

FIGURES | CHARLOTTE INDUSTRIAL | Q4 2024

Capital markets activity sees strong pickup in the final quarter

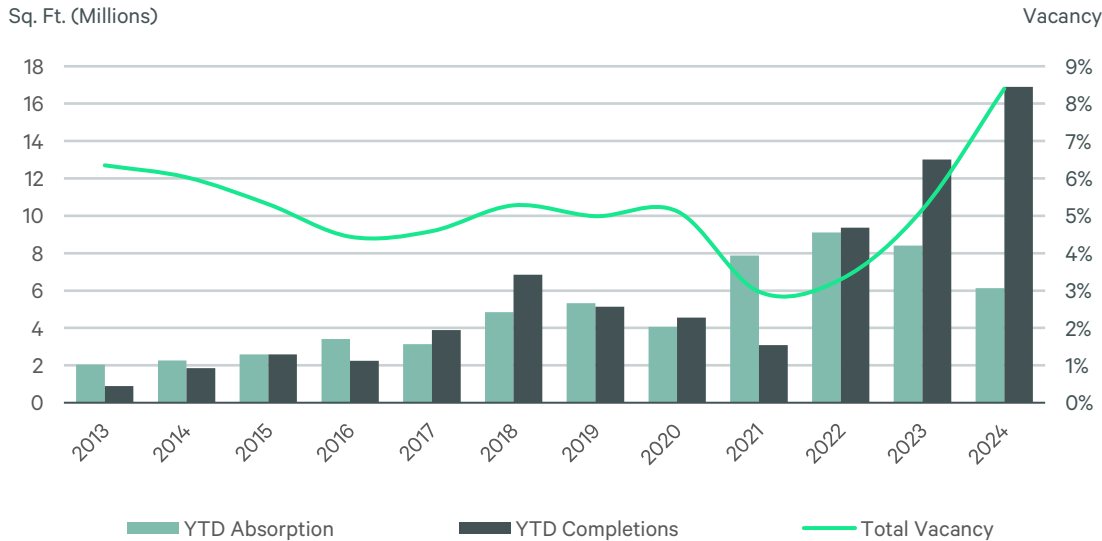


Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

- 2.4 million sq. ft. of positive net absorption was recorded in Q4 2024, bringing the annual total to 6.1 million sq. ft.
- Steady development activity continued with 6.0 million sq. ft. underway at the end of Q4 2024, with 2.9 million sq. ft. of completions. Development volume recorded a 17.8% decrease year-over-year.
- Total vacancy increased to 8.4% at the end of Q4 2024, still relatively low from a historical perspective despite the quarterly climb. Vacant space can be found in newer projects that have delivered over the past several years.
- The overall average achieved rate increased 3.4% year-over-year to \$9.79 per sq. ft. NNN. Rent growth is expected to continue.
- Investment sales volume reached nearly \$665.8 million in Q4 2024; ten times higher than the volume recorded last quarter. This quarter’s activity pushed annual sales volume to \$1.2 billion.

FIGURE 1: Historic Supply & Demand



Source: CBRE Research Q4 2024

Development Activity

Charlotte industrial development has slowed throughout the year but remains active with 6,005,948 sq. ft. of space under construction at the end of the fourth quarter. Of the total volume under construction, 365,000 sq. ft. (6.1%) has already been pre-leased. Strong build-to-suit activity, an established trend over the past several years, has dwindled in recent quarters. Most of the development volume now lies in speculative projects, the majority of which is slated to deliver in 2025. A slowdown in project groundbreakings could signal a decrease in overall vacancy.

New delivery volume totaled 2,901,316 sq. ft. in Q4 2024, pushing the annual total to 16,901,640 sq. ft. At the time of completion, 903,076 sq. ft. (42.2%) was preleased. Notable completions included the 570,000-sq.-ft. WoodGrain build-to-suit in Union County, and the 472,890-sq.-ft. Innovation Logistics Center Building 2. Rock Hill Commerce Center – Building C added 200,979 sq. ft. to the York County submarket as well.

Investment Trends

In the face of interest rate hikes, inflation and rising construction costs, industrial sales activity rose significantly this quarter. An overall volume of \$665.8 million was posted in Q4 2024, bringing annual sales volume just shy of \$1.1 billion, 40.4% higher than the total figure posted in 2023. Following a record-breaking year in 2021 with \$1.4 billion in annual sales volume, 2024 achieved the second highest annual total ever recorded. This year started off slowly, and the pace has greatly increased in the last quarter of the year. Despite general uncertainty in the capital markets environment, industrial product continues to exhibit its value as one of the only asset classes that has consistently traded in recent quarters.

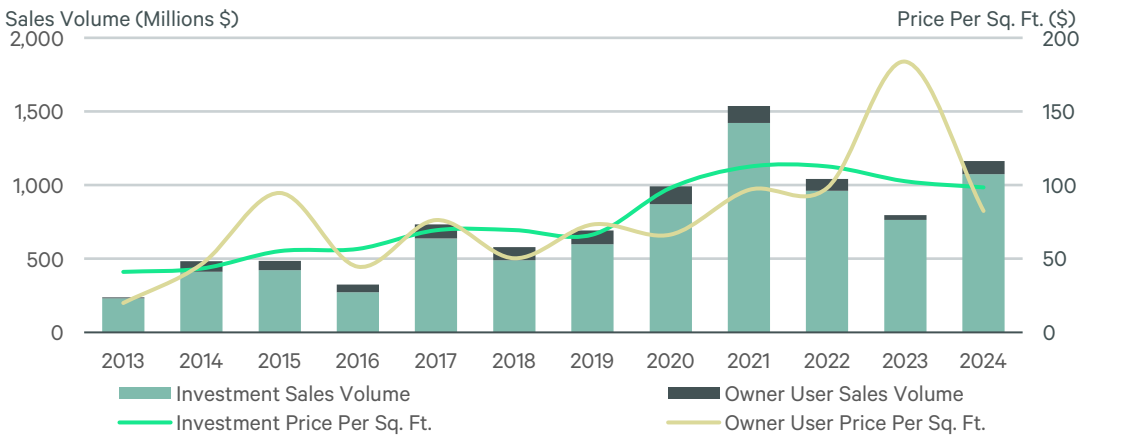
The largest transaction recorded this quarter was the sale of Childress Klein’s Industrial portfolio, which Indus Realty. bought for \$575.0 million. The 20-property portfolio was spread across two states with 16 properties located in the Charlotte area, and the remaining 4 in the greater Charleston market. Other notable transactions included the sale of 7040 Northwinds Dr NW for \$51.0 million (\$126.74 per sq. ft) and 2121 Heilig Rd for \$25.0 million (\$59.20 per sq. ft).

FIGURE 2: Top Projects Under Construction

Property Name	Submarket	City	Developer	Size (SF)	Est. Completion
Rusher Farms - Building 1	Rowan County	Salisbury	Tectonic	451,806	Q2 2025
Bryton Commerce Center Building 2	North	Huntersville	Tectonic	408,000	Q2 2025
Bryton Logistics Center	North	Huntersville	Tectonic	325,060	Q2 2025
Shopton Ridge East Park Building 3	Southwest	Charlotte	Prologis	233,740	Q4 2025
85 Exchange	Cabarrus	Concord	Trinity Capital	198,000	Q3 2025

Source: CBRE Research Q4 2024

FIGURE 3: Investment Trends



Note: Tracked sales volume consists of transactions \$5.0m and greater

Source: CBRE Research Q4 2024

Net Absorption

Positive net absorption remained high in 2024, with Q4 2024 reporting 2,409,871 sq. ft., a 48.0% increase quarter-over-quarter. The year finished strong with a total of 6,137,363 sq. ft. of positive net absorption. Despite this impressive total, it represents a 31.1% decrease year-over-year. After a slow start this year, 2024 ended with one of the largest annual absorption totals ever recorded in Charlotte. Following three years of unprecedented absorption totals, 2024 has continued this trend. Pre-leasing within new deliveries in the fourth quarter contributed 903,076 sq. ft. to the absorption total.

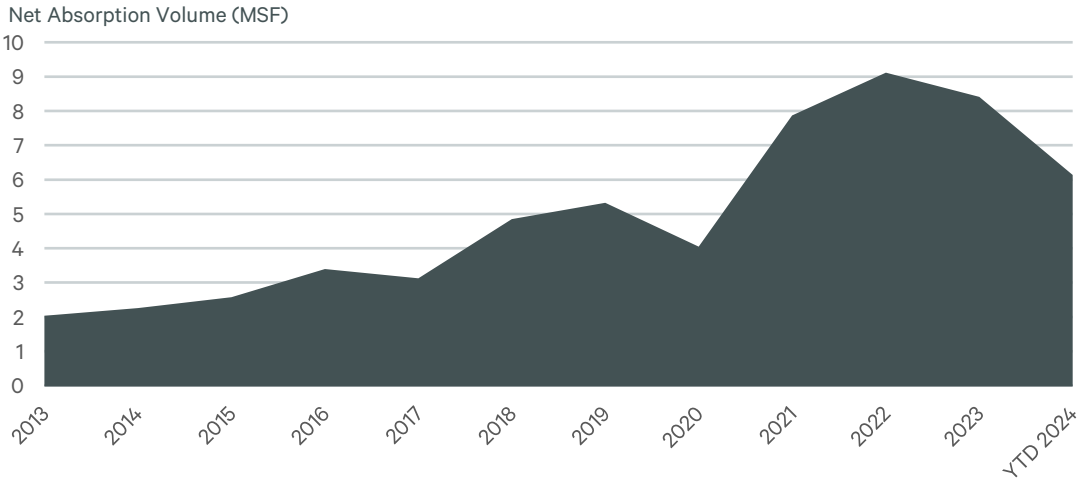
Amid unprecedented construction activity in the greater Charlotte area, net absorption figures have fallen short of delivery volume in recent quarters, attributing to the uptick in vacancy. The substantial development volume is expected to continue to fuel net absorption numbers throughout the new year with several speculative projects slated to deliver in the near-term. Strong pre-leasing in the speculative pipeline will contribute as well. With the slowdown in new construction, stronger absorption totals will begin to lean more on existing supply.

Employment

Economic conditions remain volatile, but a soft landing in consumption and hiring point to further disinflation. Labor-intensive service costs are poised to soften and falling rents across the Sun Belt suggest weaker housing inflation is on the horizon. Additional fed rate cuts are downstream of disinflation and are a welcome outcome amongst the real estate distress triggered by higher financing costs and devaluations. The continued rate cuts have helped spark excitement for the future, but until we have a more aggressive rate cut the disillusion of recovery will continue.

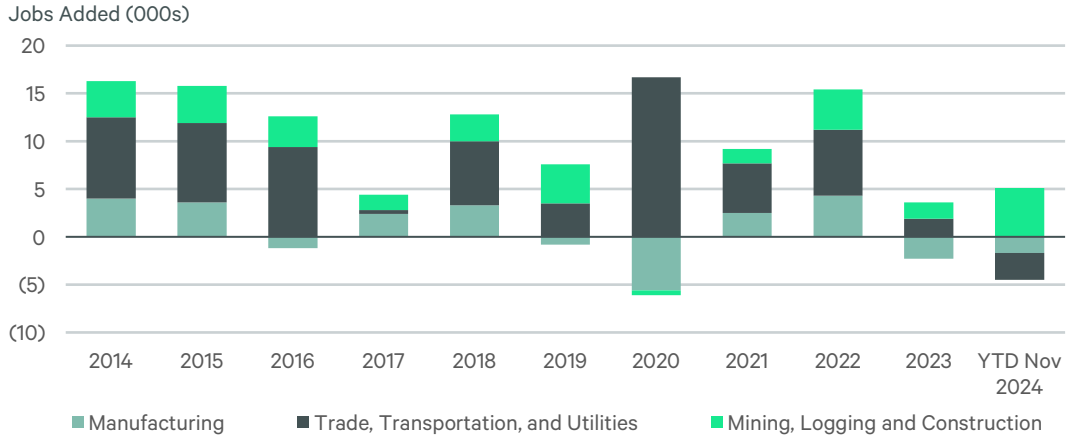
Charlotte's unemployment rate fell to 3.4% as of November 2024, 60 basis points lower than the US unemployment rate during the same period. According to the BLS, total nonfarm employment is up 10.2% compared to its pre-pandemic level in February 2020, and up 2.3% compared to November 2023. The mining, logging and construction sector has seen the largest number of industrial-using jobs added over the past year with a 5.1% increase year-over-year.

FIGURE 4: Historical Annual Net Absorption



Source: CBRE Research Q4 2024

FIGURE 5: Industrial-Using Employment Growth



Source: U.S. Bureau of Labor Statistics, November 2024

Leasing Activity

Leasing activity of 1,807,087 sq. ft. was recorded in the fourth quarter, down 18.5% from the 2.2 million sq. ft. recorded in Q3 2024. The most notable leases signed this quarter included NFI Industries renewing their 507,512-sq.-ft. lease at the Riverwalk Business Park in Rock Hill, Carolina Beverage Group signing a new lease for 387,1770 sq. ft. at North Charlotte Commerce Park in Mooresville and Art Guild signing a new lease for 205,207 sq. ft. at Park 4077 in Statesville.

An influx of transportation and manufacturing uses have begun to flow into the state of North Carolina, and the greater Charlotte region has been a beneficiary. The market has been confronted with a relative slowdown in groundbreakings in the near-term, but leasing activity is expected to remain strong due to sustained demand from both existing and new-to-market users in the Charlotte metro area. The slowdown in new construction will also provide the market an opportunity to absorb existing supply. With a substantial sum of vacant space delivering to the market this quarter, attractive new opportunities are available.

Vacancy & Availability

With close to 2.0 million sq. ft. of newly delivered vacant space added to the Charlotte market this quarter, the total vacancy rate increased 10 bps to 8.4%, with total availability climbing 20 bps to 9.9%. With over 16.9 million sq. ft. of newly added inventory to the market within the last year, the vacancy and availability totals have increased at an expected rate. Strong preleasing in the development pipeline and continued leasing activity in existing projects have softened the gradual climb in rates that have come with heightened construction activity. Relatively speaking, industrial vacancy in Charlotte is still at an historically low level, highlighting healthy activity across all lines of business in recent years.

In several cases, elevated submarket vacancy can be attributed to as few as one or two vacant buildings driving up the overall submarket average. The bulk of vacant square footage throughout the market can be found in new construction projects completed in the past several years. Among other indicators, seeing only slight increases in availability and vacancy given the market’s record development streak points to Charlotte industrial’s sustained demand.

Average Lease Rates

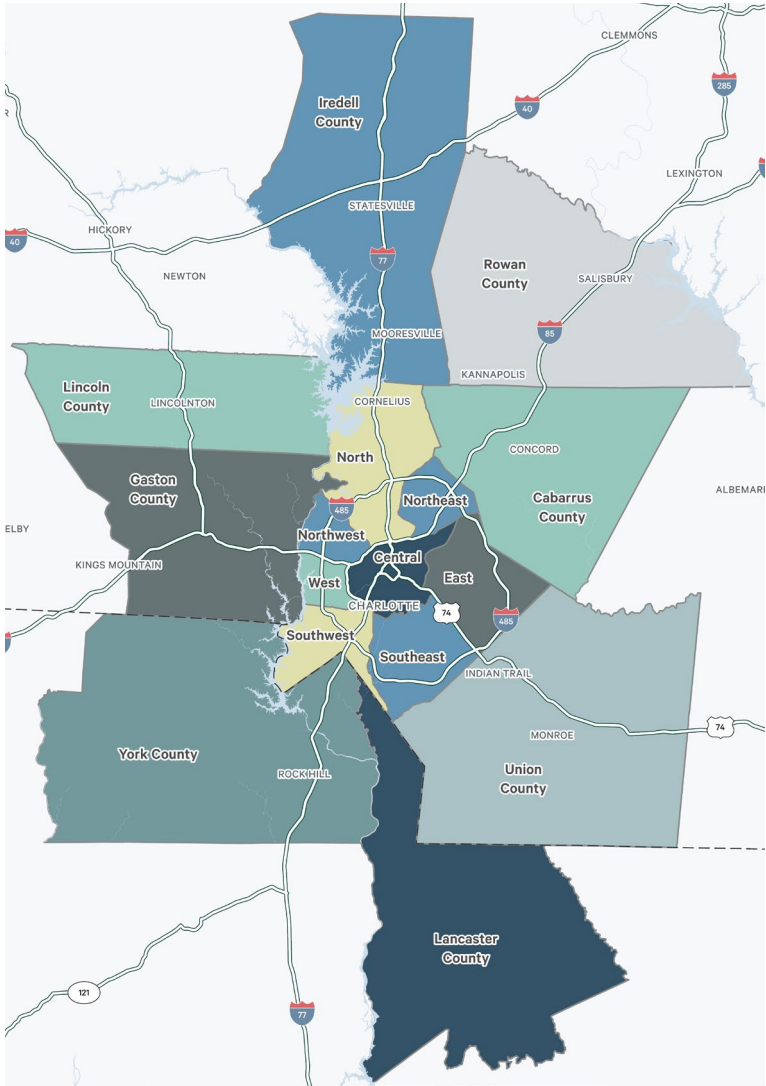
The overall average achieved rate increased to \$9.79 per sq. ft. NNN in Q4 2024, up less than 1.0% quarter-over-quarter and 3.3% year-over-year. The achieved rate represents an average of all executed lease rates signed throughout the quarter. Rates for all product types are projected to increase steadily throughout the balance of the new year. Many landlords are now quoting 4.0% annual rental rate increases, particularly for infill properties.

FIGURE 6: Market Statistics by Submarket

Submarket	Inventory (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (SF)	Q4 2024 Net Absorption (SF)	Annual 2024 Net Absorption (SF)
Cabarrus County	23,609,840	7.6	8.1	283,000	414,526	2,254,979
Central	19,904,218	4.4	5.4	-	28,751	(374,238)
East	1,656,141	4.8	12.1	-	(600)	18,083
Gaston County	34,600,348	16.2	17.4	497,640	387,511	361,778
Iredell County	31,636,785	4.6	4.0	609,000	379,819	1,531,785
Lancaster County	5,475,925	0.9	0.9	-	-	(47,362)
Lincoln County	11,783,633	5.1	9.3	304,720	98,076	790,522
North	28,100,322	9.4	11.1	1,694,463	170,567	(39,702)
Northeast	3,158,839	15.5	8.3	-	49,959	(245,753)
Northwest	11,568,092	7.8	8.3	-	(102,334)	(277,578)
Rowan County	20,177,302	18.7	20.7	1,207,324	184,218	831,016
Southeast	4,138,317	2.2	5.6	-	(6,921)	(61,296)
Southwest	48,818,023	5.4	8.3	787,324	47,112	1,135,471
Union County	14,776,178	1.8	1.9	60,000	792,031	498,953
West	11,633,833	13.5	17.9	334,857	(10,513)	(341,164)
York County	33,136,017	8.1	9.9	227,400	(22,331)	101,869
METRO TOTAL	304,173,813	8.4	9.9	6,005,948	2,409,871	6,137,363

Source: CBRE Research Q4 2024

Market Area Overview



CBRE Offices

South End Charlotte

1120 S Tryon St, Suite 200
Charlotte, NC 28203

Survey Criteria

Includes all industrial and flex buildings 20,000 sq. ft. and greater in size, excluding data centers, showrooms, and service properties, in Mecklenburg, Gaston, Lincoln, Iredell, Rowan, Cabarrus, Union, Lancaster and York counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

Note

In the first quarter of 2023, CBRE Charlotte updated and expanded its tracked market area in order to more accurately portray dynamics and fundamentals within the local and regional industrial real estate market. In addition to general submarket boundary adjustments, surrounding counties were added to better track growth throughout the region. Certain statistical calculation methodologies were adjusted as well. As a result, previously reported quarterly statistics are subject to change as new information not readily available at the time of publishing becomes available.

Contacts

Brady Klingman

Charlotte Research
+1 704 577 6859
brady.klingman@cbre.com