

# Raleigh/Durham

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## Availability rate growth slows, while rental rates decrease

At 22.2%, the Raleigh-Durham office market saw no change in availability compared to a year ago. Over the past five years, availability rates have been steadily increasing and reached record-high levels. As availability rates have begun to level off, so has the decrease in average rental rates. Overall rental rents decreased slightly by 0.1% year over year to \$29.29 per square foot (psf), while Class A space decreased 1.8% year over year to \$30.66 psf. The office class spread is tightening as occupier demand for new Class A space remains high while middle- to lower-tier Class A space sits on the market.

## Despite below average leasing activity, overall sublease space continues to shrink

In the first quarter of 2024, Raleigh-Durham totaled 0.5 million square feet (msf) of office space leased. That is a 29% decrease year over year, and a 38% decrease from the 5-year quarterly leasing average of just under 0.8 msf. Sublease space continues to decrease as tenants find value in leasing turn-key office space at discounted rates. In the first quarter, 20% of the top ten leases were subleases. This includes Extreme Networks' 55,000-square-foot sublease in the RTP/RDU submarket, which is the area that currently holds the largest amount of available sublease space in the Raleigh-Durham market. Year over year, available sublease space decreased 0.7 msf and is expected to continue to trend downward throughout 2024.

## Construction deliveries slow as product catches up to demand

New construction continues to be delayed as many proposed projects wait for significant preleasing. In Q1 2024, there were no new office buildings delivered to the market as new projects were completed in 2023 and groundbreakings have slowed. In total, there remains a total of 2.5 msf under construction in the Triangle, with 14% of that space preleased. Going forward, the Raleigh-Durham market is expected to see a temporary pause in the delivery of new office product as tenants are expected to prioritize planning and proactive engagement in the marketplace.

## Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	59.4 msf	60.9 msf	+1.5 msf
Availability Rate	22.2%	22.2%	+0 bps
Asking Rental Rate	\$29.45	\$29.29	-0.5%
Class A Asking Rental Rate	\$31.21	\$30.66	-1.7%
Quarterly Leasing Activity	0.7 msf	0.5 msf	-0.2 msf
Available Sublease Space	3.6 msf	2.9 msf	-0.7 msf

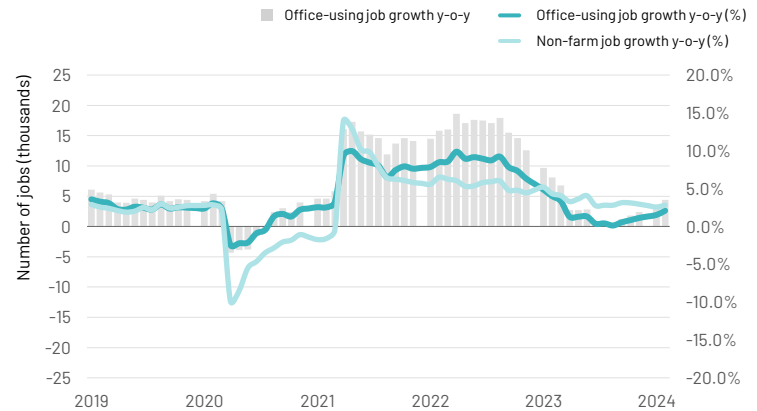
## Outlook

**01** Expect to see more leasing activity as tenants take a more proactive approach to market engagement and initiate negotiations earlier instead of waiting and staying

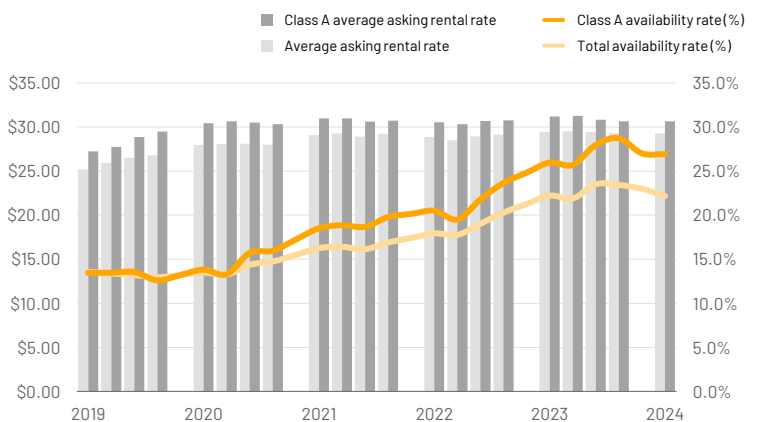
**02** Tenant-favorable market conditions will continue throughout 2024 due to heightened availability coupled with some landlords facing loan distress

**03** Growth in spec suites is likely to continue as tenant demand remains for turn-key offices with modern workspaces

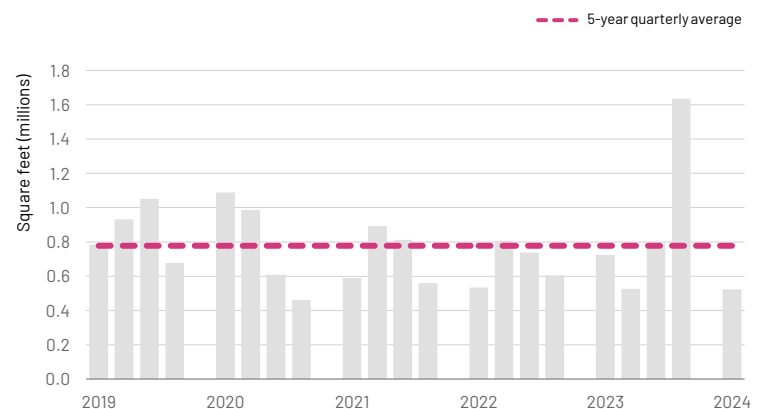
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

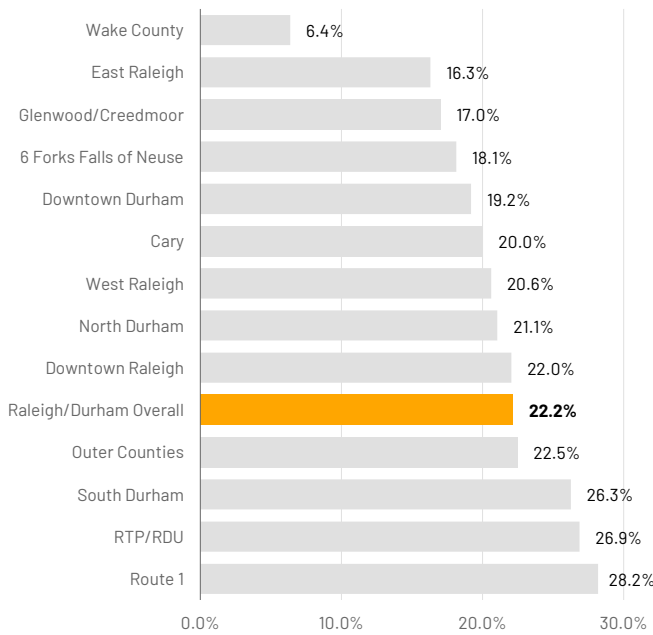
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Railinc Corporation	Transportation	Cary	1100 Weston Parkway	56,371	New Location
Extreme Networks	TAMI	RTP / RDU	2121 RDU Center Drive	54,530	New Location**
NuFarm	Agriculture & Mineral Mining	Six Forks Falls of Neuse	4000 Center at North Hills Street	30,521	New Location
KCI Technologies	TAMI	Six Forks Falls of Neuse	4800 Falls of Neuse Road	28,633	New Location
Cranfill Sumner	Legal Services	West Raleigh	5440 Wade Park Boulevard	27,354	New Location
Cushman and Wakefield	Real Estate	Cary	25 Fenton Main Street	16,654	New Location
Morningstar Law Group	Legal Services	Downtown Raleigh	434 Fayetteville Street	14,500	New Location
ICF International	TAMI	South Durham	2635 Meridian Parkway	11,604	Renewal
Kisinger Campo & Associates	Architecture, Engineering and Construction	Downtown Raleigh	301 Fayetteville Street	10,800	New Location
Freshfields	Legal Services	Six Forks Falls of Neuse	305 Church At North Hills Street	10,572	New Location**

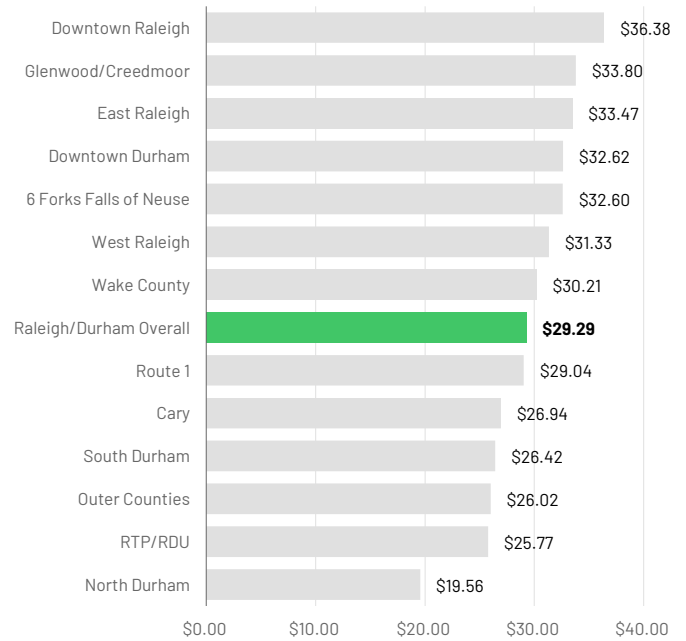
## Availability Rate Comparison (%)

RALEIGH/DURHAM SUBMARKETS



## Rental Rate Comparison (\$/sf)

RALEIGH/DURHAM SUBMARKETS



## Raleigh/Durham Q1 2024 - Office

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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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