

NAR Commercial Real Estate Metro Market Report | 2021.Q2

Winston-Salem, NC

Core-Based Statistical Area Code: 49180

The Winston-Salem, NC commercial real estate market is stronger compared to the overall U.S. market.
NAR Commercial Real Estate Market Conditions Index* 56.8

Overall economic conditions are stronger than nationally.
The apartment property market is weaker than nationally.
The office property market is stronger than nationally.
The industrial property market is stronger than nationally.
The retail property market is weaker than nationally.
The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

I. Economic and Demographic

Economic	Winston-Salem, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total non-farm employment ('000)	267	264	250	146,603	143,315	138,501	
Y/Y chg.in nonfarm payroll employment ('000)	17	(8)	(22)	8,102	(6,637)	(13,215)	Job creation is stronger than nationally
Y/Y % chg. in nonfarm payroll employment	6.9%	-2.9%	-8.2%	5.8%	-4.4%	-8.7%	Unemployment rate is lower than nationally
Unemployment rate (%)	4.5%	4.8%	8.6%	5.9%	6.0%	11.1%	
Average weekly wages	\$945	\$918	\$889	\$1,059	\$1,046	\$1,016	
Wage growth, year-over-year (data are as of last month of the quarter)	6.4%	6.8%	6.1%	4.3%	6.7%	5.6%	Wages are rising faster than nationally
	2019	2018	2017	2019	2018	2017	
GDP growth (%)	2.2%	0.7%	1.5%	2.3%	2.9%	2.3%	
Median household income	\$52,322	\$48,699	\$49,162	\$87,470	\$84,423	\$81,284	
	2020	2019	2018	2020	2019	2018	
Demographic							
Net domestic migration ('000)	3.0	4.0	3.3	0	0	0	Area is experiencing net domestic in-migration
Population ('000)	680	676	671	329,484	328,330	326,838	
Population growth (%)	0.51%	0.74%	0.65%	0.35%	0.46%	0.53%	Population is growing faster than nationally
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	3.7%	4.5%	7.6%	4.2%	4.7%	5.5%	The area has a lower vacancy rate than nationally
Absorption of units over the quarter	250	381	213	226,871	169,053	78,282	The area has a lower pace of absorption than nationally
Absorption of units in past 12 months	1,152	1,115	519	603,925	455,336	255,168	
Market asking rent per unit	\$956	\$910	\$858	\$1,004	\$978	\$953	
Market asking rent per unit, y/y % chg	11.4%	6.9%	2.7%	6.1%	3.9%	1.8%	Rents are rising faster than nationally
Effective rent per unit	\$950	\$906	\$849	\$1,000	\$972	\$945	
Effective rent per unit, y/y % chg	11.8%	6.9%	3.0%	6.4%	3.7%	2.3%	The rent to income ratio is higher than nationally
Rent as a percent of 2-person annual wage income	11.6%	11.3%	11.0%	10.9%	10.7%	10.7%	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Supply indicators							
Inventory	31,340	31,340	31,328	17,259,876	17,168,283	16,881,961	Relatively fewer units are being delivered than nationally
Net delivered units in past 12 months	12	12	936	377,954	387,779	389,240	
Net delivered units, as % of inventory	0.0%	0.0%	3.0%	2.2%	2.3%	2.3%	
Units under construction	796	796	808	578,162	609,682	681,731	Construction activity is slower than nationally
Units under construction, as % of inventory	2.5%	2.5%	2.6%	3.3%	3.6%	4.0%	
12-month total: 5+ unit building permits	55	57	263	463,443	435,217	452,345	Building permits are not rising as fast as nationally
12-month total: all building permits	2,641	2,619	2,754	1,642,586	1,574,266	1,361,395	
Ratio of jobs created to permits	6.5	(3.1)	(8.1)	4.9	(4.2)	(9.7)	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Sales transactions							
Total investment acquisitions (in million \$)	\$54.4	\$159.2	\$31.7	\$41,291.4	\$28,735.4	\$13,346.3	Sales transactions are not rising as fast than nationally
Transaction sales price per unit	\$63,007	\$123,440	\$69,701	\$100,508	\$98,594	\$80,364	Prices are not rising as fast than nationally
Cap rate	6.0%	6.4%	6.4%	6.4%	6.6%	6.6%	Cap rates are lower than nationally

III. Office

Demand indicators	Winston-Salem, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	7.4%	7.7%	7.1%	6.1%	7.7%	7.1%	The area has a higher vacancy rate than nationally
Absorption in sq.ft. over the quarter	90,725	(195,480)	(20,402)	(9,309,111)	(51,131,309)	(13,966,267)	The area has a lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	(20,984)	(132,111)	(11,862)	(140,700,116)	(145,357,270)	19,961,128	
Asking rent per sq.ft.	\$16.5	\$16.4	\$16.3	\$18.9	\$18.9	\$18.8	
Asking rent growth, y/y % chg.	0.8%	0.5%	5.3%	0.3%	0.0%	1.3%	Rents are rising faster than nationally
Leasing activity in sq.ft.	81,147	110,815	63,916	100,568,800	81,175,252	81,276,145	Leasing volume is rising faster than nationally
Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter)	4	1	(5)	1,260	(501)	(1,715)	The area has stronger office job creation than nationally
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Supply indicators							
Inventory in sq. ft.	23,427,755	23,427,755	23,377,443	12,454,676,333	12,428,381,226	12,364,751,288	Relatively more units are being delivered than nationally
Net delivered over 12 months, in sq.ft.	50,312	77,794	26,310	87,967,591	76,138,970	78,991,496	
Net delivered units, as % of inventory	0.2%	0.3%	0.1%	0.7%	0.6%	0.6%	
Under construction in sq.ft.	-	-	43,832	177,275,188	186,528,025	209,268,041	Construction activity is slower than nationally
Under construction, as % of inventory	0.0%	0.0%	0.2%	1.4%	1.5%	1.7%	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Sales transactions							
Total investment acquisitions (in million \$)	\$10.4	\$3.7	\$18.6	\$23,909.8	\$21,181.7	\$11,269.3	Sales transactions are not rising as fast than nationally
Transaction sale price per sq.ft.	\$133	\$102	\$88	\$108	\$106	\$105	Prices are rising faster nationally
Cap rate	6.0%	6.4%	6.4%	6.4%	6.6%	6.6%	Cap rates are lower than nationally

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IV. Industrial

	Winston-Salem, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	3.7%	3.6%	4.5%	4.2%	3.6%	4.5%	The area has lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	(9,744)	240,456	(788,896)	146,182,325	119,411,326	56,883,324	The area has lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	537,533	(241,619)	(410,504)	437,432,148	348,133,148	231,052,238	
Asking rent per sq.ft.	\$4.8	\$4.7	\$4.6	\$6.5	\$6.4	\$6.1	
Asking rent growth, y/y % chg.	5.4%	4.4%	4.6%	5.2%	4.4%	4.6%	Rents are rising faster than nationally
Leasing activity in sq.ft.	476,988	516,790	120,298	319,474,044	296,163,970	254,024,482	Leasing volume is rising faster than nationally
Supply indicators							
Inventory in sq. ft.	99,459,861	99,459,861	99,768,091	26,553,663,022	26,461,805,496	26,166,021,757	
Net delivered over 12 months, in sq.ft.	(308,230)	(183,230)	768,574	385,387,457	398,260,005	382,527,483	Relatively fewer units are being delivered than nationally
Net delivered units, as % of inventory	-0.3%	-0.2%	0.8%	1.5%	1.5%	1.5%	
Under construction in sq.ft.	950,000	950,000	134,000	567,307,627	521,498,024	452,528,658	
Under construction, as % of inventory	1.0%	1.0%	0.1%	2.1%	2.0%	1.7%	Construction activity is slower than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$55.6	\$17.7	\$22.1	\$27,261.9	\$21,600.7	\$13,713.9	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$78	\$48	\$59	\$61	\$56	\$54	Prices are rising faster nationally
Cap rate	0.0%	8.2%	7.8%	7.4%	8.2%	7.8%	Cap rates are lower than nationally

V. Retail

	Winston-Salem, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	4.2%	4.0%	3.7%	4.3%	4.5%	4.2%	The area has a lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	(56,342)	(117,882)	(64,964)	26,554,046	6,829,628	(12,969,003)	The area has a faster pace of absorption than nationally
Absorption in sq.ft. over 12 months	(119,371)	(127,993)	85,639	12,853,280	(26,669,769)	5,842,298	
Asking rent per sq.ft.	\$14.1	\$14.0	\$13.8	\$14.5	\$14.5	\$14.3	
Asking rent growth, y/y % chg.	2.3%	2.0%	2.0%	1.4%	1.0%	1.5%	Rents are rising faster than nationally
Leasing activity in sq.ft.	171,317	102,484	136,258	65,144,289	60,598,011	44,924,273	Leasing volume is not rising as fast than nationally
Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter)	1.20	(1.30)	0.30	822.30	(1,100.50)	(245.60)	The area has stronger retail trade job creation than nationally
Supply indicators							
Inventory in sq. ft.	40,420,219	40,396,479	40,311,722	15,772,300,571	15,764,713,778	15,724,204,780	
Net delivered over 12 months, in sq.ft.	100,097	14,822	211,742	46,178,397	47,102,191	58,535,237	Relatively fewer units are being delivered than nationally
Net delivered units, as % of inventory	0.2%	0.0%	0.5%	0.3%	0.3%	0.4%	
Under construction in sq.ft.	43,634	67,374	96,455	55,829,483	58,628,746	71,303,691	
Under construction, as % of inventory	0.1%	0.2%	0.2%	0.4%	0.4%	0.5%	Construction activity is slower than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$21.0	\$45.7	\$48.1	\$20,811.7	\$15,469.2	\$8,857.2	Sales transactions are not rising as fast than nationally
Transaction sale price per sq.ft.	\$73	\$138	\$125	\$134	\$136	\$134	Prices are not rising as fast than nationally
Cap rate	6.3%	7.2%	6.2%	6.6%	6.6%	6.7%	Cap rates are lower than nationally

VI. Hotel/Lodging

	Winston-Salem, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Leisure and hospitality payroll workers ('000)	26.7	24.3	22.7	15,395.0	13,448.0	12,637.0	Job creation in the leisure industry is stronger than nationally
Y/Y change ('000)	4.0	(4.5)	(7.1)	2,758.0	(2,297.0)	(4,590.0)	
% share to nonfarm payroll employment	10.0%	9.2%	9.1%	10.5%	9.4%	9.1%	The area has a smaller share of leisure jobs than nationally

*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g., employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.