



Raleigh Office Market

Limited Activity to End 2020

Raleigh’s office market was quiet to end 2020, as most office tenants remained on the sideline due to the pandemic; however, the region continues to be attractive to relocations from outside the market due to its cost of living, access to talent and quality of life. This is expected to position the region for a stronger recovery once the pandemic is over.

At the end of the fourth quarter of 2020, Raleigh’s overall vacancy rate was 11.3% up 20 basis points from last quarter and up 160 basis points from one year ago. This increase was driven by the delivery of 4200 Six Forks Road. The 330,000-square-foot building was released by multiple tenants who have yet to move in.

Net absorption for the quarter was 103,054 square feet, bringing the year-to-date total to 511,000 square feet. The outlook heading into 2021 is for more of the same as the second-half of the year, as new leasing velocity slowed. Despite the slowing of activity, the market’s overall asking rent increased 0.8% from last quarter to \$27.56/SF. Owners have held steady on asking rates while concession packages have risen over the past three quarters.

Current Conditions

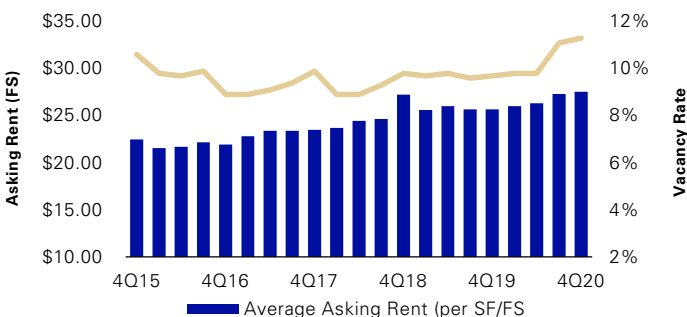
- The region continues to be attractive to relocations from outside the market due to its cost of living, access to talent and quality of life.
- Net absorption for the quarter was 103,054 square feet, bringing the year-to-date total to 511,000 square feet.
- The market’s overall asking rent increased 0.8% from last quarter to \$27.56/SF.

Market Summary

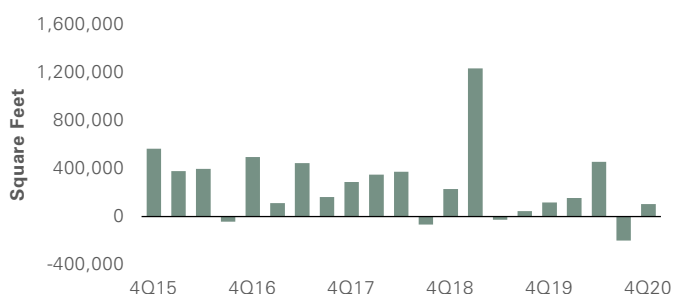
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	51.0 M	50.7 M	50.4 M	↑
Vacancy Rate	11.3%	11.1%	9.7%	→
Quarterly Net Absorption (SF)	103,054	-201,708	116,707	←
Average Asking Rent/SF	\$27.56	\$27.33	\$25.67	↓
Under Construction (SF)	2.8 M	2.9 M	2.6 M	↓

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	41,671,865	1,946,927	12.0 %	123,884	456,881	\$28.59	\$23.32	\$26.82
6 Forks Falls of Neuse	5,917,808	-	7.4 %	331,013	430,335	\$27.92	\$23.84	\$25.49
Cary	6,301,196	308,750	9.7 %	11,988	142,296	\$28.21	\$23.46	\$27.60
East Raleigh	464,332	-	2.1 %	-1,362	-9,765	-	\$30.50	\$30.50
East Wake County	583,787	-	2.1 %	-	12,000	-	\$30.25	\$30.25
Glenwood/Creedmoor	2,238,585	-	17.9 %	-84,862	-22,621	\$32.10	\$21.12	\$28.94
North Durham	569,263	-	31.5 %	-	-500	-	\$18.13	\$18.13
Orange County	1,495,428	106,000	14.7 %	49,842	102,817	\$31.79	\$29.29	\$30.23
Research Triangle	7,778,982	912,999	12.1 %	43,309	63,296	\$25.54	\$24.49	\$25.15
Route 1	1,380,567	-	7.6 %	-5,486	-38,862	\$27.50	\$20.89	\$22.95
RTP/RDU	5,926,107	340,000	14.1 %	-167,074	-11,646	\$27.83	\$25.77	\$27.55
South Durham	2,586,055	111,871	15.2 %	17,749	-42,957	\$27.77	\$22.85	\$26.45
West Raleigh	6,429,755	167,307	13.2 %	-71,233	-167,512	\$30.73	\$25.96	\$29.94
CBD	9,358,733	829,177	8.4 %	-20,830	54,658	\$32.92	\$29.57	\$31.87
Downtown Durham	4,452,138	-	9.7 %	1,531	116,238	\$32.77	\$31.38	\$32.35
Downtown Raleigh	4,906,595	829,177	7.3 %	-22,361	-61,580	\$33.09	\$26.18	\$31.26
Raleigh Market	51,030,598	2,776,104	11.3 %	103,054	511,539	\$29.26	\$24.07	\$27.56

Economic Conditions

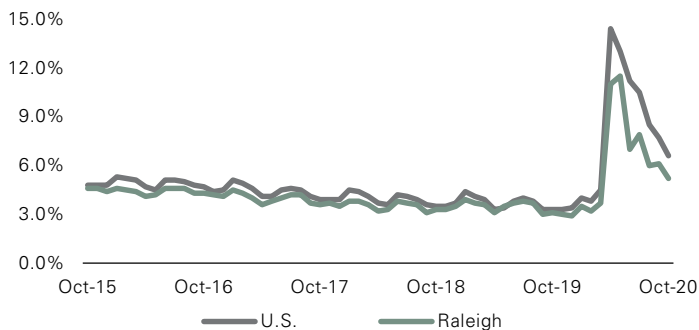
Raleigh's economy has slowly started to rebound from the effects from the pandemic, making gains from the lows reached in April. Employment levels are still far off from where they were last year at the same point, and the unemployment rate is almost double that of October 2019.

After losing 92,000 jobs in April, Raleigh has seen 54,000 jobs recovered between May and October 2020. The employment is still 41,000 jobs fewer than one year ago. The leisure/hospitality sector lost 35,000 jobs in April (almost 1/3 of the market's total) and has gained back half of those jobs.

Raleigh's unemployment rate was 5.2% as of October. While significantly lower than the 2020 peak of 11.5% in May, it is still 210 basis points higher than October 2019.

Unemployment Rate

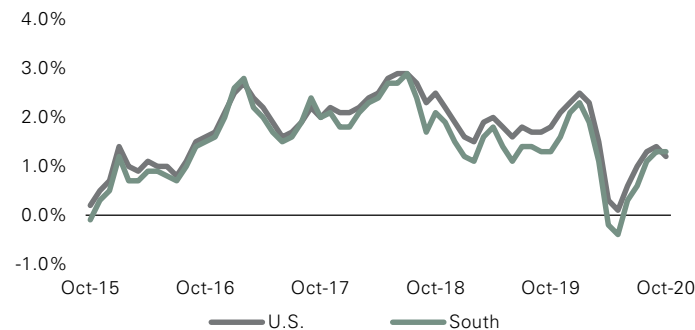
NOT SEASONALLY ADJUSTED



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

Consumer Price Index (CPI)

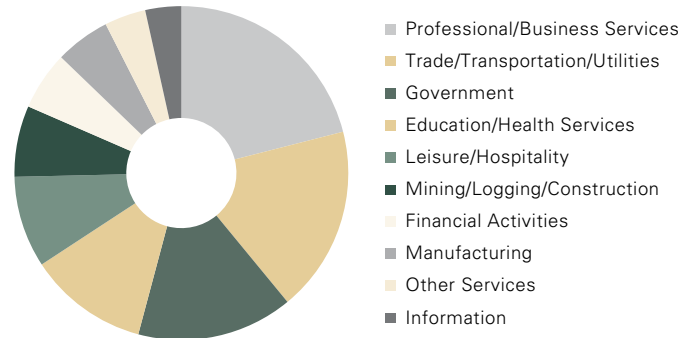
ALL ITEMS, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



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

Employment by Industry

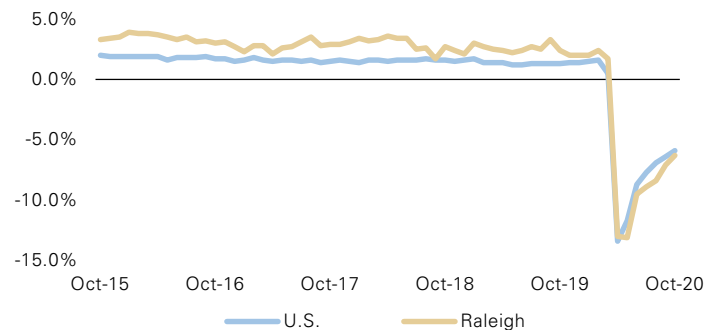
RALEIGH, OCTOBER 2020



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

Payroll Employment

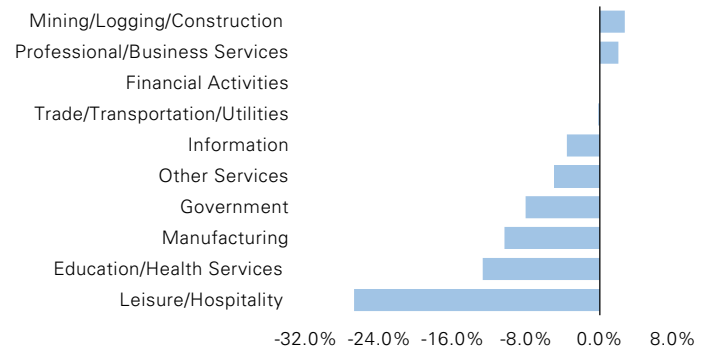
TOTAL NONFARM, NOT SEASONALLY ADJUSTED,
12-MONTH % CHANGE



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

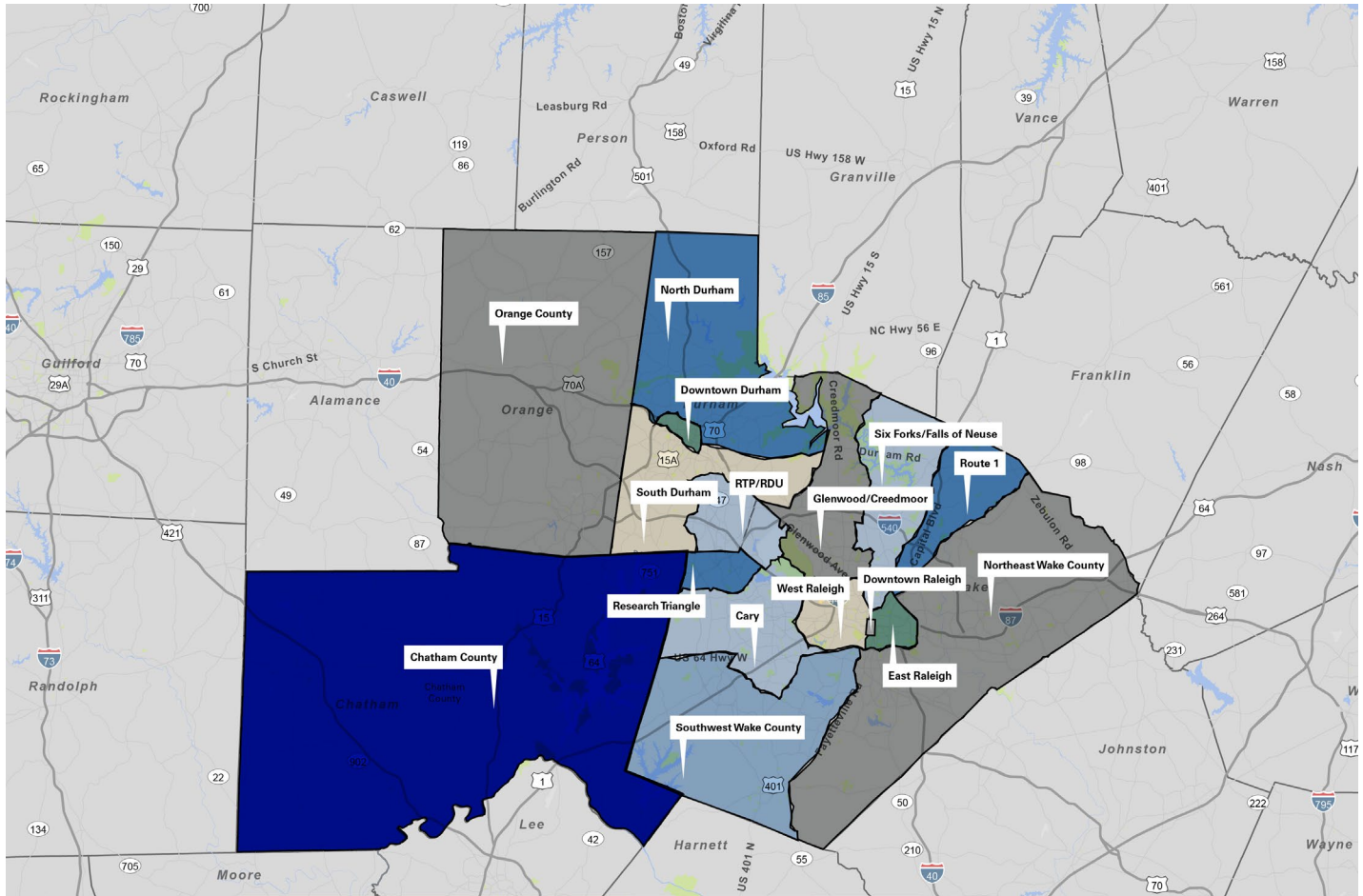
Employment Growth by Industry

RALEIGH, OCTOBER 2020, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



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

RESEARCH 4Q 2020



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