Mecklenburg County Warehouse / Industrial Market Report

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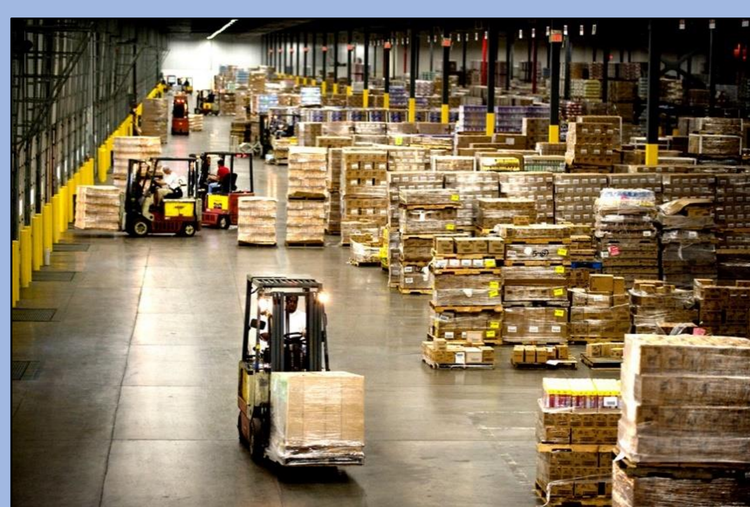
County Economist

Data as of 2nd Quarter, 2022



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.

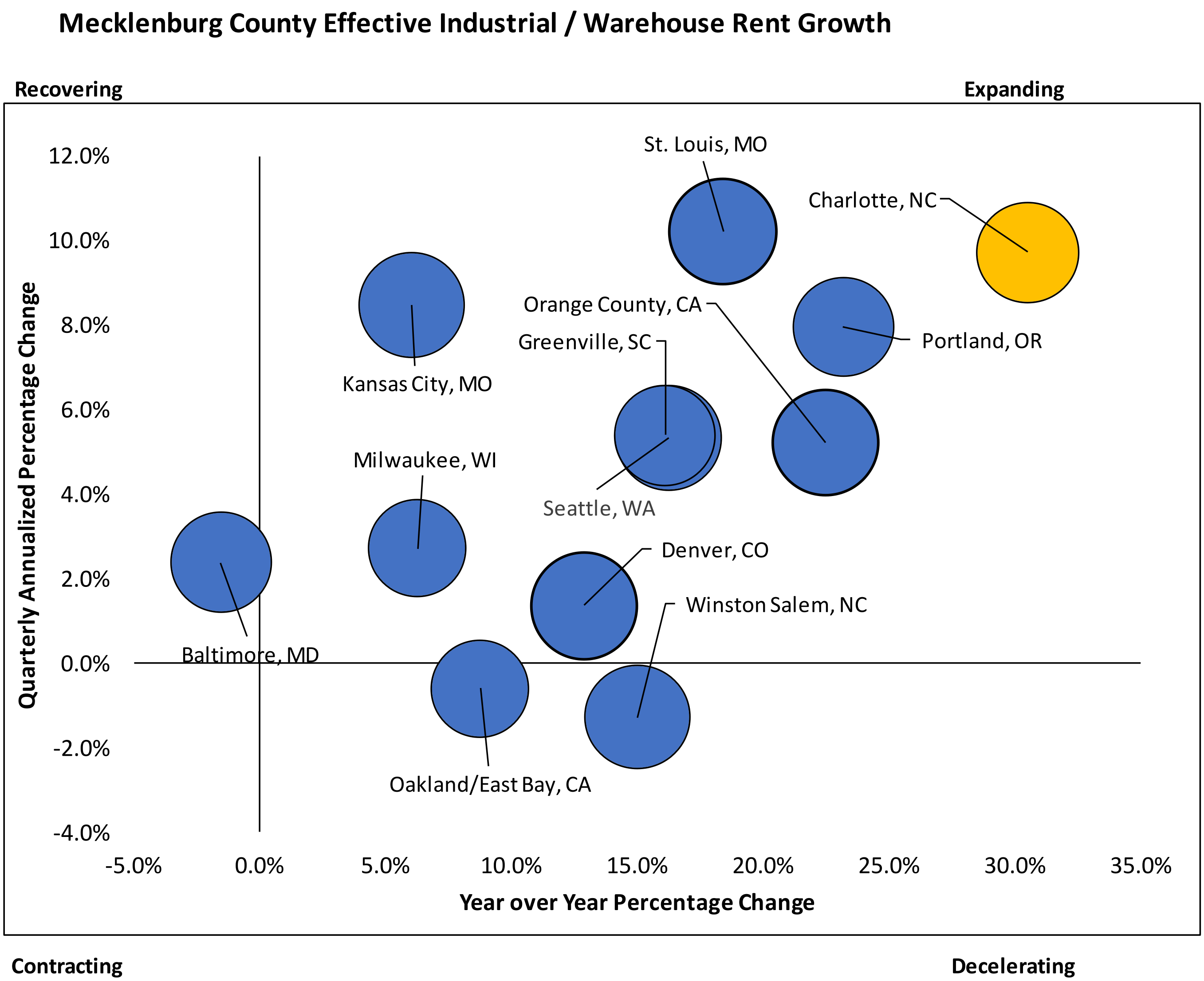
Vacancy Rate - A measurement expressed as a percentage of the total amount of vacant space divided by the total amount of inventory. This measurement is typically applied to a building, a submarket or a market.

Definitions from NAIOP Research Foundation

Industrial / Warehouse Report for Q2 2022

Rent Growth

In the second quarter, effective warehouse rent growth in Charlotte's industrial / warehouse market increased 9.7% from the first quarter, with rates moving from $6.27 per square ft to $6.88 per square ft, which is lower than the national average of $8.36. Year-over-year Charlotte's industrial / warehouse rents grew by 30.6%, much faster than the national average of 19.0% over the same time.

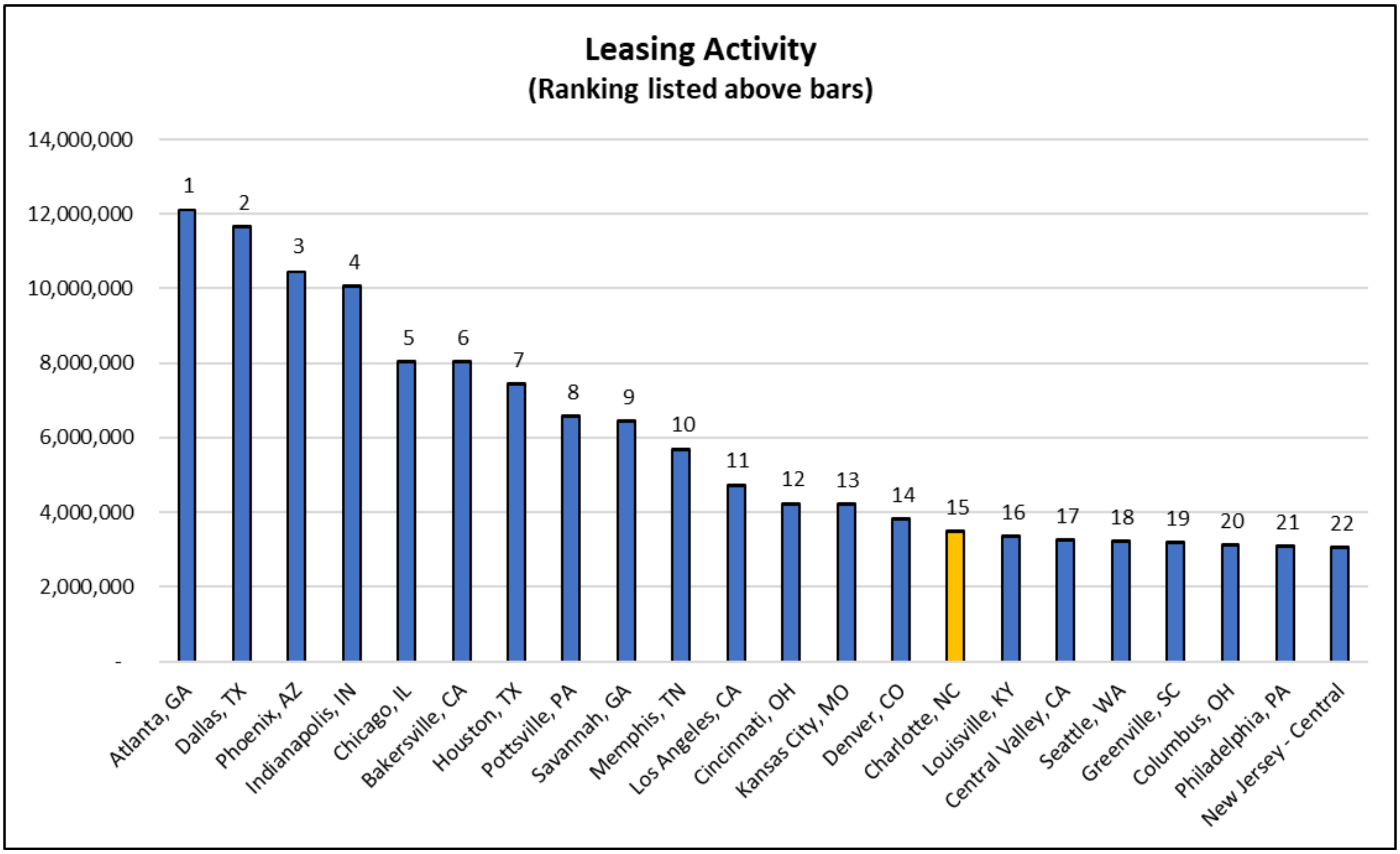


The above chart shows the industrial / warehouse markets for the cities ranked 18th through 30th largest. Charlotte is ranked 25th largest in total square footage.

Leasing Activity

A total of 3.47 million square foot of office space was leased during the second quarter with the Charlotte market ranking 15th overall in total activity. Cushman and Wakefield reported, large deals executed in Q2 in the Southwest submarket included Home Depot's 603,200-sf pre-lease at Childress Klein's Concourse I project that is slated to deliver Q4 of 2024. AS Colour also signed a lease at 11109 Quality Dr, which delivered in the first quarter of 2022. Gaston County follows the Southwest submarket with the second-most leasing activity with 778,876 sf which includes USPS' 622,400-sf pre-lease at Gateway 85 and Utz's pre-lease at Carolina 85 Logistics Center.

Overall absorption totaled over 1.6 msf in the second quarter, driving the year-to-date (YTD) figure to more than 3.5 msf of positive absorption. Major move-ins in the second quarter included Trinity Transport's 201,788-sf occupancy at Lakemont East and Lowe's move-in to its 197,510-sf space at 7800 Tuckaseegee Rd.



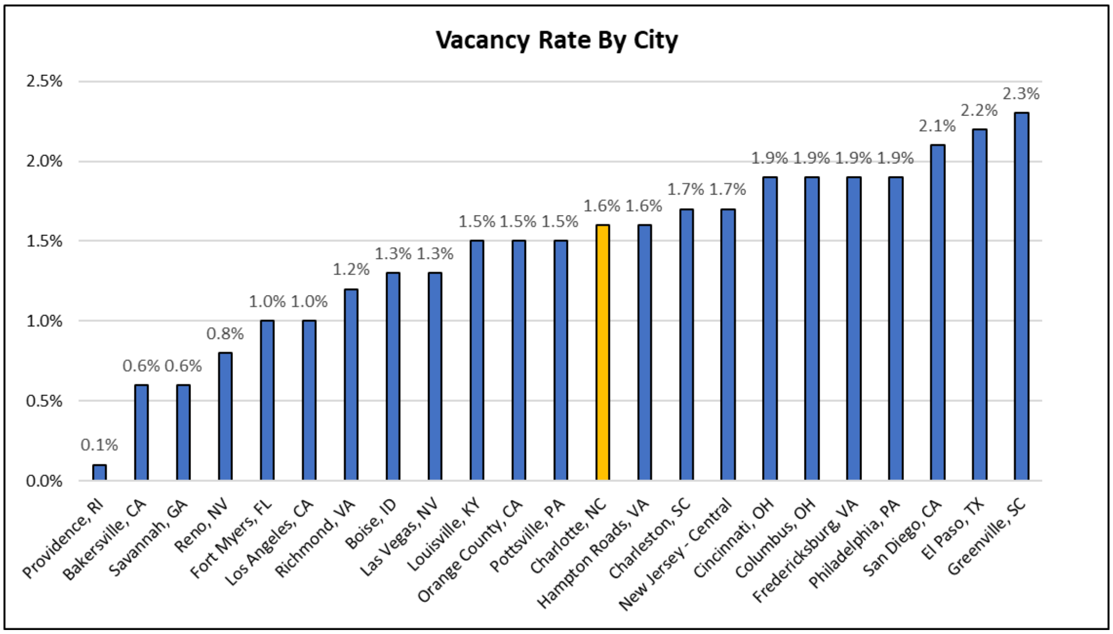
Vacancy Rates

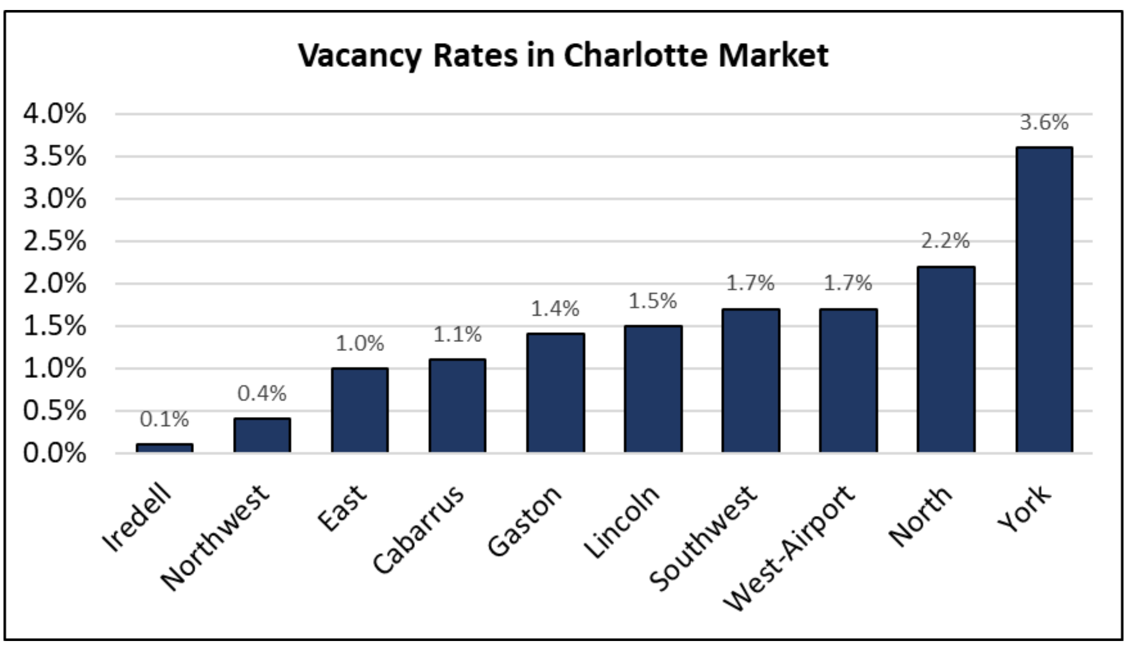
Charlotte's vacancy rates have fallen to 1.6% as need for warehouse space in the County has surged. Nationally, vacancy rates are averaging 3.1% over the same period. Of the 227.5 million square foot of space only 3.7 million remains vacant.

Within the Charlotte area, 8 of the 10 submarkets recorded sub 2% levels of vacancy with the lowest being Iredell County at 0.1%. The highest vacancy rate was at 3.6% and in York County.

Within the County of Mecklenburg, rates were highest in the North submarket at 2.2% and lowest in the Northwestern submarket at 0.4%.

The Charlotte area has a shortage of warehousing space due to high levels of demand. Construction costs have risen due to supply issues in construction materials this may push some of the current construction into the next year which will keep preleasing activity high, and our vacancy rates low. The latest reports have shown that the developments that have come onto the market were largely preleased.

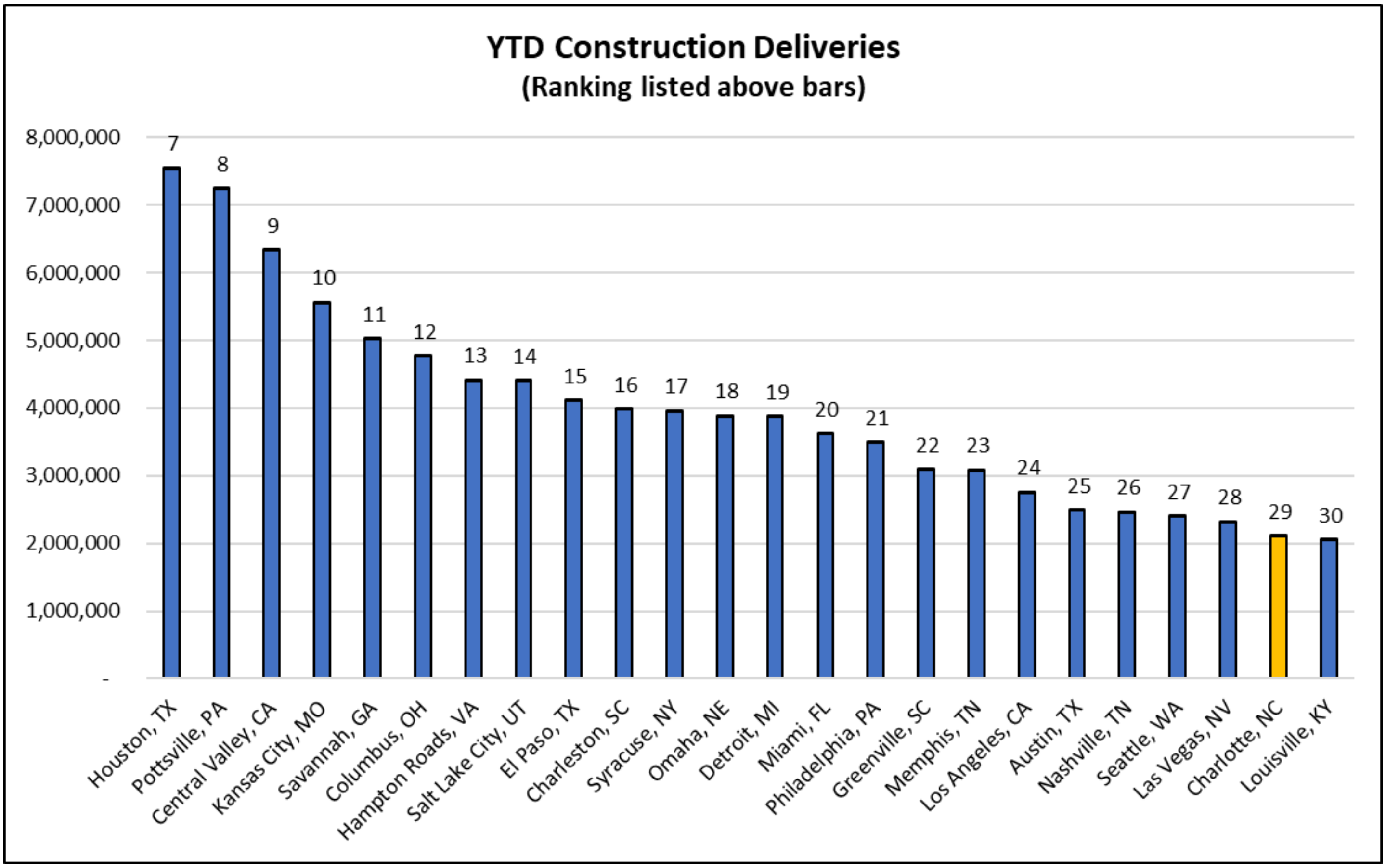


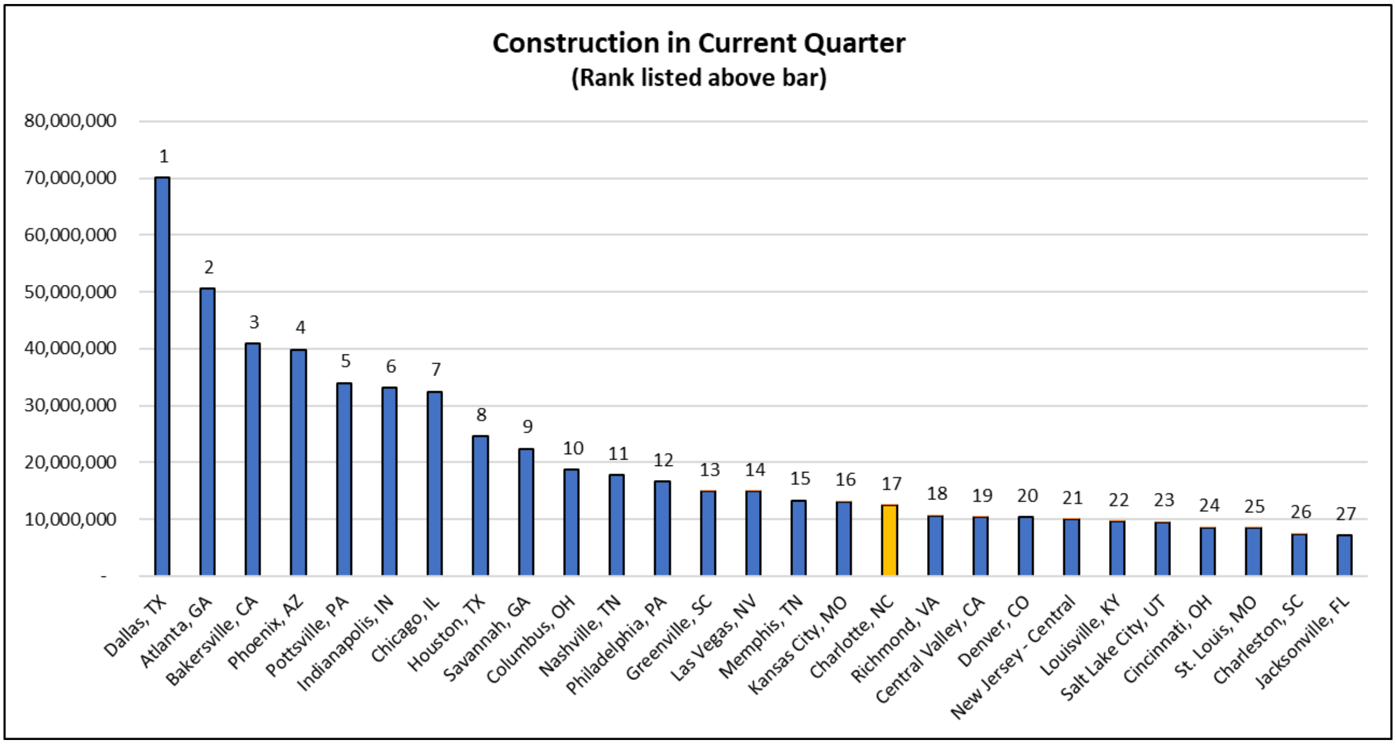


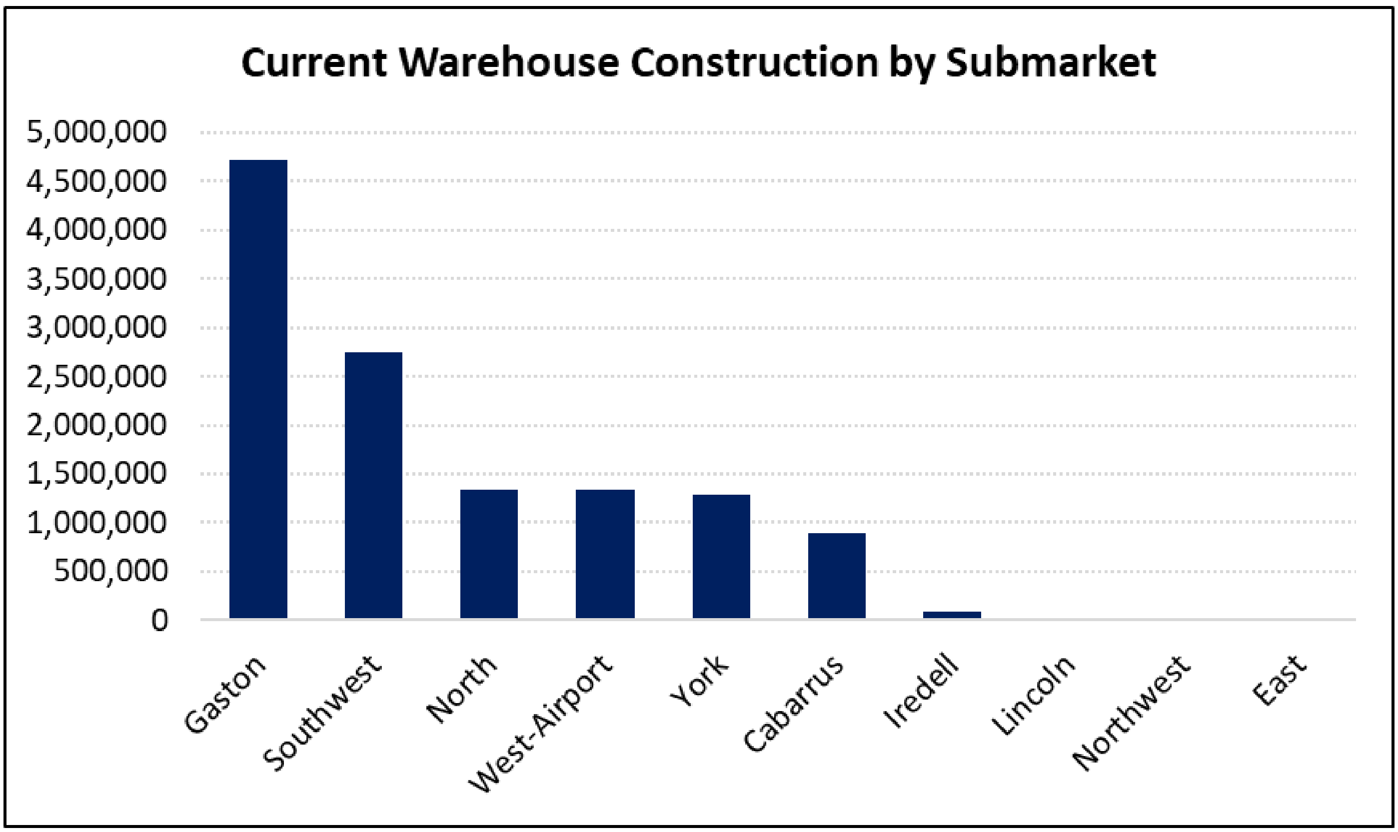
Construction Activity

The Charlotte Market has completed a total of 2.1 million square foot of new inventory of space in 2022, with 85% of the construction completions taking place in the surrounding counties and the remaining 15% built within the County. The Charlotte market ranked 29th in the nation for most construction deliveries year-to-date in 2022.

As for current construction the Charlotte market is ranked 17th in the nation with 12.3 million square feet under construction. Within the County a total of 6.97 million square feet is under construction with an additional 5.41 million square feet of construction taking place in the surrounding counties. Most of the new construction in the Charlotte market can be found within Gaston County (4.71 million square foot).

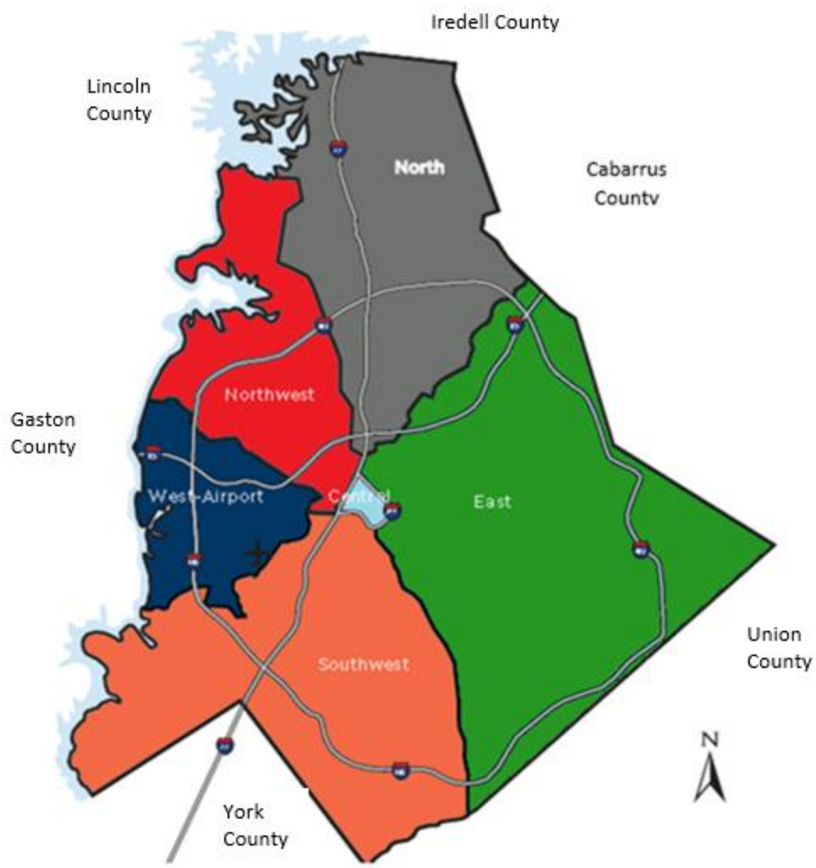



Construction in Current Quarter
(Rank listed above bar)
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27
Dallas, TX
Atlanta, GA
Bakersville, CA
Phoenix, AZ
Pottsville, PA
Indianapolis, IN
Chicago, IL
Houston, TX
Savannah, GA
Columbus, OH
Nashville, TN
Philadelphia, PA
Greenville, SC
Las Vegas, NV
Memphis, TN
Kansas City, MO
Charlotte, NC
Richmond, VA
Central Valley, CA
Denver, CO
New Jersey - Central
Louisville, KY
Salt Lake City, UT
Cincinnati, OH
St. Louis, MO
Charleston, SC
Jacksonville, FL

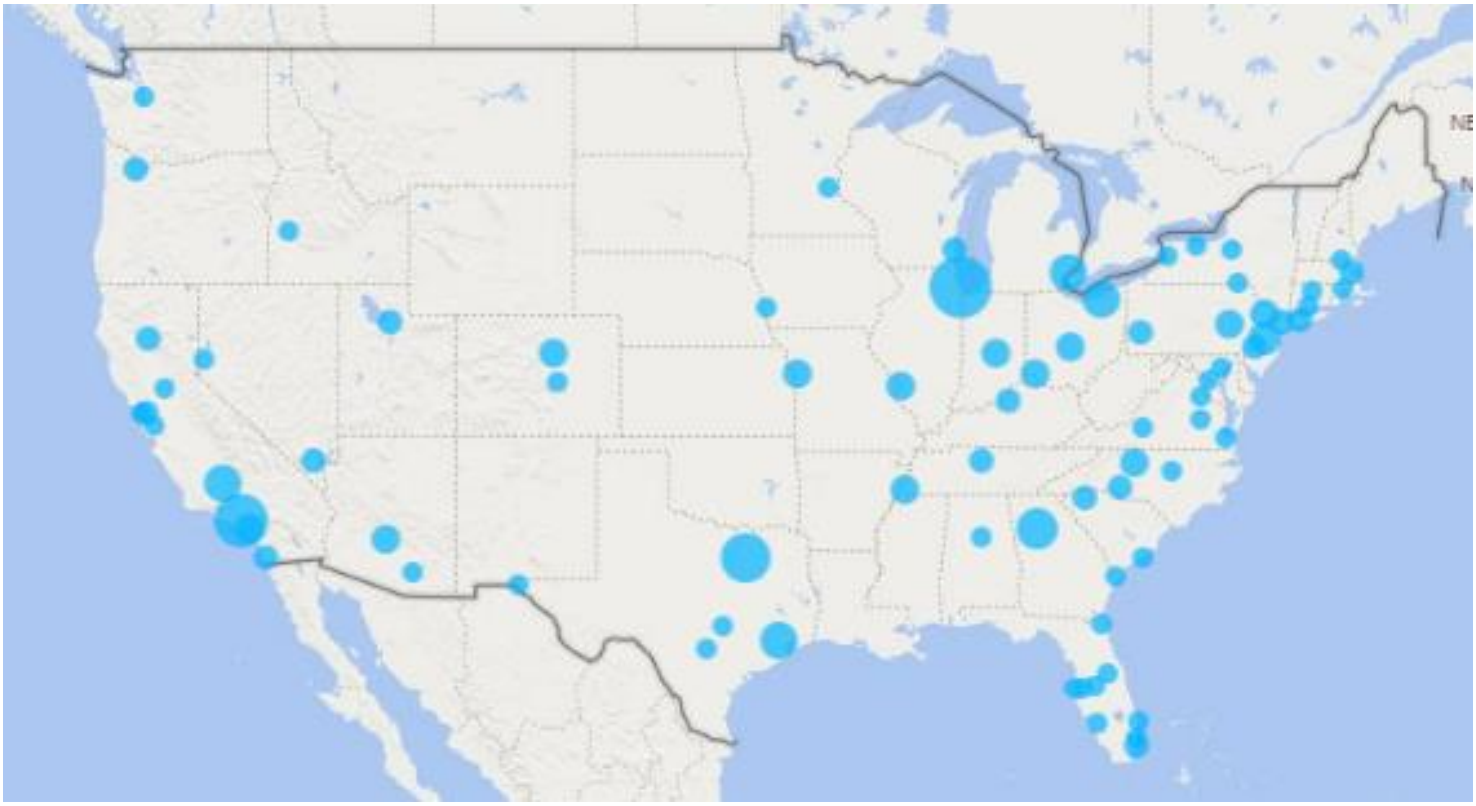

Current Warehouse Construction by Submarket
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Gaston
Southwest
North
West-Airport
York
Cabarrus
Iredell
Lincoln
Northwest
East

Mecklenburg County Statistics

INDUSTRIAL MARKET STATISTICS - Q2 2022										
	Inventory (SF)	Overall Vacant (SF)	Overall Vacancy Rate	Current Qtr Net Absorbtion (SF)	YTD Overall Net Absorbtion (SF)	Under Construction (SF)	Construction Completions (SF)	Average Manufacturing Rent	Average Office Service Rent	Average Warehouse Rent
MARKET										
East	9,081,618	87,474	1.0%	(12,000)	62,000	-	-	N/A	$ 9.48	$ 10.16
North	29,565,119	653,387	2.2%	249,854	475,578	1,333,343	41,000	N/A	$ 9.01	$ 7.67
Northwest	11,566,177	50,339	0.4%	123,777	123,777	-	45,098	$ 9.14	$ 11.00	$ 9.14
Southwest	45,517,169	793,499	1.7%	301,056	1,123,478	2,751,422	240,000	N/A	$ 13.47	$ 6.33
West-Airport	20,888,365	344,919	1.7%	257,226	267,884	1,329,663	-	N/A	$ 14.03	$ 8.22
Mecklenburg	**116,618,448**	**1,929,618**	**1.7%**	**919,913**	**2,052,717**	**5,414,428**	**326,098**	**N/A**	**N/A**	**N/A**
Cabarrus	19,975,895	222,638	1.1%	50,720	112,075	888,828	80,000	N/A	$ 12.20	$ 8.45
Gaston	25,372,019	360,385	1.4%	81,414	674,314	4,714,841	908,672	$ 4.00	N/A	$ 4.53
Iredell	26,912,291	30,000	0.1%	322,413	322,413	90,000	-	N/A	N/A	N/A
Lincoln	10,492,708	158,359	1.5%	-	-	-	-	N/A	N/A	$ 4.30
York	28,179,679	1,019,977	3.6%	201,788	364,940	1,284,787	792,081	N/A	N/A	$ 5.38
Surrounding	**110,932,592**	**1,791,359**	**1.6%**	**656,335**	**1,473,742**	**6,978,456**	**1,780,753**	**N/A**	**N/A**	**N/A**
Total	**227,551,040**	**3,720,977**	**1.6%**	**1,576,248**	**3,526,459**	**12,392,884**	**2,106,851**	**$ 5.13**	**$ 11.04**	**$ 5.90**



Warehouse Inventory by City for the US



Total Warehouse / Industrial Inventory by City

Chicago, IL	1,200,402,016	Oakland, CA	220,526,037	Providence, RI	77,727,305
Los Angeles, CA	992,917,767	Oakland/East Bay, CA	214,546,241	Tampa, FL	77,486,759
Dallas, TX	876,897,705	Milwaukee, WI	208,955,336	Rochester, NY	74,185,311
Atlanta, GA	681,670,157	Pittsburgh, PA	188,326,625	Lakeland, FL	66,347,065
Bakersville, CA	591,122,345	Louisville, KY	178,529,445	Seattle, WA	63,741,387
Cleveland, OH	517,729,816	Philadelphia, PA	177,509,912	Arlington, VA	63,029,300
Houston, TX	512,881,911	San Diego, CA	167,184,144	Northern VA	60,520,022
Detroit, MI	494,921,419	Miami, FL	166,445,941	Raleigh, NC	58,426,656
Trenton, NJ	368,408,656	Central Valley, CA	157,880,452	Nashua, NJ	54,546,156
Phoenix, AZ	358,168,956	Boston, MA	152,201,173	Baltimore, MD	51,707,002
Minneapolis, MN	339,490,124	Manhattan, NY	145,942,735	Suburban MD	50,172,944
Pottsville, PA	333,303,432	NY Outer Boroughs	142,428,753	New Haven, CT	47,572,807
Indianapolis, IN	308,692,328	Las Vegas, NV	139,812,046	Boise, ID	47,572,062
Newton, NJ	307,496,261	Long Island, NY	133,528,443	Austin, TX	46,405,888
Columbus, OH	292,889,272	Buffalo, NY	116,646,475	Syracuse, NY	46,319,530
New Jersey - Northern	290,345,425	Orlando, FL	111,585,814	Tucson, AZ	44,959,304
Memphis, TN	285,923,259	Hampton Roads, VA	108,048,806	San Francisco, CA	44,461,775
Orange County, CA	258,873,453	Sacramento, CA	107,324,234	West Palm Beach, FL	41,367,965
St. Louis, MO	256,861,026	Reno, NV	105,265,602	Palm Beach County, FL	39,904,497
Denver, CO	256,480,434	Omaha, NE	102,287,746	Colorado Springs, CO	39,712,799
Seattle, WA	251,767,889	Jacksonville, FL	101,857,115	Clearwater, FL	38,805,560
Kansas City, MO	246,507,941	Richmond, VA	97,421,024	San Francisco, CA	35,464,108
Winston Salem, NC	245,162,398	Savannah, GA	94,246,688	San Francisco North Bay, CA	31,202,204
Nashville, TN	234,100,420	Hartford, CT	91,190,128	Binghamton, NY	17,395,598
Charlotte, NC	227,551,040	San Jose, CA	90,526,265	Birmingham, AL	14,972,952
Greenville, SC	225,435,512	San Jose (Silicon Valley), CA	87,178,557	Fredericksburg, VA	14,573,340
Baltimore, MD	223,884,877	Charleston, SC	81,866,296		

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