

Mecklenburg County Retail Market

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About this report

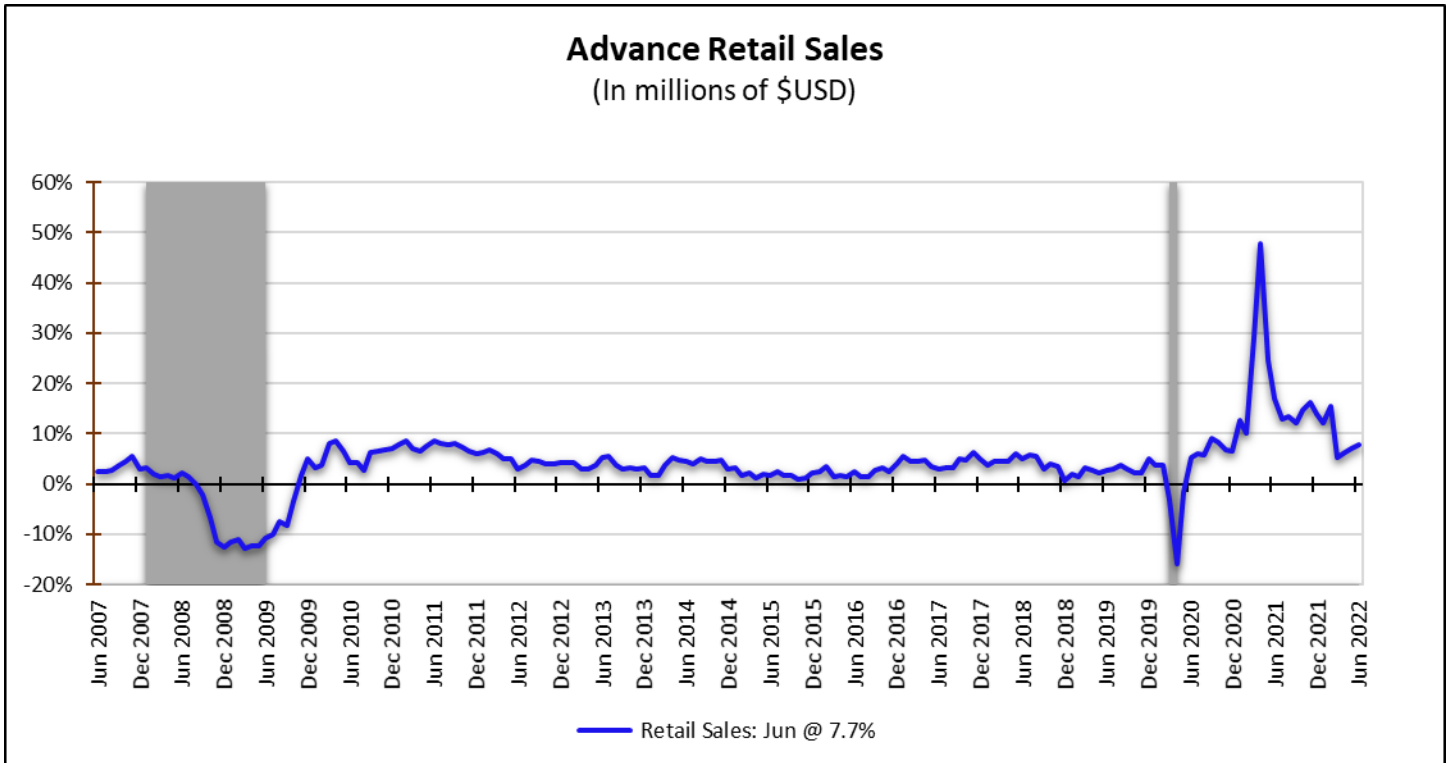
The following report contains information on retail sales and market activity to provide the reader with current performance and forward-looking guidance that can be applied to sales tax forecasts. Sales tax collections for Counties in North Carolina take three months for the County to receive. In March 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 and from Wells Fargo.

Retail Activity Summary

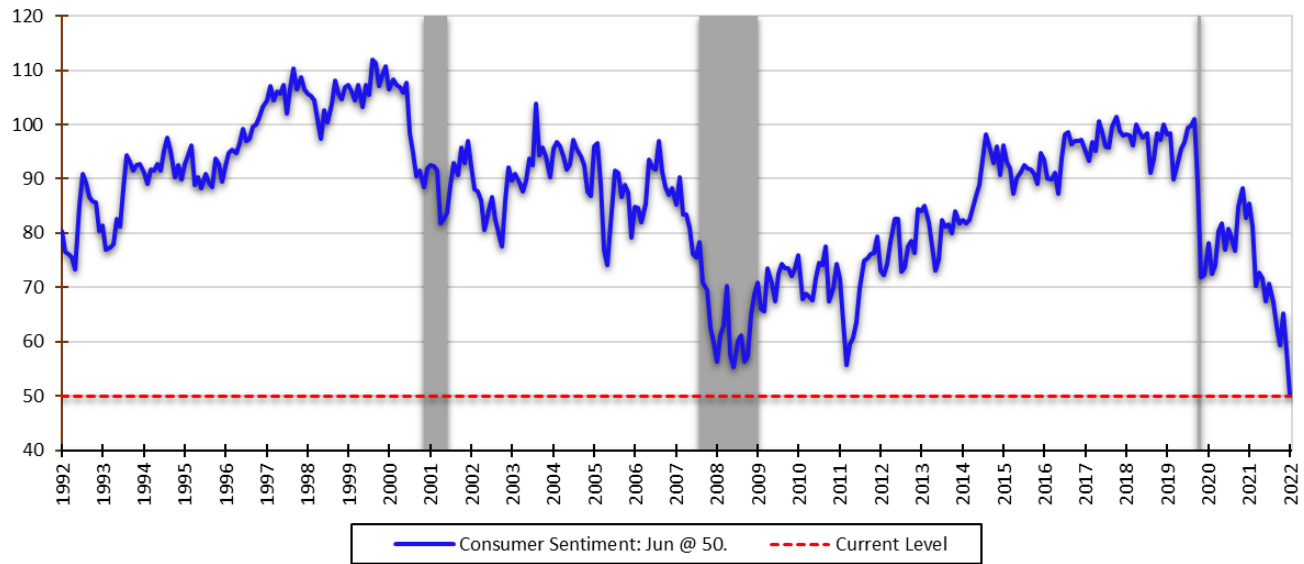
After falling to 5.2% growth year-over-year in March, the national advance retail growth has increased to 7.7% year-over-year. High rates of inflation continue to climb higher although the Fed has stepped in aggressively to slow the growth in prices. Inflation adjusted disposable income fell 0.3% in June after no growth in May. Inflation eroded income considerably in the first half of 2022, especially with the loss of the child tax credit in January which has been part of the reason for the downshift in spending.



Consumer Sentiment levels fell 14.4% in June with all of the components in the index moving lower. This set an all time low for the index that was comparable to the trough reached during the 1980's. Rising prices were the main factor cited by those who took the survey with 47% stating inflation was the main reason for declining standards of living.

Other issues noted was supply shortages with 51% mentioning Russia and Ukraine. Half of all consumers mentioned gas prices during their interviews, compared with 30% in May and only 13% a year ago.

University of Michigan: US Consumer Sentiment (Index)

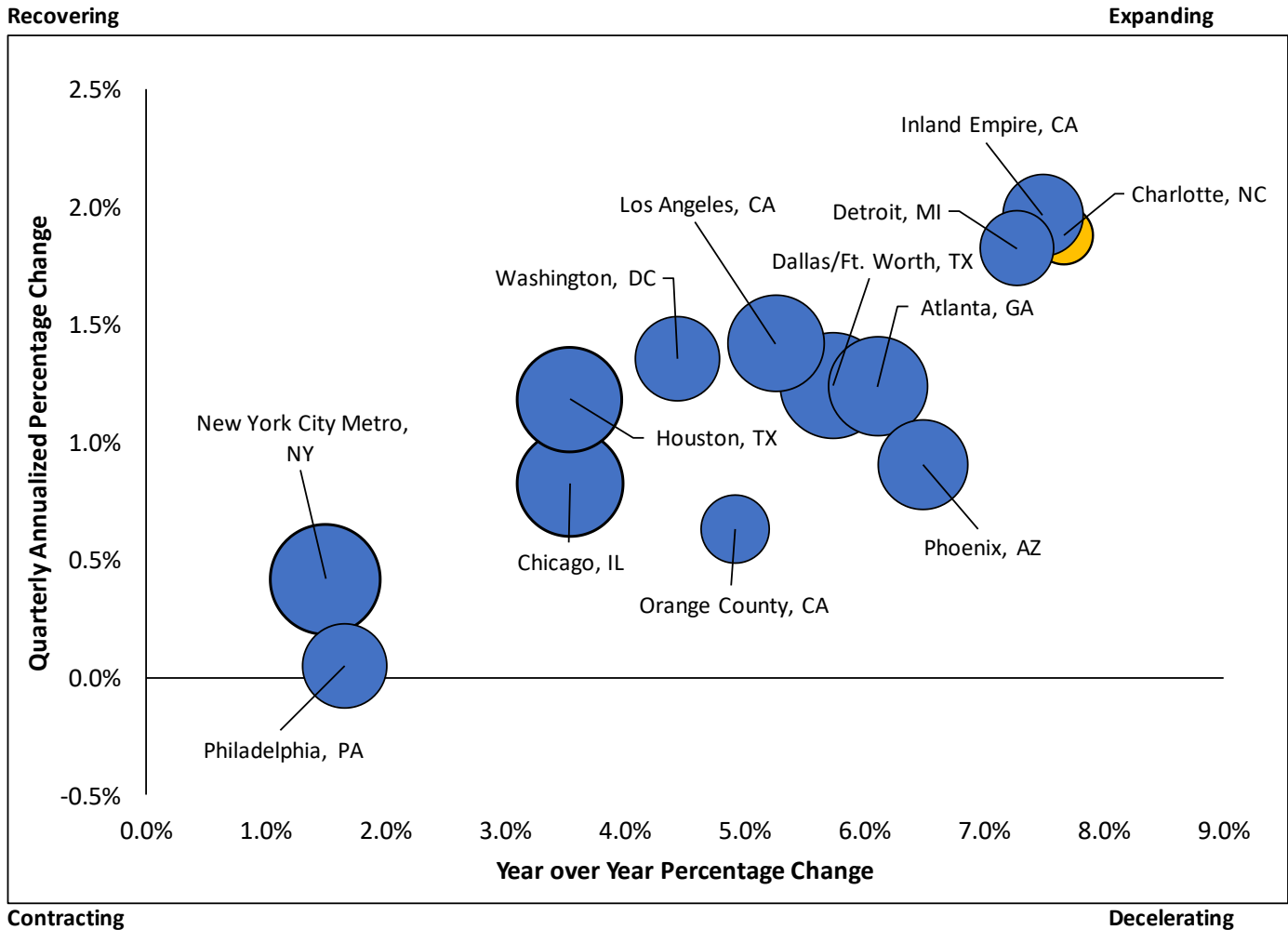


Within the US consumers have been resilient thus far despite the high levels of inflation, but elsewhere in the world retail sales have followed the typical path and declined as inflation grew. Germany experienced its largest decline since 1994, dropping 8.8% in June. To put the significance of that level of decline into perspective during the great recession retail spending declined on average around 12%. The American consumer is currently facing a losing battle with inflation as incomes are not keeping pace with the increases in prices. The savings rate has already begun to fall, now at 5.1% compared to the 7.3% we experienced prior to the onset of the pandemic. During the pandemic the savings rate had increased drastically as fiscal stimulus washed over the economy. This pool of savings is depleting and if history is a guide spending will drop as well.

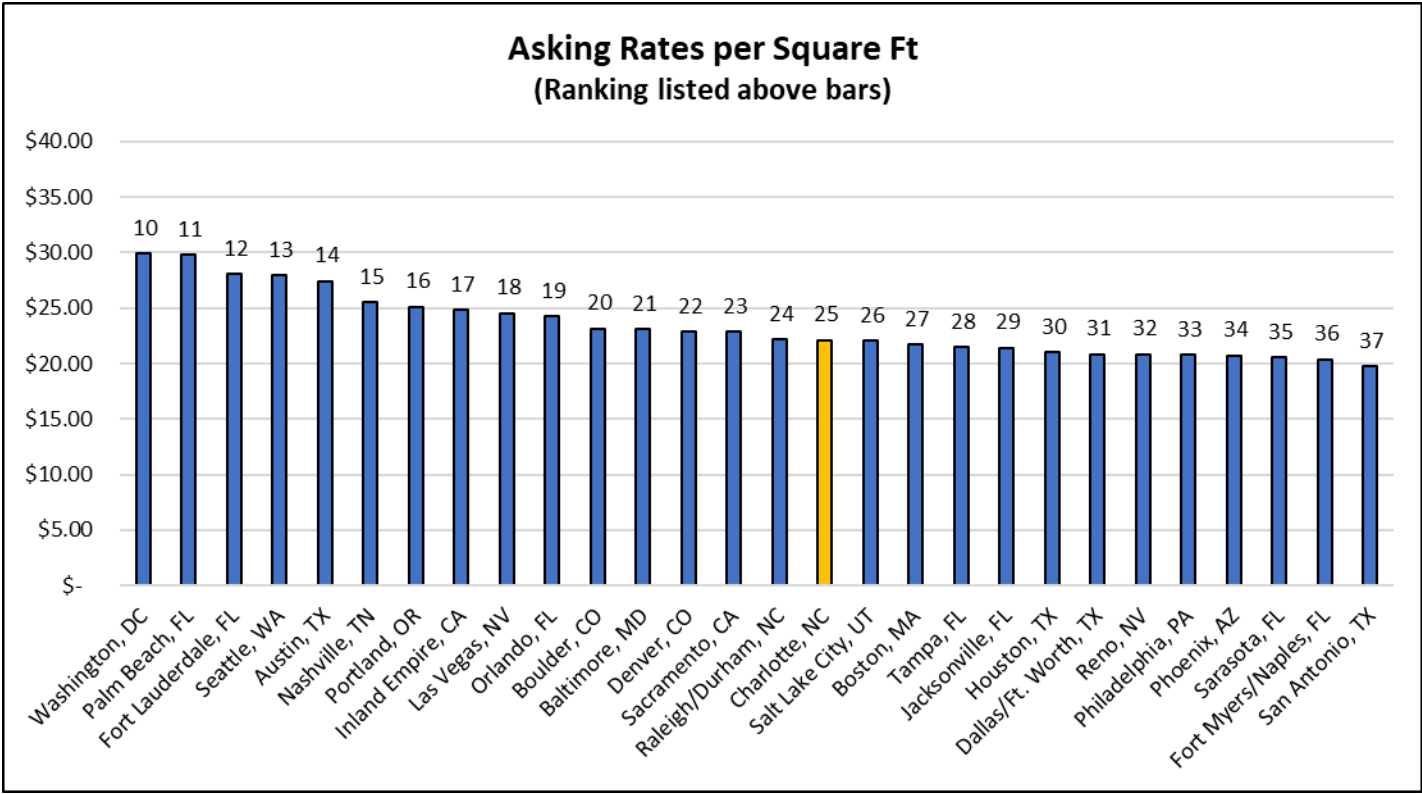
National Rent Growth Comparison

Charlotte rents grew 1.9% from the 1st quarter of 2022 to the 2nd quarter of 2022, or 7.7% year-over-year. Charlotte’s average asking rents for all classes of retail property was \$22.12 per square foot, making this the first quarter to surpass the national average of \$22.75 per square foot. Nationally, the average retail rent was \$22.47. The County’s retail market ranks 25th highest rent out of the 81 cities in the comparison.

Mecklenburg County Effective Retail Rent Growth

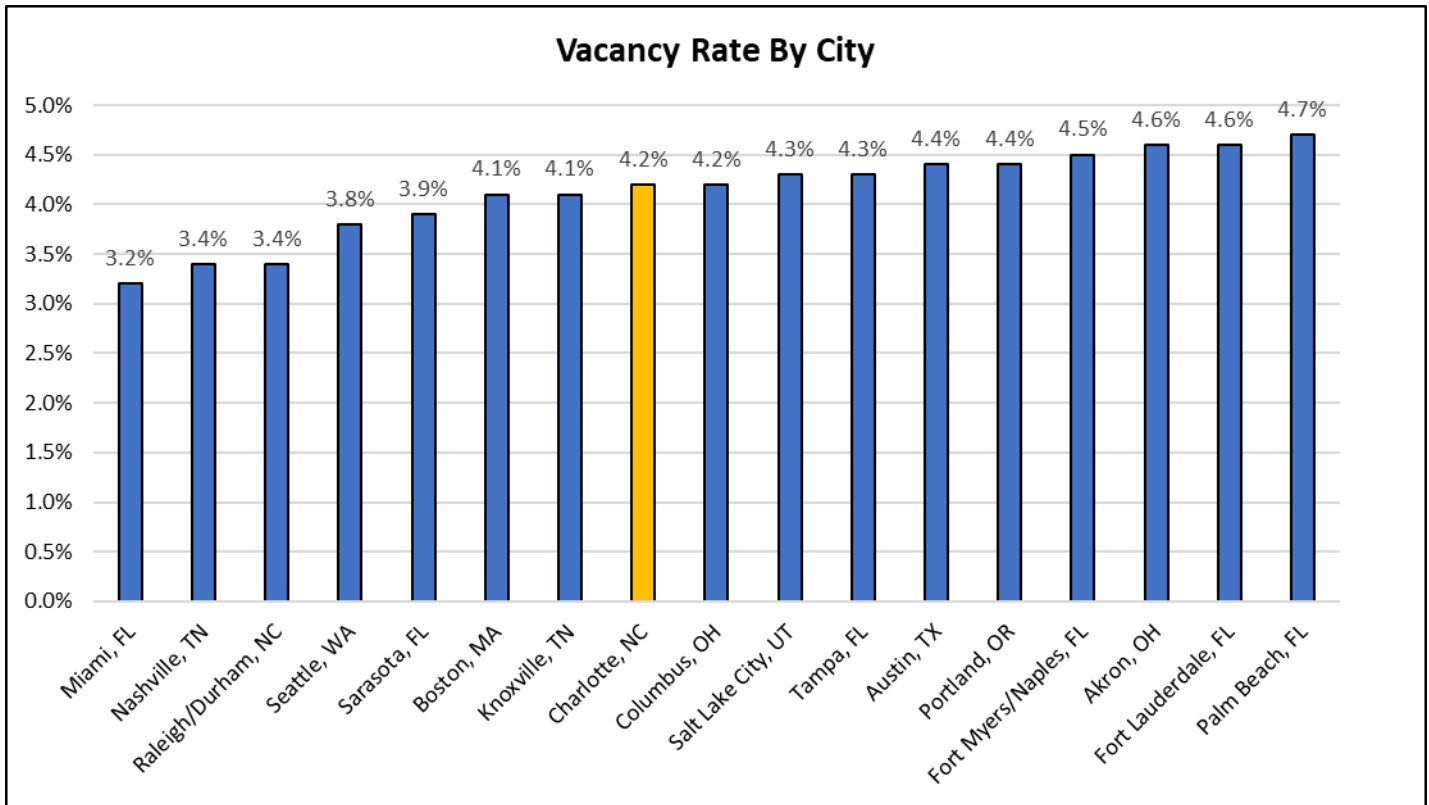


The graph above shows the top 12 retail markets by total square foot of inventory. The Charlotte market ranks 22nd largest of the 81 major US cities.

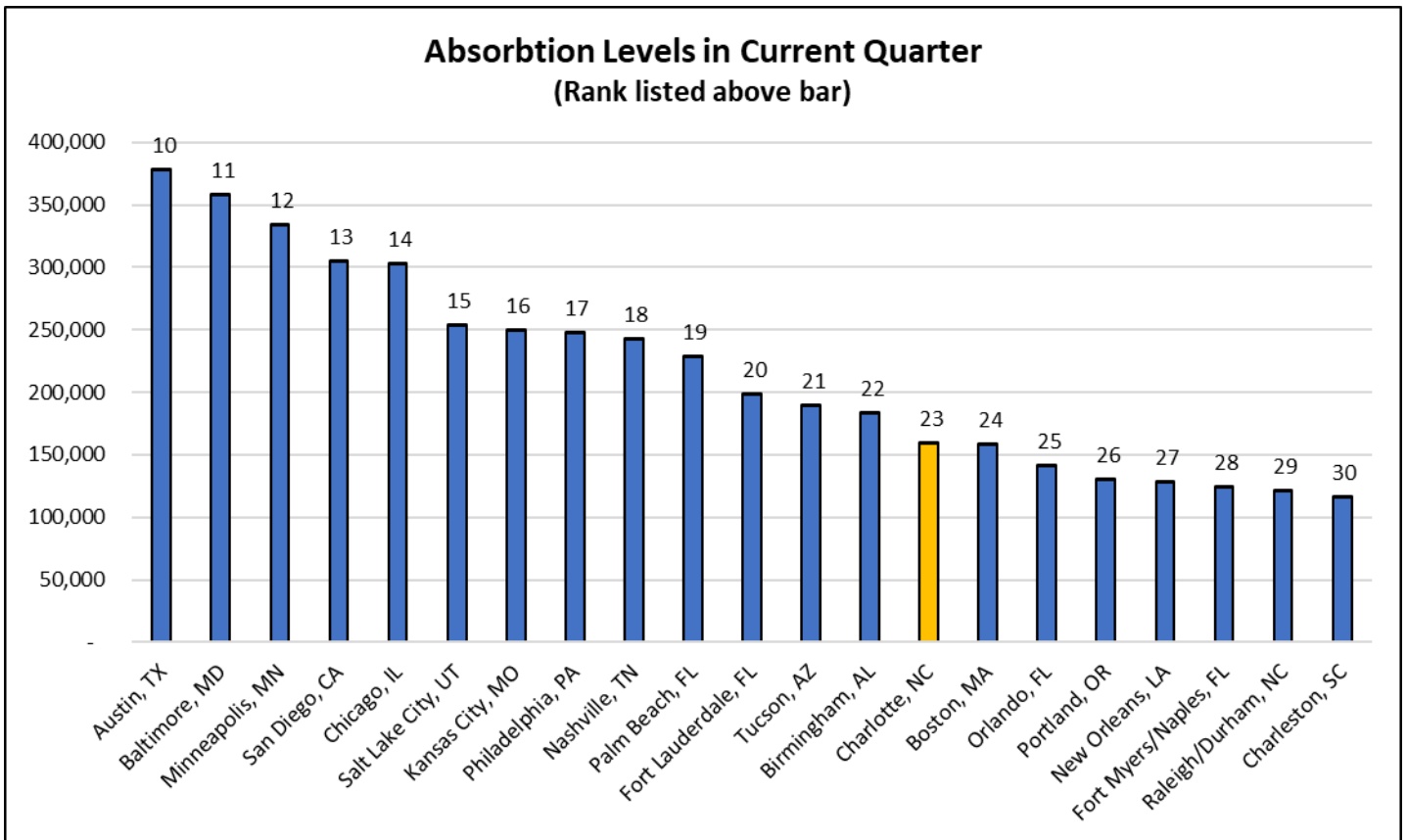


National Vacancy and Absorption Comparison

Charlotte’s retail vacancy rate decreased 30 basis points to 4.2% from the 1st quarter to the 2nd moving the market ranking from 9th lowest vacancy in the nation to 8th. Vacancy should remain stable as the County has been a popular destination to move to, and population growth continues to remain strong fueling the need for retail space.



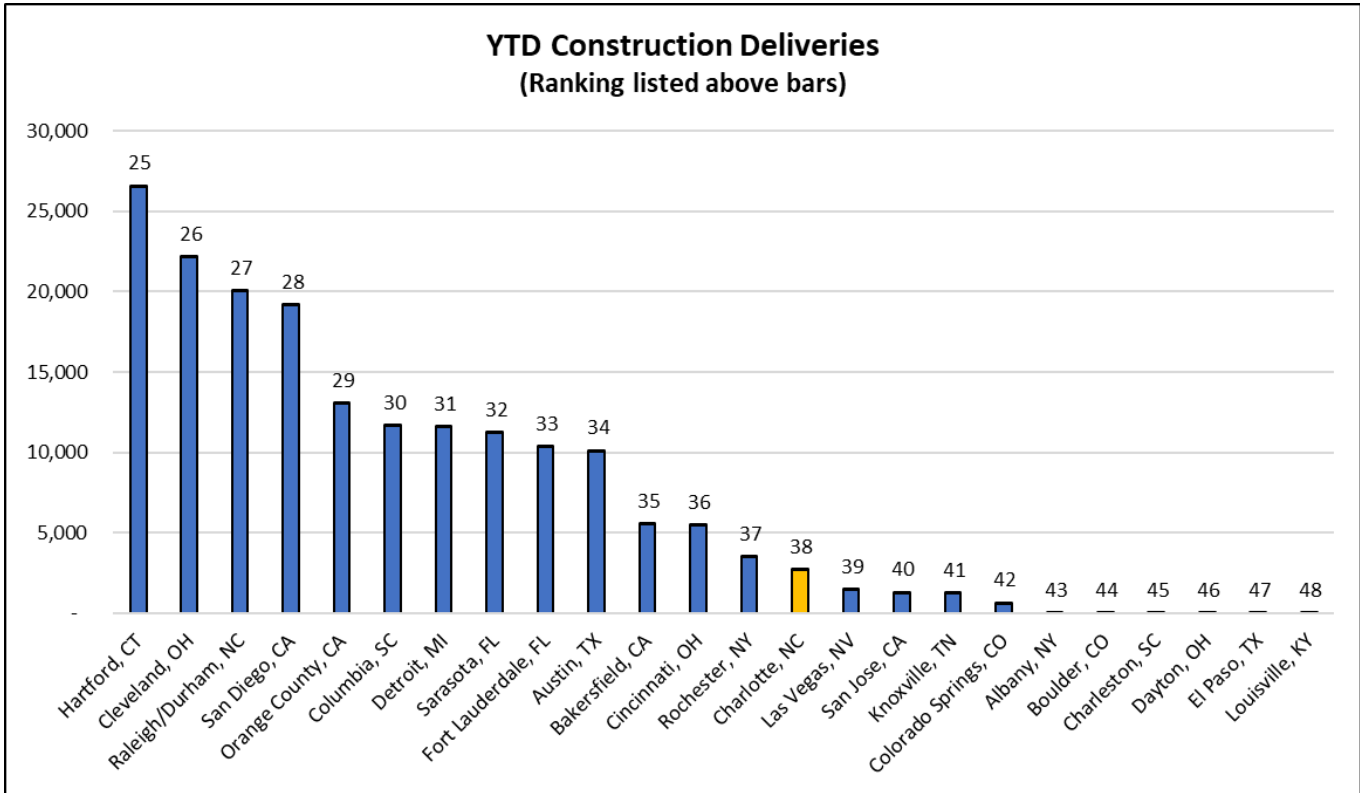
Positive Net Absorption means more space was leased than what was vacated/supplied in the market. In the 2nd quarter Charlotte had the 23rd highest level of positive net absorption in the market with 158,785 square feet, a sign that the market is growing and healthy.



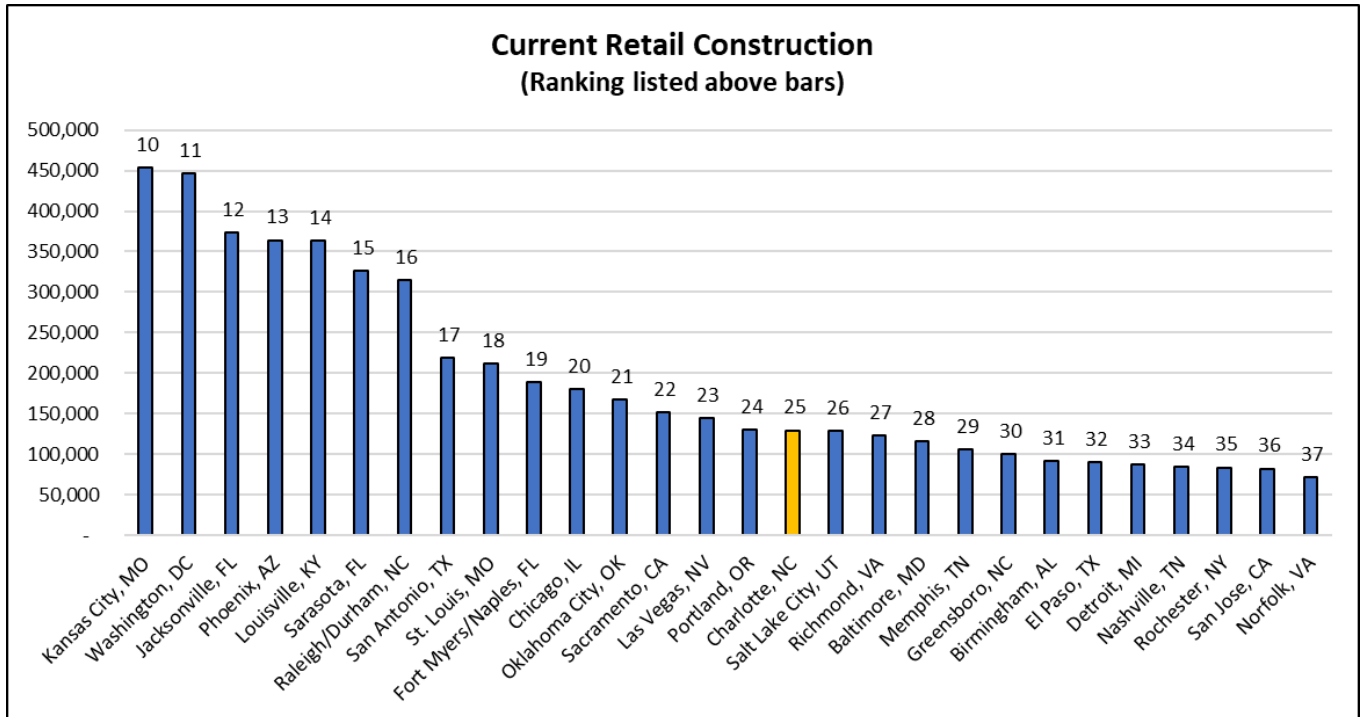
Net absorption is the sum of square feet that became physically occupied, minus the sum of square feet that became physically vacant during a specific period.

National Construction Comparison

In the 2nd quarter a total of 2,685 square foot of new retail space was added to the County with an additional 129,676 square foot of new space under construction. In comparison to other major cities Charlotte ranked 38th in construction deliveries and 25th in ongoing construction.



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



Current Retail Construction is the total square footage of all new retail construction projects in the city