

RALEIGH

MARKET REPORT

Q1 2023



SUMMARY

The Raleigh-Durham real estate market experienced a decline in investor activity across all property types as companies and individuals continued to monitor national and regional performance indicators for a future

economic slowdown across capital markets. A few notable sales this quarter include Broadstone Oak City,

a multifamily property in Raleigh that sold for \$93.3 million and the Durham Carmichael Building, an office property in downtown Durham that sold for \$73.5 million.

Leasing activity also remained slow as companies continued to have hybrid work schedules, downsize their office footprint, monitor the rising interest rates, and implement cost-cutting strategies to prepare for a future economic recession. The total vacancy for office space increased to 12.8% this quarter and absorption continued to be negative from Q4 2022.

While the office market experienced a series of rental rate increases last year, the direct asking rental rate decreased slightly from \$31.51 in Q4 2022 to \$31.22 in Q1 2023. Rent decreased less than 1% for both Class A and B properties quarter-over-quarter from \$33.18 and \$25.73 to \$32.89 and \$25.69, respectively.

Sublease space is still abundant in Raleigh with the amount of availability increasing substantially in Q4 2022 to 2.2 million SF this year. This is more than double the amount of subleased space available prior to the pandemic. Companies restructuring their work environments in a way that decreases their office needs has led vacant space to be subleased for other purposes such as data centers, power storage space, and for smaller start-up companies to operate in.

Construction has slowed for new buildings but current construction projects continue to be underway. In 2022, 670,000 SF of office space was delivered and 2.2 million SF is currently under construction.

Despite economic uncertainty generating concern throughout the nation, the Raleigh-Durham region is ranked as one of the top real estate markets in the country according to U.S. World Report and is one of the fastest growing cities as science and technology companies continue to flock to the east coast.

MAJOR LEASE TRANSACTIONS

TENANT	BUILDING	SUB MARKET	SF	TYPE
General Dynamics	2610 Wycliff Rd.	West Raleigh	54,536	Renewal
GFL Environmental	1000 Social	Six Forks / Falls of Neuse	92,000	New
Summit Engineering	1000 Social	Six Forks / Falls of Neuse	30,000	New

RECENT INVESTMENT SALES

PROPERTY	SUB MARKET	TYPE	RBA	SALE	PRICE / SF, Unit, or Room	BUYER
Broadstone Oak City	Raleigh	Multi - Family	204,927	\$93.25M	\$831	56 BOCNC Owner, LLC.
Durham Research Lab	South Durham	Office	51,174	\$39.50M	\$772	Brookfield Asset Mgmt
Durham Carmichael Building	Downtown Durham	Office	114,600	\$73.50M	\$641	Brookfield Asset Mgmt
Wakefield Crossing	Raleigh	Retail	75,927	\$14.30M	\$188.34	Wakefield Wellons, Inc.

NOTABLE PROPERTIES UNDER CONSTRUCTION

BUILDING	SUB MARKET	DEV / OWNER	SF	ASKING RENTS
Bandwidth HQ	West Raleigh	East West Partners / Capitol Broadcasting Co.	440,575	Not Disclosed
1000 Social	Six Forks / Falls of Neuse	Dewitt Carolinas	339,821	\$46.00
400 Hillsborough St.	Downtown Raleigh	Trammel Crow / HM Partners	144,410	\$45.50 - \$47.50
GlenLake Three	West Raleigh	Highwoods Properties	205,000	\$41.00
One North Hills Tower	Six Forks / Falls of Neuse	Kane Realty Company	266,000	\$46.50
Tower 5	Six Forks / Falls of Neuse	Kane Realty Company	348,555	\$46.50

A PROMISE of VALUE

Market Data Source: CoStar data pulled 04.17.23 | Triangle Business Journal | The News & Observer | Lincoln Harris Research

Lincoln Harris Research
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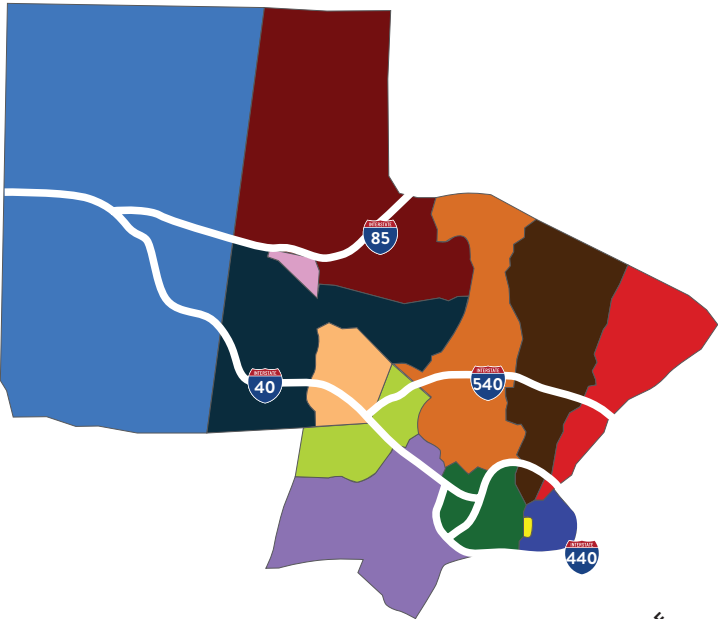
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OFFICE BY THE NUMBERS



	Q1 2023	Q4 2022
- Market Supply (SF)	77,035,269	77,281,665
- Under Construction (SF)	2,597,770	3,037,275
+ Direct Vacancy	9.6%	9.3%
+ Total Vacancy	12.8%	11.4%
- Total Net Absorption	-891,312	-75,048
+ YTD Net Absorption (SF)	652,743	595,816
- Direct Asking Rent	\$31.22	\$31.51
- Class A Direct Asking Rent	\$32.89	\$33.18
- Class B Direct Asking Rent	\$25.69	\$25.73

SUBMARKET ANALYSIS

INVENTORY SUBLEASE SPACE TOTAL VACANT SPACE VACANCY RATE Q1 2023 ABSORPTION Q1 2022 ABSORPTION DELIVERIES CONSTRUCTION DIRECT ASKING RATE

	INVENTORY	SUBLEASE SPACE	TOTAL VACANT SPACE	VACANCY RATE	Q1 2023 ABSORPTION	Q1 2022 ABSORPTION	DELIVERIES	CONSTRUCTION	DIRECT ASKING RATE
Downtown Durham	5,404,726	249,018	799,056	14.8%	(43,756)	40,611	-	0	\$36.81
Downtown Raleigh	8,131,469	458,957	1,185,127	14.6%	(122,714)	31,440	-	207,000	\$35.12
URBAN TOTALS	13,536,195	707,975	1,984,183	14.7%	(166,470)	72,051	-	207,000	\$35.78
Six Forks Rd/ Falls of Neuse	7,434,850	59,936	463,925	6.2%	58,350	(30,547)	-	1,139,928	\$35.63
Cary	9,858,052	65,041	1,030,378	10.5%	(10,909)	47,456	-	96,679	\$29.53
US-70/Glenwood	3,002,457	-	317,378	10.6%	(78,735)	89,448	-	205,000	\$32.73
North Durham	1,309,873	-	209,793	16.0%	-	(15,500)	-	-	\$17.93
Orange County	2,659,494	12,893	319,644	12.0%	44,671	32,340	-	174,281	\$28.75
Route 1	2,693,930	177,465	818,328	30.4%	(57,207)	(124,451)	-	31,854	\$36.24
RTP/I-40	9,921,271	574,962	1,469,257	14.8%	(382,002)	41,751	-	31,500	\$28.56
South Durham	4,354,840	70,141	633,701	14.6%	(139,746)	28,512	-	-	\$26.88
Research Triangle	11,644,300	406,083	1,194,374	10.3%	(54,742)	129,940	-	150,259	\$27.44
West Raleigh	8,966,741	136,585	1,420,032	15.8%	(100,222)	23,768	50,000	561,269	\$30.68
East Raleigh	1,653,266	18,326	24,626	1.5%	(4,300)	5,000	-	-	\$26.52
SUBURBAN TOTALS	63,499,074	1,521,432	7,901,436	12.5%	(724,242)	227,717	50,000	2,390,000	\$30.39
RALEIGH TOTALS	77,035,269	2,229,407	9,885,619	12.8%	(891,312)	299,768	50,000	2,597,770	\$31.22

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