



## Availability sees an overall increase, conditions vary greatly by submarket

Availability in the Raleigh/Durham market has increased over the past year, presenting new tenant options in a number of submarkets. Overall availability ticked up 240 basis points year-over-year to 13.9%, while class A availability rose 160 basis points over the same period to 13.7%. Overall availabilities range from a low of 0.6% in the East Raleigh submarket to 43.7% in the RTP/RDU submarket, presenting quite a variance in market conditions across the region. Availability remains tight in both the Downtown Raleigh and Downtown Durham submarkets. Availability in Downtown Durham declined by 190 basis points year-over-year to 6.1%, while Downtown Raleigh saw a slight increase in options with availability ticking up 100 basis points over the year to 5.5%.

### Asking rents increase with stronger demand seen

Asking rents faced upward pressure over the past year as demand has increased significantly during this period. Overall asking rents increased 4.9% year-over-year to \$25.29 per square foot (psf), while class A asking rents saw a 3.2% increase over the same period to \$27.14 psf. Total first-quarter 2019 leasing activity stood at 814,409 square feet (sf), nearly twice the amount seen at Q1 2018. The Downtown Durham submarket attracted new market entrants and relocations. Coworking giant WeWork committed to its third regional location this quarter, taking 74,937 sf at 300 Morris Street in the submarket's "Innovation District". Solar energy company Strata Solar also chose Downtown Durham as its new home, opening a new 50,336-sf headquarters location at 800 Taylor Street this quarter.

### Healthcare and life sciences drive demand

The healthcare and life sciences sector accounted for 50.9% of major transactions in the Raleigh/Durham market during Q1. LabCorp, a global life sciences and laboratory diagnostics leader, is opening a new 221,980-sf operations center at 5 Moore Drive in the RTP/RDU submarket that will create more than 400 jobs. Align technologies, which provides orthodontic equipment, will expand by 29,733 sf at 3030 Slater Road, also in the RTP/RDU submarket. Additionally, healthcare technology provider Allscripts is relocating 26,000 sf to 5501 Dillard Drive in Cary.

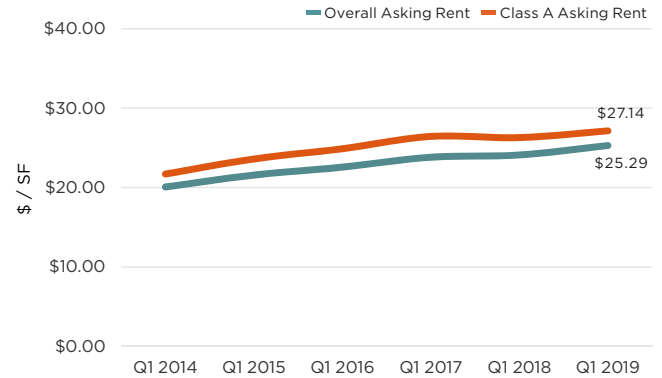
### Outlook

- Though tightness persists in the Downtown Raleigh and Downtown Durham submarkets, opportunities continue to expand throughout the market
- Stronger demand is driving asking rents upwards, particularly as coworking and tech tenants are willing to pay a premium for new and top-tier space
- Raleigh/Durham employment is expected to grow by 2.1% per year over the next five years, resulting in an aggregate of new 106,000 jobs by year-end 2023

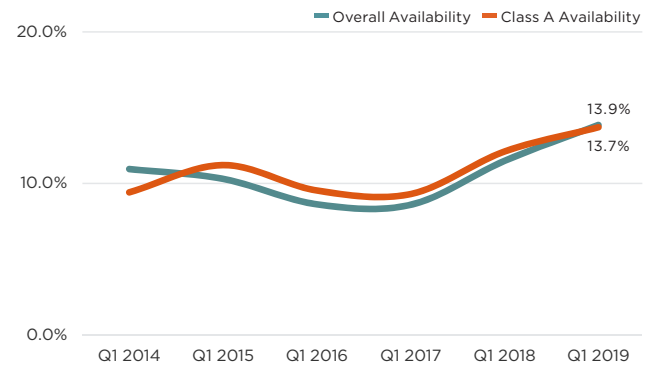
### KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	50.9 MSF	<b>52.0 MSF</b>	▲
Availability Rate	11.5%	<b>13.9%</b>	▲
Asking Rental Rate	\$24.10	<b>\$25.29</b>	▲
Class A Asking Rental Rate	\$26.29	<b>\$27.14</b>	▲
Quarterly Leasing Activity	0.4 MSF	<b>0.8 MSF</b>	▲

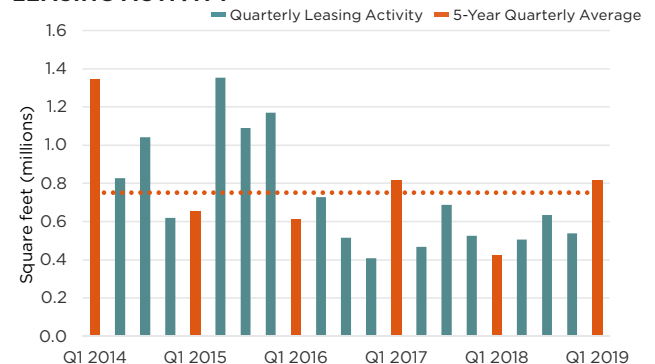
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

96.2%

of major transactions were **new market entrants or relocations**

46.1%

of large transactions occurred in the **RTP/RDU** submarket

50.9%

**Healthcare** represented 50.9% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
LabCorp	221,980	5 Moore Drive	New Location	RTP/RDU	Healthcare
WeWork	74,937	300 Morris Street	New Location	Downtown Durham	Coworking
Strata Solar LLC	50,366	800 Taylor Street	Relocation	Downtown Durham	Energy & Utilities
Ogletree Deakins PLLC	46,766	8529 Six Forks Road	Relocation	6 Forks Falls of Neuse	Legal Services
Relias Learning	38,203	111 Corning Road	Expansion	Cary	TAMI
Align	29,773	3030 Slater Road	Expansion	RTP/RDU	Healthcare
Allscripts	26,000	5501 Dillard Drive	Relocation	Cary	Healthcare
Bandwidth	20,804	900 Main Campus Drive	Renewal	West Raleigh	TAMI
Blue Cross Blue Shield	19,407	3211 Shannon Road	Expansion	South Durham	Financial Services & Insurance
Colliers International	17,363	1201 Edwards Mill Road	Relocation	West Raleigh	Real Estate

Source Savills Research

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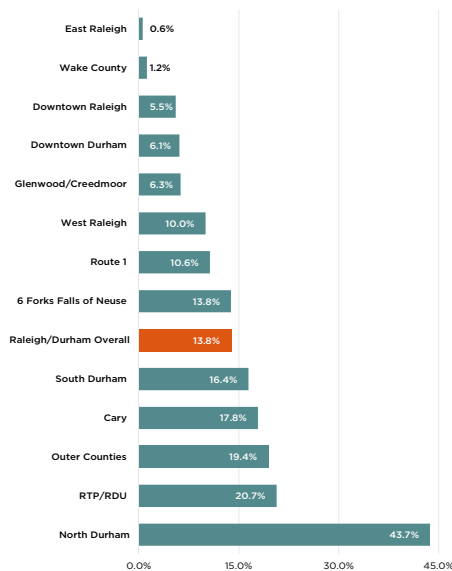
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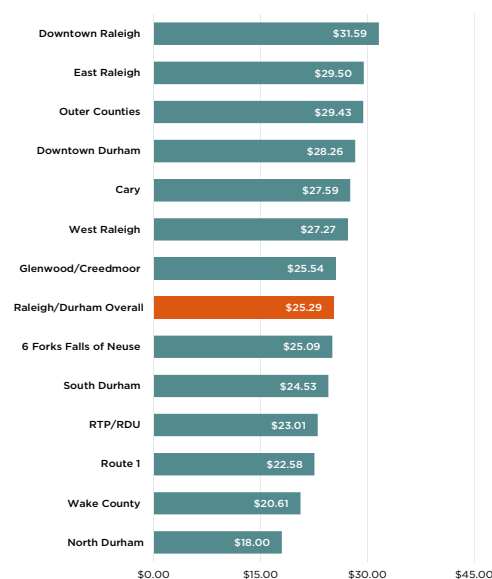
AVAILABILITY RATE COMPARISON

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 psf. 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.

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