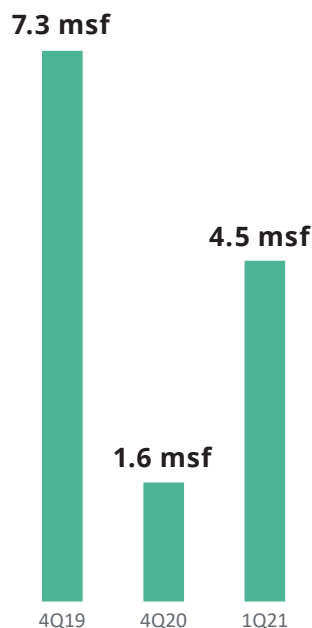


Charlotte

SF underway

Construction activity has increased since year-end 2020 but remains well below the record-setting levels witnessed in the previous two years.



Slowdown in construction deliveries, strong tenant demand point to future occupancy gains

Charlotte industrial sales, move-ins and construction deliveries eased in 1Q21 following an extraordinarily robust second half of 2020. Activity is poised to increase through the remainder of the year as demand from tenants and investors remains strong, and developers are refilling the construction pipeline.

building a microfactory in York County, SC and will establish its North American headquarters office in Charlotte's Midtown/South End submarket. Chinese mattress maker, Mlily USA, leased a 277,290-sf building at Riverwalk Commerce Center in York County to support its manufacturing operations elsewhere in South Carolina.

Leasing Fundamentals

Industrial vacancy rose to 7.5% in 1Q21, up 100 bps year-over-year. Net absorption fell slightly into the red for the quarter due primarily to two large tenant move-outs in Iredell County. Geodis Logistics vacated 640,000 sf at 2203 Sherrill Drive in Statesville, and Kontane Logistics moved out of 322,000 sf at 192 Murdock Road in Troutman. A decline in deliveries also contributed to a lack of absorption. While ample leasing options exist on the ground for smaller users, the larger tenants driving the bulk of demand have limited viable opportunities outside of new construction. Just four properties totaling 318,124 sf were completed in 1Q21. In addition to 2020 construction starts being delayed by the pandemic, supply chain issues have significantly extended lead times for steel and other building materials, further hampering developers.

Investment Sales

Industrial sales activity was light in the first quarter at just \$55.2 million. The tepid performance follows unprecedented sales volume of \$768 million in 4Q20. Activity is likely to rise notably later in the year as investors continue to favor industrial properties both nationally and in Charlotte. The Silverman Group paid \$10.5 million for the former Family Dollar headquarters facility in Matthews. The developer plans to renovate the property, which has been re-branded Eastside Logistics Center.

Outlook

Limited construction deliveries in 2021 will drive increased build-to-suit activity as well as pre-leasing of speculative projects. With much of this new inventory slated for completion in 2022 or later, a notable portion of the strong demand being witnessed today won't translate into positive net absorption until after this year. The increased importance of having facilities close to population centers is a key strength for the rapidly growing Charlotte market, making the region an increasingly attractive target for tenants, developers and investors. According to the U.S. Census Bureau, North Carolina was the fourth-fastest growing state in the U.S. between 2019 and 2020, and Charlotte overtook San Francisco to become the nation's 15th largest city. Meanwhile, the Charlotte region has regained 70% of the 160,400 jobs lost early on in the pandemic.

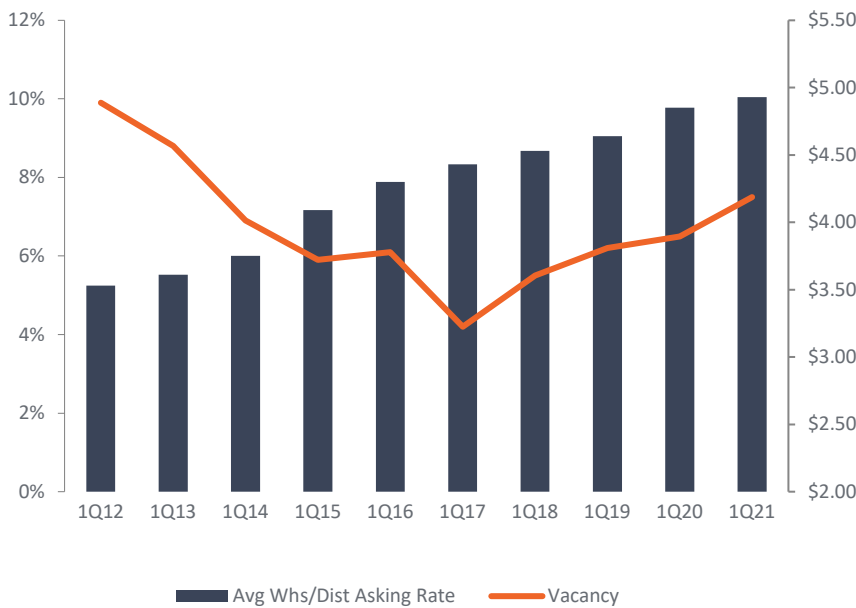
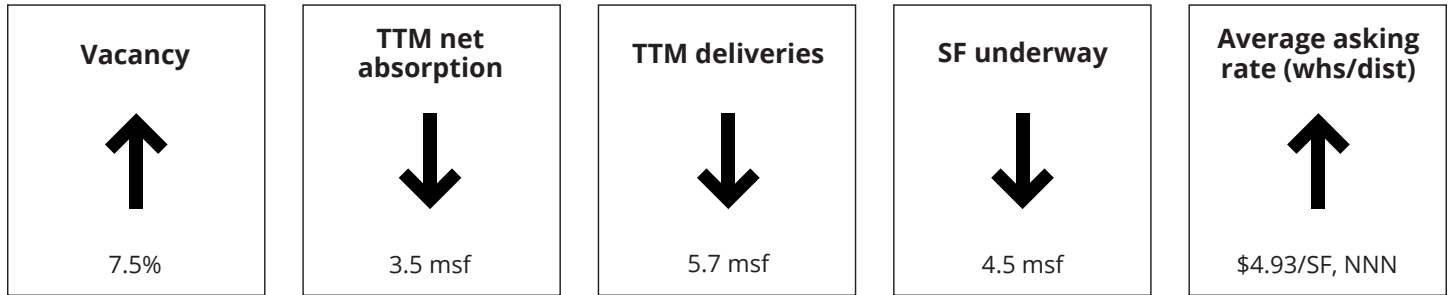
Notable Tenant Activity

Amazon continues to expand aggressively in the Charlotte region. The e-commerce giant recently announced plans for a 1-msf distribution center at Carolina Logistics Park in the State Line submarket, along with two new delivery stations in the Airport/West and North submarkets. Electric vehicle manufacturer, Arrival, announced in 1Q21 that it plans to open a second Charlotte-area microfactory at Meadow Oak Commerce Center in the Airport submarket. The company is also



Industrial market year-over-year trends

Vacancy edged higher in the opening months of 2021 as two large tenant move-outs pushed net absorption slightly into the red and the market experienced a temporary lull in move-ins. Robust leasing activity points to a resumption of positive absorption in 2Q21.

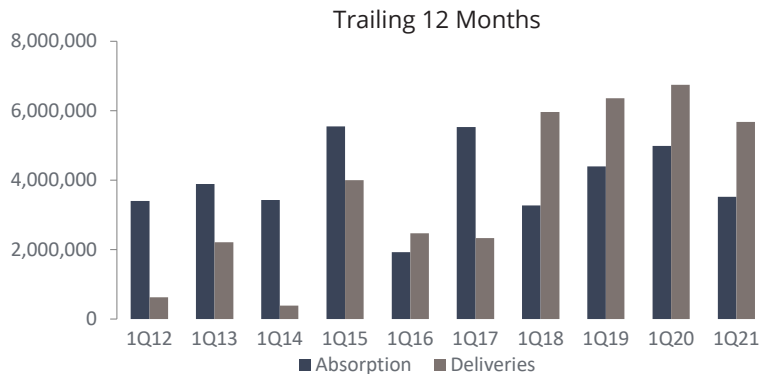


Vacancy and rental rates

Charlotte industrial vacancy rose 100 bps during the last 12 months. The average warehouse/distribution asking rate rose 1.6% year-over-year to \$4.93 psf, NNN. Abundant new supply has tempered rent growth and fueled increased concessions.

Absorption and deliveries

Limited construction deliveries should positively impact vacancy in 2021. Net absorption is likely to be modest compared to recent years as constrained large-block availability pushes large users to new construction, much of which won't deliver until 2022 or later.



Market by the numbers

BY SUBMARKET	Total SF	Vacancy	NET ABSORPTION		SF Underway	ASKING RENT	
			1Q21	Last 12 Mos.		Whs/Dist	Flex
Airport	15,379,177	8.3%	(61,151)	1,618,876	868,020	\$5.41	\$9.45
Cabarrus County	17,928,182	8.9%	144,713	121,605	-	\$5.27	\$9.85
Charlotte Infill	16,555,458	7.0%	(29,993)	(164,184)	44,930	\$5.42	\$11.02
East	3,503,955	10.7%	194,157	142,744	-	\$8.75	\$7.83
Gaston County	12,807,256	1.4%	14,400	5,000	1,218,000	\$4.06	\$9.75
Iredell County	18,603,492	7.1%	(1,021,715)	(133,623)	-	\$4.21	\$10.95
Lancaster County	2,481,260	7.5%	-	(79,367)	-	\$5.57	\$12.50
Lincoln County	6,738,936	2.5%	(44,726)	(111,150)	-	\$4.74	-
Mecklenburg Line	1,357,992	-	-	-	-	-	-
North	21,569,914	5.7%	(143,326)	522,211	1,227,916	\$6.41	\$14.73
Northwest/Chemway	8,289,559	5.8%	126,202	208,888	-	\$3.79	-
Rowan County	6,649,698	6.6%	(154)	411,846	-	\$4.95	-
South	54,018	-	-	-	-	-	-
State Line/Southwest/Westinghouse	46,130,716	11.7%	13,961	206,219	-	\$4.85	\$11.60
Union County	8,531,827	3.7%	(228,771)	(182,226)	-	\$6.75	-
York County	13,724,239	7.4%	920,800	950,815	1,127,532	\$4.31	-
Total	200,305,679	7.5%	(115,603)	3,517,654	4,486,398	\$4.93	\$11.36

BY TYPE	Sublease Space						
Warehouse/Distribution	184,706,743	7.5%	(118,594)	3,392,641	4,486,398	1,340,956	
Flex	15,788,936	7.5%	2,991	125,013	-	173,157	
Total	200,495,679	7.5%	(115,603)	3,517,654	4,486,398	1,514,113	

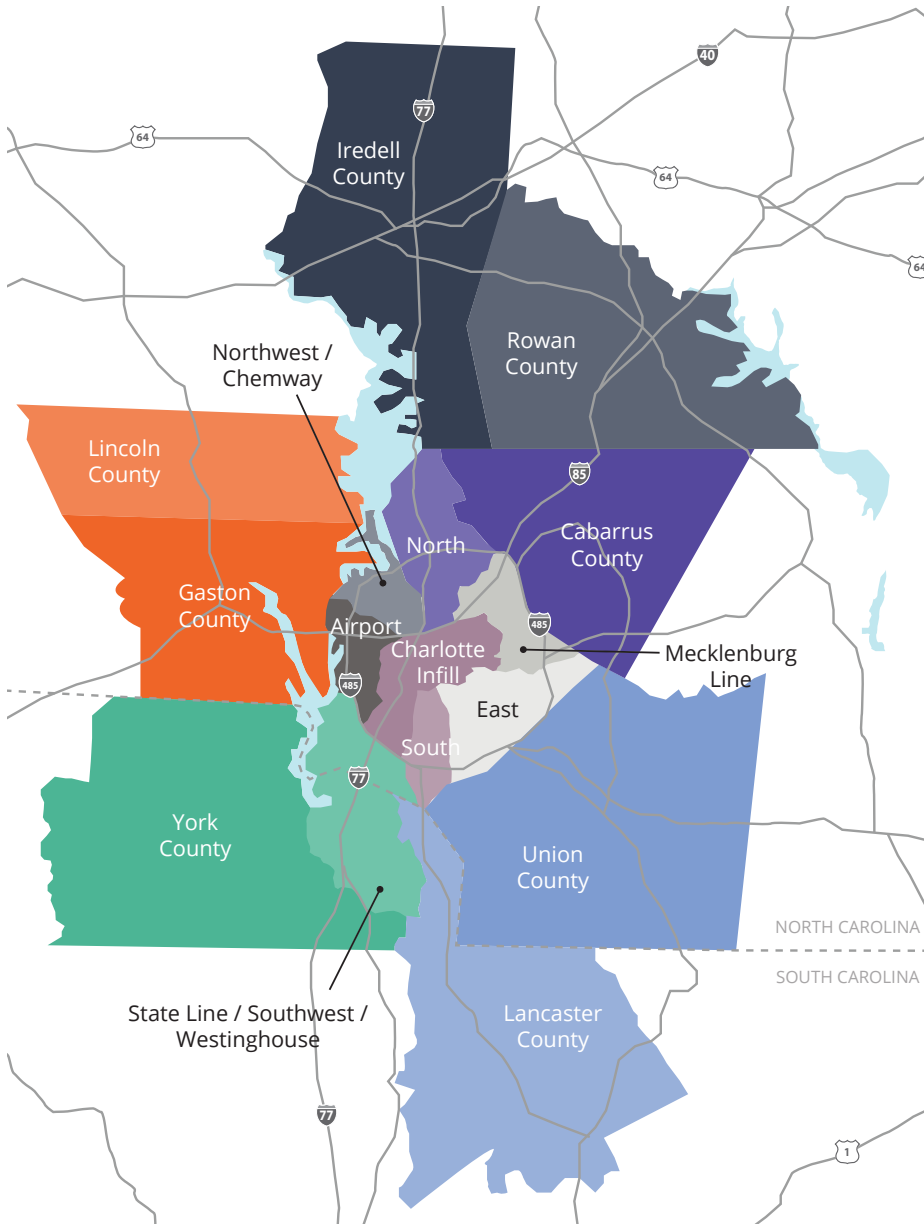
Recent lease transactions

Tenant	Property	Type	Submarket	SF
Amazon	Carolina Logistics Park	New Lease	State Line	1,000,350
Mlily USA*	Riverwalk Commerce Center	New Lease	York County	277,290
Amazon	4226 Beam Road	New Lease	Airport	183,090
Amazon	Carolina Tradeport	New Lease	North	141,260
Rodriguez Produce	4862 Corporate Center Drive	New Lease	Union County	109,000
SATO America*	14125 Bridge Circle	New Lease	State Line	98,967

Recent sale transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Eastside Logistics Center*	East	Silverman Group	354,000	\$10.5 million	\$30
Shopton Ridge I	Airport	Exeter	69,300	\$7.8 million	\$113
1019 N Brevard Street	Charlotte Infill	White Point Partners	64,792	\$7.5 million	\$116
Lakemont Industrial Park	State Line	Jagmaar Properties	45,600	\$7.1 million	\$156

*Transaction handled by Avison Young



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