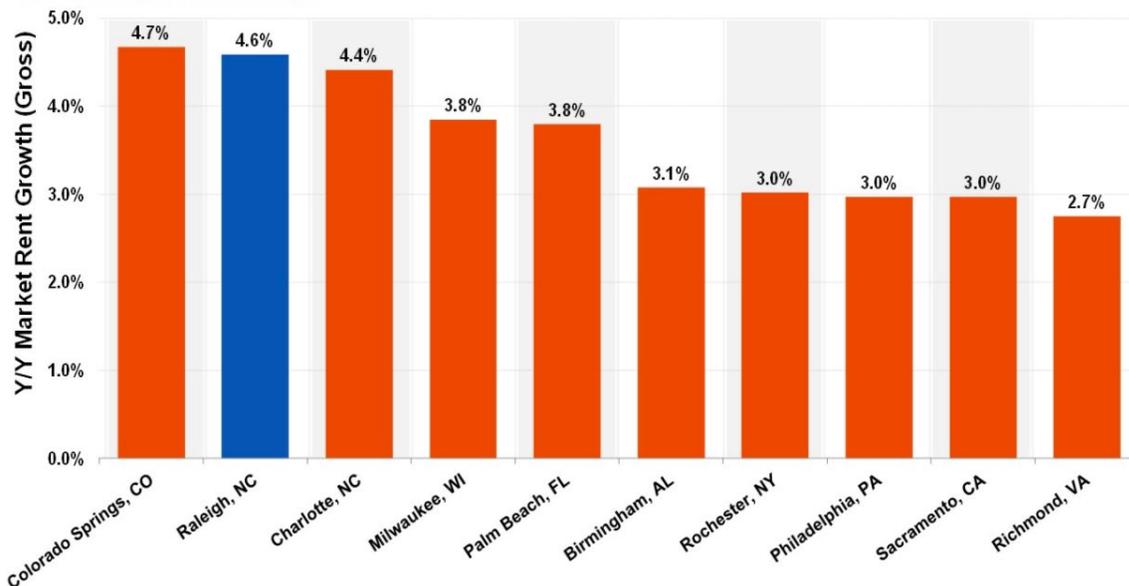


Raleigh's Office Rent Growth Among the Top of the Nation Amid Pandemic

Raleigh Ranked in Top Ten Markets for Office Rent Growth in 20Q3



While the coronavirus outbreak is wreaking havoc on office demand, Raleigh, North Carolina, is outperforming most other markets throughout the nation. The Tar Heel State's capital city ended the third quarter with average rents up about 4.6% year over year, one of the highest marks in the nation.

Raleigh's performance is nothing short of remarkable considering the still-recovering economic situation and uncertainty caused by the pandemic. While employment in Raleigh is still below where it was at the beginning of the year, the market has avoided large company move-outs that have plagued more expensive coastal cities such as New York and San Francisco, at least for now.

Raleigh can thank its historically tight market for its impressive rent growth. The city's low vacancy rate going into the crisis has helped insulate the market as demand fell to a fraction of pre-virus levels. High-quality office space has been harder to come by over the years as demand for office space has been outpacing new supply. Landlords have been capitalizing on this strong growth, and average rents have been increasing by about 5.5% annually for the past five years.

The Research Triangle is also benefiting from companies looking to save money without sacrificing access to high-quality talent, and the impact of the coronavirus could accelerate this trend in the long term. The public health crisis has prompted firms to rethink expensive offices in dense cities in New York and California as most office workers may likely work remotely for several more months.

These factors should help Raleigh attract and retain companies such as Bandwidth, a locally based software company, which announced a \$100 million investment for a new campus in Raleigh and the creation of more than 1,100 new jobs in April. The firm also considered Denver and Rochester, New York, for the expansion.

Even before the pandemic, Raleigh was attracting corporate relocations for its affordability, location and access to talent. Just last year, HZO Inc. relocated its corporate headquarters from Salt Lake City to a larger office in Research Triangle Park. The company manufactures materials that protect electronic devices and their components from the elements.

Though the office sector will experience both temporary and permanent changes in the post-COVID-19 environment, offices will remain valuable as a place for employees to collaborate and innovate. And with Raleigh being one of the more affordable technology and research hubs, and one of the most highly educated areas in the country, the region is well positioned to benefit from relocations and expansions.