Raleigh, NC Office - Q1 2020

Market Report

While COVID-19 is expected to cause considerable economic disruption in Raleigh, the metro area had strong momentum prior to the outbreak. Leasing activity is expected to slow in the coming months, raising the vacancies, though prior to the outbreak they were consistently remaining below their 10-year historical average. Over the past few years, the demand for high-quality space made the market extremely competitive among tenants and landlords were able to capitalize, as rent growth averaged 5.8% over the past three years. The recent pandemic is expected to stall job growth and cause economic uncertainty which will likely impact rent growth in the near future.

Absorption, Vacancy and Rental Rates

Vacancy	Average Rent	Net Absorption
5.13%	$27.46/SF	404,467 SF

Vacancy Rates	Q4 2019	Q1 2020
Class A CBD	5.3%	6.5%
Class B CBD	1.1%	1.4%
Class A Suburban	7.4%	6.3%
Class B Suburban	8.7%	7.6%
Industrial	2.1%	3.1%

Rental Rates	Q1 2020
Class A CBD	$35.20
Class B CBD	$26.09
Class A Suburban	$34.40
Class B Suburban	$24.05
Industrial	$8.28

Source: CoStar

Recent Transactions

	Occupier	Size	Submarket	Type	Sector
1	Martin Marietta	125,000	Glenwood/ Creedmoor	Class A	Office
2	Golden Corral	39,438	West Raleigh	Class A	Office
3	Vontier	36,411	West Raleigh	Class A	Office

Occupier's Perspective

In last 12 months, most leases are in suburban submarkets, 6 Forks/Falls of Neuse, W Raleigh & RTP.

Occupiers should strategize for renewal/relocation a minimum of 12 months from lease expiration

Tight vacancies may cushion for severe job losses, allowing Raleigh to fare better than national forecasts.

Market Trends

New supply of 2.9M SF under construction will likely cause a drop in rent growth.

Raleigh's urban core is the metro's **most desirable** locations for companies.

Industrious signed a lease for **~ 27,600 SF in Wells Fargo Capital Center** for Q3 2020.