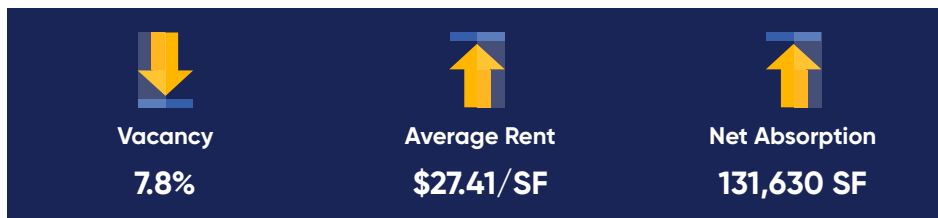
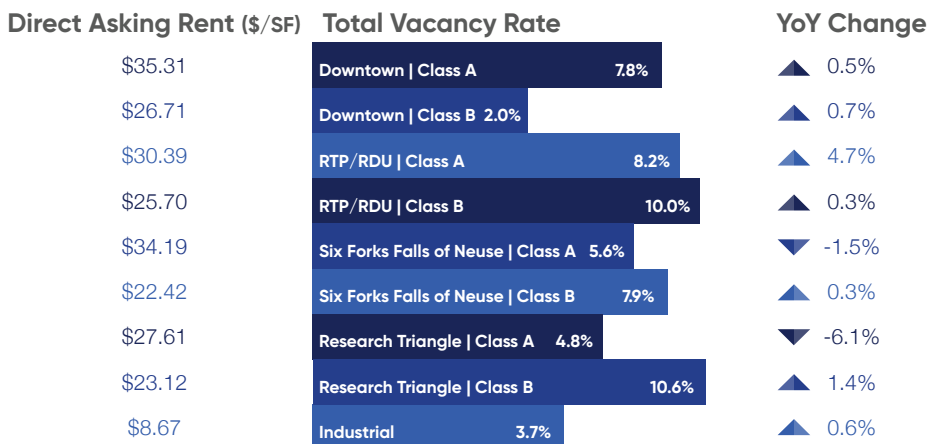


Office Market Report

The combination of reduced or delayed demand for office space, new supply coming online, 3 million additional square feet of 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.



Rental and Vacancy Rates



Recent Transactions

Tenant	Size	Submarket	Sector
1 Adverum Biotechnologies	262,667 SF	Research Triangle	Office
2 Regency Technologies Inc.	107,968 SF	Research Triangle	Industrial
3 Millennium Print Group	68,847 SF	Research Triangle	Industrial
4 Schneider Electric USA	65,000 SF	RTP/RDU	Office
5 Charles & Colvard, Ltd.	36,344 SF	Cary	Office
6 Sierra Nevada Corporation	24,788 SF	Research Triangle	Office
7 Liberty Healthcare Corporation	10,801 SF	West Raleigh	Office

Occupier's Perspective

Although rent growth has cooled significantly in the market post-pandemic, Raleigh still is holding up better than the national average of -1.6%. Given the amount of speculative space in the pipeline, tenants should expect more leverage in the coming quarters.

Suburban and exurban submarkets, such as Southwest Wake County, Franklin County, Johnston County and Northeast Wake County are outperforming the premier urban submarkets (Downtown, RTP/RDU, 6 Forks/Falls of Neuse, and Glenwood/Creedmoor), due mostly to limited new supply.

Market Trends

Growth in suburban mixed-use developments. Raleigh's suburbs continue to attract demand, capturing significant growth over the last several years. The addition of new mixed-use developments in the suburbs have given tenants more options for livable work environments outside the urban core.

Raleigh's strengths will allow for continued improvement in 2021. Although there is continued uncertainty in return to work plans, Raleigh will continue to benefit from its large local talent pool and overall affordability. New statewide coronavirus vaccine rollouts are expected to provide further hope of improved performance in 2021.