



YoY  
Chg

12-Mo.  
Forecast

**11.9%**

Vacancy Rate

**383K**

Net Absorption, SF YTD

**\$29.60**

Asking Rent, PSF



(Direct, All Property Classes)

#### ECONOMIC INDICATORS Q3 2021

YoY  
Chg

12-Mo.  
Forecast

**978.2K**Triangle  
Employment**3.7%**Triangle  
Unemployment Rate**5.2%**U.S.  
Unemployment Rate

Source: BLS

#### ECONOMIC OVERVIEW

Economic conditions further improved in the Triangle throughout Q3 2021. With the unemployment rate dropping to 3.7%, the Raleigh-Durham economy and real estate market continue to gain national recognition. Raleigh-Durham and North Carolina received two notable accolades in the third quarter, continuing to stand out as a desirable market to live and work. Raleigh-Durham was ranked number two on US News & World Report's Best Places to Live in the U.S. and North Carolina was ranked number two on CNBC's list of America's Top States for Business in 2021. Factors such as quality of life, housing affordability, the cost of doing business and job market were all considered in these rankings.

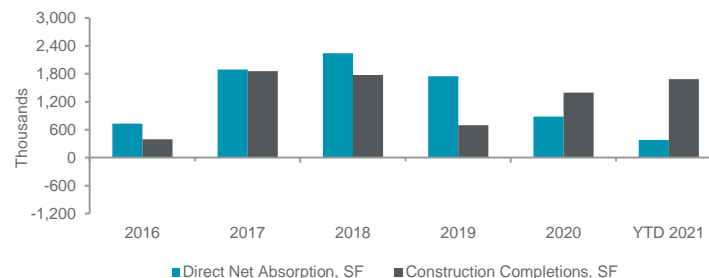
#### SUPPLY

Although no office projects delivered in Q3 2021, 1.4 million square feet (msf) are currently under construction and expected to deliver by the end of 2021. Once completed, these projects will add an abundance of Class A office space to the Raleigh and Durham CBDs, RTP/I-40 Corridor, and Cary inventories. The final two buildings at Park Point, one of the largest life sciences campuses in the RTP, are expected to deliver early in Q4 2021, adding 328,000 square feet (sf) to the campus. The highly anticipated 301 Hillsborough at Raleigh Crossing in the Downtown Raleigh submarket is also expected to deliver, with the completion of more than 290,000 sf of Class A office space. As of Q3 2021 Raleigh-Durham's construction pipeline is 22.0% preleased.

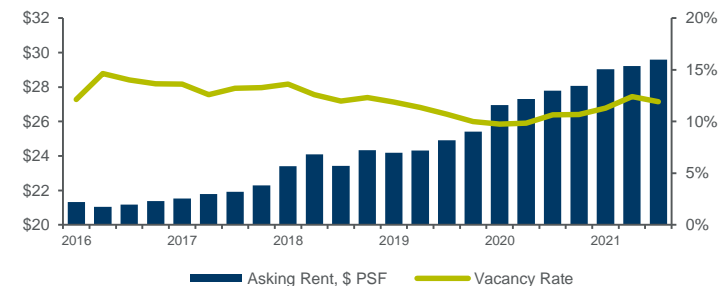
Like many other markets, Raleigh-Durham experienced an influx of sublease availabilities and vacancies throughout the pandemic. However, during Q3 2021, a significant amount of sublease space was leased and pulled from the market due to employees returning back to offices. Sublease vacancy dropped 40 basis points (bps) quarter-over-quarter (QOQ) from 3.1% to 2.7%, a healthy and positive sign that Raleigh-Durham's office market is recovering from 2020. More than 283,000 sf was subleased in the Cary, Downtown Raleigh, and US 1/Capital Blvd submarkets.

Raleigh-Durham's direct vacancy decreased to 11.9% in the third quarter, a 50-bps improvement QOQ. This is significantly lower than the national direct vacancy average of 15.0%. While the Downtown Raleigh and Downtown Durham submarkets saw slight vacancy increases, it was the market's suburban submarkets that contributed to the lower rate QOQ.

#### SPACE DEMAND / DELIVERIES



#### DIRECT VACANCY & ASKING RENT



# RALEIGH-DURHAM

Office Q3 2021



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## DEMAND

Leasing activity remained strong in Raleigh-Durham as transaction volume reached more than 860,000 sf, bringing year-to-date (YTD) leasing activity to 2.1 msf. Apart from the Cary submarket, which had a large sublease space leased this quarter, the RTP/I-40 Corridor submarket recorded more than 164,000 sf of new leases. The largest direct transaction of the quarter was at Park Point's Grid building where CreeLED leased 89,167 sf, bringing the building to 70% leased. The space will serve as the company's new headquarters location, housing 300 employees. McAdams, a civil engineering firm, also announced during Q3 its intention to expand its presence in the market with a lease of more than 50,000 sf at Tower 2 @ Bloc 83 in Downtown Raleigh, putting the building at almost 60.0% leased. Both tenants will occupy their spaces in 2022, further contributing to positive absorption. Other significant leases this quarter were signed by tenants in the financial and architecture industries.

## RENTAL RATE PRICING

Raleigh-Durham's direct average asking rental rate for vacant space posted at \$29.60 per square foot (psf) this quarter, up 1.3% QOQ. This is the highest rate on historical record in the Raleigh-Durham market. Direct asking rates for vacant Class A space increased to \$31.01 psf, up 3.8% year-over-year (YOY). The highest-Class A average rates were found in Downtown Durham at \$38.86 psf. This increase in the submarket is a direct result of 74,000 sf of new speculative lab space that became available in August at the Durham ID Office Building B, driving up the asking rate of vacant space significantly. A similar trend is occurring in the Downtown Raleigh submarket with new construction pushing Class A rates above \$35.00 psf. Rates across the market are expected to continue to rise as premier space in construction projects deliver in the coming months.

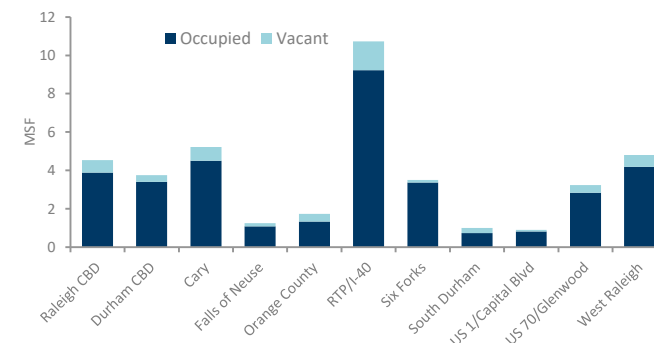
## INVESTMENT SALES

Investment sales activity was robust for Q3 2021 totaling \$433.1 million, with almost 1.6 msf trading across multiple submarkets. The largest transaction of the quarter was a portfolio sale of the Captrust and Wells Fargo buildings, located in the Six Forks and Downtown Raleigh submarkets. The portfolio had a combined total of 859,980 sf which traded for \$338.00 psf to Highwoods Properties. The 450,393 sf Wells Fargo corporate office in the West Raleigh submarket also sold for \$140.00 psf to Ferncroft Capital. Two other office buildings sold for over \$15.0 million this quarter: in Cary, the 93,582 sf building at 6501 Weston Parkway sold for \$24M and the Beta Center buildings, a 152,421 sf portfolio deal in the US 70/Glenwood submarket, sold for \$17.5 million.

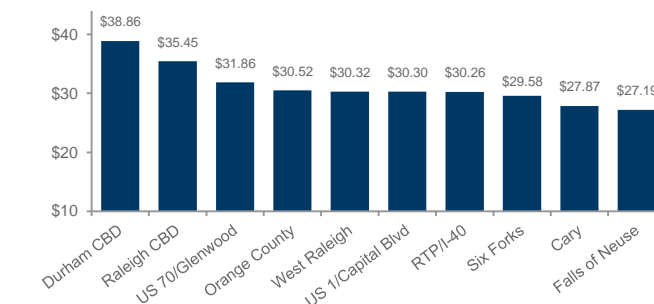
## OUTLOOK

- The market continues to move towards pre-pandemic levels with increased leasing activity and strong tenant demand this quarter, indicating that Raleigh-Durham's office recovery will continue to accelerate throughout the remainder of 2021. With a 65,000-sf lease imminent at the close of Q3, the Triangle is positioned to enter the fourth quarter with strong momentum. Though construction completions slowed this quarter, an abundance of new deliveries are expected in Q4 which will keep rental rates high and add new options for tenants seeking high-quality space.

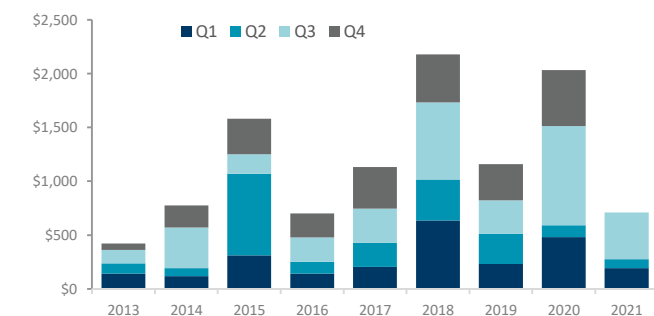
## CLASS A DIRECT VACANCY – SELECT SUBMARKETS



## CLASS A DIRECT ASKING RENT – SELECT SUBMARKET COMPARISON



## CUMULATIVE INVESTMENT SALES VOLUME, \$ MILLIONS



# RALEIGH-DURHAM

Office Q3 2021



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## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLEASE VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION	YTD DIRECT NET ABSORPTION	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	DIRECT VACANT AVG ASKING RENT (ALL   CLASS A)*	TOTAL INVENTORY AVG ASKING RENT (ALL   CLASS A)*
Downtown Durham	4,884,168	80,085	545,220	11.2%	-14,542	-40,302	82,455	240,741	\$36.52   \$38.86	\$32.76   \$34.80
Downtown Raleigh	5,571,600	262,521	686,200	12.3%	15,448	10,460	134,376	833,457	\$35.09   \$35.45	\$31.55   \$32.83
<b>CBD TOTAL</b>	<b>10,455,768</b>	<b>342,606</b>	<b>1,231,420</b>	<b>11.8%</b>	<b>906</b>	<b>-29,842</b>	<b>216,831</b>	<b>1,074,198</b>	<b>\$35.68   \$36.63</b>	<b>\$32.00   \$33.53</b>
Cameron Village	417,590	0	26,000	6.2%	0	0	0	0	\$27.50   N/A	\$25.83   \$25.85
Cary	6,613,628	225,299	816,221	12.3%	34,835	-73,505	393,672	322,424	\$27.37   \$27.87	\$26.72   \$28.03
Chapel Hill (Orange County)	2,253,905	11,021	502,504	22.3%	23,325	-90,751	70,085	0	\$30.53   \$30.52	\$29.45   \$29.66
Eastern Wake County	534,935	0	15,952	3.0%	0	1,656	1,656	0	\$20.31   \$29.50	\$19.97   \$29.50
Falls of Neuse Rd	2,719,992	66,492	325,864	12.0%	-52,799	-16,618	48,755	0	\$25.48   \$27.19	\$23.90   \$26.33
North Durham	889,247	0	340,385	38.3%	-10,409	-53,037	5,574	0	\$19.19   N/A	\$18.55   N/A
RTP/I-40 Corridor	16,790,576	515,856	2,034,426	12.1%	-7,570	792,704	936,295	442,607	\$29.76   \$30.26	\$27.43   \$28.40
Six Forks Rd	4,534,462	229,521	204,542	4.5%	8,100	44,025	186,413	80,800	\$26.96   \$29.58	\$31.30   \$33.94
South Durham	1,482,149	7,398	285,939	19.3%	553	-41,647	10,750	0	\$25.59   \$26.43	\$24.71   \$26.75
Southern Wake County	356,979	4,570	4,066	1.1%	0	1,074	5,384	0	\$28.00   \$28.00	\$21.45   \$27.35
US 1/Capital Blvd	1,739,191	67,984	133,037	7.6%	-9,020	936	46,096	64,278	\$24.90   \$30.30	\$23.52   \$25.65
US 70/Glenwood	4,207,956	54,150	481,098	11.4%	4,559	-28,560	133,299	0	\$30.77   \$31.86	\$28.35   \$29.98
West Raleigh	6,186,380	81,540	662,604	10.7%	-38,278	-123,339	123,521	167,307	\$30.08   \$30.32	\$29.75   \$30.27
<b>SUBURBAN TOTAL</b>	<b>48,726,990</b>	<b>1,263,831</b>	<b>5,832,638</b>	<b>12.0%</b>	<b>-46,704</b>	<b>412,938</b>	<b>1,961,500</b>	<b>1,077,416</b>	<b>\$28.29   \$29.65</b>	<b>\$27.61   \$29.40</b>
<b>RALEIGH-DURHAM TOTAL</b>	<b>59,182,758</b>	<b>1,606,437</b>	<b>7,064,058</b>	<b>11.9%</b>	<b>-45,798</b>	<b>383,096</b>	<b>2,178,331</b>	<b>2,151,614</b>	<b>\$29.60   \$31.01</b>	<b>\$28.41   \$30.21</b>

\*Rental rates reflect full service asking based on total vacant space

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
MetLife Building III	Cary	Confidential Technology Firm	222,950	Sublease
The Grid at Park Point	RTP/I-40 Corridor	CreeLED	89,167	New
Red Oak	Six Forks Rd	Comprehensive Health Management Inc	41,452	Expansion
555 Mangum	Downtown Durham	Pacific West Bank	36,500	New

## KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
The Stitch	RTP/I-40 Corridor	Invitae	250,000	Equator Capital
Tower 2 @ Bloc 83	Downtown Raleigh	EnvestNet	241,750	Heritage Properties
Smoky Hollow	Downtown Raleigh	Clancy & Theys, Clark Nexsen	225,000	Kane Realty
The Grid at Park Point	RTP/I-40 Corridor	CreeLED	126,000	Trinity Capital Advisors/Federal Capital

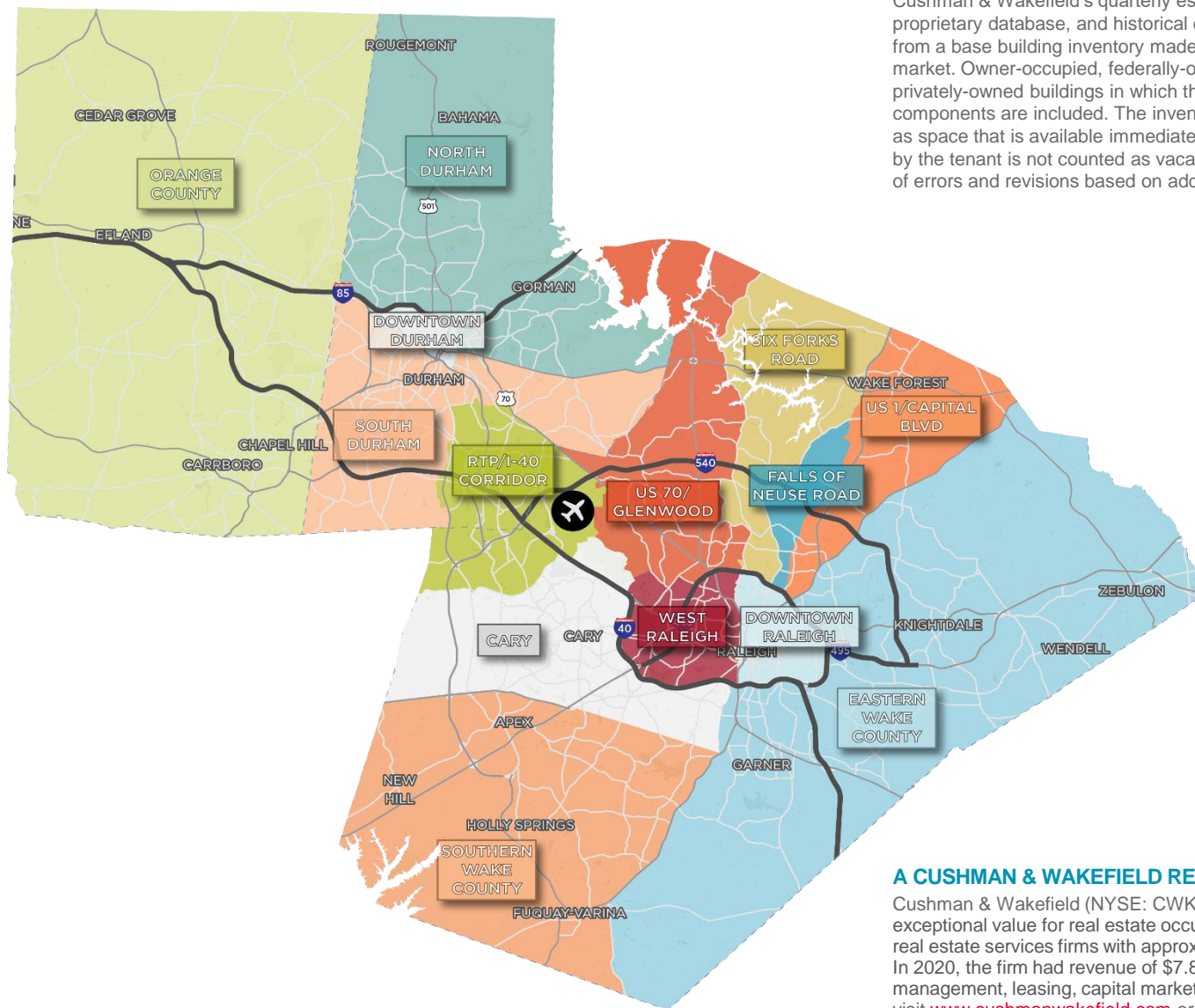
# RALEIGH-DURHAM

Office Q3 2021



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## OFFICE SUBMARKETS



## METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office market. Owner-occupied, federally-owned, and medical buildings are not included. Single tenant buildings, privately-owned buildings in which the federal government leases space, and office buildings with lab/R&D components are included. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as vacant space. All information contained in the report is subject to correction of errors and revisions based on additional data received.

## EXPLANATION OF TERMS

**Total Inventory:** The total amount of office space in buildings 10,000 sf or greater that can be rented by a third party.

**Direct Vacancy Rate:** The amount of unoccupied space available directly through the landlord; excludes sublease space.

**Absorption:** The net change in occupied space between two points in time. Transactions positively impact absorption upon tenant occupancy, not upon lease signature. However, new-to-market tenants in Raleigh-Durham are factored into absorption upon lease signature and the beginning of build-out as opposed to upon occupancy.

**Direct Weighted Asking Rents:** Gross average asking rents weighted by the amount of direct vacant space in Class A, B and C properties; excludes sublease space.

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