

Absorption turns negative while increased supply drives vacancy higher

▲ 7.3%

Vacancy Rate

▼ (1.1)M

SF Net Absorption

▲ 2.4M

SF Under Construction

▲ \$6.60

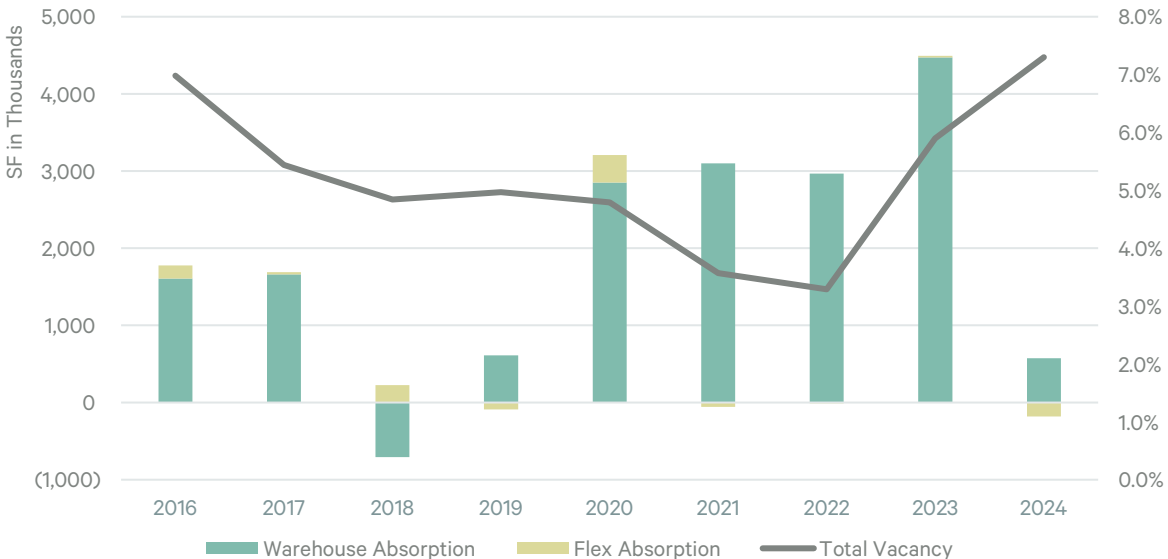
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET REPORT HIGHLIGHTS

- In Q4 2024, warehouse and flex space experienced a combined negative absorption of 1.1 million sq. ft., marking the first quarter of negative absorption in nearly five years for the Greensboro/Winston-Salem market.
- Of the 2.4 million sq. ft. under construction, 64% was reported as leased. Although the majority of recent construction starts have been build-to-suit projects, speculative development has seen a slight uptick in activity.
- While there were no deliveries in Q4, 2.1 million sq. ft. of space currently under construction is expected to be delivered in Q1 2025. A total of 1.5 million sq. ft. of space was delivered in 2024.
- Overall vacancy rose to 7.3%, up 50 basis points for the quarter and 140 bps year-over-year. Vacancy is expected to continue rising in early 2025 as a significant amount of new construction and Class B space comes online.
- Rent growth, while moderate, maintains positive momentum. The overall average asking rate rose 1.0% quarter-over-quarter and 2.2% year-over-year.

FIGURE 1: Net Absorption and Vacancy Rates



Source: CBRE Research, Q4 2024

Market Fundamentals

Net absorption in Greensboro/Winston-Salem’s industrial market turned negative for the first time since Q1 2019. The decline in activity was mainly due to recent tenant vacancies in large Class B buildings throughout the market. In Q4 2024, there was over 1.1 million sq. ft. of negative absorption. Davie County was the most impacted submarket, with companies such as United Furniture and Haeco vacating over 588,000 sq. ft. of occupied space. Historically, the Airport submarket has shown resilience, and it continued its streak of positive absorption in 2024, reflecting strong demand in the area. In 2024, warehouse absorption accounted for 574,457 sq. ft. of positive absorption, while flex absorption totaled 182,197 sq. ft. of negative absorption.

The Greensboro/Winston-Salem market saw an increase in vacancy in Q4, reaching another cyclical high. Overall vacancy rose by 50 bps to 7.3%, up 145 bps year-over-year. Warehouse vacancy ended the quarter at 7.2%, an increase of 40 bps quarter-over-quarter and 140 bps year-over-year. Flex vacancy rose to 9.2%, up 210 bps quarter-over-quarter and 290 bps year-over-year. Once the influx of new construction comes into the market in early 2025 and the construction pipeline begins to deplete, vacancy may decrease in subsequent quarters as competition for higher-quality spaces intensifies.

Leasing Highlights

Leasing activity experienced another uptick as the demand for newly delivered Class A product remained steady. While some occupiers adopted a “wait-and-see” approach to their space needs, which temporarily reduced leasing activity in early 2024, the desire for high-quality assets began to propel healthier activity in the second half of 2024. Despite a cooling trend in U.S. manufacturing investment, the Greensboro/Winston-Salem market benefited from a growing presence of manufacturing users.

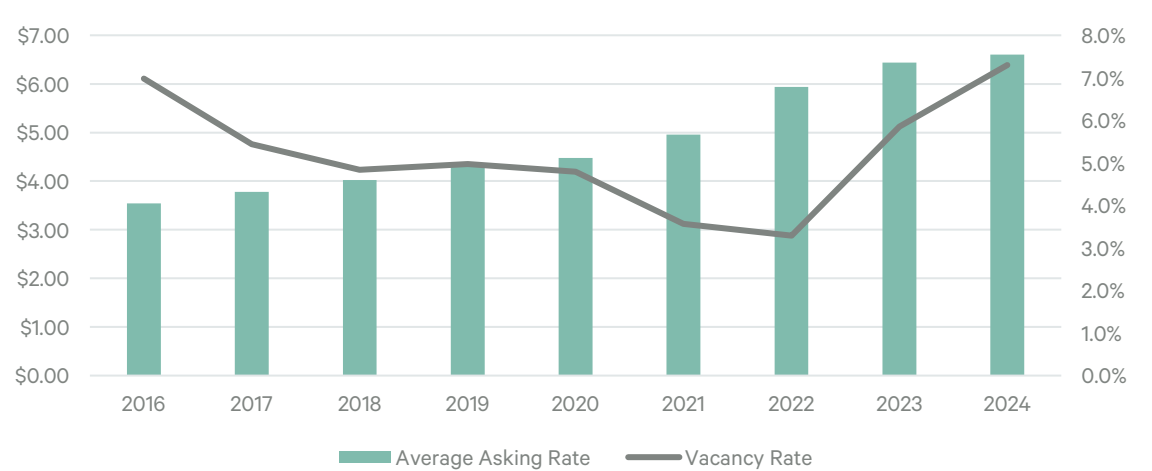
Uniters North America, a manufacturer of home care and repair products, signed a new lease to occupy 66,132 sq. ft. at 782 Gallimore Dairy Rd. in the Airport submarket. Gilero, a manufacturer of critical components for medical devices, signed a new lease for 60,500 sq. ft. at 486 Gallimore Dairy Rd. to expand its existing presence in the Airport submarket. The largest deal of the quarter was signed by Alamance Foods, which will occupy the entire 297,675-sq.-ft. building at 2130 Kimrey Rd. in the South Alamance submarket.

FIGURE 2: Select Lease Transactions Q4 2024

Tenant	Property	Type	Square Feet	Submarket
Alamance Foods	2130 Kimrey Rd.	New	297,675	South Alamance
Pactiv*	810 Radar Rd.	Renewal	187,709	PTI Airport
Performance Food Group*	4754 McConnell Center Dr.	Renewal	150,103	SE Guilford
Gilbarco Inc.*	311 N. Chimney Rock Rd.	Renewal	129,000	PTI Airport
Uniters NA LLC*	782 Gallimore Dairy Rd.	New	66,132	PTI Airport
Gilero*	486 Gallimore Dairy Rd.	New	60,500	PTI Airport

*Denotes CBRE Transaction

FIGURE 3: Vacancy Rates vs. Average Asking Lease Rates



Source: CBRE Research, Q4 2024

Construction Activity

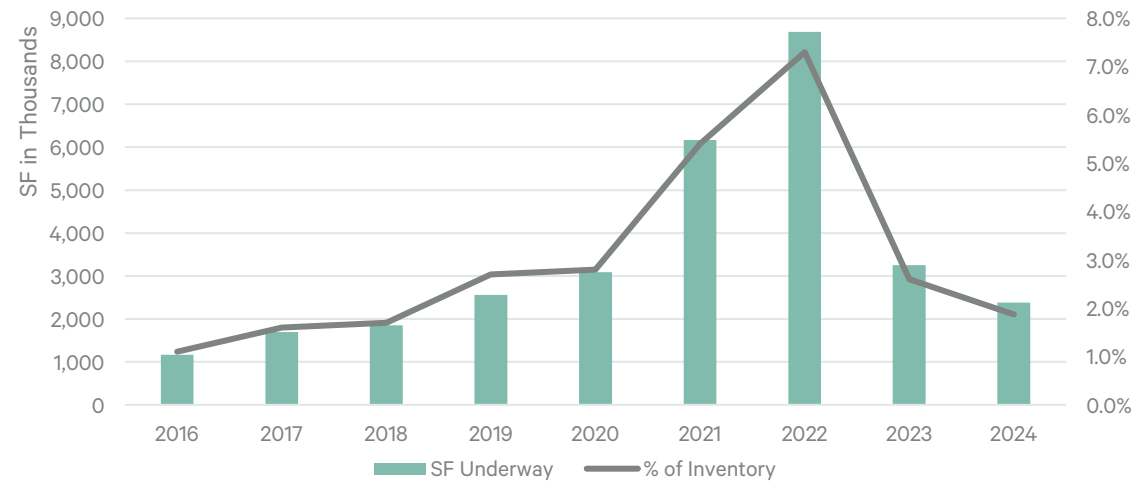
Prior to Q4, industrial development in Greensboro/Winston-Salem had reached its lowest point since Q2 2020. However, the amount of space underway rose to 2.4 million sq. ft. in Q4 as developers began to re-engage in anticipation of a new cycle in 2025. Axial Industrial began work on a 173,280-sq.-ft. speculative building at 7915 Triad Center Dr. in the Airport submarket, with all of the space available for lease. Additionally, Core Technology broke ground on its 104,000-sq.-ft. build-to-suit facility at 5670 Millstream Rd. in the SE Guilford submarket. This building is part of a recent \$28-million investment to expand production capacity for the company’s nonprofit STEM camp for students.

A total of 2.1 million sq. ft. of new construction is expected to be delivered in Q1 2025, which will likely deplete the construction pipeline to cyclical lows, as elevated vacancy and interest rates limit the number of near-term construction starts. In 2024, 1.5 million sq. ft. of new construction was delivered, a significant decline from the nearly 6.4 million sq. ft. delivered in 2023. This sharp decrease can be attributed to shifting economic conditions, high interest rates and market volatility. Despite the slowdown, there are some proposed projects expected to start vertical construction soon, with site work underway at several developments across the Greensboro/Winston-Salem market.

Market Outlook

Greensboro/Winston-Salem is likely to experience another quarter of negative absorption at the beginning of 2025, as a significant amount of Class B space is expected to become available. Vacancy is likely to peak by mid-2025 as new supply and tenant demand return to equilibrium following a period of record construction completions driven by the demand for modern industrial space. The shift in rising vacancy and moderate rental growth supports the notion that 2025 will provide a more favorable landscape for tenants. The slowdown of construction starts suggests that activity will align with pre-pandemic norms. Warehouse developers will position themselves for the next cycle by focusing on prime locations and smaller footprints. The flight-to-quality trend will gain momentum as tenants have access to a healthy supply of high-quality options. Despite the negative absorption and the increase in vacancy in Q4, overall fundamentals are expected to remain sound in 2025, as balance returns to the market after several years of volatility.

FIGURE 4: Historical Industrial Construction Activity



Source: CBRE Research, Q4 2024

FIGURE 5: Top 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	Q1 2025
NC Commerce Park – Bldg. A	South Alamance	248,310	Q1 2025
7915 Triad Center Dr.	PTI Airport	173,280	Q3 2025
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	Q1 2025
NC Commerce Park – Bldg. B	South Alamance	156,140	Q1 2025

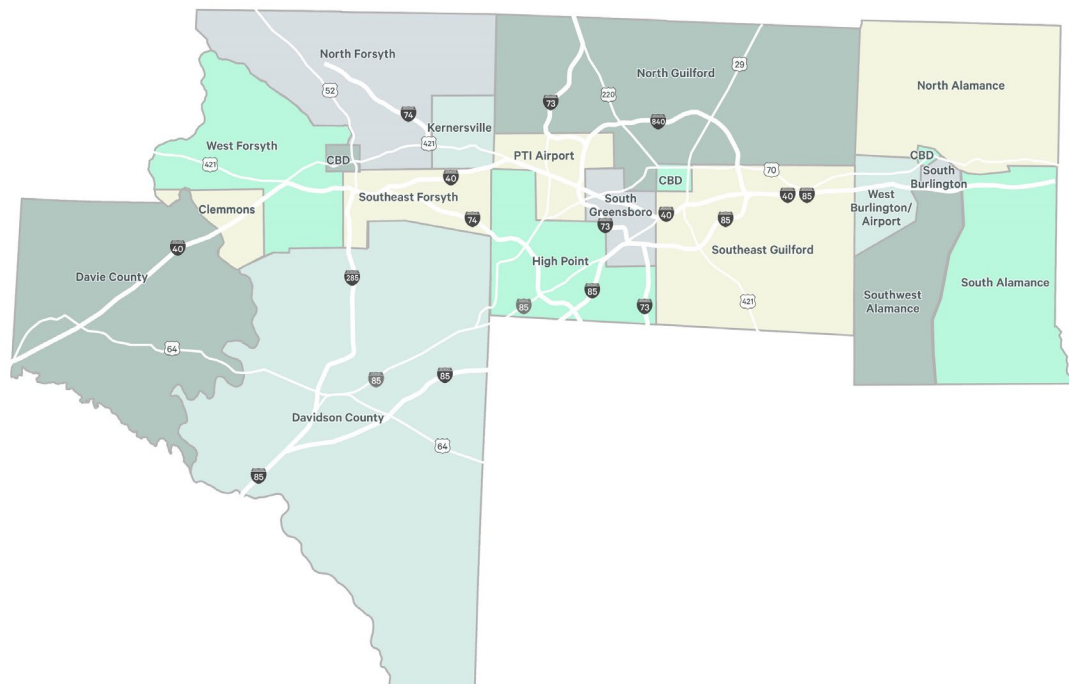
FIGURE 6: Submarket Breakdown

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	17,516,762	1,404,910	8.0%	11.3%	84,307	333,318	1,273,840	\$7.30
North Guilford	7,494,463	205,800	2.7%	7.4%	-	(78,822)	-	\$7.56
South Greensboro	1,905,542	81,042	4.3%	4.3%	43,698	308,227	160,000	\$8.99
Central Guilford	4,327,138	405,940	9.4%	10.1%	18,936	31,558	104,000	\$7.68
Southeast Guilford	7,515,417	927,460	12.3%	12.3%	-	2,962	-	\$6.88
High Point	8,241,395	386,791	4.7%	4.9%	(182,950)	(186,900)	-	\$5.23
North Forsyth	7,120,210	344,316	4.8%	11.6%	-	108,457	-	\$5.89
Kernersville	3,969,659	49,798	1.3%	11.1%	(18,237)	(45,237)	-	\$8.18
South Forsyth	3,548,451	-	-	13.5%	-	57,600	-	\$6.00
Southeast Forsyth	7,032,564	134,255	1.9%	2.7%	(6,275)	643,350	157,500	\$5.38
Winston-Salem CBD	1,978,560	83,930	4.2%	4.2%	-	(83,930)	-	\$4.00
Clemmons	477,159	100,000	21.0%	21.0%	-	55,000	-	\$6.50
South Alamance	5,381,836	1,361,046	25.3%	25.3%	(71,795)	(58,405)	404,450	\$7.02
North Alamance	5,908,838	298,385	5.0%	6.4%	(118,734)	(106,234)	-	\$4.57
West Burlington/Airport	648,478	84,550	13.0%	13.0%	(84,550)	(84,550)	-	\$6.00
SW Alamance	2,389,216	-	-	0.8%	-	-	-	\$5.20
South Burlington	1,316,287	162,750	12.4%	12.4%	-	-	-	\$4.76
Burlington CBD	975,559	51,538	5.3%	5.3%	22,831	29,743	-	\$5.16
Davidson County	25,960,377	1,518,250	5.8%	6.6%	(639,305)	(248,080)	-	\$5.50
Davie County	8,326,784	1,203,942	14.6%	14.6%	(45,548)	(103,600)	282,652	\$6.18
Warehouse Totals	121,976,643	8,804,703	7.2%	9.4%	(997,622)	574,457	2,382,442	\$6.44

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	1,558,534	123,562	7.9%	7.9%	(60,392)	(41,269)	-	\$12.26
North Guilford	320,006	59,992	18.6%	18.8%	-	-	-	\$10.83
South Greensboro	260,976	10,974	4.2%	-	2,432	(10,974)	-	\$9.95
Central Guilford	1,253,689	92,602	7.4%	9.3%	(2,054)	(21,994)	-	\$9.53
Southeast Guilford	234,047	-	-	-	-	-	-	-
High Point	372,751	33,950	9.1%	9.1%	16,590	8,667	-	\$9.00
North Forsyth	688,482	66,801	9.7%	10.2%	(7,000)	(10,200)	-	\$10.70
Kernersville	567,071	66,295	11.7%	11.7%	(35,177)	(64,895)	-	\$11.77
South Forsyth	209,023	49,607	23.7%	23.7%	(24,468)	(41,532)	-	\$8.85
Southeast Forsyth	35,083	-	-	-	-	-	-	-
Flex Totals	5,499,662	503,783	9.2%	9.7%	(110,069)	(182,197)	-	\$10.08
Industrial Totals	127,476,305	9,308,486	7.3%	9.4%	(1,107,691)	392,260	2,382,442	\$6.60

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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