

FIGURES | GREENSBORO / WINSTON-SALEM OFFICE | Q3 2024

Hybrid working patterns continue to drive down corporate footprints

▲ 20.3%

Vacancy Rate

▼ (661,716)

SF Quarterly Net Absorption

▶ 0

SF Under Construction

▼ 207,261

SF Available Sublease Space

▲ \$20.26

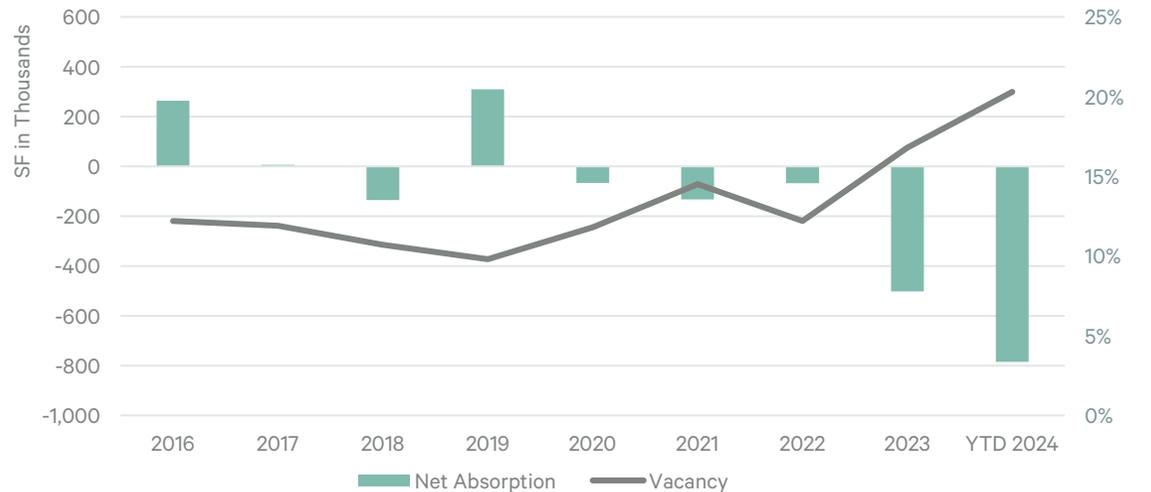
Average Asking Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET REPORT HIGHLIGHTS

- Overall vacancy rose to 20.3%, up 210 bps quarter-over-quarter and 420 bps year-over-year. Since Q3 2020, office vacancy has increased by 910 bps.
- The office market experienced 661,716 sq. ft. of negative absorption in Q3 2024, bringing the year-to-date total to negative 908,223 sq. ft. The majority of the negative absorption occurred in the Winston-Salem CBD submarket, where Wells Fargo vacated over 700,000 sq. ft. across multiple buildings.
- Sublease availability decreased to 207,261 sq. ft. in Q3, marking the third consecutive quarter of decline.
- The average asking rent rate ended Q3 at \$20.26 per sq. ft., up 0.6% for the quarter and 1.9% year-over-year. The flight-to-quality trend persists, as effective rents for top-tier buildings continue to outperform lower-tier buildings.
- There is currently no speculative space under construction in the Greensboro/Winston-Salem market, and no projects are expected to break ground for the foreseeable future.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q3 2024

Market Fundamentals

The Greensboro/Winston-Salem office sector experienced a sharp rise in vacancy in Q3 as the reimagining of traditional work environments caused corporations with a substantial presence locally to downsize their real estate footprints. Wells Fargo is the most recent example of this corporate trend, vacating over 700,000 sq. ft. of leased office space across multiple buildings in the Winston-Salem CBD submarket. The company will still occupy over 100,000 sq. ft. at the Wells Fargo Center in the Winston-Salem CBD. As a result of this downsizing, overall vacancy ended Q3 at 20.3%, up 210 basis points quarter-over-quarter and 420 basis points year-over-year. The Winston-Salem CBD was negatively impacted the most by Wells Fargo’s recent decision, reaching a record high vacancy of 31.3%.

Over 661,716 sq. ft. of negative absorption was recorded in Q3 2024, bringing the year-to-date tally to negative 908,223 sq. ft. The Greensboro/Winston-Salem market has now had seven straight quarters of negative absorption. Leasing activity, an indicator of demand and interest from potential tenants, continues to be dominated by tenants renewing or upgrading to smaller footprints upon relocation. While overall tenant demand remains stagnant, prime buildings in the market continue to see healthy activity. HanesBrands signed a new lease to occupy 122,670 sq. ft. at 101 N. Cherry St. in the Winston-Salem CBD submarket. HanesBrands will move its corporate headquarters from 1000 E. Hanes Mill Rd. in the North Forsyth submarket to the heart of Winston-Salem. HanesBrands officials said the Park Building at 101 N. Cherry St. fits the company’s operating model and will help simplify the business. Carolina University announced it will move into the old HanesBrands building by fall 2025, removing over 476,000 sq. ft. of owner-occupied office inventory in Winston-Salem.

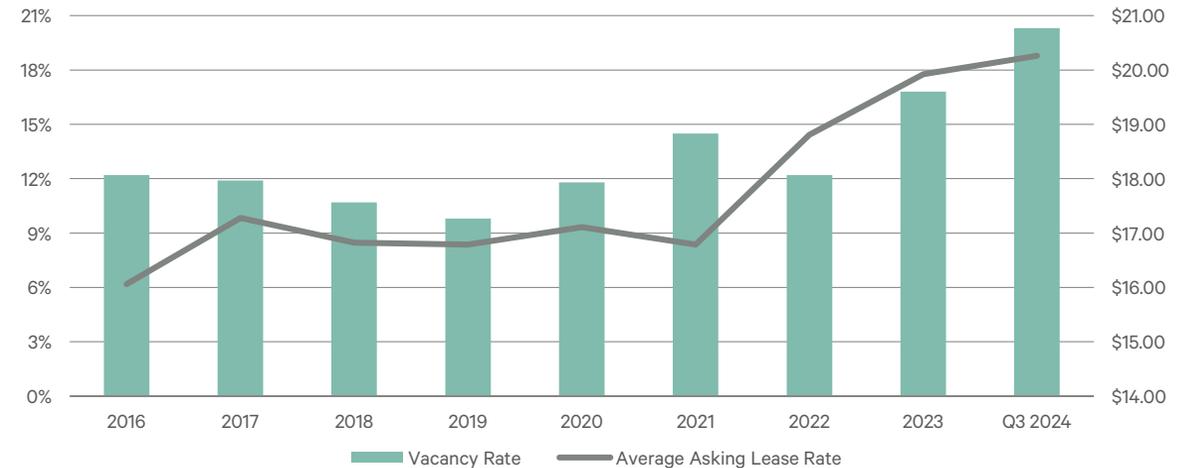
Sublease availability decreased for the second straight quarter to 207,261 sq. ft. in Q3 after reaching a cyclical high of 613,106 sq. ft. in Q1 2024. Sublease availability sits at 0.8% of market-wide inventory. The West Forsyth submarket is the primary driver, with 105,882 sq. ft. of available sublease space.

FIGURE 2: Select Lease Transactions Q3 2024

Tenant	Property	Type	Square Feet	Submarket
HanesBrands*	101 N. Cherry St.	New	122,670	Winston-Salem CBD
General Services Administration*	4905 Koger Blvd.	Renewal	86,190	Southwest Guilford
Fresenius*	7019 Albert Pick Rd.	New	8,658	PTI Airport
Car Riggs Ingram CPA’s	7025 Albert Pick Rd.	New	7,500	PTI Airport

*Denotes CBRE Transaction

FIGURE 3: Vacancy Rate vs. Average Asking Lease Rate



Source: CBRE Research, Q3 2024

Rent Rates

The Greensboro/Winston-Salem market has been in an unusual situation for the past several quarters. While vacancy hits cyclical record highs, the price of leasing space has stayed on an upward trajectory. This local trend has also played out on a national level. A few primary reasons for the rent growth despite the damper in demand are inflated tenant improvement costs, shrinking tenant footprints, and rising construction costs. Since Q3 2020, average asking rates locally have risen by 22.6%. Rent growth has slowed in 2024, with a growth rate of 0.8% since the beginning of the year. Owners of premium buildings will likely continue to push asking rates higher as the demand remains for first-generation spaces.

Capital Markets

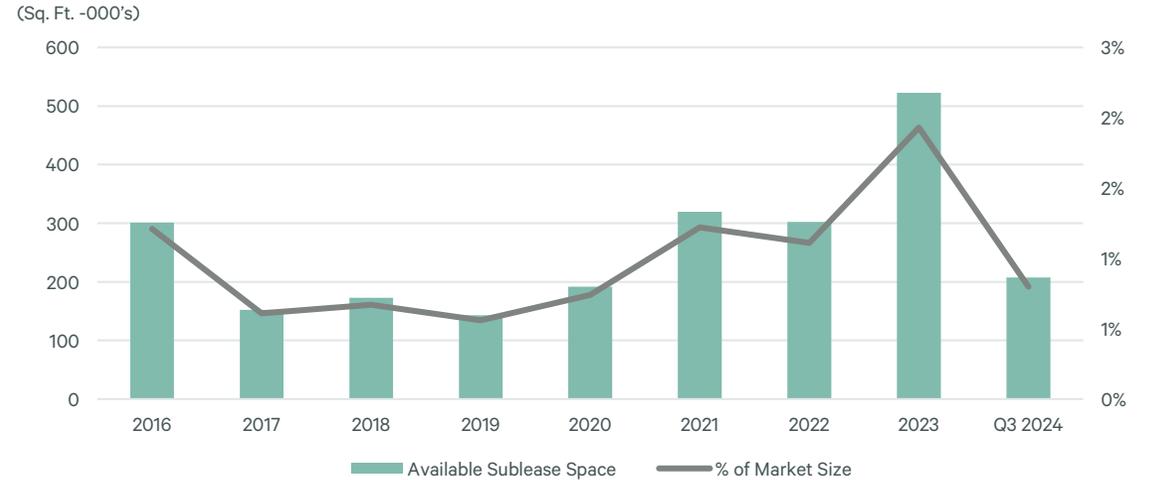
Despite the challenging lending environment for office space, there was a sizeable transaction locally in Q3. In the NW Guilford submarket, TowneBank acquired 628 Green Valley Rd. This 106,959-sq.-ft. building was sold by Deep River Partners for \$31.5 million, or \$294.51 per sq. ft. TowneBank will occupy the first floor of the building. This sale was the largest office transaction in the Greensboro/Winston-Salem market so far in 2024.

Outlook

The Greensboro/Winston-Salem market continues to be affected by companies downsizing their footprints. Over the past year, companies such as Wells Fargo, Lincoln Financial Group, Mack Trucks and Blue Cross Blue Shield have decided to shrink their real estate presence locally. As a result, overall vacancy has exceeded 20%, and quarterly absorption remains in negative territory. However, there are still reasons to be optimistic about the office sector. Prime buildings continue to garner interest due to tenants’ desire for amenities that will attract top talent. This has helped keep rent growth healthy despite vacancy surging higher, especially in lower-tier buildings.

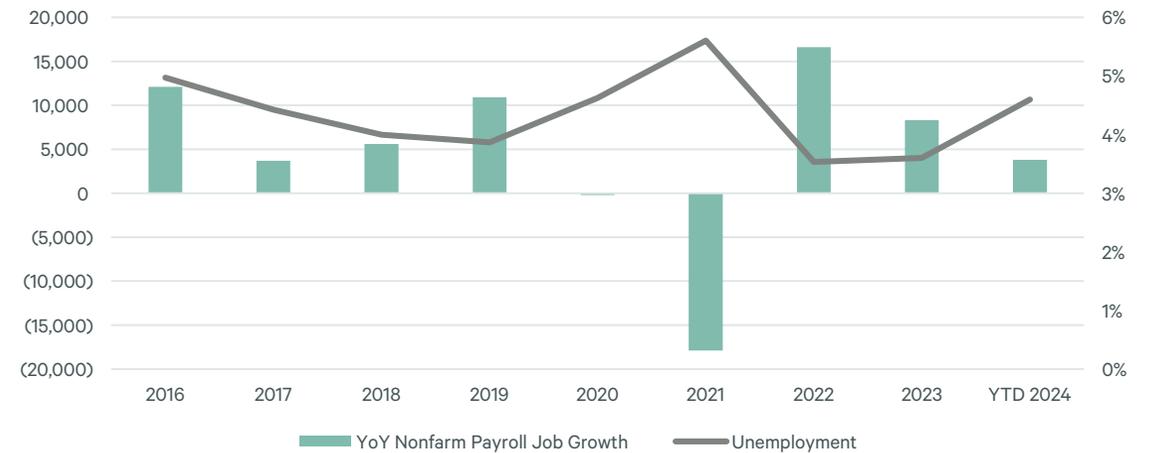
In CBRE’s recently released [Occupier Sentiment Survey](#), 64% of respondents reported that their utilization has reached a steady state. That percentage is up from 60% last year and 43% in 2022. More high-profile companies have recently announced heightened attendance requirements. As office returns rise, some companies may realize they had downsized more than they should have.

FIGURE 4: Available Sublease Space



Source: CBRE Research, Q3 2024

Figure 5: Greensboro/Winston-Salem Unemployment and Job Growth

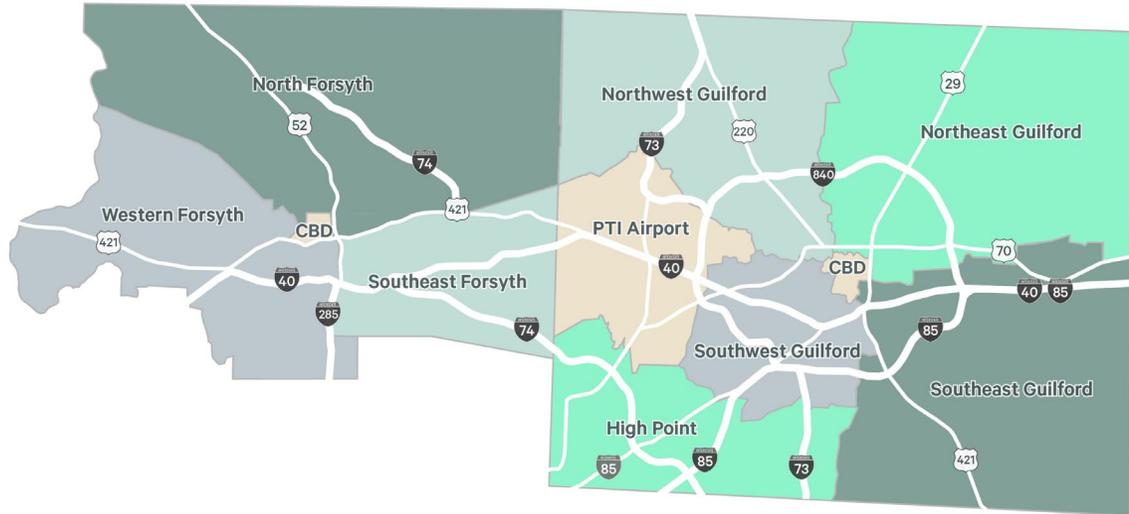


Source: BLS, August 2024, Not Seasonally Adjusted

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)	NNN Avg. Asking Lease Rate (SF/Yr)
Greensboro CBD	3,297,127	422,180	12.8%	11,340	(34,777)	(126,008)	-	\$22.01
Northwest Guilford	2,637,376	477,559	18.1%	45,918	20,653	(95,056)	-	\$22.44
Northeast Guilford	1,825,064	37,095	2.0%	-	14,828	77,055	-	\$23.98
Southeast Guilford	903,528	654,275	72.4%	-	-	-	-	-
Southwest Guilford	1,622,336	402,448	24.8%	-	-	76,564	-	\$17.00
High Point	1,318,494	73,192	5.6%	-	(32,578)	(105,263)	-	\$18.26
Piedmont Triad Airport Area	3,418,777	807,555	23.6%	37,246	(1,962)	9,232	-	\$20.76
Greensboro Totals	15,022,702	2,874,304	19.1%	94,504	(594)	(163,476)	-	\$20.68
Winston - Salem CBD	4,827,398	1,511,735	31.3%	6,875	(602,104)	(598,880)	-	\$20.34
North Forsyth	1,933,624	320,085	16.6%	-	32,717	(28,884)	-	\$15.05
Southeast Forsyth	534,429	-	-	-	-	-	-	-
West Forsyth	2,748,186	390,883	14.2%	105,882	30,935	5,687	-	\$22.25
Winston-Salem Totals	10,043,637	2,222,703	22.1%	112,757	(538,452)	(622,077)	-	\$19.75
Office Totals	25,066,329	5,097,007	20.3%	207,261	(539,046)	(785,553)	-	\$20.26

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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