

INVESTMENT FORECAST

Marcus & Millichap

OFFICE

Raleigh Metro Area

2025

Expanding Skilled Workforce Around Research Triangle Fuels Office Sector Stability in 2025

Raleigh ends 2024 among the top 10 U.S. metros with greatest gain in occupied stock. Exiting 2024 with over 1.6 million square feet of net absorption, the market enters 2025 poised for further tightening. Only 200,000 square feet of new office space is slated to deliver this year — the smallest pipeline since at least 2007. Half of submarkets reported annual declines in vacancy last year, signaling a broad-based uptick in demand. Proposed developments continue shifting to West Wake County, drawn by proximity to the Research Triangle Park. The metro's population growing by 3 percent last year, fueled by Duke and UNC Chapel Hill retaining graduates, should make the region attractive to major employers. Even as Apple's planned campus and other major projects face extended timelines, life sciences expansions like Novo Nordisk's are expected to sustain the flight-to-quality trend, as firms favor amenitized offices amid hybrid work conditions.

Private buyers led Raleigh-Durham's office transactions in 2024. Acquisitions in the \$1 million to \$2 million range dominated the market last year. West Wake County retained its appeal among value-add investors, hosting the bulk of 2024's Class B/C activity. Built largely in the 1990s and early 2000s, these properties often offer below average pricing and upgrade potential, likely to draw attention through 2025. Medical office assets here also stood out, with over half of such trades having prices above \$350 per square foot last year. Although cap rates inched upward, overall 2024 sales showed more resilience than in the prior two years, signaling a gradual return of investor confidence. While borrowing costs remain a headwind, decreasing vacancy should help ease capital constraints. Raleigh-Durham's population growth, on top of competitive entry costs, are poised to keep both smaller and larger investors engaged in the coming year.

2025 MARKET FORECAST

+2.6%



EMPLOYMENT: Traditionally office-using employers in Raleigh will create jobs on net for the 16th consecutive year in 2025 with the addition of 5,500 new roles contributing to a total gain of 29,000 jobs.

200,000
sq. ft.



CONSTRUCTION: Inventory growth of 0.2 percent this year will mark the metro's slowest pace since at least 2007. Medical office projects account for the majority of these additions.

-120 bps



VACANCY: Net absorption will remain positive for the third straight year, leaving vacancy on a continued downward path. The metrowide rate will end the year at 13.9 percent.

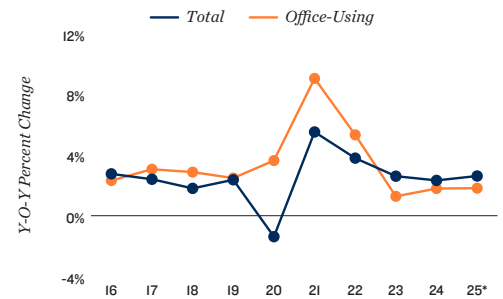
+1.1%



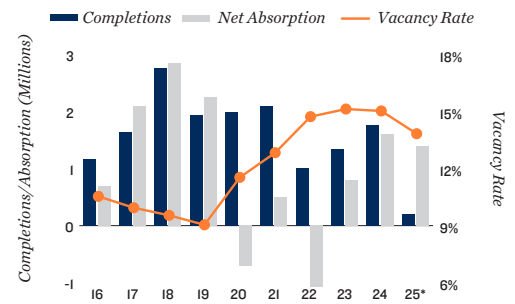
RENT: A slowdown in space relinquished to the market will allow asking rents to maintain a slight upward trajectory in 2025. The mean marketed rate will creep upward to \$28.27 per square foot.

INVESTMENT: Major life sciences investments in Holly Springs and Morrisville by FUJIFILM and SCHOTT Pharma will expand the employment base, aiding long-term office demand in Raleigh and the Research Triangle.

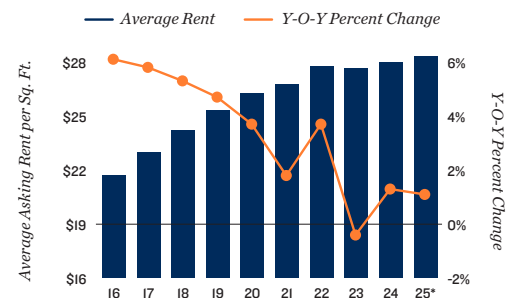
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.