

Charlotte

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Construction pipeline levels off while speculative supply continues to outpace demand

Overall construction of industrial product in the Queen City has plateaued. In the final quarter of 2023, the under-construction pipeline totaled 16.9 million square feet (msf). Construction declined steadily by 1.0 msf each quarter of 2023. Speculative development makes up 76% of industrial construction in Charlotte, totaling 10.9 msf. Of that, only 2.0 msf has been preleased. That includes the largest lease signed in Q4, by logistics company DHL, which preleased 713,000 square feet (sf) at Innovation Logistics Center in Rowan County. There is 4.0 msf of build-to-suit projects under construction in Charlotte; the majority involves retailers like Macy's and Home Depot.

Vacancy continues to climb as the market slowly softens

In the final quarter of 2023, the Charlotte market's vacancy rate reached 7.4%, an increase of 160 basis points from the fourth quarter of 2022, when vacancy totaled 5.8%. As more speculative construction delivers and inventory increases, the market becomes less tight. Deliveries slightly decreased to 1.9 msf in 4Q 2023 but remain on pace with construction rates. Expect vacancy to continue to tick up slightly as new Class A product becomes available.

Despite lower leasing activity, rental rates continue to climb

The Queen City experienced a substantial 12.5% increase in industrial rental rates year over year. The fourth quarter of 2023 recorded an average rental rate of \$6.35, up from \$5.59 the previous year. Submarkets with the highest amount of interstate connectivity maintain the highest rental rates, including the I-77/North Corridor, where the average is \$8.73. Toward the end of 2023, a shift in the market occurred as leasing activity began to level off from its pandemic highs. Landlords that had been experiencing multiple proposals on buildings are now seeing less of that and offering tenants more concessions as the market cools. Expect a more tenant-favorable market as more supply becomes available in the Carolinas.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	238.8 msf	252.8 msf	+14.0 msf
Vacancy Rate	5.8%	7.4%	+160 bps
Asking Rental Rate	\$5.59	\$6.35	+12.5%
Net Absorption	2.0 msf	0.4 msf	-1.6 msf
Under Construction	20.9 msf	16.9 msf	-4.0 msf
Deliveries	2.1 msf	1.9 msf	-0.2 msf

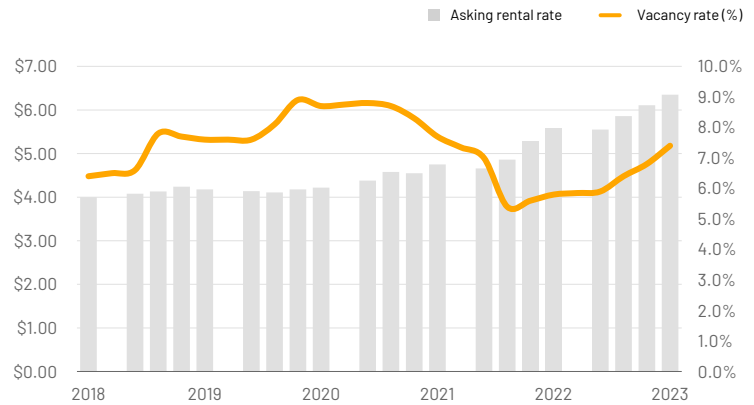
Outlook

01 Multitenant activity will remain high as former big-box buildings are converted into numerous spaces below 500,000 sf

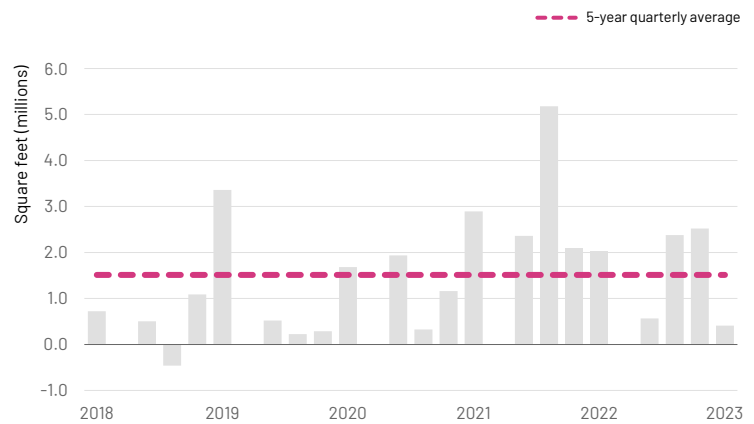
02 Despite demand trending downward from recent highs, the Charlotte market will likely remain resilient as a key Southeast destination attracting new companies

03 More tenant-favorable deal terms may begin in 2024, as increased asking rates are met with recent increases in inventory

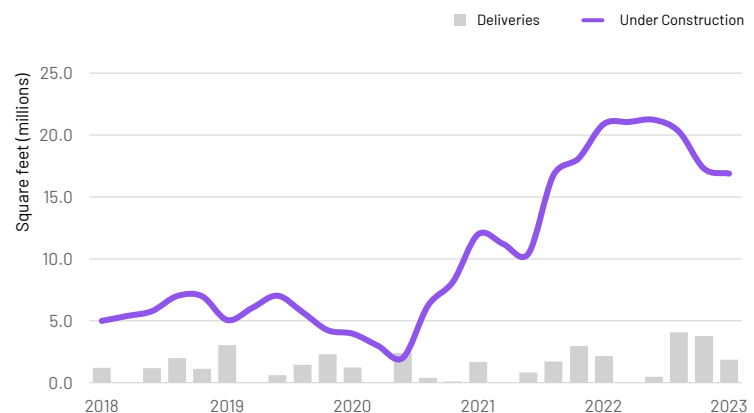
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

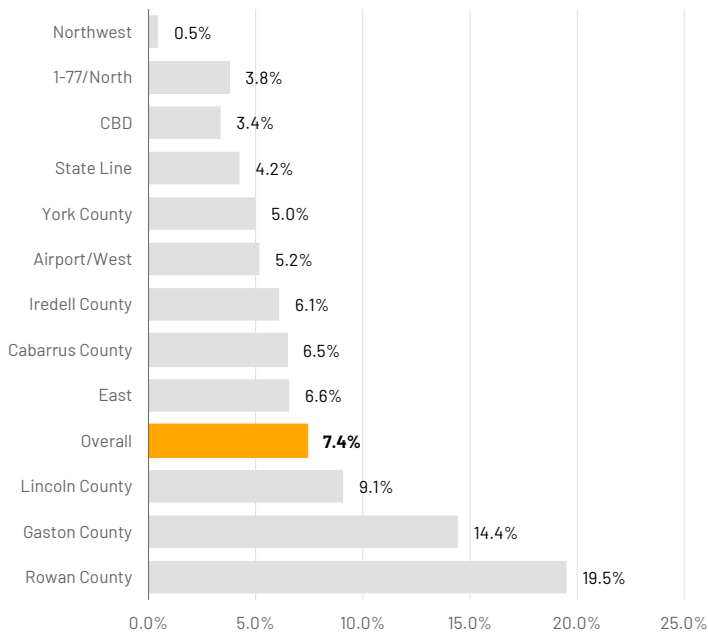
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
DHL Supply	713,000	Rowan County	1395 Peeler Road	New Lease	Logistics & Distribution/3PLs
Bonded Supply	200,000	Cabarrus County	8400 Automation Drive	New Lease	Paper & Packaging
Eastern Wholesale Fence	155,320	York County	2840 Lakemont	New Lease	Construction Materials & Building Fixtures
Weinig Holz-Her USA	149,110	Iredell County	146 E Barkley Road	New Lease	Construction Materials & Building Fixtures
Barrday Corp	128,000	Airport / West	1450 West Pointe Drive	New Lease	Industrial Machinery & Supplies

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
EQT Exeter	1,100,000	York County	Stateline 77	\$106.0 M / \$96	Rockefeller Group
LBA Logistics	610,000	Gaston County	RiverWest	\$70.1 M / \$115	Tribek Properties
Clarion Partners	224,979	I-77 / North	10701 Hambright Road	\$28.3 M / \$126	Trinity Capital Advisors
Kore Investments	175,239	Gaston County	201 Southridge Parkway	\$13.5 M / \$77	Hunter Douglas
Chick-Fil-A	126,380	Rowan County	0 Stadium Drive	\$17.3 M / \$137	Stonemount Financial Group

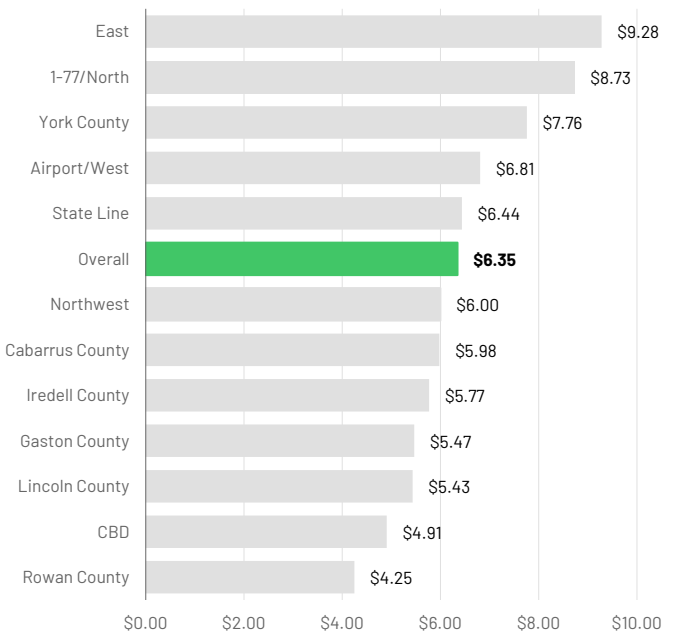
Vacancy Rate Comparison (%)

CHARLOTTE SUBMARKETS



Rental Rate Comparison (\$/sf)*

CHARLOTTE SUBMARKETS



*based on all classes of available inventory

Charlotte Q4 2023 - Industrial

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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 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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