



# Charlotte industrial market report

Q1 2024

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**AVISON  
YOUNG**

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# Charlotte industrial market trends

## 6.1%

### New deliveries impacting vacancy

In conclusion of Q1 2024, Charlotte's industrial occupancy rate hits a five-year low, as direct and sublease vacancies combine at 6.1%. Along with the greater U.S. market, Charlotte experienced a surge in industrial construction starts in 2022 that continued through mid-year 2023, of which, 3.97msf delivered vacant this quarter. We anticipate vacancy levels to top out as the development pipeline experiences delays regarding construction starts.

## 8.8msf

### TIM requirements shifting

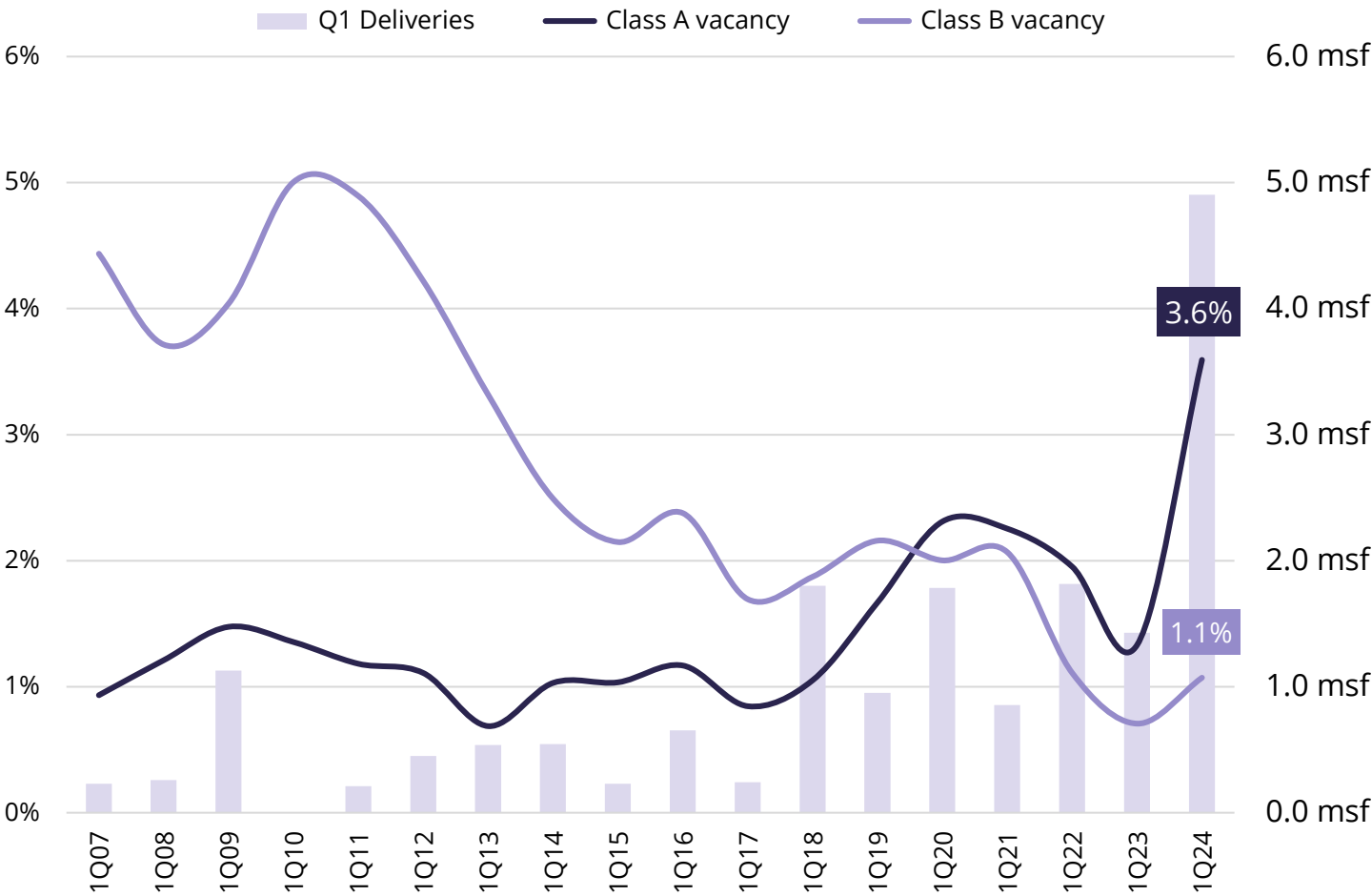
Avison Young Brokers closely monitor user demand trends across the Charlotte market, and current requirement volume by total SF is down approximately 3msf from a peak in Q2 2022. The downtrend in volume is due to a shift in sizing demand to smaller spaces, as we're now tracking 233% more tenant requirements for new space sub 200k sf than in all of 2022.

## 1.1msf

### New ground breakings continue to delay

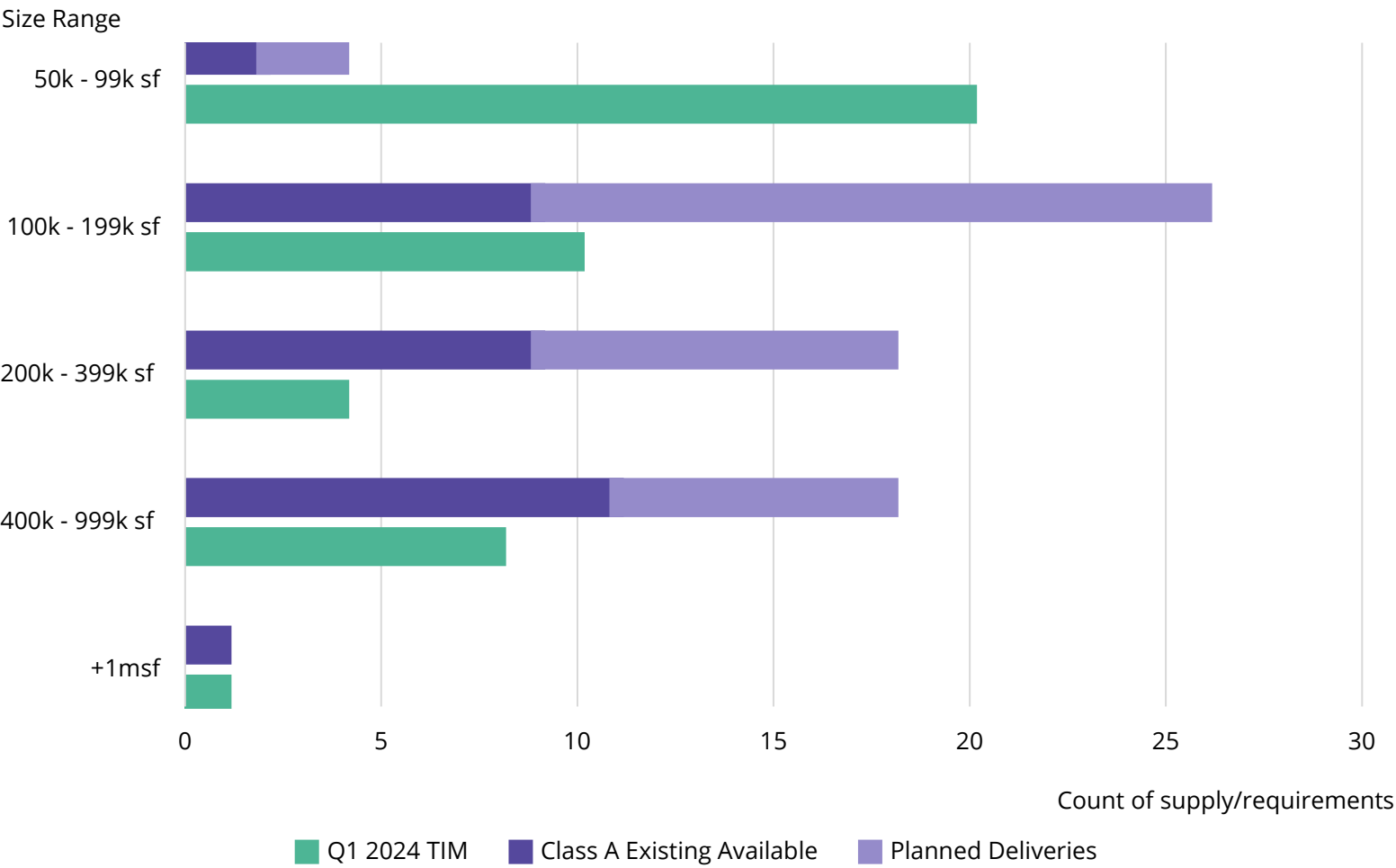
New construction ground breakings peaked in the third quarter of 2022, much of which delivered this year. Due to economic variables, groundbreakings are slow to replace delivered inventory in the pipeline and tenants looking for newly constructed space are experiencing limited optionality relative to prior years. Competition is keeping rents high in smaller space, while demand trends are shifting the big-box market towards user control.

# Record deliveries driving vacancy



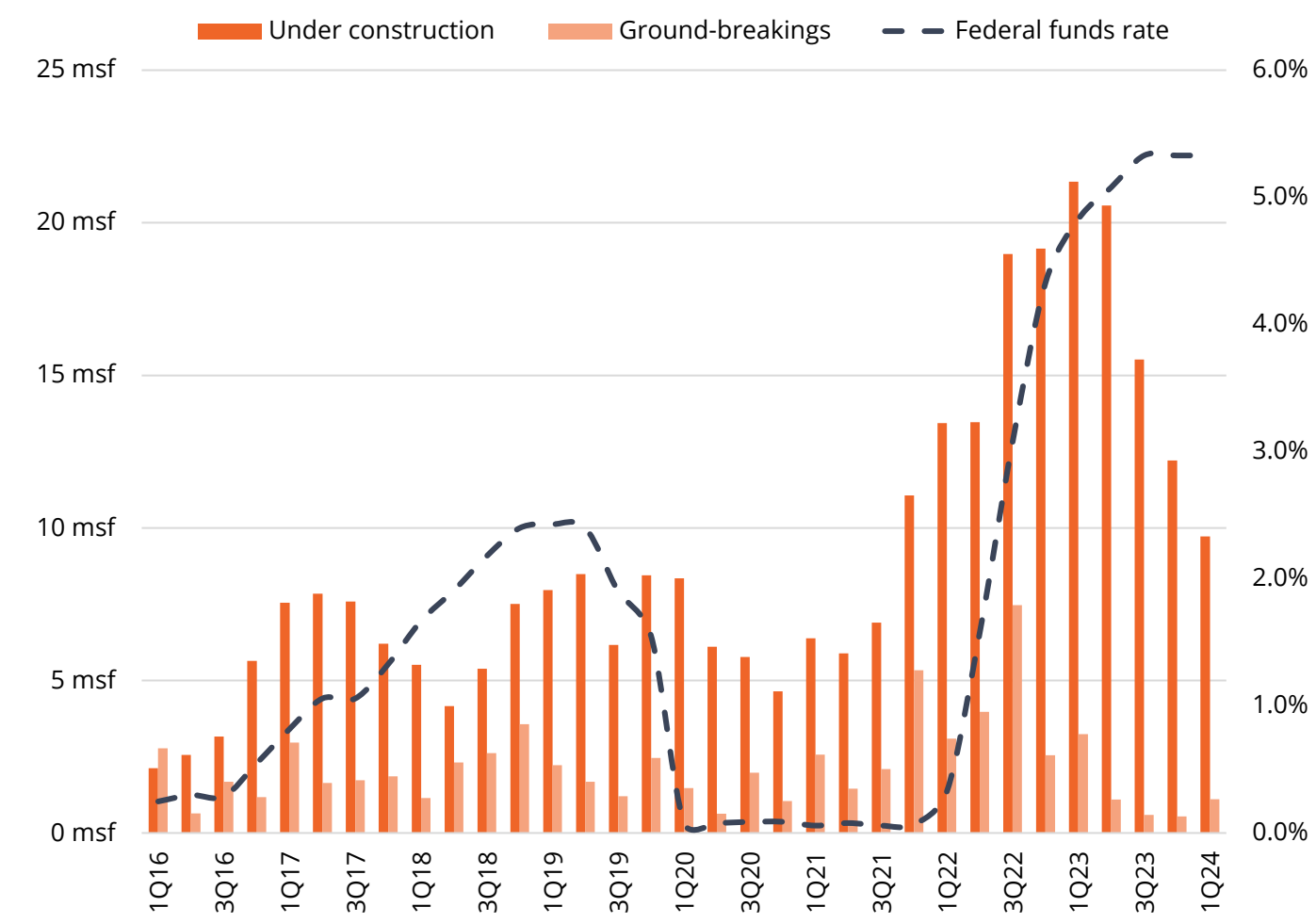
**Q1 2024 delivered more than twice as much inventory than seen in historic Q1 trends, and 81% of which was completed without a prelease in place.**

# Shifting demand causes undersupply of availability sub 200ksf



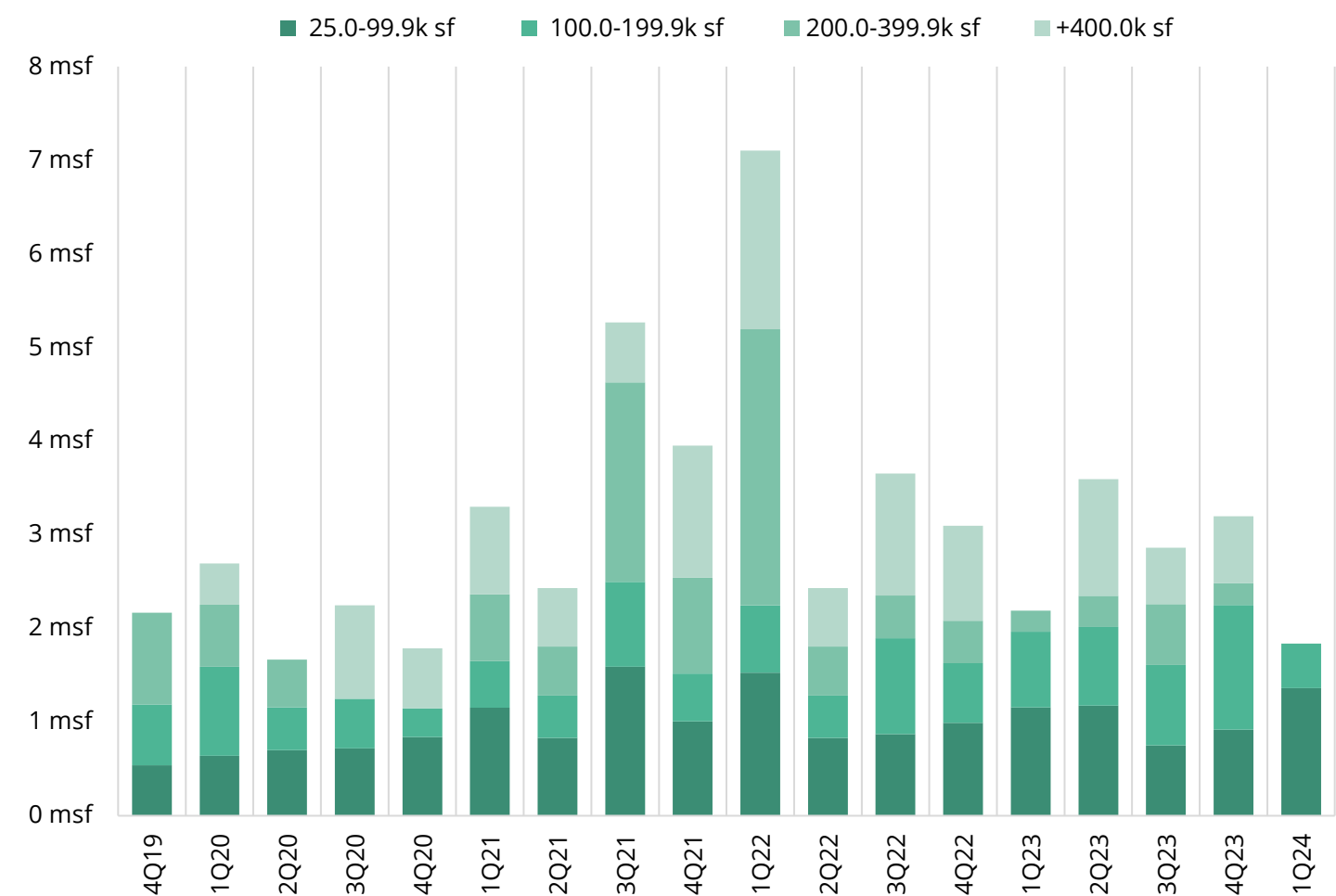
Current TIM outpace availabilities sub 200k sf, however we're seeing a shortage in demand for bigger space.

# New construction ground-breakings



Due largely to elevated borrowing costs, 2023 recorded the slowest 12-month period for new development starts since 2015, and the trend continues into 2024.

# Industrial gross leasing volume



**Q1 2024**  
recorded the  
first three-  
month period  
since 2019 in  
which no leases  
were signed  
above 200k sf.

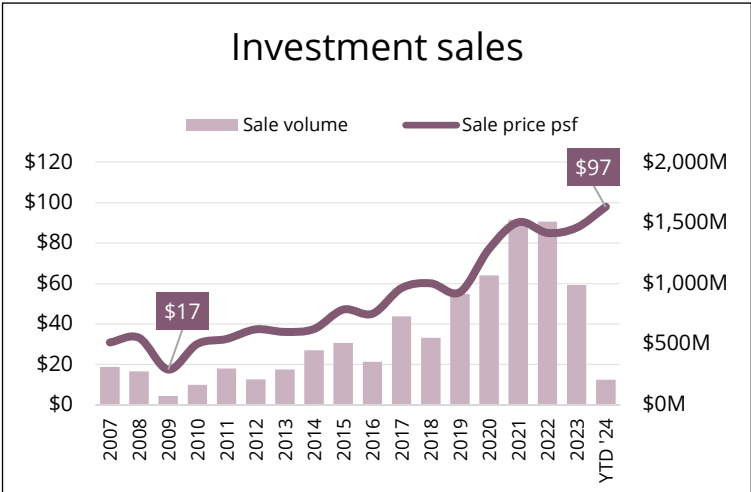
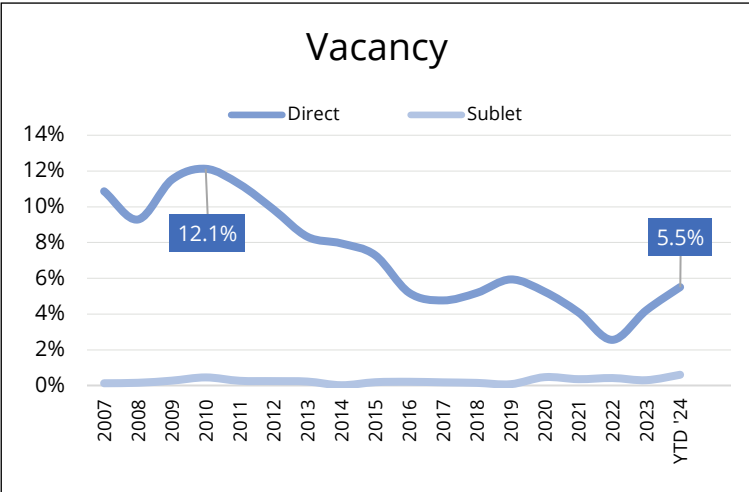
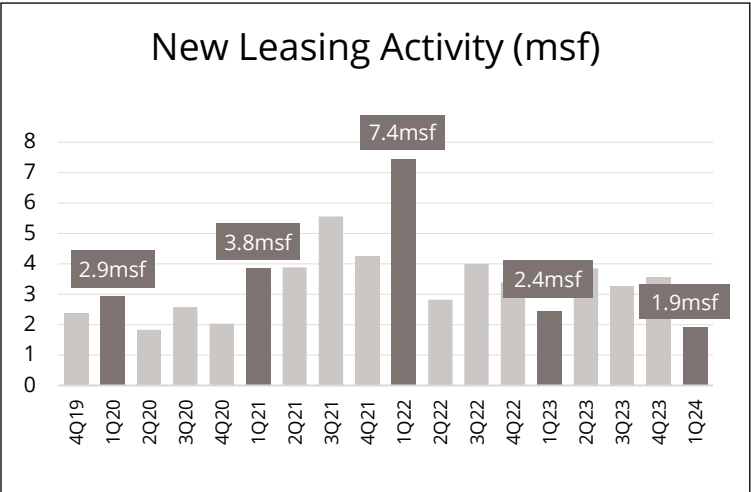
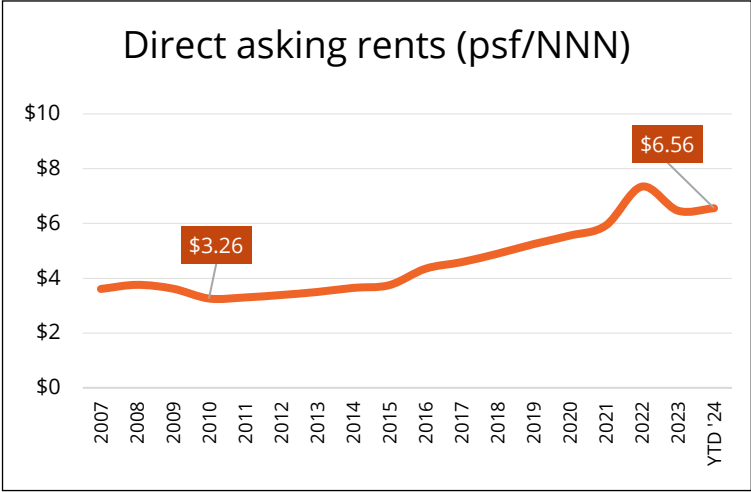
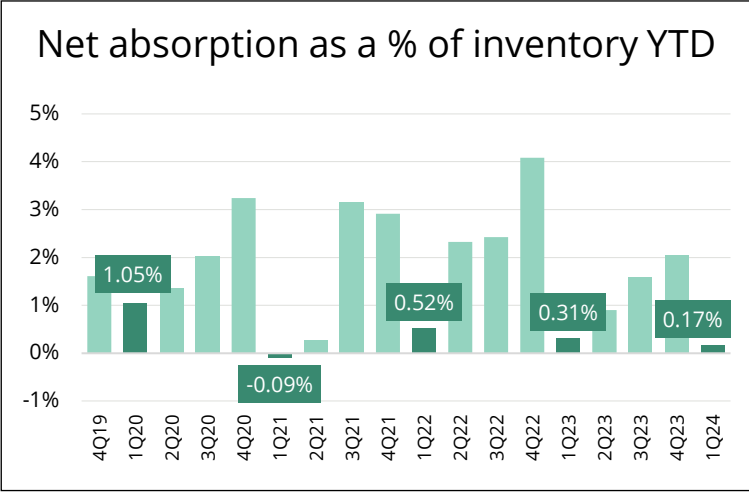
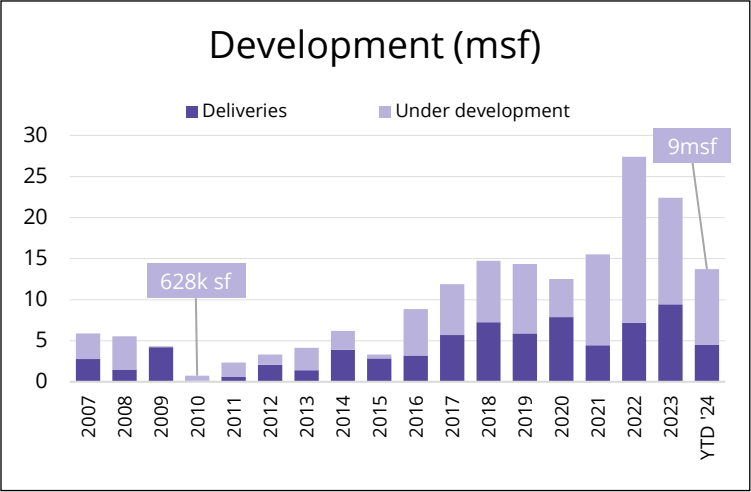
\*Note: All totals through Q3 of referenced year  
Source: AVANT by Avison Young, CoStar



# Appendix



# Charlotte industrial market indicators





# Charlotte industrial market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
UPS	1533 Galleria Blvd*	York County	Jan '24	175,822	Direct	New
Grimco	12910 Hambright Rd	North	Jan '24	100,614	Direct	New
Belden	10855 Bailey Rd	North	Jan '24	85,134	Direct	New

\*Avison Young Agency Rep

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Welcome Group	3700 Display Dr	Feb '24	465,323	\$40,500,000	\$87.04	Link Logistics
Equus Capital Partners	621 Lincoln County Pkwy*	Mar '24	382,668	\$31,769,255	\$83.02	Investcorp
Equus Capital Partners	1000 E Powell Dr*	Mar '24	362,664	\$30,108,515	\$83.02	Investcorp

\*Part of a 9 Property portfolio

## Top projects under development

Address	Submarket	Delivery date	Project size sf	% Preleased	Developer
Lincoln Commerce Center Park – West	Lincoln County	Q4 2024	1,024,322	10%	Crow Holdings
The Concourse I & II	State Line	Q2 2024	957,840	73%	Childress Klein
Overlook 85 at Kannaplos Crossing I & II	Rowan County	Q2 2024	890,090	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	16,145,700	354,640	2,282,268	792,480	7.1%	0.8%	8.0%	149,120	-156,399	\$5.00
Cabarrus County	19,386,559	562,720	707,674	198,549	10.4%	0.0%	10.4%	33,154	27,808	\$7.44
Catawba County	28,205,759	-	-	-	0.4%	0.0%	0.4%	90,414	33,136	\$5.06
Cleveland County	12,236,120	-	-	-	0.0%	0.0%	0.0%	-	-4,111	\$5.47
East	2,254,596	-	-	-	0.8%	0.0%	0.8%	-	1,090	\$12.00
Gaston County	27,803,157	660,464	1,000,243	56,280	16.4%	0.2%	16.6%	207,537	411,359	\$6.85
Infill	15,187,342	-	-	-	4.3%	0.4%	4.6%	163,840	-308,119	\$8.32
Iredell County	25,281,837	723,600	-	-	6.0%	0.0%	6.0%	-	783,400	\$4.34
Lancaster County	2,971,211	-	-	-	0.0%	0.0%	0.0%	5,385	-	-
Lincoln County	10,076,753	534,087	664,955	98,076	6.9%	4.5%	11.4%	-	-228,700	\$3.95
Mecklenburg Line	1,691,951	-	-	-	17.6%	0.0%	17.6%	87,611	37,855	\$11.50
North	20,436,860	153,350	1,271,889	-	4.4%	0.7%	5.1%	459,195	-277,956	\$7.03
Northwest/Chemway	9,438,658	114,975	-	-	4.1%	0.0%	4.1%	-	-268,053	-
Rowan County	11,768,860	-	2,218,524	712,574	1.2%	0.0%	1.2%	28,375	702,265	\$3.06
South	162,884	-	-	-	0.0%	0.0%	0.0%	-	-	-
Stateline	49,186,096	949,320	434,707	49,995	2.3%	0.8%	3.1%	395,029	95,777	\$9.69
Union County	9,955,921	-	-	-	4.0%	0.0%	4.0%	-	-226,955	\$5.67
York County	17,034,182	851,500	604,380	-	7.6%	2.2%	9.8%	314,767	-160,331	\$6.50
<b>Market total</b>	<b>279,224,446</b>	<b>4,904,656</b>	<b>9,718,727</b>	<b>1,907,954</b>	<b>5.5%</b>	<b>0.6%</b>	<b>6.1%</b>	<b>1,934,427</b>	<b>462,066</b>	<b>\$6.56</b>

# 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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