

Raleigh-Durham office market trends

Second Quarter 2021

As anticipated, Raleigh-Durham office vacancy remained on an upward trajectory in the second quarter as completions outpaced net absorption. Deliveries totaled 2.2 msf in the last 12 months, while net absorption totaled 255,847 sf. Vacancy rose to 14.3%, up 340 bps year-over-year and the highest level registered since 2013. In addition to new construction, the market has been impacted by a spike in sublease offerings driven by tenant uncertainty regarding future space needs. Available sublease space rose to 1.9 msf in the second quarter, a level not witnessed since the dot-com bust in the early 2000s.

Rent growth has slowed notably in the last 12 months but remains positive. The average asking rate rose 1.9% year-over-year to \$28.85. The more modest price appreciation is a welcome relief for tenants, who just one year prior were facing a

historically tight leasing market and a 9% annual increase in rent rates. While tenants have gained increased leverage as a result of the pandemic, soaring construction costs have constrained how flexible landlords can be with base rents and tenant improvement allowances.

Near-term challenges exist, but the long-term outlook for the Raleigh-Durham office market is decidedly positive. Leasing activity has increased in recent months and is expected to accelerate as more companies execute re-entry plans and businesses flock to the region at a furious pace. Companies have announced thousands of new jobs for the region since the onset of the pandemic, and a substantial portion will be added in office-using sectors. The Urban Land Institute ranked Raleigh-Durham the top U.S. market for real estate prospects in 2021.

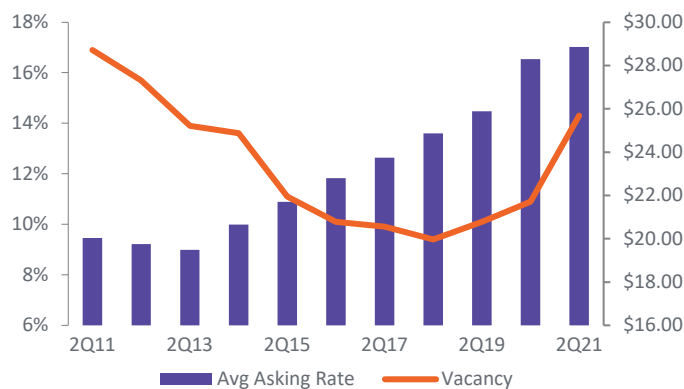
Quick stats

	Q2 2021	Q2 2020
Vacancy	14.3%	10.9%
Sublease space	1.9 msf	1.1 msf
Absorption (TTM)	255,847 sf	789,966 sf
Deliveries (TTM)	2.2 msf	1.3 msf
Under construction	1.6 msf	3.1 msf
Avg. asking rate (fs)	\$28.85 psf	\$28.30 psf
Unemployment	3.8%	11.9%

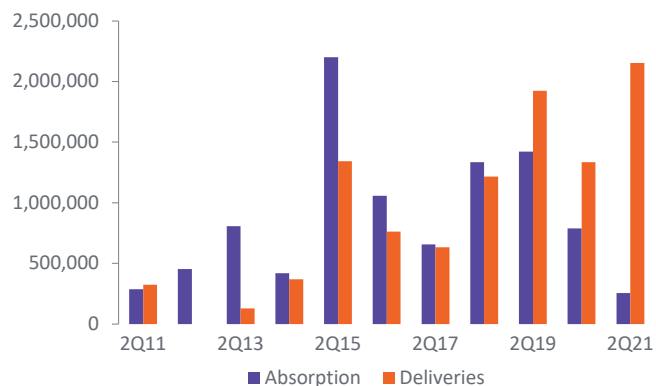
Ranked #1

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Vacancy and rental rates



Absorption and deliveries (trailing 12 months)



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Market by the numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION			AVERAGE ASKING RENT		
		Total	Class A	Class B	Q2 2021	Last 12 Mos.	SF Underway	Total	Class A	Class B
Downtown Durham	4,066,920	10.5%	10.2%	13.0%	(5,558)	10,962	240,741	\$34.55	\$35.06	\$31.95
Downtown Raleigh	5,765,019	15.8%	21.0%	5.5%	(64,344)	71,201	280,398	\$35.74	\$36.53	\$28.42
Urban Total	9,831,939	13.6%	16.1%	7.8%	(69,902)	82,163	521,139	\$35.32	\$36.03	\$29.90
Cary	5,743,428	16.1%	18.7%	5.3%	(46,199)	(266,319)	272,184	\$29.59	\$29.90	\$22.47
Chapel Hill/Carrboro	1,878,407	24.2%	23.4%	34.9%	(7,498)	(39,490)	-	\$29.54	\$30.40	\$26.91
Falls of Neuse	2,237,089	9.1%	8.3%	7.3%	46,231	94,982	-	\$24.94	\$26.76	\$23.13
Glenwood/Creedmoor	3,024,500	16.0%	16.9%	14.4%	(10,731)	183,615	-	\$29.70	\$32.17	\$24.49
I-40/RTP	12,840,613	12.6%	13.1%	10.8%	243,367	262,309	439,871	\$26.05	\$26.96	\$23.38
North Durham	440,056	40.8%	-	40.8%	-	(8,733)	-	\$17.90	-	\$17.90
Six Forks Road	3,994,584	10.0%	8.7%	11.3%	(88,062)	195,321	-	\$26.86	\$33.66	\$23.02
South Durham	1,567,612	26.2%	26.7%	25.3%	(39,153)	(77,458)	-	\$25.78	\$26.87	\$20.56
Southern Wake County	263,951	6.3%	-	6.3%	(1,500)	(7,700)	-	\$15.00	-	\$15.00
US 1/Capital Boulevard	1,781,267	12.9%	4.7%	19.1%	(5,681)	(21,450)	43,057	\$22.67	\$25.82	\$21.52
West Raleigh	5,148,378	13.5%	13.2%	15.3%	36,283	(141,393)	217,307	\$30.52	\$31.18	\$26.59
Suburban Total	38,919,885	14.4%	14.5%	14.1%	127,057	173,684	972,419	\$27.35	\$29.24	\$22.55
Total Market	48,751,824	14.3%	14.8%	13.1%	57,155	255,847	1,493,558	\$28.85	\$30.74	\$23.18

[View submarket map](#)

Select recent lease transactions

Tenant	Property	Type	Submarket	SF
Invitae	The Stitch	New lease	I-40/RTP	245,159
Apple	301 Metlife Way	Sublease	Cary	222,950
Gilead Sciences	Midtown Plaza at North Hills	New lease	Six Forks Road	84,183
Azzur Cleanrooms on Demand	INQ 1101	New lease	I-40/RTP	75,000
Schneider Electric	INQ 1101	New lease	I-40/RTP	65,000
Google	Durham.ID	Sublease	Downtown Durham	25,000
Signalscape	200 Regency Forest Drive	Renewal	Cary	19,527
Piper Companies	Regency Woods II	New lease	Cary	11,000

Select recent sale transactions

Property	Submarket	Buyer	SF	Sale Price	Price/sf
The Forum*	Six Forks Road	Highwoods Properties	635,380	\$175.1 million	\$276
Innovation I	I-40/RTP	Northridge Capital	140,000	\$36.8 million	\$264
2700 Wycliff Road	West Raleigh	Chartwell Property Group	165,000	\$17.6 million	\$107

*Majority interest (75%) sale. Price reflects full valuation. Purchase price for majority interest was \$131.3 million.