

Mecklenburg County Warehouse / Industrial Market Report

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Data as of 2nd Quarter, 2019



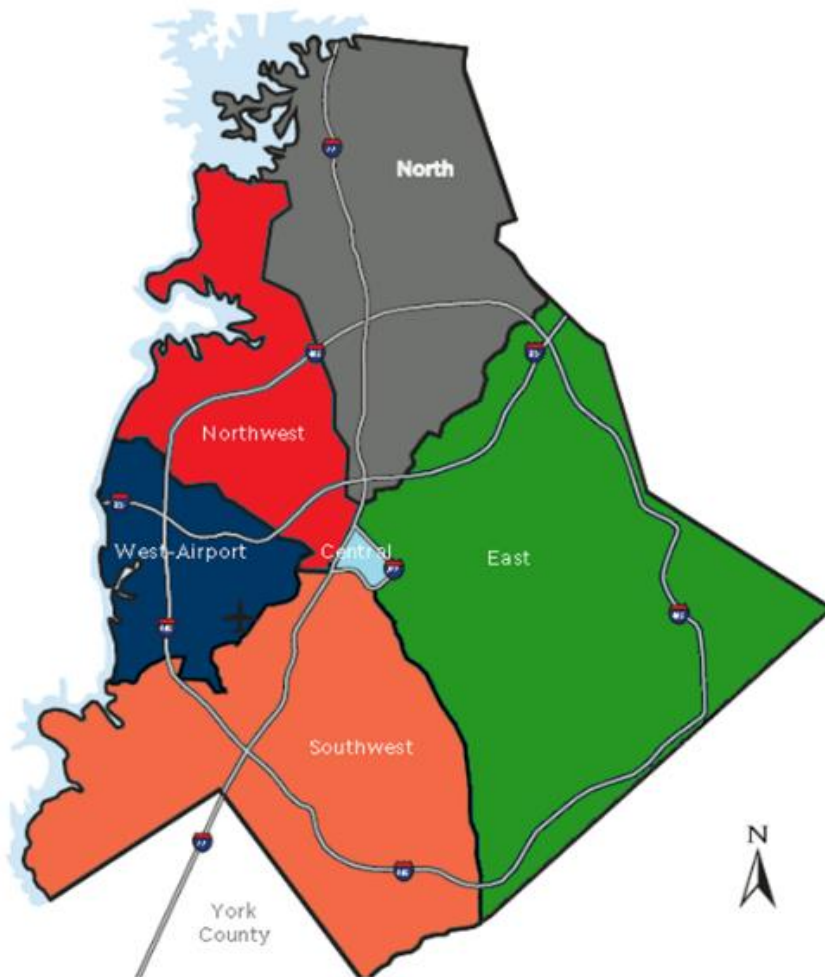
About this report

The following report provides details and insight to the supply and demand for warehouse space within the county. These indicators are use useful in determining the health and wellbeing of Mecklenburg County's industrial sector as increased demand for warehouse space correlates with more activity within the sector, because businesses need more storage space for raw materials and final goods.

The definitions page overviews the two types of warehouses and measures used within the report as well as common definitions and acronyms used in the report. A synopsis of noteworthy statistics and conditions is laid out in the warehouse market overview section. The report concludes with a quarterly report for the current quarter, the same quarter in the previous year, and a year-over-year comparison.

There is a total of six markets in the report:

1. North
2. Northwest
3. West – Airport
4. Central
5. East
6. Southwest



Definitions

Warehouse

A commercial building for storage of goods. Warehouses are used by manufacturers, importers, exporters, wholesalers, transport businesses, customs, etc. They are usually large plain buildings in industrial parks on the outskirts of cities, towns or villages. This survey sets a requirement that they are greater than 40,000 SF, with a year built greater than 1970, and a ceiling set greater than 18 ft.



Flex Warehouse

When self-storage is not big enough and a warehouse is too much space, the small business person needs a building designed for flex office warehouse. Small companies with a few employees need a place to park a truck, store materials or keep inventory. A flex warehouse is ideal allowing the owner to subdivide the internal rental units to suit the size of the business. The floor plan usually includes spaces that are about 1200sf, situated back to back and side to side under one roof.



Total Buildings: The number of warehouses in a geographic area

Inventory (SF): Square footage of all combined warehouses

Total vacancy (SF): Unleased warehouse space

Vacancy rate: Unleased space as percentage of total

Absorption: The change in warehouse space over the quarter. $\text{Absorption} = \text{Total Space Leased} - \text{Vacated Space} - \text{New Space}$. If the number is positive it means more space was leased than vacated or brought online by new construction

Completions: In square footage the total of new inventory available to the market

Under construction: Square footage of new space that is currently being built

Weighted Average rent per SF: The average rent paid per square foot for a given market.

Industrial / Warehouse Report for Q2 2019

Market Outlook

- High levels of new construction for warehouse will increase the vacancy rate in the short term until new deliveries are leased or existing space is backfilled. The lack of new construction for flex product will continue to drive down vacancy.
- Rates will continue to rise as new supply remains limited. Rental rates for warehouse space will increase further over the next year. New product coming to the market will demand a higher price.
- Absorption levels will remain high for warehouse product, fueled by strong user demand. Absorption of flex space will stay positive in 2019, but in lower volumes due to a lack of quality product.
- Continued emergence of eCommerce will impact future redevelopment and development of bulk warehouse facilities as demand increases for “last mile” distribution centers.

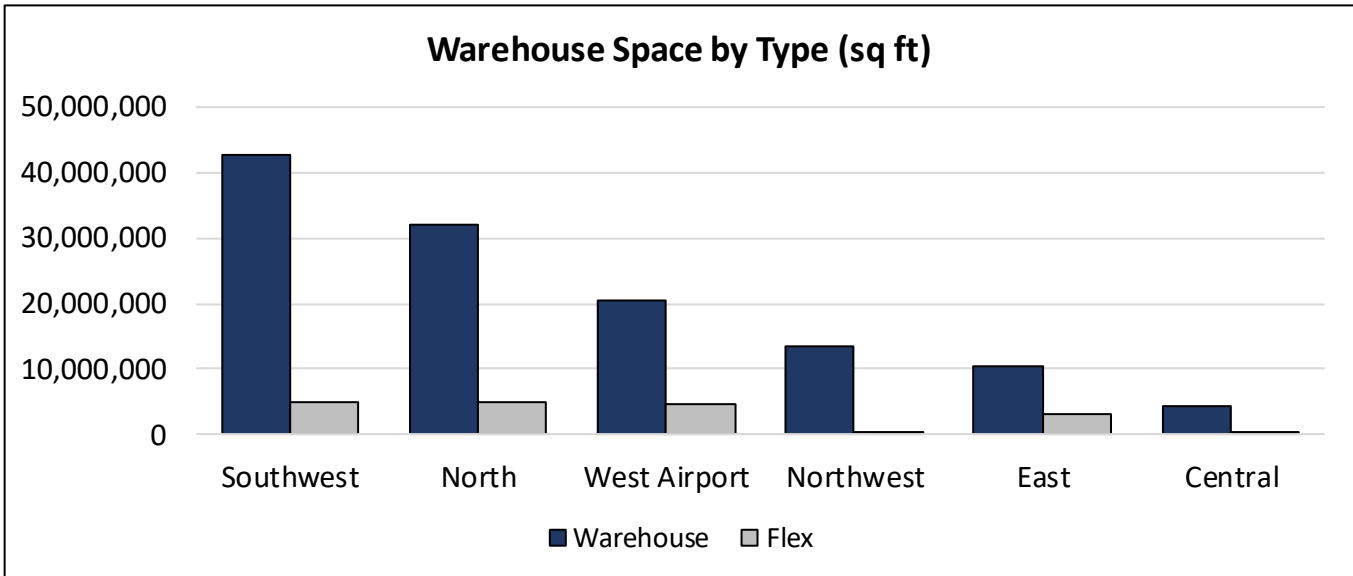
Warehouse Market Overview

Mecklenburg County has 4.3 million square feet of new warehouse space under construction in the 2nd quarter of 2019 whereas the 2nd quarter of 2018 had 1.6 million square feet under construction. Most of the new construction is comprised of large warehouses, only 104,000 square ft of the 4.3 million is for flex space (1818 Westinghouse Blvd).

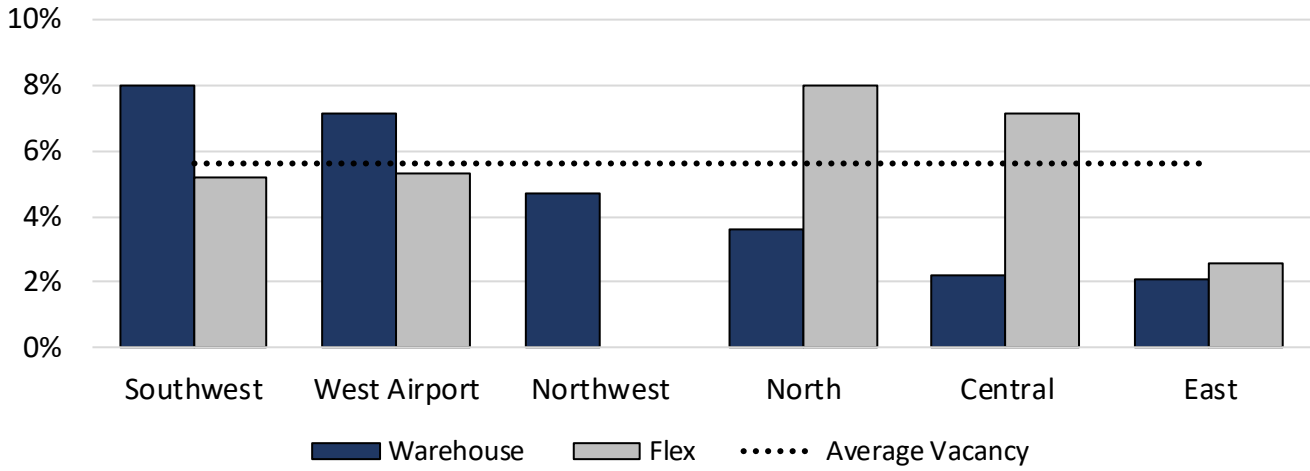
The new construction is highly concentrated in the West-Airport and Southwest markets with 83% of the total under construction projects located in these two markets.

Even with the large amount of new space coming available absorption rates are at 5.1 million square feet. The new supply has increased the vacancy rate from 4.5% to 5.6% and it is expected to further increase as under construction projects become available.

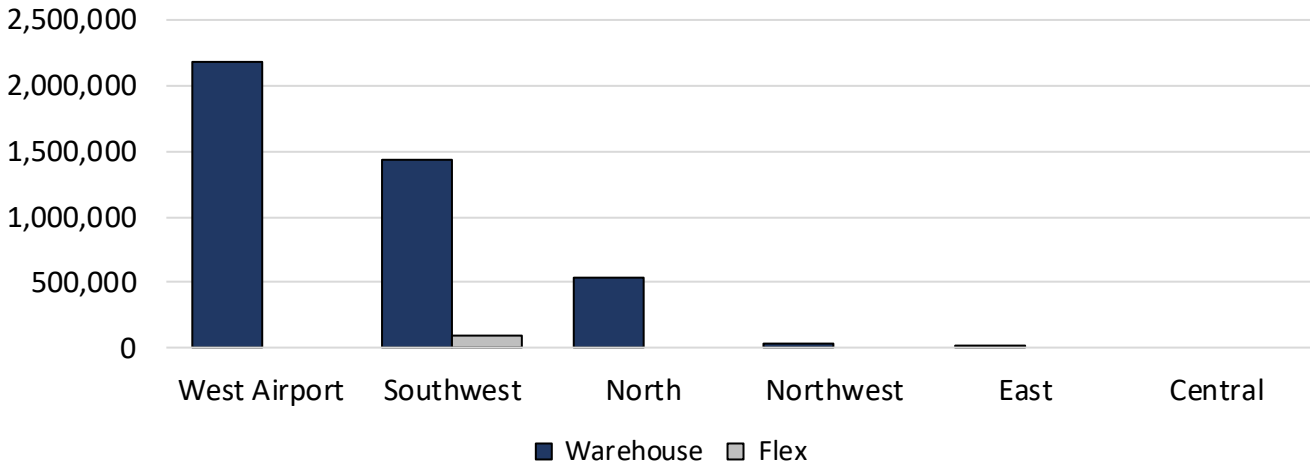
Growth in rates are up 9.8% to \$6.02 since the 2nd quarter of 2018 reflecting the high levels of demand for warehouse space in the County. The Central market showed the highest increase in rates with warehouse and flex space up 20.3% and 23.2% respectively.



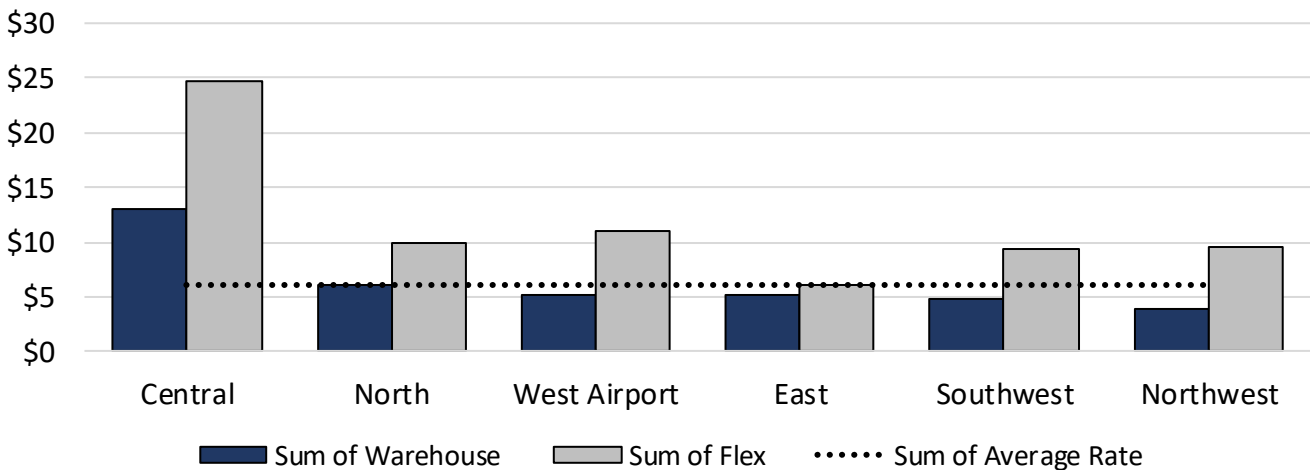
Vacancy Rate by Type



Under Construction by Type (sq ft)



Average Rate by Type (\$)



INDUSTRIAL MARKET STATISTICS - Q2 2019

Submarket	Total Buildings	Inventory (SF)	Total Vacancy (SF)	Vacancy Rate	Absorbtion (SF)	Past Four QTR Absorbtion	Completions (SF)	Under Construction (SF)	Weighted Average Rent per SF
Warehouse									
Central	151	4,326,274	96,198	2.2%	7,233	(1,628)	-	-	\$12.95
East	228	10,371,420	216,248	2.1%	38,668	(14,838)	-	24,000	\$5.10
North	586	32,023,289	1,146,352	3.6%	(176,776)	49,880	168,480	543,672	\$6.11
Northwest	226	13,558,163	632,176	4.7%	626,271	771,434	-	32,000	\$3.98
Southwest	477	42,480,335	3,402,746	8.0%	3,402,746	(109,145)	-	1,435,106	\$4.82
West Airport	479	20,565,169	1,456,042	7.1%	1,456,042	(182,823)	240,818	2,179,253	\$5.25
Flex									
Central	13	558,481	39,868	7.1%	(11,940)	(9,276)	-	-	\$24.61
East	74	3,034,288	79,541	2.6%	(35,655)	(28,642)	-	-	\$6.07
North	118	4,836,423	387,957	8.0%	(196,867)	6	-	-	\$9.97
Northwest	12	533,178	-	0.0%	-	20,915	-	-	\$9.60
Southwest	124	4,848,270	251,426	5.2%	57,405	129,212	-	104,000	\$9.43
West Airport	137	4,545,935	239,177	5.3%	(54,261)	50,497	-	-	\$11.00
By Property Type									
Total Warehouse	2,147	123,324,650	6,949,762	5.6%	5,354,184	512,880	409,298	4,214,031	\$5.44
Total Flex	478	18,356,575	997,969	5.4%	(241,318)	162,712	-	104,000	\$9.87
Mecklenburg Total	2,625	141,681,225	7,947,731	5.6%	5,112,866	675,592	409,298	4,318,031	\$6.02

INDUSTRIAL MARKET STATISTICS - Q2 2018

Submarket	Total Buildings	Inventory (SF)	Total Vacancy (SF)	Vacancy Rate	Absorbtion (SF)	Past Four QTR Absorbtion	Completions (SF)	Under Construction (SF)	Weighted Average Rent per SF
Warehouse									
Central	156	4,434,446	94,570	2.1%	3,000	27,710	-	-	10.32
East	227	10,265,058	242,856	2.4%	440,806	4,184	-	-	3.65
North	584	30,982,512	796,751	2.6%	15,912	176,999	-	1,071,705	5.64
Northwest	225	13,422,081	1,402,010	10.4%	(168,075)	(308,170)	-	-	3.72
Southwest	474	42,434,787	1,846,676	4.4%	1,139,456	1,527,900	758,760	205,400	4.5
West Airport	475	19,913,251	784,480	3.9%	186,460	631,191	202,148	314,420	5.18
Flex									
Central	14	590,333	24,542	4.2%	(3,487)	(22,092)	-	-	18.9
East	76	3,037,683	52,969	1.7%	(7,214)	5,323	-	-	7.23
North	117	4,822,930	391,063	8.1%	896	20,030	-	-	9.6
Northwest	12	448,593	20,915	4.7%	(17,140)	(14,950)	-	-	10.27
Southwest	117	4,574,705	376,714	8.2%	21,302	155,873	-	45,600	9.69
West Airport	134	4,598,285	289,674	6.3%	4,912	126,150	-	-	8.39
By Property Type									
Total Warehouse	2,141	121,452,135	5,167,343	4.3%	1,617,559	2,059,814	960,908	1,591,525	\$4.88
Total Flex	470	18,072,529	1,155,877	6.4%	(731)	270,334	-	45,600	\$9.09
Mecklenburg Total	2,611	139,524,664	6,323,220	4.5%	1,616,828	2,330,148	960,908	1,637,125	\$5.43

INDUSTRIAL MARKET STATISTICS - YEAR-OVER-YEAR COMPARISON

Submarket	Total Buildings	Inventory (SF)	Total Vacancy (SF)	Vacancy Rate	Absorption (SF)	Past Four QTR Absorption	Completions (SF)	Under Construction (SF)	Weighted Average Rent per SF
Warehouse									
Central	(5)	(108,172)	1,628	0.10%	4,233	(29,338)	-	-	\$ 2.63
East	1	106,362	(26,608)	-0.30%	(402,138)	(19,022)	-	24,000	\$ 1.45
North	2	1,040,777	349,601	1.00%	(192,688)	(127,119)	168,480	(528,033)	\$ 0.47
Northwest	1	136,082	769,834	-5.70%	794,346	1,079,604	-	32,000	\$ 0.26
Southwest	3	45,548	1,556,070	3.60%	2,263,290	(1,637,045)	(758,760)	1,229,706	\$ 0.32
West Airport	4	651,918	671,562	3.20%	1,269,582	(814,014)	38,670	1,864,833	\$ 0.07
Flex									
Central	(1)	(31,852)	15,326	2.90%	(8,458)	12,816	-	-	\$ 5.71
East	(2)	(3,395)	26,572	0.90%	(28,441)	(33,965)	-	-	\$ (1.16)
North	1	13,493	(3,106)	-0.10%	(197,768)	(20,024)	-	-	\$ 0.37
Northwest	-	84,585	(20,915)	-4.70%	17,140	35,865	-	-	\$ (0.67)
Southwest	7	273,565	(125,288)	-3.00%	36,103	(26,661)	-	58,400	\$ (0.26)
West Airport	3	(52,350)	(50,497)	-1.00%	(59,173)	(75,653)	-	-	\$ 2.61
By Property Type									
Total Warehouse	6	1,872,515	1,782,419	3.38%	3,736,625	(1,546,934)	(551,610)	2,622,506	\$ 0.56
Total Flex	8	284,046	(157,908)	-0.96%	(240,587)	(107,622)	-	58,400	\$ 0.78
Mecklenburg Total	14	2,156,561	1,624,511	1.1%	3,496,038	(1,654,556)	(551,610)	2,680,906	\$0.59

INDUSTRIAL MARKET STATISTICS - YEAR-OVER-YEAR COMPARISON

Submarket	Total Buildings	Inventory (SF)	Total Vacancy (SF)	Vacancy Rate	Absorption (SF)	Past Four QTR Absorption	Completions (SF)	Under Construction (SF)	Weighted Average Rent per SF
Warehouse									
Central	-3.3%	-2.5%	1.7%	4.3%	58.5%	1802.1%	-	-	20.3%
East	0.4%	1.0%	-12.3%	-14.3%	-1040.0%	128.2%	-	100.0%	28.4%
North	0.3%	3.3%	30.5%	27.8%	109.0%	-254.8%	100.0%	-97.1%	7.7%
Northwest	0.4%	1.0%	-121.8%	-121.3%	126.8%	139.9%	-	100.0%	6.5%
Southwest	0.6%	0.1%	45.7%	45.0%	66.5%	1499.9%	-	85.7%	6.6%
West Airport	0.8%	3.2%	46.1%	45.1%	87.2%	445.2%	16.1%	85.6%	1.3%
Flex									
Central	-7.7%	-5.7%	38.4%	40.8%	70.8%	-138.2%	-	-	23.2%
East	-2.7%	-0.1%	33.4%	34.6%	79.8%	118.6%	-	-	-19.1%
North	0.8%	0.3%	-0.8%	-1.3%	100.5%	-333733.3%	-	-	3.7%
Northwest	0.0%	15.9%	-	-	-	171.5%	-	-	-7.0%
Southwest	5.6%	5.6%	-49.8%	-57.7%	62.9%	-20.6%	-	56.2%	-2.8%
West Airport	2.2%	-1.2%	-21.1%	-18.9%	109.1%	-149.8%	-	-	23.7%
By Property Type									
Total Warehouse	0.3%	1.5%	25.6%	24.5%	69.8%	-301.6%	-134.8%	62.2%	10.3%
Total Flex	1.7%	1.5%	-15.8%	-17.6%	99.7%	-66.1%	-	56.2%	7.9%
Mecklenburg Total	0.5%	1.5%	20.4%	19.2%	68.4%	-244.9%	-134.8%	62.1%	9.8%

Green bars are positive year-over-year factors, red are negative factors. IE both inventory and vacancy are up in a given market red is used for the increased vacancy and green is used to designate the increased inventory.

Source: Cushman & Wakefield Charlotte NC Industrial MarketBeat Report