

	YoY Chg	12-Mo. Forecast
<b>8.0%</b> Vacancy Rate	▲	▼
<b>2.4M</b> YTD Net Absorption, SF	▼	▲
<b>\$5.21</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
<b>1.2M</b> Charlotte Employment	▼	▲
<b>6.1%</b> Charlotte Unemployment Rate	▲	▲
<b>6.7%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

### ECONOMIC OVERVIEW

Despite the United States' continued struggles surrounding COVID-19, Charlotte's industrial market continues to flourish as developers and investors alike continue to take notice. Most recently NorthPoint Development announced its plan to build Gateway 85, a 3.6 million square feet (msf) industrial park in Gaston County. Childress Klein also announced a plan to build 2.2 msf south of Concord Mills at the intersection of I-85 and I-485. These announcements coupled with Walmart's recent acquisition of a 1 msf building in Troutman, have job creation poised to continue in the Charlotte region. Uncoincidentally, Charlotte's healthy market led to higher investment volume with another record setting year totaling \$1.6 billion, topping last year's record by 44.5%. Population is projected to increase 6.5% by 2025 spurring continued optimism for the market as this will require more industrial supply to meet growing e-commerce and logistical needs.

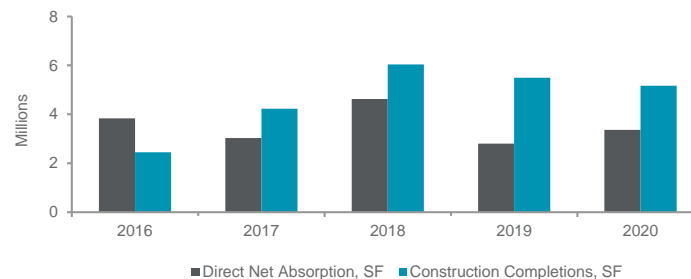
### SUPPLY

The overall industrial vacancy rate remained stable at 8.0% despite a rise in nearly every other real estate market segment. Demand easily outpaced supply as occupiers hurried to meet the growing logistical and e-commerce needs of the Queen City. At the close of 2020, space options for tenants requiring larger Class A space were extremely limited—only four options for spaces 250,000 sf or larger with 32' clear heights are available for immediate occupancy. The East submarket, with its limited building stock, remains the tightest in Metro Charlotte with a vacancy rate of 3.1%. Meanwhile, more leasing opportunities exist for occupiers in the York County and West Airport submarkets, which finished 2020 with overall vacancy rates of 10.9% and 10.2% respectively.

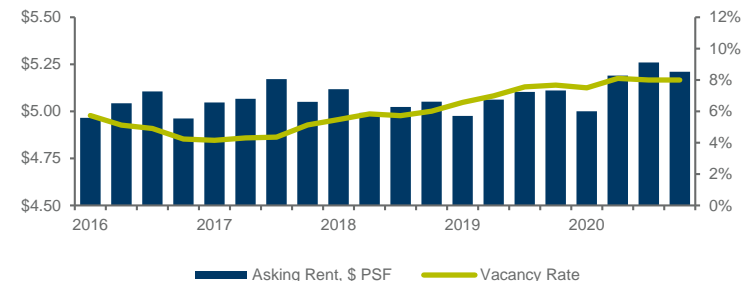
### DEMAND

Metro Charlotte recorded more than 2.3 msf of new leasing activity in the fourth quarter of 2020, increasing the annual total to 7.8 msf. The North submarket accounted for 35.1% of total activity, primarily due to FedEx leasing 644,000 sf at Metrolina Park. York County had the second highest leasing activity, accounting for 31% due to Project Bluegrass and Arrival leasing a combined 654,550 sf at Silverman Group's Legacy Park East development. Through the year, 30 transactions of 100,000 sf or larger were

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



signed throughout Metro Charlotte. Leasing activity should remain strong in 2021, especially in the West Airport and Southwest submarkets where 1.6 msf of vacant, high-quality space was added to the market in 2020.

## RENTAL RATES

Overall triple net (NNN) asking rents slightly decreased to \$5.21 per square foot (psf) at the end of fourth quarter, down 1.9% from \$5.30 psf in the previous quarter. Overall Flex rates stayed flat quarter-over-quarter, finishing the quarter at \$9.99 NNN psf, a 2.4% increase year-over-year. Overall warehouse rental rates rose to \$4.79 NNN psf during the quarter and have risen 11.6% since 2015.

## DEVELOPMENT PIPELINE

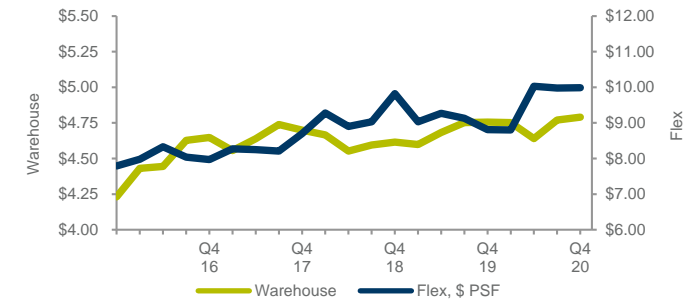
Nearly 5.2 msf of new industrial product delivered in Charlotte through the fourth quarter of 2020, 55% of which has already been leased. This grew the Metro Charlotte inventory by 3.2% and marked the third consecutive year in which more than 5.1 msf of construction projects were completed. In the Southwest and West Airport submarket, a robust 3.9 msf of speculative construction projects were completed in 2020, 58.1% of which is now leased. Most notably in the fourth quarter, The Silverman Group delivered the fully-leased Charlotte Intermodal Logistics Center (421,900 SF) and Walton Street Capital/Clairus Partners delivered Clarius Park (395,620 sf) in the West Airport submarket. Over the past five years, Charlotte has averaged 4.6 msf of deliveries and 3.5 msf of direct net absorption on an annual basis.

Currently there is 2.0 msf under construction, half of which is in the North submarket. With at least another 628,000-sf expected to deliver in the first quarter of 2021, Charlotte's construction pipeline will remain robust. Despite ample new product in the pipeline, Charlotte is not at risk of being overbuilt due to high demand as the market has averaged 3.6 msf of direct net absorption annually in the last three years. The rapid growth of e-commerce as well as our continued population growth will continue to drive the industrial market in Charlotte.

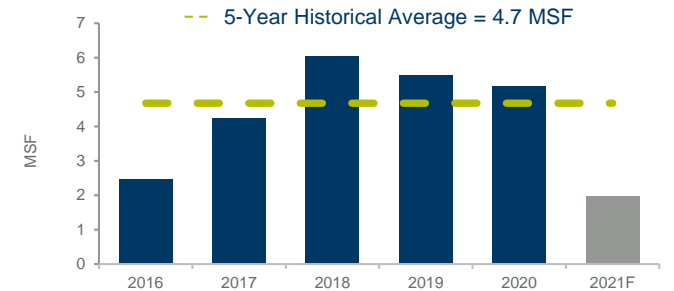
## Outlook

- 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 a 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.

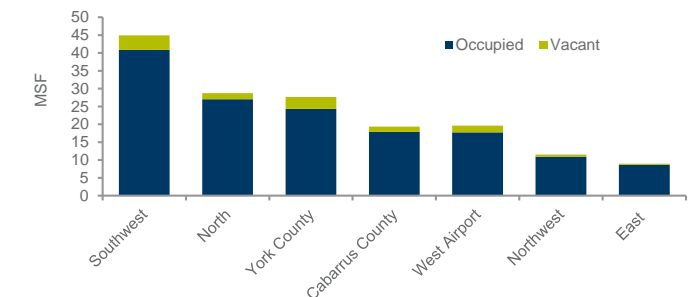
## WAREHOUSE/FLEX ASKING RENT (\$ PSF, NNN)



## NEW SUPPLY



## SUBMARKET COMPARISON



## Industrial Q4 2020

## MARKET STATISTICS

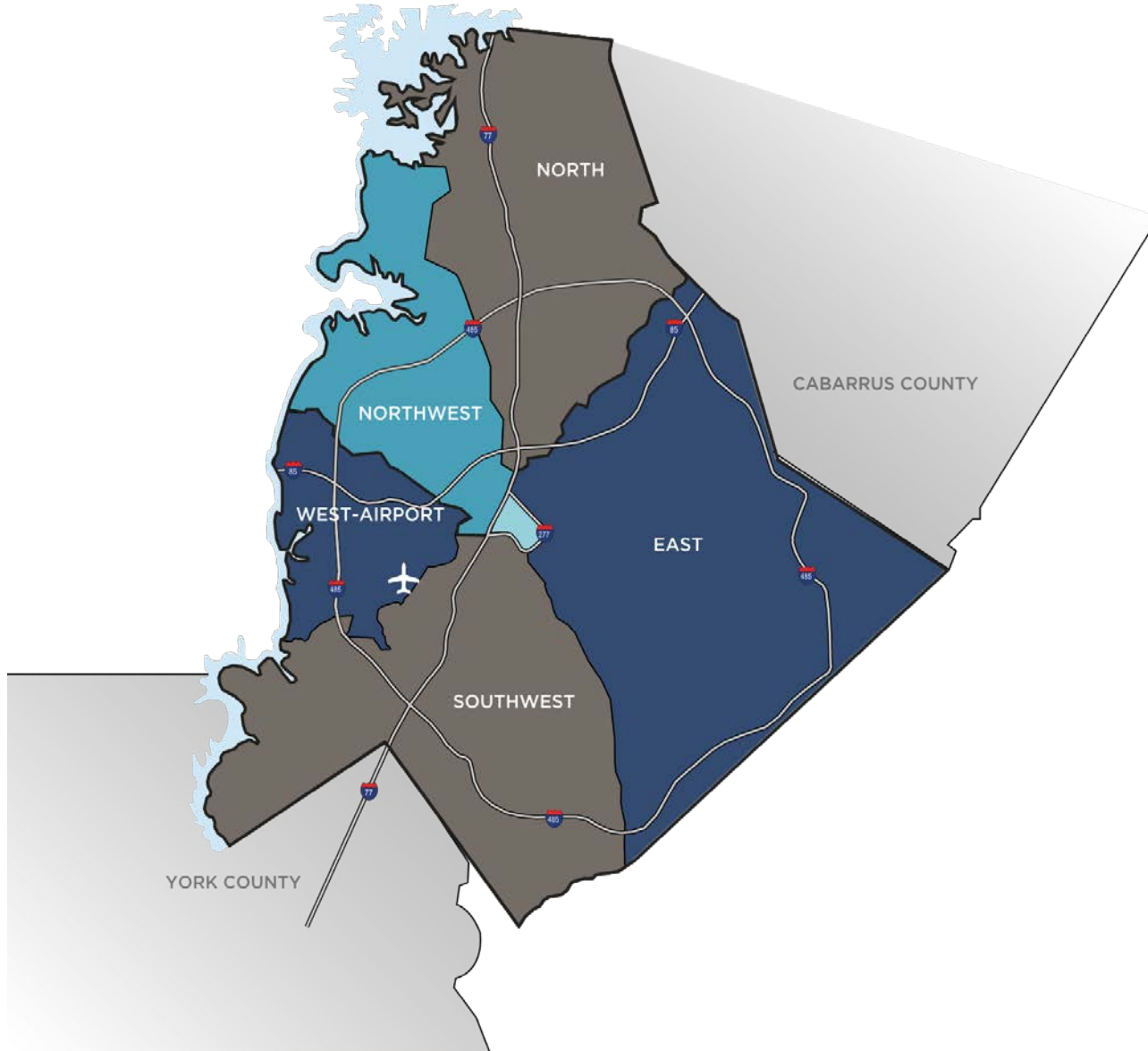
SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CURRENT QTR CONSTR COMPLETIONS (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Cabarrus County	141	19,363,681	831,035	4.3%	7.6%	-27,850	994,256	478,388	200,500	0	392,720	\$5.12
East	105	8,959,573	180,746	2.0%	3.1%	154,220	121,701	-72,128	30,542	0	32,000	\$4.65
North	276	28,711,932	1,367,936	4.8%	5.1%	133,520	-136,923	-158,661	1,089,656	0	305,730	\$6.14
Northwest	99	11,524,899	545,664	4.7%	5.0%	-8,100	26,316	30,328	44,930	0	0	\$4.50
Southwest	391	44,926,119	3,824,362	8.5%	8.9%	128,807	1,489,883	1,147,784	0	67,156	2,078,691	\$5.22
West Airport	230	20,463,135	2,039,698	10.0%	10.2%	672,509	1,047,797	1,016,809	523,000	817,420	1,840,498	\$5.84
York County	172	27,566,917	2,811,917	10.2%	10.9%	-70,254	-181,276	-60,343	74,934	0	522,052	\$4.90
PROPERTY TYPE												
Warehouse/Distribution	875	124,458,858	10,274,029	8.3%	9.1%	870,272	3,317,317	2,368,791	1,933,020	884,576	4,662,191	\$4.79
Flex	387	18,421,783	1,084,015	5.9%	6.2%	17,434	-17,059	29,390	30,542	0	207,500	\$9.99
Manufacturing	152	18,635,615	243,314	1.3%	2.0%	95,146	61,496	-16,004	0	0	302,000	\$4.87
<b>CHARLOTTE TOTALS</b>	<b>1,414</b>	<b>161,516,256</b>	<b>11,601,358</b>	<b>7.2%</b>	<b>8.0%</b>	<b>982,852</b>	<b>3,361,754</b>	<b>2,382,177</b>	<b>1,963,562</b>	<b>220,370</b>	<b>5,171,691</b>	<b>\$5.21</b>

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

## 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
Charlotte Intermodal Logistics Center	421,900	Speculative	4Q 20	West Airport
Clarius Park	395,520	Speculative	4Q 20	West Airport
577 Cel-River Rd	275,963	Speculative	1Q 20	York County

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