



Charlotte industrial market report

Q1 2023

**AVISON
YOUNG**

Charlotte industrial market trends

+41.8%

Rent growth year over year

Rapid growth in e-commerce and logistics industries is a major factor driving rent growth for industrial real estate in Charlotte, NC. The strategic location of Charlotte, serving as a transportation hub with access to major highways, railways, and the Charlotte Douglas International Airport, has attracted a plethora of distribution and warehousing operations. Additionally, the population growth in the region has led to an increased demand for consumer goods, necessitating more industrial spaces to meet the logistical requirements.

-38.9%

Decline in construction starts from 4Q22

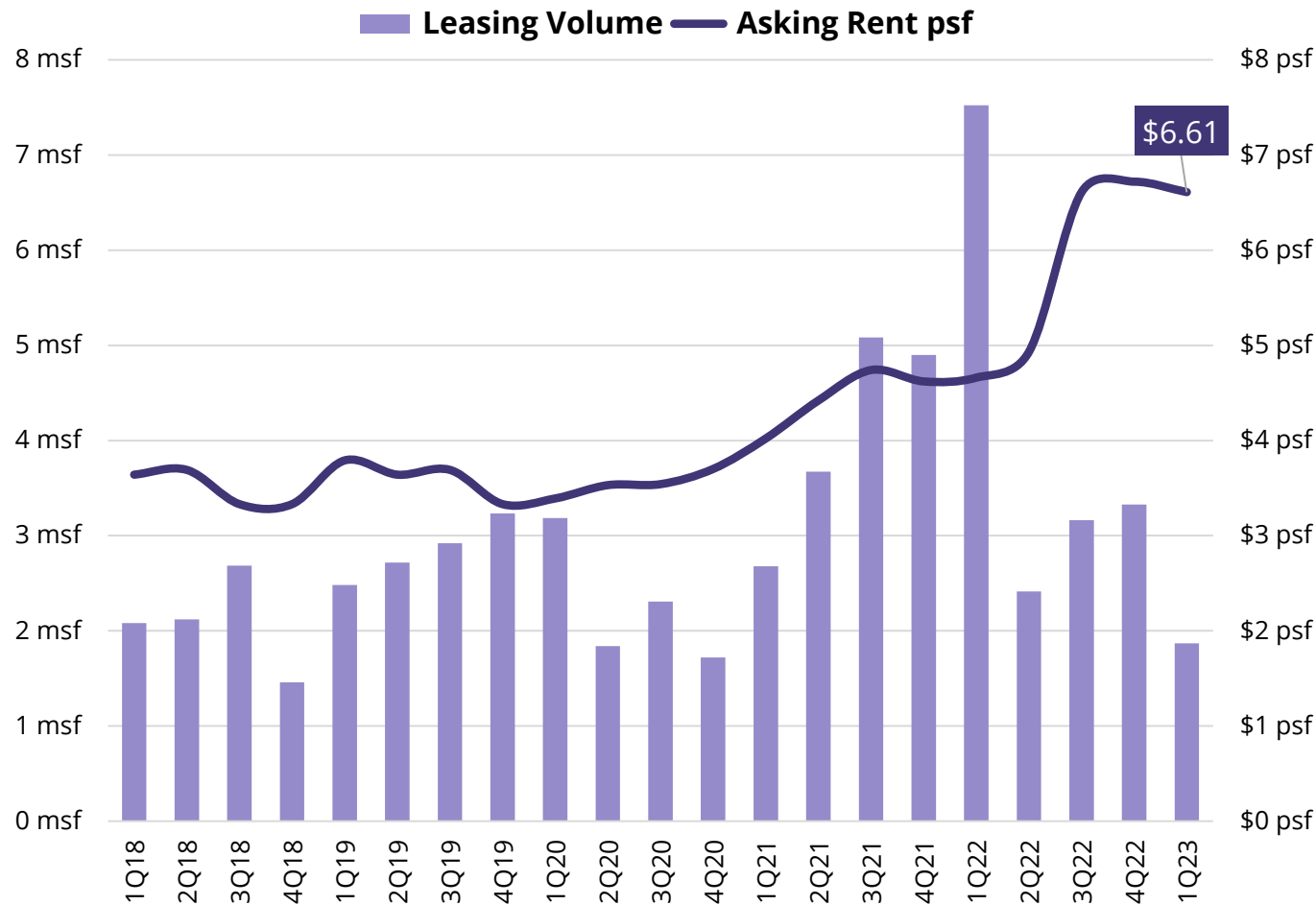
The Fed's decision to raise interest rates in 2022 has had a significant impact on the slowdown of new construction for industrial real estate. Higher interest rates make borrowing more expensive for developers, leading to a decline in construction financing and ultimately causing a reduction in new project starts. As long as borrowing remains expensive and construction costs stay at record highs, it is likely that construction slowdowns will persist in the foreseeable future.

\$343m

Quarterly decline in investment volume

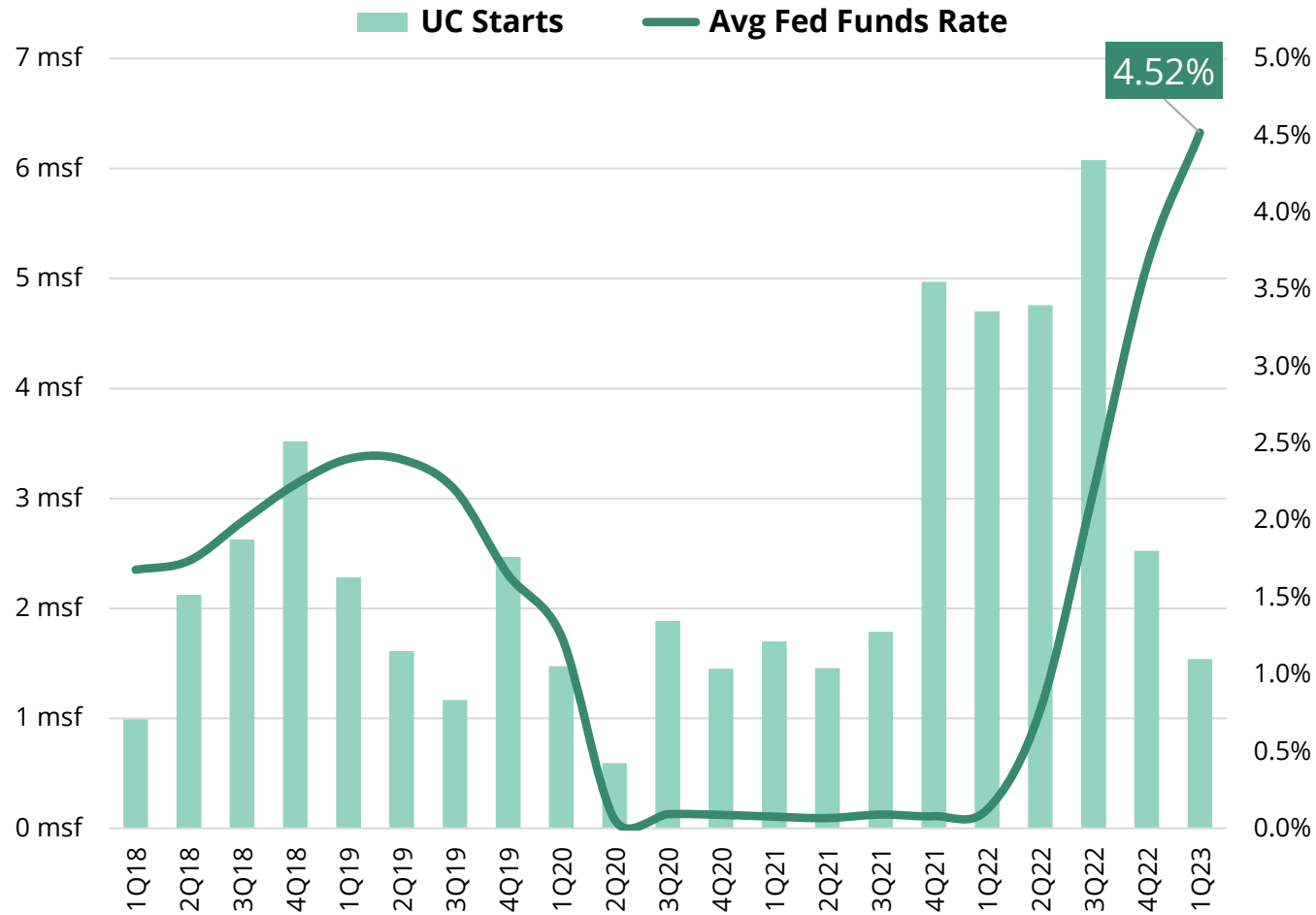
A slowdown in industrial real estate investment volume can be attributed to several factors, including economic uncertainty, rising interest rates, and evolving market conditions. Rising interest rates can make borrowing more expensive, reducing the appeal of leveraging debt to finance new investments. Additionally, evolving market conditions can impact the demand for industrial spaces, causing investors to reevaluate their investment strategies and potentially leading to a slowdown in investment volume.

Leasing volume & asking rent psf



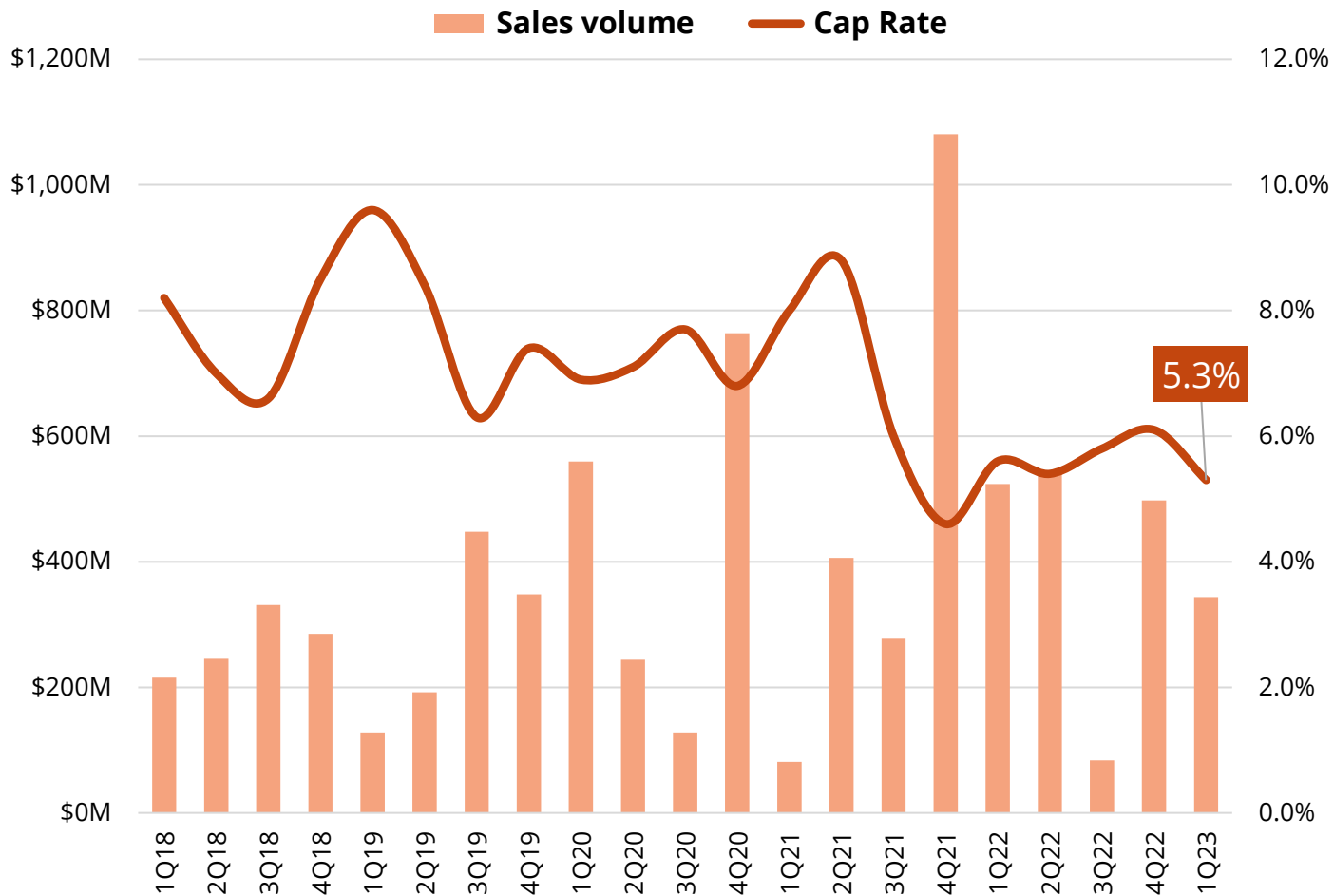
Leasing volume in 2022 aided in driving asking rates high, and although activity has slowed, asking rates remain.

Construction starts slow due to interest rates



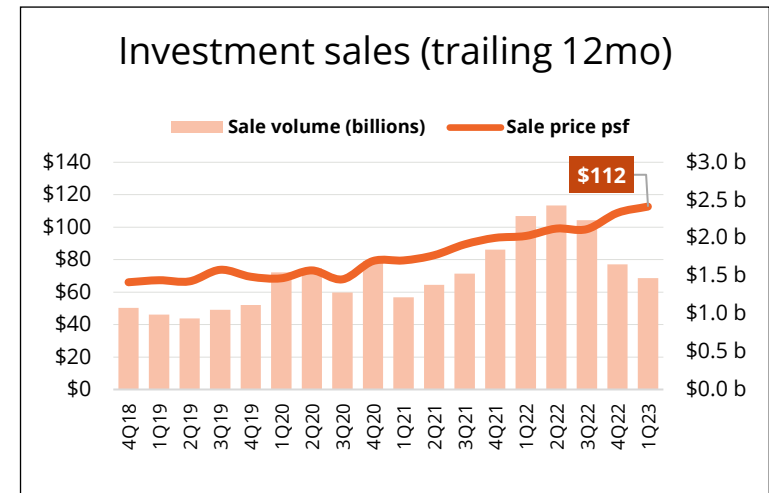
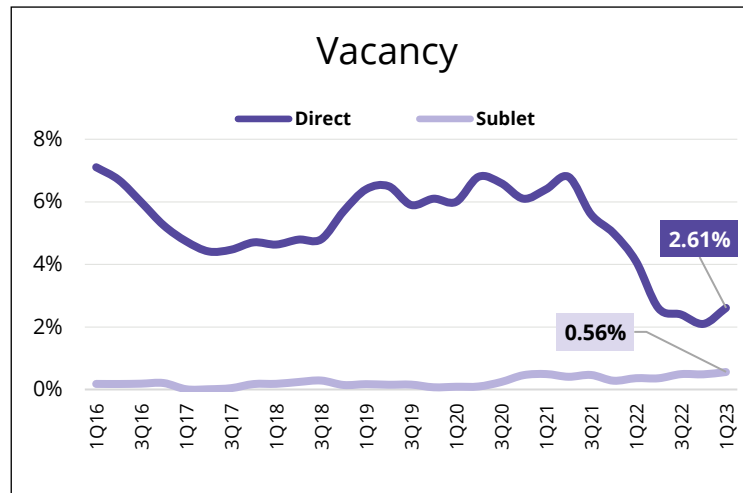
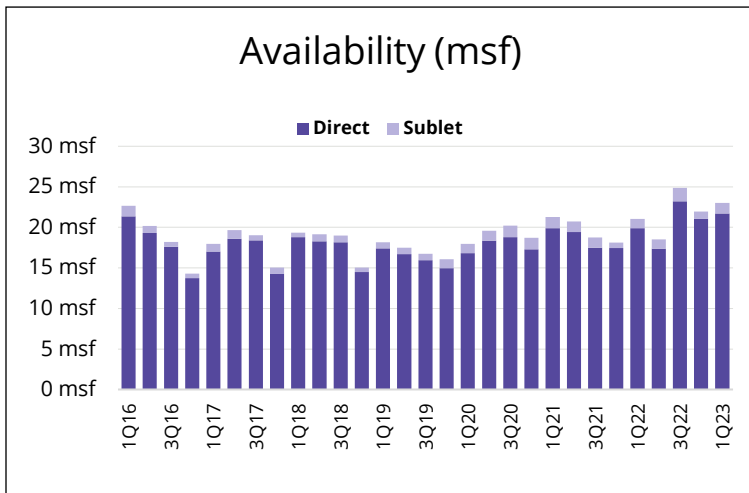
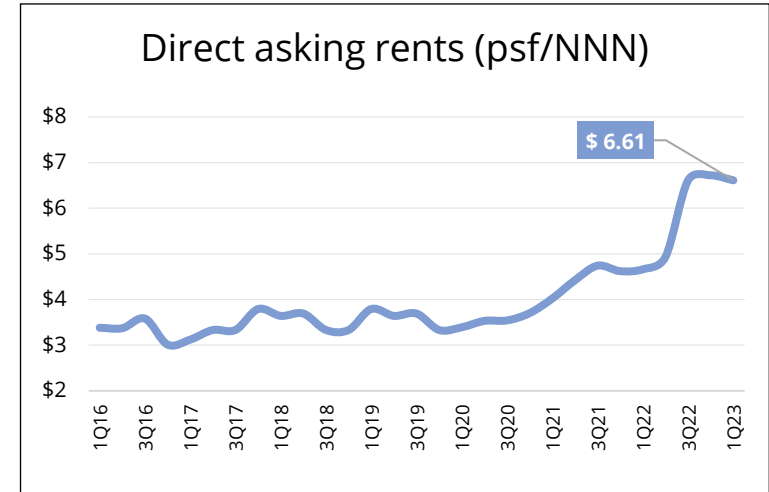
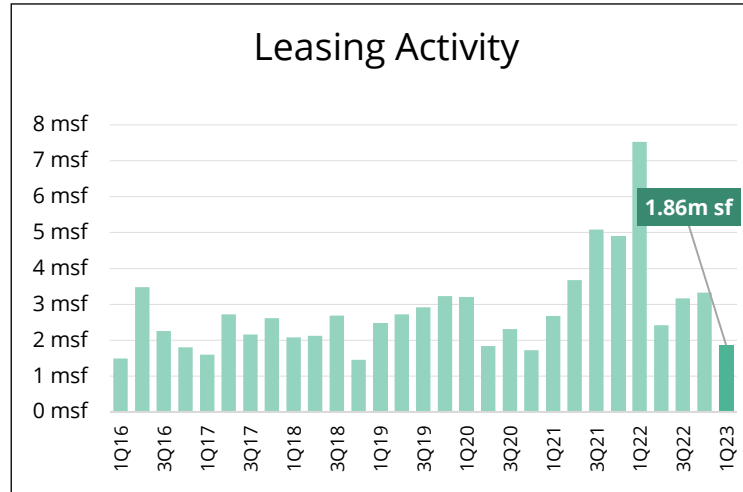
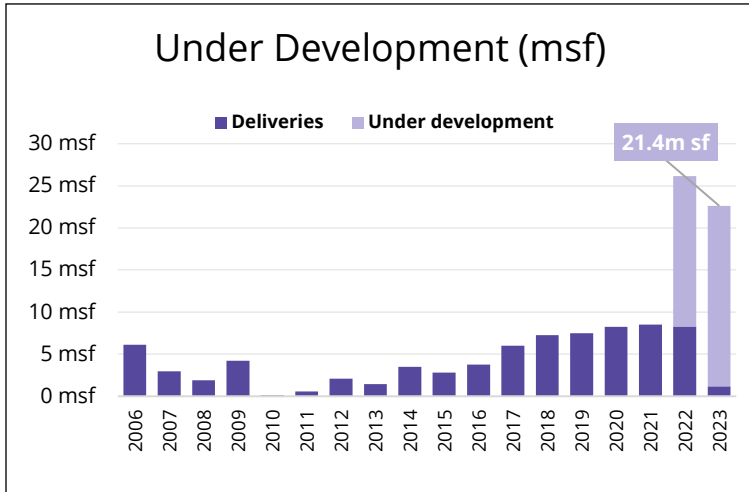
Low interest rates in 2020 – 2021 spurred mass construction activity in 2022. High rates and economic uncertainty is slowing the pace.

Quarterly sales volume and cap rates



Lower cap rates often correlate with high total sales volumes, as they signify strong investor demand and increased valuations.

Charlotte industrial market indicators



Charlotte industrial market stats

Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
SEG Systems	Interchange Logistics Center	Feb 2023	224,979	Direct	New	North
DHL	8475 NW Automation Dr	Mar 2023	162,973	Direct	New	Cabarrus County
Mac Discount	1335 Isley Dr	Mar 2023	158,438	Direct	New	Gaston County
Georgia Pacific	11515 Granite St	Mar 2023	121,600	Renewal	New	State Line
Air Distribution	4841 Sandy Porter Rd	Mar 2023	73,507	Direct	New	State Line

Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Met Life Real Estate	2601 David Hutchinson Rd*	Feb 2023	497,989	\$58,149,578	\$116.77	Strategic Capital Partners
Met Life Real Estate	2501 David Hutchinson Rd*	Feb 2023	294,092	\$35,100,422	\$119.35	Strategic Capital Partners
W.P. Carey Inc.	1100 Bond St	Jan 2023	101,400	\$6,717,500	\$66.25	Plaskolite

*Rock Hill Commerce Center portfolio

Largest projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
Kings Mountain Corporate Center	799 Sara Lee Access Rd	Q2 2023	1,256,278	0%	The Keith Corporation	Gaston County
85 North Logistics Center	475 E NC 152 HWY	Q3 2023	1,486,350	100%	The Silverman Group	Rowan County
Legacy Park East	2087 Williams Industrial Blvd	Q4 2023	851,500	0%	Scannell Properties	York County

Charlotte industrial market stats

Submarket	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Preleased sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q1 2023)	Direct asking rent NNN
Airport	16,823,897	-	1,666,454	249,331	0.9%	1.1%	2.0%	(54,890)	\$8.50
Cabarrus County	17,881,589	755,596	1,636,250	1,060,000	1.9%	2.1%	4.0%	344,097	\$6.65
Catawba County	28,229,585	-	285,000	485,000	1.4%	0.1%	1.5%	(27,400)	\$5.00
Cleveland County	12,310,570	-	-	-	6.4%	0.0%	6.4%	-	-
East	2,373,822	-	-	-	0.0%	0.0%	0.0%	-	-
Gaston County	23,245,808	-	3,711,087	616,000	3.4%	0.0%	3.4%	671,010	\$6.30
Infill	15,437,280	-	-	-	4.2%	0.1%	4.3%	(13,360)	\$11.68
Iredell County	22,656,155	50,000	2,773,089	2,685,409	4.5%	0.0%	4.5%	(129,488)	\$6.90
Lancaster County	4,073,686	-	-	-	0.0%	0.0%	0.0%	-	-
Lincoln County	9,282,601	-	1,091,446	136,555	4.3%	3.6%	7.9%	(128,037)	\$5.50
Mecklenburg Line	1,691,951	-	-	180,000	15.4%	0.0%	15.4%	(260,000)	-
North	20,080,504	-	2,101,082	359,363	1.9%	0.0%	1.9%	122,230	\$9.35
Northwest/Chemway	9,370,327	-	114,975	-	0.0%	0.0%	0.0%	124,968	\$7.30
Rowan County	10,900,510	-	2,910,738	1,412,980	2.2%	0.0%	2.2%	699,767	\$6.00
South	162,884	-	-	-	0.0%	0.0%	0.0%	-	\$6.60
State Line	46,977,758	202,403	3,226,792	3,150,959	3.7%	0.6%	4.3%	(227,248)	\$8.25
Union County	10,361,969	-	250,000	310,000	0.0%	0.0%	0.0%	25,000	-
York County	15,709,797	155,320	1,681,266	624,376	3.1%	1.8%	4.9%	(108,145)	\$7.95
Market total	267,570,693	1,163,319	21,448,179	11,368,973	2.6%	0.5%	3.1%	1,038,504	\$6.61

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)

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

For more market insights and information visit **avisonyoung.com**

Chris Skibinski, SIOR
Managing Director, Principal
Industrial
+1 704 412 5606
chris.skibinski@avisonyoung.com

Chris Loyd
Senior Vice President
Industrial
+1 704 612 0238
chris.loyd@avisonyoung.com

Henry Lobb, SIOR
Principal
Industrial
+1 704 412 5606
henry.lobb@avisonyoung.com

Tom Tropeano
Senior Vice President
Industrial
+1 704 413 0228
tom.tropeano@avisonyoung.com

Abby Rights
Vice President
Industrial
+1 704 413 0235
abby.smith@avisonyoung.com

Ryan Kendall
Vice President
Industrial
+1 704 254 5540
ryan.kendall@avisonyoung.com

Trent King
Associate
Industrial
+1 704 612 0812
trent.king@avisonyoung.com

Gray Gaines
Associate
Industrial
+1 704 413 0230
gray.gaines@avisonyoung.com

Colin Ferguson
Associate
Industrial
+1 704 512 0139
colin.ferguson@avisonyoung.com

Chip Griffin
Analyst
Industrial
+1 704 962 6480
chip.griffin@avisonyoung.com

Rich Toal
Insights
Industrial
+1 704 891 9382
rich.toal@avisonyoung.com