

Life sciences companies lead the resurgence of occupiers to the office, leasing creeps closer to pre-pandemic levels

Activity has returned to the Raleigh/Durham office market as occupiers have begun to re-occupy offices and lease greater quantities of space as they shift away from a 100% remote work policy. In the second quarter of 2021, leasing activity doubled, with more than 800,000 square feet (sf) leased, up 51% quarter over quarter, but still down 9% compared to one year ago. The uptick in leasing is fueled by the ever-growing life sciences industry in the Triangle, with six of the top ten leases stemming from the greater life sciences sector. Notable leases include Invitae Corporation signing a 245,000-square-foot (sf) new lease at The Stitch, Gilead Sciences taking 84,000 sf at the Allscripts tower and Zoetis US securing a new long-term lease for 79,000 sf at 1050 Swabia Court.

Sublease inventory still flooding the market, resulting in rising availability and plenty of options for occupiers to choose from

At the end of Q2, Raleigh had 2.6 million square feet (msf) of sublet space available, the highest on record in the past 15 years. Much of this space was added during the pandemic, likely as a result of increased ambiguity surrounding the future of workplace trends. Due to the influx of this returned space to the market, availability continues to rise. By close of Q2, the availability rate was at 16.4%, up 320 basis points year over year. This creates a unique opportunity for tenants that are active in the market with a surplus of space options and favorable leasing conditions including increased flexibility and generous concessions.

Asking rents continue to rise, showing Landlords' confidence in their product and overall market wellness

Overall asking rents have increased to \$29.29 per square foot (psf), up from \$28.07 psf one year ago. Similarly, Class A rents have risen to \$30.99 psf, up from \$30.67 in Q2 2020. New construction, Class A buildings in the Downtown Raleigh submarket continue to demand a premium despite pandemic challenges, with the average asking rate now at \$39.29 psf up from \$37.08 psf over the year. Rising rents seem unlikely given pandemic challenges, yet landlords remain bullish on the long-term future of the market, even though market dynamics have weakened over the last year. Since the start of Q2, Apple, Fujifilm Diosynth, RedHat and Google have all announced significant commitments to campuses in the Triangle area, which is exemplary of the future growth potential of the market post-pandemic.

Outlook

- The war for talent has heightened as the country emerges from the pandemic; this will likely push companies to focus on employee benefits such as highly-amenitized offices that will attract and retain talent
- As more employees feel safe to return to the office and companies prepare for the post-vaccine workplace, the glut of sublease space seen added to the market in the last year may begin to taper off
- If the migration of new companies to the Triangle continues, it will further fuel landlords' confidence in the future of the market and keep asking rents trending upwards

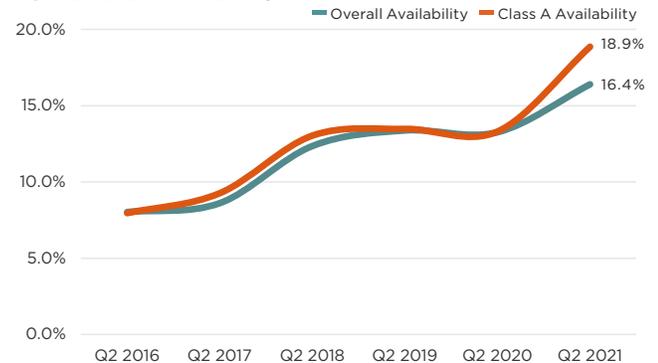
KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	54.7 MSF	57.8 MSF	▲
Availability Rate	13.3%	16.4%	▲
Asking Rental Rate	\$28.07	\$29.29	▲
Class A Asking Rental Rate	\$30.67	\$30.99	▲
Quarterly Leasing Activity	1.0 MSF	0.7 MSF	▼

ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

70.5%

of major transactions were new locations by square footage

73.9%

of large transactions occurred in the RTP/RDU submarket by square footage

46.3%

Life Sciences and Healthcare sector tenants represented 46.3% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Invitae Corporation	245,000	1001 Airport Boulevard	New Location	RTP/RDU	Healthcare
Gilead Sciences, Inc	84,000	305 Church At North Hills Street	New Location	6 Forks Falls of Neuse	Pharmaceuticals
Zoetis US LLC	79,000	1050 Swabia Court	Relocation	RTP/RDU	Pharmaceuticals
Conduent Business Services LLC	75,168	1200 Crescent Green Drive	Renewal	Cary	TAMI
Azzure Group	75,015	1101 Shiloh Glenn Drive	New Location	RTP/RDU	Healthcare
Zoetis US LLC	49,951	1040 Swabia Court	Renewal	RTP/RDU	Pharmaceuticals
RedHill Biopharma	28,846	8041 Arco Corporate Drive	New Location	RTP/RDU	Pharmaceuticals
Intel	21,622	1000 CentreGreen Way	New Location	Cary	TAMI
JUUL Labs, Inc	18,285	4512 S Miami Boulevard	New Location	RTP/RDU	Retail
Research Triangle Park Foundation	14,763	700 Park Offices Drive	New Location	RTP/RDU	Non-profit

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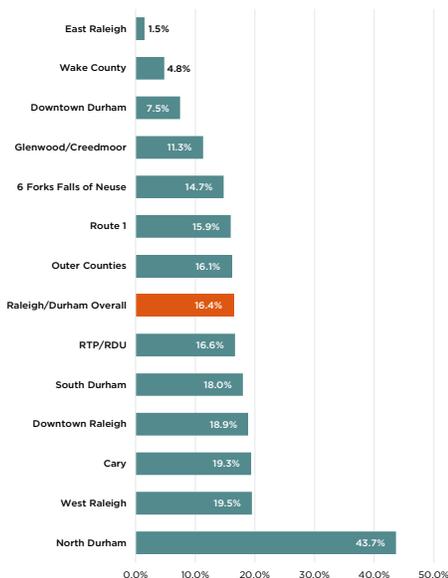
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AVAILABILITY RATE COMPARISON

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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