

Industrial Q4 2021

YoY Chg 12-Mo. Forecast

2.5%
Vacancy Rate

10.3M
YTD Net Absorption, SF

\$6.52
Asking Rent, PSF

Overall, Net Asking Rent

ECONOMIC INDICATORS
Q4 2021

YoY Chg 12-Mo. Forecast

1.2M
Charlotte Employment

4.0%
Charlotte Unemployment Rate

4.2%
U.S. Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

Charlotte's economy boasted substantial improvements throughout 2021. The unemployment rate continued to decline, falling to 4.0%. Since one year ago, 31,800 jobs were added to the region. Despite supply chain bottlenecks and labor supply issues across the country, e-commerce sales were up 11% during the 2021 holiday season and commanded an even larger share of total retail sales (20.9%) compared with the same period in 2020. This will continue to fuel the need for warehouse space as e-commerce and logistics firms target Charlotte to expand their foothold in the Southeast.

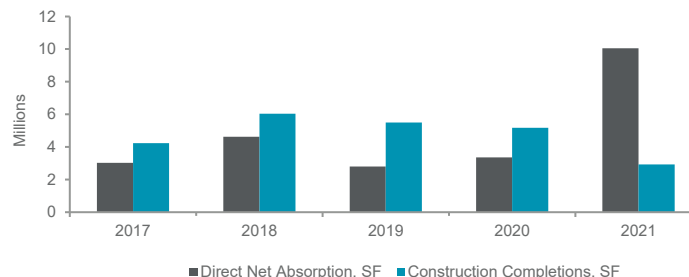
SUPPLY

Overall vacancy in Charlotte fell to 2.5% in Q4, a new historic low for the region. The most substantial improvement occurred in the Southwest submarket where vacancy fell to 2.7%, an astonishing 670-basis-point (bp) drop from one year ago. This steep decrease was the result of multiple move-ins during Q4 including six tenants 100,000 square feet (sf) or greater. Most notably, USPS (358,548 sf), Ruggable (233,438 sf), and IPEX (200,000 sf) each moved into their new warehouse properties in the final months of the year. These move-ins, coupled with the completion of Amazon's 1.0-million-square-foot (msf) build-to-suit at Carolina Logistics Park, drove the submarket to 2.3 msf of positive quarterly net absorption, the most substantial gains in the metro. In total, Charlotte recorded 4.4 msf of net occupancy gains in Q4, pushing the annual total to 10.3 msf, the highest yearly figure in the market's history.

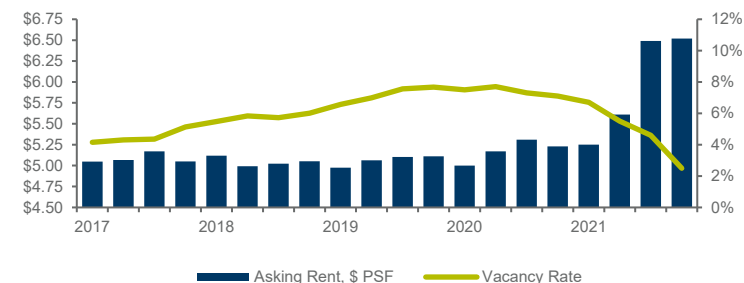
DEMAND

Demand remained healthy through the final months of the year with nearly 2.7 msf of new lease transactions signed. Though this did not equal the robust activity of Q2 or Q3, activity was limited not by a lack of demand but because of extremely limited supply options. In total, nearly 17.5 msf of new leases were signed throughout 2021 – a 119.4% increase year-over-year (YOY). The largest deals of the quarter occurred in the Southwest submarket where Home Depot preleased a 403,000-sf proposed building and in North Charlotte where Premium Beverage signed for 331,385 sf at Northcross Commerce Center, a speculative project that delivered in Q3. Throughout the year, 12 big-box transactions of 250,000 sf or greater were signed and only four occurred in second-generation space, demonstrating the tremendous demand for modern, premium industrial product.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



RENTAL RATES

Asking rents continued to rise precipitously. As space options became increasingly limited, competition for remaining vacancies escalated, pushing the direct average asking rate to \$6.52 per square foot (psf), a 24.7% increase YOY. Flex rents climbed \$1.56 psf in that time to \$11.36 psf, while warehouse/distribution (W/D) average rents increased \$0.64 psf to \$5.45 psf. North Charlotte and West Airport remain the priciest W/D submarkets in the metro. Rents will continue to trend upward when the premium speculative product presently under construction delivers in 2022.

DEVELOPMENT PIPELINE

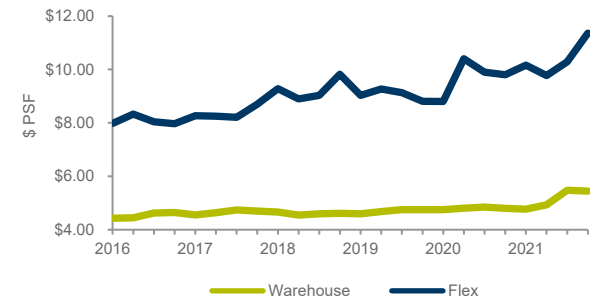
Ten buildings delivered in 2021 totaling 2.9 msf. The strong demand for this new product was evident as 94.3% of this space was leased before the close of the year. The only construction project to complete in Q4 was Amazon's 1.0-msf build-to-suit in the Southwest submarket, though properties in a variety of sizes delivered throughout the year. Rising construction costs and supply chain issues caused construction delays which are expected to persist into the start of the new year.

The construction pipeline remains extremely robust with nearly 6.9 msf under construction and slated for delivery in 2022. More than 90.4% of this product is being built on a speculative basis, offering tenants seeking space in the Charlotte market much-needed options. Development is widespread; five submarkets have 1.0 msf each underway. At the close of the year 30 projects were under construction with a substantial volume of proposed product slated to break ground in 2022 and 2023.

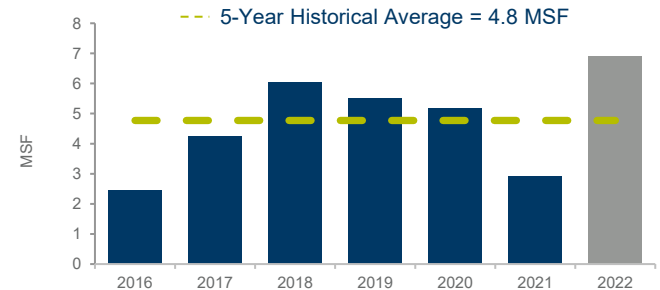
OUTLOOK

- As Charlotte continues its emergence as a premier industrial hub in its own right—rather than a spoke of the Atlanta market—competition for space will continue to increase.
- Demand for industrial product is predicted to remain at an all-time high as supply remains extremely constrained.
- Expect vacancy to persist near historic lows despite the robust quantity of speculative product slated to deliver from the construction pipeline.
- Asking rents are predicted to continue climbing, especially as construction delays postpone the introduction of new vacancy options to the Charlotte market.

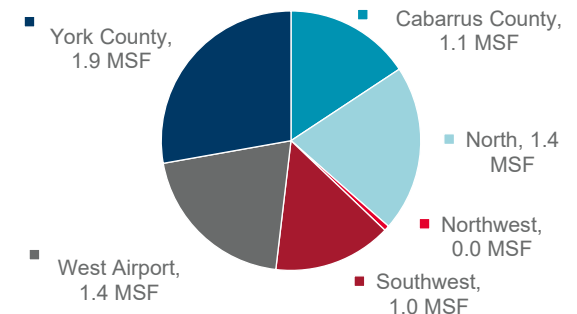
WAREHOUSE/FLEX ASKING RENT (\$ PSF, NNN)



NEW SUPPLY



CONSTRUCTION PIPELINE (MSF)



MARKETBEAT CHARLOTTE

Industrial Q4 2021



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Cabarrus County	19,416,607	265,954	1.4%	66,264	673,920	1,083,928	0	N/A	\$10.04	\$4.50
East	8,942,474	124,360	1.4%	265,559	61,536	0	30,542	N/A	\$10.33	N/A
North	29,511,695	920,727	3.1%	722,145	1,488,067	1,431,345	1,089,656	N/A	\$11.24	\$7.28
Northwest	11,521,079	129,018	1.1%	143,098	168,575	45,098	0	\$9.14	\$10.50	\$4.36
Southwest	45,354,966	1,218,628	2.7%	2,275,986	4,087,091	1,017,269	1,168,959	N/A	\$12.19	\$5.11
West Airport	20,888,365	637,676	3.1%	350,940	1,944,329	1,402,553	523,000	\$4.00	\$10.67	\$6.72
York County	27,422,983	732,880	2.7%	598,985	1,924,499	1,916,248	115,524	N/A	\$21.45	\$5.11
CHARLOTTE TOTALS	163,058,169	4,029,243	2.5%	4,422,977	10,348,017	6,896,441	2,927,681	\$4.68	\$11.36	\$5.45

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

**Statistics not reflective of U.S. MarketBeat

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
Westinghouse Logistics Park – South Tract	Southwest	Home Depot	403,000	Pre-Lease
Northcross Commerce Center – 12800 Jamesburg Rd.	North	Premium Beverage	331,385	New Lease
Catawba Distribution Center, Bldg. 1 – 1962 W Hwy 160	York County	Victory Packaging	199,861	Renewal
Clarius Park – 7800 Tuckaseegee Rd.	West Airport	Lowe's	197,510	New Lease
Concord Airport Business Park, Phase I, Bldg. II	Carabbus County	ETS Express	152,750	Renewal
International Commerce Center – 215 International Dr.	Carabbus County	Prime Beverage	108,495	New Lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS 2021

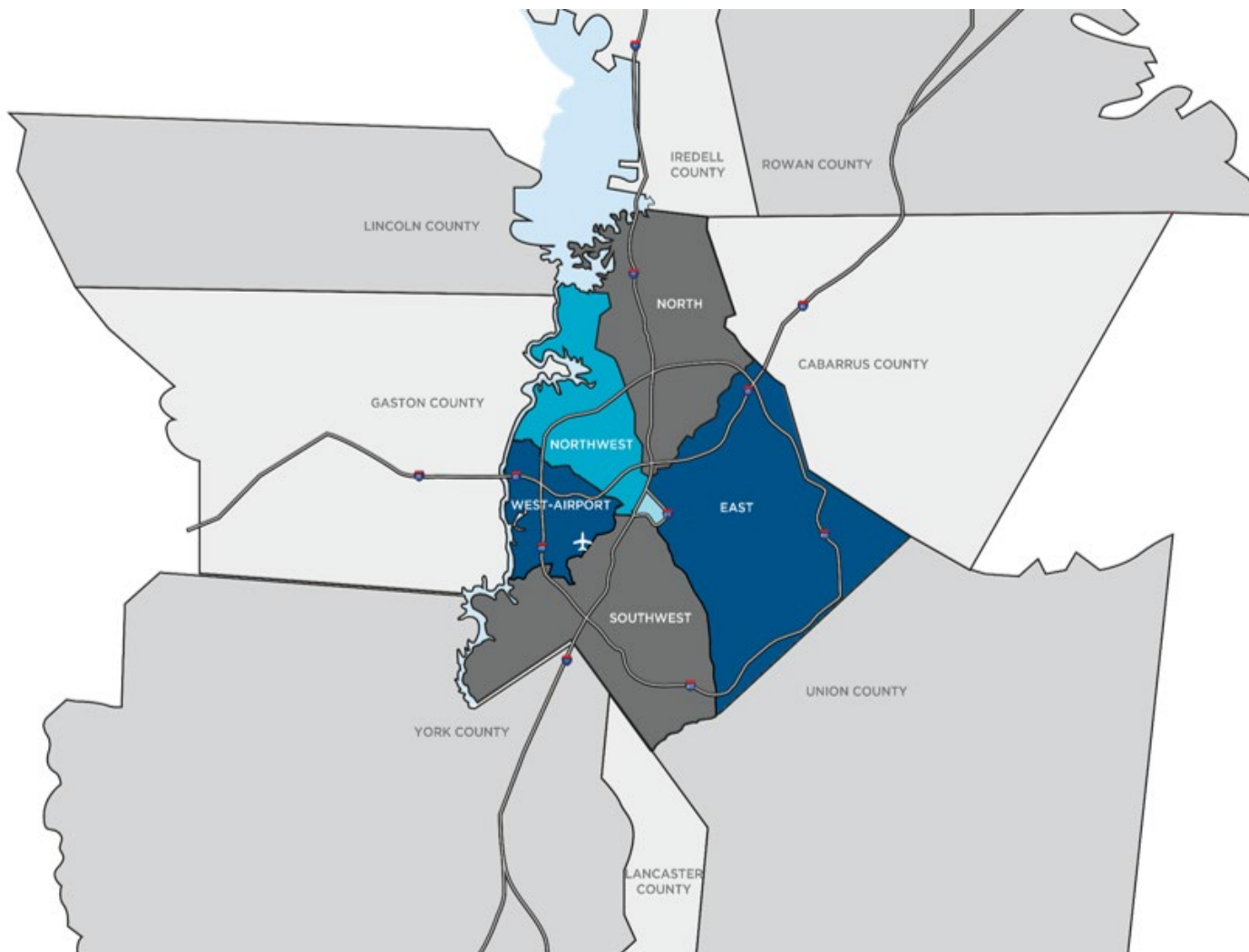
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Carolinas Logistics Park, Bldg. 1 – 11925 Carolina Logistics Dr.	Southwest	Amazon	1,006,472	Build-to-Suit	Beacon Partners
Metrolina Park, Bldg. 6 – 4906 Gibbon Rd.	North	FedEx	644,171	Speculative	DWS/Beacon Partners
Northcross Commerce Center – 12800 Jamesburg Rd.	North	Premium Beverage	331,385	Speculative	MDH Partners

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Stateline 77, Bldg. 2 – 7149 Logistics Ln.	York County	N/A	786,167	Speculative	Rockefeller Group
Metro 63 Logistics Center – 5700 Royce St.	Cabarrus County	N/A	755,928	Speculative	Tramell Crow
11701 McCord Rd.	North	N/A	627,000	Speculative	WPT Industrial



INDUSTRIAL SUBMARKETS

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