

# RALEIGH

## OFFICE MARKET REPORT Q3 2022



### SUMMARY

The Raleigh-Durham office market slightly plateaued in Q3 due to the same forces impacting the entirety of the U.S.: declining necessity for in-person work and office space, rising interest rates and thus, decreased investment activity. The lull comes

in stark contrast to the record-setting performance seen in Q1 and Q2, but the market still continues to attract premier talent and development interest.

### #2 in Overall Real Estate Prospects

2022 Emerging Trends In Real Estate

At the end of Q3, the unemployment rate remained unchanged from Q2 at 2.8% compared to 3.5% for the entire U.S. While percentage of vacant direct space decreased by 50 basis points (bps) between Q2 and Q3, percentage of vacant sublet space rose 60 bps as nearly 450,000 square feet of sublease space hit the market.

Net absorption slowed significantly in Q3, dropping to 90,775 square feet from 282,257 in Q2 and 293,682 in Q1. This still remains relatively positive against the -353,537 square feet of absorption observed one year ago in Q3 2021.

Medical and research assets continue to show significant immunity to the economic factors in, with the following top investment sales taking place in Raleigh-Durham in Q3:

- Perimeter Six, a 199,800-square foot office building, sold to Menlo Equities for \$66 million in the RTP/RDU submarket.
- Medical Plaza at Rex, a 105,000-square foot medical office building, sold for \$38.6 million in the West Raleigh submarket. The building was 97% occupied at sale.

According to PWC & The Urban Land Institute's U.S. Markets to Watch, Raleigh-Durham slipped from 1st to 2nd place in 2022, and from 2nd to 6th in the forward-looking 2023 issue. However, the market is among the top 3 outlets for office investment and top 5 for investor demand and development/redevelopment opportunities, signified by the 2.5 million square feet of Class A & B office under construction.

The Raleigh-Durham office market is one to monitor as we move into an increasingly troubled macroeconomic environment.

### MAJOR LEASE TRANSACTIONS

TENANT	BUILDING	SUB MARKET	SF	TYPE
Targan	Midtown BioCenter	North Raleigh	100,000	New
Extreme Networks	RDU Center III	RTP/RDU	54,530	Renewal
ICON	GlenLake Five	Glenwood/Creedmoor	46,362	Renewal
Scantron	Aerial Center Executive Park	RTP/RDU	24,249	New
data443	Brook Forest I	Six Forks/Falls of Neuse	16,184	Renewal

### RECENT INVESTMENT SALES

BUILDING	SUB MARKET	RBA	SALE	PRICE / SF	BUYER
Park Point at Research Triangle Park	Downtown Durham	662,607 (5 bldgs)	\$380M	\$573	CBRE Capital Partners
4000 Paramount Pkwy	RTP/RDU	95,034	\$29.2M	\$307	Zurich Financial
1500 Sunday Dr - Trinity Corporate Park	West Raleigh	61,227	\$14.6M	\$238	Zurich Alternative AM
Cary Medical Pavilion 101 & 105	Cary / West Wake County	67,581 (2 bldgs)	\$14.25M	\$211	Flagship Healthcare Properties
Harden Rd Professional Center	West Raleigh	32,000	\$11.4M	\$355	Healthcare Realty Trust

### 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
1000 Social	Six Forks Falls of Neuse	Dewitt Carolinas	353,891	N/A
One North Hills Tower	Six Forks Falls of Neuse	Kane Realty Corporation	266,000	\$45.50
GlenLake III	West Raleigh	Highwoods Properties	205,000	\$39.75
400 H (Office Tower)	Downtown Raleigh	Trammel Crow / HM Partners	144,410	\$45.50 - \$47.50
2450 Meridian	South Durham	Accesso Partners	111,871	\$36.50
Creative Office @ North Hills	Six Forks/Falls of Neuse	Kane Realty Corporation	100,800	\$45.50

### BUILDING BETTER *together*

Market Data Source: CoStar data pulled 10.25.22 | Triangle Business Journal | The News & Observer | Lincoln Harris Research

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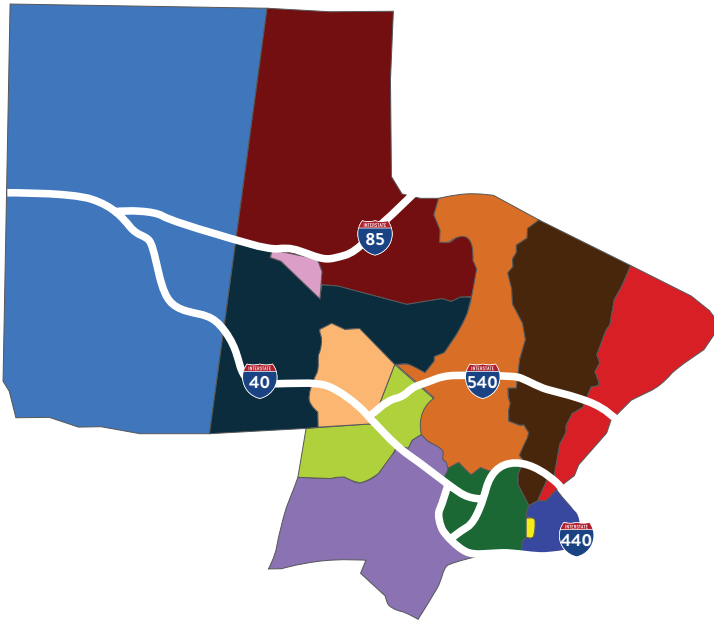
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### BY THE NUMBERS



	Q3 2022	Q2 2022
+ Market Supply (SF)	77,117,750	77,028,936
+ Under Construction (SF)	2,508,592	2,276,541
- Direct Vacancy	9.1%	9.6%
+ Total Vacancy	11.2%	11.1%
- Total Net Absorption	90,775	282,257
+ YTD Net Absorption (SF)	672,255	575,939
+ Direct Asking Rent	\$31.00	\$30.78
+ Class A Direct Asking Rent	\$32.65	\$32.53
+ Class B Direct Asking Rent	\$25.10	\$24.97

INVENTORY      VACANT SPACE      VACANCY RATE      Q3 2022 ABSORPTION      Q3 2021 ABSORPTION      DELIVERIES      CONSTRUCTION      DIRECT ASKING RATE

	INVENTORY	VACANT SPACE	VACANCY RATE	Q3 2022 ABSORPTION	Q3 2021 ABSORPTION	DELIVERIES	CONSTRUCTION	DIRECT ASKING RATE
Downtown Durham	5,451,132	714,872	13.1%	-610	-137,629	-	407,973	\$36.28
Downtown Raleigh	8,187,132	1,075,018	13.1%	-23,067	-67,500	-	207,000	\$35.71
<b>URBAN TOTALS</b>	<b>13,638,264</b>	<b>1,789,890</b>	<b>13.1%</b>	<b>-23,677</b>	<b>-199,129</b>	<b>-</b>	<b>614,973</b>	<b>\$35.93</b>

SUBMARKET ANALYSIS

Six Forks Rd/ Falls of Neuse	7,430,276	491,231	6.6%	21,036	-113,795	73,000	795,691	\$34.68
Cary	9,857,838	960,280	9.7%	192,707	-101,177	-	91,783	\$30.57
US-70/Glenwood	3,007,323	191,550	6.4%	3,419	-3,110	-	205,000	\$27.80
North Durham	1,309,873	209,793	16.0%	4,162	-1,343	-	-	\$17.93
Orange County	2,647,387	452,674	17.1%	-35,256	14,989	-	51,281	\$29.12
Route 1	2,608,653	615,509	23.6%	-139,987	67,355	137,340	115,918	\$35.81
RTP/I-40	9,788,388	1,053,925	10.8%	65,974	-203,855	-	31,500	\$27.66
South Durham	4,317,113	497,637	11.5%	-34,792	14,237	-	111,871	\$27.59
Research Triangle	11,845,611	1,133,699	9.6%	176,823	184,387	187,117	-	\$26.99
West Raleigh	9,081,328	1,209,148	13.3%	32,511	-13,246	-	490,575	\$30.44
East Raleigh	1,585,696	27,701	1.7%	-2,000	1,150	-	-	\$30.61
<b>SUBURBAN TOTALS</b>	<b>63,479,486</b>	<b>6,843,147</b>	<b>10.8%</b>	<b>114,452</b>	<b>-154,408</b>	<b>210,340</b>	<b>1,893,619</b>	<b>\$29.72</b>
<b>RALEIGH TOTALS</b>	<b>77,117,750</b>	<b>11.2%</b>	<b>11.2%</b>	<b>90,775</b>	<b>-353,537</b>	<b>210,340</b>	<b>2,508,592</b>	<b>\$31.00</b>

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