Mecklenburg County Warehouse / Industrial Market Report

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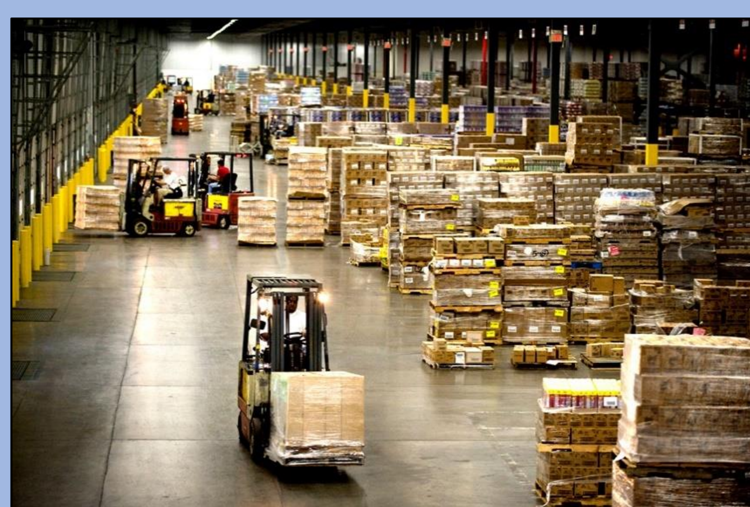
County Economist

Data as of 2nd 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.

Contents

The report contains data obtained through Cushman and Wakefield, NAIOP Research Foundation, and internal County documents. 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

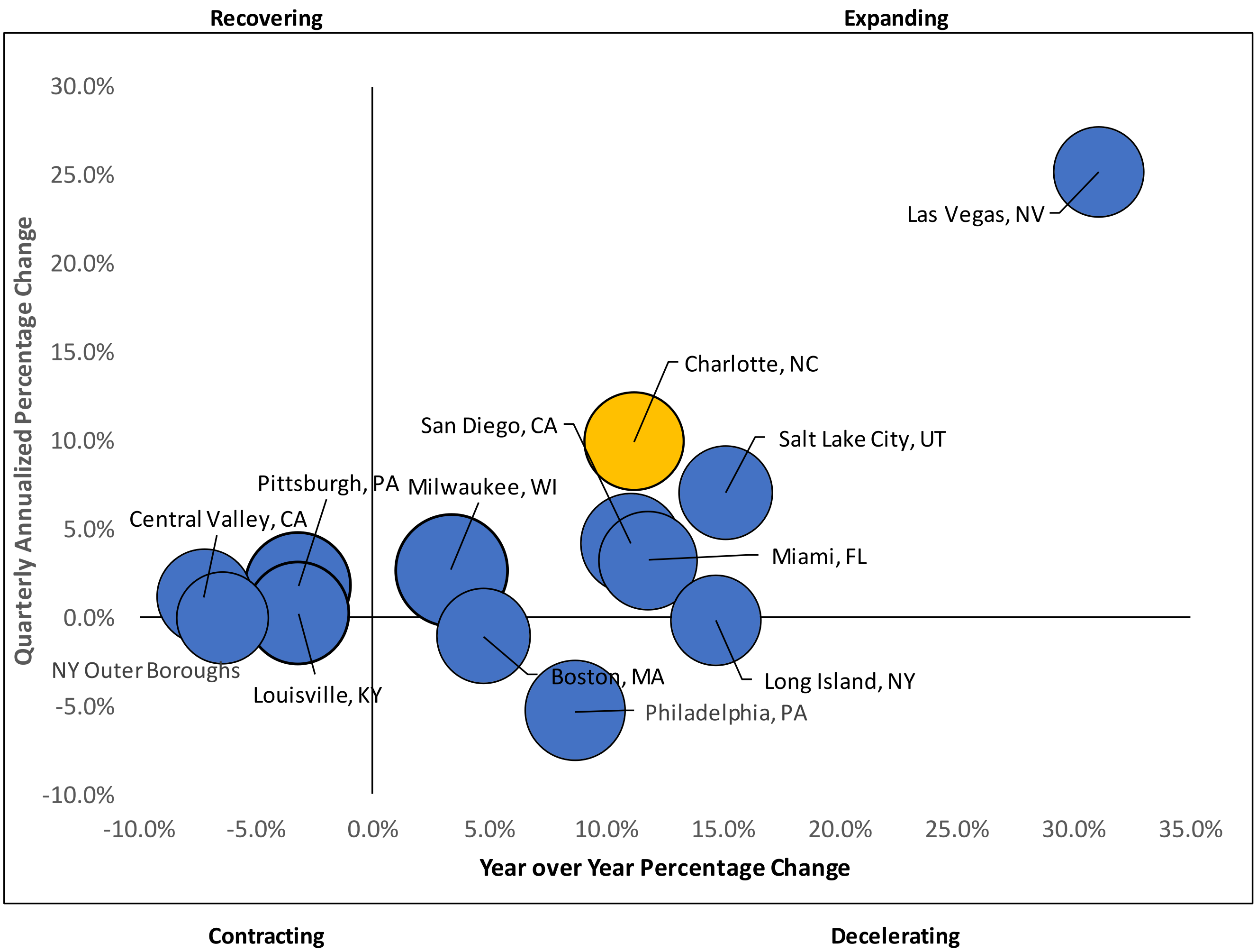
Industrial / Warehouse Report for Q2 2021

Rent Growth

In the second quarter, effective warehouse rent growth in Charlotte's industrial / warehouse market picked up increasing at 10.0% over the 1st quarter, or 11.2% year-over-year. This growth exceeds the average city in the study as their quarterly growth averaged 3.2% with year-over-year growth at 8.4%.

Mecklenburg's asking rents averaged $5.85 in the 2nd quarter which is lower than the national average of $7.95. Rents are expected to continue to rise as vacancy rates remain low and new class A space completes construction.

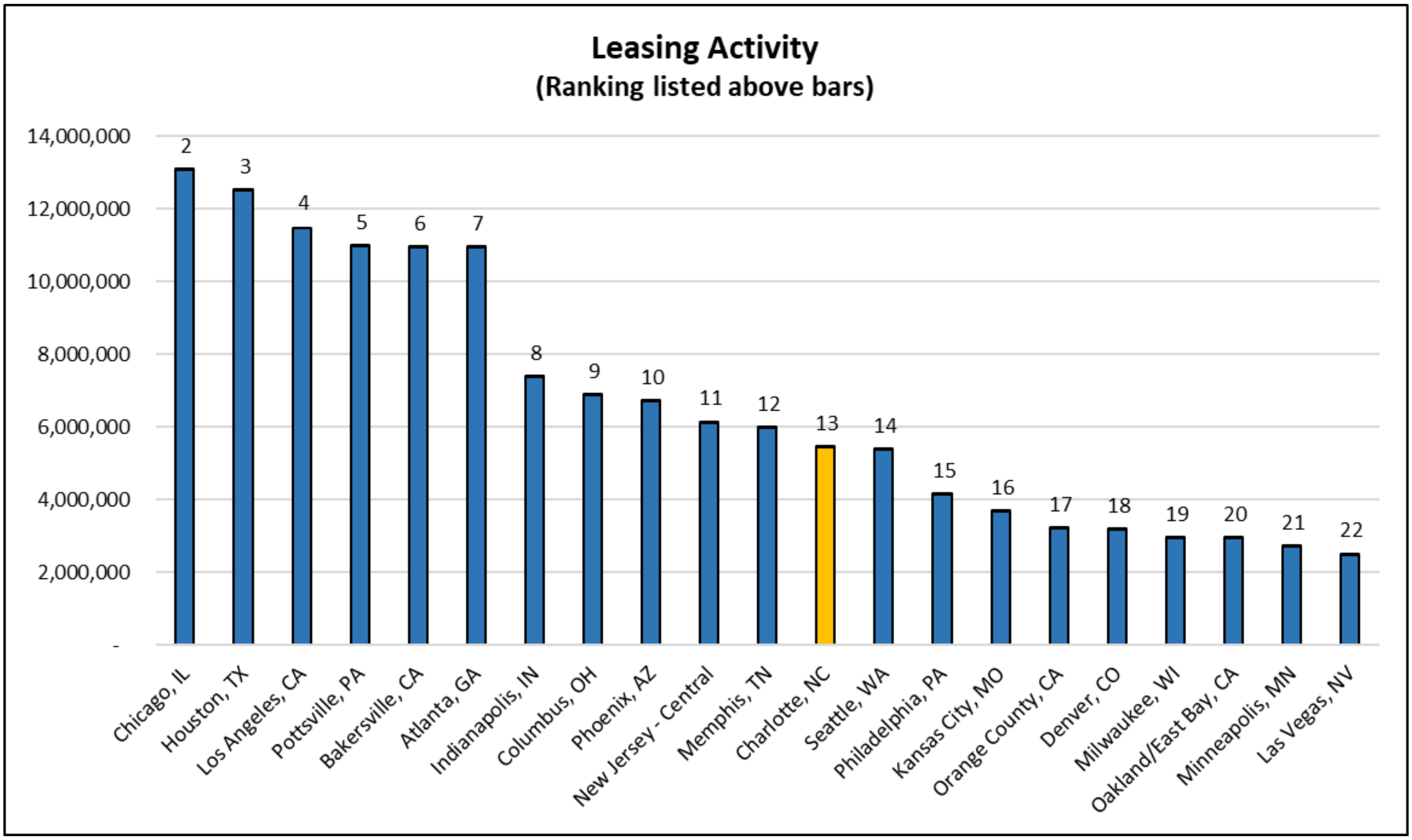
Mecklenburg County Effective Industrial / Warehouse Rent Growth



The above chart shows the 29th through 41st largest industrial / warehouse markets in the US by square foot of space. The Charlotte market ranks 34th at 162.1k sq ft of industrial / warehouse space.

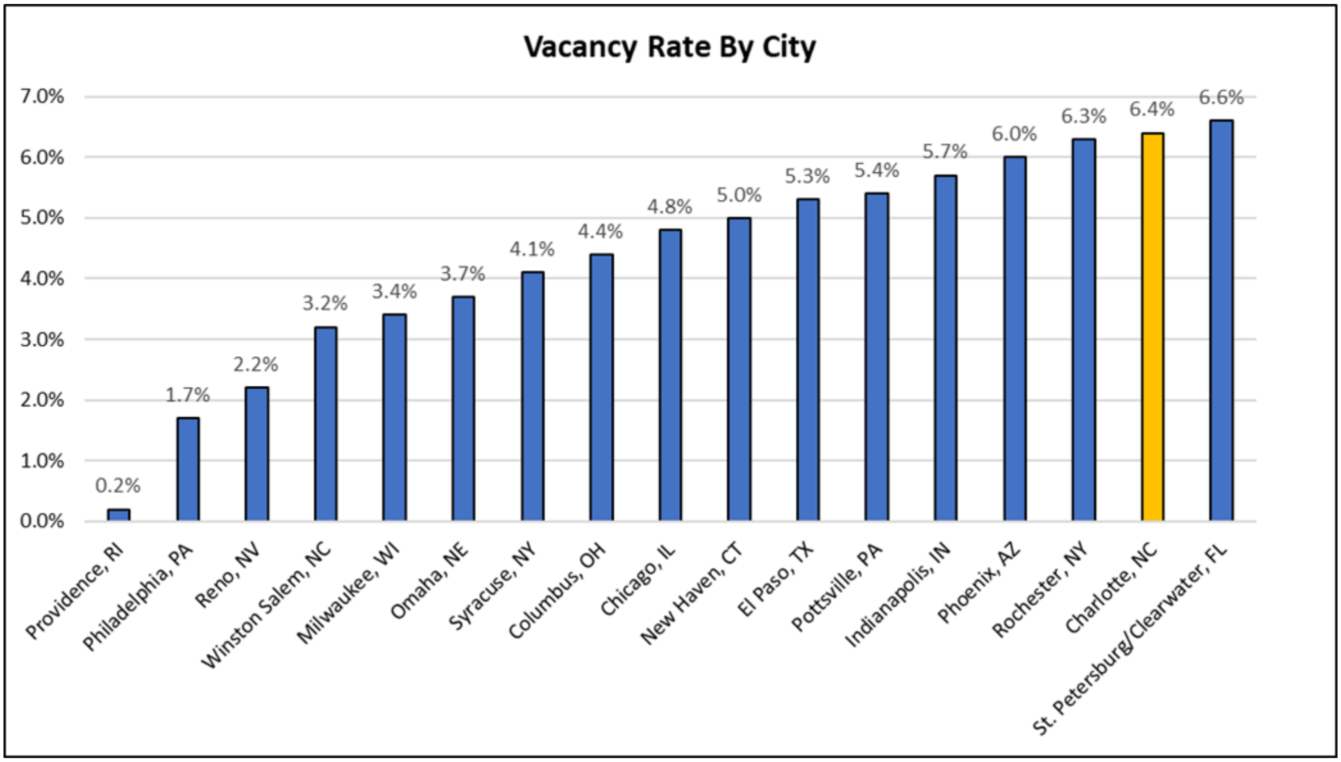
Leasing Activity

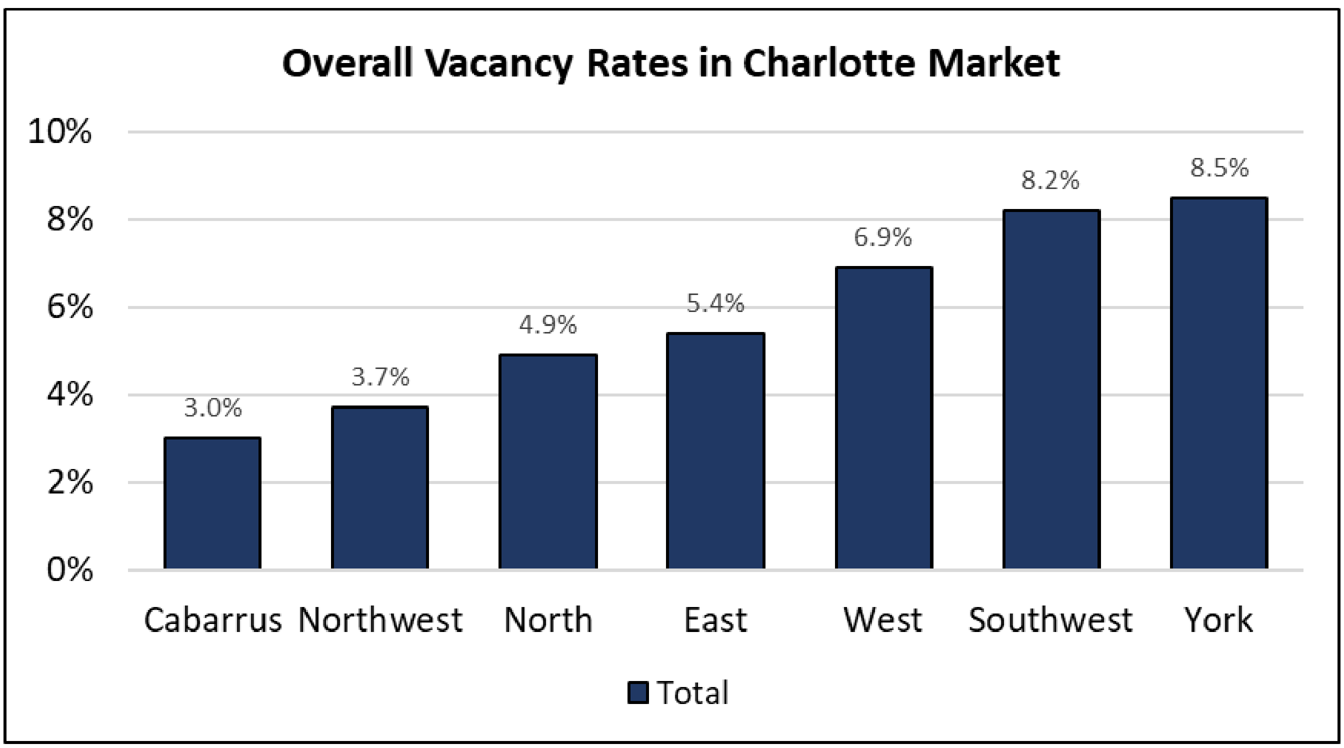
Leasing activity was strong with 5,435,829 square foot of space leased in the 2nd quarter, ranking the city 13th of the 80 major cities in this report. The largest leasing transaction for the quarter occurred in the Southwest market with Amazon's 1,006,462 square foot lease at Carolina Logistics Park. Other notable leases within the County include Frito Lay's lease of 243,072 square foot at Geneva II in the Southwest market and Ruggable's 233,438 square foot lease of Creekside Commerce Building – 1, also located in the Southwest market. During the second quarter, 15 new transactions of 100,000 square foot or larger were signed throughout Metro Charlotte. Leasing activity should remain steady through the second half of the year across the entire Charlotte market.



Vacancy Rates

Charlotte's vacancy rate improved decreasing from 7.1% in the 1st quarter to 6.4% in the 2nd quarter. Overall, for the metro area, York County had the highest vacancy rate at 8.5%, and Cabarrus County boasted the lowest vacancy rate of 3.0%. However, within Mecklenburg County the Southwest market had the highest vacancy rate at 8.2%. The lowest vacancy rate in the County was the Northwestern market at 3.0%.

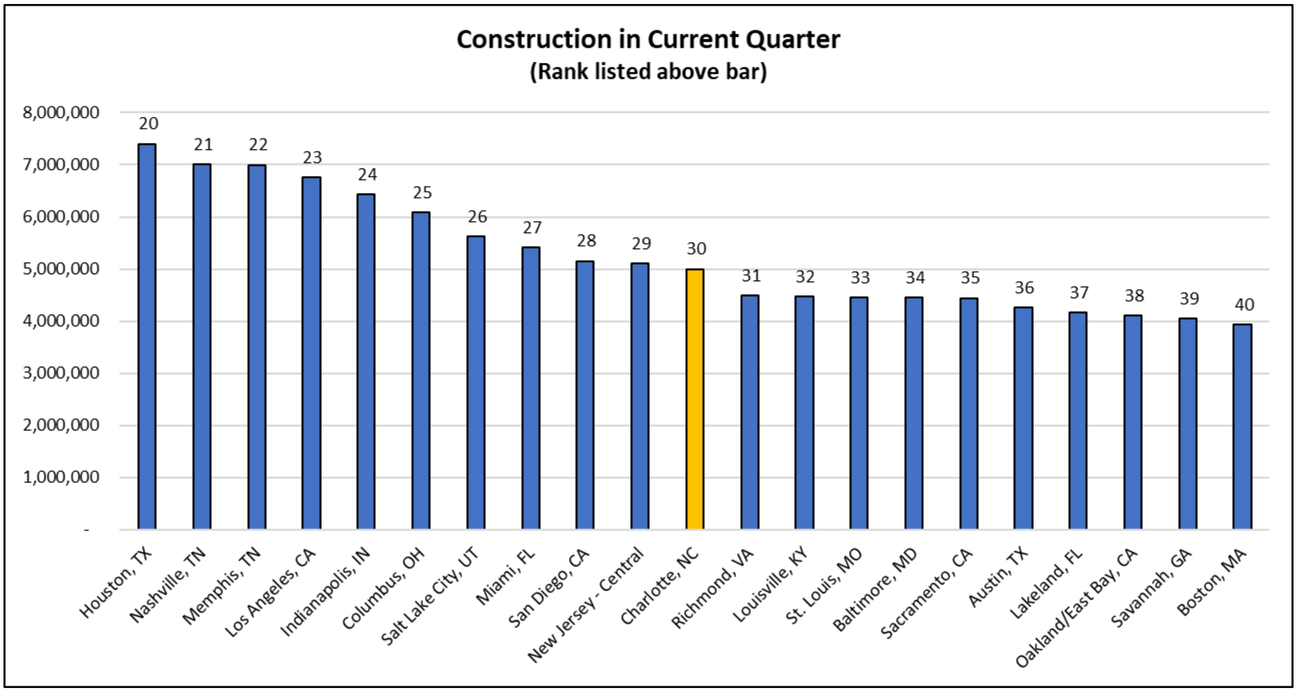


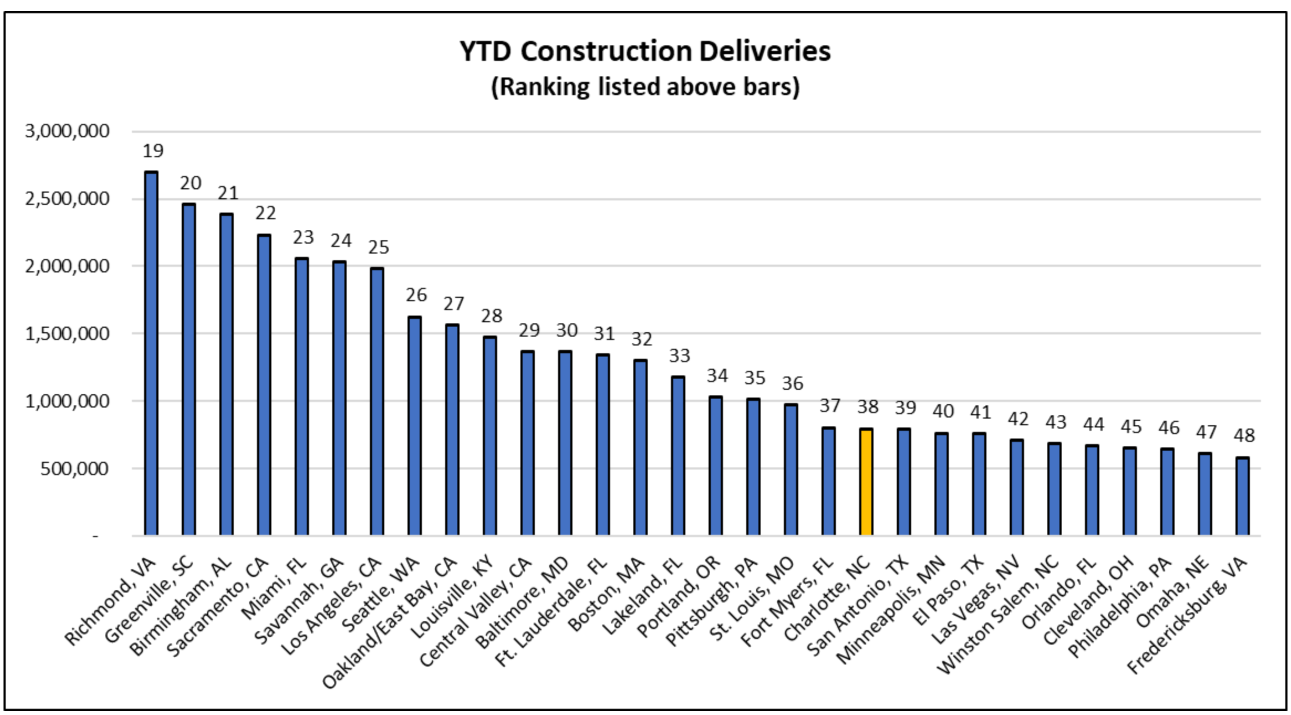


Construction Activity

The Charlotte market currently has 4,999,738 square foot of new warehouse space under construction with 98.5% as new warehouse space and the remaining 1.5% as new flex space ranking us 30th nationally for most new construction. Currently there is no industrial construction in the Charlotte market.

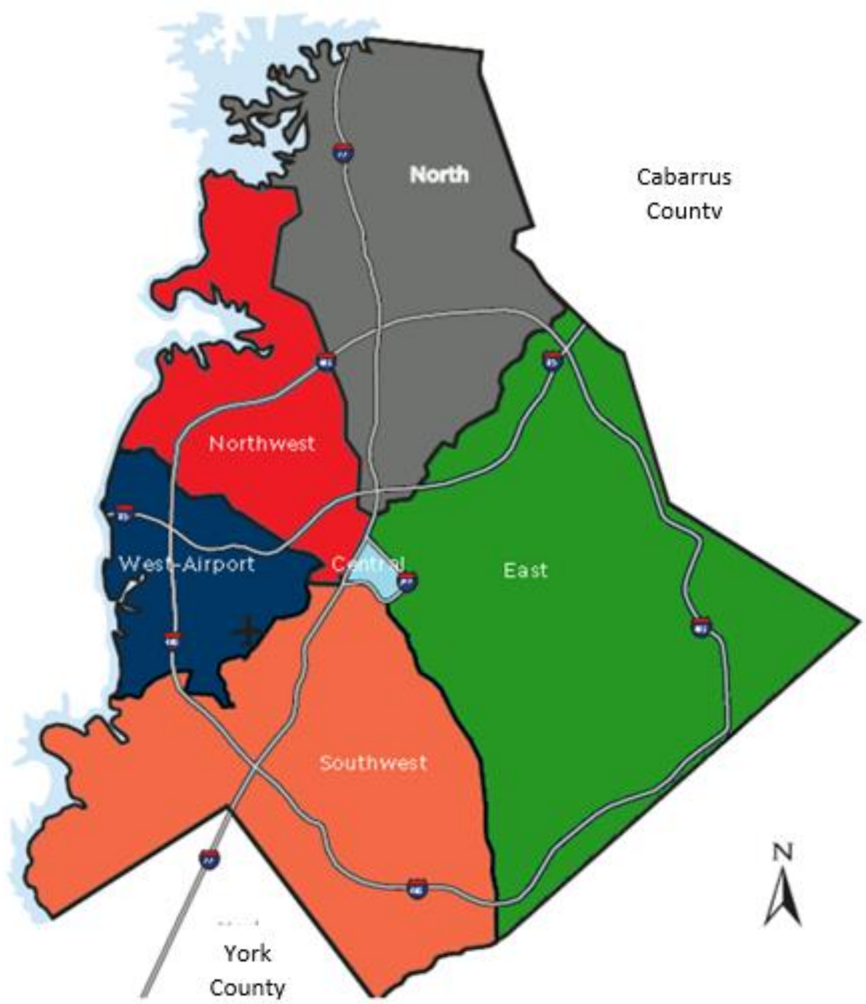
Year-to-date the County completed a total of 760,431 square foot of new warehouse space. The most significant delivery was from the electric vehicle manufacturer Arrival which opened two facilities at Meadow Oaks delivering 523,000 square foot of warehouse space in the West Airport market. Construction costs slowed the pace of new construction earlier this year, however almost 3.8 million square foot of Class A space is slated to deliver in the second half of 2021.



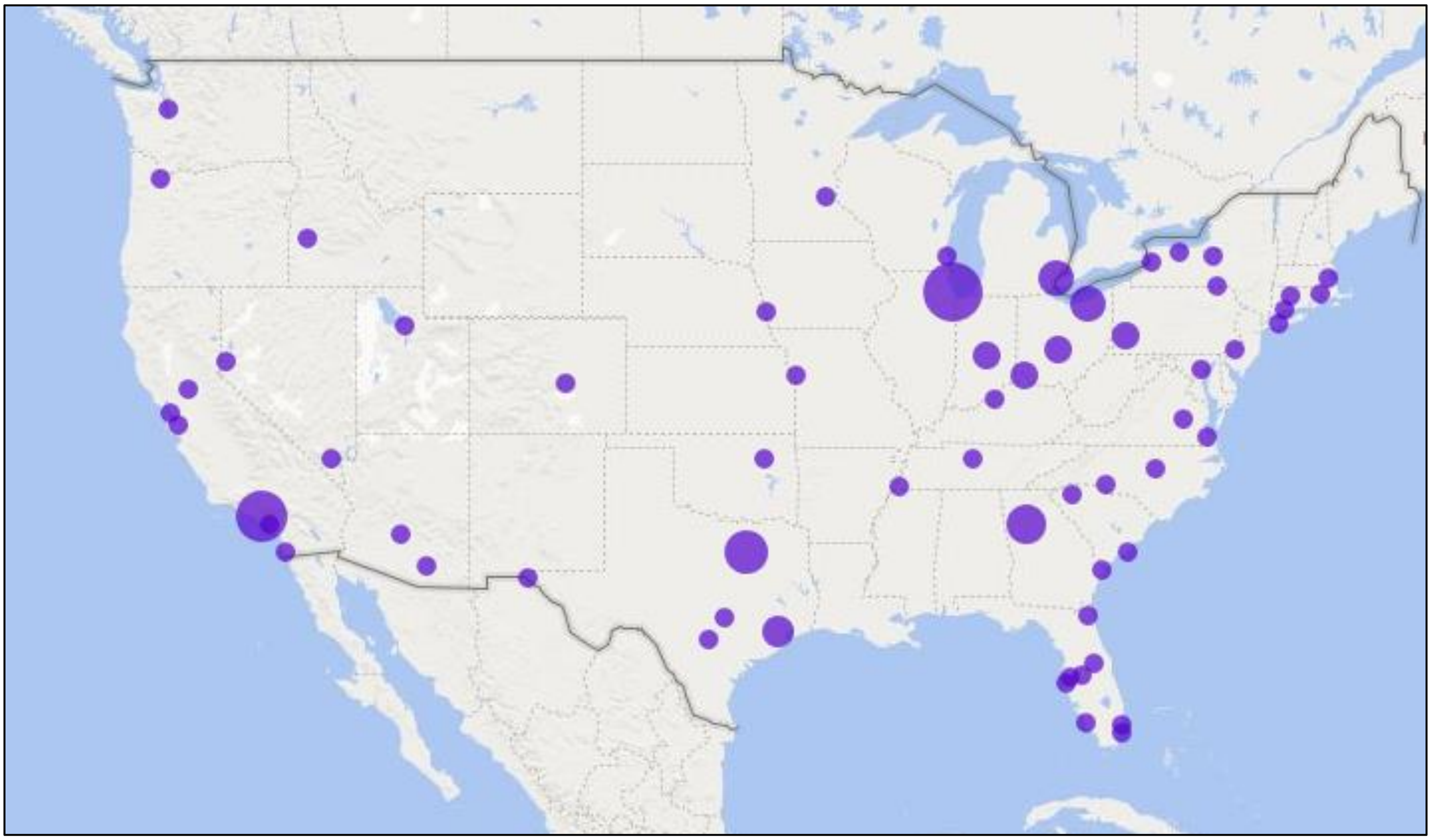


Mecklenburg County Statistics

INDUSTRIAL MARKET STATISTICS - Q2 2021	Total Buildings	Inventory (SF)	Direct Vancant (SF)	Direct Vacancy Rate	Overall Vacancy Rate	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	383,659	4.3%	5.4%	(163,738)	(171,699)	-	-	30,542	$4.42
North	276	28,705,726	1,392,212	4.8%	4.9%	(182,294)	(66,802)	1,241,556	-	-	$6.71
Northwest	99	11,525,033	422,089	3.7%	3.7%	114,375	139,575	44,930	-	-	$4.23
Southwest	392	45,046,854	3,612,120	8.0%	8.2%	99,834	353,454	1,771,492	162,497	162,497	$6.24
West Airport	230	20,863,048	1,424,578	6.8%	6.9%	606,983	1,246,299	74,000	523,000	523,000	$6.47
York County	173	27,641,851	2,155,721	7.8%	8.5%	(26,000)	676,050	1,867,760	74,934	74,934	$4.65
Cabarrus County	141	19,416,607	588,884	3.0%	3.0%	157,750	366,990	-	-	-	$6.78
PROPERTY TYPE											
Warehouse/Distribution	877	125,053,791	8,596,943	6.9%	7.1%	695,582	2,584,518	4,925,738	760,431	760,431	$4.94
Flex	388	18,452,187	1,032,035	5.6%	6.1%	2,128	50,320	74,000	-	30,542	$9.85
Manufacturing	152	18,635,615	350,285	1.9%	2.4%	(90,800)	(90,971)	-	-	-	$7.30
Total	**1,417**	**162,141,593**	**9,979,263**	**6.2%**	**6.4%**	**606,910**	**2,543,867**	**4,999,738**	**760,431**	**790,973**	**$5.85**



Warehouse Inventory by City for the US



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

Total Warehouse / Industrial Inventory by City

Chicago, IL	1,181,794,334	Portland, OR	215,447,201	Charleston, SC	80,861,067
Los Angeles, CA	992,238,072	Milwaukee, WI	207,995,852	Providence, RI	77,727,305
Dallas, TX	815,577,048	Pittsburgh, PA	187,411,625	Tampa, FL	75,126,429
Atlanta, GA	654,735,333	Louisville, KY	173,539,832	Rochester, NY	73,551,473
Bakersville, CA	578,034,460	Philadelphia, PA	165,865,914	Puget Sound - Eastside	63,042,904
Detroit, MI	553,582,603	San Diego, CA	163,359,962	Northern VA	60,402,432
Cleveland, OH	515,671,846	Charlotte, NC	162,141,593	El Paso, TX	59,118,444
Houston, TX	479,476,290	Miami, FL	160,802,932	Raleigh/Durham, NC	52,365,496
New Jersey - Central	365,321,455	Central Valley, CA	147,835,835	Roanoke, VA	51,056,340
Phoenix, AZ	350,642,246	Boston, MA	146,668,982	Southern New Hampshire	50,061,331
Minneapolis, MN	335,142,296	Salt Lake City, UT	141,274,901	Suburban MD	49,427,100
Pottsville, PA	328,667,072	NY Outer Boroughs	138,722,304	New Haven, CT	48,853,716
Cincinnati, OH	302,373,134	Las Vegas, NV	132,612,167	Boise, ID	45,806,772
Indianapolis, IN	294,424,402	Long Island, NY	132,449,863	Austin, TX	44,586,933
New Jersey - Northern	288,692,249	San Antonio, TX	118,140,912	Tucson, AZ	44,118,890
Columbus, OH	283,548,571	Buffalo, NY	116,246,004	Fort Myers, FL	43,881,941
Memphis, TN	276,455,826	Orlando, FL	115,178,988	Syracuse, NY	42,549,235
Orange County, CA	260,840,604	Sacramento, CA	104,412,792	San Francisco Peninsula, CA	41,565,337
St. Louis, MO	255,153,018	Reno, NV	102,042,625	Palm Beach County, FL	38,315,723
Denver, CO	247,785,966	Hampton Roads, VA	101,386,148	St. Petersburg/Clearwater, FL	35,485,742
Winston Salem, NC	243,470,418	Jacksonville, FL	98,554,093	Colorado Springs, CO	34,481,122
Kansas City, MO	237,407,415	Richmond, VA	97,063,549	Lakeland, FL	34,084,354
Seattle, WA	236,962,017	Omaha, NE	95,193,342	San Francisco North Bay, CA	31,472,681
Nashville, TN	227,762,658	Hartford, CT	94,118,331	Binghamton, NY	17,487,645
Greenville, SC	226,700,896	Ft. Lauderdale, FL	89,071,097	Birmingham, AL	15,165,984
Baltimore, MD	222,575,195	San Jose (Silicon Valley), CA	86,180,683		
Oakland/East Bay, CA	216,260,656	Savannah, GA	83,033,652		