MARKETBEAT

CHARLOTTE

Industrial Q1 2022

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
2.3% Vacancy Rate	▼	—
986K YTD Net Absorption, SF	▲	▲
$6.22 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
1.2M Charlotte Employment	▲	▲
3.7% Charlotte Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW

The Charlotte economy recorded a strong first quarter of 2022. The unemployment rate dropped to 3.7%, a 180-basis-point (bp) improvement since last year. Despite national labor supply issues, e-commerce and third-party-logistics (3PL) firms continued to add more jobs to the region, taking advantage of Charlotte's skilled talent pool. Numerous new projects were announced in the first quarter, and investment is expected to continue to snowball throughout the remainder of the year.

DEMAND

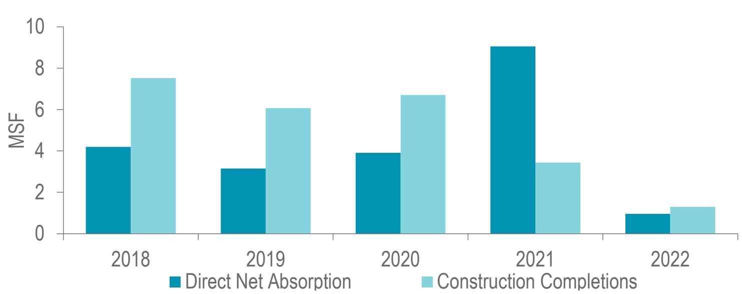
Demand continued to strengthen in the first quarter of 2022 as Charlotte's leasing activity totaled 3.8 msf, a 36.0% YOY improvement, and an 8.1% escalation from Q4 2021. Four submarkets recorded at least 500,000 sf of new leasing: Gaston County, York County, Southwest, and North Charlotte. Amazon continued its investment in the Charlotte region by inking 286,000 sf at Gateway 85, adding to its 2.8-msf portfolio in Charlotte. Other top Gaston County leases include Ferguson (150,000 sf) at Carolina 85 Logistics Center and Trophy Depot (134,000 sf) at 646 Cason St. York County's top deals include Logistics Plus (498,000 sf) at 2601 David Hutchison Rd. and Trinity Transport (202,000 sf) at 194 Springhill Farm Rd. Meanwhile, Big Rock Sports expanded by 109,000 sf at 11922 General Drive and Big Sky Fulfillment leased 89,000 at Lakemont West, both in the Southwest submarket.

With the combination of increasing demand for industrial space and a shortage of vacant space, pre-leasing projects under construction. Of the 12.6 msf under construction, an impressive 31.4% of this space is pre-leased. Several build-to-suit (BTS) projects are represented in this figure including Newell Brands' 1.5-msf BTS at Phase II of Gateway 85.

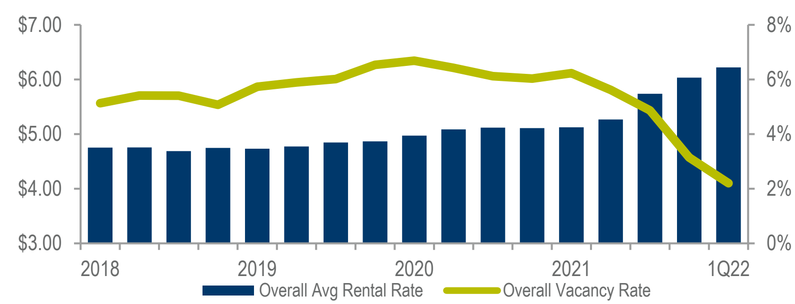
Over $149 million of industrial investment sale transactions closed in the first quarter of the year. Notably, Link sold 3725 Westinghouse Blvd. in the Southwest submarket for $71.5 million to KKR.

Direct net absorption totaled 955,471 sf to start off the year. Many large move-ins contributed positively to net absorption including NVM Pets moving into 80,350 sf at Ridge Creek Distribution Center and Adcov8 into 48,000 sf at Lakemont West Business Park. Few move-outs occurred during the first quarter, so net absorption only saw marginal negative contributors.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT
CHARLOTTE
Industrial Q1 2022

CUSHMAN & WAKEFIELD

SUPPLY

Charlotte recorded a historically low overall vacancy rate of 2.3% for Q1 2022, an astonishing year-over-year (YOY) decrease of 390 bps. This impressive statistic is 100 bps below the national average and 150 bps below the Southeast region's average, demonstrating Charlotte's status as one of the nation's top emerging industrial markets. This tightening of supply can be attributed to high leasing activity and a down cycle of construction completions for this quarter. Though Gaston County and York County are each home to two of the top five leases in the Charlotte region and saw the highest leasing activity for this quarter, Iredell County and the East submarket had the lowest vacancy rates, both at 1.4%. The most significant change in vacancy rates occurred in the Southwest submarket, which decreased to 2.7% YOY.

Despite rising construction costs and supply chain issues, more than 1.3 million square feet (msf) of new product delivered this quarter, while nearly 12.6 msf is currently in the pipeline. Of the product under construction, nearly 10.1 msf is slated to deliver in 2022. The top projects delivered during Q1 include Gateway 85's Phase I with an aggregate 908,672 sf between Buildings 1 and 2, and 11109 Quality Dr. at 240,000 sf. Given the substantial industrial leasing activity, a greater supply of industrial space will be required over the next several quarters.

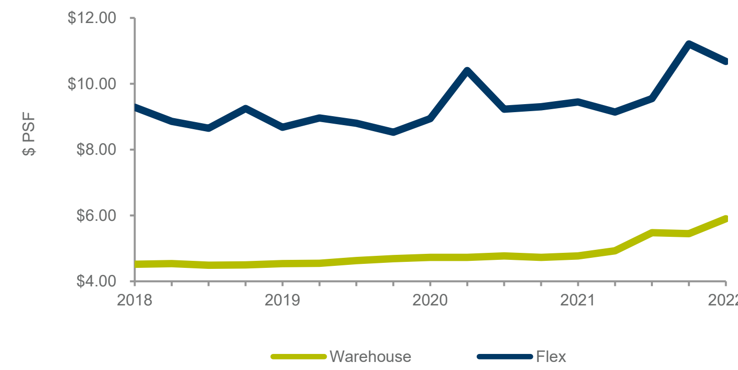
RENTAL RATES

The average direct net rental rate surged 8.3% quarter-over-quarter, to $5.90 per square foot (psf), a historical high for the region. This statistic speaks to the high-quality vacancies available for lease as well as the numerous exceptional projects in the construction pipeline. Warehouse/distribution (W/D) saw a $0.45 increase to $5.90 psf average rental rate, while flex rents decreased slightly to $10.68 psf. North Charlotte and West Airport submarkets are the costliest W/D submarkets, while the East submarket averaged the highest overall average rate at $10.05 psf. Rents will continue to trend upwards as the estimated 10.1 msf of sites under construction deliver in 2022.

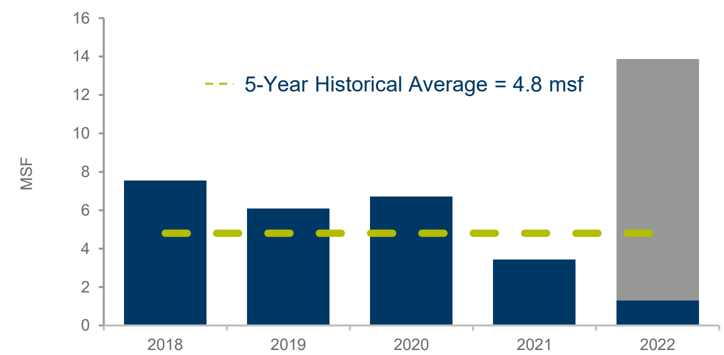
OUTLOOK

- Charlotte's immediate access to I-85 and low taxes sustain the city as one of the top regions to invest in the nation. Expect this to continue throughout 2022.
- Rental rates will continue to escalate as the competition for space tightens.
- Land is in short supply in the greater Charlotte area as investors buy available land to build new product. As a result, expect land prices to continue to rise in the future.

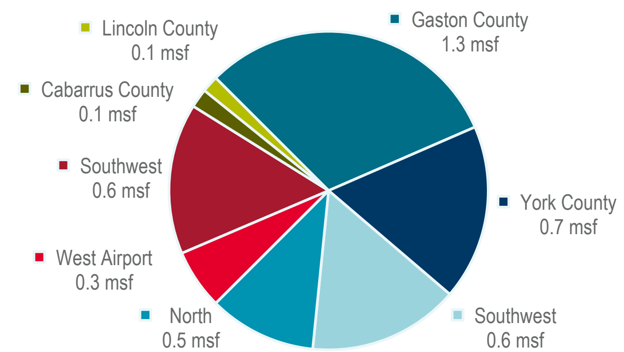
WAREHOUSE/FLEX ASKING RENT ($ PSF, NNN)



NEW SUPPLY



CONSTRUCTION PIPELINE (MSF)



MARKETBEAT

CHARLOTTE

Industrial Q1 2022

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	19,496,607	286,713	1.5%	48,000	48,000	1,417,928	80,000	N/A	$10.51	$6.14
East	8,942,474	128,099	1.4%	17,000	17,000	0	0	N/A	$10.05	N/A
Gaston County	25,741,019	531,799	2.1%	592,900	592,900	4,976,293	908,672	$4.00	N/A	$3.96
Iredell County	26,912,291	382,413	1.4%	(-30,000)	-30,000	90,000	0	$3.93	N/A	N/A
Lincoln County	10,492,708	158,359	1.5%	0	0	0	0	N/A	N/A	N/A
North	29,709,555	892,642	3.0%	72,976	72,976	1,274,485	41,000	N/A	$9.07	$6.82
Northwest	11,566,177	224,116	1.9%	(-50,000)	-50,000	0	45,098	$9.14	$10.50	$5.90
Southwest	45,594,966	1,251,709	2.8%	255,094	255,094	1,009,469	240,000	N/A	$12.30	$5.67
West Airport	20,888,365	598,296	2.9%	17,792	17,792	1,876,507	0	N/A	$10.41	$6.79
York County	27,422,983	720,498	2.6%	12,371	12,371	1,921,548	0	N/A	$24.22	$5.94
CHARLOTTE TOTALS	**226,767,145**	**5,174,644**	**2.3%**	**936,133**	**936,133**	**12,566,230**	**1,314,770**	**$4.09**	**$10.68**	**$5.90**

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

***As of Q1 2022 the Charlotte market has expanded to include new submarkets, see back page for details*

MF = Manufacturing, OS = Office Service/Flex, W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Rock Hill Commerce Center – Bldg B – 2601 David Hutchison Rd	York County	Logistics Plus	497,989	Pre-Lease
Gateway 85 – Building 1 – 00 Aberdeen Blvd	Gaston County	Amazon	286,272	New Lease
Lakemont East – 194 Springhill Farm Rd	York County	Trinity Transport	201,788	New Lease
Carolina 85 Logistics Center – 300 Woodlake Pkwy	Gaston County	Ferguson	150,120	New Lease
I-485 Logistics Center – Bldg 1 – 00 Old Dowd Rd	West Airport	Fontaine Modification Co	145,818	New Lease

KEY CONSTRUCTION COMPLETIONS 2022

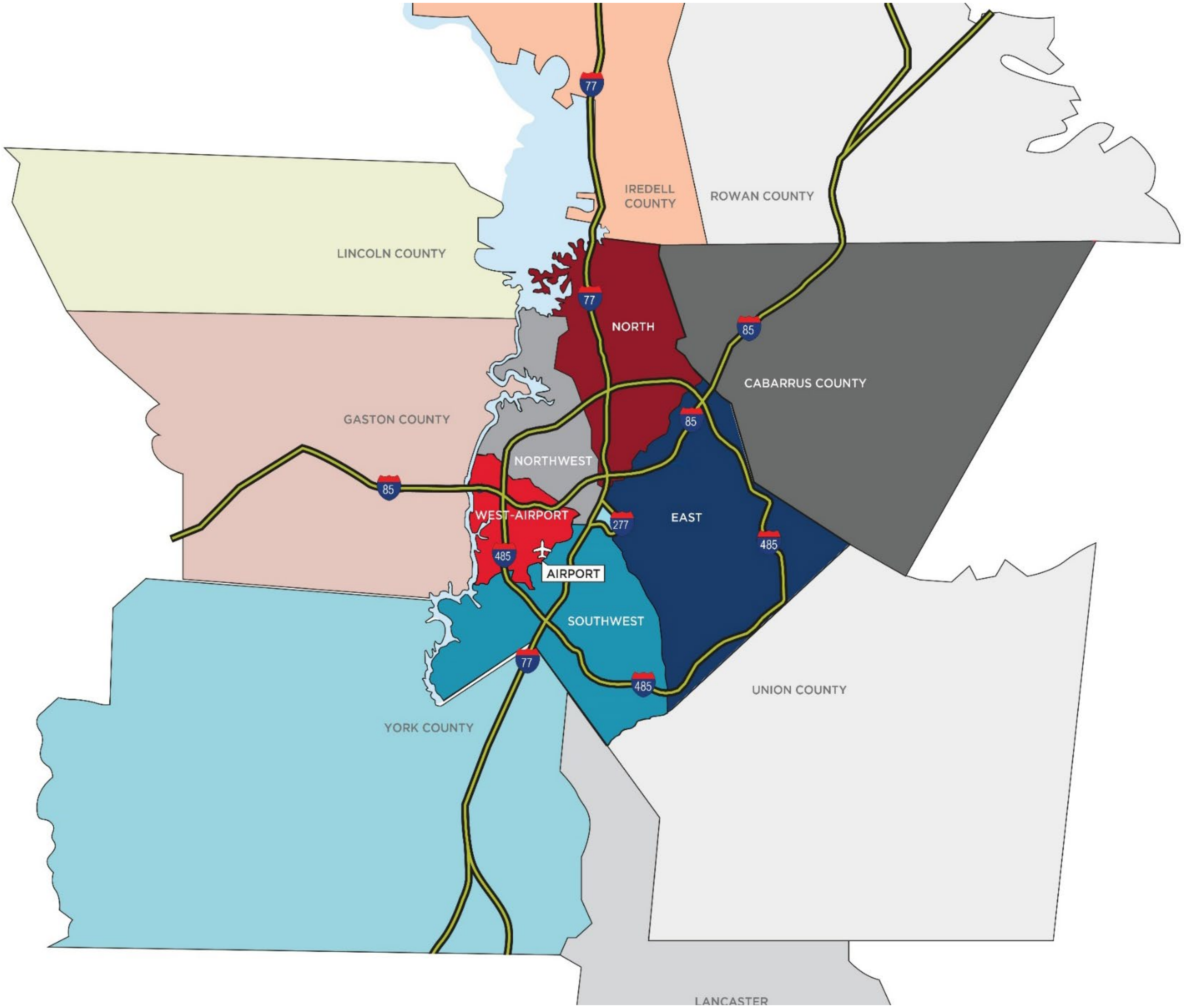
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Gateway 85 – Bldg 2 – 000 Aberdeen Blvd	Gaston County	N/A	622,400	Speculative	Northpoint Development
Gateway 85 – Bldg 1 – 00 Aberdeen Blvd	Gaston County	Amazon	286,272	Speculative	Northpoint Development
11109 Quality Dr	Southwest	N/A	240,000	Speculative	Accuride

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Gateway 85 – Phase II – Northpoint Development	Gaston County	Newell Brands	1,527,231	Build-to-Suit	Northpoint Development
Kings Mountain Corporate Center – 799 Sara Lee Access Rd	Gaston County	N/A	1,200,000	Speculative	The Keith Corporation
Stateline 77 – Bldg 2 – 7149 Logistics Ln	York County	N/A	786,167	Speculative	Rockefeller Group

MARKETBEAT
CHARLOTTE
Industrial Q1 2022

INDUSTRIAL SUBMARKETS



JOHN PETER PRICE
Senior Research Analyst, Carolinas
Tel: +1 704 335 4433
jp.price@cushwake.com

BETSY RICE
Research Analyst
Tel: +1 704 918 1313
betsy.rice@cushwake.com

**Gaston, Lincoln, and Iredell Counties were added in our statistics in the first quarter of 2022. These three submarkets totaled 63,146,018 sf of additional inventory.*

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION