

RALEIGH-DURHAM

Life Sciences Q4 2023

	YoY Chg	12-Mo. Forecast
21.4% Vacancy Rate	▲	▼
834K YTD Net Absorption, SF	▲	▲
\$37.61 Asking Rent, PSF NNN	▲	▲

(Overall, All Property Types)

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
1.1M Raleigh-Durham Employment	▲	▲
3.1% Raleigh-Durham Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS, CoStar

ECONOMY

With uncertain economic conditions across the nation, Raleigh-Durham reported another quarter of employment growth with 39,400 jobs added year-over-year (YOY), a 3.8% increase. Job gains kept the unemployment rate low at 3.1%, 60 basis points (bps) below the national average of 3.7%. Multiple new investments were publicized in Q4; notably, global pharmaceuticals company Indivior announced a \$60M investment to develop a new facility in the US 1/Capital Blvd Submarket in the next five years. Despite predictions for increasing unemployment through 2024, Raleigh-Durham remains well positioned as investments and population growth remain strong.

SUPPLY AND DEMAND

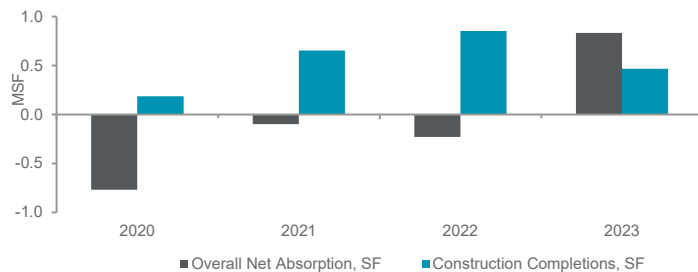
Overall vacant space decreased in Q4 to less than 2.8 million square feet (msf), declining for the fourth consecutive quarter. The overall vacancy rate dipped to 21.4% as a result, a 110-bp drop quarter-over-quarter (QOQ). Sublease vacancy decreased to only 1.9%, its lowest rate since Q4 2021, largely due to The State of NC subleasing and occupying just over 200,000 square feet (sf) at 65 Moore Drive, formerly occupied by GSK. While the State of NC is not a life science tenant, it leased a building designated as life sciences. This was the largest move-in of Q4 and helped drive demand to outpace new supply for the fourth consecutive quarter with 179,429 sf of occupancy gains, bringing the annual absorption total to 834,136 sf. While there were no new deliveries in Q4, over 1.4 msf of new construction is expected to deliver in Q1 2024. There is currently no preleasing activity for any of these new buildings which could cause an uptick in vacancy upon their delivery.

Demand for space increased dramatically in Q4 with 445,123 sf of new deals signed, bringing the 2023 leasing figure to just over 700,000 sf. The largest transactions of the year—and the only two surpassing 100,000 sf—were inked in Q4, the aforementioned State of NC sublease and Forge Nano’s lease of first-generation space at CAMP Morrisville. The RTP/I-40 Corridor dominated total 2023 leasing activity with 93.0% of all deals signed during that period. Renewals also remained healthy with more than 96,000 sf in Q4 bringing the annual figure to over 595,000 sf. The average deal size in Q4 increased to 40,210 sf from an average of just under 13,000 sf, largely due to the top two leases.

PRICING

Overall asking rents increased in Q4 reporting at \$37.61 per square foot (psf), an 11.8% increase YOY. The direct average asking rent in the RTP/I-40 submarket, which makes up 71.0% of the total life science inventory, measured 3.3% higher than the market average. In the RTP/I-40 submarket, 46.6% of available space is under 25,000 sf and the average asking rate for the spaces in this size range posted at \$39.15 psf, while spaces above 25,000 sf averaged slightly lower at \$38.72. Rents are expected to rise into 2024 with the average rent for under construction properties posting at \$40.00 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	DIRECT VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD TOTAL LEASING ACTIVITY	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL NET AVERAGE RENT*	DIRECT NET AVERAGE RENT*
Chapel Hill (Orange County)	30,000	0	0.0%	0.0%	0	0	0	0	0	N/A	N/A
Downtown Durham	971,665	263,714	27.1%	26.1%	0	0	12,125	0	0	\$38.50	\$38.50
North Durham	306,843	43,470	14.2%	14.2%	2,868	2,868	14,872	0	0	N/A	N/A
South Durham	65,001	3,076	4.7%	4.7%	0	0	0	0	0	N/A	N/A
Downtown Raleigh	0	0	0.0%	0.0%	0	0	0	0	0	N/A	N/A
Cary	289,369	289,369	100.0%	100.0%	0	0	0	0	0	\$30.52	\$30.52
Eastern Wake County	256,000	180,000	70.3%	70.3%	0	0	0	0	180,000	\$32.50	\$32.50
Falls of Neuse Rd	0	0	0.0%	0.0%	0	0	0	0	0	N/A	N/A
RTP/I-40 Corridor	9,278,547	1,478,583	15.9%	14.2%	180,108	-15,268	691,010	1,067,000	186,895	\$38.87	\$38.90
Six Forks Rd	100,466	0	0.0%	0.0%	0	0	0	0	100,466	N/A	N/A
Southern Wake County	338,000	338,000	100.0%	100.0%	0	0	0	1,172,993	0	\$45.00	\$45.00
US 1/Capital Blvd	116,343	21,287	18.3%	18.3%	0	0	0	0	0	N/A	N/A
US 70/Glenwood	30,000	0	0.0%	0.0%	0	0	11,619	0	0	N/A	N/A
West Raleigh	1,287,122	139,292	10.8%	9.8%	-3,547	9,451	14,708	0	0	\$30.87	\$30.80
TRIANGLE TOTAL	13,066,356	2,756,791	21.1%	19.2%	179,429	-2,949	744,334	2,239,993	467,361	\$37.61	\$37.65

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	Type	LEASE TYPE
65 Moore Drive	RTP/I-40 Corridor	The State of NC	201,056	Office	Sublease
CAMP Morrisville	RTP/I-40 Corridor	Forge Nano	175,000	Manufacturing/Lab	New Lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
INQ 4300	Eastern Wake	N/A	180,000	Mainstreet Capital Partners
Midtown BioCenter	Six Forks Rd.	Targan	100,466	East West Partners
CAMP Morrisville	RTP/I-40 Corridor	Forge Nano	100,000	Creative Manufacturing Properties

KEY SALES TRANSACTIONS 2023 YTD

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Durham Carmichael Building & Research Lab	Downtown Durham	Longfellow RE Partners & Healthpeak Properties / Brookfield Asset Management	165,774	\$582.00

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