

Demand for quality spaces persists as vacancy increases in older buildings

▲ 8.0%

Vacancy Rate

▲ 1.3M

SF Net Absorption

▼ 609K

SF Under Construction

▼ \$6.57

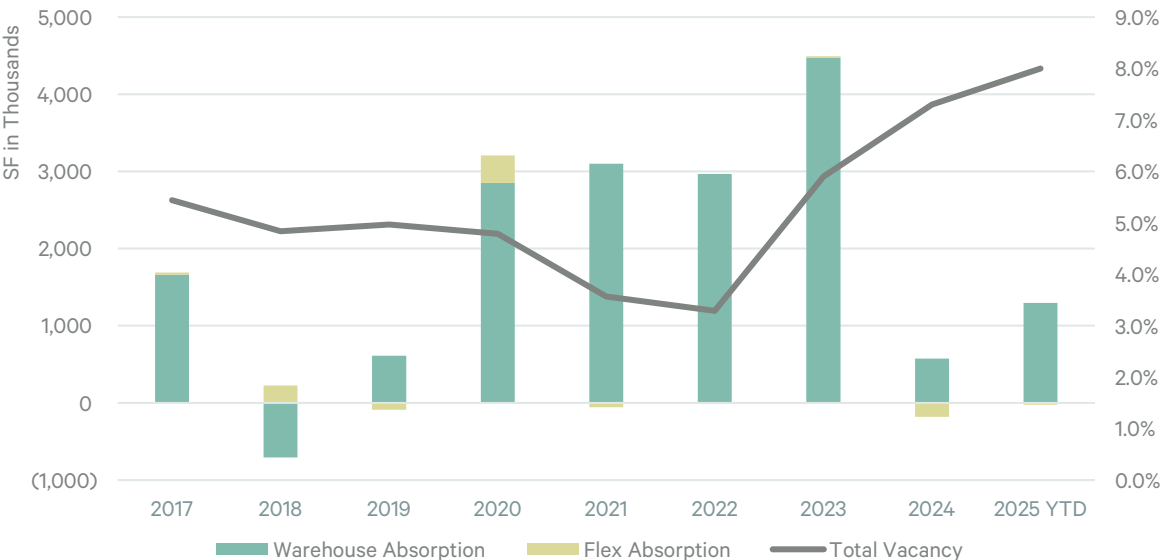
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET REPORT HIGHLIGHTS

- After experiencing the first quarter of negative absorption in nearly five years at the end of 2024, the Greensboro/Winston-Salem market rebounded with 1.3 million sq. ft. of positive absorption in Q1 2025.
- Construction deliveries totaled 1.8 million sq. ft. in Q1, with 48% of the space leased upon completion. The amount of industrial space underway declined to 609,000 sq. ft., the lowest level registered since Q4 2017. Sixty-nine percent of the space has already been leased.
- Overall vacancy rose to 8.1%, up 70 basis points for the quarter and 130 bps year-over-year. While leasing activity was strong this quarter, the influx of new speculative space in the market outpaced the positive absorption.
- The average asking rate declined moderately to \$6.57 in Q1. After 19 consecutive quarters of positive rent growth, the increase in available Class B space has dampened growth.
- The increase in capital markets activity to begin the year is setting up 2025 to be a stronger year for investment sales volume locally. Total sales volume reached \$92.7 million in Q1.

FIGURE 1: Net Absorption and Vacancy Rates



Source: CBRE Research, Q1 2025

Market Fundamentals

Greensboro/Winston-Salem’s industrial market started 2025 with a show of strength, with net absorption totaling 1.3 million sq. ft. for the quarter. Tenants continue to seek high-quality leasing options, with new construction being a significant portion of the activity. After experiencing the first quarter of negative absorption in over six years in Q4 2024, the local market has picked up momentum again to start the new year. The recent increase in leasing activity and lease proposals is expected to further boost net absorption in 2025, but it is unlikely to return to the exceptional levels seen in 2021 and 2022. Warehouse absorption accounted for over 1.3 million sq. ft., while flex absorption totaled 22,000 sq. ft. of negative absorption. Overall vacancy ended Q1 at 8.0%, up 70 basis points for the quarter and 130 bps year-over-year. Warehouse vacancy rose 80 bps to 8.0%, while flex vacancy fell 40 bps to 8.8%. The sizeable amount of vacant new construction in Q1 was the significant driver of the rise in vacancy. Vacancy is expected to peak by mid-2025 as new supply and tenant demand return to equilibrium.

After peaking at 20% growth in 2022, industrial rents grew by just 2% in 2024. Rent growth has decreased marginally to start the year to \$6.57 per sq. ft., down 0.4% for the quarter and up 1.7% year-over-year. The slowdown in rent growth is primarily due to a recent increase in vacancies within older properties with lower asking rates. Many Tenants are moving out of older buildings and consolidating operations into newer, first-generation space. The largest Class B vacancy of the quarter was in the West Forsyth submarket, where Ecolab vacated over 850,000-sq.-ft. at 90 Piedmont Industrial Dr. Lease rate growth is expected to remain minimal throughout 2025 as the higher rates in new construction are offset by the rising vacancy in Class B buildings.

Leasing Highlights

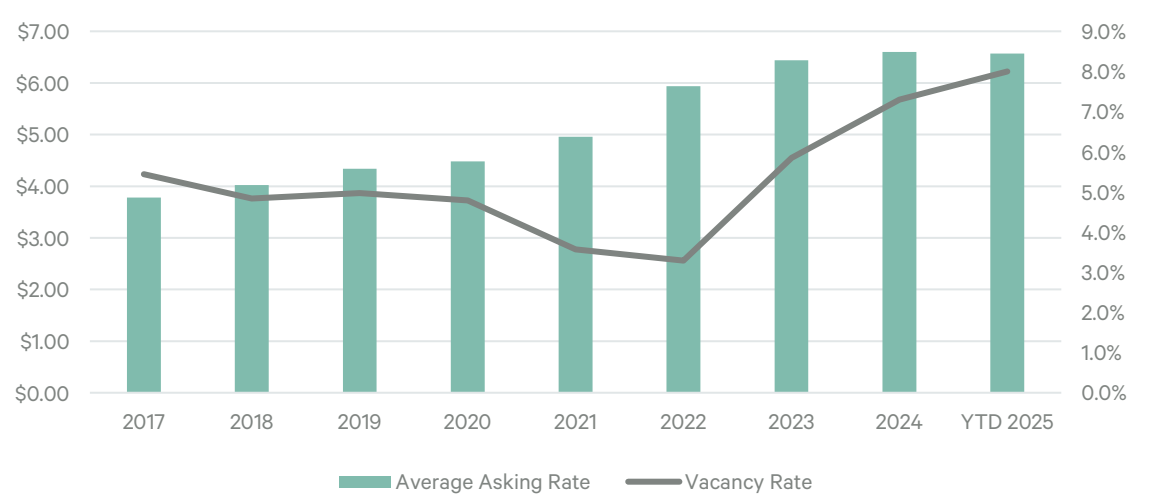
Leasing activity in the Greensboro/Winston-Salem market remains strong to start the year despite rising vacancy and slowing construction completions. The strong manufacturing presence locally yet again helped propel a healthy quarter of leasing activity for industrial space. SBA Home, a Finnish furniture maker, announced that their first North American manufacturing facility will be located in Davie County. The furniture manufacturer signed a lease to occupy the entire 500,000-sq.-ft. building at 134 Gildan Dr. This new announcement is expected to create over 250 jobs, with the total investment reaching \$70 million. In addition, Le Bleu signed a 130,492-sq.-ft. lease to occupy the entire building at 228 Quality Dr., also located in Davie County.

FIGURE 2: Select Lease Transactions Q1 2025

Tenant	Property	Type	Square Feet	Submarket
SBA Home	134 Gildan Dr.	New	500,000	Davie County
Mohawk Carpet Distribution*	6105 Corporate Park Dr.	Renewal	357,126	PTI Airport
Bernards Furniture Group	5644 Hornaday Rd.	Renewal	298,954	PTI Airport
Lenovo*	6550 Judge Adams Rd.	New	200,000	SE Guilford
Le Bleu	228 Quality Dr.	New	130,492	Davie County
Imperial Dade	1615 Piedmont Commerce Dr.	New	119,265	PTI Airport

*Denotes CBRE Transaction

FIGURE 3: Vacancy Rates vs. Average Asking Lease Rates



Source: CBRE Research, Q1 2025

The Airport submarket had two sizeable renewals in Q1. Mohawk Carpet Distribution signed a lease to renew their 357,126 sq. ft. presence at 6105 Corporate Park Dr. In addition, Bernards Furniture Group signed a renewal to keep occupying the entire 298,954-sq.-ft. building at 5644 Hornaday Rd.

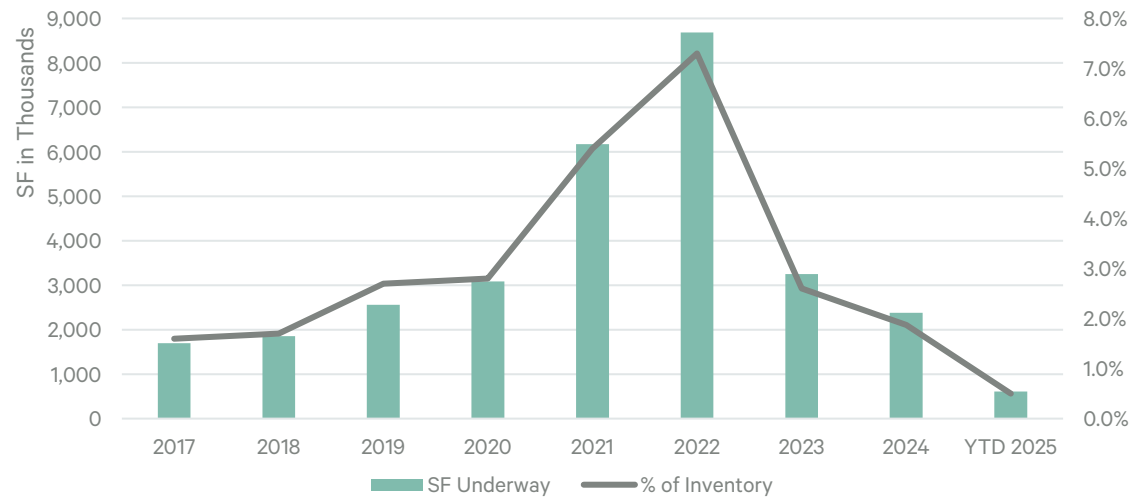
Construction Activity

After peaking at 8.7 million sq. ft. during the fourth quarter of 2022, total space under construction has dropped by 92% to 609,000 sq. ft. in Q1 2025. The current amount of industrial product under construction is the lowest level recorded in the Greensboro/Winston-Salem market since Q4 2017. The depletion of the construction pipeline was significant this quarter, as 1.8 million sq. ft. of space was completed in Q1, marking the highest quarterly total since Q1 2023. The construction activity from the current cycle is declining and limited projects are refilling the pipeline. The single construction start of the quarter was located at 1736 Whites Kennel Rd. in the Southwest Alamance submarket. The speculative building is expected to be delivered by the end of the year. The largest construction delivery of the quarter was Ecolab’s build-to-suit located at 1101 Gallimore Dairy Rd. in the Airport submarket. Ecolab will occupy approximately 850,000 sq. ft. of the 1.1 million sq. ft. building.

Market Outlook

The local industrial market has entered a new cycle in 2025 with a return to pre-pandemic demand drivers. Industrial occupiers will focus on longer-term strategies to improve warehouse efficiency, ensure supply chain resiliency, and meet the needs of an evolving consumer base. Further declines in inflation and interest rates throughout 2025 may boost the demand for goods which could help create a ripple effect, increasing the need for industrial spaces to manage production, storage, and distribution. The increase in vacancy in older buildings that emerged in 2024 is likely to continue, while availability in newly constructed buildings and properties under construction will decline. Companies will continue a flight to quality in 2025 to facilitate their use of automation and artificial intelligence and provide more employee amenities. While fewer construction starts will further reduce construction completions through the remainder of the year, the relatively plentiful amount of available first-generation space in the market will allow for further flight to quality.

FIGURE 4: Historical Industrial Construction Activity



Source: CBRE Research, Q1 2025

FIGURE 5: Top Construction Activity

Property Name	Submarket	Total Square Feet	Construction Status
PNK Park Highpoint – Ecolab BTS	PTI Airport	1,058,957	Delivered
SouthPoint Business Park	Davie County	282,652	Delivered
NC Commerce Park – Bldg. A	Southeast Alamance	248,310	Delivered
NC Commerce Park – Bldg. B	Southeast Alamance	156,140	Delivered
187 Whites Kennel Rd.	Southwest Alamance	187,500	Under Construction
238 Ritters Lake Rd - JPM Building Services BTS	South Greensboro	160,000	Under Construction
3608 Old Lexington Rd. – Tex Tech Coatings BTS	Southeast Forsyth	157,500	Under Construction

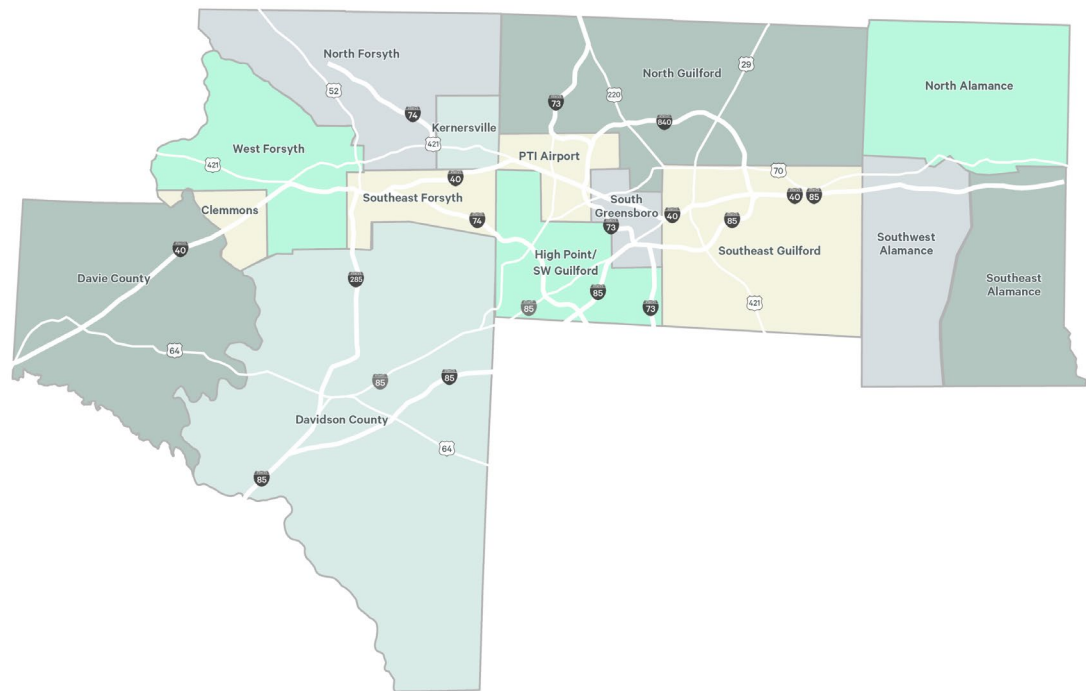
FIGURE 6: Submarket Breakdown

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Availability Rate	Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	NNN Avg. Asking Lease Rate (SF/Yr)
Piedmont Triad Airport	18,740,002	1,544,262	8.2%	11.0%	1,453,472	1,453,472	-	\$7.31
North Guilford	7,624,363	215,800	2.8%	3.5%	(10,000)	(10,000)	-	\$7.06
South Greensboro	6,110,088	575,689	9.4%	10.0%	(23,132)	(23,132)	160,000	\$7.60
Southeast Guilford	7,982,878	727,460	9.1%	11.4%	200,000	200,000	104,000	\$7.07
High Point/SW Guilford	7,674,237	309,930	4.0%	4.4%	96,911	96,911	-	\$5.16
North Forsyth	7,120,210	361,171	5.1%	11.9%	(16,855)	(16,855)	-	\$5.95
Kernersville	4,014,659	65,540	1.6%	11.2%	(15,742)	(15,742)	-	\$11.56
West Forsyth	5,391,323	965,652	17.9%	26.8%	(870,940)	(870,940)	-	\$5.20
Southeast Forsyth	7,010,064	134,255	1.9%	2.7%	-	-	157,500	\$5.35
Clemmons	477,159	100,000	21.0%	21.0%	-	-	-	\$6.50
Southeast Alamance	6,722,130	1,780,496	26.5%	26.5%	(15,000)	(15,000)	-	\$7.00
North Alamance	5,958,153	408,385	6.9%	8.3%	(110,000)	(110,000)	-	\$4.43
Southwest Alamance	5,377,784	313,119	5.8%	6.4%	(14,280)	(14,280)	187,500	\$5.17
Davidson County	25,728,515	1,681,945	6.5%	7.0%	(8,095)	(8,095)	-	\$5.51
Davie County	8,609,436	753,367	8.8%	8.8%	630,492	630,492	-	\$6.32
Warehouse Totals	124,541,001	9,937,071	8.0%	9.4%	1,296,831	1,296,831	609,000	\$6.35

FIGURE 6: Submarket Breakdown

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Availability Rate	Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	NNN Avg. Asking Lease Rate (SF/Yr)
Piedmont Triad Airport	1,632,921	58,967	3.6%	4.5%	(2,035)	(2,035)	-	\$11.90
North Guilford	344,006	59,992	17.4%	17.4%	-	-	-	\$10.82
South Greensboro	1,594,505	146,608	9.2%	9.5%	(202)	(202)	-	\$10.00
Southeast Guilford	234,047	-	-	-	-	-	-	-
High Point/ SW Guilford	388,073	61,245	15.8%	15.8%	-	-	-	\$13.04
North Forsyth	707,782	74,406	10.5%	11.5%	(14,605)	(14,605)	-	\$12.99
Kernersville	612,010	71,884	11.8%	12.8%	(5,589)	(5,589)	-	\$11.79
West Forsyth	293,291	43,442	14.8%	-	-	-	-	\$12.00
Southeast Forsyth	78,178	-	-	55.6%	(71)	(71)	-	-
Flex Totals	5,884,813	516,544	8.8%	9.4%	(22,502)	(22,502)	-	\$11.52
Industrial Totals	130,425,814	10,453,615	8.0%	9..9%	1,274,329	1,274,329	609,000	\$6.57

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.

Availability Rate: Total Available Sq. Ft. divided by the total building Area.

Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.

Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.

Net Absorption: The change in Occupied Sq. Ft. from one period to the next.

Occupied Sq. Ft.: Building Area not considered vacant.

Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.

Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 20,000 sq. ft. and greater in size in Guilford, Forsyth, Alamance, and Davie counties.

Buildings which have begun construction as evidenced by site excavation or foundation work.

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