



Market Vitals

the Pulse



CHARTING THE RISE

Full service rates have been on an upward trajectory since Q3 2021, rising 19.2% in the interim, from \$26.69 to \$31.82. This is yet another testament to the comparative strength of the medical real estate market, as general office asking rates have only risen 7.1% in the same timeframe.

Quick facts

8.9%

Vacancy

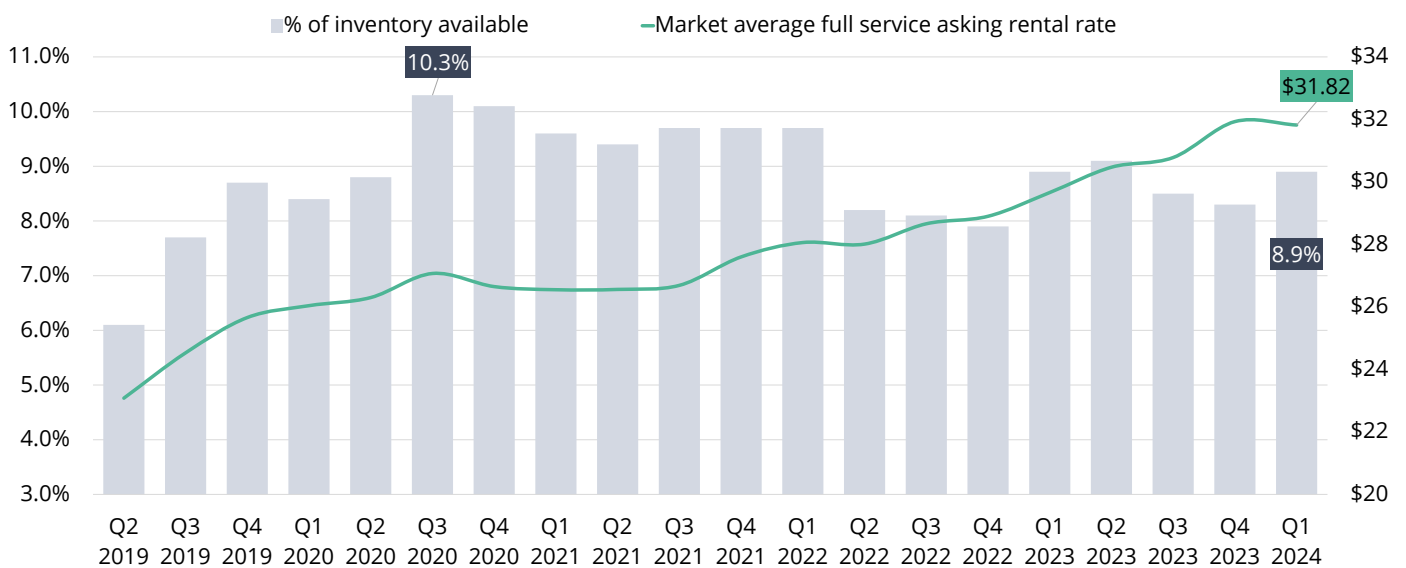
\$21.08M

Sales Volume

133,706 SF

Net Absorption
(TTM*)

Vacancy and Rental Rates



Note: This report is exclusive of health system- and other owner-occupied buildings

* Trailing Twelve Months (TTM)

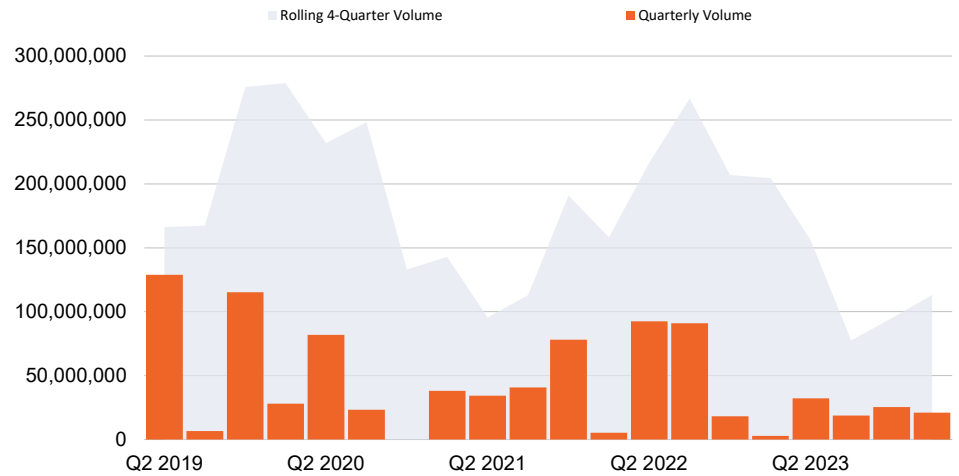


RISING CONCERN OVER HIGH INTEREST RATES

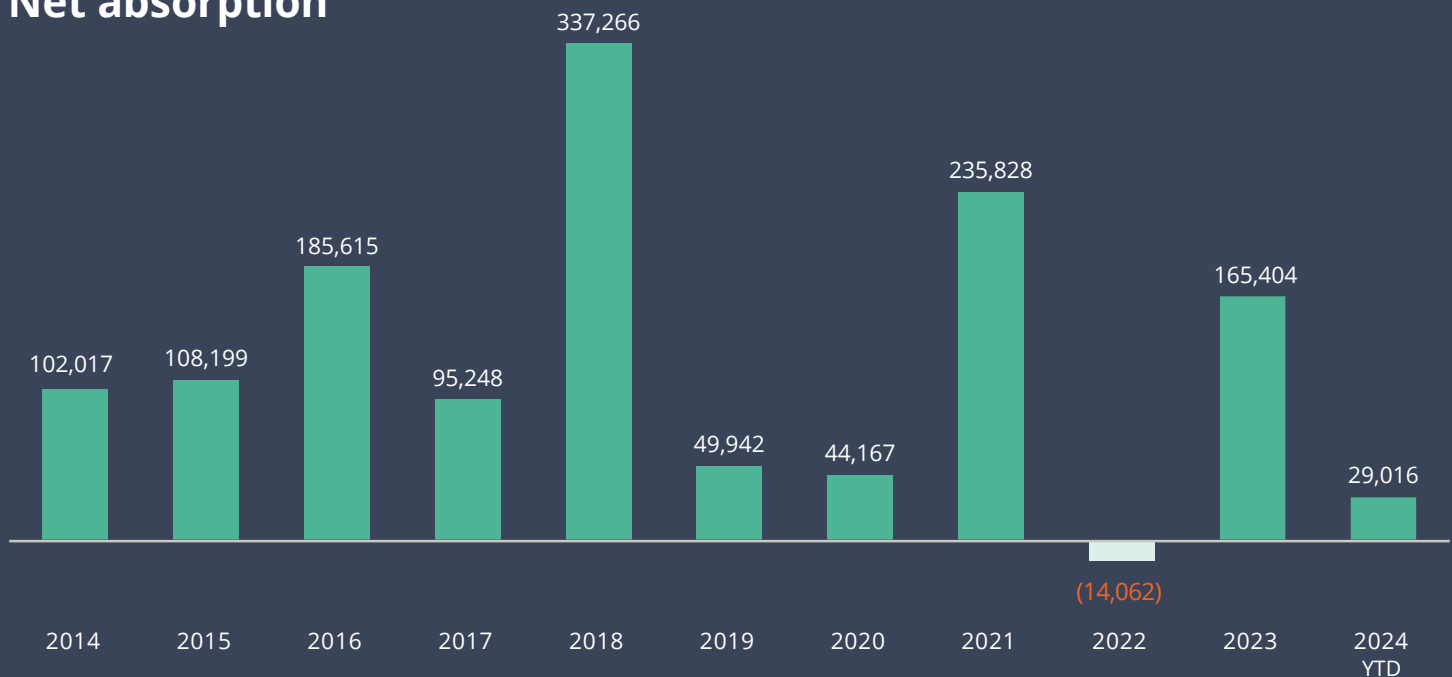
Medical office sales activity continued to limp along through the first quarter. While the majority of market participants had believed that rates topped out, macroeconomic data continues to point to persistent inflation, raising concerns of “higher for longer” interest rates. This sidelined most institutional investors, while private capital buyers remained the dominant market participants, accounting for all \$21.1mm of investment activity in the first quarter.

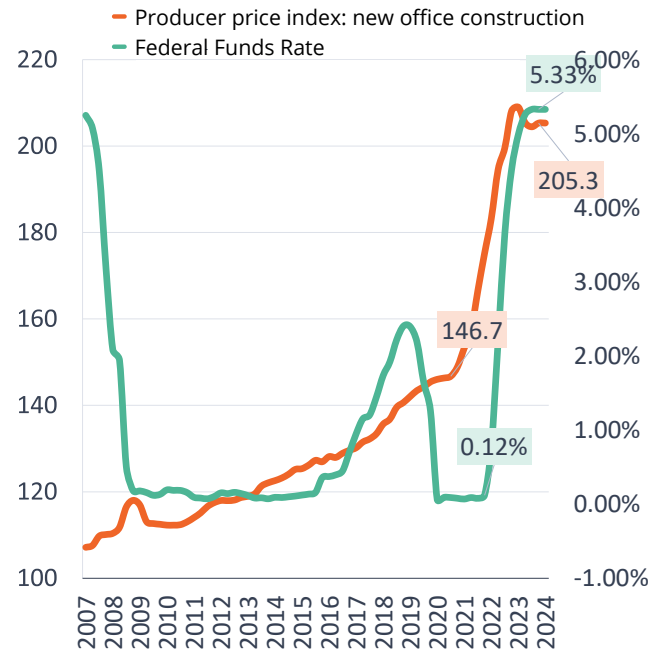
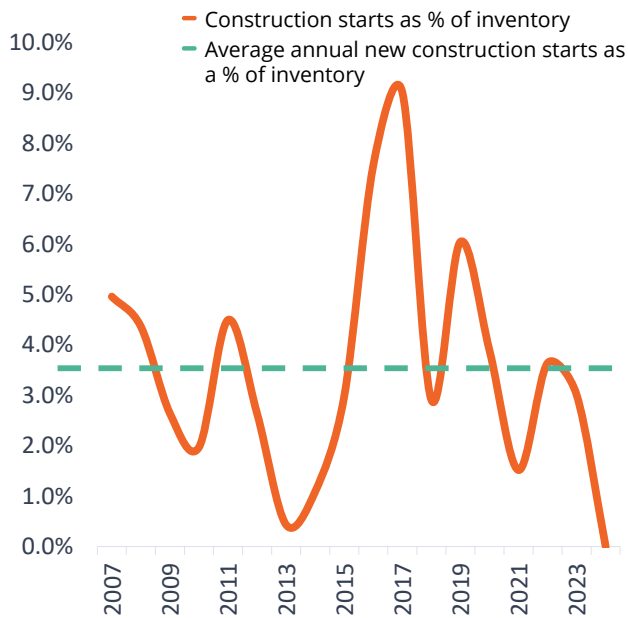
Sales Volume (\$)

Source: MSCI Real Capital Analytics



Net absorption





NEW CONSTRUCTION GRINDS TO A HALT

Hitting their lowest level since the onset of the Great Financial Crisis, new construction starts fell to zero to start 2024. Liquidity issues in the banking system, increased scrutiny from regulators and benchmark rate hikes from the Federal Reserve have dramatically increased the cost of construction financing over the last two years. Combined with the remarkable spike in construction pricing, new projects are not viewed as economically viable. Even with the continual rise in rental rates, developers have had a hard time making new projects “pencil” and existing product should stand to benefit from this absence of new supply.

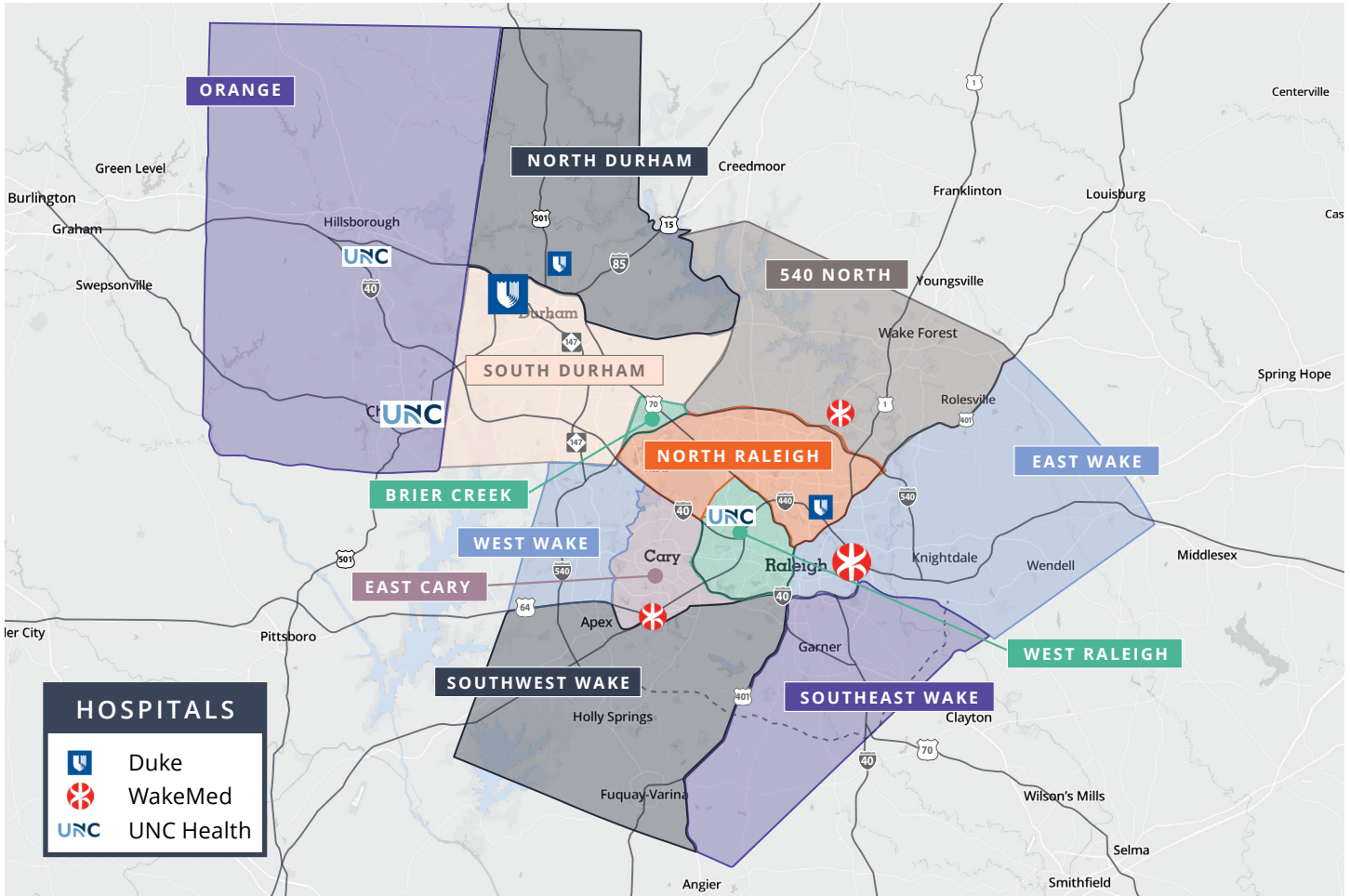
Raleigh-Durham submarkets

SUBMARKET UNDER THE MICROSCOPE

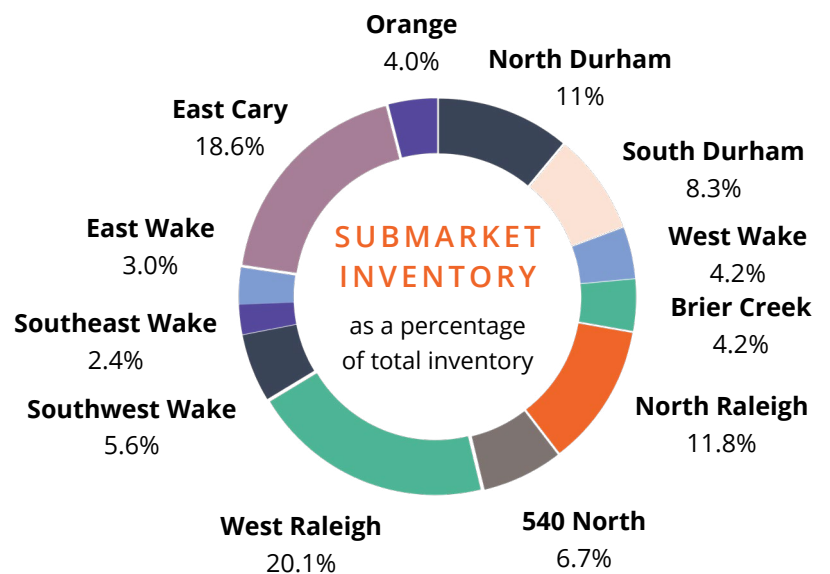
With the delivery of 75,000 sf at 5111 Falls of Neuse, the North Raleigh submarket now has the third highest inventory with 653,417 sf. The new facility was 2/3 preleased, with Raleigh Radiology occupying the first floor of the three-story building. The activity increased the submarket’s inventory by 13.0% and helped lead the submarket to the highest absorption over the last 12 months - 67,771 sf, or 10.0% of inventory.



Raleigh-Durham submarkets



West Raleigh and East Cary comprise over a third of the medical market, with UNC Rex Hospital and WakeMed Cary Hospital serving as magnets respectively.





| Submarket | Existing inventory (sf) | Deliveries (sf - TTM) | Under development (sf) | Total availability* (sf) | Total availability (%) | Net absorption (sf - TTM) | Net absorption as a % of inventory (TTM) | Direct asking rent (F5) |
|------------------------|-------------------------|-----------------------|------------------------|--------------------------|------------------------|---------------------------|--|-------------------------|
| Western Wake | 635,797 | 0 | 0 | 27,354 | 4.30% | 54,660 | 8.60% | \$29.93 |
| Brier Creek | 608,108 | 0 | 0 | 3,908 | 0.90% | -12,200 | -2.00% | \$30.00 |
| North Raleigh | 226,333 | 0 | 0 | 9,374 | 4.10% | -4,182 | -1.80% | \$32.50 |
| 540 North | 236,833 | 62,181 | 0 | 43,500 | 18.40% | 6,630 | 2.80% | \$28.09 |
| West Raleigh | 246,901 | 0 | 0 | 2,610 | 1.10% | -4,673 | -1.90% | \$34.50 |
| Southeast Wake | 653,417 | 75,000 | 55,000 | 103,582 | 14.60% | 67,771 | 10.00% | \$31.30 |
| East Wake | 378,459 | 0 | 0 | 21,109 | 5.60% | 9,239 | 2.40% | \$28.50 |
| East Cary | 1,143,385 | 0 | 120,694 | 173,322 | 13.70% | -22,128 | -1.90% | \$26.68 |
| Southwest Wake | 143,399 | 0 | 0 | 0 | - | 4,777 | 0.30% | \$22.50 |
| North Durham | 171,502 | 0 | 0 | 12,025 | 7.00% | -3,846 | -2.20% | \$26.38 |
| South Durham | 1,059,645 | 0 | 0 | 103,047 | 9.70% | 10,671 | 1.00% | \$34.39 |
| Orange County | 318,909 | 11,255 | 0 | 21,227 | 6.70% | 27,987 | 8.80% | \$35.89 |
| Submarket total | 5,822,688 | 148,436 | 175,694 | 521,058 | 8.90% | 134,706 | 2.30% | \$31.82 |

*includes subleases

Let's Connect.

NORTH CAROLINA TEAM

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