

Raleigh Commercial Real Estate Crystal Ball Survey

3Q2023 Report



By Jed Byrne

INTRODUCTION

The 3Q2023 Raleigh Commercial Real Estate Crystal Ball (CRE Crystal Ball) is the first in a series of quarterly reports meant to look at the future of the market.

There are many reports that discuss the current state of the market, the CRE Crystal Ball is meant to look into the future.

For the 3Q2023 report we have responses from twenty-four licensed Raleigh real estate brokers.

Brokers submitted their responses in the first two weeks in April 2023.

Summary charts are in the next section, and you can find the data and methodology in the back of the report.

If you would like to participate in future surveys, send me an email at OakCityCRE@gmail.com.

EXECUTIVE SUMMARY

Looking into 3Q2023, for the **overall market**, the brokers have projected:

- a tenant market for **leasing activity**.
- a buyer market for **asset sales**.

When you look at the data by asset classes, subtle details appear.

For the **leasing market**:

- **Office** will be to be a strong tenant market.
- **Industrial** will be a strong landlord market.

For the **asset sales market**:

- **Office** will be a very strong buyer market.
- **Industrial** will be a strong seller market.

Check out the charts on the next page for more detail.

If you have any questions, let me know.

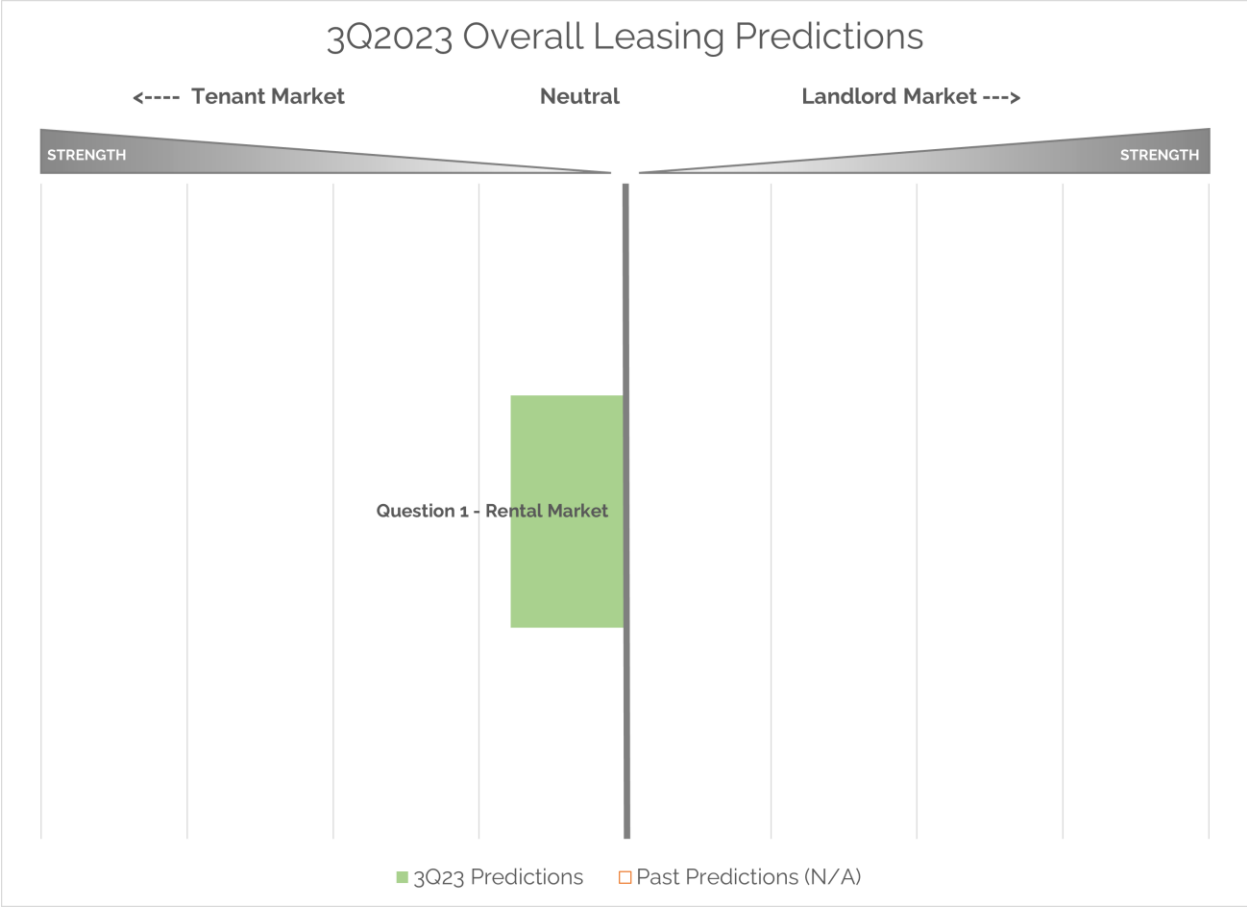


Figure 1 - Dix Park Skyline (March 2023)

3Q2023 Overall Sales Predictions

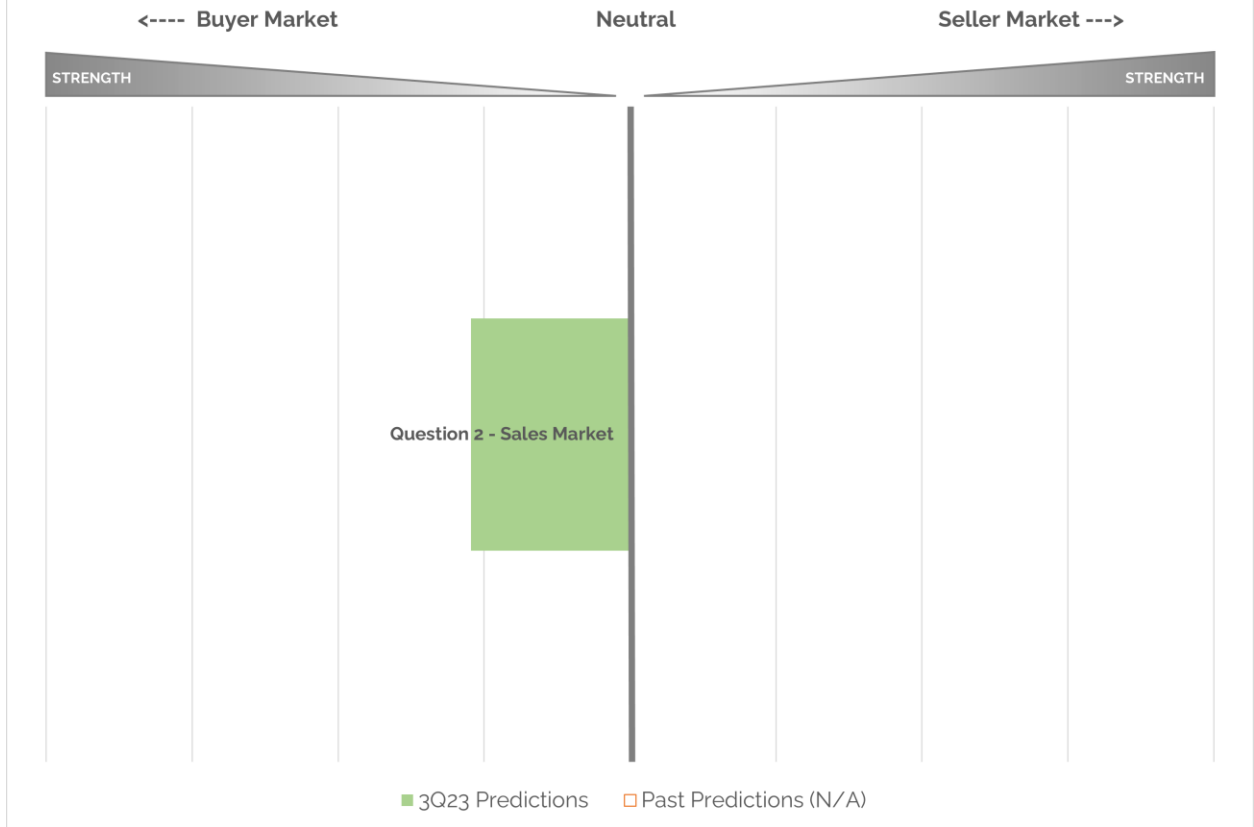


Figure 2 - Rogers Building (May 2023)

3Q2023 Asset Class Leasing Predictions

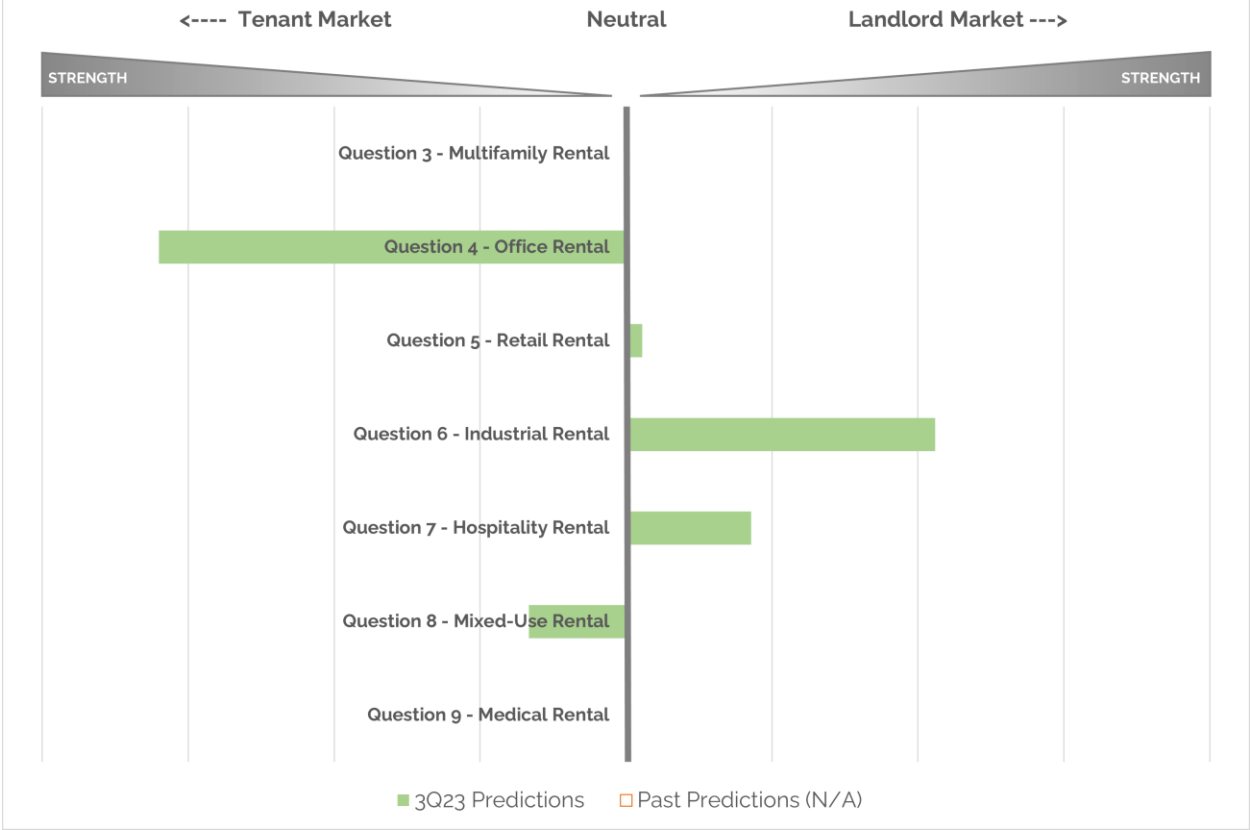


Figure 3 - Seaboard Station (April 2023)

3Q2023 Asset Class Sales Predictions

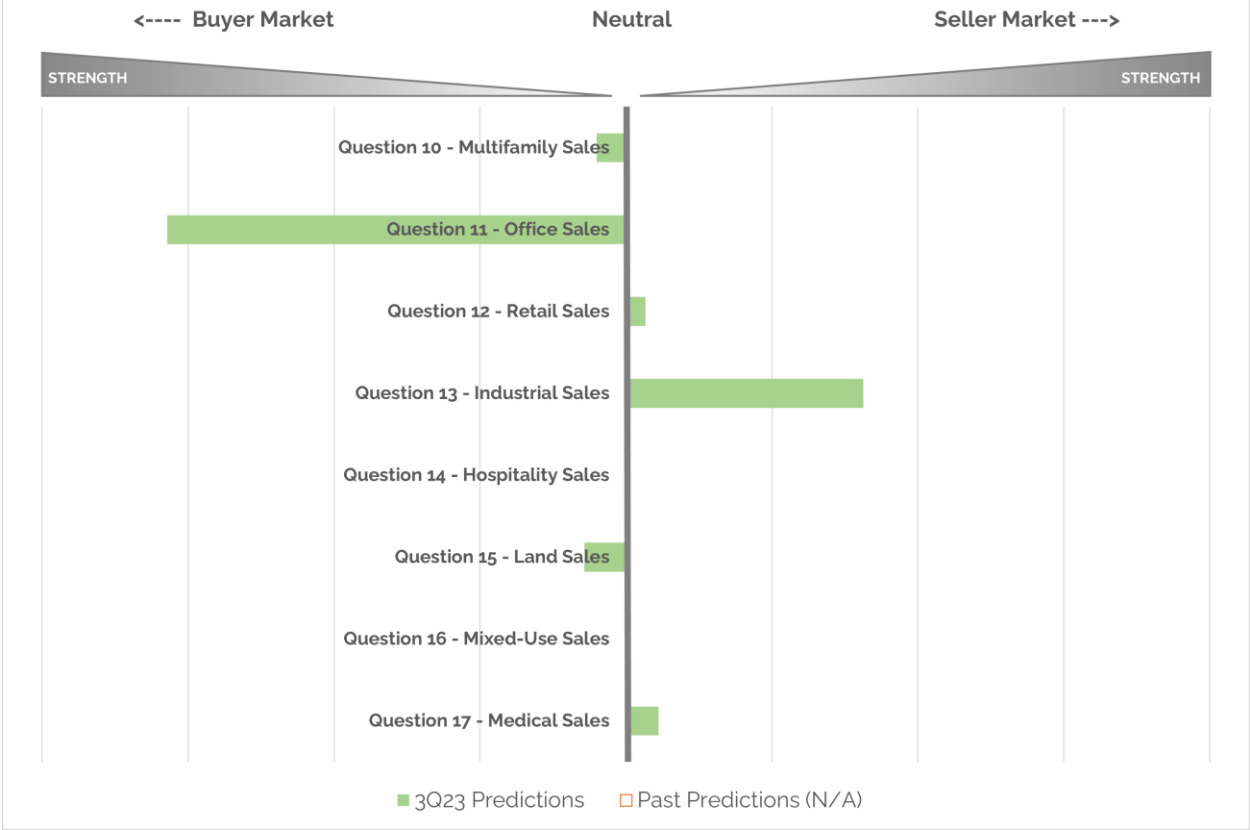


Figure 4 - Wake Tech Northern Campus (March 2023)

QUOTES

On each survey, respondents can share their written thoughts as well.

Here are take-aways from April 2023:

"Until interest rates stabilize and *return to office* becomes more predictable, office sales will struggle, particularly Class B/C, suburban buildings. Landlords' capex spending will continue to rise in order to keep buildings relevant and attractive. On a positive note, I believe vacancy rates will start to drop as less new product is delivered over the next few years, companies *right size* their office footprint but return fully to the office after realizing the value of in-office work for their company's culture and overall success."

– Ginny Hager

"Vacancy in retail is 2% It is so tight!!! Hard to say whose market it is even if there is a downturn due to supply and demand."

– Cole Pennell

"Stay alive until 2025."

– David Zipparo

"Interest will have a bearing and we are in for one more rate hike and will stay at the level for at least a year!!"

– Frank Baird

BACKGROUND/METHODOLOGY

At the beginning of each quarter, I will send out a survey for the next quarter. In this instance the survey went out at the beginning of 2Q2023 asking brokers to predict the market in 3Q2023. The next survey will go out in June asking about 4Q2023.

Each question in the survey is being on a spectrum for a market that favors Buyers/Tenant or Sellers/Landlords.

There are five answers ranging from a "Strong" Buyer or Tenant Market, Buyer or Tenant Market, Neutral, Seller or Landlord Market, and finally "Strong" Seller or "Strong" Landlord Market.

Votes for a Buyer or Tenant Market were worth -1 point with a "Strong" vote worth -2.

Votes for a Seller or Landlord Market were worth +1 point with a "Strong" vote worth +2.

A "Neutral" Market vote was worth zero.

I then tally up each answer and divide by the total number of votes to determine the average score. A final score of "Neutral" can happen one of two ways. First, if everyone votes neutral. Or, second if the e brokers vote on both sides of neutral and cancel each other out.

As we collect more quarter over quarter data, we will be able to see directional trends in the data. For example, do brokers expect the future market to be more or less of a tenant market compared to previous projections? When the data is available, scores for the previous survey will show up along with the current survey results.

RESULTS

	3Q23 Predictions	Number of Responses
Question 1 - Rental Market	-0.39	23
Question 2 - Sales Market	-0.55	22
Question 3 - Multifamily Rental	0.00	11
Question 4 - Office Rental	-1.60	15
Question 5 - Retail Rental	0.06	18
Question 6 - Industrial Rental	1.06	17
Question 7 - Hospitality Rental	0.43	7
Question 8 - Mixed-Use Rental	-0.33	9
Question 9 - Medical Rental	0.00	8
Question 10 - Multifamily Sales	-0.10	10
Question 11 - Office Sales	-1.57	14
Question 12 - Retail Sales	0.07	15
Question 13 - Industrial Sales	0.81	16
Question 14 - Hospitality Sales	0.00	7
Question 15 - Land Sales	-0.14	14
Question 16 - Mixed-Use Sales	0.00	9
Question 17 - Medical Sales	0.11	9

For the Rental Market Questions, "Strong Tenant Market" is a score of -2.00, and "Strong Landlord Market" is a score of +2.00.

For the Sales Market Questions, "Strong Buyer Market" is a score of -2.00, and "Strong Seller Market" is a score of +2.00.

Note: Only the first two questions of the survey required answers, the rest of the questions were optional.

LEADER BOARD

The Leader Board is just for fun. For each survey we will rank Brokerage firms by the number of qualified submissions they send in for the survey. Ties are displayed in alphabetical order.

If you would like to participate in future surveys, send me an email at OakCityCRE@gmail.com.

Leader Board 3Q2023

- 1 CityPlat
- 2 NAI Tri Properties
- T3 Capital Associates
- T3 Lee & Associates
- T5 APG
- T5 Avison Young
- T5 Foundry Commercial
- T5 Highwoods
- T5 Steele Commercial
- T5 SVN Tar Heel Commercial Realty
- T5 Trademark Properties
- T5 York Properties

ABOUT JED BYRNE

Jed Byrne loves Raleigh, especially its people and places. He tries to engage with both daily. By day, he works as a Business Development Representative at a local engineering firm. By night he works on projects that connect his love for people and Raleigh.

Jed tweets about spaces and places at [@Oakcitycre](#), and also creates and shares a weekly development newsletter through www.OakCityCRE.com. Additionally, he hosts the Dirt NC podcast, which is all about the places and spaces of North Carolina and the people who make them awesome.

He lives with his family in Raleigh and has been here since 2012.

ABOUT THE SURVEY

The CRE Crystal Ball Survey is a quarterly survey started in April 2023.

While most market analysis looks at the past, the CRE Crystal Ball Survey is meant to try and look into the future.

By aggregating and summarizing the predictions of the best brokers in the market, the survey aims to give a sense of where folks think the market is headed.

As I collect more data over time, I will also be able to share trends.

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