

# WRAL TechWire 20<sup>2002 - 2022</sup> YEARS

## Special report: Triangle must plan for even more growth as businesses follow ‘flight to quality’



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by Jason Parker — May 24, 2022

*Editor’s Note: The WRAL TechWire “Future of Work” series, supported by commercial real estate firm JLL and other partners, concludes this week, with a look ahead to the future of work and the future of the Triangle.*

*So far, the Future of Work series took an in-depth look at the demand for land, which can now be described as “insatiable,” while developers look to shore up their land positions. That’s especially the case in the industrial sector, the topic of the special report and in-depth Q&A, and, increasingly, the life science and biopharmaceutical sector, which the series investigated last week. Join a WRAL TechWire LinkedIn Live discussion on Tuesday, May 24 at 11 a.m. with Brett Cox, research manager at JLL, to discuss the latest trends and the future of commercial real estate in the Triangle.*

**RALEIGH** – The Triangle is often compared to Austin, Texas, and while the regions may be comparable, they remain different.

The Triangle is unique due to the diversity of industry sectors and its diversity of communities, regional leaders told WRAL TechWire during ongoing reporting for this series, Future of Work.

But one thing the region could look toward Austin to understand: how growth is occurring.

## **Growth, and more growth**

The Austin region grew in population by more than one million people since the turn of the millennium, Ryan Combs, the executive director of the Research Triangle Regional Partnership, told WRAL TechWire in an interview. And the region grew by more than 500,000 in the decade between 2010 and 2020, a 33.7% increase in population, according to the Austin Chamber of Commerce.

Meanwhile, North Carolina's population increased by 9.5% in the decade between 2010 and 2020, driven by growth in the Triangle. All together, between the 2010 and 2020 Decennial Censuses, the Triangle's population increased by 22 percent, rising to 2.1 million persons from 1.7 million persons, according to John Quintero, a professor at Duke University.

In that decade, Wake County surpassed Mecklenburg County in total population, growing by 25% according to data from the U.S. Census Bureau charted by Carolina Demography.

And down Interstate 40, the population in Durham County increased by 21% in the decade.

"This region accounted for roughly 40 percent of total population growth recorded in North Carolina over the last decade," said Quintero. "All that growth contributes to increased demand for physical space."

And yet, growth continues. According to the North Carolina Office of State Budget and Management, between April 1, 2020 and July 1, 2021, the state added another 1.1% of population growth.

"I would say we are in store for explosive growth," said Combs. "What makes our region so unique is we are not just limited to one sector, we have one of the most well-rounded ecosystems in the country and we see constant growth in all of these sectors including life sciences, tech, agriculture technology, and clean tech."

And, because of this diversity of industry, fueled by a robust talent pipeline in the region due to workforce development programs and the region's colleges and universities, companies will continue to consider expanding or relocating here because of the region's talent base, said Combs.

## **Talent market has changed**

“The number one reason companies are choosing this region is our talent,” said Combs. “Hands down.”

Consider that each year, more than 175,000 students are enrolled in the region’s 12 colleges and universities, about 50,000 of them who will graduate and, presumably, enter the labor force.

Combs noted that 64% of the graduates who earn a STEM degree are electing to remain in the region following their graduation. Beyond those graduates, there are those who earn associate’s degrees at the seven community colleges in the 12-county region, Combs said.

“I have yet to work with a company that has a specific need that we are unable to match,” said Combs.

The state’s economic development strategy is built on a promise to be “first in talent.”

Companies have noticed, with economic development announcements pouring into the state in life science, biopharmaceutical manufacturing, technology, advanced manufacturing, logistics, and more recently, major announcements in the automotive and aviation sectors.

All told, 2021 was a “blockbuster year,” according to Melissa Smith, vice president of business recruitment and development at Economic Development Partnership of North Carolina (EDPNC), in a letter contained within the EDPNC annual report that was released earlier this year.

“Everyone has been talking about the Triangle for a while, but now companies are doing more than talking,” said Kimarie Ankenbrand, site lead for commercial real estate firm JLL’s Triangle office. “The market has been validated in the eyes of the rest of the country.”

## **Correlated markets**

“The correlation between the make-up of an area’s labor market and commercial real estate demand is a direct one,” John Boyd, Jr., principal of The Boyd Company, which assists employers in navigating a site selection process, told WRAL TechWire.

“Labor – in all its facets of supply, cost, labor-management relations, education and skillsets – dominates the equation as to where we locate our clients’ plants and offices,” said Boyd. “The same relationship applies to the informed and thoughtful real estate developer as to what sector of the commercial real estate industry is the most timely and opportunistic for his investment.”

Matt Winters, executive vice president at JLL, told WRAL TechWire that access to talent and the overall labor force of a region are, and will continue to be, at the forefront of corporate relocation decisions. “Furthermore, a spotlight has been placed on the importance of an organization’s workplace experience, quality of employee lifestyle, and supply chain reliability,” said Winters.

And the Triangle's labor market is "extremely rich," noted Boyd, particularly in the industries and sectors that are most likely to continue to expand, including technology and life science. And one sector that hasn't seen as much news coverage that is blossoming in the state, said Boyd, is cybersecurity.

"I can say the Triangle's growing economy, North Carolina's attractive business climate and low taxes by national standards is well-known by bankers, financiers, venture capitalists, and the Wall Street financial community," said Boyd. "[The Triangle] is regarded as one of the most attractive regions of the country to invest and make loans in."

## **Race for space**

That's led to an increase in demand across all market segments, from investors and from companies as they seek to access control to their space and facilities in a changing, shifting labor market.

And that race for space is changing how people conceive of the Triangle, as demand in the region's submarkets is creating pockets of density, Al Williams, executive vice president of JLL, explained during a recent WRAL TechWire LinkedIn Live broadcast.

Consider the concentration of biopharmaceutical manufacturing companies in Holly Springs, or in Sanford, or the clusters forming in Garner, Clayton, and Johnston County. There's also expansion in midtown Raleigh, and companies continue to seek high-quality space in Research Triangle Park and in downtown Durham and downtown Raleigh.

The region is strong in the life sciences, said Combs, and it is strong in technology as well.

"There is a synergy between these two industries," said Combs. "We are going to see more growth in these two industries."

And from a manufacturing standpoint, said Combs, the Triangle is well-situated to provide companies an opportunity to shore up supply chains and leverage the region's talent base and transportation gateways.

The region is likely to continue to attract investment from logistics companies, as well, said Boyd. "Now in its sixth decade, our firm has never seen such a scarcity of distribution warehousing space around the country," he said.

Now, many former manufacturing plants or shuttered retail strip malls are in the process of being converted into warehousing space, Boyd said. "But not fast enough."

In the industrial sector, vacancy is 1.7% in the Triangle, according to Williams, and even though there were recently some 5.7 million square feet of space under construction, about half of that space is already pre-leased.

“The boom in online shopping and the entire Amazon revolution in retailing has brought about an insatiable demand for modern warehousing space,” Boyd noted. “Wall Street and institutional investors have discovered the profitability of this booming commercial real estate sector and have plowed billions of dollars into this field, including establishing many REITs devoted exclusively to warehousing space.”

## **The Future of Work**

After the onset of the COVID-19 pandemic, the labor market changed significantly. Seemingly overnight, unemployment plummeted nationwide to about 12%, and many lost jobs.

In North Carolina, nearly every sector of the state’s economy has returned to full employment, except leisure and hospitality.

And across the state, labor markets are tight, with employers looking to fill hundreds of thousands of jobs, including more than 50,000 jobs in information technology.

“The fundamental nature of the work has changed, which justifies changes in pay, benefits, and working conditions,” said Quintero.

Employees are likely to seek, even demand, forms of flexibility in their work, said Molly Glasgow, an executive vice president at JLL.

And while we’re seeing some companies in the Triangle move to remote work environments, many more are making significant investments in space.

Apple is building an east coast hub near Research Triangle Park. Google is investing in downtown Durham. Pendo opened headquarters in downtown Raleigh earlier this year. Intelera recently selected Raleigh for its new headquarters location, and leased space in midtown Raleigh. And earlier this year, GlaxoSmithKline completed a move from Research Triangle Park to downtown Durham and put their RTP facility up for lease.

Those are just a few examples of movement in the commercial real estate markets in the region. And while there is a “flight to quality,” Glasgow told WRAL TechWire, the reality is that there aren’t yet viable, demonstrable case studies for what the future of work will look like.

“We are entering into a five to ten year experiment,” said Glasgow. “But the experiment only begins when folks have re-entered or returned to the new normal—this hasn’t fully happened yet.”

## The Future of the Triangle

Because the Triangle could double in population size within the next few decades, the region must plan for this growth, said Scott Levitan, CEO and president of the Research Triangle Foundation, in an interview with WRAL TechWire.

“It is important that we plan now to implement a robust infrastructure to fix our existing infrastructure challenges and implement new functions and capabilities,” said Levitan.

It’s more than roads and bridges and highways, said Levitan.

While we “clearly need to add modalities to our transportation system,” said Levitan, the Triangle of the future will also need the critical infrastructure of open space, equitable public education access, and inclusionary housing.

People will want, perhaps even need, to live in close proximity to a multi-modal transportation network that enables them to commute to their workplace, should a commute be required.

“One specific area that makes our region unique is the number of communities people can choose from, all with their own distinct characteristics,” said Combs. “People love the idea that they can wake up in one community and travel to another for work in 30 minutes.”

But with population changes occurring, and the region growing, said Combs, “we must stay on top of regional planning and make major investments in infrastructure to maintain that quality of life that people want.”

To not do so, said Levitan, would risk the region falling into the same trap as other regions that experienced growth, but did so without an appropriate plan.

“We all need to envision future life in the Triangle and understand the opportunities available now to maintain and enhance our community for the future,” said Levitan. “Some of the key opportunities that [the Triangle] must focus on now include regional mobility, our airport, equitable and high-performing public school output, water (supply, runoff and sewage), power resources, and very importantly, preservation of open space and recreational resources like trails and local sports facilities.”

*This editorial package was produced with funding support from JLL and other partners. WRAL TechWire retains full editorial control of all content.*

*The series launched here, and the second report discussed high demand. Next, the series explored the relationship between work spaces, work places, and the current labor market. The following weeks, we’ve investigated specific sectors of the real estate market including land development, commercial multifamily properties, industrial space, and life science and biopharmaceutical space.*