

MARKETVIEW
OFFICE, Q2 2021

New construction paves the way for a strong 2nd quarter in Raleigh-Durham

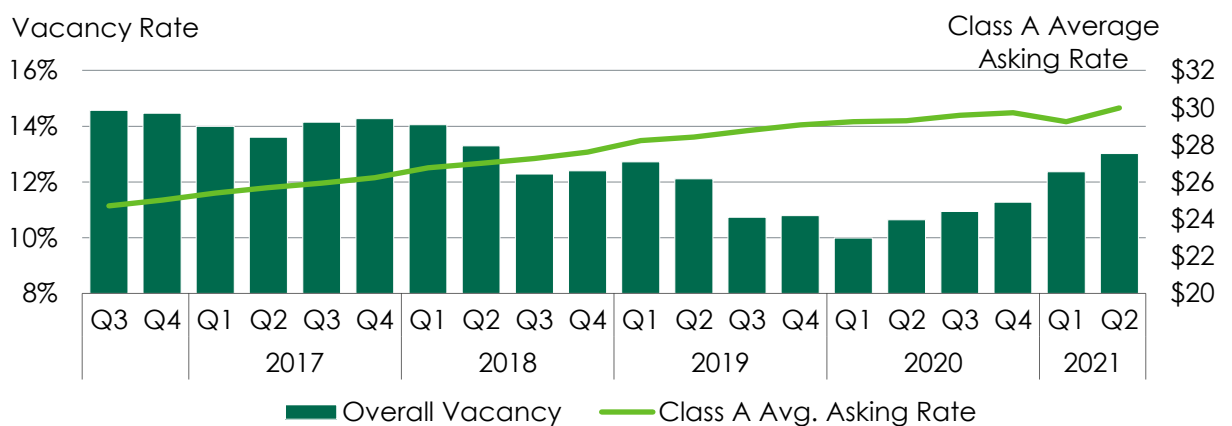
▲ Vacancy Rate
13.02%

▲ Class A Lease Rate
\$29.99

▲ Net Absorption
500,483

▼ Under Construction
2,115,278

Figure 1: Vacancy and Class A Avg. Asking Rates



Source: CBRE Research, Q2 2021

As the nation emerges from the COVID-19 pandemic, the Raleigh-Durham office market has started to rebound closer to pre-pandemic activity levels experiencing a strong second quarter. On the heels of another major tech announcement, Apple announced it will build a \$2 billion campus in Research Triangle Park and will lease temporary space as they further design their campus. With this announcement, as well as Google leasing space for their new engineering hub in Durham, Raleigh-Durham continues to remain a top leader of job growth in the country. In addition to these major announcements, many existing tenants that have not already reoccupied, indicate plans to reoccupy their office space after Labor Day.

Raleigh-Durham experienced 500,483 sq. ft. of positive net absorption during Q2 2021, the most positive absorption we have seen in the market since before the pandemic. This can be contributed to several new construction deliveries, as well as an increase in leasing activity quarter over quarter. The RTP/I-40 Corridor experienced the highest absorption of any submarket at 468,000 sq. ft. Major activity included The Stitch delivering 245,000 sq. ft. 100% leased to Invitae, The Azzur Group leasing the remaining 75,000 sq. ft. at the INQ building, and Red Hill Pharma taking 26,800 sq. ft. at Brier Creek South. Q2 overall vacancy increased 66 basis points quarter over quarter to 13.02%, the slight uptick in vacancy being attributed to new construction deliveries.

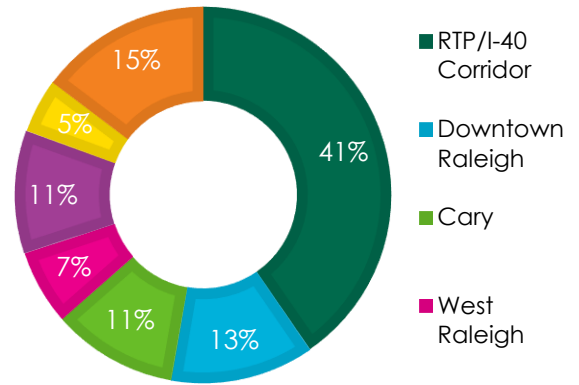
Sublease inventory remains steady at 2.5 million sq. ft. in the market, which is now 4.3% of all market inventory. IBM has 195,000 sq. ft. available for sublease at its RTP campus. Arch Capital now has 100,000 sq. ft. on the sublease market in Downtown Raleigh and Advanced Auto is subleasing 90,000 sq. ft. at North Hills in Six Forks. Duke Healthcare is still softly marketing their space at the American Tobacco Campus.

Investment sales activity was strong during Q2. Northridge Capital purchased the 140,000 sq. ft. Innovation I at 831 Slater Road in the RTP/I-40 Corridor for \$36.8 million or \$264 per sq. ft. 2710 Wycliff Rd traded for \$17.5 million or \$105 per sq. ft in West Raleigh. The 174,000 sq. ft. portfolio was purchased by Chartwell Properties. Weaver Crossing in Orange County was purchased by Four Springs Captrust. The 25,000 sq. ft. medical office building sold for \$14.9 million or \$579 per sq. ft.

The market experienced a significant amount of new construction deliveries during Q2. In the RTP/I-40 Corridor, the previously mentioned The Stitch delivered 245,000 sq. ft. at 100% leased to Invitae. Also in RTP, Forty540 Phase II delivered 198,000 sq. ft. with 83,000 sq. ft. leased to Solarwinds and 9 Laboratory Drive delivered 160,000 sq. ft. at 20% leased. In Downtown Raleigh, Tower Two at Bloc 83 delivered 280,000 sq. ft. with Envestnet taking 80,000 sq. ft., and Smoky Hollow delivered 227,000 sq. ft. at 8% leased. The Junction at Five Points completed 35,000 sq. ft. in the US 1/Capital Blvd submarket, with 20% leased.

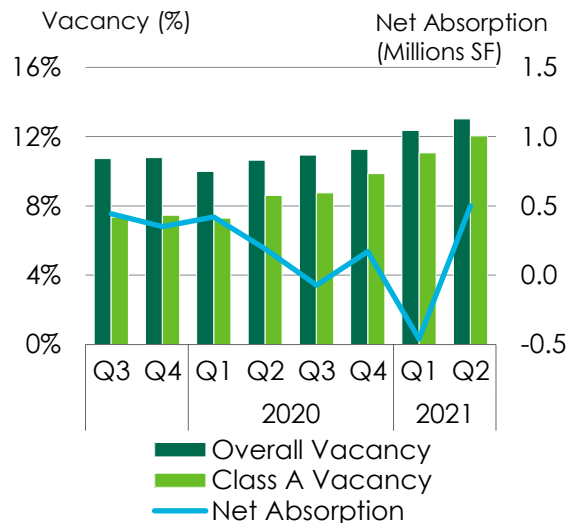
Construction activity is now limited with 2.1 million sq. ft. currently under construction across the market. Many properties are expected to deliver late in the year, including Park Point which consists of 652,000 sq. ft. in the RTP/I-40 Corridor and is currently 42% preleased. In Downtown Raleigh, 301 Hillsborough at Raleigh Crossing expects to deliver 292,000 sq. ft. 45% preleased to cloud computing company Pendo, while Palisades III in West Raleigh is set to deliver 167,000 sq. ft. The Roxboro at Venable Center is expected to deliver in Q4 as well at 200,000 sq. ft.

Figure 2: Distribution of Available Sublease Space



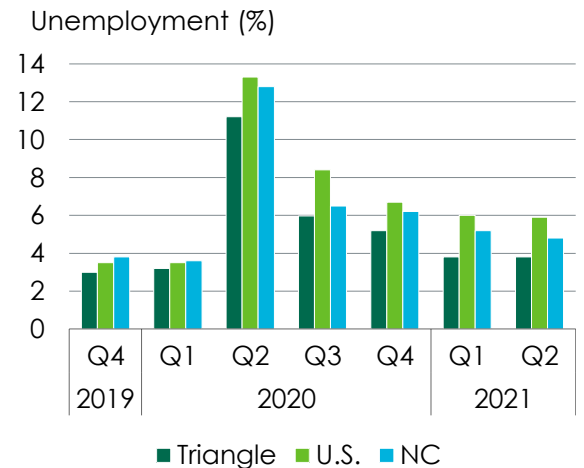
Source: CBRE Research, Q2 2021

Figure 3: Vacancy and Net Absorption



Source: CBRE Research, Q2 2021

Figure 4: Unemployment Statistics



Source: Bureau of Labor Statistics, June 2021

Figure 5: Submarket Breakdown Q2 2021

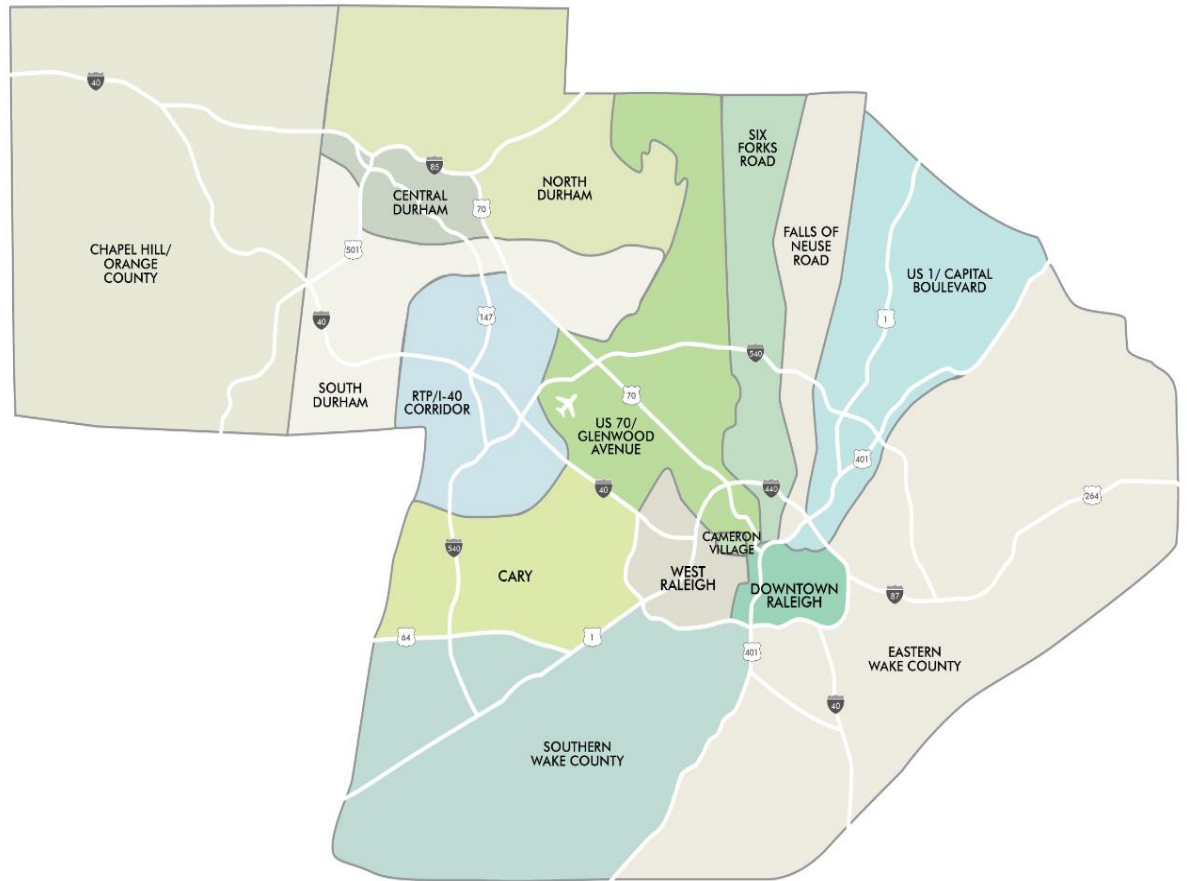
Submarket	Market Rentable Area (SF)	Overall Vacancy Rate (%)	Class A Vacancy Rate (%)	Overall Available Rate (%)	Q2 2021 Net Absorption (SF)	Under Construction (SF)	Class A Asking Lease Rate (\$/SF)
West Raleigh	6,355,145	10.9	9.4	15.7	(51,435)	167,307	30.06
US 70/ Glenwood	4,471,599	12.9	14.6	14.0	53,344	0	30.41
Six Forks Road	4,381,004	6.4	5.3	11.6	1,731	0	34.87
Falls of Neuse	3,134,341	9.5	7.4	12.2	(1,354)	33,793	26.85
US 1/Capital Blvd.	2,234,072	11.2	7.7	23.3	(14,806)	202,854	26.68
Downtown Raleigh	5,885,617	13.6	14.8	19.3	(13,428)	292,457	33.92
Cameron Village	467,110	19.4	2.0	29.2	0	0	25.82
Eastern Wake	767,950	22.1	0.8	22.2	0	0	N/A
Southern Wake	431,817	11.7	21.4	27.1	5,294	54,988	N/A
Cary	7,527,084	14.3	14.1	20.7	66,947	277,110	28.12
RTP/I-40 Corridor	12,517,133	11.9	11.4	23.9	468,334	652,000	27.25
Central Durham	4,964,041	12.6	11.1	18.9	(8,963)	239,655	34.64
North Durham	1,040,146	32.7	N/A	32.7	0	0	N/A
South Durham	1,918,963	20.2	23.1	30.0	(16,047)	181,114	28.95
Orange County	2,197,073	20.8	22.2	22.1	10,866	14,000	29.94
MARKET TOTAL	58,293,095	13.02	12.04	21.5	500,483	2,115,278	29.99

Figure 6: Top Lease/Sale Transactions: Q2 2021

Lease: Tenant	Building	Sq. Ft.	Lease Type	Submarket
Invitae*	The Stitch	250,000	New	RTP/I-40 Corridor
The Azzur Group	INQ	75,000	New	RTP/I-40 Corridor
Block Hill Pharma	Brier Creek South	26,800	New	RTP/I-40 Corridor
Sales: Building	Submarket	Sq. Ft.	Purchase Price	Price Per Sq. Ft.
Innovation 1	RTP/I-40 Corridor	139,163	\$36.8 M	\$264
2700-2710 Wycliff Rd	West Raleigh	174,000	\$27.7 M	\$100
Weaver Crossing	Orange County	25,000	\$14.9 M	\$579

Source: CBRE Research, Q2 2021

*Denotes CBRE | Raleigh Transaction



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