

# Mecklenburg County Retail Market

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### **About this report**

The following report contains information on retail sales and market activity to provide the reader with current performance and forward-looking guidance that can be applied to sales tax forecasts. Sales tax collections for Counties in North Carolina take three months for the County to receive. In March for example we would receive December collections. The County utilizes national retail sales trends and market reports to inform our forecast on sales tax collections.

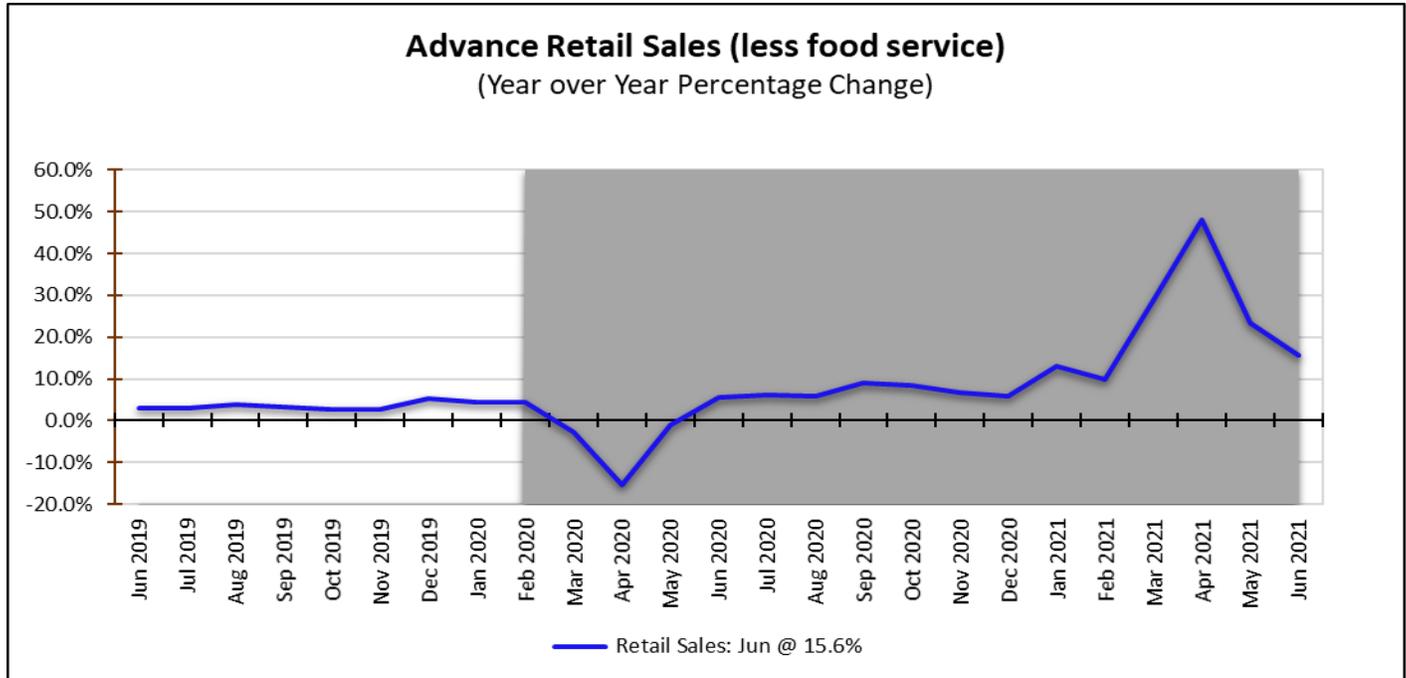
The report utilizes national comparisons from 81 cities across the country. Measures such as rent growth, vacancy rates, inventory, absorption levels and more.

Data from this report was sourced from Cushman and Wakefield, the U.S. Census Bureau, and the Bureau of Economic Analysis.

## Retail Market Summary

In the 2nd quarter, Mecklenburg's retail market continued to improve as demand for space increased with the reopening of the economy. Overall Mecklenburg's retail market is thriving with the 16<sup>th</sup> lowest vacancy rate in the US. Rents for retail space are also outpacing the National average.

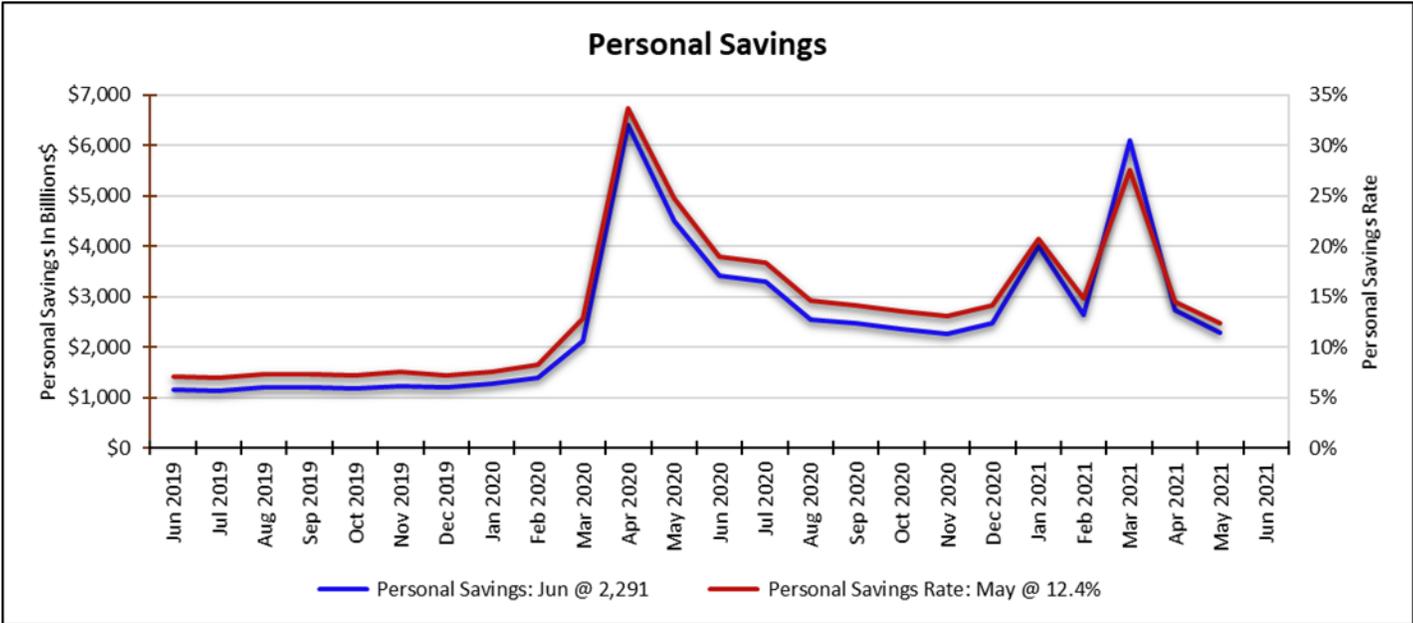
Easing of COVID-19 restrictions, an initial strong vaccine roll-out, fiscal stimulus, and a surplus of excess savings paved the way for solid retail growth in the second quarter with retail activity up 31.9% from last year. In June retail activity was 15.6% above last years levels.



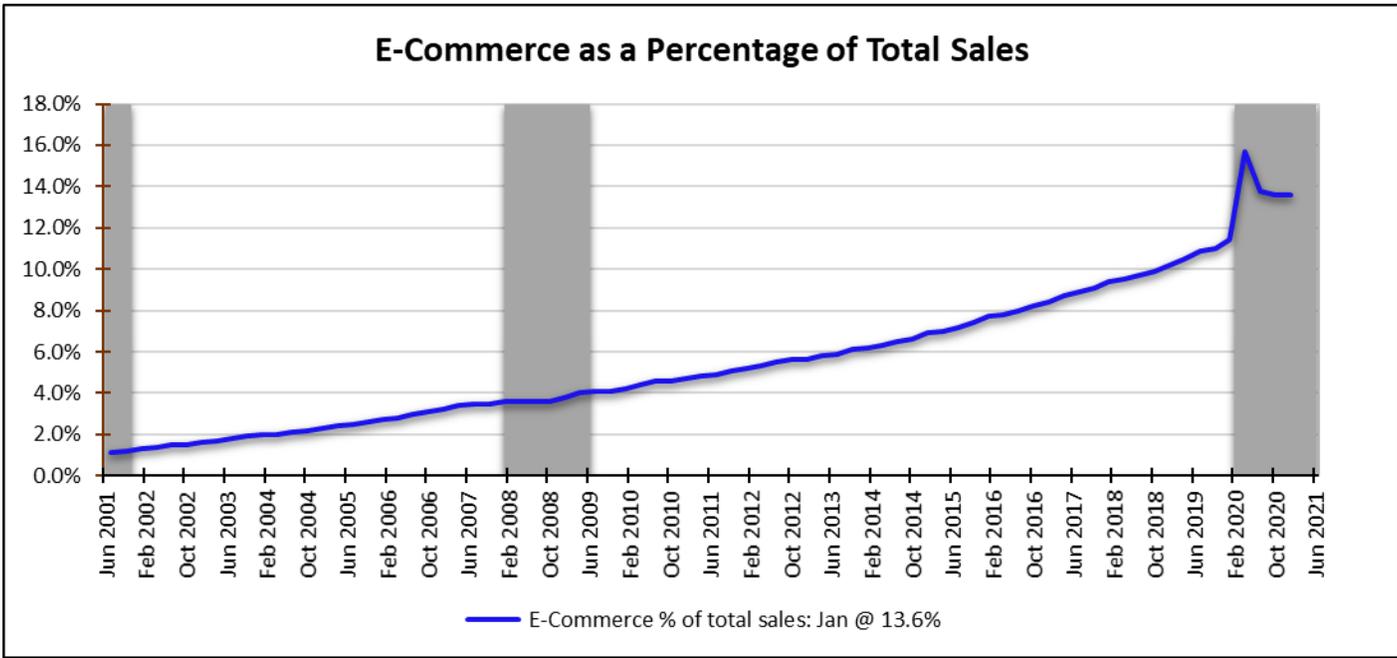
Retail activity in the County has been boosted due to various fiscal stimulus efforts such as direct checks, enhanced unemployment benefits, and paycheck protection grants to small businesses. This resulted in higher incomes during the first half of the year and led to a strong increase in consumer spending. In the first five months of 2021, consumer spending increased by 8.4%, or at an annual rate of 21.3%.

In the third quarter we expect fiscal stimulus to continue to boost retail activity. The Child tax credit is the most recent method of keeping many American households afloat during the pandemic. The credit is \$3,600 for each child age five and under, and \$3,000 for ages six to 17, subject to income limits which will be paid out in monthly installments through the remainder of the year.

As of May, personal savings in the US amounted to \$2.291 trillion, about two times greater than May of 2019 when personal savings totaled \$1.180 trillion. From the chart you can see three distinct spikes from the \$2000 checks in April 2020, \$600 check in January 2021, and the \$1400 check in March 2021. The Child tax credit will have less of an effect on savings as it will only be made available to families with young children and the payments are spaced out versus a lump sum payout of the prior fiscal measures.



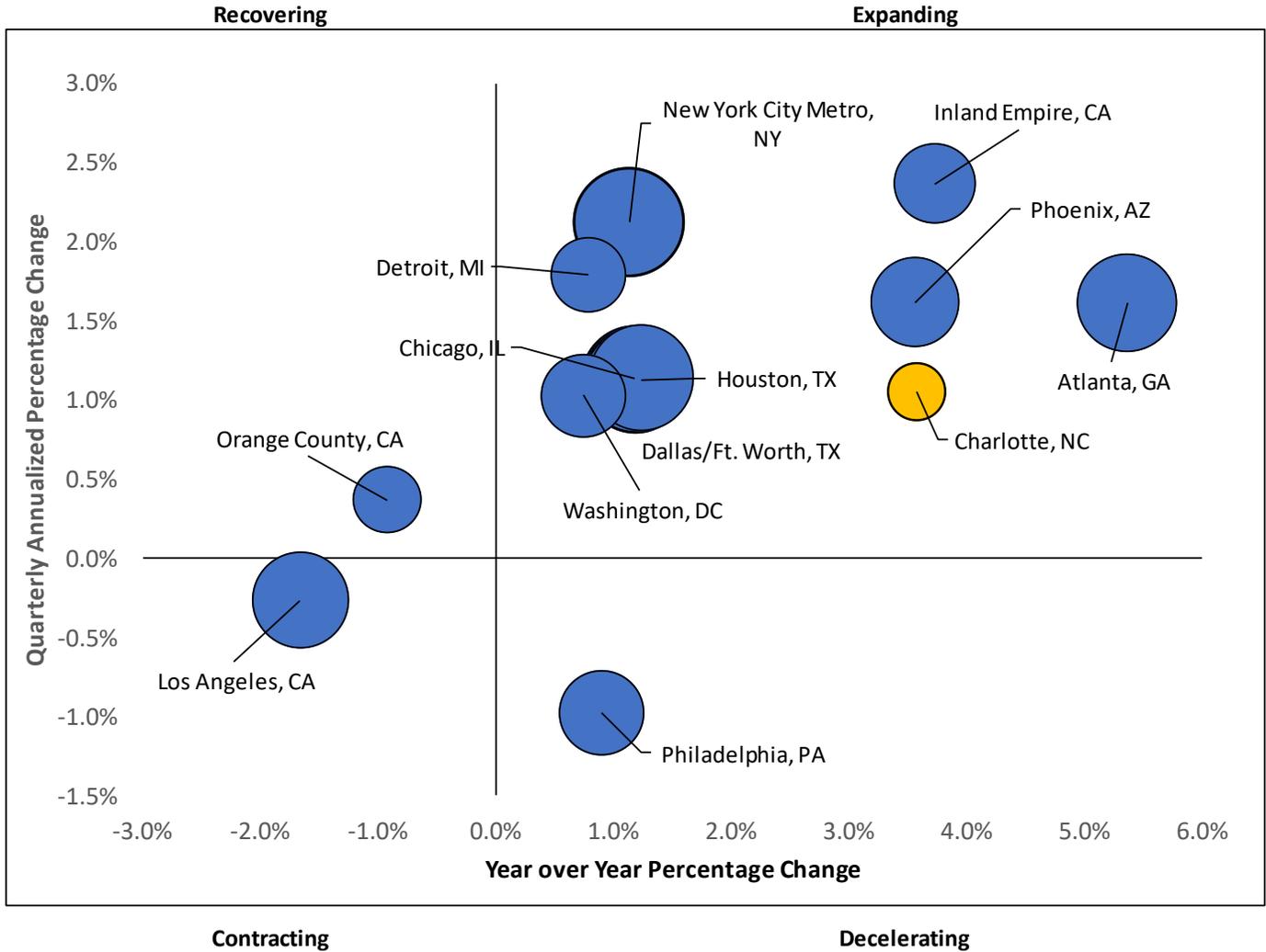
Online retail sales in the 1<sup>st</sup> quarter remained at 13.6% of total retail sales. Overall e-commerce is off the highs of the 2<sup>nd</sup> quarter of 2020, where online shopping peaked at 15.7% of total retail activity. Due to Mecklenburg being a shopping destination the decrease in online shopping has been a positive factor in generating sales tax income for the County. We can see proof of this in the sales tax returns of highly urbanized counties in the state versus more rural parts of the state in last years sales tax distributions. In the distributions outlying rural counties experienced significant growth in sales tax collections whereas urban counties experienced the slowest growth in the state. We expect that as COVID-19 subsides there will be less e-commerce activity than the current level but recognize that the pandemic will have altered many consumers shopping habits.



# National Rent Growth Comparison

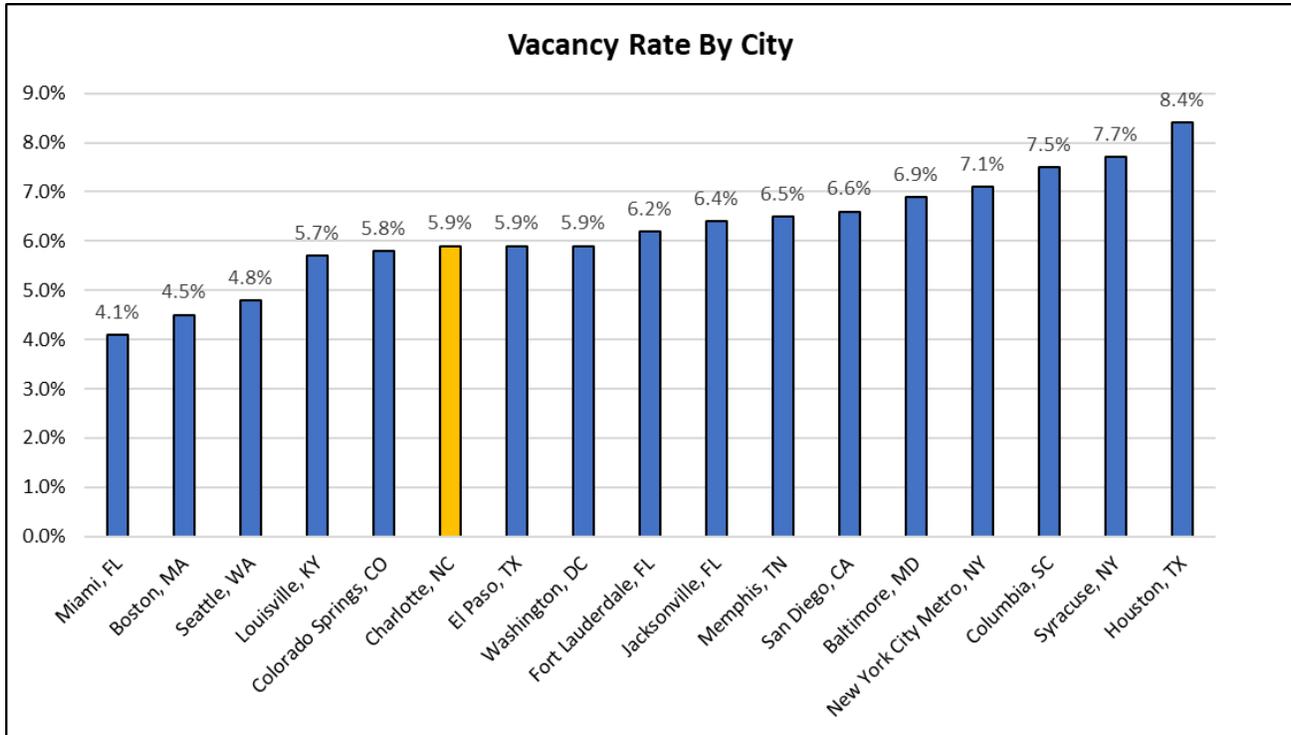
Charlotte continues to expand along with many other southeastern cities. In the 2<sup>nd</sup> quarter effective rents in the Charlotte area increased 3.6%, bringing the year-over-year growth to 1.1%. This growth exceeds that of most other large cities. Of the 81 comparison cities the average rental growth was 1.0% in the 2<sup>nd</sup> quarter with year-over-year growth of 2.4%.

## Mecklenburg County Effective Retail Rent Growth

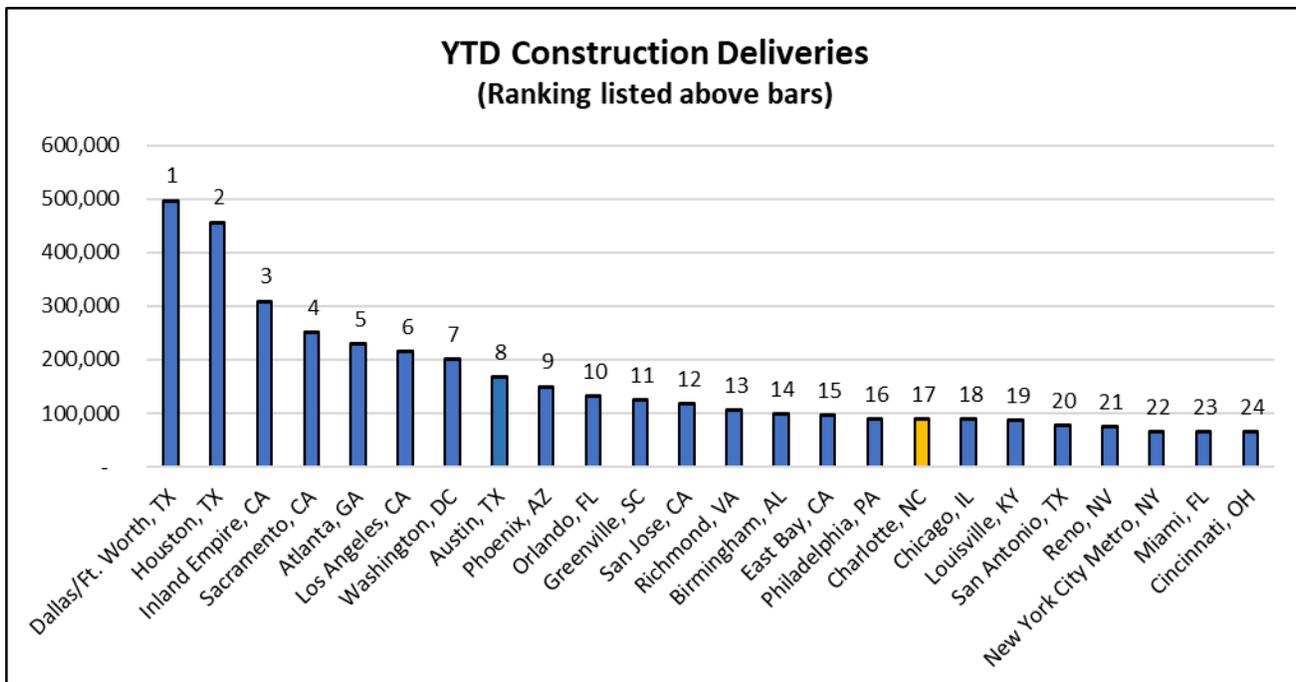


## National Vacancy and Construction Comparison

Charlotte's vacancy rate has continued to improve as demand for retail space is high. With a vacancy rate of 5.9% Charlotte ranks 16<sup>th</sup> lowest of the 81 cities compared. Raleigh/Durham had the second lowest vacancy rate at 4.4%. The lowest vacancy rate was in Miami at 4.1% and the highest was Rochester, NY at 10.7%.



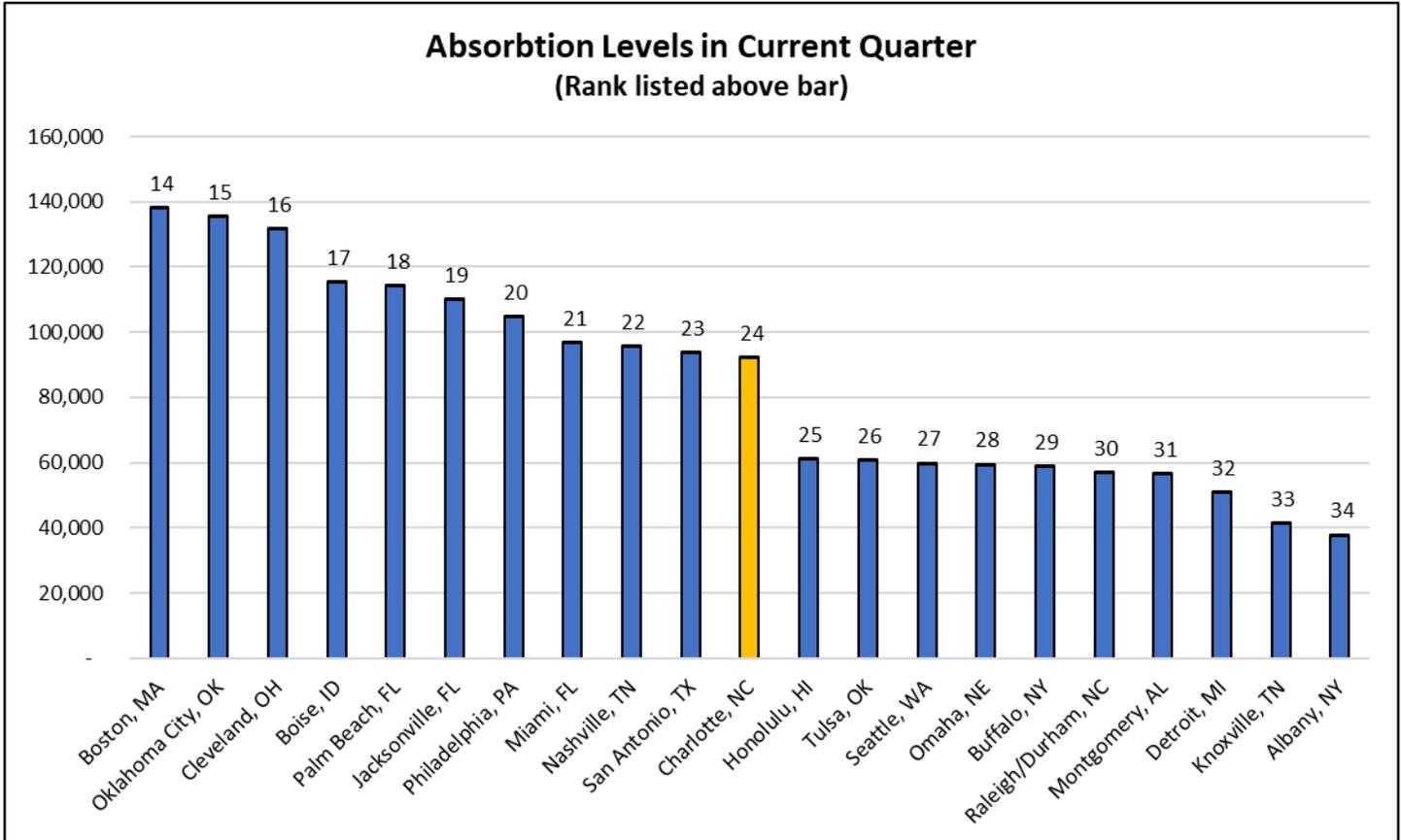
Charlotte has added 88,035 square foot of new retail space this year outpacing many larger cities. In terms of construction delivered in year-to-date Charlotte ranks 17<sup>th</sup>. There is currently 62,863 foot of new retail space under construction which ranks us 40<sup>th</sup> in current construction.



YTD Construction Deliveries refer to the square footage of new retail space created year-to-date

## National Absorption Comparison

Positive Net Absorption means more space was leased than what was vacated/supplied in the market. It basically means that there is decrease in supply of commercial space in a particular market. In the 2<sup>nd</sup> quarter Charlotte had the 24<sup>th</sup> highest level of positive net absorption in the market, a sign that the market is growing and healthy.



*Net absorption is the sum of square feet that became physically occupied, minus the sum of square feet that became physically vacant during a specific period.*