

Charlotte

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Vacancy rates hit record highs, as new product delivers to the market

The Queen City shattered records in the second quarter of 2024, as overall vacancy increased 290 basis points (bps) in the past 12 months. Vacancy now totals 9.3%, up from 6.2% one year ago. Despite declines in construction starts and overall construction volume, deliveries remain steady. Q2 2024 totaled 3.6 million square feet (msf) of new deliveries, which is 48.0% higher than the five-year average of 1.9 msf. Of the new deliveries this quarter, five of the total of 13 buildings were 100.0% pre-leased. This includes Home Depot's 710,000-square-foot (sf) build-to-suit in the Westinghouse Logistics Park. Looking ahead, expect new construction to deliver at high rates and with fewer tenants, as pre-leasing sits at only 33.0% of under-construction product.

Net absorption returns to positive gains as demand holds firm

Charlotte's industrial market remains resilient with healthy positive net absorption for Q2 2024. Net absorption increased 2.1 msf quarter over quarter, resulting in 0.9 msf in the second quarter. This quarter's largest lease signed was a renewal of 222,500 square feet by Bic Consumer Products at Long Creek Business Park. Despite net absorption totaling just below the five-year average of 1.4 msf, there is evidence that the Charlotte market continues to remain a viable location for occupiers and their operations. Industrial demand proves to be the strongest in the 50,000 sf to 200,000 sf size range with a weakening demand for bulk space.

Demand for industrial space in the Sunbelt region causes rents to remain elevated

Average asking rental rates continue to climb in Charlotte's sought-after market, up 16.0% year over year to \$7.45 per square foot (psf). This is notably apparent in submarkets that contain key logistical corridors and interstate connectivity. Submarkets like I-77/North and State Line, which contain roadways to coastal ports, both have above average rents at \$8.90 psf. Despite increases in vacancy and rental rates, Charlotte is expected to be a cornerstone southeast market and continue attracting large-scale manufacturing operations.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	244.6 msf	262.1 msf	+17.5 msf
Vacancy Rate	6.2%	9.3%	+310 bps
Asking Rental Rate	\$6.42	\$7.45	+16.0%
Net Absorption	2.6 msf	0.9 msf	-1.7 msf
Under Construction	20.5 msf	15.8 msf	-4.7 msf
Deliveries	4.1 msf	3.6 msf	-0.5 msf

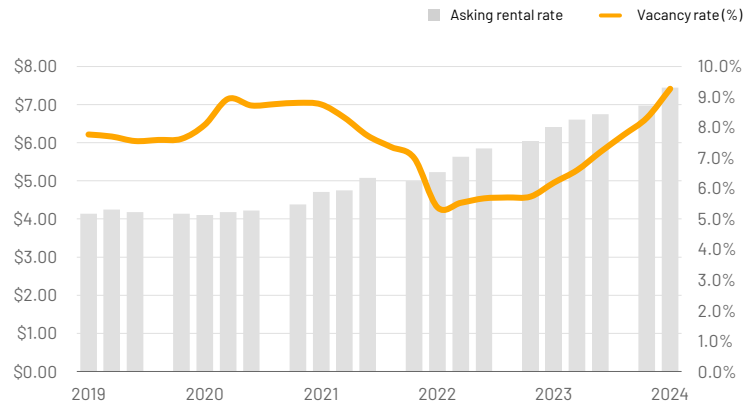
Outlook

01 Despite softer market conditions that provide occupiers with near-term rent stability, property tax hikes could be a new pain point for warehouse occupiers

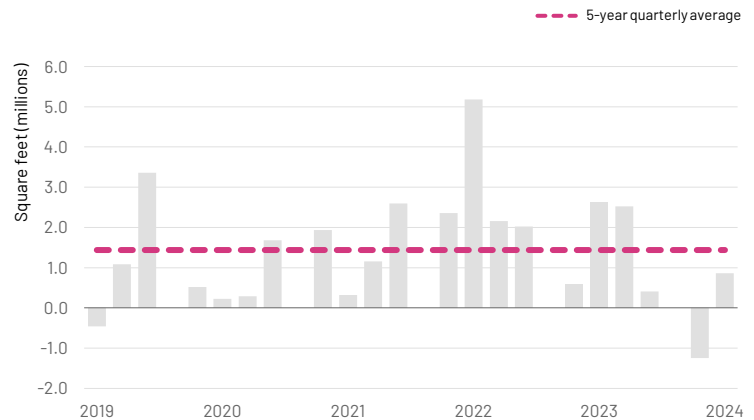
02 As developers continue to analyze the need for further industrial supply, construction starts are expected to taper off

03 Demand for manufacturing and distribution space in the Sun Belt region continues to remain high, resulting in elevated asking rents in key interconnected submarkets

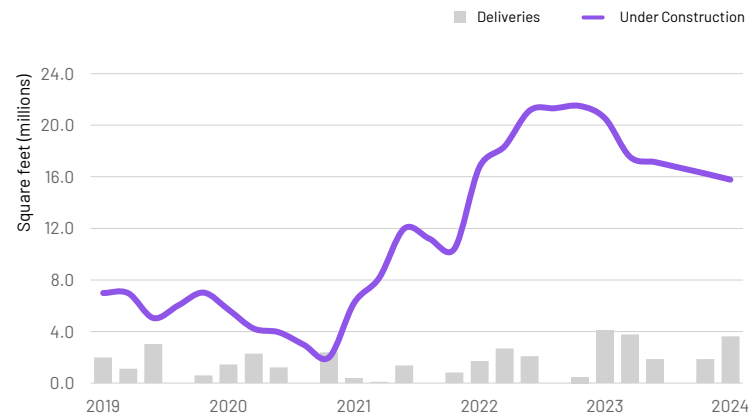
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Outlook

Top Leases

Source: Savills Research

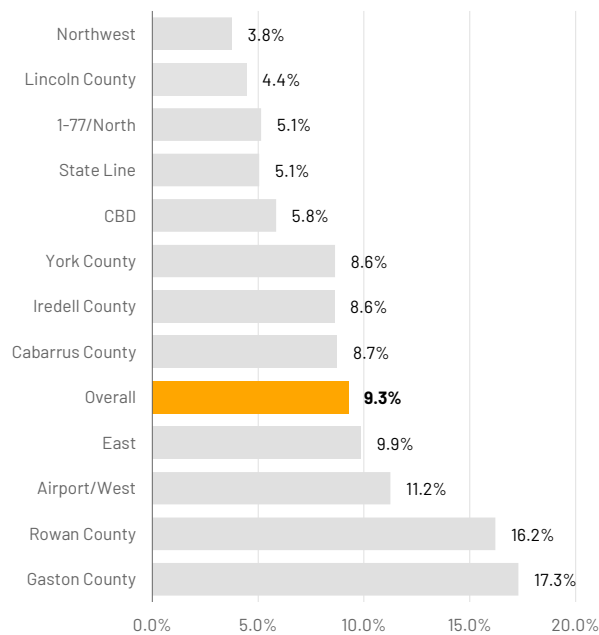
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
BIC Consumer Products	222,500	I-77 / North	5910 Long Creek Park Drive	Renewal	Consumer Goods
Amazon	198,550	Cabarrus County	6255 Shumard Street	New Lease	E-Commerce
Alta Marketing	146,628	Cabarrus County	5414 Davidson Highway	New Lease	Professional & Business Services
Priority Tire	143,020	Gaston County	2022 The Oaks Parkway	New Lease	Automotive
Truemade Cabinetry	53,875	Airport / West	6030 Airport Drive	New Lease	Construction Materials & Building Fixtures

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
LM Real Estate Partners	1,400,000	State Line	1900 Continental Boulevard	\$97.0 M / \$69	Somerset Properties & Waterfall Asset Management
Integrated Electrical Service	161,000	York County	1345 Hall Spencer Road	\$3.5 M / \$22	Schuff Steel
Imperial Brown	112,000	Rowan County	209 Long Meadow Drive	\$5.9 M / \$53	Ballston Spa National Bank
FNA America	102,000	York County	419 York Southern Road	\$10.0 M / \$98	Graham Capital
Faropoint	84,000	Gaston County	1640 Federal Avenue	\$9.0 M / \$107	Creative Thinking

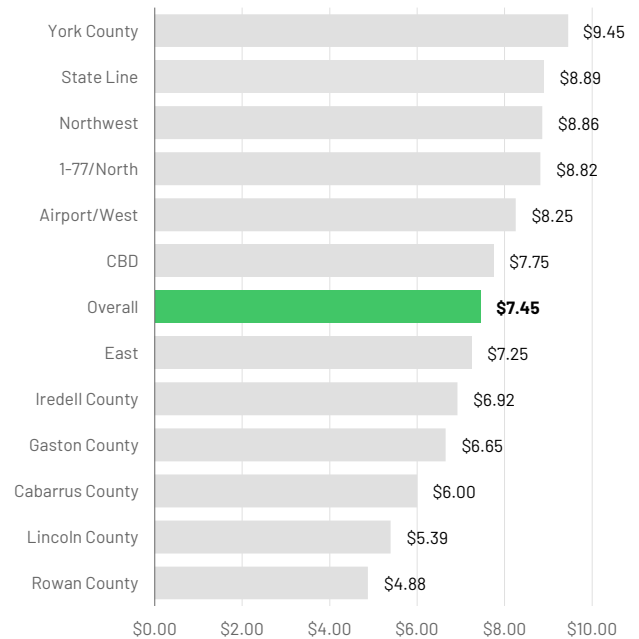
Vacancy Rate Comparison (%)

CHARLOTTE SUBMARKETS



Rental Rate Comparison (\$/sf)*

CHARLOTTE SUBMARKETS



*based on all classes of available inventory

Charlotte Q2 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.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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