

12.4%
Vacancy Rate



58K
Net Absorption, SF YTD



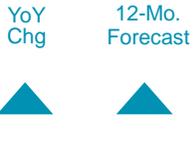
\$30.83
Asking Rent, PSF



(Direct, All Property Classes)

ECONOMIC INDICATORS Q2 2022

1,034K
Triangle Employment



2.8%
Triangle Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Raleigh-Durham's unemployment rate dipped below the 3.0% mark in Q2 2022, reaching 2.8%. Where the national unemployment rate remained stagnant quarter-over-quarter (QOQ) sitting at 3.6%, the Triangle's unemployment rate continues to decline and nonfarm employment figures have increased. More than 42,000 jobs were added year-over-year (YOY) and at 80 basis points (bps) below the national average, Raleigh-Durham has one of the lowest unemployment rates in the Southeast.

SUPPLY

Highly desirable, Class A office space was added to the Triangle's suburban inventory in Q2 with the completion of two buildings in the Cary submarket. The first phase of The Fenton project delivered 175,000 square feet (sf) of office space this quarter with an additional 1.0 million square feet (msf) of office coming available in future phases. The entire 92-acre development will have a mix of office, retail, and multifamily space along with unmatched amenities for the area. The buildings delivered vacant, but with considerable leasing interest. Rents for these highly amenitized buildings exceed \$41.00 per square foot (psf) and are driving suburban rents higher across the market. Further, the Fenton deliveries caused the Cary submarket's direct vacancy rate to increase 140 bps QOQ from 10.3% to 11.7%. More than 2.0 msf remains under construction across Raleigh-Durham.

The direct vacancy rate, which excludes sublease space, increased slightly QOQ from 12.1% to 12.4% in Q2, a direct result of the new construction delivering. Outside of the Cary submarket, changes to direct vacancies were minimal. The Triangle's direct vacancy remains well below the national rate of 15.3%. Even though overall absorption posted negative, Class A space is still seeing strong activity. Positive net absorption was recorded for Raleigh/Durham's Class A office space in Q2 and the year-to-date (YTD) direct absorption total across all classes is positive as well. Absorption is expected to increase as tenants who signed leases this quarter physically occupy their space in coming months.

A significant amount of sublease space was leased this quarter as tenants executed sizable deals. In the RTP/I-40 Corridor submarket a technology company subleased 103,000 sf at Innovation I. In Downtown Raleigh, UNC System subleased more than 50,000 sf at The Dillon. Once these tenants occupy their spaces, a decrease in sublease vacancy is expected. Subsequently for Q2, new sublease space hit the market as well causing the market's sublease vacancy rate to increase 60 bps to 4.3%. Two spaces in Downtown Durham added almost 100,000 sf of sublease vacancy to the market accounting for this rise. As companies continue to assess their space needs and adapt, the sublease market may continue to fluctuate before leveling out.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



RALEIGH-DURHAM

Office Q2 2022

DEMAND

The Triangle recorded more than 826,000 sf of new leasing activity for the quarter, bringing the YTD total to 1.8 msf. The RTP/I-40 Corridor submarket recorded the most activity with nearly 447,000 sf of new deals signed. One of the largest deals of the quarter was executed by Wolfspeed at 40 Moore Drive in RTP. Wolfspeed, a global leader in Silicon Carbide technology and production, took the full building of more than 100,000 sf. The company is a division of Cree, which is an existing tenant in the market. Also in the RTP/I-40 Corridor, Renesas leased 90,000 sf at Forty540 Phase II. Downtown Raleigh and Downtown Durham recorded more than 100,000 sf of leasing activity each, marking the first time in recent history that both CBDs achieved this amount in one quarter. Downtown Durham specifically recorded its highest quarterly leasing activity total from last year posting 141,000 sf of leasing activity. In this submarket, ElevateBio took 63,000 sf at Durham ID and Red Hat, a technology company headquartered in Downtown Raleigh, also took 15,000 sf at Diamond View II. The leasing activity in RTP/I-40, Downtown Raleigh, and Downtown Durham accounted for 85% of all leasing activity in the Triangle.

RENTAL RATE PRICING

The direct average asking rental rate for vacant space posted at \$30.83 psf in Q2 2022, up 4.9% YOY. The Class A direct average asking rental rate for vacant space rose even further, climbing 6.0% YOY to \$32.44 psf. The most expensive Class A rates are found in the CBD submarkets with rates reaching almost \$42.00 psf. For Downtown Durham, where the most recent delivery includes specialized lab space, Class A rates are up 17.7% YOY. In Downtown Raleigh, where the buildings are strictly office-focused, Class A rates have grown 5.0% YOY. Similar growth can be found in North Hills where the office Class A total inventory rates are over \$40.00 psf. Although demand in these specific submarkets has continued to put upward pressure on asking rents, which is expected to continue through the second half of 2022, net effective rents will remain lower as a result of increased concessions.

INVESTMENT SALES

Transaction volume totaled more than \$161.4 million in Q2 2022 as more than 787,000 sf of office space traded. One of the largest sales occurred in the West Raleigh submarket as three buildings in the Situs Office Park were part of a portfolio sale for \$27.8 million (\$175.95 psf) to buyer The Simpson Organization. The Class A office buildings, sold by Adler Kawa, totaled 158,000 sf. The neighboring submarket of Cary also saw multiple buildings trade this quarter. Albany Road Real Estate Partners sold the 105,849-sf building at 500 Gregson Drive to Serac Capital Partners for \$19.3 million (\$181.97 psf). Also on Gregson Drive, the 60,000 sf ABB Headquarters building traded for \$17.9 million (\$292.11 psf). The buyer was YFP LLC, a private ownership group local to the Southeast.

OUTLOOK

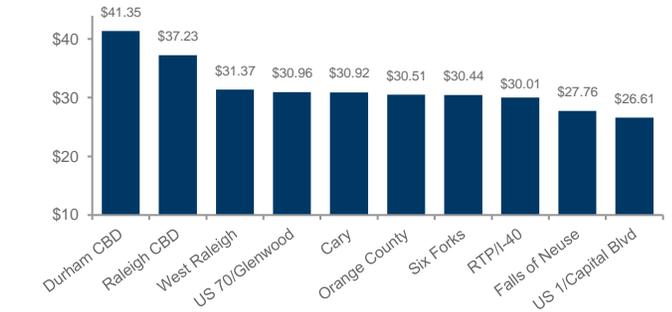
Significant leasing activity in Q2 2022 will lead to an increase in direct absorption in the coming months as tenants that signed leases physically move-in to their space.

Transactions positively impact absorption upon tenant occupancy and, due to ongoing procurement issues, lead times to occupy a space have become longer. Despite the lag, the strong leasing activity and rising rental rates are a testament to the strength of the Triangle's office market.

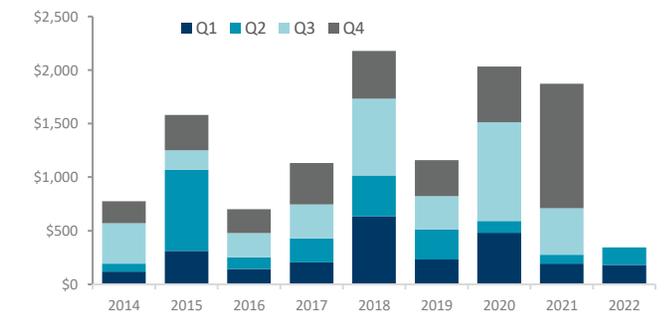
CLASS A DIRECT VACANCY – SELECT SUBMARKETS



CLASS A DIRECT ASKING RENT – SELECT SUBMARKET COMPARISON



CUMULATIVE INVESTMENT SALES VOLUME, \$ MILLIONS



Office Q2 2022

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	278,776	648,242	12.7%	7,813	8,730	168,650	0	\$39.37 \$41.35	\$34.65 \$36.79
Downtown Raleigh	5,864,903	203,000	901,970	15.4%	-40,591	-67,429	222,616	685,410	\$36.91 \$37.23	\$33.21 \$34.65
CBD TOTAL	10,979,607	481,776	1,550,212	14.1%	-32,778	-58,699	391,266	685,410	\$37.91 \$38.73	\$33.76 \$35.45
Cameron Village	417,590	0	65,623	15.7%	0	-16,196	0	0	\$29.22 N/A	\$25.23 \$25.85
Cary	6,626,879	190,708	773,222	11.7%	63,465	34,059	138,408	143,074	\$30.56 \$30.92	\$27.45 \$28.88
Chapel Hill (Orange County)	2,253,905	7,277	479,769	21.3%	-4,722	674	7,007	0	\$30.48 \$30.51	\$29.68 \$29.94
Eastern Wake County	534,935	0	14,200	2.7%	0	0	0	0	\$20.94 N/A	\$20.06 \$29.50
Falls of Neuse Rd	2,719,992	85,472	248,270	9.1%	1,722	35,016	35,725	0	\$26.57 \$27.76	\$24.41 \$27.15
North Durham	848,707	0	287,875	33.9%	1,620	-5,715	13,809	0	\$18.64 N/A	\$18.44 N/A
RTP/I-40 Corridor	17,503,410	1,366,195	2,095,614	12.0%	-5,050	176,505	945,166	235,000	\$29.84 \$30.01	\$29.48 \$30.58
Six Forks Rd	4,534,462	174,267	194,817	4.3%	-10,201	-79	99,468	346,800	\$27.67 \$30.44	\$32.04 \$34.80
South Durham	1,482,149	7,398	242,480	16.4%	4,302	6,897	9,373	0	\$26.58 \$27.13	\$24.92 \$27.08
Southern Wake County	356,979	0	4,685	1.3%	0	-619	0	80,874	\$30.00 \$30.00	\$21.80 \$28.10
US 1/Capital Blvd	1,739,191	105,092	277,960	16.0%	-61,591	-100,621	28,450	64,278	\$25.92 \$26.61	\$24.92 \$26.10
US 70/Glenwood	4,207,956	148,601	431,223	10.2%	17,358	26,593	110,387	0	\$28.82 \$30.96	\$28.83 \$30.41
West Raleigh	6,353,687	45,968	868,355	13.7%	-8,836	-39,828	66,874	450,000	\$31.06 \$31.37	\$30.15 \$30.71
SUBURBAN TOTAL	49,579,842	2,130,978	5,984,093	12.1%	-1,933	116,686	1,454,667	1,320,026	\$28.92 \$30.37	\$28.57 \$30.39
RALEIGH-DURHAM TOTAL	60,559,449	2,612,754	7,534,305	12.4%	-34,711	57,987	1,845,933	2,005,436	\$30.83 \$32.44	\$29.55 \$31.42

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

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
40 Moore Dr	RTP/I-40 Corridor	Wolfspeed a Cree Company	103,000	New
Innovation I	RTP/I-40 Corridor	Technology Company	102,972	Sublease
Forty540 Phase II	RTP/I-40 Corridor	Renesas	90,000	New
Durham.ID Building B	Downtown Durham	Elevate Bio	63,000	New

KEY CONSTRUCTION COMPLETIONS Q2 2022

PROPERTY	SUBMARKET	MAJOR TENANT	RSF	OWNER / DEVELOPER
The Fenton, One Fenton Main & 25 Fenton Main	Cary	N/A	175,110	Hines

KEY UNDER CONSTRUCTION PROJECTS Q2 2022

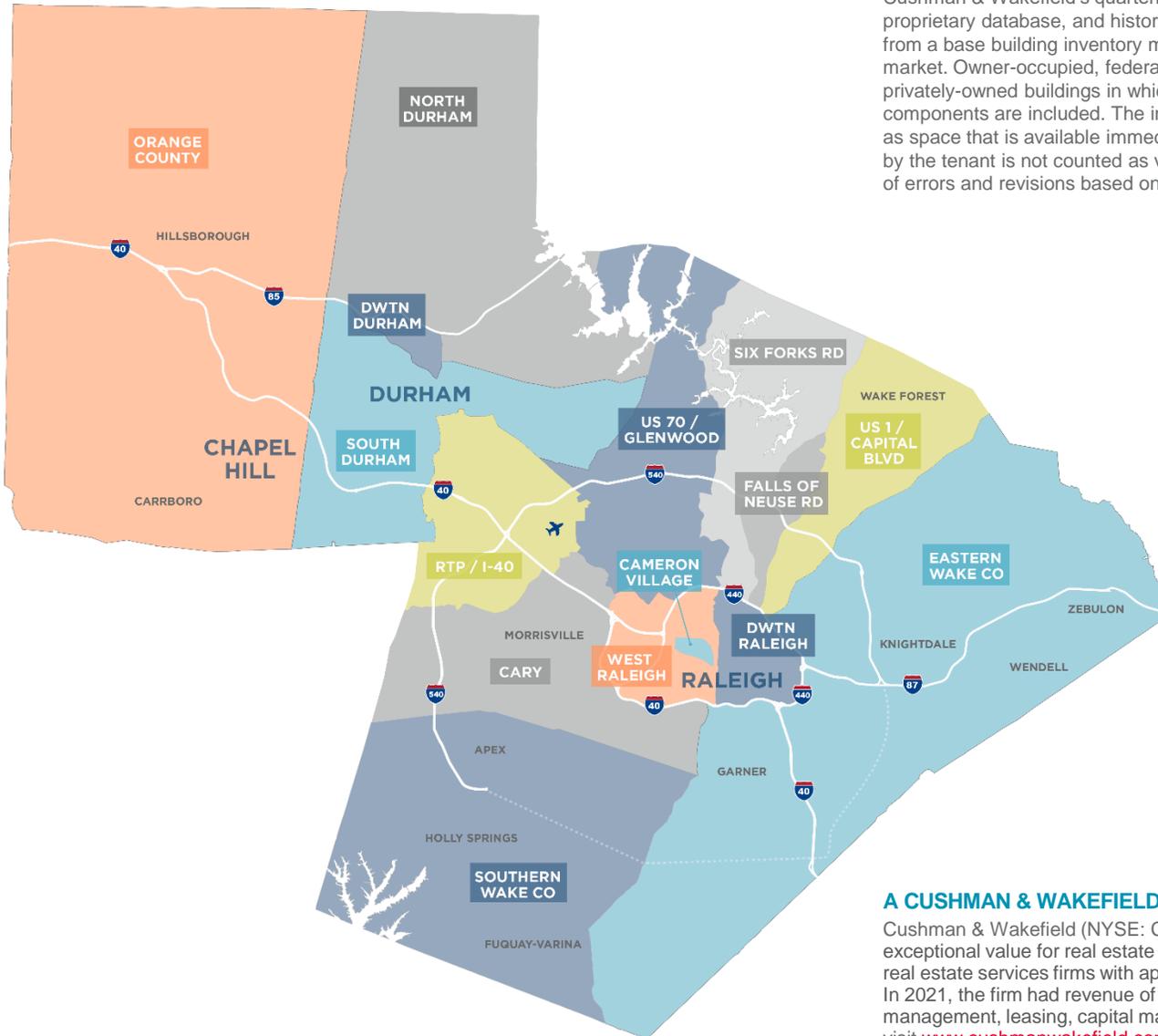
PROPERTY	SUBMARKET	MAJOR TENANT	RSF	OWNER / DEVELOPER
Raleigh Iron Works Bow Truss & Double Gable	Downtown Raleigh	Wasserman Media (14,423 sf)	541,000	Grubb Ventures / Jamestown
The Walker	Cary	N/A	97,074	Triangle Real Estate Co. LLC

RALEIGH-DURHAM

Office Q2 2022



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

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