MARKETBEAT

CHARLOTTE

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
6.4% Vacancy Rate	▼	▼
2.5M YTD Net Absorption, SF	▲	▲
$5.85 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
1.2M Charlotte Employment	▲	▲
4.9% Charlotte Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW

Charlotte boasted a significant rebound since the height of the pandemic. The unemployment rate fell to 4.9%, down from its peak of 13.9% in May of 2020. The gap between the metro's and nation's rates widened further, as Charlotte's unemployment plummeted below the U.S. unemployment rate of 5.9%. The Queen City continued to blossom as a key MSA as it recently ranked seventh in the nation for markets with conditions most suitable for job hunters by MoneyGeek. CNBC also ranked North Carolina as the number two state for business in 2021. Recent corporate job announcements included Red Bull and Rauch North America, which together will create jobs for 413 employees. This joint venture at The Grounds is the largest economic development project ever announced in Cabarrus County.

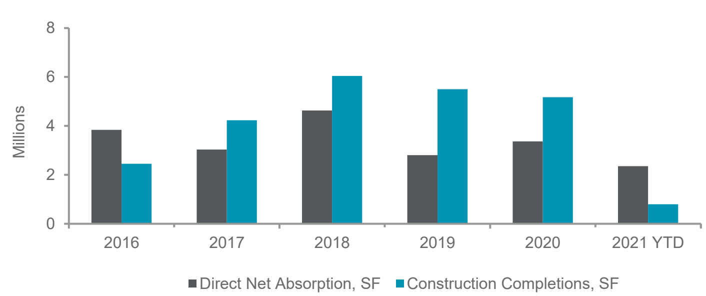
SUPPLY

The overall industrial vacancy rate decreased to 6.4%, falling 130 basis points (bps) since the prior quarter despite a vacancy rise in nearly every other real estate market segment. At the close of Q2 2021, space options for tenants requiring larger Class A space were extremely limited—only four options for spaces 250,000 square feet (sf) or larger with 32' clear heights are available for immediate occupancy. Cabarrus County is the tightest submarket with an overall vacancy rate of only 3.0%, while the West Airport and York County submarkets boast a higher vacancy, 6.9% and 8.5% respectively.

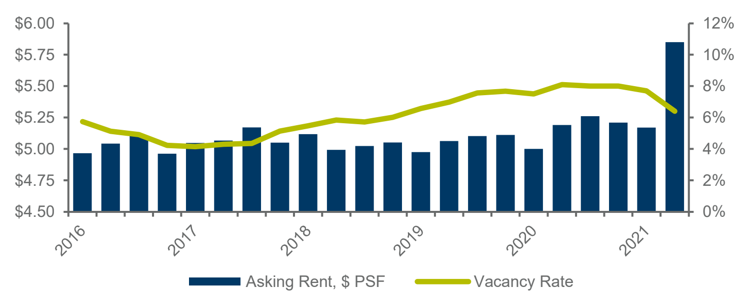
DEMAND

Metro Charlotte recorded more than 5.4 million square feet (msf) of new leasing activity in the second quarter of 2021, bringing the total year-to-date amount to 8.1 msf. The Southwest submarket accounted for 56.2% of total activity during the second quarter, primarily due to Amazon's 1.0-msf lease at Carolina Logistics Park. York County had the second highest leasing activity, accounting for 15.6% due to Masonite leasing 370,212 sf at Lakemont77 and Unique Loom leasing 275,963 sf at River Park @ 77. During the second quarter, 15 new transactions of 100,000 sf or larger were signed throughout Metro Charlotte. Leasing activity should remain steady through the second half of the year across the entire Charlotte market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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RENTAL RATES

Overall triple net (NNN) asking rents increased to $5.85 per square foot (psf) at the end of Q2 2021, up 18.7% from $4.93 psf year-over-year. Overall flex rates decreased 3.8% quarter-over-quarter, falling to $9.85 NNN psf. Overall warehouse rental rates increased 4.4% in the second quarter to $4.94 NNN psf. The Cabarrus County and North Charlotte submarkets remain the priciest in the industrial market at $6.78 psf and $6.71 psf respectively. Warehouse rents are expected to increase for the foreseeable future as new Class A deliveries push rents and low vacancy contribute to a landlord favorable environment.

DEVELOPMENT PIPELINE

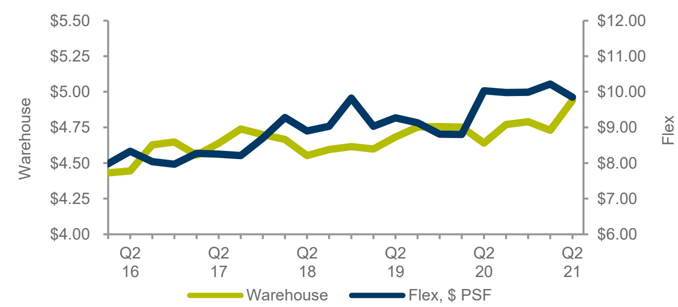
Through the first half of 2021, Charlotte has delivered 791,000 sf of new industrial space. New activity primarily occurred in the West Airport submarket, where Arrival's two facilities at Meadow Oaks delivered, totaling 523,000 sf. Construction costs slowed the pace of new construction earlier this year, however almost 3.8 msf of Class A space is slated to deliver in the second half of 2021. York County accounts for 49.6% of that total and the North and Southwest submarkets will each also post sizable deliveries. Over the past five years, Charlotte has averaged 4.7 msf of deliveries and 3.5 msf of direct net absorption on annual basis and is expected to exceed direct net absorption with 2.3 msf year-to-date.

Outlying counties bordering the Charlotte market such as Rowan and Gaston Counties are gaining development velocity. Currently there is 3.2 msf under construction between 85 North Logistics Center, Gateway-85 and Carolina Logistics Center developments and another 1.6 msf proposed.

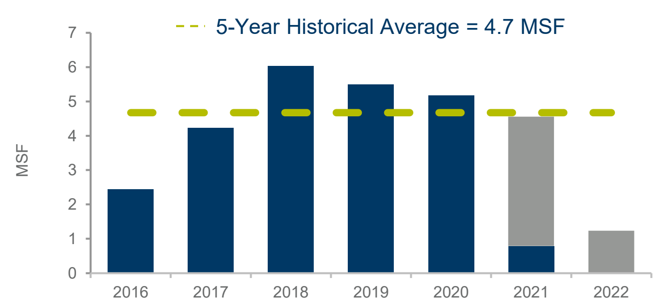
Outlook

- 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. A shortage of steel and other construction supplies will also influence developer's decisions to break ground on new projects as prices increase and supply lead times grow increasingly long.
- 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.

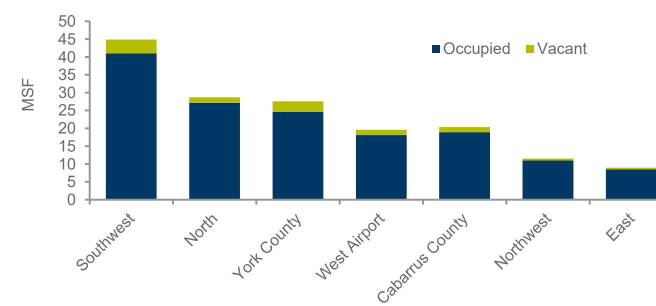
WAREHOUSE/FLEX ASKING RENT ($ PSF, NNN)



NEW SUPPLY



SUBMARKET COMPARISON



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Industrial Q2 2021

CUSHMAN & WAKEFIELD

MARKET STATISTICS

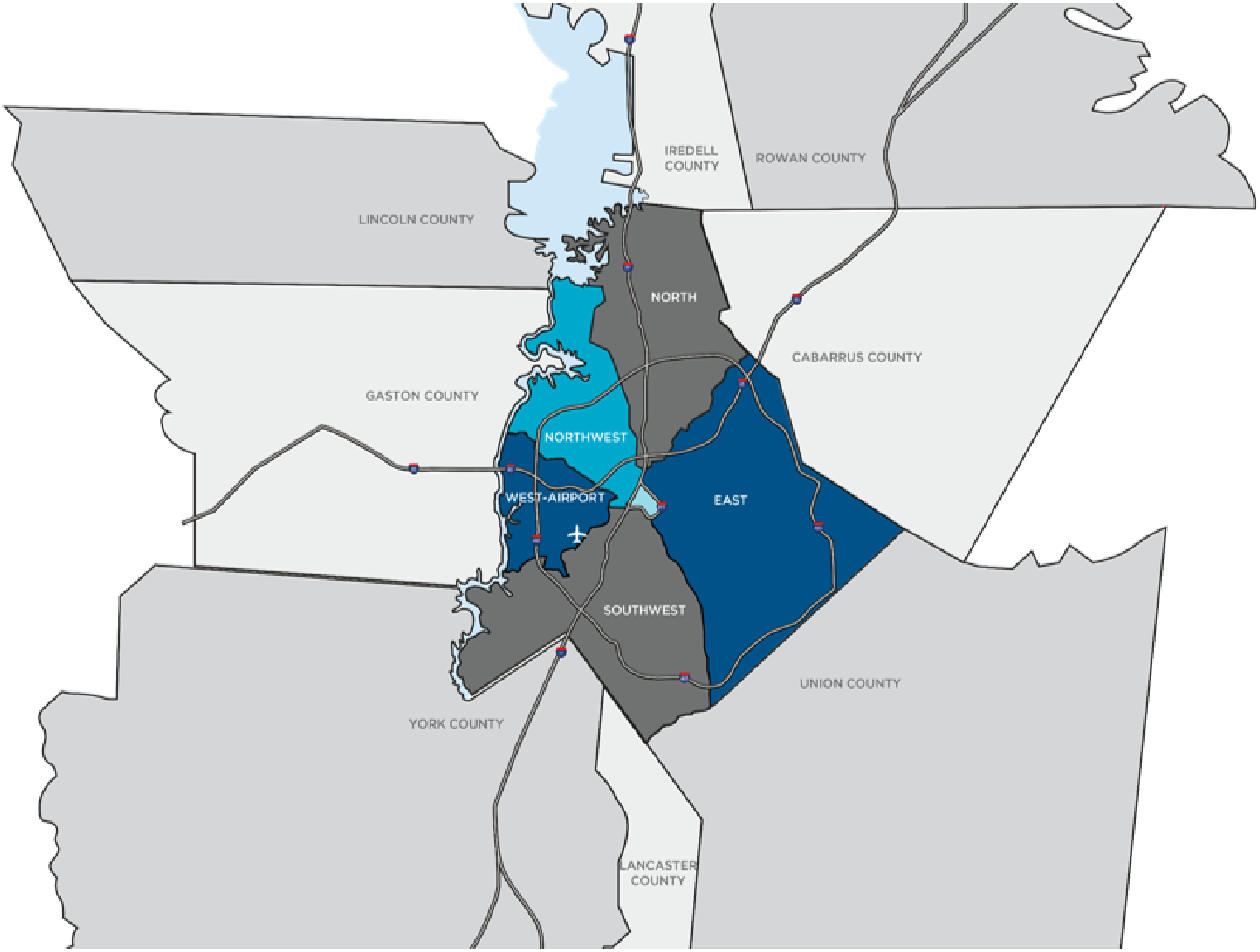
SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CURRENT QTR CONSTR COMPLETIONS (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Cabarrus County	141	19,416,607	588,884	3.0%	3.0%	157,750	267,090	366,990	0	0	0	$6.78
East	106	8,942,474	383,659	4.3%	5.4%	-163,738	-171,699	-171,699	0	0	30,542	$4.42
North	276	28,705,726	1,392,212	4.8%	4.9%	-182,294	-125,758	-66,802	1,241,556	0	0	$6.71
Northwest	99	11,525,033	422,089	3.7%	3.7%	114,375	123,575	139,575	44,930	0	0	$4.23
Southwest	392	45,046,854	3,612,120	8.0%	8.2%	99,834	376,889	353,454	1,771,492	162,497	162,497	$6.24
West Airport	230	20,863,048	1,424,578	6.8%	6.9%	606,983	1,218,383	1,246,299	74,000	523,000	523,000	$6.47
York County	173	27,641,851	2,155,721	7.8%	8.5%	-26,000	661,130	676,050	1,867,760	74,934	74,934	$4.65
PROPERTY TYPE												
Warehouse/Distribution	877	125,053,791	8,596,943	6.9%	7.1%	695,582	2,377,220	2,584,518	4,925,738	760,431	760,431	$4.94
Flex	388	18,452,187	1,032,035	5.6%	6.1%	2,128	79,361	50,320	74,000	0	30,542	$9.85
Manufacturing	152	18,635,615	350,285	1.9%	2.4%	-90,800	-106,971	-90,971	0	0	0	$7.30
CHARLOTTE TOTALS	**1,417**	**162,141,593**	**9,979,263**	**6.2%**	**6.4%**	**606,910**	**2,349,610**	**2,543,867**	**4,999,738**	**760,431**	**790,973**	**$5.85**

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Carolina Logistics Park	Southwest	Amazon	1,006,462	New Deal
Lakemont77	York County	Masonite	370,212	New Deal
River Park @ 77	York County	Unique Loom	275,963	New Deal
Geneva II	Southwest	Frito-Lay	243,072	New Deal
Creekside Commerce Center – Bldg I	Southwest	Ruggable	233,438	New Deal

INDUSTRIAL SUBMARKETS



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