

Construction activity slows as recent deliveries push vacancy higher

▲ 6.7%

Vacancy Rate

▼ 329K

SF Net Absorption

▼ 2.3M

SF Under Construction

▲ \$6.49

NNN / Lease Rate

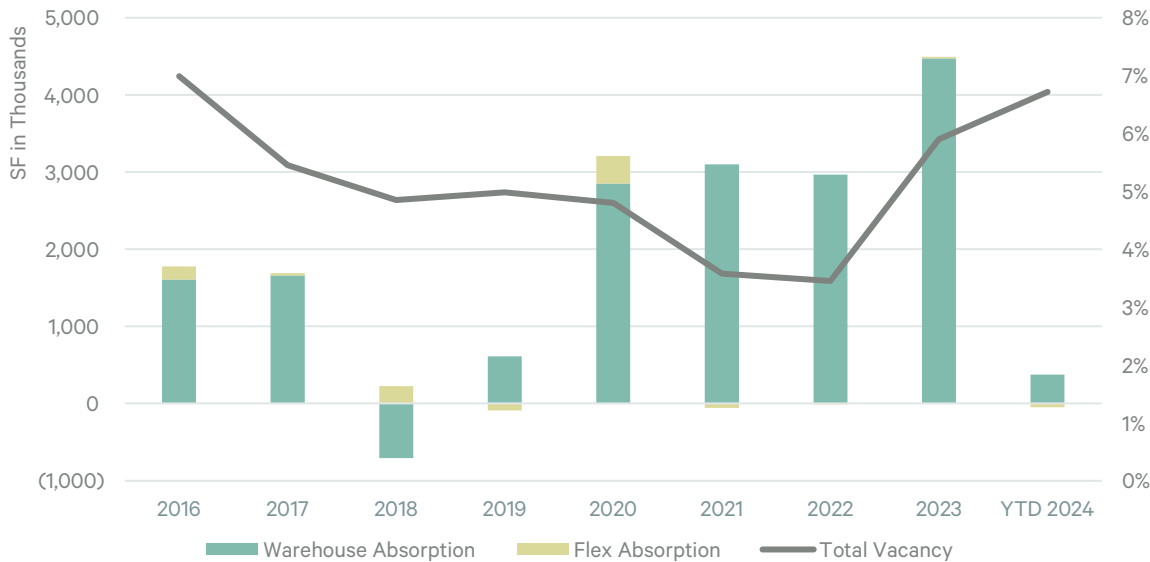
Note: Arrows indicate change from previous quarter.

MARKET REPORT HIGHLIGHTS

- 329,000 sq. ft. of positive net absorption occurred in Q1 2024, which marks 20 consecutive quarters of positive absorption for the Greensboro/Winston-Salem market.
- 2.3 million sq. ft. of construction is currently underway. Q1 deliveries totaled 942,000 sq. ft., while no new construction starts occurred.
- The total amount of space under construction is at its lowest level since Q3 2020.
- The average warehouse asking rental rate rose 4.6% year-over-year to \$6.37 per sq. ft., and the average flex asking rate rose 5.3% to \$9.29 in the same period.
- Overall vacancy rose 80 basis points quarter-over-quarter to end Q1 at 6.7%, which marks the highest level since Q3 2017.

In an effort to reflect the growing Triad region and provide the most reliable data possible, Davie and Davidson counties have been added as tracked submarkets. The data contained herein will differ from previously published reports.

FIGURE 1: Net Absorption and Vacancy Rates



Source: CBRE Research, Q1 2024

Market Fundamentals

Leasing activity is trending upwards to start the new year after a moderate slowdown during 2023. While lease renewals dominated much of the total activity in 2023, the new year started off with a handful of sizeable new leases being signed. Demand continues to normalize after the unsustainable levels reached during the pandemic-era. The local industrial market experienced 328,937 sq. ft. of positive absorption in Q1, continuing the streak of overall positive activity to 20 straight quarters. Net absorption totaled 376,151 sq. ft. in the warehouse sector, while flex absorption fell into the red by 47,214 sq. ft. As has been the case in recent quarters, the Airport submarket was responsible for the most activity, with 209,200 sq. ft. of positive absorption.

Construction deliveries yet again outpaced net absorption, causing vacancy to continue its upward trend in Q1. Overall vacancy rose to 6.7%, up 80 bps for the quarter and 330 bps year-over-year. Warehouse vacancy rose to 6.7%, up 80 bps for the quarter and 340 bps year-over-year. Flex vacancy rose to 7.0%, up 70 bps for the quarter and 40 bps year-over-year.

Greensboro/Winston-Salem’s overall average industrial rent rose to start the year, but the pace of increases continues to moderate. The average asking rate for warehouse product increased 4.6% year-over-year to \$6.37 per sq. ft., while the average asking rate for flex product increased 5.3% year-over-year to \$9.29 per sq. ft.

Construction Activity

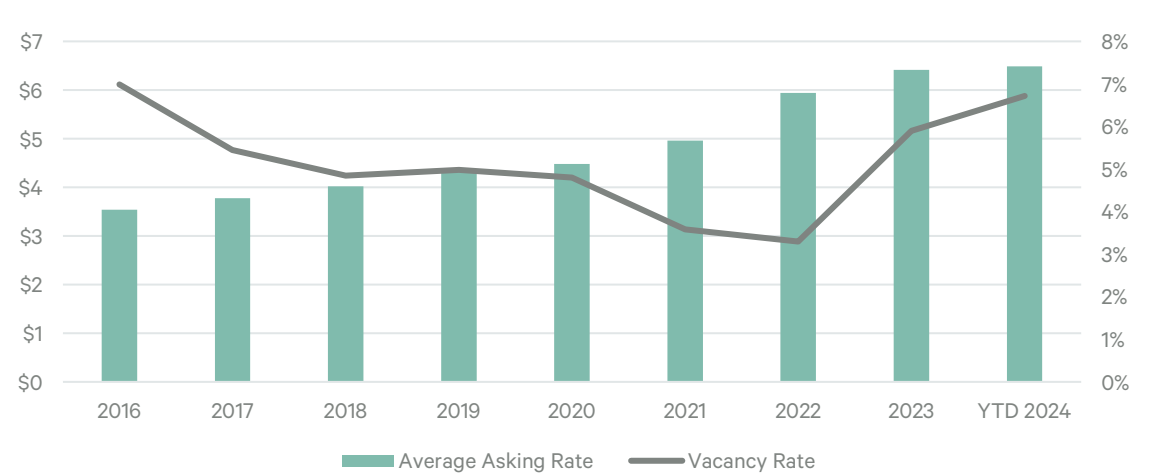
The pace of development activity has slowed dramatically, with 2.3 million sq. ft. under construction in Q1. Of the total volume delivered, 127,471 sq. ft. (13.2%) was pre-leased at the time of completion. Among the largest deliveries of the quarter, NorthPoint Development delivered buildings 2-4 at Piedmont Commerce Center, a four-building industrial park that totals over 1.5 million sq. ft. The park is 44% leased to Bosch, EWI and Bunzl. Al. Neyer completed construction of a 138,000-sq.-ft. speculative building at McConnell Business Park, located in SE Guilford County. The three-building industrial park on McConnell Rd. totals over 364,000 sq. ft. and is now fully delivered and ready for occupancy.

FIGURE 2: Significant Lease Transactions Q1 2024

Tenant	Property	Type	Square Feet	Submarket
Proctor & Gamble*	6104 Corporate Park	Renewal	504,000	NE Guilford
Home Depot*	325 Model Farm Rd.	New	183,217	High Point
CJ Logistics America*	McConnell Center	Renewal	151,815	SE Guilford
IQE*	494 Gallimore Dairy Rd.	Renewal	136,000	PTI Airport
Marketing Results LLC	Whitaker Park	New	82,234	NE Forsyth
Bunzl	Piedmont Commerce Center	New	74,200	PTI Airport
EWL	Piedmont Commerce Center	New	60,000	PTI Airport

*Denotes CBRE Transaction

FIGURE 3: Vacancy Rates vs. Average Asking Lease Rates



Source: CBRE Research, Q1 2024

Of the 2.3 million sq. ft. under construction, 938,000 sq. ft. is expected to be delivered by the end of Q2. All of the current development in the market is scheduled for completion by the end of Q3. Construction starts are expected to remain low for the foreseeable future due to tight lending conditions and economic uncertainty. The drop in development starts should allow vacancy rates to moderate towards the end of the year.

Capital Markets

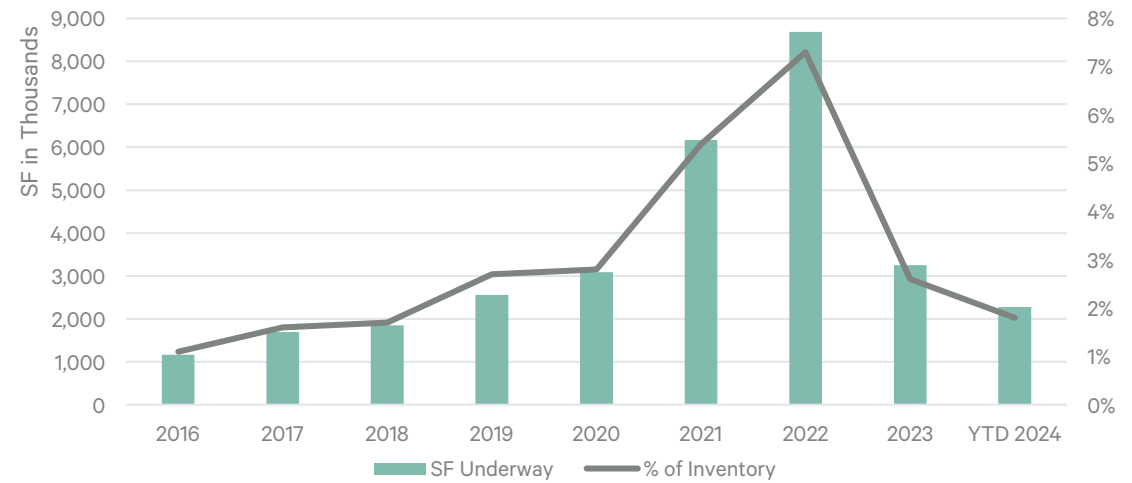
With interest rate cuts unlikely to begin before mid-year 2024, Q1 was another light quarter for industrial sales activity. An overall volume of \$66.8 million was posted in Q1 for the Greensboro/Winston-Salem market. The majority of transactions were valued at less than \$10 million. The only sizeable transaction was Equus Capital’s acquisition of the Lenovo Production Facility in the SE Guilford submarket. Investcorp JV Dalfen sold the 241,000-sq.-ft. building for \$20.3 million or \$84.44 per sq. ft.

Market Outlook

According to CBRE’s latest [State of the U.S. Industrial Market](#), construction completions reached a record 612.2 million sq. ft. nationally in 2023. On the other hand, construction starts fell nationally for the fifth consecutive quarter in Q4 2023. This national trend correlates directly with what is occurring in the Greensboro-Winston-Salem market. After a record-breaking year for construction deliveries in 2023, the amount of space underway is now at its lowest since 2020. The remaining deliveries expected in the next quarter will push vacancy higher in the near term, while leasing activity is expected to increase in the second half of the year. Following another national trend, the amount of sublease space available in the local market reached a record high in Q1. There is currently 1.1 million sq. ft. of sublease space available in the market, which is an increase of 564,000 sq. ft. from the previous quarter.

Advanced manufacturing has been an increasingly prominent driver of economic activity in the Greensboro/Winston-Salem market over the past two years. Toyota is expected to start production at its \$13.9-billion battery manufacturing plant in Randolph County in early 2025. Additionally, Fujihatsu & Toyotsu Battery Components recently announced that they will build a \$60-million facility in close proximity to Toyota’s battery plant to provide cases for the vehicle batteries.

FIGURE 4: Historical Industrial Construction Activity



Source: CBRE Research, Q1 2024

FIGURE 5: Construction Activity

Address	Submarket	Total Square Feet	% Leased	Construction Status
Piedmont Commerce Center – Bldg. 4	PTI Airport	312,384	24%	Delivered
Piedmont Commerce Center – Bldg. 3	PTI Airport	274,921	0%	Delivered
Piedmont Commerce Center – Bldg. 2	PTI Airport	246,489	22%	Delivered
McConnell Business Park – Bldg. 3	SE Guilford	138,000	0%	Delivered
SouthPoint Business Park	Davie County	282,652	0%	Under Construction
NC Commerce Park – Bldg. A	SE Alamance	248,310	0%	Under Construction
NC Commerce Park – Bldg. B	SE Alamance	156,140	0%	Under Construction

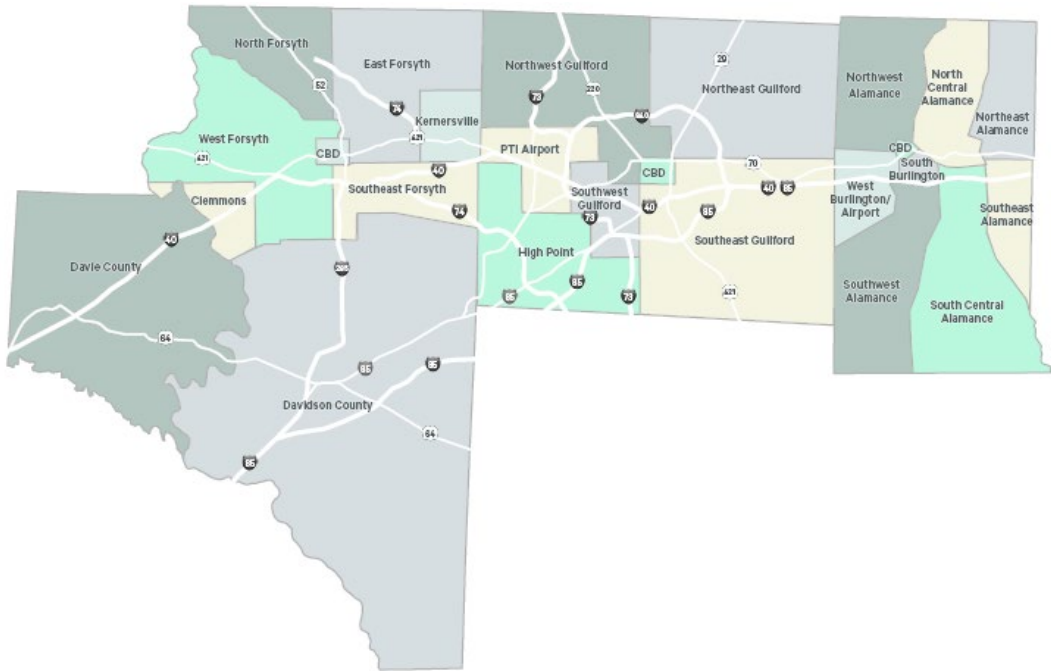
FIGURE 6: Submarket Breakdown

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 Area	17,546,095	1,628,727	9.3%	11.1%	209,200	209,200	1,050,560	\$6.84
North Guilford	7,192,238	147,520	2.1%	2.1%	-	-	-	\$7.00
South Greensboro	1,905,542	237,872	12.5%	12.5%	167,193	167,193	-	\$7.10
Central Guilford	4,093,200	490,922	11.9%	11.9%	(16,400)	(16,400)	-	\$7.36
Southeast Guilford	7,406,559	815,760	11.0%	11.0%	-	-	-	\$7.34
High Point	7,753,315	134,409	1.7%	1.8%	120,457	120,457	-	\$5.46
North Forsyth	7,005,475	291,506	4.2%	4.2%	(7,234)	(17,234)	-	\$5.98
Kernersville	3,973,876	27,500	0.7%	0.7%	(17,500)	(17,500)	-	\$7.90
South Forsyth	3,141,051	75,600	2.4%	2.4%	-	-	-	\$6.90
Southeast Forsyth	6,509,117	277,705	4.3%	4.3%	5,625	5,625	500,000	\$6.63
Winston-Salem CBD	1,840,272	80,046	4.4%	4.4%	(80,046)	(80,046)	-	\$4.00
Clemmons	377,159	55,000	14.6%	14.6%	5,000	5,000	-	\$6.50
South Alamance	5,992,831	1,352,941	22.6%	29.3%	(50,250)	(50,250)	404,450	\$6.51
North Alamance	5,813,245	189,651	3.3%	5.6%	2,500	2,500	-	\$3.97
West Burlington/Airport	614,062	-	-	-	-	-	-	-
SW Alamance	2,389,216	-	-	-	-	-	-	-
South Burlington	1,317,504	144,217	10.9%	10.9%	-	-	-	\$5.00
Burlington CBD	975,559	117,369	12.0%	12.0%	(11,665)	(11,665)	-	\$5.03
Davidson County	25,214,735	873,889	3.5%	3.5%	92,323	92,323	40,000	\$5.18
Davie County	7,564,187	1,106,394	13.4%	19.6%	(33,052)	(33,052)	282,652	\$6.23
Warehouse Totals	118,625,238	7,957,028	6.7%	7.8%	376,151	376,151	2,277,662	\$6.37

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	1,568,039	73,158	4.7%	4.7%	12,735	12,735	-	\$11.91
North Guilford	391,541	62,492	15.9%	15.9%	(2,500)	(2,500)	-	\$10.74
South Greensboro	260,976	2,350	-	-	(2,350)	(2,350)	-	\$6.25
Central Guilford	1,244,525	101,368	8.2%	7.9%	(29,258)	(29,258)	-	\$9.21
Southeast Guilford	232,006	-	-	-	-	-	-	-
High Point	362,792	42,617	11.8%	11.8%	-	-	-	-
North Forsyth	696,643	54,316	7.8%	8.9%	4,285	4,285	-	\$11.18
Kernersville	582,407	38,251	6.6%	7.9%	(20,601)	(20,601)	-	\$9.59
South Forsyth	209,023	17,600	8.4%	5.1%	(9,525)	(9,525)	-	\$8.75
Southeast Forsyth	35,083	-	-	-	-	-	-	-
Flex Totals	5,583,035	392,152	7.0%	7.1%	(47,214)	(47,214)	-	\$9.29
Industrial Totals	124,208,273	8,349,180	6.7%	7.8%	328,937	328,937	2,277,662	\$6.49

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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