

	YoY Chg	12-Mo. Forecast
12.8% Vacancy Rate	▲	▲
-126 K Net Absorption, SF YTD	▼	▲
\$30.28 Asking Rent, PSF	▲	▲

(Direct, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
1.0M Triangle Employment	▲	▲
3.3% Triangle Unemployment Rate	▲	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW

Despite the Federal Reserve's efforts to control inflation, Raleigh-Durham's labor force remained strong as non-farm employment grew 4.2% year-over-year (YOY) up to over 1.0 million jobs. The unemployment rate remained stable quarter-over-quarter (QOQ) at 3.3% which is 20 basis points (bps) below the national average of 3.5%.

SUPPLY AND DEMAND

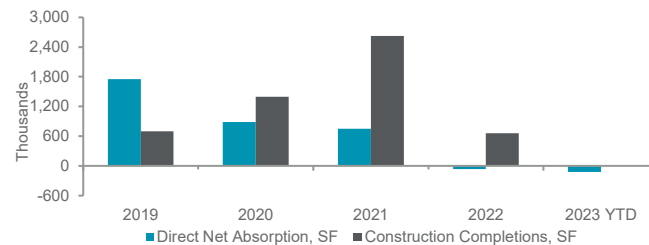
Raleigh-Durham ended the quarter with one of the lowest direct vacancy rates in the region at 12.8% despite a slight 20-bps increase, which is well below the South U.S. average of 16.6%. The Central Business District (CBD) vacancy rose 10 bps to 11.9% while suburban vacancy rose 30 bps to 13.1% due to the addition of the entire Danbury Hall building adding over 116,000 square feet (sf) of direct space. Raleigh-Durham continued to see large additions of sublease space to the market which caused the overall vacancy rate to rise 180 bps to 20.8%. Major contributors to this were UNC Healthcare which added over 300,000 sf of new sublease space at 1025 Think Place and 5221 Paramount Parkway both in the RTP/I-40 Corridor submarket. The RTP/I-40 Corridor submarket accounted for the largest share of vacant space in the Raleigh-Durham market with over 3.4 million square feet (msf) of vacancy. Raleigh-Durham recorded its second quarter of negative direct absorption posting at -126,518 sf in Q1, with Danbury Hall a key contributor to the net losses. Some positive absorption gains were Channel Advisors moving into its 33,293-sf space at 1010 Sync Street and multiple tenants at 5438 Wade Park. The US 1/Capital Blvd. submarket and Six Forks Road submarket recorded over 50,000 sf of combined positive absorption gains with Common Desk and other tenants moving into spaces.

Raleigh recorded 348,041 sf of new leasing activity in Q1 2023, down slightly from the previous quarter. Suburban submarkets recorded 89% of all new leasing activity with the RTP/I-40 Corridor submarket alone accounting for 100,000 sf. Two tenants signed deals in the 20-30,000-sf range including RegEd with 26,383 sf at 2100 Gateway Centre Blvd. Overall, Class A product accounted for 70.9% of all leasing activity, asserting the "flight to quality" that has permeated throughout the office sector. Out of the 73 new leases signed in Q1, 48 were in Class A buildings. Renewals rose QOQ and Class A buildings captured 85.7% of renewals signed in Q1. The largest of the quarter occurred in the RTP/I-40 Corridor with 31,402 sf at 2100 Gateway Centre Blvd.

RENTAL RATE PRICING

Raleigh-Durham's direct asking rates continued to climb in Q1 as direct rates rose to \$30.28 per square foot (psf) in Q1, a 4.4% increase YOY. Class A rental rates also increased 3.5% YOY to \$31.59 psf. Downtown Raleigh and Downtown Durham called for the highest rates at \$37.93 psf and \$34.99 psf, respectively. The Cary submarket recorded the highest annual increase of 12.5% to \$30.76 psf driven by the delivery of Fenton in 2022.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



RALEIGH-DURHAM



Office Q1 2023

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	4,174,384	364,620	284,620	6.8%	2,852	2,852	5,830	150,000	\$34.99 \$36.34	\$32.98 \$34.96
Downtown Raleigh	6,109,013	493,310	938,671	15.4%	-12,953	-12,953	32,080	352,818	\$37.93 \$38.11	\$34.09 \$35.61
CBD TOTAL	10,283,397	857,930	1,223,291	11.9%	-10,101	-10,101	37,910	502,818	\$37.26 \$37.81	\$33.71 \$35.40
Cameron Village	418,328	4,847	70,010	16.7%	-3,649	-3,649	0	0	\$29.19 N/A	\$25.24 \$25.85
Cary	6,598,624	236,137	847,082	12.8%	5,264	5,264	17,011	58,385	\$30.76 \$30.93	\$27.71 \$29.20
Chapel Hill (Orange County)	2,223,905	30,298	455,316	20.5%	8,703	8,703	15,333	0	\$30.65 \$30.65	\$29.69 \$29.96
Eastern Wake County	534,935	0	0	0.0%	12,500	12,500	0	0	N/A N/A	\$20.06 \$29.50
Falls of Neuse Rd	2,719,992	82,503	254,348	9.4%	4,822	4,822	53,869	353,891	\$27.04 \$27.72	\$24.45 \$27.15
North Durham	768,157	0	227,493	29.6%	0	0	0	0	\$18.48 N/A	\$18.44 -
RTP/I-40 Corridor	13,161,473	2,024,984	1,442,750	11.0%	-136,295	-136,295	102,951	131,500	\$27.48 \$28.34	\$27.70 \$28.35
Six Forks Rd	4,534,462	187,853	151,388	3.3%	21,438	21,438	17,013	366,800	\$27.83 \$29.58	\$32.18 \$34.95
South Durham	1,480,373	131,492	224,781	15.2%	-4,128	-4,128	990	0	\$28.01 \$28.10	\$25.11 \$27.31
Southern Wake County	356,979	0	0	0.0%	0	0	0	30,212	N/A N/A	\$21.80 \$28.10
US 1/Capital Blvd	1,806,473	126,296	460,078	25.5%	29,511	29,511	3,506	0	\$27.02 \$28.73	\$26.08 \$26.26
US 70/Glenwood	4,228,340	255,305	626,351	14.8%	-34,661	-34,661	70,672	205,000	\$29.01 \$30.55	\$29.10 \$30.64
West Raleigh	4,961,869	148,820	961,669	19.4%	-19,922	-19,922	28,786	670,694	\$31.08 33.89	\$29.44 \$29.78
SUBURBAN TOTAL	43,793,910	3,228,535	5,721,266	13.1%	-166,417	-166,417	310,131	1,816,482	\$28.67 \$29.85	\$28.12 \$28.89
RALEIGH-DURHAM TOTAL	54,077,307	4,086,465	6,944,557	12.8%	-126,518	-126,518	348,041	2,319,300	\$30.28 \$31.59	\$29.24 \$31.07

*Rental rates reflect full service asking based on total vacant space **Current and historical data has been revised to exclude lab/R&D properties

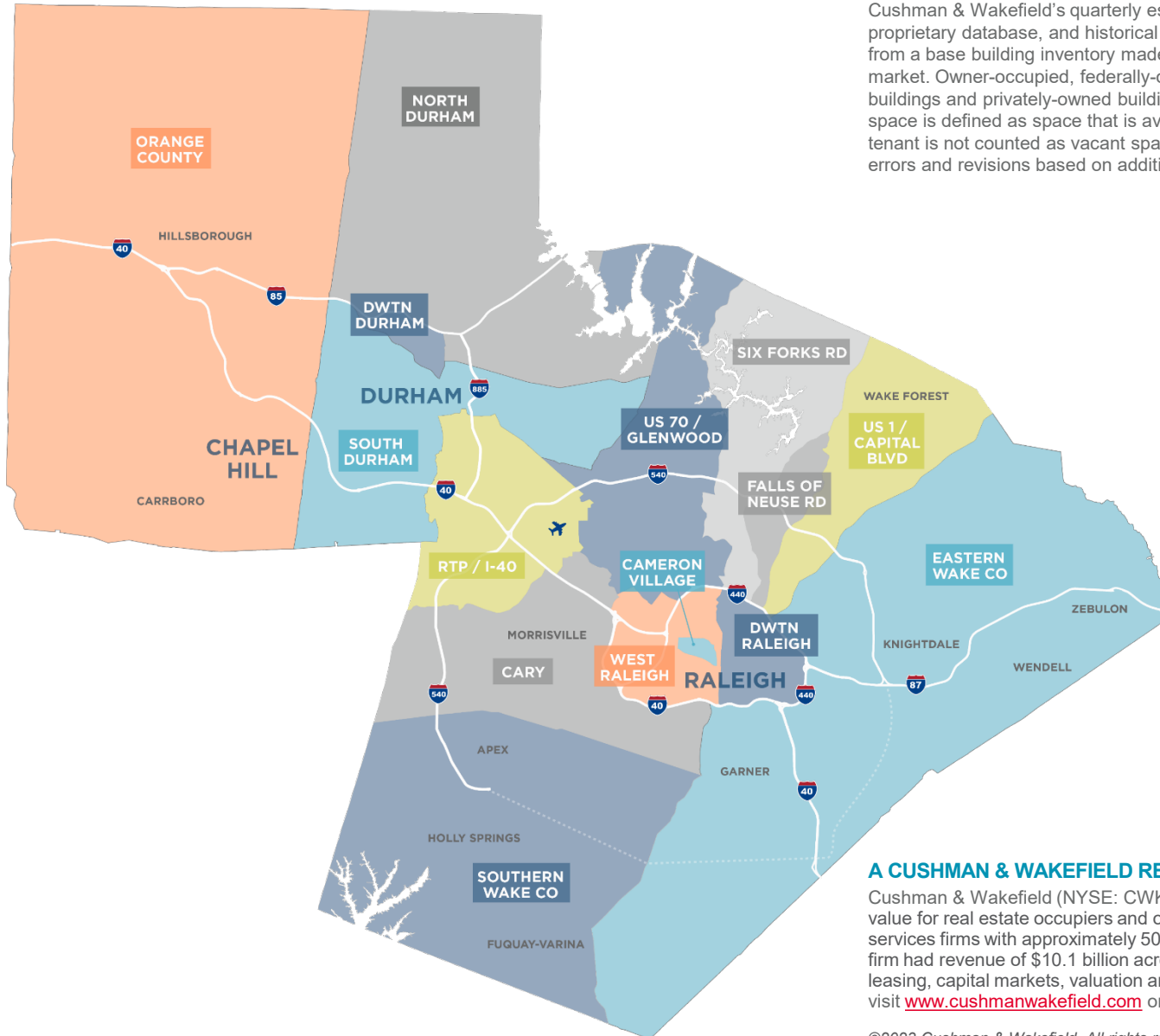
KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2100 Gateway Centre Blvd	RTP / I-40 Corridor	Confidential	31,401	Renewal
900 St. Alban's Drive	Six Forks Road	Summit Design and Engineering Services	30,171	New Lease
2100 Gateway Centre Blvd	RTP / I-40 Corridor	RegEd	26,383	New Lease

KEY UNDER CONSTRUCTION PROJECTS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2201 Edwards Mill Road Bandwidth HQ	West Raleigh	Bandwidth	530,000	East-West Partners, Capitol Broadcasting Company
The Exchange Raleigh – 1000 Social 900 St. Albans Drive	Falls of Neuse	N/A	353,891	Dewitt Carolinas
One North Hills Tower 4000 Center at North Hills St.	Six Forks Rd	N/A	266,000	Kane Realty Corporation
Salisbury Square	Downtown Raleigh	N/A	208,408	Capital City Urban Development

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, medical, and lab/R&D buildings are not included. Single tenant buildings and privately-owned buildings in which the federal government leases space are included. Vacant space is defined as space that is available for immediate occupancy. 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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