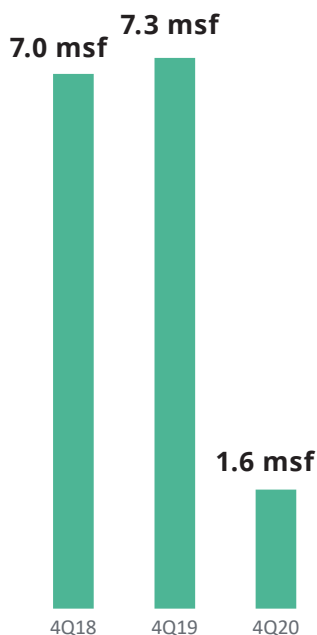


Charlotte

SF underway

A notable slowdown in deliveries will bring supply closer in line with demand in 2021.



In the last 12 months, Charlotte industrial inventory has grown by more than **7 msf**



Resurgent tenant activity in second half of 2020 aids market in absorption of new product

Charlotte's industrial market capped off a tumultuous year on a high note, with 2 msf of positive net absorption in the fourth quarter bringing the 2020 total to 5.3 msf, up 123% over 2019.

Vacancy ended the year at 7.2%, up 70 bps year-over-year but on a downward track versus 3Q20. The first half of the year was marked by a surge in construction deliveries and a pause in leasing activity in response to COVID-driven stay-at-home orders. More than 7.6 msf of new space was delivered in 2020, and Charlotte's inventory has grown by 15% in the last five years. Tenant demand came roaring back by the third quarter as e-commerce activity spiked and companies scrambled to address supply chain vulnerabilities laid bare by the pandemic. The greatest single contributor to the market's strong year-end performance was Walmart's acquisition of a recently delivered 1-msf distribution facility in Iredell County. The building was constructed on a speculative basis in an effort to capture demand from tenants increasingly seeking larger footprints.

Amazon continued its aggressive expansion in the Charlotte market in 2020, leasing an additional three facilities across the region for a total of nearly 1 msf. Retail powerhouses Amazon and Walmart were not the only tenants taking down large blocks of space in response to surging e-commerce activity. Other retailers and third-party logistics companies raced to secure space to support increasing last-mile delivery demands and the need for more inventory capacity. In one of the largest transactions of the fourth quarter, FedEx leased a 641,000-sf building that is currently under construction at Metrolina Park in the North submarket.

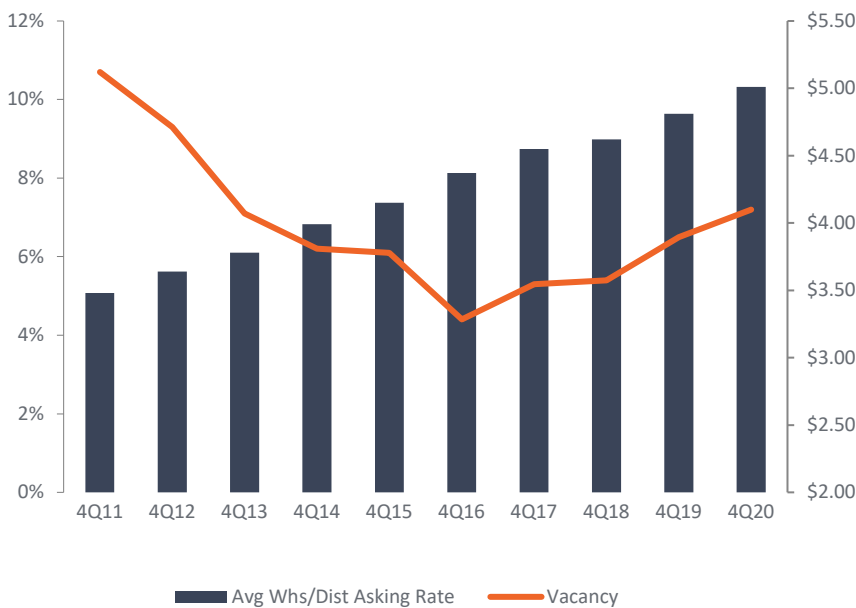
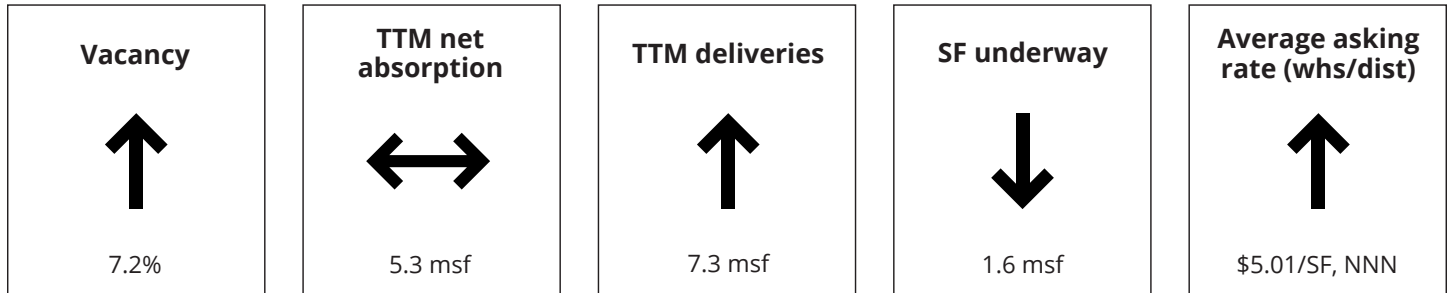
The average warehouse/distribution asking rental rate rose to a record high of \$5.01 psf in the fourth quarter, up 4% year-over-year. While rent growth remains positive, concessions have increased in the face of new supply. Competition is particularly fierce in the 40,000-sf to 70,000-sf range.

Additional occupancy gains are likely in 2021 thanks to a dramatic decline in scheduled deliveries and anticipated healthy tenant demand. Just 1.6 msf of industrial space was underway in 4Q20, a significant decline over recent years. Few opportunities remain in existing buildings for the growing pool of tenants seeking 400,000 sf or more, which may temper absorption and drive increased build-to-suit and pre-leasing demand in the near term. Developers are likely to ramp up activity with the onset of milder weather in the spring. Rockefeller Group revealed plans in 4Q20 for Stateline 77, a speculative project totaling 1 msf in York County.

Investors were bullish on Charlotte's industrial market before the pandemic, and that sentiment has only increased in a post-COVID world. Industrial building sales totaled \$1.4 billion in 2020, up 26% year-over-year despite underwriting and logistical challenges presented by the pandemic. In its recently released Emerging Trends in Real Estate report, the Urban Land Institute named Charlotte the #5 U.S. market to watch for overall real estate prospects in 2021. In January 2021, Business Facilities magazine chose North Carolina as its 2020 State of the Year in recognition of its recent economic development successes. Announced wins in 2020 are projected to yield more than 20,000 new jobs and \$6 billion in new investment in the state.

Industrial market year-over-year trends

Although vacancy remains up on a year-over-year basis, it fell 90 bps in the fourth quarter as net absorption topped 2 msf. Vacancy should continue to trend lower in 2021 in response to a notable decline in construction deliveries.

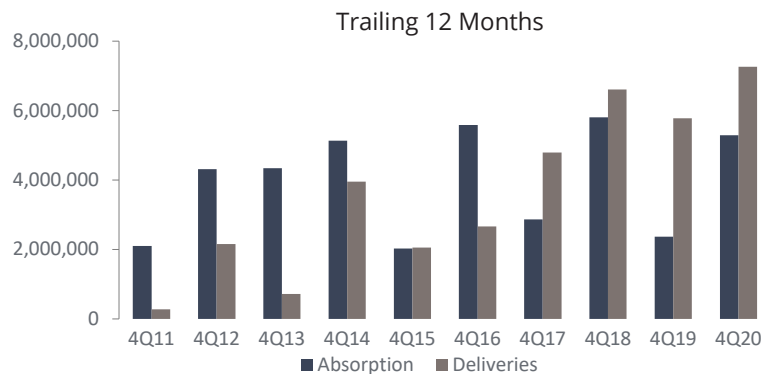


Vacancy and rental rates

Charlotte industrial vacancy rose 70 bps during the last 12 months. The average warehouse/distribution asking rate rose 4% year-over-year to a record high of \$5.01 psf, NNN, but concessions have increased in the face of new supply.

Absorption and deliveries

Although Charlotte industrial deliveries outpaced net absorption for the last three years, rebounding tenant demand began to chip away at vacancy in 4Q20 and should continue to do so in 2021.



Market by the numbers

BY SUBMARKET	Total SF	Vacancy	NET ABSORPTION		SF Underway	ASKING RENT	
			4Q20	Last 12 Mos.		Whs/Dist	Flex
Airport	15,263,964	7.9%	839,652	2,026,113	523,000	\$5.46	\$8.50
Cabarrus County	17,727,682	8.7%	(64,974)	826,695	-	\$4.92	\$9.85
Charlotte Infill	16,543,679	6.8%	(2,221)	(239,620)	245,430	\$5.65	\$10.24
East	3,548,972	8.6%	(96,203)	(64,313)	-	\$4.25	\$5.81
Gaston County	12,807,256	1.6%	37,928	10,825	-	\$4.06	\$9.75
Iredell County	18,667,735	1.7%	851,901	865,827	-	\$4.41	\$10.95
Lancaster County	2,481,260	7.5%	-	(79,367)	-	\$5.20	\$11.50
Lincoln County	6,733,936	1.8%	-	24,576	-	\$4.95	-
Mecklenburg Line	1,348,428	-	-	-	-	-	-
North	21,546,933	4.9%	304,501	607,297	683,861	\$6.27	\$13.12
Northwest/Chemway	8,289,559	7.4%	149,141	(102,425)	-	\$3.79	-
Rowan County	6,649,544	6.6%	-	562,000	-	\$4.95	-
South	54,018	-	-	4,795	-	-	-
State Line/Southwest/Westinghouse	46,201,620	11.7%	(25,734)	1,204,007	-	\$4.93	\$10.52
Union County	8,422,827	1.1%	33,000	73,424	-	\$6.55	-
York County	13,649,305	13.6%	-	(429,985)	115,451	\$4.66	-
Total	199,936,718	7.2%	2,026,991	5,289,849	1,567,742	\$5.01	\$10.48

BY TYPE	Sublease Space					
Warehouse/Distribution	184,196,432	7.2%	2,044,481	5,186,899	1,525,052	1,458,645
Flex	15,740,286	7.3%	(17,490)	102,950	42,690	185,892
Total	199,936,718	7.2%	2,026,991	5,289,849	1,567,742	1,644,537

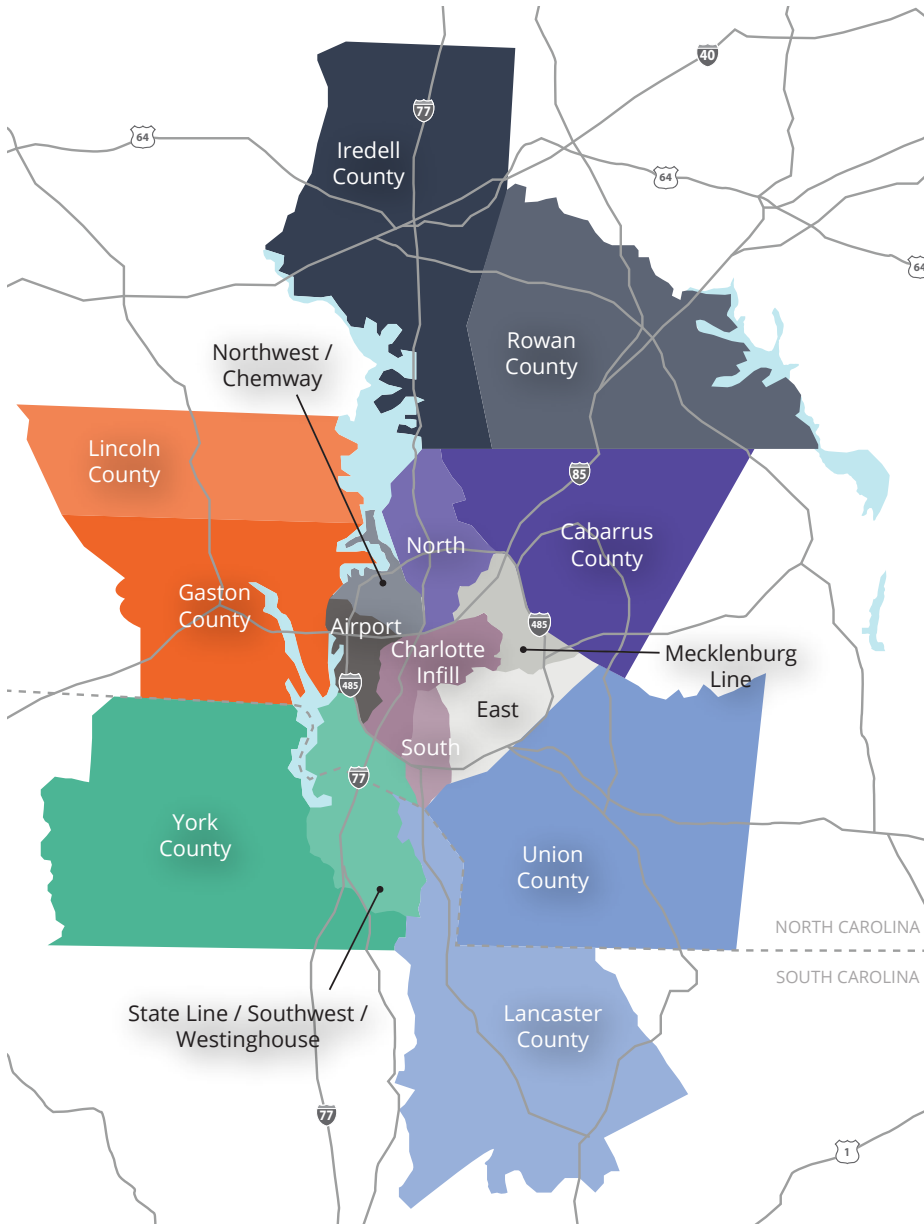
Recent lease transactions

Tenant	Property	Type	Submarket	SF
FedEx	Metrolina Park	New Lease	North	641,550
Amazon	Westpark 85	New Lease	Airport	566,800
Confidential Tenant*	Legacy Park East	New Lease	York County	460,800
Arrival*	Legacy Park East	New Lease	York County	193,750
Carrier	SilverPark North	New Lease	North	136,080
Printful*	Westlake Corporate Campus	Renewal	State Line	99,927

Recent sale transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Metrolina Park	North	Clarion Partners	1,976,552	\$201 million	\$102
Troutman Industrial Park	Iredell County	Walmart Fulfillment Services	1,000,000	\$69 million	\$69
Legacy Park West	York County	Exeter Property Group	558,000	\$42 million	\$75
10000 Twin Lakes Parkway	North	Exeter Property Group	464,974	\$28 million	\$59

*Transaction handled by Avison Young



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Sources and methodology

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