

MARKET FUNDAMENTALS

| | YOY Chg | Outlook |
|--|---------|---------|
| 24.3% Vacancy Rate | ▲ | ▼ |
| -1.7M YTD Net Absorption, SF | ▲ | ▲ |
| \$31.17 Asking Rent, PSF <i>(Overall, All Property Classes)</i> | ▲ | ▬ |

ECONOMIC INDICATORS

| | YOY Chg | Outlook |
|---|---------|---------|
| 1.1M Raleigh-Durham Employment | ▲ | ▲ |
| 3.1% Raleigh-Durham Unemployment Rate | ▼ | ▲ |
| 4.2% U.S. Unemployment Rate <i>Source: BLS</i> | ▲ | ▲ |

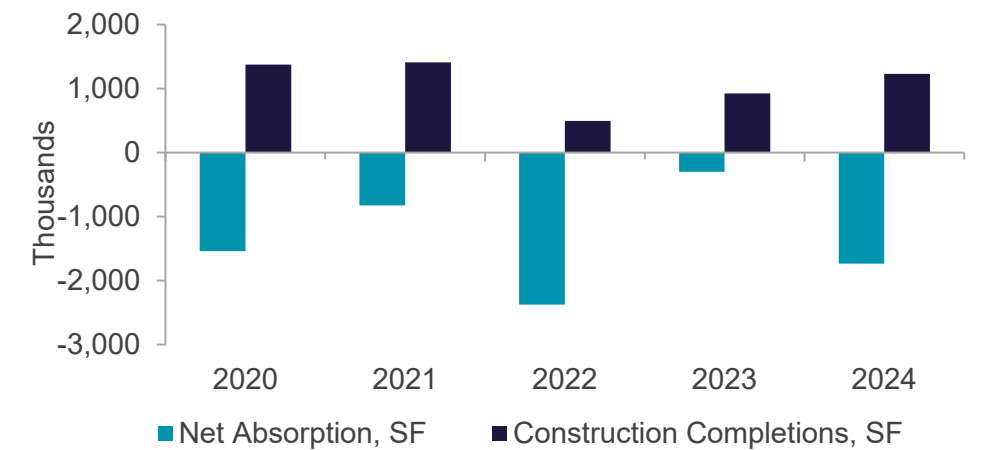
ECONOMY

The Raleigh-Durham economy remained positive at the end of 2024, with the unemployment rate falling by 10 basis points (bps) year-over-year (YOY) to 3.1%, contrary to the national unemployment rate which increased 50 bps to 4.2% YOY. Site Selection, a top ranked commercial real estate magazine, named North Carolina as the second-best state for business climate and named Raleigh as a top-five city for headquarters according to its latest report. Economic announcements helped bolster employment activity in the region, with companies such as Weatherby Healthcare announcing plans to relocate its headquarters from Durham to North Hills, investing over \$7.6M and hiring more than 150 employees.

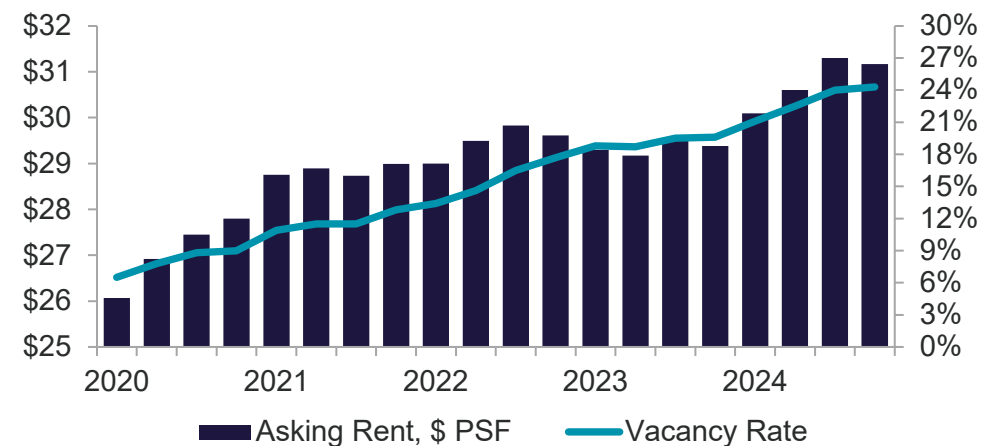
SUPPLY

At the end of Q4, overall vacancy increased 30 bps to 24.3%. New sublease space was the main driver of this increase in Q4 as direct vacancy remained unchanged quarter-over-quarter (QOQ) at 18.1%. Throughout 2024, there were several trends that emerged or remained relevant in the Raleigh-Durham office scene including a flight-to-quality, tenant right-sizing, and major deliveries which contributed to an elevated vacancy rate. Nearly 1.3 msf of new product delivered to the market in 2024, 55.9% of which was vacant at the end of Q4. One building delivered in Q4, 703 Slater Road, which brought just over 35,000 sf of space to the market, 16,000 sf of which is currently vacant. This building was the last under construction project in the market to deliver, yielding an empty office construction pipeline for the first time in x. The US 1/Capital Blvd reported the highest overall vacancy rate of 32.7% followed by the RTP/I-40 Corridor with 31.1%. Several large blocks of space that were given back to the market this quarter contributed to nearly 215,000 sf of occupancy losses for Q4. This brought the year-to-date (YTD) number to just over -1.7 million square feet (msf) of occupancy losses. While most submarkets recorded occupancy losses, the West Raleigh submarket recorded nearly 110,000 sf of occupancy gains with tenants like Cranfill Sumner LLP taking occupancy of their space in Q4. The average size of space given back was 8,756 square feet (sf) which was slightly larger than the average space occupied which was 8,070 sf

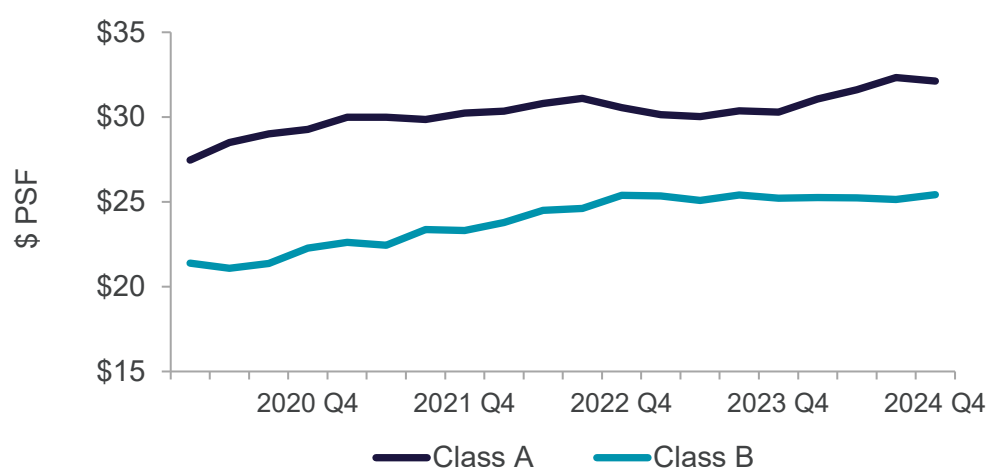
SPACE DEMAND / DELIVERIES



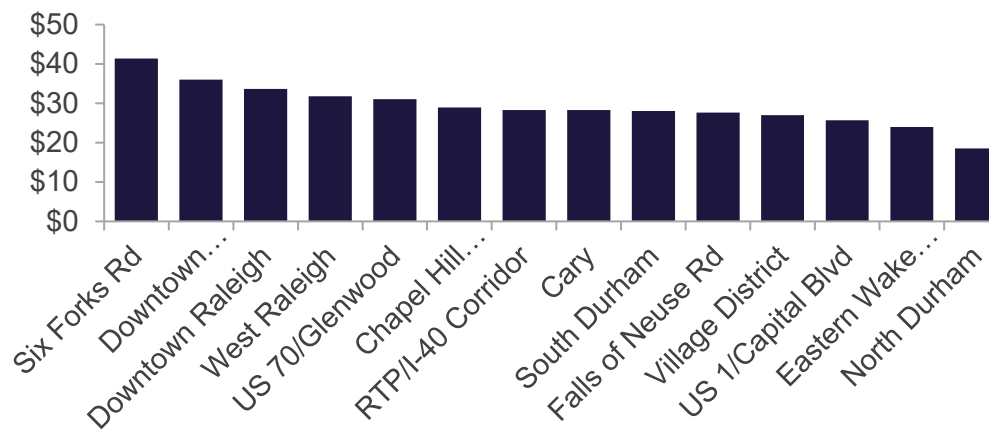
OVERALL VACANCY & ASKING RENT



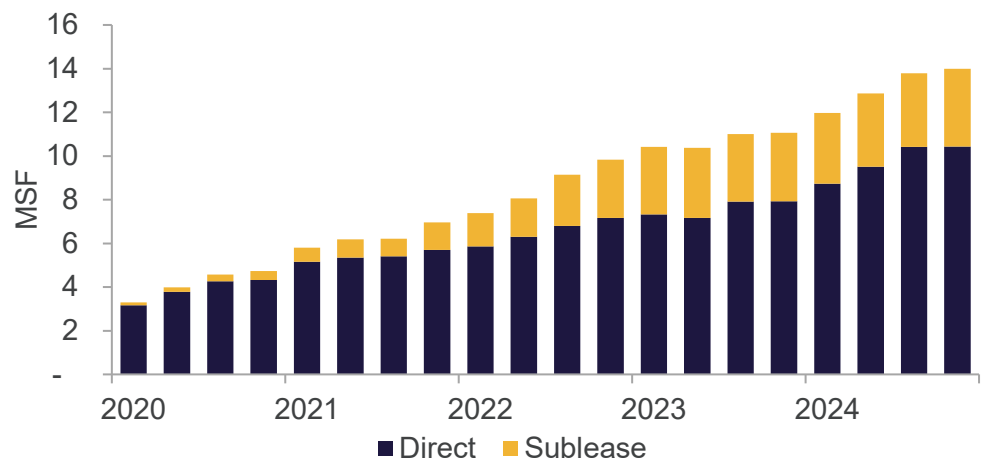
ASKING RENT COMPARISON



SUBMARKET ASKING RENT



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



DEMAND

New leasing activity hit just over 516,000 sf in Q4, bringing the total for 2024 more than 2.4 msf, slightly lower than the three-year average of 2.8 msf. The RTP/I-40 Corridor reported the highest leasing with just over 163,000 sf followed by Six Forks with nearly 108,000 sf. In the largest transaction of the quarter, FEMA leased 116,300 sf at Danbury Hall in the RTP/I-40 Corridor. North Hills, which is located within the Six Forks submarket, recorded large new leases with Weatherby Healthcare signing for more than 46,000 sf and JTI signing an expansion for nearly 13,000 sf. North Hills leasing activity demonstrates the aforementioned flight-to-quality trend with tenants' desire to be in higher quality spaces with amenities and their willingness to pay premium prices to be there. Renewals posted at 328,456 sf which was a 144.5% increase QOQ. A major driver was Oracle renewing over 154,000 sf at 5200 East Paramount Parkway in the RTP/I-40 Corridor submarket and Applied Research Associates renewing over 100,000 sf with a 15,000-sf expansion at Forum V in Six Forks.

PRICING

Overall asking rents increased 6.1% YOY to \$31.17 per square foot (psf) but decreased slightly from the Q3 overall asking rate. Six Forks continued to post the highest asking rates in the market with an overall asking rate of \$41.40 psf. This was followed by both Downtown Durham and Downtown Raleigh with rates of \$36.01 and \$33.70 respectively. The top tier building set, which consists of 23 of Raleigh-Durham's highest quality buildings, demanded an average asking rent of \$45.47 psf, 27.6% higher than the rest of class A buildings and 44.5% higher than class B asset types. While landlords were less inclined to budge on rents, owners have been willing to offer incentive packages that include higher TI packages or concessions. Sublease space continued to be offered at a discount of 10.0% of the market average or \$28.69 psf.

INVESTMENT SALES

Despite continued headwinds in the market and limited borrowing options, office investment sales showed substantial improvement during 2024 compared to totals for the previous two years. While the number of transactions and total dollar amount volume continues to improve, cap rates and per-square-foot pricing have remained mostly flat, due to minimal improvement in interest rates and availability of funds. Lenders' wariness surrounding office properties likely will gradually subside as occupancy bounces back, but the cost of borrowing will continue to depend heavily on inflation.

OUTLOOK

- With no new product under construction, vacancy is expected to decrease as excess space is absorbed by the market.
- Asking rents are likely to stabilize or decline in the coming quarters due to a halt in new premium space deliveries, while increased concessions such as tenant improvements and rent abatements are expected to remain widespread.
- Flight-to-quality is expected to remain a trend in 2025 with tenants seeking higher quality space in highly desirable locations
- With an increase of companies announcing return-to-office mandates and lowering interest rates, office leasing is expected to improve in 2025.

MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | DIRECT VACANT (SF) | SUBLET VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|------------------------------|-------------------|--------------------|--------------------|----------------------|---|---------------------------------|---------------------------|------------------|--|------------------------------------|
| Downtown Durham | 4,411,597 | 538,269 | 365,041 | 20.5% | -55,874 | -246,747 | 129,171 | 0 | \$36.01 | \$36.74 |
| Downtown Raleigh | 6,334,593 | 1,078,459 | 497,177 | 24.9% | -110,572 | -226,044 | 259,096 | 0 | \$33.70 | \$33.74 |
| CBD TOTALS | 10,746,190 | 1,616,728 | 862,218 | 23.1% | -166,446 | -472,791 | 388,267 | 0 | \$34.44 | \$34.61 |
| Cary | 6,628,076 | 1,272,110 | 283,524 | 23.5% | -143,014 | -416,061 | 309,904 | 0 | \$28.33 | \$28.34 |
| Chapel Hill (Orange County) | 2,283,242 | 444,184 | 110,759 | 24.3% | 8,514 | -5,726 | 63,757 | 0 | \$28.93 | \$29.28 |
| Eastern Wake County | 466,205 | 1,584 | 0 | 0.3% | 0 | -1,584 | 0 | 0 | \$24.00 | - |
| Falls of Neuse Rd | 2,719,992 | 364,670 | 49,145 | 15.2% | 22,209 | -125,836 | 87,749 | 0 | \$27.61 | \$28.70 |
| North Durham | 829,766 | 183,264 | 0 | 22.1% | -36,032 | 498 | 2,043 | 0 | \$18.56 | N/A |
| RTP/I-40 Corridor | 13,247,813 | 2,569,600 | 1,548,611 | 31.1% | 15,531 | -552,528 | 558,852 | 0 | \$28.33 | \$28.93 |
| Six Forks | 5,376,335 | 1,207,682 | 178,097 | 25.8% | -40,449 | 59,160 | 426,495 | 0 | \$41.40 | \$42.58 |
| South Durham | 1,538,622 | 318,814 | 104,235 | 27.5% | -5,029 | -88,423 | 29,772 | 0 | \$28.08 | \$28.19 |
| Southern Wake County | 387,087 | 0 | 0 | 0.0% | 1,851 | 4,761 | 7,417 | 0 | - | - |
| US 1/Capital Blvd | 1,818,110 | 469,114 | 126,034 | 32.7% | -19,069 | -40,582 | 55,487 | 0 | \$25.71 | \$27.80 |
| US 70/Glenwood | 4,470,418 | 667,200 | 208,864 | 19.6% | 38,255 | 14,193 | 190,026 | 0 | \$31.10 | \$32.58 |
| Village District | 418,328 | 38,612 | 6,056 | 10.7% | 0 | 9,750 | 20,711 | 0 | \$26.97 | \$27.50 |
| West Raleigh | 6,599,122 | 1,285,128 | 81,723 | 20.7% | 109,466 | -121,047 | 325,119 | 0 | \$31.81 | \$31.97 |
| SUBURBAN TOTALS | 46,783,116 | 8,821,962 | 2,697,048 | 24.6% | -47,767 | -1,263,425 | 2,077,332 | 0 | \$30.40 | \$31.47 |
| RALEIGH-DURHAM TOTALS | 57,529,306 | 10,438,690 | 3,559,266 | 24.3% | -214,213 | -1,736,216 | 2,465,599 | 0 | \$31.17 | \$32.12 |

*Rental rates reflect full service asking **Excludes medical office and life science properties

KEY LEASE TRANSACTIONS Q4 2024

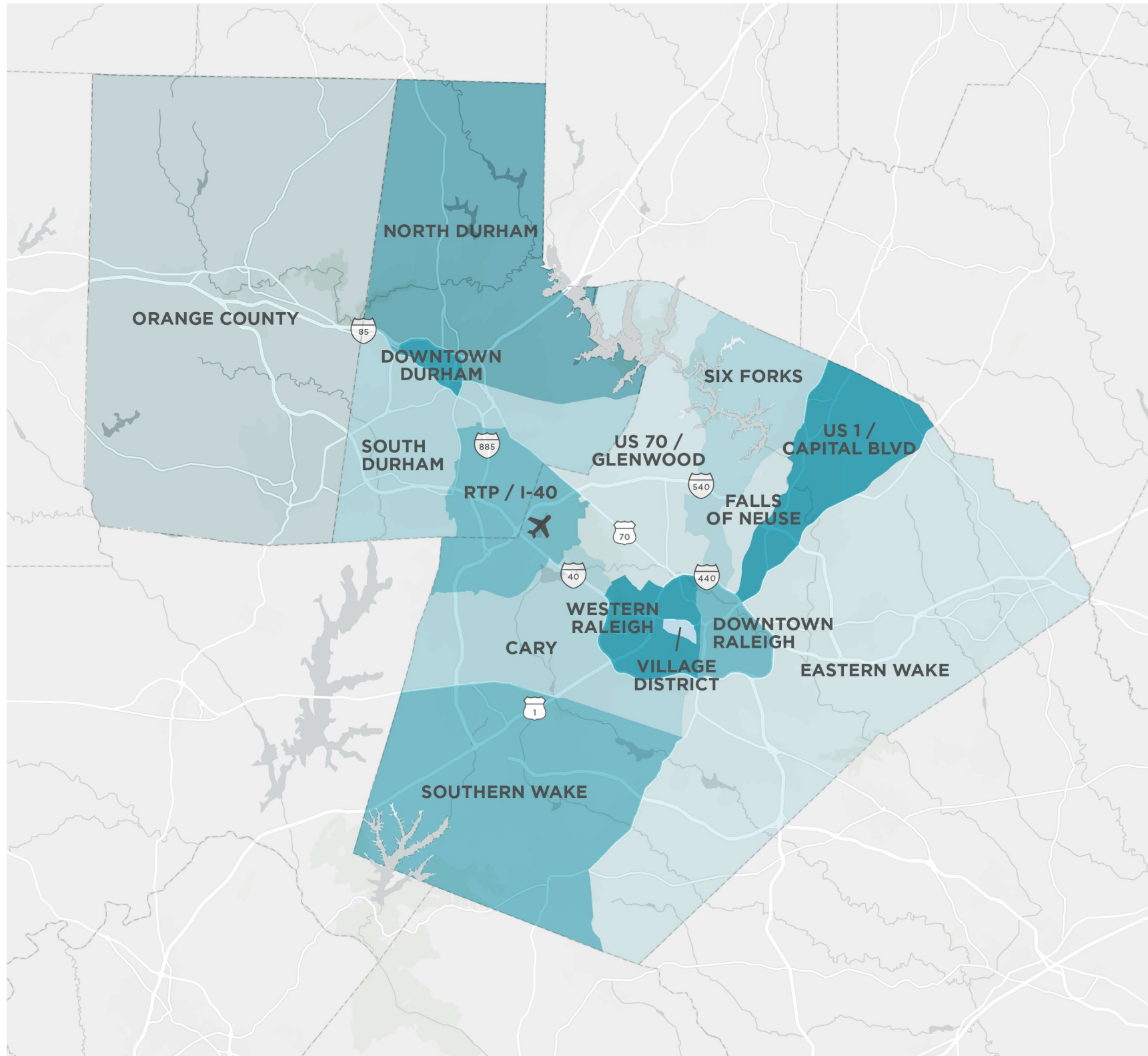
| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|-----------------------------|-------------------|-----------------------------|---------|----------|
| Forum V | Six Forks Rd | Applied Research Associates | 101,600 | Renewal* |
| 5199 East Paramount Parkway | RTP/I-40 Corridor | Oracle | 61,076 | Renewal* |
| One North Hills Tower | Six Forks Rd | Weatherby Healthcare | 46,309 | New |
| Danbury Hall | RTP/I-40 Corridor | FEMA | 42,694 | New |
| Charter Square | Downtown Raleigh | HDR | 40,152 | Renewal* |

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS 2024

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER/DEVELOPER |
|-----------------------|-------------------|-----------------------|---------|-----------------------------------|
| Tower 5 @ North Hills | RTP/I-40 Corridor | Parexel International | 322,232 | Kane Realty |
| Horseshoe at Hub RTP | Six Forks Rd | N/A | 119,065 | Research Triangle Park Foundation |

OFFICE SUBMARKETS



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