

Office Q3 2023

	YoY Chg	12-Mo. Forecast
12.4% Vacancy Rate	▲	▲
-174.7K Net Absorption, SF	▲	▬
\$18.81 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: Employment Growth Bolsters Strong Labor Market

The Greensboro/Winston-Salem economy has moved forward post-COVID with strong indicators in Q3. The Triad as a metro had the third largest labor force in North or South Carolina in Q3, with nonfarm employment growing by 2.0% year-over-year (YOY). Unemployment in the region dropped over that same time to 3.5% in Q3, a 50 basis-point (bp) drop YOY.

SUPPLY AND DEMAND: Suburban Markets Drive Occupancy Losses

Overall vacancy in the market rose by 50 bps quarter-over-quarter (QOQ) driven by nearly 175,000 square feet (sf) in occupancy losses, bringing the year-to-date (YTD) overall absorption figure to -353,043 sf. Two large vacancies contributed heavily to absorption losses this quarter; the Madison Park building in the North Forsyth submarket where tenant National General Insurance put more than 116,000 sf of sublease space on the market and Deep River Corporate Center in the Airport/NW Guilford submarket where Volvo Group left nearly 32,000 sf to consolidate into existing facilities in the region. Notably, vacancy in Greensboro/Winston Salem's two Central Business Districts (CBDs) was relatively stable, ticking up 10 bps QOQ while suburban submarkets experienced the brunt of occupancy losses and rising vacancy with overall vacancy increasing by 70 bps in suburban office submarkets.

New leasing activity reported a modest 49,494 sf of deals signed this quarter, a 64.5% decrease QOQ. Global organizations continued to consolidate office footprints, especially for back-office operations, resulting in tempered leasing in the Triad market. As some national corporations continue to rightsize their office space, other companies can expect opportunities to expand in the market like Renfro Brands who occupied nearly 13,000 sf at 500 W 5th St in the Winston-Salem CBD this quarter.

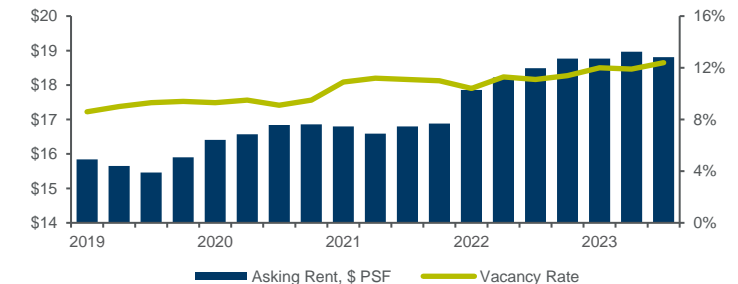
RENTAL RATES: Sublease and Class B Vacancy Weigh on Rental Rates

After six quarters of rising rental rates, the average asking rent in the Triad market fell slightly in Q3, dropping to \$18.81 per square foot (psf) overall, a modest 0.8% decrease QOQ. Sublease vacancy, though low, added downward pressure to the market's rental rate with new sublease additions bringing the average asking rate on sublease availabilities to \$14.47 psf, a 1.7% decrease QOQ. Direct rental rates remained stable in Q3 asking \$19.13 psf on average, a significant 32.2% premium over sublease space, a figure that is expected to rise as new direct space is added. The main driver of rates in the Triad continued to be Class B rates which averaged \$17.34 psf in Q3, an 18.1% discount when compared to Class A average rates (\$21.18 psf). This is significant as Class B vacancy made up 65.9% of vacant space in the market in Q3, a figure that has continued to rise over the past few quarters.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q3 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Greensboro CBD	4,012,885	228,601	8,413	5.9%	-4,957	7,704	28,378	0	\$23.86	\$24.20
Winston-Salem CBD	5,994,611	781,616	63,318	14.1%	-5,142	-46,174	20,884	0	\$18.59	\$20.01
Airport/NW Guilford	6,165,793	681,335	16,325	11.3%	-42,857	-152,758	57,775	0	\$18.64	\$18.94
Burlington/Alamance County	1,474,914	37,425	0	2.5%	0	0	0	0	\$19.00	\$19.00
East Guilford	1,421,843	700,468	0	49.3%	3,519	-11,826	3,519	0	\$18.77	\$21.00
Green Valley/Midtown	1,552,317	281,431	0	18.1%	-6,006	-78,543	33,851	0	\$24.16	\$27.75
High Point/SW Guilford	2,005,687	46,139	3,452	2.5%	539	-3,452	3,963	0	\$18.39	-
Kernersville	366,064	10,942	0	3.0%	-6,542	-8,502	6,840	0	\$16.50	-
North Forsyth	3,594,583	290,601	160,403	12.6%	-102,996	-126,781	17,853	0	\$15.40	\$19.50
North Greensboro	2,360,153	185,868	2,146	8.0%	-1,281	-24,500	3,210	0	\$22.63	\$24.74
Southeast Forsyth	569,408	0	0	0.0%	2,302	2,302	0	0	-	-
West Forsyth	3,562,768	280,275	10,325	8.2%	-7,985	25,579	42,645	0	\$18.92	\$23.34
West Greensboro	2,478,479	608,324	0	24.5%	-3,265	63,908	84,969	100,000	\$16.32	\$30.00
MARKET TOTALS	35,599,505	4,133,025	264,382	12.4%	-174,671	-353,043	303,887	100,000	\$18.81	\$21.18

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Wells Fargo Center	Winston-Salem CBD	Raymond James & Associates	10,924	Renewal
Centreport Two	Airport/NW Guilford	Sentinel Risk Advisors	8,078	Renewal
530 N Trade St	Winston-Salem CBD	The Hiib Group of North Carolina	7,783	Renewal
420 Gallimore Dairy Rd	Airport/NW Guilford	Undisclosed	7,376	New Lease

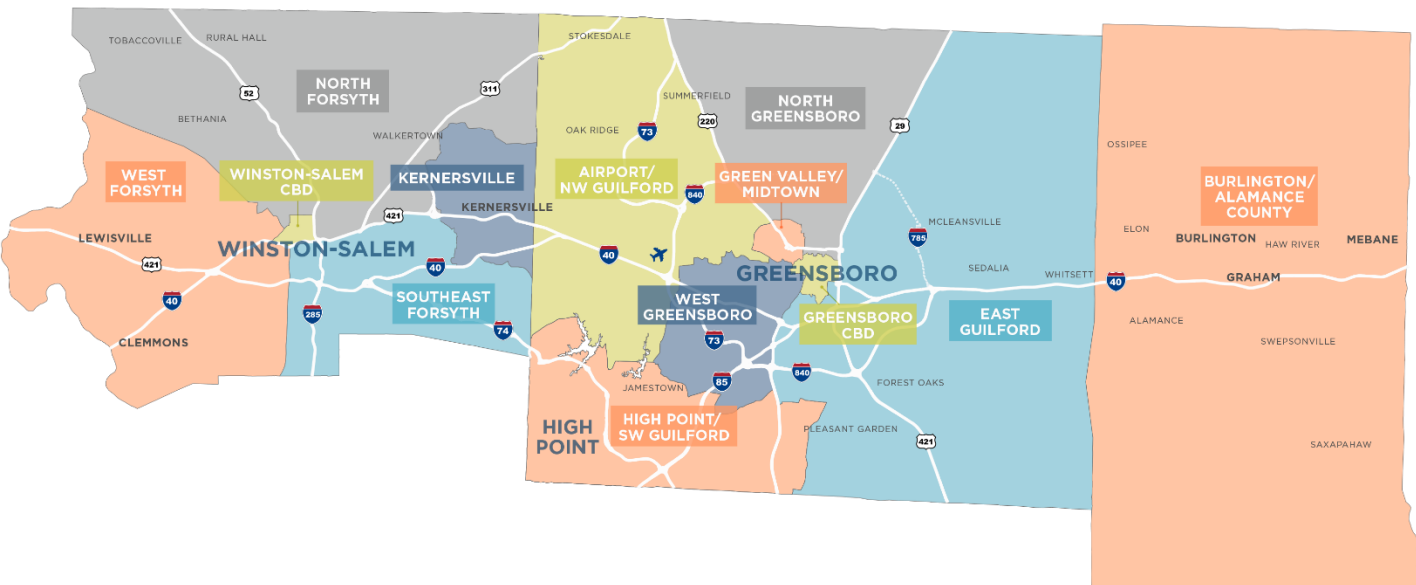
KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	Seller Buyer	SF	Price \$ PSF
445 Dolley Madison Rd	Airport/NW Guilford	MACVEST DM LLC Wake DX Investments	59,364	\$9.2M \$155

KEY METRIC YOY COMPARISON

QUARTER	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL ASKING RENTS (ALL CLASSES)*	OVERALL NET ABSORPTION (SF)	NEW LEASING ACTIVITY (SF)	COMPLETIONS YTD (SF)	UNDER CONSTRUCTION (SF)
Q3 2022	35,599,505	11.1%	\$18.49	-46,636	322,268	0	100,000
Q3 2023	35,599,505	12.4%	\$18.81	-174,671	49,494	0	100,000

OFFICE SUBMARKETS



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