Strong absorption comeback and healthy demand fuel optimism for 2026

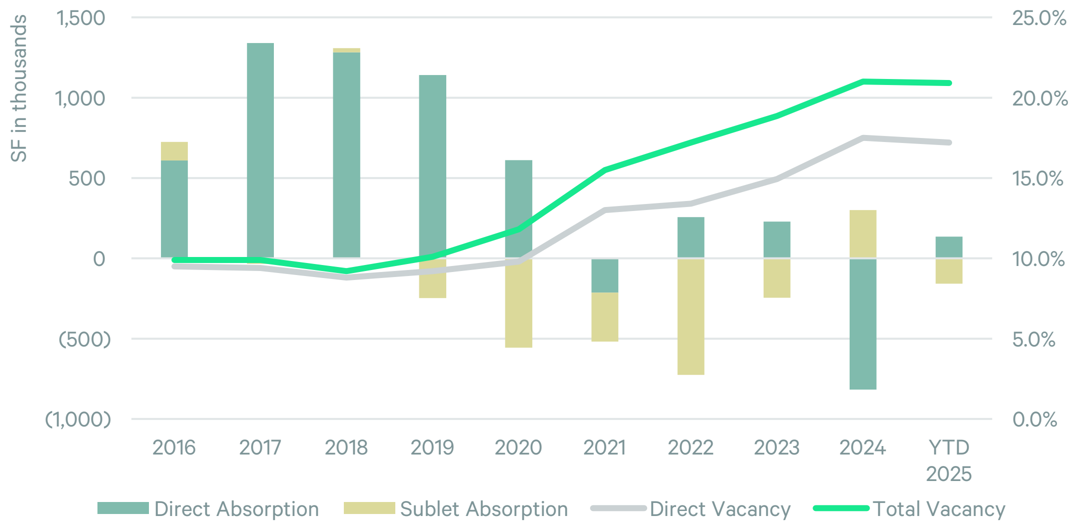
▼ 20.9%	▲ 207k	▼ $31.17	▼ $33.45	▶ 0
Total Vacancy Rate	SF Total Net Absorption	FSG / Asking Rate	Class A FSG / Asking Rate	SF Under Construction

Note: Arrows indicate change from previous quarter.

MARKET SUMMARY

- The Raleigh-Durham office market recorded a 20.9% vacancy rate in Q3 2025, a 41 bps drop from Q2. Class A vacancy sits slightly higher than the market average, at 22.94%, driven primarily by 4 recently delivered properties within the Midtown, Downtown Raleigh, and RTP/I-40 Corridor submarkets.
- Direct average rates have softened by 28 bps year-to-date. Although owners of Class A space have held steady on rates, successful lease-up and removal of the market's top-dollar availabilities have slightly reduced average asking rent. In 2025, more than 1.3 million sq. ft. of leasing activity has occurred in Class A properties.
- Investment sales totaled $137.7 million in direct investment sales across Raleigh-Durham, with notable transactions including Research Commons, University Tower, and Durham Summit. National portfolio acquisitions added further local activity.
- The current construction pipeline remains cooled as new space is absorbed. Improving capital markets conditions and more than 2.5 million sq. ft. in demand from active office tenants in the market is expected to spur development again in late 2026 or early 2027.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research Q3 2025

Market Fundamentals

The Raleigh office market showed signs of stabilization in Q3 2025, with overall vacancy declining to 20.9%, down from 21.31% in the previous quarter. Class A vacancy registered at 22.94%, influenced by the delivery of four new properties across Midtown, Downtown Raleigh, and RTP/I-40 Corridor. Net absorption rebounded to 207,000 square feet, a notable shift from the -23,000 square feet recorded in Q2. This positive absorption reflects increased leasing activity, particularly within Class A assets, which have accounted for over 1.3 million square feet of leasing volume year-to-date.

Asking rents experienced a modest decline during the quarter. The overall average asking rent decreased to $31.17 from $31.80 in Q2, while Class A rates edged down to $33.45 from $33.57. The reduction in Class A averages is attributed to the successful lease-up of premium listings, which removed some of the highest-priced availabilities from the market.

The construction pipeline remains inactive, with no new office space currently underway.

Leasing Trends

Leasing activity remained steady through Q3 2025, following a total of 804,679 square feet leased in Q2, of which 89% was direct and 11% sublease. While current activity levels are trending at the market's trending 10-year average, they reflect a normalization from elevated leasing volumes observed in 2022 and 2024, which were driven by large leases signed in newly constructed Prime properties. More than 80 leases were signed during Q3, with West Raleigh, Glenwood/Creedmoor, and the RTP/I-40 Corridor submarkets recording the highest concentrations of new lease signings. Of these, 75% were new leases, indicating continued tenant movement and expansion within the market.

Year-to-date availability has declined across the market, falling from more than 14.1 million sq. ft in Q1 to less than 13.5 million sq. ft. in Q3. Sublease availability also contracted, decreasing more than 200,000 sq. ft. year-to-date. Class A availability has seen a notable reduction year-to-date as well, down from 10.2 million sq. ft. to 9.5 million sq. ft., while Class C availability has seen an increase of more than 50,000 sq. ft. in 2025. These shifts suggest ongoing absorption of higher-quality space and positive net-new activity to the market.

FIGURE 2: Select Q3 2025 Leasing Activity

Property Name	Submarket	Tenant Name	Size (SF)	Lease Type
Westchase Three	West Raleigh	Hazen and Sawyer, DPC	83,304	Renewal/Expansion
555 Mangum	Central Durham	Tanium, Inc.	48,380	Renewal/Expansion
The Dillon	Downtown Raleigh	FMI Corporation	26,417	Renewal/Expansion
One Glenwood	Downtown Raleigh	LNW Gaming	25,731	New Lease
4800 North Park	North Raleigh	SoftPro	22,273	Renewal
GlenLake Five	Glenwood/Creedmoor	Undisclosed Tenant	20,162	New Lease
The Creamery	Downtown Raleigh	BuildOps	20,135	New Lease
25 Fenton Main	Cary	Heron Therapeutics	16,856	New Lease

Source: CBRE Research Q3 2025

FIGURE 3: Historical Average Direct Asking Rate by Class

Source: CBRE Research Q3 2025

Development & Investment

The office development pipeline remained inactive in Q3, with the construction remaining stalled in the near-term. 4 major deliveries from 2024, Tower 5, 1000 Social, 400H, and Horseshoe at Hub RTP, are still leasing up and account for over 600,000 square feet of vacant space. The stabilization of these and other recently delivered properties in the past 5 years are expected to support renewed development, aided by improving capital markets.

Investment sales totaled $137.7 million in Q3, excluding undisclosed portfolio pricing from large company acquisitions. Key trades included United Therapeutics' $107 million purchase of Research Commons and the sale of University Tower in Durham for $12 million to a private owner. Portfolio acquisitions by Apollo Global Management and BlackRock included Raleigh assets such as Regency Lakeview and 7033 Louis Stephens Drive. Durham Summit sold for $11.05 million and will be redeveloped for residential use.

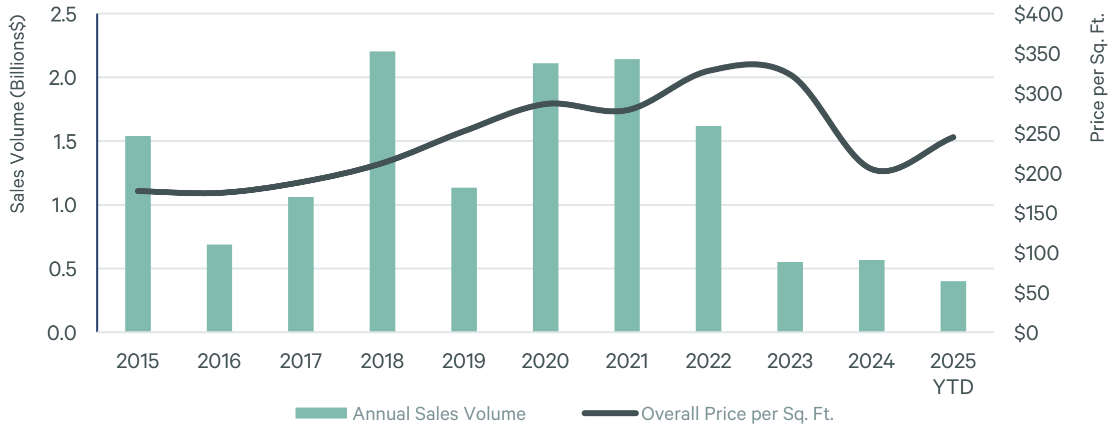
Economic Outlook

CBRE has revised its U.S. growth outlook upward, a shift from the more pessimistic view held in the spring. Greater clarity around trade policy and private sector resilience should equate to 1.6% GDP growth this year. Much of this growth should be frontloaded as higher inflation—peaking in the low-3% range by early 2026—creates some headwinds during the latter half of this year. The labor market is flashing important signals such as falling job openings and weak hiring by firms.

Raleigh-Durham's job market remains stable, with 1.3% year-over-year growth and a 3.5% unemployment rate as of August 2025. Continued tenant demand - over 2.5 million sq. ft. - and will help absorb elevated vacancy and availability, especially in Class A space, and improving capital markets sentiment is expected to support new development by late 2026 or early 2027.

North Carolina's strong business climate and economic wins continue to attract investment. As flight-to-quality persists, vacancy is expected to trend downward in 2026, moving closer to historical norms. Regionally, Charlotte's new office tower groundbreaking underscores continued economic strength and confidence in the office sector across North Carolina.

FIGURE 4: Historic Annual Investment Sales Volume



Source: CBRE Research Q3 2025; Real Capital Analytics

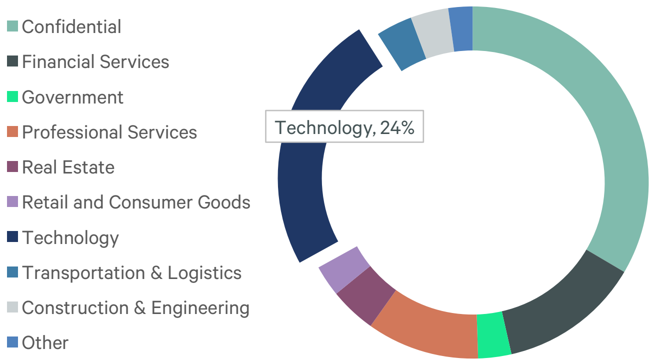
FIGURE 5: Tenants in the Market by Industry Composition

From CBRE's Scoring Tech Talent 2025 Report, Raleigh-Durham:

Ranks **#3** in US markets for highest educational attainment

Shows a **15.4%** increase in tech talent 2021-2024

Ranks **#6** in highest avg. annual wages at $122,435



Source: CBRE Research Q3 2025

Market Statistics

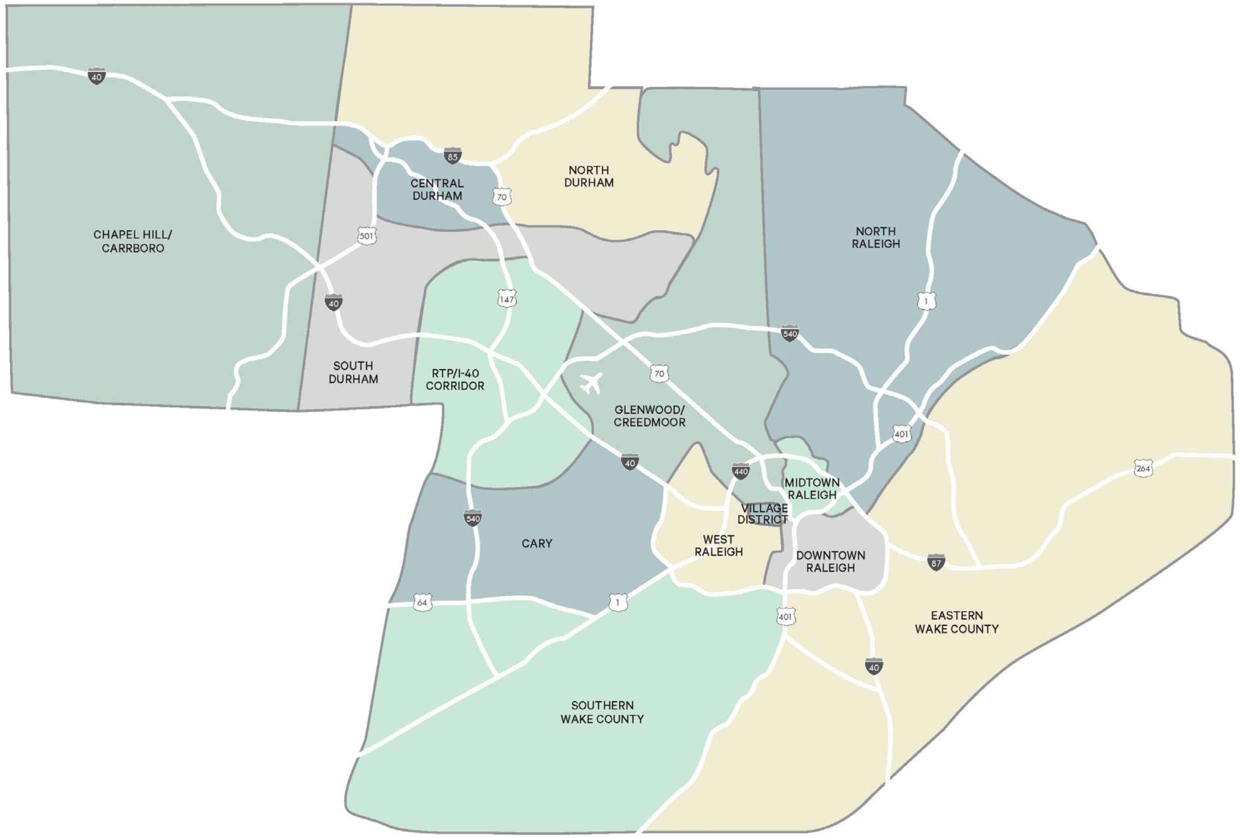
By Submarket	Inventory (Sq. Ft.)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (Sq. Ft.)	Avg. Direct Lease Rate ($/Sq. Ft./Year FSG)	Q3 Net Absorption (Sq. Ft)	YTD Net Absorption (Sq. Ft.)
Central Durham	4,273,931	14.1	17.6	22.6	0	$37.17	33,434	93,571
Downtown Raleigh	6,439,640	13.5	21.2	22.2	0	$35.93	6,794	(48,159)
Midtown Raleigh	4,121,843	24.2	26.4	24.5	0	$43.94	181,938	176,798
North Raleigh	5,675,763	14.2	18.1	21.7	0	$28.09	(38,937)	(85,385)
Glenwood/Creedmoor	4,130,536	15.9	18.8	21.2	0	$31.09	(16,025)	(16,227)
Village District	382,262	14.9	15.2	15.7	0	$30.03	2,683	(6,005)
West Raleigh	6,045,462	17.2	18.1	19.6	0	$30.64	22,271	130,986
Cary	6,451,139	20.6	23.2	23.1	0	$27.53	(5,243)	(164,460)
RTP/I-40 Corridor	13,398,835	18.4	24.2	30.5	0	$28.32	(29,546)	(92,250)
Eastern Wake	489,153	4.6	4.6	9.2	0	$18.50	293	(19,394)
Southern Wake	302,861	4.4	4.4	4.4	0	$27.41	1,533	(5,359)
North Durham	482,870	5.4	5.4	25.8	0	$20.08	29,596	6,258
South Durham	1,663,451	22.6	23.3	31.5	0	$27.47	7,184	(6,238)
Chapel Hill/Carrboro	2,004,456	16.7	16.9	21.9	0	$30.39	11,238	12,969
MARKET TOTAL	**55,862,202**	**17.2**	**20.9**	**24.1**	**0**	**$31.17**	**207,213**	**(22,895)**

By Class	Inventory (Sq. Ft.)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (Sq. Ft.)	Avg. Direct Lease Rate ($/Sq. Ft./Year FSG)	Q3 Net Absorption (Sq. Ft)	YTD Net Absorption (Sq. Ft.)
Class A	36,037,128	18.9	22.9	26.5	-	$33.45	357,197	416,730
Class B	18,213,046	14.6	18.0	20.8	-	$26.36	(130,707)	(399,982)
Class C	1,612,028	8.3	8.3	8.8	-	$22.92	(19,277)	(39,643)
MARKET TOTAL	**55,862,202**	**17.2**	**20.9**	**24.1**	**-**	**$31.17**	**207,213**	**(22,895)**

Prime Office Only	Inventory (Sq. Ft.)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (Sq. Ft.)	Avg. Direct Lease Rate ($/Sq. Ft./Year FSG)	Q3 Net Absorption (Sq. Ft)	YTD Net Absorption (Sq. Ft.)
Downtown	4,727,121	25.8	33.8	31.6	-	$46.36	169,626	227,208
Suburban	1,014,639	15.0	15.0	15.0	-	$45.04	69,928	126,692
MARKET TOTAL	**5,741,760**	**23.9**	**30.5**	**28.7**	**-**	**$46.20**	**239,554**	**353,900**

Source: CBRE Research Q3 2025

Market Area Overview



CBRE Offices

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Survey Criteria

CBRE's competitive office inventory includes buildings with 10,000 sq. ft. or more of office space located within Wake, Durham, and Orange counties. Owner-occupied, medical and life science properties are excluded. Average asking rates are weighted by the amount of available space per building and are quoted on a full-service basis, per sq. ft. per year.

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