

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
3.1% Vacancy Rate	▲	▲
-141K YTD Net Absorption, SF	▼	▲
\$5.60 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
650.9K Greensboro/ Winston-Salem Employment	▲	▲
3.5% Greensboro/ Winston-Salem Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Labor Market Tightens with Consistent Job Growth

As the national consensus of a looming recession persisted, Greensboro/Winston-Salem notched another quarter of employment growth by adding 2,200 jobs, breaching the 650,000-job mark for the first time. The unemployment rate decreased by 10 basis points (bps) to 3.5%; however, forecasts predict that unemployment will revert to higher levels in the coming 12 months as another interest rate hike may be needed to suppress inflation which remains well above the Federal Reserve's 2.0% target.

SUPPLY and DEMAND: Leasing Activity Returns while Vacancy Increases

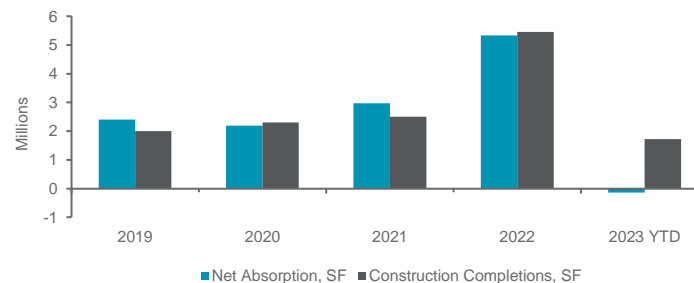
The supply of vacant space in the market expanded for the second consecutive quarter in Q3 with the overall vacancy rate increasing by 40 bps to 3.1%. This rise can be attributed to two new speculative construction projects totaling 437,790 square feet (sf) which delivered at a pre-lease rate of 11.6% and the addition of nearly 1.5 million square feet (msf) of space vacated by United Furniture after an abrupt closure of business in November 2022. A net occupancy loss of 623,800 sf was recorded in Q3 tipping the year-to-date (YTD) figure into the red by 140,800 sf; however, if the large amount of space given back by United Furniture is removed from the equation, quarterly net occupancy gains of 842,600 sf were noted. Considering this scenario, the hypothetical YTD figure would equate to 1.3 msf signaling a healthy yet normalized industrial market. The supply of vacant space is expected to climb in the coming 12 months as 15 projects, totaling 4.1 msf of new product, are currently under construction and scheduled to deliver in Q4 2023 and the first half of 2024.

After a quiet Q2 in terms of demand, leasing activity in Q3 picked up modestly with 1.2 msf of new deals signed. Nearly half of the space demand was concentrated within two submarkets; East Guilford (33.6%) and Rockingham County (15.1%), with three full-building leases over 100,000 sf signed between the two. Despite the below-average quarterly leasing figures measured in recent quarters, occupier demand to lease or purchase space has persisted and is poised to rebound in 2024.

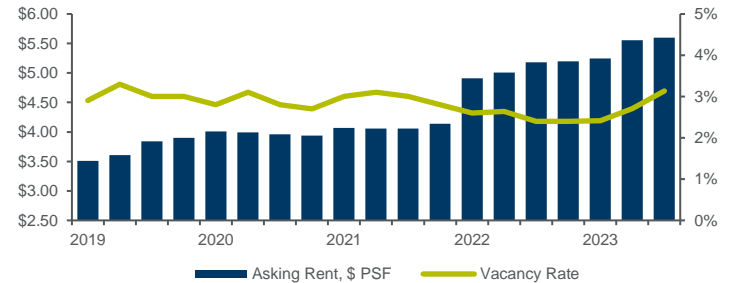
PRICING: Rental Rates Increase Modestly

Net asking rates ticked up in Q3 as the overall average reached \$5.60 per square foot (psf), a quarter-over-quarter increase of 0.8%, and an 8.1% surge year-over-year. The average asking rate for highly sought-after warehouse/distribution space in the market was recorded at \$5.49 psf, with space located in the key Airport/West Guilford submarket priced at a 29.9% premium. Pricing for space currently under construction reached \$6.42 psf on average for a full-building occupier.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 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	31,364,823	1,135,619	3.6%	201,500	539,601	1,190,543	232,720	\$5.65	\$7.62	\$7.13
Burlington/Alamance County	26,145,787	532,176	2.0%	0	5,289	579,040	297,675	\$3.50	-	\$5.97
Central Greensboro	14,470,849	1,004,176	6.9%	16,746	-31,965	0	437,790	-	\$8.72	\$6.36
Central Winston-Salem	3,452,856	0	0.0%	0	0	0	0	-	-	-
Davie County	7,509,393	185,742	2.5%	-185,742	-185,742	1,080,252	0	\$3.95	-	-
East Guilford	8,539,272	512,600	6.0%	402,000	288,300	658,610	153,900	\$2.50	-	\$4.50
High Point/Thomasville	44,911,622	523,079	1.2%	-128,353	-301,974	0	0	\$3.50	\$18.00	\$5.11
Kernersville	6,608,977	6,750	0.1%	24,750	23,625	312,384	0	-	-	-
North Forsyth County	19,708,106	1,209,944	6.1%	-693,823	-684,350	0	0	\$4.75	\$8.36	\$5.44
North Greensboro	8,863,460	140,000	1.6%	0	360,000	0	100,000	-	\$12.00	\$7.15
North Guilford County	8,146,889	0	0.0%	0	500,000	0	500,000	-	-	-
Outlying Davidson County	15,938,218	751,994	4.7%	-393,310	-751,994	0	0	\$5.00	-	\$6.00
Randolph County	17,920,795	196,400	1.1%	-196,400	-196,400	0	0	-	-	-
Rockingham County	15,649,520	944,389	6.0%	279,000	195,000	0	0	\$4.90	-	\$3.49
Southeast Forsyth	13,580,166	600,373	4.4%	-5,625	100,375	144,000	0	\$4.28	-	\$4.13
West Forsyth	6,072,324	56,107	0.9%	55,500	-607	0	0	-	-	-
MARKET TOTALS	248,883,057	7,799,349	3.1%	-623,757	-140,842	3,964,829	1,722,085	\$4.27	\$9.49	\$5.49

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

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

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
5704 Millstream Rd	East Guilford	The John Richard Collection	236,950	New Lease
Rockingham Business Park	Rockingham County	PowerSecure	176,000	New Lease
McConnell Center II	East Guilford	Industries of the Blind, Inc.	153,900	New Lease

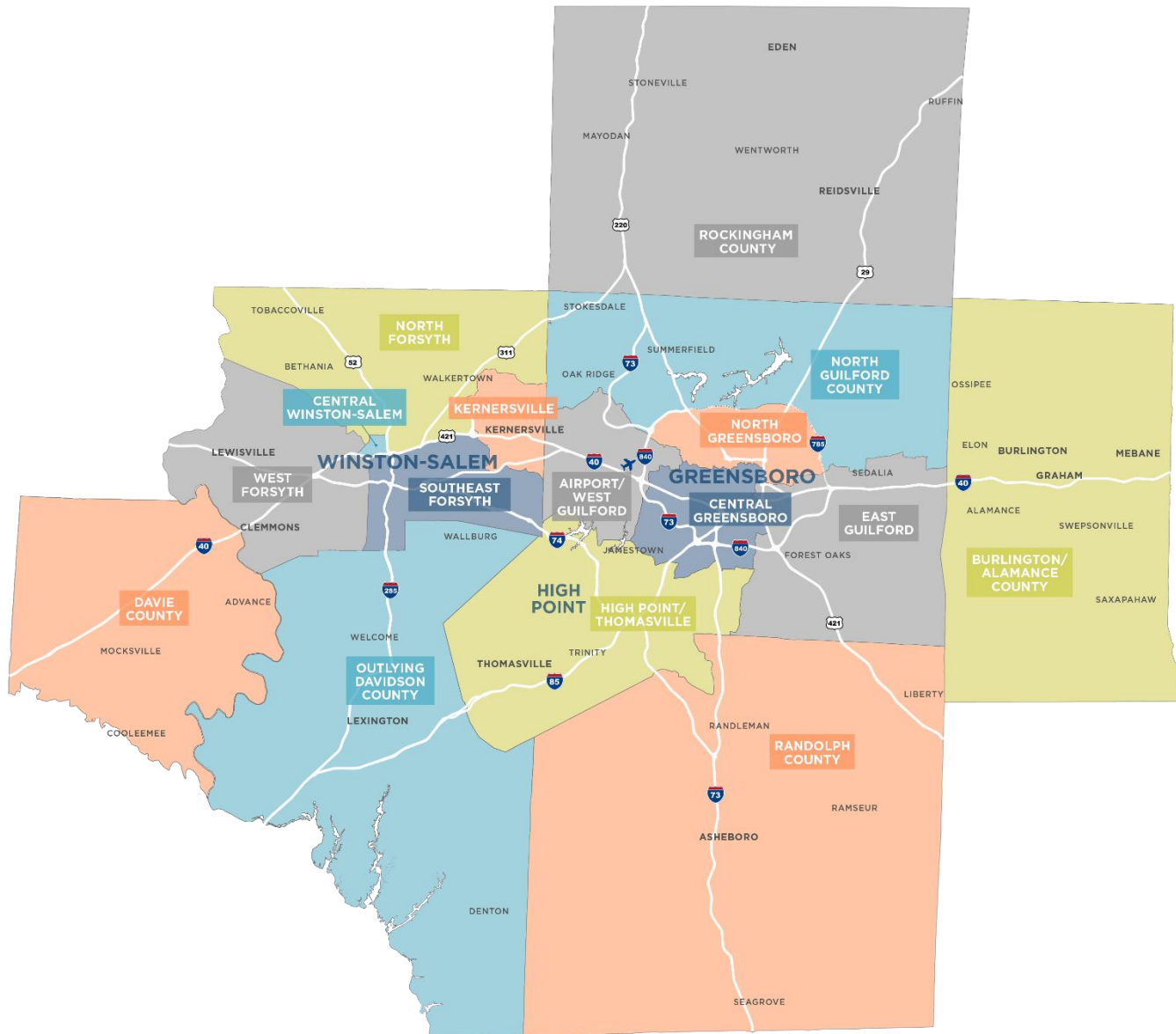
KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
73 Business Center – Building 2	Airport/West Guilford	Collett Capital ProKidney	210,600	\$25.5 M \$121.08

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 – Phase II	Davie County	Speculative	500,000	LDJ Development

INDUSTRIAL SUBMARKETS



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