



NEWMARK

Raleigh-Durham Office Market Overview

4Q25



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Market Observations



Economy

- The market's unemployment rate of 3.2% declined by 3 basis points year over year and remained below the five-year average of 3.4%.
- Employment growth decelerated by 110 basis points to 1.3% year over year, but remains ahead of the national average of 0.8%.
- Most sectors, except manufacturing and information, reported employment growth, with education and healthcare leading the way at 3.5%.
- Office-using employees in the market decreased by 2,321 jobs from their all-time high to 215,487 jobs as of the end of September 2025.



Leasing Market Fundamentals

- Annual full-service asking rental rates increased by 3.3% on a quarterly basis and 3.7% on an annual basis to \$31.39/SF.
- While vacancy was flat on a quarterly basis and decreased by 94 basis points on an annual basis to 19.8%, it remains well above the 20-year average of 13.0%.
- The under-construction pipeline ticked up to 71,225 SF as the impacts of higher financing and construction costs have curbed groundbreakings.
- Total leasing activity for the quarter was 1.0 MSF, which is 14.0% below the 16-year fourth-quarter average of 1.2 MSF.



Major Transactions

- During the fourth quarter of 2025, North Carolina governmental agencies seized on favorable market conditions to relocate and consolidate offices. Two of the largest leases signed during the fourth quarter of 2025 were signed by governmental agencies, namely the North Carolina Education Lottery and Wake County Health and Human Services.
- In the private sector, Aspida Financial signed the largest lease of the quarter when it leased 89,770 SF at Imperial Tower. This location will serve as their new corporate headquarters. As a result, they are expected to hire 1,000 new employees in the region and invest \$28.0 million in the region over the next several years.



Outlook

- Activity in the market has seen an uptick, however conversion of activity into transactions remains muted. Tenant decision-making is being slowed as occupiers are assessing the impacts of macroeconomic uncertainty stemming from ever-changing tariffs and interest rates and the effects of the introduction of artificial intelligence into workflows.
- Activity continues to circle highly amenitized projects and some developers are looking at rezoning / densification to further enhance their properties to pique interest. The silver lining is that construction costs have consistently come in below expectations and well below the peaks of previous years – this may alleviate the substantial run-up in TIA requirements and the higher rents to support those concessions by owners.
- 2026 has the potential for a robust office leasing year with interest rates likely coming down, tax policy supporting growth, but the unknown is the continued macro environment that so far has given many end-users pause on taking action.

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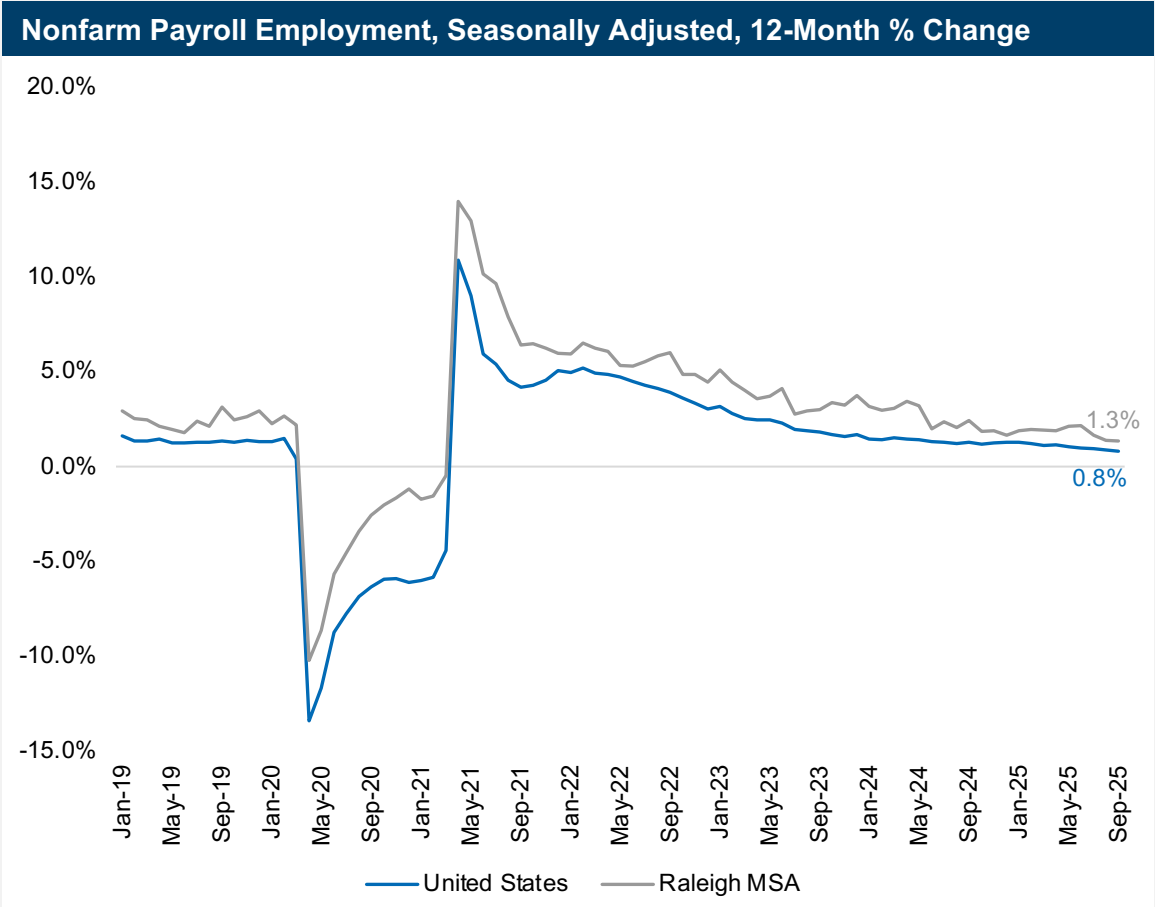
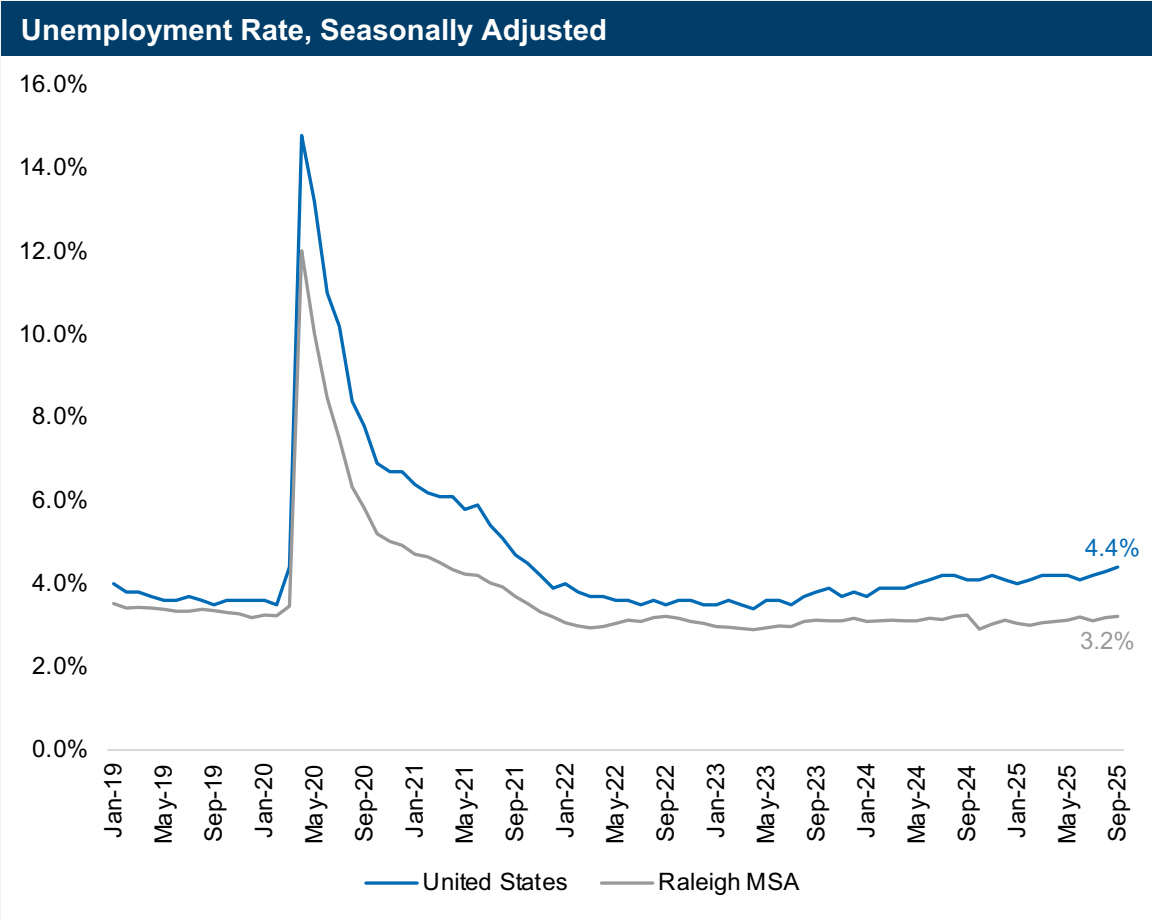
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Economy



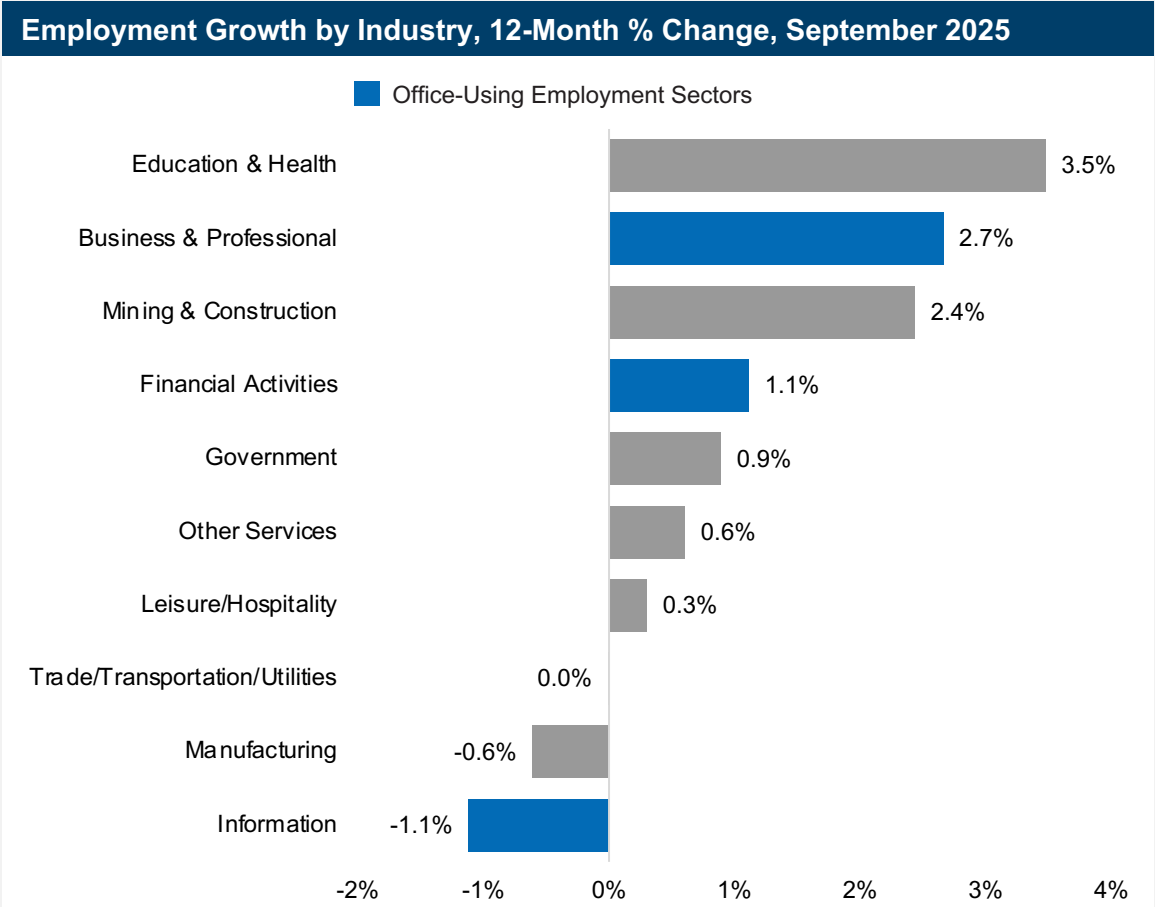
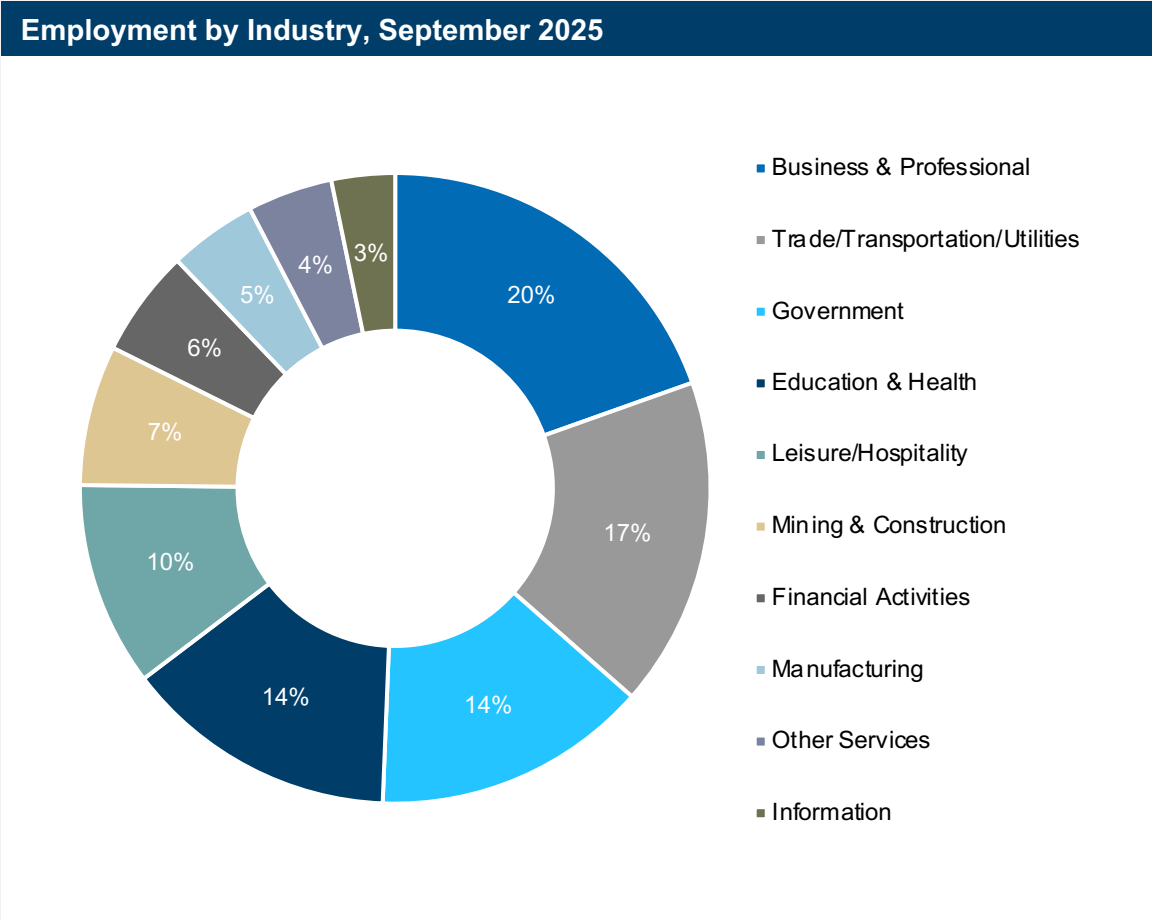
Raleigh Continues Outperformance on Unemployment and Job Growth

Raleigh has consistently reported lower unemployment rates and higher employment growth when compared to the national average. Despite economic headwinds, this trend carried into the fourth quarter of 2025, with the market’s unemployment rate of 3.2% ticking down 3 basis points year over year and remaining well below the U.S. average of 4.4%. The region’s seasonally adjusted nonfarm payrolls also outperformed the national average, reflecting 1.3% growth year over year, although the pace of growth moderated by 110 basis points compared to the prior year.



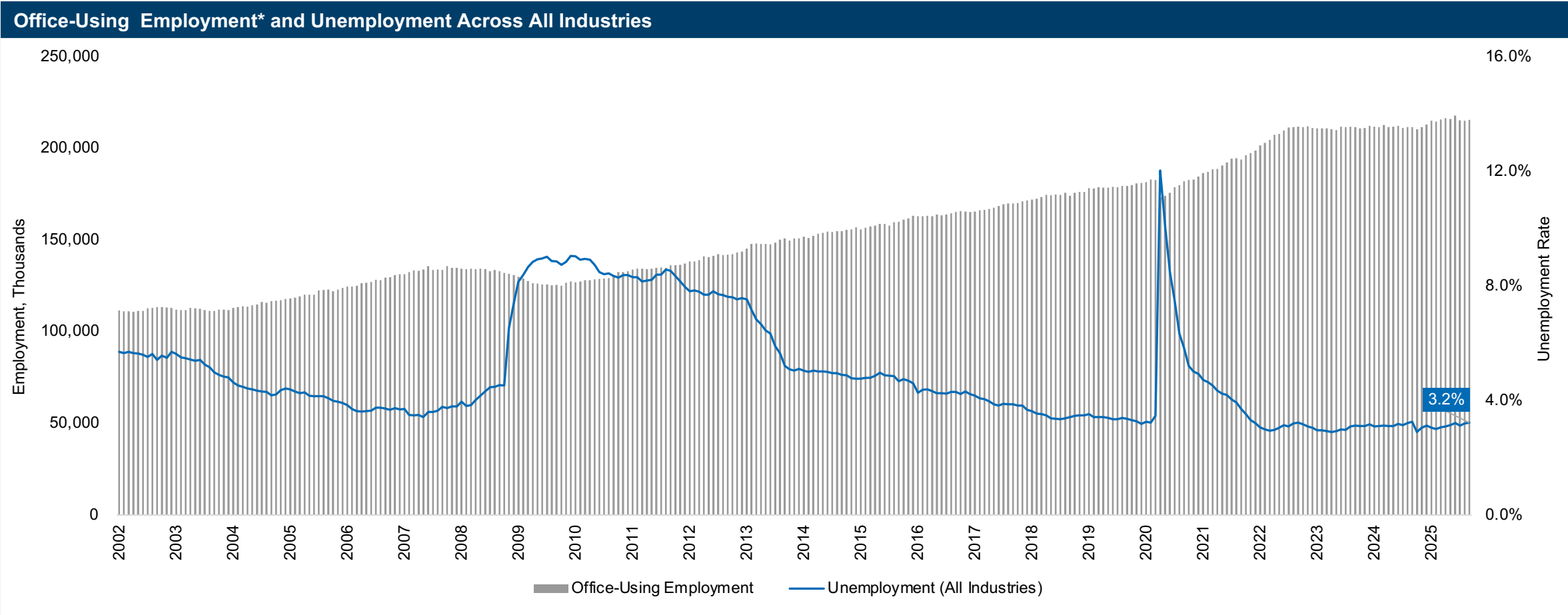
Office-Using Job Growth Shows Mixed Results

Raleigh’s tech-forward market is anchored by its top two employment industries: business and professional services and trade/transportation/utilities, which account for 36.5% of total local jobs. The business and professional sector, Raleigh’s largest office-based employment industry, makes up 19.6% of the market. Most employment sectors in the market, except manufacturing and information, reported annual job growth. Office-using jobs growth showed mixed results as financial activities and business and professional services reported growth of 1.1% and 2.7% year over year, respectively. Meanwhile, information employment declined by 1.1% over the same period.



Office-Using Employment Declines From Record High

As of September 2025, economic uncertainty and the adoption of artificial intelligence into workflows caused the Raleigh market to shed 2,321 office-using jobs when compared to the record high set at the end of June 2025. The market ended September 2025 with 215,487 office-using jobs. Currently, the seasonally adjusted unemployment rate stands at 3.2%, which is 14 basis points lower than the 3.4% average levels reported in 2019.



Source: Moody's Analytics, Raleigh MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Raleigh Gross Metropolitan Product

Raleigh's gross metropolitan product continues to increase despite economic headwinds, albeit at a slower rate. During 2023, the gross metropolitan product rose 3.9% year over year to reach a new all-time high of roughly \$1.17 billion.

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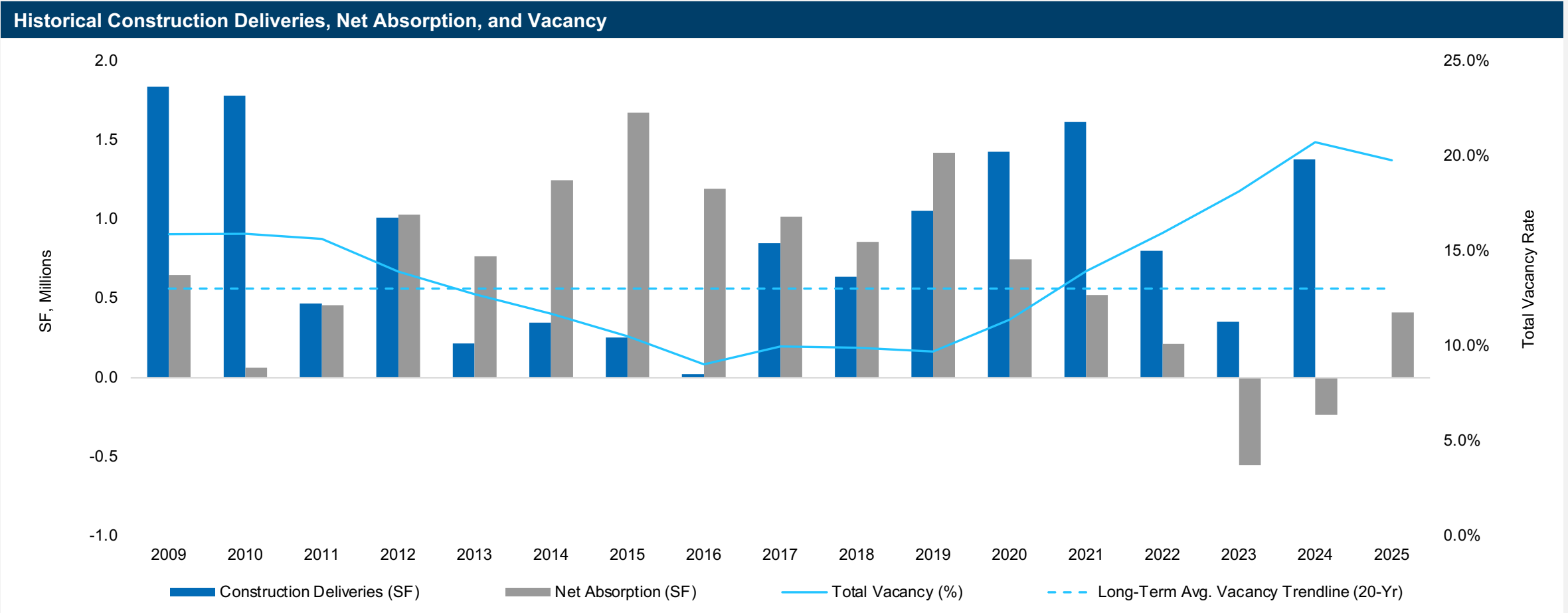
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Leasing Market Fundamentals



Vacancy Remains Stagnant Quarter over Quarter

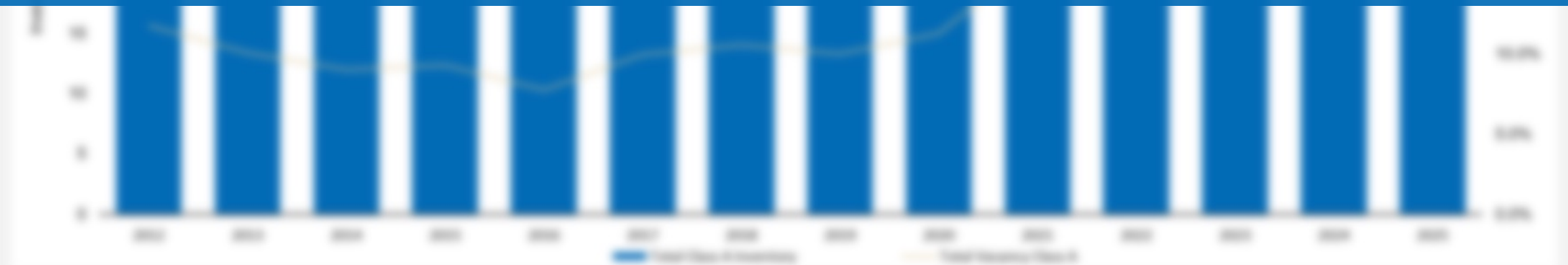
During the fourth quarter of 2025, Raleigh recorded 1,223 SF of positive net absorption, with no new supply delivered into the market. For full-year 2025 however, net absorption totaled 414,478 SF, and with no new deliveries during the year, vacancy declined by 94 basis points year over year to 19.8%. While vacancy improved at year-end 2025 compared with year-end 2024, it remains elevated relative to long-term norms, reflecting elevated direct and sublet availability and the absorption of previously delivered space. Vacancy is expected to remain elevated in the near term as corporations continue to adjust their office footprints.



Corporate Relocations Put Downward Pressure on Class A Vacancy

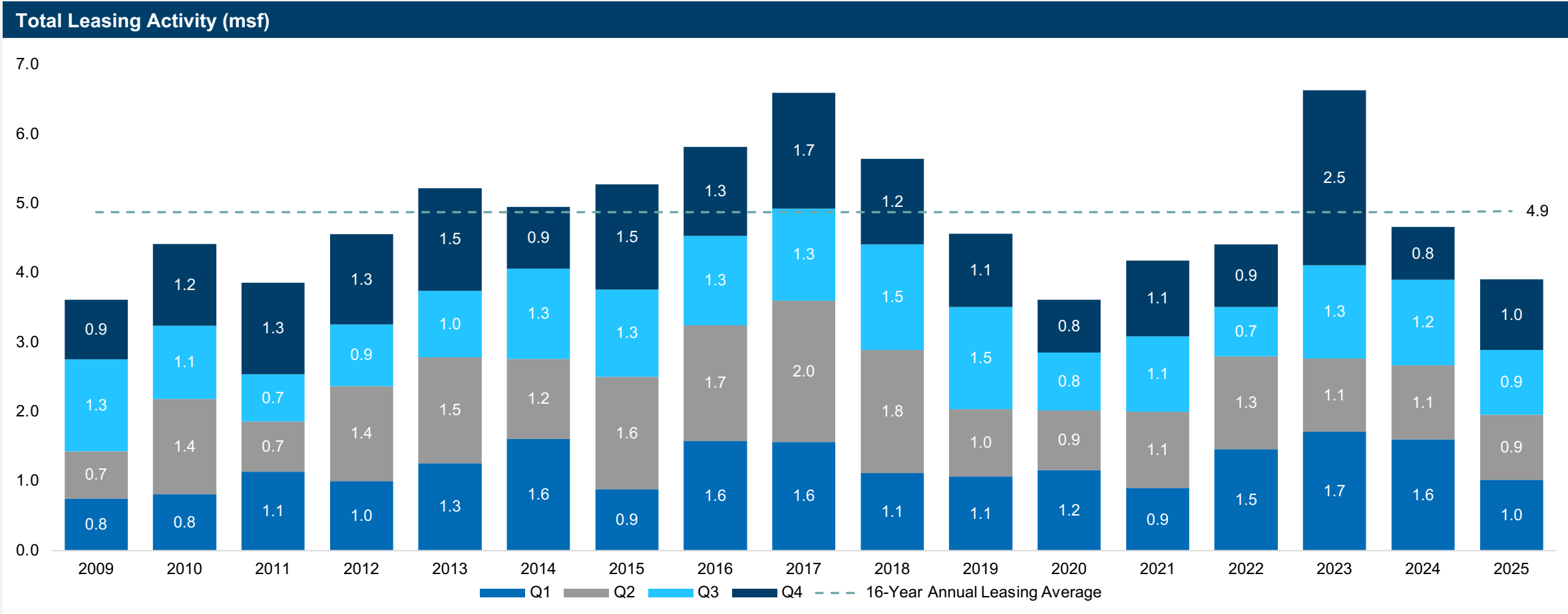
Balducci's Class A office vacancy stands at 14.4% representing 45.7% of total stock. The Class A vacancy rate declined to 12.4% in the fourth quarter of 2023, down from a recent peak of 14.4% observed at the end of 2024. Meanwhile, Class A vacancy remains above the market's total vacancy of 10.4%. Despite vacancy remaining above pre-pandemic levels, leasing activity within Class A has generally reflected consistent contributions into smaller, higher quality, specialized spaces.

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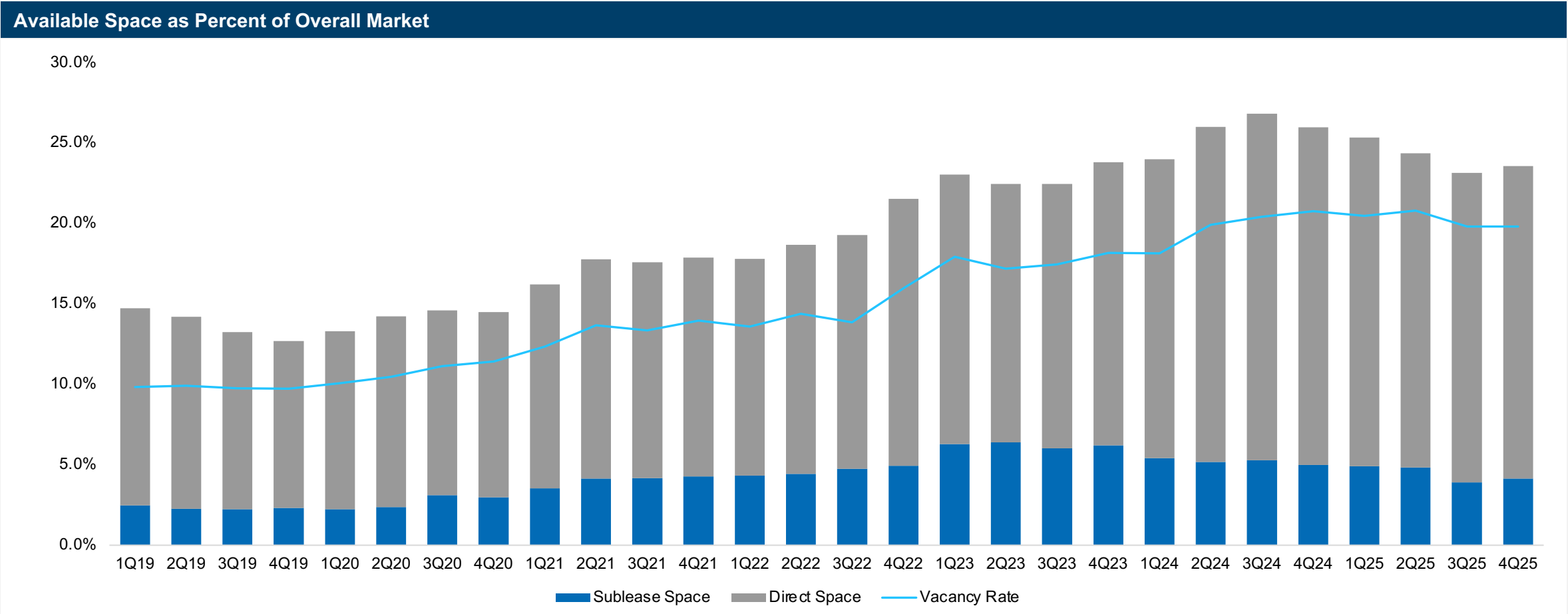
Leasing Activity Improves; Remains Subdued

Leasing activity in the fourth quarter of 2025 in the market increased by 86,760 SF quarter over quarter and 262,162 SF year over year. Despite these recent improvements, the quarter’s volume of 1.0 MSF remains below the 16-year quarterly average of 1.2 MSF. The relatively lower 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.



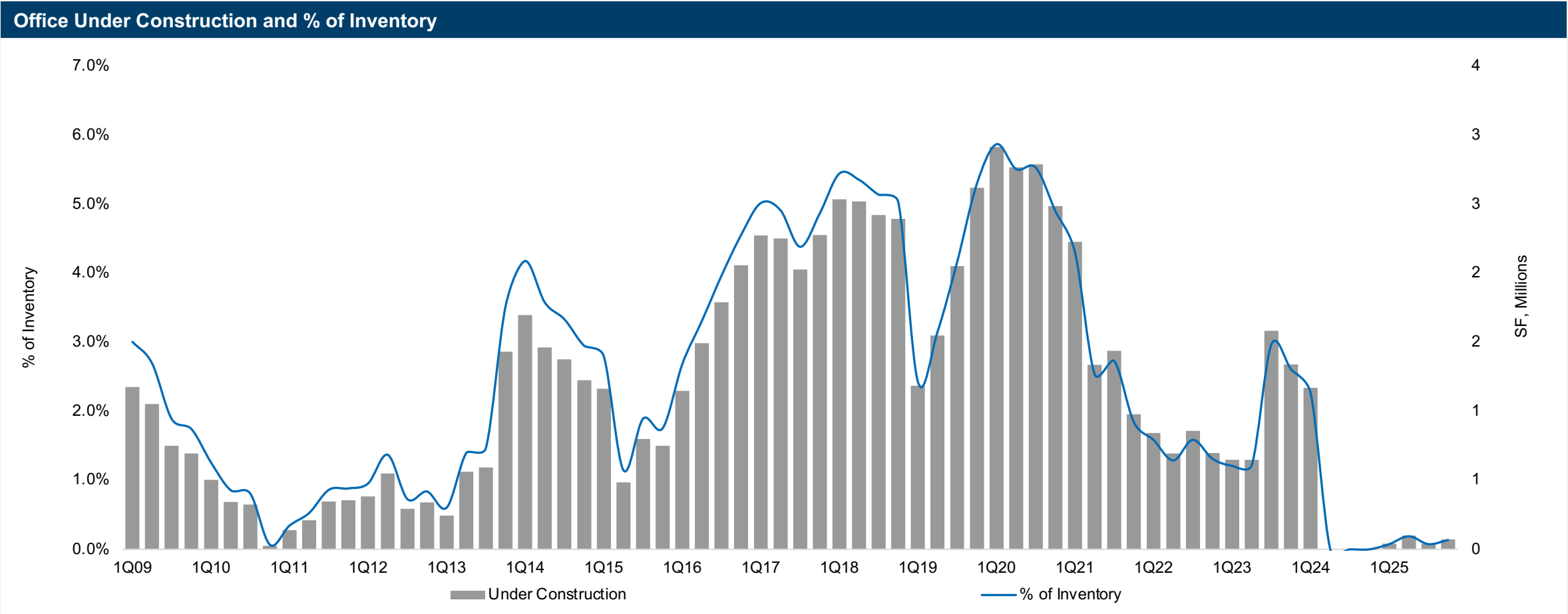
Annual Declines in Direct and Sublet Availabilities Push Vacancy Down

While both sublease and direct availabilities in Raleigh-Durham have steadily declined since the fourth quarter of 2024, the trend reversed during the fourth quarter of 2025. The most recent quarter reflected a 23-basis point increase of sublet availability and 19-basis point increase in direct availability. Meanwhile, sublease and direct availabilities remained 84 basis points and 156 basis points lower year over year, respectively. Sublet availability at the end of the quarter was 4.1% and direct availability was 19.4%. However, the continued downward trajectories of direct and sublet availabilities has pushed overall vacancy down by 94 basis points year-over-year to 19.8%.



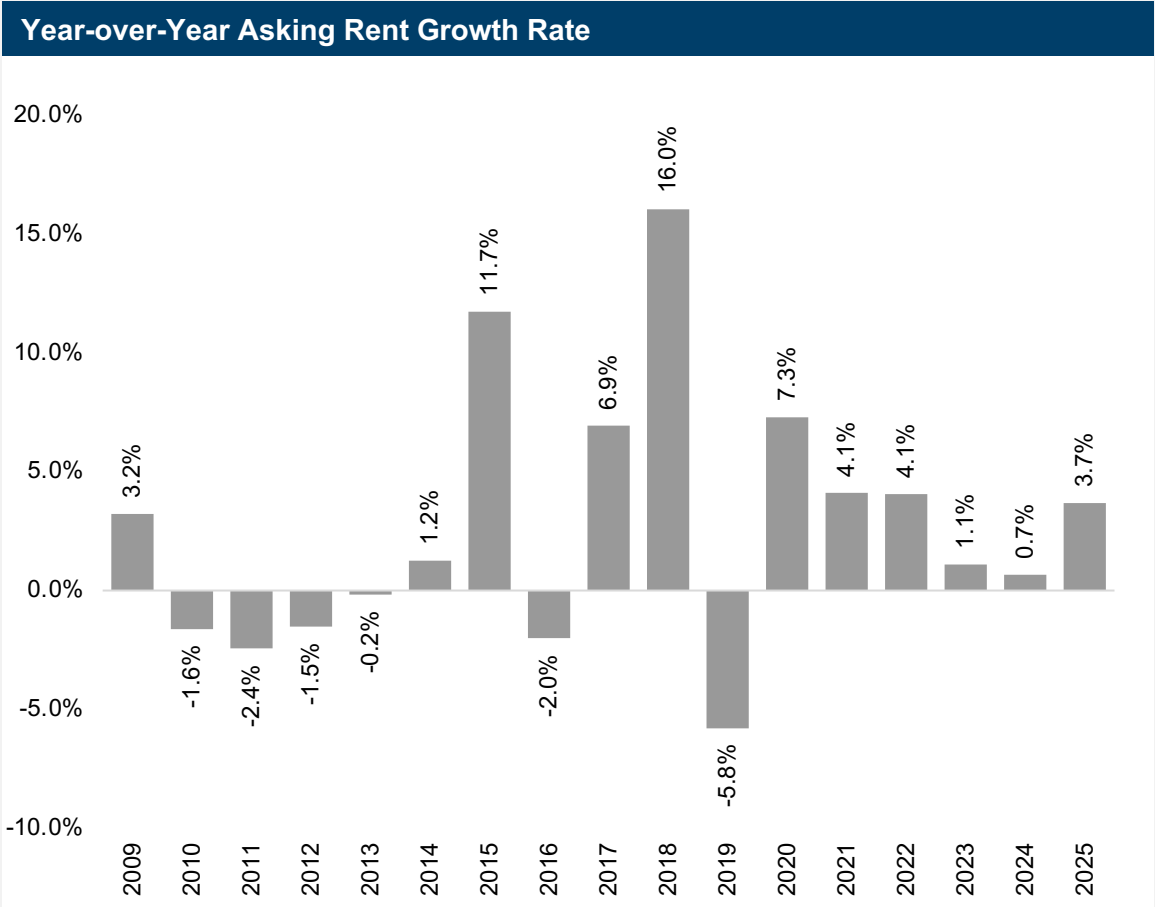
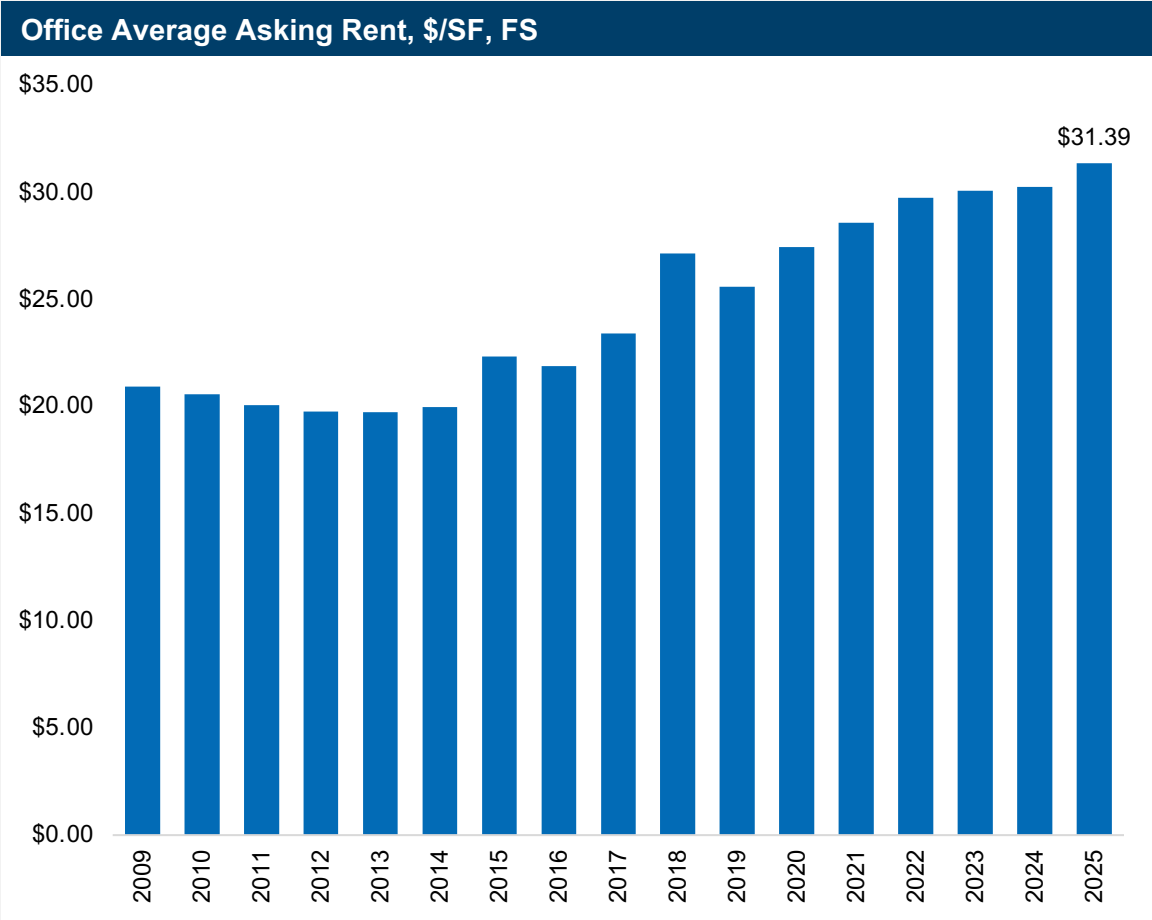
Construction Activity Ticks Up Modestly

Recent construction activity surged and peaked in the third quarter of 2023, driven by strong office demand in the technology and biotechnology sectors. However, the under-construction pipeline, impacted by the effects of elevated building costs and a higher cost of debt, has generally declined to its lowest levels in recent years. During the fourth quarter of 2025 however, the pipeline expanded by 31,720 SF to 71,225 SF, reflecting 0.1% of total inventory.



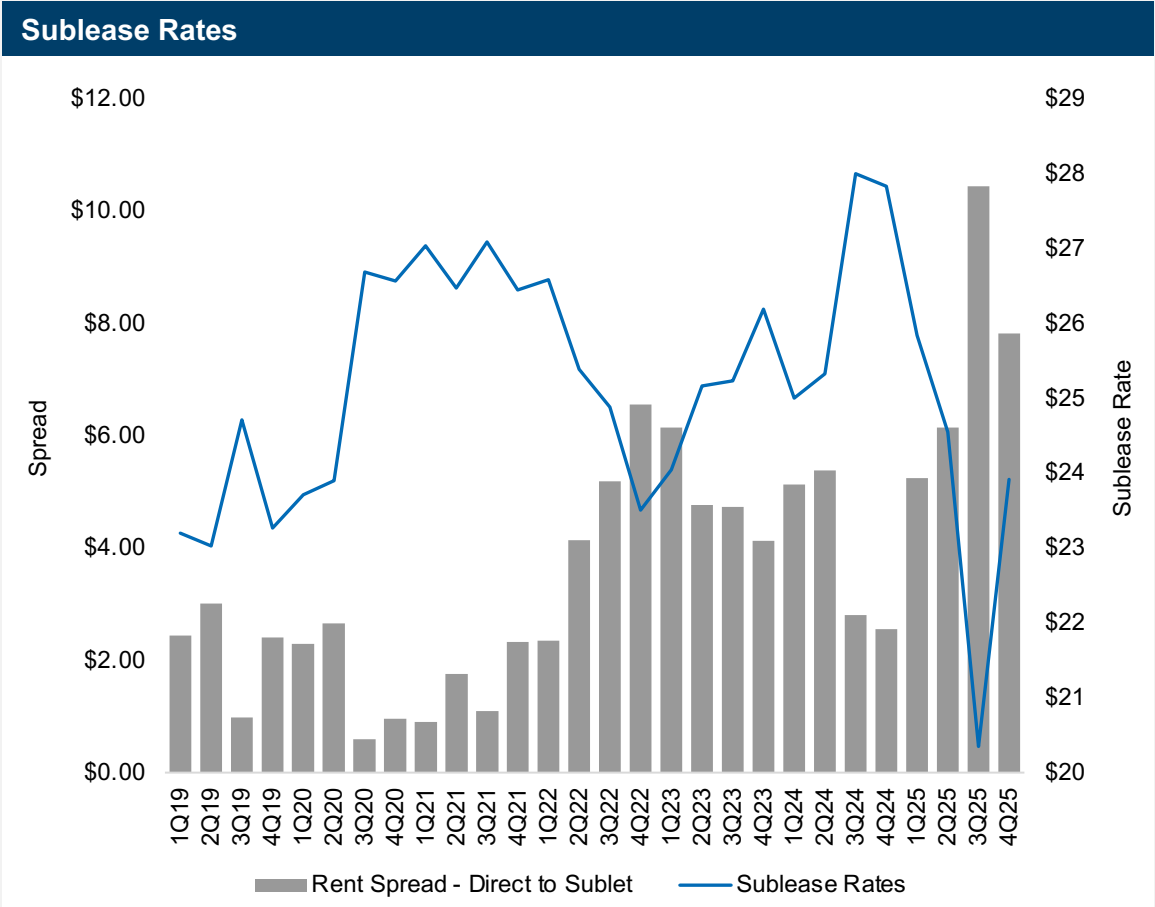
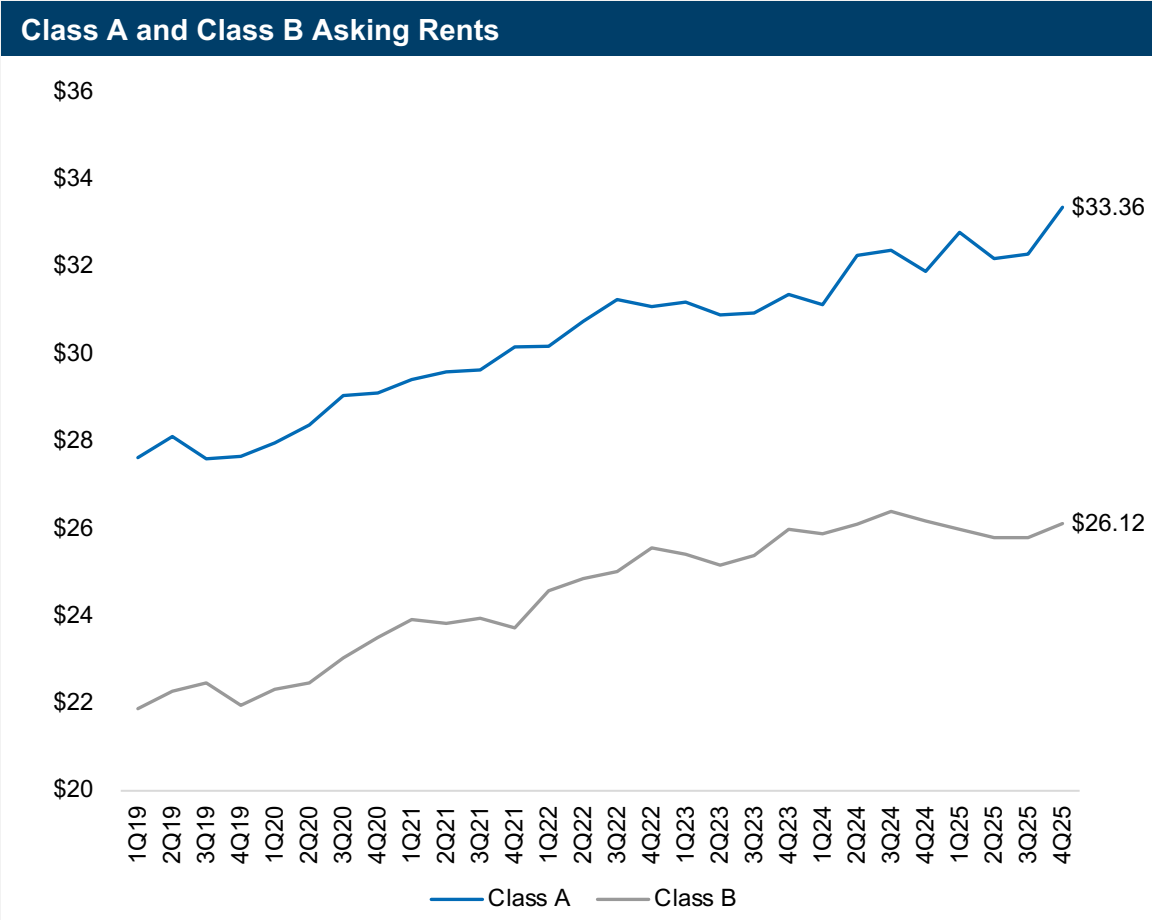
Asking Rents Tick Up to a Record High

Fourth-quarter asking rents increased by 3.3% quarter over quarter to a record high of \$31.39/SF. While Raleigh has reported positive yearly asking-rent growth since 2020, growth moderated through much of the cycle before reaccelerating in 2025, with asking rents increasing 3.7% year over year. While new high-quality deliveries and rising inflation-driven costs have placed upward pressure on asking rents, sustained elevated vacancy and several quarters of subdued leasing activity have tempered overall growth in recent years. However, recent annual gains in 2025 signal a return toward more normalized conditions.



Class A and B Rents Show Quarterly Increases

As of the end of the fourth quarter of 2025, both Class A and Class B rents increased quarter over quarter. Class A rents increased by 3.3% to \$33.36/SF while Class B increased by 1.2% to \$26.12/SF over the same period. The \$7.25/SF rent spread reflects a 26.7% increase since the fourth quarter of 2024. The widening gap suggests tenants are leaving lower-quality properties while seeking smaller, amenity-rich office spaces. The trend may persist as Class B landlords reduce rents to attract demand. Sublease asking rates increased 17.5% quarter over quarter to \$23.92/SF, but remain 14.1% lower than the same period last year.



Government Agencies Lead Quarterly Leasing Activity

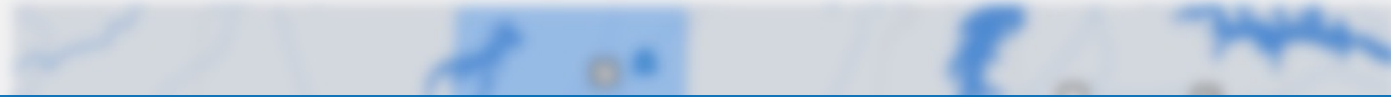
During the fourth quarter of 2025, North Carolina governmental agencies seized on favorable market conditions to relocate and consolidate offices. Two of the largest leases inked during the fourth quarter of 2025 were signed by governmental agencies, namely the North Carolina Education Lottery and the Wake County Health and Human Services Department. Meanwhile, macroeconomic uncertainty from tariffs and interest rates has made it difficult for firms to make long term leasing decisions. A recent bright spot in the private sector is Aspida Financial’s 89,770-SF lease at Imperial Tower. This location will serve as their new corporate headquarters. As a result, they are expected to hire 1,000 new employees in the region and invest \$28.0 million in the region over the next several years.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
North Carolina Education Lottery	Colonnade II	Six Forks/Falls of Neuse	Direct New	110,552
The North Carolina Education Lottery expanded its administrative offices to 110,552 SF at 8510 Colonnade Center Drive.				
Pendo	301 Hillsborough at Raleigh Crossing	Downtown Raleigh	Renewal	105,000
Software company Pendo extended its lease for its headquarters at 301 Hillsborough Street. They contracted by one floor.				
Aspida Financial	Imperial Tower	Research Triangle	Direct New	89,770
Insurance and financial services company Aspida Financial inked the largest lease of the quarter for 88,770 SF at 4820 Emperor Boulevard. This location will be serving as its new corporate headquarters, and it is expected to hire 1,000 new employees and invest \$28.0 million over the next several years.				
Wake County Health and Human Services	Somerset Office Park	Six Forks/Falls of Neuse	Renewal	54,376
Wake County Health and Human Services extended their lease at 4403 Bland Road. They expanded their leased space by one floor.				

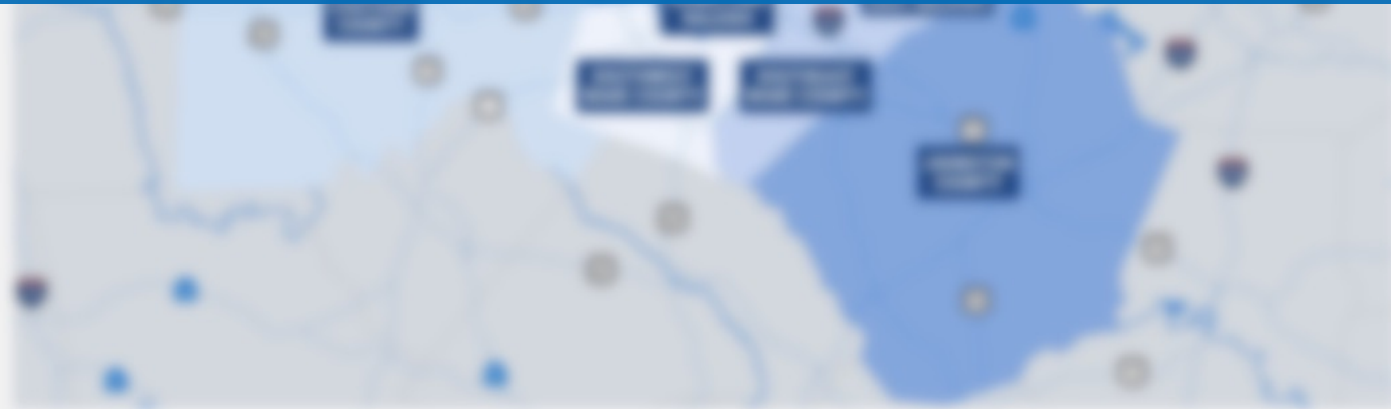
Raleigh-Durham Office Submarket Overview—All Classes

Submarket Statistics — All Classes								
	Total Inventory	Units	Total Inventory	90-100% Occupied	100-100% Occupied	Class A Inventory	Class B Inventory	Total Stock
Research Triangle	1,000,000	-	90.0%	100,000	100,000	500,000	500,000	500,000
Study 1	1,000,000	-	90.0%	100,000	100,000	500,000	500,000	500,000
Study 2	1,000,000	-	90.0%	100,000	100,000	500,000	500,000	500,000
South Durham	1,000,000	-	90.0%	100,000	100,000	500,000	500,000	500,000
Southwest Wake County	100,000	10,000	90.0%	-	10,000	-	-	-
West Raleigh	1,000,000	-	90.0%	100,000	100,000	500,000	500,000	500,000
Submarket Total	40,000,000	75,000	90.0%	40,000	40,000	200,000	200,000	200,000
Market Total	40,000,000	75,000	90.0%	1,000	40,000	200,000	200,000	200,000

Raleigh-Durham Office Submarket Map



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4Q25 North Carolina Office Market Overview



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Quarter Deliveries	\$	\$
YTD Deliveries	100,000	\$
Direct Selling Rate (YTD/2025)	\$20.00	\$20.00
Broker Selling Rate (YTD/2025)	\$20.00	\$20.00
Total Selling Rate (YTD/2025)	\$20.00	\$20.00

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Appendix



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- Expansion of the tech sector offers opportunities for office space demand.
- Investment in existing and new office buildings can attract new tenants.
- Increasing demand for flexible and co-working spaces presents new opportunities.
- Employers expanding office space drive demand, with expectations of higher returns on space and facilities.
- Demand for life sciences space offers opportunities for office conversions and new developments.
- The under construction pipeline is below recent averages, potentially limiting resources as demand picks up.
- Tighter regulations, despite high availability, constrain premium units, presenting opportunities for high-end office developments.

- The rise of remote work may decrease long-term demand for traditional office spaces.
- Rising construction costs and tighter financial conditions create headwinds for landlords.
- Changing tenant preferences and remote work trends continue to suppress demand for traditional office space, particularly for Class B and C properties.
- Higher financing costs may delay investment and slow leasing activity.
- Strong lease competition from non-office markets is emerging, which could slow leasing.
- Proactive inventory management in both sectors, leveraging local talent office demand, particularly given Raleigh's status as tech and life sciences.

Raleigh-Durham Office Submarket Overview—Class A

Submarket Statistics — Class A

Total Inventory (SQFT) Office Inventory (SQFT) Total Leasing Rate % Occupied (SQFT) 175 Occupied (SQFT) Class A Leasing Rate (Percent)

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West Triangle	1,100,000	-	25.4%	275,000	25,000	900.00
Research Triangle	2,000,000	-	25.4%	500,000	50,000	900.00
North Triangle	400,000	-	17.2%	60,000	6,000	900.00
South Triangle	1,000,000	-	25.4%	175,000	17,500	900.00
Southwest Wake County	1,000,000	-	25.4%	275,000	27,500	900.00
Southwest Wake County	-	25,000	-	-	-	-
West Triangle	1,100,000	-	25.4%	275,000	27,500	900.00
Subtotal	27,100,000	75,000	25.4%	6,000	600,000	900.00
Market Total	27,100,000	75,000	25.4%	6,000	600,000	900.00

Raleigh-Durham Office Submarket Overview—Class B

Submarket Statistics — Class B						
	Total Inventory (SQ FT)	Units Under Construction (SQ FT)	Total Inventory (Units)	Units Under Construction (Units)	YTD Absorption (Units)	Class B Inventory (Units) (YTD)

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Market Total	16,000,000	-	100.0%	0	0	0
Research Triangle	4,000,000	-	25.0%	0	0	0
Wake Co	800,000	-	5.0%	0	0	0
Wake County	1,120,000	-	7.0%	0	0	0
North Durham	100,000	-	0.6%	0	0	0
Southwest Wake County	10,000	-	0.1%	0	0	0
Southwest Wake County	100,000	-	0.6%	0	0	0
West Triangle	1,120,000	-	7.0%	0	0	0
Subtotal	16,000,000	-	100.0%	0	0	0
Market Total	16,000,000	-	100.0%	0	0	0

Andrew Cook*Research Analyst**Southeast Research*

Andrew.Cook@nmrk.com

Neil Matthee*Research Manager**Southeast Research*

Neil.Matthee@nmrk.com

Kirsten Kempf*Senior Research Analyst**Southeast Research*

Kirsten.Kempf@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

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