

# Raleigh-Durham

Office | Q2 2023 Market Report

## Quarterly Shifts

↓ Vacancy  
-0.4%

↓ Average Rent  
-\$0.19/SF

↑ Net Absorption  
488,136 SF

\*Report includes direct, Class A & B data

## Occupier's Perspective

Tenants in the market will have a plethora of high-quality options to consider, as 60% of office space under construction has yet to be leased.

Tenants will need to consider the length of lease term and construction costs as construction pricing is still at record highs. Landlords will have to get creative to compete with the 2.6M SF of sublease space on the market.

Sublease space between Raleigh and Durham are at record highs and there is a huge spectrum of quality and obsolete space.

## NC Economic Development

Raleigh-Durham posted the largest net reduction in occupied space on record for the market in Q1 2023 but bounced back to positive territory in Q2, due mostly to a few significant leases over the last quarter. Extreme Networks expanded into 54,000 SF in Morrisville and American Tower took down 50,000 SF at Fenton Place in Cary. Apple and Bandwidth campuses are also bright spots on the horizon as Bandwidth's 440,000 SF global HQ will deliver this summer and Apple will break ground on its East Coast hub.

Despite the market's annual net absorption figure, approximately -520,000 SF, **job growth for "in-office" jobs increased signaling a continuation of the hybrid workforce trend prompting companies to choose to right-size office space and move to smaller, higher quality space.**

Raleigh continues to **outperform national averages** despite shrinking rental rates in select submarkets. The market is well-positioned to fare the tumultuous real estate market due to its highly educated workforce, affordability, and business friendly environment.

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
16.9%	0.7% ▲	\$27.73	Research Triangle
12.7%	-0.6% ▼	\$28.88	Cary
15.1%	0.1% ▲	\$30.41	RTP/RDU
18.3%	-1.2% ▼	\$32.69	West Raleigh
18.7%	-0.6% ▼	\$35.62	Downtown Raleigh
14.2%	-3.0% ▼	\$36.92	Glenwood/Creedmoor
10.4%	-1.9% ▼	\$38.58	Route 1
8.3%	1.4% ▲	\$39.01	Six Forks/Falls of Neuse
0.0%	0.0% ●	N/A	East Raleigh

**28,000**  
New Jobs  
Created

**\$19B+**  
Capital  
Investment

**\$1.55B**  
New Annual  
Payroll

Source: Economic Development Partnership of NC 2022 Annual Report