MARKET IN MINUTES
Savills Research

Q3 2022 - Industrial

Charlotte

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Charlotte's steep tenant demand drives the industrial market to record leasing volume

In the third quarter of 2022, leasing activity in Charlotte reached its second-highest recorded volume to date, exceeding 2.9 million square feet (msf). With Charlotte's advantageous location in the Southeast, the movement of 3PLs , e-commerce and construction rates have fueled robust activity. A notable leasing trend in the third quarter was the increasing amount of square feet leased by single tenants. The U.S. Postal Service and Home Depot inked the top two leases in Q3, both exceeding half a million square feet. Despite U.S. economic headwinds, the Charlotte industrial market has shown no signs of slowing down. Charlotte and expanding outer submarkets like Iredell and Gaston County are experiencing prosperous tenant and development interest in warehouse space.

Vacancy rates don't budge in Q3, causing asking rates to soar

Demand for industrial space in Charlotte exceeds supply, with an average vacancy rate of 5.6%. Despite a slight vacancy uptick from the second quarter, Charlotte's vacancy rate decreased 270 basis points year over year. As industrial space remains scarce, asking rental rates are feeling the pressure as a chain reaction. The average asking rental rate in Q3 inflated to a record $5.28 per square foot. The tight market Charlotte is experiencing has caused growing base rates, longer lease terms, higher escalations and strong tenant competition. As the market continues to prove favorable to landlords, asking rates are not expected to slow.

The Queen City's development pipeline breaks records as build-to-suit projects are underway

To combat the extremely low vacancy, Charlotte recorded its largest amount of industrial space under construction of 18.1 msf in the third quarter. This is a net increase of 10 msf year over year, the greatest increase in construction ever documented. The third quarter saw 2.9 msf of new construction to aid the amplifying demand. Many of these newly delivered buildings were build-to-suits, including Globe Express Services' 676,000-square-foot warehouse in Rowan County and Amazon's 183,000-square-foot warehouse in Charlotte's CBD. Several projects experienced delayed delivery dates due to ongoing supply chain issues, so expect deliveries of new industrial space to continue to increase. By the close of 2022, Savills is projecting 7.6 msf will be added to the market. Most of the projected deliveries are located in the I-77/North and State Line submarkets, which provide great connectivity to major interstates and ports.

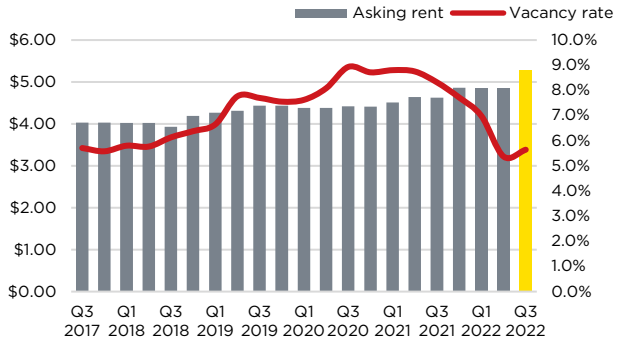
Outlook

- Expect inventory by the end of the year to increase substantially, as new Class A product is delivered to meet steep demand
- Market conditions are slated to remain extremely tight; however, economic uncertainties could have an impact on tenant decision-making
- Charlotte continues to prove itself as a premier industrial destination in the Southeast, as tenant requirements cultivate through construction size and employment growth

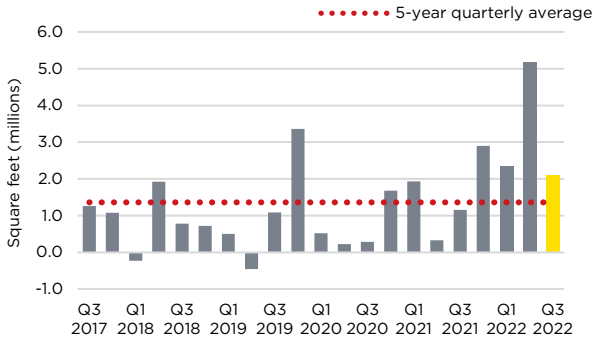
KEY STATISTICS

	Q3 2021	Q3 2022	y-o-y Change
Inventory	222.6 MSF	235.1 MSF	▲
Vacancy Rate	8.3%	5.6%	▼
Quarterly Net Absorption	1.2 MSF	2.1 MSF	▲
Under Construction	8.2 MSF	18.1 MSF	▲
Deliveries	0.1 MSF	2.9 MSF	▲
Asking Rental Rate	$4.62	$5.28	▲

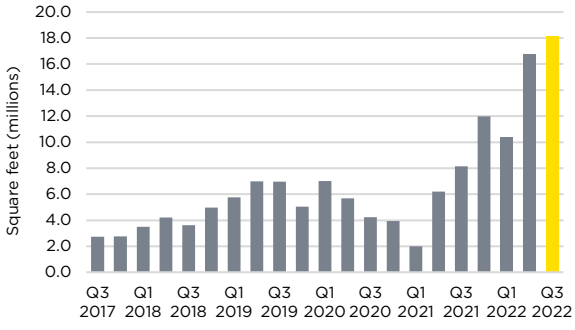
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



BY THE NUMBERS

18.1M
Square feet under construction, an increase of 10 MSF year-over-year

5.6%
second lowest vacancy rate ever recorded

2.9M
Square feet of new construction delivered in Q3

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
USPS	620,000	524 Scalybark Road	New	Gaston County	Northpoint
Home Depot	603,000	4001 W Arrowood Road	New	Airport / West	Childers Klein
Factory Motor Parts	441,444	8400 Automation Drive NW	New	Cabarrus County	GIC Real Estate Pte Ltd
Pactiv Evergreen Inc	439,892	320 Webb Road	New	Rowan County	Northpoint
Carolina Foods	423,000	12031 Carolina Logistics Drive	New	State Line	Beacon Partners

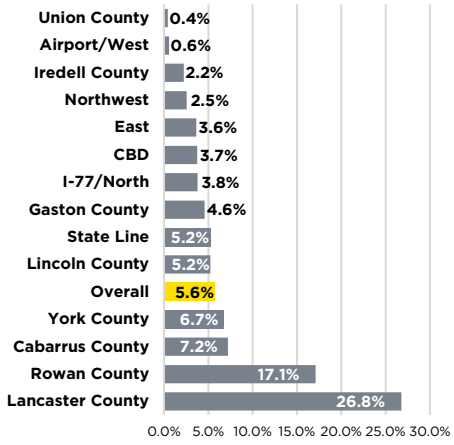
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Marathon Development Group, Inc.	253,500	1910 Hunt Avenue	$2,300,000	Gaston County	Brenda C. Wellmon
Calare Properties, Inc.	212,263	1800 Overview Drive	$24,000,000	York County	Stream realty Partners
Alexander Ricks PLLC	190,000	1035 North Flint	$15,930,000	Lincoln County	Lincoln Bonded Warehouse
2135 Tipton Dr	144,000	2135 Tipton Drive	$9,880,000	I - 77 / North	Carolinas Auto Supply House
Cabot Properties, Inc.	104,700	12035 Hunstad Road	$128,940,000	I - 77 / North	Selwyn Property Group

Source: Savills Research

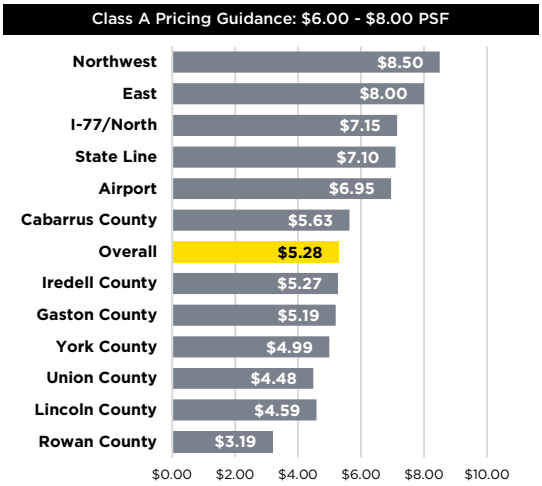
VACANCY RATE COMPARISON

Charlotte Industrial Submarkets



RENTAL RATE COMPARISON ($/SF)*

Charlotte Industrial Submarkets



*Based on all classes of available inventory

Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy 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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