

	YoY Chg	12-Mo. Forecast
<b>8.3%</b> Vacancy Rate	▲	▼
<b>1.6M</b> YTD Net Absorption, SF	▼	▲
<b>\$5.30</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

Despite the United States' continued struggles surrounding COVID-19, Charlotte's industrial market continued to thrive as a central logistical hub for the Southeast. Recently at the InterFace Carolina real estate conference, panelists discussed the phenomenal connectivity Charlotte provides. The panelists also stated; that if forced to choose between any of the other surrounding viable options such as Charleston, Greenville, Raleigh and Durham; Charlotte provides the strongest market for users. Developers are taking note as demand for larger sized industrial speculative construction continues to be in high demand as 60.8% of all year-to-date speculative development that's delivered is occupied.

### ECONOMIC INDICATORS Q3 2020

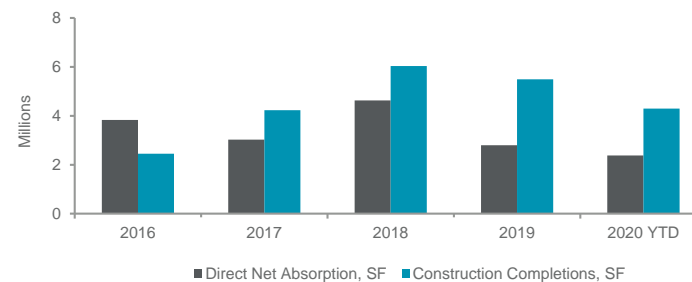
	YoY Chg	12-Mo. Forecast
<b>1.1M</b> Charlotte Employment	▼	▲
<b>8.0%</b> Charlotte Unemployment Rate	▲	▲
<b>8.8%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

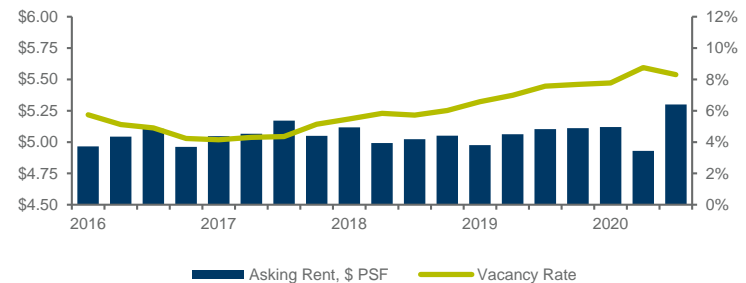
### SUPPLY

Nearly 4.3 million square feet (msf) of new industrial product delivered in Charlotte through the third quarter of 2020. In the Southwest and West Airport submarket, a robust 2.5 msf of speculative construction projects were completed, 41.5% of which was preleased. Most notably in the third quarter, Amazon's 566,800 sf lease at WestPark 85 in the West Airport submarket demonstrated the high demand for large, new institutional quality product. Despite healthy preleasing activity, more than 2.1 msf of vacant speculative product was added across Charlotte year-to-date, offering additional Class A options for tenants seeking modern space.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## DEMAND

Metro Charlotte recorded more than 3.3 msf of new leasing activity in the third quarter of 2020, 68.2% of which occurred in the West Airport and York County submarkets. Leasing activity should remain strong in the West Airport submarket as it constitutes 53.8% of the vacancy in speculative under construction properties. Of the total speculative under construction pipeline, 62.8% of the square footage has been released.

## PRICING

Overall triple net (NNN) asking rents increased to \$5.30 per square foot (psf) at the end of third quarter, up 7.5% from \$4.93 psf in the previous quarter. In that time, asking rents increased markedly in the East submarket (52.6%) and in Cabarrus County (15.0%) due to a high proportion of flex vacancies and quality new deliveries and availabilities becoming vacant, respectively. Overall Flex rates finished the quarter at \$9.98 NNN psf, a 0.5% decrease from the prior quarter. Overall warehouse rental rates climbed by 2.8% to \$4.77 NNN psf during the quarter and have risen 15.4% since 2015.

## DEVELOPMENT PIPELINE

After delivering an average of 5.3 msf over the last three years, new deliveries have remained strong with 4.3 msf delivered year-to-date. With at least another 884,000-sf expected to deliver in the fourth quarter, Charlotte's construction pipeline has remained consistent, and should fall just short of the three-year average. Despite ample new product in the pipeline, Charlotte is not at risk of being overbuilt due to high demand as the market has averaged 3.5 msf of direct net absorption annually in the last three years. The rapid growth of e-commerce will continue to drive the industrial market in Charlotte, due to its excellent highway access to the Southeast.

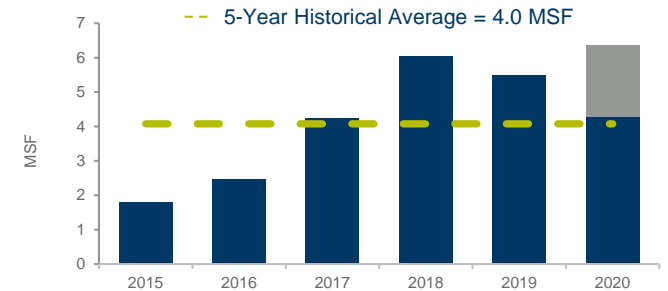
## Outlook

- New construction is likely to persist in more rural counties outside of the core of Charlotte where land is more affordable and abundant.
- Capital markets volume will increase as developers look to monetize their stabilized assets. Additionally, industrial ownership continues to see consolidation due to entity level mergers and acquisitions.
- The development pipeline is anticipated to slow from record levels due to increased construction costs and slight increase in vacancy rates.
- Asking rents will increase further but at a more nominal pace. New supply and more modest demand will be headwinds that moderate the pace of overall rent growth.

## WAREHOUSE/FLEX ASKING RENT (\$ PSF, NNN)



## NEW SUPPLY



## SUBMARKET COMPARISON



## Industrial Q3 2020

## MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CURRENT QTR CONSTR COMPLETIONS (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Cabarrus County	141	19,362,095	826,380	4.3%	7.6%	32,572	1,022,106	506,238	0	90,720	392,720	\$5.20
East	105	8,959,573	334,966	3.7%	3.7%	152,868	-32,519	-128,848	30,542	32,000	32,000	\$7.29
North	276	28,713,489	1,556,226	5.4%	5.8%	-5,835	-270,443	-276,152	641,550	97,650	305,730	\$6.25
Northwest	99	11,509,899	535,614	4.7%	4.9%	200,536	34,416	38,428	0	0	0	\$4.05
Southwest	390	44,925,358	3,896,895	8.7%	9.0%	24,557	1,361,076	1,042,842	67,156	0	2,011,799	\$5.21
West Airport	228	19,645,715	1,862,717	9.5%	9.7%	218,542	375,288	364,988	1,340,420	0	1,023,078	\$6.11
York County	172	27,662,667	3,139,956	11.4%	12.1%	99,627	-111,022	9,911	0	0	529,693	\$4.75

## PROPERTY TYPE

Warehouse/Distribution	871	123,251,020	10,200,967	8.3%	9.2%	649,178	2,447,045	1,528,015	2,049,126	188,370	3,785,520	\$4.77
Flex	387	18,433,747	1,137,327	6.2%	6.4%	-26,311	-34,493	43,042	30,542	32,000	207,500	\$9.98
Manufacturing	153	19,094,029	814,460	4.3%	4.4%	100,000	-33,650	-13,650	0	0	302,000	\$5.91
<b>CHARLOTTE TOTALS</b>	<b>1,411</b>	<b>160,778,796</b>	<b>12,152,754</b>	<b>7.6%</b>	<b>8.3%</b>	<b>722,867</b>	<b>2,378,902</b>	<b>1,557,407</b>	<b>2,079,668</b>	<b>220,370</b>	<b>4,295,020</b>	<b>\$5.30</b>

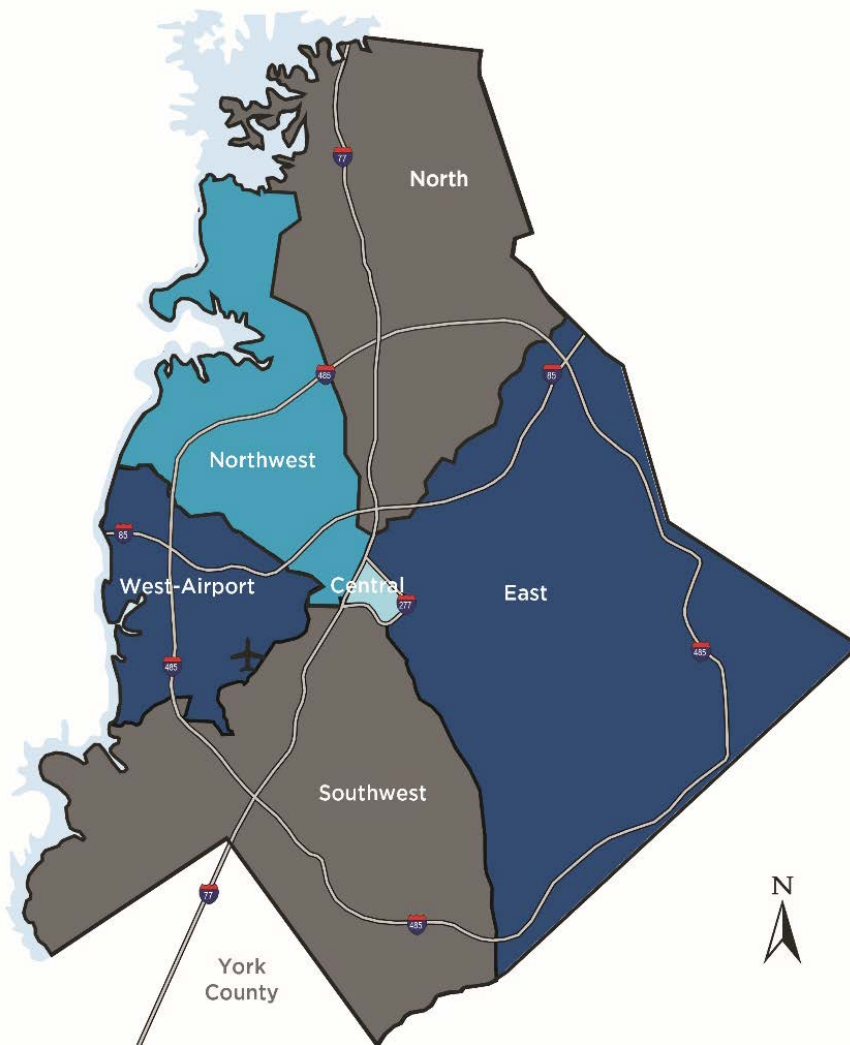
\*Rental rates reflect weighted net asking \$psf/year

\*\*Statistics not reflective of U.S. MarketBeat Tables

## KEY DELIVERIES

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
WestPark 85 – Phase II	566,800	Speculative	1Q 20	West Airport
10230 Pineville Distribution St	525,000	Build-To-Suit	1Q 20	Southwest
577 Cel-River Rd	275,963	Speculative	1Q 20	York County
8500 Automation Dr NW	248,000	Speculative	1Q 20	Cabarrus County
Creekside Commerce Center – Bldg 1	233,438	Speculative	2Q 20	Southwest

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