Intelligent Investment

2026
U.S. Real Estate Market Outlook Midyear Review

REPORT

RALEIGH

CBRE RESEARCH
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Office Market Outlook

01

Demand is driven primarily by mid-sized tenants renewing and right-sizing, with larger corporate requirements expected to advance more meaningfully in H2

New-to-market tenant activity in Raleigh office remains limited, with most demand tied to renewals, relocations, and space optimization among existing tenants. Mid-sized professional services, finance, law, and technology firms are the primary drivers of leasing activity, with the average deal size running approximately 7,500 sq. ft. in 2026. Larger corporate transactions have advanced incrementally through H1 and are expected to gain momentum in H2. Economic development pipelines remain healthy but below historic norms for new-to-market office users, keeping near-term absorption reliant on organic growth from the existing tenant base. Year-to-date, 77% of leasing by square footage has been in Class A buildings, underscoring the sustained preference for quality product across tenant categories.

02

Prime and Class A vacancy in core submarkets is tightening while commodity suburban product faces persistent pressure, reinforcing a widening performance gap across the market

Raleigh's office market continues to bifurcate sharply by submarket and quality. Prime and Class A+ assets in Midtown and Downtown Raleigh are seeing the strongest demand concentration, with active requirements expected to push vacancy 80 basis points (bps) lower by year-end and reduce large-block availability in these corridors. New inventory is largely concentrated in Midtown, which delivered 1.2 million sq. ft. over the past five years and continues to set the quality benchmark for the market.

Suburban performance is diverging: well-positioned assets in lifestyle-driven Cary and tech-oriented Research Triangle Park continue to transact, while undifferentiated commodity product faces persistent vacancy and financial pressures due to abundant supply. Suburban owners in these corridors are increasingly adapting their strategies to differentiate themselves in a fragmented market.

Key Takeaways

For Owners

- Mid-sized tenants currently have favorable conditions to right-size, upgrade, or extend on competitive terms - but the window in top-tier, mixed-use submarkets is narrowing as Class A+ availability tightens.
- Tenants targeting core Midtown and Downtown Raleigh assets should plan ahead and engage early, as large-block options are dwindling.
- Suburban and value-oriented users retain stronger negotiating leverage and can capitalize on abundant inventory, though building quality and long-term adaptability should factor into location decisions.

For Tenants

- Near-term leasing will be driven primarily by renewals and mid-sized tenants, making retention strategies, proactive spec suite delivery, and targeted capital improvements the primary tools for maintaining velocity.
- Owners of Class A+ assets in core submarkets are well-positioned to attract tenants as inventory tightens and larger requirements begin to advance in H2.
- Suburban owners face more challenging conditions, but those willing to reposition or remain open-minded to other industries and uses for their space are best positioned to access demand outside the traditional office tenant pool.

Office Market Outlook (cont.)

03

Class A+ landlords are gaining pricing power as core inventory tightens, while suburban and commodity assets face continued pressure and elevated tenant leverage heading into year-end

Rent dynamics in Raleigh office are closely tracking the market's quality bifurcation. In core submarkets, tightening Class A+ availability and durable demand from mid-sized tenants are supporting improved landlord pricing power heading into H2, as large-block options in the most desirable buildings continue to compress. Mid-sized firms currently have an opportunity to right-size or upgrade space with favorable deal terms. However, this window is expected to narrow as larger tenant requirements materialize and competitive pressure on quality inventory builds. In the suburbs and for commodity product, tenants retain meaningful negotiating leverage -- abundant supply and persistent vacancy are keeping terms in their favor. The sustained flight to quality across tenant categories, evidenced by 77% of activity occurring in Class A buildings, is expected to reinforce this divergence through year-end.

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Industrial Market Outlook

01

Large-format demand is accelerating with deal sizes growing significantly year-over-year, while scarcity of large-block Class A space is creating meaningful constraints for tenants with major footprint requirements

Raleigh is seeing a notable shift toward larger transaction sizes: average deal sizes have increased from approximately 50,000 sq. ft. over the prior six quarters to approximately 91,000 sq. ft. so far in 2026. Demand for space exceeding 100,000 sq. ft. is robust, driven almost exclusively by new construction. Scarcity of large-block Class A space -- particularly for requirements of 400,000 sq. ft. or greater across the region from Mebane to the Carolina coast -- is creating limited options for the largest users. Manufacturing, power and utilities, building materials, and distribution occupiers are leading leasing activity. As large-block options continue to decline, many tenants will be pushed to transact in mid-sized space to meet their expansion needs until new development delivers additional large-block options.

02

A significant new supply wave is set to deliver along the I-40 corridor in H2 2026, with pre-leasing momentum building and vacancy expected to remain broadly stable through year-end

While nationally, new construction deliveries are at a historic low point, Raleigh's industrial pipeline remains active, with 2.4 million sq. ft. expected to deliver in H2 2026 across Southern Wake, Eastern Wake, and Johnston Counties -- a prime logistics corridor along I-40. Market inventory is projected to grow approximately 3.6% in the coming year – the most robust pipeline of any major U.S. market. However, pre-leasing momentum is building, and first-half deal activity suggests a meaningful portion of these deliveries may arrive partially pre-leased, helping to offset near-term vacancy risk. After vacancy peaked in Q1 2026, it is now trending downward and is forecast to remain broadly stable given consistent leasing velocity. Executed large-block deals continue to support absorption of new product while minimizing oversupply concerns. Investment sales have been muted, particularly for newly delivered assets, but improving occupancy in new developments is expected to drive increased dispositions over the next four quarters.

Key Takeaways

For Owners

— Tenants with large-footprint requirements - especially above 350,000 sq. ft. - face a limited and tightening supply of Class A options across the region. Early engagement in the development pipeline, including pre-leasing and build-to-suit strategies, is increasingly critical for securing optimal space.

— For smaller and mid-sized users, new construction remains accessible and will be quickly absorbed - acting before H2 deliveries are committed is advisable.

— Rental rate growth remains manageable overall, but tenants seeking Class A space in core corridors should expect limited negotiability on rents and limited concessions from landlords.

For Tenants

— Pre-leasing momentum for H2 deliveries is reducing lease-up risk and positioning many 2026 completions to stabilize ahead of initial expectations.

— Scarcity of large-block Class A space - combined with accelerating deal sizes and flight-to-quality demand - supports pricing power for owners of modern, larger-footprint facilities.

— Investment sales activity has been muted, but stabilizing occupancy in newly delivered product is expected to create a more favorable window to bring assets to market over the next four quarters, with Raleigh's rent growth trajectory providing an improving income story to prospective buyers.

Industrial Market Outlook (cont.)

03

Industrial asking rents are rising in new construction, with Raleigh's rent growth trajectory positioned to outperform the national forecast through mid-2027

Industrial rent growth in Raleigh remains measured but directionally positive. Asking rates continue to rise, with new construction setting higher watermark rents; recent large leases in new product have been achieving rates in the low-$11 to $12+ per sq. ft. range. CBRE EA's baseline forecast projects 2.3% rent growth through mid-2027; however, continued construction momentum and the strength of demand fundamentals could position the market to outperform this forecast. Leasing momentum is being led by new deals rather than renewals, and the concentration of activity in modern product is expected to sustain upward pressure on asking rates as the most competitive inventory tightens heading into year-end.

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