

## Availability increases year over year, but not overly affected by influx of new development due to abundant preleasing

Overall availability in the Raleigh/Durham market increased 90 basis points over the year to 13.4% in Q2. Class A availability held essentially flat over the same period, now at 13.3%. The market has a robust development pipeline with nearly 1.0 million square feet (msf) delivered so far in 2019, and almost another 1.0 msf set to deliver in the next twelve months - over half of which has already been preleased. With preleasing activity so strong, the uptick in deliveries is not materially impacting overall availability in the market. However, there is a striking disparity between core and suburban submarket fundamentals, with Q2 availability rates at 6.5% across the Central Business District (CBD) submarkets (Downtown Durham and Downtown Raleigh) and 15.0% across all suburban submarkets.

### Asking rents steadily increase, rates vary by submarket

With the wave of new product, asking rents have been drifting upwards in the Raleigh/Durham market in recent years. In Q2 2019, the overall office asking rent averaged \$26.01 per square foot (psf), reflecting annual and quarterly increases of 6.2% and 2.9%, respectively. Rents ranged from a low of \$18.00 psf in the North Durham submarket, to \$30.80 psf in Downtown Durham. Class A asking rents followed a similar trend, increasing 5.2% year-over-year and 2.4% over the quarter, to \$27.79 psf.

### Leasing activity is above the five-year average, tenants are on the move

Quarterly leasing activity totaled just over 1.0 msf, up 53.6% year over year and 33.7% higher than the five-year quarterly average of 770,000 sf. Cloud tech firm Pendo entered the market this quarter, committing to five floors (125,000 sf) at a new tower at 301 Hillsborough Street in Downtown Raleigh. The building is expected to complete in late 2021. Law firm Ogletree Deakins also sought new space this quarter, leaving its current location at the Captrust Tower for 45,000 sf at the completely renovated Forum 4 building at 8529 Six Forks Road. Medical manufacturer Align Technology is expanding in the RTP/RTU submarket and has purchased 3030 Slater Road. Relocations and new locations outpaced renewals for the quarter, accounting for 67.5% of major transaction activity.

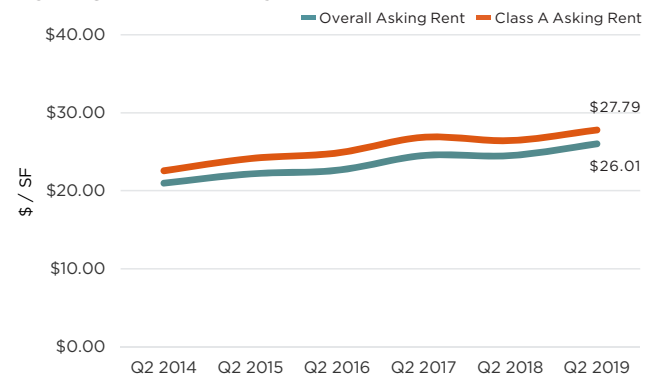
### Outlook

- The market has been active with a wave of new development in the pipeline, increased demand and asking rents trending upwards - tenants should take advantage of current favorable market conditions should rents continue to climb
- Elevated overall availability rates provide numerous leasing options; however, conditions remain much tighter in the CBD submarkets
- Raleigh/Durham MSA employment is projected to grow by 2.7% per year over the next five years, resulting in an aggregate of 131,000 new jobs through the first quarter of 2024

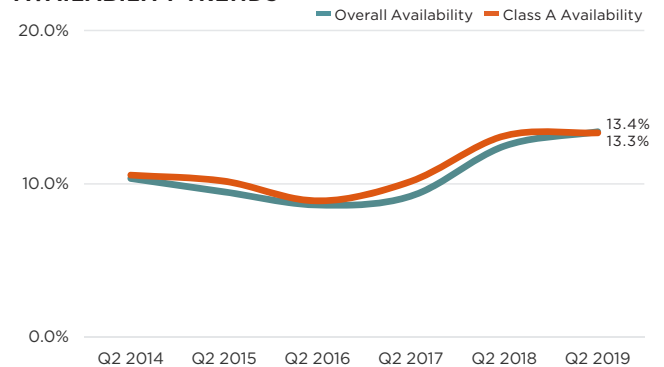
### KEY STATISTICS

	Q2 2018	Q2 2019	y-o-y Change
Inventory	52.3 MSF	<b>53.1 MSF</b>	▲
Availability Rate	12.5%	<b>13.4%</b>	▲
Asking Rental Rate	\$24.50	<b>\$26.01</b>	▲
Class A Asking Rental Rate	\$26.43	<b>\$27.79</b>	▲
Quarterly Leasing Activity	0.6 MSF	<b>1.0 MSF</b>	▲

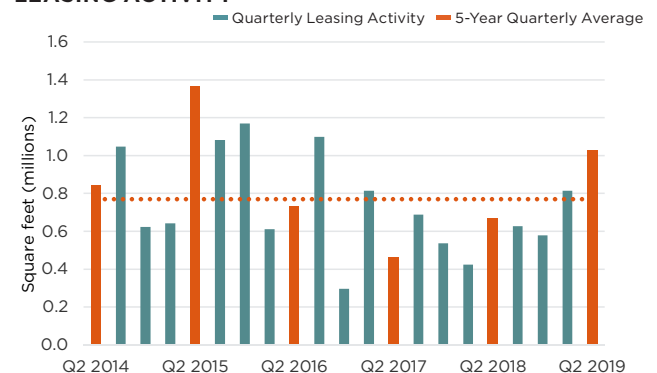
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

96.1%

of major transactions were new locations or relocations

48.5%

of large transactions occurred in the RTP/RDU submarkets

44.7%

Pharmaceutical and healthcare industries represented 44.7% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Rho	159,000	2635 E NC Highway 54	New Location	RTP/RDU	Pharmaceuticals
Pendo	125,000	301 Hillsborough Street	New Location	Downtown Raleigh	TAMI
AmeriHealth Caritas North Carolina	82,830	8041 Arco Corporate Drive	New Location	RTP/RDU	Healthcare
Ogletree Deakins	45,000	8529 Six Forks Road	New Location	RTP/RDU	Healthcare
American Art Institute	28,045	410 Blackwell Street	New Location	Downtown Durham	Education
Weavexx	22,731	8537 Six Forks Road	New Location	6 Forks/Falls of Neuse	Manufacturing
Kuehne + Nagel	21,234	5410 Trinity Road	Renewal	West Raleigh	Transportation
Telerent Leasing Corporation	20,685	1100 Crescent Green Drive	New Location	Cary	TAMI
NC DMV	20,432	700 Park Offices Drive	New Location	RTP/RDU	Government
NCT Holdings, Inc.	16,225	3211 Shannon Road	New Location	South Durham	Professional Services

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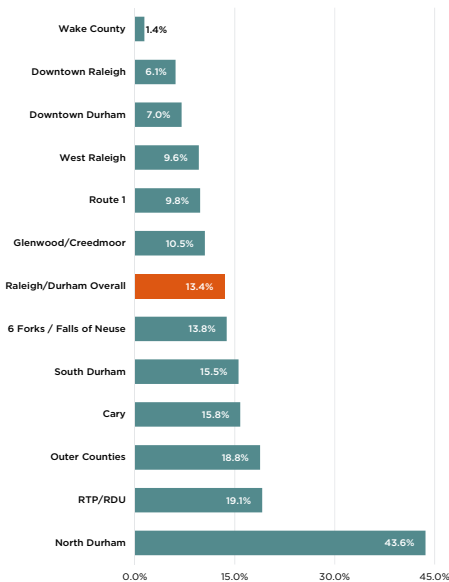
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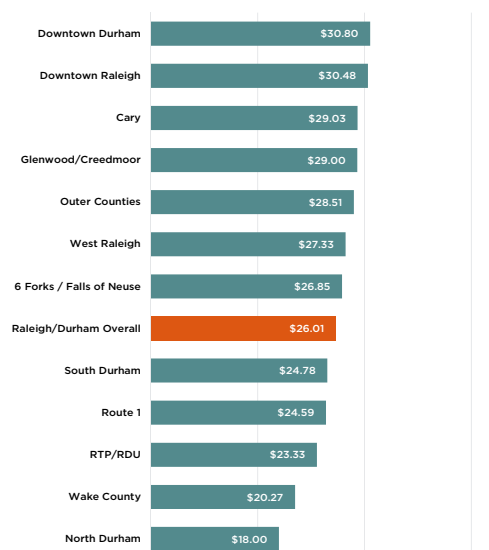
AVAILABILITY RATE COMPARISON

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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