

Life sciences sector keeps Raleigh Durham market active despite pandemic conditions

Third-quarter leasing volume fell to 549,292 square feet (sf), a 38.4% dip from the previous quarter that had several significant leases (Grail Inc. and Biogen as examples). Although the Raleigh Durham market has a diverse tenant base, the life sciences industry has largely driven leasing activity throughout the pandemic. Historically, the Research Triangle Park (RTP) submarket has been home to major pharmaceutical and biotechnology companies that are thriving during a pandemic-driven economy. The largest lease of the quarter was in the Research Triangle Park submarket (RTP / RDU); Q2 Solutions, a subsidiary of IQVIA, leased 322,384 sf.

Asking rents and other office market metrics remain stable due to historically tight market conditions

The Raleigh office market remained stable in Q3 2020 in the face of pandemic challenges. Landlords are holding firm on asking rents, and even increasing them in select well-leased properties or tight submarkets. With the addition of several large blocks to the market, overall availability closed at 14.4%, increasing 110 basis points (bps) from last quarter and 120 bps year over year. The overall asking rent for The Triangle closed the quarter at \$28.10 per square foot (psf), revealing a slight increase (1.0%) from last quarter.

Office pipeline remains healthy with continued investment from developers

On the heels of a notably strong amount of construction announcements and deliveries in 2019, the pipeline remains robust. New project announcements continue, even amidst current circumstances, most of which are mixed-use or redevelopment projects. Kane Realty Corporation announced plans for the redevelopment of the JC Penney site at North Hills. The \$350 million mixed-use project will include 346,000 sf of office space. Turnbridge Equities and Denali Properties announced plans to begin work on the Cary Towne Center redevelopment, converting former retail space in 2021. Most of the existing mall will be demolished to make way for Carolina Yards, which will feature 1.2 million square feet (msf) of office space. Finally, a redevelopment project at the University Ford site was announced and will include approximately 300,000 sf of office space.

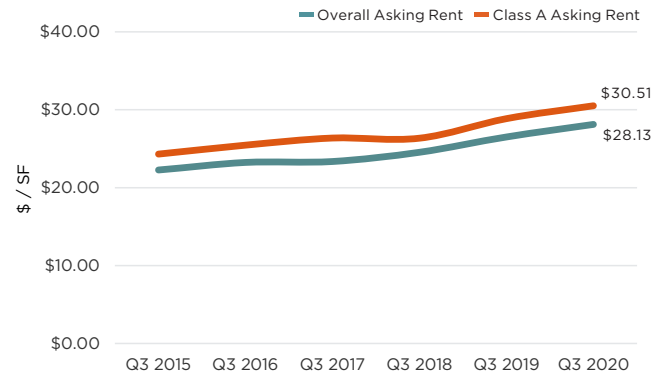
Outlook

- Leasing activity has slowed as many occupiers postpone leasing decisions, but there will be sustained activity largely from the life sciences sector
- Looking past the pandemic, developers expect demand to return to the Raleigh Durham market and continue to plan new development projects, a majority of which are redevelopments of other asset classes into office
- The Triangle's position as a secondary-tier city will prove to help the market in the long run; more tenants will relocate or expand their existing footprint as occupiers try to minimize their bottom lines

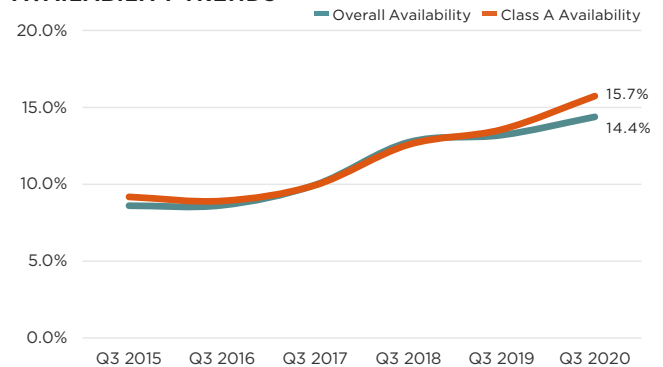
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	52.9 MSF	55.6 MSF	▲
Availability Rate	13.2%	14.4%	▲
Asking Rental Rate	\$26.51	\$28.13	▲
Class A Asking Rental Rate	\$28.86	\$30.51	▲
Quarterly Leasing Activity	1.1 MSF	0.6 MSF	▼

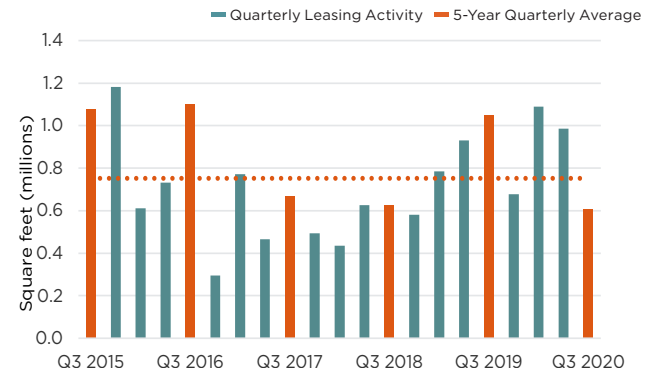
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

major transactions were new locations

86.3%

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

76.3%

Pharmaceuticals sector tenants represented 76.3% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Q2 Solutions	322,384	2400 Ellis Road	Expansion	RTP/RDU	Pharmaceuticals
bioMason, Inc.	31,000	2 Triangle Drive	Expansion	RTP/RDU	Manufacturing
UNC MC	20,018	1000-1480 Environ Way	New Location	Outer Counties	Healthcare
First Carolina Bank	19,498	2626 Glenwood Avenue	Expansion	West Raleigh	Financial Services
AstraZeneca	16,466	4309 Emperor Boulevard	New Location	RTP/RDU	Pharmaceuticals
Oerthbio	14,944	112 S Duke Street	New Location	Downtown Durham	Manufacturing
Cenduit	10,000	700 Park Offices Drive	New Location	RTP/RDU	Professional Services
Atox Bio	3,579	1000 Park Forty Plaza Dr	New Location	RTP/RDU	Healthcare
Vivint Home Security	3,264	5171 Glenwood Avenue	New Location	Glenwood/Creedmoor	Retail
EPM	3,228	5540 Centerview Drive	Renewal	West Raleigh	Engineering

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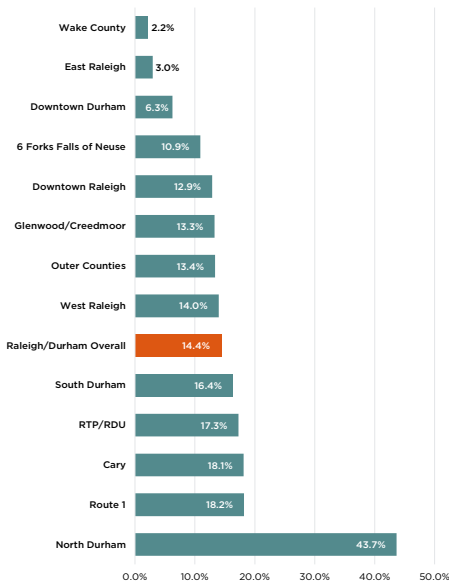
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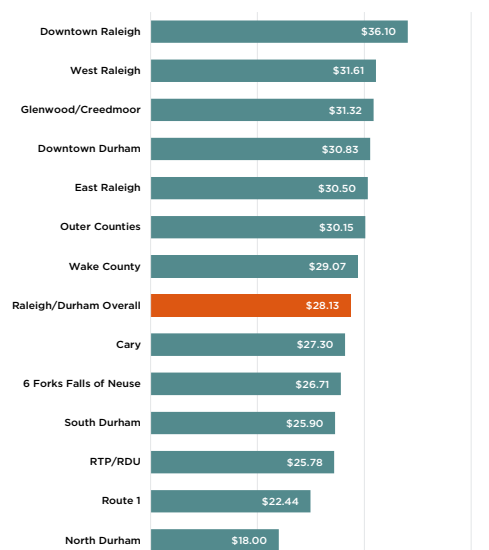
AVAILABILITY RATE COMPARISON

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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