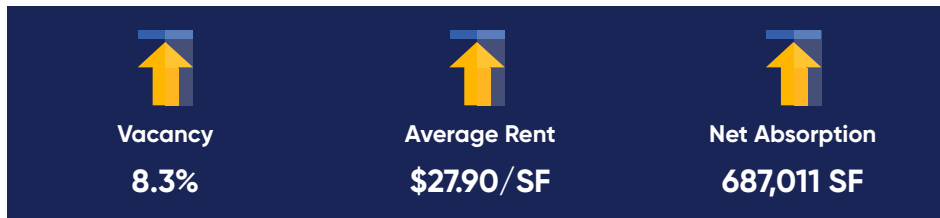


# Office Market Report

Raleigh experienced a significant drop in the unemployment rate in Q4 2021, surpassing pre-recession employment levels and well below the national average, signifying continued post-pandemic recovery. Although leasing activity on a square-footage-basis remains below pre-pandemic levels, the market continues to see a flood of company expansions and relocations to the region. Raleigh experienced an increase in construction activity this quarter, with annual net deliveries totaling 1.3 MSF and contributing to the high vacancy rate. Investor activity surpassed \$1.7B in annual sales volume, which further signifies the long-term confidence in the region.



## Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$35.61	Downtown   Class A 17.6%	▲ 9.7%
\$27.24	Downtown   Class B 2.4%	▲ 0.4%
\$30.51	RTP/RDU   Class A 9.1%	▲ 0.4%
\$27.00	RTP/RDU   Class B 9.5%	▲ 0.8%
\$33.52	Six Forks Falls of Neuse   Class A 8.1%	▲ 2.9%
\$24.48	Six Forks Falls of Neuse   Class B 6.6%	▼ -2.9%
\$29.26	Glenwood/Creedmoor   Class A 12.7%	▲ 1.1%
\$23.82	Glenwood/Creedmoor   Class B 7.9%	▼ -6.4%
\$30.67	Cary   Class A 13.9%	▼ -4.5%
\$27.59	Cary   Class B 5.3%	▲ 0.8%

## Recent Transactions

Tenant	Size	Submarket	Sector
1 Garmin	62,463 SF	Cary	Office
2 Confidential Tenant	60,929 SF	Research Triangle	Office
3 The John R McAdams Company	54,506 SF	Downtown	Office
4 Confidential Tenant	42,000 SF	Research Triangle	Office
5 Channel Advisor Corporation	33,293 SF	RTP/RDU	Office

## Occupier's Perspective

Post-pandemic building deliveries are attracting tenants, not only for the amenities, but a key component is an upgraded air filtration system and technology.

We recommend that occupiers begin to formulate their strategy for renewal or relocation a minimum of 12 months from lease expiration.

Raleigh continues to benefit from the ever-expanding talent pool provided by the three major research universities in the area.

## Market Trends

**Downtown Raleigh** has seen a flurry of activity in Class A buildings. Upon delivery of 301 Hillsborough, Pendo expanded into 132,663 square feet contributing to the positive net absorption for the quarter.

**Downtown Durham** has seen almost 200,000 square feet of sublease space in the submarket, including 3 options over 40,000 square feet. The overall vacancy rate rose due to the delivery of 203,000 square feet of office space at The Roxboro at Venable Center.

**Rates** Despite an increase in direct vacancies in Q4, rental rates increased in both downtown Raleigh and Durham. These rates climb as a result of tenant's desires for a flight to quality.