

2Q25

Raleigh-Durham Office Market Overview



NEWMARK

Market Observations



- The market's unemployment rate of 3.1% was unchanged year over year, remaining below the five-year average of 3.7%.
- Employment growth decelerated by 114 basis points to 2.0% year over year, remaining ahead of the national average of 1.1%.
- All sectors reported employment growth, with mining and construction leading the way, up 3.8% over the past year.
- Office-using employees in the market decreased marginally by 718 jobs from their all-time high to 215,680 jobs as of the end of May 2025.



- The Durham CBD submarket had Tanium, a cybersecurity firm, expand and extend its lease at 555 Mangum, expanding onto the 5th floor while renewing its lease on the 6th, for a total of 48,500 SF.
- Western Governor's University made a local impact with a 48,000-SF office lease at the new GlenLake Three, which will support the university's regional growth. The park has also recently added 13,000 SF of retail and is currently constructing a micro-brewery.
- Kimley-Horn expanded its local footprint by leasing 40,000 SF at the newly renovated and amenitized Weston I, further demonstrating how amenity-rich suburban buildings are capturing the limited number of active tenants in the market.



Leasing Market Fundamentals

- Annual full-service asking rental rates declined from their historic high to \$30.37/SF, reflecting quarterly and yearly declines of 1.6% and 0.2%, respectively.
- Occupancy declined year over year, as the market continues to work through the new deliveries that have occurred in recent years, pushing overall vacancy rates up by 91 basis points to a historic high of 20.8%.
- The under-construction pipeline ticked up to 130,388 SF under construction but remains below recent averages as the impacts of higher financing and construction costs have slowed construction starts.
- Total leasing activity for the quarter was 875,708 SF, which is 27.1% below the 16-year second-quarter average of 1.2 MSF.



Outlook

- The second quarter of 2025 reported muted activity as tenants slowed decision-making to better assess macroeconomic conditions and the future impact of economic policies.
- As the quarter closed, tenant activity began to pick up as many tenants became more comfortable with their business outlook, coupled with the belief that the impact of tariffs will not be as severe as previously proposed and that subsequent economic impacts will be more limited.
- Even as momentum picks up steam, most of the activity remains concentrated in newer, better-amenitized assets that appeal to companies' return-to-office initiatives.
- Demand spillover has begun shifting from trophy Class A properties to Class A+ and A suburban assets as vacancy decrease in top-tier availabilities.

1. Economy
2. Leasing Market Fundamentals

2Q25

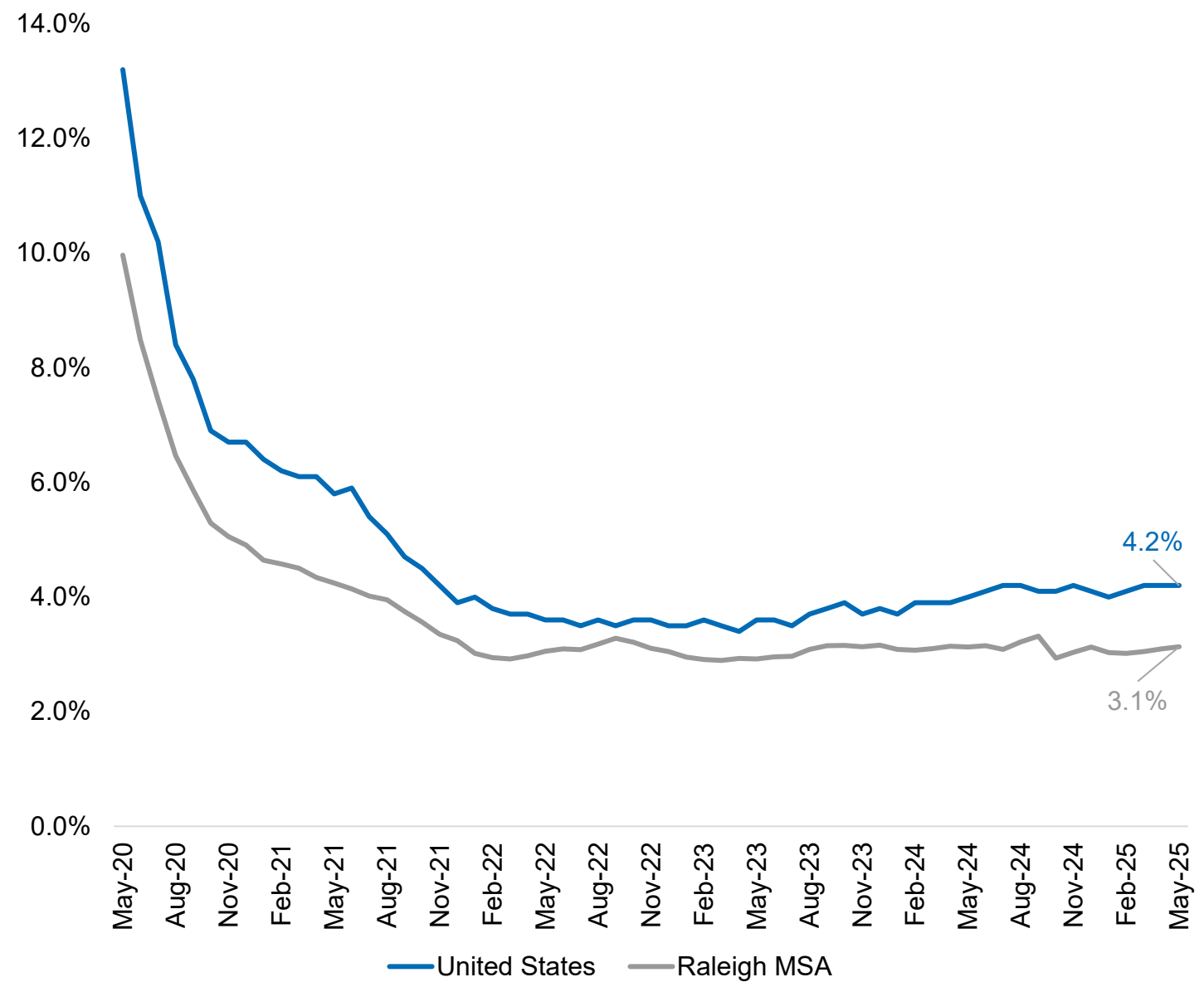
Economy



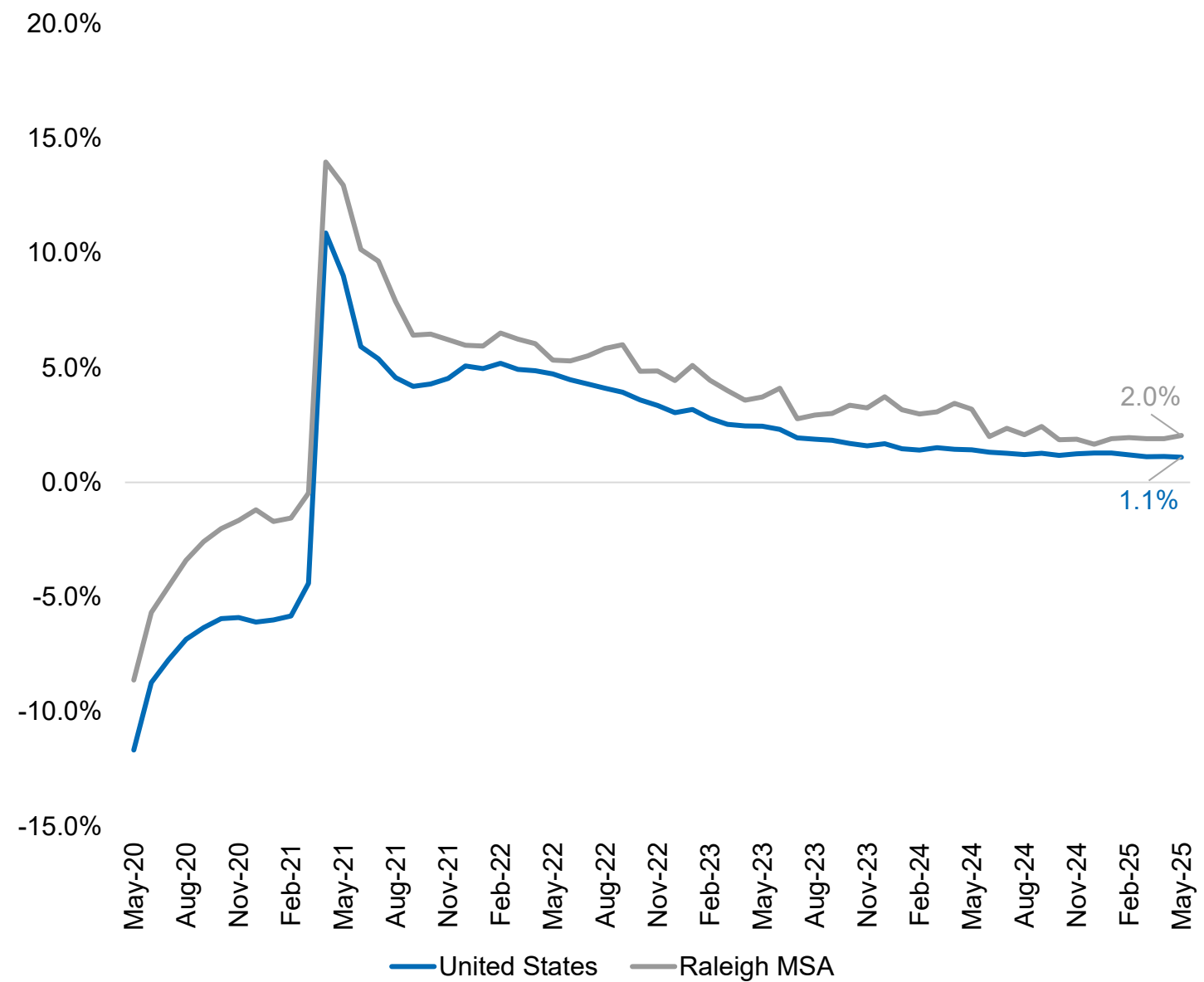
Raleigh Unemployment Defies Expectations Despite Economic Slowdown

Raleigh has consistently reported lower unemployment rates compared to the national average, while being an outperformer in employment growth. Despite economic headwinds, this trend carried into the second quarter of 2025, with the market’s unemployment rate of 3.1% remaining unchanged year over year and well below the U.S. average of 4.2%. The region’s seasonally adjusted nonfarm payrolls also outperformed the national average, reflecting 2.0% growth year over year, although the pace of growth moderated by 114 basis points compared to the prior year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

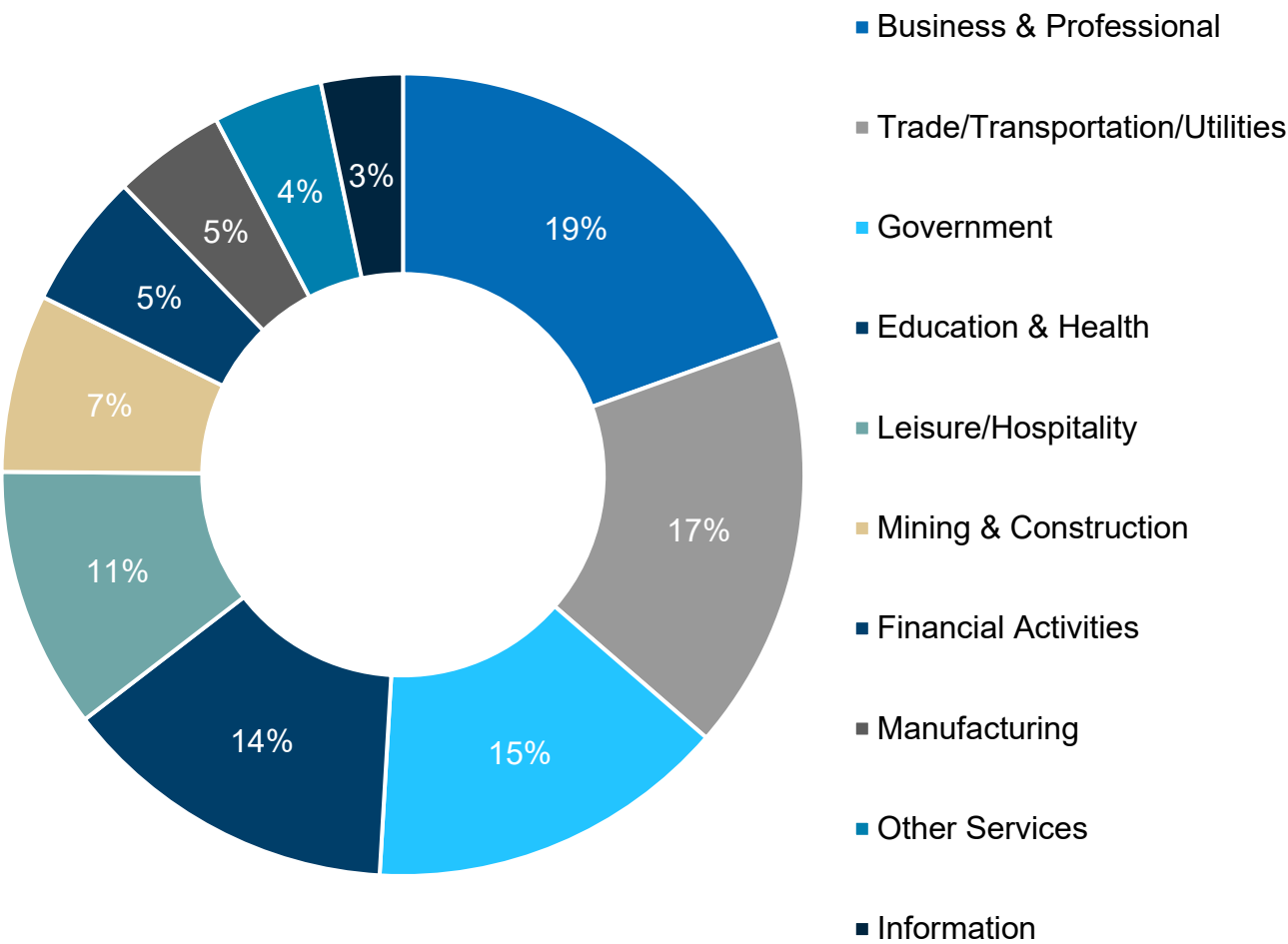


Source: U.S. Bureau of Labor Statistics, Raleigh MSA

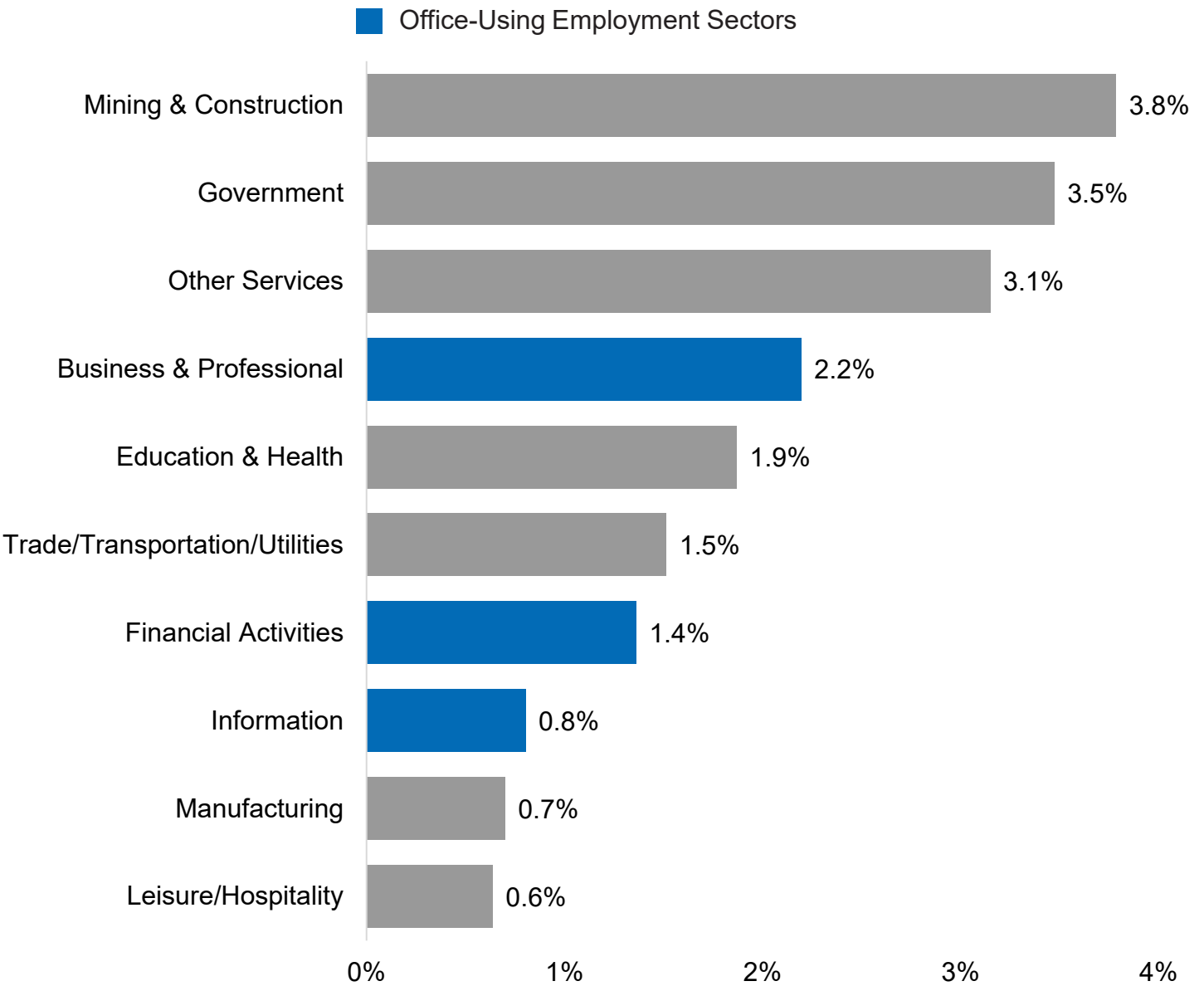
All Employment Sectors Reported Yearly Job Growth

Raleigh’s tech-forward market is anchored by its top two employment industries: business and professional services and trade/transportation/utilities, which account for 36.4% of total local jobs. The business and professional sector, Raleigh’s largest office-based employment industry, makes up 19.5% of the market. All employment sectors in the market reported annual job growth. The office-using information, financial activities and business and professional industries each reported yearly growth of 0.8%, 1.4% and 2.2%, respectively.

Employment by Industry, May 2025



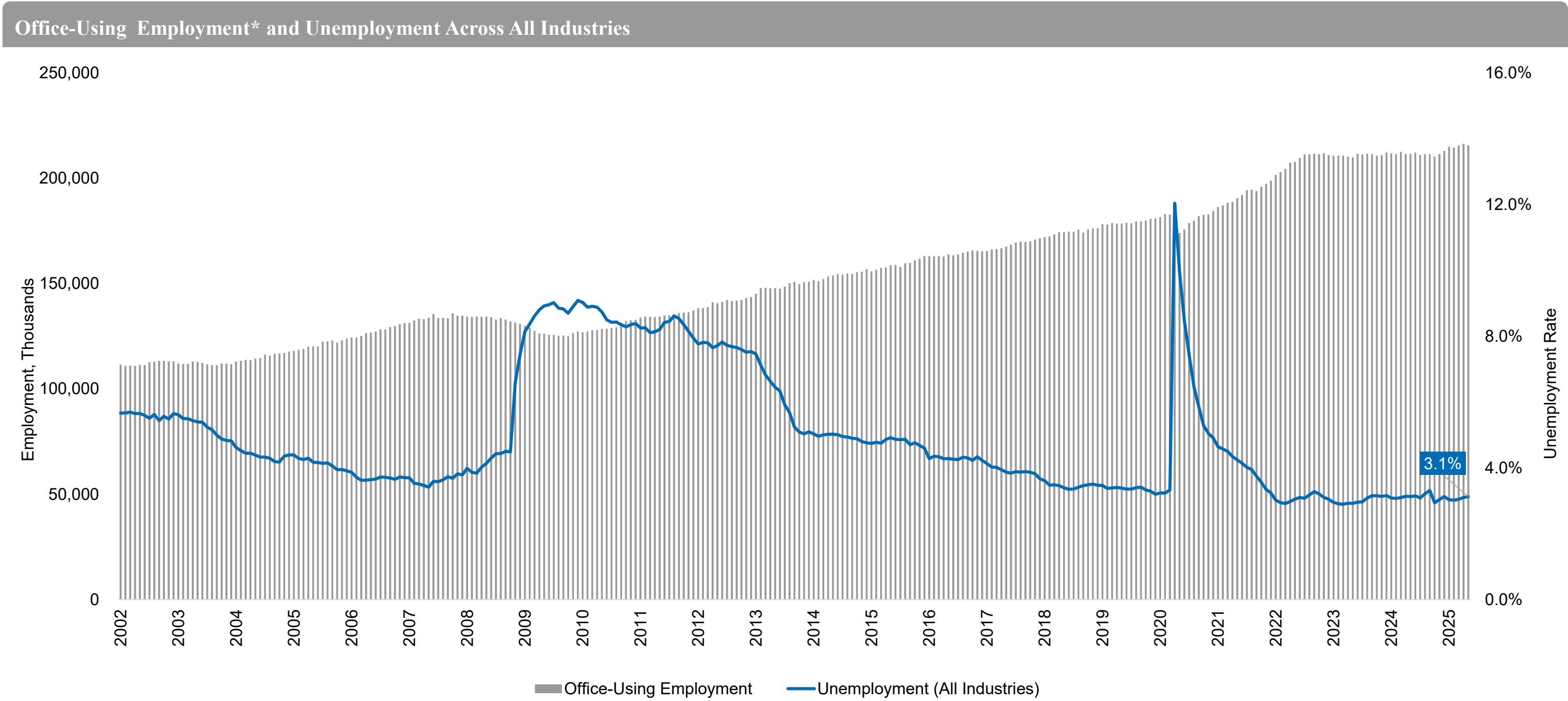
Employment Growth by Industry, 12-Month % Change, May 2025



Source: U.S. Bureau of Labor Statistics, Raleigh MSA

Office-Using Employment Eases From Mid-Quarter Record High

Annual job gains in all office-using sectors pushed overall office-using jobs to new highs during the second quarter of 2025, with Raleigh reaching a historical high of 216,397 office-using jobs in April 2025, followed by a slight dip of 718 jobs a month later in May. Currently, the seasonally adjusted unemployment rate stands at 3.1%, which is 23 basis points lower than the 3.4% average levels reported in 2019.



Source: U.S. Bureau of Labor Statistics, Raleigh MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Raleigh Gross Metropolitan Product

Please reach out to your
Newmark business contact for this information

2Q25

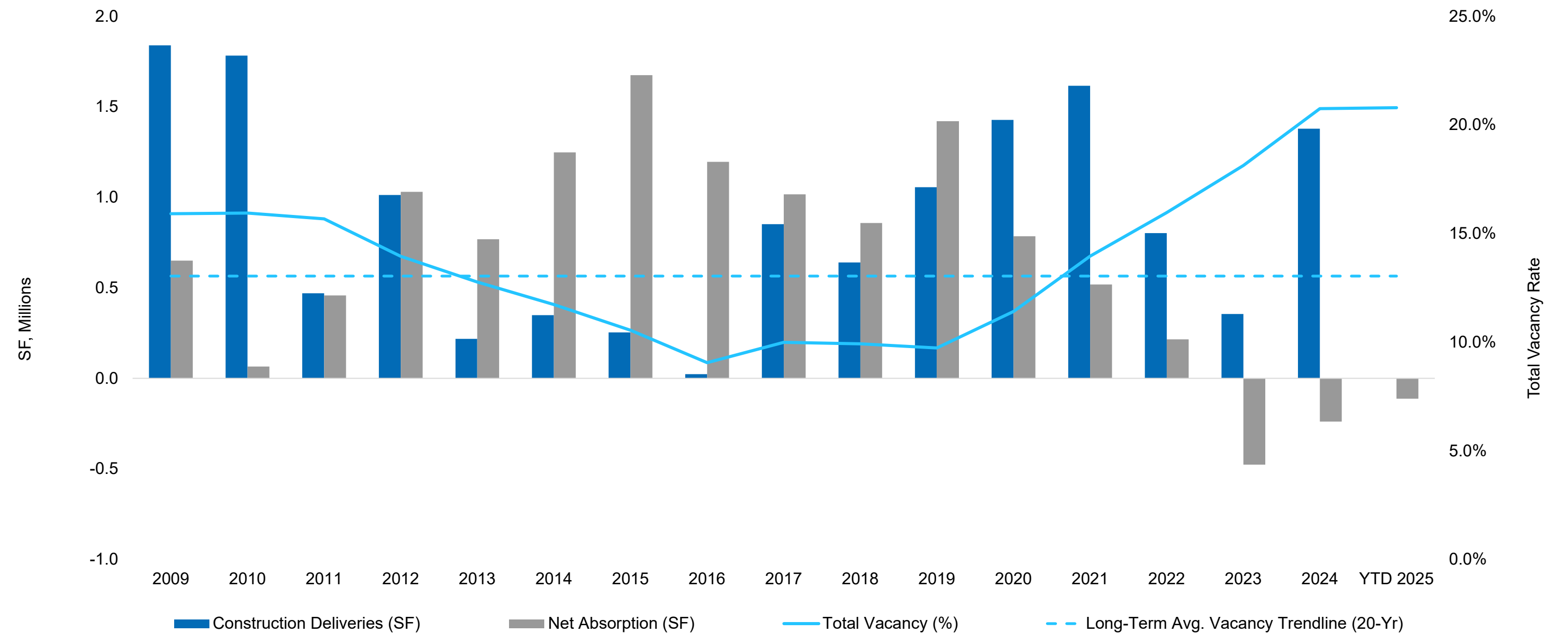
Leasing Market Fundamentals



Negative Absorption Leads to Record-High Vacancy

The Raleigh office vacancy rate climbed 91 basis points year over year to 20.8% during the second quarter of 2025, well above the 20-year average of 13.0%. Since the fourth quarter of 2019, vacancy rates have generally increased in the market. That trend continued in the second quarter as the vacancy rate increased by 30 basis points when compared with the previous quarter. This can be attributed to several factors, including continued historically elevated levels of direct and sublet availability, a surge in recent deliveries of vacant office buildings and recent periods of negative yearly absorption. Vacancy is expected to remain elevated as the market absorbs the new deliveries that have occurred over the past several years and corporations continue downsizing to “right size” their office footprints.

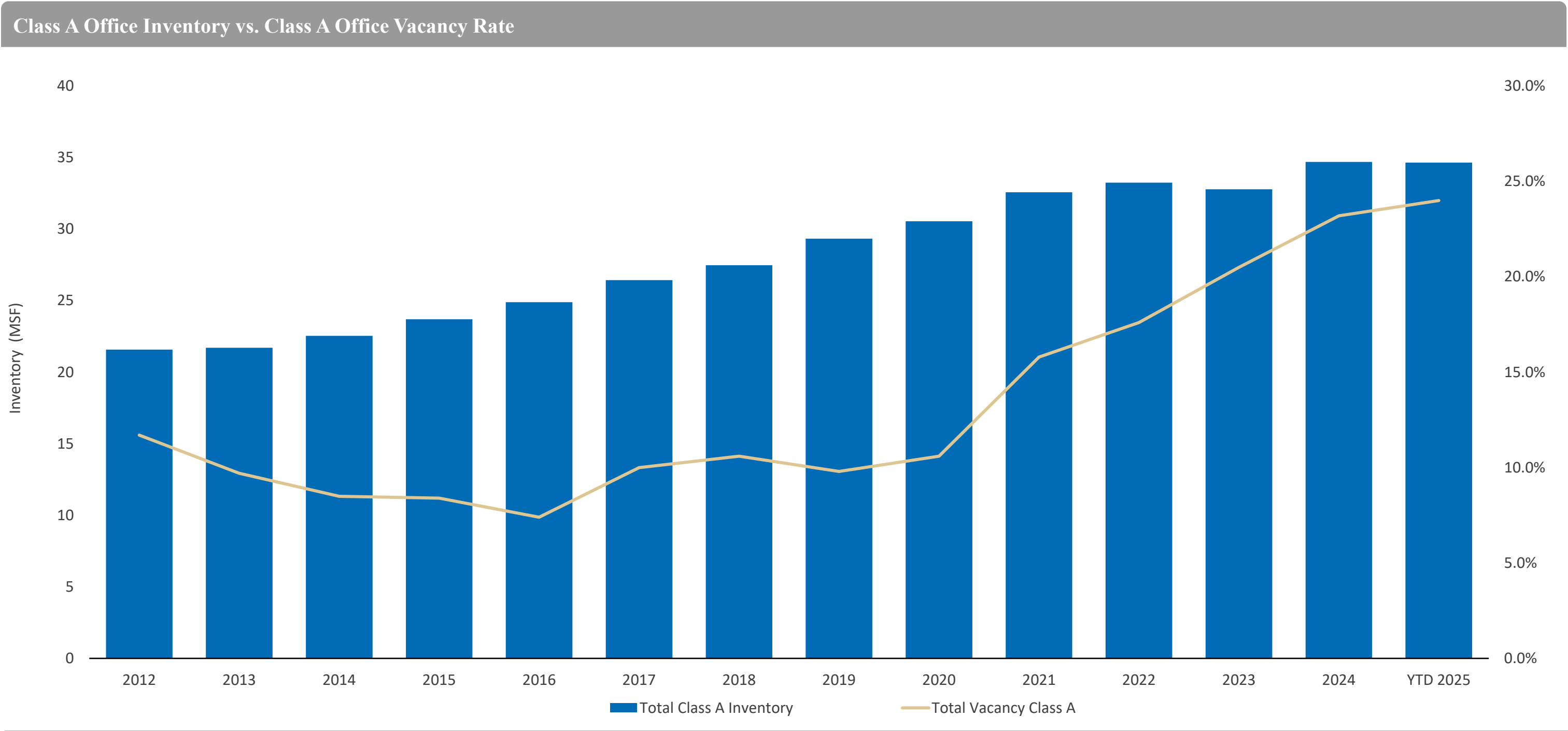
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Corporate Office Downsizing has Pushed Class A Vacancy to Near Record High

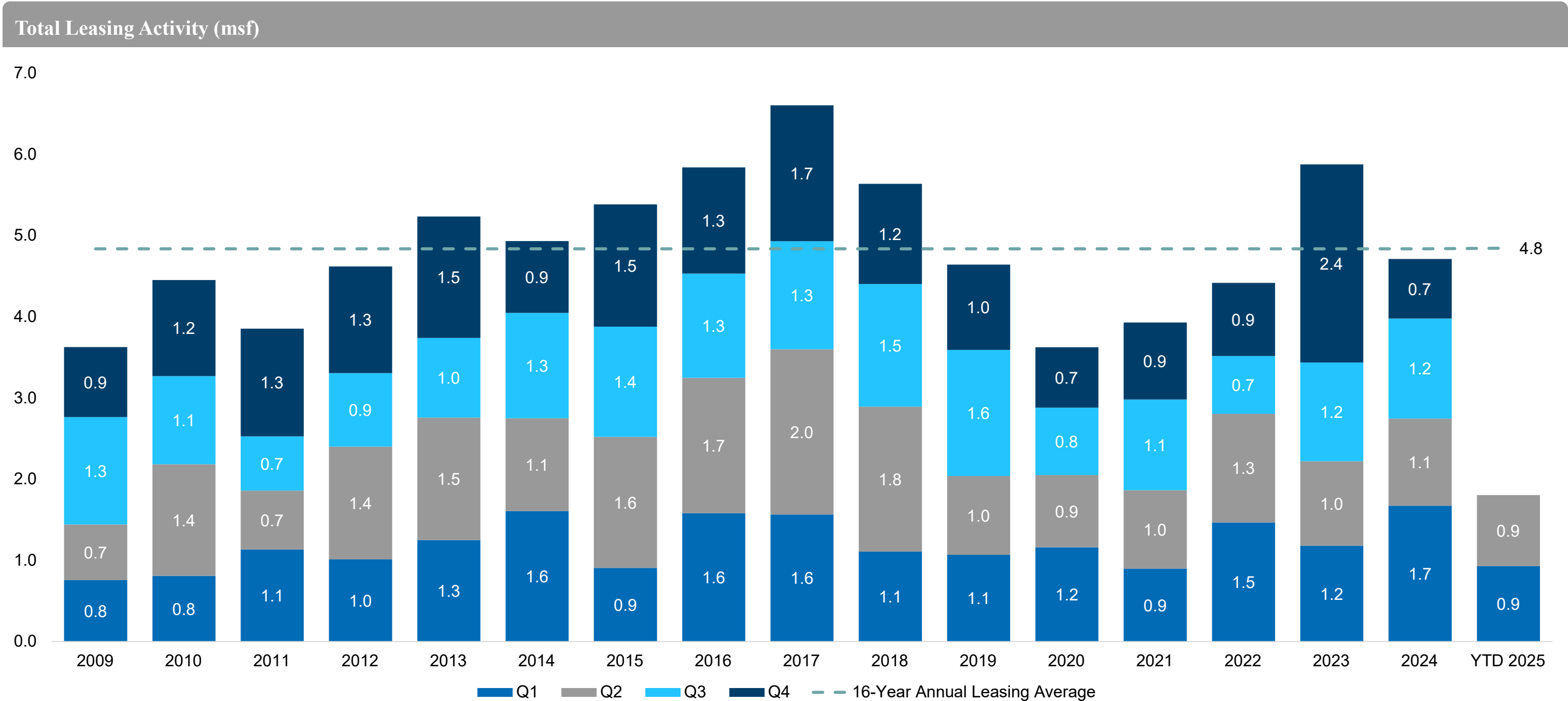
As of the second quarter of 2025, 34.7 MSF of space comprised the Raleigh Class A office market. Corporations have generally elected to lease smaller spaces in high quality, better amenitized buildings. This has caused Raleigh's Class A office vacancy rate to trend up to 24.0% in the second quarter of 2025, below the record high of 24.7% recorded during the fourth quarter of 2025.



Source: Newmark Research, CoStar

Economic Uncertainty Keeps Leasing Activity Subdued

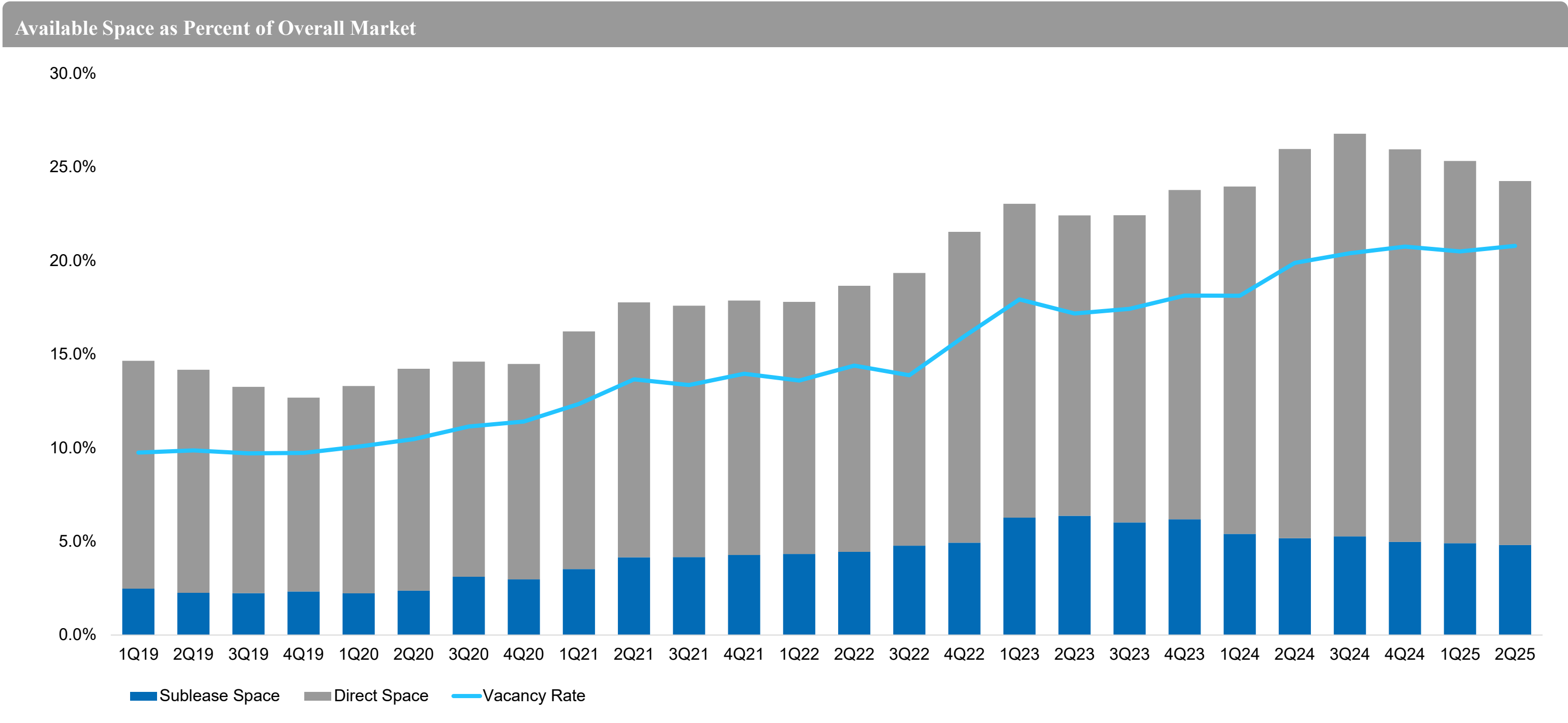
Leasing activity in the second quarter of 2025 in the market decreased by 52,937 SF quarter over quarter and decreased by 197,440 SF year over year. The quarter’s leasing activity of 875,708 SF remains below the 16-year quarterly leasing average of 1.2 MSF. The decline in leasing activity is likely driven by companies reevaluating corporate office space needs amid corporate downsizings and hesitancy to lease space in an economic environment marked by economic policy uncertainty and the risk of elevated costs from tariffs.



Source: Newmark Research, CoStar

Near Record Availabilities Leave Vacancy at Historic High

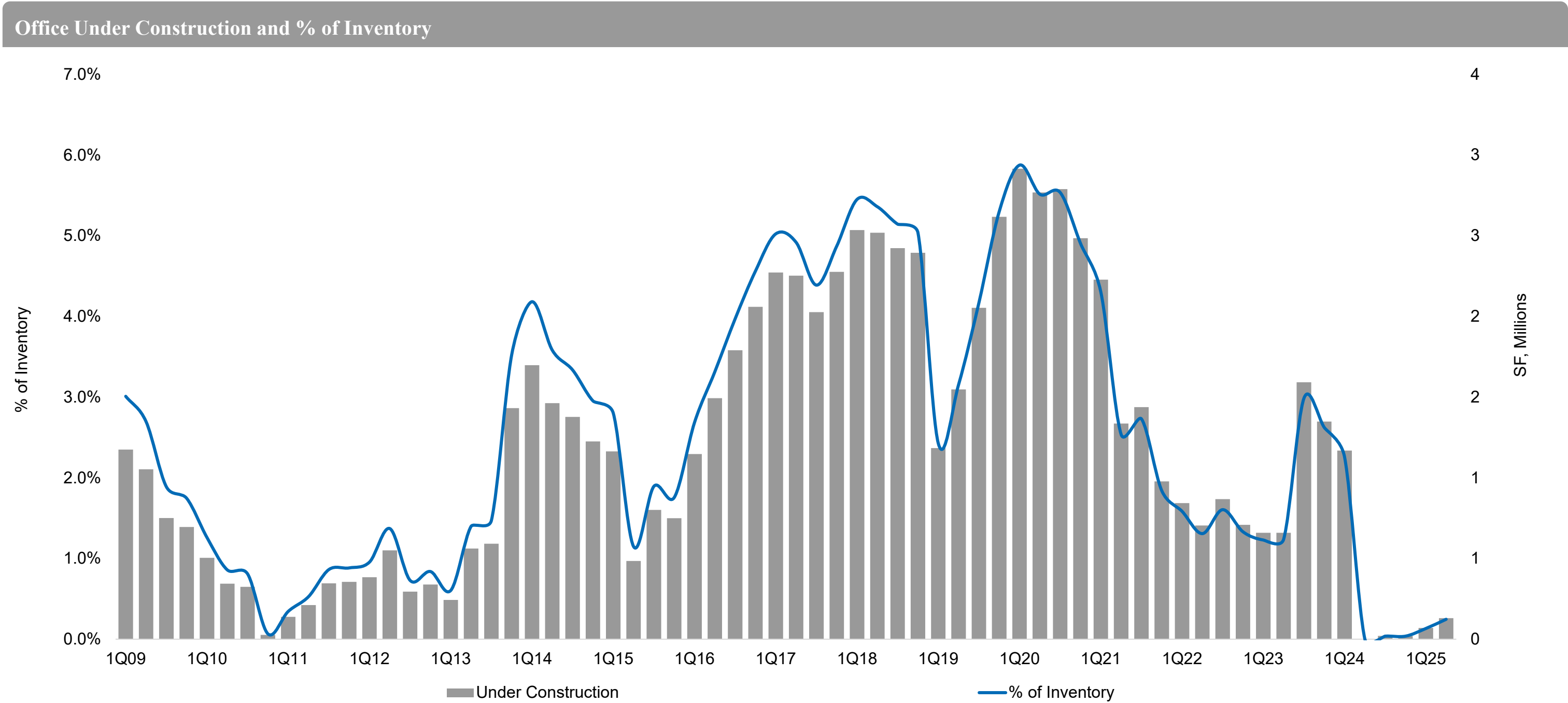
Sublease availability in Raleigh-Durham declined by 10 basis points quarter over quarter to 4.8% in the second quarter of 2025, reflecting the third consecutive quarterly decline and extending the downward trend that began in late 2023. Direct availability also fell to 19.4%, a decrease of 97 basis points from a year ago, continuing a multi-quarter downward trajectory. Despite the reduction in both sublease and direct space, total vacancy edged up to a record high of 20.8%, suggesting that tenant move-outs may be offsetting gains in leased inventory.



Source: Newmark Research, CoStar

Construction Activity Ticks Up

Recent construction activity surged and peaked in the third quarter of 2023, driven by strong office demand by the technology and biotechnology sectors. However, the under-construction pipeline, impacted by the effects of elevated inflation and a higher cost of debt, steadily declined in each subsequent quarter through the second quarter of 2024, before the trend reversed. That reversal continued into the second quarter of 2025, as the construction pipeline expanded to 168,435 SF. Raleigh’s under-construction inventory accounted for 0.2% of the market’s total inventory as of the end of the second quarter of 2025.

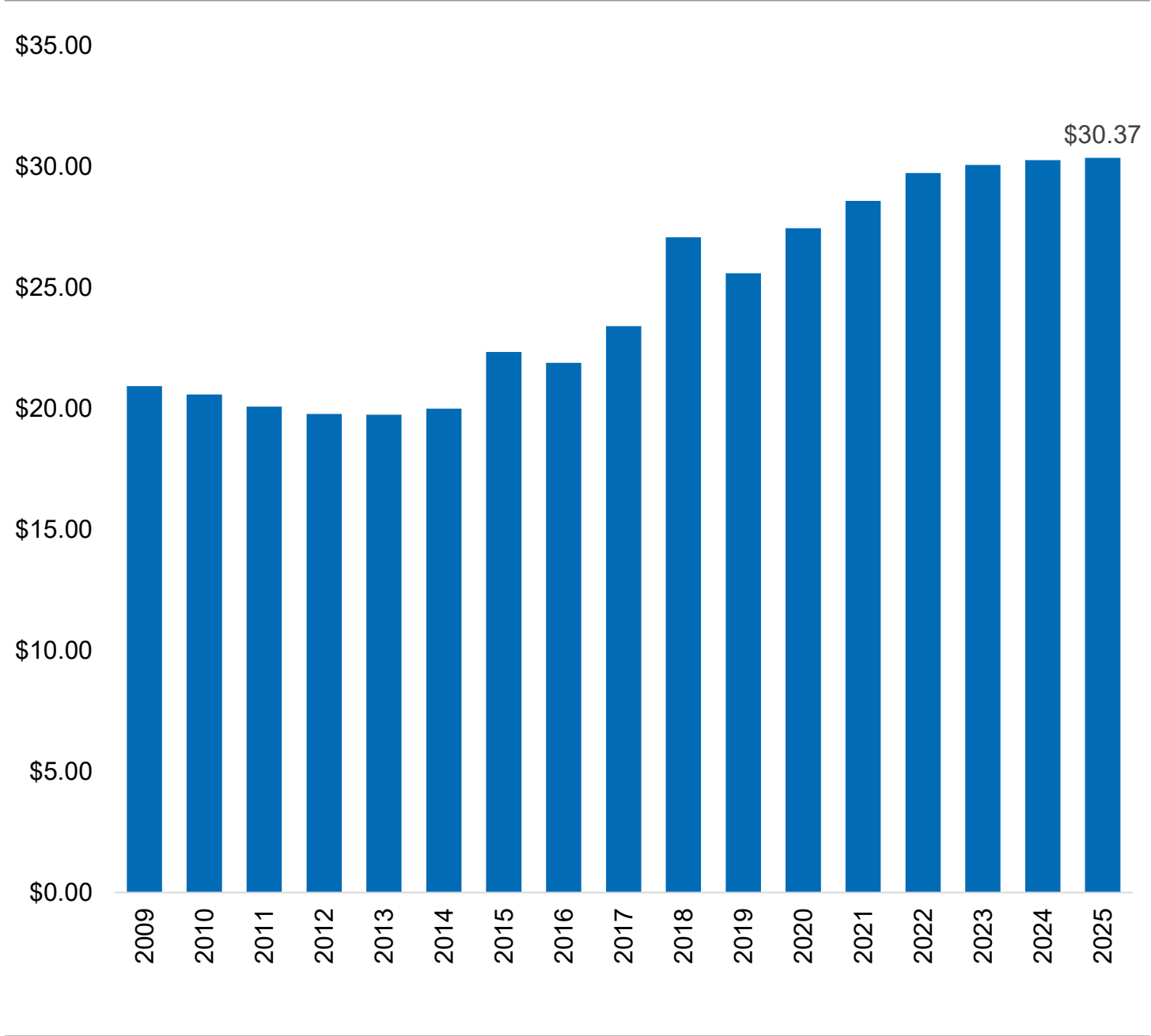


Source: Newmark Research, CoStar

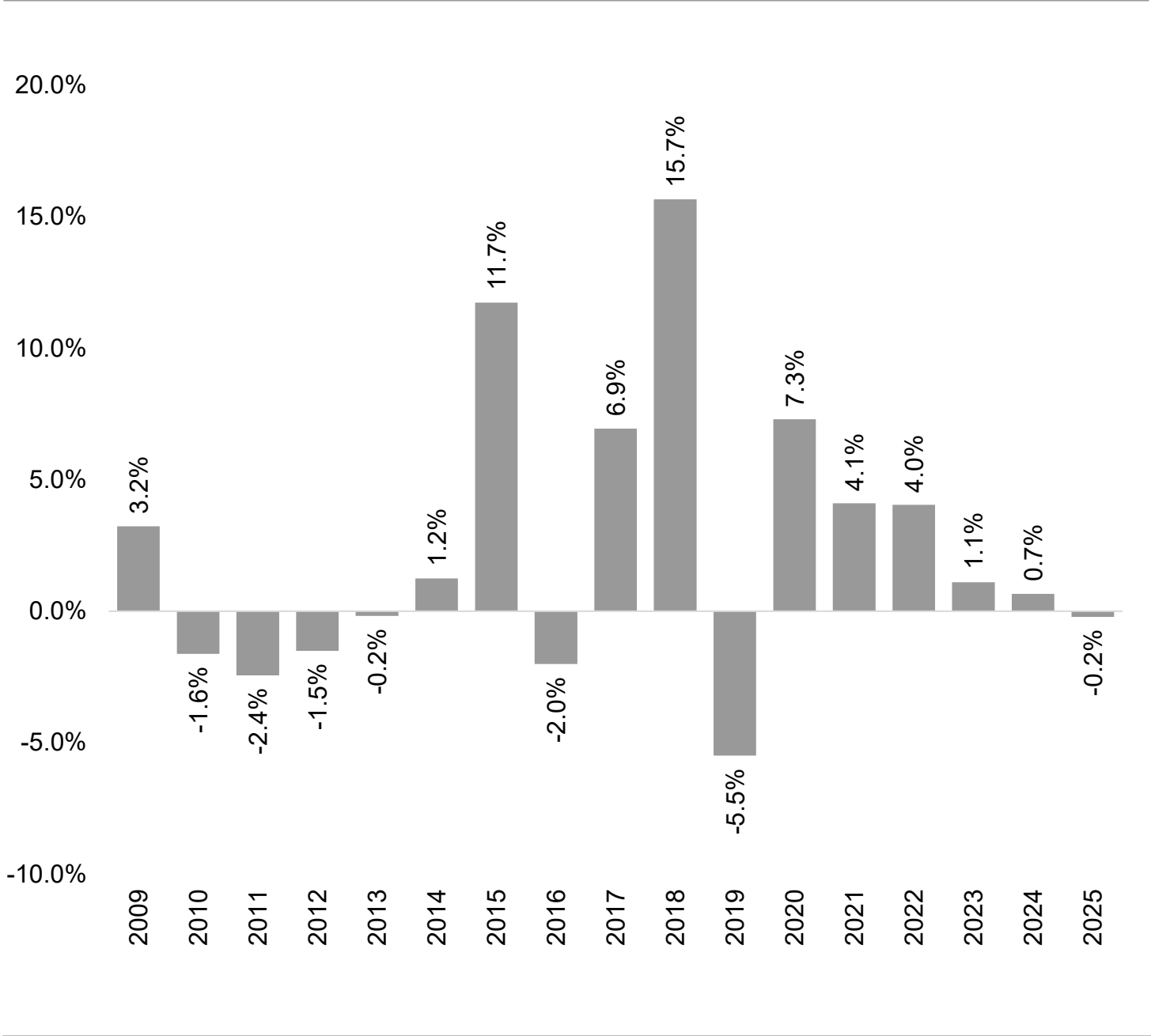
Asking Rents Decrease on Quarterly and Annual Basis

Second-quarter asking rents decreased by 1.6% quarter over quarter and 0.2% year over year to \$30.37/SF. Raleigh has reported positive yearly asking-rent growth since 2020, however recent years have been more subdued. Second-quarter annual rental growth turned negative as landlords have lowered asking rates to compete for tenants. While new high-quality deliveries and rising inflation-driven costs have placed upward pressure on asking rents, sustained elevated vacancy, historically low leasing activity and several quarters of subdued demand have continued to temper overall growth.

Office Average Asking Rent, \$/SF, FS



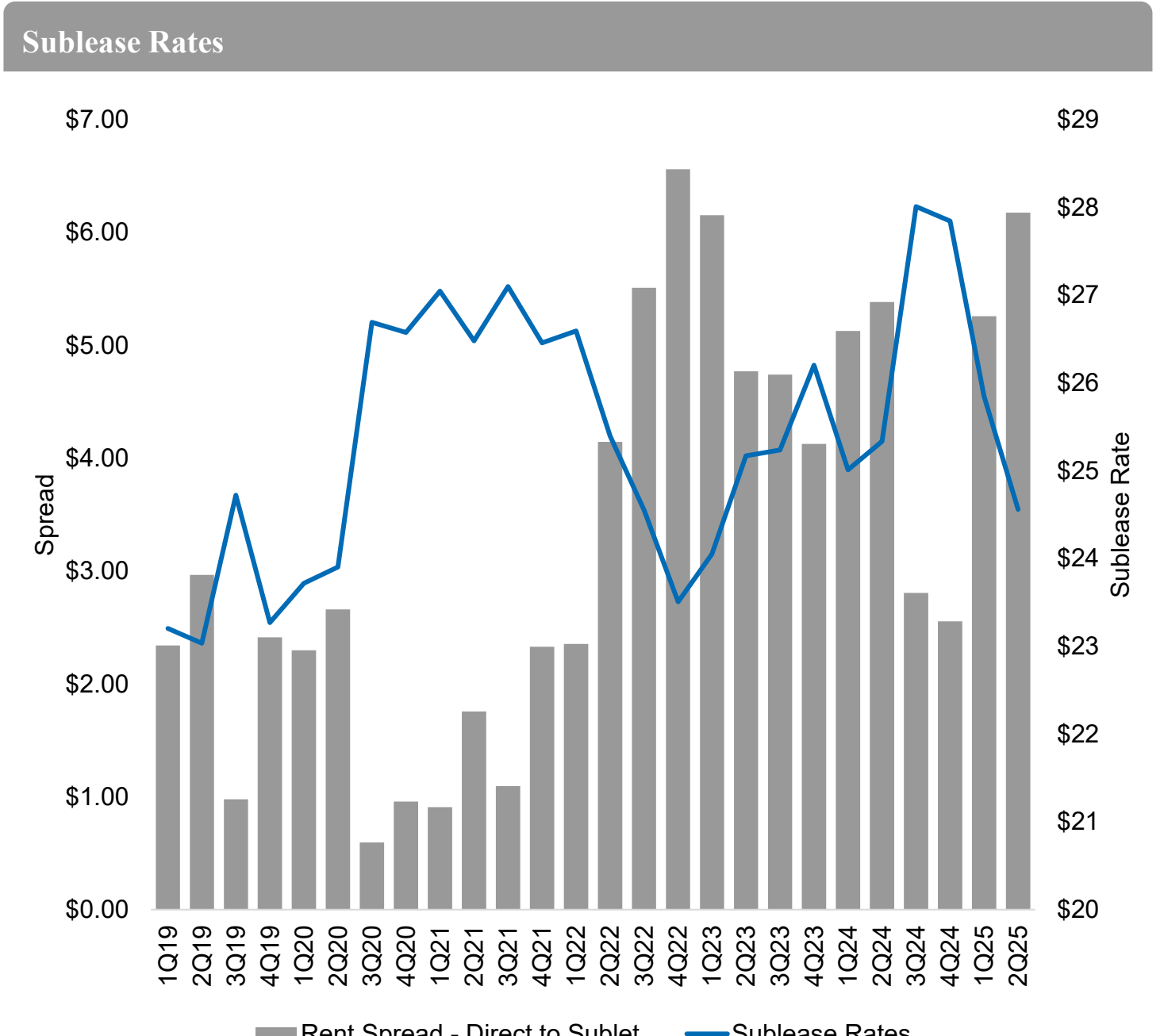
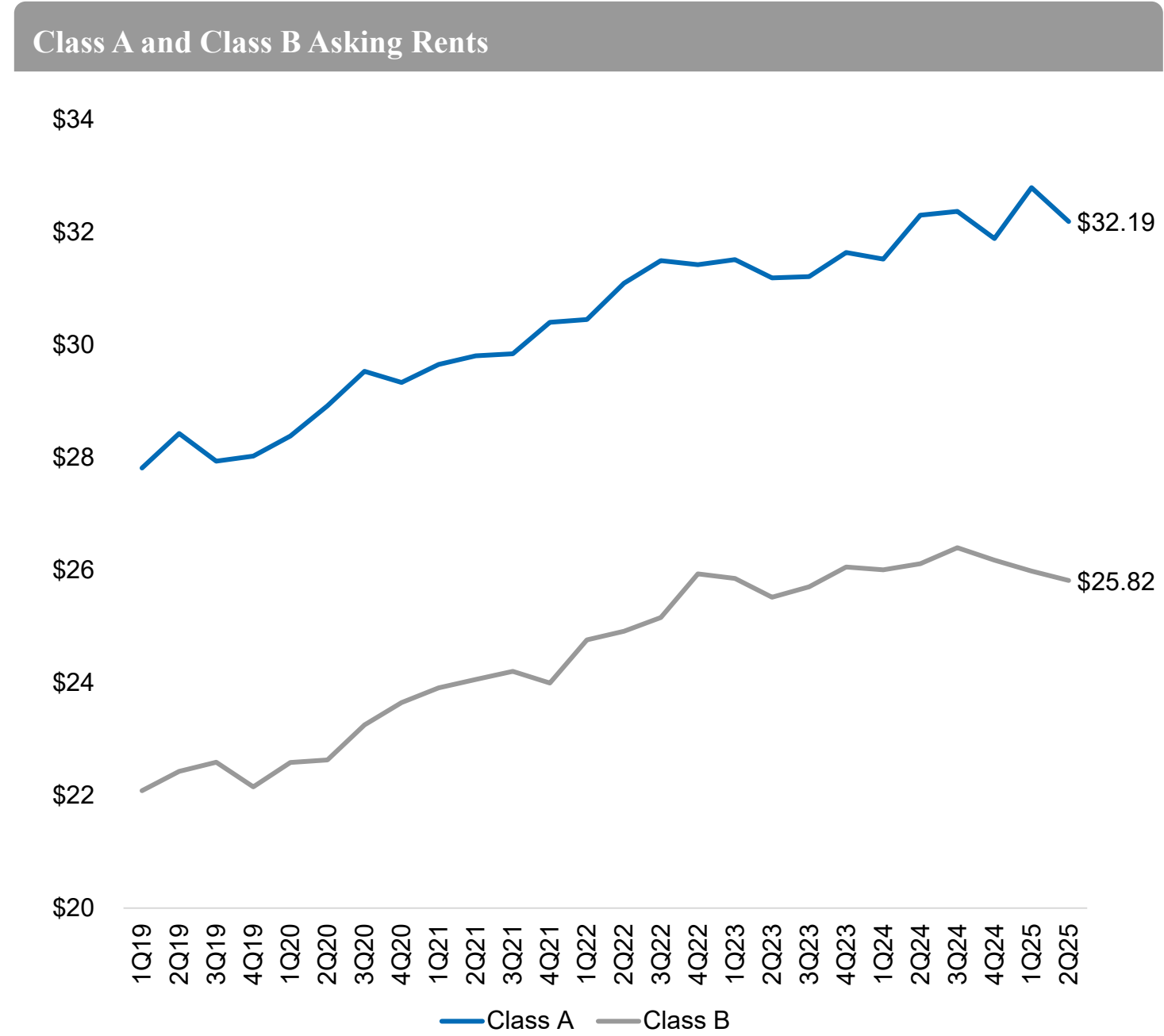
Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

Class A and Class B Asking Rents Report Quarterly and Annual Declines

As of the end of the second quarter of 2025, Class A and Class B asking rents both declined on an annual and quarterly basis to \$32.19/SF and \$25.82/SF, respectively. This resulted in a rent differential of \$6.37 per square foot, marking an 8.5% increase in the rent spread compared with the fourth quarter of 2019. The widening gap suggests tenants are downsizing in lower-quality properties while seeking smaller, amenity-rich spaces in higher-quality assets, a trend that may persist as Class B landlords reduce rents to attract demand. Sublease asking rates decreased 5.0% quarter over quarter and 3.1% year over year to \$24.56/SF, reflecting continued softness in the sublease market relative to direct space.



Source: Newmark Research, CoStar

Uncertainty with Some Signs of Clarity Ahead

As expected, many companies paused activity in the beginning of the second quarter of 2025 as they awaited the impact of on-going tariff and macro policy decisions. As these policies were pared back during the quarter, activity began to pick up steam in June, with many sizable tenants looking in the market, though few have finalized their new locations. Historically, the second quarter has been a bellwether for the remainder of the year, and with some clarity beginning to emerge, activity is anticipated to continue picking up. Several companies have already made major return-to-office policy decisions in the first half of 2025, and this trend is expected to continue. Leasing activity continues to be concentrated on well-located, amenitized, and newer assets, with spillover beginning to occur as top-tier buildings fill their vacancies first.

Notable 2Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Tanium	555 Mangum	Durham CBD	Expansion/Renewal	48,500
Cybersecurity firm Tanium recommitted to downtown Durham through a full-floor expansion and renewal at 555 Mangum.				
Western Governor’s University	GlenLake Three	Glenwood/Creedmoor	New Lease	47,821
Utah-based Western Governor’s University inked a 48,000-SF lease at 4300 Edwards Mill Road and retains the right to expand into GlenLake Four.				
NCJUA	751 Corporate Center	Cary	Renewal	44,085
A North Carolina-based insurance association renewed and expanded its lease early at Highwoods 751 Corporate Center.				
Kimley-Horn	Weston I	Cary	New Lease	40,000
The engineering firm Kimley-Horn expanded its local footprint with a new lease at the renovated and amenitized Weston I.				

Source: Newmark Research, CoStar

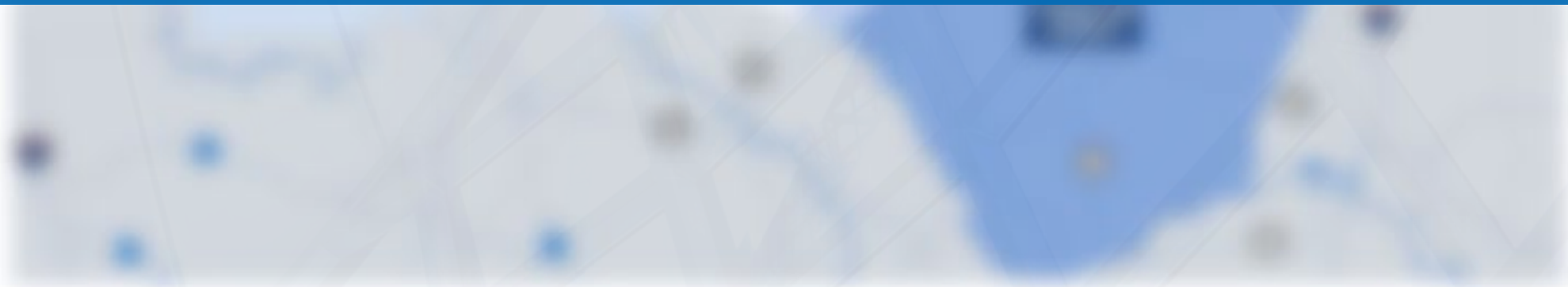
Raleigh-Durham Office Submarket Overview—All Classes

Please reach out to your
Newmark business contact for this information

Raleigh-Durham Office Submarket Map



Please reach out to your
Newmark business contact for this information



2Q25 North Carolina Office Market Overview



Please reach out to your
Newmark business contact for this information

2Q25

Appendix



Raleigh Office Market

Please reach out to your
Newmark business contact for this information

Raleigh-Durham Office Submarket Overview—Class A

Please reach out to your
Newmark business contact for this information

Raleigh-Durham Office Submarket Overview—Class B

Please reach out to your
Newmark business contact for this information

For more information:

Andrew Cook

Research Analyst

Andrew.Cook@nmrk.com

Ching-Ting Wang

Head of Southeast Research

ChingTing.Wang@nmrk.com

Raleigh

4242 Six Forks Rd

Suite 930

Raleigh, NC 27609

t 919-390-0281

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK