



Charlotte industrial market report

Year in Review | Q4 2023

**AVISON
YOUNG**

Charlotte industrial market trends

\$143 psf

Buyer demand rising for small-bay industrial

Given the broader capital markets slowdown, small-bay facilities stood out in 2023. While transaction volume across all other building sizes fell 60% year over year, facilities within the 20k – 60k sf size range surpassed total small-bay volumes in any year prior, and pricing has decreased only 6% compared to the prior two-year average. Stable demand for larger warehouses within the 60k – 125k sf size range was reflected by a 13% pricing increase from 2021 & 2022 averages; however, transaction volume remains low.

11.1 msf

2023 gross leasing surpasses historic averages

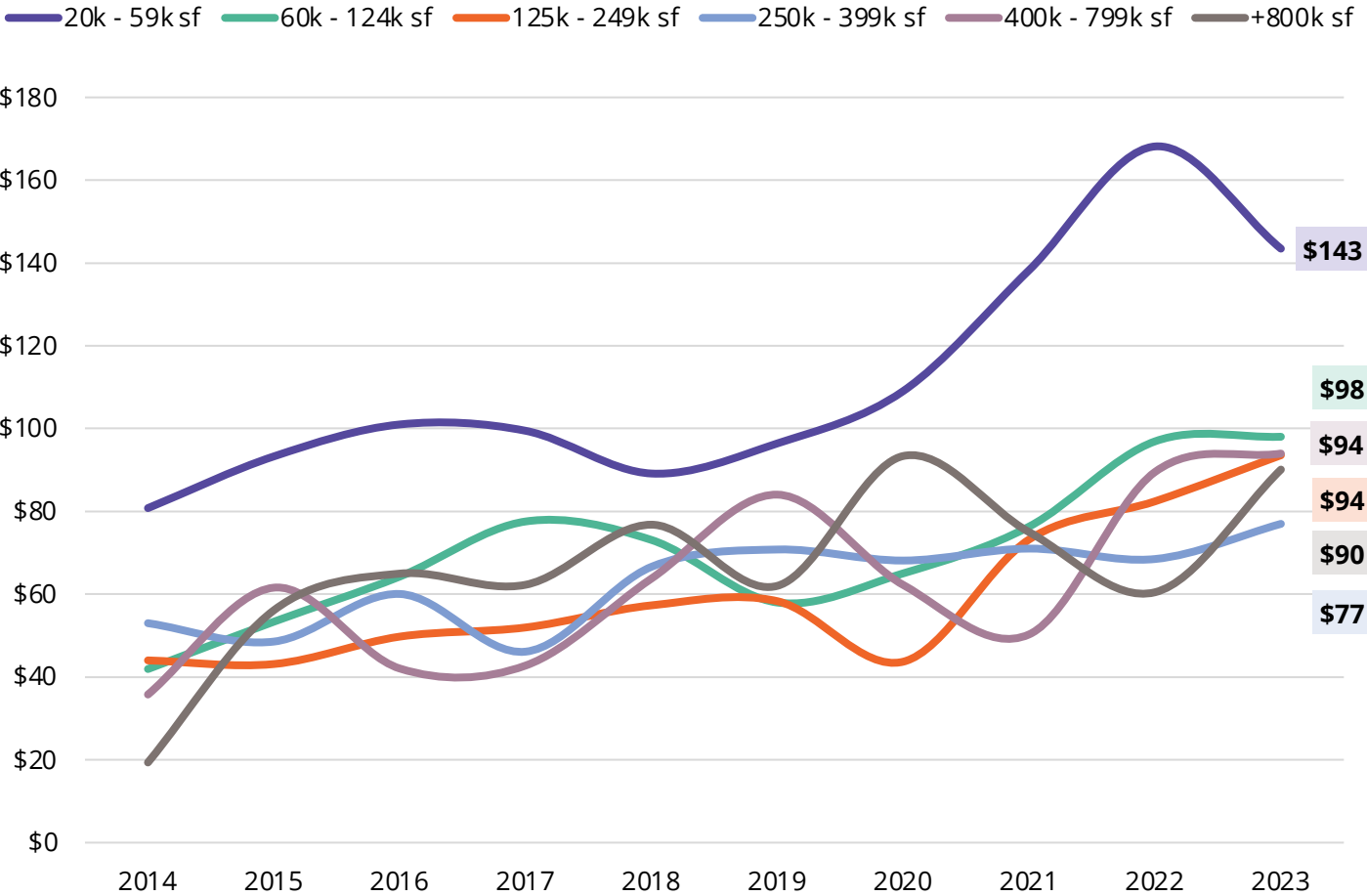
2023 leasing volume fell nearly 6 msf from the prior two-year average. This decline can be attributed to a demand shift from larger single-tenant spaces and was reflected among properties sized 200k – 499k sf, which saw a 2.7 msf reduction in deal volume, as average lease sizes fell 54% compared to the prior two-year average. Despite a fall from recent gross leasing volume, 2023 recorded more activity than any year prior to 2021, showcasing steady growth from pre-pandemic levels.

-42.7%

Construction pipeline falling from Q1 2023 high

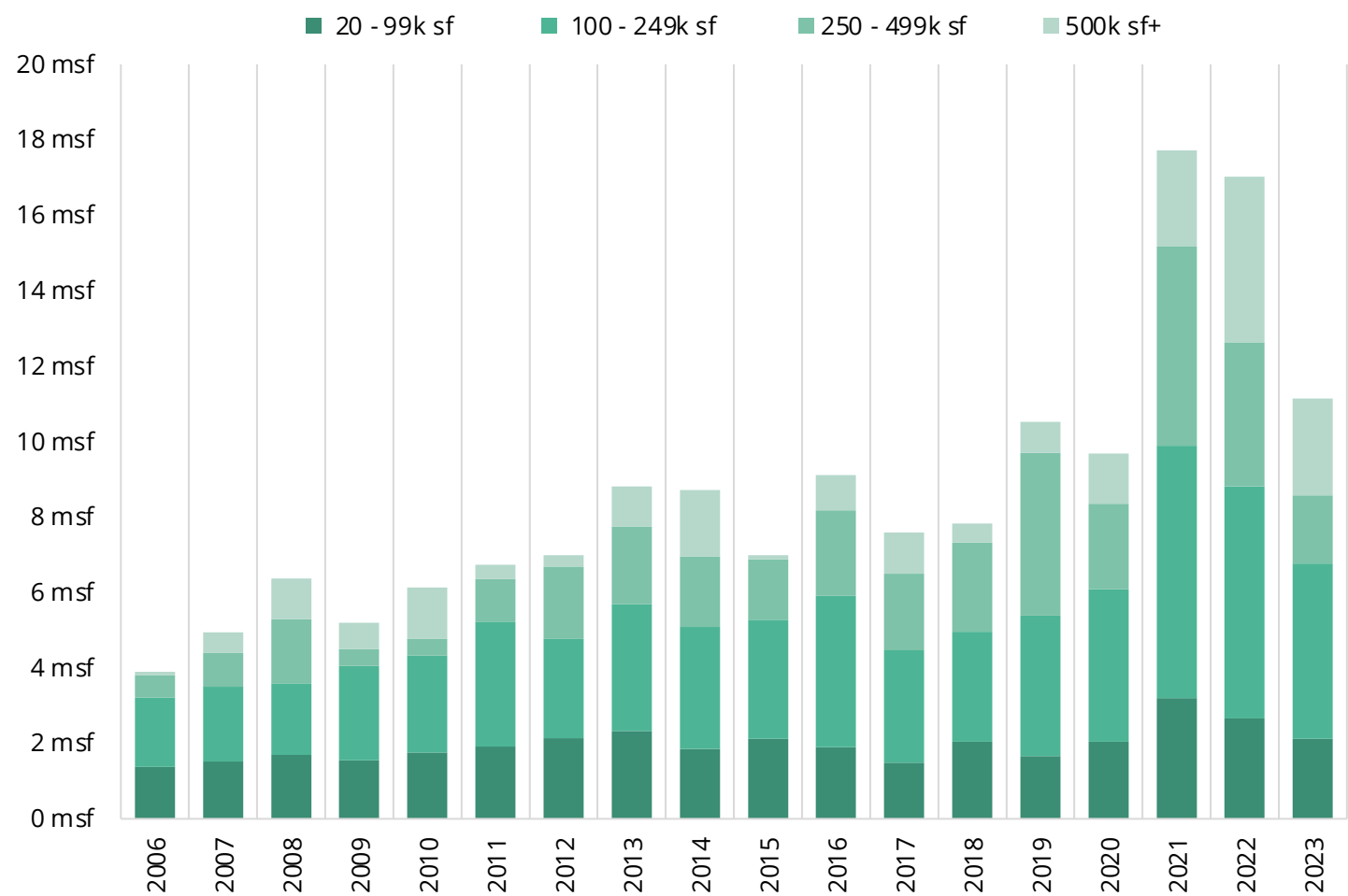
Q4 2023 marked the Fed's fourth consecutive +75bps interest rate hike over six months, prompting a drop-off in new construction starts while developers face impractical financing options. We're closely monitoring the market impact of limited new supply as tenants requiring newly developed space may have limited options to consider relative to prior years.

Asset pricing by square footage



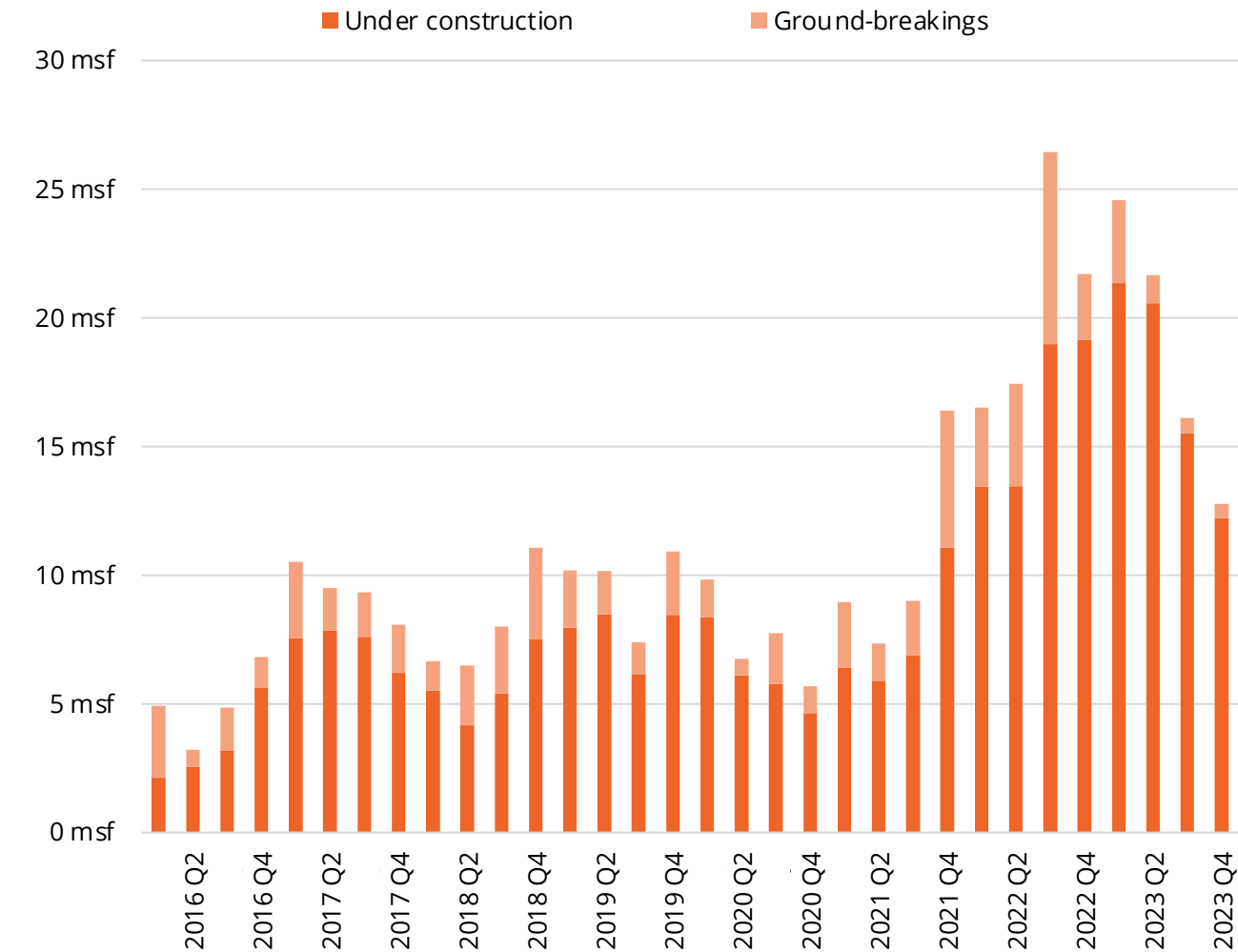
Buyer demand for small-bay industrial properties remains high, averaging \$45 more per sf than larger warehouses and distribution facilities.

Gross leasing volume by building size



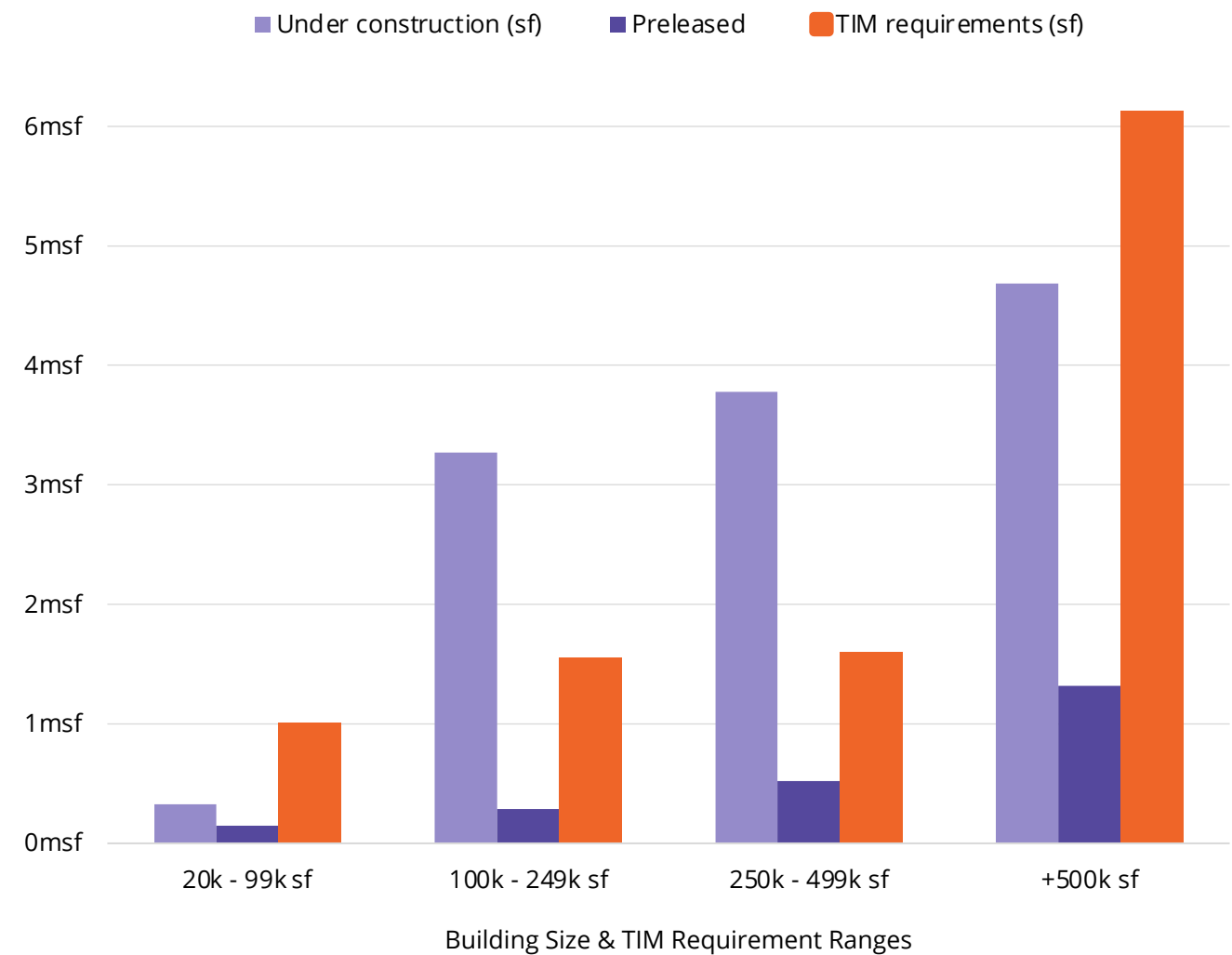
Overall leasing in 2023 fell 25% from the prior three-year average, largely due to a 52.5% decrease in leasing activity within 250k – 499k sf buildings.

New construction ground-breakings



Largely due to the elevated borrowing costs, 2023 recorded the slowest 12-month period for new development starts since 2015, falling 68% from a historical year in 2022.

Development pipeline availability & TIM

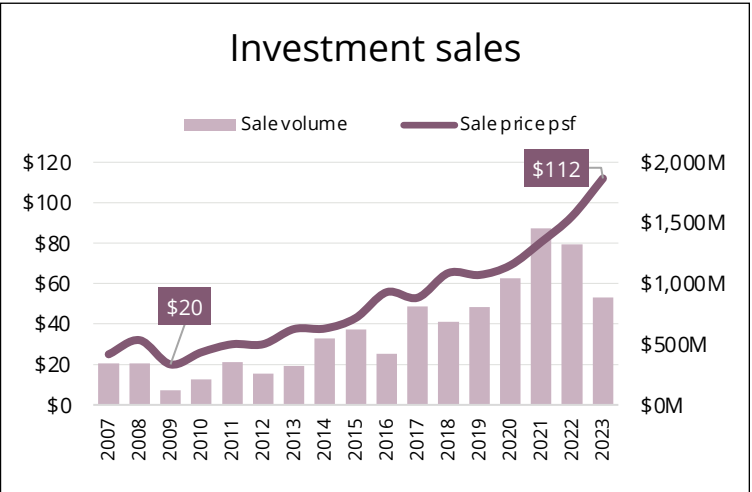
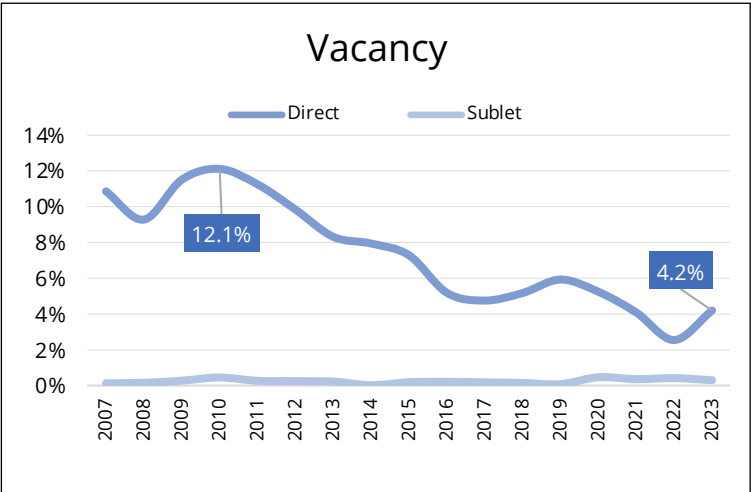
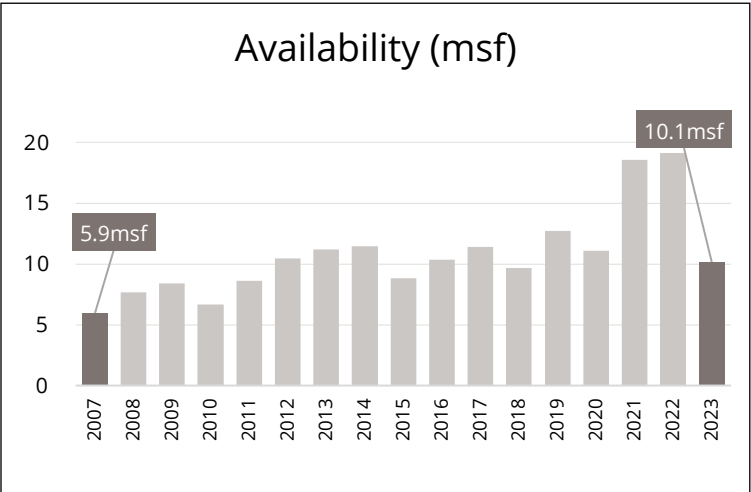
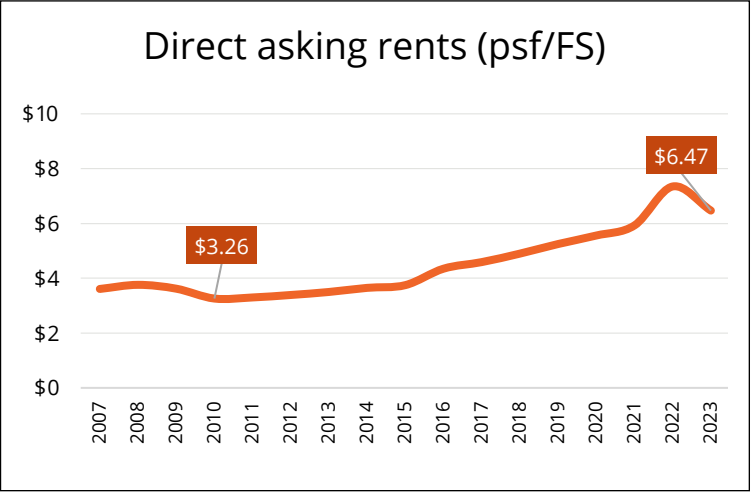
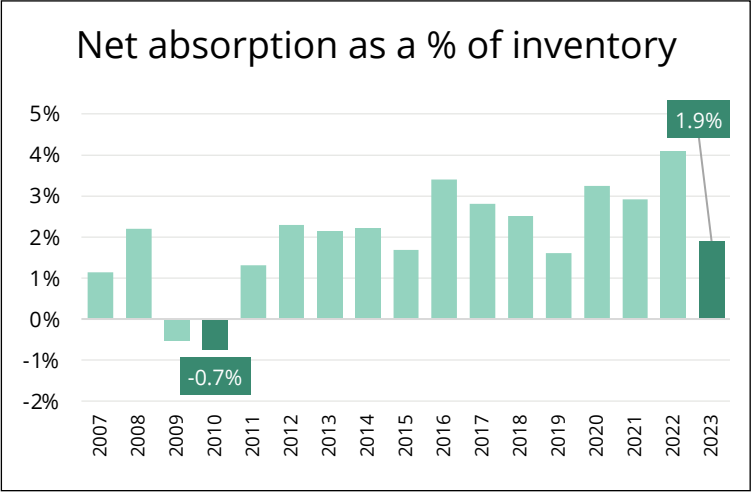
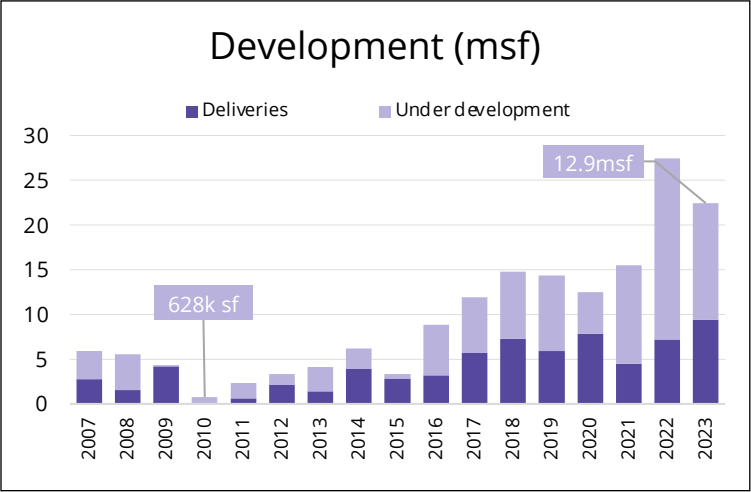


A deficit in preleasing options sub 100k sf and greater than 500k sf may promote occupier competition, increasing rents and favoring landlord conditions within these size ranges.

Appendix



Charlotte industrial market indicators



Charlotte industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
DHL	Innovation Logistics Center	Rowan County	Nov 2023	712,74	New	Direct
Weinig Holz-Her USA	146 Barkley Rd	Iredell County	Dec 2023	149,110	New	Direct
Maxify	6031 Airport Dr	Airport	Nov 2023	113,504	New	Direct
Dailmer Truck	1001 Bond St	NW/Chemway	Dec 2023	101,218	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
EQT Exeter	Stateline77 (2 Properties)	Oct 2023	1,006,991	\$106,000,000	\$105	Rockefeller Group
LBA Logistics	RiverWest (2 Properties)	Nov 2023	610,778	\$70,100,000	\$115	Tribek Properties
Clarion Partners	Interchange Logistics Center	Oct 2023	224,979	\$28,250,000	\$126	Trinity Capital Advisors

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
The Concourse (3 Bldgs)	Airport	Q1 2024	1,147,120	78%	Childress Klein
Lincoln Commerce Center (3 Bldgs)	Lincoln County	Q1 2024	1,024,322	11%	Crow Holdings
Overlook 85 (2 Bldgs)	Rowan County	Q3 2024	891,090	0%	Foundry Commercial

Charlotte industrial market stats

Submarket	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Preleased sf	Direct vacancy	Sublet vacancy	Total vacancy	Leasing activity sf (YTD)	Net absorption sf (YTD)	Asking rent NNN
Airport	16,622,905	1,643,929	638,349	183,769	4.9%	0.8%	5.7%	740,883	987,758	\$8.82
Cabarrus County	18,823,839	1,618,246	937,048	-	7.8%	0.0%	7.8%	583,394	1,178,847	\$10.15
Catawba County	28,284,127	-	-	285,000	0.0%	0.1%	0.5%	592,224	237,712	\$5.06
Cleveland County	12,310,570	-	-	-	0.0%	0.0%	0.0%	-	237,000	-
East	2,310,856	-	-	-	0.8%	0.0%	0.8%	-	-20,000	\$9.66
Gaston County	26,899,048	3,223,626	1,941,167	-	15.1%	0.2%	15.3%	461,743	465,637	\$6.28
Infill	15,264,680	-	-	-	2.1%	0.4%	2.5%	589,031	92,822	\$8.82
Iredell County	24,468,317	1,098,569	1,829,260	1,015,740	6.4%	0.0%	6.4%	605,303	78,011	\$6.90
Lancaster County	2,971,211	-	-	-	0.0%	0.0%	0.0%	-	-	\$5.38
Lincoln County	9,578,361	-	1,024,322	50,000	5.4%	3.6%	8.9%	98,076	-356,841	\$6.76
Mecklenburg Line	1,691,951	-	-	-	19.8%	0.0%	19.8%	113,810	-335,550	\$9.09
North	20,204,859	451,593	1,535,489	-	2.4%	0.2%	2.6%	509,002	413,503	\$9.68
Northwest/Chemway	9,520,436	114,975	-	-	0.0%	0.0%	0.0%	142,693	239,943	-
Rowan County	10,300,510	-	3,072,828	1,412,980	8.1%	0.0%	8.1%	932,954	-342,518	\$5.44
South	162,884	-	-	-	0.0%	0.0%	0.0%	22,204	-	-
Stateline	49,559,036	3,762,060	567,131	1,728,534	1.3%	0.0%	1.3%	3,403,046	2,907,309	\$9.00
Union County	9,955,921	-	-	-	1.8%	0.0%	1.8%	443,209	-149,035	\$8.26
York County	15,709,797	-	1,453,057	100,000	2.0%	2.2%	4.2%	1,350,796	-201,094	\$8.18
Market total	274,639,308	11,912,998	12,998,651	4,776,023	4.2%	0.3%	4.5%	10,588,368	5,433,504	\$6.47

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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