

**14.1%**  
Vacancy Rate



**-27,611**  
Net Absorption, SF YTD



**\$29.74**  
Asking Rent, PSF



*(Direct, All Property Classes)*

## ECONOMIC INDICATORS Q4 2023

**1.0M**  
Triangle Employment



**3.1%**  
Triangle Unemployment Rate



**3.7%**  
U.S. Unemployment Rate



Source: BLS, CoStar

## ECONOMIC OVERVIEW

Despite the economic challenges through the end of 2023, Raleigh-Durham recorded positive economic indicators in Q4 2023. The non-farm employment total in Raleigh-Durham increased by 3.8% year-over-year (YOY) while the unemployment rate bucked the national trend.. The U.S. unemployment rate rose 20 basis points (bps) YOY to 3.7% while Raleigh-Durham's fell 40 bps to 3.1%. Over the last five years, the population in the Triangle increased 9.5% and is expected to continue to increase.

## SUPPLY AND DEMAND

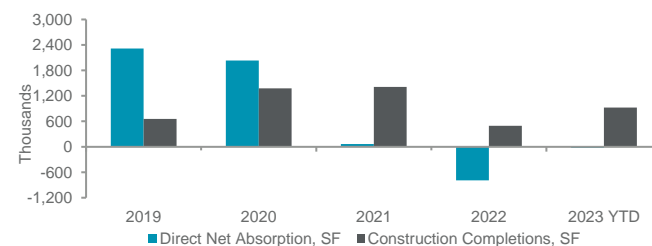
The direct vacancy rate was stable in Q4, remaining unchanged quarter-over-quarter (QOQ) at 14.1%. This figure increased 150 bps YOY as tenants continued to reevaluate space needs post-Covid and amidst economic headwinds, but the Triangle remained substantially tighter than the U.S. as a whole, which posted a direct vacancy rate of 16.9%. The overall vacancy rate, which includes sublease opportunities, also rose 20 bps YOY to 20.8%. Key submarkets such as RTP/I-40 Corridor and Downtown Raleigh accounted for a significant portion of total vacancy, making up 44.9% of all vacant space. Direct absorption ended the quarter at negative 18,432 square feet (sf) driven by 149,908 sf of net occupancy losses in the RTP/I-40 Corridor submarket. While some submarkets recorded occupancy losses in Q4, others turned out strong performances including US 1/Capital Blvd. (135,781 sf) and Downtown Raleigh (66,866 sf). In the largest move-in of the quarter, the State of North Carolina occupied its nearly 125,000-sf space at 3200 Beechleaf Court.

Leasing remained stable QOQ with just over 623,000 sf of new leases signed bringing the year-to-date (YTD) number to just over 2.6 million square feet (msf). Renewals also remained consistent QOQ with just over 130,000 sf signed. The average new lease in Raleigh-Durham in Q4 was 8,292 sf, up from previous quarters, which averaged between 6,000-7,000 sf. Still, leases remained smaller compared to pre-pandemic levels as companies continued to evaluate space needs. Of the new deals signed in Q4, 92.3% were for spaces less than 20,000 sf. The market still recorded one substantial transaction of just under 125,000 sf in the US 1/Capital Blvd. submarket; the aforementioned State of North Carolina lease was also the largest new deal in the Triangle since Q1 2022. The RTP/I-40 Corridor submarket accounted for 23.4% of all sf leased YTD followed by Downtown Raleigh with 13.4%. Five office buildings sold in Q4, including 227 Fayetteville Street, a 105,000-sf Class A property in Downtown Raleigh.

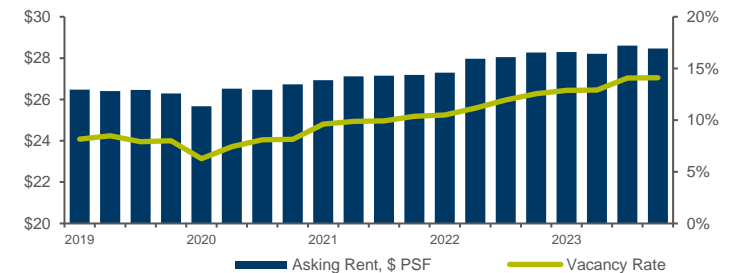
## RENTAL RATE PRICING

Direct rents were down slightly, less than a percentage point, QOQ, reporting at \$29.74 per square foot (psf). The highest asking rates in the market continue to be recorded in the two CBD submarkets at \$36.52 psf and \$35.88 psf for Downtown Raleigh and Downtown Durham respectively. Raleigh Iron Works, a two building project delivered in Q3 2022, continued to contribute to the overall Downtown Raleigh figure with asking rates in the high \$40s and more than 122,000 sf of vacancy. Some submarkets recorded increases such as Six Forks where rents climbed 13.6% to \$31.56 psf QOQ. With 1.5 msf of new construction set to deliver in 2024, rates are expected to raise slightly, particularly in the Six Forks submarket with just over 1.0 msf delivering with rates as high as \$50.00 psf in North Hills.

## SPACE DEMAND / DELIVERIES



## DIRECT VACANCY & ASKING RENT



## Office Q4 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	190,826	472,780	11.3%	-26,173	-123,382	165,051	150,000	\$35.88   \$36.86	\$33.43   \$35.72
Downtown Raleigh	6,270,032	500,126	920,331	14.7%	66,866	95,446	356,177	208,408	\$36.52   \$36.79	\$34.16   \$35.66
<b>CBD TOTAL</b>	<b>10,471,629</b>	<b>690,952</b>	<b>1,393,111</b>	<b>13.3%</b>	<b>40,693</b>	<b>-27,936</b>	<b>521,228</b>	<b>358,408</b>	<b>\$36.29   \$36.81</b>	<b>\$33.91   \$35.68</b>
Cameron Village	418,328	4,847	44,840	10.7%	0	13,479	17,066	0	\$27.11   N/A	\$22.43   \$25.85
Cary	6,775,394	156,019	1,015,627	15.0%	16,138	-192,313	166,154	143,074	\$28.87   \$29.09	\$25.40   \$26.93
Chapel Hill (Orange County)	2,223,905	76,338	448,559	20.2%	-27,024	5,363	68,499	0	\$29.87   \$29.94	\$29.56   \$30.00
Eastern Wake County	534,935	0	0	0.0%	0	12,500	29,933	0	N/A   N/A	N/A   N/A
Falls of Neuse Rd	2,719,992	56,898	276,384	10.2%	-58	2,397	123,059	0	\$27.15   \$28.26	\$24.14   \$27.15
North Durham	768,157	0	174,292	22.7%	10,519	11,019	35,536	0	\$18.25   N/A	\$18.60   N/A
RTP/I-40 Corridor	13,301,903	1,952,947	1,807,588	13.6%	-149,908	-356,352	621,561	100,000	\$27.24   \$27.75	\$27.66   \$28.40
Six Forks Rd	4,347,462	209,262	255,894	5.9%	-53,674	-101,694	319,505	1,042,923	\$31.56   \$34.09	\$30.78   \$33.16
South Durham	1,480,373	134,823	249,157	16.8%	7,187	-31,373	22,411	0	\$27.36   \$27.56	\$24.46   \$27.31
Southern Wake County	387,087	0	2,148	0.6%	-506	-2,148	1,308	30,212	\$25.00   N/A	\$19.85   \$21.51
US 1/Capital Blvd	1,842,399	126,034	420,406	22.8%	135,781	153,971	163,265	0	\$25.05   \$27.81	\$22.15   \$21.31
US 70/Glenwood	4,440,806	174,229	717,966	16.2%	39,103	47,279	222,735	0	\$32.32   \$34.16	\$29.83   \$31.45
West Raleigh	5,700,338	133,817	1,007,581	17.7%	-36,683	438,197	343,077	120,694	\$29.83   \$29.50	\$26.75   \$26.50
<b>SUBURBAN TOTAL</b>	<b>44,941,079</b>	<b>3,025,214</b>	<b>6,420,442</b>	<b>14.3%</b>	<b>-59,125</b>	<b>325</b>	<b>2,134,109</b>	<b>1,436,903</b>	<b>\$28.47   \$29.53</b>	<b>\$26.92   \$28.51</b>
<b>RALEIGH-DURHAM TOTAL</b>	<b>55,412,708</b>	<b>3,716,166</b>	<b>7,813,553</b>	<b>14.1%</b>	<b>-18,432</b>	<b>-27,611</b>	<b>2,655,337</b>	<b>1,795,311</b>	<b>\$29.74   \$30.86</b>	<b>\$28.23   \$29.96</b>

\*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 Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3200 Beechleaf Court	US 1/Capital Blvd	State of North Carolina	124,849	New Lease
3015 Carrington Mill Blvd	RTP/I-40 Corridor	BioMerieux	41,327	New Lease
302 E Pettigrew Street	Downtown Durham	Precision Bioscience	26,736	Renewal

## KEY UNDER CONSTRUCTION PROJECTS Q4 2023

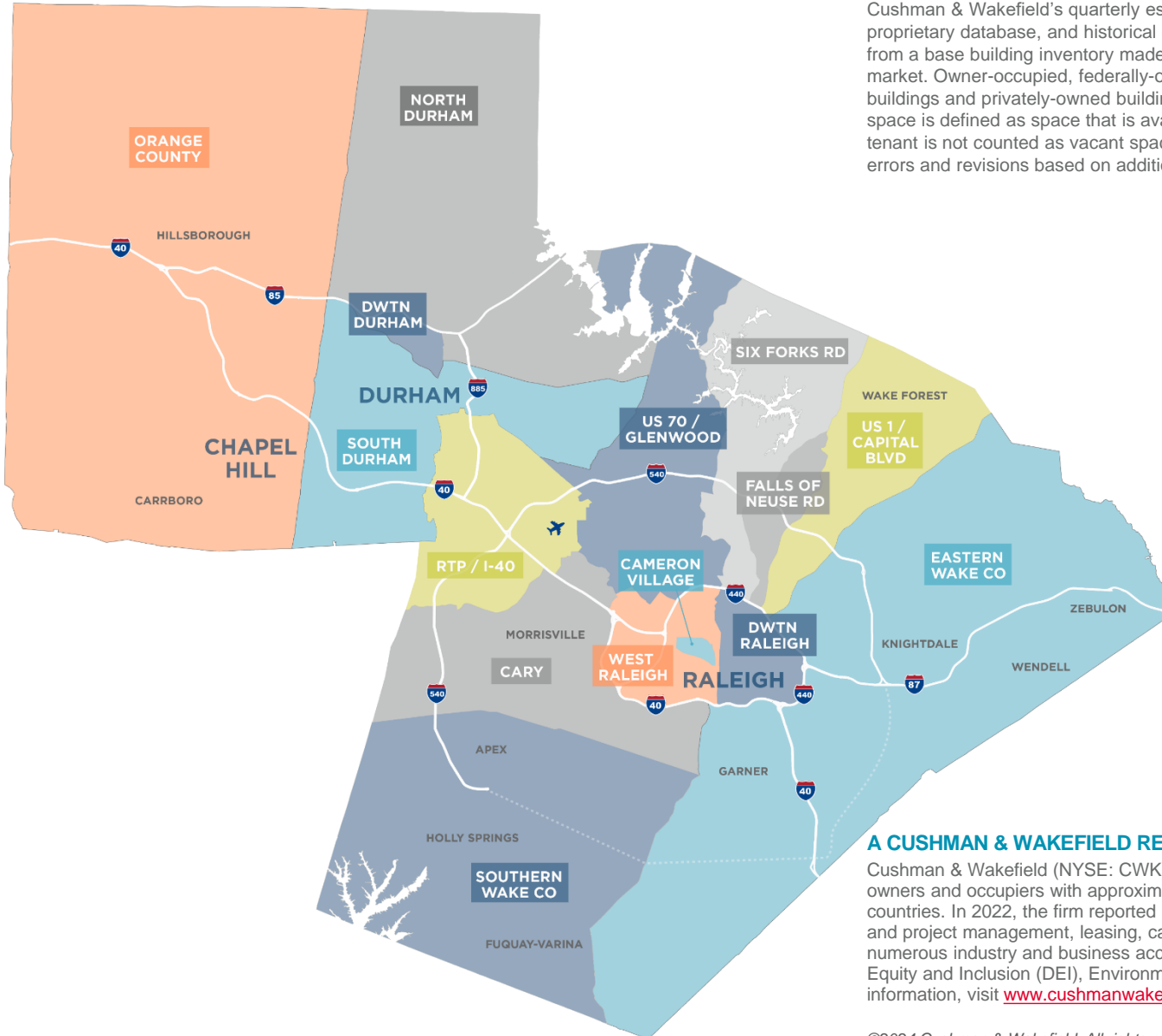
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1010 St. Albans Drive/The Exchange Raleigh - 1000 Social	Six Forks Rd	GFL	353,891	DeWitt Carolinas, Inc
541 Church at North Hills Street/Tower 5 @ North Hills	Six Forks Rd	N/A	322,232	Kane Realty Corporation
4000 Center at North Hills St /One North 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 Q4 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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