

Office Q4 2023

YoY Chg 12-Mo. Forecast

12.6%
Vacancy Rate



-435.6K
YTD Net Absorption, SF



\$18.86
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

652.3K
Greensboro/
Winston-Salem
Employment



3.6%
Greensboro/
Winston-Salem
Unemployment Rate



3.7%
U.S.
Unemployment Rate



Source: BLS, CoStar

ECONOMY: Economic Indicators Stay Steady

The Greensboro/Winston-Salem Combined Statistical Area (CSA) exhibited quarterly labor force growth while also recording a slight rise in unemployment. Comparatively, nonfarm employment figures grew year-over-year (YOY), adding 9,800 jobs or a 1.5% increase while unemployment dropped by 50 basis points (bps) over that same time. Unemployment is forecasted to rise through 2024 nationally, a trend that is also expected locally in the Triad.

SUPPLY and DEMAND: Vacancy Drops while Leasing Ends Year Strong

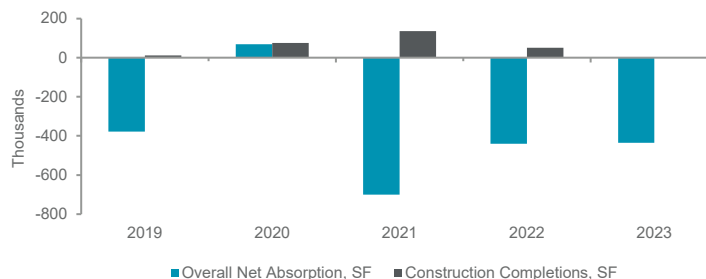
While vacancy in the Greensboro/Winston-Salem market has steadily increased over 2023, rising by 120 bps YOY, a drop in the vacancy rate was recorded for the first time since Q1 2022, with Q4 vacancy declining by 10 bps quarter-over-quarter (QOQ). The Green Valley/Midtown and Winston-Salem Central Business District (CBD) submarkets reported occupancy gains of nearly 48,100 square feet (sf), contributing to positive net absorption of nearly 12,400 sf in Q4, also the first quarterly positive absorption figure in over three years. The largest move-in of the quarter was coworking company Venture X which took more than 16,000 sf at the Lake Point building in the Green Valley/Midtown submarket. Vacancy is expected to rise in coming quarters as tenants continue to reevaluate office usage, but only modestly as demand picks up.

Office demand closed out 2023 with more than 348,700 sf of total leasing activity (including renewals) in Q4, bringing the annual figure to 901,200 sf. Notably, renewal activity made up 58.0% of total quarterly leasing with General Dynamics Mission System's renewal at Carolina Corporate Center, representing the largest lease of the quarter. Besides this renewal in East Guilford, quarterly leasing followed annual demand trends with 21.4% of leasing having occurred in the Airport/NW Guilford submarket. While leasing activity shrank by 21.9% YOY, leasing figures for 2023 surpassed the five-year average by 8.6%, demonstrating a return to normal conditions following the pandemic-related slowdown in the office sector.

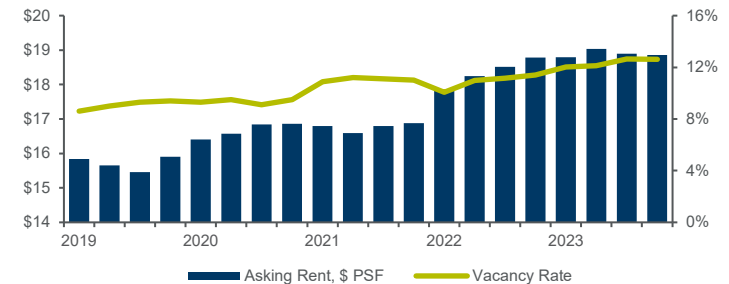
RENTAL RATES: Rental Rates Drop Negligibly

The overall average asking rental rate for the Triad market shrank for the second consecutive quarter, albeit negligibly, decreasing by a modest \$0.03 QOQ to \$18.86 per square foot (psf). While only four out of the 13 submarkets recorded a decrease in the overall asking rate, discounted Class B space was added in the North Forsyth submarket, helping to drive down the asking rate in the market. Average rates will continue to remain stifled as Class B space made up 56.0% of vacancy in the market and reported a discount of 18.4% below Class A space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q4 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	300,008	3,467	7.6%	-31,028	-40,111	81,924	0	\$23.56	\$23.89
Winston-Salem CBD	6,001,997	749,322	63,318	13.5%	32,003	-21,538	33,286	0	\$18.62	\$20.00
Airport/NW Guilford	6,167,281	739,721	16,325	12.3%	-2,057	-205,265	109,535	0	\$19.08	\$19.44
Burlington/Alamance County	1,474,914	30,425	0	2.1%	0	0	0	0	\$19.00	\$19.00
East Guilford	1,421,843	700,468	3,519	49.5%	-3,519	-15,345	4,129	0	\$18.77	\$21.00
Green Valley/Midtown	1,552,317	267,862	0	17.3%	16,088	-65,457	35,788	0	\$24.22	\$27.79
High Point/SW Guilford	2,005,687	49,070	3,452	2.6%	3,963	-10,289	14,763	0	\$18.39	-
Kernersville	366,064	10,942	0	3.0%	0	-8,502	6,840	0	\$17.84	-
North Forsyth	3,594,583	306,095	160,403	13.0%	-15,148	-145,379	32,633	0	\$15.37	\$19.50
North Greensboro	2,360,153	186,742	0	7.9%	-832	-25,361	2,210	0	\$22.68	\$25.00
Southeast Forsyth	569,408	0	0	0.0%	0	2,302	0	0	-	-
West Forsyth	3,562,768	284,245	10,325	8.3%	8,303	30,817	58,820	0	\$18.73	\$23.50
West Greensboro	2,478,479	604,170	0	24.4%	4,617	68,525	112,279	100,000	\$16.65	\$30.00
MARKET TOTALS	35,568,379	4,229,070	260,809	12.6%	12,390	-435,603	492,207	100,000	\$18.86	\$21.26

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5440 Millstream Rd	East Guilford	General Dynamics Mission Systems	159,144	Renewal
4161 Piedmont Pkwy	Airport/NW Guilford	Forvis	30,342	New Lease
5635 W Hanes Mill Rd	North Forsyth	NC Turnpike Authority	14,780	New Lease
7900 Triad Center Dr	Airport/NW Guilford	Vanderbilt Mortgage and Finance, Inc.	13,000	New Lease

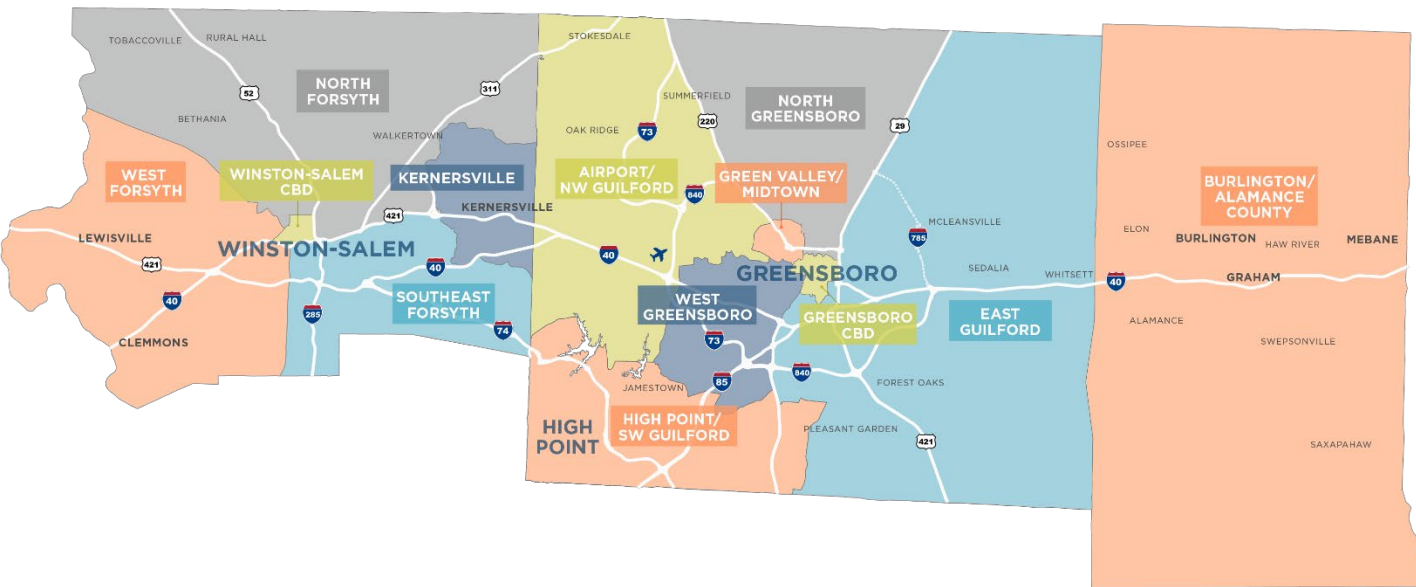
KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	Seller Buyer	SF	Price \$ PSF
4259 Piedmont Pkwy	Airport/NW Guilford	Davidson's Brookstone Consulting and Asset Management, LLC	31,942	\$1.7M \$52.90
201 S Elm St	Greensboro CBD	Elm Street Center, LLC Office Biz 201 Elm, LLC	15,096	\$1.8M \$119.24

KEY METRIC YOY COMPARISON

QUARTER	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL ASKING RENTS (ALL CLASSES)*	YTD OVERALL NET ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)	YTD COMPLETIONS (SF)	UNDER CONSTRUCTION (SF)
Q4 2022	35,568,379	11.4%	\$18.79	-440,814	738,127	49,900	100,000
Q4 2023	35,568,379	12.6%	\$18.86	-435,603	492,207	0	100,000

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