

SUMMARY

The Raleigh-Durham office market showed little notable activity in Q4-on both a leasing and investment sales front-due to macroeconomic pressures and uncertainties. Despite investor hesitation in developing new office across the U.S., the pipeline in

#3 Market for Investor Demand

2023 Emerging Trends In Real Estate

of office space in 2023 and become aggravated if the U.S. enters a recession, but signifies optimism about the long-term performance of the Raleigh-Durham market.

The national unemployment rate in Q4 was 3.5%. Raleigh-Durham remained below this threshold at 3.2%, but was still up 40 basis points (bps) from Q3 2022. In December, 28,000 construction jobs were added to the market.

The Life Sciences sector continued to flourish and outpace office with roughly 3.8 million square feet under construction or conversion. Of the 10 million square feet of existing life sciences product, the average occupancy was 87% and net absorption was just over 324,000 square feet.

Like many other U.S. office markets, Raleigh-Durham experienced an influx of sublease space, increasing 86% year-over-year to reach over 1.5 million square feet vacant. The last time total market vacant sublease space broke 1 million was in 2002. Net absorption for direct and sublet space dropped from 90,775 to -75,048 square feet.

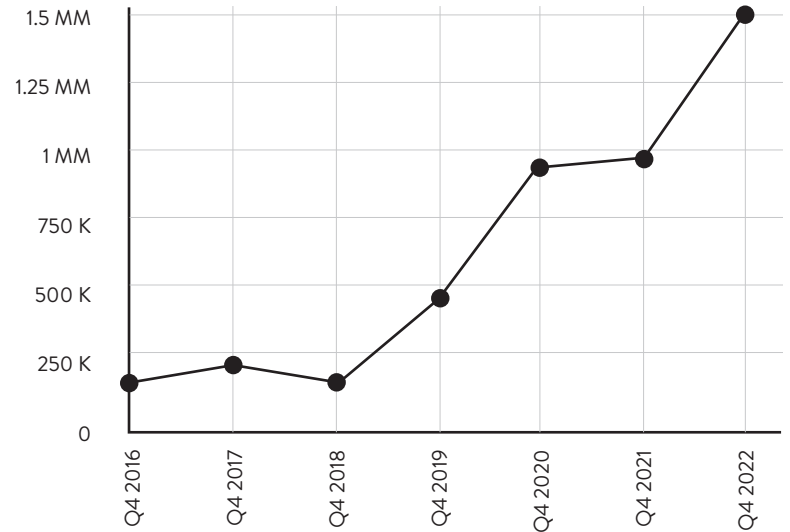
A silver lining for office owners has been a consistent increase in rental rates. The Class A Direct Asking Rate climbed roughly 5% from Q4 2021 to Q4 2022. In the year prior, rates only increased 2.7%. As delivered square feet continues to decrease from 663,099 in Q4 2021 to 84,064 in Q4 2022, owners with vacant space will be able to quote premium rates when the market rebounds.

Preleasing activity for offices under construction gave further sign of an anticipated rebound. 1000 Social executed its first prelease with Whitley Law Firm in Q4 for 18,000 square feet.

The forward-looking 2023 Emerging Trends in Real Estate report ranks Raleigh-Durham with the fourth strongest local economy, fifth for investor demand and fourth for development/redevelopment opportunities.

Raleigh-Durham continued to grow. Square feet under construction pushed just over 3 million in Q4, up 26.7% quarter-over-quarter. This could result in an oversupply

VACANT SUBLET OFFICE SPACE



RECENT INVESTMENT SALES

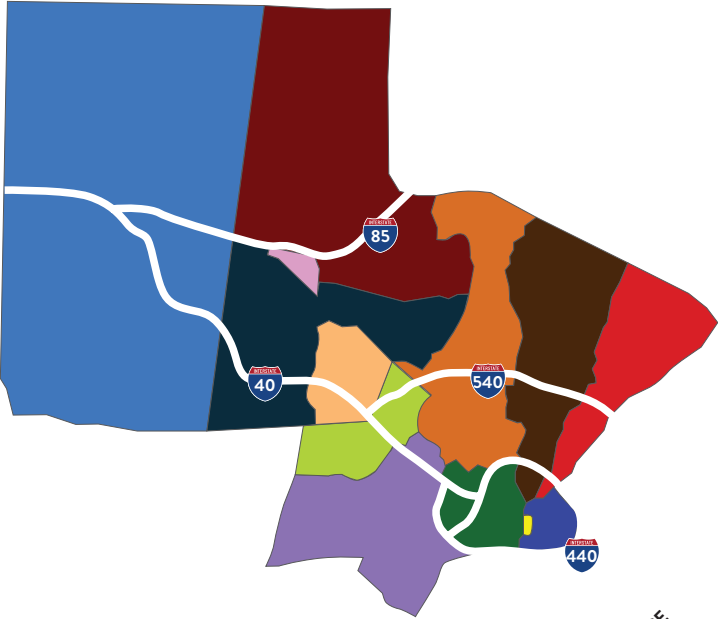
PROPERTY	SUB MARKET	TYPE	RBA	SALE	PRICE / SF	BUYER
Syngenta RTP	Research Triangle	Life Science	204,927	\$213.3MM	\$1,041	Oak Street Capital
Northchase Executive Center - 2 bldgs	Six Forks / Falls of Neuse	Office	171,237	\$48MM	\$280	Dean Debnam
3300 & 3700 Regency Parkway -	Cary	Office	86,880	\$18.3MM	\$211	Edwards Commercial
Lakeridge North	Six Forks / Falls of Neuse	Office	71,998	\$17.3MM	\$240	Hold Thyssen

NOTABLE CLASS A OFFICE UNDER CONSTRUCTION

BUILDING	SUB MARKET	DEV / OWNER	SF	ASKING RENTS
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
T3 American Tobacco South	Downtown Durham	Hines / USAA	257,973	N/A
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
Creative Office @ North Hills	Six Forks / Falls of Neuse	Kane Realty Corporation	100,800	\$45.50

A PROMISE of VALUE

OFFICE BY THE NUMBERS



	Q4 2022	Q3 2022
+ Market Supply (SF)	77,281,665	77,117,750
+ Under Construction (SF)	3,037,275	2,508,592
- Direct Vacancy	9.3%	9.1%
+ Total Vacancy	11.4%	11.2%
- Total Net Absorption	-75,048	90,775
+ YTD Net Absorption (SF)	595,816	672,255
+ Direct Asking Rent	\$31.51	\$31.00
+ Class A Direct Asking Rent	\$33.18	\$32.65
+ Class B Direct Asking Rent	\$25.73	\$25.10

INVENTORY SUBLEASE SPACE TOTAL VACANT SPACE VACANCY RATE Q4 2022 ABSORPTION Q4 2021 ABSORPTION DELIVERIES CONSTRUCTION DIRECT ASKING RATE

SUBMARKET ANALYSIS

Downtown Durham	5,454,842	208,229	755,300	13.8%	(40,428)	54,226	-	407,973	\$36.77
Downtown Raleigh	8,300,718	293,381	1,063,238	12.8%	11,780	166,887	-	415,408	\$37.71
URBAN TOTALS	13,638,264		1,818,538	13.2%	(28,648)	221,113	-	823,381	\$34.40
Six Forks Rd/ Falls of Neuse	7,430,276	101,695	522,275	7.0%	(31,044)	46,524	-	1,113,605	\$36.05
Cary	9,857,838	57,099	1,019,469	10.3%	(59,189)	40,473	-	96,679	\$29.76
US-70/Glenwood	3,007,323	2,210	238,643	7.9%	(47,093)	47,383	-	205,000	\$32.01
North Durham	1,309,873	-	209,793	16.0%	-	1,343	-	-	\$17.93
Orange County	2,647,387	11,103	354,233	13.4%	98,441	2,557	-	174,281	\$28.56
Route 1	2,608,653	155,528	614,187	22.8%	85,386	-37,528	84,064	31,854	\$36.16
RTP/I-40	9,788,388	219,313	1,042,167	10.6%	11,758	106,409	-	31,500	\$28.39
South Durham	4,317,113	46,509	493,955	11.4%	3,682	-9,847	-	70,400	\$26.98
Research Triangle	11,845,611	329,872	1,186,050	10.0%	(55,054)	-88,034	-	-	\$27.24
West Raleigh	9,081,328	143,411	1,269,810	14.0%	(60,662)	1,653	-	490,575	\$30.88
East Raleigh	1,585,696	18,326	20,326	1.3%	7,375	-5,829	-	-	\$33.00
SUBURBAN TOTALS	63,526,105	1,085,120	6,970,908	11.0%	(46,400)	24,158	84,064	2,213,894	\$30.31
RALEIGH TOTALS	77,281,665	1,586,730	8,789,446	11.4%	(75,048)	245,271	84,064	3,037,275	\$31.51