MARKET IN MINUTES
Savills Research

Q3 2022 - Office

Raleigh/Durham

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Availability rates continue to rise as new sublease space hits the market

In the third quarter 2022, total available sublease space in the Raleigh-Durham office market reported its highest level to date at 3.3 million square feet (msf), of which 1.8 msf is in the RTP / RDU submarket. This surpassed the previous all-time high reported last quarter of 3.0 msf, as well as now being triple the amount of sublease space reported in the market pre-pandemic. Large sublease spaces in the RTP / RDU submarket added this quarter included LabCorp putting 111,018 square feet (sf) and TrialCard putting 73,014 sf on the market for sublease, respectively. It is important to note that between 2024 and 2028, the total amount of sublease space set to expire is approximately 625,000 sf, which is just below the previous 5-year quarterly average leasing activity of 750,000 sf. As a result, expect office availability levels to continue to be high.

The Raleigh-Durham office market sees a decrease in leasing activity as demand slows

Office leasing activity in the Triangle decreased 12% quarter over quarter with 708,293 sf reported in the third quarter. Overall tenant flight to quality continues with occupiers highly attracted to newer Class A properties with amenities. Over the past several years, the Research Triangle has been a highly sought-after area in the Southeast for companies in the technology and life sciences sectors due to the region's highly educated workforce and concentration of well-known research universities. Despite the attractive draw to the area, the Triangle has experienced soft market conditions as hybrid workplace strategies have acted as a headwind to employees returning to the office. As a result, the total availability rate increased to a new record high of 19.0%, up 290 basis points (bps) from 16.1% reported a year ago.

Despite high availability, new construction levels remains high

There is currently 2.3 msf under construction in Raleigh-Durham representing a 35% quarter over quarter increase from the previous quarter. New Class A office projects such as 1000 Social (339,821 sf), 1 North Tower @ North Hills (266,000 sf), and Raleigh Iron Works (220,000 sf) are notable Class A office projects under construction and a major reason why the overall average asking rental rate has increased $28.95 per square foot (psf) while the Class A average asking rental rate has increased to $30.70 psf. With so much new and highly priced Class A office space expected to be delivered over the next two years, expect average asking rental rates to continue to be elevated over the short-term.

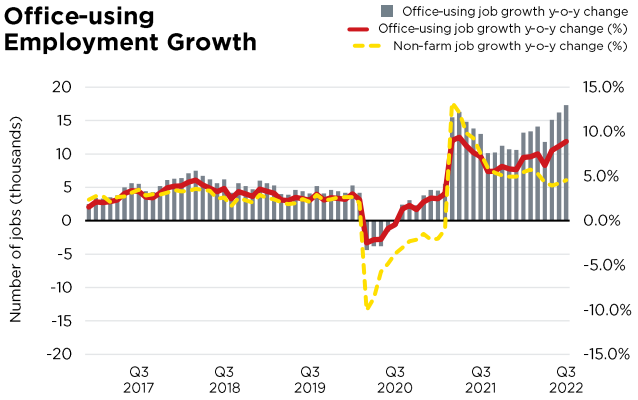
Outlook

- Available sublease space continues to rise as companies work to understand the hybrid workplace and how to restructure how much space is needed
- The overall trend in tenant flight to quality will continue as growing companies remain enthusiastic about new Class A workplace environments
- Expect Class A average rents to remain high due to new office projects being delivered to the market although landlord concessions are forecasted to also remain high

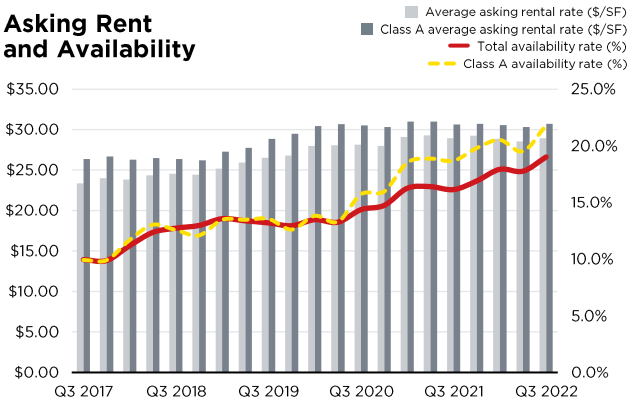
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	58.4 MSF	58.4 MSF	◀▶
Availability Rate	16.1%	19.0%	▲
Asking Rental Rate	$28.92	$28.95	▲
Class A Asking Rental Rate	$30.62	$30.70	▲
Quarterly Leasing Activity	0.8 MSF	0.7 MSF	▼
Available Sublease Space	1.5 MSF	2.9 MSF	▲

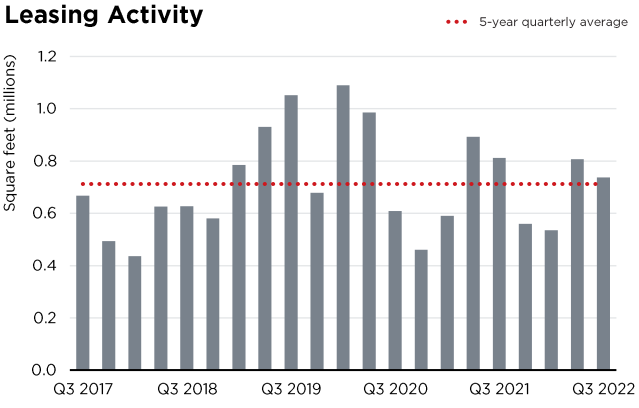
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.3%
Raleigh unemployment rate (as of August 2022)

8.9%
Office-using employment growth year-over-year (as of August 2022)

2.3 msf
Office space currently under construction

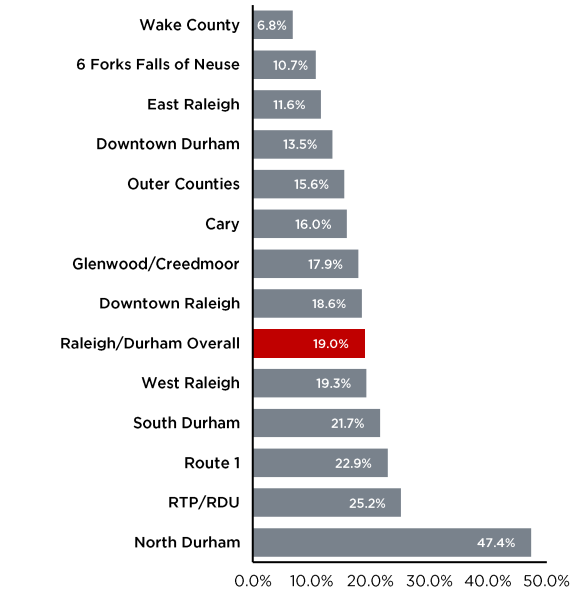
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Confidential*	103,037	831 Slater Road	New Location	RTP / RDU	TAMI
Extreme Networks	54,530	2121 RDU Center Drive	Renewal	RTP / RDU	TAMI
University of North Carolina*	51,362	223 S West Street	New Location	Downtown Raleigh	Education
Confidential	36,191	831 Slater Road	New Location	RTP / RDU	TAMI
General Services Administration	28,321	2625 Appliance Court	Renewal	Wake County	Government
Interlad Medical Systems*	28,061	305 Church at North Hills Street	New Location	Six Forks / Falls of Neuse	Healthcare
Pyxus	24,249	6001 Hospitality Court	Relocation	RTP / RDU	Agriculture
Transportation Security Administration	20,473	2121 RDU Center Drive	New Location	RTP / RDU	Government
Data443	20,000	Davis Drive	New Location	RTP / RDU	TAMI
Progressive	16,184	1616 E Millbrook Road	Renewal	Six Forks / Falls of Neuse	Insurance

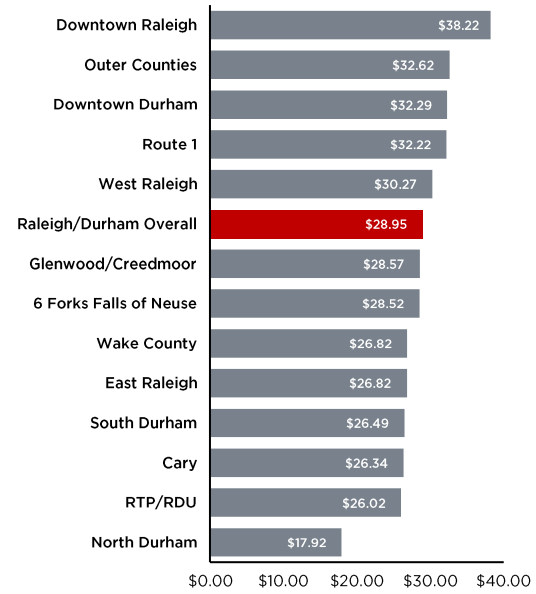
*Sublease

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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For more information, please contact us:

Savills
PNC Plaza
301 Fayetteville St
15th Floor
Raleigh, NC 27601
+1 919 827 1818

Tucker Shade
Executive Vice President
Carolinas Region Lead
tshade@savills.us
+1 919 746 7758

Audra Laskey
Research Associate
alaskey@savills.us
+1 704 414 7450

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