

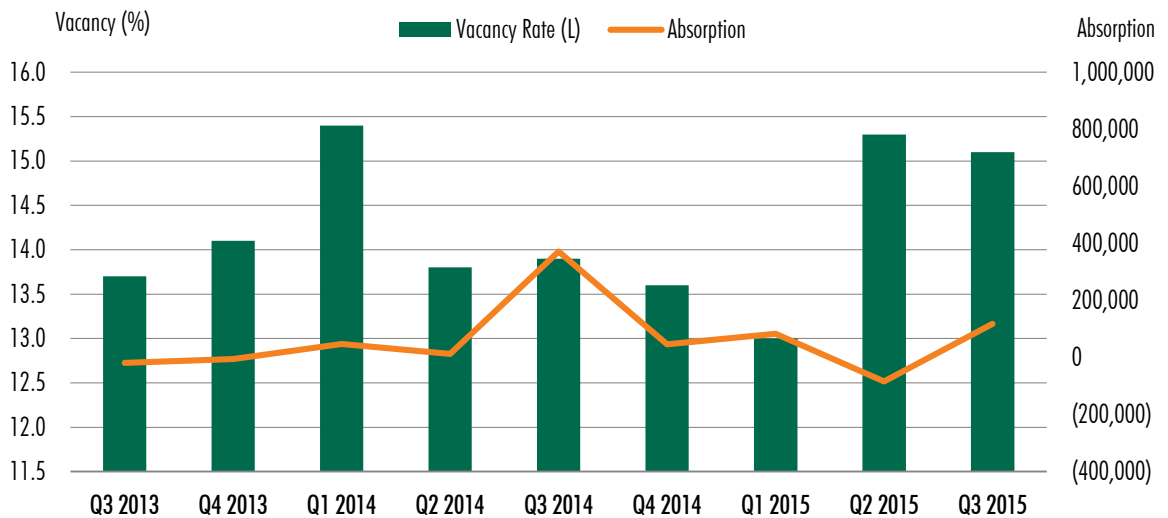
Greensboro/Winston-Salem Office, Q3 2015

# Triad Office Market Activity Increases in Q3

 <p>Vacancy Rate <b>15.1%</b></p>	 <p>Lease Rate <b>\$15.58 PSF</b></p>	 <p>Net Absorption <b>118,366 SF</b></p>	 <p>Under Construction <b>116,528 SF</b></p>
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\*Arrows indicate change from previous quarter.

Figure 1: Vacancy Rate vs. Net Absorption



Source: CoStar, Q3 2015.

- Vacancy rate declined slightly to 15.1%
- Market dynamics yielding steady improvement, but softness remains in some submarkets
- The Charles Aris, Inc. headquarters in the Greensboro Central Business District was delivered in Q3 (24,000).
- Construction on the 50,000 sq. ft. Honda Aircraft expansion in the Piedmont Triad Airport Submarket continues with a Q4 expected delivery.
- There are two under construction projects in the West Forsyth Submarket totaling to 66,528 sq. ft.

CBRE tracks inventory for the Triad office market consisting of over 24 million sq. ft. in 423 buildings.

Market activity in Q3 is picking up with 118,366 sq. ft. of positive absorption and lower vacancy rates.

Average asking rates increased slightly, ending at \$15.58 per square foot in the third quarter; up from \$15.48 in the second quarter and compared to a recent high of \$15.66 in Q2 2014.

The overall vacancy rate decreased 20 basis points (bps) to 15.1% at the end of the third quarter, from 15.3% in the second quarter. The Guilford County vacancy rate was 18.0% and the Forsyth County vacancy rate was 10.4, both lower than Q2 rates.

The submarkets with the most activity in Q3 were the Greensboro CBD and North Forsyth. The Greensboro CBD showed 67,628 sq. ft. of positive absorption in Q3 with the 24,000 sq. ft. Charles Aris building being delivered at full occupancy. There was 31,935 sq. ft. of absorption in the North Forsyth submarket, primarily attributed to Computer Credit, Inc. moving into 34,600 sq. ft. of office space at 470 W Hanes Mill Road.

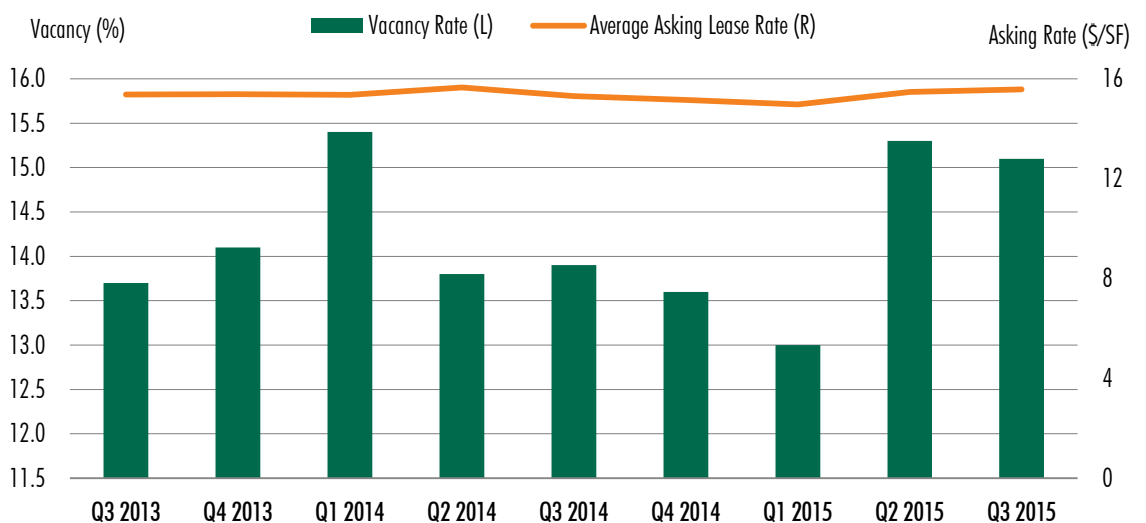
Overall absorption for Q3 was 118,336 sq. ft. primarily attributed to strong absorption in the Greensboro Central Business District, North Forsyth and West Forsyth submarkets.

New construction continues on a sporadic basis with the 43,000 sq. ft. development at 2485 Penny Road in Greensboro being delivered in Q2 and the 24,000 sq. ft. headquarters for the executive search firm Charles Aris Q3 completion. The 50,000 sq. ft. Honda Aircraft expansion continues under construction, with a projected Q4 delivery.

While CBRE does not anticipate a significant amount of new development, particularly without pre-leasing commitments, the improvement in the economy has resulted in fewer options for larger tenants that is likely to encourage new construction over the next 24 months.

In summary, the Triad office market continues in a holding pattern, with light activity and relatively minimal new supply. The trend of moderate absorption and slightly rising lease rates should continue through 2016.

Figure 2: Vacancy Rate vs. Average Asking Lease Rate



Source: CoStar, Q3 2015.

Figure 3: Submarket Breakout

Submarket	Market Rentable Area (Sq. Ft.)	Vacant (Sq. Ft.)	Vacancy Rate (%)	Q3 2015 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Gross Avg. Asking Lease Rate (\$/Sq. Ft./Yr)
Greensboro CBD	2,860,267	274,025	9.6	67,628	16,048	0	16.77
Northwest Guilford	2,542,299	304,478	12.0	(451)	24,659	0	17.77
Northeast Guilford	1,267,895	186,485	14.7	844	17,194	0	16.93
Southeast Guilford	915,611	671,787	73.4	0	0	0	12.41
Southwest Guilford	1,903,762	681,689	35.8	0	55,012	0	12.28
High Point	1,458,281	57,111	3.9	1,380	(1,114)	0	15.78
Piedmont Triad Airport	4,114,900	542,219	13.2	6,516	(4,816)	50,000	17.09
<b>Guilford County Totals</b>	<b>15,063,015</b>	<b>2,717,794</b>	<b>18.0</b>	<b>75,971</b>	<b>106,983</b>	<b>50,000</b>	<b>15.58</b>
Winston-Salem CBD	4,400,042	571,356	13.0	(4,000)	(144,022)	0	17.68
North Forsyth	2,465,238	231,543	9.4	31,935	52,622	0	12.22
Southeast Forsyth	189,605	0	0.0	0	0	0	-
West Forsyth	2,405,868	177,451	7.4	14,514	64,662	66,528	16.90
<b>Forsyth County Totals</b>	<b>9,460,753</b>	<b>980,350</b>	<b>10.4</b>	<b>42,449</b>	<b>(26,738)</b>	<b>66,528</b>	<b>15.60</b>
<b>Totals</b>	<b>24,523,768</b>	<b>3,698,144</b>	<b>15.1</b>	<b>118,366</b>	<b>80,245</b>	<b>116,528</b>	<b>15.58</b>

Source: CoStar Q3 2015.

Figure 4: Top Lease Transactions of Q3 2015

Sq. Ft.	Address	Tenant
34,600	470 Hanes Mill Road Winston-Salem, NC	Computer Credit, Inc
18,894	6209 Ramanda Drive Clemmons, NC	LionCross College, School of Entertainment
11,069*	380 Knollwood Street Winston-Salem, NC	Bank of America Home Loan

\* Renewal

Source: CBRE and CoStar Q3 2015.

**VACANCY DECREASES**

Guilford County ended Q3 with a 18.0% vacancy rate, 10 basis points lower than the rate reported for Q2. Forsyth County experienced 42,449 sq. ft. of positive absorption and a vacancy rate of 10.4% in Q3, compared to the Q2 rate of 10.9%.

According to CoStar, Class A vacancy in Q3 was 17.2%, while Class B vacancy was 10.8% and Class C was 8.7%. Overall vacancy rates have risen slightly in the last year.

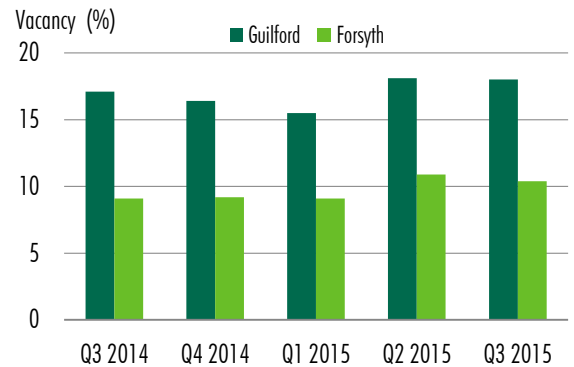
**CONSTRUCTION INCREASES**

New construction continues to show signs of life in 2015, with the headquarters office for the executive search firm Charles Aris being delivered in Q3 (24,000). Also the 50,000 sq. ft. Honda Aircraft expansion remains under construction in Q3 with a projected Q4 delivery. There are two under construction projects in the West Forsyth submarket totaling to 66,528 sq. ft., including the 55,700 sq. ft. office/medical building at 111 Hanestowne Court.

**UNEMPLOYMENT INCREASES**

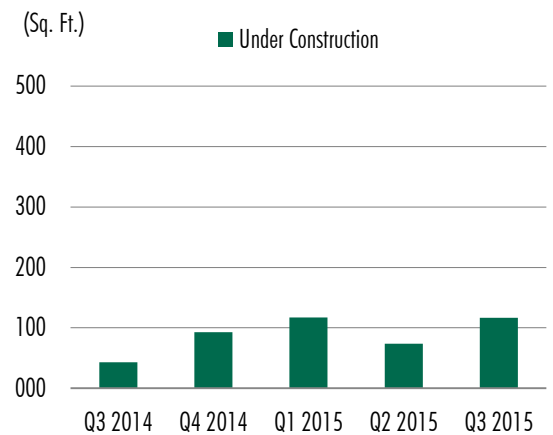
While the economy remained steady in the North Carolina; both the Triad area and National unemployment rates decreased in Q3. As of September 2015, the combined unemployment rate for the Greensboro-High Point MSA and Winston-Salem MSA, which comprises the Triad region, was 5.4%, a 0.4% decrease from the second quarter of 2015. North Carolina's unemployment rate has remained at 5.7% for the second quarter in a row. Nationwide, unemployment continues to decline, dropping to 5.0% in Q3, 0.5% lower than last quarter.

Figure 5: Guilford vs. Forsyth Vacancy Rate



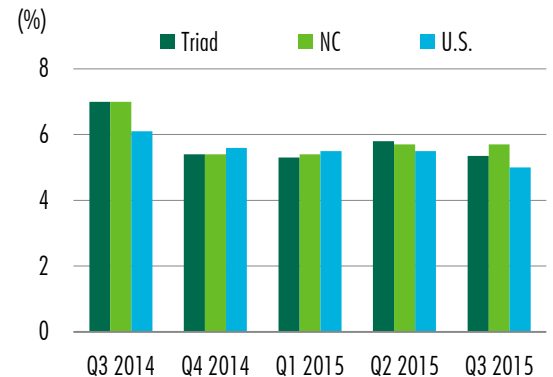
Source: CoStar, Q3 2015.

Figure 6: Construction Activity

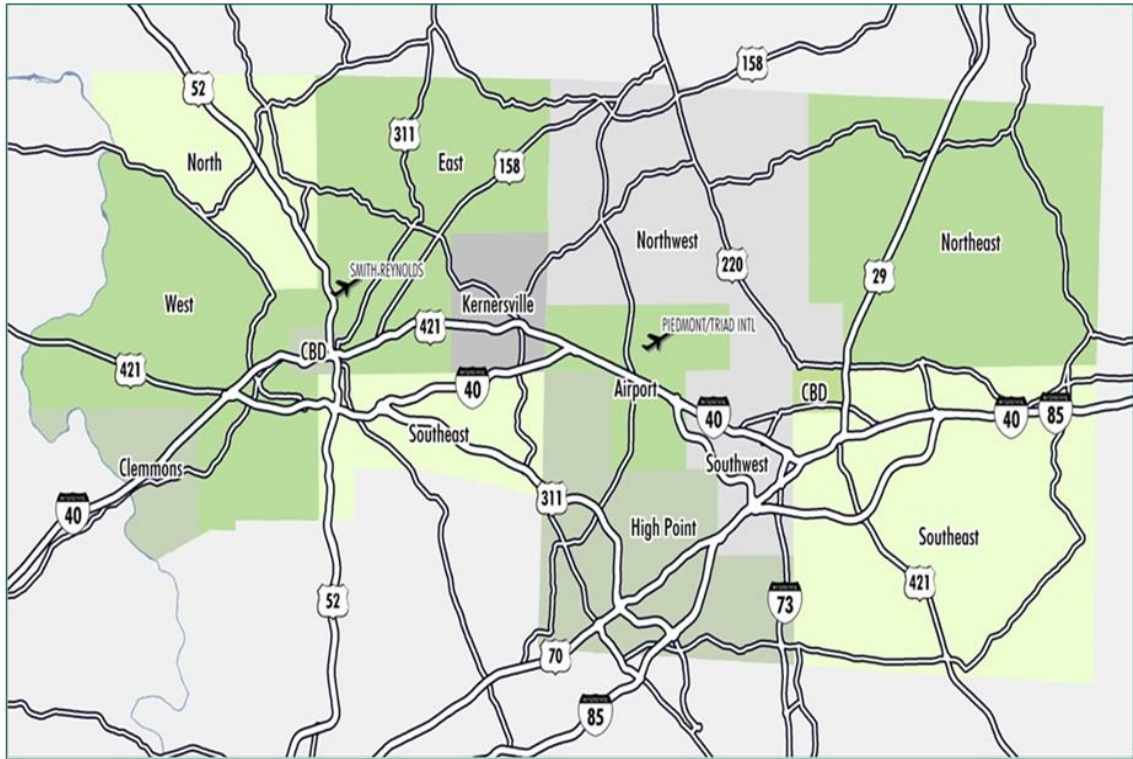


Source: CoStar, Q3 2015.

Figure 7: Unemployment



Source: Bureau of Labor, Q3 2015.



**CONTACTS**

Greg Wilson  
*Executive Vice President*  
 +1 336 331 9399  
 Greg.Wilson@cbre-triad.com

Sara Wood  
*Marketing Assistant*  
 +1 336 544 2725  
 Sara.wood@cbre-triad.com

**CBRE OFFICE**

CBRE|Triad  
 101 CentrePort Drive, Suite 160  
 Greensboro, NC 27409

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