

Vacancy decreases as market fundamentals begin to stabilize

▼ 6.8%

Vacancy Rate

▲ 916K

SF Net Absorption

▼ 2.1M

SF Under Construction

▲ \$6.55

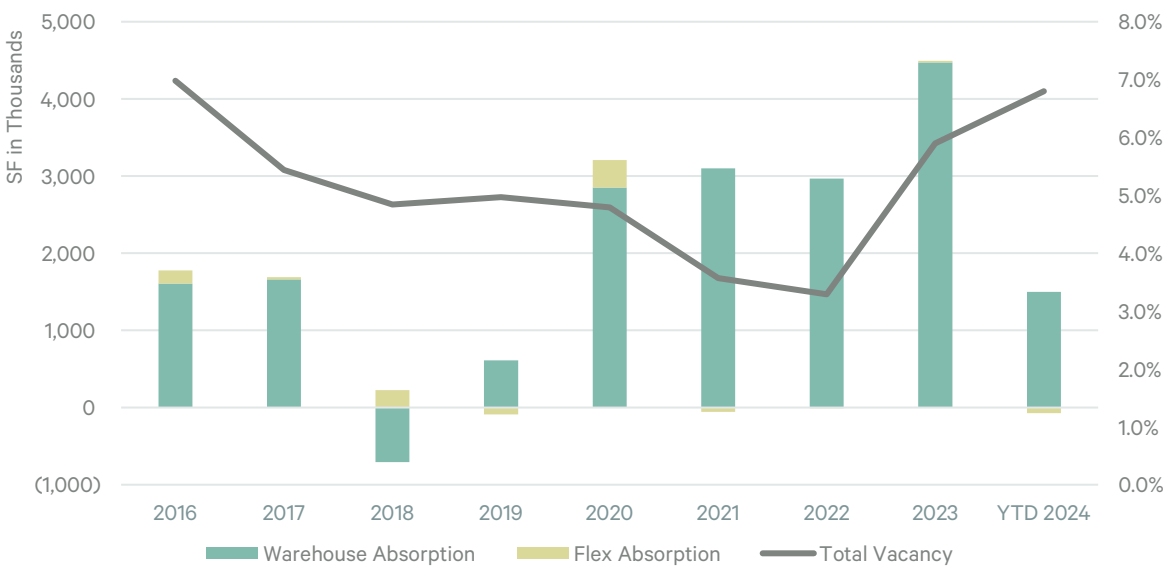
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET REPORT HIGHLIGHTS

- Over 900,000 sq. ft. of positive absorption was recorded in Q3 2024, which marks 22 consecutive quarters of positive absorption for the Greensboro/Winston-Salem market.
- Of the 2.1 million sq. ft. underway in Q3, 67% was reported as leased. Construction activity in the Greensboro/Winston-Salem market is at its lowest level since Q3 2020. The expected downward trend of construction starts to end the year should alleviate supply-side pressures in subsequent quarters.
- Two construction starts totaling 210,000 sq. ft. and two deliveries totaling 540,000 sq. ft. occurred in Q3.
- The average warehouse asking rental rate rose 2.0% year-over-year to \$6.55 per sq. ft., and the average flex asking rate rose 3.8% to \$9.67 in the same period.
- Overall vacancy decreased 50 basis points quarter-over-quarter to end Q3 at 6.8%, which marks the first quarterly decrease since Q4 2022. The gap between tenant demand and new supply has narrowed as recently delivered Class A product begins to lease up.

FIGURE 1: Net Absorption and Vacancy Rates



Source: CBRE Research, Q3 2024

Market Fundamentals

The Greensboro/Winston-Salem market experienced a decrease in vacancy for the first time since Q3 2022. After hitting a cyclical peak in Q2 2024, overall vacancy decreased to 6.8% in Q3 2024, down 50 bps quarter-over-quarter and up 210 bps year-over-year. Warehouse vacancy decreased to 6.8%, down 50 bps quarter-over-quarter and up 210 bps year-over-year. Flex vacancy stood at 7.1%, up 40 bps quarter-over-quarter and 140 bps year-over-year. In recent quarters, the massive influx of new construction was a significant driver of increased vacancy. However, there has since been a surge in demand for newly constructed product as occupiers are coming off the sidelines.

Greensboro/Winston-Salem's overall asking rents climbed yet again in Q3, although the pace of escalations has moderated over the past few quarters. Overall asking rates rose 2.8% year-over-year to \$6.55 per sq. ft. In 2024, rents have grown minimally by 0.9%. To provide context, rents grew by 3.5% throughout 2023 and 18.2% in 2022. The average warehouse asking rate rose 2.0% year-over-year to end Q3 at \$6.55 per sq. ft., while the average flex asking rate rose 3.8% to \$9.67 in the same period. Sublease availability nationally has reached record highs. This national trend is also occurring locally, with a cyclical high of 1.1 million sq. ft. of sublease space available. As in recent quarters, the Airport submarket has remained the primary source of sublease availability.

Leasing activity in the Greensboro/Winston-Salem market has shown signs of a positive shift due to improved demand. This trend has been driven by a healthy mix of sizeable tenant renewals and new leases being signed. The largest renewal of the quarter was signed by South Atlantic Packaging, which will continue to occupy 244,478 sq. ft. at 3928 Westpoint Blvd. in the South Forsyth submarket. Excel Door signed a new lease to occupy the entire 144,000-sq.-ft. building at 4972 Millenium Dr. in the SE Forsyth submarket. Additionally, Duro-Last signed a new lease to occupy 104,128 sq. ft. at 1605 Piedmont Commerce Dr. in the Airport submarket.

Construction Activity

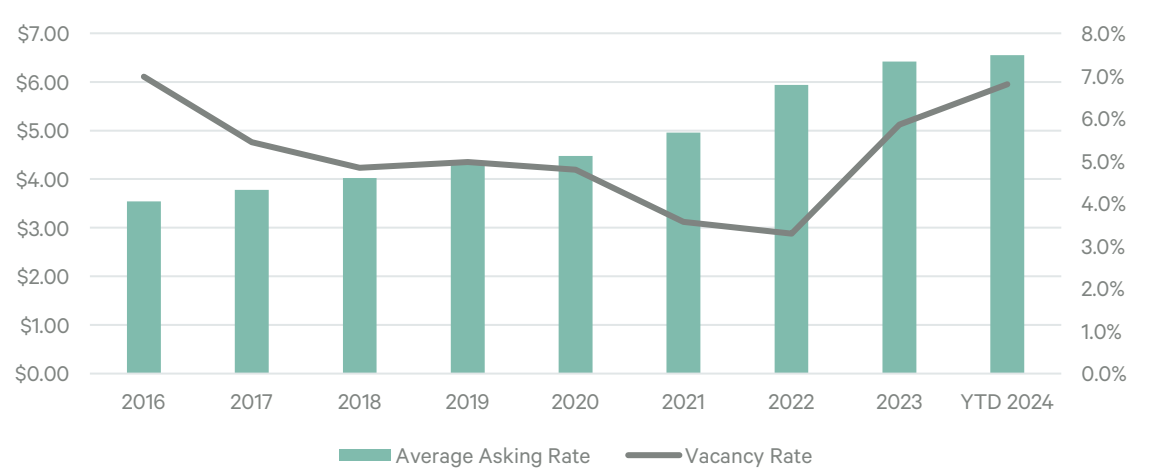
Greensboro/Winston-Salem's industrial pipeline peaked in Q4 2022 at over 8.6 million sq. ft. but has since dwindled by 76% due to the record pace of new deliveries throughout 2023 and decreased construction starts as a result of high interest rates and rising vacancy. More than 78% of the product delivered in 2023 was speculative, and projects constructed from 2023 through Q3 2024 remain only 57% leased.

FIGURE 2: Select Lease Transactions Q3 2024

Tenant	Property	Type	Square Feet	Submarket
South Atlantic Packaging*	3928 Westpoint Blvd.	Renewal	244,478	South Forsyth
MWI Veterinary Supply*	6105 Corporate Park Dr.	Renewal	225,037	North Guilford
Princess House*	500 Northridge Dr.	Renewal	201,000	North Forsyth
Excel Interior Door	4972 Millennium Dr.	New	144,000	South Forsyth
Duro-Last	1605 Piedmont Commerce Dr.	New	104,128	PTI Airport
Superior Works USA*	782 Gallimore Dairy Rd.	New	44,088	PTI Airport

*Denotes CBRE Transaction

FIGURE 3: Vacancy Rates vs. Average Asking Lease Rates



Source: CBRE Research, Q3 2024

The current pipeline has seen the share of build-to-suit properties climb, accounting for 67% of the space under development.

Construction deliveries totaled 540,000 sq. ft. in Q3, most of which came from Ziehl-Abegg's 500,000-sq.-ft. build-to-suit being delivered for occupancy in the Southeast Forsyth submarket. While construction starts have been minimal so far in 2024, two build-to-suits broke ground in Q3. Williams Development began construction at 238 Ritters Lake Rd. on a 160,000-sq.-ft. build-to-suit for JPM Building & Business Services in the South Greensboro submarket. In addition, New South Properties started construction on a 50,000-sq.-ft. build-to-suit for Lansing Building Products on Thorndike Rd. in the Airport submarket.

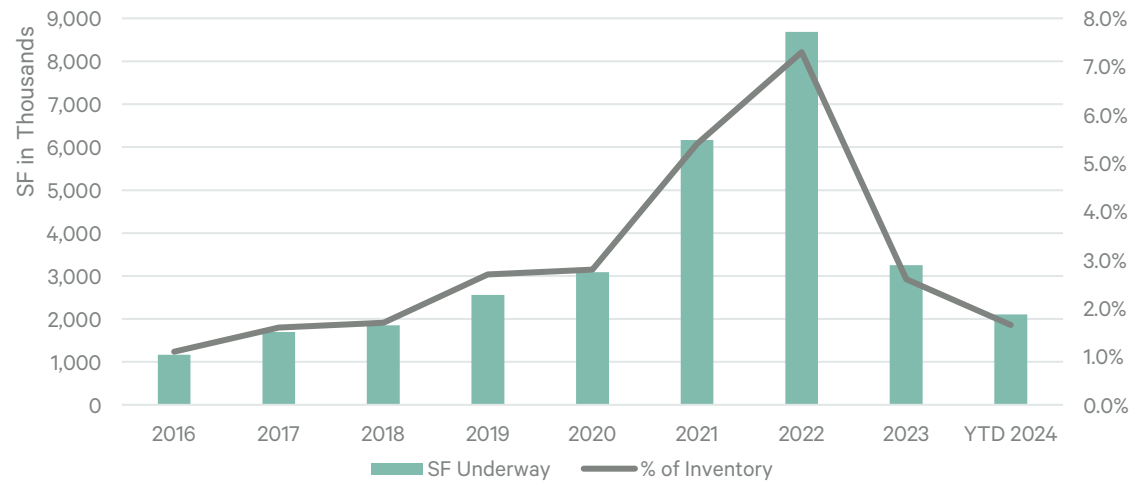
Capital Markets

Capital markets activity in the Greensboro/Winston-Salem market remains light as a result of economic uncertainty and a challenging lending environment. Total sales activity in Q3 totaled \$72.3 million, a 24% increase compared to the previous quarter and the highest quarterly total in 2024. The most notable transaction was All-American Asphalt's acquisition of 720 Pegg Rd. from Beacon Development Group for \$31.5 million, or \$134.49 per sq. ft. Another sizeable transaction that occurred in Q3 was Toyota Tsusho's acquisition of 4043 Reynolds Ct. in the North Forsyth submarket. The Toyota trading and logistics company bought the 210,000-sq.-ft. building for \$13.8 million, or \$125 per sq. ft. Toyota Tsusho will occupy the entire building to create sustainable recycling and waste handling solutions for the new Toyota plant in Randolph County. The Greensboro/Winston-Salem market continues to benefit from increased manufacturing activity due to companies such as Toyota, Boom Supersonic and others all making significant investments in the region over the last two years.

Market Outlook

While many are focused on November's election, the most consequential policy lever has already been pulled via the FOMC's 50-bps September rate cut and signaling another 50 bps by year-end. The easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. Despite a prolonged period of economic uncertainty and an influx of new supply, the Greensboro/Winston-Salem market is showing signs of resiliency and stabilization. Tenant demand has moderately increased as occupiers seek modern logistics space for efficient usage, and a thinning construction pipeline has eased supply-side pressures.

FIGURE 4: Historical Industrial Construction Activity



Source: CBRE Research, Q3 2024

FIGURE 5: Construction Activity

Property Name	Submarket	Total Square Feet	Est. Completion
PNK Park Highpoint – Ecolab BTS	PTI Airport	1,058,957	Q1 2025
SouthPoint Business Park	Davie County	282,652	Q4 2024
NC Commerce Park – Bldg. A	South Alamance	248,310	Q4 2024
238 Ritters Lake Rd - JPM Building Services BTS	South Greensboro	160,000	Q1 2025
3608 Old Lexington Rd. – Tex Tech Coatings BTS	South Forsyth	157,500	Q4 2024
NC Commerce Park – Bldg. B	South Alamance	156,140	Q4 2024

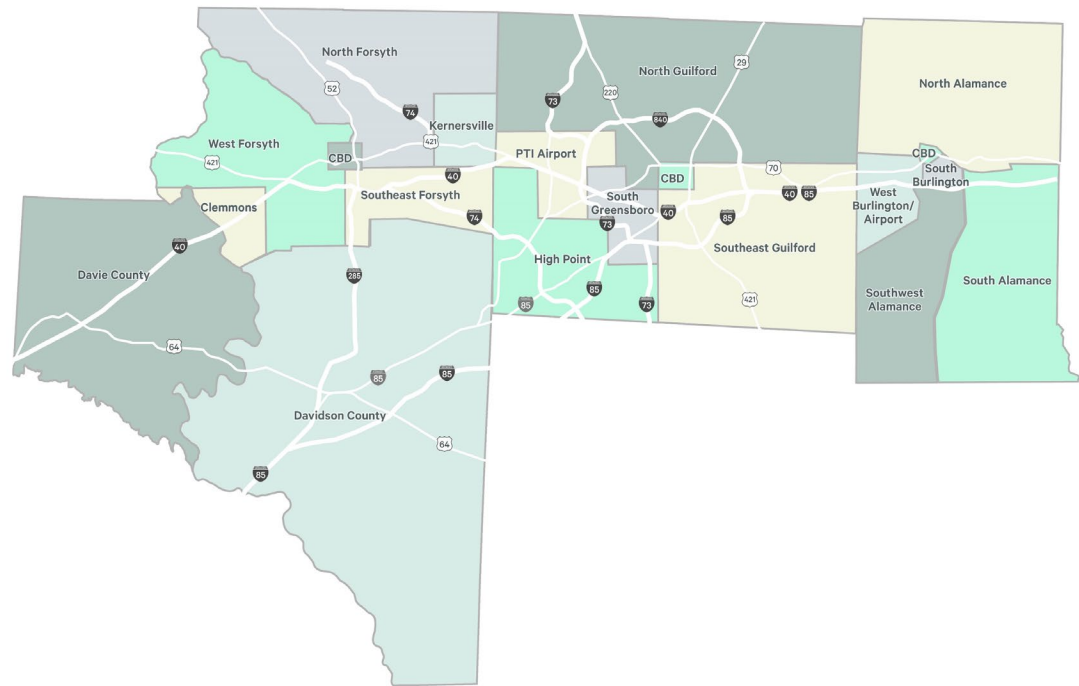
FIGURE 6: Submarket Breakdown

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 Area	17,633,449	1,688,677	9.6%	12.3%	(15,691)	(249,011)	1,100,560	\$7.06
North Guilford	7,338,363	205,800	2.8%	8.2%	(73,000)	(78,822)	-	\$6.73
South Greensboro	1,905,542	215,333	11.3%	11.3%	(10,974)	264,529	160,000	\$7.51
Central Guilford	4,325,336	518,376	12.0%	12.0%	(1,328)	12,622	-	\$7.56
Southeast Guilford	7,424,658	927,460	12.5%	13.0%	-	2,962	-	\$6.72
High Point	8,118,726	223,851	2.8%	3.9%	(31,836)	(3,950)	-	\$5.33
North Forsyth	7,120,210	355,566	5.0%	5.0%	121,413	108,457	-	\$5.82
Kernersville	3,973,876	27,000	0.7%	0.8%	(14,500)	(27,000)	-	\$10.90
South Forsyth	3,526,051	-	-	-	-	57,600	-	-
Southeast Forsyth	7,010,064	127,980	1.8%	1.8%	644,000	649,625	157,500	\$5.25
Winston-Salem CBD	1,978,560	83,930	4.2%	4.2%	(3,884)	(83,930)	-	\$4.00
Clemmons	477,159	100,000	21.0%	21.0%	50,000	55,000	-	\$6.50
South Alamance	6,365,316	1,289,301	20.3%	26.6%	68,788	13,390	404,450	\$6.78
North Alamance	5,813,245	179,651	3.1%	3.2%	10,000	12,500	-	\$4.56
West Burlington/Airport	648,478	-	-	-	-	-	-	-
SW Alamance	2,389,216	-	-	-	-	-	-	-
South Burlington	1,317,504	162,750	12.4%	12.4%	-	-	-	\$4.76
Burlington CBD	975,559	74,369	7.6%	9.4%	17,177	6,912	-	\$5.08
Davidson County	25,558,495	959,740	3.8%	4.6%	205,069	391,225	-	\$5.02
Davie County	8,326,784	1,158,394	13.9%	17.3%	(25,000)	(58,052)	282,652	\$6.23
Warehouse Totals	122,226,591	8,298,178	6.8%	8.4%	940,234	1,572,079	2,105,162	\$6.41

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 Area	1,572,604	61,670	3.9%	7.2%	7,458	19,123	-	\$12.09
North Guilford	320,006	59,992	18.8%	18.8%	2,500	-	-	\$10.83
South Greensboro	260,976	13,406	-	-	(10,974)	(13,406)	-	\$6.25
Central Guilford	1,262,689	90,548	7.2%	8.9%	(20,147)	(19,940)	-	\$10.62
Southeast Guilford	234,047	-	-	-	5,000	-	-	\$9.00
High Point	377,368	50,540	13.4%	13.4%	(7,923)	(7,923)	-	-
North Forsyth	673,025	59,801	8.9%	8.9%	-	(3,200)	-	\$10.86
Kernersville	583,071	31,118	5.3%	10.7%	1	(29,718)	-	\$9.69
South Forsyth	209,023	25,139	12.0%	12.0%	-	(17,064)	-	\$8.85
Southeast Forsyth	35,083	-	-	-	-	-	-	-
Flex Totals	5,527,892	392,214	7.1%	8.9%	(24,085)	(72,128)	-	\$9.62
Industrial Totals	127,754,483	8,690,392	6.8%	8.4%	916,149	1,499,951	2,105,162	\$6.55

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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