



the Pulse



RENTAL RATES CONTINUE UPWARD TRAJECTORY

Full-service rental rates have continued to inch upward, rising from \$32.23 in the second quarter to \$32.63 at the end of 3Q2024 – representing a 1.24% increase over the quarter. This continued rise during a period of softness in the commercial real estate markets is due in large part to increasing construction prices, which drive up the cost of tenant improvements. With the rising cost of tenant improvements, landlords have had to make additional concessions to accommodate tenants and fill vacant space. In other words, landlords have had to increase their contributions to the tenant improvements through expanded tenant upfit allowances. In order to compensate for this additional capital outlay, landlords are forced raise their asking rents to maintain certain effective rental income levels.

Quick facts

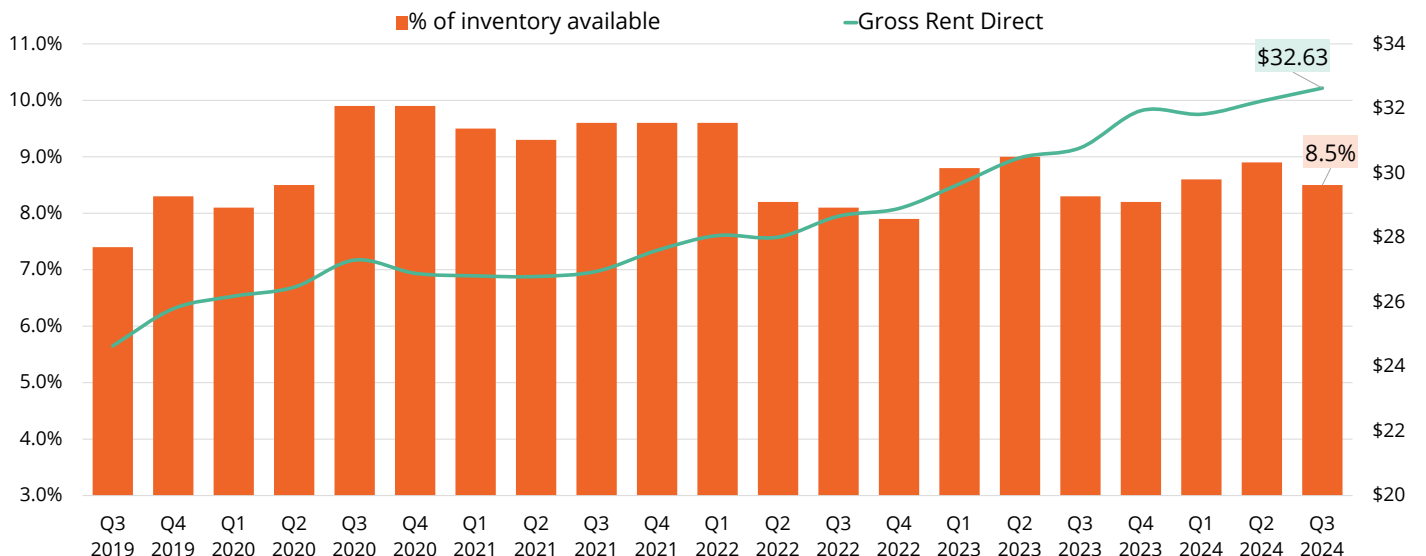
8.5%
Vacancy

\$12.6M
Sales Volume

59,103 SF
Net Absorption
(TTM*)

* Trailing twelve months

Vacancy and Rental Rates





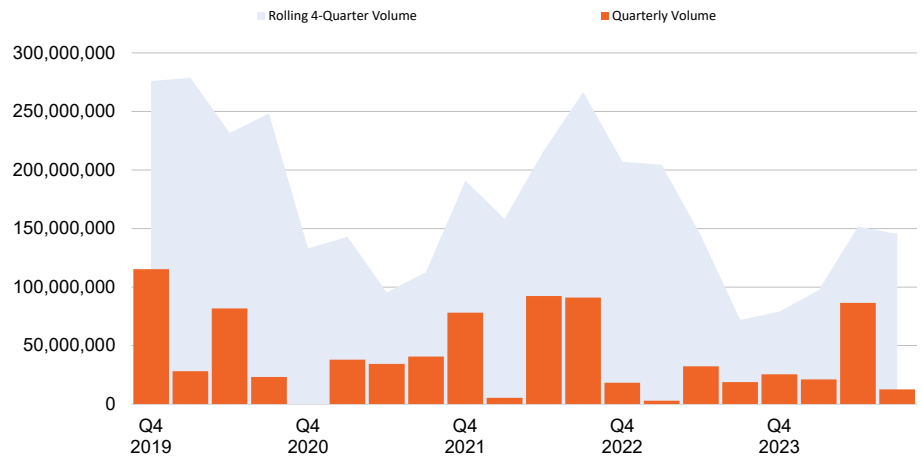
MEDICAL OFFICE SALES DROP AMID INSTABILITY

Coming off a strong second quarter performance, where institutional activity supported the market with 75% of the transaction volume, medical office sales plunged in 3Q2024.

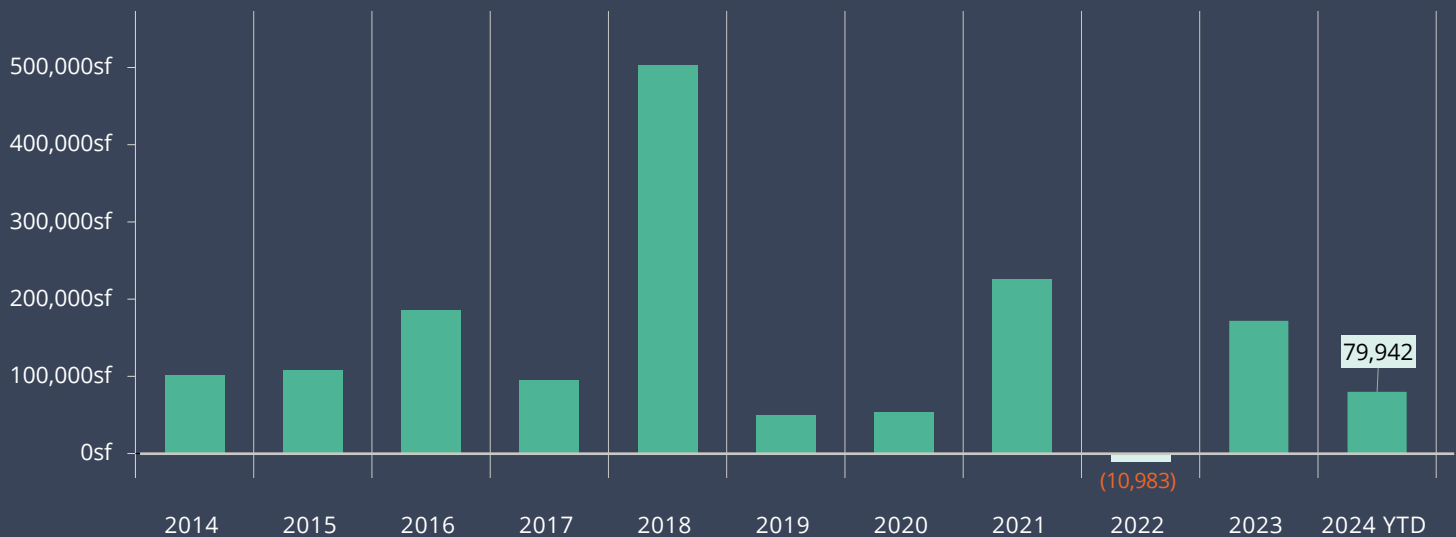
Tallying a total transaction volume of \$12.5mm across three separate transactions, private capital was the only active investor in the space. Even with the Fed pivot to cutting the benchmark Federal Funds Rate by 50 basis points (“bps”) in September and 10-year US Treasury yields dropping by more than 65 bps over the quarter, geopolitical tension, incongruent economic data, and U.S. election uncertainty have sidelined many participants while the market is still in a price discovery phase attempting to come off near-term cap rate highs.

Sales Volume (\$)

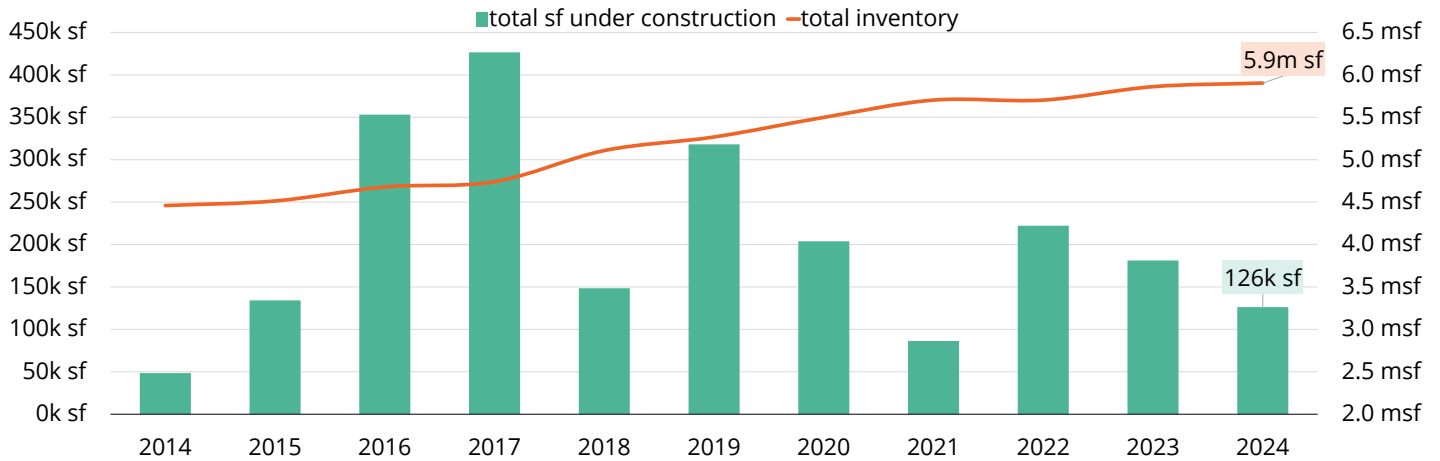
Source: MSCI Real Capital Analytics



Net absorption



Market Inventory



West Wake Submarket

SUBMARKET UNDER THE MICROSCOPE

With just 237,242 sf of existing medical office space and an additional 26% (62,181 sf) under development, West Wake County is playing catch-up to meet the demand from all the new rooftops added over the last decade. All of the space currently being developed is located at 101 Holly Creek Road in Morrisville and fully pre-leased to WakeMed, with the intent of providing various specialties to the community. Within a three-mile radius, the projected annual population growth rate (2024 – 2029) is 1.70%¹, slightly outpacing Wake County’s estimated 2024 growth rate of 1.64%² and far exceeding North Carolina’s 0.75%¹ and the national rate of 0.38%¹.

Further testament to this submarket’s untapped demand is the fact that the Spending Potential Index³ for Physician Services in this defined area is 171⁴. Lastly, AVANT Healthcare, Avison Young’s A.I.-driven proprietary site selection platform, reflects a deficit of 38 primary care physicians within a 30-minute drive of 101 Holly Creek Road.



¹ Esri
² United States census
³ The Spending Potential Index is household-based and represents the amount spent for a product or service relative to a national average of 100.
⁴ Consumer Spending data are derived by Esri from the 2021 and 2022 Consumer Expenditure Surveys, Bureau of Labor Statistics



Submarket	Existing inventory sf	YTD deliveries sf	Under development sf	Total availability sf	Total availability %	Net absorption sf (TTM)	Net absorption as a % of inventory (TTM)	Direct asking rent (FS)
Southwest Wake	331,805	11,864	0	11,864	3.58%	12,424	3.74%	\$35.89
Southeast Wake	143,399	0	0	1,584	1.10%	3,193	2.20%	\$23.21
Western Wake	237,322	62,181	0	34,438	15.10%	61,057	25.70%	\$28.17
Eastern Wake	171,502	0	0	28,213	16.50%	-12,025	-7.00%	\$26.38
North Raleigh	708,417	55,000	0	101,942	14.40%	51,173	7.20%	\$31.28
West Raleigh	1,151,430	0	126,176	173,322	15.00%	-41,932	-3.60%	\$32.46
North Durham	639,842	0	0	26,359	4.10%	-9,678	-1.50%	\$29.93
South Durham	608,029	0	0	3,908	0.60%	-8,887	-1.50%	\$30.00
Orange County	227,242	0	0	4,182	1.80%	1,010	0.40%	\$32.50
Brier Creek	246,901	0	0	7,997	3.20%	-3,469	-1.40%	\$34.50
540 North	378,459	0	0	21,328	5.60%	8,645	2.30%	\$28.50
East Cary	1,059,645	0	0	135,677	12.80%	-2,408	-0.20%	\$34.96
Market total	5,903,993	129,045	126,176	550,814	9.30%	59,103	1.00%	\$32.63

	Existing inventory sf	YTD deliveries sf	Under development sf	Total availability sf	Total availability %	Net absorption sf (TTM)	Net absorption as a % of inventory (TTM)
New Construction (2022 - Present)	151,186	55,000	181,176	100,463	29.6%	14,000	8.9%

Let's Connect.

NORTH CAROLINA TEAM

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