

13.4%
Vacancy Rate



-272K
Net Absorption, SF YTD



\$29.81
Asking Rent, PSF



(Direct, All Property Classes)

ECONOMIC OVERVIEW

In the second quarter, Raleigh-Durham remained insulated from national inflationary pressures as the unemployment rate fell 30 basis points (bps) to 3.0% quarter-over-quarter (QOQ), 60 bps below the national average of 3.6%. After much speculation, tech giant Apple finally revealed site plans for its East Coast Campus in the RTP/I-40 Corridor submarket that will include nearly 900,000 square feet (sf) of office space. The move is expected to bring nearly 3,000 jobs and over \$552M in investment to the metro area.

SUPPLY AND DEMAND

The direct vacancy rate in Raleigh-Durham increased only 10 bps QOQ to 13.4% while sublease options pushed the overall vacancy rate up 40 bps QOQ to 20.7%. Sublease opportunities, which now total over 3.9 million square feet (msf), represent 35.1% of all vacant spaces in the market. Companies reevaluating their need for space, particularly in class B and C buildings have contributed to the metro's rise in sublease vacancies. Landlords of lower tier product will likely have to consider upgrades such as renovations or amenity additions to remain competitive. The submarket that saw the highest increase in overall vacancy was Cary which increased 280 bps QOQ to 18.1%, with the addition of two full buildings, SAS Campus Building H & J. Together, they added 219,520 sf of vacancy in Q2. The buildings were previously owner occupied and were not contributing to Cushman and Wakefield's quarterly statistics. The RTP-I/40 Corridor submarket recorded a decrease in overall vacancy of 120 bps QOQ to 25.9%. Metro-wide absorption figures remained in the red with -104,478 sf of direct occupancy losses reported for the quarter. However, the RTP/I-40 Corridor submarket boasted strong absorption with almost 100,000 sf of occupancy gains. Major tenant move-ins included Renasas and BE&K which both occupied space at 710 Slater Rd.

ECONOMIC INDICATORS Q2 2023

1.0M

Triangle Employment



3.0%

Triangle Unemployment Rate



3.6%

U.S. Unemployment Rate



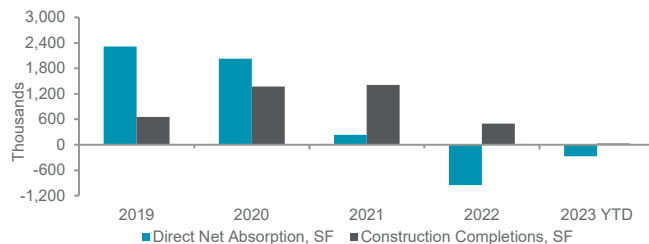
While no new product delivered in the second quarter, over 2.6 msf remained under construction, 1.7 msf of which is set to deliver in the second half of 2023. Notable projects underway include the new Bandwidth HQ at 2201 Edwards Mill Road, a two-building office campus totaling nearly 450,000 sf.

In keeping with the previous three quarters, Raleigh-Durham recorded just over 500,000 sf of leasing activity in Q2, bringing the year-to-date leasing activity to 1.1 msf. Downtown Raleigh was responsible for 19.3% of all leasing activity with 98,483 sf and the RTP/I-40 Corridor submarket followed with 17.9% or 91,155 sf. The largest lease of the quarter was in the RTP/I-40 Submarket where Northrup Grumman signed for 41,800 sf. New leasing activity in Q2 was dominated by Class A product which accounted for 86.0% of all transactions.

RENTAL RATE PRICING

Direct rental rates in Raleigh-Durham decreased by a modest 0.4% in Q2 to \$29.81 per square foot (psf). Overall rates recorded a similar decrease of 0.2% to \$29.43 psf. This slight decline can be attributed to a lack of new product delivering in the first half of 2023 and an increase in sublease space which offers tenants discounted rates. Rates are expected to increase in the second half of 2023 with the delivery of new premium product.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



Source: BLS

RALEIGH-DURHAM



Office Q2 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	4,201,597	352,733	321,574	7.7%	-9,034	-3,721	34,643	150,000	\$34.99 \$36.39	\$33.07 \$35.08
Downtown Raleigh	6,125,622	549,461	876,520	14.3%	18,321	27,851	141,420	352,818	\$37.54 \$37.86	\$35.64 \$34.11
CBD TOTAL	10,327,219	902,194	1,198,094	11.6%	9,287	24,130	176,063	502,818	\$36.92 \$37.60	\$33.75 \$35.46
Cameron Village	418,328	4,847	61,968	14.8%	0	-3,649	0	0	\$28.94 N/A	\$25.24 \$25.85
Cary	6,763,009	232,428	992,491	14.7%	-181,488	-172,271	104,199	155,459	\$29.22 \$29.37	\$27.71 \$29.20
Chapel Hill (Orange County)	2,223,905	51,070	414,528	18.6%	4,577	33,722	23,513	0	\$30.54 \$30.54	\$29.69 \$29.96
Eastern Wake County	534,935	0	0	0.0%	0	12,500	25,692	0	N/A N/A	\$20.06 \$29.50
Falls of Neuse Rd	2,719,992	94,000	287,096	10.6%	-19,757	-14,935	64,711	0	\$27.27 \$28.00	\$24.52 \$27.30
North Durham	768,157	2,389	216,404	28.2%	0	500	0	0	\$18.02 N/A	\$18.16 N/A
RTP/I-40 Corridor	12,926,495	1,753,620	1,591,481	12.3%	96,714	-79,691	268,350	100,000	\$27.56 \$28.00	\$27.72 \$28.36
Six Forks Rd	4,534,462	284,670	165,097	3.6%	5,365	9,511	224,165	1,042,923	\$27.21 \$28.71	\$32.19 \$34.95
South Durham	1,480,373	134,823	255,861	17.3%	-12,761	-31,149	8,785	0	\$27.53 \$27.77	\$25.03 \$27.36
Southern Wake County	387,087	0	1,642	0.4%	-1,642	-1,642	1,308	30,212	N/A N/A	\$21.80 \$28.10
US 1/Capital Blvd	1,808,429	130,505	538,592	29.8%	7,313	36,824	18,723	0	\$26.15 \$27.77	\$26.02 \$28.39
US 70/Glenwood	4,235,806	199,655	548,642	13.0%	26,024	-11,212	95,258	205,000	\$29.29 \$30.66	\$29.31 \$30.91
West Raleigh	5,022,767	150,698	1,005,271	20.0%	-38,110	-74,668	99,325	650,694	\$31.00 33.88	\$29.49 \$29.84
SUBURBAN TOTAL	43,823,745	3,038,705	6,079,073	13.9%	-113,765	-296,160	934,029	2,184,288	\$28.34 \$29.39	\$28.15 \$29.93
RALEIGH-DURHAM TOTAL	54,150,964	3,940,899	7,277,167	13.4%	-104,478	-272,030	1,110,092	2,687,106	\$29.81 \$30.99	\$29.26 \$31.11

*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 Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3005 Carrington Mill	RTP / I-40 Corridor	Northrup Grumman	41,800	Renewal/Expansion
5410 Trinity Road	Wet Raleigh	Timmons Group	36,422	New Lease
4200 Six Forks Road	Six Forks	Falls of Neuse Management	31,338	Sublease

KEY UNDER CONSTRUCTION PROJECTS Q2 2023

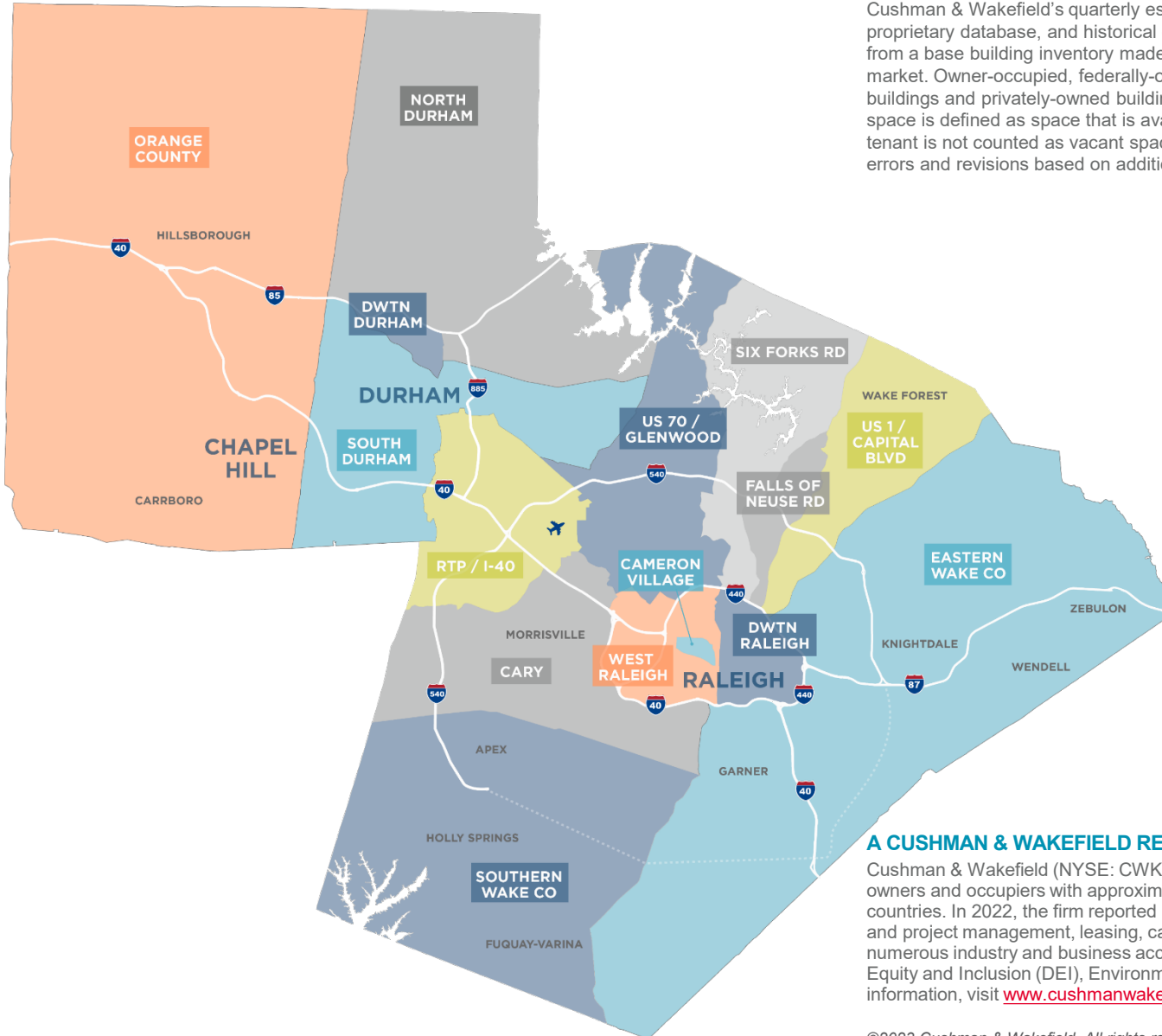
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2201 Edwards Mill Road Bandwidth HQ	West Raleigh	Bandwidth	530,000	East-West Partners, Capitol Broadcasting Company
The Exchange Raleigh – 1000 Social 900 St. Albans Drive	Falls of Neuse	GFI	353,891	Dewitt Carolinas
One North Hills Tower 4000 Center at North Hills St.	Six Forks Rd	N/A	266,000	Kane Realty Corporation
Tower 5 541 Church at North Hills Street	Six Forks Rd	N/A	322,232	Kane Realty Corporation

RALEIGH-DURHAM

Office Q2 2023



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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