

INDUSTRIAL MARKET REPORT

Greensboro

Q3 2020

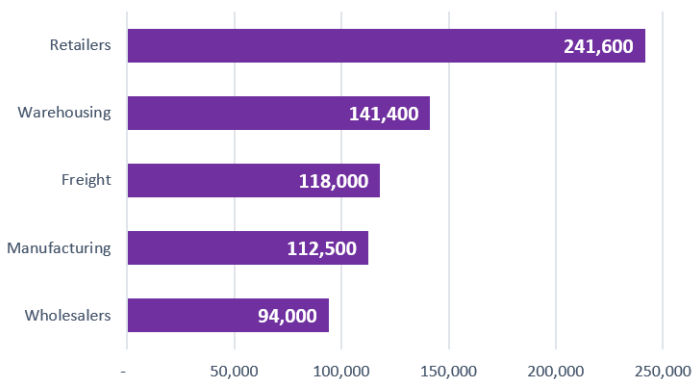
The Industrial Market

The COVID-19 pandemic has unquestionably boosted demand for industrial real estate from both occupiers and investors. Online shopping has been trending up for years, but the onset of the lockdowns resulted in a massive surge of online purchases requiring timely delivery. Inventory levels of essential goods increased significantly, in turn driving up demand for more warehouse space.

The Greensboro - Winston Salem - High Point CSA, commonly referred to as the Triad, has a combined 51 million square feet of Class A and Class B non-owner-occupied industrial buildings of 50,000 square feet or greater; collectively referred to here as "the market". The direct vacant available rate of 4.3% at the close of Q3 is the lowest of any quarter in the last five years, 48% below the average quarterly vacancy of 8.3%. Only twenty-six out of the 305 buildings in our survey have vacant available space; of 39 spaces averaging of 61,500 square feet.

While asking rents are flat year over year, the market's average direct asking rent of \$4.07 per square foot is 16% above the five-year average. We are seeing the highest rents, an average of \$4.91, in the Airport-West Guilford area, the largest of the Triad submarkets, housing 20% of the market's inventory. In Alamance County, the 6th fastest growing county in the State, direct asking rents are up 36% over the five-year average.

Industrial Tenants - Average SF Leased



"Patience, persistence and perspiration make an unbeatable combination for success." - Napoleon Hill

Industrial Market ⁽¹⁾ Market Indicators	Q3	QOQ	YOY
Vacant Available % - Direct	4.30%	↓	↓
WA Asking Rent - Direct	\$4.07	↑	—
Net Absorption - Direct SF	(12,227)	↑	↓
Under Construction - SF	1,783,117	—	↑

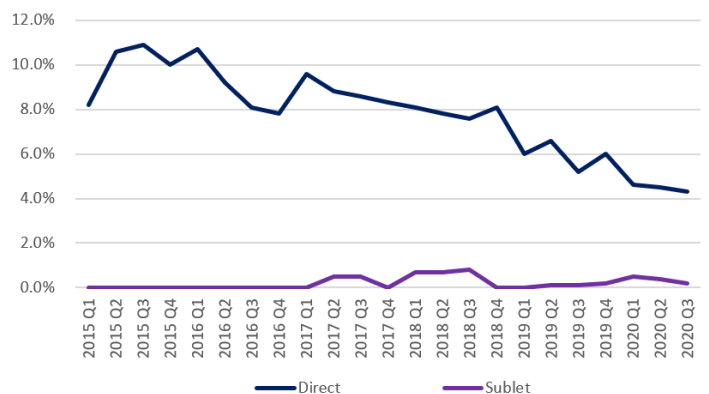
A quarterly rent change of +/-1% or less is deemed to be flat.

A quarterly vacancy rate change of ±10 basis points or less is deemed to be flat.

Year to date 1.13 million square feet of warehouse space was added to the market, and fully leased by Q3. Another 1.48 million square feet is under construction with delivery dates spanning the next four quarters. New facilities include a 297,000 square foot warehouse on target to deliver by year end 2020 in Alamance County, and a 940,000 square foot Publix distribution facility in East Guilford County. Combined, projects currently under construction are 71% pre-leased.

The market realized 1.73 million square feet of positive net absorption year to date. While the market saw negative net absorption of 12,227 square feet in Q3, direct leasing activity for the quarter totaled 764,948 square feet. Strong leasing activity can be an indicator of future absorption, an example being the new lease signed in Q3 for a 148,300 square foot manufacturing facility in SW Randolph County which will contribute to net absorption in Q1 2021, when the incoming tenant moves in to the space.

Percent Vacant Available



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The Market Continued

An estimated 86% of the market's leased spaces of over 50,000 square feet are occupied by manufacturers, retailers, wholesalers, and companies dealing in transportation and general warehousing. The region's largest tenants include HanesBrands which is leasing three locations with a combined 2 million square feet in NW Forsyth County; NFI Industries, a North American supply chain solutions provider, which occupies 1.55 million square feet in NE Guilford County; and Pratt Industries, the nation's largest privately-held recycled paper and packing company, which occupies a 360,000 square foot facility in SE Guilford County. Overall, industrial spaces leased for manufacturing purposes average 112,500 square feet. Spaces leased by retailers average 241,000 square feet, and general warehousing spaces average 141,400 square feet.

Property Sales

Eleven individual industrial properties of an average of 180,200 square feet have sold year to date for a combined \$97.9 million, or \$49.41 per square foot.

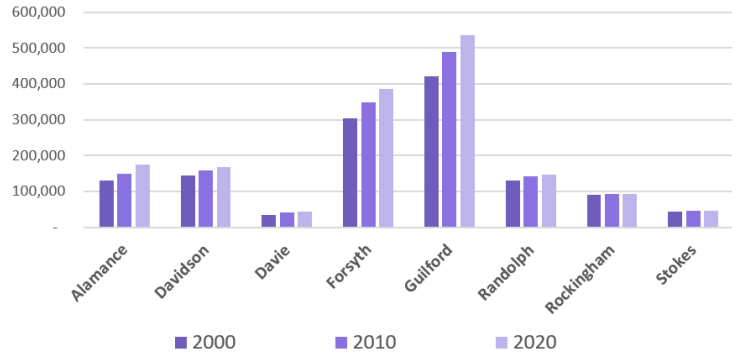
Notable transactions include:

- In Q3, a 105,000 square foot manufacturing building situated on 11 acres at 738 Gallimore Dairy Road in High Point, in the Gallimore Industrial Center, sold for \$9.1 million, or \$86.67/square foot. Built in 2019 the facility was 70% leased at the time of sale. Seller: Winston Salem-based Triad Industrial Partners II, LLC. Buyer: Pennsylvania-based Exeter Property Group.
- In Q2, a 121,875 square foot warehouse situated on 15 acres at 2390 Park Center Drive in Mebane was sold for \$6.5 million or \$53.37 per square foot, to New Jersey-based Universal Preserve-A-Chem. The seller/developer was Samet Properties.
- In Q1, the 526,320 square foot distribution center in the Union Cross Business Park in Winston-Salem sold for \$34.9 million, or \$66.39 per square foot. Built in 2008, the facility is 100% leased to Pepsi Bottling Ventures with 12 years remaining on the lease. Buyer: California-based Griffin Capital Essential Asset REIT, Inc. Seller: Arizona-based Tratt Properties, LLC.

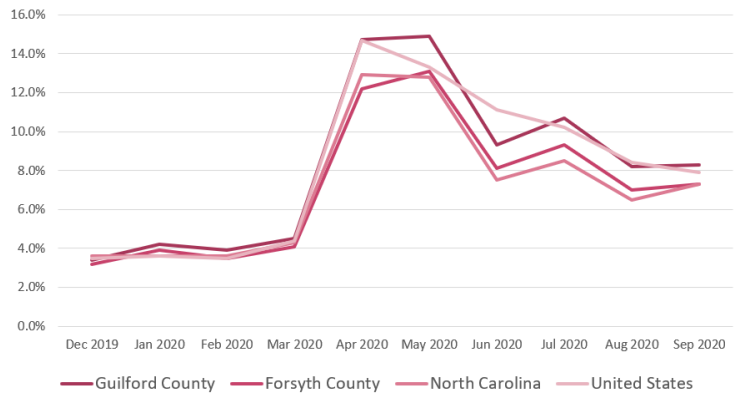
In addition, a portfolio sale of note closed in Q1: Highwoods Properties sold thirty-five Guilford County office, flex and industrial properties to New York-based Blackstone Real Estate Income Trust for a combined \$193.4 million. Included were twenty-two industrial building, a combined 2.56 million total square feet, which had a combined price of \$159 million, or \$62.19 per square foot.

Sources: Costar Group, Real Capital Analytics, Greensboro-High Point Economic Development, Economic Development Partnership of North Carolina, ApprenticeshipNC, NC Commerce, Department of Labor & Statistics

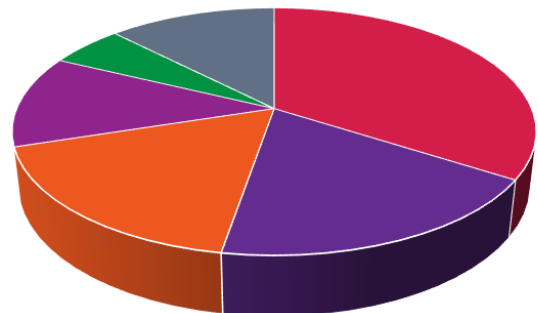
Population By County



Unemployment %



Industrial Tenant Base



- Manufacturing
- Wholesaler
- Retailer
- Transportation
- Warehousing
- Other



Market Updates

- Samet will soon begin work on a 110,117-square-foot industrial shell, being built speculatively at 2335 Campground Road in Greensboro in Central Guilford County. Zoned for light industrial, the shell will mirror the one delivered in Q1 at 2345 Campground Road, and is now leased to Ryder Trucking.
- The Nestle Purina Petcare Co. will invest more than \$450 million to transform the former MillCoors brewery in Rockingham County into a factory that will produce dog and cat food. The plant, which will occupy 1.3 million square feet of space will eventually employ 300. Nestle Purina hopes to start operations at the facility in 2022.
- Prepac, a Vancouver-based company and one of North America's largest manufacturers of ready-to-assemble furniture, chose Guilford County for its East Coast factory. The company will occupy the 260,000-square-foot spec building at Rock Creek Industrial Park, now under construction and expected to deliver in Q1 2021.
- UPS will undertake a significant expansion to its North Carolina presence with the addition of 592 jobs in Guilford and Alamance counties; a total investment of \$316 million at two sites. UPS will expand its existing Greensboro hub at 3100 Flagstone Drive with 141 new jobs, and will construct a new package car center at the N.C. Commerce Center in Alamance County, creating 451 jobs there.

Activity by Submarket

Submarket	Bldgs.	Average Building Size SF	Total RBA ⁽¹⁾	Avg. Direct Asking Rate ⁽²⁾	Market Rate ⁽³⁾	Direct Vacant Available %	Total Vacant Available %	Net Absorption Direct Q3 2020	Net Absorption Direct YTD
Airport / W Guilford	80	128,255	10,260,223	\$4.91	\$5.91	5.50	5.50	6,514	1,296,929
N.W. Guilford County	2	1,114,034	2,228,067	\$2.00	\$3.42	13.50	13.50	0	762,946
Central Guilford County	13	81,653	1,061,486	\$3.70	\$4.74	6.60	15.30	(10,000)	(37,752)
High Point / SW Guilford	41	179,974	7,378,924	\$2.89	\$4.17	2.80	2.80	0	(80,892)
East Guilford County	28	250,984	7,027,556	\$4.14	\$4.76	0.60	0.60	40,000	40,000
North Forsyth County	33	199,747	6,591,650	\$3.75	\$4.05	9.30	9.30	0	(27,000)
South Forsyth County	20	261,154	5,223,089	-	\$4.60	0.00	0.00	0	0
Alamance County	33	137,309	4,531,186	\$4.75	\$4.56	9.80	9.80	52,000	(12,000)
Davie County	9	187,132	1,684,190	-	\$4.40	11.00	11.00	0	0
Davidson County	16	15,351	245,620	Undisclosed	\$3.32	2.30	2.30	0	(58,820)
Randolph County	19	136,979	2,602,595	-	\$3.45	0.00	0.00	(100,741)	(148,341)
Rockingham/ Stokes Counties	11	194,472	2,139,190	-	\$3.03	0.00	0.00	0	0
Combined Totals	305	167,127	50,973,776	\$4.07	\$4.51	4.30	4.50	(12,227)	1,735,070
All Industrial Inventory (4)	4,146	36,996	153,385,688	\$3.94	\$4.53	3.20	3.30	(63,212)	1,146,053

(1) Class A & B Industrial buildings of 50K SF or greater, non-owner occupied, non-government.

(2) Weighted Average Asking Rents based on current availability

(3) Costar derived Market Rents are modeled gross asking rents, informed by current asking rents and lease comps; taking into consideration the entire inventory rather than current availabilities only.

(4) All CSA Non-Owner Occupied Industrial Buildings (no building class or minimum SF applied)



Deliveries

Property Name	Property Address	City	Submarket Name	Delivered	RBA	% Leased
	2345 Campground Rd	Greensboro	Central Guilford	Q1 2020	120,000	100%
Amazon Fulfillment Center	1656 Old Greensboro Rd	Kernersville	Airport/W. Guilford	Q1 2020	1,016,041	100%
Total Square Feet					1,136,041	



Source: Triad Business Journal

Under Construction

Property Name	Property Address	City	Submarket Name	Estimated Delivery	RBA	% Pre-Leased
NC Commerce Park	3875 Senator Ralph Scott Pkwy	Graham	Alamance County	Q4 2020	297,000	0.0%
Spec Bldg-Rock Creek Center	TBD	Whitsett	East Guilford	Q1 2021	260,000	100.0%
Pegg Road Industrial Park	780 Pegg Road	Greensboro	Airport-West Guilford	Q1 2021	176,000	37.5%
Spec Bldg.	2335 Campground Rd	Greensboro	Central Guilford	Q3 2021	110,117	0.0%
Publix Distribution Center	5538 Burlington Rd	McLeansville	East Guilford	Q3 2021	940,000	100.0%
Total Square Feet					1,783,117	71.0%



The Triad

Infrastructure

North Carolina's extensive highway system, four international airports, two deep water seaports, and the largest consolidated rail system in the U.S. provide efficient access to both domestic and global markets.

The Piedmont-Triad region, or simply "The Triad" offers access to some of the country's most important transportation routes: I-85 connecting Greensboro to Atlanta, I-40 spanning the country from North Carolina to California, I-95 linking New England to Florida, and US-70, which runs east west from North Carolina to Arizona.

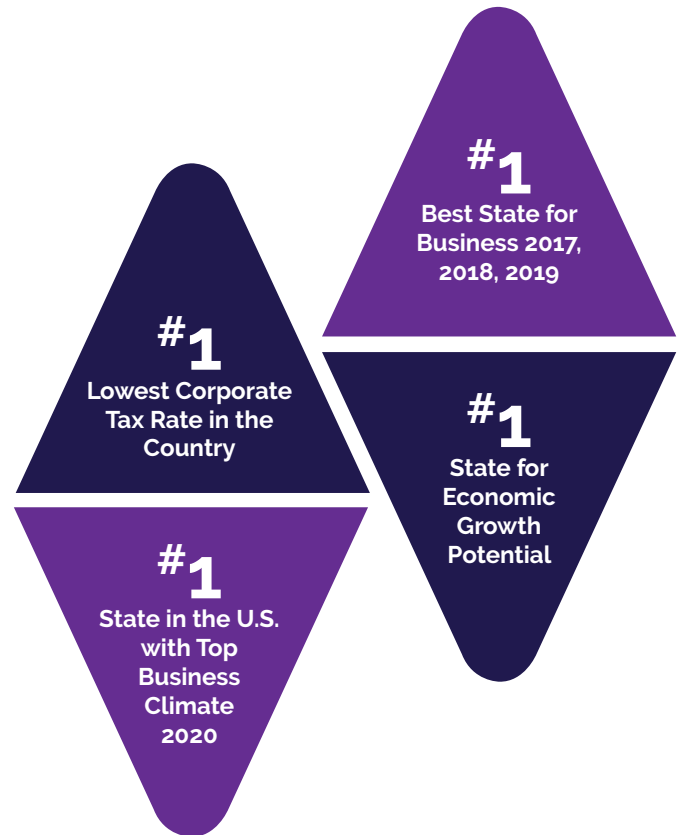
The state's infrastructure, favorable regulatory environment, corporate tax structure, performance-based incentive programs, energy availability and cost, and competitive labor environment have all earned North Carolina accolades and rankings among the best in the United States for doing business.

Workforce and Education

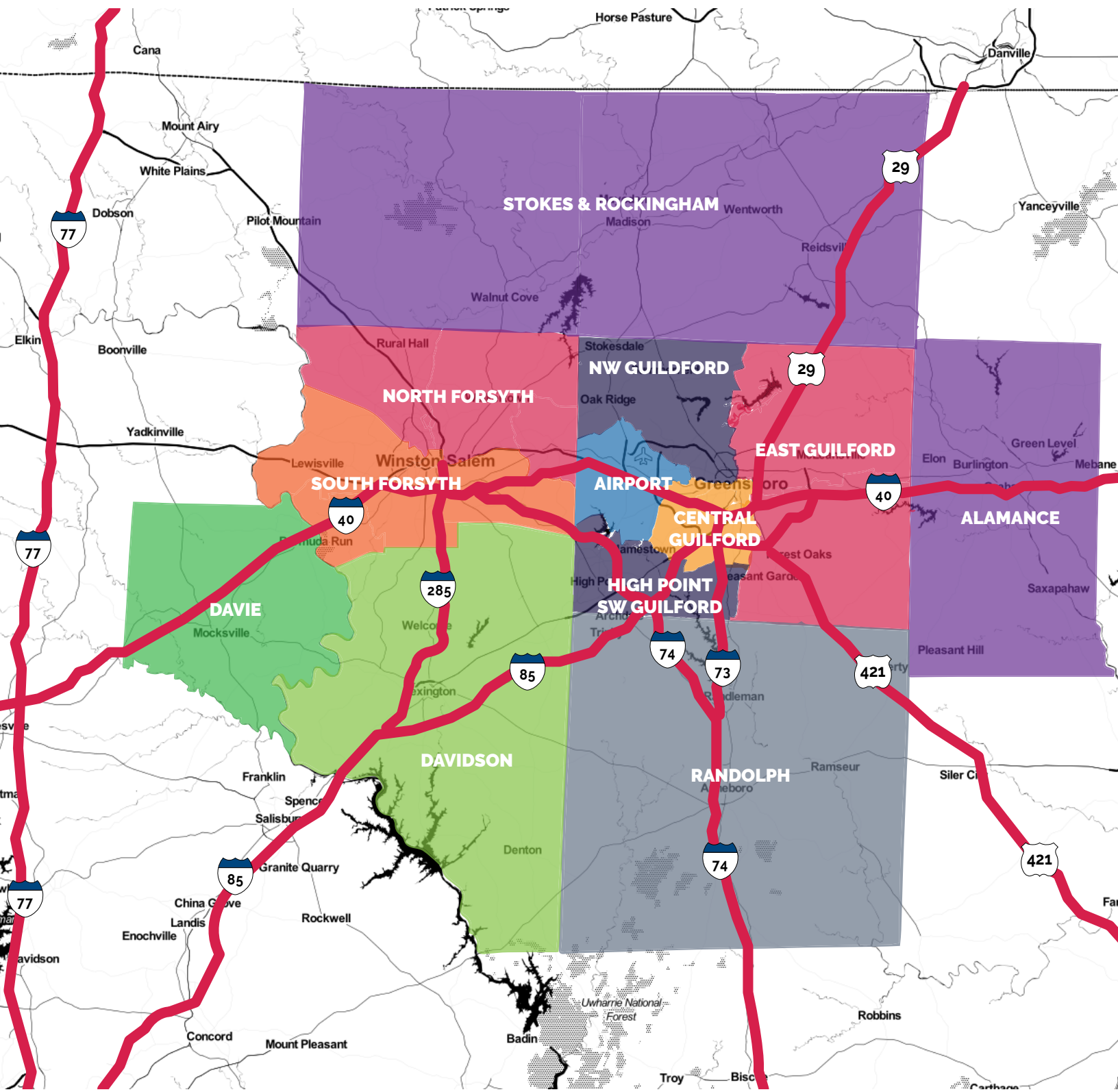
North Carolina enrolls over 800,000 students at 58 community colleges, which offer some of the most comprehensive vocational and technical programs in the United States. NCWorks, developed by the NC Department of Commerce and the NC Community College System, is a customized job training and recruiting program for new and expanding businesses. Apprenticeship NC is the state's provider of employer-driven training programs that blend paid work-based learning with related classroom instruction for multiple trades and industries including construction, energy, advanced manufacturing, logistics and IT. Apprenticeship NC has served over 50,000 apprentices in the last five years. The Institute for Transportation Research and Education located at NC State University conducts surface and air transportation research, training and technical support for the aviation community. NC State University's College of Textiles leads the nation in nonwovens research.

Companies relocate and expand here because of the quality and depth of the existing talent pool and the pipeline of graduates and trained professionals coming from these educational facilities.

- Largest Manufacturing Workforce in the Southeast
- Largest Nonwovens Workforce in the U.S.
- Second Fastest Growing Aerospace Cluster in the U.S.
- #2 State for Food & Beverage Processing
- Fifth Largest Wood Product Manufacturing industry in the U.S.
- Plastics and Chemical Manufacturing Growth Rate 1.5 Times the National Average since 2010
- Home to 33 of the Top 100 Global OEM Automotive Parts Suppliers in North America
- Furniture Manufacturing Activity Over Three Times the National Average



"Our wide variety of talent attracts a wide variety of industries. Once known for tobacco and textiles, North Carolina has evolved to become a global force, one driven by knowledge-based industries."
- The Economic Development Partnership of North Carolina



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