Raleigh - Q4 2020

Market Report

The combination of reduced or delayed demand for office space, new supply coming on line, 3M SF of additional, primarily speculative office under construction in the Raleigh and Durham markets, and a record high supply of available sublease space all points to increasing vacancy rates across the market in the coming 12 months. Despite the glut of supply, demand from life sciences, pharmaceuticals, universities, and government is strong enough to keep investors bullish long-term on the RDU markets. For now, landlords seem to be resisting any material reduction in face rates and instead are focusing on additional concessions in the form of free rent and increased tenant improvement allowances to compete and win new leases.

Vacancy	Average Rent	Net Absorption
7.3%	$27.39/SF	-33,649 SF

Rental and Vacancy Rates

Direct Asking Rent ($/SF)	Total Vacancy Rate		YoY Change
$35.21	Downtown | Class A	8.0%	2.1%
$26.77	Downtown | Class B	1.9%	0.8%
$30.03	RTP/RDU | Class A	8.6%	3.9%
$25.67	RTP/RDU | Class B	9.7%	-2.1%
$33.92	Six Forks Falls of Neuse | Class A	6.0%	-2.1%
$23.07	Six Forks Falls of Neuse | Class B	8.8%	0.1%
$27.40	Research Triangle | Class A	11.5%	4.6%
$22.73	Research Triangle | Class B	10.9%	7.8%

Recent Transactions

	Tenant	Size	Submarket	Sector
1	Charles River Laboratories	74,500 SF	Research Triangle	Off
2	Nokia	50,236 SF	Glenwood/Creedmoor	Off
3	FUJIFILM Medical Systems	42,456 SF	RTP/RDU	Off
4	Undisclosed	19,537 SF	Research Triangle	Off
5	Siemens	17,598 SF	Route 1	Off
6	LifeOmic, Inc.	14,572 SF	RTP/RDU	Off
7	Lennar	14,167 SF	RTP/RDU	Off

Occupier's Perspective

We recommend that occupiers begin to formulate their strategy for renewal or relocation a minimum of 12 months prior to lease expiration.

Rent growth has slowed since the beginning of the year placing pressure on office owner and landlords.

Demand in the market is still driven by the life science and technology sectors.

Market Trends

Developers are reinventing the suburban office markets
Most notable fully mixed-use development is HUB RTP, bringing $1.5B of investment to Research Triangle Park submarket.

Signs of a healthy market recovery post-pandemic
New pre-leasing activities within the construction pipeline suggest a continued demand among occupiers for high-quality space.

Vacancies remain below the national average While the supply of sublet space reached record high in 2020, firms have been less inclined to let go of space here than in other more expensive markets nationwide.