

Raleigh/Durham

Raleigh/Durham's leasing volume increases again, despite ongoing rise in availability

The Research Triangle's office market continues to show signs of life as more companies return to work in person, move forward with restructuring and/or relocation plans, and companies from outside the region flock to the Triangle. In Q1 2022, 103 total office leases were signed, marking the highest lease count for a single quarter in five years. 50 of the leases signed in Q1 were for Class A office spaces. This demonstrates the overall flight to quality on the part of tenants who are highly focused on recruitment and retention when navigating return-to-office plans. Still despite the increase in lease count, volume remains tepid. In Q1 2022, leasing volume totaled 534,651 square feet (sf) which dropped slightly from 559,483 sf reported in Q4 2021. This decrease in the total square feet leased compared to how many leases were signed shows a movement towards downsizing of space, reflecting the increased impact of the remote work business model.

Overall rents plateau as more office product is delivered to the market

Asking rental rates in the Triangle office market remained relatively stagnant with an overall Q1 2022 average of \$28.87 per square foot (psf). The market's combination of sublease and direct availability, as well as increased alternative work models, have enticed landlords to offer competitive concessions on top of steady rental rates. Available office space increased slightly to 10.4 million square feet (msf), compared to last quarter's available space of 9.7 msf. As of January 2022, there is 1.1 msf of office space under construction in the Triangle, a sign that developers are bullish on the market long-term due to the region's strong office-using employment growth and deep talent pool.

The Research Triangle continues to grow into a world class biotech hub

According to the latest study done by the U.S. Bureau of Labor Statistics, the Raleigh metropolitan area now has the nation's second highest location quotient for life sciences employment in the country, indicating a much higher proportion of life sciences employment relative to total employment when compared to the national average. In the first quarter bio-agricultural company Marrone Bio Innovations Inc., announced plans to relocate the company's corporate office from Davis, California, to Raleigh. Developers in the region are aware of these relocations and are anticipating future growth. Announced in January 2022, a \$1 billion real estate project is being crafted to bring a 109-acre campus in Morrisville to feed the area's life sciences demand.

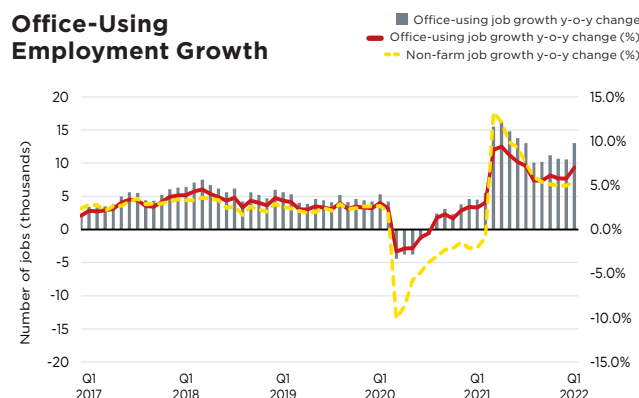
Outlook

- Companies continue to develop workplace strategies to fit the "new normal" including hybrid work schedules to offer workers flexibility and retain employees
- Life science and technology corporations are leading the way in terms of the execution of new leases for expansions, relocations, and lease restructuring
- The Triangle region continues to attract businesses from out-of-state due to its young, educated talent pool, quality of life, and government incentives for businesses

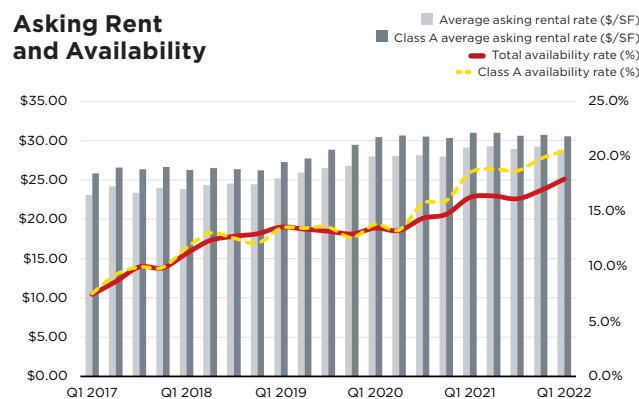
Key Statistics

	Q1 2021	Q1 2022	Y-o-Y Change
Inventory	57.1 MSF	57.8 MSF	▲
Availability Rate	16.3%	17.9%	▲
Asking Rental Rate	\$29.11	\$28.87	▼
Class A Asking Rental Rate	\$30.97	\$30.56	▼
Quarterly Leasing Activity	0.6 MSF	0.5 MSF	▼
Available Sublease Space	1.5 MSF	2.2 MSF	▲

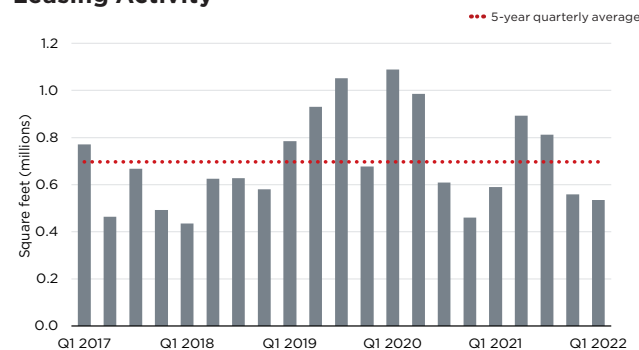
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.1%

Raleigh MSA unemployment rate
(as of Jan. 2022)

5.7%

Office-using employment growth
year-over-year (as of Jan. 2022)

1.1 msf

Office space currently
under construction

Top Transactions

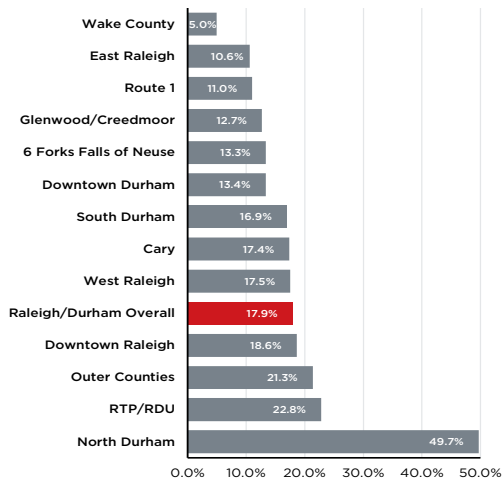
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Relay	31,000	4200 Six Forks Road	New Location	6 Forks Falls of Neuse	TAMI
Carpenter Technologies	30,897	4200 Six Forks Road	New Location	6 Forks Falls of Neuse	TAMI
Interlad	28,061	305 Church At North Hills Street	New Location	6 Forks Falls of Neuse	TAMI
Nelson Mullins Riley and Scarborough, LLP	26,550	301 Hillsborough Street	New Location	Downtown Raleigh	Legal Services
The Law Offices of James Scott Farrin	24,190	555 S Mangum Street	New Location	Downtown Durham	Legal Services
Absher Wealth Management	21,252	3605 Glenwood Avenue	Extension	West Raleigh	Financial Services
Quanta	20,853	4020 Westchase Boulevard	New Location	West Raleigh	TAMI
Tranzact	18,913	421 Fayetteville Street	New Location	Downtown Raleigh	Professional Services
CARsgen Therapeutics	13,205	5001 S Miami Boulevard	New Location	RTP/RDU	Healthcare
Adva	7,385	9001 Aerial Center Parkway	New Location	RTP/RDU	TAMI

*Sublease

Source: Savills Research

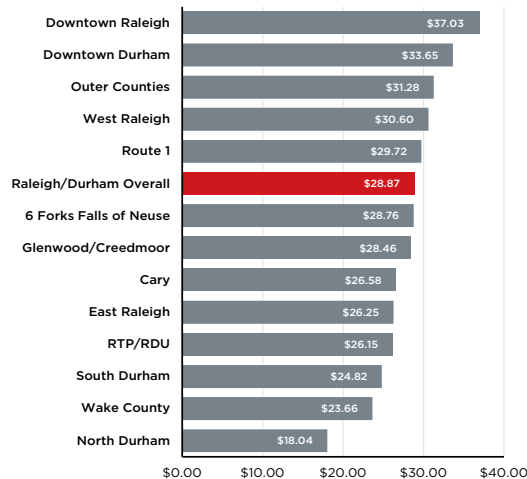
Availability Rate Comparison (%)

Raleigh/Durham Submarkets



Rental Rate Comparison (\$/SF)

Raleigh/Durham Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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