

Positive real estate metrics reveal early signs of market resiliency in The Triangle

Although other markets have shown tepid or completely slowed occupier demand, Raleigh and Durham have shown early signs of market resiliency. Although the full impacts of COVID-19 will advance further in the coming quarters, market fundamentals including availability and asking rents have held steady for the time being. Availability remains tight and stable at 13.3%; down 20 basis points (bps) from the previous quarter and down 10 bps year over year. Overall asking rental rates have also remained relatively stable at \$28.07 per square foot (psf) – fluctuating only 0.3% from the previous quarter’s rate of \$27.98 psf. In addition, large job creation announcements from organizations including Bandwidth and Grail have brought in more than \$200 million in investments for the local economy. Bandwidth is set to build a 500,000-square-foot (sf) HQ campus and Grail announced a 200,000-sf lease this quarter.

Robust construction pipeline moves forward, even amidst economic disruption

As a result of growing demand and strong occupier interest in 2018 and 2019 in Raleigh and Durham, there is more than 4.3 million square feet (msf) of new office development underway. 680,000 sf of construction delivered in the second quarter, 254,024 sf of which (37.5%) was in the RTP submarket. While new construction may begin to taper off in the short term, developers appear to be bullish on the long-term future of the Triangle, with plans unveiled in the second quarter for several notable office projects. Developers that will continue to shape the new skyline in Downtown Raleigh include Turnbridge Equities, which is seeking city approval for two new 40-story towers, and Global Mutual which is filing to add two office buildings to its recently acquired Research Commons.

Large coworking floorplates face uncertainty in coming months

Coworking operators were immediately hit by the pandemic fallout due to the inability to safely share office space in the midst of a public health crisis. Still, optimism remains for the industry, with more than 0.5 msf in The Triangle. Coworking is experiencing a slow resurgence in demand as the workforce slowly moves out of stay-at-home orders that were imposed by North Carolina’s government in March. In addition, many occupiers may find coworking to be a solution for acquiring short-term and flexible space while rethinking real estate strategies. Coworking groups across the country have notably terminated leases in major markets such as New York, but key operators in the Triangle have not done the same, thus far.

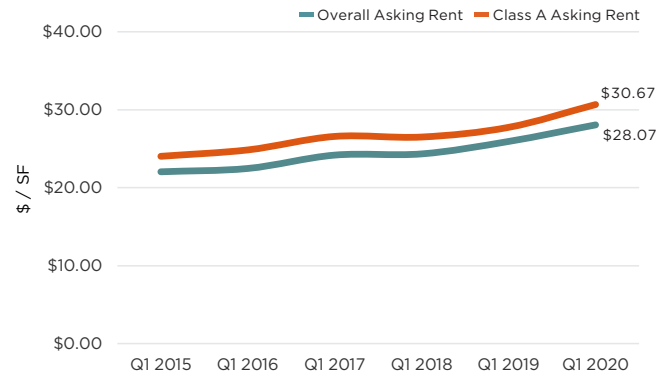
Outlook

- Although most near-term activity has hit a temporary pause, investors and developers appear to have a bullish perception of the future of The Triangle
- Availability and asking rents held steady in quarter-over-quarter comparisons, signalling either that the full impact of COVID-19 has yet to be seen or that The Triangle will experience some level of recession resiliency
- Leasing activity slowed compared to the first quarter but interest in the market remains high, especially amongst life science and biotech sector tenants

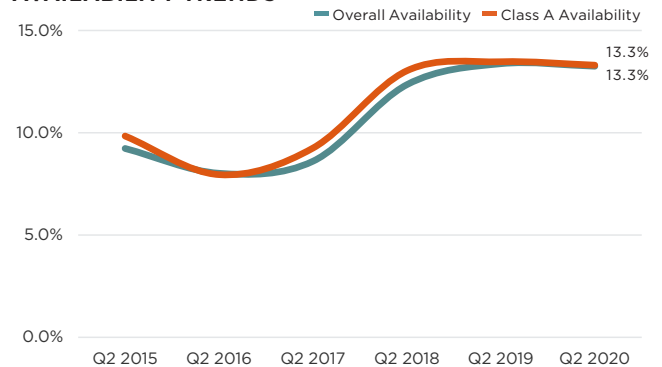
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	52.9 MSF	54.6 MSF	▲
Availability Rate	13.4%	13.3%	▼
Asking Rental Rate	\$25.93	\$28.07	▲
Class A Asking Rental Rate	\$27.74	\$30.67	▲
Quarterly Leasing Activity	0.9 MSF	1.0 MSF	▲

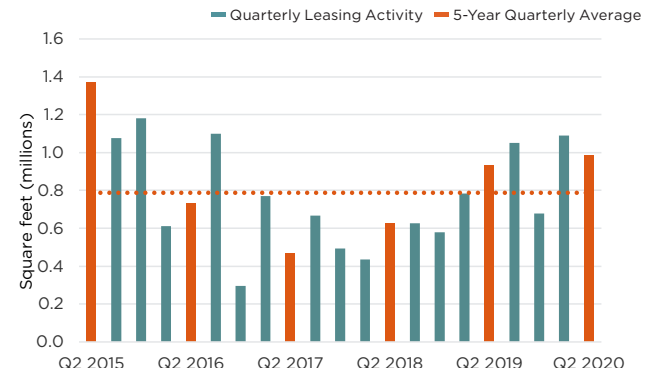
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

8 of 10

major transactions were new locations

80.9%

of large transactions occurred in the RTP/RDU submarket

42.8%

Healthcare sector tenants represented 42.8% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Duke University	220,000	5 Moore Drive	New Location	RTP/RDU	Education
Grail Inc.	200,000	4001 US 54 Highway	New Location	RTP/RDU	Healthcare
Biogen	108,000	831 Slater Road	New Location	RTP/RDU	Healthcare
Premier Research International	61,785	3800 Paramount Parkway	Renewal	RTP/RDU	Pharmaceuticals
University of North Carolina	50,000	1830 Fordham Boulevard	New Location	Outer Counties	Education
Wake County	50,000	4401 Bland Road	New Location	6 Forks Falls of Neuse	Government
Cherry Bekaert LLP	19,498	2626 Glenwood Avenue	Renewal	West Raleigh	Professional Services
New American Funding	13,079	4813 Emperor Boulevard	New Location	RTP/RDU	Financial Services
Shellco Construction	11,525	3600 Glenwood Avenue	New Location	West Raleigh	Construction
UNC Healthcare	11,163	227 Fayetteville Street	New Location	Downtown Raleigh	Healthcare

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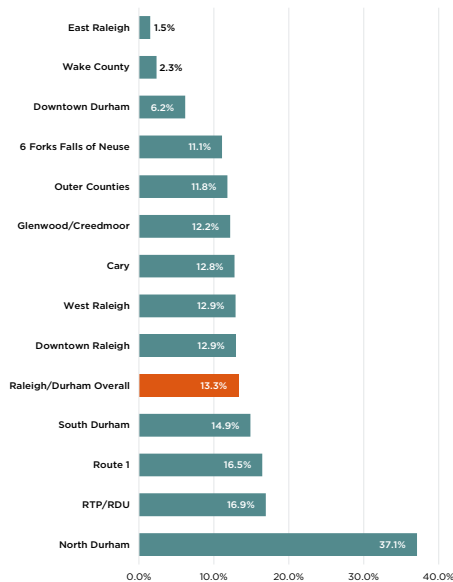
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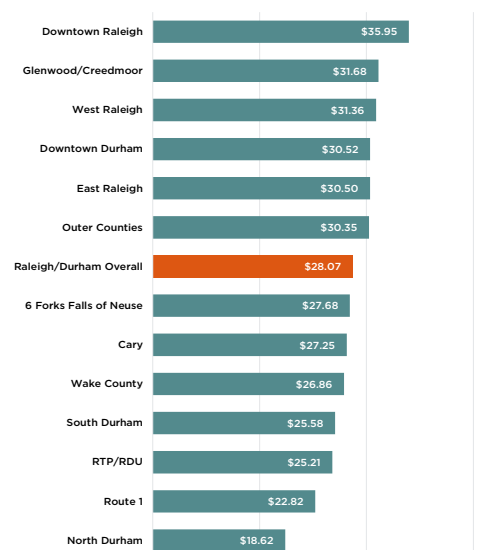
AVAILABILITY RATE COMPARISON

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 per square foot (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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