



Raleigh Office Market

Quiet Second Quarter as Fundamentals Were Mixed

The Raleigh market remains in demand as employment growth continued in the office-using industries. Limited activity towards the end of 2020 has resulted in mixed fundamentals, mainly driven by new construction.

The region's vacancy rate rose 120 basis points over last quarter to 13.8%, fueled by the delivery of 870,000 square feet of new space. While 1/4 of the space was pre-leased, none of the tenants moved into their new spaces by the quarter's end. Overall, the 1.3 million square feet delivered thus far in 2021 was only 22.6% pre-leased, which will be an important metric to watch as an indication of the market's strength.

Net absorption for the quarter was 48,000 square feet, all but offsetting that from last quarter. This is the lowest mid-year annual total the region has seen in the past five years and, as mentioned above, was the result of limited activity in late 2020 due to the pandemic.

Average rental rates continued to climb, driven by the new construction. The \$28.22/SF average across all classes was 1.0% higher than last quarter and 7.2% higher than one year ago.

Current Conditions

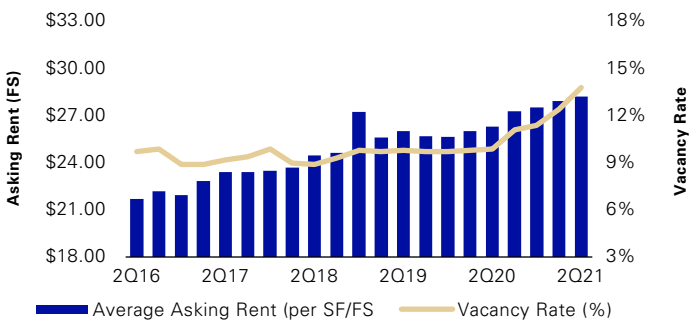
- The region's vacancy rate increased 120 basis points over last quarter to 13.8%, fueled by the delivery of 870,000 square feet of new space.
- The \$28.22/SF average rent across all classes was 1.0% higher than last quarter and 7.2% higher than one year ago.
- After losing 77,000 jobs in April 2020, Raleigh has recovered 66,000 jobs between May 2020 and April 2021.

Market Summary

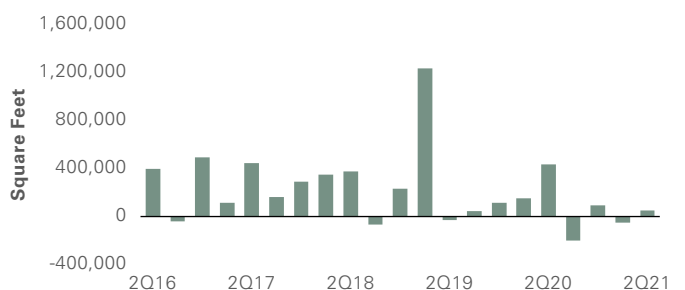
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	52.4M	51.5M	50.1M	↑
Vacancy Rate	13.8%	12.4%	9.9%	→
Quarterly Net Absorption (SF)	48,466	-48,252	437,154	←
Average Asking Rent/SF	\$28.22	\$27.94	\$26.32	↓
Under Construction (SF)	1.7M	2.6M	3.1M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



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)
Suburban	42,575,383	1,222,602	13.7 %	149,944	88,779	\$28.45	\$23.33	\$26.85
6 Forks Falls of Neuse	5,952,808	73,000	9.8 %	-61,516	-110,342	\$29.16	\$23.48	\$25.90
Cary	6,301,196	322,424	12.0 %	-56,864	-146,143	\$27.81	\$24.01	\$27.43
East Raleigh	464,332	-	1.4 %	15	3,118	-	\$30.50	\$30.50
East Wake County	583,787	-	2.1 %	-	-	-	\$30.25	\$30.25
Glenwood/Creedmoor	2,238,585	-	10.1 %	123,654	175,759	\$31.49	\$19.47	\$28.58
North Durham	569,263	-	31.5 %	-	-	-	\$18.13	\$18.13
Orange County	1,651,845	-	26.2 %	9,304	-15,045	\$30.85	\$29.52	\$30.16
Research Triangle	8,109,982	548,000	11.9 %	318,899	344,109	\$25.62	\$25.09	\$25.48
Route 1	1,421,180	-	7.9 %	-10,131	-7,134	\$25.93	\$20.85	\$23.32
RTP/RDU	6,266,595	-	18.0 %	6,519	47,290	\$27.70	\$24.48	\$26.97
South Durham	2,586,055	111,871	17.1 %	-34,016	-48,720	\$27.27	\$21.61	\$25.85
West Raleigh	6,429,755	167,307	15.7 %	-145,920	-154,113	\$30.75	\$26.48	\$29.83
CBD	9,844,201	533,284	14.1 %	-101,478	-88,565	\$34.84	\$29.30	\$33.79
Downtown Durham	4,452,138	240,741	9.0 %	-5,372	33,698	\$33.38	\$31.03	\$32.69
Downtown Raleigh	5,392,063	292,543	18.3 %	-96,106	-122,263	\$35.66	\$24.03	\$34.54
Raleigh Market	52,419,584	1,755,886	13.8 %	48,466	214	\$29.87	\$24.01	\$28.22

Economic Conditions

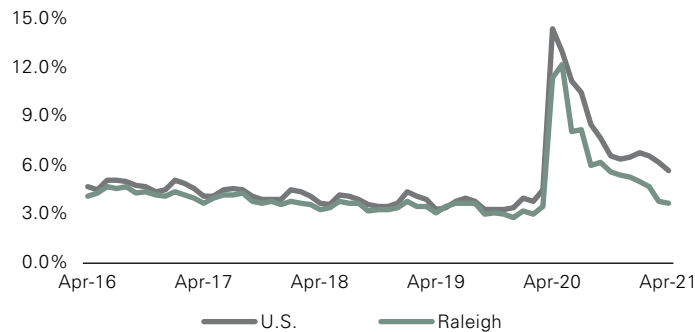
Raleigh has outperformed the national economy, on a percent growth level, for much of the past five years. The region has outpaced the country during the recovery since April 2020. In the 12 months ending April 2021, nonfarm employment growth was 11.6% in Raleigh and 10.9% for the U.S. overall.

After losing 77,000 jobs in April 2020, Raleigh has recovered 66,000 jobs between May 2020 and April 2021. The leisure/hospitality sector, following trends seen around the country as the economy rebounds, gained 22,000 jobs as of April 2021, 1/3 of the market's total.

Raleigh's unemployment rate was 3.7% as of April 2021. While significantly lower than the 2020 peak of 12.2% in May 2020, it is still 40 basis points higher than April 2019.

Unemployment Rate

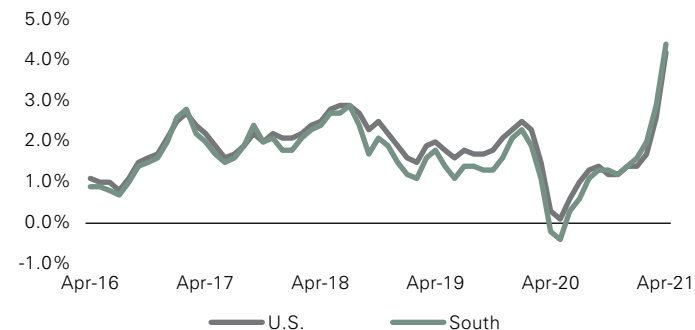
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, July 2021.

Consumer Price Index (CPI)

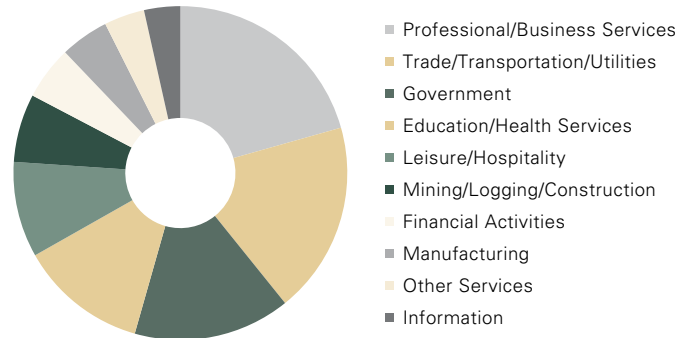
ALL ITEMS, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, July 2021.

Employment by Industry

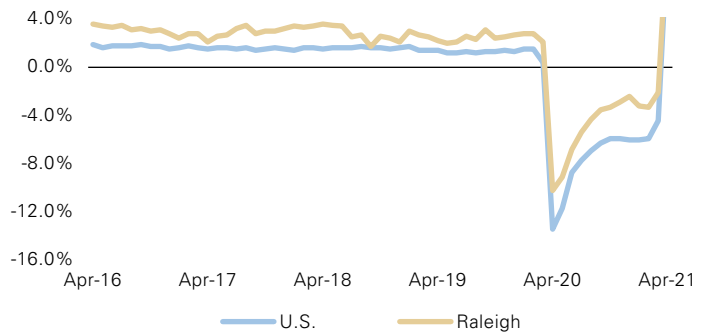
RALEIGH, APRIL 2021



Source: U.S. Bureau of Labor Statistics, July 2021.

Payroll Employment

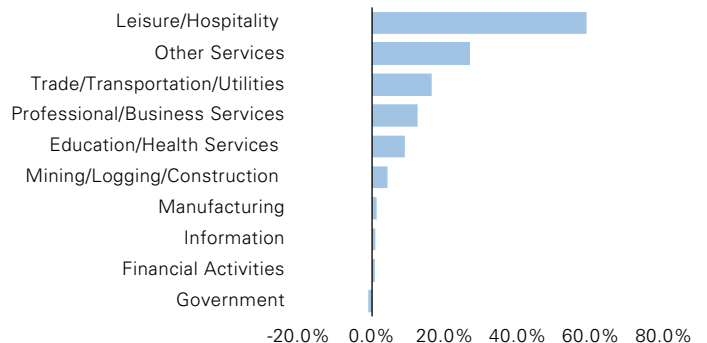
TOTAL NONFARM, NOT SEASONALLY ADJUSTED,
12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, July 2021.

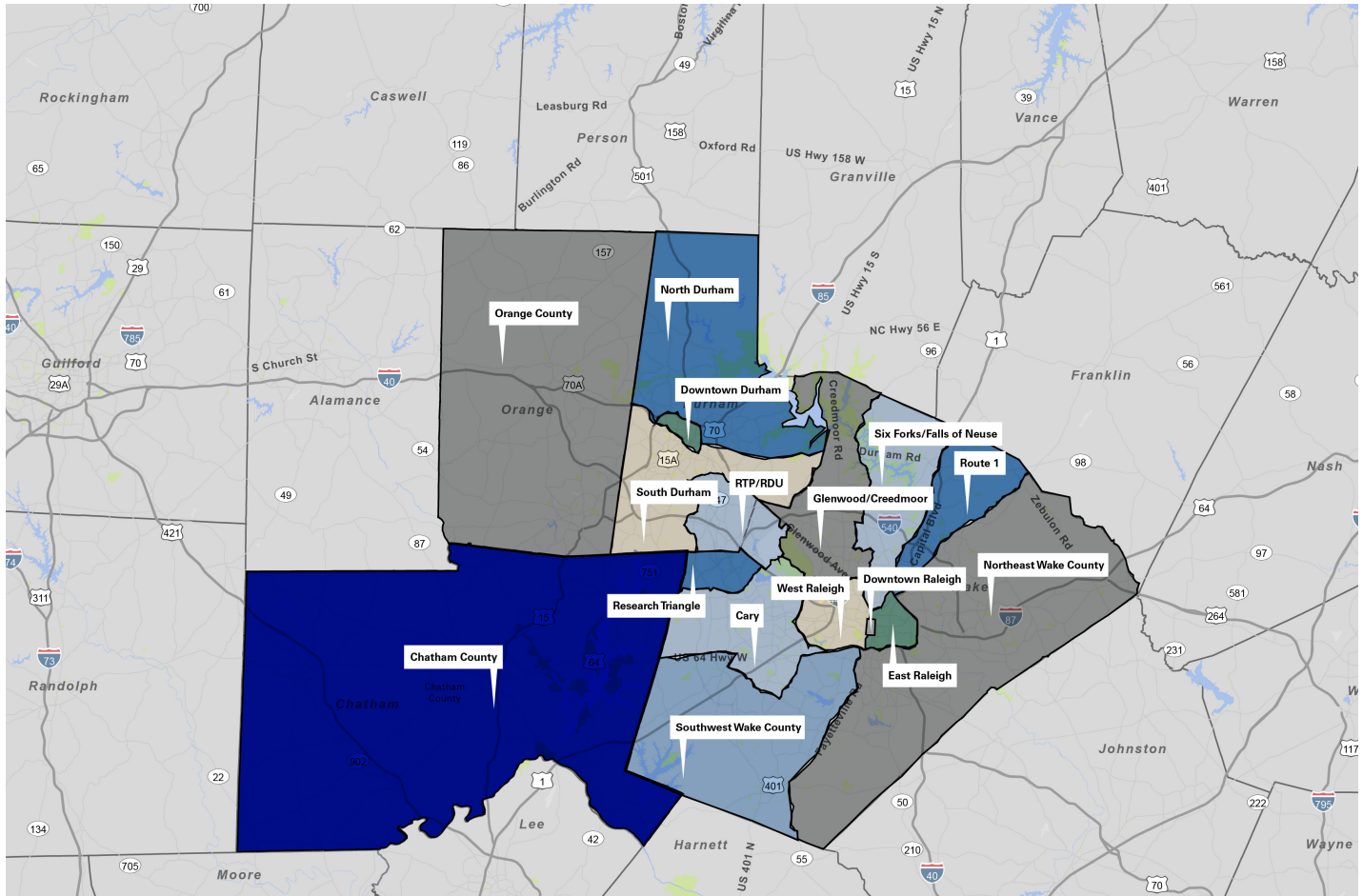
Employment Growth by Industry

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



Source: U.S. Bureau of Labor Statistics, July 2021.

RESEARCH 2Q 2021



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