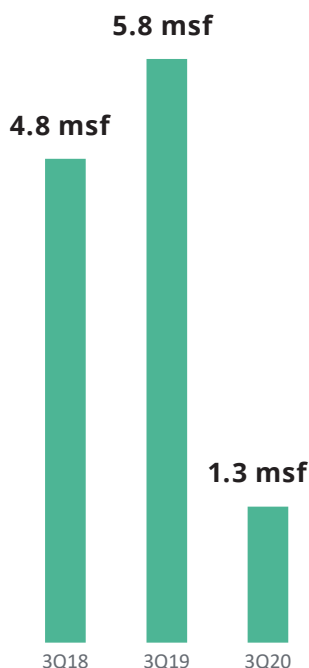


Charlotte

SF underway

A slowdown in deliveries will aid the market in absorbing new supply over the next 12 months.



In the last two years, Charlotte industrial inventory has increased by **14 msf**



New supply has pushed vacancy higher, but strong leasing activity points to rebounding tenant demand

Charlotte's industrial market showed signs of a resurgence in 3Q20, with leasing activity snapping back to pre-COVID levels and absorption solidly in the black. Nonetheless, vacancy rose to its highest level since early 2013 in response to a recent wave of new supply.

Construction

Construction deliveries totaled 7.5 msf in the last 12 months, far outpacing net absorption of 3.6 msf. In the largest delivery of the quarter, local developer Kathy Godley completed construction of a 1-msf speculative building in Iredell County. The combination of new supply and stalled tenant activity earlier in the year in response to COVID contributed to a notable increase in vacancy. COVID also led developers to delay breaking ground on planned projects. The amount of space underway has fallen to its lowest level in seven years, which will aid the market in absorbing new supply over the next 12 months. While construction activity has slowed for the near term, developers remain bullish on Charlotte's industrial market for the long term, with several large projects approved in recent months, including 1.8 msf at Aspen Business Park in York County (Childress Klein), up to 3.5 msf at Carolina Logistics Park in the State Line submarket (Beacon Partners) and 1.5 msf near Wilkinson Boulevard in the Airport submarket (Keith Corporation).

Leasing

Tenants are increasingly seeking larger footprints as recent supply chain challenges drive companies to shift from a just-in-time delivery mindset to stockpiling inventory. Logistics and e-commerce tenants continue to be primary drivers of demand. Chewy.com took occupancy

of a new 700,000-sf distribution center in Rowan County in 3Q20, and Ross Stores announced plans to invest \$68 million to expand its footprint and add 700 new jobs at Legacy Park West in York County. Amazon continues to expand aggressively in the Charlotte market, most recently leasing nearly 600,000 sf at WestPark 85 in the Airport submarket. Just after the close of 3Q20, London-based electric vehicle manufacturer, Arrival, leased 193,750 sf at Legacy Park East in York County. The site will employ more than 240 people and will serve as the company's first U.S. location.

Sales

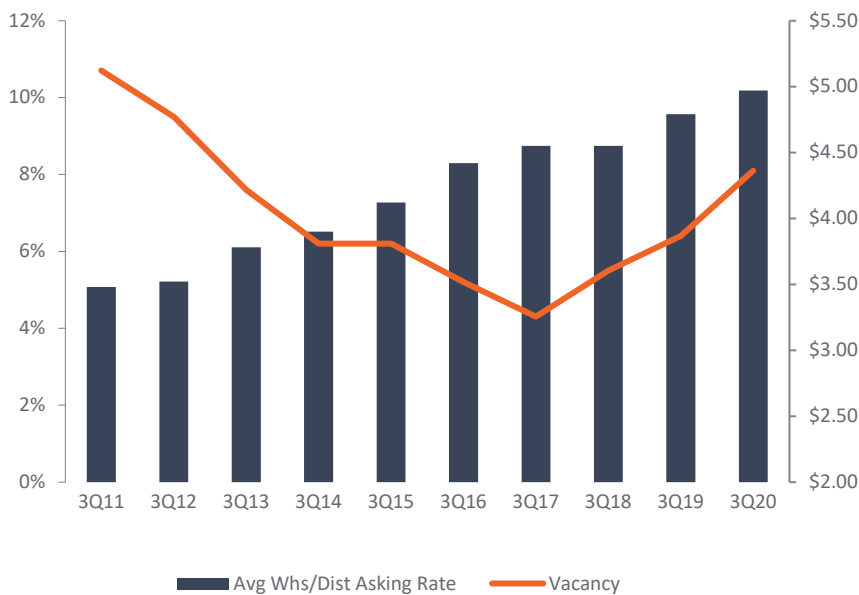
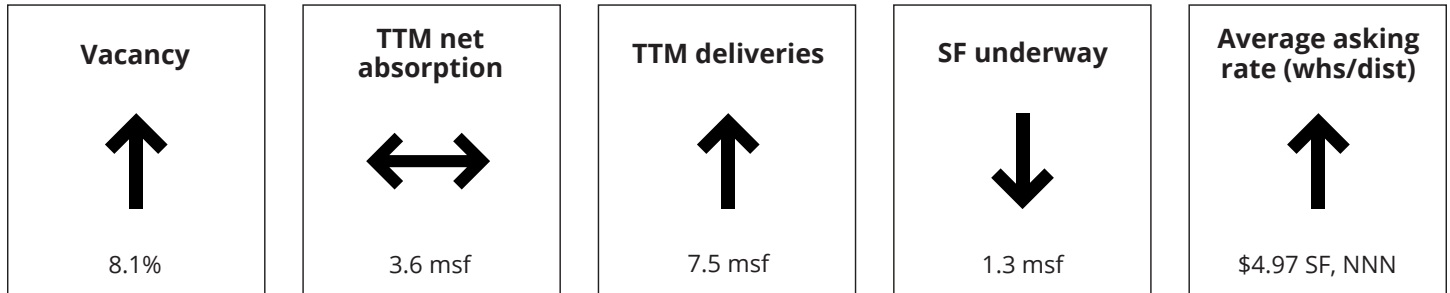
Charlotte industrial property sales were relatively light for the quarter at \$114 million. Nonetheless, year-to-date volume stood at \$796 million, still slightly above volume witnessed during the same period in 2019 despite logistical and underwriting challenges presented by COVID. In the largest sale of the quarter, The Silverman Group paid \$36 million for two industrial buildings totaling 654,550 sf at Legacy Park East. The sale included a development site that will accommodate an additional 117,000 sf.

Outlook

Amid significant disruption in the commercial real estate industry, the industrial sector has emerged as the asset class of choice. The high-growth Charlotte market is well positioned to capture rising tenant and investor demand in response to surging e-commerce sales, supply chain reconfiguration and re-shoring of manufacturing. In its recently released Emerging Trends in Real Estate report, the Urban Land Institute ranked Charlotte the number five U.S. market to watch for overall real estate prospects in 2021.

Industrial market year-over-year trends

Vacancy ended 3Q20 at 8.1%, up 170 bps year-over-year and the highest level registered since 2013. This figure should begin to trend lower in 2021 in response to a pause in deliveries. Construction starts have slowed dramatically in recent months.

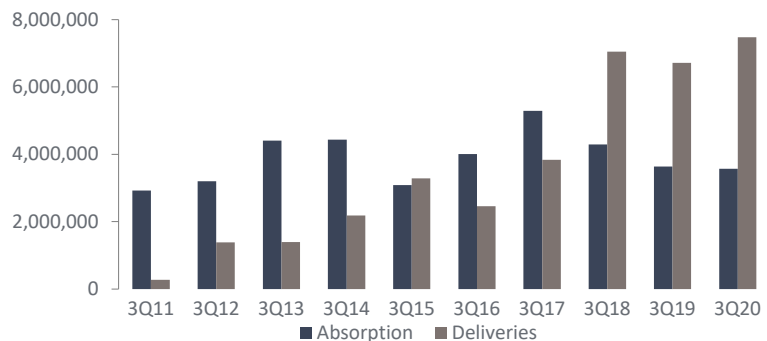


Vacancy and rental rates

Charlotte industrial vacancy rose 170 bps during the last 12 months. The average warehouse/distribution asking rate was unchanged for the quarter but up 3.8% year-over-year to a record high of \$4.97 psf.

Absorption and deliveries

Charlotte industrial deliveries have outpaced net absorption for the last three years, sending vacancy notably higher.



Market by the numbers

BY SUBMARKET	Total SF	Vacancy	NET ABSORPTION		SF Underway	ASKING RENT	
			3Q20	Last 12 Mos.		Whs/Dist	Flex
Airport	15,384,849	11.9%	838,852	1,610,350	523,000	\$5.41	\$8.61
Cabarrus County	17,773,043	8.3%	134,747	1,005,656	-	\$4.93	\$10.16
Charlotte Infill	16,502,679	6.8%	(60,963)	(475,844)	-	\$5.56	\$10.23
East	3,548,992	5.9%	7,200	3,854	-	-	\$5.81
Gaston County	12,791,472	1.9%	(47,328)	(11,921)	-	\$3.72	\$9.75
Iredell County	18,302,440	6.3%	19,517	(8,398)	-	\$4.52	\$10.95
Lancaster County	2,481,260	7.5%	-	(72,450)	-	\$4.78	\$11.50
Lincoln County	6,244,436	1.9%	4,500	(11,224)	-	\$4.95	-
Mecklenburg Line	1,348,428	-	-	-	-	-	-
North	21,287,405	5.8%	155,120	436,110	703,961	\$6.28	\$12.98
Northwest/Chemway	8,289,559	9.2%	(76,260)	(107,177)	-	\$3.80	-
Rowan County	6,649,544	6.6%	412,000	450,400	-	\$4.95	-
South	54,018	-	-	4,795	-	-	-
State Line/Southwest/Westinghouse	46,243,828	11.6%	(116,317)	1,158,901	-	\$4.95	\$8.79
Union County	8,439,867	1.5%	116,827	40,124	-	\$4.66	-
York County	13,648,017	13.6%	30,015	(448,127)	115,451	\$5.01	-
Total	198,989,837	8.1%	1,417,910	3,575,049	1,342,412	\$4.97	\$10.13

BY TYPE	Sublease Space					
Warehouse/Distribution	183,284,749	8.2%	1,350,850	3,517,315	1,279,622	1,458,725
Flex	15,705,088	7.2%	67,060	57,734	62,790	156,517
Total	198,989,837	8.1%	1,417,910	3,575,049	1,342,412	1,615,242

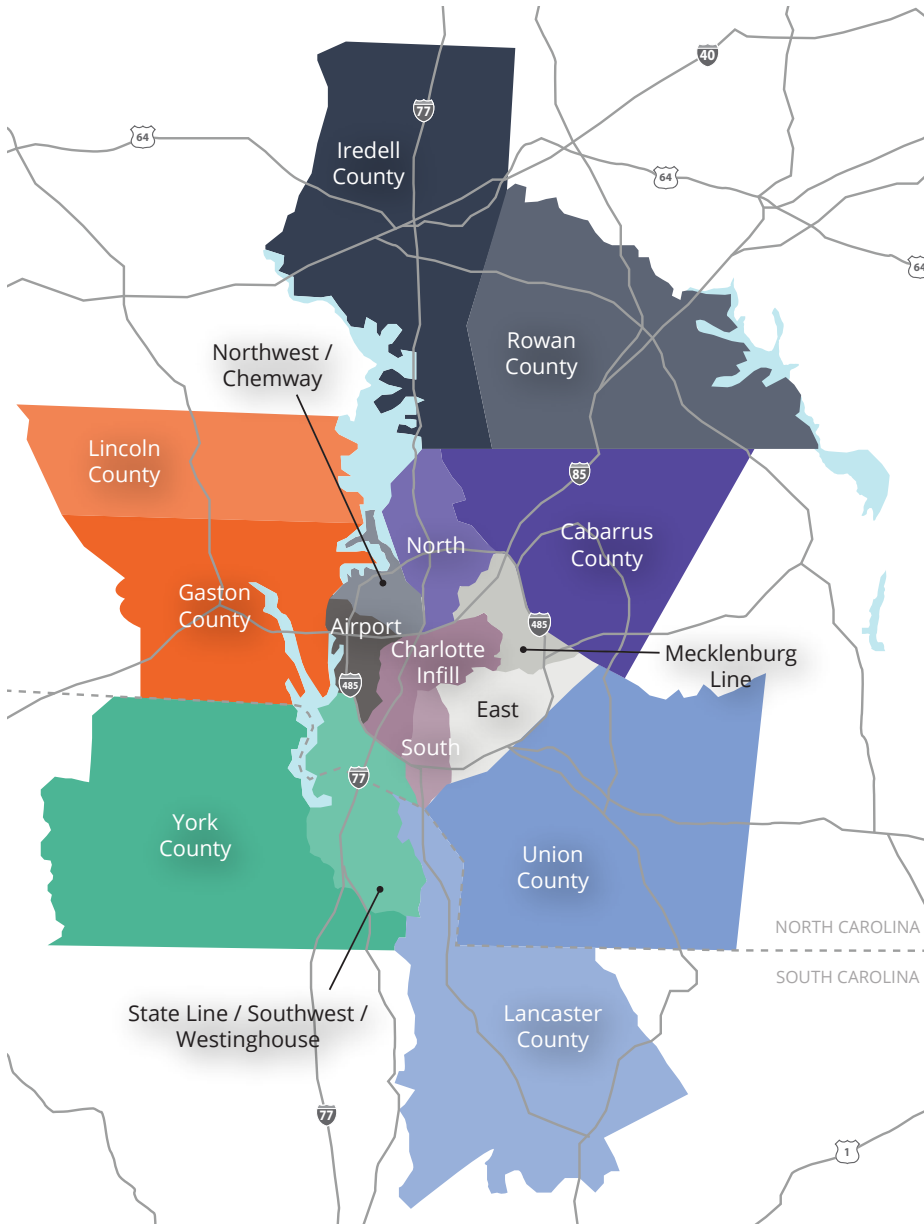
Recent leases

Tenant	Property	Type	Submarket	SF
Amazon	Westpark 85	New Lease	Airport	566,800
Midwest Air Technologies*	Charlotte Intermodal Logistics Center	New Lease	Airport	316,900
Arrival*	Legacy Park East	New Lease	York County	193,750
IGL Logistics*	6924 Orr Road	New Lease	Mecklenburg Line	116,000

Recent sales

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Legacy Park East*	York County	The Silverman Group	654,550	\$36.0 million	\$53
Oates Crossing	Iredell County	RealOp Investments	235,400	\$31.8 million	\$135
11524 Wilmar Boulevard	State Line	Mechanical Systems & Services	283,836	\$14.1 million	\$50

*Transaction handled by Avison Young



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Sources and methodology

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