

2018 Forecast

Office/Industrial

Retail

Multifamily

Single Family

Investor Outlook for Land

Investor Outlook for Income Property



Forecast: Office/Industrial Leasing & Development

2017

Prediction: Expect 3 million SF to be added to the market with strong absorption and healthy vacancy.

Actual: Close – Just over 2.4 million SF added to the market, and vacancy remained stable with 2.5 million SF of positive absorption.

2018

- Activity to remain strong
- An even larger year for new construction
- Overall continued absorption will keep up with supply
- But, RTP office vacancy will rise
- The leader will continue to be the industrial market



Forecast: Retail Leasing & Development

2017

Prediction: Big construction year with North Raleigh and Cary the most active markets. Vacancy will be healthy, but rise to 3%.

Actual: Correct: Over 650,000 SF built and with minimal absorption, vacancy did rise as predicted going from 2.3% to 2.9%.

2018

- New construction starts will slow by year-end
- Expect negative absorption in several submarkets
- Minimal absorption overall, so vacancy will rise again
- Retail development will predominantly be focused on infill sites and redevelopment



Forecast: Multifamily/Residential Leasing & Development

2017

Prediction: Slowing pipeline, strong absorption, and vacancy remains in the 7% range.

Actual: Incorrect again on vacancy which dropped for the third year in a row. Minimal increase in construction compared to previous years.

2018

- Try again – vacancy goes up a point to 6%
- Actual deliveries drop
- Pipeline slows again
- Rental rates will remain strong as we continue to have good absorption



Forecast: Single-family & Attached Residential Sales & Development

2017

Prediction: Another 10% increase in home sales, construction doesn't keep up with sales, and expect historical low inventories.

Actual: Right on here. 10.4% increase in closed sales, and inventory levels drop to 12.6%.

2018

- Much of the same. Expect another 10% increase in homes sales
- Minimal increase in actual building permits
- Inventory shortages – especially in Wake County
- New tax legislation is a developing story



2018 Investor Outlook for Land

- Wake County residential land continues to be “on fire”
- Western Wake County is the jewel
- All surrounding submarkets are active
- Up and coming areas include Rolesville, Chatham County, Franklin County and Angier
- Suburban Downtown areas continue to be active to include Holly Springs, Apex and Cary
- Demand for retail land has cooled
- Well located retail corners still see buyer activity, but fringe locations get minimal interest
- Price for industrial land continues to rise



2018 Investor Outlook for Income Property

- While cap rates for investment properties reached historic lows, pricing is leveling off and the majority of demand remains for higher quality assets.
- Money is available, but core properties remain hard to find.
- Industrial sector remains in favor, office and retail are softening.
- The overall sentiment in the market is that we are in the late stages of the current real estate cycle.
- Research shows that the spread between asking and closed cap rates has widened across all asset classes.
- Property owners are attempting to sell assets in the current market to take advantage of the historically low cap rate environment, regardless of asset quality, which is shifting the market from a seller's market to a neutral market.
- Cap rates will continue to trend upward following interest rate hikes and we can expect another solid year ahead.