



Medical Office Q2 2023

5.6%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

70.4K

YTD Net Absorption, SF



\$24.68

Asking Rent, PSF

ECONOMIC INDICATORS
Q2 2023

648.7K

Greensboro/
Winston-Salem
EmploymentYoY
Chg12-Mo.
Forecast

3.6%

Greensboro/
Winston-Salem
Unemployment Rate

3.6%

U.S.
Unemployment Rate

Source: BLS

Economy

Though the COVID-19 pandemic created unforeseen challenges to the global economy, it also enabled the Triad to leverage opportunities to reshape and improve the healthcare industry—from enhancing health safety measures to introducing more flexible utilization of current and new spaces—leading to increased investment in the sector. Despite headwinds faced by workers in several industries, healthcare service jobs continued to rise. Over the past year, Ambulatory Health Care Service jobs, including offices of physicians, dentists, and medical and diagnostic laboratories, have increased by 1.8% across the Triad.

Piedmont Triad MOB Overview

National, long-term drivers contributed to a resilient healthcare industry. Increased spending on medical care, an aging population, and growing demand for in-person care are all fundamentals that insulate the sector from economic woes. While other asset types have been impacted by both the pandemic and economic headwinds observed by heightened vacancy and rental rates, medical assets remained persistent.

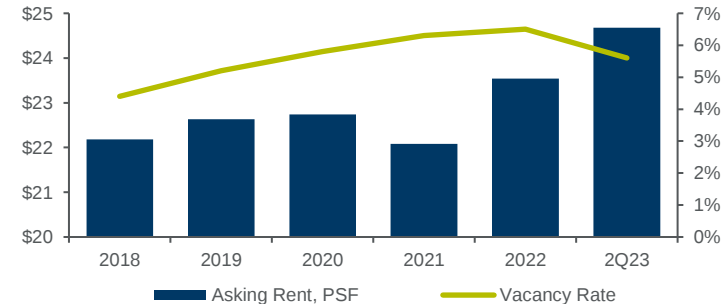
The Triad ended the first half of the year with a vacancy rate of 5.6%, marking a 130-basis-point decrease year-over-year (YOY). The considerable decline can be attributed to the steady demand for space paired with limited availability in new construction deliveries. Vacancy will likely continue a downward trend over the coming months as existing buildings with vacant space continue to lease up. Leasing activity increased by 23.7% YOY with 48,502 square feet (sf) of new deals signed in Q2, driving the mid-year total to 72,032 sf. Guilford County fueled activity as over two-thirds of all deals were inked within the submarket. The Triad yielded healthy occupancy gains of 70,409 sf, led by Forsyth County in Q1 and Alamance County in Q2. The average asking rate reached \$24.68 per square foot (psf), marking a new historical high for the market. Guilford County continued to lead the metro as the most expensive submarket at \$26.20 psf, commanding a premium of 6.2% over the market average.

With the growth of cap rates for most asset types throughout the past year, safe-haven investments such as medical office are often sought after. Proceeding into the second half of 2023, the medical office sector will continue to draw interest from investors across other service lines as the healthcare industry remains an attractive alternative investment vehicle.

ANNUAL LEASING ACTIVITY



OVERALL VACANCY & ASKING RENT



Medical Office Q2 2023

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)*
Guilford County	2,822,390	143,231	45,918	6.7%	-9,973	11,908	48,502	13,729	\$26.20	\$30.14
Forsyth County	2,379,915	126,006	3,779	5.5%	-8,298	25,560	23,530	36,000	\$21.58	\$23.75
Alamance County	577,864	4,646	0	0.8%	22,741	32,941	0	0	\$22.27	\$31.50
MARKET TOTALS	5,780,169	273,883	49,697	5.6%	4,470	70,409	72,032	49,729	\$24.68	\$30.17

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2023 YTD

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Friendly Center	Guilford County	Confidential	20,781	Pre-Lease
3511 W Market St	Guilford County	Eagle Physicians	20,462	New Lease
104 Pomona Dr	Guilford County	Eagle Physicians	5,960	New Lease
130 Charlois Blvd	Forsyth County	Confidential	4,733	New Lease
855 Bethesda Rd	Forsyth County	Cooper Scurry Facial Plastic Surgery Center	3,000	New Lease

KEY SALES TRANSACTIONS 2023 YTD

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
4750 Commercial Park Ct	Forsyth County	Petra'Lex USA Miracles In Sight	25,920	\$1.5M \$57.87
1350 Whitaker Ridge Dr	Forsyth County	Robinhood Pediatrics & Adolescent Medicine Pine Hall Properties	17,296	\$6.3M \$365.96
3839 Burlington Rd	Guilford County	Private Syndication Group SMBC Leasing & Finance, Inc.	12,650	\$4.4M \$349.60
2716 Henry St	Guilford County	Althea Truesdale Hanger Clinic	7,900	\$1.7M \$208.86

KEY CONSTRUCTION COMPLETIONS 2023 YTD

PROPERTY	SUBMARKET	SF	OWNER
963 Kirkpatrick Rd – Building A	Alamance County	24,000	Montgomery Assets, LLC
1319 New Garden Rd	Guilford County	8,360	Fidelium, LLC
2101 N Church St	Guilford County	7,392	LDJ Development

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