

# INVESTMENT FORECAST

Industrial  
Charlotte

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS






2022

## Charlotte Emerges as a Southeast Industrial Hub, Generating Robust User Demand for Modern Space

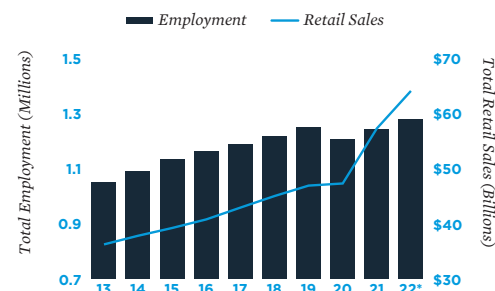
**Distributors eagerly expand footprints in North Carolina.** Industrial properties in the metro are benefiting from a rising local populace and Charlotte's proximity to other fast-growing Sun Belt cities. Together, these factors are bolstering user demand for last-mile distribution centers and larger warehouses. Additionally, e-commerce sales in the region are growing rapidly, fueled by high-income job growth and the pandemic's effect on consumer behavior. Consequently, the metro's construction pipeline is well leashed, highlighted by Amazon and Home Depot committing to a combined 1.5 million square feet at upcoming buildings near Interstate 77 and the state line. Sparse availability among newly-built facilities will steer more expanding users to vacant existing properties, as well as those with upcoming lease expirations during 2022. Heightened competition for these buildings and higher-end space is set to lift asking rents for the 11th consecutive year and trim vacancy to its lowest level since 2018.

**Connectivity motivating investors amid activity rise.** Charlotte's industrial investment market recorded elevated trading volume in both 2020 and 2021, driven by improving property performance. This has resulted in the average sales price rising more than 16 percent since 2019 to nearly \$137 per square foot. The majority of trades occur near the Interstate 77 and Interstate 485 interchange in southern Mecklenburg County, where fundamentals are outpacing the metrowide averages. Here, buyers are drawn to properties that provide quick access to transport routes, with first-year returns typically in the mid-3 percent zone for newer built facilities and up to 7 percent for older assets. Transactions have also picked up in north Mecklenburg County, as the locale provides access to the state's other growing metros along Interstate 85, like Greensboro and Raleigh.

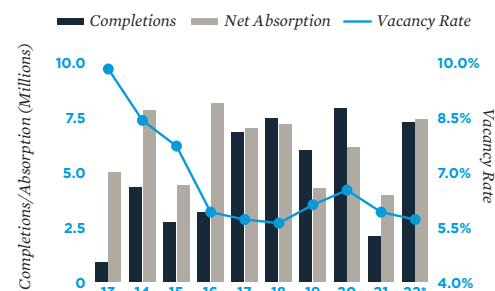
## 2022 Market Forecast

- Employment** up 2.9%  Firms will hire 36,000 workers this year, bringing metro employment 20,000 jobs ahead of the pre-pandemic job count.
- Construction** 7.3 million sq. ft.  Industrial space set for delivery will surpass 7 million square feet for the third time in the past five years. Nearly 80 percent of the current pipeline is located in Charlotte suburbs.
- Vacancy** down 20 bps  Strong pre-leasing and steady demand for existing space lead to net absorption outpacing completions this year, contracting vacancy to 5.7 percent after a 60-basis-point drop in 2021.
- Rent** up 4.1%  As the competition for premium space ramps up, the average asking rent will rise to \$5.55 per square foot, bringing the two-year growth rate above 11 percent.
- Investment**  While supply is limited in Union County, investors are likely to target available listings in the year to come, due to the area's sub-1 percent vacancy rate and recently strong rent growth.

### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.