCY RATE | 10.3% | VACANCY RATE |
| $13.18 | RENT/SF | $11.94 | RENT/SF |
| $158 | SALE PRICE/SF | $144 | SALE PRICE/SF |

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# THIRD QUARTER OF 2026

Office Market Overview



## SUMMARY | Q3 2026

**GALLIMORE & ASSOCIATES**

The Triangle's office market is experiencing uneven conditions, with Raleigh showing signs of stabilization while Durham faces weaker demand. Raleigh's vacancy rate declined to 10.1% in Q3 2026, although it remains above the market's 10-year average of 7.9%. Net absorption totaled 1.2 million SF over the past year, following four consecutive quarters of positive demand. Asking rents increased 2.8%, but elevated free-rent concessions and tenant improvement allowances have reduced effective rents. Hybrid work and ongoing downsizing continue to influence tenants' space requirements.

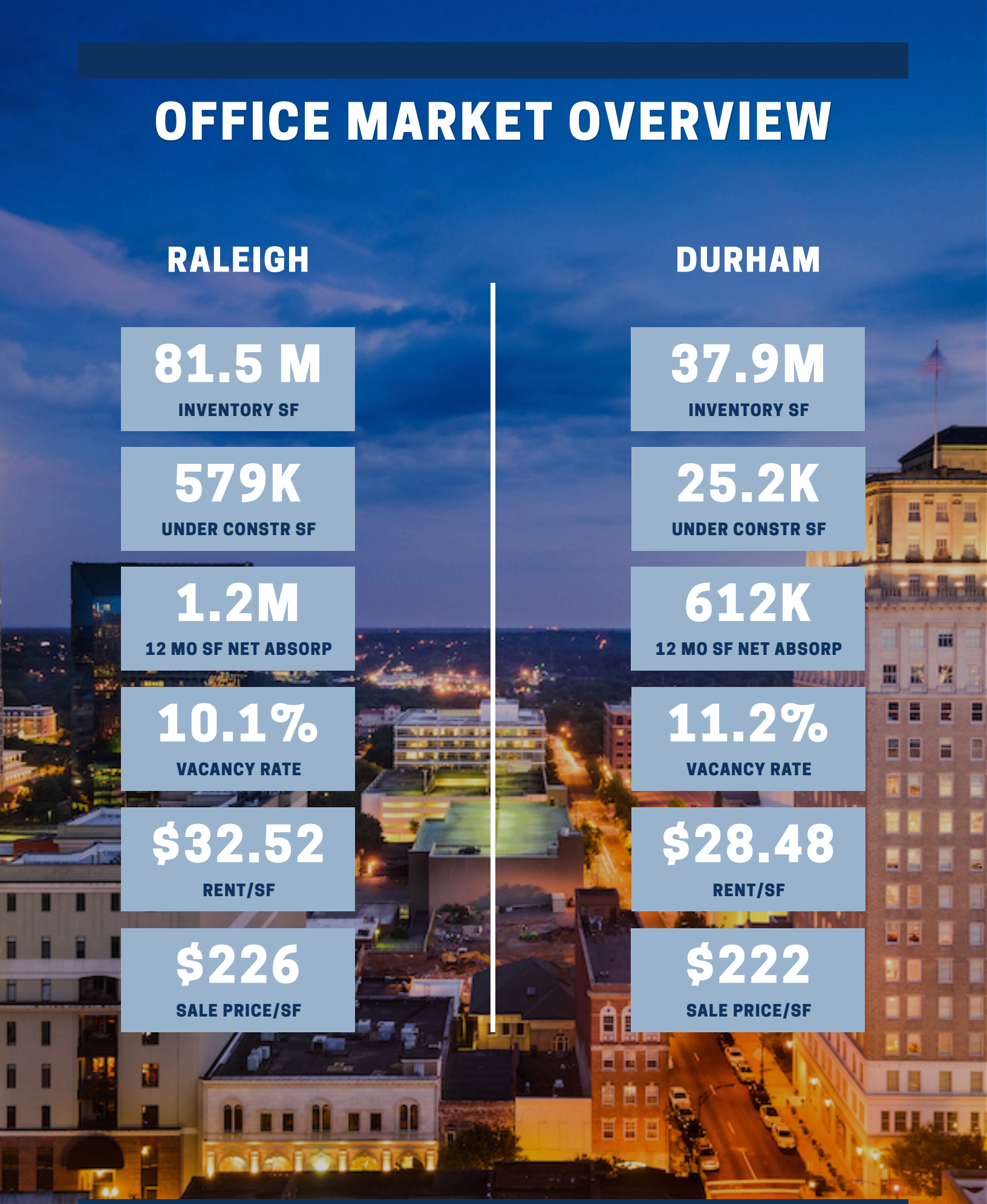
In Durham, vacancy increased to 11.2%, with annual net absorption totaling negative 610,000 SF. Move-outs have outpaced move-ins across several submarkets, including Research Triangle, where uncertainty surrounding federal research funding has weighed on demand. Asking rents remained unchanged over the past year, compared with national growth of 2.0%. Although brokers report increased tours and inquiries, that interest has not yet translated into a sustained recovery.

Limited new construction should help contain vacancy pressures in both markets. Raleigh has approximately 580,000 SF under construction, with about 80% pre-leased, substantially reducing the amount of uncommitted space entering the market. Durham's development pipeline also remains limited, while the removal of older office buildings has reduced inventory. Both markets maintain vacancy rates below the national level of 13.8%. Looking ahead, demand is expected to remain modest, with Raleigh positioned for continued stabilization and Durham potentially seeing gradual improvement as supply remains constrained.

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

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# OFFICE MARKET OVERVIEW



| RALEIGH | | DURHAM |
|---|---|---|
| 81.5 M | INVENTORY SF | 37.9M |
| 579K | UNDER CONSTR SF | 25.2K |
| 1.2M | 12 MO SF NET ABSORP | 612K |
| 10.1% | VACANCY RATE | 11.2% |
| $32.52 | RENT/SF | $28.48 |
| $226 | SALE PRICE/SF | $222 |

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# THIRD QUARTER OF 2026

Retail Market Overview



## SUMMARY | Q3 2026

**GALLIMORE & ASSOCIATES**

Retail availability remains limited across the Triangle, with both Raleigh and Durham below the national rate of 4.8%. In Raleigh, availability reached 3.0% in Q3 2026, as 770,000 SF of annual deliveries outpaced net absorption of 580,000 SF. Leasing activity remains below historical averages, partly because tenants struggle to find desirable space, particularly for restaurants. Asking rents increased 3.7% over the past year, down from 7.9% a year earlier but still above national growth of 1.6%.

Durham's availability rate stands at 2.7%, supported by above-average demand and limited new supply. Annual net absorption totaled 240,000 SF, exceeding the market's historical average of 180,000 SF and outpacing new deliveries of 96,000 SF. Food and beverage concepts and personal care businesses have contributed to recent leasing activity, with Downtown Durham recording the strongest absorption. Asking rents increased 1.5% over the past year to an average of $25.00/SF, reflecting slower but continued growth.

New construction is unlikely to significantly ease space constraints in either market. Raleigh has approximately 540,000 SF under construction, with about 90% pre-leased, while Durham has 460,000 SF underway, with more than 85% committed. High construction costs continue to limit speculative development. Population growth should support demand for grocery stores, services, and experiential retail, particularly in expanding suburban communities. Although an economic slowdown could temper leasing activity, availability in both markets is expected to remain below national levels, supporting continued positive rent growth.

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

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# RETAIL MARKET OVERVIEW



| RALEIGH | | DURHAM |
|---|---|---|
| 77M | INVENTORY SF | 31M |
| 540K | UNDER CONSTR SF | 464K |
| 576K | 12 MO SF NET ABSORP | 241K |
| 2.7% | VACANCY RATE | 2.1% |
| $29.33 | RENT/SF | $25.41 |
| $269 | SALE PRICE/SF | $231 |

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# THIRD QUARTER OF 2026

Multi-Family Market Overview



## SUMMARY | Q3 2026

**GALLIMORE & ASSOCIATES**

Strong demand and slower deliveries are helping Raleigh's multifamily market regain balance. Annual net absorption totaled 6,700 units, exceeding both the historical average of 4,400 units and new deliveries of 4,500 units. Overall vacancy declined to 9.3%, down from its record high of 12.9% in early 2024, while stabilized vacancy improved to 6.8%. Higher-end properties accounted for approximately 80% of annual absorption. Asking rents increased 0.4% over the past year, marking an improvement from prior declines but remaining well below historical growth rates.

Durham's vacancy rate has declined to 10.3%, supported by 12 consecutive quarters of positive absorption. Annual demand totaled 2,200 units, exceeding the market's historical average of 1,500 units and outpacing 1,900 new deliveries. South Durham and Downtown Durham remain key demand centers, with higher-end communities capturing approximately 70% of annual absorption. Despite improving occupancy, competition for tenants continues to limit pricing power, and asking rents declined 0.3% over the past year.

The construction pipeline presents the main challenge ahead, with 6,400 units underway in Raleigh and 5,600 in Durham. Population growth and the region's employment base should continue supporting demand, although absorption is expected to moderate. Raleigh could experience a modest increase in vacancy as projects deliver through late 2027, with rent growth improving but remaining below historical norms. Durham faces greater near-term supply pressure, particularly in Downtown and South Durham, where construction is concentrated. Vacancies there are expected to rise more significantly through 2027 before declining as the new inventory is absorbed.

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

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# MULTI-FAMILY MARKET OVERVIEW



| RALEIGH | DURHAM |
| --- | --- |
| 141,760 INVENTORY UNITS | 66,014 INVENTORY UNITS |
| 6,372 UNDER CONSTR UNITS | 5,577 UNDER CONSTR UNITS |
| 6,655 12 MO ABSORP UNITS | 2,222 12 MO ABSORP UNITS |
| 9.3% VACANCY RATE | 10.3% VACANCY RATE |
| $1,568 ASKING RENT/UNIT | $1,560 ASKING RENT/UNIT |
| $247K SALE PRICE/UNIT | $220K SALE PRICE/UNIT |

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# THIRD QUARTER OF 2026

Highlights

## HIGHLIGHTS | Q3 2026

**GALLIMORE & ASSOCIATES**

The Raleigh-Durham commercial real estate market continues to demonstrate resilience as it moves through a more balanced phase of growth. Strong population gains, a highly educated workforce, and continued corporate investment remain key drivers of the Triangle's long-term outlook. While elevated construction activity, higher financing costs, and changes in federal research funding have created near-term challenges, the region continues to outperform many national markets. Market conditions are becoming increasingly sector-specific. Retail remains exceptionally tight, industrial continues to benefit from strong underlying demand despite new supply pressures, Raleigh's office market is showing signs of stabilization, and multifamily demand remains healthy even as additional units continue to deliver. Slowing construction pipelines across several sectors should help support improving fundamentals over time.

Quick Sector Snapshots:

- Office: Raleigh's office market continues to stabilize, with four consecutive quarters of positive absorption and vacancy declining to 10.1%. Durham remains softer, with negative annual absorption and continued pressure from reduced research-related employment. Limited construction in both markets should help contain future vacancy growth.
- Retail: Retail remains one of the Triangle's strongest-performing sectors. Availability is just 3.0% in Raleigh and 2.7% in Durham, both well below the national average. Limited speculative construction, strong suburban growth, and continued demand for restaurant, service, and experiential concepts are supporting positive rent growth.
- Industrial: Industrial demand remains positive, but new supply has pushed vacancies higher. Raleigh continues to record strong absorption, while Durham is beginning to see demand recover following several weaker quarters. Continued life science, pharmaceutical, and advanced manufacturing investment provides long-term support, although elevated construction pipelines may keep vacancies above historical norms in the near term.
- Multifamily: Apartment demand remains above historical averages in both Raleigh and Durham, helping vacancies decline from recent peaks. However, construction pipelines remain significant, with thousands of units still underway. Continued population growth should support leasing activity, but additional deliveries may keep vacancy elevated and rent growth modest through 2027.

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

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# THIRD QUARTER OF 2026

Insider Insights



## INSIDER INSIGHTS | Q3 2026

### GALLIMORE & ASSOCIATES

The Triangle commercial real estate market continues to move toward a more balanced environment following several years of rapid growth and heavy development. While elevated vacancies and slower rent growth remain challenges in select sectors, strong population growth, continued business expansion, and a highly skilled workforce continue to support the region's long-term fundamentals.

Retail remains one of the market's strongest sectors, supported by limited availability and continued suburban growth, while industrial demand remains healthy despite pressure from new supply. Office conditions are gradually stabilizing, particularly in Raleigh, and multifamily demand remains strong as the market works through recently delivered units and a still-active construction pipeline.

Looking ahead, slowing development should help bring supply and demand into better balance across the Triangle. Economic uncertainty, higher financing costs, and changes in federal research funding may create short-term headwinds, but continued investment in life sciences, advanced manufacturing, technology, and healthcare positions Raleigh-Durham for sustainable long-term growth and continued opportunities for owners, tenants, investors, and developers.

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

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## OFFICE MARKET

New Supply Outpaces Demand

Raleigh absorbed 2.8 million SF over the past year, but deliveries of 4.2 million SF pushed vacancy higher. Durham's demand is recovering, although annual absorption remains below historical levels. Raleigh faces continued supply pressure, while Durham's largely committed construction pipeline offers a more favorable outlook.

## RETAIL MARKET

Raleigh Stabilizes; Durham Faces Headwinds

Raleigh recorded 1.2 million SF of positive annual absorption, compared with negative 610,000 SF in Durham. Hybrid work, downsizing, and research funding uncertainty continue to influence demand. Limited construction should help contain vacancy, although concessions remain important to leasing negotiations.

## MULT-FAMILY MARKET

Limited Space Supports Market Strength

Both markets remain tighter than the national benchmark. Approximately 90% of Raleigh's retail construction and more than 85% of Durham's are pre-leased, limiting relief for tenants seeking space. Population growth continues to support grocery, service, and experiential retail, particularly in expanding suburban communities.

## INDUSTRIAL MARKET

Occupancy Improves, but More Supply Is Coming

Annual absorption exceeded deliveries in both markets, helping vacancies decline. However, 6,400 units are under construction in Raleigh and 5,600 in Durham. Additional deliveries are expected to renew vacancy pressure through 2027, with Durham facing the greater near-term challenge.

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