

14.7%
Vacancy Rate

▲ YoY Chg ▲ 12-Mo. Forecast

-71.1K
Net Absorption, SF YTD

▼ YoY Chg ▲ 12-Mo. Forecast

\$30.02
Asking Rent, PSF

▲ YoY Chg ▲ 12-Mo. Forecast

(Direct, All Property Classes)

ECONOMIC OVERVIEW

The Raleigh-Durham economy continued on an upward growth trajectory, as non-farm employment grew 3.3% year-over-year (YOY), contributing to a suppressed unemployment rate of 2.9%, 40 basis points (bps) lower than it was in 2022 at this time and 80 bps lower than the national unemployment rate of 3.7%. In July, an independent UNC study found that The Triangle economy was the third fastest growing in the country due to new economic announcements such as the Apple RTP Campus and growing employment in education and healthcare.

SUPPLY AND DEMAND

The overall vacancy rate reached 21.8% in the Q3, up 100 bps quarter-over-quarter (QOQ) or 450 bps YOY. The Six Forks submarket, which includes the highly sought-after North Hills subset, reported the lowest overall vacancy of 10.8%, while North Durham and US 1/Capital Blvd reported the highest vacancies with 28.2% and 37.1% respectively. With 1.4 million square feet (msf) of new construction expected to deliver over the next 12 months, vacancy will likely increase due to low pre-leasing and high vacancy in expected deliveries. However, flight to quality trends in Downtown Raleigh, Downtown Durham, and Six Forks will likely reduce unused space in these submarkets in the coming quarters. Q3 was the first quarter since 2020 in which sublease vacancy decreased, dropping 20 bps QOQ to 7.1%; however, this was still 220 bps higher than Q3 2022 as sublease availabilities remain elevated.

For the first time in six consecutive quarters, the market recorded direct occupancy gains of 164,217 square feet (sf) as Bandwidth completed and occupied its 530,000-sf building in the West Raleigh submarket. Leasing volume remained steady with more than 592,000 sf of new leasing activity in Q3 bringing the total for 2023 to 1.8 msf, a 14.6% decrease YOY. Renewals also remained steady with just over 58,000 sf. The average size of new deals was 6,220 sf, which was consistent with the last four quarters, but smaller than quarters before as tenants continued right-sizing due to more flexible work policies. More than 62% of new leases signed in Q3 were for spaces below 5,000 sf, though they accounted for only 25.0% of the leasing square footage. Three of the top five leases of the quarter were subleases which shows tenants taking advantage of move-in ready space or discounted rate options. The West Raleigh and RTP/I-40 Corridor submarkets combined accounted for the highest leasing activity this quarter with nearly 229,000 sf, representing 38.7% of new deals; some larger deals signed in these submarkets included Latino Community Credit Union, Baxter Hillrom, and The Raleigh Endoscopy ACS.

RENTAL RATE PRICING

The direct average asking rent stood at \$30.02 per square foot (psf) in Q3, a modest 1.0% increase QOQ. Asking rate gains were most pronounced in the US 70/Glenwood and Six Forks submarkets, growing 10.5% and 5.7% QOQ respectively. Glenlake III delivered in US 70/Glenwood with asking rates just above \$42.00 psf and the North Hills subset within the Six Forks submarket posted average asking rates of just over \$41.00 psf. Asking rental rates for the top floors of One North Hills reached over \$50 psf, which was the first time that lofty barrier has been broken in the market. The total average asking rate for buildings under construction was nearly \$45.00 psf. As new construction delivers vacant, the asking rental rate is expected to continue to climb upwards.

ECONOMIC INDICATORS Q3 2023

1.1M
Triangle Employment

▲ YoY Chg ▲ 12-Mo. Forecast

2.9%
Triangle Unemployment Rate

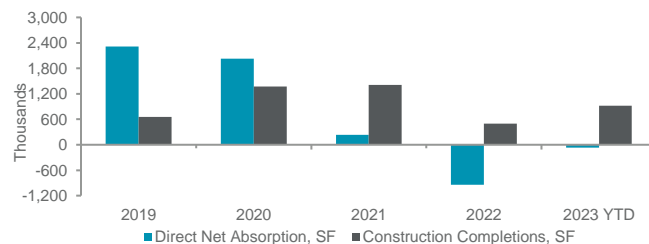
▼ YoY Chg ▲ 12-Mo. Forecast

3.7%
U.S. Unemployment Rate

▲ YoY Chg ▲ 12-Mo. Forecast

Source: BLS

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



RALEIGH-DURHAM

Office Q3 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	255,607	463,901	11.0%	-103,216	-106,937	56,471	150,000	\$36.41 \$37.53	\$33.13 \$35.16
Downtown Raleigh	6,270,032	542,191	1,023,248	16.3%	-30,629	26,643	274,516	208,408	\$36.90 \$37.22	\$35.64 \$34.15
CBD TOTAL	10,471,629	797,798	1,487,149	14.2%	-133,845	-80,294	330,987	358,408	\$36.73 \$37.32	\$33.80 \$35.49
Cameron Village	418,328	4,847	44,840	10.7%	17,066	13,479	17,066	0	\$27.11 N/A	\$25.24 \$25.85
Cary	6,775,394	210,371	1,076,211	15.9%	-65,788	-238,059	141,535	143,074	\$29.14 \$29.41	\$27.59 \$29.20
Chapel Hill (Orange County)	2,223,905	82,774	420,844	18.9%	-5,081	33,078	58,162	0	\$30.18 \$30.26	\$29.62 \$29.89
Eastern Wake County	534,935	0	0	0.0%	0	12,500	28,181	0	N/A N/A	\$20.06 \$29.50
Falls of Neuse Rd	2,719,992	65,983	283,448	10.4%	4,469	-8,133	96,816	0	\$26.87 \$28.05	\$24.55 \$27.31
North Durham	768,157	0	216,404	28.2%	0	500	25,017	0	\$18.08 N/A	\$18.16 N/A
RTP/I-40 Corridor	13,301,903	1,916,232	1,816,580	13.7%	-93,499	-196,831	416,630	100,000	\$27.67 \$28.24	\$27.80 \$28.46
Six Forks Rd	4,347,462	267,277	202,506	4.7%	-50,177	-45,772	250,734	1,042,923	\$27.89 \$29.67	\$32.31 \$35.26
South Durham	1,480,373	134,823	256,344	17.3%	-7,510	-38,560	12,628	0	\$27.38 \$27.62	\$25.03 \$27.36
Southern Wake County	387,087	0	1,642	0.4%	0	-1,642	1,308	30,212	N/A N/A	\$21.80 \$28.10
US 1/Capital Blvd	1,842,399	126,034	557,487	30.3%	-18,884	17,929	35,525	0	\$26.70 \$27.81	\$26.17 \$28.55
US 70/Glenwood	4,440,806	193,269	788,202	17.7%	-30,147	-22,957	191,308	0	\$32.27 \$34.01	\$30.03 \$31.66
West Raleigh	5,628,338	129,056	968,197	17.2%	547,613	483,627	223,282	120,694	\$30.84 \$30.48	\$29.72 \$30.08
SUBURBAN TOTAL	44,869,079	3,130,666	6,632,705	14.8%	298,062	9,159	1,498,192	1,436,903	\$28.65 \$29.69	\$28.27 \$30.09
RALEIGH-DURHAM TOTAL	55,340,708	3,928,464	8,119,854	14.7%	164,217	-71,135	1,829,179	1,795,311	\$30.02 \$31.16	\$29.35 \$31.23

*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 Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6 Moore Drive	RTP/I-40 Corridor	Latino Community Credit Union	61,873	Sublease
8529 Six Forks Road	Six Forks Rd	Verona Pharma	31,845	Sublease
1501 Nowell Road	West Raleigh	Baxter Hillrom	29,521	New Deal

KEY UNDER CONSTRUCTION PROJECTS Q3 2023

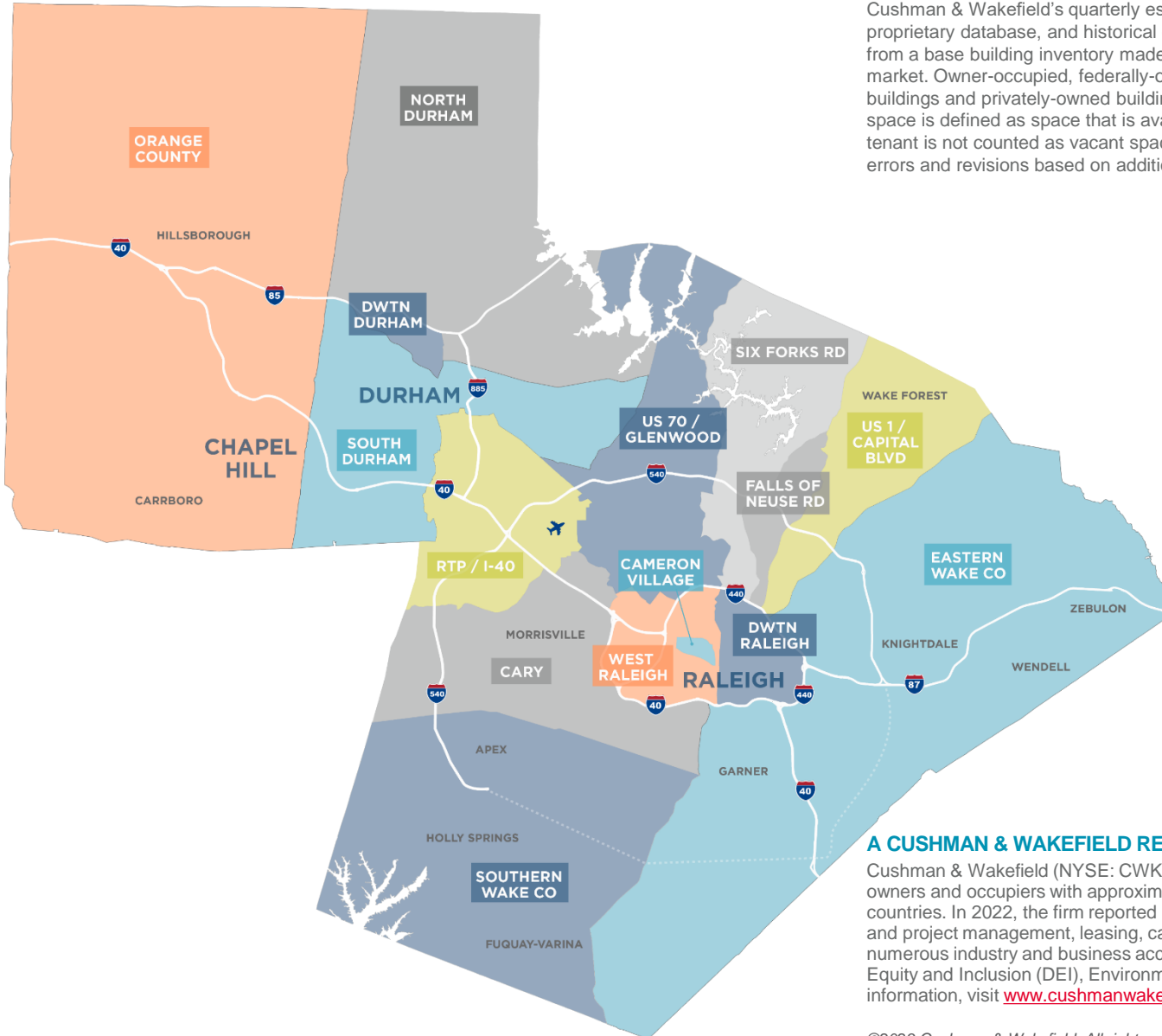
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1010 St. Albans Drive/The Exchange Raleigh - 1000 Social	Six Forks Rd	GFL	353,891	DeWitt Carolinas, Inc
541 Church at North Hills Street/Tower 5 @ North Hills	Six Forks Rd	N/A	322,232	Kane Realty Corporation
4000 Center at North Hills St /One North Hills Tower	Six Forks Rd	HNTB	266,000	Kane Realty Corporation
600 Willard Street/American Tobacco Campus Expansion	Downtown Durham	N/A	150,000	Hines

RALEIGH-DURHAM

Office Q3 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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