

# Office Market Report

Office users in Raleigh left the sidelines in the 2nd Quarter when leasing activity came roaring back, as technology and life science sectors lead the way with large expansions announced from companies such as Invitae Corporation and Apple. Despite the uptick in activity, a combination of new construction (approximately 1.2 million square feet) and continued record sublease availability should keep office rates stagnant for the near-term, though landlords are providing additional concessions in the form of free rent and increased tenant improvement allowances to compete and win new leases. Despite these challenges, we expect Raleigh to outperform most markets in its recovery from the pandemic.



**Vacancy**  
**8.5%**



**Average Rent**  
**\$27.50/SF**



**Net Absorption**  
**147,000 SF**

## Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$35.09	Downtown   Class A 13.3%	▲ 5.3%
\$27.37	Downtown   Class B 2.0%	▲ 0.3%
\$30.42	RTP/RDU   Class A 8.7%	▲ 4.5%
\$25.55	RTP/RDU   Class B 7.6%	▼ -1.4%
\$33.54	Six Forks Falls of Neuse   Class A 8.3%	▲ 3.1%
\$22.78	Six Forks Falls of Neuse   Class B 6.0%	▼ -2.8%
\$27.98	Research Triangle   Class A 10.2%	▼ -1.1%
\$23.39	Research Triangle   Class B 9.6%	▼ -3.3%
\$8.92	Industrial 2.9%	▼ -0.6%

## Recent Transactions

Tenant	Size	Submarket	Sector
1 Invitae Corporation	250,000 SF	RTP/RDU	Office
2 Teleflex	163,568 SF	RTP/RDU	Office
3 Zoetis	79,000 SF	Research Triangle	Office
4 Azzur Cleanrooms On Demand	75,015 SF	RTP/RDU	Office
5 Zoetis	49,951 SF	Research Triangle	Office
6 Northrop Grumman	36,888 SF	RTP/RDU	Office
7 Intel	21,622 SF	Cary	Office
8 Heat Biologics	15,996 SF	Research Triangle	Office
9 Research Triangle Park Foundation	14,763 SF	Research Triangle	Office

## Occupier's Perspective

Workplace strategy continues to be a key service line for clients as we look at how post-pandemic offices look and function.

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

Raleigh continues to benefit from relocations and expansions as firms seek to expand footprints outside of the more expensive markets.

## Market Trends

**Q2 rental rates.** Despite large leasing activity in Q2 rental rates remain flat as large leasing activity occurs primarily in two industries, technology and life sciences.

**Sublease space creates competition.** As landlords with direct space compete with the record amount of sublease space, they continue to offer large concession packages to offset the rental deltas between their space and those sublease spaces on the market today.

**Raleigh's suburban submarkets remain a sector for growth.** The addition of new mixed-use developments in the suburbs has given tenants more livable-work-environments outside the urban core.