

Office Q3 2021

	YoY Chg	12-Mo. Forecast
11.2% Vacancy Rate	▲	▲
-239K Net Absorption, SF	▼	▼
\$16.79 Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
610.7K Greensboro/ Winston-Salem Employment	▲	▲
4.6% Greensboro/ Winston-Salem Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW

The Triad region is making healthy progress in the pandemic recovery phase. The unemployment rate in the Greensboro/Winston-Salem market continued to improve during Q3, dropping to 4.6% and showing results that continue to outpace the U.S. average. Total employment figures climbed further, rising 14,500 jobs over the past year and driving the region's total to 610,700 jobs. Every major industry sector recorded growth over the past year including the key office-using segments Professional and Business Services (4.2%) and Financial Services (0.9%).

SUPPLY AND DEMAND

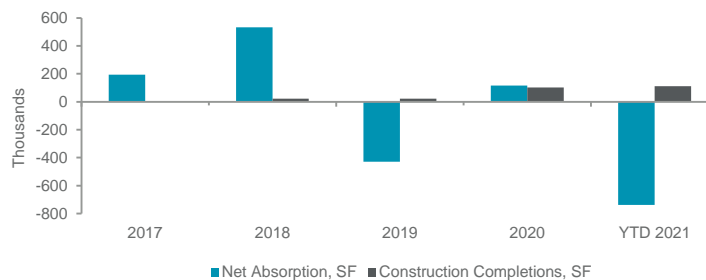
The vacancy rate recorded a modest uptick in Q3 to 11.2% with most submarkets exhibiting increases in vacancy. The Triad market continues to experience contraction as many existing companies downsize via lease renewals or relocations, while others sublease their superfluous office space. The sublease office market in the Triad nearly doubled quarter-over-quarter with roughly 350,000 square feet (sf) presently on the market. Contraction is expected to continue with companies re-evaluating their footprints as they determine the way their offices will look and function in a post-pandemic environment. Although Triad brokers remain busy with clients, most business is coming from organic growth rather than companies new to the market. The significant change in the net absorption rate underscores these points.

RENTAL RATES AND CAPITAL MARKETS

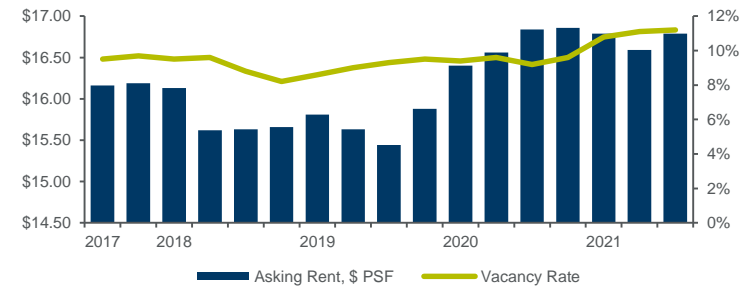
Asking rents have remained relatively stable through much of 2020 and into the first half of 2021 despite increasing vacancy rates. Landlords are becoming more willing to offer concessions, indicating a shift in occupiers' favor. With the high cost of construction coupled with raw material delays, many tenants are avoiding the lease rates that come with major renovations or newer buildings.

Over the last four quarters, the Triad market has recorded more than \$102.6M in total office sales volume. Private entity buyers comprised the majority of capital composition since the start of 2020, while the seller composition also consisted of a high share of REITs. However, with the current low rates and favorable financing terms, a trend has been observed of firms which desire to own real estate rather than lease.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)**	OVERALL AVG ASKING RENT (CLASS A)**
Northwest Guilford	2,197,801	52,974	200,898	11.6%	-57,301	-74,077	0	\$21.11	\$24.56
Airport / West Guilford	5,673,796	132,384	490,031	11.0%	-30,986	-224,964	0	\$17.43	\$17.79
Greensboro CBD	3,913,605	0	372,532	9.5%	-38,926	45,177	49,900	\$20.72	\$22.33
East Guilford	3,312,848	4,424	764,513	23.2%	8,372	-38,333	0	\$16.59	\$19.50
West Greensboro	2,496,053	114,657	383,516	20.0%	18,418	-205,145	0	\$15.31	\$17.50
High Point / SW Guilford	1,879,877	0	224,311	11.9%	-9,544	-51,430	54,000	\$15.18	\$19.30
Winston-Salem CBD	6,016,627	7,314	431,636	7.3%	-26,535	-127,229	0	\$16.61	\$18.51
Suburban Winston-Salem	1,088,235	0	118,914	10.9%	-4,194	-5,031	0	\$18.41	N/A
South Forsyth	3,472,055	0	295,933	8.5%	-161,841	-154,707	0	\$17.15	\$21.17
North Forsyth	3,592,621	45,203	280,071	9.1%	64,000	40,636	0	\$14.46	N/A
Burlington / Alamance Co.	1,485,314	0	18,900	1.3%	0	57,239	0	N/A	N/A
MARKET TOTALS	35,128,832	356,956	3,581,255	11.2%	-238,537	-737,864	103,900	\$16.79	\$18.74

*Leasing activity includes both new and renewal transactions

**Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YTD 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
One West Fourth Street	Winston-Salem CBD	Inmar	177,513	New
One West Fourth Street	Winston-Salem CBD	Womble Bond Dickinson	53,880	Renewal
500 West Fifth Street	Winston-Salem CBD	Renfro	18,034	New

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
400 Bellemeade St	Greensboro CBD	N/A	112,000	Front Street Capital

PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
275 N Elm St	High Point / SW Guilford	N/A	54,000	Elliot Sidewalk Communities
1007 Battleground Ave	Greensboro CBD	N/A	49,900	Brown Investment Properties

TINA KNEISEL

Account Director

+1 336 821 3838 tina.kneisel@cushwake.com**WILLIAM WOLTZ**

Executive Managing Director

+1 336 821 3824 william.woltz@cushwake.comcushmanwakefield.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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