

Greensboro/Winston-Salem retail market kicks off 2024 with record high asking rates

▲ 5.9%
Vacancy Rate

▼ 38K
SF Net Absorption

▼ 15K
SF Construction

▲ \$14.97
Average Lease Rate

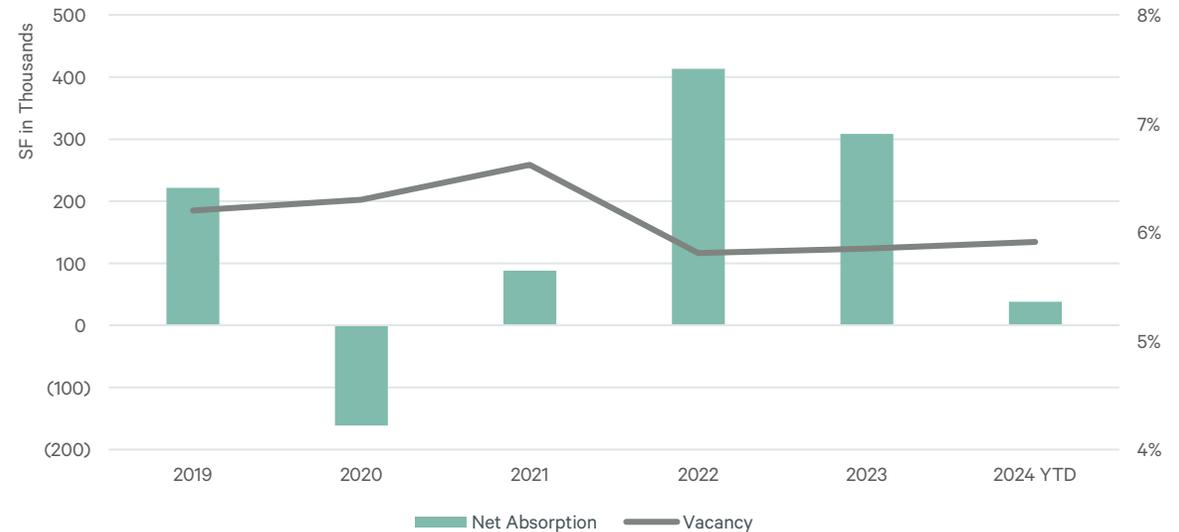
▼ \$114.3M
Trailing 12-Month Retail Investment Sales

Note: Arrows indicate change from H2 2023.

MARKET REPORT HIGHLIGHTS

- Vacancy rose to 5.9%, up 10 basis points from year-end 2023 but down 10 bps year-over-year.
- Average asking rates increased by 3.0% year-over-year to \$14.97 per sq. ft. Since mid-year 2020, average asking rates have increased by 36%.
- Construction activity declined to just 15,000 sq. ft., down 73,000 sq. ft. year-over-year. High construction costs continue to ensure scarcity of new development activity.
- The Triad’s retail market recorded 37,000 sq. ft. of net absorption during the first half of 2024, which is a sizeable decrease from the 120,000 sq. ft. absorbed in the second half of 2023.
- Retail property sales in the Triad reached \$55 million in the first half of 2024, which is a 6.7% decline in volume compared to the second half of 2023.
- The Triad’s retail fundamentals are expected to remain strong through 2024 due to the long-running lack of new construction deliveries and continued strong consumer spending and tenant demand.

FIGURE 1: Net absorption and Vacancy



Source: CBRE Research, H1 2024

Market Fundamentals

Market fundamentals were positive for the Greensboro/Winston-Salem retail sector in the first half of 2024, highlighted by rising demand and a restricted supply of new retail spaces. Local vacancy increased slightly to 5.9%, up 10 basis points from the second half of 2023. Guilford County’s vacancy rate remained the same in the first half of the year at 8.0%. Vacancy increased 30 bps to 4.5% in Forsyth County and decreased 10 bps in Alamance County to 2.5%. Vacancy has dropped from a cyclical high of nearly 7.0% when the COVID pandemic was still widely affecting the retail market in early 2021.

Net absorption totaled 37,930 sq. ft. for the first half of 2024, bringing the 12-month total to 346,491 sq. ft. While net absorption has slowed compared to the strong activity witnessed during the past two years, demand for prime retail space in the local market remains strong. The retail sector is currently the strongest performing segment of the local commercial real estate market. While availability is tight market-wide, it is even more constrained for the prime locations, as landlords are having no issues backfilling vacancies in the most desirable retail corridors.

Leasing activity continues to be driven by the backfilling of big-box spaces. The most notable example in the first half of 2024 was American Freight Furniture taking 27,703 sq. ft. at Holding Crossing in the Central Guilford submarket. In addition, Shannon Lee Furniture & Décor has signed a new 19,976-sq.-ft. lease to backfill the entire vacant building at 1621 Battleground Ave., where Guilford Builders Supply used to reside.

Rent Rates

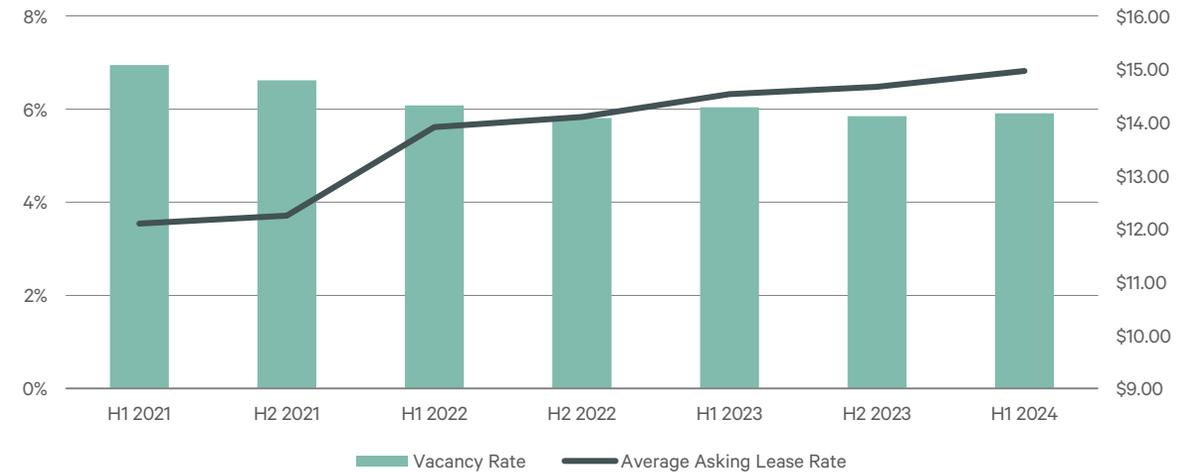
The average asking rate for the Greensboro/Winston-Salem’s retail sector rose yet again in the first half of 2024. Rental rates increased 3.0% year-over-year and 2.0% since the second half of 2023 to \$14.97 per sq. ft. Since the first half of 2020, rental rates locally have risen by 36%. Guilford County’s average asking rate increased 9.5% year-over-year to \$15.62 per sq. ft., Forsyth County’s average rate decreased 8.9% to \$13.50 per sq. ft., and Alamance County’s average rate rose 1.4% to \$14.34 per sq. ft.

FIGURE 2: Significant Lease Transactions

Tenant	Property	Type	Square Feet	Submarket
American Freight Furniture	Holden Crossing	New	27,703	Central Guilford
Shannon Lee Furniture & Decor	1621 Battleground Ave.	New	19,976	NW Guilford
Millie’s On Trade	622 N Trade St.	New	11,680	Winston-Salem CBD
Aji Fusion*	Irving Park Plaza	New	10,800	NW Guilford

*Denotes CBRE Transaction

FIGURE 3: Vacancy Rate vs. Average Asking Lease Rate



Source: CBRE Research, H1 2024

Capital Markets

Local retail investment sales remained light in the first half of 2024 due to persistent economic uncertainty and challenging lending environments. Recent sales activity has been driven by the acquisition of desirable strip centers that are located on premier retail corridors. The most notable strip center that traded so far in 2024 was located in the Clemmons submarket. New South Properties purchased The Clemmons Center, located at 1410 River Ridge Ln., from Clemmons River Ridge LLC for \$7.3 million, or \$134.45 per sq. ft. In the Central Guilford submarket, Partco Myrtle Beach LLC acquired the Guilford Station Shoppes at 5529 W Market St. Hollywood Self Storage sold this 33,350-sq.-ft. strip center for \$6.2 million, or \$184.41 per sq. ft. Total transaction volume fell slightly to \$55 million in the first half of 2024.

Construction Activity

New construction decreased by 5,000 sq. ft. in the first half of 2024 to a cyclical low of 15,000 sq. ft. Since the first half of 2021, total space under construction has fallen by 86,000 sq. ft. According to CBRE research high construction costs have kept U.S. retail development low to start the year. This national trend is also tracking locally, as there is no retail space that is expected to begin construction for the foreseeable future. The lack of new product is expected to keep both vacancy and availability rates low through the rest of 2024.

Market Outlook

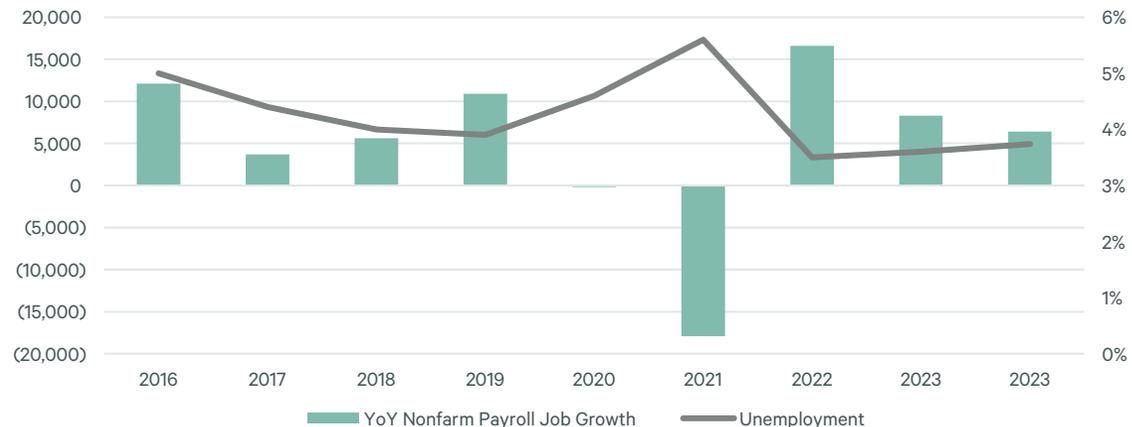
As the second half of 2024 approaches, the Greensboro/Winston-Salem retail sector is poised to continue its cautious yet opportunistic path. Rental rate growth is expected to remain positive, as landlords are experiencing elevated pricing leverage due to a shortened supply of competitive spaces. That trend will heighten competition among tenants for the most desirable spaces. The streak of recent positive absorption will be put to the test as the lack of new supply is not expected to improve significantly through the rest of 2024, which will limit tenant leasing opportunities. However, this trend could change as several planned re-development projects could deliver in 2025. CBRE is also seeing robust activity for smaller spaces as new-to-market concepts such as quick-service restaurants, national financial institutions and fitness centers look to establish a presence in the market.

FIGURE 4: Capital Markets Sales Activity



Source: CBRE Research, H1 2024

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



Source: BLS, May 2024, Not Seasonally Adjusted

FIGURE 5: Submarket Breakdown

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Availability Rate	H1 24 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Net Avg. Asking Lease Rate (SF/Yr)
Greensboro CBD	1,381,896	39,581	2.9%	2.5%	35,753	35,753	-	\$21.93
Central Guilford	5,862,198	507,877	8.7%	6.5%	34,398	34,398	3,500	\$17.95
High Point / SW Guilford	3,207,695	574,028	17.9%	1.7%	-10,792	(10,792)	-	\$17.23
NE Guilford	1,786,203	55,608	3.1%	4.2%	(4,664)	(4,664)	-	\$16.34
NW Guilford	3,651,705	139,207	3.8%	2.2%	29,786	29,786	-	\$13.70
SE Guilford	228,520	50,380	22.1%	22.1%	-	-	-	\$13.50
S Greensboro	917,306	61,181	6.7%	8.2%	(28,327)	(28,327)	-	\$10.62
W Greensboro	420,676	16,162	3.8%	14.3%	3,550	3,550	-	\$14.14
Greensboro CBD	1,330,190	50,329	3.8%	3.0%	(14,732)	(14,732)	-	\$15.14
Guilford County	18,786,389	1,494,353	7.9%	4.5%	44,972	44,972	3,500	\$15.62
Kernersville	1,321,503	100,996	7.6%	5.3%	7,596	7,596	-	\$9.72
NE Forsyth	520,859	56,844	10.9%	10.2%	1,610	1,610	-	\$7.98
NW Forsyth	2,288,587	74,794	3.3%	3.5%	4,670	4,670	6,000	\$11.61
SE Forsyth	370,454	-	-	-	37,296	37,296	-	\$14.37
S Forsyth	5,800,643	209,669	3.6%	3.1%	(10,538)	(10,538)	-	\$12.74
W Forsyth	1,607,114	85,783	5.3%	5.0%	(9,701)	(9,701)	-	\$20.90
Clemmons	911,030	43,467	4.8%	5.3%	6,932	6,932	-	\$14.59
Winston Salem CBD	1,908,560	95,891	5.0%	5.4%	(47,779)	(47,779)	-	\$16.05
Forsyth County	14,728,750	667,444	4.5%	4.2%	(9,914)	(9,914)	6,000	\$13.50
N Alamance	202,518	34,876	17.2%	17.2%	(11,076)	(11,076)	-	\$14.08
C Alamance	902,150	51,382	5.7%	5.8%	(27)	(27)	5,500	\$11.05
SE Alamance	914,737	-	-	1.2%	2,200	2,200	-	\$24.00
W Burlington / Airport	3,269,305	46,285	1.4%	0.3%	11,775	11,775	-	\$8.24
Alamance County	5,288,710	132,543	2.5%	2.1%	2,872	2,872	-	\$14.34
Retail Totals	38,803,849	2,294,340	5.9%	4.1%	37,930	37,930	15,000	\$14.97

Source: CBRE Research, H1 2024

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 all retail buildings 5,000 sq. ft. and greater in size in Guilford, Forsyth, and Alamance counties.

Development pipeline includes buildings which have begun construction as evidenced by site excavation or foundation work.

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