

INVESTMENT FORECAST

Office
Raleigh Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Investor Strategies Evolve as Raleigh's Retail Market Maintains Record-Low Vacancy

Johnston County supports Raleigh's historically tight retail conditions. Elevated competition for limited storefronts persists in the metro, where vacancy remains the nation's lowest entering 2025. This constraint stems from subdued construction. New supply is less than half the long-term average, with over 40 percent of deliveries already leased. Meanwhile, Johnston County — set to receive a quarter of 2025 completions — entered the year near a record-low 1.7 percent vacancy. Helping drive consumer demand, are dual demographic factors. More than 90,000 total jobs have been added since 2021, outpacing pre-2020 growth. Raleigh's population also grew by over 3 percent annually last year — second only to Austin among major U.S. markets — reflecting the influx of professionals seeking high-wage opportunities. These conditions underscore strong tenant demand, fueling a favorable retail sales forecast. With new stock largely pre-leased and rising household incomes bolstering spending, Raleigh's availability will stay exceptionally tight, sustaining above-average rent gains.

Sales volume sits below historical norms entering 2025. Despite lower activity, redevelopment and sub-\$1.5 million single-tenant deals continue at a steady pace. East Wake County's record absorption last year signals potential for renewed investor interest, aided by expanding life sciences and tech firms driving long-term job growth. Redevelopment momentum is accelerating, highlighted by a \$14 million vacant K-Mart acquisition slated for a \$500 million mixed-use project, which could benefit from major corporate expansions like Novo Nordisk's planned 1.4 million-square-foot facility. While financing remains tight, the county's strong labor pipeline, steady in-migration and diverse economy suggest 2025 could present strategic entry points for investors.

2025 MARKET FORECAST

+2.6%



EMPLOYMENT: Novo Nordisk's expansion, the largest life sciences project in state history, will add 1,000 jobs and contribute to the overall 29,000-person gain for Raleigh in 2025.

350,000
sq. ft.



CONSTRUCTION: Developers complete 160,000 less square feet in 2025 than in the prior year. Nevertheless, the 0.4 percent rate of inventory growth matches the three-year average.

-20 bps



VACANCY: A limited construction pipeline slated for this year, paired with sustained retailer demand, will compress vacancy to 2.3 percent — the second lowest year-end rate since before 2007.

+4.0%

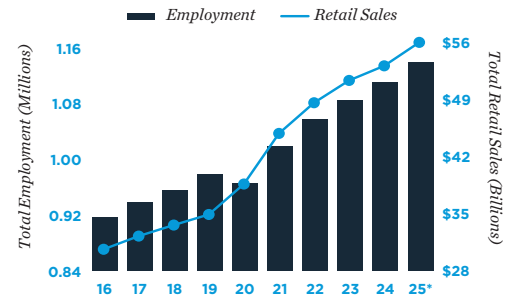


RENT: Tight conditions and already leased construction set the stage for increased asking rents at existing properties, lifting the metro's average marketed rate to \$23.00 per square foot.

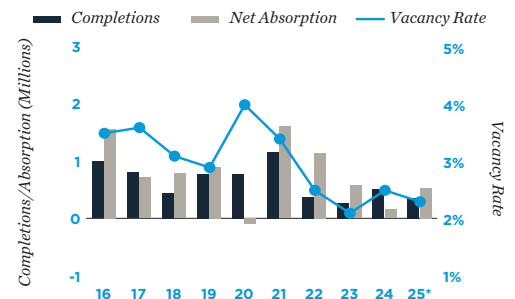
INVESTMENT:

Significant office expansion in North Hills, paired with 2,000 new apartments in 2025, is set to enhance foot traffic and retail demand in Northeast Raleigh, potentially drawing investor interest in 2025.

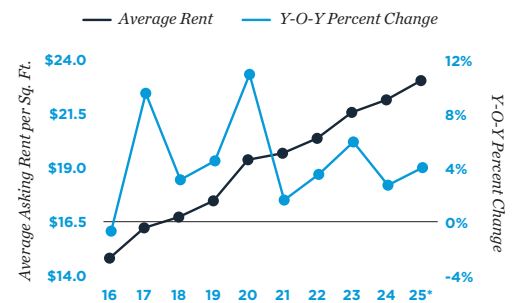
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.