

Office Q1 2024

YoY Chg 12-Mo. Forecast

12.4%
Vacancy Rate



54.8K
Q1 Net Absorption, SF



\$18.88
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

YoY Chg 12-Mo. Forecast

643.3K
Greensboro/
Winston-Salem
Employment



3.7%
Greensboro/
Winston-Salem
Unemployment Rate



3.8%
U.S.
Unemployment Rate



Source: BLS, CoStar

ECONOMY: Employment Growth Despite Sluggishness

The economy of the Greensboro/Winston-Salem Combined Statistical Area experienced both employment gains and shrinking unemployment to close out Q1. Nonfarm employment grew minimally year-over-year (YOY), increasing by 0.6% or 4,000 jobs. The unemployment rate also recorded negligible movement, decreasing by 10 basis points (bps) YOY, keeping it slightly below the national rate. While traditional office-using sectors have been sluggish, education and health services persisted as a bright spot in the region, growing by 3.0% annually. The Innovation Quarter in the Winston-Salem Central Business District (CBD) will be a future driver of high-value-add industries, helping fuel the region's long-term prospects.

SUPPLY and DEMAND: Demand Drivers Help to Lower Vacancy

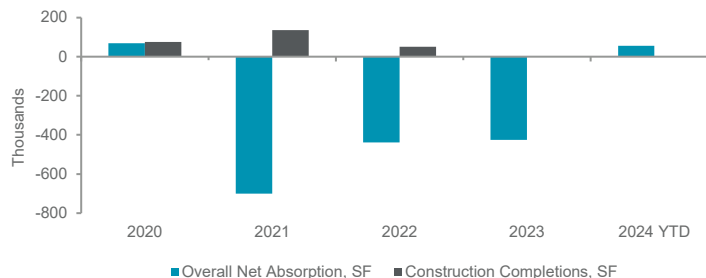
The supply of vacant space in the office market held relatively stable in Q1, falling two quarters in a row from its post-pandemic high to 12.4% overall. Contributing to this, occupancy gains were recorded for the second consecutive quarter with more than 54,800 square feet (sf) of positive absorption in Q1. Vacancy remained highly concentrated in Class B product in suburban submarkets with nearly 50.0% of the overall vacant supply in the market. Expect vacancy to rise in the coming quarters as new sublease additions like American Airlines' space at 799 Hanes Mall Blvd in the West Forsyth submarket and Tanger Management's space at 3200 Northline Ave in the Green Valley/Midtown submarket could add more than 127,000 sf of sublease vacancy once the tenants leave.

Demand was strong in Q1 with nearly 195,500 sf of new leasing activity, a 73.7% increase YOY. Leasing was highly concentrated in suburban markets with 95.3% of all new leasing, of which 87.3% was recorded in the East Guilford and Airport/NW Guilford submarkets. Notably, SSCI, Inc., a cybersecurity services firm signed on for two floors for 90,000 sf at LabCorp's former building at 5440 Millstream Dr., representing the second largest new lease in over two years.

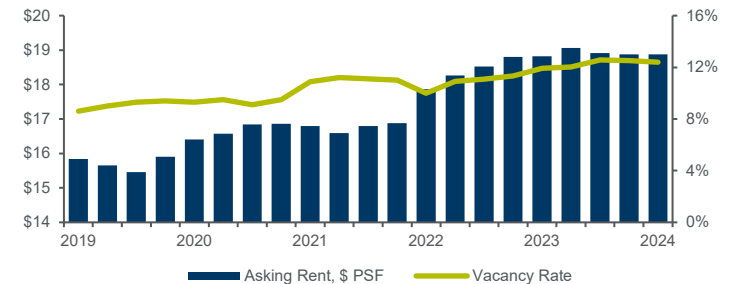
RENTAL RATES: Rates Remain Stagnant as Class B Vacancy Outweighs Class A

Office rental rates in the Triad region remained abated in Q1, measuring at \$18.88 per square foot (psf) quarter-over-quarter and increasing by 0.3% YOY. Class A rates set a record high in Q1 at \$21.50 psf overall, a 2.7% increase YOY, but the average market rates were weighed down by Class B rates which were quoted at \$17.36 psf, a 19.3% discount to Class A averages. Rents will continue to be subdued with Class B vacancy making up 56.9% of all market vacancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q1 2024

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	4,018,851	267,112	3,467	6.7%	27,884	27,884	9,239	0	\$23.57	\$23.87
Winston-Salem CBD	6,001,997	754,229	63,318	13.6%	-4,907	-4,907	0	0	\$18.63	\$20.00
Airport/NW Guilford	6,167,059	734,095	16,325	12.2%	-1,025	-1,025	80,708	0	\$19.28	\$19.76
Burlington-Alamance County	1,474,914	36,675	0	2.5%	-6,250	-6,250	0	0	\$19.00	\$19.00
East Guilford	1,421,843	700,468	3,519	49.5%	0	0	90,000	0	\$18.43	\$21.00
Green Valley/Midtown	1,552,317	239,260	0	15.4%	25,326	25,326	2,939	0	\$24.27	\$27.82
High Point/SW Guilford	2,005,687	39,866	3,452	2.2%	10,800	10,800	0	0	\$18.02	-
Kernersville	366,064	10,942	0	3.0%	0	0	0	0	\$17.84	-
North Forsyth	3,594,583	294,943	160,403	12.7%	674	674	5,362	0	\$15.53	\$19.50
North Greensboro	2,360,153	193,651	2,276	8.3%	-9,185	-9,185	0	0	\$22.67	\$24.81
Southeast Forsyth	569,408	0	0	0.0%	0	0	0	0	-	-
West Forsyth	3,562,768	290,554	4,327	8.3%	-2,916	-2,916	1,896	0	\$18.80	\$23.50
West Greensboro	2,478,479	581,204	0	23.5%	14,437	14,437	5,289	100,000	\$16.64	\$30.00
MARKET TOTALS	35,574,123	4,142,999	257,087	12.4%	54,838	54,838	195,433	100,000	\$18.88	\$21.50

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5440 Millstream Rd	East Guilford	SSCI, Inc.	90,000	New Lease
7025 Albert Pick Rd	Airport/NW Guilford	S&N Communications, Inc.	23,249	New Lease
4000 Ossi Ct	North Forsyth	Undisclosed	19,500	New Lease
7900 McCloud Rd	Airport/NW Guilford	Undisclosed	16,307	New Lease

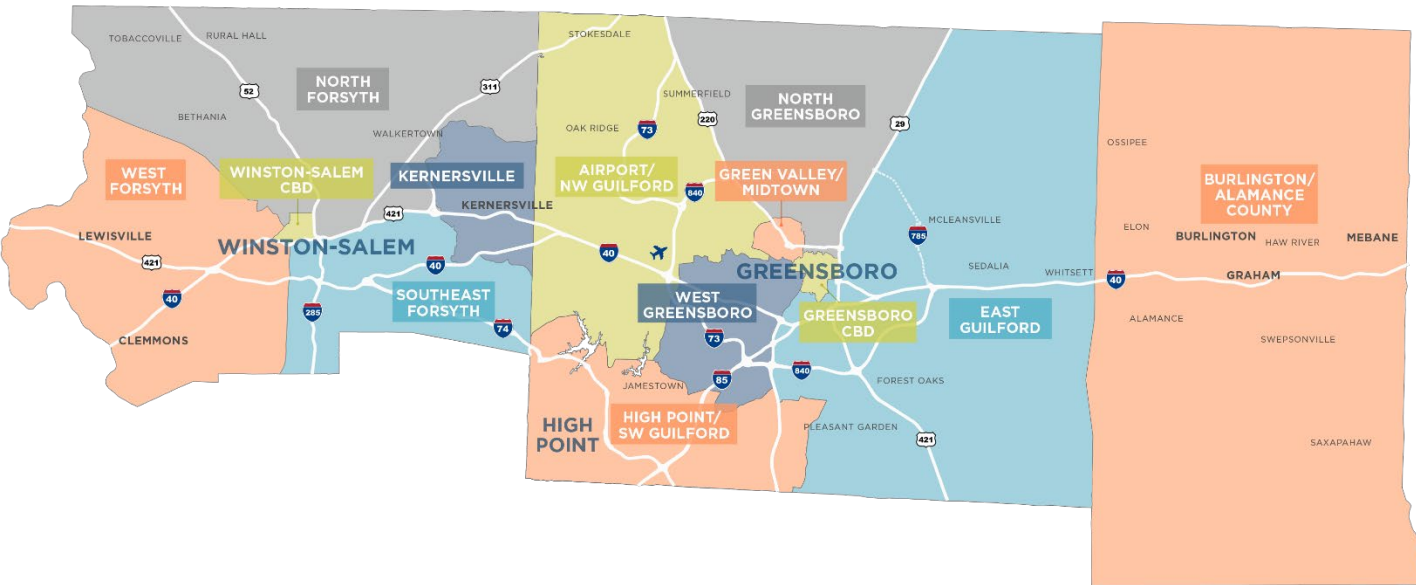
KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	Seller Buyer	SF	Price \$ PSF
714 Green Valley Rd	Green Valley/Midtown	Guilford County Board of Education RJ Reynolds Tobacco Company	126,650	\$9.4M \$73.90
2650 Pilgrim Ct	North Forsyth	Inmar Commercial Realty Advisors	100,000	\$4.1M \$41.00

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)
Q1 2023	35,574,123	11.9%	\$18.82	-217,597	92,703	0	100,000
Q1 2024	35,574,123	12.4%	\$18.88	54,838	195,433	0	100,000

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