

FIGURES | TRIAD OFFICE | Q4 2023

# Triad office market fundamentals remain soft as increasing vacancy persists

▲ 16.8%

Vacancy Rate

▼ -59K

SF Net Absorption

▶ 209K

SF Under Construction

▲ \$19.92

Average Asking Lease Rate

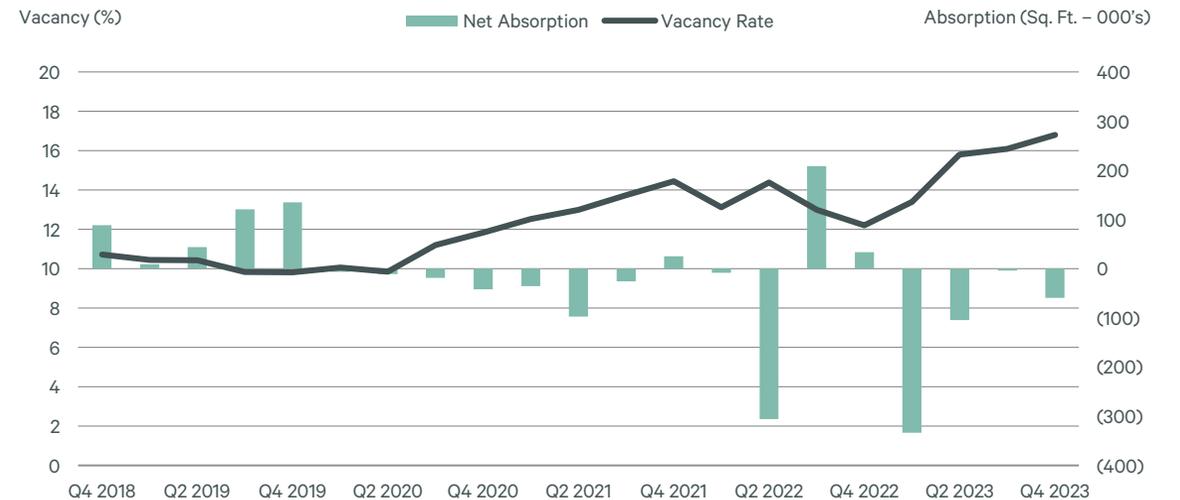
Note: Arrows indicate change from previous quarter.

## Highlights

- Overall vacancy in the Triad reached a cyclical high of 16.8% in Q4, increasing 63 basis points quarter-over-quarter and 457 bps year-over-year.
- The Triad office market experienced 59,000 sq. ft. of negative absorption, which marks the fourth straight quarter of negative demand.
- Sublease availability increased marginally by 5,608 sq. ft. quarter-over-quarter to 522,000 sq. ft., representing 2% of market-wide inventory.
- The overall average asking rate increased 5.9% year-over-year to \$19.92 per sq. ft.
- 209,000 sq. ft. of new office construction is underway, with no new construction starts and no deliveries occurring in Q4.

CBRE tracks over 27 million sq. ft. of office space in the Triad market. The market is composed of two counties – Guilford and Forsyth – with 11 submarkets.

FIGURE 1: Vacancy Rate vs. Net Absorption



Source: CBRE Research, Q4 2023

### Net Absorption Remains Negative

The Triad office market remained in negative territory to finish the year as tenants once again gave back more space than they leased. Guilford County experienced 36,000 sq. ft. of negative absorption while Forsyth County experienced 22,000 sq. ft. of negative absorption. The Greensboro CBD submarket was the primary driver of negative absorption with 32,000 sq. ft. of negative activity.

### Vacancy Heightens Sharply

Total market vacancy increased 63 basis points to 16.6%, which marks a new cyclical high for the Triad. Guilford County’s vacancy rate increased 58 bps to 16.7%, while Forsyth County’s vacancy increased 71 bps to 16.8%. A few sizable leases occurred in the Triad in Q4. Venture X signed a new lease to occupy 16,088 sq. ft. at 701 Green Valley Rd., located in the NW Guilford submarket. Robinhood Integrative Health renewed its space at 3288 Robinhood Rd., expanding its footprint to 13,000 sq. ft. in the West Forsyth submarket. In the Winston-Salem CBD submarket, Alex Brown renewed its lease for 10,924 sq. ft. at 100 N. Main St.

### Asking Rate Growth Flattens

The average market-wide asking rate stood at \$19.92 per sq. ft. in Q4, increasing by just 0.2% quarter-over-quarter and 5.9% year-over-year. Guilford County’s average asking rate remained unchanged quarter-over-quarter at \$20.76 per sq. ft., and Forsyth County’s average rate increased by 0.4% quarter-over-quarter to \$18.30 per sq. ft. CBRE attributes the higher asking rates to the increase in tenant improvement costs and requests from tenants that the Landlord fund the majority of those costs.

### Construction Activity Remains Stagnant

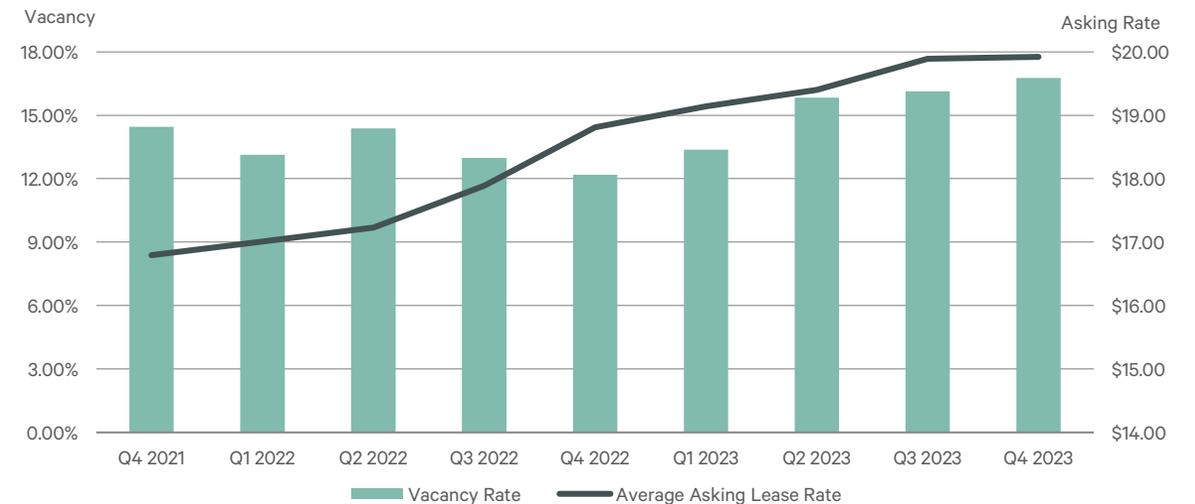
Office space under construction remained the same quarter-over-quarter at 209,000 sq. ft. in Q4. Construction continues at the existing facilities for Syngenta and Volvo as well as the redevelopment of the Millhouse at Revolution Mill, which includes 46,425 sq. ft. of speculative office space. Construction activity remains quiet in the Triad, with no new construction starts occurring in 2023.

FIGURE 2: Significant Lease Transactions

Tenant	Address	Square Feet
Venture X	701 Green Valley Rd. Greensboro, NC	16,088 (New)
Robinhood Integrative Health*	3288 Robinhood Rd. Winston-Salem, NC	13,000 (Expansion/Renewal)
Alex Brown*	Wells Fargo Center 100 N. Main St. Winston-Salem, NC	10,924 (Renewal)
Spectrum Reach*	Centreport One 200 Centreport Dr. Greensboro, NC	9,768 (Renewal)

\*Denotes CBRE Transaction

FIGURE 3: Vacancy Rate vs. Average Asking Lease Rate`



Source: CBRE Research, Q4 2023

### Sublease Space Climbs Slightly

Triad sublease availability rose at a slower pace in Q4 than was witnessed earlier in the year. Available sublease space increased in Q4 to 522,478 sq. ft., representing 2% of the total market size and 10.8% of all space available for lease. According to CBRE’s most recent national office figures, sublease space accounted for 19% of total available space nationally, which is still well above the availability percentage in the local region. Sublease space available in the Triad has grown by 220,470 sq. ft. since Q4 2022.

### Capital Markets Remains Stagnant

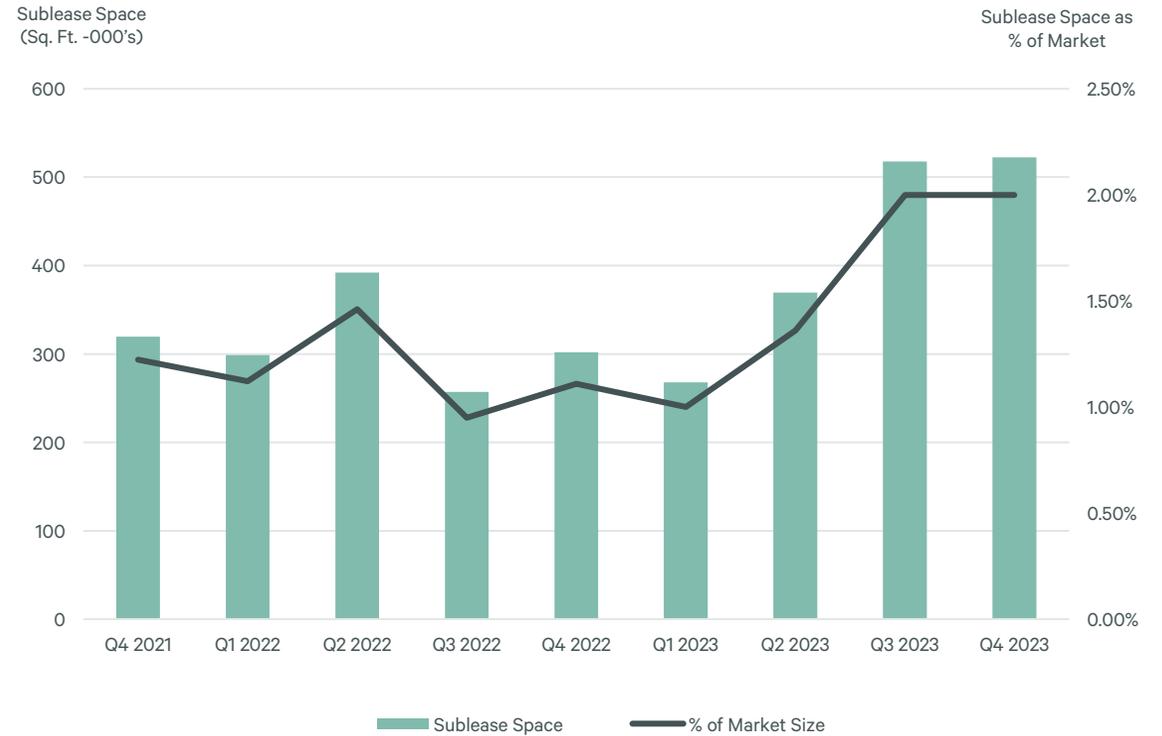
While interest rate hikes were paused through the end of the year, capital markets activity for the office sector continued to be slow in Q4. With delinquency rates on the rise, the number of distressed properties will likely heighten in the near future, creating potential opportunities for buyers in the market. In the Greensboro CBD submarket, Elm Street Center LLC sold a 15,096-sq.-ft. office building at 201 S Elm St. to Officebiz Spring LLC for \$1.8 million or \$119.24 per sq. ft.

### Analysis

While there were a few sizeable transactions signed in the Triad to end the year, leasing activity remains anemic as economic and structural challenges persist. Average asking rates have remained relatively flat over the last two quarters, further indicating tenant-favorable market conditions. The persistent economic uncertainty and the indecisiveness of companies for return-to-office plans has prompted the prevalence of downsizing trends. While interest rates have stabilized since July, the present structural and cyclical challenges will continue to impact capital markets through 2024. CBRE expects hybrid work to continue to affect tenants’ size requirements, which may place continued upward pressure on vacancy in the near term along with an increase in sublease space.

Leasing activity for the local office sector continues to be affected by the post-pandemic corporate trends. According to the latest [CBRE Office Figures](#), spaces of between 10,000 and 20,000 sq. ft. made up 61% of all office leases this quarter, compared with the 46% pre-pandemic average. This national trend is also prevalent in the Triad as the majority of new leases signed continue to be smaller as a result of local corporations limiting their office presence. It is yet to be seen whether 2024 will provide a clearer picture regarding office utilization.

FIGURE 4: Sublease Space as Percentage of Market



Source: CBRE Research, Q4 2023

FIGURE 5: Submarket Breakdown

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Sublease Space (SF)	Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Net Avg. Asking Lease Rate (SF/Yr)
Greensboro CBD	3,461,110	372,661	10.8%	14,807	-32,723	-26,789	-	\$23.23
Northwest Guilford	2,782,631	440,672	15.8%	54,595	3,466	-10,236	-	\$23.17
Northeast Guilford	1,631,025	108,577	6.7%	-	-	7,058	46,725	\$25.29
Southeast Guilford	916,690	515,160	56.2%	-	-	-	-	-
Southwest Guilford	1,869,466	480,699	25.7%	-	-	15,569	-	\$16.76
High Point	1,631,811	27,804	1.7%	-	-	10,479	-	\$19.77
Piedmont Triad Airport Area	4,502,010	861,216	19.1%	285,350	-7,447	-117,713	162,000	\$20.48
<b>Greensboro Totals</b>	<b>16,794,743</b>	<b>2,806,789</b>	<b>16.7%</b>	<b>354,752</b>	<b>-36,704</b>	<b>-121,632</b>	<b>208,725</b>	<b>\$20.76</b>
Winston - Salem CBD	4,632,163	1,032,255	22.3%	61,844	-2,333	-302,579	-	\$17.92
North Forsyth	2,476,093	295,741	11.9%	-	-15,450	-84,217	-	\$15.05
Southeast Forsyth	131,420	-	-	-	-	-	-	-
West Forsyth	3,028,602	401,165	13.3%	105,882	-4,954	6,435	-	\$22.25
<b>Winston-Salem Totals</b>	<b>10,268,278</b>	<b>1,729,161</b>	<b>16.8%</b>	<b>167,726</b>	<b>-22,737</b>	<b>-380,361</b>	<b>-</b>	<b>\$18.30</b>
<b>Office Totals</b>	<b>27,063,021</b>	<b>4,535,950</b>	<b>16.8%</b>	<b>522,478</b>	<b>-59,441</b>	<b>-501,993</b>	<b>208,725</b>	<b>\$19.92</b>

FIGURE 6: Vacancy Rates

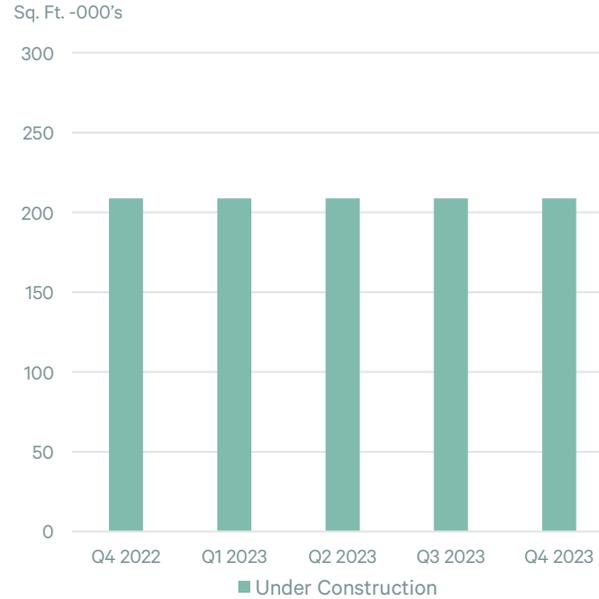


**Office vacancy reaches new cyclical high**

The overall vacancy rate increased 63 bps to 16.8% in Q4. Guilford County’s vacancy rate increased 58 bps to 16.7%, while Forsyth County’s vacancy rate increased 71 bps to 16.8%.

Source: CBRE Research, Q4 2023

FIGURE 7: Construction Activity

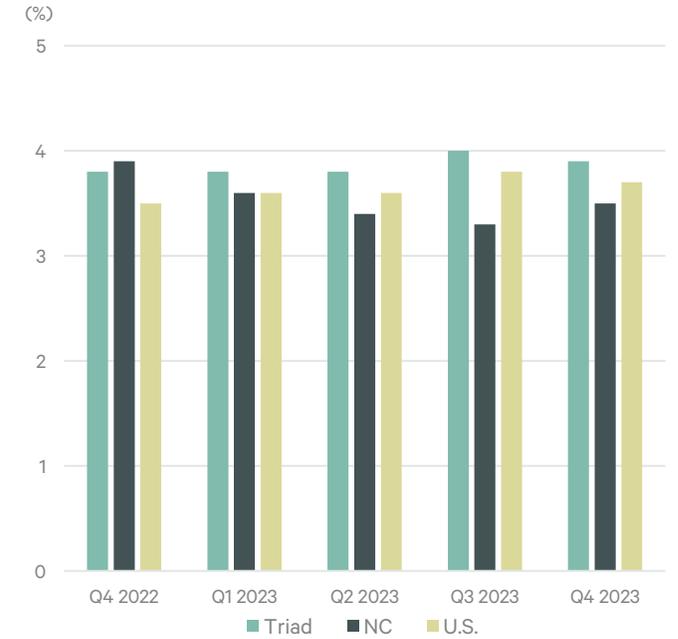


**Construction activity remains unchanged**

There were no new construction starts in Q4. Corporate expansions by Syngenta and Volvo and a speculative redevelopment at the Millhouse at Revolution Mill continued construction, while no new office space was delivered.

Source: CBRE Research, Q4 2023

FIGURE 8: Unemployment Rates

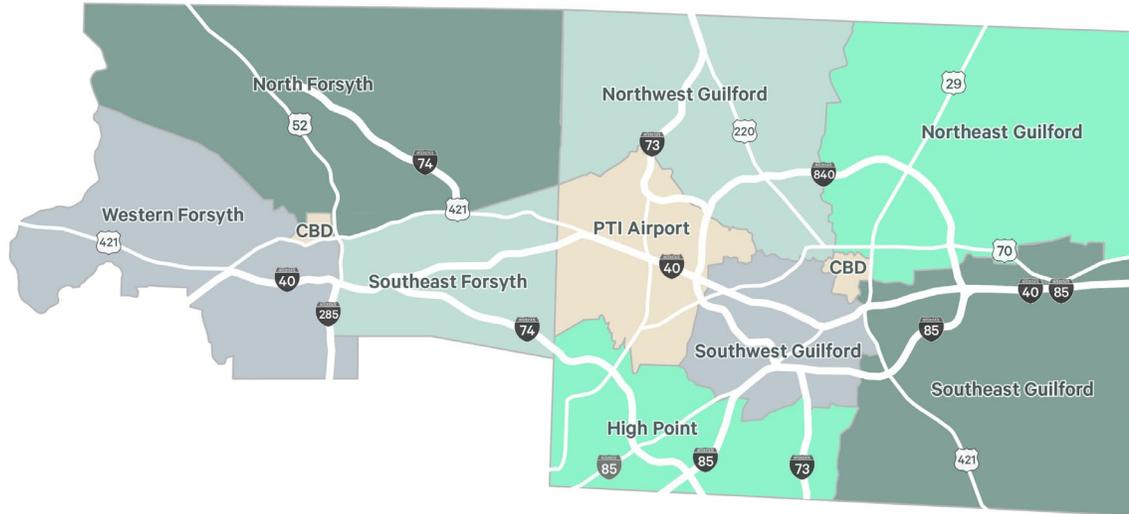


**Unemployment rates decline in the Triad**

The Triad unemployment rate declined to 3.9% in November. North Carolina unemployment increased to 3.5%, while U.S. unemployment slightly decreased to 3.7%.

Source: U.S. Bureau of Labor Statistics, November 2023.

## Market Area Overview



### Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.

Availability Rate: Total Available Sq. Ft. divided by the total building Area.

Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.

Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.

Net Absorption: The change in Occupied Sq. Ft. from one period to the next.

Occupied Sq. Ft.: Building Area not considered vacant.

Sublease Sq. Ft.: Total Available Sublease Sq. Ft.

Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.

Vacant Sq. Ft.: Space that can be occupied within 30 days.

### Survey Criteria

Includes office buildings 10,000 sq. ft. and greater in size in Guilford and Forsyth counties.

Buildings which have begun construction as evidenced by site excavation or foundation work.

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