

Q2 2019

**Industrial Insight**

## Market indicators strong, signaling continued expansion

- After a slower start to 2019, leasing activity picked up as Charlotte absorbed almost double the output of first quarter activity.
- Almost 2 million square feet of new product delivered in Q2, and the pipeline remains steady with 2.9 million square feet under construction. Along with 4.9 million square feet of proposed development spread across 19 buildings, a majority of that will be speculative.

The market has experienced organic growth in recent quarters, with many existing tenants looking to expand operations within the Carolinas. 2019 has been a bit different with activity from companies looking to enter into the Charlotte market for the first time. Led by Chewys.com's 700,000 sf lease in early April, expected to add 1,200 jobs in Rowan County, companies are choosing Charlotte and its surrounding area due to our dense workforce, healthy infrastructure, and accessible transportation options.

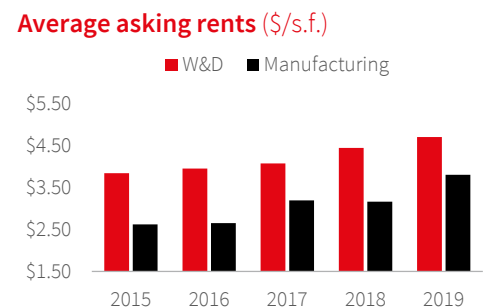
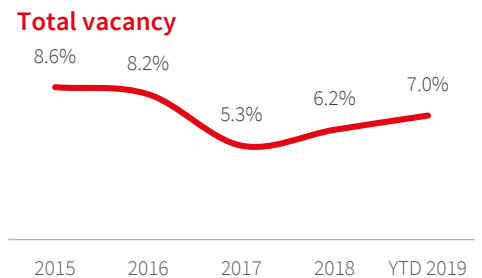
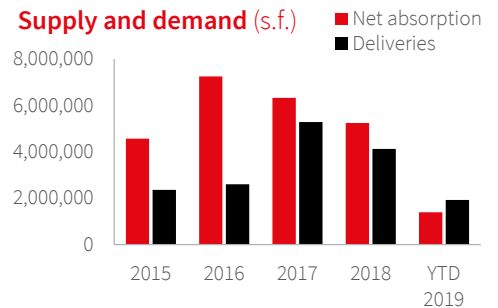
Construction completions within the year have risen to 1.9 million square feet, with an additional 2.9 million square feet under construction. With the influx of new supply in the market, and more on the way, Charlotte looks to attract a diverse mix of tenants to fill the magnitude of space to be delivered in the market.

The average lease size this quarter was nearly 59,000 square feet, a 23% increase from Q1. Graphic Packaging and Averitt Express have led the way in leasing, selecting 127,357 square foot and 121,680 square foot spaces in the Westinghouse submarket, respectively.

**Outlook**

As the office, retail, and multifamily markets continue expanding with new developments and Charlotte's increased national appeal, the industrial market is expected to follow suit. An expanding tenant base and increasing employment opportunities attract both companies and employees looking for key locations in the Southeast, putting Charlotte's Industrial market in a position for continued growth. Looking ahead to the back half of 2019 and beyond, Charlotte must continue to track absorption and be thoughtful with future speculative construction.

Fundamentals	Forecast
Q2 net absorption	1,051,739 s.f. ▲
YTD net absorption	1,499,475 s.f. ▲
Under construction	2,932,874 s.f. ▼
Total vacancy	7.0% ▼
Average asking rent (NNN)	\$4.66 p.s.f. ▲
Tenant improvements	Stable ▶



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