

Raleigh/Durham

Powered by Savills Research & Data Services

Direct office availability rises, as sublease space continues to fall

In the second quarter of 2024, Raleigh-Durham's availability rate increased to 22.8%. This is an increase of 100 basis points (bps) year over year. The availability rate has been steadily rising due to occupiers resizing to match hybrid work models, and new projects delivering over the past 24 months. Two Class A office buildings in the Six Forks / Falls of Neuse submarket delivered 360,000 square feet (sf) in the second quarter, both averaging only 19% preleased at delivery. Despite direct availability rising, sublease space has been steadily decreasing. Sublease space decreased 20% year over year, totaling 3.5 million square feet (msf) in Q2 2024. As occupiers finalize their long-term office plans, expect sublease space to drop further.

Rental rates lose momentum as concessions stand strong

The Triangle experienced a slight decrease in average rental rates as the market begins to stabilize. Overall average rental rates ended the quarter at \$29.35 per square foot (psf), slightly below \$29.54 psf reported a year ago. Class A average rents are similarly down year over year, now averaging \$30.77 psf. Office property landlords are willing to negotiate to get tenants to sign leases by offering rent abatement and improvement allowances. In recent transactions, landlords have been willing to provide one month of free rent per one year of lease term. Looking ahead, tenants may tend to be more proactive with their real estate decisions in order to receive greater concessions and more negotiating power.

Raleigh-Durham economic growth remains steady

With an unemployment rate below the national average of 3.1% and positive year over year office-using job growth, Raleigh-Durham proves itself as a Southeastern destination for companies to make their mark. U.S. News & World Report ranked Raleigh as the top sixth place to live in the entire United States. Due to the region's friendly business climate, relatively low cost of living, and strong population growth, demand for office space is healthy. New leasing activity in the Triangle has been active across several sectors including life sciences, tech companies, healthcare, and professional services.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	60.1 msf	61.0 msf	+0.9 msf
Availability Rate	21.8%	22.8%	+100 bps
Asking Rental Rate	\$29.54	\$29.35	-0.7%
Class A Asking Rental Rate	\$31.28	\$30.77	-1.6%
Quarterly Leasing Activity	0.5 msf	0.5 msf	0.0 msf
Available Sublease Space	3.4 msf	2.9 msf	-0.5 msf

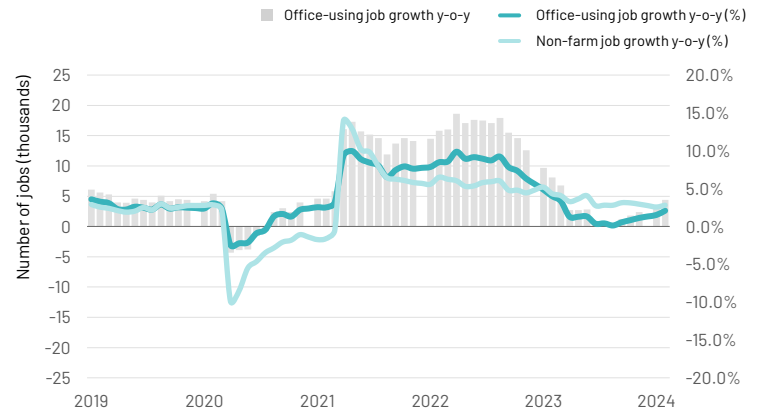
Outlook

01 Tenant-favorable conditions are likely to be maintained throughout 2024, as space availability remains heightened and some landlords face loan distress

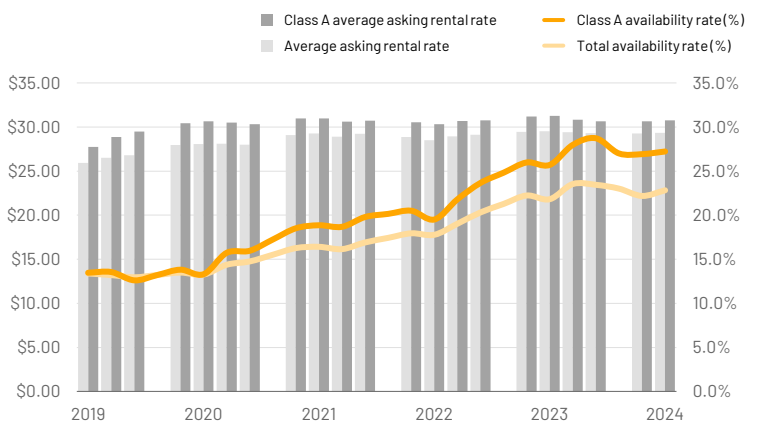
02 Leasing activity of spec suites is expected to continue to increase as tenant demand for turnkey space remains high

03 Raleigh is expected to remain a highly desirable Southeast market with strong demand, driven by its diverse industry base, lower cost of living, and growing workforce

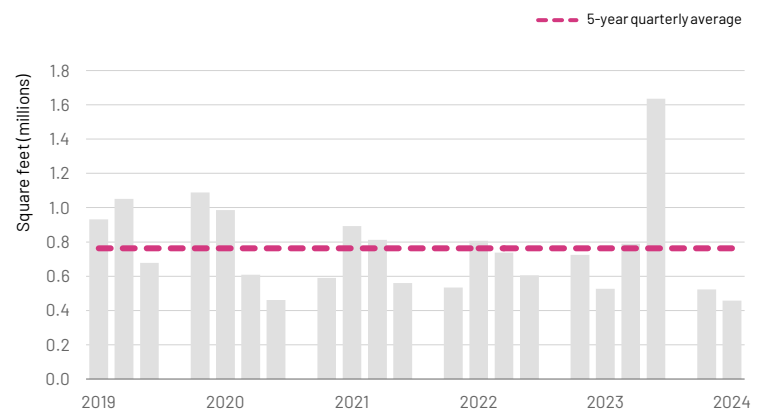
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

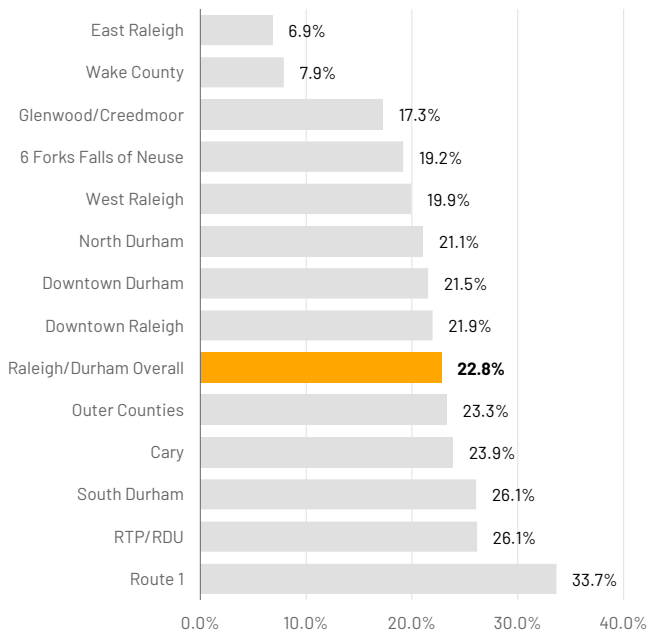
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Audemars Piguet	Retail	Route 1	2201 Iron Works Drive	61,244	New Location
Cranfill Sumner	Legal Services	West Raleigh	5420 Wade Park Boulevard	27,354	New Location
Terracon	Architecture, Engineering and Construction	Route 1	3150 Spring Forest Road	21,399	New Location
Optum Health	Healthcare	Downtown Raleigh	301 Hillsborough Street	17,095	New Location
Morningstar Law Group	Legal Services	Downtown Raleigh	434 Fayetteville Street	14,500	New Location
EwingCole	Architecture, Engineering and Construction	Glenwood / Creedmoor	4509 Creedmoor Road	12,457	New Location
Ndustrial	TAMI	Downtown Raleigh	319 W Martin Street	12,000	New Location
Teleflex	Healthcare	RTP / RDU	3015 Carrington Mill Boulevard	11,972	New Location
NC Association of Educators	Education	West Raleigh	3700 Glenwood Avenue	11,027	New Location
TruLab	Healthcare	RTP / RDU	700 Park Offices Drive	10,000	New Location**

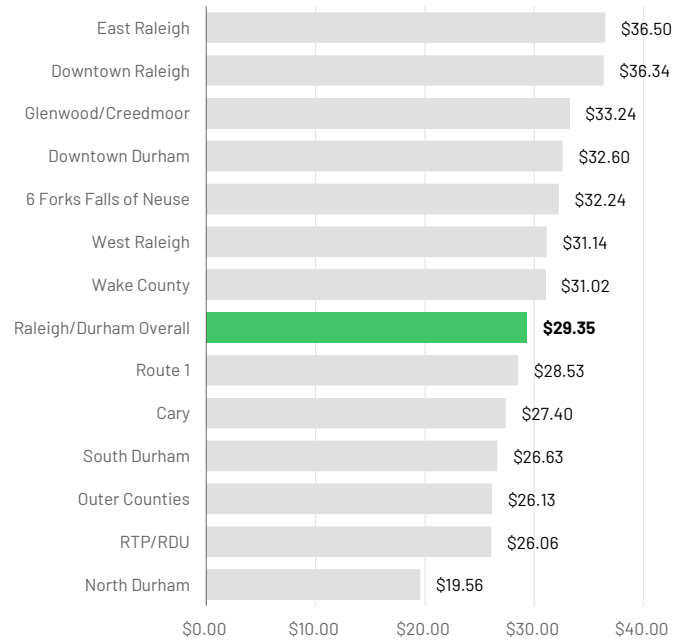
Availability Rate Comparison (%)

RALEIGH/DURHAM SUBMARKETS



Rental Rate Comparison (\$/sf)

RALEIGH/DURHAM SUBMARKETS



Raleigh/Durham Q2 2024 - Office

For more information, please contact us:

savills.us

Savills Raleigh
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
alasky@savills.us
+1 704 414 7450

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.

Copyright © 2024 Savills

