

Industrial Q2 2023

	YoY Chg	12-Mo. Forecast
2.9% Vacancy Rate	▲	▲
518.1K YTD Net Absorption, SF	▼	▲
\$5.23 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
648.7K Greensboro/ Winston-Salem Employment	▲	▲
3.6% Greensboro/ Winston-Salem Unemployment Rate	▬	▲
3.6% U.S. Unemployment Rate	▬	▲

Source: BLS

ECONOMY: Unemployment Declines Despite Slowing Job Growth

The Greensboro/Winston-Salem economy recorded modest nonfarm employment growth of 0.3% during the second quarter of the year by adding 2,200 jobs, a 2.2% year-over-year (YOY) increase. The metro's unemployment rate decreased by 30 basis points, matching the national average at 3.6%, both of which are expected to climb in the coming 12 months with the Federal Reserve on the verge of implementing additional interest rate hikes despite the deceleration of job growth across the nation.

SUPPLY and DEMAND: Vacancy Rises as Deliveries Outpace Net Absorption

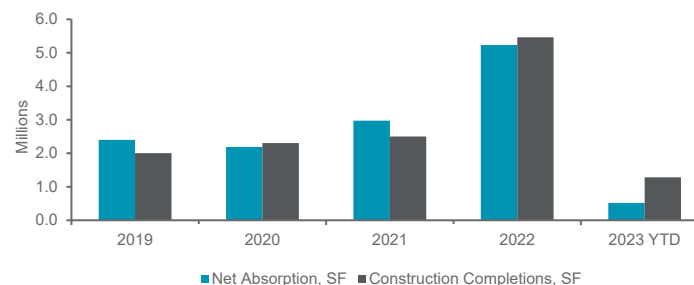
The supply of readily-available space options grew in Q2 as the overall vacancy rate increased by 30 basis points to 2.9%. Existing vacant space was distributed relatively evenly across the submarkets with the highest concentration of space located in the Airport/West Guilford submarket, which accounted for 18.8% of the market's overall vacancy. The most significant contributors to the uptick in the vacancy rate were the five new construction deliveries that added over 715,000 square feet (sf) of vacant supply to the market, the largest of which was Alamance Ridge II, a 297,675-sf cross-dock facility located on Kimrey Road in Graham. As new construction completions continue to outpace occupancy gains, the market vacancy rate is forecasted to push higher with 4.9 million square feet (msf) of speculative product set to deliver in the second half of 2023.

Leasing activity decelerated in the second quarter with just shy of 715,000 sf of space signed, a majority of which was concentrated in the Airport/West Guilford and High Point/Thomasville submarkets, each accounting for 31.1% and 22.4% of the quarterly total, respectively. Despite the reduced Q2 leasing figure, the metro recorded 3.8 msf of new leasing activity year-to-date, a slight increase from the year prior. Two notable sale transactions occurred during the quarter including 8420 Triad Dr (195,060 sf) for \$13.5 million and 719 N Regional Rd (135,822 sf) for \$14.0 million.

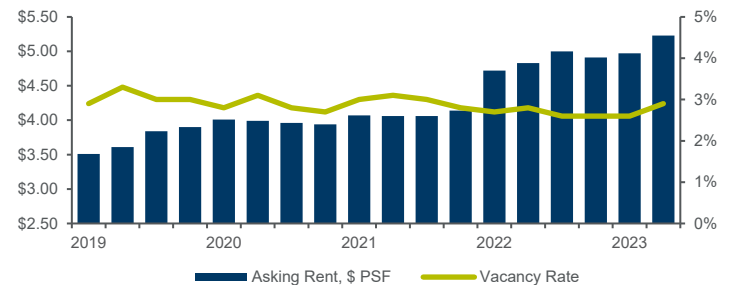
PRICING: Upward Trajectory of Asking Rents Continue

Asking rents in the Triad climbed by 5.1% to \$5.23 per square foot (psf) in Q2, marking an 8.3% increase YOY. Two submarkets notched an average asking rent above \$6.00 psf for warehouse/distribution space as additional new Class A product was delivered. With the average asking rent for available space under construction measured at \$6.32 psf, rent growth is expected to continue in the coming year with multiple W/D projects scheduled to deliver with available space; however, if the new supply is not absorbed swiftly, one can expect the exceptional rent growth experienced since the beginning of 2022 to taper off.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q2 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Airport/West Guilford	31,316,424	1,333,619	4.3%	234,101	338,101	1,651,343	232,720	\$5.65	\$6.75	\$6.93
Burlington/Alamance County	26,176,367	666,512	2.6%	-85,543	5,289	579,040	297,675	\$3.76	-	\$5.97
Central Greensboro	14,033,059	586,132	4.2%	-48,911	-51,711	437,790	0	-	\$8.61	\$5.90
Central Winston-Salem	3,452,856	0	0.0%	0	0	0	0	-	-	-
Davie County	7,508,329	0	0.0%	0	0	1,080,252	0	-	-	-
East Guilford	8,539,272	894,600	10.5%	-113,700	-113,700	655,760	153,900	\$2.50	-	\$5.48
High Point/Thomasville	44,883,310	350,563	0.8%	-69,858	-131,458	0	0	-	-	\$5.21
Kernersville	6,608,977	31,500	0.5%	34,875	-1,125	312,384	0	-	-	-
North Forsyth County	19,803,348	487,620	2.5%	6,000	10,449	0	0	\$4.75	\$10.00	\$5.68
North Greensboro	8,863,460	440,000	5.0%	0	360,000	0	100,000	-	\$12.00	\$3.29
North Guilford County	8,146,889	0	0.0%	0	500,000	0	500,000	-	-	-
Outlying Davidson County	15,929,504	358,684	2.3%	-37,644	-358,684	0	0	-	-	\$6.00
Randolph County	17,936,245	0	0.0%	0	0	0	0	-	-	-
Rockingham County	15,649,728	1,223,389	7.8%	37,700	-84,000	0	0	\$4.90	-	\$3.93
Southeast Forsyth	13,576,142	598,980	4.4%	101,000	101,000	144,000	0	\$3.22	-	\$3.44
West Forsyth	6,072,384	111,607	1.8%	4,513	-56,107	0	0	-	-	-
MARKET TOTALS	248,496,294	7,083,206	2.9%	62,533	518,054	4,860,569	1,284,295	\$4.21	\$8.48	\$5.15

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing, OS = Office Service/Flex, W/D = Warehouse/Distribution

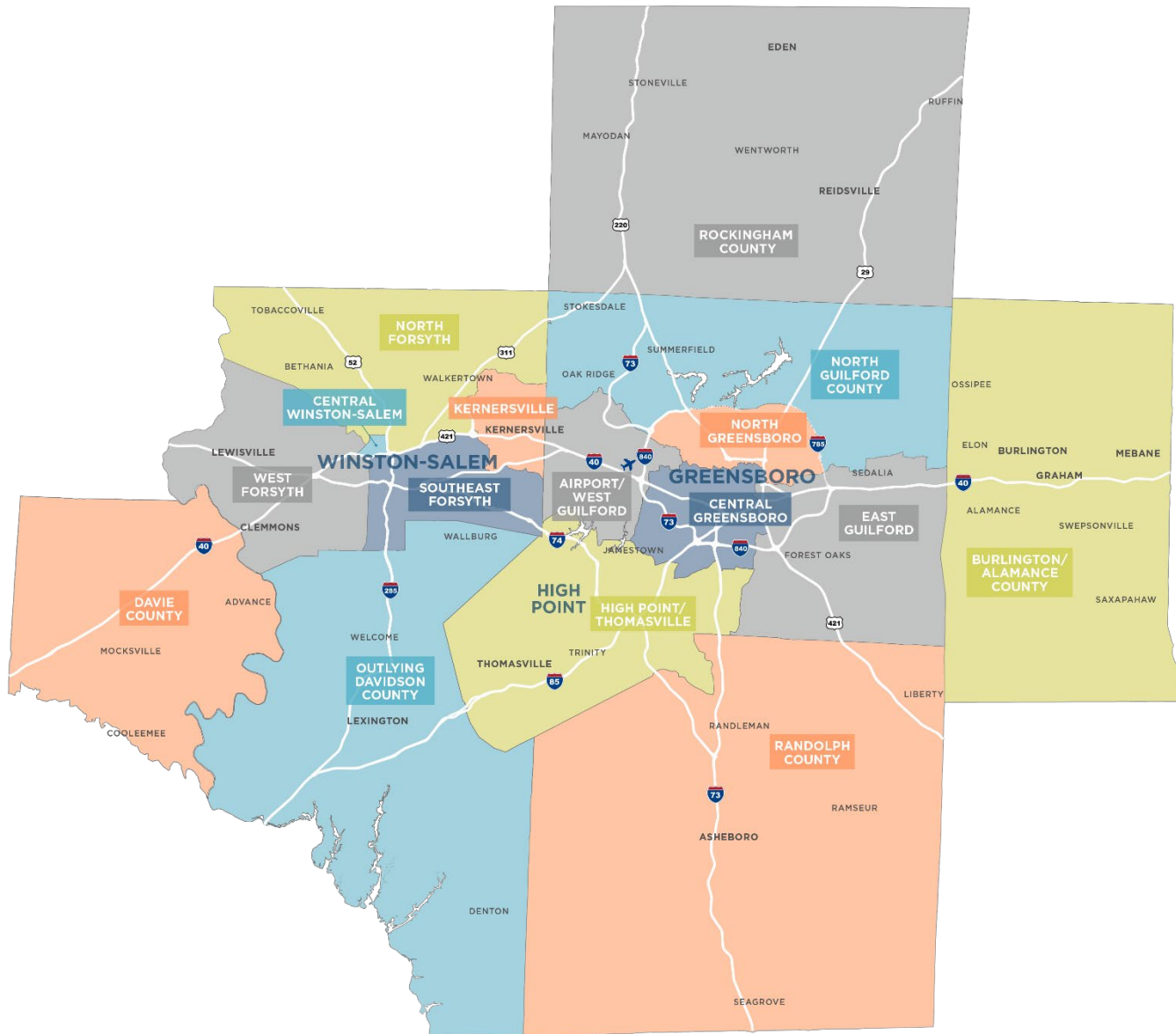
KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
501 Gallimore Dairy Rd	Airport/West Guilford	Vecoplan	94,160	New Lease
5285 National Center Dr	Airport/West Guilford	Endura	71,239	New Lease
Interstate Industrial Park	Central Greensboro	Nutricost	63,200	New Lease
2827 Earham Pl	High Point/Thomasville	engcon North America	61,600	New Lease
3760 Kimwell Dr	West Forsyth	Divert	56,107	New Lease

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER DEVELOPER
Piedmont Commerce Center – Buildings 1, 2, 3, 4	Airport/West Guilford Kernersville	Speculative	1,502,927	NorthPoint Development
Haw River Distribution Center	Burlington/Alamance County	Speculative	579,040	AI Neyer
Davie Industrial Center	Davie County	Speculative	500,000	LDJ Development
I-40 Industrial Center	Central Greensboro	Speculative	340,750	Equus Capital Partners

INDUSTRIAL SUBMARKETS



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