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# Charlotte industrial insight report

Q2 2021

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by AVISON YOUNG



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# U.S. industrial drivers

CHARLOTTE INDUSTRIAL INSIGHT REPORT  
Q2 2021

# U.S. total retail and e-commerce sales

# 15.7%

## E-commerce share of overall retail sales in Q1 2021

Demand for e-commerce surged during the initial shock of lockdowns, driving industrial demand to record levels. As the economy begins to reopen, the rate of e-commerce growth is nearly double pre-COVID levels, suggesting accelerated e-commerce demand is sustainable.



Source: Federal Reserve Bank of St. Louis

# Property type job gains and losses

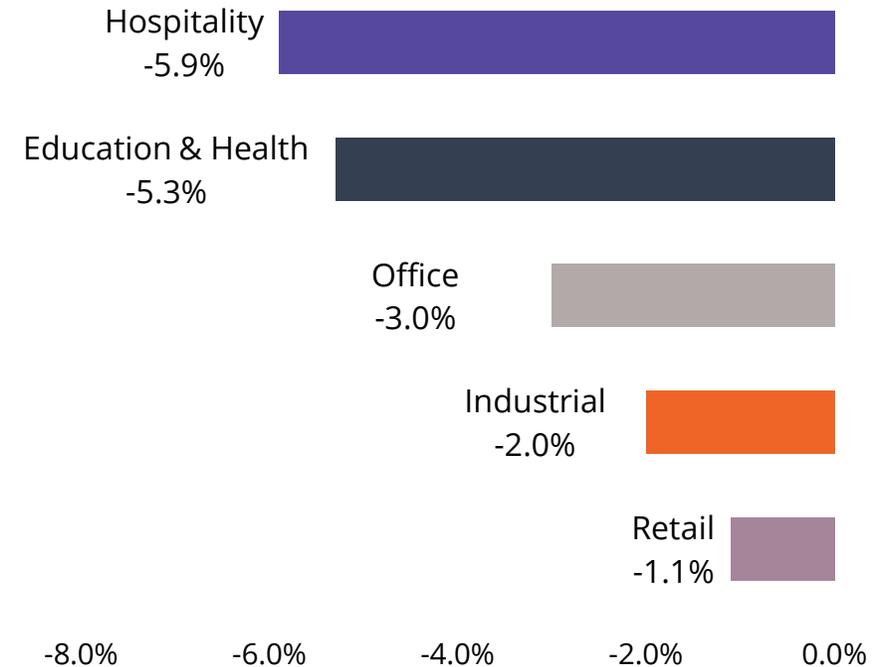
# -2.9%

## Change in total industrial employment during the pandemic

Post-COVID industrial job losses have been mild compared with other segments of the labor market, underscoring the industry's comparative strength as cities and economies reopen.

[VIEW DASHBOARD](#)

**Total change in U.S. job gains/(losses)**  
February 2020 to May 2021



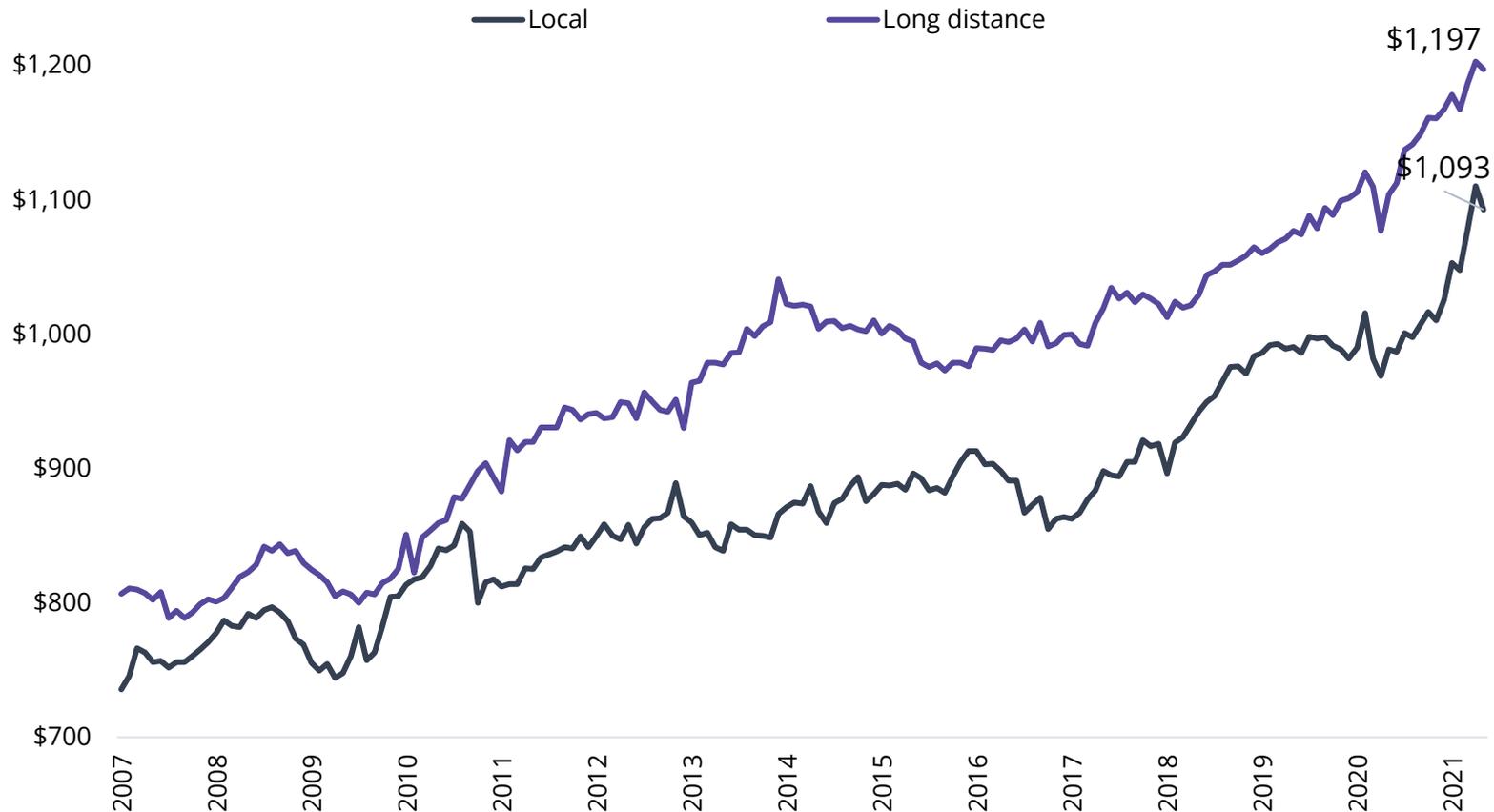
Note: Not seasonally adjusted data.  
Source: Bureau of Labor Statistics

# Weekly earnings for U.S. trucking employees

**+ 10.5%**

**Annual change in local trucking weekly earnings, 2007 to 2021**

As employers compete to fill vacant positions, wage pressure for trucking has accelerated sharply over the past 15 months. Initially focused on long-distance truckers in the early stages of the pandemic, the trend has increasingly spread to local trucking.



Source: Bureau of Labor Statistics

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# Charlotte economic fundamentals

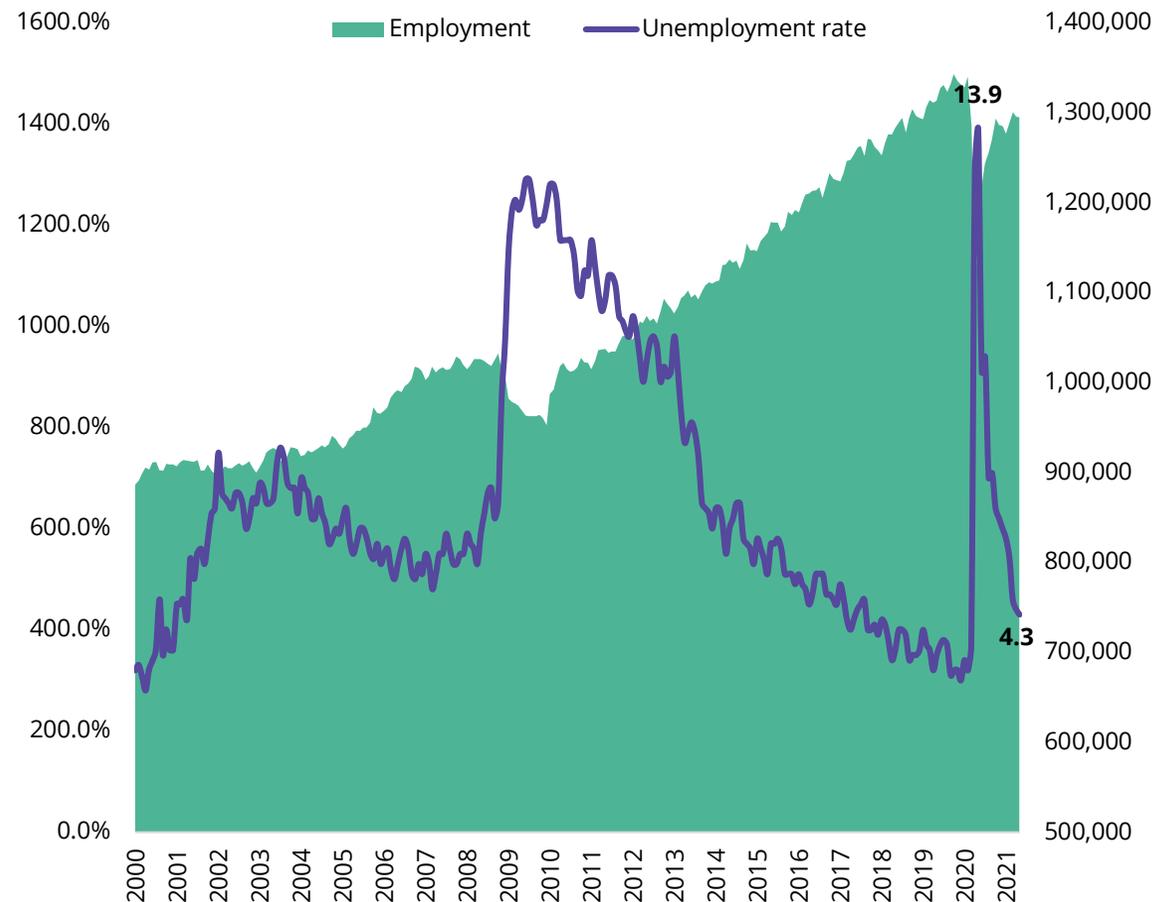
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# Employment and unemployment

# 4.3%

## Charlotte unemployment rate as of May 2021

Before the pandemic, unemployment was at historical lows. Early reopening efforts resulted in +8.1% change in employment in the last 12 months. The metro is gaining ground in its recovery, as compared to the national unemployment rate of 5.5%.



Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Property type job gains and losses

# -2.6%

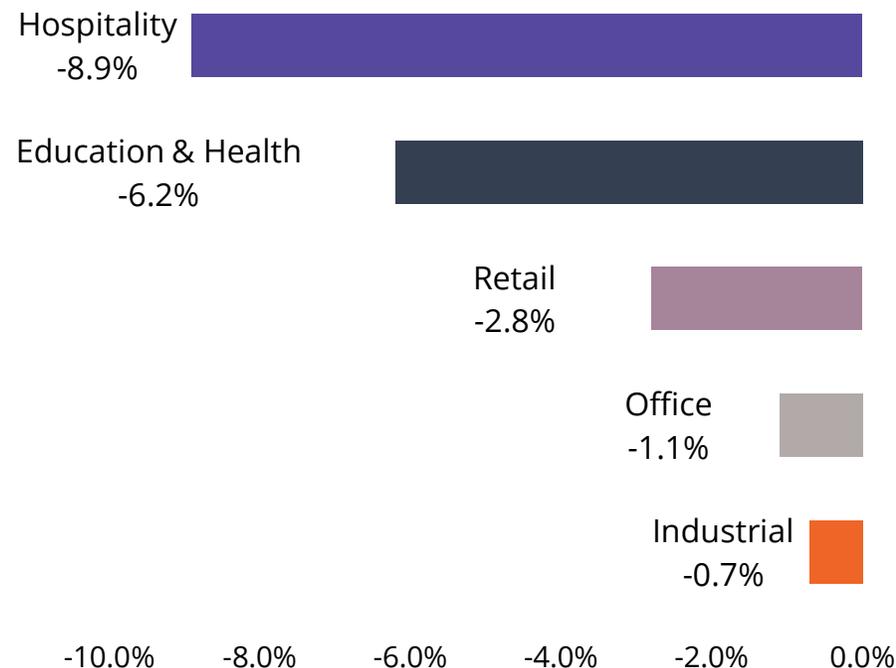
## Change in total employment during the pandemic

The Charlotte metro area lost 2.6% of its total labor force since the pandemic began, though industrial losses were comparatively minimal. Industrial job gains in recent months demonstrates that a recovery is likely in that sector in the near-term.

[VIEW DASHBOARD](#)

### Total change in Charlotte MSA\* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Industrial job gains and losses

# -0.7%

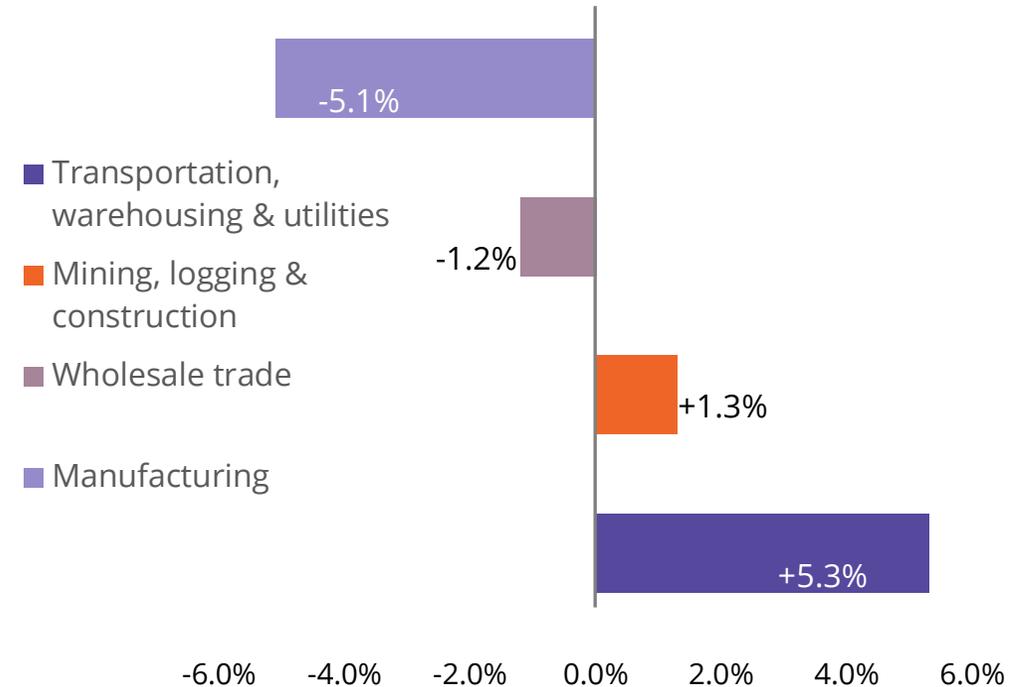
## Change in industrial-centric employment during the pandemic

The Charlotte metro area lost 0.7% of industrial employment since the pandemic began, as evidenced by a decline in jobs early in 2020. However, in the past 12 months, the market has recovered those losses and has grown by 5.3%, specifically in the Transportation, warehousing & utilities sector.

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### Total change in Charlotte MSA\* job gains/(losses)

February 2020 to May 2021



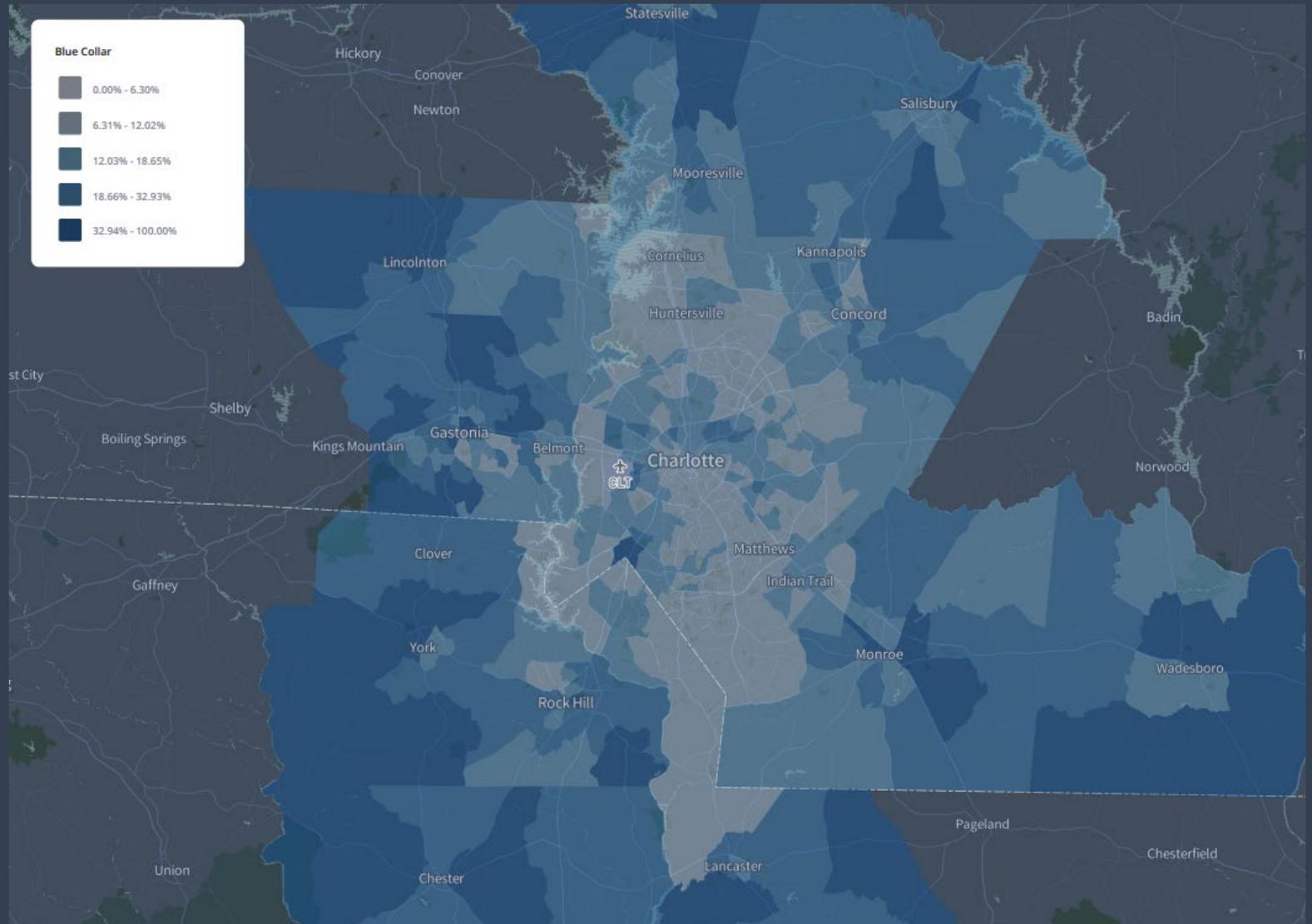
Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI

Blue Collar concentration based upon where labor resides., thus illustrating where companies can access this valuable labor resource.

Large pockets of blue-collar workforce are found throughout the Charlotte MSA and are well distributed across the metro.



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# Charlotte market fundamentals

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# Key industrial takeaways



## Economic conditions

- Reopening efforts have allowed the Charlotte unemployment rate to rebound from a high of 13.9 percent down to **4.3 percent**.
- The Charlotte metro area lost **0.7 percent** of industrial employment since the pandemic began. In the past 12 months, market has recovered those losses and has grown by **5.3 percent**, most notably in the transportation, warehousing & utilities sector.



## Industrial demand

- Industrial leasing activity has remained overwhelmingly positive throughout the pandemic and into 2021. Activity currently sits at **18.3 percent** of the long-term annual average of the last 20 years of historical data.
- YTD 2021 leasing activity reached **6.2 MSF, up 165%** year-over year. The Stateline submarket accounted for **31%** of Charlotte's leasing activity after **Amazon** signed a **1.0 MSF** lease at Carolina Logistics Park.

# Key industrial takeaways



## Industrial supply

- Charlotte's industrial construction pipeline remains healthy. With 22 properties currently under construction, an **additional 6.2 MSF** is expected to be added to existing inventory. The **York County** submarket is the most active submarket for development with **1.8 MSF** currently under construction.
- The overall vacancy rate for the Charlotte industrial market continued to show resilience with vacancy at **7.5%**, a slight increase from 7.3% reported in the previous quarter.



## Pricing trends

- Asking rents increased by **1.9 percent** since the start of the pandemic, despite softening slightly in the second quarter.
- Overall asking rates have been on an upward trajectory since 2018. The average asking rate mid-year was recorded at **\$4.94 PSF**.



## Capital markets

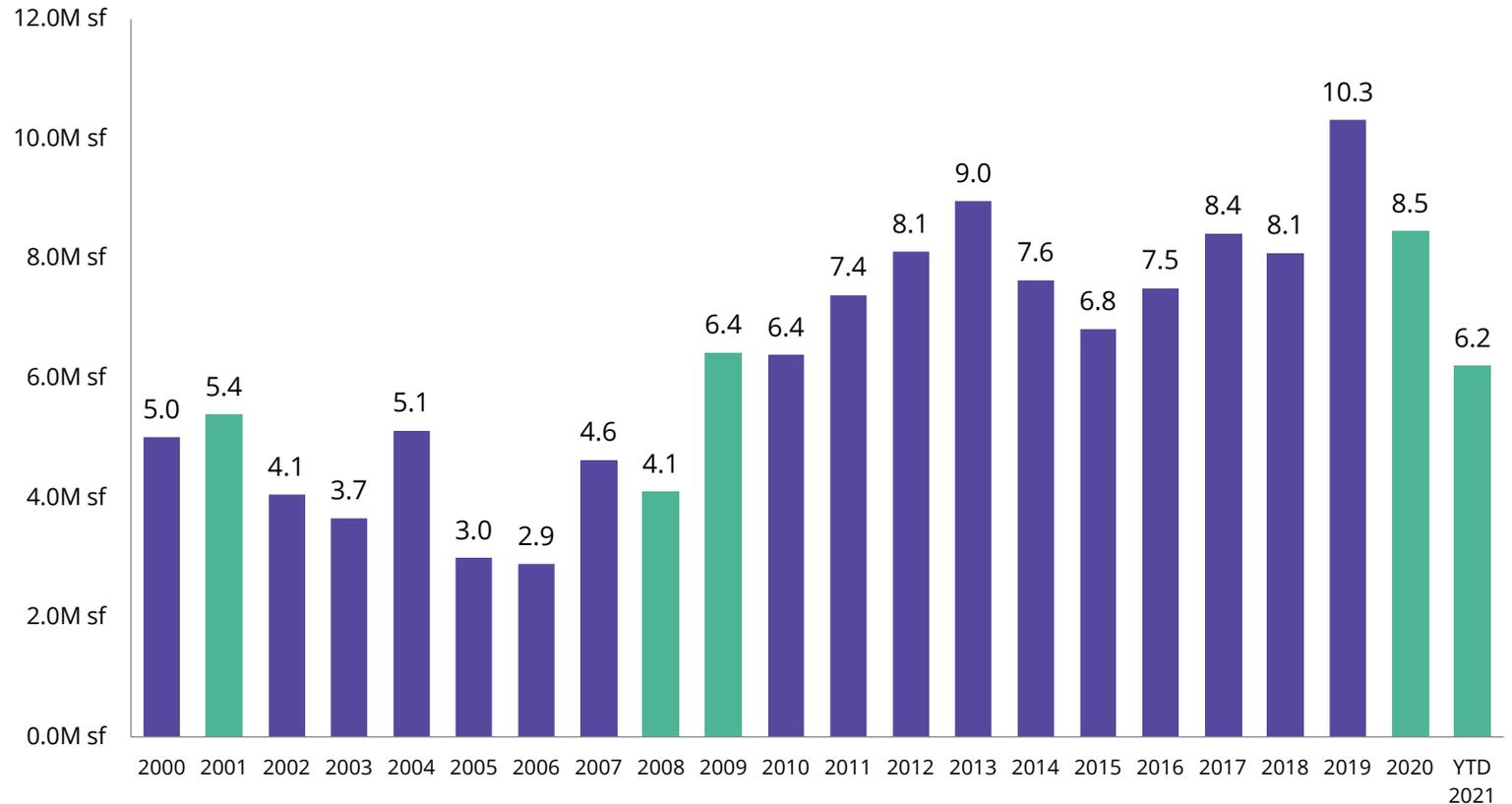
- Charlotte investment activity increased to **\$1.4B since 2020** as investors are attracted to industrial fundamentals that have largely benefitted from the COVID environment.
- Through the first half of 2021 the market has seen **\$382 million** in sales already, up **22 percent**, when compared to activity in the first half of 2020.

# Industrial leasing activity

**+ 18.3%**

**YTD 2021 vs. prior 20-year  
annual average leasing  
activity**

Industrial leasing for YTD 2021 of 6.2 MSF is up 165% from this time last year. Amazon's recent lease at Carolina Logistics Park was the largest deal of the second quarter.



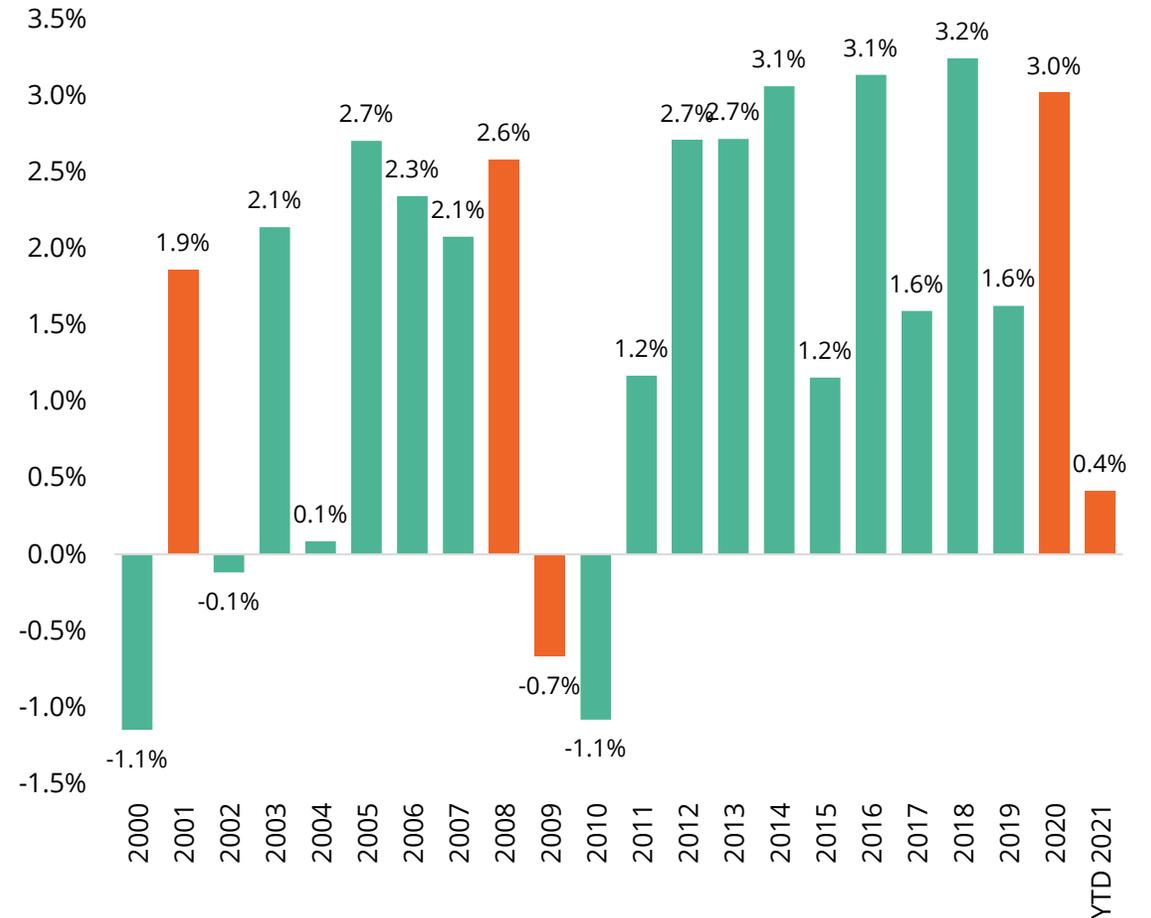
Source: CoStar, total SF leasing activity in millions. Green represents recession years.

# Industrial net absorption

# 3.4%

**Net absorption as a percentage of inventory, 2020 through Q2 2021**

Total net absorption, measured by year-over-year change in physically occupied space, resulted in 775,000 SF at the close of the second quarter. As overall leasing activity continues to trend upward, net absorption will follow suit.



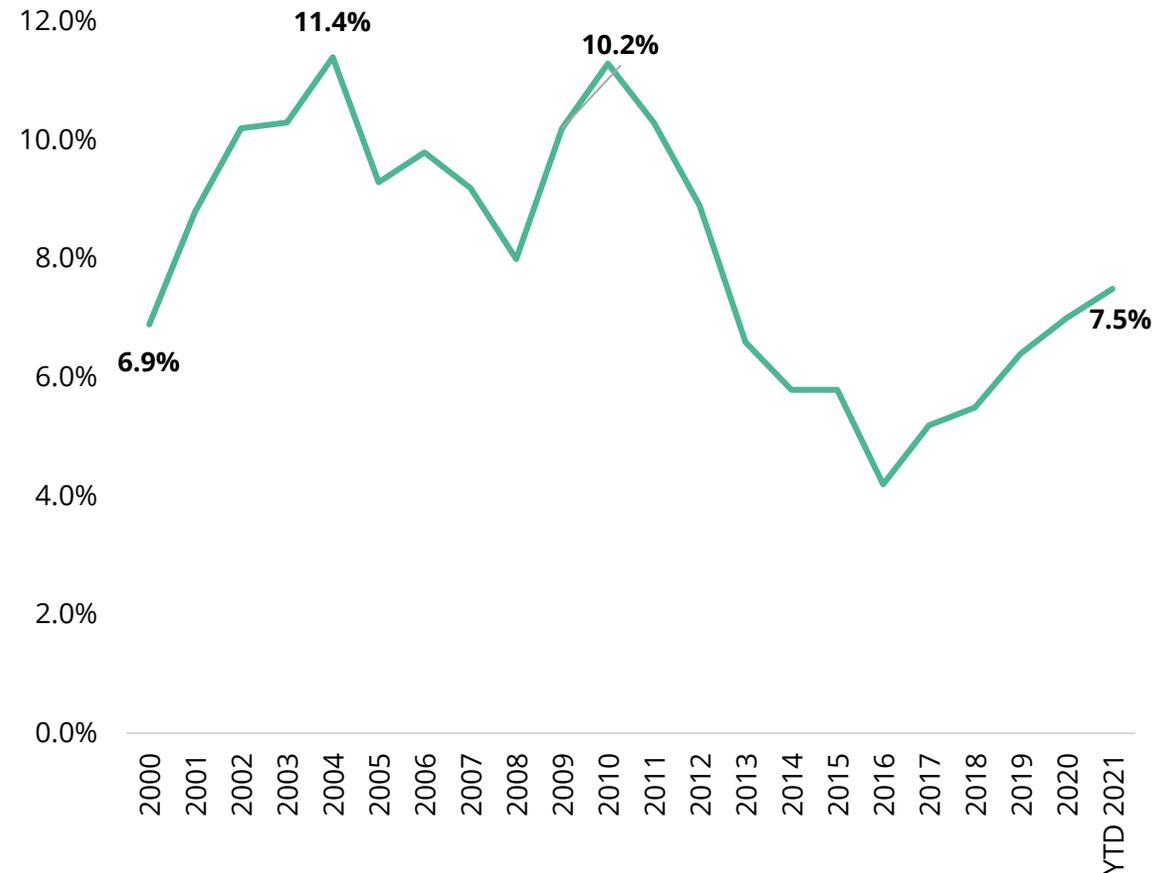
**Note:** Total net absorption is measured as the year-over-year change in occupied square feet. Orange represents recession years.  
Source: CoStar

# Industrial vacancy rate

# 7.5%

## Vacancy rate as of Q2 2021

The Q2 2021 vacancy rate of 7.5% remains healthy relative to the market's 20-year average of 8.1%, even while ticking up slightly over the last two years.



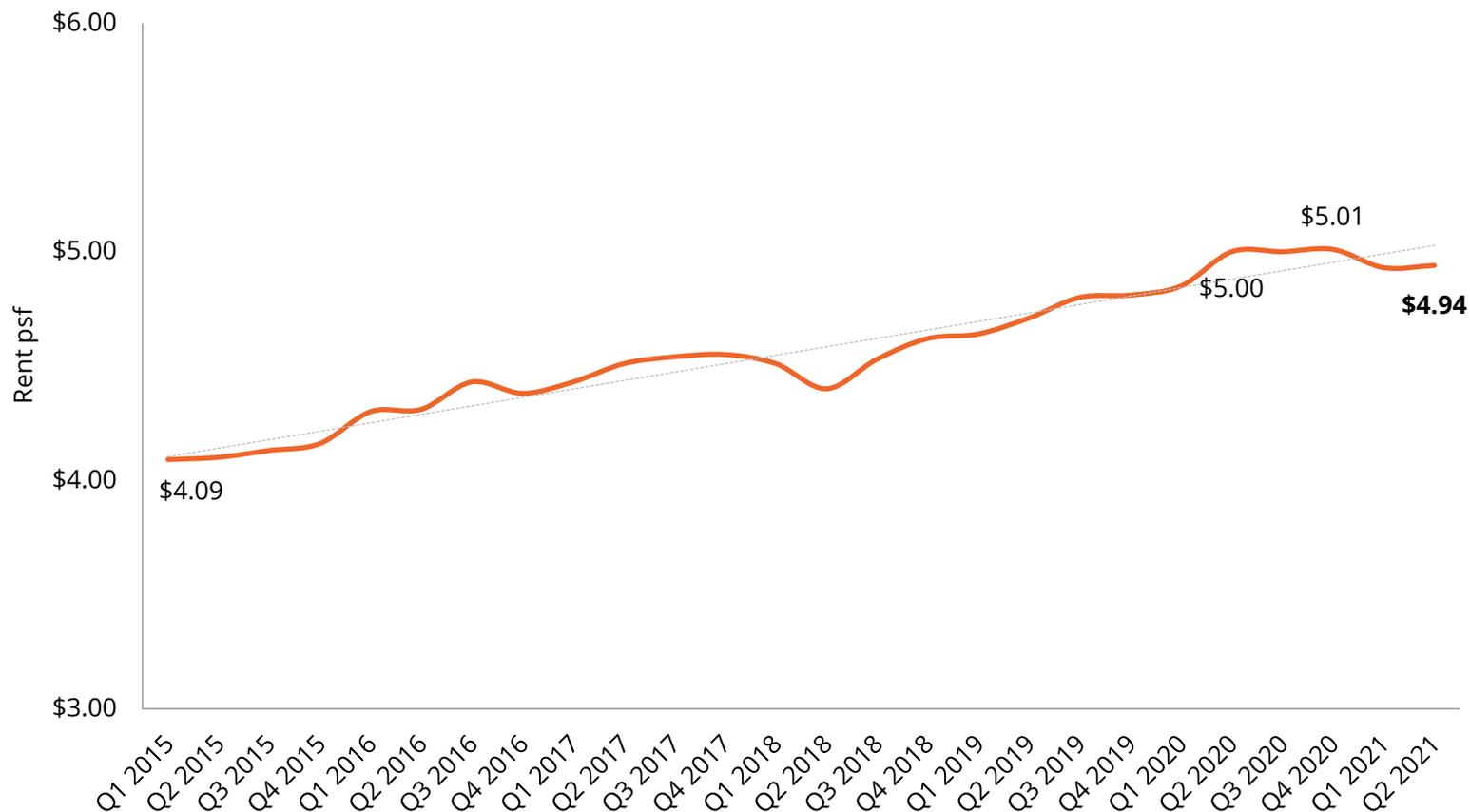
Source: CoStar, total vacancy

# Asking rents

# + 1.9%

## Asking rents since the onset of the pandemic

Asking rents softened slightly in the second quarter, but overall have trended upward since 2018. In the near-term asking rents are expected to continue to increase but at a more moderate pace.



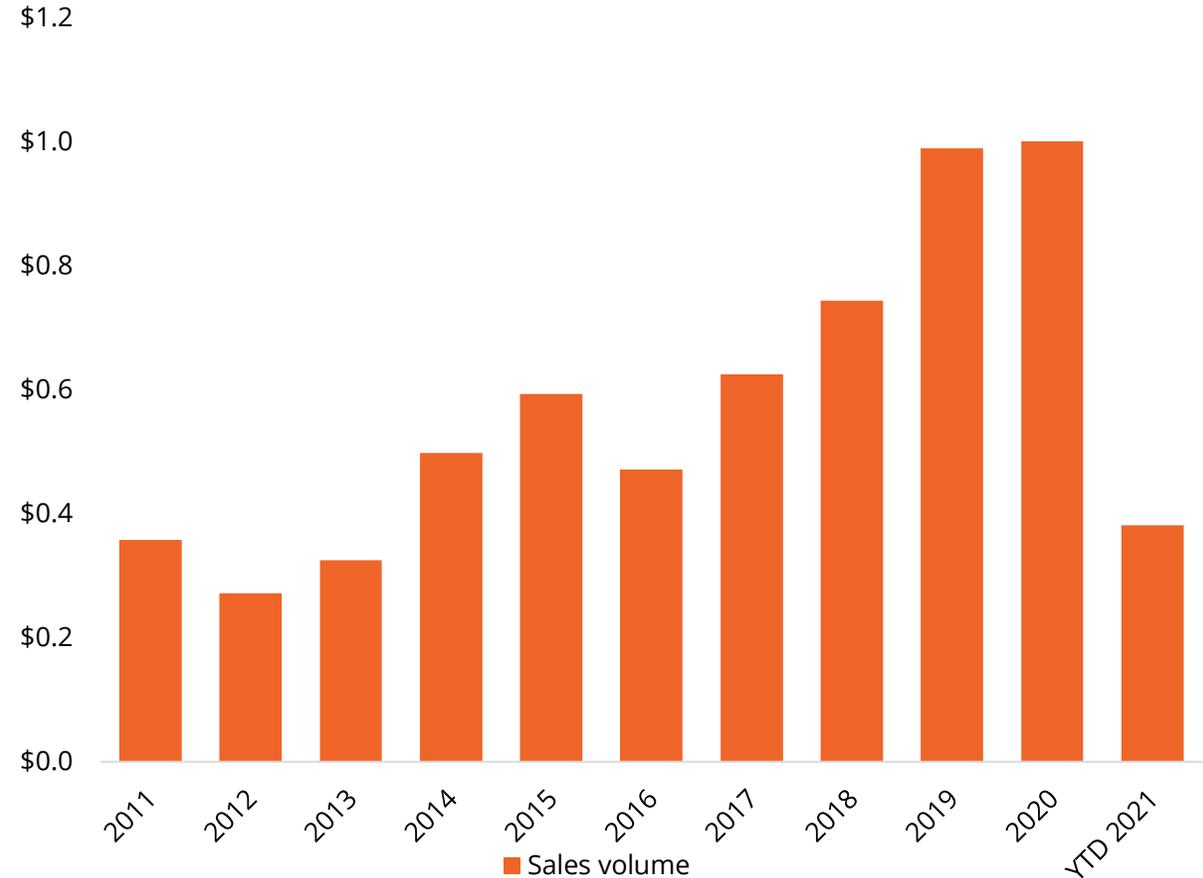
Source: CoStar, NNN rent

# Investment dollar volume

**\$1.4B**

## Industrial dollar volume, 2020 to Q2 2021

Charlotte experienced an exceptionally strong 2020, despite a pause in national sales activity for all asset classes due to the risk-pricing crisis of the pandemic. Charlotte hit a record-high of \$1B in 2020 and produced \$382M in closed deals year to date.



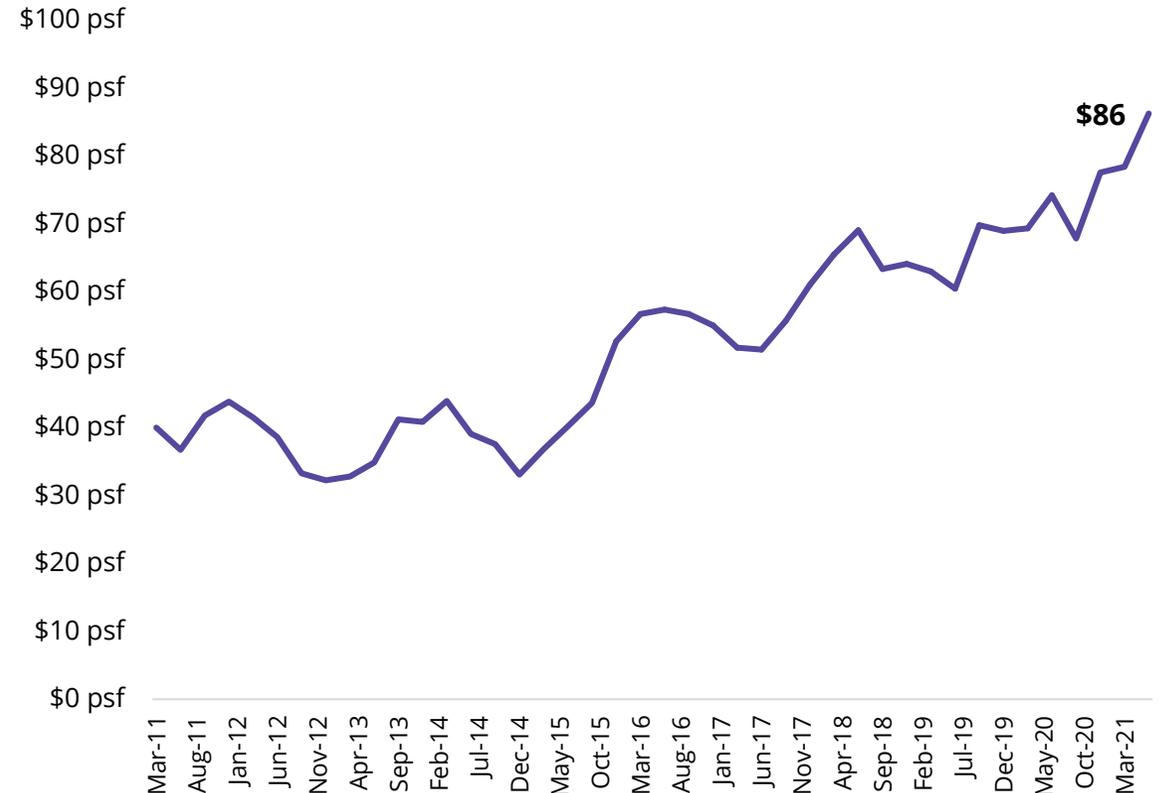
Source: RCA, sales volume  
Note: pricing does not include flex properties

# Industrial asset pricing

**+20.0%**

## Charlotte industrial pricing, March 2020 to June 2021

Pricing for Charlotte industrial assets has continued to increase since the end of 2016, and particularly since the pandemic, as many investors seek exposure to assets that can accommodate the rise of e-commerce distribution.



Source: RCA  
Note: pricing does not include flex properties

# Looking forward



## Here's what we can expect

- **Industrial leasing demand** has been consistent and healthy in 2020 and in the first half of 2021. More speculative construction in outlying counties will provide outlets for occupiers and are unlikely to shift leverage towards tenants.
- As **Amazon** dominates the national industrial market, other major retailers and third-party logistics companies are also bolstering their supply chain, expecting to create demand in growing metros like Charlotte.
- Solid leasing fundamentals have driven investment interest to industrial. **E-commerce permeation** has only reinforced the necessity for new and different types of last-mile facilities near Charlotte consumers.
- Charlotte's **construction pipeline** may moderate due to skyrocketing construction costs and a slight uptick in overall vacancy rates in the market.



# Submarkets totals | 2Q21

[View submarket map](#)

	Total SF	Vacancy %	YTD Leasing Activity (sf)	TTM Net Absorption	Under Construction (sf)	Whs/Dist Rate (NNN)	Flex Rate (NNN)
<b>Airport</b>	15,378,967	7.4%	1,049,749	1,733,461	1,272,271	\$5.39	\$9.62
<b>Cabarrus County</b>	17,928,182	8.1%	327,000	313,334	-	\$6.04	\$9.85
<b>Charlotte Infill</b>	16,560,867	6.8%	-	(65,199)	44,930	\$5.24	\$11.63
<b>East</b>	3,503,955	11.0%	-	(166,860)	-	\$8.75	\$8.09
<b>Gaston County</b>	12,798,027	1.7%	-	(76,356)	2,699,862	\$4.06	\$9.75
<b>Iredell County</b>	18,588,022	6.3%	752,300	7,786	-	\$3.80	\$12.89
<b>Lancaster County</b>	2,481,260	7.5%	-	-	-	\$5.57	\$13.50
<b>Lincoln County</b>	6,843,334	14.8%	-	(887,526)	-	\$4.74	-
<b>Mecklenburg Line</b>	1,357,992	-	-	-	-	-	-
<b>North</b>	21,561,700	6.4%	872,831	96,535	1,272,936	\$6.23	\$15.20
<b>Northwest/Chemway</b>	8,289,560	7.9%	-	31,677	-	\$3.88	-
<b>Rowan County</b>	6,736,281	3.7%	-	689,486	-	-	-
<b>South</b>	54,018	-	-	-	-	-	-
<b>State Line</b>	46,562,963	10.4%	1,910,895	396,447	-	\$4.81	\$11.74
<b>Union County</b>	8,889,347	4.3%	-	(146,904)	-	\$5.79	-
<b>York County</b>	13,775,072	6.0%	1,253,621	1,143,238	1,012,081	\$4.89	-

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# Get in touch

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# Let's talk

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