

Mecklenburg County Warehouse / Industrial Market Report

Michael B. Simmons

County Economist

Data as of 3rd 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

| | |
|---|---|
| Terms and Definitions | 3 |
| Rent Growth | 4 |
| Leasing Activity | 5 |
| Vacancy Rates | 5 |
| Construction Activity | 6 |
| Mecklenburg County Statistics | 8 |
| Warehouse Inventory by City for the US | 9 |

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.

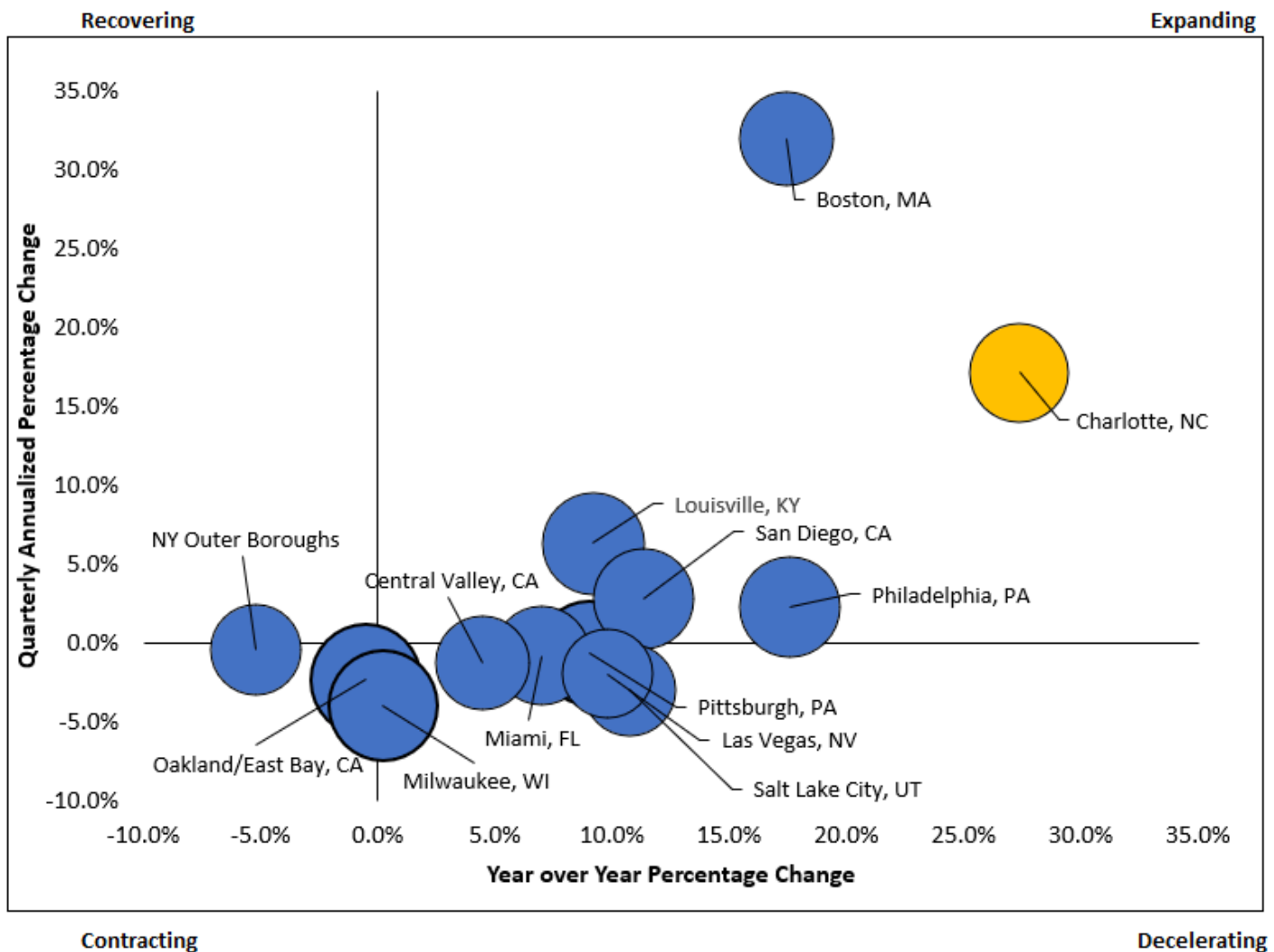
Industrial / Warehouse Report for Q3 2021

Rent Growth

In the third quarter, effective warehouse rent growth in Charlotte’s industrial / warehouse market increased 17.2% from the second quarter, with rates moving from \$5.76 per square ft to \$6.75 per square ft, which is still lower than the national average of \$7.18. Year-over-year Charlotte’s industrial / warehouse rents grew by 27.4%, much faster than the national average which increased at 8.3% over the same time.

Rents in Mecklenburg’s East submarket showed the largest increase with rents increasing \$4.19 to \$8.61 per square ft. Space for manufacturing showed the largest increase increasing \$2.69 to \$9.99 per square foot from the second quarter.

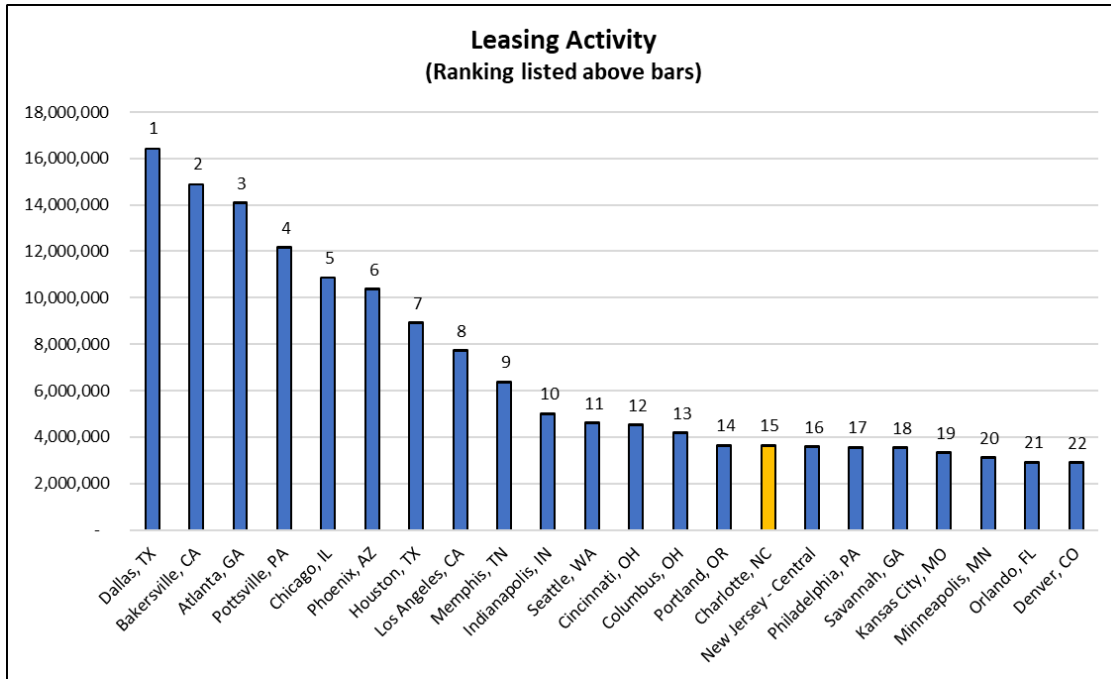
Mecklenburg County Effective Industrial / Warehouse Rent Growth



The above chart shows the industrial / warehouse markets for the cities ranked 28th through 40th largest. Charlotte is ranked 34th largest in total square footage.

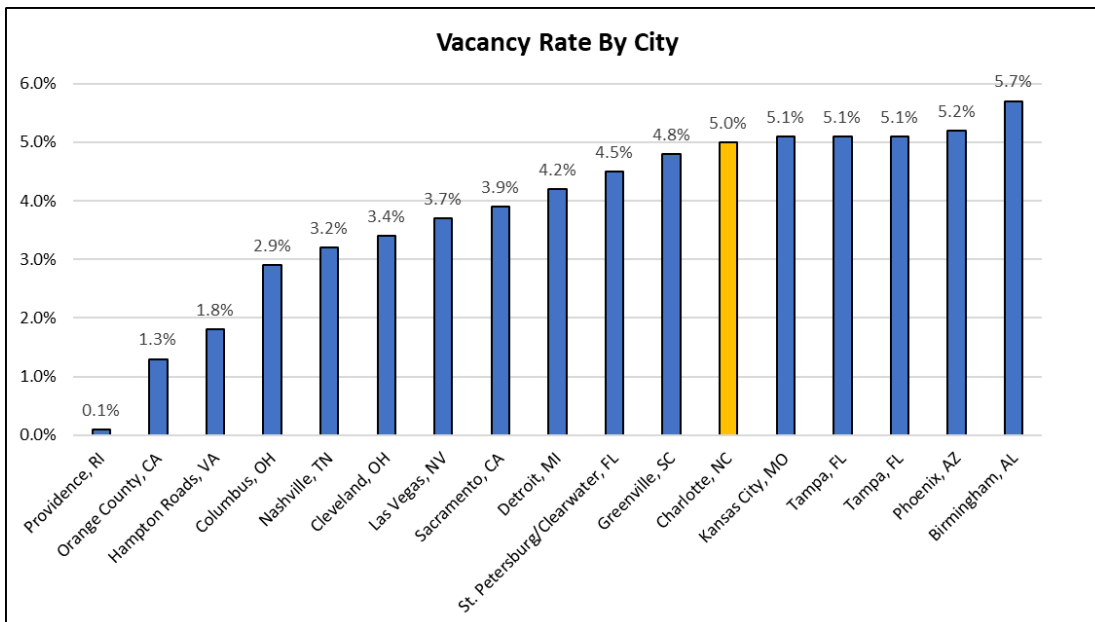
Leasing Activity

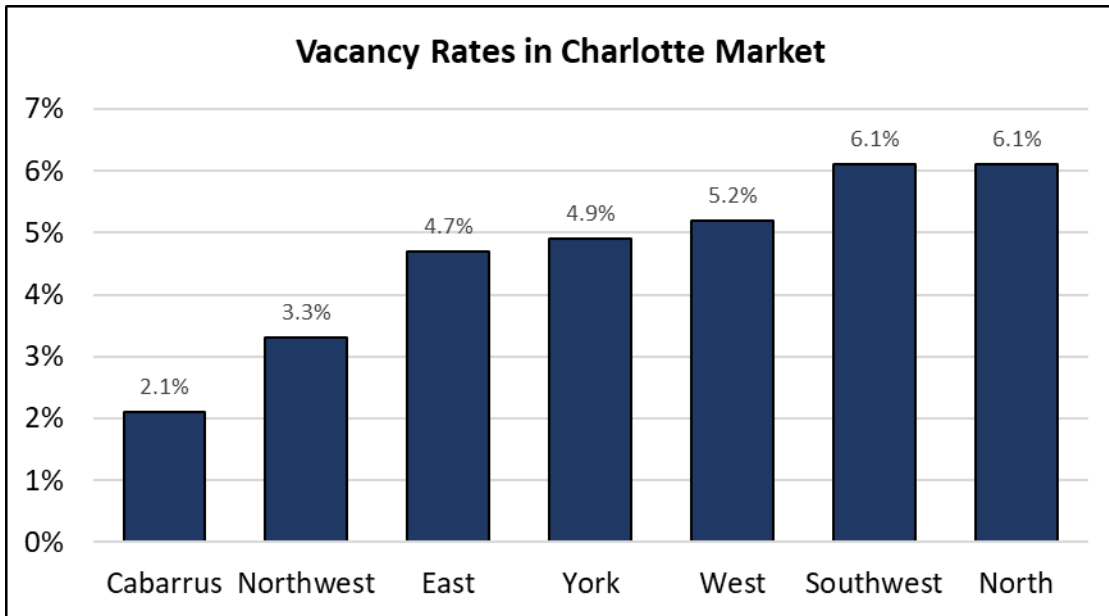
A total of 3.6 million square foot of office space was leased during the 3rd quarter with Charlotte ranking 15th overall in total activity. The Southwest submarket accounted for 42.5% of the total leasing activity within the County during the quarter primarily due to USPS's 358,500-sf lease at Premier Distribution Center and Big Rock Sports expanding into 256,000 sf at 11922 General Drive.



Vacancy Rates

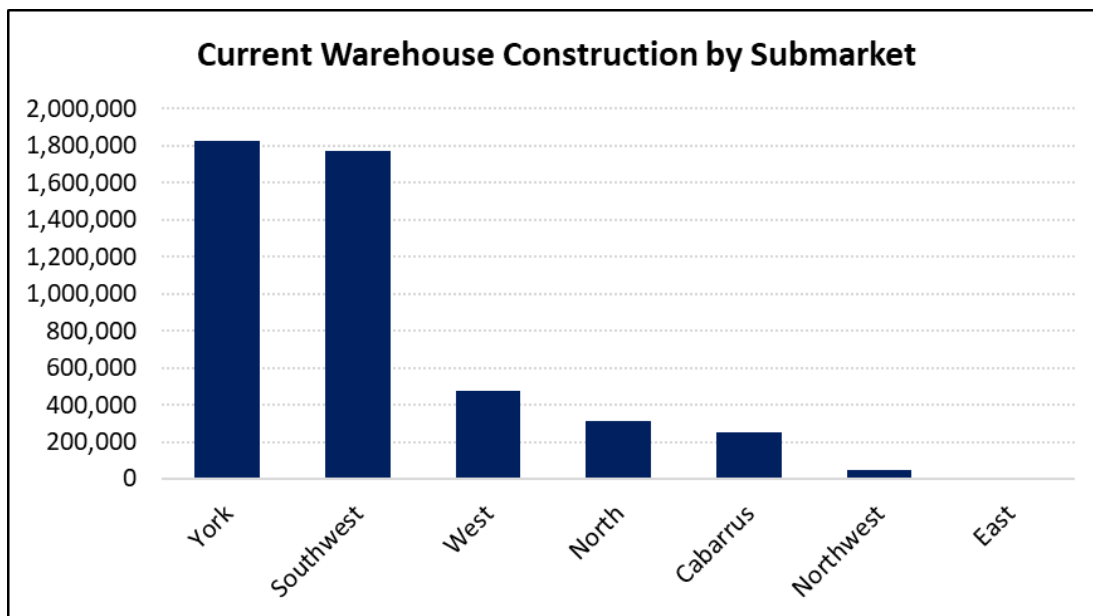
Charlotte's vacancy rates continued to improve decreasing from 5.9% in the second quarter to 5.0% in the third quarter. Overall, for the metro area, the Southwest and North submarkets had the highest vacancy rate at 6.1% with the lowest being the Cabarrus submarket at 2.1%. Vacancy in the Southwest submarket is largely due to MDH delivering 445,000 sf at Northcross Commerce Center last quarter which remains 95.0% vacant. Currently, there are only four vacant spaces greater than 200,000 square feet (sf) in the entire market that are available for lease, accounting for 15.4% of total market vacancy.



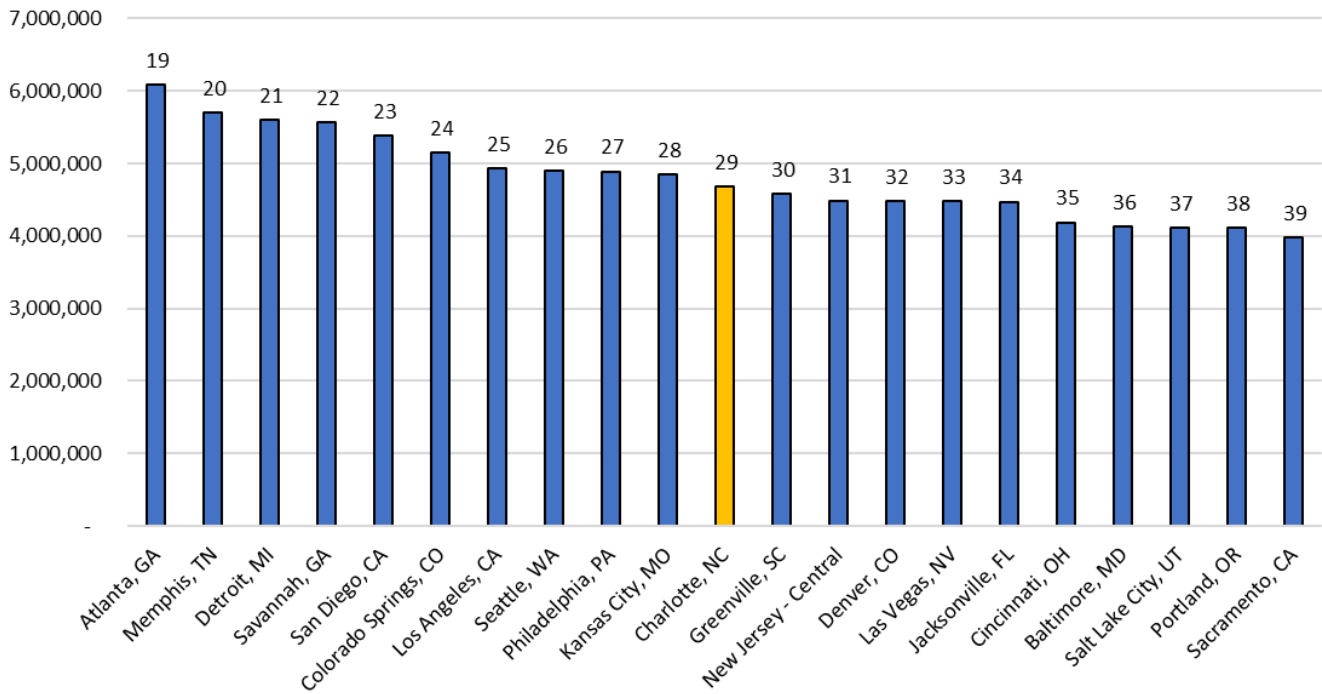


Construction Activity

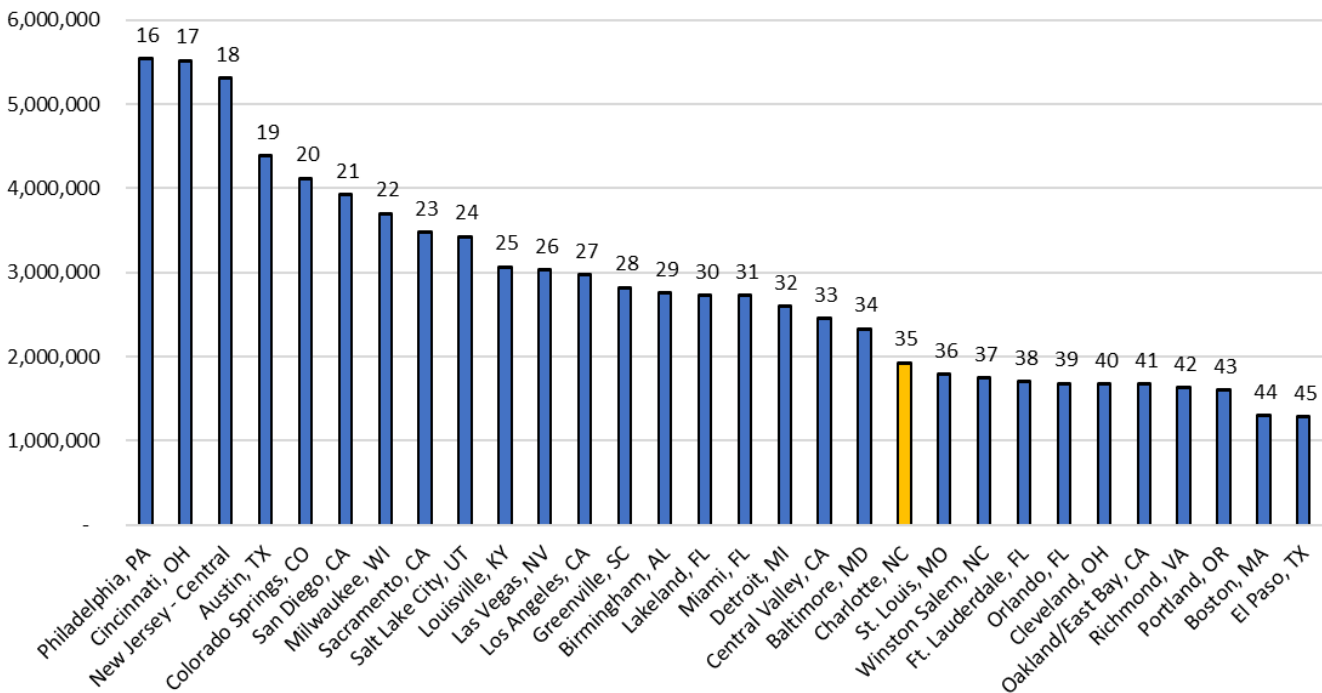
The Charlotte market currently has 4.7 square foot of new warehouse space under construction with 1.8 million square ft being built in the Southwest. Outside the County York and Cabarrus County have a combined total of 2.0 million square ft of space under construction.



Construction in Current Quarter (Rank listed above bar)

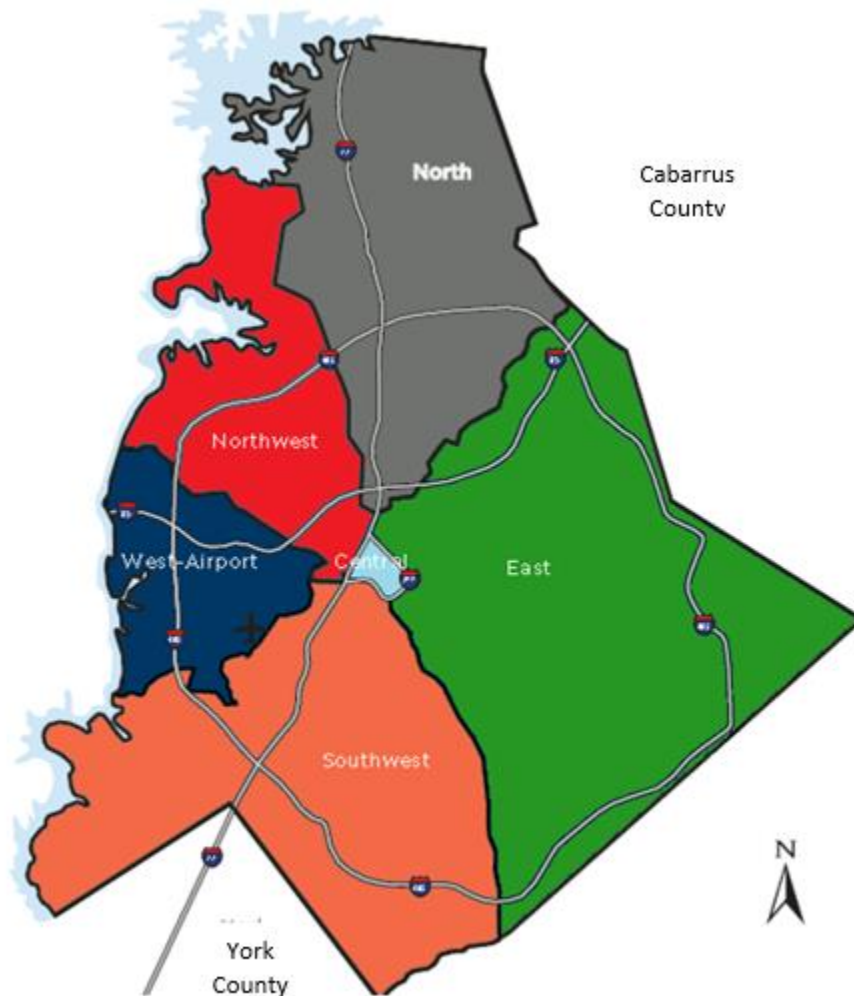


YTD Construction Deliveries (Ranking listed above bars)

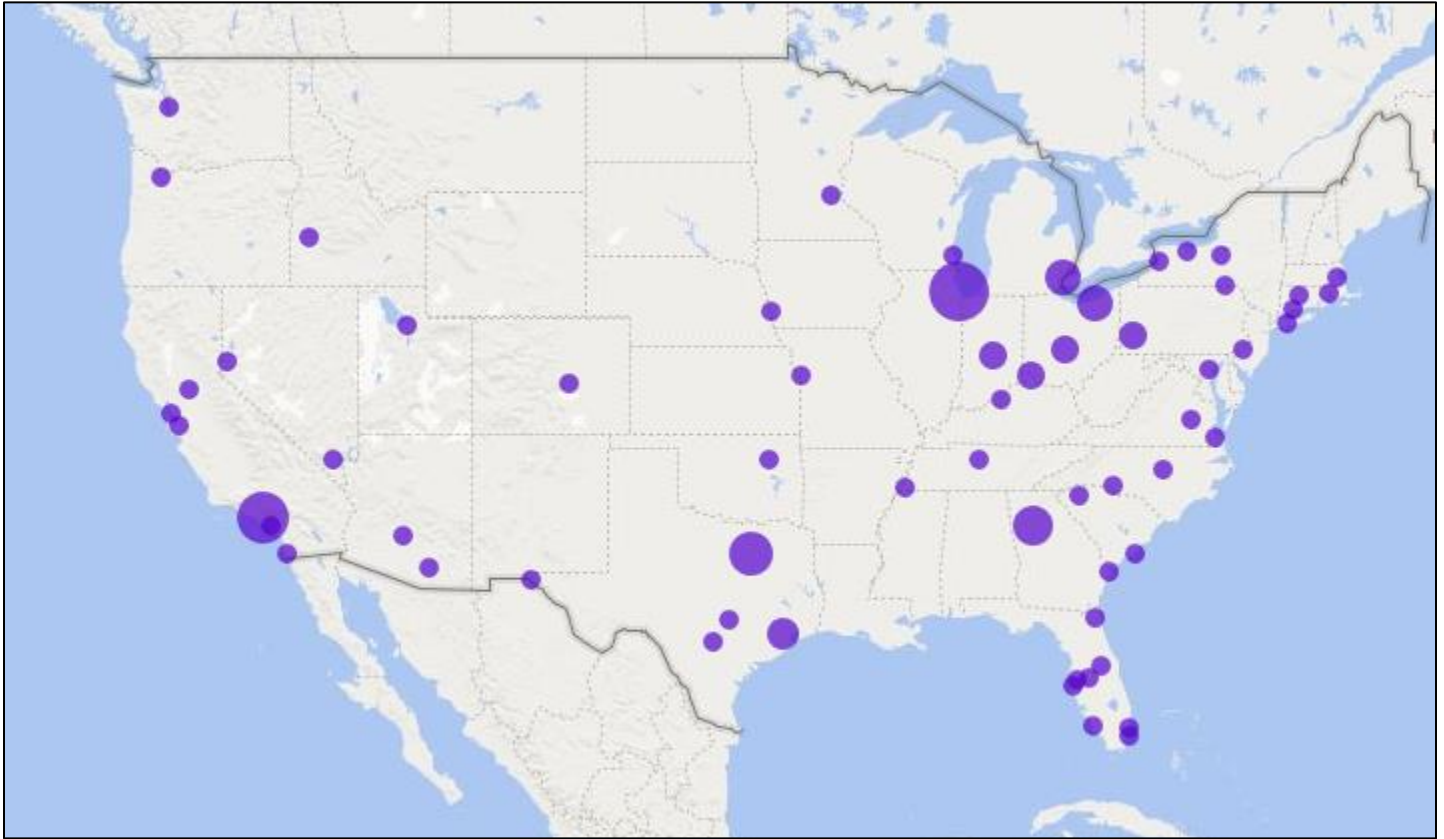


Mecklenburg County Statistics

| INDUSTRIAL MARKET STATISTICS - Q3 2021 | | | | | | | | | | | |
|--|-----------------|--------------------|--------------------|---------------------|----------------------|---------------------|---------------------------------|-------------------------|-----------------------------|---------------------|----------------------------|
| | Total Buildings | Inventory (SF) | Direct Vacant (SF) | Direct Vacancy Rate | Overall Vacancy Rate | Net Absorption (SF) | YTD Overall Net Absorption (SF) | Under Construction (SF) | Current Qtr Deliveries (SF) | YTD Deliveries (SF) | Average Rent per square ft |
| MARKET | | | | | | | | | | | |
| East | 106 | 8,942,474 | 420,543 | 4.7% | 4.7% | (45,104) | (208,583) | - | - | 30,542 | \$8.61 |
| North | 279 | 29,831,361 | 1,781,658 | 6.0% | 6.1% | 817,535 | 601,783 | 311,020 | 1,089,656 | 1,089,656 | \$7.13 |
| Northwest | 99 | 11,521,079 | 384,510 | 3.3% | 3.3% | (3,896) | 135,679 | 44,930 | - | - | \$4.51 |
| Southwest | 392 | 45,042,999 | 2,713,147 | 6.0% | 6.1% | 748,991 | 1,780,196 | 1,772,086 | - | 162,497 | \$7.02 |
| West Airport | 230 | 20,863,048 | 1,023,090 | 4.9% | 5.2% | 371,849 | 1,496,622 | 478,251 | - | 523,000 | \$7.87 |
| York County | 173 | 27,422,910 | 1,241,716 | 4.5% | 4.9% | 450,672 | 1,325,437 | 1,827,243 | 40,517 | 115,451 | \$6.00 |
| Cabarrus County | 141 | 19,416,607 | 403,105 | 2.1% | 2.1% | 154,104 | 536,769 | 248,000 | - | - | \$7.36 |
| PROPERTY TYPE | | | | | | | | | | | |
| Warehouse/Distribution | 881 | 126,227,946 | 6,613,146 | 5.2% | 5.4% | 2,422,485 | 5,690,034 | 4,607,530 | 1,130,173 | 1,890,604 | \$5.29 |
| Flex | 387 | 18,179,156 | 941,338 | 5.2% | 5.6% | 71,666 | 147,840 | 74,000 | - | 30,542 | \$10.91 |
| Manufacturing | 152 | 18,633,376 | 413,285 | 2.2% | 2.2% | - | (169,971) | - | - | - | \$9.99 |
| Total | 1,420 | 163,040,478 | 7,967,769 | 4.9% | 5.0% | 2,494,151 | 5,667,903 | 4,681,530 | 1,130,173 | 1,921,146 | \$6.78 |



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 | 1,187,871,955 | Oakland/East Bay, CA | 215,148,608 | Charleston, SC | 80,305,482 |
| Los Angeles, CA | 993,949,835 | Milwaukee, WI | 207,836,671 | Providence, RI | 77,727,305 |
| Dallas, TX | 823,452,267 | Pittsburgh, PA | 187,592,625 | Tampa, FL | 75,216,070 |
| Atlanta, GA | 657,553,633 | Louisville, KY | 175,184,019 | Rochester, NY | 73,551,473 |
| Bakersville, CA | 580,614,668 | Philadelphia, PA | 171,814,252 | Puget Sound - Eastside | 63,343,134 |
| Cleveland, OH | 517,053,468 | San Diego, CA | 167,058,484 | Northern VA | 60,337,544 |
| Detroit, MI | 490,827,934 | Charlotte, NC | 163,040,478 | El Paso, TX | 59,641,387 |
| Houston, TX | 488,025,968 | Miami, FL | 161,832,860 | Raleigh/Durham, NC | 53,826,766 |
| New Jersey - Central | 366,322,798 | Central Valley, CA | 149,437,125 | Roanoke, VA | 51,076,160 |
| Phoenix, AZ | 353,722,968 | Boston, MA | 145,655,390 | Southern New Hampshire | 50,061,331 |
| Pottsville, PA | 336,729,481 | Salt Lake City, UT | 140,573,717 | Suburban MD | 49,587,100 |
| Minneapolis, MN | 335,539,734 | NY Outer Boroughs | 138,622,845 | New Haven, CT | 47,591,141 |
| Cincinnati, OH | 304,986,523 | Las Vegas, NV | 134,475,356 | Boise, ID | 46,095,973 |
| Indianapolis, IN | 296,856,771 | Long Island, NY | 132,393,373 | Austin, TX | 45,134,575 |
| New Jersey - Northern | 288,812,415 | Orlando, FL | 116,078,619 | Tucson, AZ | 44,173,308 |
| Columbus, OH | 285,606,201 | Buffalo, NY | 115,994,297 | Fort Myers, FL | 43,913,795 |
| Memphis, TN | 277,780,290 | Sacramento, CA | 105,683,349 | Syracuse, NY | 42,333,316 |
| Orange County, CA | 259,625,992 | Reno, NV | 102,817,780 | San Francisco Peninsula, CA | 41,574,469 |
| St. Louis, MO | 256,044,797 | Hampton Roads, VA | 101,812,433 | Palm Beach County, FL | 39,425,216 |
| Denver, CO | 250,551,095 | Jacksonville, FL | 99,655,625 | Colorado Springs, CO | 38,739,657 |
| Winston Salem, NC | 246,923,462 | Richmond, VA | 96,147,565 | Lakeland, FL | 35,645,160 |
| Seattle, WA | 246,442,523 | Omaha, NE | 95,815,741 | St. Petersburg/Clearwater, FL | 35,430,499 |
| Kansas City, MO | 239,854,745 | Hartford, CT | 95,206,194 | San Francisco North Bay, CA | 31,283,265 |
| Greenville, SC | 230,087,883 | Ft. Lauderdale, FL | 89,529,495 | Binghamton, NY | 17,517,645 |
| Nashville, TN | 229,406,607 | San Jose (Silicon Valley), CA | 86,581,440 | Birmingham, AL | 15,165,984 |
| Baltimore, MD | 223,470,195 | Savannah, GA | 86,395,849 | Fredericksburg, VA | 15,035,526 |
| Portland, OR | 216,563,810 | San Antonio, TX | 86,070,752 | | |