

# Charlotte

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## The Carolinas ranked in the top 10 U.S. states for manufacturing

The continuing U.S. manufacturing expansion has made many recent large-scale announcements concentrated in the Sun Belt, with North Carolina ranked number one out of all 50 states for manufacturing job announcements. The attraction of biomanufacturing and pharmaceuticals during the reshoring boom has led to significant investment in Charlotte, including Eli Lilly's \$1.0 billion investment in Cabarrus County to create an 800,000-square-foot campus delivering this year. South Carolina ranked ninth in the U.S. with announcements in the EV and battery sector. Charlotte-based Albemarle invested \$1.3 billion in Chester County with a lithium processing facility delivering in 2025. As manufacturing continues to make its presence in the Charlotte region, warehouse demand is likely to increase.

### Negative absorption levels in Charlotte break historical records as deal sizes shrink

The Queen City totaled a net absorption of -1.2 million square feet in Q1 2024. This is the first time Charlotte experienced negative net absorption in five years. A large portion of negative absorption stemmed from Arrival Automotive giving back their space at 4100 Meadow Oak Drive. Fewer big-box leases were signed recently, and landlords are experiencing demand for space in the 50,000 to 150,000 square foot range. Softer housing markets are causing reduced material imports and weakening demand for bulk space, leading to spaces 250,000 square feet and up to sit on the market longer.

### Slight market softening due to vacancy and construction levels

In the first quarter of 2024, vacancy in Charlotte experienced an increase of 260 basis points. Vacancy now totals 8.5%, up from 5.9% year over year. Despite overall construction volume decreasing, new industrial product continues to deliver to the market and impact vacancy. Q1 2024 totaled 16.0 million square feet under construction with 1.9 million square feet delivered to the market. Although Q1 2023 totaled 21.2 million square feet under construction, more than a 5.0 million square foot deficit under construction, there was 1.4 million square feet more delivered in 2024. Vacant speculative buildings will continue to deliver to the market with only 35.2% under construction product pre-leased.

### Key Statistics

|                    | Q1 2023   | Q1 2024   | Y-0-Y     |
|--------------------|-----------|-----------|-----------|
| Inventory          | 239.5 msf | 257.0 msf | +17.5 msf |
| Vacancy Rate       | 5.9%      | 8.5%      | +260 bps  |
| Asking Rental Rate | \$5.55    | \$6.73    | +17.5%    |
| Net Absorption     | 0.6 msf   | -1.2 msf  | -1.8 msf  |
| Under Construction | 21.2 msf  | 16.0 msf  | -5.2 msf  |
| Deliveries         | 0.5 msf   | 1.9 msf   | +1.4 msf  |

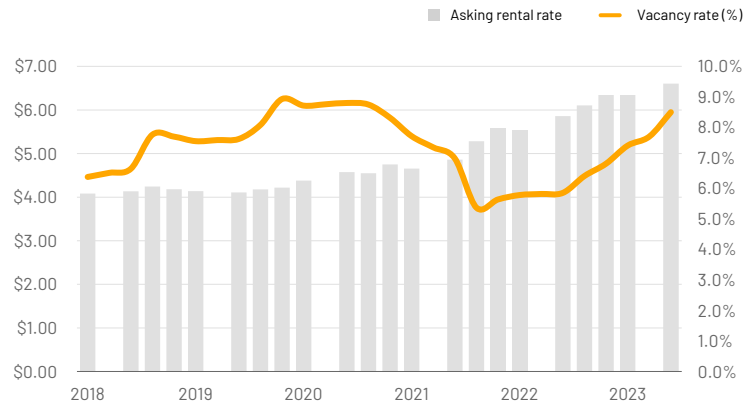
### Outlook

**01** Despite rising vacancy rates, the industrial market is forecast to stabilize in 2024 with continued demand to occupy new supply and construction pipelines cooling off

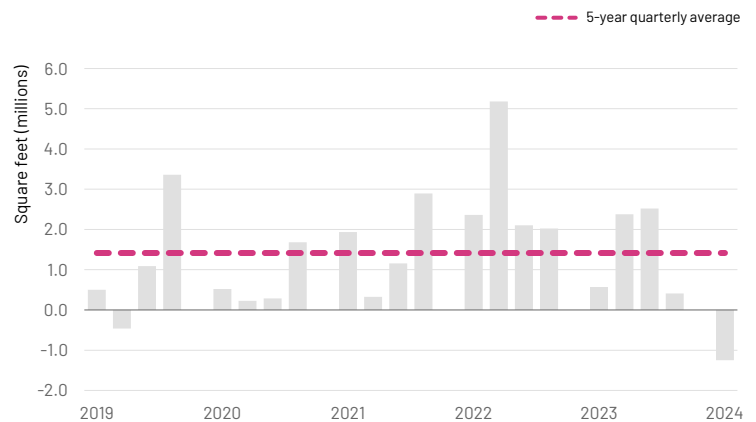
**02** Asking rents are expected to stay elevated as demand for manufacturing and distribution space in the Sun Belt region and supply both remain high

**03** Construction starts will continue to taper off as developers analyze the need for added supply

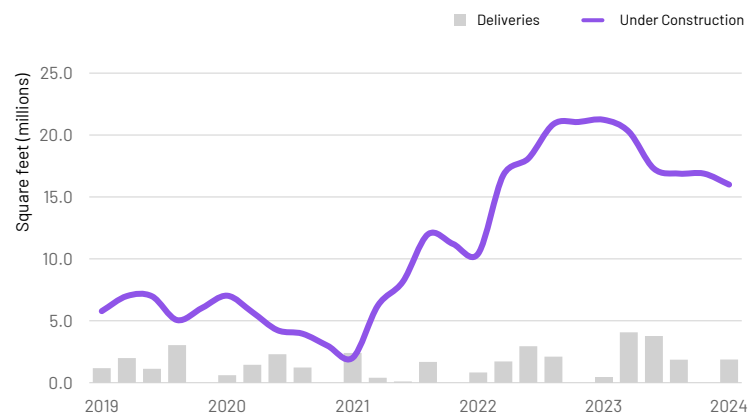
### Asking Rent and Vacancy



### Net Absorption



### Deliveries and Under Construction



## Top Leases

Source: Savills Research

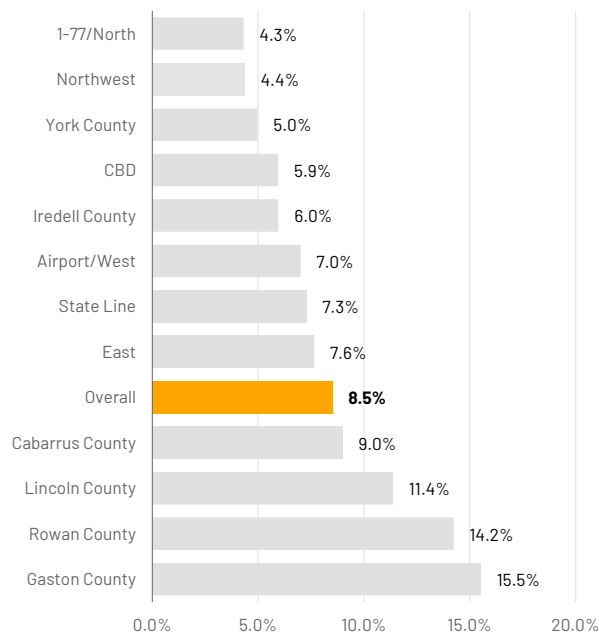
| TENANT                  | SIZE (SF) | SUBMARKET    | ADDRESS                 | TRANSACTION TYPE | INDUSTRY                        |
|-------------------------|-----------|--------------|-------------------------|------------------|---------------------------------|
| Pactiv Evergreen        | 676,630   | Rowan County | 320 Web Road            | Renewal          | Paper & Packaging               |
| UPS                     | 175,822   | York County  | 1533 Galleria Boulevard | New Lease        | Logistics & Distribution/3PLs   |
| Grimco                  | 100,614   | I-77 / North | 12910 Hambright Road    | New Lease        | Consumer Goods                  |
| MEI Rigging and Crating | 99,775    | State Line   | 11922 General Drive     | New Lease        | Industrial Machinery & Supplies |
| Barrday Inc.            | 87,611    | I-77 / North | 7345 IBM Drive          | New Lease        | Manufacturing                   |

## Top Sales

| OWNER/BUYER            | SIZE (SF) | SUBMARKET                            | ADDRESS                  | PRICE / \$/SF       | SELLER                         |
|------------------------|-----------|--------------------------------------|--------------------------|---------------------|--------------------------------|
| Equus Capital Partners | 1,400,000 | Lincoln, Cleveland, & Iredell County | Portfolio                | \$124.0 M / \$89/SF | Investcorp                     |
| Welcome Group          | 465,323   | State Line                           | 3700 Display Drive       | \$40.5 M / \$87/SF  | Link Logistics                 |
| IFab Corp.             | 382,000   | Gaston County                        | 2408 Forbes Road         | \$12.7 M / \$33/SF  | Bingham Properties             |
| USPS                   | 263,178   | Airport/West                         | 2901 Scott Futrell Drive | \$12.0 M / \$45/SF  | Sud Family Limited Partnership |
| County of Gaston       | 163,580   | Gaston County                        | 803 N Oakland Street     | \$7.5 M / \$46/SF   | GE Properties                  |

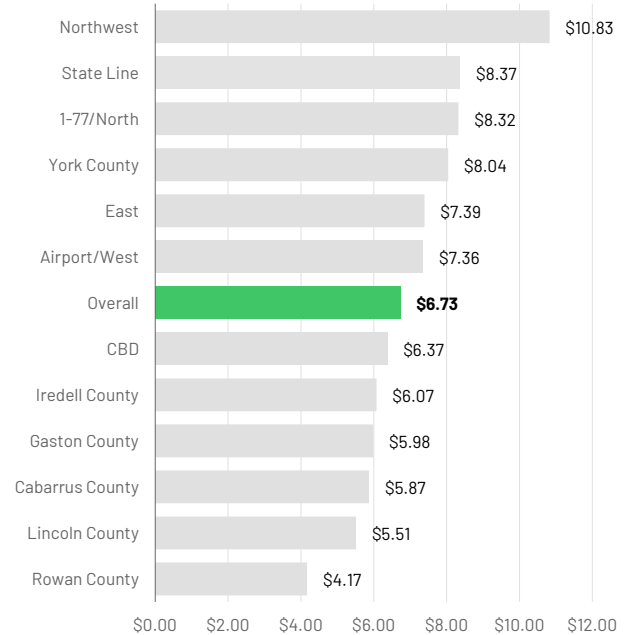
## Vacancy Rate Comparison (%)

CHARLOTTE SUBMARKETS



## Rental Rate Comparison (\$/sf)\*

CHARLOTTE SUBMARKETS



\*based on all classes of available inventory

## Charlotte Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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