



Raleigh/Durham Office Market

NC Markets Extends Positive Activity

Raleigh/Durham kept up robust activity in the third quarter of 2022, with 112,000 square feet of positive net absorption as it heads into the final months of the year. The Class A segment once again had the most positive absorption at 74,000 square feet. The Class C sector rebounded slightly after losing some space last quarter, with approximately 1,113 square feet of positive net absorption.

Vacancy decreased by 20 basis points from the previous quarter, yet remained 50 basis points higher year-over-year from the third quarter of 2021, at 13.7%. Asking rents continued to increase, averaging more than \$1.00/SF than it did one year ago. Rental rates should cross the \$30.00/SF mark once the fourth quarter of 2022 concludes. Asking rents were up across all subtypes across the board this past quarter, as Class A space rates stood at \$31.25/SF. Class B rates averaged \$25.12/SF, while Class C rates saw a minor increase, as well.

Current Conditions

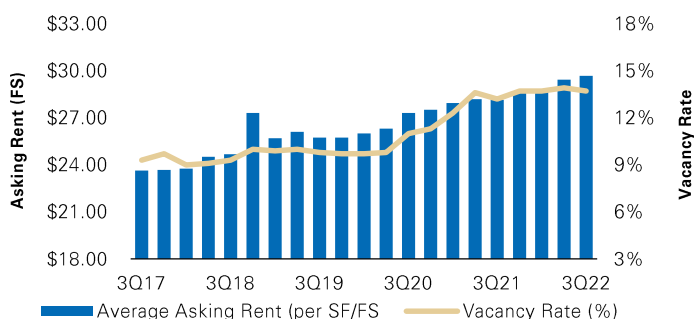
- Overall vacancy took a step in the right direction quarter over quarter at 13.7%, while new developments came into the pipeline with more than 1 million square feet under construction.
- The \$29.68/SF average asking rental rate across all classes was 1.0% higher than last quarter and 5.0% higher than one year ago.
- Quarterly net absorption remained in the positive across all classes from one year ago due to added vacancy from project completions.

Market Summary

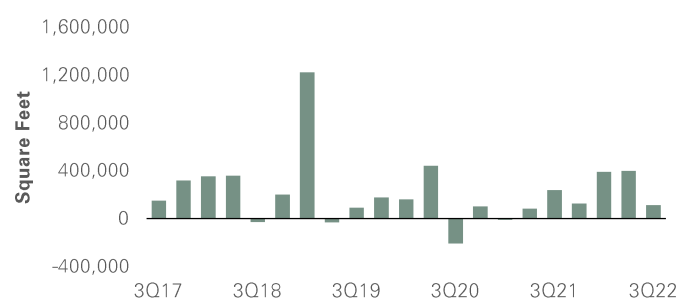
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	53.8M	53.6M	52.2M	↑
Vacancy Rate	13.7%	13.9%	13.2%	↑
Quarterly Net Absorption (SF)	112,552	397,021	310,253	←
Average Asking Rent/SF	\$29.68	\$29.43	\$28.14	←
Under Construction (SF)	1.2M	882K	1.8M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Construction Pipeline

No deliveries were recorded during the third quarter of 2022; however, more projects in development entered the pipeline for Raleigh and Durham. Under-construction developments were up a sizable amount, at more than 1.2 million square feet and 14 buildings. A notable new project that just recently broke ground is 1000 Social, a 353,000-square-foot office building in the Six Forks submarket. The building will feature ground-floor retail and has an anticipated completion date of February 2024. Another is T3 American Tobacco South, a 257,000-square-foot building in Downtown Durham due to be completed by the end of the first quarter of 2023.

Leasing Activity

The top 10 lease deals in the third quarter of 2022 for the Raleigh/Durham office sector accounted for over 250,000 square feet of transaction activity. Although down from the previous quarter's activity, this was due in part to one direct and one sublease deal from the second quarter of 2022, both of which were over 100,000 square feet in size. This market saw a total of 247 lease deals completed. Total vacant space in the Raleigh/Durham area during the third quarter of 2022 represented 7.3 million square feet.

Future Outlook

The Raleigh/Durham office sector had a quieter quarter than the previous one, but that did not stop leasing, construction and general office activity. Asking rents, transactions and absorption remained in the positive across the board and look to finish the year on a high note.

Major activity is expected to either remain at its current level or slow. Typically, fourth-quarter activity is the slowest due to the winter and holiday season.

Going forward, the Downtown Raleigh and Research Triangle submarkets are expected to be areas to watch as they both lead in absorption and construction activity. As one of the two largest markets in North Carolina, the Raleigh market will be building itself into a more prominent metropolis.

Vacancy decreased slightly and could repeat in the fourth quarter of 2022, while the amount of occupied space could reach an all-time high soon. Asking rental rates in the market will continue to rise.

Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Extreme Networks	RTP/RDU	2121 RDU Center Dr	Renewal	54,530
American Freight	Northwest Wake County	3509 Maitland Dr	New	40,000
Cintas	Research Triangle	4601 Creekstone Dr	Renewal	24,811
Confidential	RTP/RDU	6001 Hospitality Ct	New	24,249
Data443	Research Triangle	David Dr	New	20,000

Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
4001 E Hwy 54	Research Triangle	\$82,081,248	187,117	\$438.66
1010 Sync St	RTP/RDU	\$66,000,000	200,257	\$329.58
4001 E Hwy 54	Research Triangle	\$62,602,038	143,395	\$438.66
4000 Paramount Pky	RTP/RDU	\$29,200,000	90,000	\$324.44
1500 Sunday Dr	West Raleigh	\$14,600,000	61,227	\$238.46

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy 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	43,673,619	1,156,429	13.4 %	-10,029	546,176	\$29.85	\$24.47	\$28.30
6 Forks Falls of Neuse	5,997,529	439,800	8.5 %	128,440	125,030	\$32.57	\$25.56	\$29.05
Cary	6,526,546	58,840	12.5 %	70,632	165,109	\$30.94	\$24.98	\$29.90
East Raleigh	464,332	0	6.3 %	-9,254	-6,254	0	\$31.75	\$27.78
East Wake County	583,787	0	2.1 %	9,423	0	0	\$30.25	\$30.25
Glenwood/Creedmoor	2,289,585	205,000	8.0 %	-1,107	60,858	\$31.23	\$22.22	\$28.82
North Durham	569,263	0	34.6 %	0	-17,609	0	\$18.15	\$18.15
Orange County	1,651,845	0	26.9 %	4,013	-31,345	\$29.70	\$29.52	\$29.59
Research Triangle	8,696,653	0	8.9 %	128,160	466,884	\$26.42	\$27.24	\$26.66
Route 1	1,421,180	238,918	9.7 %	-26,532	-41,169	\$25.36	\$26.30	\$25.95
RTP/RDU	6,289,782	0	16.5 %	-200,964	-157,370	\$28.88	\$24.29	\$28.06
South Durham	2,586,055	111,871	18.5 %	11,407	5,902	\$27.66	\$22.01	\$26.45
West Raleigh	6,597,062	50,000	18.3 %	-124,247	-23,860	\$31.05	\$26.55	\$30.38
CBD	10,097,485	0	15.1 %	122,581	352,511	\$36.37	\$31.20	\$35.61
Downtown Durham	4,412,879	0	14.0 %	18,817	66,731	\$36.79	\$32.81	\$35.84
Downtown Raleigh	5,684,606	0	15.9 %	103,764	285,780	\$36.13	\$26.15	\$35.46
Raleigh Market	53,771,104	1,156,429	13.7 %	112,552	898,687	\$31.25	\$25.12	\$29.68

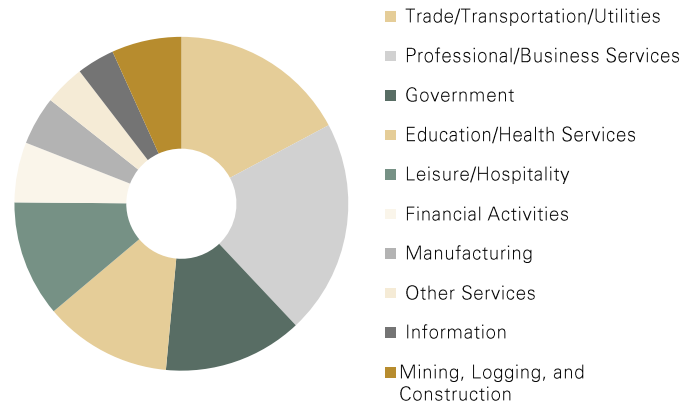
Economic Conditions

Professional business services and the trade and transportation employment sectors were still employment leaders in Raleigh. Raleigh's unemployment rate remained unchanged at 3.1%, showing no movement since last reported, but is still 100 basis points down from the 4.1% recorded during the same period last year. Raleigh's unemployment rate previously reached a low of 2.6% in December 2021.

Payroll employment rates in Raleigh reached 4.6%; nationally stood at 3.8%. The leisure and hospitality sector experienced a 15.0% increase in growth over a 12-month period as of August 2022, followed by professional/business services with a 9.7% increase.

Employment by Industry

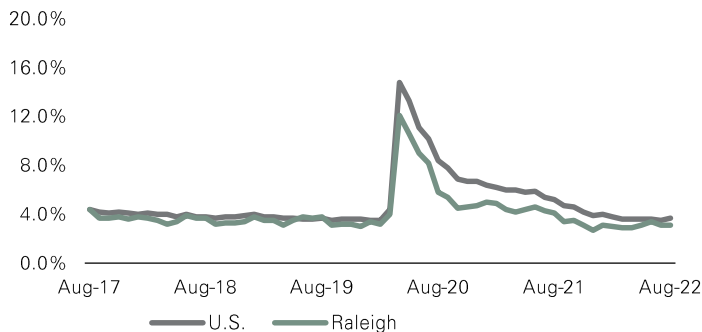
RALEIGH, August 2022



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

Unemployment Rate

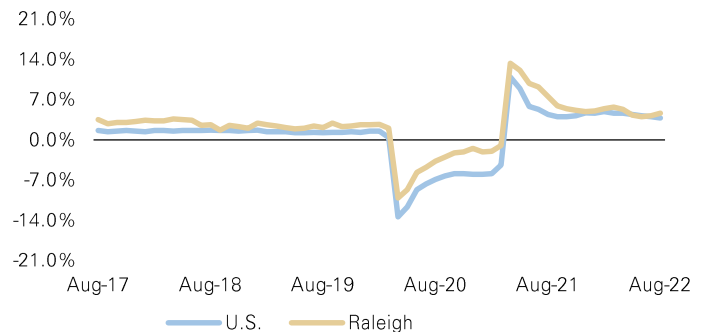
NOT SEASONALLY ADJUSTED



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

Payroll Employment

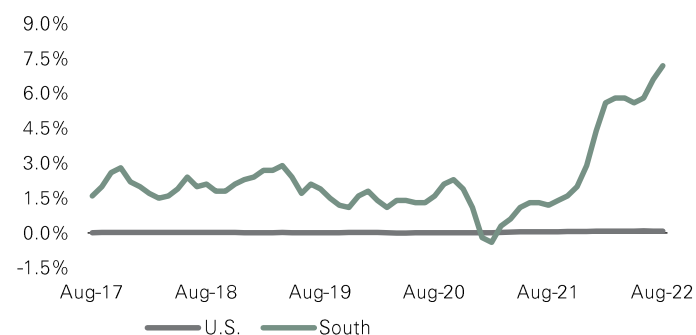
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



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

Consumer Price Index (CPI)

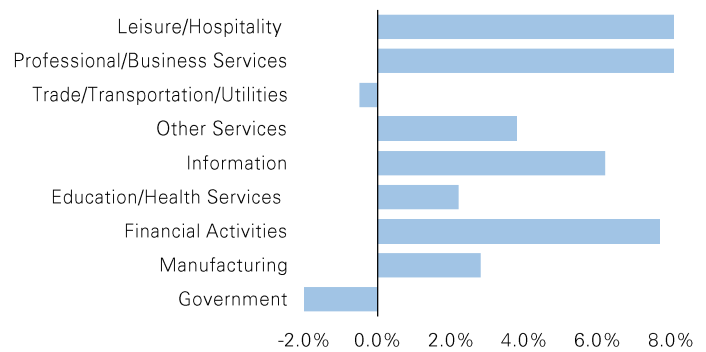
ALL ITEMS, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



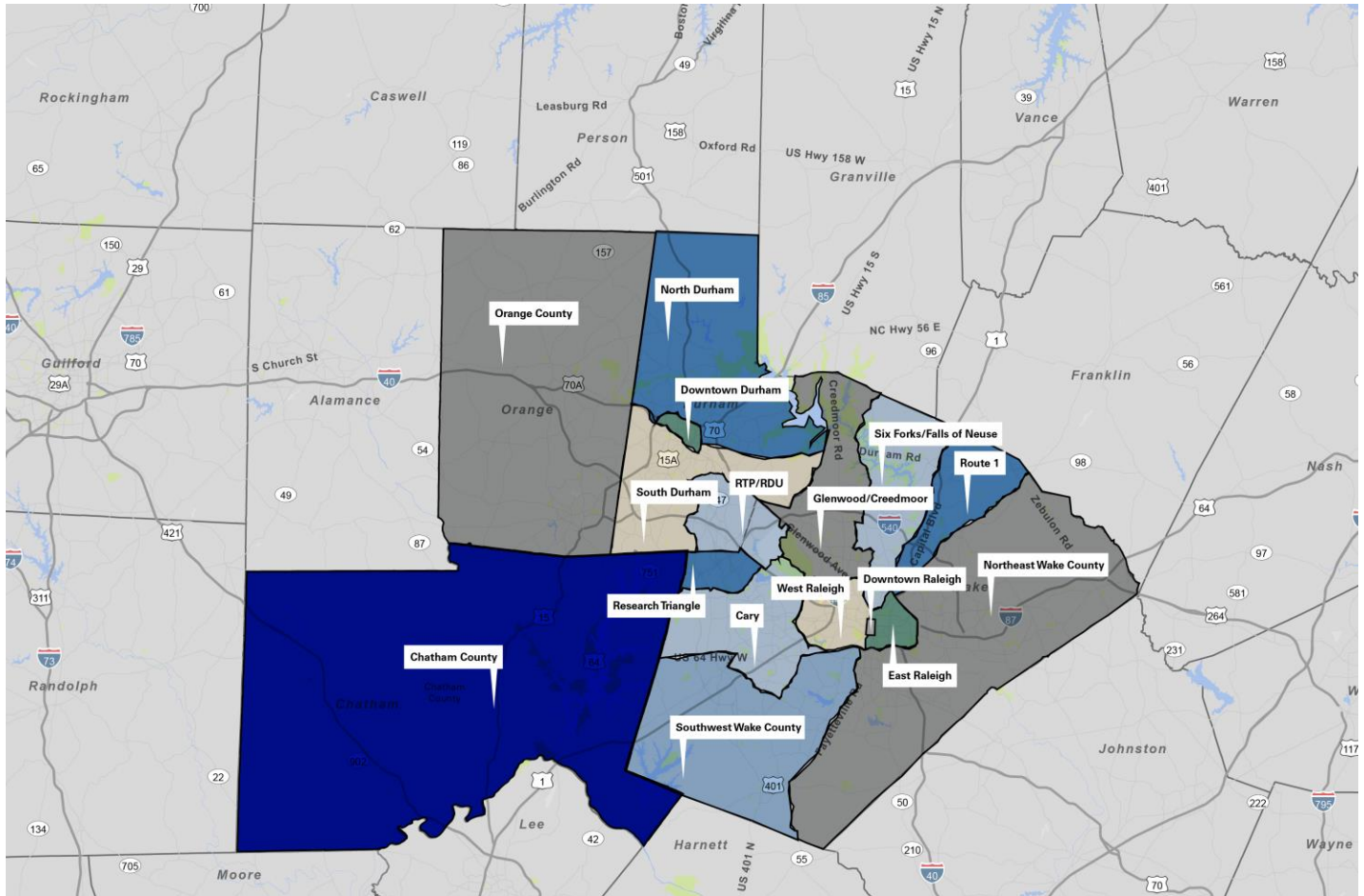
Source: U.S. Bureau of Labor Statistics, August 2022.

Employment Growth by Industry

RALEIGH, August 2022, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



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



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