

# Raleigh, NC

## OFFICE MARKET REPORT | Q1 2021

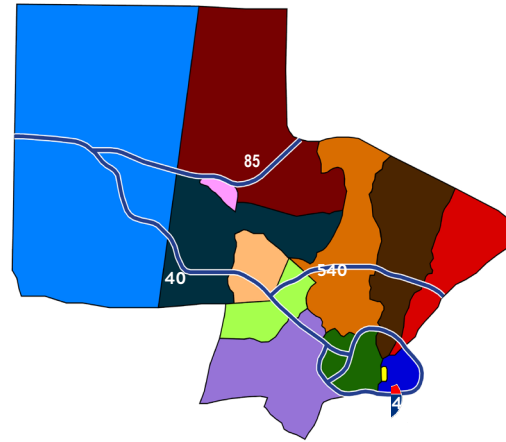
The Raleigh-Durham office market remained healthy in the first quarter as the market continued to benefit from large local talent pools, market affordability, and increased interest from businesses and individuals to live and work within the growing market. Although there are still uncertainties with return to office plans and tenant space needs, the Raleigh market remains optimistic and will continue to progress upon North Carolina statewide coronavirus vaccine rollout efforts.

Raleigh-Durham economics are favorable with the unemployment rate declining in the beginning of 2021 and more than 79,200 jobs added to the Triangle region since May 2020. Several corporate announcements including Google, FUJIFILM Diosynth Biotechnologies, Biogen, and Gilead Sciences will help to accelerate economic recovery and add over 2,000 jobs and over \$2.2 billion of investment to the market.

The life-sciences sector continues to grow in the Triangle resulting in both increased

property conversions and tenant and investor demand. Traditional office/FLEX properties continue 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.

Although investors remain active and interested in the Triangle region, investment sales activity decreased in the first quarter likely due to a limited supply of available assets. The largest transaction in the first quarter was The Forum, a five building office park totaling 635,380 square feet in the Six Forks submarket, purchased by Highwoods Properties from Balandis for \$175.1 million or \$276 per square foot. 612,052 square feet was added to the market in Q1 and 2.9 million square feet is under construction with estimated deliveries spanning over the next year. The market realized 641,476 of positive net absorption and Class A direct asking rents increased by 18 bps.



	1Q 2021	4Q 2020
↑ Market Supply (SF)	74,414,720	73,643,827
↓ Under Construction (SF)	2,903,958	3,134,063
Direct Vacancy (%)	8.3%	8.3%
↓ Total Vacancy (%)	9.3%	9.5%
↑ Total Net Absorption (SF)	641,476	284,617
↓ YTD Net Absorption (SF)	641,476	927,358
↑ Direct Asking Rent	\$28.65	\$28.39
↑ Class A Direct Asking Rent	\$30.85	\$30.67
↓ Class B Direct Asking Rent	\$23.15	\$23.25

SUBMARKET	INVENTORY	VACANT SPACE	VACANCY RATE	1Q 2021 ABSORPTION	1Q 2020 ABSORPTION	COMPLETIONS	CONSTRUCTION	DIRECT ASKING RATE
<i>Downtown Durham</i>	5,327,245	434,873	8.2%	-1,899	-17,671	-	240,741	\$34.27
<i>Downtown Raleigh</i>	6,714,568	375,926	5.6%	11,626	-68,669	-	517,543	\$36.20
<b>URBAN TOTALS:</b>	<b>12,041,813</b>	<b>810,799</b>	<b>6.7%</b>	<b>-9,727</b>	<b>-86,340</b>	<b>-</b>	<b>758,284</b>	<b>\$35.38</b>
<i>Six Forks Rd/Falls of Neuse</i>	7,282,808	433,387	6.0%	36,551	95,827	-	108,000	\$26.69
<i>Cary</i>	9,610,553	1,013,086	10.5%	-146,010	78,513	-	409,359	\$29.80
<i>US-70/Glenwood</i>	2,955,954	206,953	7.0%	177,494	31,154	-130,000	-	\$30.16
<i>North Durham</i>	1,317,003	194,172	14.7%	-	-6,518	-	-	\$17.90
<i>Orange County</i>	2,689,658	498,373	18.5%	-97,988	-15,364	110,418	51,281	\$28.09
<i>Route 1</i>	2,391,823	234,211	10.2%	-9,044	-26,580	-	-	\$23.12
<i>RDU/I-40</i>	9,622,033	867,622	9.0%	96,552	227,427	90,000	279,678	\$26.33
<i>South Durham</i>	4,323,910	502,113	11.6%	-64,698	-18,698	-	111,871	\$26.87
<i>Research Triangle</i>	11,099,672	907,772	8.2%	549,968	196,456	-	912,999	\$23.52
<i>West Raleigh</i>	9,512,984	1,249,362	13.1%	87,183	97,514	281,634	247,307	\$31.25
<i>East Raleigh</i>	1,566,509	14,037	0.9%	1,741	-4,041	-	25,179	\$30.50
<b>SUBURBAN TOTALS:</b>	<b>62,372,907</b>	<b>6,130,088</b>	<b>9.8%</b>	<b>631,749</b>	<b>655,690</b>	<b>612,052</b>	<b>2,145,647</b>	<b>\$27.48</b>
<b>RALEIGH TOTALS:</b>	<b>74,414,720</b>	<b>6,940,887</b>	<b>9.3%</b>	<b>641,476</b>	<b>569,350</b>	<b>612,052</b>	<b>2,903,958</b>	<b>\$28.65</b>





## SIGNED LEASE TRANSACTIONS

TENANT	BUILDING	SUBMARKET	SF	TYPE
Adverum Biotechnologies	Parmer 14	Research Triangle	173,820	New
DPR Construction	Genesis RTP	Research Triangle	100,000	New
Schneider Electric	INQ @ 1101	Research Triangle	64,387	New
FUJIFILM Medical Systems	Perimeter Two	Research Triangle	42,456	Renewal
Aecom	Wade V	West Raleigh	33,233	New
Google	Durham.ID	Downtown Durham	25,000	Sublease

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
Forum Office Park	Six Forks	635,380	\$175,100,000	\$276	Highwoods Properties
3801 & 3803 Computer Drive	Six Forks	54,688	\$9,900,000	\$181	Atlas Stark
111 W Hargett Street	Downtown Raleigh	31,000	\$5,500,000	\$177	Edgewater Ventures
Washington Building (American Tobacco Campus)	Downtown Durham	176,364	Undisclosed	Undisclosed	Undisclosed

## 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.
8 Davis Drive	Research Triangle	Alexandria Real Estate Equities	220,000	-	-
Palisades III	West Raleigh	Keystone Corporation	167,307	\$33.00	-
The Roxboro at Venable Center	Downtown Durham	Trinity Capital Advisors	203,249	\$38.50	-
Smoky Hollow 2	Downtown Raleigh	Kane Realty	225,000	\$38.50	Clancy & Theys

Market Data Source: CoStar data pulled 5.17.21 | Triangle Business Journal | The News & Observer | Lincoln Harris Research

