

Industrial Q3 2021

YoY
Chg 12-Mo.
Forecast**4.9%**

Vacancy Rate

**5.4M**

YTD Net Absorption, SF

**\$6.78**

Asking Rent, PSF



Direct, Net Asking Rent

ECONOMIC INDICATORS
Q3 2021YoY
Chg 12-Mo.
Forecast**1.2M**Charlotte
Employment**4.3%**Charlotte
Unemployment Rate**5.2%**U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

Charlotte's current 4.3% unemployment rate has dramatically retracted and now aligns with the city's historical five-year average prior to COVID-19 pandemic levels. Year-over-year (YOY) Charlotte has added 45,400 jobs, a trend that is expected to persist as the Queen City continues to be a forerunner of economic development in the United States. The industrial-focused job sector remains central to the Charlotte economy, with the trade, transportation, and warehousing sector accounting for 20.5% of the market's total workforce.

E-commerce sales remain at an all-time high. Last quarter, national e-commerce sales totaled \$225B, the highest quarterly revenue in history, and accounted for 13.3% of total U.S. retail sales. Locally, this will continue to fuel the need for warehouse space as e-commerce and third-party logistics firms target Charlotte to expand their foothold in the Southeast.

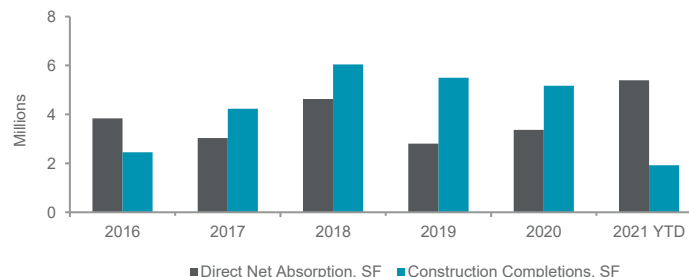
SUPPLY

The direct industrial vacancy rate continued to decrease for the fifth consecutive quarter, settling to 4.9%, a 320-basis point (bps) drop since the peak in Q2 2020. Currently, there are only four vacant spaces greater than 200,000 square feet (sf) in the entire market that are available for lease, accounting for 15.4% of total market vacancy. This demonstrates the market's need for more construction to meet tenant demand even after delivering a record 18.6 million square feet (msf) of new industrial product over the past three years. Vacancy is highest in the North submarket at 6.0%, primarily due to MDH delivering 445,000 sf at Northcross Commerce Center last quarter which remains 95.0% vacant. Cabarrus County is the tightest submarket with a direct vacancy rate of 2.1% and has no speculative development currently under construction.

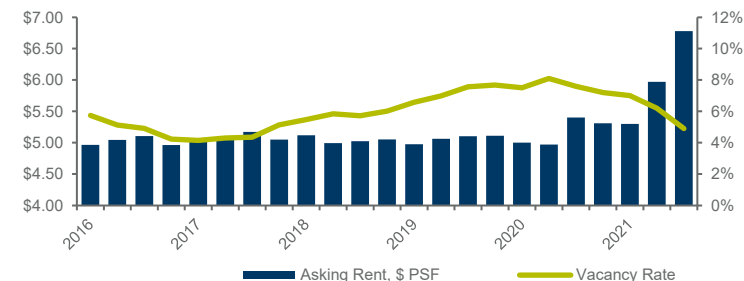
DEMAND

Metro Charlotte recorded more than 3.6 msf of new leasing activity in the third quarter of 2021, bringing the total year-to-date amount to 10.5 msf. The Southwest submarket accounted for 42.5% of total activity during the third quarter, driven by USPS's 358,500-sf lease at Premier Distribution Center and Big Rock Sports expanding into 256,000 sf at 11922 General Dr. York County

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT



had the second highest leasing activity, accounting for 12.9% due to Atlas Copco leasing 216,000 sf at Riverwalk Business Park. During the third quarter, 13 new transactions of 100,000 sf or larger were signed throughout Metro Charlotte accounting for 63.6% of the quarters total. Leasing activity should lower in the coming quarters from recent years record levels as a lack of large readily available options exist for tenants in the Charlotte market.

RENTAL RATES

Direct flex rates increased 8.2% YOY, rising to \$10.91 NNN psf, while direct warehouse rental rates rose 9.5% to \$5.29 NNN psf. Rental rates in the North and Airport submarkets surpassed the \$7.00-psf mark and remain the priciest warehouse markets at \$6.91 psf and \$6.53 psf respectively. Warehouse rents are expected to increase for the foreseeable future as new Class A deliveries push rents and consistently low vacancy contributes to a landlord-favorable environment.

DEVELOPMENT PIPELINE

Through Q3 2021, Charlotte has delivered 1.9 msf of new industrial space this year. New development activity primarily occurred in the North submarket, where MDH Partners delivered Northcross Commerce Center, totaling 445,500 sf along with Beacon Partners 644,000-sf building at Metrolina Park. Charlotte's current construction pipeline is 4.7 msf, of which 2.1 msf is anticipated to deliver by year-end bring total new deliveries for the year to 4.0 msf, just below Charlotte's 5-year 4.7 msf average. Due to Charlotte's low vacancy of only 4.9% and the present constraint of viable large block options, development is sure to ensue to meet the strong demand.

Outlying counties bordering the Charlotte market such as Rowan, Lincoln and Gaston Counties are gaining development velocity. Currently, there are 7.9 msf proposed properties in these counties with 1.8 msf under construction in Gaston County, mainly at the RiverWest Business Park and Gateway 85. Construction will continue to increase as Charlotte's supply expands to meet its robust demand.

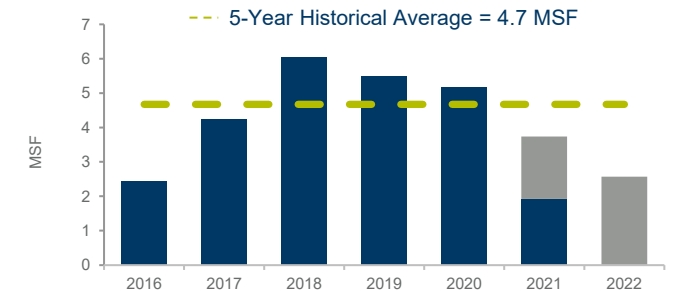
Outlook

- Asking rents will continue to increase further as lack of available options due to logistical constraints hinder timelines for new deliveries.
- 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.
- New construction is likely to persist in more rural counties outside of the core of Charlotte where land is more affordable and abundant.
- While demand is high and Charlotte's market fundamentals will remain tight in the coming quarters, rising construction costs and supply chain bottlenecks are anticipated to create headwinds for the national industrial market which will likely have impacts locally.

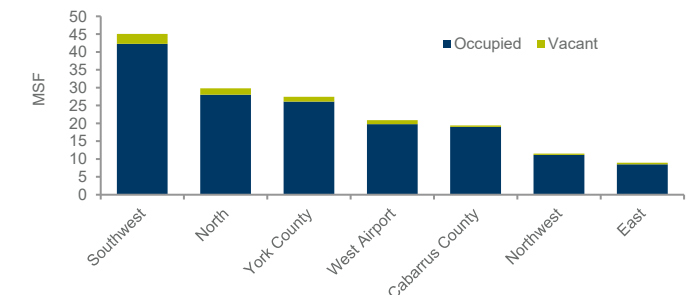
WAREHOUSE/FLEX DIRECT ASKING RENT (\$ PSF, NNN)



NEW SUPPLY



SUBMARKET COMPARISON



MARKETBEAT CHARLOTTE



Industrial Q3 2021

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 CNSTR COMPLETIONS (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT*
Cabarrus County	141	19,416,607	403,105	2.1%	2.1%	154,104	436,869	536,769	248,000	0	0	\$7.36
East	106	8,942,474	420,543	4.7%	4.7%	-45,104	-208,583	-208,583	0	0	30,542	\$8.61
North	279	29,831,361	1,781,658	6.0%	6.1%	817,535	548,417	601,783	311,020	1,089,656	1,089,656	\$7.13
Northwest	99	11,521,079	384,510	3.3%	3.3%	-3,896	119,679	135,679	44,930	0	0	\$4.51
Southwest	392	45,042,999	2,713,147	6.0%	6.1%	748,991	1,763,056	1,780,196	1,772,086	0	162,497	\$7.02
West Airport	230	20,863,048	1,023,090	4.9%	5.2%	371,849	1,518,500	1,496,622	478,251	0	523,000	\$7.87
York County	173	27,422,910	1,241,716	4.5%	4.9%	450,672	1,213,802	1,325,437	1,827,243	40,517	115,451	\$6.00
PROPERTY TYPE												
Warehouse/Distribution	881	126,227,946	6,613,146	5.2%	5.4%	2,422,485	5,411,938	5,690,034	4,607,530	1,130,173	1,890,604	\$5.29
Flex	387	18,179,156	941,338	5.2%	5.6%	71,666	165,773	147,840	74,000	0	30,542	\$10.91
Manufacturing	152	18,633,376	413,285	2.2%	2.2%	0	-183,971	-169,971	0	0	0	\$9.99
CHARLOTTE TOTALS	1,420	163,040,478	7,967,769	4.9%	5.0%	2,494,151	5,391,740	5,667,903	4,681,530	1,130,173	1,921,146	\$6.78

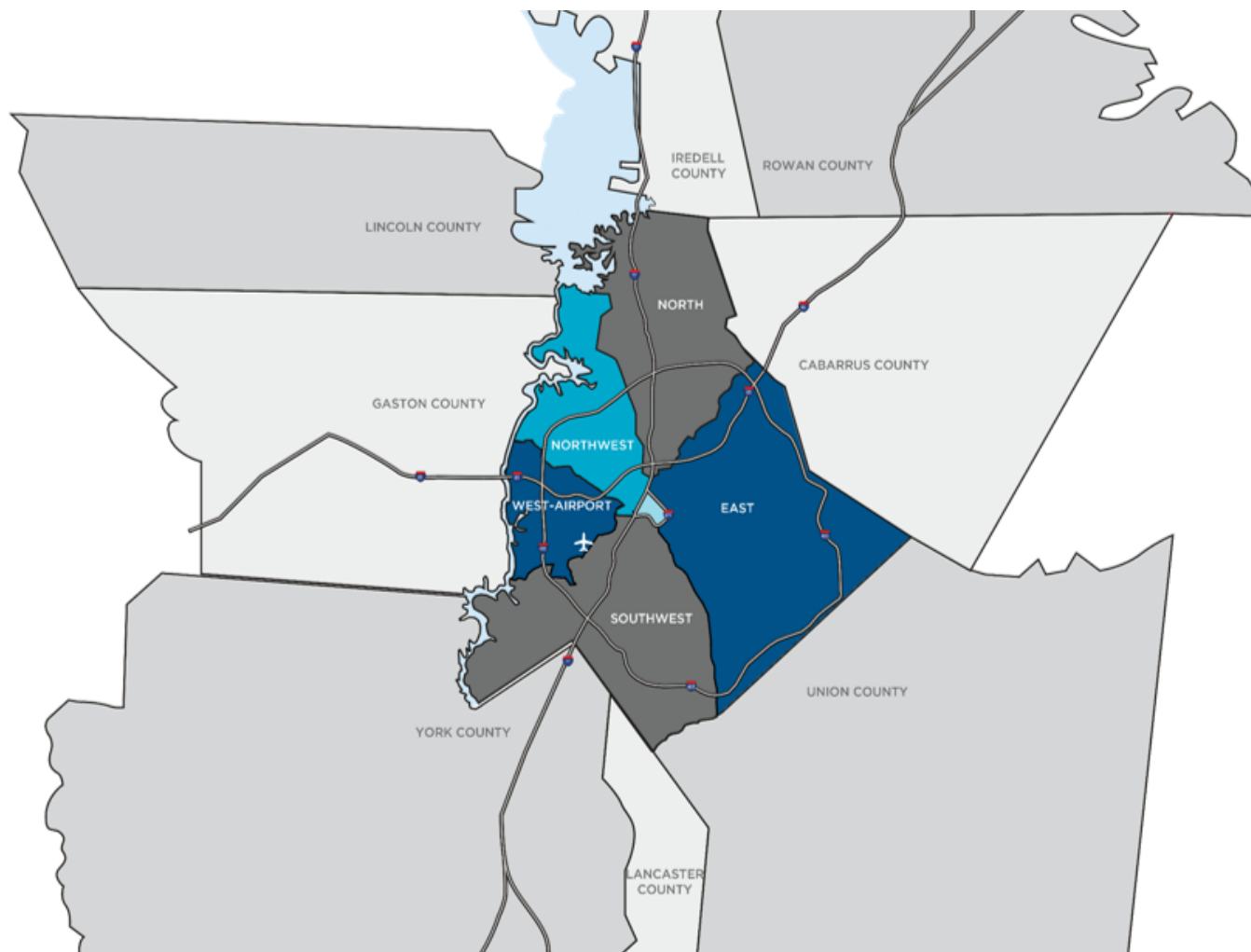
*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Premier Distribution Center – Bldg 1	Southwest	USPS	358,548	New Deal
10301 Monroe Rd	East	Brothers Freight	262,359	New Deal
11922 General Dr	Southwest	Big Rock Sports	256,052	New Deal
RiverOaks Corporate Center – Bldg E	Cabarrus County	Lennox	248,000	New Deal
Riverwalk Business Park – Site D	York County	Atlas Copco	216,000	New Deal



INDUSTRIAL SUBMARKETS

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