



YoY
Chg

12-Mo.
Forecast

12.8%

Vacancy Rate

**-64.9 K**

Net Absorption, SF YTD

**\$31.12**

Asking Rent, PSF



(Direct, All Property Classes)

ECONOMIC INDICATORS Q4 2022

YoY
Chg

12-Mo.
Forecast

1.1MTriangle
Employment**3.3%**Triangle
Unemployment Rate**3.7%**U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

The Raleigh-Durham market maintained one of the lowest unemployment rates in the Southeast at 3.3%. Raleigh-Durham sits 40 basis points (bps) below the national average at 3.7%. Nonfarm employment rose 4.6% year-over-year (YOY), a more substantial gain than the U.S.'s 2.3%. Population migration continued its upward trend with 29,000 new residents YOY, and the market remained a hot spot for corporate relocations or additional offices. Raleigh-Durham's tech and life science scene remained strong, demonstrated by Apple's recent lease of interim space in Durham while moving forward with its new Triangle campus.

SUPPLY

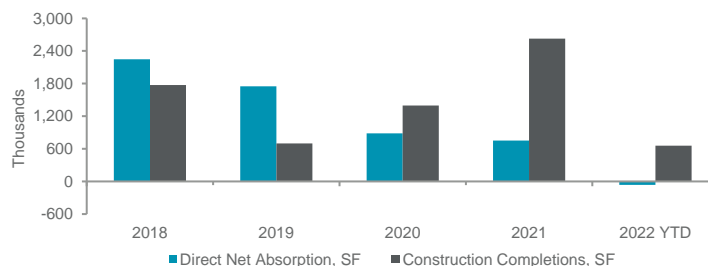
In 2022, Raleigh-Durham delivered just over 657,000 square feet (sf) of new Class A product. The submarkets that saw the most product added were Downtown Durham (193,044 sf) which delivered with no preleasing, Downtown Raleigh (225,227 sf) which delivered 18% preleased, and Cary (175,110 sf) which delivered 7.5% preleased. While there were no deliveries in Q4, the market is expected to add more than 1.5 million square feet (msf) of space in 2023.

In Q4, overall vacancy rose 60 bps from Q3 to 18.7%. Sublease vacancy continued to drive this number as companies reevaluated their space needs as they navigate the flexible work/work-from-home model sparked by the pandemic. Direct vacancy which excludes sublease space remained near equilibrium and rose just 30 bps to 12.8%.

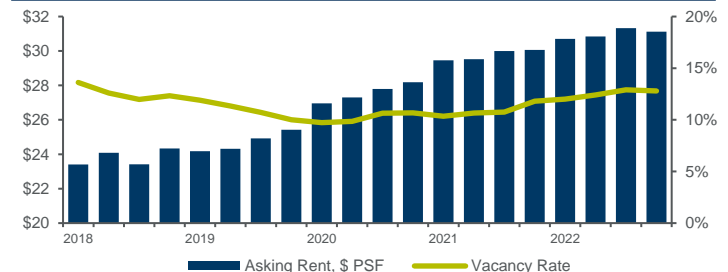
Direct absorption posted at 61,852 sf in Q4, the first quarter of occupancy gains since Q1. The move-ins of Peter Millar (27,750 sf) and Nelson Mullins (26,550 sf) were the most significant contributors to the Q4 total, moving into their new offices at 1501 Sunrise Ave and 301 Hillsborough, respectively. However, the overall market recorded another quarter of net absorption losses due to an influx in sublease space coming onto the market this quarter. LabCorp listed 111,018 sf of sublease space in Q4, joining the existing sublease spaces for IQVIA (259,451 sf at 4820 Emperor Blvd) and GSK (201,056 sf at 65 Moore Drive) as one of the largest sublease vacancies in the RTP/I-40 Corridor submarket.

Downtown Raleigh and Downtown Durham experienced just over 42,000 sf of combined positive overall absorption in Q4 while the suburbs experienced greater negative overall absorption, driven by new sublease vacancies.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



RALEIGH-DURHAM

Office Q4 2022



CUSHMAN & WAKEFIELD

DEMAND

More than 400,000 sf of new leasing transactions were signed in the Raleigh-Durham market in Q4 bringing the 2022 total to almost 3.0 msf. Downtown Raleigh and US 70/Glenwood hosted the majority of Q4 transactions with over 70,000 sf of new leasing activity each. RTP/I-40 had the majority of year-to-date (YTD) transactions with 31.5% of all leases signed. The most significant transactions YTD consisted of Credit Suisse at 7033 Louis Stephens Drive for 187,516 sf, Analog Devices at 4001 North Carolina 54 for 150,114 sf, and Wolfspeed/Cree at 40 Moore Drive for 147,876 sf all located in the RTP/I-40 Corridor submarket.

Tenants sought smaller suites (under 10,000 sf) more often. Out of the deals signed in the last year, 88% were under 10,000 sf with the average size being just under 5,000 sf. In Q4, the deal size remained consistent with these findings with 81% of deals being under 10,000 sf.

Renewals remained strong in the Raleigh-Durham market with the annual total posting at 364,759 sf. The RTP/I-40 Corridor submarket accounted for almost 200,000 sf of these renewals. The Raleigh suburbs, including RTP/I-40 Corridor, accounted for 97% of all renewals in 2022.

RENTAL RATE PRICING

Direct gross asking rents posted at \$31.12 per square foot (psf) in the fourth quarter of 2022, up 4.2% YOY. The Class A direct average asking rental rate posted at \$32.55 psf, up 3.5% YOY, with the highest rates in the Central Business District (CBD) submarkets of Downtown Durham and Downtown Raleigh posting at \$41.41 and \$38.82 psf respectively. Rising rates can be attributed to new Class A deliveries with higher asking rates.

As new buildings deliver over the next year, expect to see an increase in Class A rental rates especially in the RTP/I-40 Corridor, Six Forks, and Falls of Neuse submarkets as these rates are being advertised around \$44-\$46 psf.

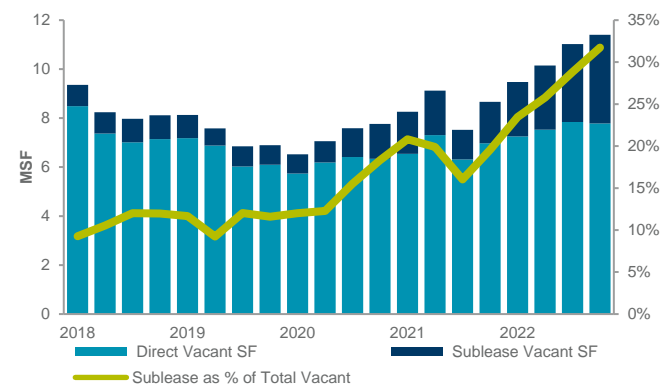
INVESTMENT SALES

The office market saw four sales making up \$76.4M in sales. The largest was the Northchase Executive Center which consists of two buildings in the Six Forks Road submarket that sold for \$48M and are currently 95% occupied. Lakeridge North at 900 Ridgefield Drive sold at 93% occupied for \$17.2M to Ulrike Weeber.

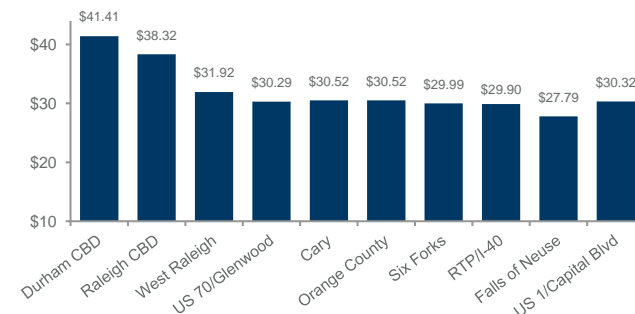
OUTLOOK

- Lease transactions signed in Q3 and Q4 will lead to an increase in direct absorption in the coming months as tenants that signed leases physically move into their spaces.
- New construction deliveries and an increase of sublease space will likely lead to increased vacancy rates.
- Life Science companies and technology firms continue to find Raleigh-Durham an attractive market with the talented labor pool, high quality of life, and space to grow.

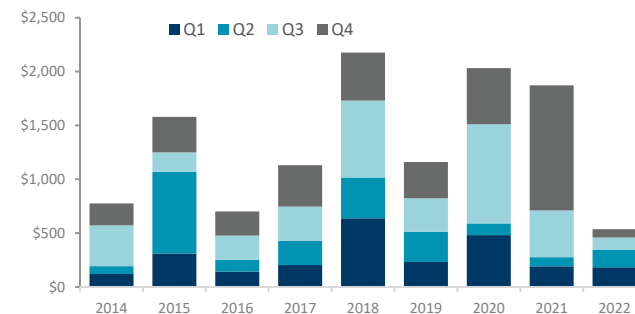
HISTORICAL SUBLEASE VACANCY



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	5,118,704	330,914	632,608	12.4%	16,511	26,907	273,208	0	\$39.64 \$41.41	\$34.73 \$36.88
Downtown Raleigh	6,090,130	364,715	905,523	14.9%	91,346	99,207	369,896	144,410	\$38.01 \$38.32	\$33.85 \$35.34
CBD TOTAL	11,208,834	695,629	1,538,131	13.7%	107,857	126,114	607,104	144,410	\$38.83 \$39.86	\$34.18 \$35.89
Cameron Village	418,328	3,213	66,361	15.9%	0	-16,196	0	0	\$29.19 N/A	\$25.23 25.85
Cary	6,626,879	177,564	841,527	12.7%	-51,596	-28,396	256,377	58,385	\$30.37 \$30.52	\$27.46 \$28.89
Chapel Hill (Orange County)	2,253,905	15,765	463,461	20.6%	-3,824	7,801	64,146	0	\$30.52 \$30.25	\$29.69 \$29.96
Eastern Wake County	534,935	0	12,500	2.3%	0	1,700	22,728	0	\$N/A N/A	\$20.06 29.50
Falls of Neuse Rd	2,719,992	95,083	252,664	9.3%	-26,029	-17,275	82,202	353,891	\$27.18 \$27.79	\$24.43 \$27.18
North Durham	848,707	0	242,365	28.6%	511	6,985	14,302	0	\$18.51 N/A	\$18.52 N/A
RTP/I-40 Corridor	17,657,277	1,929,001	2,044,185	11.6%	55,656	186,117	1,146,664	311,500	\$29.64 \$29.90	\$29.46 \$30.60
Six Forks Rd	4,534,462	137,758	164,981	3.6%	10,058	39,772	187,879	346,800	\$27.91 \$29.99	\$32.05 \$34.80
South Durham	1,485,009	107,860	215,258	14.5%	1,820	-9,512	20,023	0	\$27.83 \$27.87	\$24.98 \$27.16
Southern Wake County	356,979	0	0	0.0%	3,410	2,791	3,410	30,212	N/A N/A	\$21.80 \$28.10
US 1/Capital Blvd	1,806,473	107,235	504,616	27.9%	12,315	-280,536	74,276	0	\$27.64 \$30.32	\$24.92 \$26.10
US 70/Glenwood	4,228,340	199,011	537,274	12.7%	-69,770	13,709	250,028	205,000	\$28.63 \$30.29	\$28.89 \$30.48
West Raleigh	6,353,687	150,743	899,413	14.2%	21,444	-98,020	209,363	450,000	\$31.44 \$31.92	\$30.23 \$30.81
SUBURBAN TOTAL	49,824,937	2,923,233	6,244,605	12.5%	-46,005	-191,060	2,331,416	1,755,788	\$29.12 \$30.39	\$28.57 \$30.43
RALEIGH-DURHAM TOTAL	61,033,807	3,618,862	7,782,736	12.8%	61,852	-64,946	2,938,520	1,900,198	\$31.12 \$32.55	\$29.65 \$31.57

*Rental rates reflect full service asking based on total vacant space **Statistics not reflective of U.S. MarketBeat

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1000 Social at the Exchange	Falls of Neuse	Whitley Law Firm	17,792	New Lease
1616 E Millbrook Road	Falls of Neuse	Progressive Casualty Insurance Company	16,182	Renewal
300 Market Street	Chapel Hill (Orange County)	CompleteKidz	14,260	New Lease

KEY UNDER CONSTRUCTION PROJECTS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2201 Edwards Mill Road	West Raleigh	Bandwidth	450,000	Capitol Broadcasting Company
900 St. Albans Drive The Exchange Raleigh	Falls of Neuse	N/A	353,891	Dewitt Carolinas
4000 Center at North Hills St One North Hills Tower	Six Forks Rd	N/A	266,000	Kane Realty Corporation
4300 Edwards Mill Rd Glenlake 3	US 70 / Glenwood	N/A	205,000	Highwoods Properties

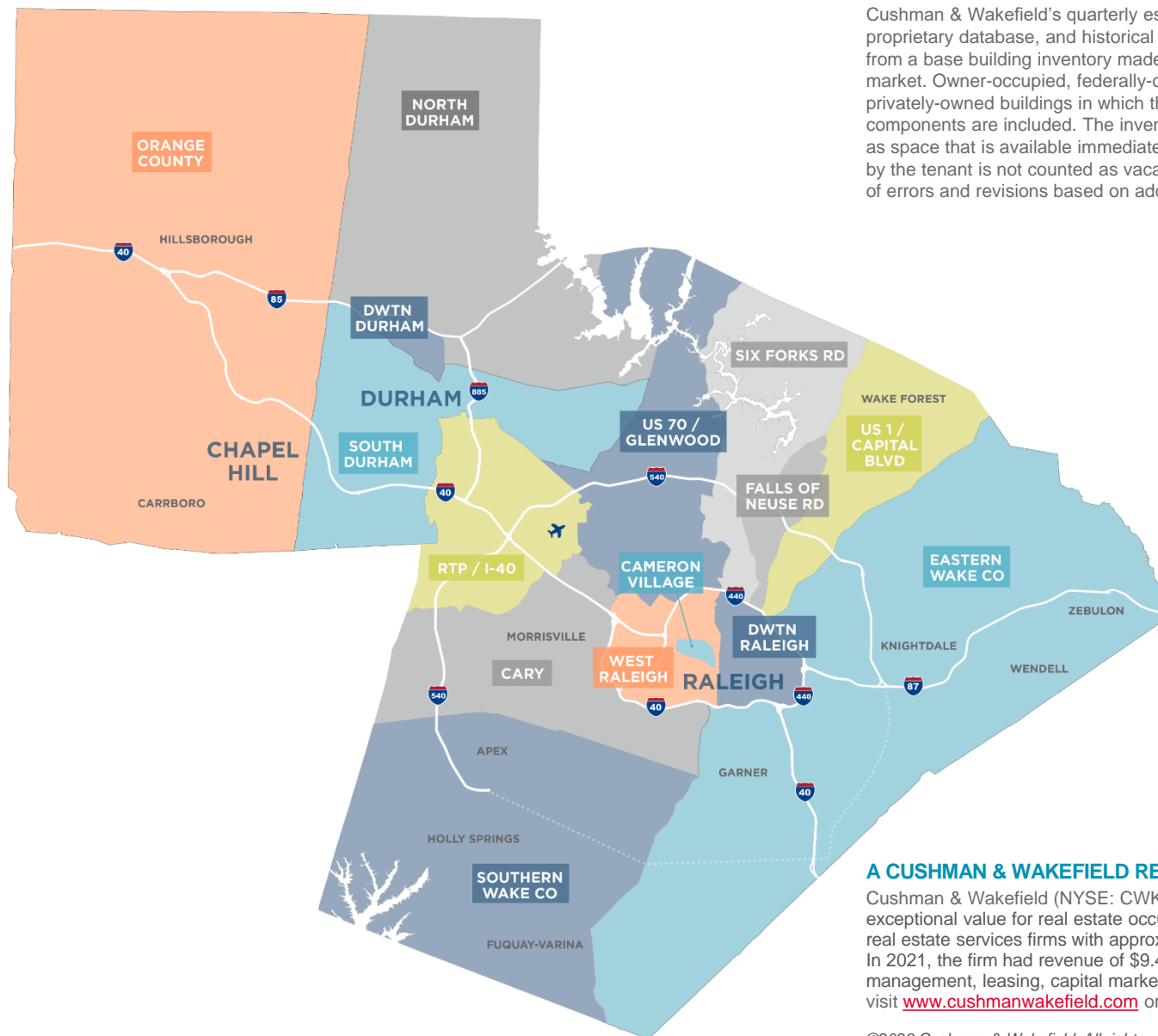
RALEIGH-DURHAM

Office Q4 2022



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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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