

# RALEIGH

## OFFICE MARKET REPORT Q2 2022



### SUMMARY

The Raleigh-Durham market performed well in the second quarter with unemployment reaching 2.8% compared to the national unemployment rate at 3.6%. Overall vacancy for Class A & B product slightly increased to 11.1% from 10.9% the prior quarter. Year-to-date net absorption reached ~450,000 square feet for Class A office space compared to Class B at ~negative 218,000 square feet, indicating continued

### #1 in Overall Real Estate Prospects

2021 Emerging Trends In Real Estate

demand for high quality office space in the Raleigh area. This demonstrates a continued theme throughout 2022 of tenant flight-to-quality in their office space.

Tenants are valuing newer space for both functional purposes and for employee satisfaction in returning to the office. Leasing activity is concentrated in new construction or recently renovated space. There is currently 2.3M square feet of Class A office space under construction in the Raleigh-Durham metro areas with 68% of that in the Raleigh metro market.

The sublease market has also been active in the second quarter. Two noteworthy subleases that took place: UNC Systems at The Dillon and an undisclosed technology company at Innovation I.

Two notable Class A office buildings delivered in the quarter. In Cary, Fenton (1 Fenton Main and 25 Fenton Main) was delivered in May 2022, totaling 230,000 square feet at 12% leased. Hines was the developer of both of these buildings.

Despite tough economic conditions and uncertainty in the debt markets, a few notable transactions occurred including:

- Situs Capital Center I & II in West Raleigh was purchased by The Simpson Organization for \$19.97M (\$181 psf).
- 500 Gregson at MacGregor Park was purchased by Serac Capital Partners for \$19.25M (\$181 psf).

The outlook for the Raleigh/Durham office market still looks favorable with strong performance in the second quarter and optimistic leading indicators such as positive net absorption and ample new office space under construction.

### MAJOR LEASE TRANSACTIONS

TENANT	BUILDING	SUB MARKET	SF	TYPE
Wolfspeed	40 Moore Drive	RTP/I-40	103,000	New
Confidential Technology Company	Innovation I	RTP/I-40	103,037	Sublease
Renesas	Forty540 II	RTP/I-40	90,000	New
Elevate Bio	Durham.ID Building B	Downtown Durham	63,000	New
UNC Systems	The Dillon	Downtown Raleigh	51,362	Sublease

### RECENT INVESTMENT SALES

BUILDING	SUB MARKET	RBA	SALE	PRICE / SF	BUYER
The Crescent (part of portfolio - 3 bldgs.)	Cary / West Wake County	50,069	\$12.3M	\$246	Healthcare Realty Trust Incorporated
The Professional Building	Downtown Raleigh	45,562	\$11M	\$241	Empire Properties
Situs Capital Center I & II	West Raleigh	110,189	\$19.97M	\$181	The Simpson Organization
MacGregor Corporate Park	Cary / West Wake County	60,640	\$17.98M	\$296	YFP Management Co.
500 Gregson	Cary / West Wake County	106,047	\$19.25M	\$181	Serac Capital Partners

### NOTABLE NEW OFFICE UNDER CONSTRUCTION

BUILDING	SUB MARKET	DEV / 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
GlenLake III (4300 Edwards Mill Rd)	West Raleigh	Highwoods	205,000	\$39.75
Double Gable - Raleigh Iron Works	Raleigh	Grubb Ventures	137,340	\$44.50
400 Hillsborough Street (mixed-use)	Downtown Raleigh	Trammell Crow/High Street Residential/AECOM Canyon Partners/HM Partners	150,000	\$45.50
NHX Creative Office	North Hills	Kane Realty Corporation	108,000	\$45.50

### BUILDING BETTER *together*

Market Data Source: CoStar data pulled 07.18.22 | Triangle Business Journal | The News & Observer | Lincoln Harris Research

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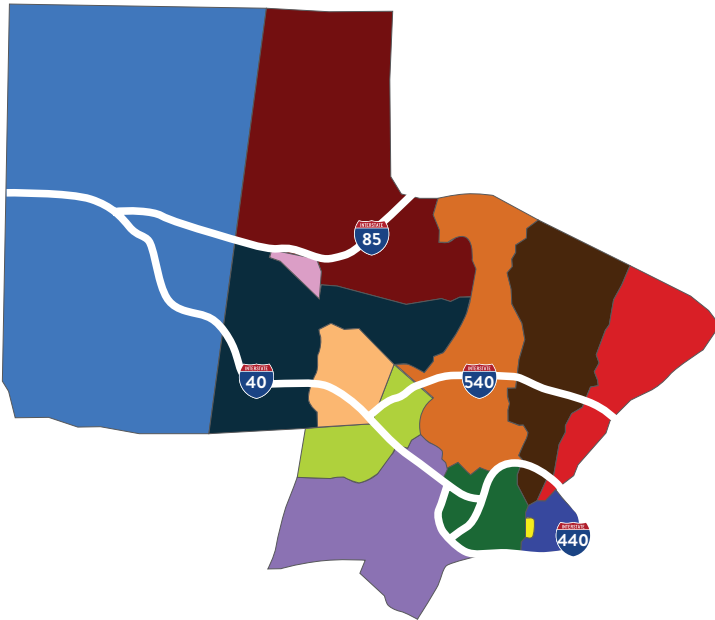
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### BY THE NUMBERS



	Q2 2022	Q1 2022
+ Market Supply (SF)	77,028,936	76,568,967
+ Under Construction (SF)	2,276,541	2,030,707
- Direct Vacancy	9.6%	9.9%
+ Total Vacancy	11.1%	10.9%
- Total Net Absorption	282,257	293,682
+ YTD Net Absorption	575,939	526,498
+ Direct Asking Rent	\$30.78	\$30.75
- Class A Direct Asking Rent	\$32.53	\$32.66
+ Class B Direct Asking Rent	\$24.97	\$24.83

INVENTORY    VACANT SPACE    VACANCY RATE    Q2-2022 ABSORPTION    Q2-2021 ABSORPTION    DELIVERIES    CONSTRUCTION    DIRECT ASKING RATE

Downtown Durham	5,401,323	701,814	13.0%	7,940	-1,242	-	407,973	\$36.46
Downtown Raleigh	8,209,132	1,051,951	12.8%	-10,280	-63,646	-	150,000	\$36.22
<b>URBAN TOTALS</b>	<b>13,610,455</b>	<b>1,753,765</b>	<b>12.9%</b>	<b>-2,340</b>	<b>-62,404</b>	<b>-</b>	<b>557,973</b>	<b>\$36.31</b>

SUBMARKET ANALYSIS

Six Forks Rd/ Falls of Neuse	7,392,946	623,535	8.4%	21,036	45,231	-	514,800	\$34.68
Cary	10,001,215	1,059,000	10.6%	192,707	29,785	230,501	91,783	\$30.57
US-70/Glenwood	3,006,954	193,722	6.4%	3,419	-76,120	-	205,000	\$27.80
North Durham	1,309,229	205,510	15.7%	4,162	-	-	-	\$17.93
Orange County	2,662,685	497,337	18.7%	-35,256	-14,894	-	51,281	\$29.12
Route 1	2,460,628	455,471	18.5%	-139,987	-3,881	-	253,258	\$35.81
RTP/I-40	9,782,237	835,323	8.5%	65,974	312,967	-	-	\$27.66
South Durham	4,317,113	538,453	12.5%	-34,792	-27,355	-	111,871	\$27.59
Research Triangle	11,832,623	1,201,130	10.2%	176,823	72,455	187,117	-	\$26.99
West Raleigh	9,068,373	1,137,239	12.5%	32,511	84,677	-	490,575	\$30.44
East Raleigh	1,584,478	15,204	1.0%	-2,000	22,457	-	-	\$30.61
<b>SUBURBAN TOTALS</b>	<b>63,418,481</b>	<b>6,761,924</b>	<b>10.7%</b>	<b>284,597</b>	<b>445,322</b>	<b>417,618</b>	<b>1,718,568</b>	<b>\$29.72</b>
<b>RALEIGH TOTALS</b>	<b>77,028,936</b>	<b>8,515,689</b>	<b>11.1%</b>	<b>282,257</b>	<b>382,918</b>	<b>417,618</b>	<b>2,276,541</b>	<b>\$30.78</b>

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Market Data Source: CoStar data pulled 7.14.22 | Charlotte Business Journal | The Charlotte Observer | Lincoln Harris Research

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