



YoY
Chg

12-Mo.
Forecast

12.2%

Vacancy Rate

**122K**

Net Absorption, SF YTD

**\$30.66**

Asking Rent, PSF



(Direct, All Property Classes)

ECONOMIC INDICATORS Q1 2022

YoY
Chg

12-Mo.
Forecast

1,017KTriangle
Employment**3.2%**Triangle
Unemployment Rate**3.6%**U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

Despite the recession brought on by COVID-19, the Raleigh-Durham market has recovered more quickly than the rest of the nation and is reaching pre-pandemic levels across many metrics. The unemployment rate dropped to 3.2% in Q1 2022, well below the national rate and down from the market's high point of 12.2% in May 2020. Nonfarm employment figures continue to rise, adding 48,300 jobs year-over-year (YOY) and growing 3.5% since the onset of the pandemic. In the largest economic development announcement in state history, auto manufacturer VinFast announced a \$6.5 billion investment and addition of 13,000 jobs in Q1, which will have a ripple effect with benefits reaching to all surrounding counties.

SUPPLY

The Roxboro at Venable Center in Downtown Durham was the sole office delivery of Q1 2022. The 193,000 square-foot (sf) class A office and life sciences center delivered vacant, causing Durham's CBD direct vacancy rate to increase quarter-over-quarter (QOQ) from 9.5% to 13.0%. More than 2.3 million square feet (msf) remains under construction across the Triangle market, with 1.0 msf expected to deliver in 2022. Projects including the first two buildings at Raleigh Iron Works, a total of 541,000 sf, and two buildings at the Fenton project in Cary, 225,350 sf, are estimated to deliver in Q2 2022.

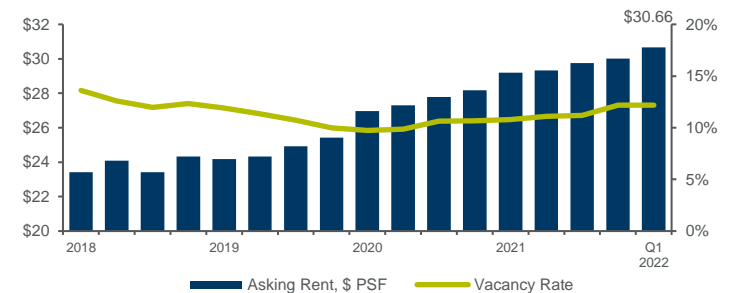
Multiple large blocks of sublease space hit the market in Q1, causing the sublease vacancy rate to increase 100 basis points (bps) QOQ from 3.0% to 4.0%. In the RTP/I-40 Corridor submarket the former GSK campus became available, a total of approximately 500,000 sf across two buildings. Despite the move out, GSK remains in the market and now occupies 70,000 sf in Downtown Durham's American Tobacco Campus. Biogen's 100,000 sf space at Innovation I in the RTP/I-40 Corridor also became available for sublease. The pace at which new sublease availability is coming to the market is expected to slow in the coming quarters as market forces absorb quality sublease opportunities. In Q1 the sublease vacancy rate decreased in the Six Forks Road submarket for the third consecutive quarter as two new deals were signed in North Hills. A full floor, approximately 31,338 sf, at the Advance Auto Parts Tower was subleased by Relay and Intelrad Medical Systems signed a sublease for 28,056 sf at Midtown Plaza.

Direct vacancies remained stable QOQ posting at 12.2% in Q1, staying well below the national rate of 15.3%. More than 120,000 sf of positive direct absorption was recorded, with the RTP/I-40 Corridor submarket alone seeing 184,313 sf of positive gains. A large amount of direct space was also leased this quarter with move-ins expected in the coming months, further contributing to decreased vacancies and positive absorption as 2022 progresses.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



RALEIGH-DURHAM

Office Q1 2022



CUSHMAN & WAKEFIELD

DEMAND

Leasing activity increased in Q1 reaching over 1.0 msf, with the RTP/I-40 Corridor and Downtown Raleigh submarkets accounting for 64.4% of total leasing activity. One of the largest deals of the quarter was executed by a confidential technology company at Park Point's Edge East building for 156,114 sf. Additional leasing activity was recorded at Park Point in Q1 as Restor3d inked a new deal for 50,225 sf at Edge East & West and CreeLED executed an expansion to its existing space at the Grid building. Also in the RTP/I-40 Corridor submarket, Credit Suisse executed a sale-leaseback for its 200,000-sf building, adding to the total Q1 leasing activity. In the market's CBDs, Downtown Raleigh recorded its highest quarterly leasing activity total from the last year. The flight to quality continues in Downtown Raleigh as two floors were leased at Raleigh Crossing, which delivered in Q4 2021. Rapid Scale and Nelson Mullins both took a full floor at the building, 52,000 sf total. Significant space was also leased this quarter by tenants in the financial and software industries.

RENTAL RATE PRICING

The direct average asking rental rate for vacant space in the Triangle posted at \$30.66 per square foot (psf) in Q1, up 2.2% QOQ. Class A rental rates in the Triangle rose as well. On average, Class A product in the CBD commands rental rates \$10.00 psf above the suburban average. The highest rates are found in Downtown Durham, with the Class A direct average asking rental rate for vacant space reaching almost \$42.00 psf. The \$41.95 psf rate achieved in Q1 is up 5.9% QOQ. Downtown Durham has multiple office buildings that include specialized lab space as well, which is the case with the newly delivered Roxboro at Venable Center. The vacant space in buildings such as these drive the average asking rate up significantly. Nonetheless, rental rates at the strictly office-focused buildings in submarkets such as Downtown Raleigh and North Hills are rising as well. The Class A direct average asking rental rates in Raleigh's CBD posted at \$36.93 psf in Q1, a 1.1% bump QOQ. This rate is not inclusive of additional parking costs that may be incurred Downtown. The Class A total inventory asking rate in North Hills is \$42.18 psf.

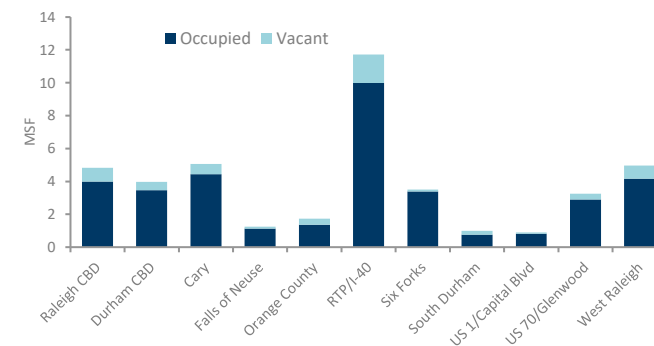
INVESTMENT SALES

Nearly 1.0 msf of office space traded in Q1, with transaction volume totaling \$182.1 million. The largest sales of the quarter occurred in the RTP/I-40 Corridor submarket. The global investment banking company, Credit Suisse, sold two office buildings totaling 416,817 sf to ElmTree Funds for \$92.0 million or \$221 psf. Credit Suisse entered a sale leaseback on one building, continuing to occupy 200,000 sf. Woodside Capital Partners also purchased a portfolio of 183,917 sf across two buildings in RTP/I-40 Corridor from Continental Realty Services, closing on Park 40 Plaza and RDU Center II for \$112 psf. Another notable Q1 sale was Southcourt in the South Durham submarket. The 133,368-sf building was purchased in a joint venture by Faison and Crescent Communities for \$184 psf.

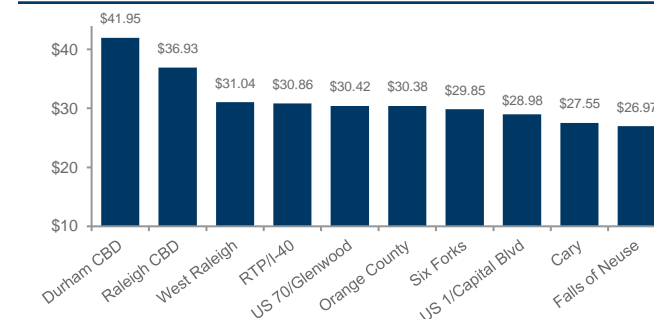
OUTLOOK

- Direct absorption is expected to increase in the coming months as the tenants that signed leased in Q1 move in.
- Rental rates will remain high as new construction is added to the inventory.
- Highly-amenitized office spaces continue to be in demand, as the flight to quality continues and companies bring employees back to the office.

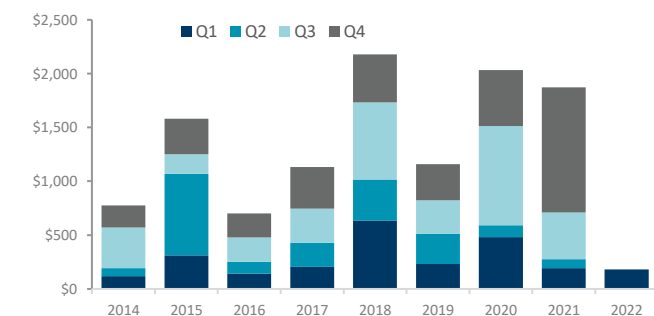
CLASS A DIRECT VACANCY – SELECT SUBMARKETS



CLASS A DIRECT ASKING RENT – SELECT SUBMARKET COMPARISON



CUMULATIVE INVESTMENT SALES VOLUME, \$ MILLIONS





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	5,114,704	164,164	663,089	13.0%	-1,207	-1,207	29,703	0	\$39.91 \$41.95	\$34.15 \$36.33
Downtown Raleigh	5,864,903	222,985	862,034	14.7%	-26,838	-26,838	125,481	685,410	\$36.58 \$36.93	\$33.03 \$34.44
CBD TOTAL	10,979,607	387,149	1,525,123	13.9%	-28,045	-28,045	155,184	685,410	\$38.11 \$39.02	\$33.46 \$35.14
Cameron Village	417,590	0	26,000	6.2%	0	0	0	0	\$26.50 N/A	\$25.76 \$25.85
Cary	6,451,769	205,905	671,041	10.4%	-29,406	-29,406	78,357	368,424	\$27.30 \$27.55	\$26.86 \$28.19
Chapel Hill (Orange County)	2,253,905	7,277	476,552	21.1%	3,891	3,891	3,546	0	\$30.35 \$30.38	\$29.49 \$29.71
Eastern Wake County	534,935	0	14,200	2.7%	0	0	0	0	\$19.18 N/A	\$19.91 \$29.50
Falls of Neuse Rd	2,719,992	67,422	260,148	9.6%	33,294	33,294	29,623	0	\$25.94 \$26.97	\$24.01 \$26.36
North Durham	889,247	0	330,035	37.1%	-7,335	-7,335	12,189	0	\$19.53 N/A	\$18.94 N/A
RTP/I-40 Corridor	17,688,844	1,389,470	2,168,399	12.3%	184,313	184,313	542,067	346,871	\$30.14 \$30.86	\$28.92 \$29.99
Six Forks Rd	4,534,462	167,781	191,538	4.2%	5,185	5,185	77,661	346,800	\$27.03 \$29.85	\$32.00 \$34.77
South Durham	1,482,149	7,398	246,782	16.7%	2,595	2,595	9,373	0	\$26.58 \$27.13	\$24.92 \$27.08
Southern Wake County	356,979	2,700	4,685	1.3%	-619	-619	0	80,874	\$30.00 \$30.00	\$21.80 \$28.10
US 1/Capital Blvd	1,739,191	61,322	217,040	12.5%	-39,730	-39,730	0	64,278	\$26.44 \$28.98	\$24.11 \$25.84
US 70/Glenwood	4,207,956	61,270	377,569	9.0%	30,247	30,247	95,354	0	\$29.60 \$30.42	\$28.39 \$30.05
West Raleigh	6,353,687	56,687	867,495	13.7%	-32,517	-32,517	32,957	450,000	\$30.75 \$31.04	\$29.95 \$30.49
SUBURBAN TOTAL	49,630,706	2,027,232	5,851,484	11.8%	149,918	149,918	881,127	1,657,247	\$28.50 \$29.99	\$28.19 \$30.00
RALEIGH-DURHAM TOTAL	60,610,313	2,414,381	7,376,607	12.2%	121,873	121,873	1,036,311	2,342,657	\$30.66 \$32.29	\$29.19 \$31.06

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

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7033 Louis Stephens Drive	RTP/I-40 Corridor	Credit Suisse	187,516	Sale Leaseback
Park Point Edge	RTP/I-40 Corridor	Confidential	156,114	New
Park Point Grid	RTP/I-40 Corridor	Restor3d	50,225	New
Advance Auto Parts Tower	Six Forks Rd	Relay	31,338	Sublease

KEY CONSTRUCTION COMPLETIONS Q1 2022

PROPERTY	SUBMARKET	MAJOR TENANT	RSF	OWNER / DEVELOPER
The Roxboro at Venable Center	Downtown Durham	N/A	193,044	SLI Capital

KEY UNDER CONSTRUCTION PROJECTS Q1 2022

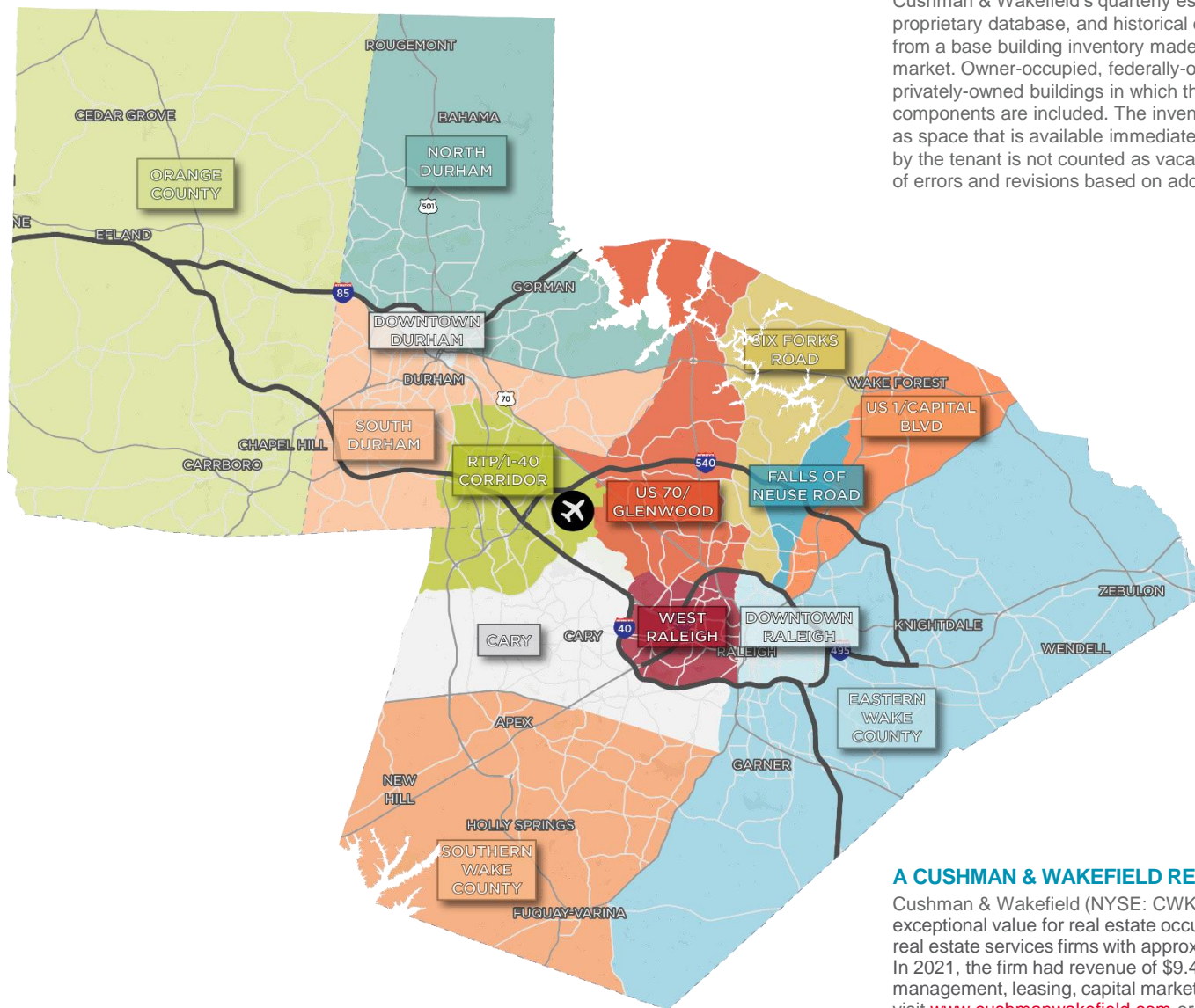
PROPERTY	SUBMARKET	MAJOR TENANT	RSF	OWNER / DEVELOPER
Fenton Bldg 10 & 12	Cary	N/A	225,350	Hines
Raleigh Iron Works Bow Truss & Double Gable	Downtown Raleigh	Wasserman Media (14,423 sf)	541,000	Grubb Ventures / Jamestown

RALEIGH-DURHAM

Office Q1 2022

CUSHMAN &
WAKEFIELD

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 2021, the firm had revenue of \$9.4 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](https://twitter.com/CushWake) on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.