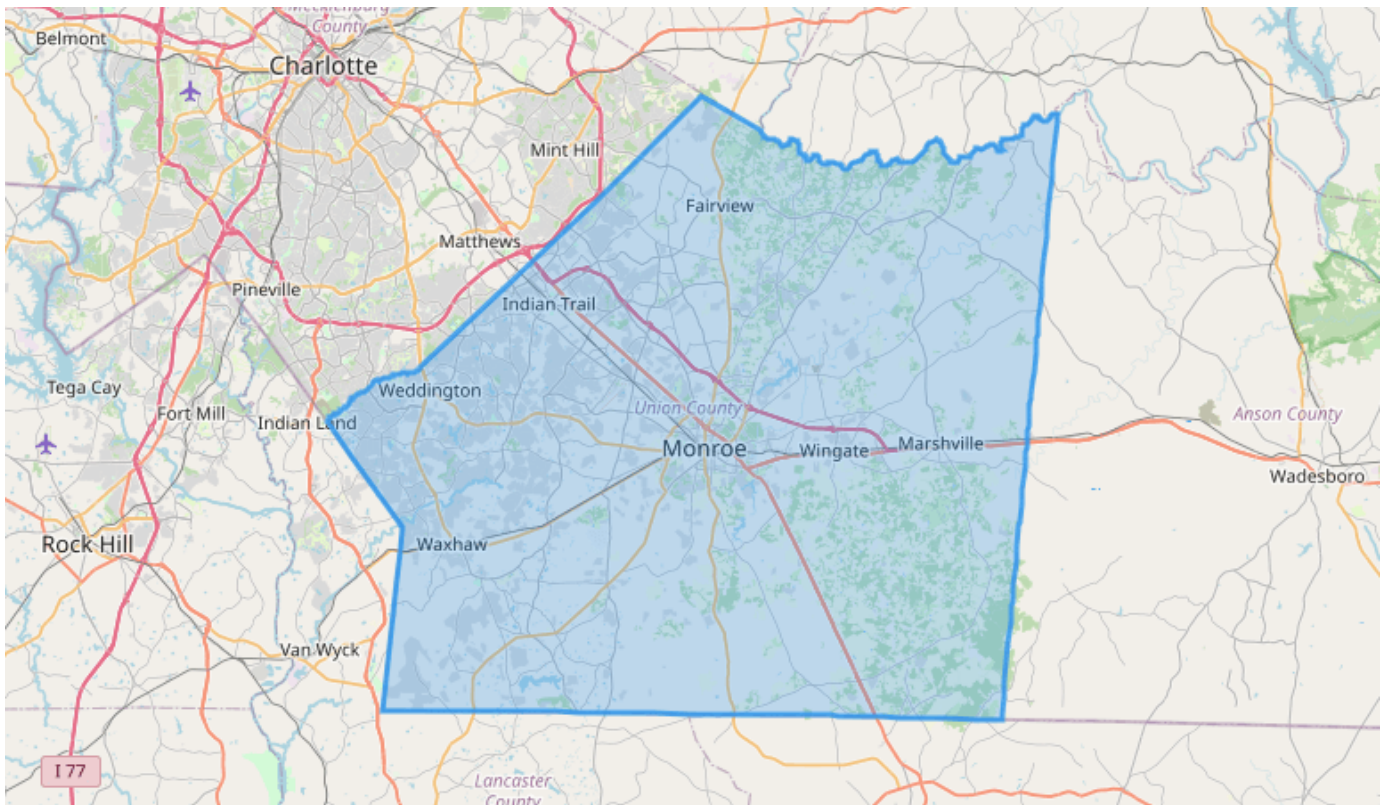


Distribution/Warehouse Report

Market
Charlotte

Submarket
Far Southeast

Date
9/15/2022



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Executive Briefing on Submarket Conditions

The average Asking Rent was \$4.61 in the Far Southeast submarket

- Rent in the Far Southeast submarket was up 0.9% from Q1 2022.
- Rent is expected to finish 2022 at \$4.66 in the Far Southeast submarket.

The average Vacancy Rate was 1.1% in the Far Southeast submarket

- The Far Southeast submarket had the sixth lowest vacancy in the nation and the fifth lowest in the South Atlantic.
- Vacancy in the Far Southeast submarket drifted downward by 10 basis points.
- The Far Southeast submarket had the lowest vacancy level since Q3 2009.

Submarket Overview

The Far Southeast submarket, one of eleven distinct geographic concentrations within Charlotte, contains 6.9 million market rate rental square feet, or 5.2% of the metro's total inventory of warehouse/distribution space. In the ten-year period beginning with Q3 2012, there have been no additions to the submarket, and no space has been removed by developer activity. Although the submarket inventory has remained flat, the metro inventory has grown at an annualized rate of 2.5%.

Asking and Effective Rent

Asking rents rose by 0.9% during the second quarter of 2022 to an average of \$4.61, a level higher than only three of the metro's eleven submarkets: Northwest (\$4.51), East/Southeast (\$3.79), and Gaston County (\$3.55). Since the same reporting period last year, asking rents have increased by 3.4%, up from \$4.46. The Far Southeast submarket's current asking rent levels and growth rates compare unfavorably to the metro's averages of \$5.44 and 1.1%. Effective rents, which exclude the value of concessions offered to prospective tenants, also increased by 0.9% during the second quarter. The parity in rates of change suggests that landlords have been able to raise rents without also increasing the relative value of concessions packages offered to new lessees.

Competitive Inventory, Employment, Absorption

Total employment in the Charlotte metropolitan area grew by 14,600 jobs during the second quarter, while industrial employment grew by 2,800. Since the beginning of Q3 2012, the average growth rate for industrial-using employment in Charlotte has been 1.6% per year, representing the average annual addition of 2,700 jobs. Over the same time period, the metro recorded an average annual absorption rate of 3.6 million square feet. During the second quarter, metropolitan absorption totaled 1.9 million square feet, of which the Far Southeast submarket captured 0.3%, or 5,000 square feet, the least of Charlotte's eleven submarkets. This is the second consecutive quarter during which this submarket recorded positive absorption, amounting to 390,000 square feet since Q1 2022. Over the last four quarters, submarket absorption totaled 398,000 square feet, far exceeding the average annual absorption rate of 54,400 square feet recorded since the beginning of Q3 2012. The submarket's average vacancy rate drifted downward by 10 basis points during the second quarter to 1.1%, which is 6.2 percentage points lower than the long-term average, and 3.0 percentage points lower than the current metro average.

Outlook

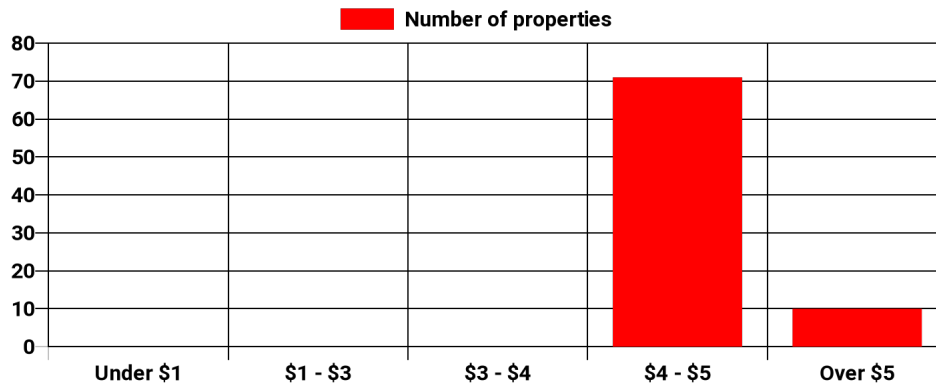
Reis's new construction analysts report that no competitive warehouse/distribution stock will be introduced to the submarket this year, and net total absorption will be negative 15,000 square feet. Consequently, the vacancy rate will drift upward by 0.2 percentage points to 1.3%. During 2023 and 2024, developers are expected to deliver a total of 59,000 square feet of warehouse/distribution space to the submarket amounting to 1.2% of the new construction introduced to Charlotte. Industrial job growth during 2023 and 2024 is expected to average 0.4% annually. The Far Southeast submarket, however, will experience negative absorption averaging 7,000 square feet per year. The submarket vacancy rate will finish 2023 at 1.8% and will rise 0.5 percentage points to 2.3% by year end 2024. Between now and year-end 2022 asking rents are expected to climb 1.1% to a level of \$4.66. Thereafter, Reis projects that asking rent growth will accelerate to an annualized average of 4.6% during 2023 and 2024 to reach a level of \$5.10 per square foot. Effective rents will advance by a more rapid annualized average rate of 5.0%, as landlords begin to

reduce the relative value of concessions packages.

Current Submarket Net Rent Details

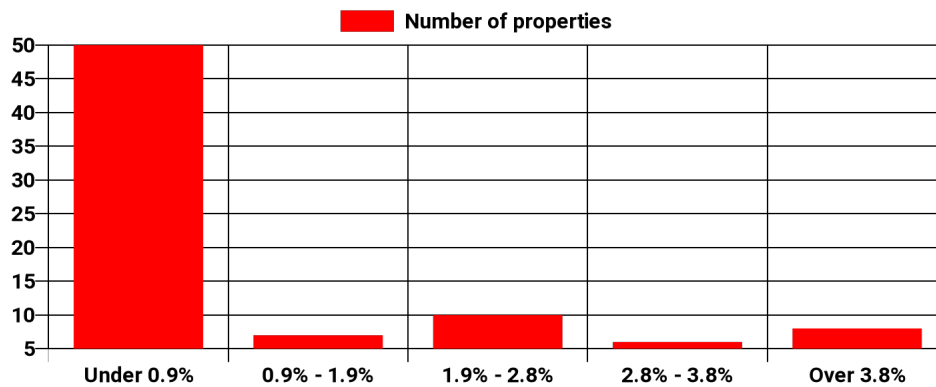
Asking Rent Distribution

Low	25%	Mean	Median	75%	High
\$4	\$4	\$5	\$4	\$5	\$7

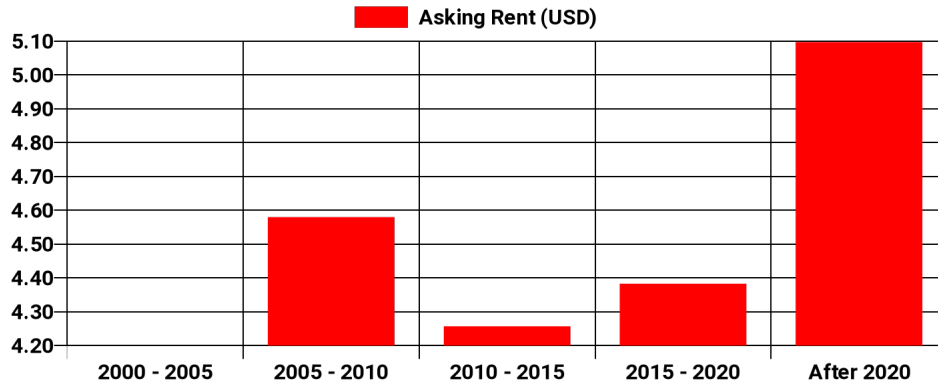


Asking Rent Growth Rate Distribution

Low	25%	Mean	Median	75%	High
-3.4%	0.0%	1.1%	0.5%	2.5%	4.7%



Asking Rent by Age

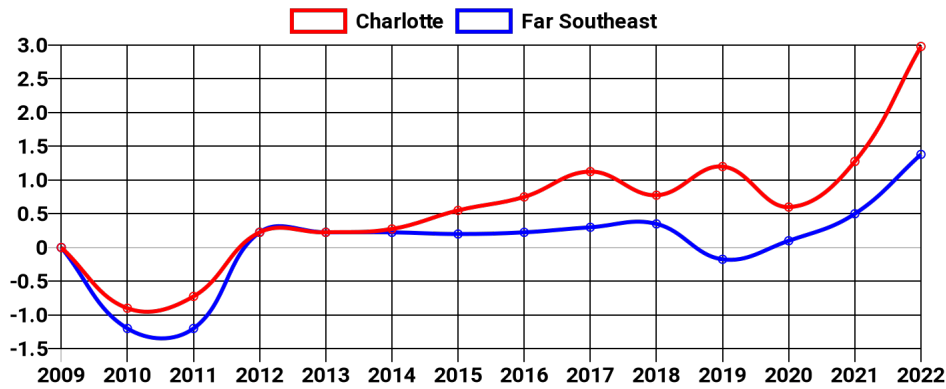


Rent Growth Comparisons (Net Rent)

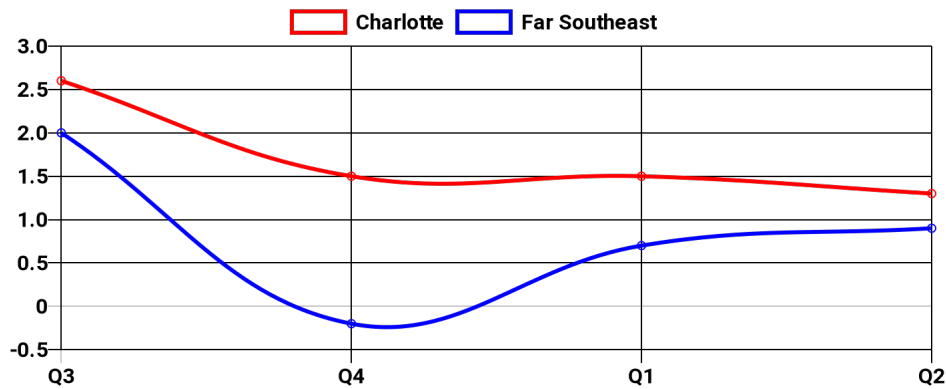
Asking Rent Growth

	Asking Rent Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	2.6%	1.5%	1.5%	1.3%	3.5%	3.0%	2.7%
Far Southeast	2%	-0.2%	0.7%	0.9%	2.8%	2.3%	1.9%

Asking Rent Growth Rate Trends



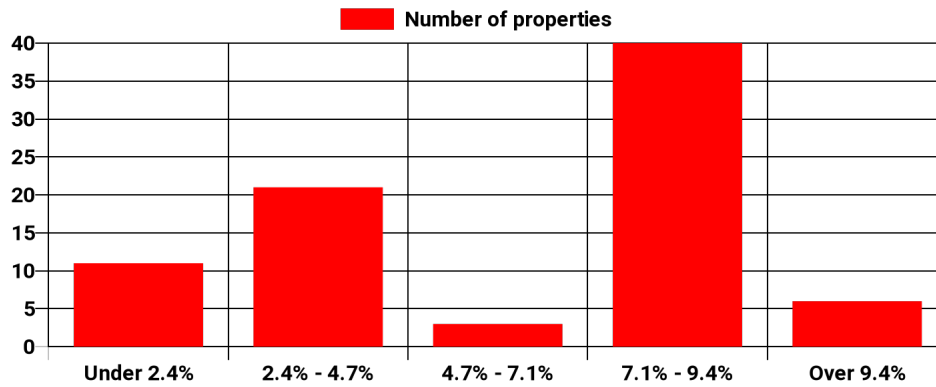
Quarterly Rent Growth Rate Trends



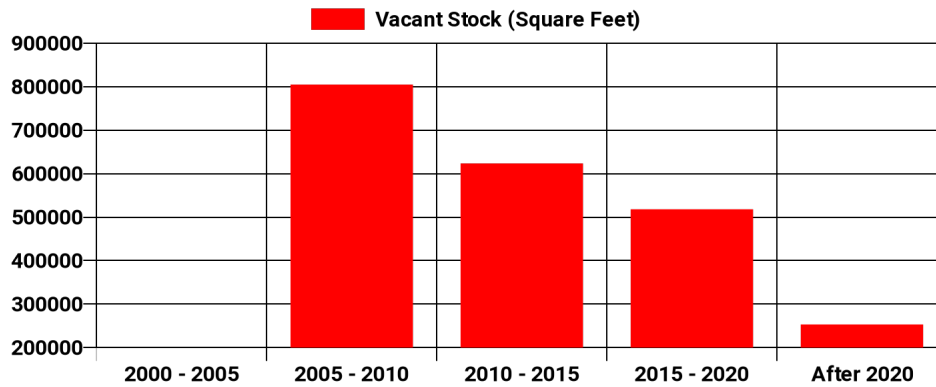
Current Submarket Vacancy Details

Vacancy Rate Distribution

Low	25%	Mean	Median	75%	High
1.1%	3.3%	6.0%	7.2%	7.8%	11.8%



Vacancy Rate by Age

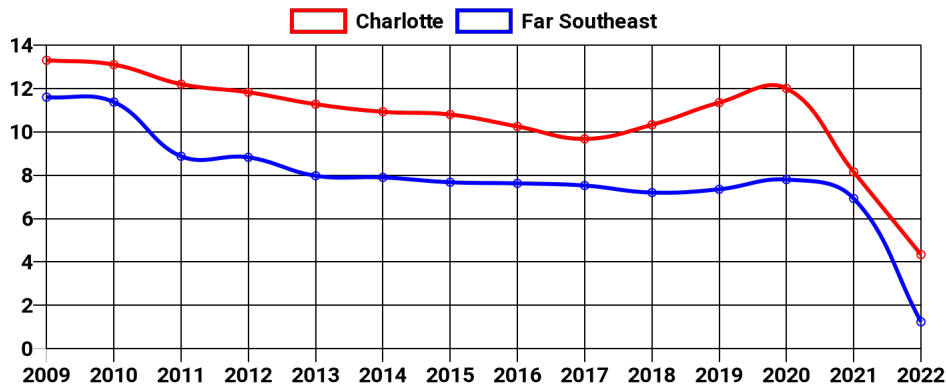


Vacancy Rate Comparisons

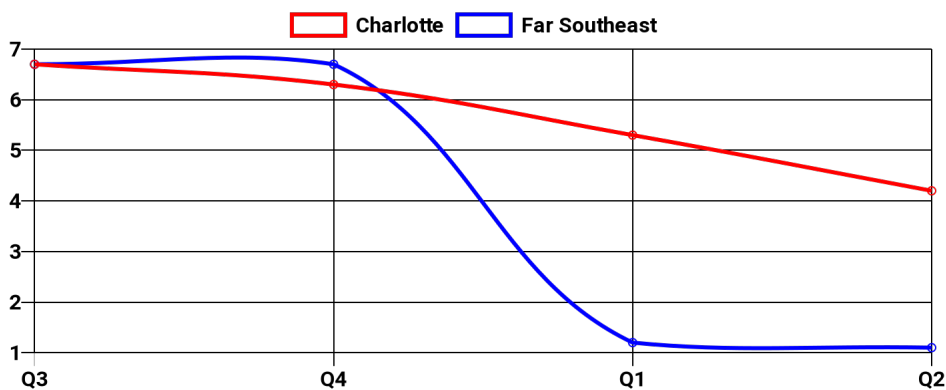
Vacancy Rates

	Vacancy Rates						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	6.7%	6.3%	5.3%	4.2%	4.4%	5.5%	6.4%
Far Southeast	6.7%	6.7%	1.2%	1.1%	2.7%	3.6%	4.2%

Vacancy Rate Trends



Quarterly Vacancy Rates

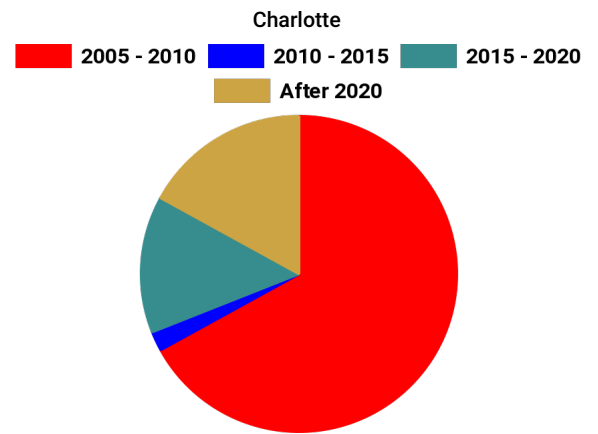
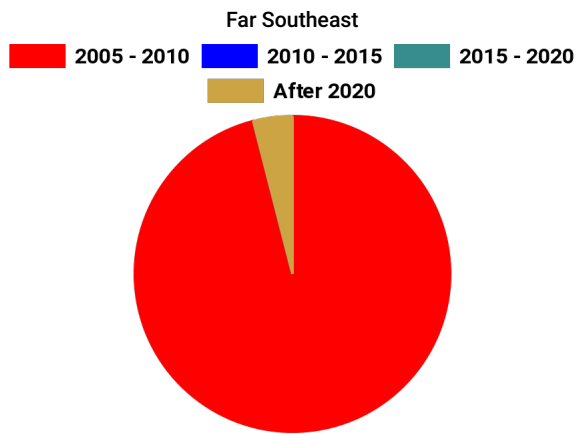


Inventory Details

Operating Expense: \$1.90

Inventory By Building Age

	2005 - 2010	2010 - 2015	2015 - 2020	After 2020
Charlotte	67%	2%	14%	17%
Far Southeast	96%	0%	0%	4%

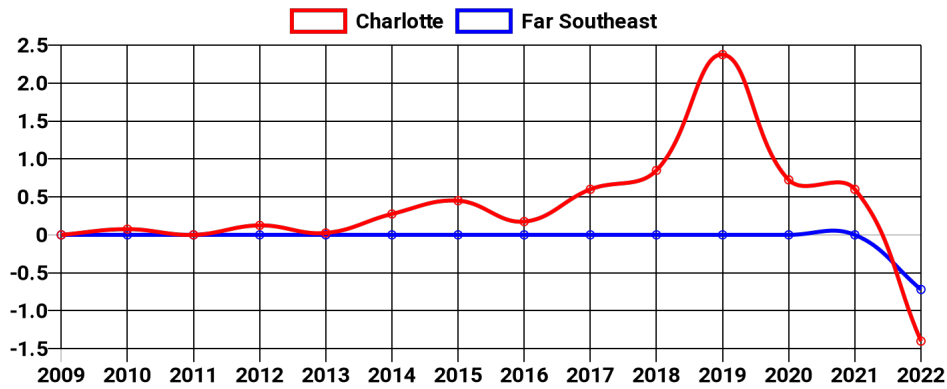


Inventory Growth Comparisons

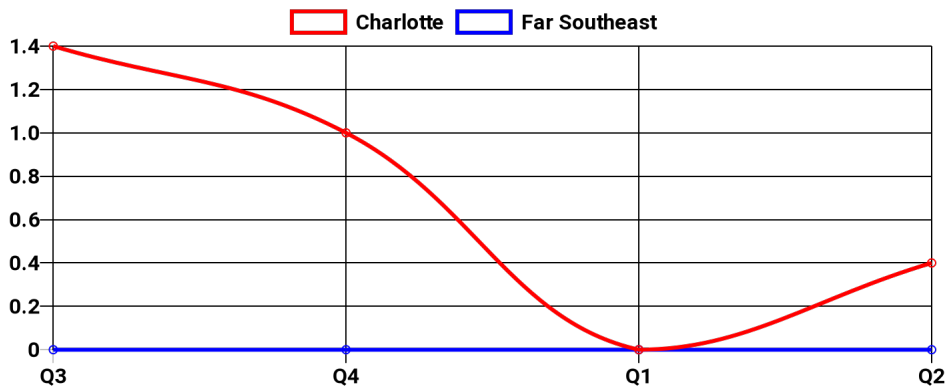
Inventory Growth Rates

	Inventory Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	1.4%	1%	0%	0.4%	0.3%	0.4%	0.6%
Far Southeast	0%	0%	0%	0%	-0.0%	-0.0%	-0.0%

Inventory Growth Comparisons



Quarterly Inventory Growth Comparisons



Construction Absorption Change

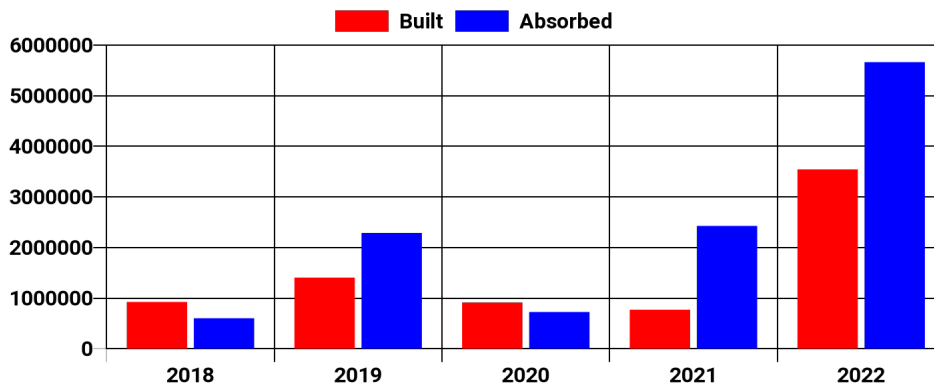
Construction and Absorption

	Square Footage Built						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	1812000	1265000	0	570000	607833	922500	869318
Far Southeast	0	0	0	0	0	0	0

	Square Footage Absorbed						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	4402000	1817000	1343000	1957000	2167667	1790000	1362409
Far Southeast	8000	0	385000	5000	77500	30071	20818

	Construction/Absorption Ratio						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	0.4	0.7	0	0.3	0.3	0.5	0.6
Far Southeast	0	0	0	0	0	0	0

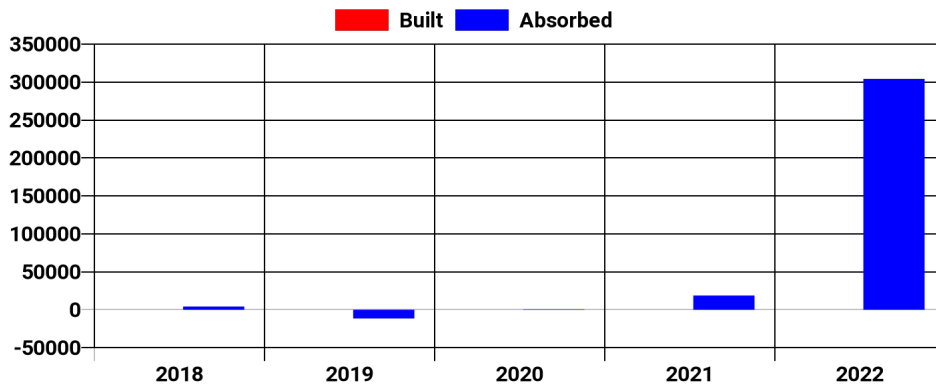
Charlotte



Market InSites

Powered by Moody's Analytics CRE and CCIM Technologies

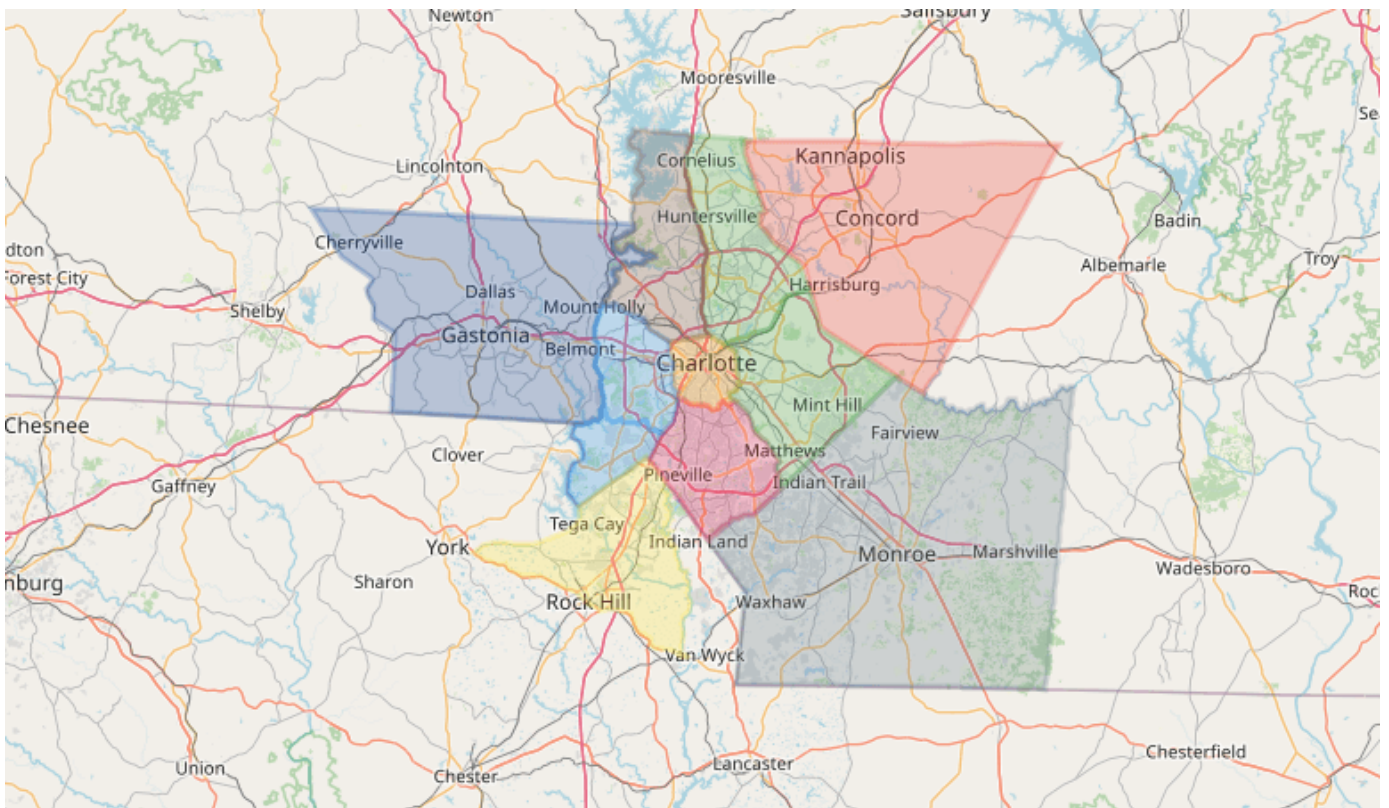
Far Southeast



Distribution/Warehouse Report

Market
Charlotte

Date
9/15/2022



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Executive Briefing on Market Conditions

The average Asking Rent was \$5.44 in the Charlotte metro

- Rent in the Charlotte metro was up 1.1% from Q1 2022.
- Rent Has risen for eight consecutive quarters in the Charlotte metro.
- Rent is expected to finish 2022 at \$5.56 in the Charlotte metro.

The average Vacancy Rate was 4.1% in the Charlotte metro

- Vacancy in the Charlotte metro has been in decline for nine consecutive quarters.
- The Charlotte metro had the lowest vacancy level since Q3 2009.
- Vacancy is expected to finish 2022 at 4.0% in the Charlotte metro.

Market Overview

A comprehensive examination of the Charlotte warehouse/distribution market reveals that the dominant concentrations of speculative warehouse/distribution space are located in the Northeast submarket, amounting to 23.0 million square feet and 17.3% of the metropolitan inventory, followed by Southwest, with a 16.9% share, and Central (13.9%). Since the beginning of Q3 2012, the fastest growing area has been the West submarket, adding 5.2 million square feet over that period, or 22.7% of total metropolitan warehouse/distribution completions.

Asking and Effective Rent

Asking rents in North Carolina's most populous city increased by 1.1% during the second quarter of 2022 to an average of \$5.44. The market has now experienced eight consecutive quarterly gains in asking rent, for a cumulative total of 9.7%. Since the beginning of Q3 2012, the metro as a whole has recorded an annual average increase of 3.1%. Effective rents, which take into account concessions offered to new lessees, climbed more quickly, up by 1.8% during the second quarter. The faster pace of effective rent growth suggests that landlords are enjoying more pricing power at the negotiating table. During the past four quarters, positive movement in asking rent was recorded in all eleven of the metro's submarkets.

Competitive Inventory, Employment, Absorption

Total employment in the Charlotte metropolitan area grew by 14,600 jobs during the second quarter, representing a growth rate of 1.1%, while industrial employment expanded by 2,800. Since the beginning of Q3 2012, the average growth rate for industrial-using employment in Charlotte has been 1.6% per year, representing the average annual addition of 2,700 jobs. Leasing activity generated 1.9 million square feet of absorption during the second quarter. Over the last four quarters, market absorption totaled 9.4 million square feet, nearly triple the average annual absorption rate of 3.6 million square feet recorded since the beginning of Q3 2012. In a long-term context, the second quarter vacancy rate is 6.2 percentage points lower than the 10.3% average recorded since the beginning of Q3 2012.

Outlook

Between now and year's end, 6.1 million square feet of competitive warehouse/distribution stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 6.0 million square feet. Consequently, the vacancy rate will continue to drift downward to finish the year at 4.0%. During 2023 and 2024, developers are expected to deliver a total of 5.0 million square feet. Industrial job growth during 2023 and 2024 is projected to average 0.4% annually. Because this amount does not exceed the forecasted new construction, the market vacancy rate will rise by 30 basis points to finish 2024 at 4.3%. Between now and year-end 2022 asking rents are expected to climb 2.2% to a level of \$5.56. On an annualized basis through 2023 and 2024, asking and effective rents are projected to rise by 4.5% and 4.6%, respectively, to finish 2024 at \$6.07 and \$5.72.

Current Market Net Rent Details

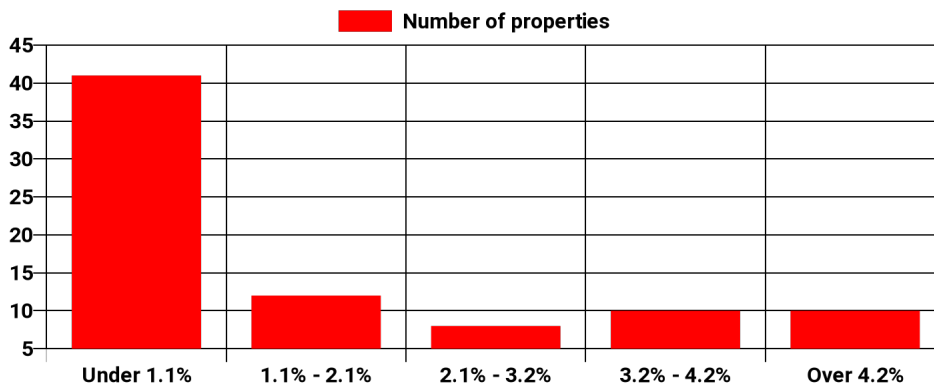
Asking Rent Distribution

Low	25%	Mean	Median	75%	High
\$4	\$4	\$5	\$5	\$6	\$9

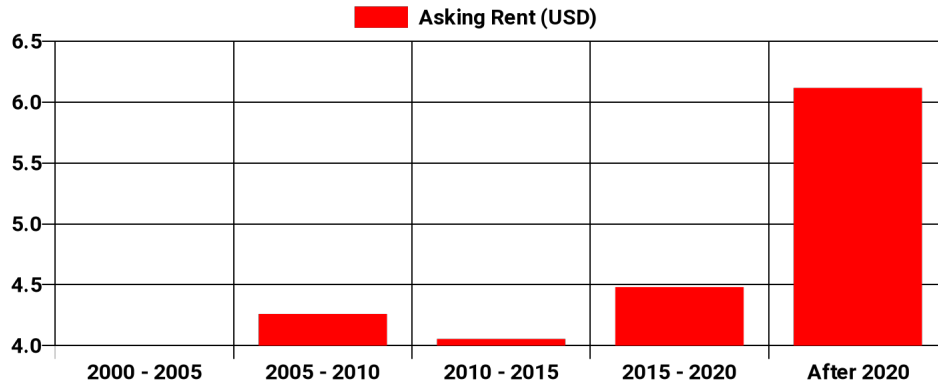


Asking Rent Growth Rate Distribution

Low	25%	Mean	Median	75%	High
-2.2%	0.5%	1.7%	1.0%	3.1%	5.3%



Asking Rent by Age

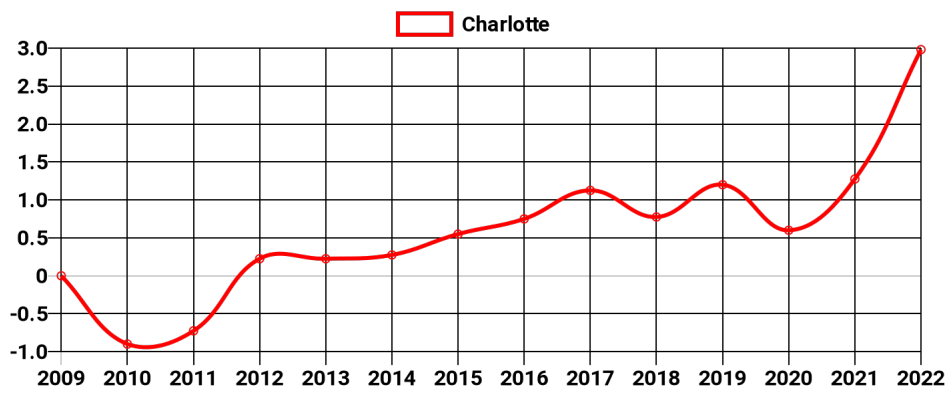


Rent Growth Comparisons (Net Rent)

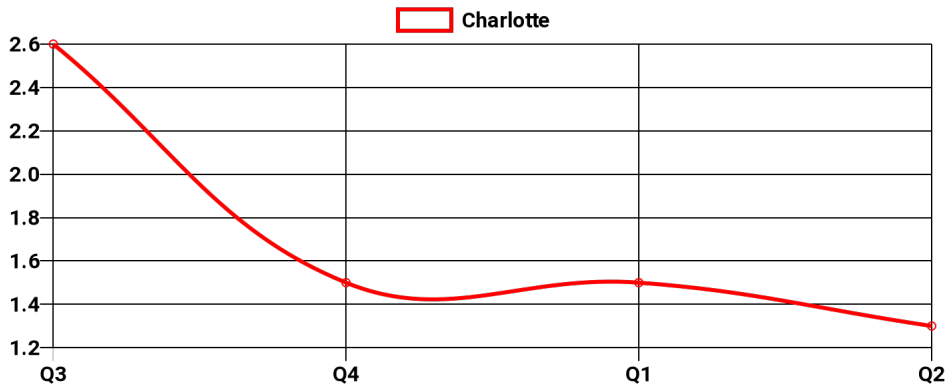
Asking Rent Growth

	Asking Rent Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	2.6%	1.5%	1.5%	1.3%	3.5%	3.0%	2.7%

Asking Rent Growth Rate Trends



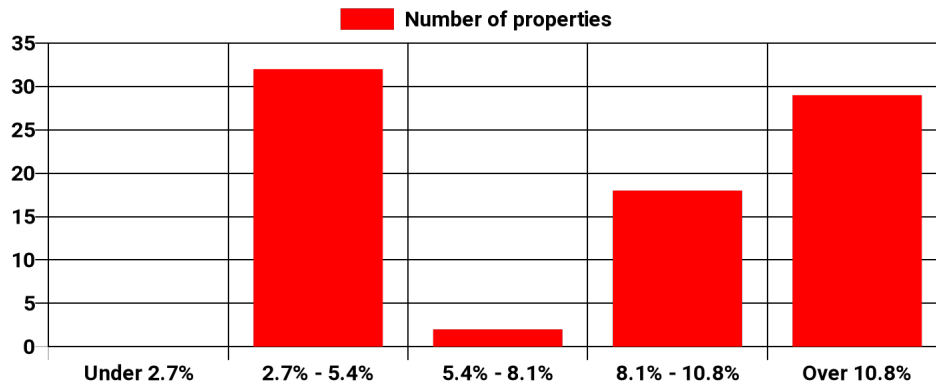
Quarterly Rent Growth Rate Trends



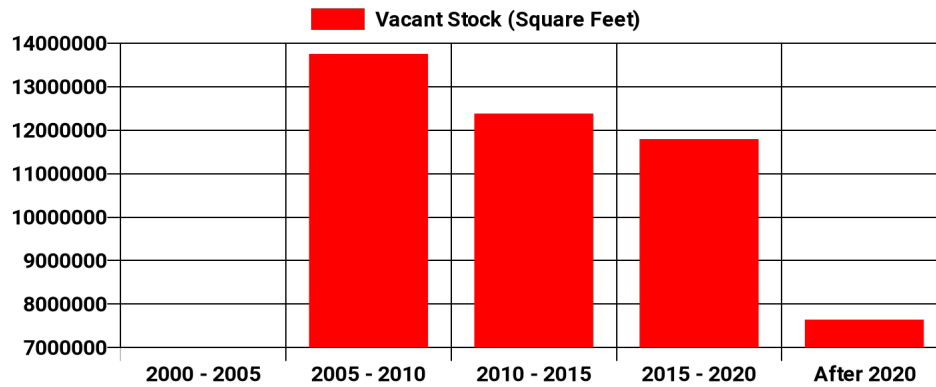
Current Market Vacancy Details

Vacancy Rate Distribution

Low	25%	Mean	Median	75%	High
4.0%	4.4%	8.4%	10.2%	11.4%	13.5%



Vacancy Rate by Age

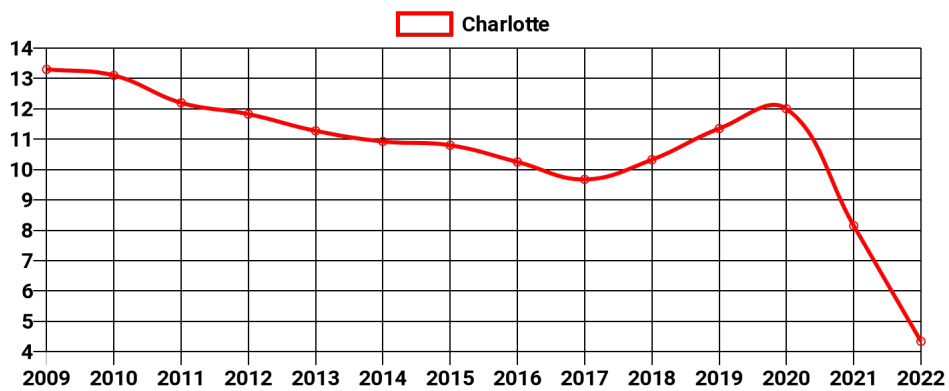


Vacancy Rate Comparisons

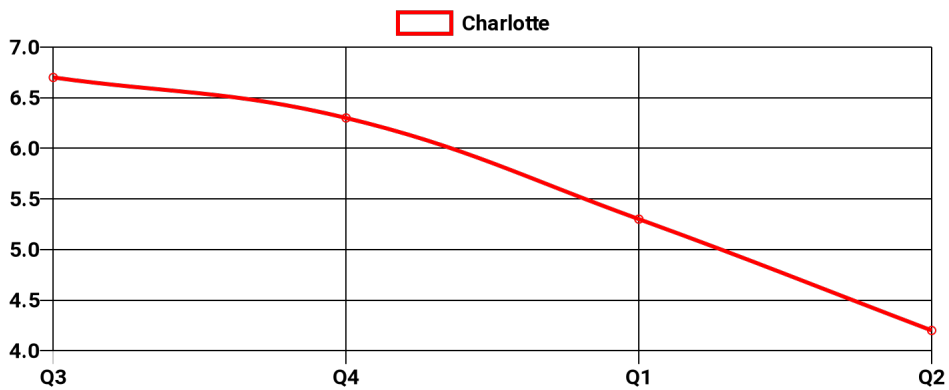
Vacancy Rates

	Vacancy Rates						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	6.7%	6.3%	5.3%	4.2%	4.4%	5.5%	6.4%

Vacancy Rate Trends



Quarterly Vacancy Rates



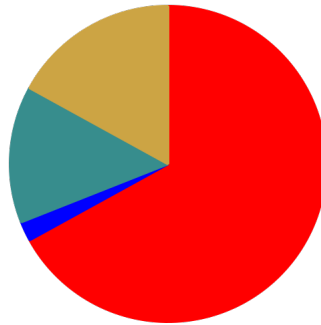
Inventory Details

Operating Expense: \$2.32

Inventory By Building Age

	2005 - 2010	2010 - 2015	2015 - 2020	After 2020
Charlotte	67%	2%	14%	17%

■ 2005 - 2010
 ■ 2010 - 2015
 ■ 2015 - 2020
■ After 2020

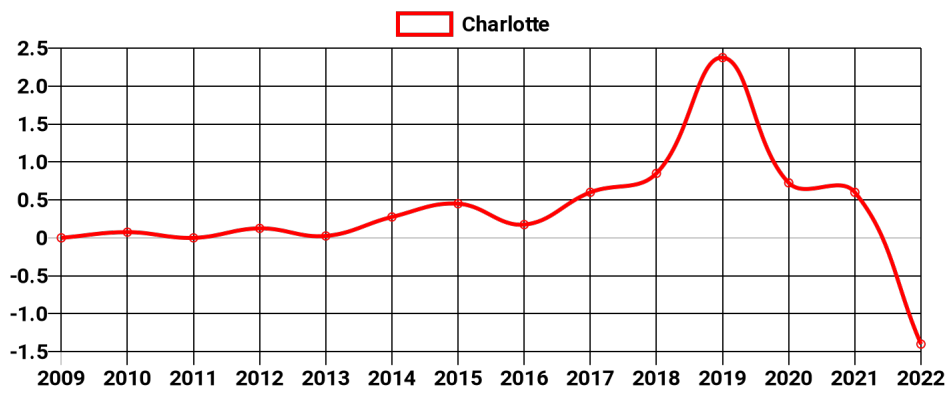


Inventory Growth Comparisons

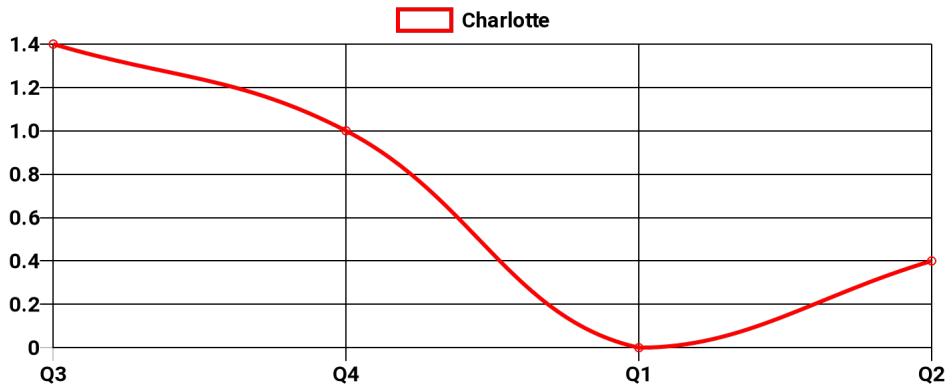
Inventory Growth Rates

	Inventory Growth						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	1.4%	1%	0%	0.4%	0.3%	0.4%	0.6%

Inventory Growth Comparisons



Quarterly Inventory Growth Comparisons



Construction Absorption Change

Construction and Absorption

	Square Footage Built						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	1812000	1265000	0	570000	607833	922500	869318

	Square Footage Absorbed						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	4402000	1817000	1343000	1957000	2167667	1790000	1362409

	Construction/Absorption Ratio						
	Quarterly				Annualized		
	Q3	Q4	Q1	Q2	1 year	3 year	5 year
Charlotte	0.4	0.7	0	0.3	0.3	0.5	0.6

Charlotte

