MARKETBEAT

RALEIGH-DURHAM

Office Q4 2021

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
12.7% Vacancy Rate		
621K Net Absorption, SF YTD		
$29.85 Asking Rent, PSF		

(Direct, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
989.3K Triangle Employment		
3.4% Triangle Unemployment Rate		
4.2% U.S. Unemployment Rate		

Source: BLS

ECONOMIC OVERVIEW

Raleigh-Durham's unemployment rate dropped to 3.4% in Q4 2021, well below the national unemployment rate of 4.2%. Year-over-year (YOY) more than 40,000 jobs have been added in the market. Key office-using segments such as Professional and Business Services and Financial Activities have recorded growth over the last year, increasing 5.4% and 3.2% respectively. Based on these positive economic indicators, Raleigh-Durham is positioned for continued long-term growth going into 2022.

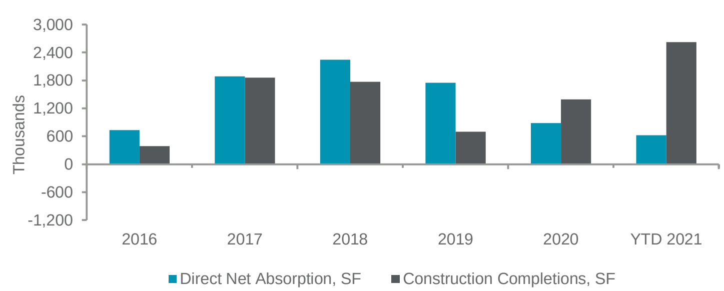
SUPPLY

Nearly one million square feet (msf) of office product delivered in Q4 2021 in Raleigh-Durham. The RTP/I-40 Corridor submarket recorded three building deliveries, including the two final buildings at Park Point's campus and the life science building at 8 Davis Drive. The completion of Edge East and Edge West at Park Point adds 328,000 square feet (sf) to the campus, bringing the nearly 655,000-sf campus to 55.6% leased. In Downtown Raleigh, the 300,000-sf office building 301 Hillsborough at Raleigh Crossing delivered 43.7% preleased to Pendo and Nexus Strategies, and at the close of the quarter there was more than 80,000 sf in active lease negotiations. Two additional properties delivered fully vacant this quarter; in Downtown Durham 37,492 sf was delivered at 949 Washington St and in West Raleigh 167,307 sf delivered at Palisades III. Another 1.5 msf remains under construction in the Triangle.

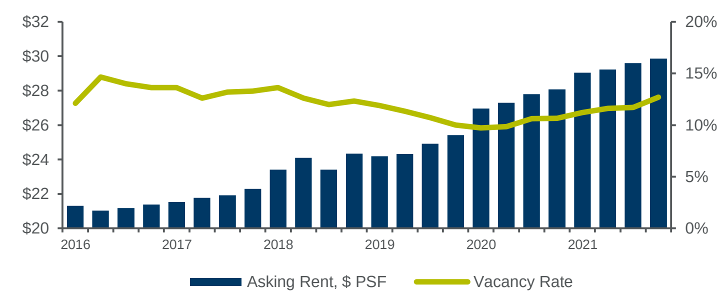
Several large sublease opportunities arose during Q4 as companies continued to evaluate space needs with hybrid work models. These large blocks of space caused the sublease vacancy rate to rise 50 basis points (bps) quarter-over-quarter (QOQ) from 2.7% to 3.2%. While new sublease deals were signed this quarter in North Hills, with Carpenter Technology taking more than 30,000 sf of the Advance Auto Parts Tower sublease, and in West Raleigh, where Epic Games subleased 37,000 sf at the former Select Group Headquarters, the abundance of sublease options in the RTP/I-40 Corridor submarket drove the vacancy rate up.

The increase in direct vacancies in Q4 was the result of the new office product that was delivered with vacant space. Of the 939,863 sf that was delivered 71.9% was vacant, causing the market's vacancy rate to rise 100 bps from 11.7% to 12.7%. However, Raleigh-Durham's direct vacancy rate is still significantly lower than the national rate of 15.4%. Although vacancy rose, the market recorded more than 373,000 sf of positive Class A direct absorption for the quarter. Most submarkets recorded positive quarterly gains with the Downtown Raleigh and RTP/I-40 Corridor submarkets seeing over 300,000 sf of combined Class A absorption.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



MARKETBEAT

RALEIGH-DURHAM

Office Q4 2021

DEMAND

The Triangle recorded more than 810,000 sf of new net leasing activity in Q4, bringing the year to date (YTD) total to more than 3.2 msf. The suburban submarkets accounted for 88.8% of total leasing activity, with the RTP/I-40 Corridor submarket responsible for almost 40% of all activity. The RTP/I-40 Corridor submarket also had the highest YTD total of leasing activity reaching nearly 1.4 msf. The largest direct transaction of the quarter was executed by life science tenant BioAgilytix Labs in the RTP/I-40 Corridor submarket. BioAgilytix Labs, a leading global contract research organization focused on supporting pharmaceutical and biotech partners in drug development, leased more than 70,000 sf at Bradford Center and an additional 36,000 at Berrington Center. The company already occupies space in the market and will move into this new space in phases throughout 2022. Tenants in the biotechnology, software, and financial industries leased significant space this quarter as well.

RENTAL RATE PRICING

Rental rates have been steadily increasing throughout the year and recorded another slight bump quarter-over-quarter (QOQ) reaching the highest rate on historical record in Q4 2021. The direct average asking rental rate for vacant space posted at $29.85 per square foot (psf), up 0.8% QOQ. The addition of new Class A product in the market caused the direct asking rates for vacant Class A space to increase as well reaching $31.32 psf, up 0.9% QOQ. The highest Class A rates are found in the CBD submarkets with Downtown Durham posting at $39.63 psf, bolstered by an office building with a large, high-priced lab component, and Downtown Raleigh posting at $36.52 psf. Office rental rates in North Hills are commanding some of the highest office rates in the market as tenants continue the flight to quality to highly amenitized 'live, work, play' office buildings where leases are being signed north of $42.00 psf.

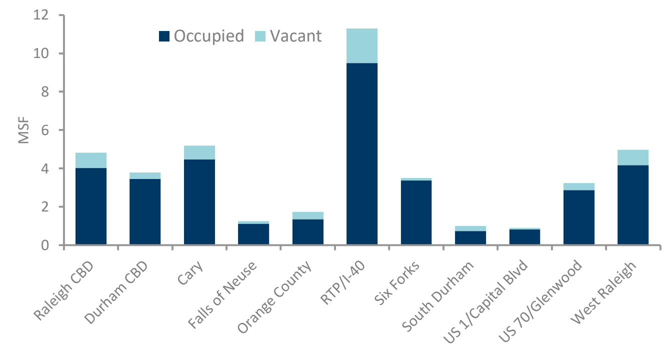
INVESTMENT SALES

The highest transaction volume of the year for investment sale activity was reached in Q4 totaling $1.2 billion with 3.2 msf traded across multiple submarkets. This is the highest quarterly total sales volume in Raleigh-Durham's recent history. A new record-breaking price per square foot for the Triangle across all asset classes was also achieved this quarter with the sale of a 250,000-sf life science building. Cushman & Wakefield arranged the sale of The Stitch in the RTP/I-40 Corridor submarket on behalf of seller, Equator Capital Management, which sold for $742 psf. The largest total transaction of the quarter was the portfolio sale of One Glenwood and Tower Two @ Bloc 83 in Downtown Raleigh consisting of 495,121 sf across two buildings, which traded for $330 million ($667 psf). Another notable Q4 sale was INQ 1101 in the RTP/I-40 Corridor submarket, consisting of 140,301 sf, and sold for $627 psf.

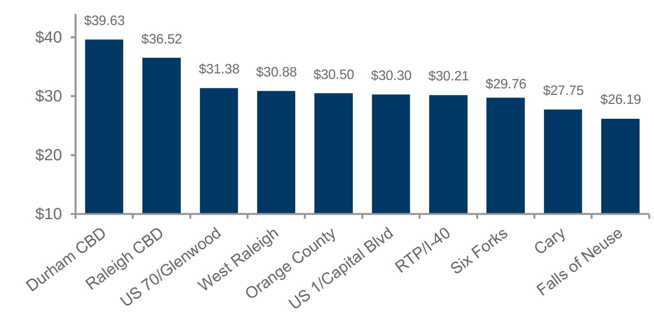
OUTLOOK

Leasing activity is expected to remain consistent in the new year as many LOI's were out for signature at the close of the quarter and should increase further as the new Omicron variant subsides. Rental rates are also expected to remain high. With the expected new construction to be delivered with vacancies in the first half of 2022 and anticipation of a large company vacating its 560,000-sf campus which will become available for sublease, the vacancy rate has the potential to increase in Q1 2022.

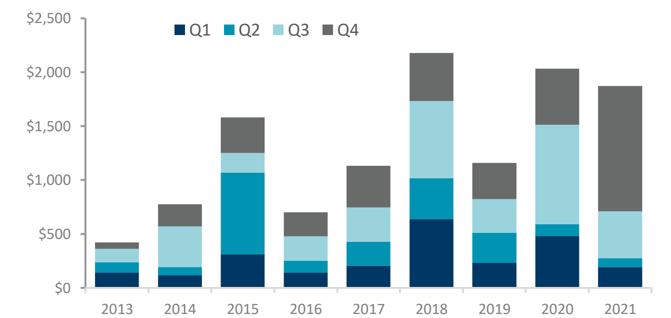
CLASS A DIRECT VACANCY – SELECT SUBMARKETS



CLASS A DIRECT ASKING RENT – SELECT SUBMARKET COMPARISON



CUMULATIVE INVESTMENT SALES VOLUME, $ MILLIONS



MARKETBEAT

RALEIGH-DURHAM

Office Q4 2021

CUSHMAN & WAKEFIELD

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLEASE VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRET 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	4,921,660	186,751	486,263	9.9%	44,199	10,825	133,959	203,249	$36.80 | $39.63	$32.97 | $35.04
Downtown Raleigh	5,864,057	234,546	838,007	14.3%	139,461	150,076	182,990	685,410	$36.13 | $36.52	$32.47 | $33.76
CBD TOTAL	**10,785,717**	**421,297**	**1,324,270**	**12.3%**	**183,660**	**160,901**	**316,949**	**888,659**	**$36.36 | $37.35**	**$32.65 | $34.20**
Cameron Village	417,590	0	26,000	6.2%	0	0	0	0	$26.50 | N/A	$25.76 | $25.85
Cary	6,585,397	269,040	798,510	12.1%	-6,038	-87,328	568,894	368,424	$27.27 | $27.75	$26.80 | $28.13
Chapel Hill (Orange County)	2,253,905	11,021	486,785	21.6%	15,669	-75,032	89,398	0	$30.50 | $30.50	$29.46 | $29.67
Eastern Wake County	534,935	0	15,952	3.0%	0	1,656	1,656	0	$20.61 | $29.50	$19.97 | $29.50
Falls of Neuse Rd	2,719,992	63,457	298,816	11.0%	-500	6,231	59,088	0	$25.12 | $26.19	$23.93 | $26.36
North Durham	889,247	0	339,180	38.1%	0	-55,332	5,574	0	$19.35 | N/A	$18.81 | N/A
RTP/I-40 Corridor	17,359,408	752,196	2,443,124	14.1%	50,838	840,885	1,383,362	135,000	$29.58 | $30.21	$27.86 | $28.92
Six Forks Rd	4,534,462	214,494	207,205	4.6%	-2,925	40,935	293,884	80,800	$26.66 | $29.76	$31.49 | $34.16
South Durham	1,482,149	7,398	273,722	18.5%	5,523	-31,620	35,634	0	$26.06 | $26.48	$24.71 | $26.75
Southern Wake County	356,979	4,570	4,066	1.1%	0	1,074	5,384	30,212	$28.00 | $28.00	$21.45 | $27.35
US 1/Capital Blvd	1,739,191	67,984	184,158	10.6%	-55,250	-54,314	46,096	64,278	$25.23 | $30.30	$23.52 | $25.65
US 70/Glenwood	4,207,956	84,010	422,303	10.0%	37,748	15,118	220,477	0	$30.30 | $31.38	$28.35 | $30.05
West Raleigh	6,353,687	54,392	839,333	13.2%	-14,208	-141,750	188,458	0	$30.71 | $30.88	$29.89 | $30.41
SUBURBAN TOTAL	**49,434,898**	**1,528,562**	**6,339,154**	**12.8%**	**30,857**	**460,523**	**2,897,905**	**678,714**	**$28.26 | $29.70**	**$27.79 | $29.61**
RALEIGH-DURHAM TOTAL	**60,220,615**	**1,949,859**	**7,663,424**	**12.7%**	**214,517**	**621,424**	**3,214,854**	**1,567,373**	**$29.85 | $31.32**	**$28.69 | $30.52**

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Bradford Center	RTP/I-40 Corridor	BioAgilytix Labs	71,032	New
31 Parmer Way	RTP/I-40 Corridor	Xilis	68,149	New
Regency Creek I	Cary	Garmin	62,463	New
5520 Capital Center Blvd	West Raleigh	Epic Games	37,000	Sublease

KEY CONSTRUCTION COMPLETIONS Q4 2021

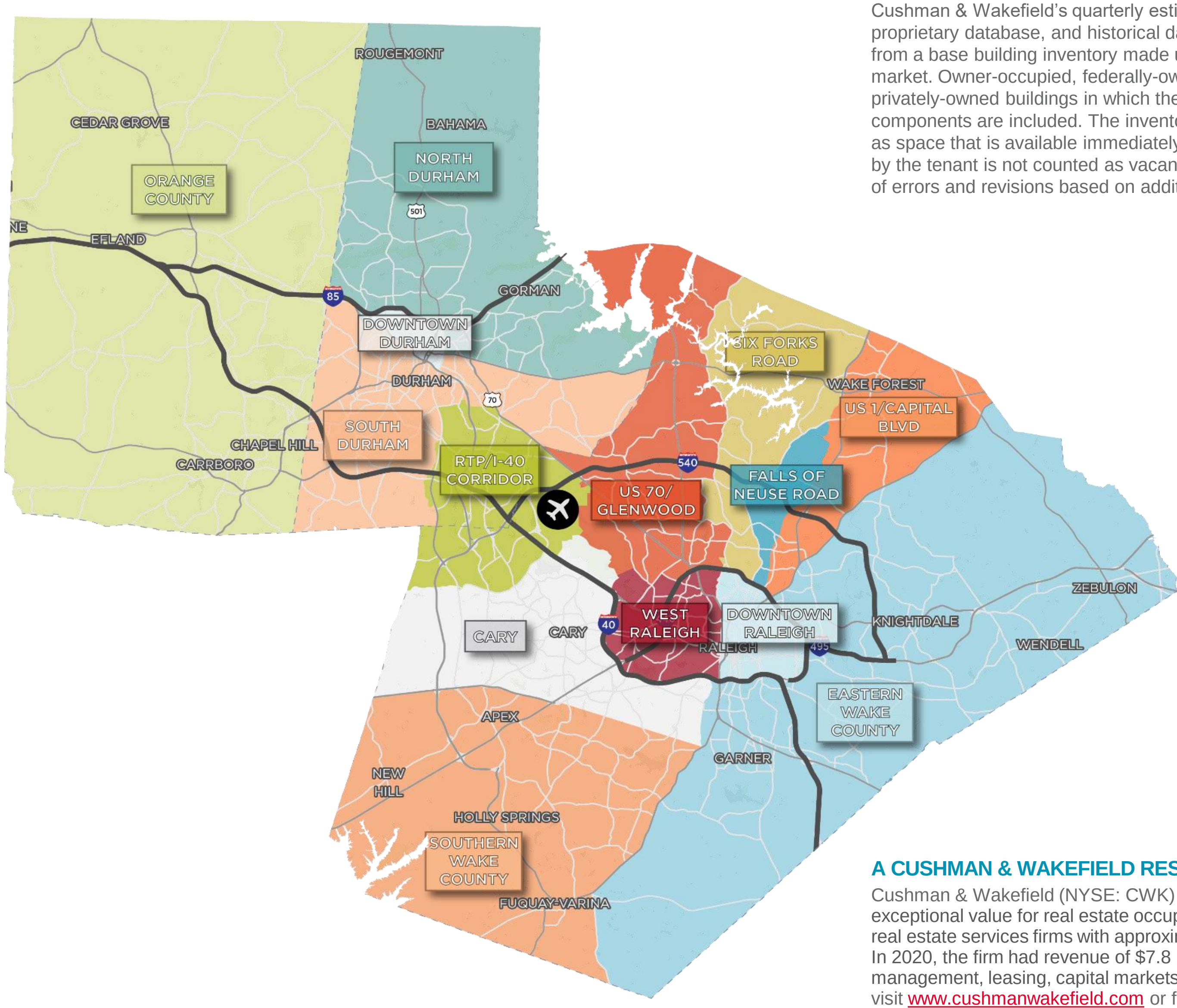
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Raleigh Crossing	Downtown Raleigh	Pendo	292,457	The Fallon Company LLC
Edge East at Park Point	RTP/I-40 Corridor	N/A	179,000	Trinity Capital Advisors/Federal Capital
Palisades III	West Raleigh	N/A	167,307	Keystone Corporation
Edge West at Park Point	RTP/I-40 Corridor	Charles River Laboratories	149,000	Trinity Capital Advisors/Federal Capital

MARKETBEAT

RALEIGH-DURHAM

Office Q4 2021

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.

Kristine Smith
Research Analyst
Tel: +1 919 645 3590
kristine.smith@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of $7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. . To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.