MARKETBEAT
RALEIGH-DURHAM
OFFICE Q2 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
23.8% Vacancy Rate	▲	▼
-108.4K YTD Net Absorption, SF	▼	▲
$30.68 Asking Rent, PSF	▲	–

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.1M Raleigh-Durham Employment	▲	▲
3.2% Raleigh-Durham Unemployment Rate	–	▲
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

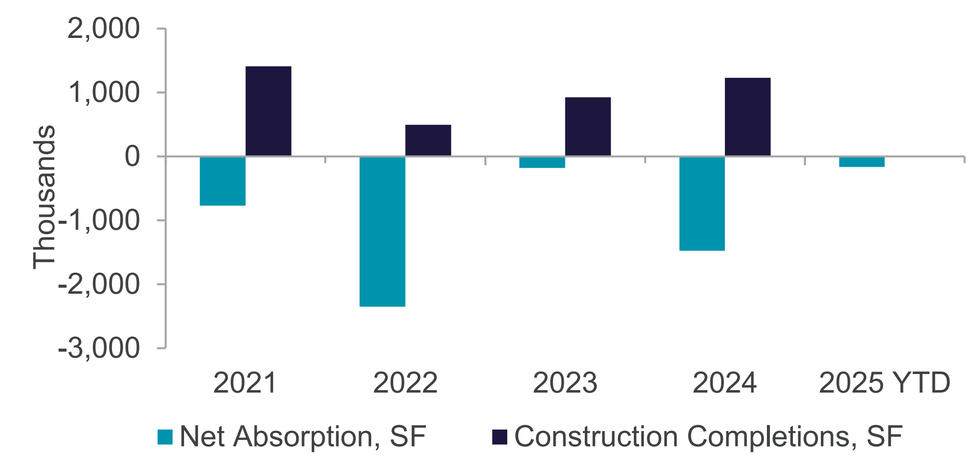
ECONOMY

Raleigh-Durham continued to demonstrate economic stability, with the unemployment rate holding steady year-over-year (YOY) at a low 3.2%, 100 basis points (bps) below the national average of 4.2%. This consistency signaled a healthy and resilient labor market where businesses are hiring and workers are finding opportunities. Over the past year, employment in the region grew by 1.8%, translating to 20,800 new jobs added to the local economy. This steady job growth reflects ongoing confidence from employers and sustained demand across key industries. Adding to the region's economic momentum, BuildOps recently announced plans to open a new hub in Raleigh, which is expected to bring 300 new jobs to the market. As companies continue to expand and invest in the area, Raleigh-Durham remains well-positioned as a growing hub for talent and innovation.

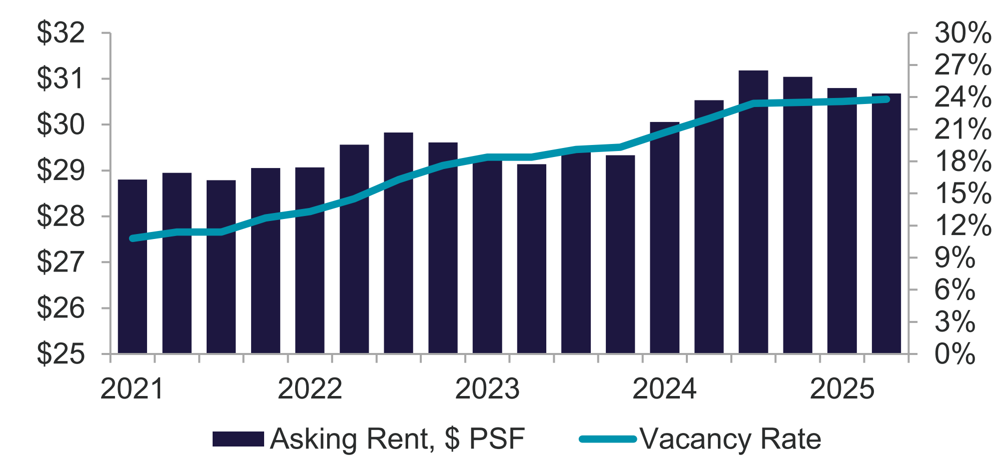
DEMAND

Leasing activity remained steady quarter-over-quarter (QOQ) with over 453,641 square feet (sf) of new leases signed in Q2, nearly exactly on pace with the Q1 total, indicating a sustained level of tenant demand. The West Raleigh submarket was a standout performer, accounting for nearly 25.0% of the quarterly leasing volume. This submarket recorded more than 105,000 sf of new leasing activity, driven by LexisNexis' lease of nearly 60,000 sf at Venture Center III. The average size of newly signed leases in Q2 was slightly above 5,500 sf, a modest increase compared to the Q1 average of just over 5,400 sf, suggesting that tenant space requirements have remained relatively consistent. While renewal activity in the first half of 2025 declined by 12.1% compared to the first half of 2024, it still reached a respectable 359,332 sf. The flight-to-quality trend persisted through the first half of 2025, as tenants continued to prioritize well-located, highly amenitized, and modern office environments.

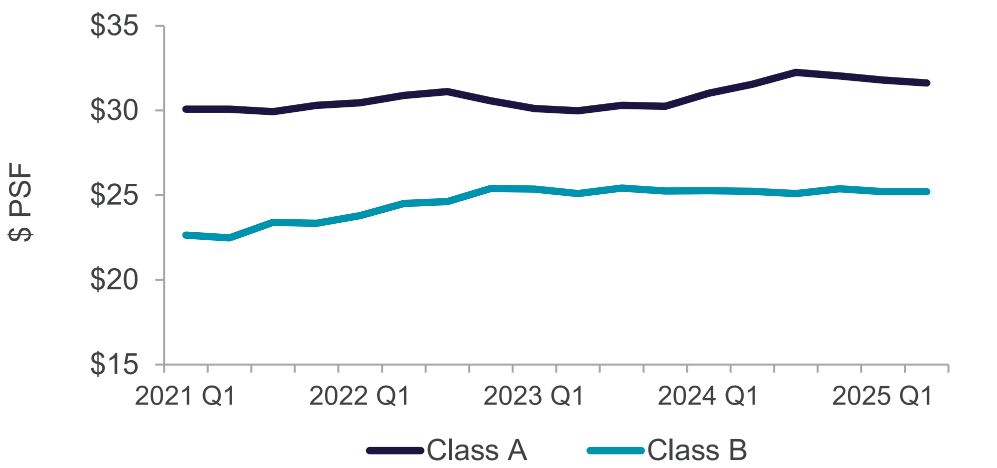
SPACE DEMAND / DELIVERIES



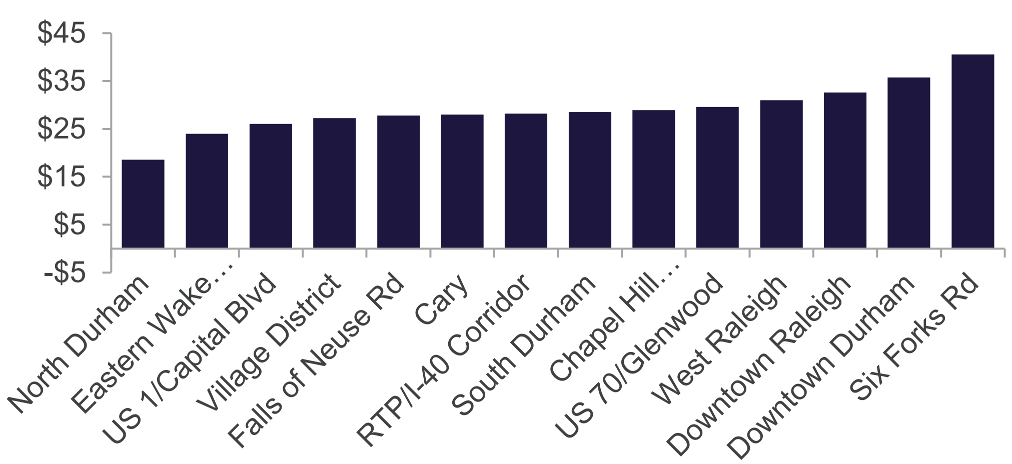
OVERALL VACANCY & ASKING RENT



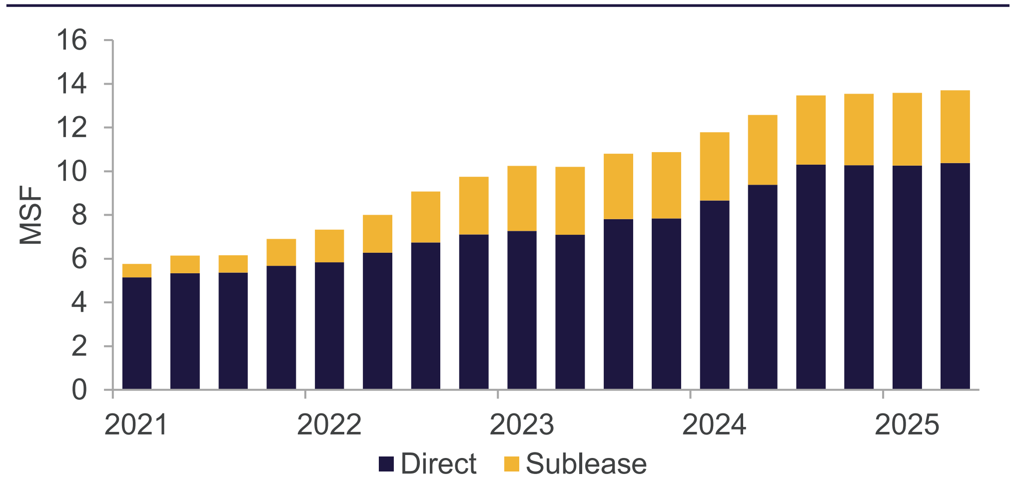
ASKING RENT COMPARISON



SUBMARKET ASKING RENT



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



SUPPLY

Overall vacancy remained relatively stable QOQ, increasing by just 20 bps to 23.8%. Among the submarkets, US 1/Capital Boulevard and the RTP/I-40 Corridor posted the highest vacancy rates at 32.3% and 31.6%, respectively. Net occupancy losses for the quarter totaled just over 108,000 sf, bringing year-to-date (YTD) losses to just under 162,000 sf. This represents a significant improvement when compared to the first half of 2024, which netted nearly 1.0 million square feet of space returned to the market. Notably, the Six Forks submarket recorded strong positive absorption with over 42,000 sf of occupancy gains. This growth was primarily driven by tenants such as Weatherby Healthcare and JTI taking possession of their new spaces, signaling renewed confidence in that submarket. On average, spaces returned to the market in Q2 were approximately 7,630 sf in size, while the average space newly occupied came in slightly smaller, at 6,569 sf. Sublease inventory remained relatively unchanged QOQ, with a shift of less than 6,000 sf added to the market. This stability suggests that while sublease product continues to represent a significant portion of available inventory, its pace of growth has slowed. Overall, the Raleigh-Durham office market appears to be entering a period of relative steadiness, with reduced losses, stable vacancy, no new construction projects delivering, and pockets of growth signaling a cautiously optimistic outlook for the second half of 2025.

PRICING

Asking rents experienced a slight decline in Q2, dipping over the quarter by $0.13 per square foot (psf) to an average of $30.68 psf. While landlords have largely maintained face rates, the subtle drop was likely tied to ongoing flight-to-quality dynamics, which have reduced the availability of top-tier, premium space, pulling higher-priced inventory off the market and impacting overall averages. The Six Forks submarket continued to command the highest asking rents in the region, averaging $40.29 psf and reflecting sustained demand for high-end office product in that area.

INVESTMENT SALES

Despite ongoing market headwinds and limited access to financing, office investment sales remained consistent YOY, signaling sustained investor confidence and selective buying activity. Looking ahead, borrowing costs are expected to remain closely linked to inflation trends, which will continue to be a key factor influencing lending conditions and the overall feasibility of acquisition opportunities.

OUTLOOK

- The flight-to-quality trend is expected to persist, with tenants continuing to prioritize modern, amenity-rich office environments in prime locations, even if it means paying a premium for better-quality space.
- Market stabilization is anticipated in the near term, particularly in high-demand submarkets where leasing activity remains healthy and no new construction is underway, helping to balance supply and demand.
- Asking rents are projected to decline slightly in the coming quarters, driven by the lack of new premium product entering the market and the absorption of higher-priced, top-tier space. At the same time, concessions—such as generous tenant improvement allowances and rent abatement periods—are expected to remain prevalent as landlords compete for quality tenants.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown Durham	4,446,895	476,553	379,661	19.3%	29,388	4,569	9,449	0	$35.65	$36.25
Downtown Raleigh	6,334,593	990,022	493,676	23.4%	-37,448	-14,379	72,787	0	$32.54	$32.59
CBD TOTALS	10,781,488	1,466,575	873,337	21.7%	-8,060	-9,810	82,236	0	$33.54	$33.68
Cary	6,628,076	1,276,618	203,735	22.3%	-21,663	-32,743	137,169	0	$28.00	$28.00
Chapel Hill (Orange County)	2,283,242	472,659	112,960	25.7%	4,062	-26,555	21,010	0	$28.91	$29.23
Eastern Wake County	466,205	21,505	0	4.6%	-19,921	-19,921	9,284	0	-	-
Falls of Neuse Rd	2,719,992	423,978	47,626	17.3%	2,102	-73,263	30,805	0	$27.86	$28.81
North Durham	829,766	184,726	0	22.3%	0	0	2,400	0	$18.55	-
RTP/I-40 Corridor	13,312,847	2,736,008	1,469,597	31.6%	-117,471	-230,550	139,507	0	$28.23	$28.83
Six Forks	5,376,335	999,811	213,613	22.6%	42,570	202,452	44,432	0	$40.29	$41.35
South Durham	1,538,622	305,713	104,235	26.6%	16,550	-1,318	13,668	0	$28.49	$28.78
Southern Wake County	387,087	0	0	0.0%	0	0	0	0	-	-
US 1/Capital Blvd	1,818,110	484,414	101,949	32.3%	-28,885	-1,159	46,392	0	$26.06	$27.89
US 70/Glenwood	4,471,418	718,072	144,545	19.3%	-6,601	-30,787	136,324	0	$29.55	$31.09
Village District	419,412	17,698	6,056	5.7%	14,268	6,201	17,445	0	$28.03	$27.50
West Raleigh	6,599,122	1,263,072	51,638	19.9%	14,656	54,818	228,916	0	$30.78	$31.48
SUBURBAN TOTALS	46,850,234	8,904,274	2,455,954	24.2%	-100,333	-152,825	827,352	0	$29.98	$31.08
RALEIGH-DURHAM TOTALS	**57,631,722**	**10,370,849**	**3,329,291**	**23.8%**	**-108,393**	**-162,635**	**909,588**	**0**	**$30.68**	**$31.63**

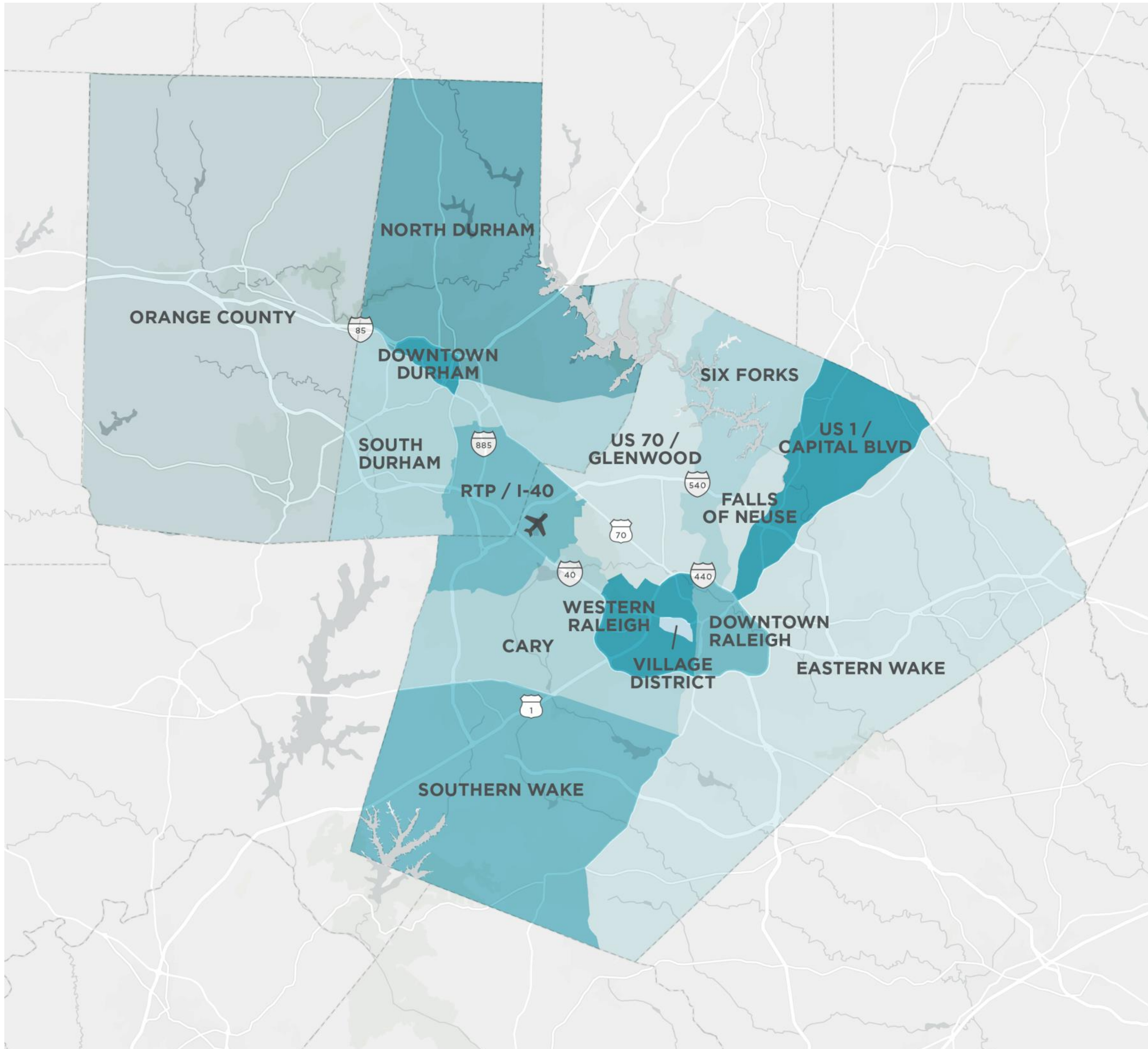
*Rental rates reflect full service asking **Excludes medical office and life science properties*

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Venture Center III	West Raleigh	LexisNexus	59,725	New Lease
CentreGreen Five	Cary	Caterpillar	34,000	New Lease
GlenLake Three	US 70/Glenwood	Western Governors University	32,000	New Lease

Renewals not included in leasing statistics

OFFICE SUBMARKETS



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