

# Raleigh, NC

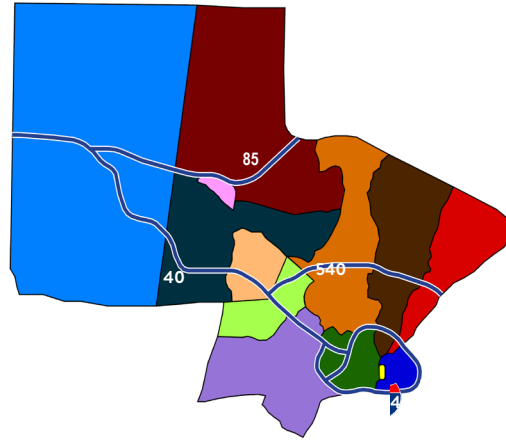
## OFFICE MARKET REPORT | Q4 2020

The Raleigh-Durham office market remained steady in the fourth quarter as companies and businesses endured uncertainties about future space needs and continued to implement work from home strategies.

The life-sciences sector has accelerated tremendously in the Triangle resulting in both increased property conversions and tenant and investor demand. Traditional office properties are continuing to be converted and tracked as life-science assets moving forward. Raleigh-Durham's proximity to top research universities and consistent life science activity helps position the city as one of the top real estate markets for life science users. In December, a joint venture between Starwood Capital Group and Trinity Capital Advisors purchased Southport Business Park, a 911,702 square feet flex park with a significant prevailing life science presence for \$208 million.

In December 2020, Drawbridge Realty paid \$89.7 million for full ownership of Iqvia headquarters building in Durham, an 11-story 259,531 square feet of Class A office space. This followed the large office transaction in November, the sale of The Dillion in downtown Raleigh for \$236 million to an institutional client advised by MetLife Investment Management. The Dillion is an 18-story development featuring a total of 221,300 square feet of Class A office, 52,600 square feet of retail, and 271 multifamily units.

Raleigh-Durham ranked as the #1 U.S. real estate market to watch in the 2021 Emerging Trends in Real Estate Report by the Urban Land Institute and PwC.



|                              | 4Q 2020    | 3Q 2020    |
|------------------------------|------------|------------|
| ↑ Market Supply (SF)         | 73,643,827 | 72,538,118 |
| ↓ Under Construction (SF)    | 3,134,063  | 3,686,800  |
| ↑ Direct Vacancy (%)         | 8.3%       | 8.4%       |
| ↑ Total Vacancy (%)          | 9.5%       | 9.2%       |
| ↑ Total Net Absorption (SF)  | 284,617    | 130,234    |
| ↑ YTD Net Absorption (SF)    | 927,358    | 642,741    |
| ↑ Direct Asking Rent         | \$28.39    | \$28.33    |
| ↓ Class A Direct Asking Rent | \$30.67    | \$30.68    |
| ↑ Class B Direct Asking Rent | \$23.25    | \$23.10    |

| SUBMARKET                          | INVENTORY         | VACANT SPACE     | VACANCY RATE | 4Q 2020 ABSORPTION | 4Q 2019 ABSORPTION | COMPLETIONS    | CONSTRUCTION     | DIRECT ASKING RATE |
|------------------------------------|-------------------|------------------|--------------|--------------------|--------------------|----------------|------------------|--------------------|
| <i>Downtown Durham</i>             | 5,323,245         | 432,974          | 8.1%         | 15,755             | 56,659             | -              | -                | \$31.20            |
| <i>Downtown Raleigh</i>            | 6,732,421         | 387,552          | 5.8%         | -87,473            | 89,874             | -              | 547,543          | \$36.47            |
| <b>URBAN TOTALS:</b>               | <b>12,055,666</b> | <b>820,526</b>   | <b>6.8%</b>  | <b>-71,718</b>     | <b>146,533</b>     | <b>-</b>       | <b>547,543</b>   | <b>\$34.91</b>     |
| <i>Six Forks Rd/Falls of Neuse</i> | 7,282,808         | 469,938          | 6.5%         | 310,738            | -114,464           | 330,380        | 35,000           | \$25.85            |
| <i>Cary</i>                        | 9,606,603         | 867,076          | 9.0%         | 97,619             | 25,317             | 153,600        | 357,613          | \$29.81            |
| <i>US-70/Glenwood</i>              | 2,825,954         | 254,447          | 9.0%         | -1,387             | 44,965             | -              | 130,000          | \$30.44            |
| <i>North Durham</i>                | 1,476,573         | 194,172          | 13.2%        | -                  | 1,620              | -              | -                | \$17.90            |
| <i>Orange County</i>               | 2,579,240         | 289,967          | 11.2%        | 194,491            | 19,634             | 150,000        | 140,418          | \$28.04            |
| <i>Route 1</i>                     | 2,391,823         | 234,167          | 9.8%         | 20,204             | 35,244             | 36,000         | -                | \$23.30            |
| <i>RDU/I-40</i>                    | 9,496,135         | 874,174          | 9.2%         | -151,036           | 10,286             | -              | 369,678          | \$26.42            |
| <i>South Durham</i>                | 4,323,910         | 437,415          | 10.1%        | 48,897             | 8,421              | 35,102         | 111,871          | \$27.46            |
| <i>Research Triangle</i>           | 11,138,494        | 1,479,741        | 13.3%        | -33,023            | 75,167             | -              | 912,999          | \$23.41            |
| <i>West Raleigh</i>                | 9,228,863         | 1,054,911        | 11.4%        | -131,530           | -20,705            | -              | 528,941          | \$31.35            |
| <i>East Raleigh</i>                | 1,237,758         | 15,778           | 1.3%         | 1,362              | -                  | -              | --               | \$30.50            |
| <b>SUBURBAN TOTALS:</b>            | <b>61,588,161</b> | <b>6,171,786</b> | <b>10%</b>   | <b>356,335</b>     | <b>85,485</b>      | <b>705,082</b> | <b>2,586,520</b> | <b>\$27.37</b>     |
| <b>RALEIGH TOTALS:</b>             | <b>73,643,827</b> | <b>6,992,312</b> | <b>9.5%</b>  | <b>284,617</b>     | <b>232,018</b>     | <b>705,082</b> | <b>3,134,063</b> | <b>\$28.39</b>     |

Market Data Source: CoStar data pulled 2.22.21 | Triangle Business Journal | The News & Observer | Lincoln Harris Research



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## SIGNED LEASE TRANSACTIONS

| TENANT          | BUILDING                  | SUBMARKET      | SF     | TYPE    |
|-----------------|---------------------------|----------------|--------|---------|
| Nokia           | Crabtree Overlook         | US-70/Glenwood | 50,000 | Renewal |
| Revco Solutions | Meridian Corporate Center | South Durham   | 18,411 | Renewal |
| LifeOmic        | 4000 Paramount Pkwy       | RDU/I-40       | 14,572 | New     |

2021 Emerging Trends In Real Estate  
named Raleigh

**#1**  
IN OVERALL  
REAL ESTATE PROSPECTS

## RECENT INVESTMENT SALES

| BUILDING                      | SUBMARKET         | RBA     | SALE PRICE    | PRICE/SF | BUYER   |
|-------------------------------|-------------------|---------|---------------|----------|---|
| Rho HQ Building - Triangle 54 | Research Triangle | 160,000 | \$53,700,000  | \$335    | Laulima Capital Investors                         |
| IQVIA HQ - 4820 Emperor Blvd  | Research Triangle | 259,531 | \$89,700,000  | \$345    | Drawbridge Realty                                 |
| The Dillon                    | Downtown Raleigh  | 221,300 | \$132,000,000 | \$596    | MetLife Investment Services                       |
| Southport Business Park       | Research Triangle | 911,702 | \$208,000,000 | \$228    | Starwood Capital Group & Trinity Capital Advisors |
| Weston Parkway                | Cary              | 137,759 | \$25,000,000  | \$181    | Alidade Capital                                   |

## OFFICE UNDER CONSTRUCTION

| BUILDING                             | SUBMARKET         | DEVELOPER/OWNER                 | SF      | ASKING RENTS | MAJOR TENANT(S) |
|--------------------------------------|-------------------|---------------------------------|---------|--------------|-----------------|
| 301 Hillsborough at Raleigh Crossing | Downtown Raleigh  | The Fallon Company              | 292,543 | \$41.50      | Pendo           |
| Tower Two at Bloc [83]               | Downtown Raleigh  | Heritage Properties             | 281,634 | \$37.50      | Envestnet, Inc. |
| Smoky Hollow 2                       | Downtown Raleigh  | Kane Realty                     | 225,000 | \$38.50      | Clancy & Theys  |
| 8 Davis Drive                        | Research Triangle | Alexandria Real Estate Equities | 220,000 | -            | -               |
| Forty540 Phase II                    | Research Triangle | Strategic Capital Partners      | 200,000 | \$32.50      | SolarWinds      |
| The Roxboro at Venable Center        | Downtown Durham   | SLI/Trinity/Wheelock St Capital | 203,249 | \$38.50      | -               |

Market Data Source: CoStar data pulled 2.1.21 | Triangle Business Journal | The News & Observer | Lincoln Harris Research

