

7.7%

Vacancy Rate

YoY Chg



12-Mo. Forecast



359K

YTD Net Absorption, SF



\$5.17

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

1.2M

Charlotte Employment

YoY Chg



12-Mo. Forecast



5.8%

Charlotte Unemployment Rate



6.0%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Economic recovery is underway in Charlotte as jobs continue to rise. By the close of Q1 2021, the metro recovered 68.8% of all jobs lost during the pandemic and economic downturn of 2020. Since the low point of employment in May 2020, Charlotte has added 104,830 in total. Charlotte's industrial market continued to flourish in the first quarter of 2021 as developers view the Queen City as a viable logistical hub. In early April 2021, Amazon announced its plan to occupy more than 1.3 million square feet (msf) in the Charlotte market across three separate properties. There is also speculation that Amazon is targeting more space at Bryton Commerce Center but has not yet been confirmed. Developers are surely seeing value in being close to Charlotte as they will benefit from the proximity to Charlotte, interstate infrastructure and lower land prices.

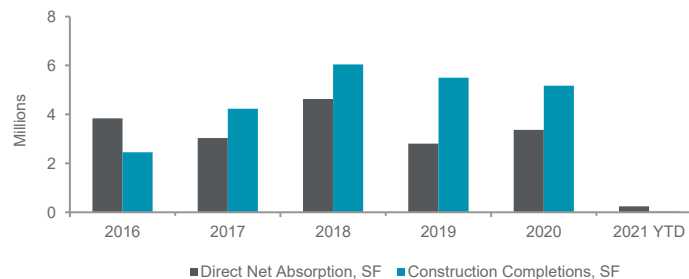
SUPPLY

The overall industrial vacancy rate decreased to 7.7%, falling 30 basis points (bps) since the prior quarter despite a vacancy rise in nearly every other real estate market segment. At the close of Q1 2021, space options for tenants requiring larger Class A space were extremely limited—only six options for spaces 250,000 square feet (sf) or larger with 32' clear heights are available for immediate occupancy. Northwest Charlotte is the tightest submarket with an overall vacancy rate of only 4.8%, while the East and North submarkets also boast sub-5.5% rates.

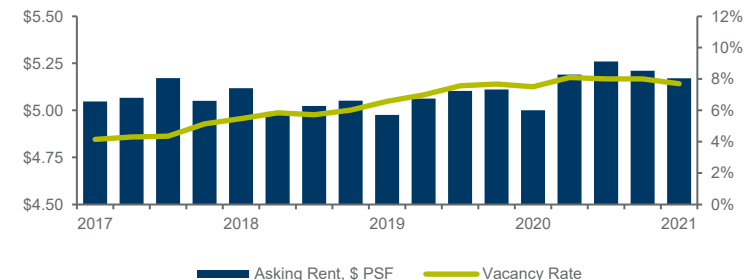
DEMAND

Metro Charlotte recorded more than 2.5 msf of new leasing activity in the first quarter of 2021. The West Airport submarket accounted for 35.9% of total activity, primarily due to Arrival's leasing of two properties for a total of 523,000 sf at Meadow Oak Drive. York County had the second highest leasing activity, accounting for 18.4% due to MLILY leasing 277,290 sf at Riverwalk Commerce Center. During the first quarter, six new transactions of 100,000 sf or larger were signed throughout Metro Charlotte. Leasing activity should increase in the North submarket (5.2% current direct vacancy) in the coming year as MDH Partners 445,000 sf Northcross Commerce Center is expected to deliver in next quarter as well as York County that currently has the highest vacancy rate (10.4%) in the market due to new deliveries over the past few years.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



RENTAL RATES

Overall triple net (NNN) asking rents increased to \$5.17 per square foot (psf) at the end of Q1 2021, up 3.4% from \$5.00 psf year-over-year. Overall flex rates increased 2.3% quarter-over quarter, rising to \$10.22 NNN psf. Though overall warehouse rental rates decreased slightly to \$4.73 NNN psf, the average has risen 10.2% since 2015. The West Airport and North Charlotte submarkets remain the priciest in the industrial market at \$7.18 psf and \$6.24 psf respectively.

DEVELOPMENT PIPELINE

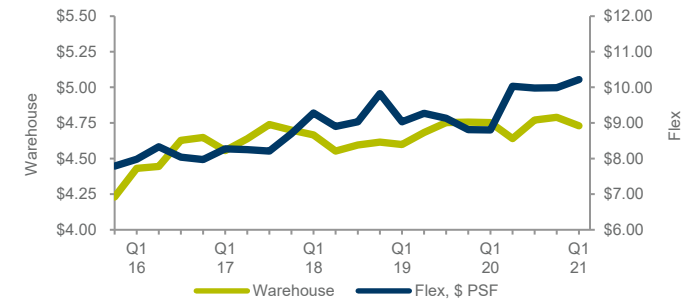
Though no new construction delivered in Charlotte through the first quarter of 2021, nearly one msf is expected to deliver next quarter, 31.6% of which has been preleased. Five facilities ranging from 75,000 sf to 350,000 sf are slated to complete during Q2 in the North, West Airport, York County and Southwest submarkets on a speculative basis. In total, there is over 4.5 msf under construction underway in the Charlotte market, 42.8% residing in York County. Though York County has the highest vacancy rate (10.4%) in the market, is expected to experience a rise in leasing volume throughout the year due to these new 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.

Outlying counties bordering the Charlotte market such as Rowan and Gaston county are gaining development velocity. Currently there is 2.7 msf under construction between 85 North Logistics Center, Gateway-85 and Carolina Logistics Center developments and another 2.5 msf proposed.

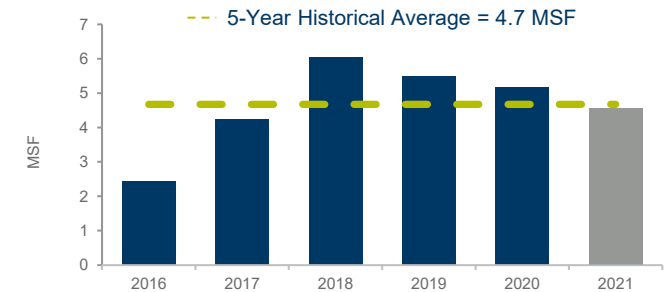
Outlook

- 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 and a slight increase in vacancy rates. 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.

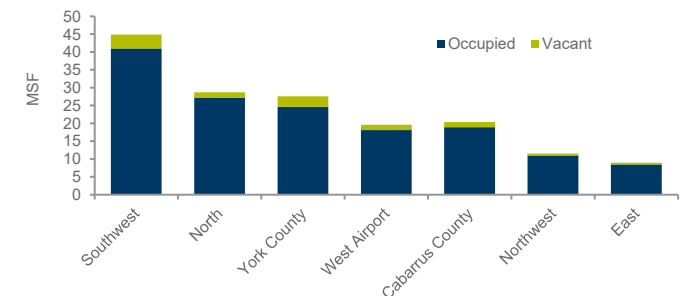
WAREHOUSE/FLEX ASKING RENT (\$ PSF, NNN)



NEW SUPPLY



SUBMARKET COMPARISON



Industrial Q1 2021

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	OVERALL VACANCY RATE	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	142	19,564,181	812,704	4.2%	7.5%	43,248	26,448	0	0	0	\$5.10
East	106	8,942,474	380,008	4.2%	5.3%	-168,048	-168,048	0	30,542	30,542	\$4.19
North	276	28,706,110	1,500,958	5.2%	5.4%	-228,521	-205,754	1,089,656	0	0	\$6.24
Northwest	99	11,524,899	532,264	4.6%	4.8%	13,400	13,400	44,930	0	0	\$4.11
Southwest	391	44,884,357	3,746,878	8.3%	8.7%	77,484	65,621	687,527	0	0	\$5.11
West Airport	228	20,334,947	1,426,769	7.0%	7.1%	612,929	640,845	772,331	0	0	\$7.18
York County	172	27,566,917	2,854,997	10.4%	10.7%	-113,080	-13,080	1,942,694	0	0	\$4.79
PROPERTY TYPE											
Warehouse/Distribution	874	124,435,945	9,813,882	7.9%	8.6%	319,565	459,054	4,537,138	0	0	\$4.73
Flex	388	18,452,325	1,106,582	6.0%	6.4%	8,647	-8,822	0	30,542	30,542	\$10.22
Manufacturing	152	18,635,615	334,114	1.8%	2.4%	-90,800	-90,800	0	0	0	\$4.55
CHARLOTTE TOTALS	1,414	161,523,885	11,254,578	7.0%	7.7%	237,412	359,432	4,537,138	30,542	30,542	\$5.17

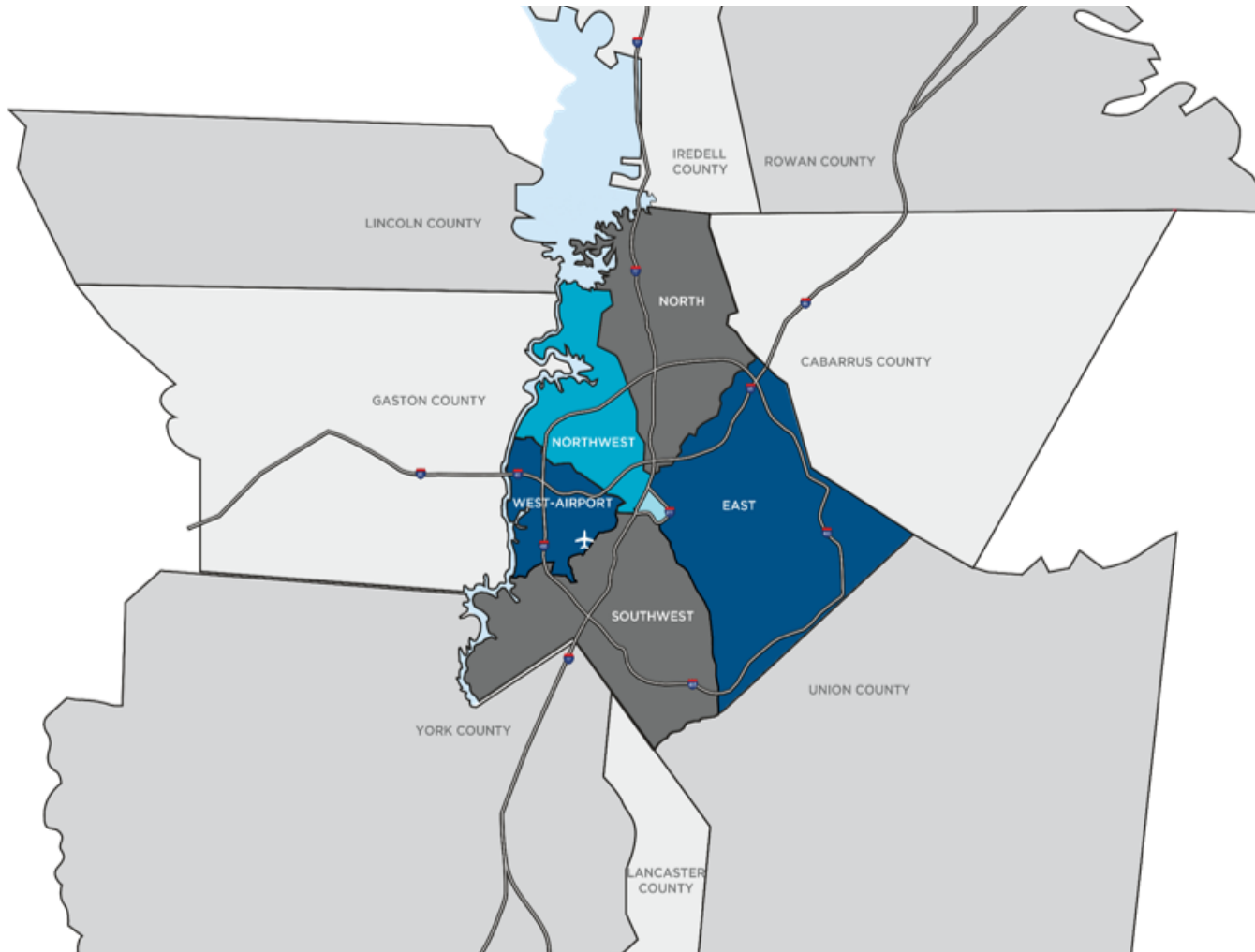
*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Meadow Oak Dr – Bldg B	West Airport	Arrival	315,000	New Deal
Riverwalk Commerce Center	York County	MLILY	277,290	New Deal
Meadow Oak Dr – Bldg A	West Airport	Arrival	208,000	New Deal
1092 Wilson Business Pky	York County	Ross Stores	160,000	*Renewal
1700 Park Dr	West Airport	Gas Fired Products	156,419	New Deal

**Renewals not included in leasing statistics

INDUSTRIAL SUBMARKETS



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