



Charlotte industrial market report

Q2 2024

**AVISON
YOUNG**

Charlotte industrial market trends

21.7%

Space preleased in 1H 2024 Deliveries

Leasing activity has fluctuated in new construction deliveries over the last several years, with 2022 seeing the highest amount of preleased space delivered at 42.1%. The first half (1H) of 2024 saw about half of that amount delivered at 21.7% preleased. The trend is moving in a positive direction though as preleasing activity in buildings that will deliver later this year and in 2025 has increased.

400bps

Select submarkets impacting market vacancy rate

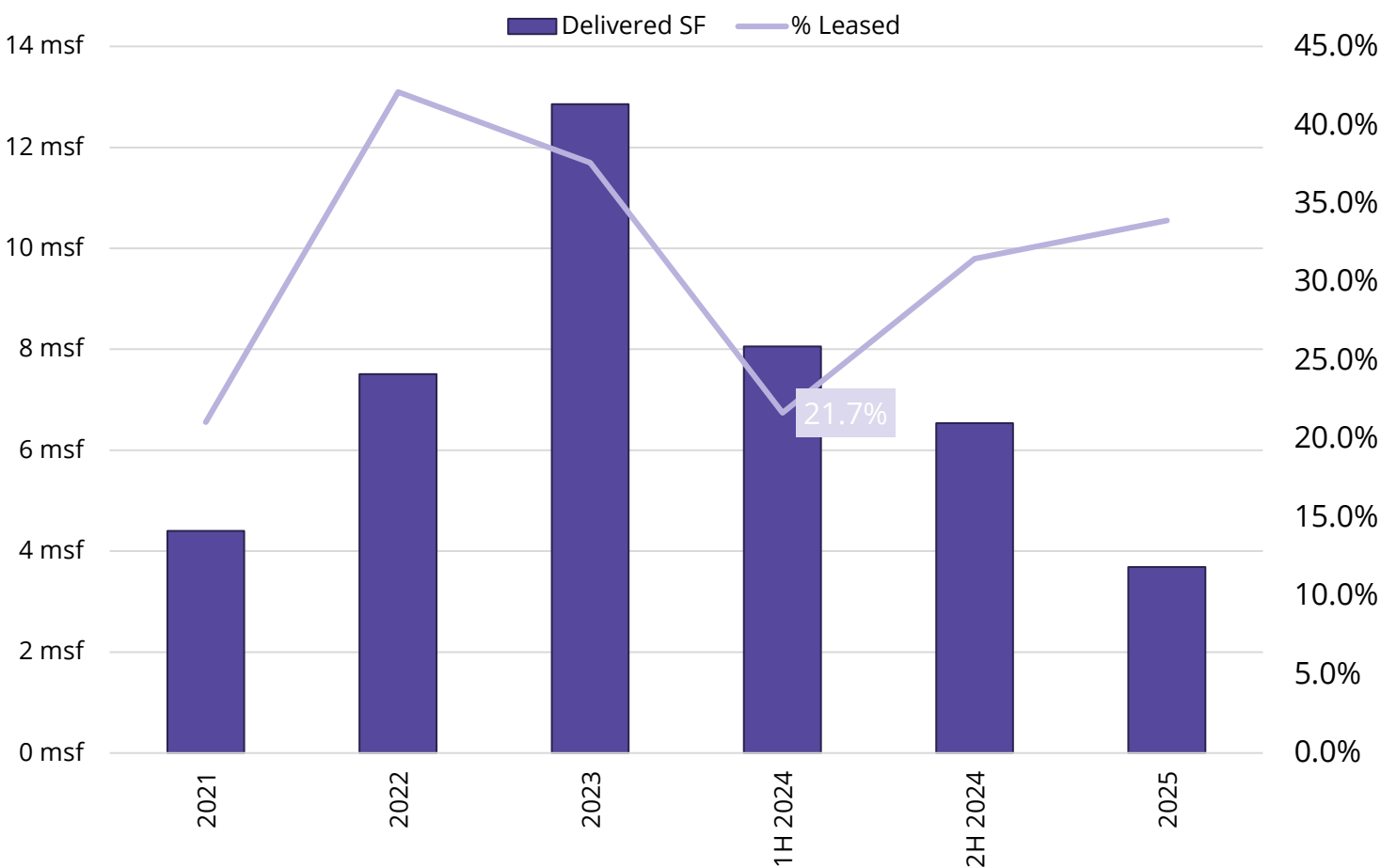
Charlotte's vacancy rate has increased 400 basis points (bps) to 7.1% since 2022, primarily due to vacant new construction deliveries. This has been the case in Gaston County that has seen 4.3 msf of new vacant space enter the inventory. If you removed this county, then Charlotte's vacancy rate would stand at 5.8%.

2.9msf

Increase in ground breakings

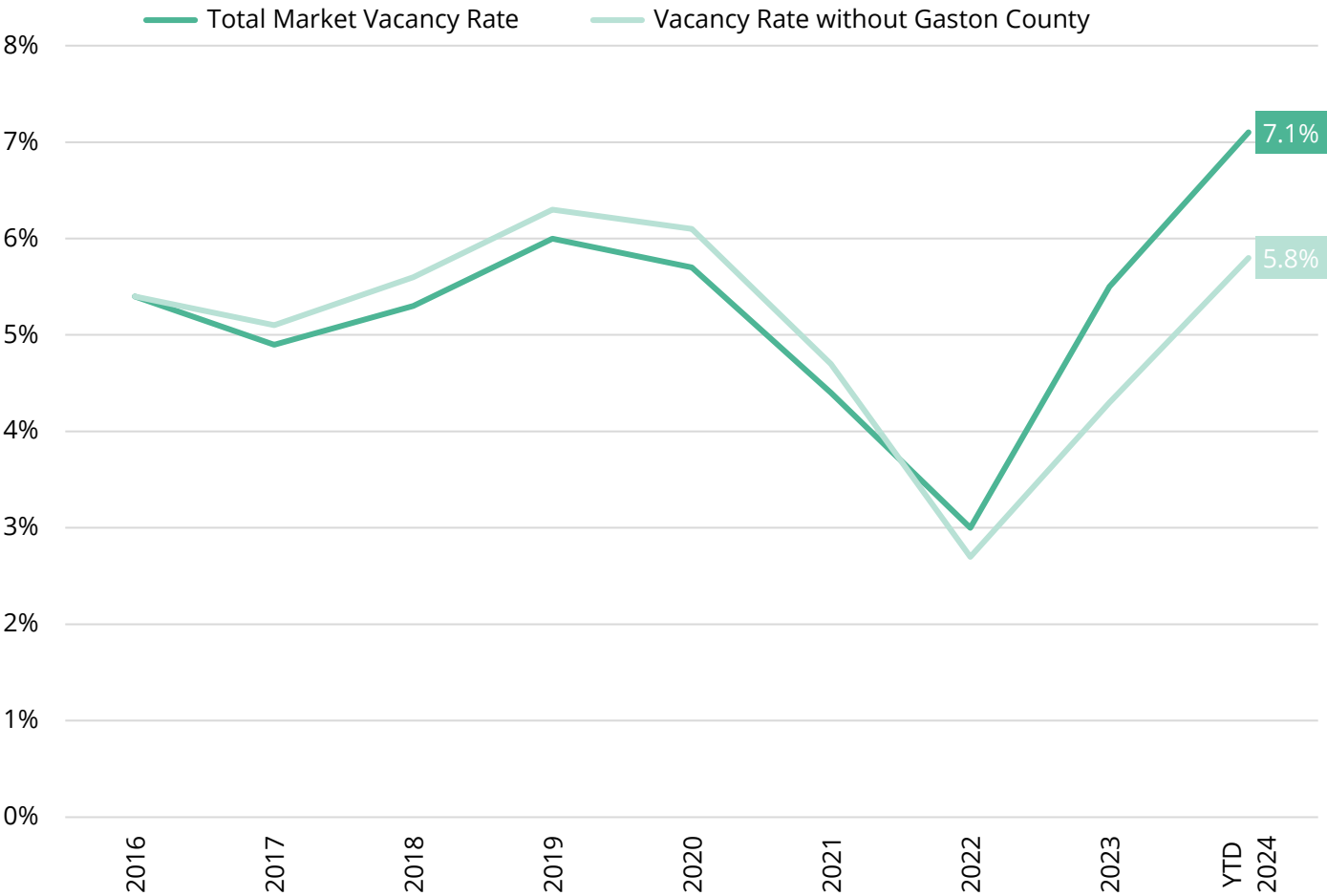
New construction ground breakings peaked in the third quarter of 2022, and then came to a halt by 4Q23 due to economic uncertainties. Now that the federal funds rate has remained steady the past few quarters, and leasing activity is on the rise, the Charlotte industrial market saw a significant uptick in construction starts in 2Q24 with 2.9 msf breaking ground.

Leasing activity increases in new construction



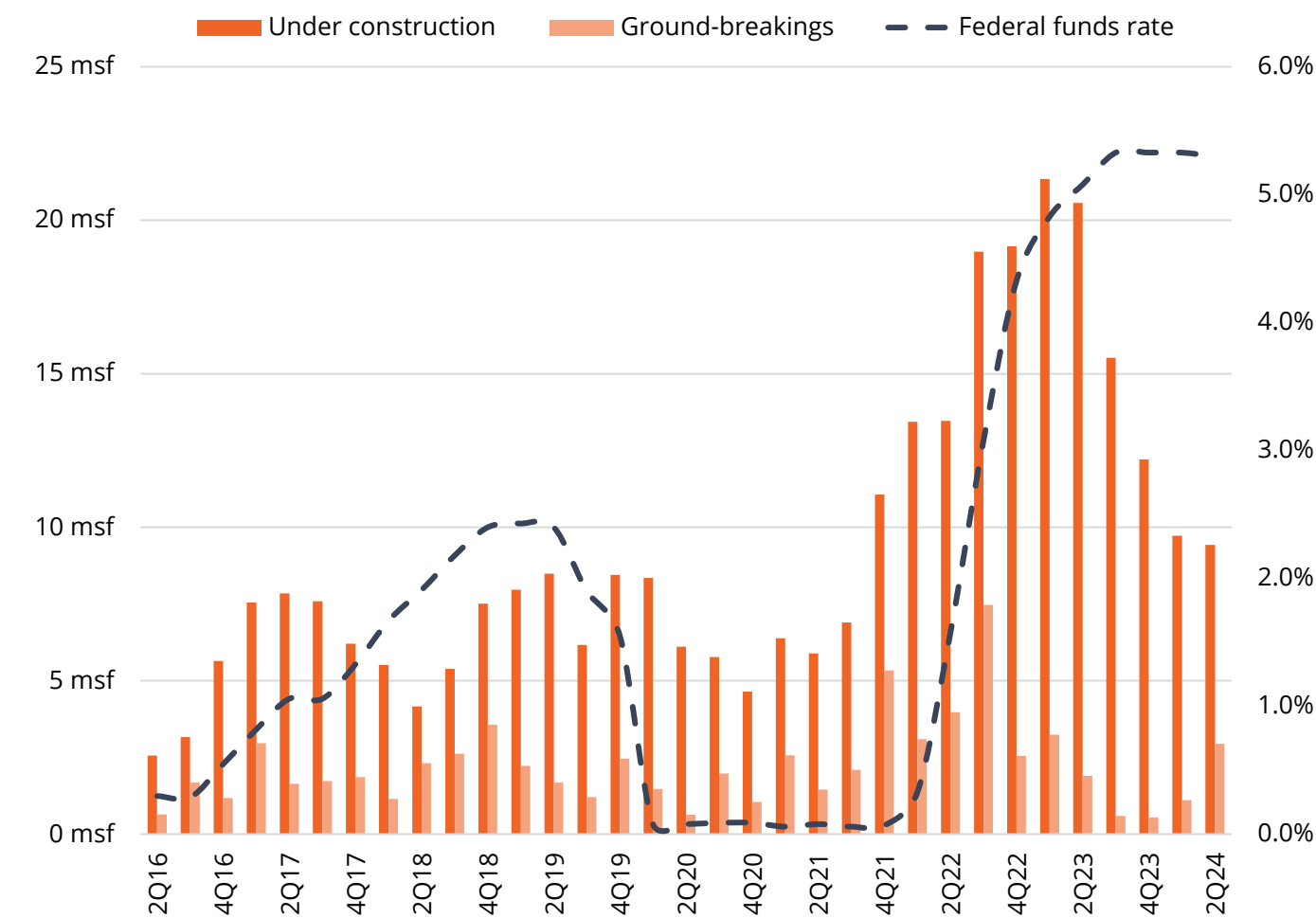
21.7% of the space that delivered in the 1H of 2024 was preleased, however, preleasing activity has increased in projects slated to deliver later this year and next.

Submarket vacancy rate impacts



Charlotte’s vacancy rate has been heavily impacted by Gaston County’s 4.3 msf of new vacant space entering the market in 2023 and 2024.

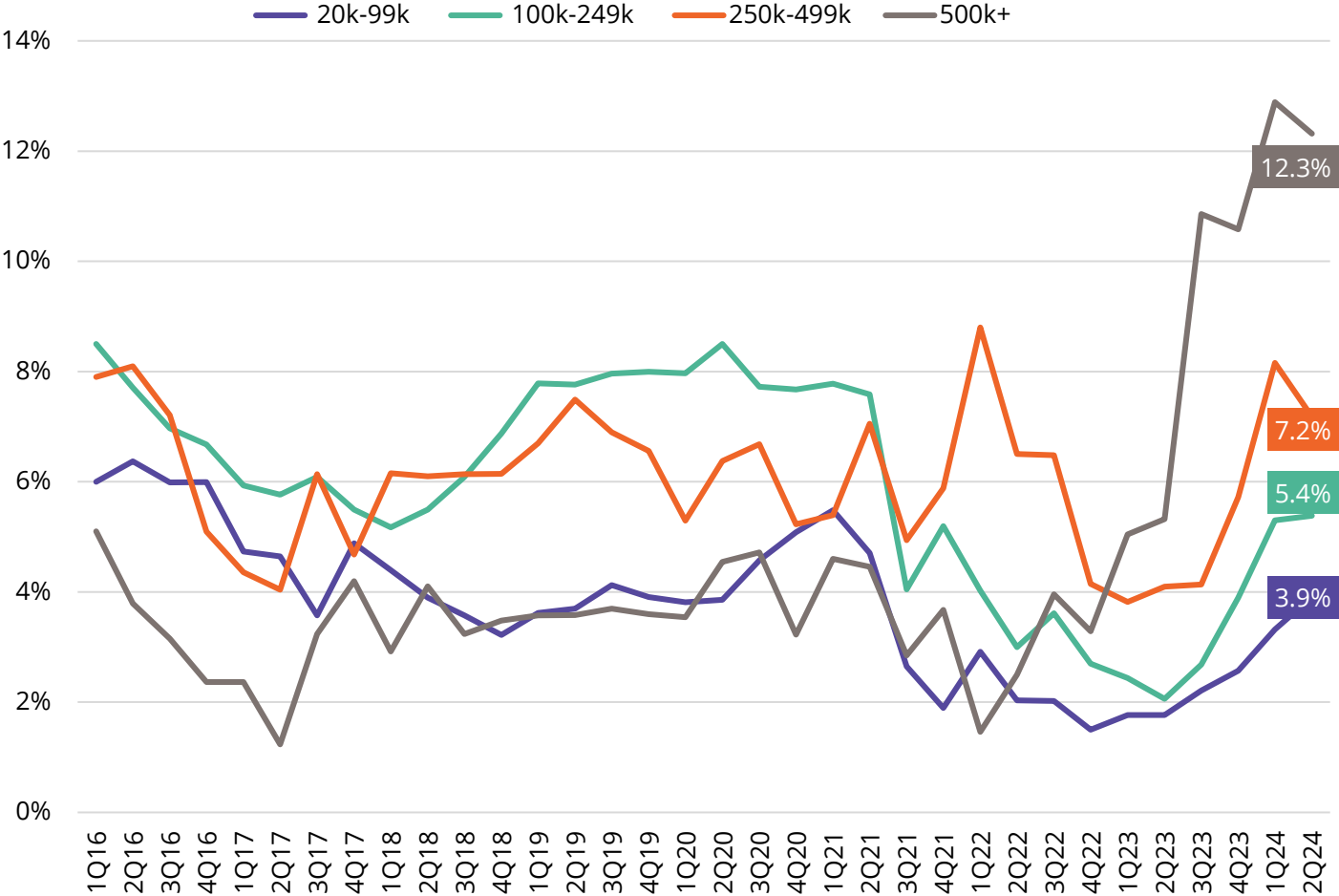
New construction ground-breakings



New construction activity saw a significant uptick in 2Q24 with 2.9 msf breaking ground, up 55% from the same time in 2023.

Vacancy by size range

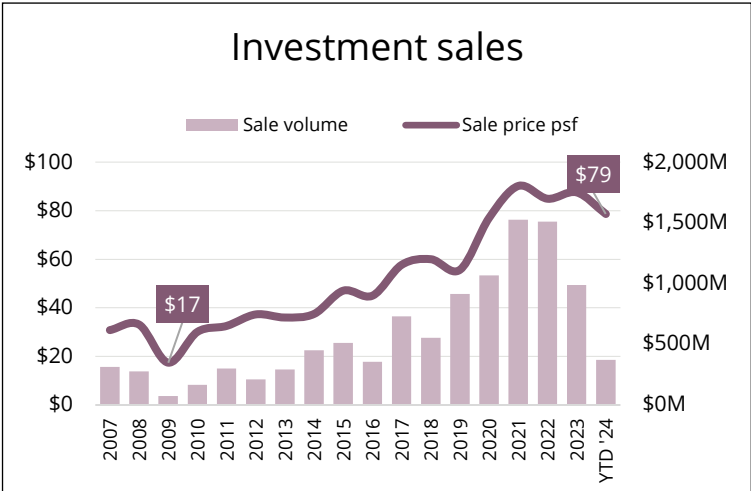
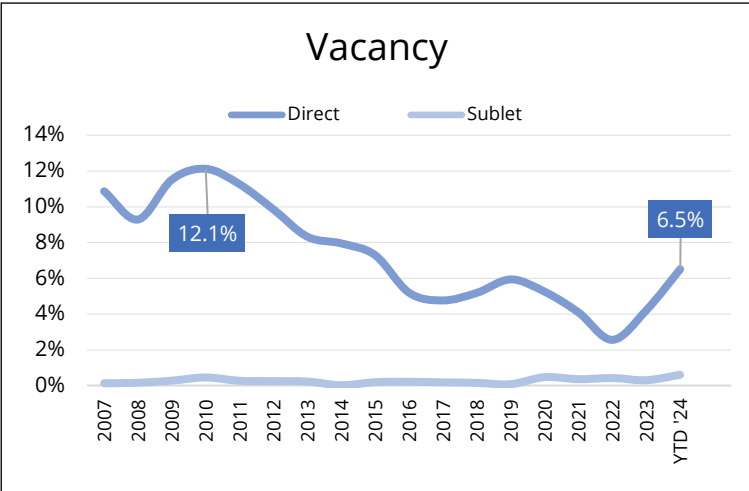
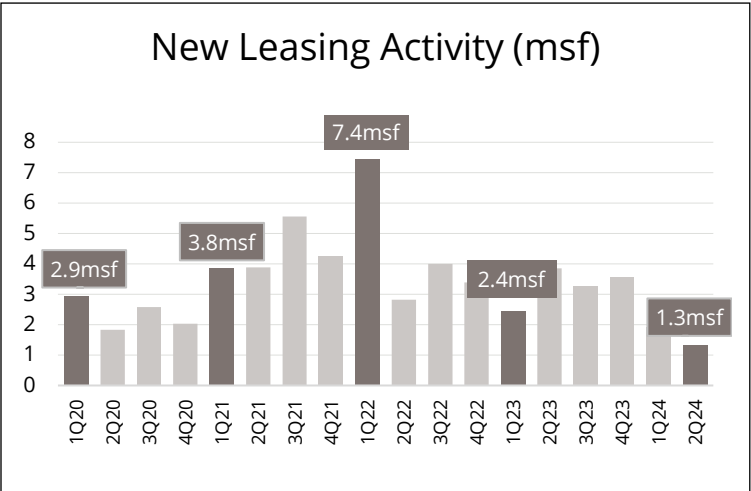
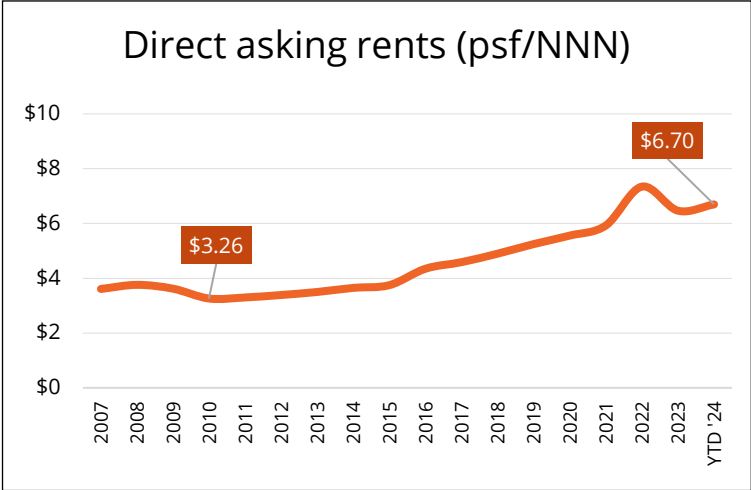
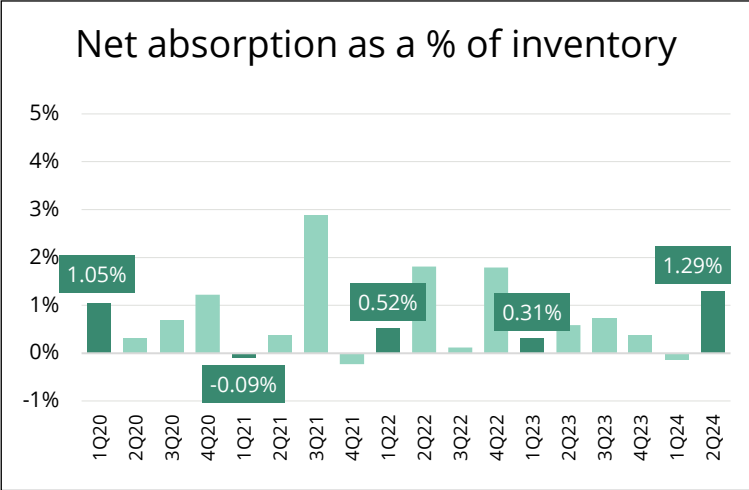
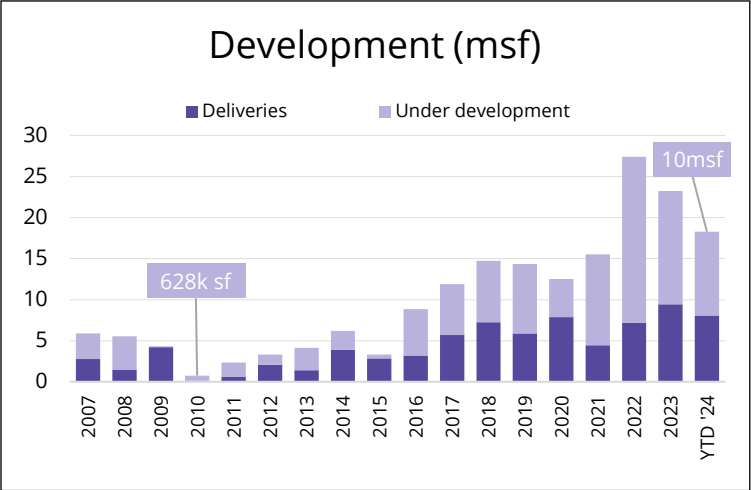
Vacancy in the 500k+ sf range has increased recently due to large new construction projects delivering and most of the leasing activity being in the smaller size buckets.



Appendix



Charlotte industrial market indicators



Charlotte industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
BIC Consumer Products	5910 Long Creek Park Dr	North	May '24	222,500	Direct	Renewal
S.P. Richards	6280 Glen Afton Blvd	Cabarrus County	May '24	208,462	Direct	Renewal
Amazon	6255 Shumard	Cabarrus Count	Apr '24	198,549	Direct	New

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
LM Real Estate Partners	1900 Continental Blvd*	May '24	1,375,678	\$97,000,000	\$71.00	Waterfall Asset Management & Somerset Properties
Diamond Realty Investments	1011 Keisler Rd	May '24	149,987	\$10,300,000	\$69.00	Opus Group
FINI	419 York Southern Rd*	Apr '24	102,000	\$10,000,000	\$98.00	Grahamcap York Southern

*Seller Represented by AY

Top projects under development

Address	Submarket	Delivery date	Project size sf	% Preleased	Developer
Sherwin Williams Facility	Iredell County	Q4 2024	1,015,740	100%	Keith Corporation
Eli Lilly Facility	Cabarrus County	Q3 2024	800,000	100%	Eli Lilly
Innovation Logistics Center – Building 2	Rowan County	Q3 2024	718,388	100%	Crow Holdings

Charlotte industrial market stats

Submarket	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Preleased sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption % of inventory (YTD)	Net absorption sf (YTD)	Asking rent NNN
Airport	17,174,580	957,840	1,678,964	189,280	8.8%	1.0%	9.8%	1.34%	229,698	\$5.00
Cabarrus County	19,029,486	907,897	1,162,646	800,000	8.5%	0.0%	8.5%	1.02%	194,436	\$6.24
Catawba County	28,284,127	-	-	-	0.8%	0.0%	0.8%	-0.24%	-66,864	-
Cleveland County	12,310,570	-	-	-	0.3%	0.0%	0.3%	-0.28%	-34,861	\$2.71
East	2,254,596	-	-	-	0.5%	0.0%	0.5%	0.4%	9,000	\$11.27
Gaston County	28,610,974	1,660,707	-	-	18.1%	0.2%	18.3%	3.01%	861,061	\$7.33
Infill	15,395,166	-	282,000	-	4.9%	0.2%	5.1%	-2.53%	-388,817	\$10.19
Iredell County	25,269,706	764,850	1,015,740	1,015,740	9.1%	0.0%	9.1%	0.18%	45,059	\$5.48
Lancaster County	2,971,211	-	-	-	0.0%	0.0%	0.0%	-	-	-
Lincoln County	10,578,410	1,000,049	174,720	-	4.9%	0.8%	5.7%	11.9%	1,258,849	\$4.23
Mecklenburg Line	1,691,951	-	-	-	17.6%	0.0%	17.6%	2.24%	37,855	\$11.50
North	20,722,784	470,284	955,993	-	3.6%	0.5%	4.1%	1.63%	338,788	\$7.35
Northwest/Chemway	9,520,436	114,975	-	-	3.6%	0.0%	3.6%	-2.34%	-222,578	-
Rowan County	12,665,172	161,218	3,702,696	713,388	10.1%	0.0%	10.1%	2.52%	319,755	\$7.50
South	162,884	-	-	-	0.0%	0.0%	0.0%	-	-	-
Stateline	49,383,036	949,320	1,013,108	513,475	3.5%	1.0%	4.5%	2.75%	1,357,322	\$9.13
Union County	9,722,766	-	-	-	4.9%	0.0%	4.9%	-3.14%	-305,670	\$5.70
York County	17,628,863	1,071,781	239,968	-	8.2%	3.9%	12.1%	-2.25%	-396,085	\$7.11
Market total	283,376,718	8,058,921	10,225,835	2,431,883	6.5%	0.6%	7.1%	1.14%	3,236,948	\$6.70

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 goods 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

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

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