Charlotte

Industrial

23Q3

"The Charlotte industrial market maintained its resilience in the third quarter with steady leasing activity. While it may have slowed slightly compared to the robust Q2, investors and developers maintain their confidence in the market's underlying strengths, signaling its favorable positioning for the year end."

Blanton Hamilton | Research Analyst, Charlotte

Colliers

Charlotte

Industrial 23Q3

Key Takeaways

- Net absorption fell to 1.2 MSF.
- Delivery of new bulk supply caused the vacancy rate to climb to 4.91%.
- Two substantial industrial portfolios transacted in Q3, suggesting investor sentiment is still optimistic toward overall market fundamentals.
- The development pipeline remains robust as 16.7 MSF of product is currently under construction, 20.8% of which has already been pre-leased.

		YOY	FORECAST
Vacancy Rate	4.91%	▲	▲
Net Absorption	1.2MSF	▼	▼
Under Construction	16.7MSF	▲	▼
Overall Industrial Asking Lease Rate (NNN)	$8.65/SF	▲	▲

Leasing Activity Slows Despite Positive Market Outlook

Leasing activity in the Charlotte industrial market displayed resilience during the third quarter, despite the 1.5 million SF reduction in net absorption compared to Q2. Of the 1.2 million SF absorbed in Q3, only two leases were greater than 200,000 SF, compared to five transactions the previous quarter. The average deal size in Q3 fell by 35,000 SF, but tenant demand, particularly for space below 100,000 SF, continues to outpace supply. Despite challenges, investors still hold confidence in the Charlotte industrial market as LM Real Estate Partners and Faropoint successfully closed on portfolios of 880,000 SF and 312,000 SF, respectively. While ongoing economic uncertainties are a concern, the Charlotte market's consistent demand and strong fundamentals are expected to provide a safeguard against potential macroeconomic turbulence in the future.

Local Market Indicators

3.69% Unemployment Rate

1.93% GDP - Quarterly % change yr/yr

4.621% U.S. 10 Year Treasury Note

Historic Comparison

	22Q4	23Q1	23Q2	23Q3
Total Inventory (in Millions of SF)	359.4	359.8	364.3	369.9
New Supply (in SF)	1,280,917	799,739	2,944,098	3,954,096
Net Absorption (in SF)	2,283,307	291,387	2,790,809	1,254,335
Overall Vacancy	3.86%	4.25%	4.32%	4.91%
Under Construction (in Millions of SF)	16.76	17.35	16.70	16.77
Overall Asking Lease Rates (NNN)	$7.95 PSF	$8.25 PSF	$8.40 PSF	$8.65 PSF

Absorption, New Supply & Vacancy Trends

New supply grew for the second straight quarter, as several projects that were supposed to deliver last quarter were delayed. Because of this and new bulk product that has yet to be occupied such as Delta Industrial Park (878K SF) and Gateway 85 (705K SF), vacancy trended upward for the fourth consecutive quarter. Expect vacancy and new supply to continue to trend upward, while absorption remains consistent in the fourth quarter.

Notable Transactions

Sublease
577 Cel-River Rd
Liquid Death
275K SF

Lease Renewal
Twin Lakes Business Park
Ingersoll Rand
263K SF

Lease Renewal
Catawba Distribution Center
Schumacher
140K SF

Capital Markets
Logistics Pointe Portfolio
LM Real Estate Partners
880K SF

Capital Markets
Charlotte Infill Portfolio
Faropoint
312K SF

Sale Leaseback
1710 Airport Rd
The Welcome Group
183K SF

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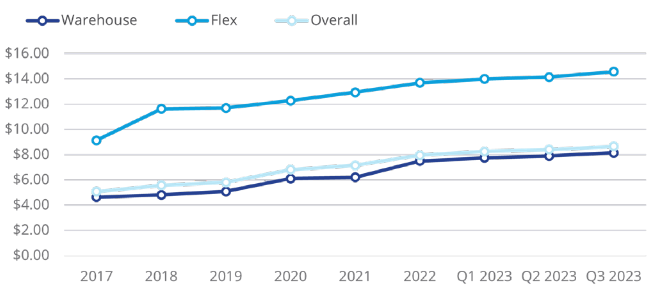
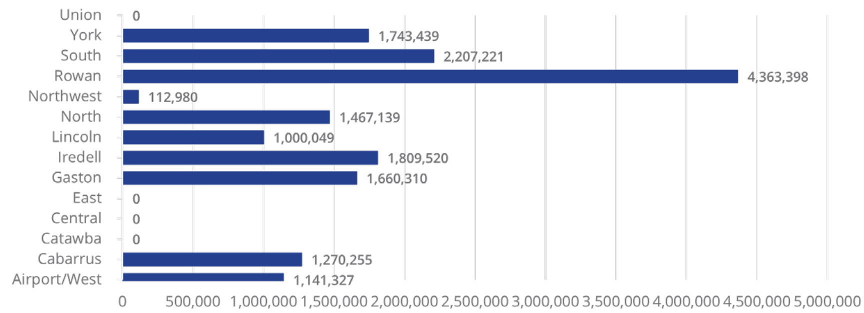
Historical Rental Rates
By Classification



Under Construction Pipeline
Overall For Each Submarket



Active Construction Projects
Overall Market

Total to be Delivered:
Q4 2023: 9,024,788 SF
2024: 7,557,938 SF

Bailey Commerce Center
Q4 2023
110,250 SF
85,000 SF
Crow Holdings Industrial

77 Beltway
Q4 2023
315,896 SF
Strategic Capital Partners
**Colliers Representation*

Lakeshore Corporate Park
ETA Q4 2023
294,500 SF
277,388 SF
126,380 SF
Fortius Capital Partners

Overlook 85
Q2 2024
733,484 SF
161,232 SF
Hudson Capital Partners

Gaston Commerce Center
Q2 2024
420,567 SF
280,819 SF
Crow Holdings Industrial

*Axial Rapid Commerce
Q3 2024
449,069 SF
Crescent Communities / Fortius Capital Partners
**Colliers Representation*

O N D J F M A M J J A S O

Q4 2023 | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024

Innovation Logistics Center
Q4 2023
713,388 SF
Crow Holdings Industrial

The Concourse II
Q4 2023
355,568 SF
Childress Klein

77 Beltway
Q1 2024
505,440 SF
Strategic Capital Partners
**Colliers Representation*

Axial Bonds Farm
Q1 2024
148,720 SF
Crescent Communities

*SunPoint CLT
Q3 2024
373,950 SF
SunCap Property Group
**Colliers Representation*

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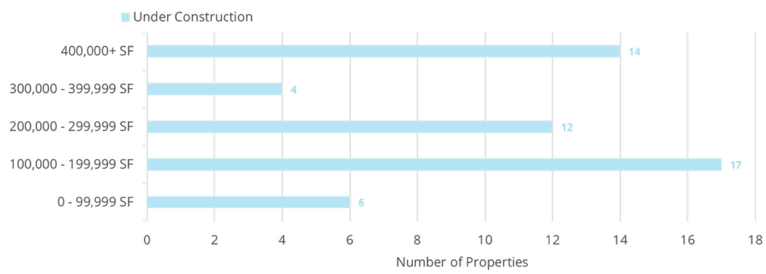
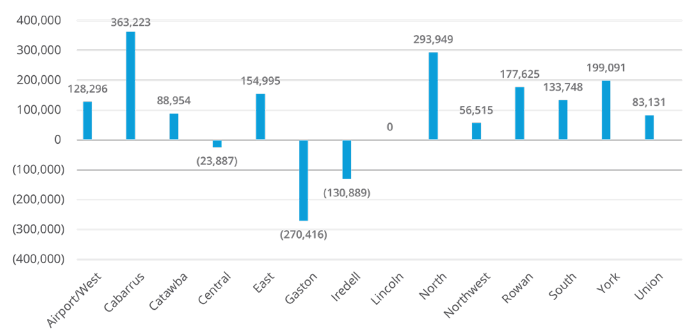
Significant Lease Activity

Property Name	Submarket	Size	Tenant	Type
577 Cel-River Rd	York	275,963	Liquid Death	Sublease
Twin Lakes Business Park	North	263,000	Ingersoll Rand	Renewal
Catawba Distribution Center - Building II	York	140,000	Schumacher	Renewal
Airport South - Building 500	Airport / West	113,504	Maxifly Solutions, Inc.	New
*Airport 85 Business Center *Colliers Representation*	Airport / West	98,640	Jarlin Cabinet Distributors	New
Nevada Business Park II	State Line	94,500	Pacific Asiana LLC	New
River West - Bldg. A	Gaston	68,879	Badger Paperboard North Carolina LLC	New
InnerLoop North 2	North	58,167	SPATCO	Renewal
Airport South - Building 300	Airport / West	53,875	Trumade Cabinetry	New
Airport South - Building 300	Airport / West	48,472	Deutsche Beverage Technology	New
North CLT Commerce Center	North	40,760	SCP Distributors LLC	New

Buildings Under Construction by Size



Net Absorption by Submarket



Capital Markets Activity

Property Name / Address	Submarket	Size	Transaction	Sales Price PSF	Buyer
Charlotte Logistics Pointe Industrial Porfolio	Stateline	880,238	$82,000,000	$93.16	LM Real Estate Partners
Charlotte Infill Industrial Portflio (Beacon Partners)	Multiple	312,950	$33,300,000	$106.41	Faropoint
1710 Airport Rd	Union County	183,509	$16,000,000	$87.19	The Welcome Group
10806 Reames Rd	North	32,633	$5,200,000	$159.35	GWise Investments

Charlotte | Q3 2023 | Industrial | Market Statistics

Submarket/ Subtype	Buildings	Total Inventory SF	Direct Vacancy (SF)	Sublease Vacancy (SF)	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Airport/West											
Warehouse	282	18,878,424	899,417	73,485	5.15%	4.79%	143,094	122,129	1,141,327	1,490,880	$9.75
Flex	48	1,956,197	95,987	12,960	5.57%	4.94%	(14,798)	38,698	-	146,890	$13.91
TOTAL	330	20,834,621	995,404	86,445	5.19%	4.80%	128,296	160,827	1,141,327	1,637,770	$11.00
Cabarrus County											
Warehouse	283	22,987,160	1,359,348	-	5.91%	6.66%	321,346	949,030	1,270,255	-	$8.37
Flex	77	2,562,151	59,747	9,471	2.70%	4.43%	41,877	54,640	-	95,850	$13.49
TOTAL	360	25,549,311	1,419,095	9,471	5.59%	6.44%	363,223	1,003,670	1,270,255	95,850	$9.53
Catawba County											
Warehouse	511	38,804,722	385,271	20,000	1.04%	1.31%	97,441	43,630	-	-	$4.42
Flex	23	935,522	9,887	14,860	2.65%	1.76%	(8,487)	(11,347)	-	12,000	$8.30
TOTAL	534	39,740,244	395,158	34,860	1.08%	1.32%	88,954	32,283	-	12,000	$4.42
Central (CBD)											
Warehouse	218	5,982,700	291,202	81,000	6.22%	5.69%	(27,322)	(38,331)	-	-	$9.74
Flex	16	527,390	93,767	-	17.78%	18.43%	3,435	(54,938)	-	-	$16.50
TOTAL	234	6,510,090	384,969	81,000	6.70%	6.70%	(23,887)	(93,269)	-	-	$9.80
East											
Warehouse	482	18,795,494	832,734	-	4.43%	4.97%	164,774	(21,075)	-	-	$9.00
Flex	93	3,181,469	347,469	-	10.92%	4.06%	(9,779)	(13,064)	-	-	$14.42
TOTAL	575	21,976,963	1,180,203	-	5.37%	4.84%	154,995	(34,139)	-	-	$9.63
Gaston County											
Warehouse	373	33,630,218	4,159,918	29,025	12.46%	8.71%	(270,416)	183,714	1,642,310	2,982,565	$6.00
Flex	33	1,063,870	14,000	-	1.32%	1.36%	-	2,500	18,000	-	$10.25
TOTAL	406	34,694,088	4,173,918	29,025	12.11%	8.49%	(270,416)	186,214	1,660,310	2,982,565	$6.50
Iredell County											
Warehouse	442	32,071,973	1,473,144	-	4.59%	2.43%	(136,734)	424,965	1,739,520	961,069	$6.00
Flex	106	2,978,040	2,875	-	0.10%	0.29%	5,845	28,235	70,000	-	$13.00
TOTAL	548	35,050,013	1,476,019	-	4.21%	2.24%	(130,889)	453,200	1,809,520	961,069	$7.00
Lincoln County											
Warehouse	141	11,323,438	515,200	382,668	7.93%	7.90%	-	(100,189)	1,000,049	-	$6.10
Flex	13	354,997	-	-	0.00%	0.00%	-	-	-	-	$12.01
TOTAL	154	11,678,435	515,200	382,668	7.69%	7.66%	-	(100,189)	1,000,049	-	$6.10
North											
Warehouse	250	23,340,256	335,999	75,022	1.76%	1.73%	286,661	428,569	1,467,139	604,943	$8.65
Flex	99	4,220,824	190,525	37,692	5.41%	4.60%	7,288	142,847	-	46,800	$15.20
TOTAL	349	27,561,080	526,524	112,714	2.32%	2.17%	293,949	571,416	1,467,139	651,743	$10.00
Northwest											
Warehouse	230	13,536,043	162,718	-	1.20%	1.75%	56,515	11,715	112,980	-	$6.50
Flex	11	442,581	3,500	-	0.79%	0.79%	-	(2,250)	-	-	$11.75
TOTAL	241	13,978,624	166,218	-	1.19%	1.72%	56,515	9,465	112,980	-	$6.70
Rowan County											
Warehouse	199	16,283,560	2,218,142	-	13.62%	10.79%	142,625	678,415	4,333,398	-	$5.49
Flex	16	440,574	-	-	0.00%	7.94%	35,000	45,500	30,000	10,500	$6.85
TOTAL	215	16,724,134	2,218,142	-	13.26%	10.72%	177,625	723,915	4,363,398	10,500	$5.61

Reporting Definitions

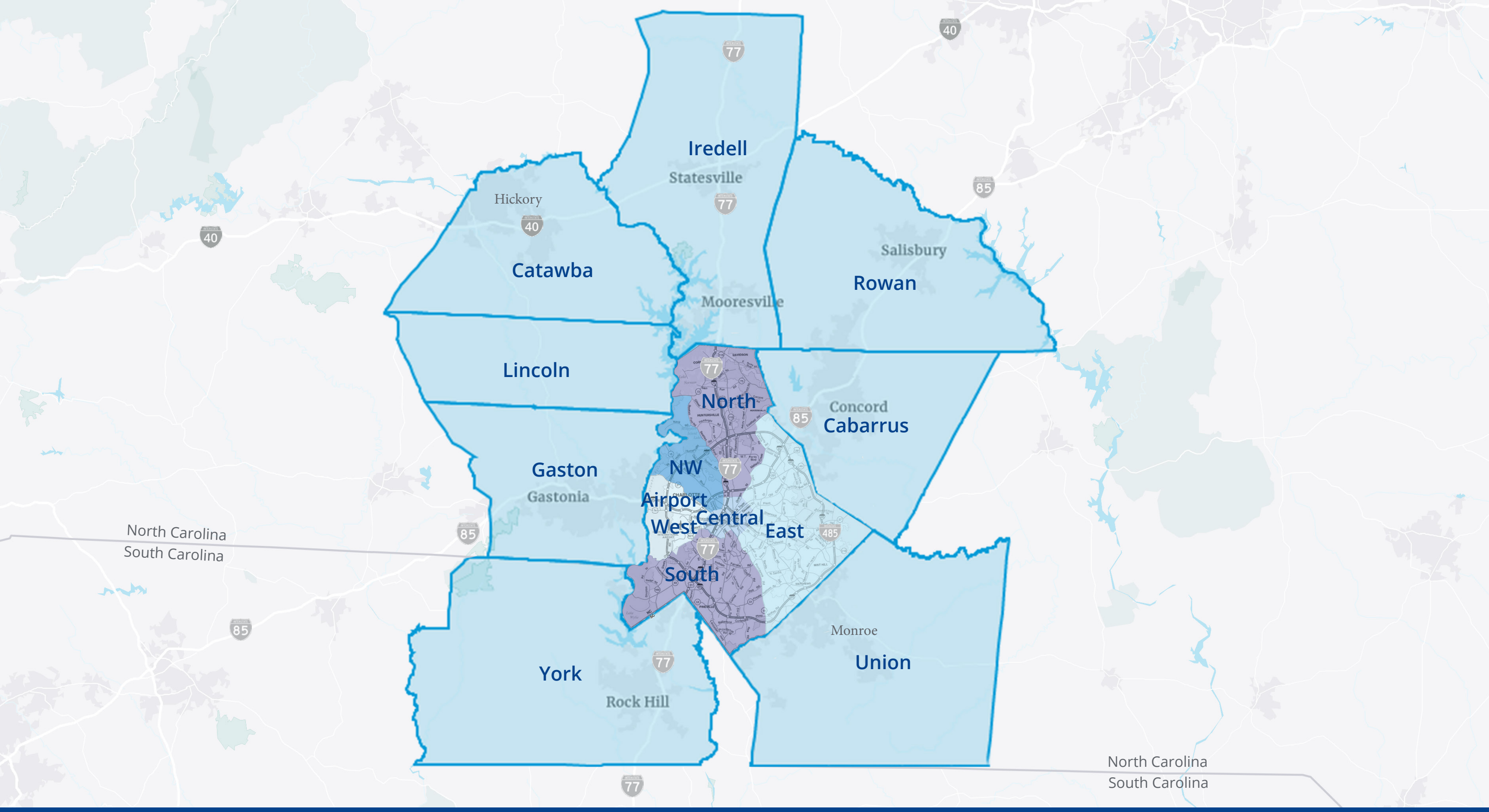
Colliers Charlotte uses the following parameters when tracking the industrial market:

- Track Class A, B, and C industrial buildings in Cabarrus County, Gaston County, Iredell County, Lincoln County, Mecklenburg County, Rowan County, Union County, and York County
- Inclusive of warehouse, flex, and manufacturing buildings 10,000+ SF
- Product that is under construction is not included in the inventory or vacancy numbers

Charlotte | Q3 2023 | Industrial | Market Statistics

Submarket/ Subtype	Buildings	Total Inventory SF	Direct (SF)	Sublease (SF)	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
South											
Warehouse	724	55,384,452	1,804,040	81,554	3.40%	3.04%	142,576	849,510	2,132,309	890,574	$8.50
Flex	226	7,991,330	371,061	23,939	4.94%	4.82%	(8,828)	72,074	74,912	-	$14.40
TOTAL	950	63,375,782	2,175,101	105,493	3.60%	3.27%	133,748	921,584	2,207,221	890,574	$9.50
York County											
Warehouse	291	32,808,993	637,853	768,561	4.29%	4.97%	232,024	812,944	1,743,439	386,320	$6.90
Flex	65	1,825,560	57,740	8,882	3.65%	2.06%	(32,933)	(42,977)	-	-	$13.70
TOTAL	356	34,634,553	695,593	777,443	4.25%	4.82%	199,091	769,967	1,743,439	386,320	$7.15
Union County											
Warehouse	329	15,862,944	176,535	-	1.11%	1.73%	68,648	(159,041)	-	-	$7.11
Flex	107	1,792,830	49,024	-	2.73%	1.25%	14,483	25,015	-	20,000	$13.00
TOTAL	436	17,655,774	225,559	-	1.28%	1.68%	83,131	(134,026)	-	20,000	$7.97
Market Total											
Warehouse	4,755	339,690,377	15,251,521	1,511,315	4.93%	4.36%	1,221,232	4,185,985	16,582,726	7,316,351	$8.14
Flex	933	30,273,335	1,295,582	107,804	4.64%	3.81%	33,103	284,933	192,912	332,040	$14.57
TOTAL	5,688	369,963,712	16,547,103	1,619,119	4.91%	4.32%	1,254,335	4,470,918	16,775,638	7,648,391	$8.65

Submarket Map



FOR MORE INFORMATION
Blanton Hamilton
Research Analyst
Charlotte
+1 704 409 2919
blanton.hamilton@colliers.com

Bryan Johnson
Executive Managing Director
Charlotte
+1 704 409 9933
bryan.t.johnson@colliers.com

351 offices in 63 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78

$4.5B
in revenue

2B
square feet under management

17,000 +
professionals and staff

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 63 countries, our more than 17,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 27 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of $4.1billion and more than $50 billion of assets under management, Colliers maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Market Leader:

Bryan Johnson
Executive Managing Director
+1 704 409 9933
bryan.t.johnson@colliers.com

Marketing & Research:

Katie Dulin
Marketing Manager
+1 704 409 2918
katie.dulin@colliers.com

Blanton Hamilton
Research Analyst
+1 704 409 2919
blanton.hamilton@colliers.com

Contributors:

Lawrence Shaw, SIOR
Executive Vice President, Charlotte

Greg Copps, SIOR
Executive Vice President, Charlotte

Grant Miller, SIOR
Executive Vice President, Charlotte

Don Moss, SIOR | CCIM
Executive Vice President, Charlotte

Rob Speir, SIOR
Senior Vice President, Charlotte

Justin Smith, SIOR
Senior Vice President, Charlotte

Chris Neal, MAI
Associate Vice President, Charlotte

Greg Gosselin
Senior Associate, Charlotte

Phoebe Dinga
Associate, Charlotte

John Ellis
Associate, Charlotte

JD Allen
Associate, Charlotte

Colliers
300 W. Summit Avenue, Suite 200
Charlotte, NC 28203
+1 704 409 9933
colliers.com