

	YoY Chg	12-Mo. Forecast
15.6% Vacancy Rate	▲	▲
-462.2K Net Absorption, SF YTD	▲	▲
\$30.57 Asking Rent, PSF	▲	▲

(Direct, All Property Classes)

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
1.1M Triangle Employment	▲	▲
3.1% Triangle Unemployment Rate	▼	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS, CoStar

ECONOMIC OVERVIEW

The Raleigh-Durham unemployment rate stayed consistent year-over-year (YOY), landing at 3.1% in Q1, 70 basis points (bps) below the national average of 3.8%. While the unemployment rate did not change YOY, nonfarm employment grew by 2.3% over the same period, adding 25,200 new jobs. The Milken Institute, a renowned economic think tank, ranked Raleigh as the second-best performing city in the U.S. based on factors including affordability, sustainability, and wage growth.

SUPPLY AND DEMAND

Raleigh-Durham's direct vacancy rate landed at 15.6%, a 140-bp increase quarter-over-quarter (QOQ); however, the vacancy rate was 190 bps lower than the South region's average of 17.5%. The direct vacancy rate in the Central Business Districts (CBDs) increased slightly, up 30 bps QOQ to 13.0%, while suburban vacancy increased more drastically, 180 bps QOQ to 16.2%. Overall vacancy, which includes sublease space, decreased in the CBDs to 19.1%, down 40 bps QOQ. Suburban overall vacancy increased 200 bps QOQ to 23.0% due to Credit Suisse putting just over 158,000 square feet (sf) on the sublease market at 7033 Louis Stephens Drive and Bandwidth vacating 126,000 sf at Venture Center I. In addition to these two new vacancies, seven of the 10 largest vacancies were in suburban submarkets, mostly concentrated in the RTP/I-40 Corridor submarket which had the highest overall vacancy rate at 30.9%. Three new buildings delivered in Q1, adding almost 400,000 sf of new supply. Of this, 88.5% of new supply was in the North Hills District in the Six Forks submarket; notably, Creative Office and One North Hills Tower brought 280,000 sf of new vacant product to the market.

Just over 571,000 sf of occupancy losses were documented in the Raleigh-Durham market in Q1 with the aforementioned Credit Suisse sublease and Bandwidth vacancies weighing heavily on absorption figures. In addition to those spaces, two other tenants gave back over 50,000 sf in Q1. Despite the large negative number, seven of the 15 submarkets recorded positive occupancy gains with North Durham and Downtown Raleigh measuring nearly 60,000 sf of occupancy gains combined with tenants such as Durham Tech and Morningstar Law Group occupying their spaces in the respective submarkets. New leasing activity in Q1 exceeded 605,000 sf, down 12.6% QOQ. Demand remained strong in Class A buildings with 81.5% of all deals inked, suggesting a flight to quality with tenants seeking higher quality space. Three submarkets accounted for 54.6% of all leasing activity including West Raleigh, Six Forks, and RTP/I-40 Corridor. Renewals surpassed 150,000 sf, a 16% increase QOQ with the largest deal of the quarter being Mercalis' 80,000-sf renewal at 2250 Perimeter Park.

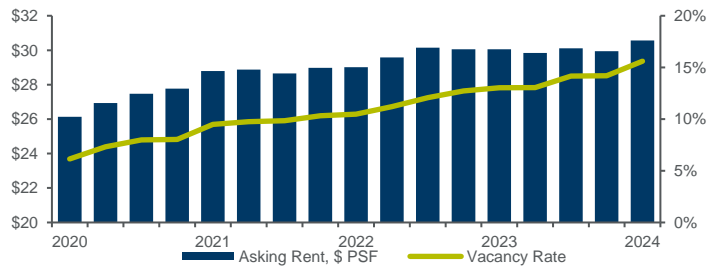
RENTAL RATE PRICING

Direct average asking rates increased 2.1% QOQ to \$30.57 per square foot (psf). The two new North Hills buildings added 280,000 sf with asking rates of \$45.50 – \$55.00 psf which significantly contributed to this increase. Subsequently, Six Forks posted the highest asking rents of \$38.83 psf followed by both CBDs. In Q1, the spread between building classes was 25.1% with Class A asking rents posting at \$31.76 psf and Class B rents posting at \$25.39 psf. Six Forks asking rents are expected to continue to rise in the next year as over 500,000 sf of vacant space is expected to deliver in this submarket during this time.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



RALEIGH-DURHAM

Office Q1 2024

MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	SUBLEASE VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION	YTD DIRECT NET ABSORPTION	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	DIRECT VACANT AVG ASKING RENT (ALL CLASS A)*	TOTAL INVENTORY AVG ASKING RENT (ALL CLASS A)*
Downtown Durham	4,361,597	178,713	459,715	10.5%	19,312	19,312	9,937	0	\$35.87 \$36.83	\$33.37 \$35.72
Downtown Raleigh	6,334,593	474,909	925,685	14.6%	21,424	21,424	55,777	208,408	\$37.30 \$37.58	\$32.36 \$33.86
CBD TOTAL	10,696,190	653,622	1,385,400	13.0%	40,736	40,736	65,714	0	\$36.77 \$37.33	\$32.72 \$35.24
Cameron Village	418,328	4,731	42,717	10.2%	2,123	2,123	18,232	0	\$26.78 \$27.50	\$25.24 \$25.85
Cary	6,821,394	179,691	1,189,884	17.4%	-130,930	-130,930	56,438	97,074	\$27.91 \$28.20	\$27.77 \$29.24
Chapel Hill (Orange County)	2,277,829	121,884	442,988	19.4%	9,630	9,630	14,387	0	\$29.93 \$30.01	\$28.00 \$30.17
Eastern Wake County	466,205	0	0	0.0%	0	0	0	0	N/A N/A	\$18.66 \$29.50
Falls of Neuse Rd	2,719,992	61,971	309,700	11.4%	-37,092	-37,092	45,537	0	\$26.93 \$28.47	\$19.75 \$21.79
North Durham	848,707	4,778	149,275	17.6%	34,487	34,487	0	0	\$18.55 N/A	\$18.04 \$19.00
RTP/I-40 Corridor	13,177,422	2,086,605	1,979,178	15.0%	-157,532	-157,532	91,443	100,000	\$27.57 \$28.05	\$25.40 \$25.46
Six Forks Rd	4,700,212	164,811	652,143	13.9%	-38,326	-38,326	108,902	676,123	\$38.83 \$41.00	\$32.62 \$35.43
South Durham	1,480,373	134,823	266,940	18.0%	-42,363	-42,363	8,302	0	\$27.95 \$28.11	\$24.67 \$27.37
Southern Wake County	387,087	0	3,418	0.9%	1,343	1,343	2,148	30,212	\$28.82 \$30.00	\$23.11 \$29.08
US 1/Capital Blvd	1,842,399	128,177	396,791	21.5%	24,659	24,659	34,412	0	\$25.22 \$27.69	\$24.40 \$28.55
US 70/Glenwood	4,440,806	178,976	720,127	16.2%	80	80	29,008	0	\$32.63 \$34.43	\$29.19 \$31.03
West Raleigh	6,778,583	83,058	1,369,611	20.2%	-169,053	-169,053	130,970	0	\$31.16 \$31.45	\$30.64 \$31.31
SUBURBAN TOTAL	46,359,337	3,149,505	7,522,772	16.2%	-502,974	-502,974	539,779	903,409	\$29.51 \$30.70	\$27.39 \$29.28
RALEIGH-DURHAM TOTAL	57,055,527	3,803,127	8,908,172	15.6%	-462,238	-462,238	605,493	1,111,817	\$30.57 \$31.76	\$28.40 \$30.49

*Rental rates reflect full service asking based on total vacant space **Current and historical data has been revised to exclude lab/R&D properties

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
2250 Perimeter Park Drive	RTP/I-40 Corridor	Mercalis	80,000	Renewal
4208 Six Forks Road	Six Forks Rd	Kilpatrick Townsend & Stockton LLP	31,877	Renewal
1010 Main Campus Drive	West Raleigh	NC State	31,532	Sublease

*Renewals not included in leasing activity statistics

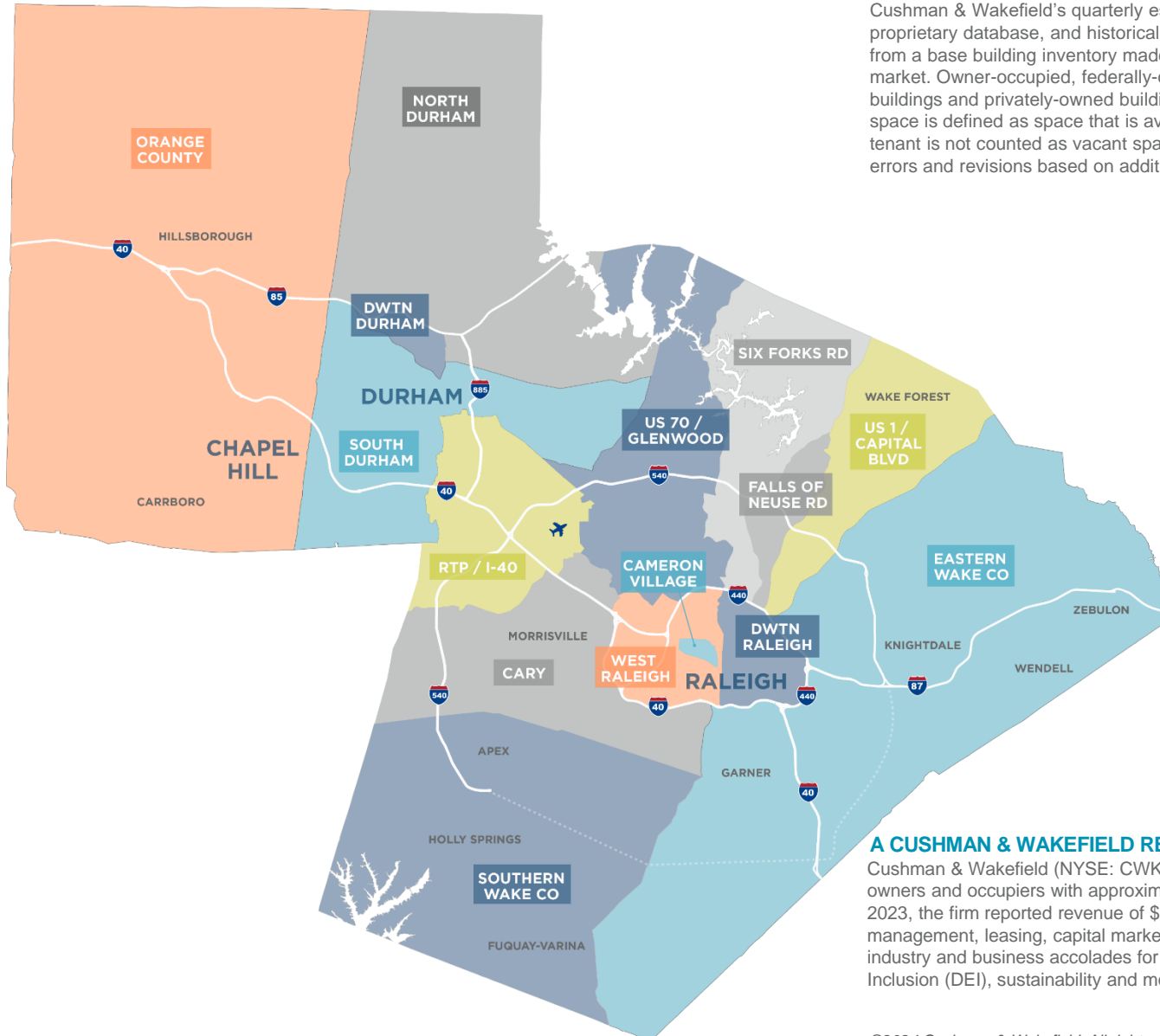
KEY UNDER CONSTRUCTION PROJECTS Q1 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1010 St. Albans Drive/The Exchange Raleigh - 1000 Social	Six Forks Rd	GFL	353,891	DeWitt Carolinas, Inc
541 Church at North Hills Street/Tower 5 @ North Hills	Six Forks Rd	N/A	322,232	Kane Realty Corporation
Horseshoe at Hub RTP	RTP/I-40 Corridor	Data443	100,000	Research Triangle Park Foundation
The Walker	Cary	N/A	97,074	Triangle Real Estate Co. LLC

RALEIGH-DURHAM

Office Q1 2024

OFFICE SUBMARKETS



METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office market. Owner-occupied, federally-owned, medical, and lab/R&D buildings are not included. Single tenant buildings and privately-owned buildings in which the federal government leases space are included. Vacant space is defined as space that is available for immediate occupancy. Sublet space still occupied by the tenant is not counted as vacant space. All information contained in the report is subject to correction of errors and revisions based on additional data received.

EXPLANATION OF TERMS

Total Inventory: The total amount of office space in buildings 10,000 sf or greater that can be rented by a third party.

Direct Vacancy Rate: The amount of unoccupied space available directly through the landlord; excludes sublease space.

Absorption: The net change in occupied space between two points in time. Transactions positively impact absorption upon tenant occupancy, not upon lease signature. However, new-to-market tenants in Raleigh-Durham are factored into absorption upon lease signature and the beginning of build-out as opposed to upon occupancy.

Direct Weighted Asking Rents: Gross average asking rents weighted by the amount of direct vacant space in Class A, B and C properties; excludes sublease space.

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