

Q1 2020

Industrial Insight

E-commerce & 3PLs turn Charlotte into regional distribution hub

- Vacancy reaches historic lows not seen in almost two decades.
- Construction activity slowing; less due to demand gap but rather shortage of available land for development.
- Industrial sector buttressed by ecommerce and 3PL industries vital to COVID-19 recovery efforts and shelter in place needs.

Bolstered by robust demand amid economic uncertainty, the Charlotte industrial market looks to 2020 as another year of expansion and growth. That growth is carried by e-commerce distribution and third party logistics firms expanding and migrating to the Charlotte region. Industrial real estate in the region is riding the wave of e-commerce as it surges to 12.0 percent of all retail spending.

The Charlotte industrial market continued moving at the frenetic pace of the past year. The region experienced 1.5 million square feet of positive net absorption in Q1, more than double the amount of absorption seen in the first quarter of 2019. Industrial asking rents rose for the eight year in a row, amounting to a 72.0 percent increase, averaging \$4.84 per square foot NNN.

Development activity and leasing demand continue to push into neighboring counties. This expansion further afield from Charlotte is driven by the need for available land for large facilities and availability of labor for warehouse roles. Industrial developers have less competition for large tracts with office and housing. Walmart moved into a 360,000 square foot distribution space in Concord during Q1. Also in Concord, Reynolds moved into 360,000 square feet.

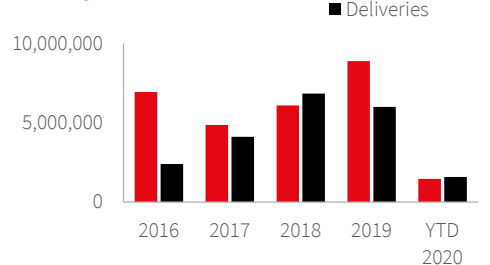
Outlook

The Charlotte industrial market looks well positioned to weather a potential recession. Compared to the previous cycle, the industrial sector has a vacancy rate nearing 5.0 percent compared to over 11.0 percent entering the 2008 recession. Demand remains robust as Charlotte has emerged as a major hub for ecommerce distribution and third party logistics, both thriving sectors proving their own supply chain resiliency during the current situation. The tenant make up is different, more diverse and more likely to successfully handle economic uncertainty.

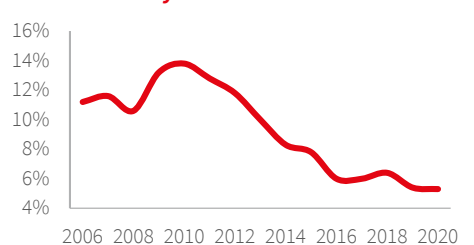
Fundamentals

	Forecast
YTD net absorption	1,459,772 s.f. ►
Under construction	3,957,281 s.f. ▲
Total vacancy	5.3% ►
Sublease vacancy	254,792 s.f. ▲
Average asking rent	\$4.84 p.s.f. ▲
Concessions	Stable ►

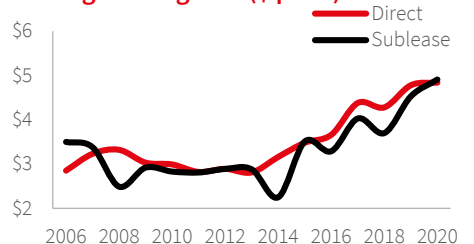
Supply and demand (s.f.)



Total vacancy



Average asking rent (\$ p.s.f.)



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JLL Research Report

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Charlotte total										
Warehouse & Distribution	187,745,403	1,590,556	1,590,556	0.6%	6.2%	10.0%	\$4.97	1,580,141	1,580,141	3,674,481
Manufacturing	72,278,502	120,250	120,250	0.2%	4.3%	4.1%	\$4.06	0	0	230,000
Overall Total	260,023,905	1,710,806	1,710,806	0.5%	5.7%	8.3%	\$4.85	1,580,141	1,580,141	3,957,281
Central Charlotte										
Warehouse & Distribution	10,777,843	0	0	0.0%	4.8%	8.9%	\$5.37	0	0	0
Manufacturing	3,941,361	0	0	0.0%	3.5%	6.3%	\$4.02	0	0	0
Overall Total	14,719,204	0	0	0.0%	4.5%	8.2%	\$5.12	0	0	0
Chemway										
Warehouse & Distribution	8,114,773	101,200	101,200	1.2%	4.7%	11.8%	\$4.21	0	0	0
Manufacturing	1,525,959	0	0	0.0%	1.8%	1.8%	\$7.52	0	0	0
Overall Total	9,640,732	101,200	101,200	1.1%	4.2%	10.2%	\$4.30	0	0	0
Eastern Counties										
Warehouse & Distribution	27,346,831	966,409	966,409	3.5%	4.2%	8.3%	\$4.80	112,000	112,000	90,720
Manufacturing	15,563,842	-35,500	-35,500	-0.2%	10.3%	3.9%	\$4.12	0	0	0
Overall Total	42,910,673	930,909	930,909	2.2%	6.4%	6.7%	\$4.63	112,000	112,000	90,720
North I-77 Corridor										
Warehouse & Distribution	17,265,623	188,818	188,818	1.1%	5.2%	11.7%	\$4.93	148,080	148,080	1,097,650
Manufacturing	2,618,533	0	0	0.0%	0.0%	5.8%	\$4.38	0	0	0
Overall Total	19,884,156	188,818	188,818	1.0%	4.5%	11.0%	\$4.90	148,080	148,080	1,097,650
South Carolina										
Warehouse & Distribution	27,036,871	68,000	68,000	-1.3%	10.7%	13.4%	\$4.95	385,161	385,161	424,000
Manufacturing	9,790,795	236,210	236,210	2.4%	2.2%	8.3%	\$4.63	0	0	0
Overall Total	36,827,666	304,210	304,210	-0.3%	8.4%	12.1%	\$4.89	385,161	385,161	424,000
Airport Ind										
Warehouse & Distribution	16,836,541	86,754	86,754	0.5%	10.3%	17.6%	\$5.49	562,687	562,687	1,580,797
Manufacturing	1,544,561	0	0	0.0%	0.0%	3.3%	\$0.00	0	0	0
Overall Total	18,381,102	86,754	86,754	0.5%	9.4%	16.5%	\$5.49	562,687	562,687	1,580,797
Northeast/I-77										
Warehouse & Distribution	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Northern Counties										
Warehouse & Distribution	27,646,098	-54,000	-54,000	-0.2%	3.5%	4.4%	\$3.44	0	0	0
Manufacturing	19,727,147	-80,460	-80,460	-0.4%	3.3%	1.3%	\$2.50	0	0	230,000
Overall Total	47,373,245	-134,460	-134,460	-0.3%	3.4%	3.1%	\$3.26	0	0	230,000
Western Counties										
Warehouse & Distribution	15,987,573	16,725	16,725	0.1%	1.7%	3.3%	\$4.43	0	0	0
Manufacturing	13,957,845	0	0	0.0%	3.1%	5.5%	\$3.50	0	0	0
Overall Total	29,945,418	16,725	16,725	0.1%	2.3%	4.3%	\$3.88	0	0	0
Westinghouse										
Warehouse & Distribution	36,733,250	216,650	216,650	0.6%	8.0%	10.8%	\$5.16	372,213	372,213	481,314
Manufacturing	3,608,459	0	0	0.0%	0.3%	0.3%	\$9.35	0	0	0
Overall Total	40,341,709	216,650	216,650	0.5%	7.3%	9.8%	\$5.17	372,213	372,213	534,114
Suburban total										
Warehouse & Distribution	80,366,921	179,375	179,375	0.2%	5.2%	7.1%	\$4.84	372,213	372,213	481,314
Manufacturing	37,293,451	-80,460	-80,460	-0.2%	3.0%	2.7%	\$3.39	0	0	230,000
Overall Total	117,660,372	98,915	98,915	0.1%	4.5%	5.7%	\$4.62	372,213	372,213	764,114