



SouthCourt

RALEIGH-DURHAM, NC



CONFIDENTIAL OFFERING MEMORANDUM





SouthCourt

Jones Lang LaSalle Americas, Inc. (“JLL”) has been retained as the exclusive sale representative for SouthCourt (the “Property”), an 133,368 square foot property in Raleigh-Durham, one of the most coveted real estate markets in the country and a leading STEM hub. The property is currently 75.4% leased to an attractive mix of tenants with remaining WALT of 3.6 years and in-place rents approximately 9.5% below market, presenting an attractive value-add offering with both leasing and mark-to-market upside.

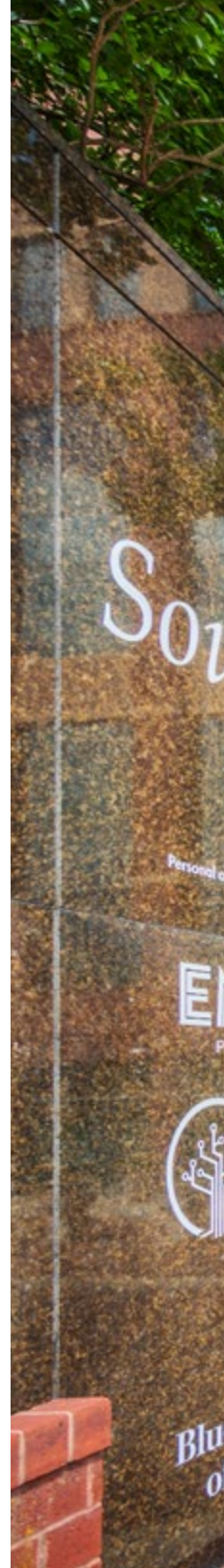
This asset features high quality, Class A construction in a rapidly expanding submarket. With proximity to downtown Durham, SouthCourt provides potential investors with an opportunity to purchase an asset just minutes away from the city center at an attractive basis. Robust multifamily and retail development within walking distance, including the University Hill mixed-use development which features 270 multifamily units and 65,000 SF of retail, have fostered an increasingly infill live-work-play environment in the immediate area, driving leasing velocity and long-term tailwinds at the Property. SouthCourt benefits from unparalleled access to the Hope Valley executive residential neighborhood, Duke University, Downtown Durham and Research Triangle Park, and appeals to a diverse tenant and employee base across the region.

Raleigh-Durham is poised to rapidly recover from the impact of COVID-19, and stands to benefit from robust corporate relocations and in-migration to the region as companies and employees seek low cost of living, high quality of life, business friendly locales. These trends, which have been in-place for several years, were catalyzed by the impacts of COVID-19, as evidenced by recent announcements by Apple, Google, Gilead Sciences, Fujifilm Diosynth, and Invitae, each of which announced plans over the past 2 months to establish a sizable workforce in Raleigh-Durham.

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INVESTMENT SUMMARY

ADDRESS	3211 Shannon Road, Durham, NC 27707
YEAR BUILT	1998
RBA	133,368
OCCUPANCY	75.4%
WALT	3.6 Years
WEIGHTED AVERAGE IN-PLACE RENT	\$23.74
PARKING	512 (3.84/1,000SF)





North Court
3211

dmij

EMPOWER
PERSONALIZED FITNESS

VeraSci

The Cross BlueShield
of North Carolina



Nº. 1

HIGH QUALITY ASSET, DURABLE CASH FLOWS

SouthCourt, like many office assets in Raleigh-Durham, was resilient throughout COVID-19, proving to be a durable asset despite the macroeconomic impacts of the virus. SouthCourt recorded strong performance through 2020, including nearly 30,000 square feet of new deals and renewals and achieved new historical high watermark rental rates simultaneously. The property's positioning as one of South Durham's premier office assets has attracted credit worthy tenancy that sustained headwinds over the past year, with some tenants even expanding throughout 2020 and 2021 or committing to long-term deals at the asset.

Looking ahead, SouthCourt will benefit from secular tailwinds impacting suburban office product, including rapid residential growth nearby, a desire by executives to work closer to home, a general preference for lower density product post-COVID, and an attractive walkable amenity package offering tenants the perks of an infill location without the downsides of occupying space in a more urban node.

KEY LEASING DEMAND DRIVERS

SUBURBAN MIGRATION

A TREND THAT WAS SEEN BEFORE COVID AND HAS ONLY BEEN REINFORCED THROUGH THE PANDEMIC

WALKABLE, AMENITIZED PRODUCT NEAR DECISION MAKERS

SOUTHCOURT APPEALS TO EXECUTIVES IN THE NEARBY RESIDENTIAL AREAS SUCH AS HOPE VALLEY, AND OFFERS A WALKABLE AMENITY BASE IN A SUBURBAN SETTING.

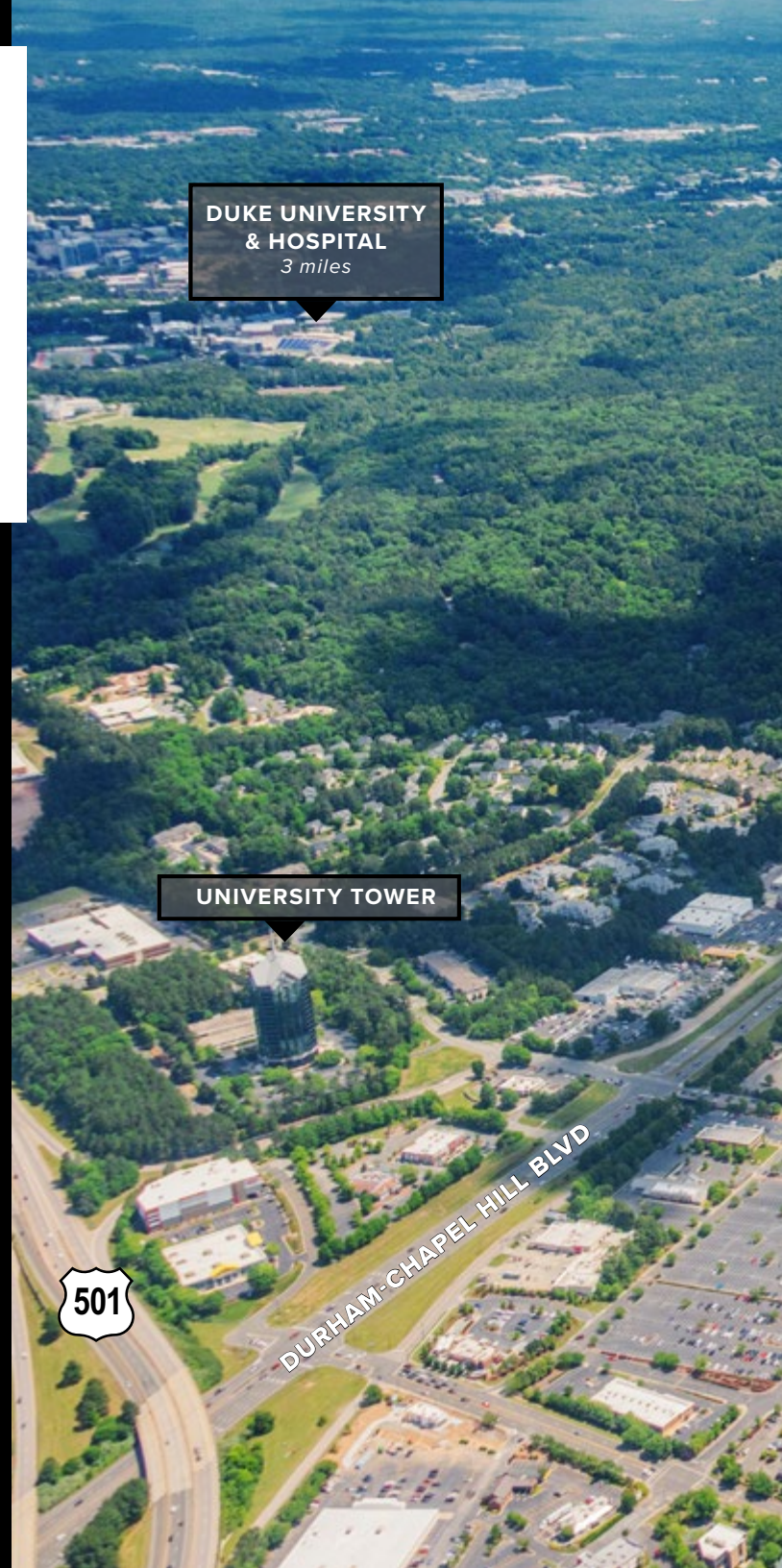




DURHAM BULLS ATHLETIC PARK



UNIVERSITY HILL



DUKE UNIVERSITY & HOSPITAL
3 miles

UNIVERSITY TOWER

No. 2

RAPIDLY DENSIFYING NEARBY AREA

EXCEPTIONAL REGIONAL CONNECTIVITY COMBINED WITH A MARKET-LEADING AMENITY PACKAGE

Situated along a convenient thoroughfare between Downtown Durham and Chapel Hill, this asset benefits from the rapidly densifying South Durham submarket. With easy access to US-501 and I-40 as well as proximity to well-established residential areas such as Hope Valley and Forest Hills, South Durham is an ideal location for a diverse tenant base. SouthCourt is a convenient four-mile drive to Downtown Durham, which is home to countless entertainment, residential, and retail offerings including the Durham Bulls Athletic Park and Durham Performing Arts Center.

UNIVERSITY HILL MIXED-USE DEVELOPMENT

Adjacent to University Hill, a new 300,000 sf mixed-use development that includes 65,000 sf of Class A retail with signed retailers such as O2 Fitness, Midtown Yoga, Happy & Hale, Zambreno's, and James Beard award winner Ashley Christensen's latest restaurant concept.

RESEARCH TRIANGLE STATS

2.8 MM+
RALEIGH-DURHAM POPULATION

No.4
HIGHEST CONCENTRATION OF PHDS IN THE US

64
PEOPLE MOVE TO THE RESEARCH TRIANGLE EVERY DAY

\$174,830
MEDIAN HOME PRICE



DURHAM-CHAPEL HILL BLVD

DOWNTOWN DURHAM
4 miles

**NORTH CAROLINA
CENTRAL UNIVERSITY**
3.5 miles

**UNIVERSITY HILL
MIXED-USE DEVELOPMENT**

O2 Fitness
Midtown Yoga
Happy & Hale
Zambrero's
BB's Crispy Chicken
270 Multi-family Units



**RALEIGH-DURHAM
INTERNATIONAL AIRPORT**
15 miles

**SOUTH SQUARE
SHOPPING CENTER**

Sam's Club
Petco
Ross Dress for Less
Starbucks
CVS Pharmacy
Super Target

UNIVERSITY DR

SOUTHCOURT

SHOPPING CENTER

At Home
The Fresh Market
Dollar Tree
H&R Block
AutoZone

**RESEARCH
TRIANGLE PARK**
8 miles

**HOPE VALLEY
COUNTRY CLUB**
1.5 miles

RALEIGH-DURHAM'S ROBUST ECONOMIC DEVELOPMENT ACTIVITY

North Carolina has historically been an economic development power house, and the state's skills in business recruitment have been exceedingly impressive since the onset of COVID-19, as the seemingly incessant economic development headlines provided frequent injections of optimism into the Triangle's business and real estate markets. Economic development wins over the past year included young clinical trial phase companies and Fortune 500 tech firms, each turning to the Triangle to reap the benefits of the thriving STEM and life science ecosystem, labor pool, educational institutions, and world renowned research firms.

North Carolina was recognized as having the nation's best business climate in 2020 by Site Selection Magazine, and was also recognized as a leader by the Tax Foundation. As a result, North Carolina's rising profile as a great place for business should yield similar, if not better, development results over the next year. The state's new business pipeline has continued to swell, and rumors of additional game-changing announcements continue to swirl in the market.

RECENT MAJOR ECONOMIC DEVELOPMENT ANNOUNCEMENTS

Since the onset of COVID-19

COMPANY	DATE	# JOBS	INVESTMENT
CARSGEN THERAPEUTICS	May-21	200	\$157 M
APPLE	Apr-21	3,000	\$1B
INVITAE	Apr-21	374	\$114 M
FUJIFILM DIOSYNTH	Mar-21	725	\$1.5 B
GOOGLE	Mar-21	1,000	Unknown
BIOGEN	Mar-21	90	\$200 M
CHARLES RIVER LABS	Feb-21	100	Unknown
GILEAD SCIENCES	Feb-21	275	\$5 M
ADVERUM BIOTECHNOLOGIES	Jan-21	200	\$83 M
TAYSHA GENE THERAPIES	Dec-20	200	\$75 M
KBI BIOPHARMA	Dec-20	200	\$150 M
THERMO FISHER	Dec-20	500	\$500 M
CLOROX	Nov-20	158	\$7.5 M
APIJECT	Nov-20	650	\$900 M
BIOAGILYTX	Oct-20	878	\$61.5 M
BEAM THERAPEUTICS	Aug-20	201	\$83 M
GRAIL, INC	Jul-20	400	\$100 M
ELI LILLY	May-20	460	\$474 M
POWERHOME	Apr-20	100	Unknown
BANDWIDTH	Apr-20	1,165	\$100 M





STEM AND TECH HOTSPOT

Raleigh-Durham has experienced explosive economic growth over the last several years, driven largely by the Research Triangle's proliferating life science market and technology foundation. With more than 40% of the state's biotechnology companies located in Durham, the market has undergone a remarkable transformation into the vibrant, thriving community it is today. Durham has transformed its economic and business landscape from one based on tobacco and textile production to a modern, cutting-edge economy. All of these factors culminate to create an environment where forward thinking companies can thrive such as GlaxoSmithKline, IBM, and Cree who all have headquarters in Durham.

Project Spotlight:



Recently announced a \$200 MM, 175,000 SF facility to support clinical production for its gene therapy pipeline.

Google recently selected Durham for an engineering hub focused on cloud computing that will create 1,000 jobs.



Fujifilm Diosynth, a contract development and manufacturing organization (CDMO), is establishing a \$2B large-scale cell culture manufacturing of bulk drug substance production. The facility will create 725 new jobs.

The region recently beat out Massachusetts, Maryland, and Philadelphia for Beam Therapeutics \$83 million biomanufacturing facility, creating more than 200 jobs.



Recently announced a \$103 MM, 200,000 SF facility to support clinical production for its gene therapy pipeline.

Apitect received a \$590 million loan to build a 'GigaFactory' that will assist in the distribution of vaccines. The facility will be the world's largest fill-finish facility capable of producing up to \$3 billion single-dose, pre-filled syringes annually and will bring approximately 650 jobs to RTP.



Global pharma giant Eli Lilly recently announced a \$474 million state-of-the-art manufacturing facility at the former GSK campus in RTP. The company will create 460+ jobs and initially produce two major diabetes drugs: Trulicity and Tirzepatide.

ROBUST LEASING
MOMENTUM

\$23.74/SF

WEIGHTED AVERAGE
IN-PLACE RENT

9.5%

BELOW MARKET
IN-PLACE RENTS

ABILITY TO EXTEND
AVERAGE REMAINING
LEASE TERM



Nº. 5

VALUE-ADD INVESTMENT WITH IMMEDIATE UPSIDE POTENTIAL

Currently 75.4% occupied, SouthCourt offers investors stabilized cash flow coupled with significant upside potential through the lease up of the remaining vacant space. An attractive in-place tenant roster is currently paying weighted average rent of \$23.74/SF, representing a material mark-to-market opportunity as tenants roll over the first few years of the hold period. SouthCourt offers an appealing combination of long-term stability and value enhancement potential in one of the hottest real estate markets in the Country.

Nº. 6

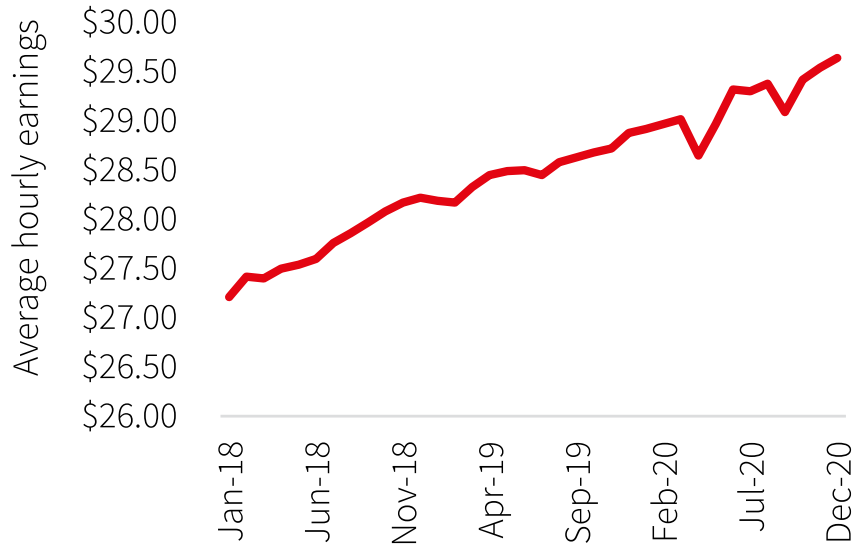
SIGNIFICANT DISCOUNT TO REPLACEMENT COST

Investors have the opportunity to acquire SouthCourt at an excellent cost basis, well below the estimated replacement cost of \$300+ per square foot. This basis, in the face of rapidly rising construction and land costs in the Raleigh-Durham market, is a substantial discount to new construction costs and allows the owner to offer compelling lease terms to tenants looking for Class A space relative to nearby Downtown Durham, where new construction rates are approaching \$40/SF and rising.

Acquiring the property at a discount to replacement cost offers downside protection and long-term upside as Raleigh-Durham continues to evolve as one of the strongest office markets in the country.

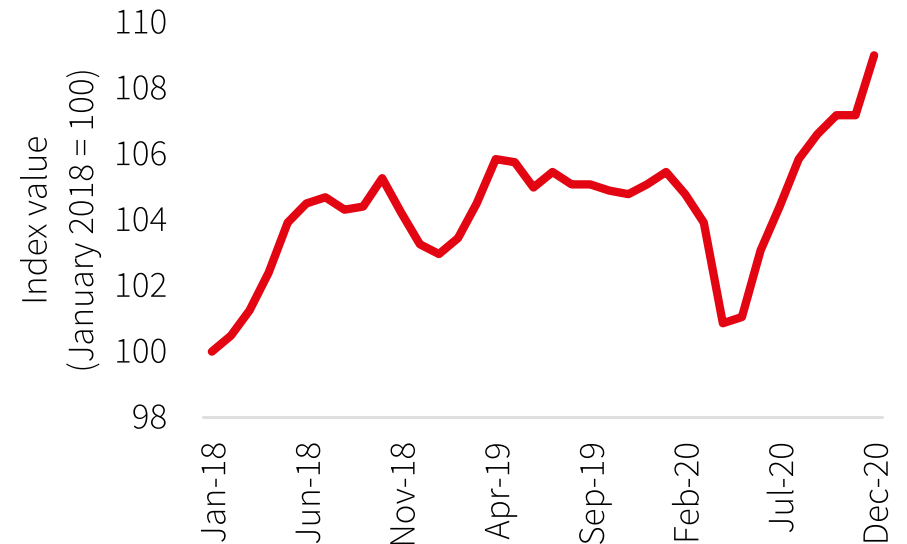
RIISING COSTS OF MATERIALS & LABOR WILL CONTINUE TO DRIVE INCREASED COSTS FOR NEW CONSTRUCTION PRODUCT

Construction labor cost index



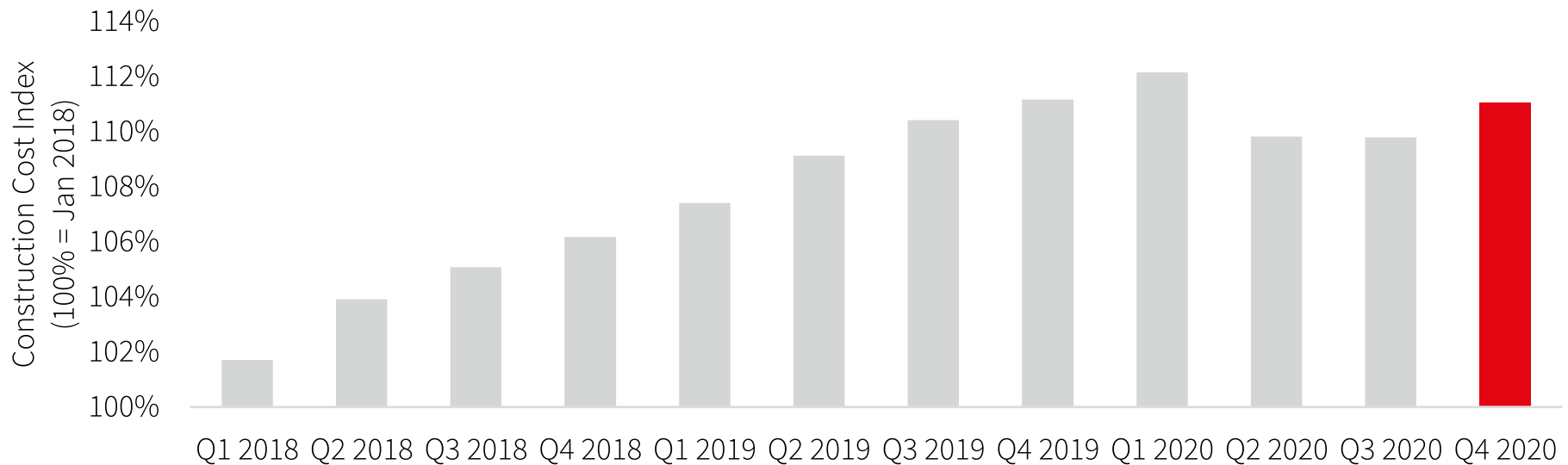
Source: Bureau of Labor Statistics

Construction material cost index



Source: JLL Research, Bureau of Labor Statistics

Total construction cost index



Source: JLL Research, Bureau of Labor Statistics, IHS Markit

NEARBY DEMAND DRIVERS



UNIVERSITY HILL MIXED USE DEVELOPMENT

Sitting on 15 acres just across University Drive from SouthCourt and totaling 300,000 square feet, University Hill has added best in class residential and retail offerings in South Durham. The mixed-use development brings 270 multi-family units and 65,000 square feet of restaurants and retail, including the 30,000 square O2 Fitness, to South Durham. Furthermore, the development includes an art project called the “Murals at University Hill” which showcases a collection of over 25,000 square feet of mural artwork from artists across North Carolina. University Hill will be a catalyst for additional redevelopment in the immediate area to SouthCourt and continue to sustain the growth currently occurring in the submarket.



HOPE VALLEY NEIGHBORHOOD & COUNTRY CLUB

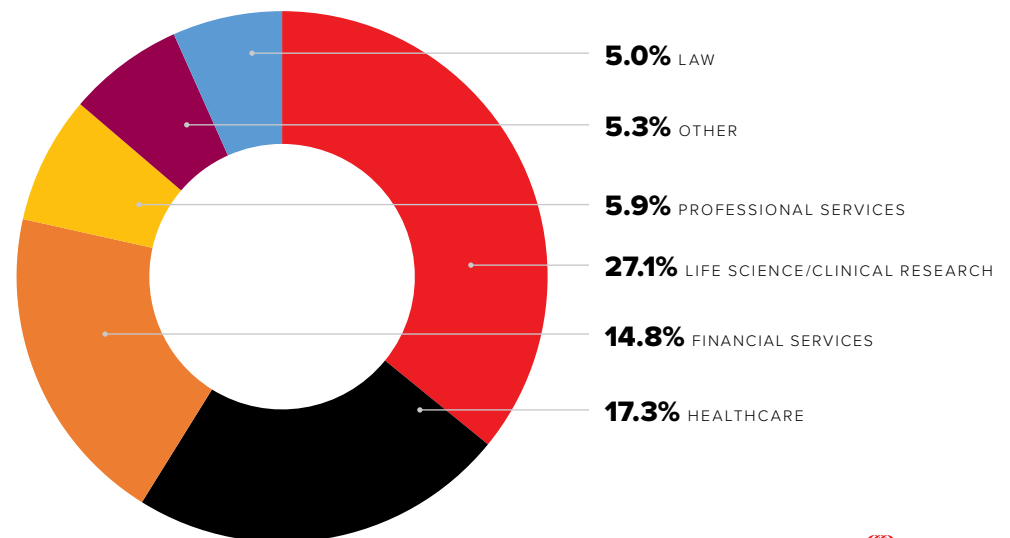
Located just 5 minutes from SouthCourt, the Hope Valley neighborhood and Hope Valley Country Club provides executives and tenants alike with a short commute to the office. Founded in 1926, Hope Valley Country Club anchors a historic community conveniently located close to downtown Durham, Chapel Hill, the Research Triangle Park, and Raleigh-Durham airport. With its proximity to SouthCourt, many tenants have called the Hope Valley neighborhood home over the years and the area will continue to act as a driver for prospective tenants and companies who are looking for a short commute from their homes to the office.



NO. 8

DIVERSE CREDIT-WORTHY TENANT ROSTER

SouthCourt features an impressive tenant roster anchored by credit-worthy tenants with attractive remaining term. The asset contains a blend of publicly traded international firms, expanding regional companies, and well-respected local businesses. Representing a broad range of industries including Healthcare, Financial Services, Life Sciences, Law and Professional Services, the diverse tenant roster is well-positioned to mitigate downturn economic risk. Moreover, SouthCourt is anchored by two high profile, credit worthy tenants in Wells Fargo (Moody's Aa1) and Blue Cross Blue Shield (Moody's Baa2). Several tenants in the offering have strong ties to the Durham market and have made SouthCourt their headquarters location, demonstrating long-term commitment to the Property. With a weighted average lease term of approximately 3.6 years, the offering presents a premier tenant roster with favorable remaining term, providing investors with highly coveted long-term stability.



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