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Space Trends

Guest Opinion: Demand for Triangle real estate is changing

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Triangle residents have grown accustomed to the sight of cranes, street closures and construction vehicles. Even a casual observer can see that new office buildings, hotels and apartments are going up everywhere, in established areas and emerging ones alike. But what's not as obvious is the way this real estate is being used is fundamentally changing.

Office tenants are demanding more flexibility and exploring new locations. Microbreweries now share space with building contractors in old warehouses. Millennials are seeking different experiences, whether at work or when traveling.

While large and established office tenants used to occupy the most expensive space in the most traditional locations, today those tenants often seek more. They want to attract and retain young employees, which means "walkability," amenities and interesting places to go for lunch or a beer after work.

Durham's American Tobacco project was one of the first national examples of this trend, with a former manufacturing facility now housing endowment managers and private equity firms. Raleigh's Warehouse District, traditionally home to art galleries, night clubs and vacant industrial buildings, has a new Class A office building called The Dillon.

Co-working represents another major change. Early targets were local entrepreneurs who wanted an inexpensive alternative to their kitchen tables. These retrofitted spaces offer food trucks, coffee and local microbreweries to encourage synergy and socializing. Some, like HQ in Raleigh, The Frontier in Research Triangle Park and American Underground in Durham also make additional expertise and programming available to their tenants. The concept has been so successful it's gone corporate.

Well-capitalized global players like WeWork, Industrious and Spaces are now entering our markets, and changing them in the process. WeWork is the anchor tenant at the new One Glenwood project in Raleigh and will be the largest tenant in the One City Center project in downtown Durham. Spaces will anchor a new office building in the East 54 development in Chapel Hill. These operators court not just local startups but large national tenants that prefer the flexibility and efficiency of "on-demand" office space in prime locations.



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Demand for warehouse space is shifting as well. Smaller tenants have traditionally occupied “infill” space – the older warehouses, closer into town, that don’t offer the modern amenities and proximity to infrastructure demanded by the larger warehouse users.

Yet much of this older space is now in high demand. Few municipalities want to see warehouses built on valuable, well-located land, constraining supply. Many such facilities, with classic “bones” of brick walls and steel girders, have been sought for new uses such as “maker” spaces and microbreweries. They’re also well-suited as “last-mile” distribution facilities for same-day delivery services such as Amazon Prime Now.

A good example in Raleigh is the old warehouse on Bush Street, adjacent to the Beltline. Built in 1967 as a paper plant, the tenants now include an HVAC supplier, a building supply company, an aluminum distributor, and Amazon, which leases 28 thousand square feet and has installed new lighting, flooring and refrigeration. Another is the Dock 1053 project on Whitaker Mill Road in Raleigh. Built as a grocery distribution center in 1956 in what was until recently considered a “no man’s land” location, it now includes a hip restaurant, a well-known art gallery, a co-working space and a microbrewery so popular that evening parking is a challenge.

Hotels are seeing a similar transformation. Hotel customers used to be focused on price and location. A younger clientele today demands more, at all price points, meaning the coolness of a hotel’s décor, bar or even lobby music are now important attributes. Durham’s 21C hotel in the heart of downtown is a great example, as is the Aloft on Raleigh’s Hillsborough Street. They share characteristics few would have considered important 15 or 20 years ago: a vibrant, walkable location, a trendy bar scene, and restaurants good and interesting enough to be patronized by locals as well as hotel guests.

In an area as dynamic as the Triangle, some of these trends may be sustainable, while others might be replaced. As always, however, Triangle residents will be seeing plenty of change.