

Raleigh, NC

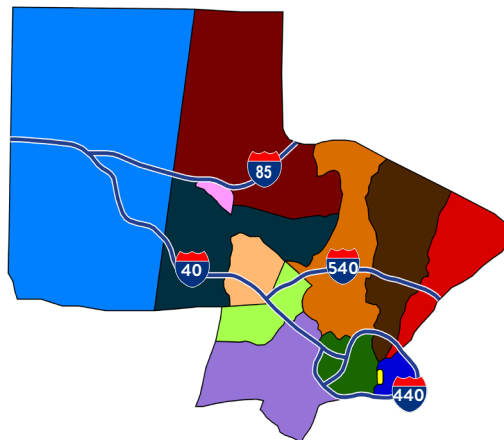
OFFICE MARKET REPORT | Q1 2022

In the 1st quarter of 2022, the Raleigh-Durham office market continued to recover from the negative impacts of COVID-19. For class A & B product, vacancy rates decreased to 10.9% and leasing activity continued to increase with momentum driven from the 4th quarter. This increase indicates a strong desire from companies to remain persistent with return to office strategies and create a desirable workplace environment for employees.

The market saw a positive net absorption of ~293,000 square feet in the 1st quarter with the majority of the absorption coming from Downtown Raleigh/Durham contributing a combined 26%, Research Triangle 44%, and Glenwood 30% of total net absorption. Average rental rates for Class A and B product rose 3.5% from the previous quarter landing at \$30.75 at the end of the quarter. Sublease vacancy increased due to large blocks of space becoming available but will

likely level out this year as quality subleases are absorbed.

Investment activity in the Triangle was strong with deal volume over \$289 million, demonstrating investor confidence in the market with opportunity for growth. Credit Suisse sold their 2-building portfolio in RTP totaling 416,817 square feet, to ElmTree funds for \$92M or \$220 per square foot. The 200,00 square foot building was a sale-leaseback. Additionally, GI Partners purchased Regency Woods in Cary from The Spectrum Companies for \$53.9M or \$353 per square foot. In the life science space, ARE purchased The Lab at RTP, currently a 299,000 square foot project including 70,000 square feet of lab and incubator space with future development rights of over 1,000,000 square feet. The asset sold for \$80M, or \$268 per square foot.



	Q1 2022	Q4 2021
↑ Market Supply (SF)	76,568,967	76,513,604
↓ Under Construction (SF)	2,030,707	2,088,101
↓ Direct Vacancy (%)	9.9%	10.0%
↓ Total Vacancy (%)	10.9%	11.2%
↑ Total Net Absorption (SF)	293,682	245,271
↓ YTD Net Absorption (SF)	526,498	832,577
↑ Direct Asking Rent	\$30.75	\$29.70
↑ Class A Direct Asking Rent	\$32.66	\$31.51
↑ Class B Direct Asking Rent	\$24.83	\$23.89

SUBMARKET	INVENTORY	VACANT SPACE	VACANCY RATE	Q1 2022 ABSORPTION	Q1 2021 ABSORPTION	COMPLETIONS	CONSTRUCTION	DIRECT ASKING RATE
<i>Downtown Durham</i>	5,393,016	709,754	13.2%	45,764	-1,899	37,492	-	\$36.36
<i>Downtown Raleigh</i>	8,188,859	1,041,671	12.7%	31,440	11,626	-	150,000	\$36.56
URBAN TOTALS:	13,581,875	1,751,425	12.9%	77,204	-9,727	37,492	150,000	\$36.50
<i>Six Forks Rd/Falls of Neuse</i>	7,397,217	644,571	8.7%	-30,547	36,551	-	514,800	\$34.23
<i>Cary</i>	9,749,126	1,021,206	10.5%	36,217	-146,010	-	271,805	\$29.97
<i>US-70/Glenwood</i>	3,006,954	197,141	6.6%	89,448	177,494	-	-	\$27.35
<i>North Durham</i>	1,310,577	209,672	16.0%	-15,500	-	-	-	\$18.06
<i>Orange County</i>	2,662,685	462,081	17.4%	32,340	-97,998	-	51,281	\$29.12
<i>Route 1</i>	2,466,763	315,484	12.8%	-124,451	-9,044	-	253,258	\$35.93
<i>RDU/I-40</i>	9,769,697	901,297	9.2%	41,751	96,552	-	-	\$27.67
<i>South Durham</i>	4,317,113	503,661	11.7%	28,512	-64,698	-	111,871	\$27.36
<i>Research Triangle</i>	11,645,506	1,190,836	10.2%	129,940	549,968	143,395	187,117	\$26.90
<i>West Raleigh</i>	9,069,766	1,169,750	12.9%	23,768	87,183	-	490,575	\$30.41
<i>East Raleigh</i>	1,591,688	13,204	0.8%	5,000	1,741	-	-	\$30.50
SUBURBAN TOTALS:	62,987,092	6,628,903	10.5%	216,478	631,749	143,395	1,880,707	\$29.52
RALEIGH/DURHAM TOTALS:	76,568,967	8,380,328	10.9%	293,682	641,476	180,887	2,030,707	\$30.75



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SIGNED LEASE TRANSACTIONS

TENANT	BUILDING	SUBMARKET	SF	TYPE
Analogue Devices	Park Point Edge	RTP/I-40 Corridor	150,000	New
Restor3d	Park Point Grid	RTP/I-40 Corridor	50,000	New
Clorox	Strickland Building	Downtown Durham	48,000	Renewal
Comprehensive Health Management	Red Oak	US 1/Capital Blvd	44,000	Expansion
Relay	Advance Auto Parts Tower	Six Forks/Falls of Neuse	31,338	Sublease
Intelerad	305 Church at North Hills	Six Forks/Falls of Neuse	28,061	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
The Lab at RTP	RTP/I-40	289,957	\$80,000,000	\$267	Alexandria Real Estate
Regency Woods	Cary	152,413	\$53,925,00	\$353	GI Partners
Credit Suisse (2-bld. portfolio)	RTP/I-40	416,817	\$92,000,000	\$220	Elm Tree Funds
Southcourt	Durham	133,368	\$24,539,712	\$184	Crescent Communities/Faison
Park 40 Plaza & RDU Center II	RTP/I-40	183,917	\$20,598,704	\$112	Woodside Capital Partners

OFFICE UNDER CONSTRUCTION

BUILDING	SUBMARKET	DEVELOPER/OWNER	SF	ASKING RENTS
Bandwidth HQ	West Raleigh	East West Partners / Capitol Broadcasting Company	440,575	N/A
T3 American Tobacco North & South	Durham	Hines	411,000	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 (4300 Edwards Mill Rd)	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 05.24.22 | Triangle Business Journal | The News & Observer | Lincoln Harris Research

