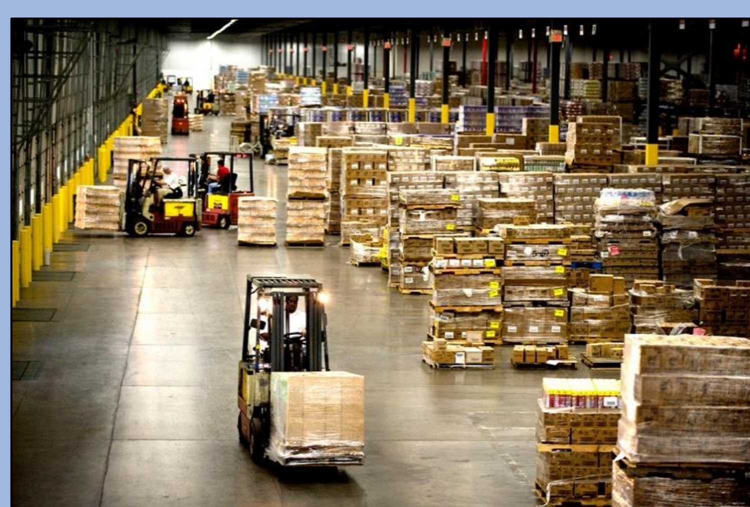
Mecklenburg County Warehouse / Industrial Market Report

Michael B. Simmons

County Economist

Data as of 1st Quarter, 2021



About this report

The following report provides details and insight to the supply and demand for warehouse space within the city. A total of 80 major warehousing cities are used as comparison cities and ranked against Charlotte to determine how our market compares to others, a full listing is provided below. The report covers demand indicators such as absorption, leasing activity, and asking rates. The report also covers the supply side with factors such as warehousing space under construction, year-to-date deliveries, and vacancy rates.

Full list of Cities and Locations used as Comparison

Atlanta, GA	Fort Myers/Naples, FL	Nashville, TN	Richmond, VA
Austin, TX	Fredericksburg, VA	New Haven, CT	Roanoke, VA
Baltimore, MD	Ft. Lauderdale, FL	New Jersey - Central	Rochester, NY
Binghamton, NY	Greenville, SC	New Jersey - Northern	Sacramento, CA
Birmingham, AL	Hampton Roads, VA	Northern VA	Salt Lake City, UT
Boise, ID	Hartford, CT	NY Outer Boroughs	San Antonio, TX
Boston, MA	Houston, TX	Oakland/East Bay, CA	San Diego, CA
Buffalo, NY	Indianapolis, IN	Omaha, NE	San Francisco North Bay, CA
Central Valley, CA	Inland Empire CA	Orange County, CA	San Francisco Peninsula, CA
Charleston, SC	Jacksonville, FL	Orlando, FL	San Jose (Silicon Valley), CA
Charlotte, NC	Kansas City, MO	Palm Beach County, FL	Savannah, GA
Chicago, IL	Lakeland, FL	PA I-81/I-78 Distribution Corridor	Seattle, WA
Cincinnati, OH	Las Vegas, NV	Philadelphia, PA	Southern New Hampshire
Cleveland, OH	Long Island, NY	Phoenix, AZ	St. Louis, MO
Colorado Springs, CO	Los Angeles, CA	Pittsburgh, PA	St. Petersburg/Clearwater, FL
Columbus, OH	Louisville, KY	Portland, OR	Suburban MD
Dallas/Ft. Worth, TX	Memphis, TN	Providence, RI	Syracuse, NY
Denver, CO	Miami, FL	Puget Sound - Eastside	Tampa, FL
Detroit, MI	Milwaukee, WI	Raleigh/Durham, NC	Tucson, AZ
El Paso, TX	Minneapolis, MN	Reno, NV	Tulsa, OK

The report contains data obtained through Cushman and Wakefield. Note that all dates used in this report refer to the calendar year. If you have questions regarding the report or the information covered please contact me at michael.simmons@mecklenburgcountync.gov.

Terms and Definitions

Asking Rent - The amount asked by landlords for available space, expressed in dollars per square foot per year in most parts of the country

Available Space - The total amount of space that is currently being marketed for lease. It includes space that is vacant or also space that is currently occupied but will be vacant in the future. Available space can include both direct and sublet space. If sublet space is excluded from the calculation, the term “direct available space” is used.

Delivered - A building that has completed construction (i.e. obtained its certificate of occupancy). With a COO, the property will be considered delivered whether or not tenants have occupied the space. (Synonyms: completion; new supply)

Direct Vacancy Rate - The total amount of physically vacant space divided by the total amount of existing inventory, expressed as a percentage. Space that is under construction (and, therefore, is vacant) is not included in vacancy calculations.

Flex Facility - As its name suggests, an industrial building designed to be used in a variety of ways. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more.

Net Absorption - The net change in occupied space over a specified period of time. This change is measured in square feet at the building, submarket and market levels. This figure reflects the amount of space occupied as well as the amount of space vacated. Net absorption can be either positive or negative and must reflect increases and decreases in inventory levels.

Speculative - A building developed and constructed without any preleasing in place. Construction commences without a prelease when the developer believes there is so much demand for that type of building in that market or submarket that a lease commitment is bound to come through.

Under Construction - A building is under construction when construction permits have been obtained and site excavation has begun. If a site is being redeveloped, demolition of existing structures does not necessarily indicate that construction has begun. Sites are sometimes cleared years in advance of a groundbreaking.

Vacancy Rate - A measurement expressed as a percentage of the total amount of vacant space divided by the total amount of inventory. This measurement is typically applied to a building, a submarket or a market.

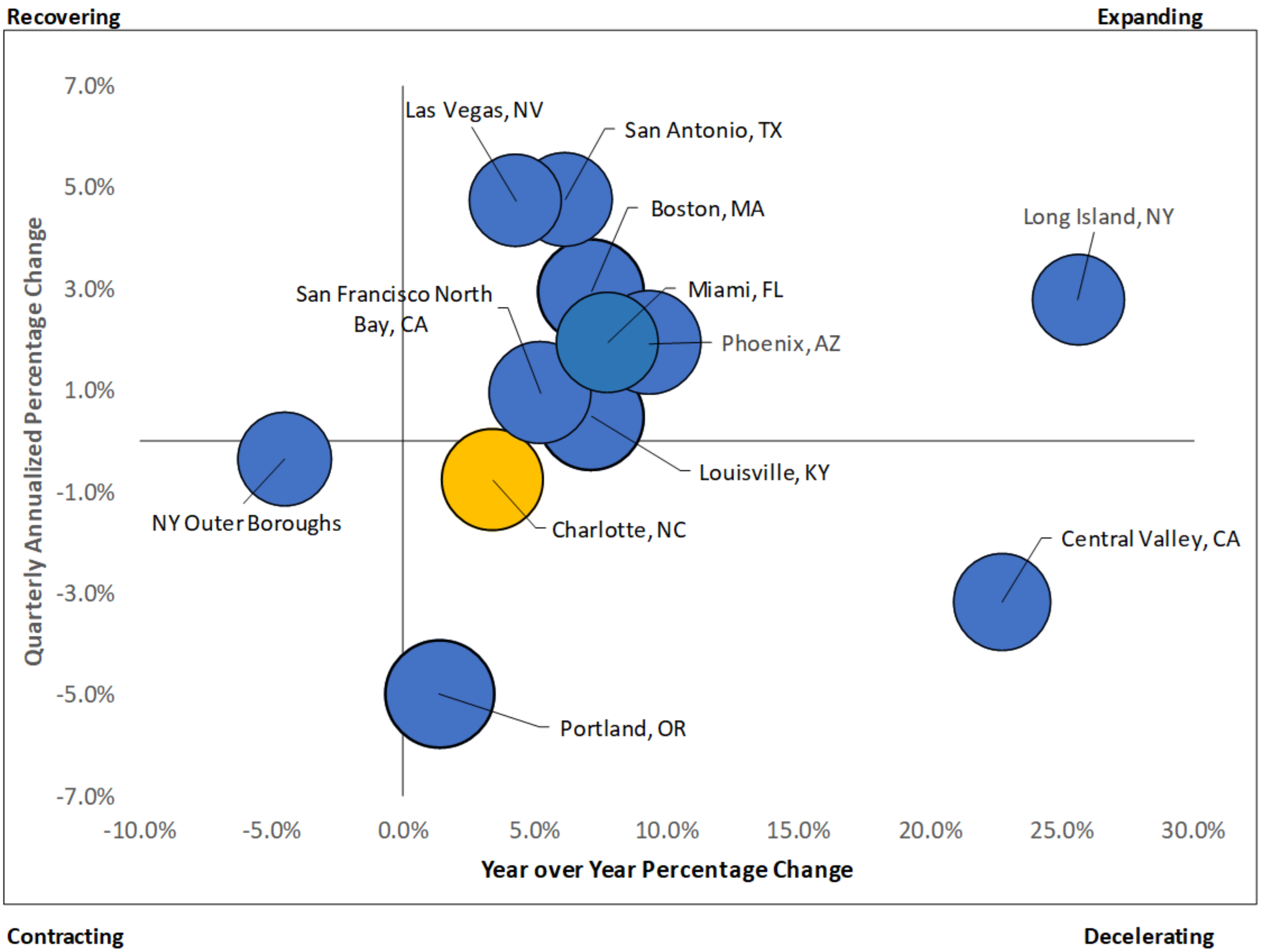
Definitions from NAIOP Research Foundation

Industrial / Warehouse Report for Q1 2021

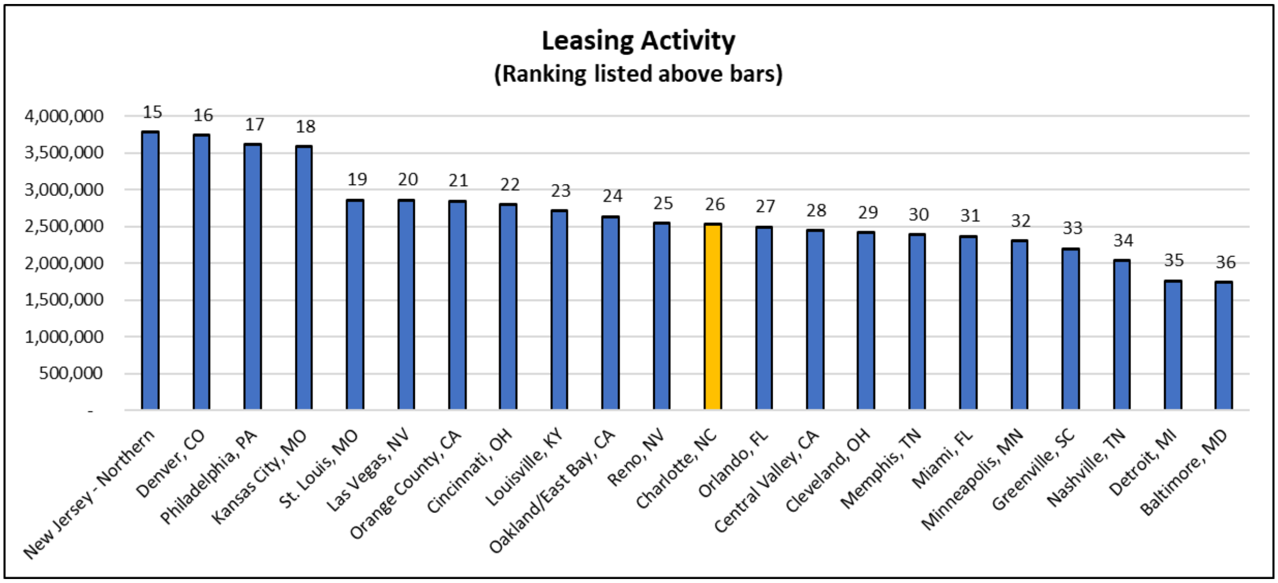
In the first quarter, effective warehouse rent growth in Charlotte's fell short of other cities of the same market size. Rents are up 3.4 percent year-over-year, however the most recent quarter showed rents from Q4 decreased by 0.8 percent.

Asking rents were $5.17 in the 1st quarter down from 4 cents from the prior quarter. Overall rents in the Charlotte area are cheaper than 59 major cities but more expensive than 20.

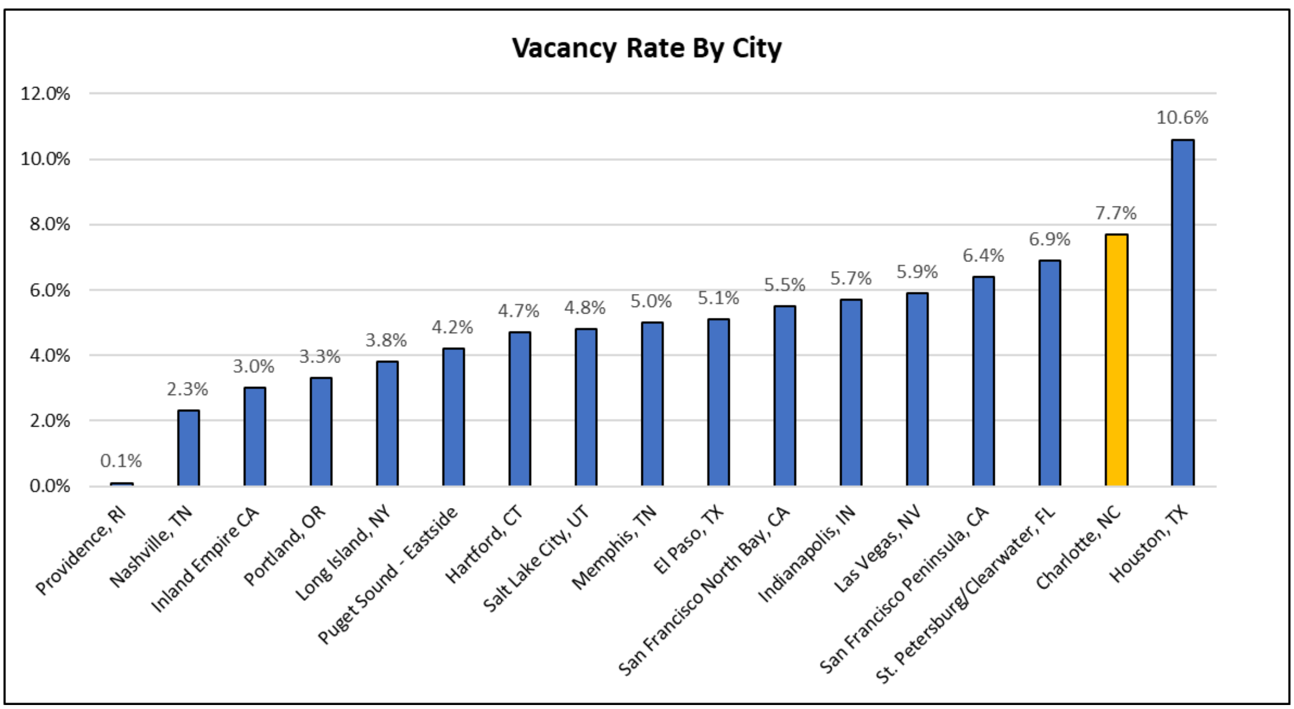
Mecklenburg County Effective Industrial / Warehouse Rent Growth



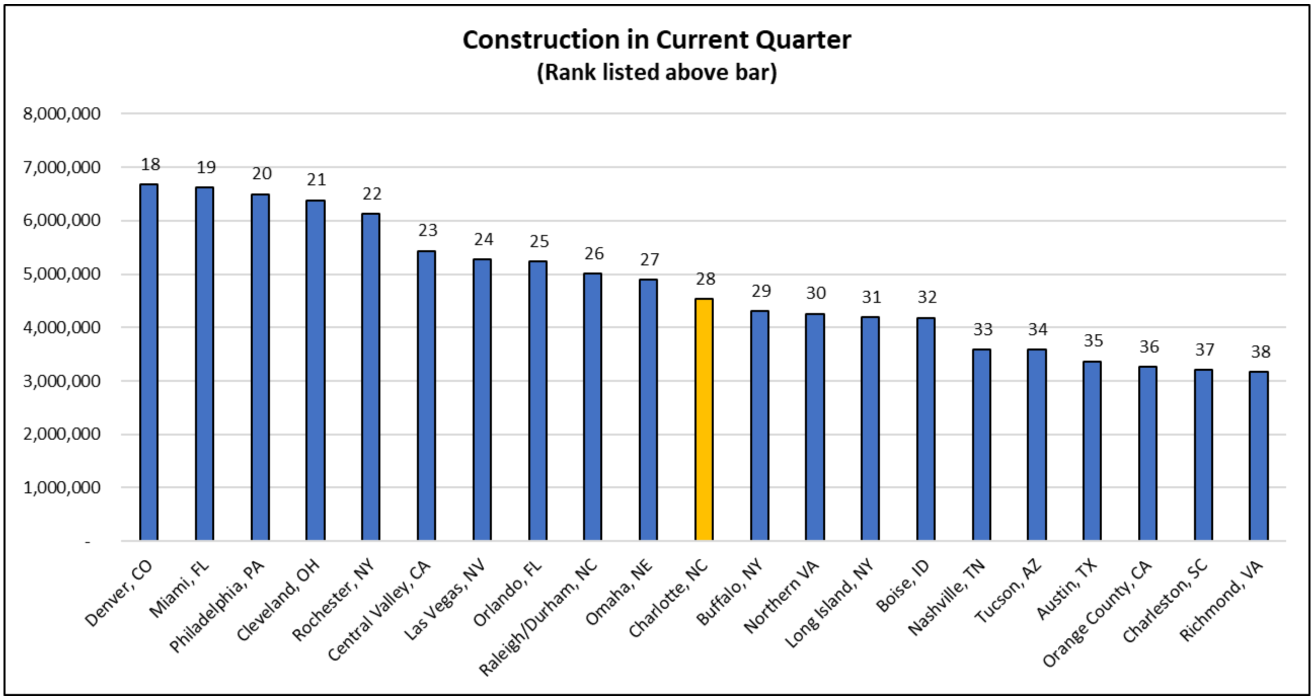
The above chart shows the 29th through 40st largest industrial / warehouse markets in the US the largest Portland, OR (186.7k sq ft) and the smallest Las Vegas, NV (131.7k sq ft). The Charlotte market ranks 34th at 161.5k sq ft of industrial / warehouse space.

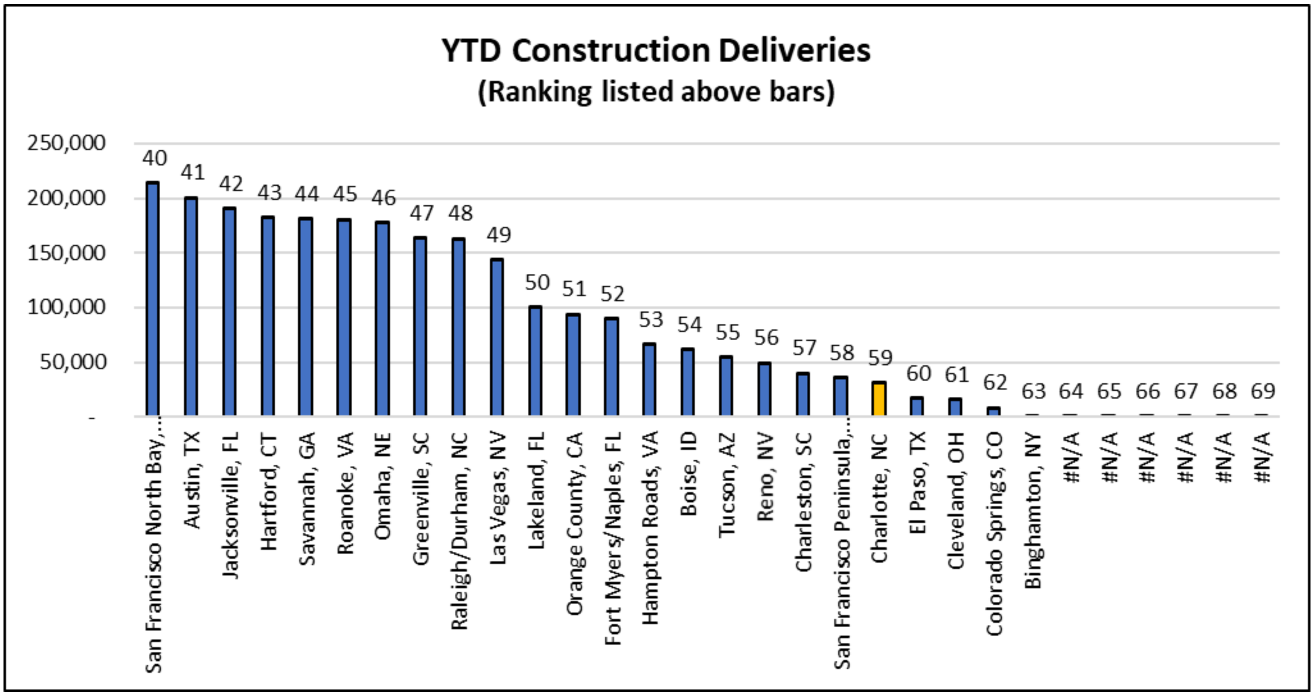


Leasing activity was strong with 2,520,944 square foot of space leased in the 1st quarter, ranking the city 26th of the 80 major cities in this report. In terms of vacancy rate at 7.7 percent we ranked second to last only surpassed by Houston TX. Cushman and Wakefield reports show that at the close of Q1 2021, space options for tenants requiring larger Class A space were extremely limited—only six options for spaces 250,000 square feet (sf) or larger with 32' clear heights are available for immediate occupancy. Northwest Charlotte is the tightest submarket with an overall vacancy rate of only 4.8 percent, while the East and North submarkets also boast sub-5.5% rates. The highest vacancy rate at 10.7 percent was in York County, while outside of Mecklenburg County is still counted in the overall Charlotte industrial warehouse market as is Cabarrus County.



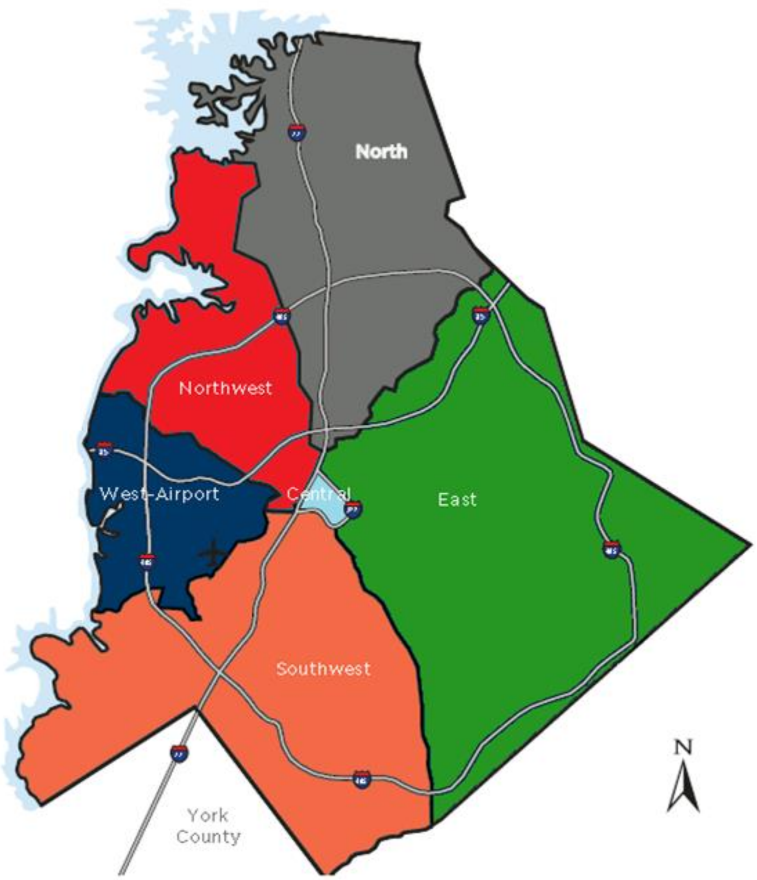
There is currently 4.5 million square foot of new warehouse construction being built in the Charlotte market with 42.8 percent residing in York County. Year-to-date 30,542 square foot has been delivered with through the first quarter of 2021. However, one million square foot is expected to deliver next quarter, 31.6% of which has been preleased. Five facilities ranging from 75,000 sf to 350,000 sf are slated to complete in the 2nd quarter in the North, West Airport, York County and Southwest submarkets on a speculative basis.



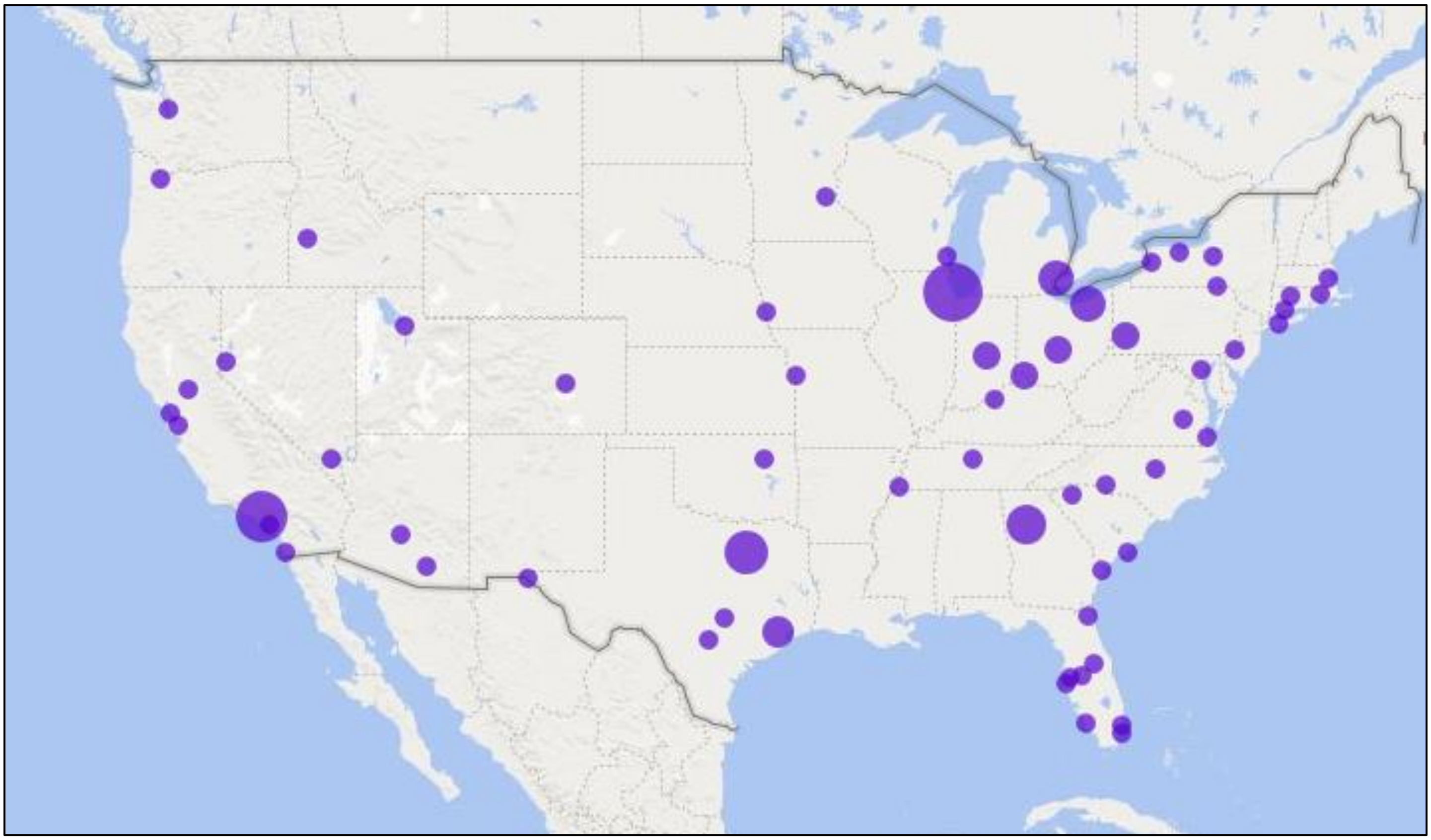


INDUSTRIAL MARKET STATISTICS - Q1 2021

	Total Buildings	Inventory (SF)	Direct Vancant (SF)	Direct Vacancy Rate	Overall Vacancy Rate	YTD Direct Net Absorbtion (SF)	YTD Overall Net Absorbtion (SF)	Under Construction (SF)	Current Qtr Deliveries (SF)	YTD Deliveries (SF)	Average Rent per square ft
MARKET											
East	106	8,942,474	380,008	4.2%	5.3%	(168,048)	(168,048)	-	30,542	30,542	$ 4.19
North	276	28,706,110	1,500,958	5.2%	5.4%	(228,521)	(205,754)	1,089,656	-	-	$ 6.24
Northwest	99	11,524,899	532,264	4.6%	4.8%	13,400	13,400	44,930	-	-	$ 4.11
Southwest	391	44,884,357	3,746,878	8.3%	8.7%	77,484	65,621	687,527	-	-	$ 5.11
West Airport	228	20,334,947	1,426,769	7.0%	7.1%	612,929	640,845	772,331	-	-	$ 7.18
York County	172	27,566,917	2,854,997	10.4%	10.7%	(113,080)	(13,080)	1,942,694	-	-	$ 4.79
Cabarrus County	142	19,564,181	812,704	4.2%	7.5%	43,248	26,448	-	-	-	$ 5.10
PROPERTY TYPE											
Warehouse/Distribution	874	124,435,945	9,813,882	7.9%	8.6%	319,565	459,054	4,537,138	-	-	$ 4.73
Flex	388	18,452,325	1,106,582	6.0%	6.4%	8,647	(8,822)	-	30,542	30,542	$ 10.22
Manufacturing	152	18,635,615	334,114	1.8%	2.4%	(90,800)	(90,800)	-	-	-	$ 4.55
Total	**1,414**	**161,523,885**	**11,254,578**	**7.0%**	**7.7%**	**237,412**	**359,432**	**4,537,138**	**30,542**	**30,542**	**$ 5.17**



Warehousing Inventory by City for the US



Note: Size of circles represents the square footage of warehousing inventory in each city.

Warehousing Inventory by Major US Cities

Chicago, IL	1,178,719,387	St. Petersburg/Clearwater, FL	254,423,897	Miami, FL	160,045,790	Savannah, GA	86,932,032
Los Angeles, CA	990,212,373	Denver, CO	246,584,212	Central Valley, CA	147,540,161	Seattle, WA	83,033,652
Dallas, TX	810,887,860	Greensboro/Winston-Salem, NC	242,416,461	San Antonio, TX	139,550,035	Charleston, SC	80,738,704
Atlanta, GA	649,863,058	Kansas City, MO	235,362,246	NY Outer Boroughs	138,377,001	Puget Sound - Eastside	77,727,305
Inland Empire CA	575,041,453	Southern New Hampshire	235,071,187	Long Island, NY	131,873,354	Tucson, AZ	75,153,577
Detroit, MI	551,648,213	Greenville, SC	224,955,268	Las Vegas, NV	131,697,713	Sacramento, CA	73,551,473
Cleveland, OH	514,790,715	Baltimore, MD	222,285,576	Buffalo, NY	116,267,423	Raleigh/Durham, NC	63,041,729
Houston, TX	473,846,907	Nashville, TN	222,033,086	Orlando, FL	115,068,240	Northern VA	60,402,432
New Jersey - Central	364,945,488	Providence, RI	214,275,192	San Diego, CA	110,927,986	El Paso, TX	57,692,908
Pittsburgh, PA	347,954,082	Oakland/East Bay, CA	214,231,609	Salt Lake City, UT	104,670,011	Rochester, NY	52,123,583
Minneapolis, MN	334,840,570	Milwaukee, WI	207,617,482	Hampton Roads, VA	101,790,306	Reno, NV	51,441,669
Cincinnati, OH	300,045,861	Portland, OR	186,706,073	Richmond, VA	101,707,412	St. Louis, MO	50,061,331
Indianapolis, IN	290,862,492	Boston, MA	177,274,809	Jacksonville, FL	98,706,554	Syracuse, NY	49,427,100
New Jersey - Northern	288,788,379	Louisville, KY	173,511,455	Roanoke, VA	95,304,196	New Haven, CT	48,585,149
Columbus, OH	281,235,843	Phoenix, AZ	166,429,114	Hartford, CT	94,529,417	Boise, ID	45,265,641
Memphis, TN	270,103,832	San Francisco North Bay, CA	163,303,069	Omaha, NE	94,248,691	Austin, TX	45,237,258
Orange County, CA	259,638,907	Charlotte, NC	161,523,885	Ft. Lauderdale, FL	88,288,681	Fort Myers/Naples, FL	43,418,319