MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Raleigh/Durham

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Leasing activity proves strong in Raleigh-Durham despite rising availability levels

The Triangle office market reported more than 800,000 square feet (sf) transacted in the second quarter of 2022. This was a 45% increase since last quarter despite 22 fewer lease deals. Though fewer leases were signed in Q2, many large transactions were predominantly in the RTP/RDU submarket, including Analog Devices leasing over 156,000 sf at 4001 E Highway 54 in Durham. Despite higher leasing activity, the total availability rate remains the second highest ever reported, ending the quarter at 17.8%. This 140-basis point increase from 16.4% a year ago is mostly due to larger blocks of available space and new office construction. According to the U.S. Bureau of Labor Statistics, the Triangle's unemployment rate of 3.1% remains below the national average with year over year office-using employment growth increasing almost an entire percentage point since January 2022. This shows robust hiring as companies continue to relocate to the Triangle area as they are highly attracted to the area's highly educated workforce, specifically in the technology and life-sciences sectors.

Sublease space availability shattered records in Q2

The quarter reported the highest amount of available sublease space ever recorded at over 3.0 million square feet (msf). This is three times the normal amount of sublease space prior to the pandemic. The RTP/I-40 corridor represents over half of the sublease total, including Rho's new sublease of over 150,000 sf. This trend of tenants putting sublease space on the market is correlated to the increased adoption of hybrid work models and flexible work schedules. As companies figure out how much space they need and follow the trend of flight to quality, expect leasing activity to remain high and sublease space to eventually decrease.

Construction of Class A product ramps up as rates are expected to follow

With more than 1.7 msf of office space under construction at the close of Q2, annual rent growth, particularly in Class A product, is expected to see an upward movement. Although overall average rents saw a slight decrease in Q2, this is expected to change with newer and more expensive space delivering in the second half of 2022. One area where construction has ramped up is in the suburban submarket of Cary with the 175,000 sf Fenton Building recently delivered and the nearly 100,000 sf project, The Walker, set to deliver later this year. However, with strong leasing activity and the trend of overall flight to quality, expect rising availability levels to eventually stabilize as the regional economy remains strong.

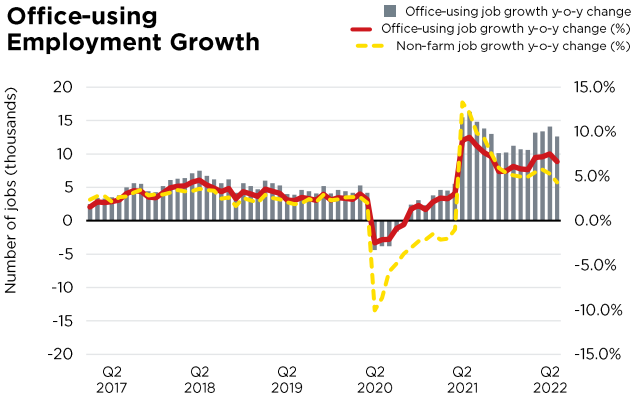
Outlook

- Expect tenant-favorable market conditions with high landlord concessions in the short-term as availability levels remain high
- Leasing activity is expected to stay strong as tenants feel comfortable in making longer-term lease commitments post-pandemic
- The area's technology and life sciences sectors will continue to lead the overall market as growing companies remain highly attracted to the region's highly educated workforce

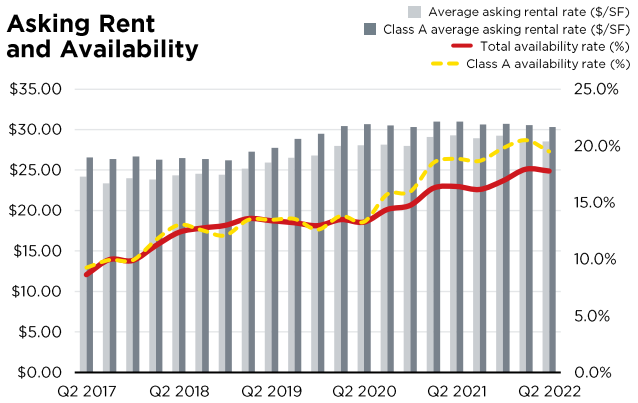
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	57.8 MSF	58.2 MSF	▲
Availability Rate	16.4%	17.8%	▲
Asking Rental Rate*	$29.15	$28.53	▼
Class A Asking Rental Rate*	$31.05	$30.31	▼
Quarterly Leasing Activity	0.9 MSF	0.8 MSF	▼
Available Sublease Space	2.5 MSF	3.0 MSF	▲

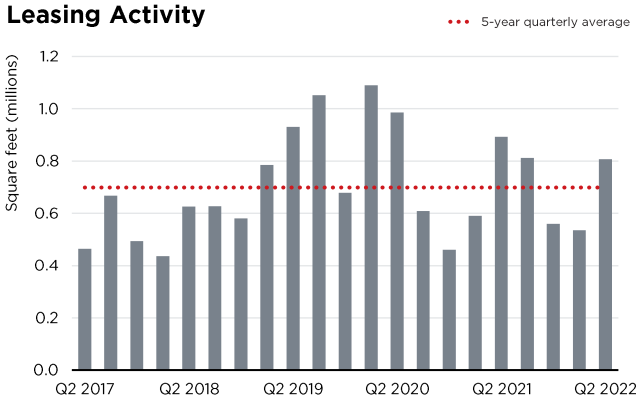
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.1%
Raleigh unemployment rate (as of May 2022)

6.6%
Office-using employment growth year-over-year (as of May 2022)

1.7 msf
Office space currently under construction

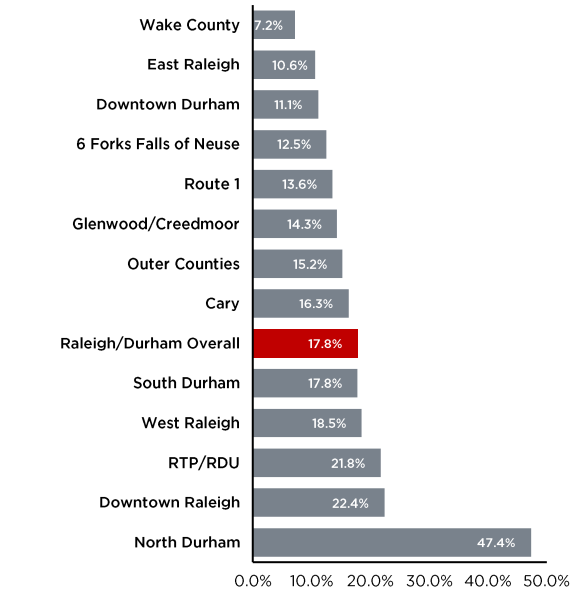
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Analog Devices	156,114	4001 E Hwy 54	New Location	RTP/RDU	Manufacturing
Renesas Electronics America, Inc.	89,999	710 Slater Road	New Location	RTP/RDU	TAMI
Life Edit Therapeutics	65,000	300 Morris Street	Relocation	Downtown Durham	Pharmaceuticals
Williams, Mullen, Clark & Dobins PC	50,302	301 Fayetteville Street	Lease Restructure	Downtown Raleigh	Legal Services
Restor3d Inc	50,225	4001 E Highway 54	Relocation	RTP/RDU	TAMI
SASR Workforce Solutions	34,000	1000 CentreGreen Way	Relocation	Cary	TAMI
Relay*	31,388	4200 Six Forks Road	New Location	Six Forks/Falls of Neuse	TAMI
Rapid Scale	26,565	301 Hillsborough Street	New Location	Downtown Raleigh	TAMI
Enzyvant	25,972	101 Southcenter Court	Relocation	RTP/RDU	Pharmaceuticals
Cintas	24,811	4601 Creekstone Drive	Renewal	RTP/RDU	Manufacturing

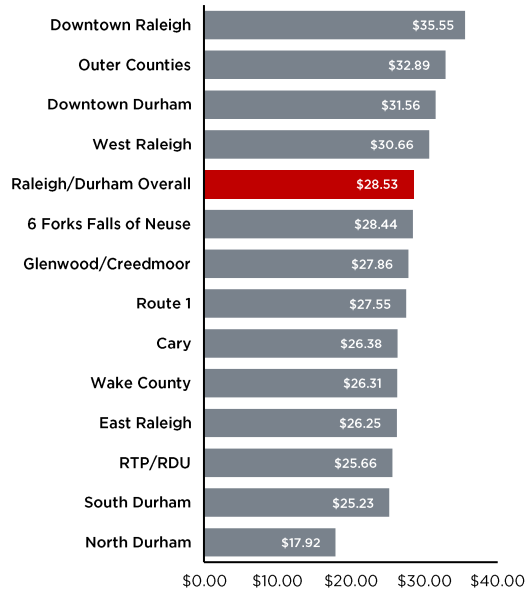
*Sublease

Source: Savills Research

Availability Rate Comparison (%)
Raleigh Submarkets



Rental Rate Comparison ($/SF)
Raleigh 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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