

Raleigh, NC

OFFICE MARKET REPORT | Q4 2021

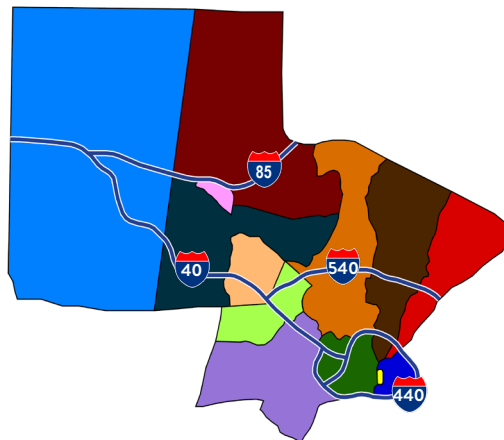
In the 4th Quarter of 2021, the Raleigh office market gained momentum as tenants and landlords slowly grew confident with company-wide return to office strategies. Vaccination rates are gradually increasing with 66% of the population within the Raleigh/Durham market being fully vaccinated. The COVID-19 Omicron variant has created minor challenges for office users, however, minimal negative impact to market activity.

The market experienced a positive net absorption of ~240,000 SF in the 4th quarter for Class A & B product. The large majority of that positive absorption was in Downtown Raleigh and the RDU/I-40 corridor submarket while the negative absorption was mostly in Research Triangle and Cary.

Located in Downtown Durham, The Roxboro at Venable Center was completed,

delivering ~203,000 SF Class A office space with ~7,000 SF of retail and multifamily. In Downtown Raleigh, 301 Hillsborough at Raleigh Crossing, a 19-story mixed use tower delivered with ~280,000 SF of Class A office and ~12,000 SF of retail space. Lastly, in West Raleigh, Palisades III delivered adding ~167,000 SF to the market. The Roxboro at Venable Center and Palisades III were 0% leased and 301 Hillsborough was 45% leased at delivery.

4th Quarter investment activity was strong with the most notable sales transaction at The Stitch, a converted outlet mall in Morrisville selling to Related Fund Management for \$181.8 MM, or \$742 psf. Other transactions included Bloc [83] and One Glenwood, Duke Medical Plaza, and the INQ 1101 building.



	Q4 2021	Q3 2021
↑ Market Supply (SF)	76,513,604	76,059,111
↓ Under Construction (SF)	2,088,101	2,225,431
↑ Direct Vacancy (%)	10.0%	9.4%
↓ Total Vacancy (%)	11.2%	10.8%
↑ Total Net Absorption (SF)	245,271	-353,537
↑ YTD Net Absorption (SF)	832,577	571,719
↑ Direct Asking Rent	\$29.70	\$29.42
↑ Class A Direct Asking Rent	\$31.51	\$31.23
↑ Class B Direct Asking Rent	\$23.89	\$23.17

SUBMARKET	INVENTORY	VACANT SPACE	VACANCY RATE	Q4 2021 ABSORPTION	Q4 2020 ABSORPTION	COMPLETIONS	CONSTRUCTION	DIRECT ASKING RATE
<i>Downtown Durham</i>	5,528,647	718,026	13.0%	54,226	15,755	203,249	37,492	\$36.19
<i>Downtown Raleigh</i>	7,941,428	1,073,111	13.5%	166,887	-87,473	292,543	-	\$35.98
URBAN TOTALS:	13,470,075	1,791,137	10.8%	221,113	-71,718	495,792	37,492	\$36.05
<i>Six Forks Rd/Falls of Neuse</i>	7,335,851	580,231	7.9%	46,524	310,738	-	439,800	\$27.12
<i>Cary</i>	9,860,476	1,191,051	12.1%	-40,473	97,619	-	407,678	\$29.97
<i>US-70/Glenwood</i>	3,006,954	286,589	9.5%	47,383	-1,387	-	-	\$28.19
<i>North Durham</i>	1,317,003	194,172	14.7%	1,343	-	-	-	\$18.06
<i>Orange County</i>	2,700,937	494,421	18.3%	2,557	194,491	-	51,281	\$28.97
<i>Route 1</i>	2,434,252	191,033	7.8%	-37,528	20,204	-	221,404	\$29.77
<i>RDU/I-40</i>	9,948,909	943,162	9.5%	106,409	-151,036	-	-	\$26.92
<i>South Durham</i>	4,356,589	532,173	12.2%	-9,847	48,897	-	111,871	\$27.40
<i>Research Triangle</i>	11,403,827	1,177,381	10.3%	-88,034	-33,023	-	-	\$25.80
<i>West Raleigh</i>	9,087,043	1,193,518	13.1%	1,653	-131,530	167,307	490,575	\$30.46
<i>East Raleigh</i>	1,591,688	18,204	1.1%	-5,829	1,362	-	-	\$30.50
SUBURBAN TOTALS:	63,043,529	6,801,935	10.8%	24,158	356,335	167,307	1,722,609	\$28.17
RALEIGH/DURHAM TOTALS:	76,513,604	8,593,072	11.2%	245,271	284,617	663,099	1,760,101	\$29.70



www.lincolnharris.com



DAVID CONNOR, Senior Vice President
919.645.6968
david.connor@lincolnharris.com

KALER WALKER, Vice President, Brokerage
919.645.6983
kaler.walker@lincolnharris.com

AMY WATKINS, Vice President, Brokerage
919.645.6966
amy.watkins@lincolnharris.com

TYLER ASHLEY, Research Analyst
704.714.7663
tyler.ashley@lincolnharris.com



SIGNED LEASE TRANSACTIONS

TENANT	BUILDING	SUBMARKET	SF	TYPE
Xilis	Alexandria Center for Life Sciences	RTP/RDU	68,000	New
Garmin	Regency Creek I	Cary	62,000	New
McAdams	Tower Two at Bloc [83]	Downtown Raleigh	54,460	Expansion
IXL Learning Inc.	1600 Perimeter Park Dr	RTP/RDU	45,236	New and Expansion
ServiceTrade	Central Park Two	RTP/RDU	25,883	New
Zachary Piper LLC	Regency Woods II	Cary	10,447	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
The Stitch	RTP/I-40	245,159	\$181,800,000	\$742	Related Fund Management
Bloc[83] and One Glenwood	Downtown Raleigh	495,121	\$330,000,000	\$667	City Office REIT of Canada
Duke Medical Plaza	Durham	60,500	\$37,125,000	\$614	LaSalle Investment Management
INQ 1101	RTP/I-40	144,300	\$88,000,000	\$609	TPG Real Estate
Research Commons (5 buildings)	RTP/I-40	429,758	\$138,000,000	\$321	Oxford Properties
Palisades I, II, III	West Raleigh	327,540	\$87,075,000	\$266	Alidade Capital

OFFICE UNDER CONSTRUCTION

BUILDING	SUBMARKET	DEVELOPER/OWNER	SF	ASKING RENTS
Bandwidth HQ	West Raleigh	East West Partners / Capitol Broadcasting Company	440,575	N/A
One North Hills Tower	Six Forks Falls of Neuse	Kane Realty Corporation	266,000	\$44.50
Fenton	Cary	Hines	225,350	\$39.50
GlenLake III	West Raleigh	Highwoods	205,000	N/A
Double Gable - Raleigh Iron Works	Raleigh	Grubb Ventures	137,340	\$44.50

Market Data Source: CoStar data pulled 01.14.22 | Triangle Business Journal | The News & Observer | Lincoln Harris Research

