



# Raleigh/Durham Office Market

## Activity Progresses with Strong Absorption

Raleigh/Durham continued to show resilience and strength at the start of this year with its fourth consecutive quarter where demand growth outpaced supply, combining for over 258,000 square feet of positive net absorption during the first quarter of 2022. This was another improvement from the negative absorption that the market saw during the same time one year ago. This time the first-tier Class A segment dominated space needs, with over 202,000 square feet of absorbed space. Class B space trailed, with over 62,000 square feet of positive net absorption. The Class C sector saw an increase in supply, with about 6,400 square feet of negative net absorption. Overall vacancy dipped 10 basis points from the previous quarter but was still 130 basis points from the 12.3% recorded one year ago. This can be attributed to the new development being completed since that time. Asking rents ticked upward from the previous quarter but appeared to be slowing with a year-over-year increase of only 2.8%. Class A spaces average almost remained unchanged from the previous quarter and only increasing by 2.6% from the same period in 2021 and \$0.78/SF from one year ago. Lower-tier Class B and Class C segments saw similar moderate increase.

### Current Conditions

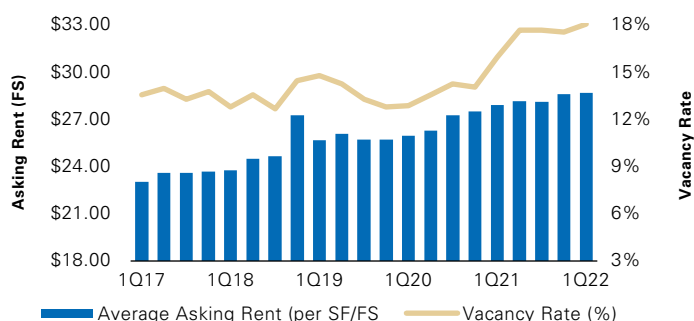
- The region's vacancy rate remained stable quarter over quarter at 13.6%, while total square footage that is under construction tracked slightly downward.
- The \$28.72/SF average rent across all classes was 0.3% higher than last quarter and just under 3% higher than one year ago.
- Quarterly net absorption remained in the positives across the region, while total inventory ticked upwards by 3% from one year ago due to added vacancy from project completions.

### Market Summary

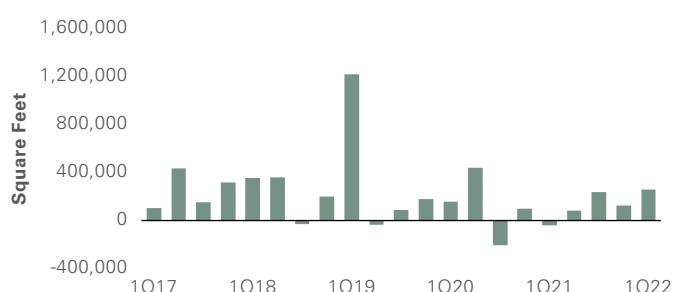
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	52.8M	52.7M	51.3M	↑
Vacancy Rate	13.6%	13.7%	12.3%	↑
Quarterly Net Absorption (SF)	258,498	126,150	-38,836	←
Average Asking Rent/SF	\$28.72	\$28.62	\$27.94	←
Under Construction (SF)	1.2M	1.4M	2.5M	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



### Construction Pipeline

A small number of construction completions took place during the first quarter of 2022, totaling almost 205,000 square feet, including 4001 E. Hwy. 54 in the Research Triangle submarket. The market has another 1.2 million square feet of space under construction with nine buildings, totaling over 900,000 square feet slated for completion during the first half of 2021. The market has seen an increase of mixed-use buildings containing multi-family, retail and office components to promote a live-work-play atmosphere. One prominent project currently underway is 541 Church at N. Hills St., a 322,000-square-foot building in North Raleigh.

### Leasing Activity

The top 10 lease deals in the first quarter of 2022 for the Raleigh/Durham office sector accounted for over 600,000 square feet of transaction activity. This was a 39.0% increase from the top 10 lease deals during the previous quarter. This market saw a total of 303 lease deals completed. Available space in the Raleigh/Durham area during the first quarter of 2022 represented 280,000 square feet. Class A properties in Downtown Raleigh had represented the highest asking rental rates, at \$36.60/SF.

### Future Outlook

The current outlook for the Raleigh/Durham office sector remains bright, recording another strong performance as construction activity in the area will be adding a wide variety of spaces that vary in scope, as many of the large projects are still working their way to completion.

As one of the two largest markets in North Carolina, the Raleigh market will be building itself into a more prominent metropolis. West Raleigh and South Durham are areas of particular interest, as these two submarkets had the most positive absorption in the city.

Vacancies will continue to either remain leveled as they have in the previous 12 months or tick upward as projects are announced and dates are subject to change. Meanwhile, rents in this city will likely increase slowly but surely in the coming quarters.

#### Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Confidential	RTP/RDU	101 Holly Creek Rd	New	62,181
Confidential	Research Triangle	9 Laboratory Dr	New	42,000
Confidential	Cary	4000 CentreGreen Way	New	28,569
Confidential	Research Triangle	430 Davis Dr	New	30,457
Confidential	Six Forks/Falls of Neuse	1501 Sunrise Ave	New	27,750

#### Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
6933 Louis Stephens Dr	RTP/RDU	\$49,044,605	205,614	\$238.53
7033 Louis Stephens Dr	RTP/RDU	\$42,955,395	211,203	\$203.38
700 S Salisbury St	Downtown Raleigh	\$35,500,000	33,500	\$1059.70
3211 Shannon Rd	South Durham	\$22,350,000	133,368	\$167.58
1000 Park Forty Plaza Dr	Research Triangle	\$14,374,000	122,311	\$117.52

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
<b>Suburban</b>	<b>42,877,224</b>	<b>958,295</b>	<b>13.1 %</b>	<b>154,342</b>	<b>154,342</b>	<b>\$28.94</b>	<b>\$23.71</b>	<b>\$27.31</b>
6 Forks Falls of Neuse	5,910,738	73,000	10.8 %	-2,103	-2,103	\$29.17	\$25.36	\$26.93
Cary	6,301,196	322,424	13.1 %	-64,898	-64,898	\$28.39	\$22.86	\$27.60
East Raleigh	464,332	0	5.0 %	0	0	0	\$30.50	\$28.11
East Wake County	583,787	0	3.7 %	-9,423	-9,423	0	\$30.69	\$30.69
Glenwood/Creedmoor	2,289,585	0	9.6 %	24,780	24,780	\$30.82	\$22.17	\$27.53
North Durham	569,263	0	32.8 %	-7,020	-7,020	0	\$18.24	\$18.24
Orange County	1,651,845	0	24.7 %	5,231	5,231	\$30.01	\$29.36	\$29.67
Research Triangle	8,227,837	328,000	10.6 %	12,034	12,034	\$25.85	\$26.19	\$25.95
Route 1	1,421,180	123,000	7.8 %	-14,637	-14,637	\$24.79	\$22.94	\$23.73
RTP/RDU	6,274,344	0	13.1 %	48,584	48,584	\$29.10	\$22.50	\$27.60
South Durham	2,586,055	111,871	15.7 %	79,701	79,701	\$27.74	\$22.15	\$26.33
West Raleigh	6,597,062	0	16.7 %	82,093	82,093	\$30.78	\$26.32	\$30.07
<b>CBD</b>	<b>9,894,236</b>	<b>203,249</b>	<b>15.8 %</b>	<b>104,156</b>	<b>104,156</b>	<b>\$35.72</b>	<b>\$30.24</b>	<b>\$34.62</b>
Downtown Durham	4,209,630	203,249	12.1 %	-28,140	-28,140	\$33.08	\$32.56	\$32.79
Downtown Raleigh	5,684,606	0	18.6 %	132,296	132,296	\$36.60	\$23.96	\$35.47
<b>Raleigh Market</b>	<b>52,771,460</b>	<b>1,161,544</b>	<b>13.6 %</b>	<b>258,498</b>	<b>258,498</b>	<b>\$30.42</b>	<b>\$24.41</b>	<b>\$28.72</b>

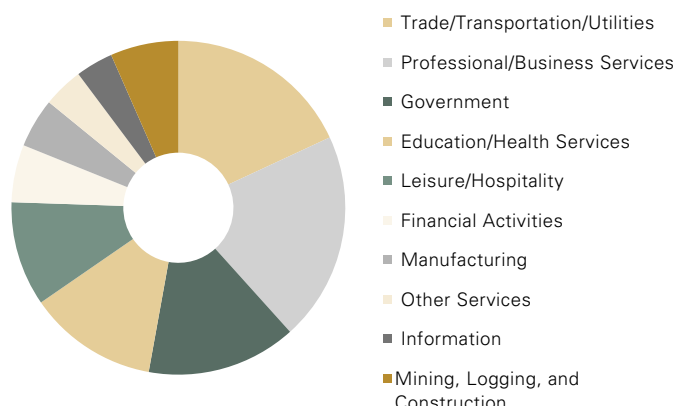
## Economic Conditions

Economic metrics continued to improve with all industry sectors posting year-over-year employment growth in the 12 months ending in February 2022. Raleigh's unemployment rate was 3.0%, a decrease of 170 basis points from the 4.7% recorded during the same period one year ago. Raleigh's unemployment rate previously reached a low of 2.6% in December 2021.

Professional and business services lead the growth in employment by industry compared in February 2022 followed by trade/transportation/utilities showing that consumers are continuing to return to their normal travel schedules after returning to the workplace.

## Employment by Industry

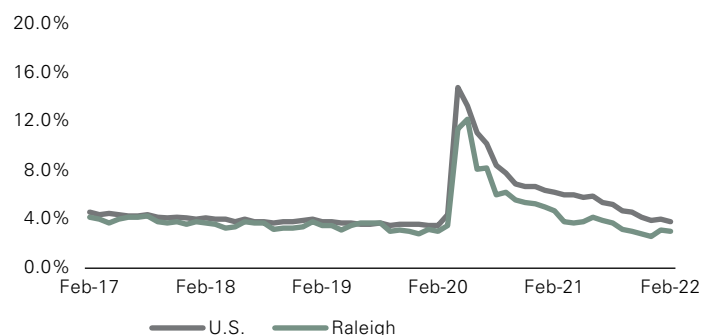
RALEIGH, November 2021



Source: U.S. Bureau of Labor Statistics, February 2022.

## Unemployment Rate

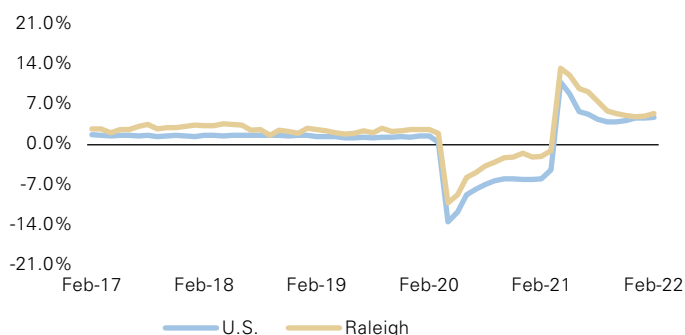
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, February 2022.

## Payroll Employment

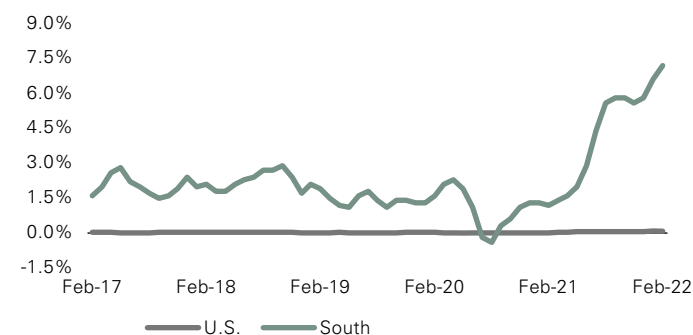
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, February 2022.

## Consumer Price Index (CPI)

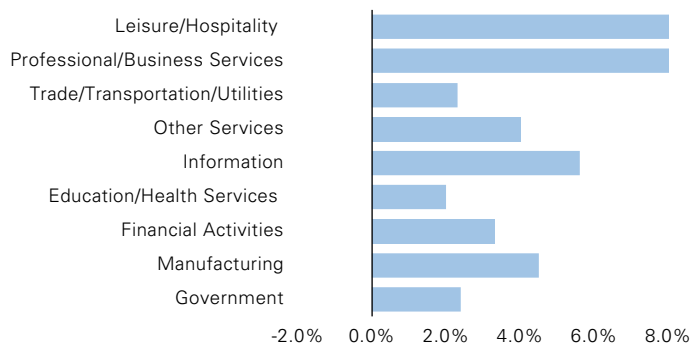
ALL ITEMS, 12-MONTH % CHANGE  
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, February 2022.

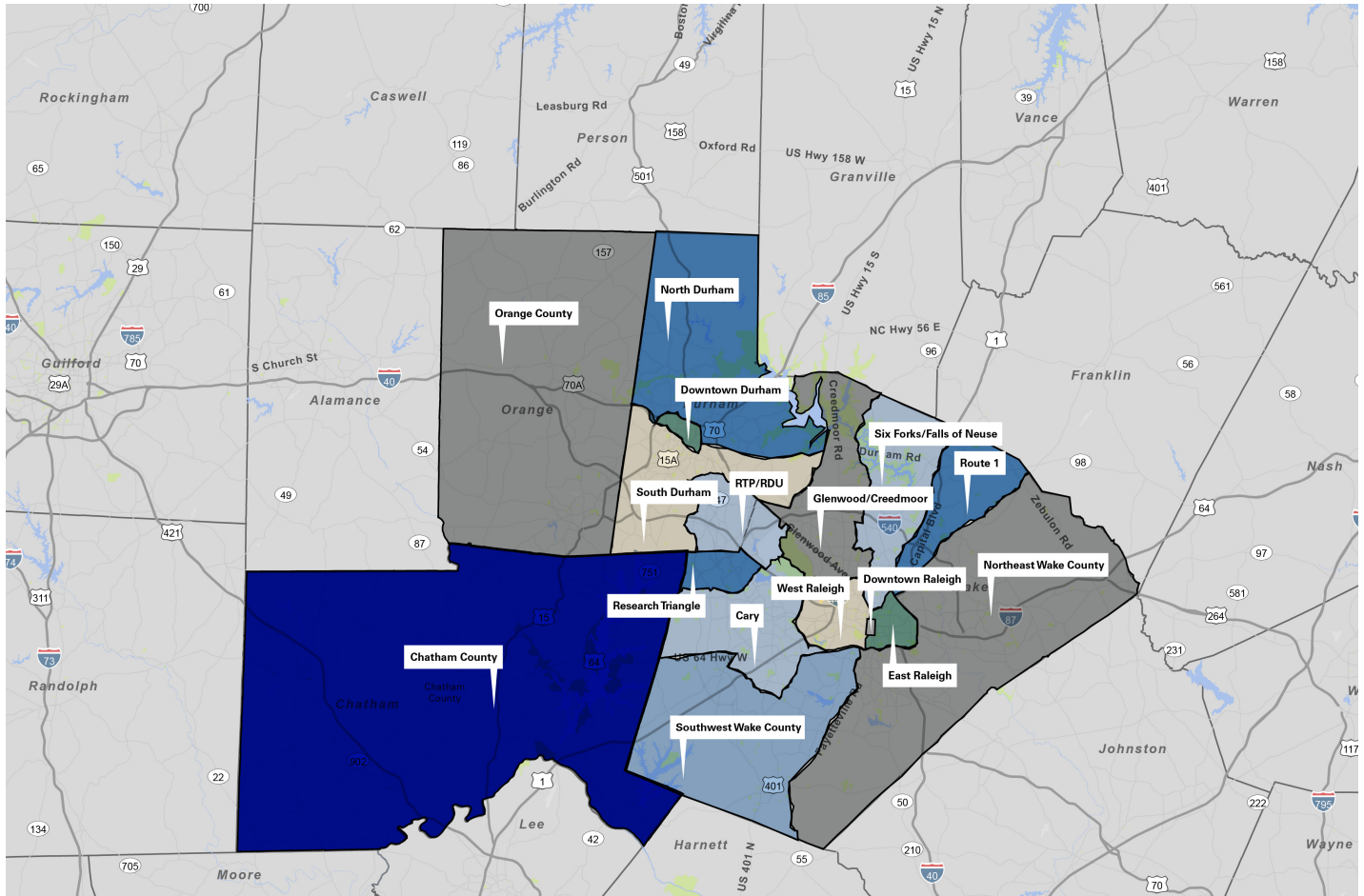
## Employment Growth by Industry

RALEIGH, NOVEMBER 2021, 12-MONTH % CHANGE  
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, February 2022.

## RESEARCH 1Q 2022



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