

Charlotte

Industrial

23Q4

“The Charlotte industrial market concluded the year with another strong quarter of leasing activity. Ongoing tenant demand along with sustained confidence from investors and developers puts the market in a favorable position to maintain positive momentum heading into 2024.”

Blanton Hamilton | Research Analyst, Charlotte



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Key Takeaways

- Tenant demand remains steady as net absorption increased to 1.5 MSF.
- Delivery of bulk supply caused the vacancy rate to climb to 5.33%.
- Three Class A industrial portfolios transacted in Q4, suggesting investor sentiment is still optimistic toward long-term market fundamentals.
- The development pipeline remains consistent, as 16 MSF of product is currently under construction, 15.5% of which has already been pre-leased.



Leasing Activity Picks up to Close 2023

Leasing activity picked up during the fourth quarter, as net absorption increased by about 300,000 SF compared to Q3. Of the 1.5 MSF absorbed in Q4, eight leases were greater than 100,000 SF, more than the five such transactions that took place the previous quarter. Most notably, DHL pre-leased over 700,000 SF at Innovation Logistics Center in Rowan County. The average deal size in Q4 increased by about 20,000 SF, as tenant demand, particularly for space below 100,000 SF, continues to outpace supply. Thanks to a slight decline in interest rates, expect to see continued capital markets activity to build on the Stateline77, River West, and Interchange Logistics deals that closed in Q4. There's a renewed sense of momentum regarding Charlotte's fundamentals and an overall improvement in investor sentiment that bodes well for the start of 2024, despite ongoing economic uncertainty.

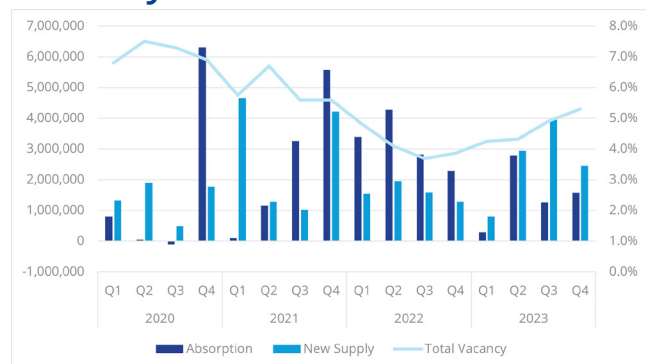
Local Market Indicators



Historic Comparison

	23Q1	23Q2	23Q3	23Q4
Total Inventory (in Millions of SF)	359.8	364.3	369.9	372.3
New Supply (in SF)	799,739	2,944,098	3,954,096	2,448,688
Net Absorption (in SF)	291,387	2,790,809	1,254,335	1,580,198
Overall Vacancy	4.25%	4.32%	4.91%	5.33%
Under Construction (in Millions of SF)	17.35	16.70	16.77	16.01
Overall Asking Lease Rates (NNN)	\$8.25 PSF	\$8.40 PSF	\$8.65 PSF	\$8.80 PSF

Absorption, New Supply & Vacancy Trends



New supply trended downward in the fourth quarter after two straight quarters with a historically high number of deliveries. Despite fewer deliveries, the delivery of new product that has yet to be occupied such as Lakeshore Corporate Park (572K SF combined) and Southridge 85 (280K SF), pushed vacancy rates upward for the fifth consecutive quarter. Expect vacancy to continue trending upward, while absorption and new supply remain consistent in the first quarter.

Notable Transactions



Lease

Innovation Logistics Center*
DHL
712K SF

*Colliers Transaction



BTS

1691 Stafford St Extension
FedEx
340K SF



Lease

Lakemont Business Park
Eastern Fence
155K SF



Capital Markets

Stateline 77
EQT Exeter
1M SF



Capital Markets

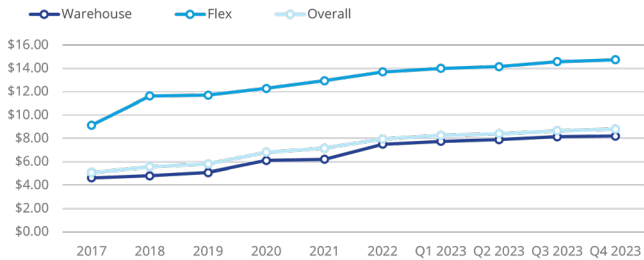
RiverWest
LBA Logistics
610K SF



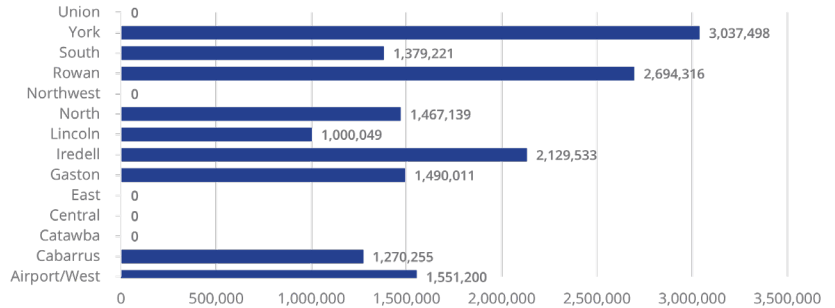
Forward Sale

Interchange Logistics Center
Clarion Partners
224K SF

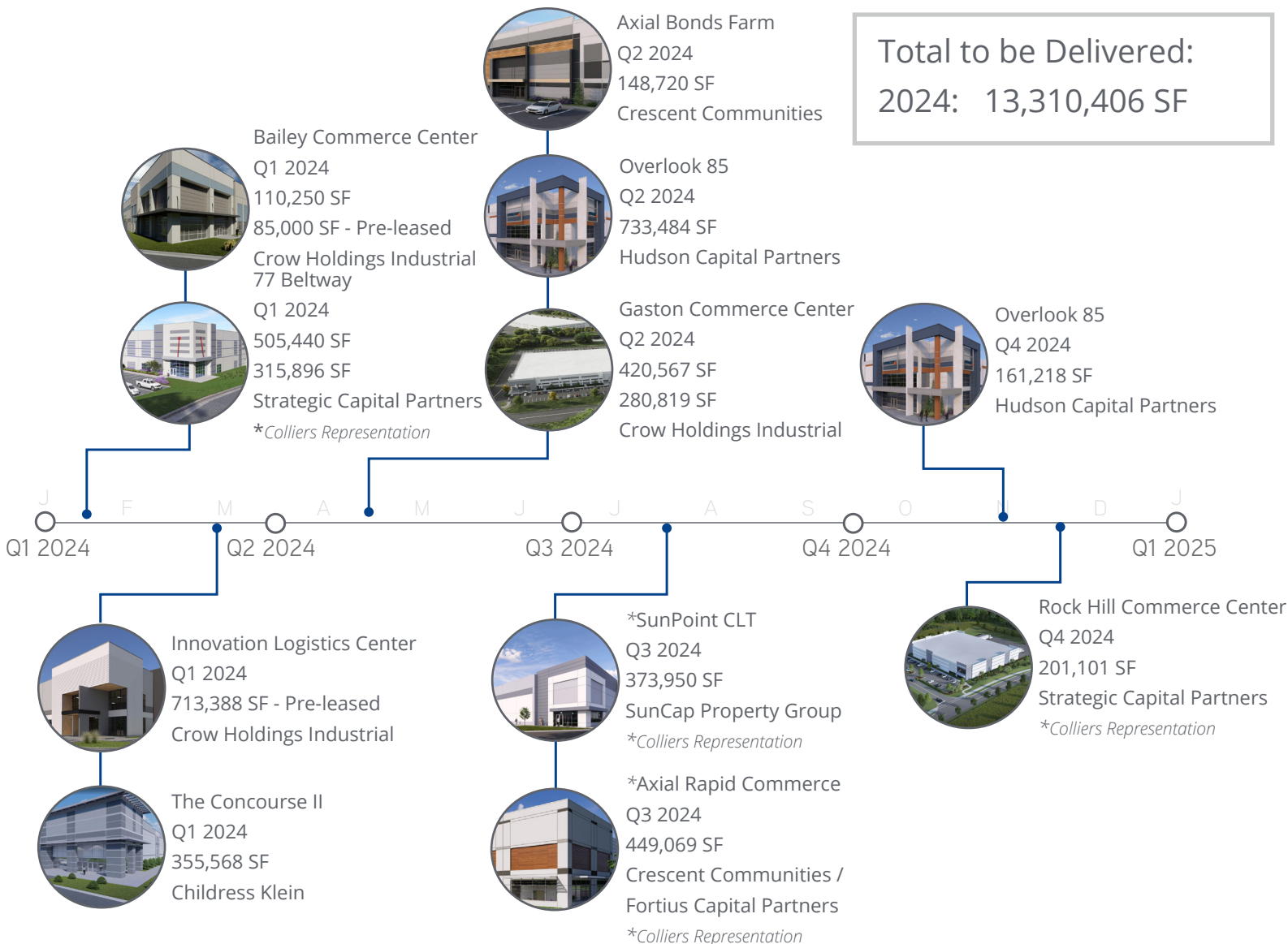
Historical Rental Rates By Classification



Under Construction Pipeline Overall For Each Submarket



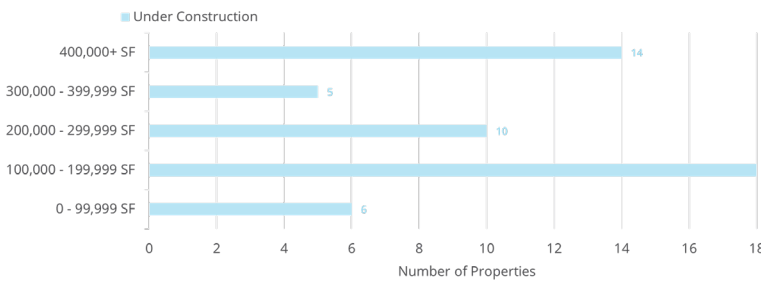
Active Construction Projects Overall Market



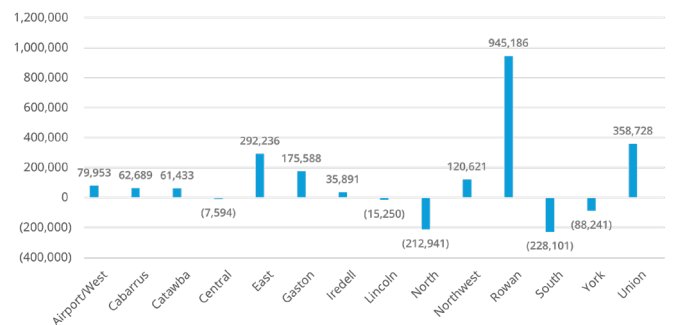
Significant Lease Activity

Property Name	Submarket	Size	Tenant	Type
Innovation Logistics Center* <i>*Colliers Transaction</i>	Rowan	712,574	DHL	New
1691 Stafford St Extension	Union	340,000	FedEx	New
Lakemont Business Park	York	155,320	Eastern Fence	New
Lakemont East	York	150,000	E-Recycle Solution	New
Statesville Commerce Center - Bldg. 2* <i>*Colliers Transaction</i>	Iredell	149,110	Weinig Holz-Her	New
South Point Business Park	State Line	123,200	SafeFleet	Renewal
Transwest Industrial Park	State Line	120,265	Yusen Logistics	New
1001 Bond St	Northwest	101,218	Daimler Trucks	New
Lincoln Commerce Center	Lincoln	98,076	Wanzl	New
The Concourse II	State Line	96,997	Expeditors	New
Bailey Commerce Center	North	85,000	Belden	New

Buildings Under Construction by Size



Net Absorption by Submarket



Capital Markets Activity

Property Name / Address	Submarket	Size	Transaction	Sales Price PSF	Buyer
Stateline 77	York County	1,006,991	\$106,000,000	\$105.26	EQT Exeter
RiverWest	Gaston County	610,778	\$70,000,000	\$114.61	LBA Logistics
Interchange Logistics Center	North	224,979	\$28,250,000	\$125.57	Clarion Partners
Beacon CLT Industrial Portfolio	North	161,879	\$19,600,000	\$121.08	Faropoint

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	283	18,859,380	774,254	171,336	5.01%	5.15%	27,312	149,441	1,551,200	1,490,880	\$9.88
Flex	48	1,956,197	43,346	12,960	2.88%	5.57%	52,641	91,339	-	146,890	\$14.00
TOTAL	331	20,815,577	817,600	184,296	4.81%	5.19%	79,953	240,780	1,551,200	1,637,770	\$11.23
Cabarrus County											
Warehouse	285	23,025,361	1,375,946	-	5.98%	5.91%	28,150	977,180	1,270,255	-	\$8.50
Flex	76	2,546,598	30,399	4,280	1.36%	2.70%	34,539	89,179	-	95,850	\$14.00
TOTAL	361	25,571,959	1,406,345	4,280	5.52%	5.59%	62,689	1,066,359	1,270,255	95,850	\$9.72
Catawba County											
Warehouse	511	39,014,215	332,021	20,000	0.90%	1.04%	53,250	96,880	-	-	\$4.60
Flex	23	935,482	1,704	14,860	1.77%	2.65%	8,183	(3,164)	-	12,000	\$8.50
TOTAL	534	39,949,697	333,725	34,860	0.92%	1.08%	61,433	93,716	-	12,000	\$5.00
Central (CBD)											
Warehouse	216	5,957,087	295,361	81,000	6.32%	6.22%	(4,159)	(42,490)	-	-	\$10.00
Flex	16	345,590	72,174	-	20.88%	17.78%	(3,435)	(58,373)	-	-	\$16.67
TOTAL	232	6,302,677	367,535	81,000	6.70%	6.70%	(7,594)	(76,976)	-	-	\$10.38
East											
Warehouse	481	18,777,165	704,537	-	3.75%	4.43%	112,197	91,122	-	-	\$9.15
Flex	94	3,226,798	166,777	-	5.17%	10.92%	180,039	166,975	-	-	\$14.70
TOTAL	575	22,003,963	871,314	-	3.96%	5.37%	292,236	258,097	-	-	\$9.63
Gaston County											
Warehouse	376	33,372,845	4,202,669	75,146	12.82%	12.46%	191,588	375,302	1,472,011	3,451,629	\$6.35
Flex	35	1,217,782	30,000	-	2.46%	1.32%	(16,000)	(13,500)	18,000	-	\$10.50
TOTAL	411	34,590,627	4,232,669	75,146	12.45%	12.11%	175,588	361,802	1,490,011	3,451,629	\$6.76
Iredell County											
Warehouse	446	32,512,029	1,823,258	4,000	5.62%	4.59%	56,186	481,151	1,999,533	1,050,989	\$6.30
Flex	107	2,966,440	23,170	-	0.78%	0.10%	(20,295)	7,940	130,000	-	\$13.15
TOTAL	553	35,478,469	1,846,428	4,000	5.22%	4.21%	35,891	489,091	2,129,533	1,050,989	\$7.13
Lincoln County											
Warehouse	142	11,336,688	525,450	382,668	8.01%	7.93%	(10,250)	(110,439)	1,000,049	-	\$6.20
Flex	13	354,997	6,500	-	1.83%	0.00%	(5,000)	(5,000)	-	-	\$12.01
TOTAL	155	11,691,685	531,950	382,668	7.82%	7.69%	(15,250)	(115,439)	1,000,049	-	\$6.85
North											
Warehouse	252	23,554,683	552,787	205,280	3.22%	1.76%	(121,454)	307,115	1,467,139	604,943	\$8.80
Flex	99	4,222,248	273,431	46,273	7.57%	5.41%	(91,487)	51,360	-	46,800	\$15.20
TOTAL	351	27,776,931	826,218	251,553	3.88%	2.32%	(212,941)	358,475	1,467,139	651,743	\$10.28
Northwest											
Warehouse	233	13,672,193	46,697	-	0.34%	1.20%	117,121	128,836	-	112,980	\$7.15
Flex	11	442,581	-	-	0.00%	0.79%	3,500	(2,250)	-	-	\$12.00
TOTAL	244	14,114,774	46,697	-	0.33%	1.19%	120,621	126,586	-	112,980	\$7.56
Rowan County											
Warehouse	204	17,131,900	2,693,610	-	15.72%	13.62%	936,986	1,615,401	2,694,316	698,933	\$6.00
Flex	16	425,574	6,800	-	1.60%	0.00%	8,200	53,700	-	25,500	\$7.00
TOTAL	220	17,557,474	2,700,410	-	15.38%	13.26%	945,186	1,669,101	2,694,316	724,433	\$6.35

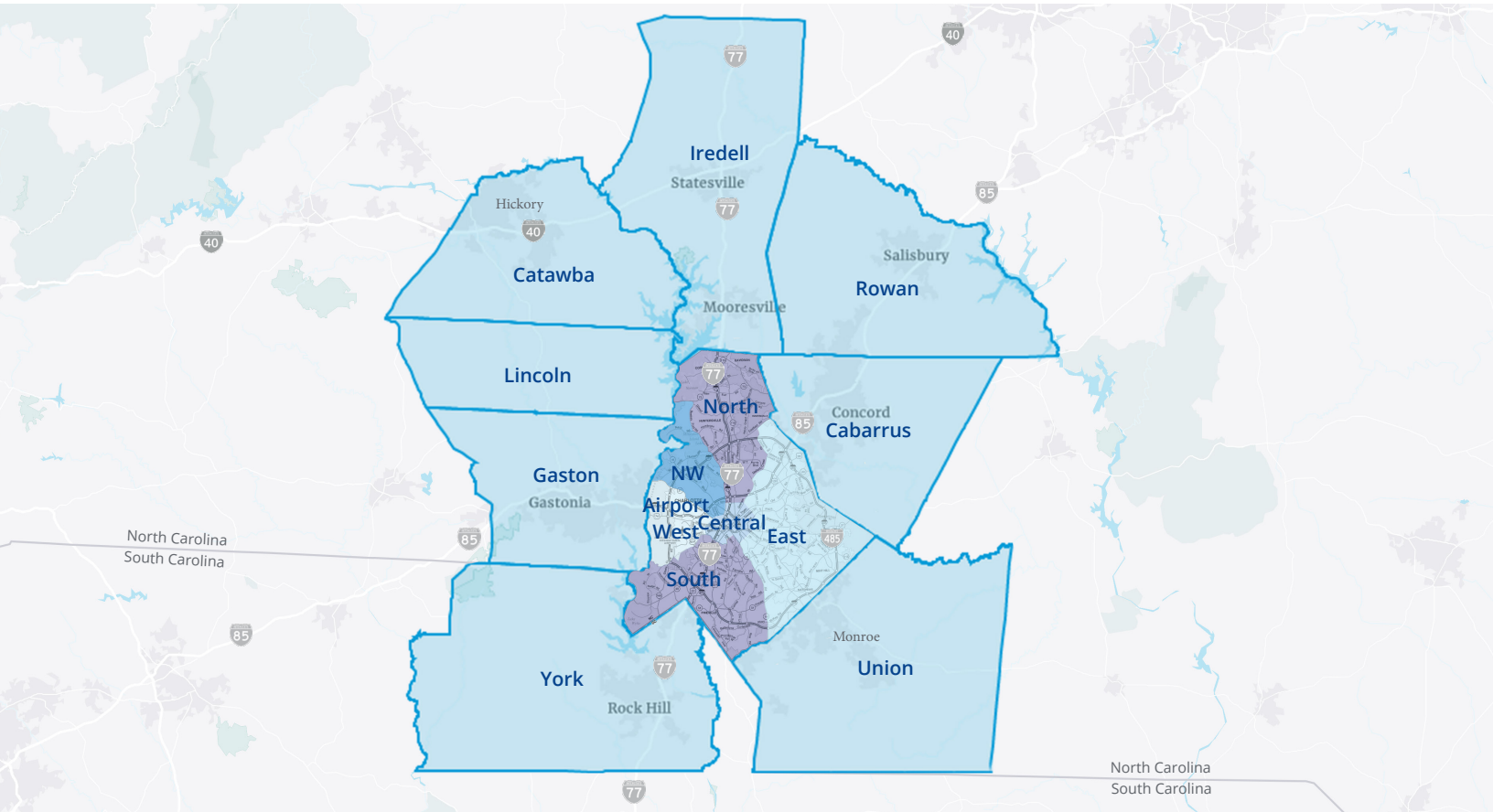
Reporting Definitions

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

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	729	55,835,286	2,339,601	126,874	4.42%	3.40%	(112,377)	737,133	1,304,309	2,002,907	\$9.15
Flex	225	7,964,551	466,160	37,364	6.32%	4.94%	(115,724)	(43,650)	74,912	-	\$14.60
TOTAL	954	63,799,837	2,805,761	164,238	4.66%	3.60%	(228,101)	693,483	1,379,221	2,002,907	\$10.37
York County											
Warehouse	293	32,912,462	865,994	765,961	4.96%	4.29%	(128,270)	684,674	3,037,498	386,320	\$7.15
Flex	65	1,795,417	23,111	3,482	1.48%	3.65%	40,029	(2,948)	-	-	\$14.00
TOTAL	358	34,707,879	889,105	769,443	4.78%	4.25%	(88,241)	681,726	3,037,498	386,320	\$8.13
Union County											
Warehouse	330	16,206,255	174,035	-	1.07%	1.11%	342,500	183,459	-	-	\$7.35
Flex	107	1,804,124	32,796	-	1.82%	2.73%	16,228	41,243	-	20,000	\$13.15
TOTAL	437	18,010,379	206,831	-	1.15%	1.28%	358,728	224,702	-	20,000	\$8.38
Market Total											
Warehouse	4,781	342,167,549	16,706,220	1,832,265	5.42%	4.93%	1,488,780	5,674,765	15,796,310	9,799,581	\$8.20
Flex	935	30,204,379	1,176,368	119,219	4.29%	4.64%	91,418	372,851	222,912	347,040	\$14.74
TOTAL	5,716	372,371,928	17,882,588	1,951,484	5.33%	4.91%	1,580,198	6,047,616	16,019,222	10,146,621	\$8.80

Submarket Map



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EMEA: 78



\$4.5B
in revenue



2B
square feet under management



17,000 +
professionals and staff

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