

Flex / R&D

Charlotte

☑ Southern Atlantic Region

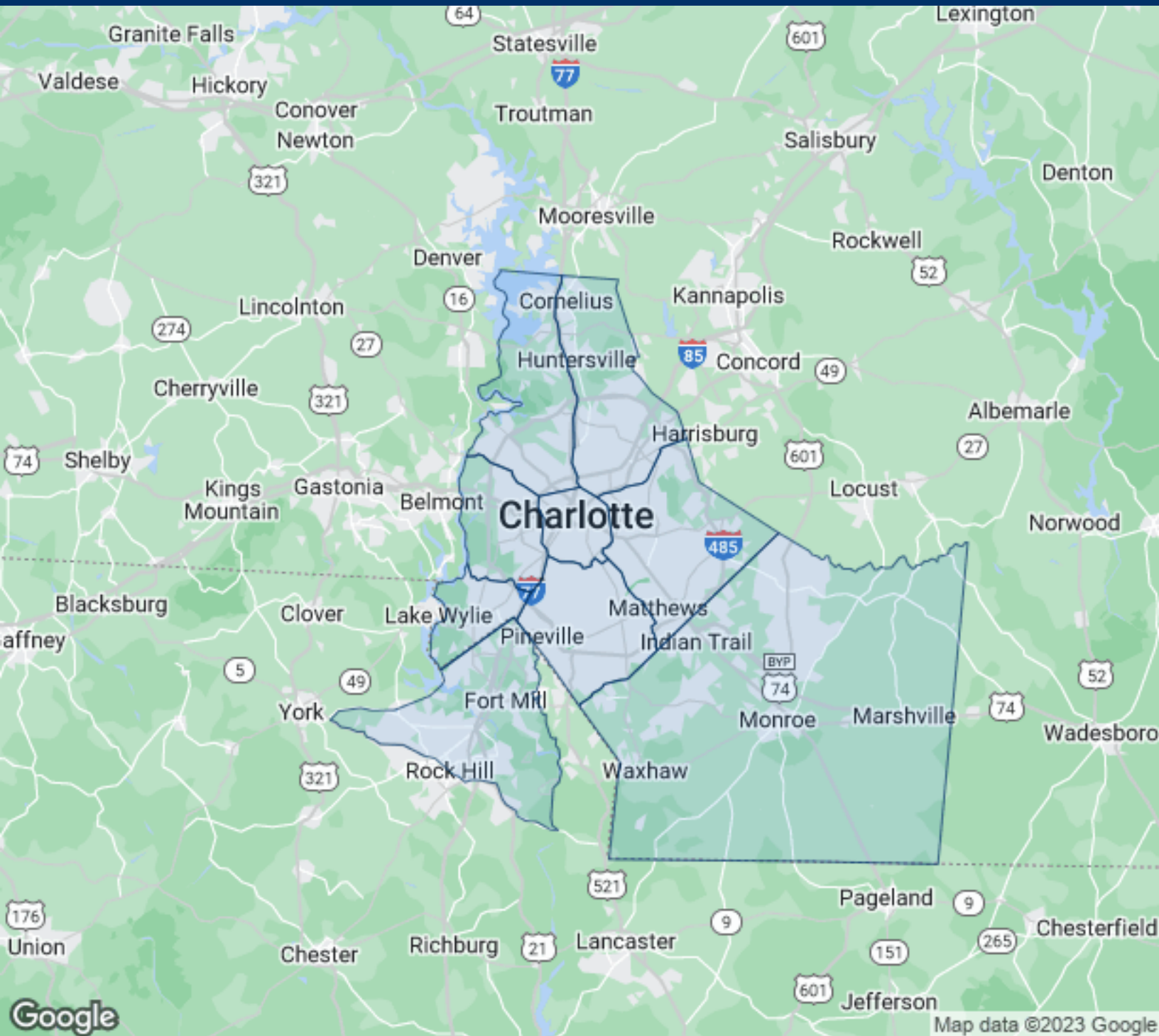
🇺🇸 United States

MOODY'S
ANALYTICS

CRE

REPORT GENERATED
October 31, 2023

DATA AS OF Q2 2023



Flex / R&D

Charlotte

Charlotte

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I. EXECUTIVE BRIEFING

AVERAGE
ASKING RENT **\$9.73/
sqft**

AVERAGE
VACANCY **11.2%**

(Published August 2023)

- Rent in the Charlotte metro was up 0.6% from August.
- Rent is expected to finish 2023 at \$9.88 in the Charlotte metro.
- Vacancy in the Charlotte metro drifted upward by 10 basis points.
- The Charlotte metro was among the 10 highest vacancies nationally.

Market Overview

The Charlotte Flex/R&D market is comprised of 15.0 million square feet in nine geographic concentrations ranging in size from the 3.3 million square foot Northeast submarket to the Far Southeast submarket, which accounts for 261,000 square feet. In the ten-year period beginning with Q4 2013, the West submarket has experienced the greatest introduction of new inventory, 320,000 square feet, amounting to 37.7% of all new competitive stock added to the market.

Asking and Effective Rent

Monthly movement in asking rent during the third quarter was varied, with September's gain of 0.6% bringing the cumulative quarterly total up to 0.6%. Since the same reporting period last year, asking rents have climbed by 3.6%, up from \$9.45. Since the beginning of Q4 2013, the metro as a whole has recorded an annual average increase of 3.0%. Effective rents, which exclude the value of concessions offered to prospective tenants, also increased by 0.6% during September. 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. During the past 12 months, positive movement in asking rent was recorded in all nine of the metro's submarkets.

Competitive Inventory, Employment, Absorption

Total employment in the Charlotte metropolitan area increased by 13,200 jobs during the third quarter, amounting to a growth rate of 1.0%, while industrial employment contracted by 509. Since the beginning of Q4 2013, the average growth rate for industrial-using employment in Charlotte has been 1.6% per year, representing the average annual addition of 2,800 jobs. Over the last 12 months, market absorption totaled 211,000 square feet, 11.6% greater than the average annual absorption rate of 189,100 square feet recorded since the beginning of Q4 2013. From an historical perspective, September vacancy rate is 1.2 percentage points lower than the 12.4% average recorded since the beginning of Q4 2013.

Executive Briefing (cont.)

Outlook

Reis's new construction specialists report that no more competitive Flex/R&D stock will be introduced to the metro this year, and net total absorption will be positive 27,000 square feet. As a result, the vacancy rate will drift downward by 0.2 percentage points to 11.0%. During 2024 and 2025, construction activity under surveillance is expected to deliver a total of 47,000 square feet. Industrial employment growth at the metro level during 2024 and 2025 is projected to average 0.4% annually, enough to facilitate an absorption rate averaging 134,000 square feet per year. This absorption rate is projected to more than offset the effect of newly added inventory, placing downward pressure on the market vacancy rate, which will decline to 9.5% by the end of 2025. Between now and year-end 2023 asking rents are expected to increase 0.9% to a level of \$9.88, while effective rents will rise by 1.1% to \$8.83. On an annualized basis through 2024 and 2025, asking and effective rents are expected to advance by 4.9% and 5.2%, respectively, to finish 2025 at \$10.88 and \$9.77.

II. OVERVIEW

Key Performance Indicators

Effective Rent
PER SF

\$8.71

– from 0.0% Q1 2023

Vacancy Rate

10.7%

↑ from 30 Q1 2023

Income Growth
PER HOUSEHOLD

0.5%

↓ vs 1.0% national

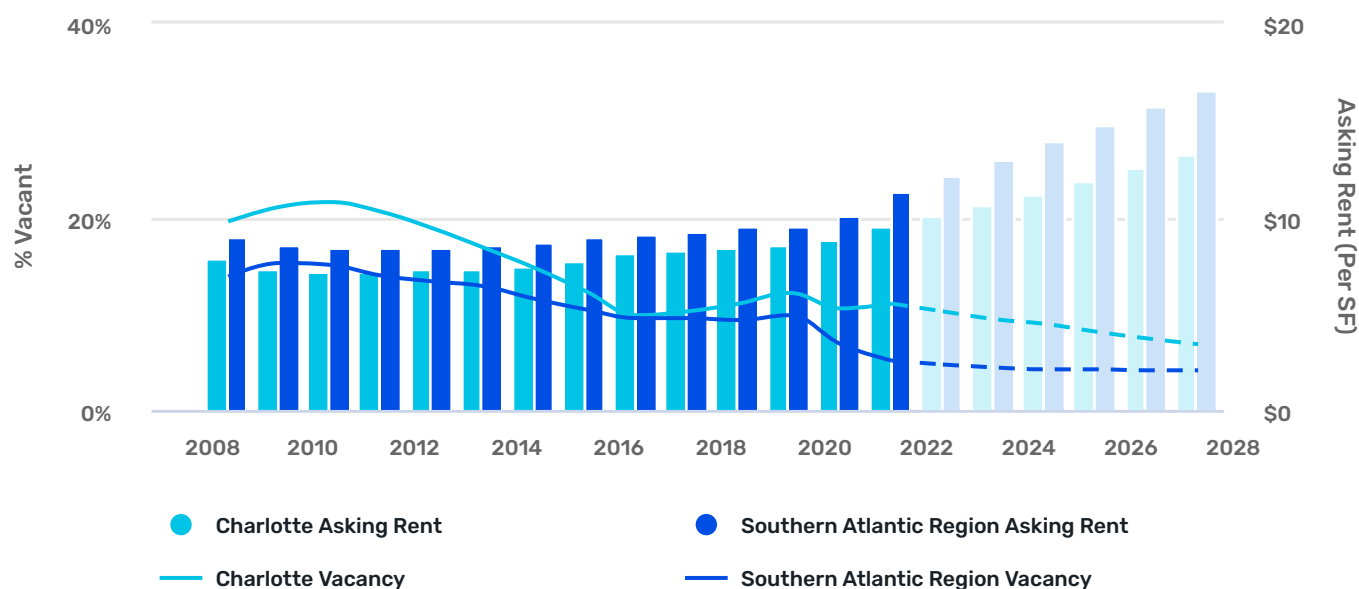
Job Growth

0.6%

↑ vs 0.4% national

Asking Rent and Vacancy Trends

[View Full Table in Appendix](#)



Year	Charlotte		Southern Atlantic Region	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2023	\$10.02	10.2%	\$12.18	4.7%
2024	\$10.60	9.4%	\$13.01	4.4%
2025	\$11.24	8.9%	\$13.87	4.2%
2026	\$11.90	8.1%	\$14.78	4.2%
2027	\$12.57	7.4%	\$15.69	4.1%
2028	\$13.26	6.8%	\$16.61	4.1%

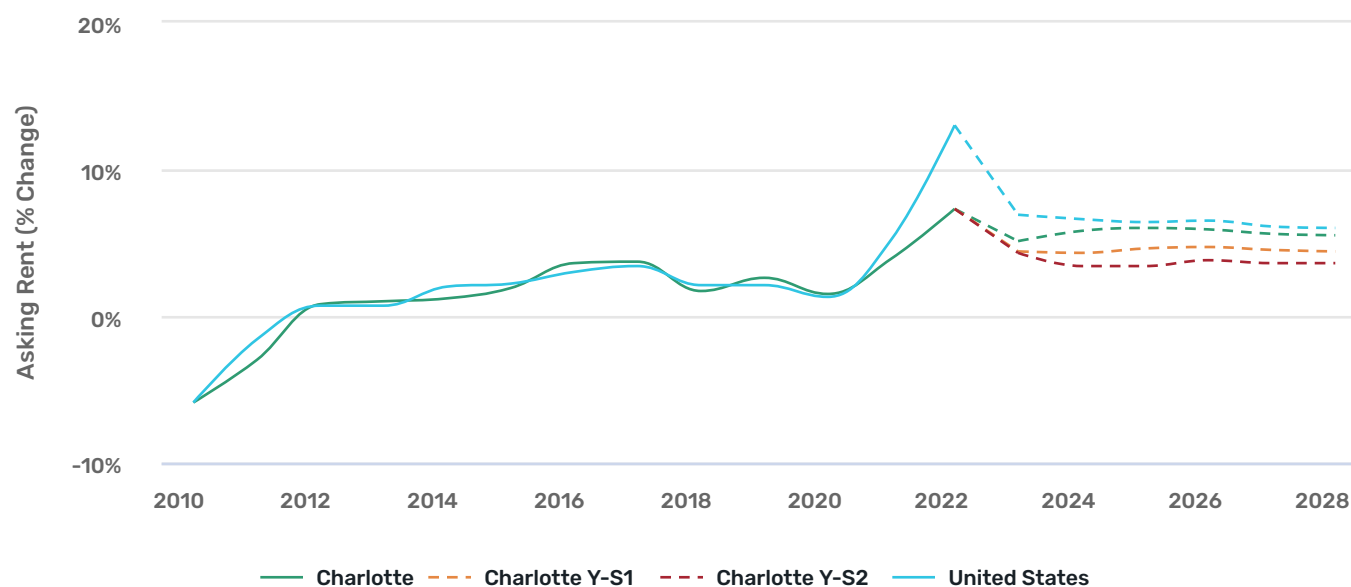
Market Performance

Year	Quarter	Asking Rent Per SF	Asking Rent % Change	Effective Rent Per SF	Effective Rent % Change	% Vacant	% Vacant Change in BPS
2020	Q1	\$8.48	0.7%	\$7.43	0.0%	9.2%	-180
2020	Q2	\$8.50	0.2%	\$7.43	0.0%	8.7%	-50
2020	Q3	\$8.49	-0.1%	\$7.42	0.0%	9.0%	30
2020	Q4	\$8.55	0.7%	\$7.43	0.0%	12.1%	310
2020	Y	\$8.55	1.5%	\$7.43	1.4%	12.1%	110
2021	Q1	\$8.56	0.1%	\$7.43	0.0%	12.3%	20
2021	Q2	\$8.63	0.8%	\$7.52	0.0%	12.0%	-30
2021	Q3	\$8.70	0.8%	\$7.63	0.0%	10.5%	-150
2021	Q4	\$8.88	2.1%	\$7.82	0.0%	10.5%	0
2021	Y	\$8.88	3.9%	\$7.82	5.2%	10.5%	-160
2022	Q1	\$9.06	2.0%	\$7.97	0.0%	12.0%	150
2022	Q2	\$9.27	2.3%	\$8.20	0.0%	11.1%	-90
2022	Q3	\$9.45	1.9%	\$8.39	0.0%	10.5%	-60
2022	Q4	\$9.53	0.8%	\$8.48	0.0%	11.0%	50
2022	Y	\$9.53	7.3%	\$8.48	8.4%	11.0%	50
2023	Q1	\$9.59	0.6%	\$8.57	0.0%	10.4%	-60
2023	Q2	\$9.73	1.5%	\$8.71	0.0%	10.7%	30

Market Inventory

Year	Quarter	Inventory Per SF	Completions Per SF	Inventory % Growth	Vacant Stock In SF	Occupied Stock In SF	Net Absorption In SF
2020	Q1	14,589,000	104,000	0.7%	1,339,000	13,250,000	355,000
2020	Q2	14,589,000	0	0.0%	1,275,000	13,314,000	64,000
2020	Q3	14,589,000	0	0.0%	1,312,000	13,277,000	-37,000
2020	Q4	14,589,000	0	0.0%	1,767,000	12,822,000	-455,000
2020	Y	14,589,000	104,000	0.7%	1,767,000	12,822,000	-73,000
2021	Q1	14,589,000	0	0.0%	1,798,000	12,791,000	-31,000
2021	Q2	14,589,000	0	0.0%	1,746,000	12,843,000	52,000
2021	Q3	14,589,000	0	0.0%	1,529,000	13,060,000	217,000
2021	Q4	14,609,000	20,000	0.1%	1,530,000	13,079,000	19,000
2021	Y	14,609,000	20,000	0.1%	1,530,000	13,079,000	257,000
2022	Q1	14,609,000	0	0.0%	1,755,000	12,854,000	-225,000
2022	Q2	14,620,000	11,000	0.1%	1,620,000	13,000,000	146,000
2022	Q3	14,620,000	0	0.0%	1,540,000	13,080,000	80,000
2022	Q4	14,741,000	121,000	0.8%	1,617,000	13,124,000	44,000
2022	Y	14,741,000	132,000	0.9%	1,617,000	13,124,000	45,000
2023	Q1	14,741,000	0	0.0%	1,534,000	13,207,000	83,000
2023	Q2	14,741,000	0	0.0%	1,573,000	13,168,000	-39,000

Scenarios: Asking Rent Per SF

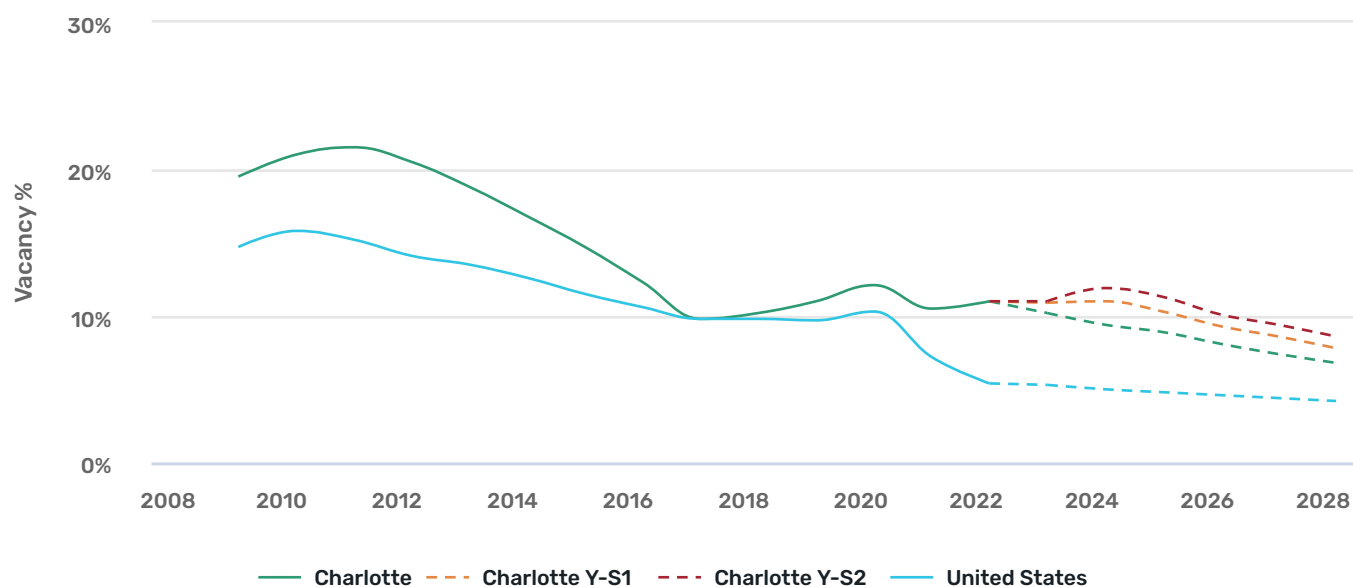
[View Full Table in Appendix](#)

Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2023	5.1%	4.4%	4.3%	7.3%	6.9%
2024	5.8%	4.3%	3.4%	6.8%	6.6%
2025	6.0%	4.6%	3.4%	6.6%	6.4%
2026	5.9%	4.7%	3.8%	6.6%	6.5%
2027	5.6%	4.5%	3.6%	6.2%	6.1%
2028	5.5%	4.4%	3.6%	5.9%	6.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Vacancy

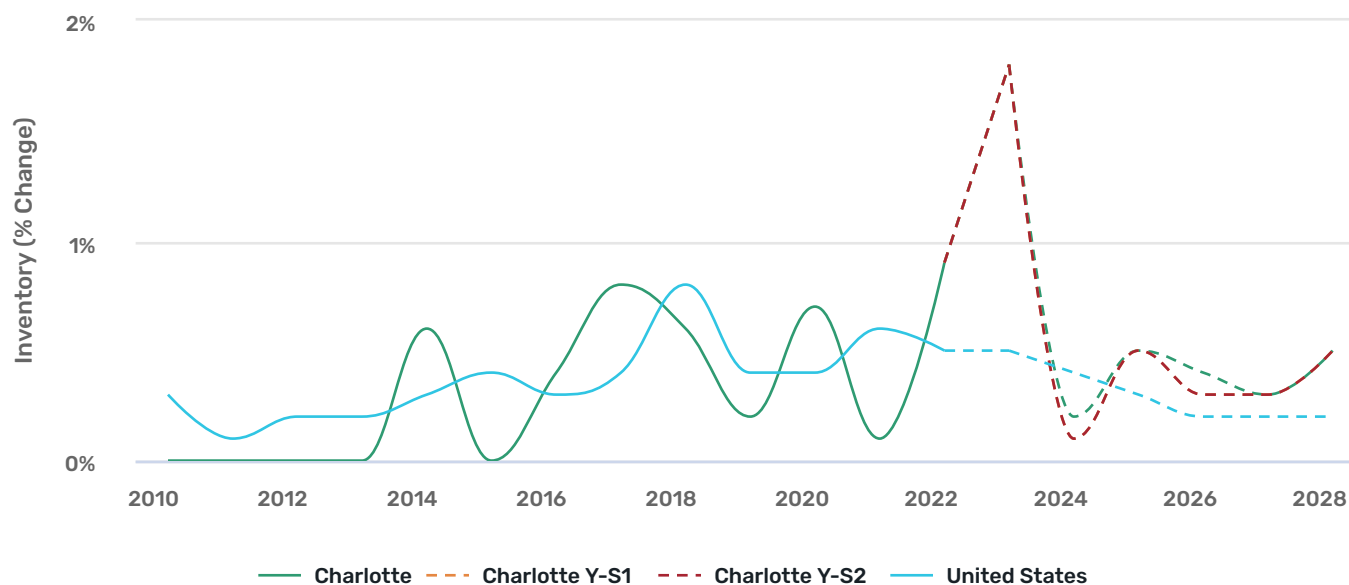
[View Full Table in Appendix](#)


Year	Charlotte			Southern Atlantic Region	United States
	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2023	10.2%	10.9%	11.0%	4.7%	5.3%
2024	9.4%	11.0%	11.9%	4.4%	5.0%
2025	8.9%	10.3%	11.3%	4.2%	4.8%
2026	8.1%	9.3%	10.1%	4.2%	4.6%
2027	7.4%	8.6%	9.4%	4.1%	4.4%
2028	6.8%	7.8%	8.6%	4.1%	4.2%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Inventory

[View Full Table in Appendix](#)


Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2023	1.8%	1.8%	1.8%	0.4%	0.5%
2024	0.2%	0.1%	0.1%	0.3%	0.4%
2025	0.5%	0.5%	0.5%	0.2%	0.3%
2026	0.4%	0.3%	0.3%	0.2%	0.2%
2027	0.3%	0.3%	0.3%	0.2%	0.2%
2028	0.5%	0.5%	0.5%	0.2%	0.2%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Annualized Construction/Absorption (Historical 1 Year and 3 Year)

	1 Year History			3 Year History		
	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022
Charlotte	-	-	-	-	-	-
Southern Atlantic Region	-	-	-	-	-	-

Annualized Construction/Absorption (Historical 5 Year and Forecasted)

	5 Year History			5 Year Forecast		
	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022	SF Built Ending 12/31/2027	SF Absorbed Ending 12/31/2027	Con/Abs Ratio Ending 12/31/2027
Charlotte	-	-	-	93,400	190,600	0.49
Southern Atlantic Region	-	-	-	790,000	1,307,000	0.6

Quarterly Construction/Absorption (Current and Previous Quarters)

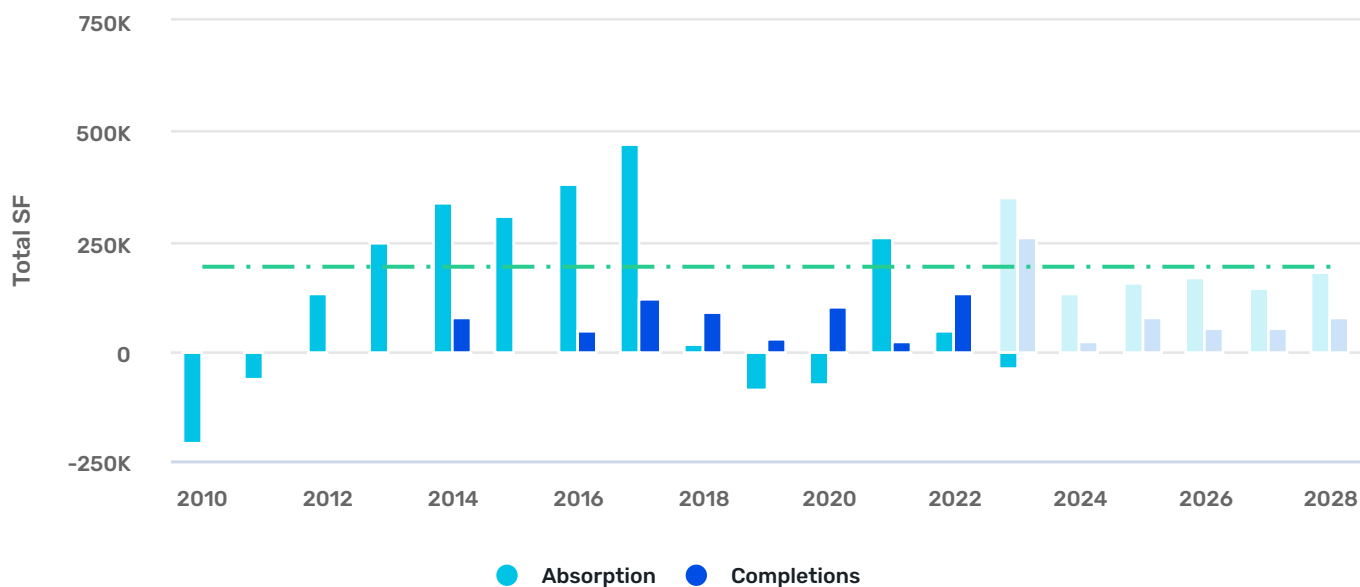
	Q2 2023			Q1 2023		
	SF Built Ending 6/30/2022	SF Absorbed Ending 6/30/2022	Con/Abs Ratio Ending 6/30/2022	SF Built Ending 3/31/2022	SF Absorbed Ending 3/31/2022	Con/Abs Ratio Ending 3/31/2022
Charlotte	0	-39,000	0	0	83,000	0
Southern Atlantic Region	103,000	1,028,000	0.1	0	-209,000	0

Quarterly Construction/Absorption (YTD)

	YTD Average		
	SF Built	SF Absorbed	Con/Abs Ratio
Charlotte	0	22,000	0
Southern Atlantic Region	51,500	409,500	0.1

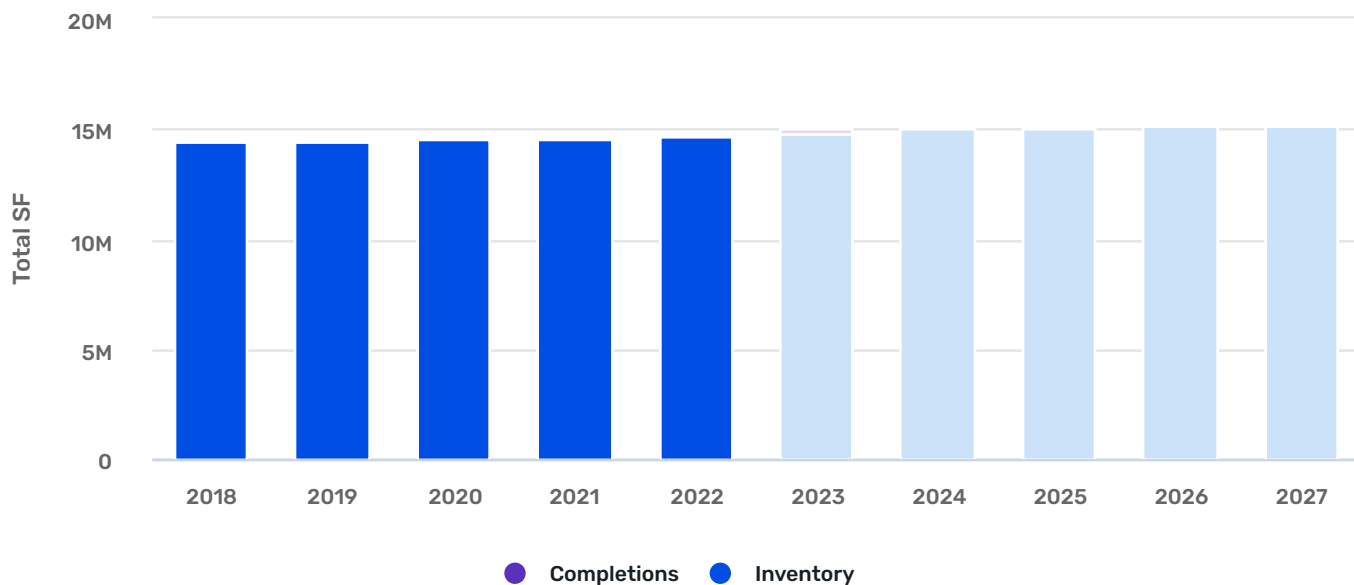
Absorption Trends

[View Full Table in Appendix](#)



New Construction Trends

[View Full Table in Appendix](#)

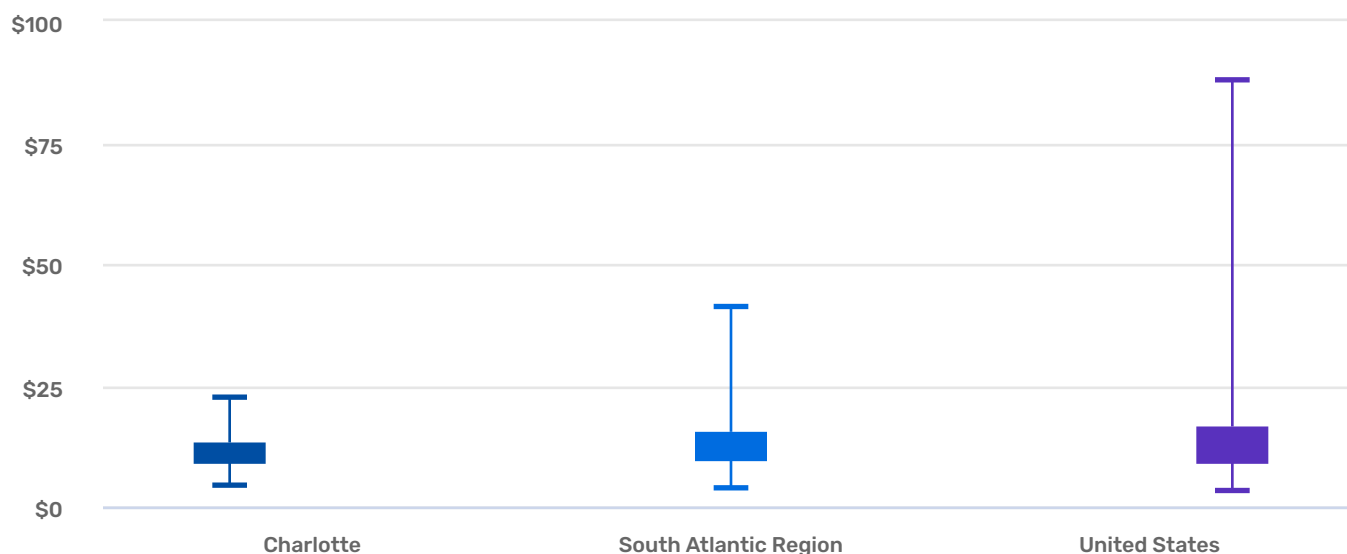


III. PERFORMANCE

Performance By Vintage

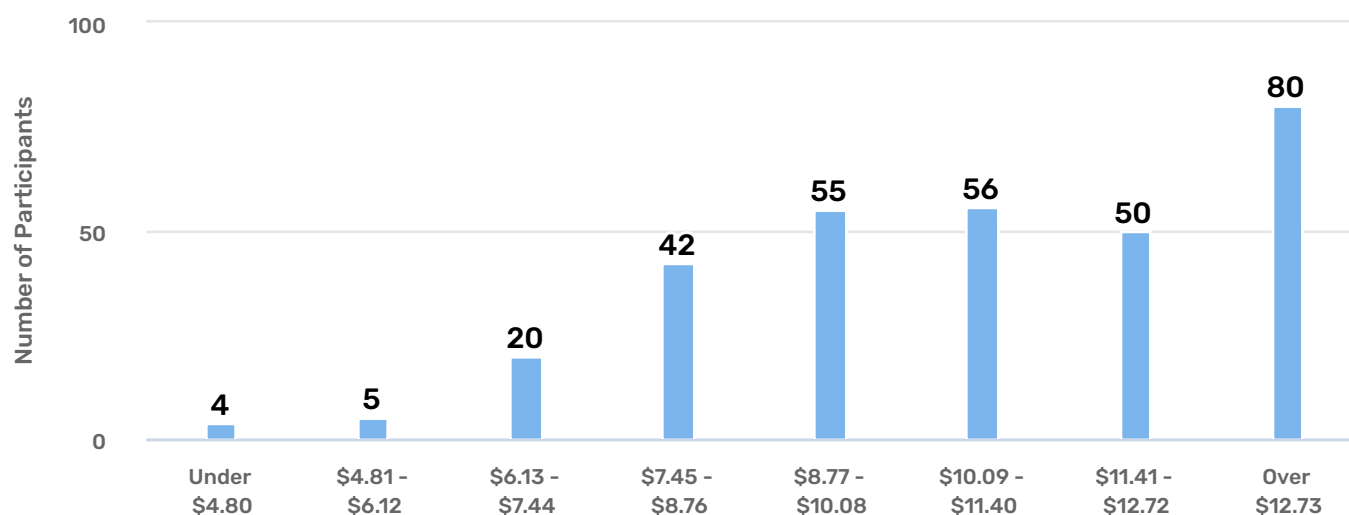
Year Built	Asking Rent (Per SF)	% Vacant	Inventory %
Before 1970	\$8.94	0.2%	5.0%
1970-1979	\$12.13	4.0%	10.0%
1980-1989	\$11.31	11.4%	39.0%
1990-1999	\$10.29	13.2%	25.0%
2000-2009	\$10.82	5.1%	17.0%
2010-2019	\$10.40	5.2%	3.0%
After 2019	\$10.39	71.4%	2.0%
All	\$10.90	11.2%	100.0%

Rent Distribution Benchmark (Per SF)



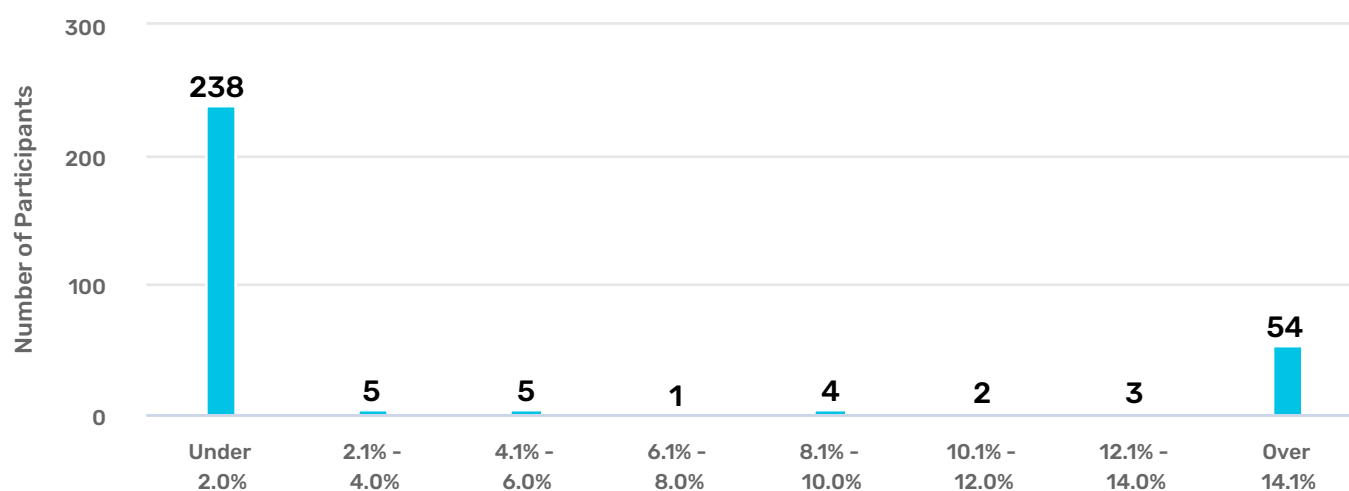
	Minimum Rent	Lower Quartile Rent	Median Rent	Upper Quartile Rent	Maximum Rent
Charlotte	\$3.93	\$9.13	\$10.92	\$12.86	\$22.34
South Atlantic Region	\$3.52	\$9.87	\$12.31	\$15.23	\$41.08
United States	\$3.02	\$9.24	\$12.49	\$16.41	\$87.73

Asking Rent Distribution Per SF



Low	25%	Mean	Median	75%	High
\$4.46	\$8.21	\$9.73	\$10.24	\$13.31	\$19.31

Vacancy Distribution



Low	25%	Mean	Median	75%	High
0.0%	0.0%	11.2%	0.0%	4.1%	91.0%

IV. SUBMARKETS

CRE Fundamentals: REIS Rank, Asking Rent, Vacancy, Inventory

Submarket Name	REIS Rank*	Inventory SF	Inventory Buildings	Asking Rent SF	Vacancy	Vacancy % Change bps
Central	117	2,287,000	43	\$9.79	2.1%	-300
East/Southeast	298	1,872,000	41	\$11.08	10.4%	-200
Far Southeast	316	261,000	9	\$8.52	2.3%	40
Far Southwest	203	345,000	12	\$11.18	2.0%	-550
Northeast	147	3,349,000	53	\$9.79	20.4%	-330
Northwest	51	1,335,000	23	\$7.94	3.1%	-310
South	290	854,000	24	\$10.46	7.3%	30
Southwest	261	1,873,000	38	\$10.28	11.4%	170
West	331	2,412,000	64	\$8.83	15.4%	750

Concessions: CRD, Effective Rent, Expenses, Free Rent, Lease Term

Submarket Name	CRD %	Free Rent Mos	Expenses \$	Effective Rent SF	Effective Rent % Change SF	Lease Terms Years
Central	-5.7%	7.1	\$2.90	\$9.17	8.4%	2.1
East/Southeast	-6.0%	6.9	\$3.60	\$9.96	2.2%	2.29
Far Southeast	-10.4%	7.2	\$2.00	\$7.39	2.6%	2
Far Southwest	-14.5%	5.09	\$2.10	\$9.89	4.5%	2.1
Northeast	-7.1%	6.9	\$1.80	\$8.59	7.2%	2.9
Northwest	-9.9%	6.7	\$2.50	\$7.13	11.4%	4.09
South	-5.4%	7.5	\$2.50	\$9.17	5.5%	2.2
Southwest	-9.7%	5.09	\$3.20	\$9.15	6.9%	2.29
West	-9.2%	5.2	\$3.00	\$7.72	4.9%	2.7

*There are 317 submarkets in the Flex/R&D sector nationally.

V. NEW CONSTRUCTION

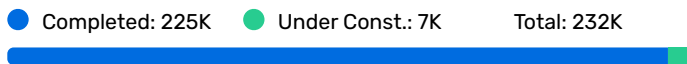
Top New Construction Projects By Size

Property Name	Property Type	Size sqft	Construction Status	Expected Completion	Expected Groundbreak	Developer	Developer Phone
10420 John Price Rd, Charlotte, NC, 28273							
South Charlotte Flex	Flex/R&D	62,088	Complete	-	-	-	-
10695 Hambright Road, Huntersville, NC, 28078							
Interchange Logistics Center	Flex/R&D	224,979	Complete	07/20/2023	10/2022	-	-
10855 Bailey Rd, Cornelius, NC, 28031							
Bailey Commerce Park Bldg 1	Warehouse Office	85,000	Under Constr.	-	1/2023	-	-
2501 Westinghouse Blvd, Charlotte, NC, 28273							
2501 Westinghouse Blvd	Warehouse Office	48,120	Under Constr.	-	-	-	-
2555 Westinghouse Blvd, Charlotte, NC, 28273							
Westinghouse Commerce Center	Flex/R&D	48,120	Complete	08/01/2022	4/2022	-	-
2900 Stitt St, Monroe, NC, 28110							
2900 Stitt Street	Warehouse Office	60,000	Under Constr.	-	-	-	-
2902 Horseshoe Ln, Charlotte, NC, 28208							
CLT Commerce Center Bldg 2	Flex/R&D	121,440	Complete	01/01/2023	7/2022	-	-
4907 Indian Trail Fairview Rd, Indian Trail, NC, 28079							
Stafford Corrugated Products	Warehouse Office	49,078	Complete	07/01/2022	-	-	-
632 Eagleton Downs Dr, Pineville, NC, 28134							
632 Eagleton Downs Dr	Flex/R&D	50,000	Under Constr.	12/01/2023	1/2023	-	-
West Blvd & Horseshoe Ln, Charlotte, NC, 28208							
CLT Commerce Center Bldg 1	Flex/R&D	48,500	Complete	05/01/2022	3/2022	-	-

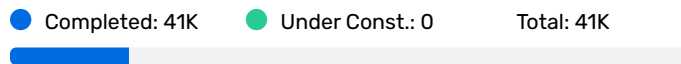
Submarket Project Tally (as of 09/22/2023)

[View Full Table in Appendix](#)

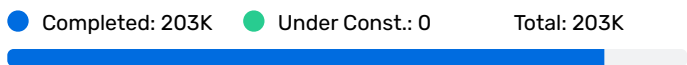
Northwest



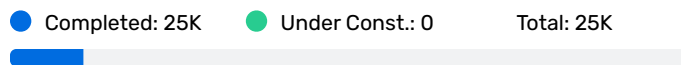
Far Southwest



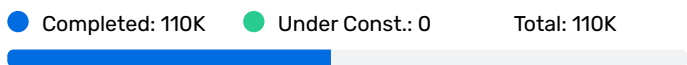
West



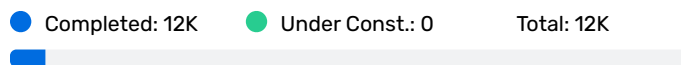
Central



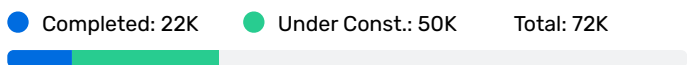
Southwest



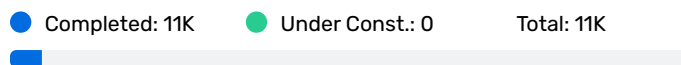
Northeast



South

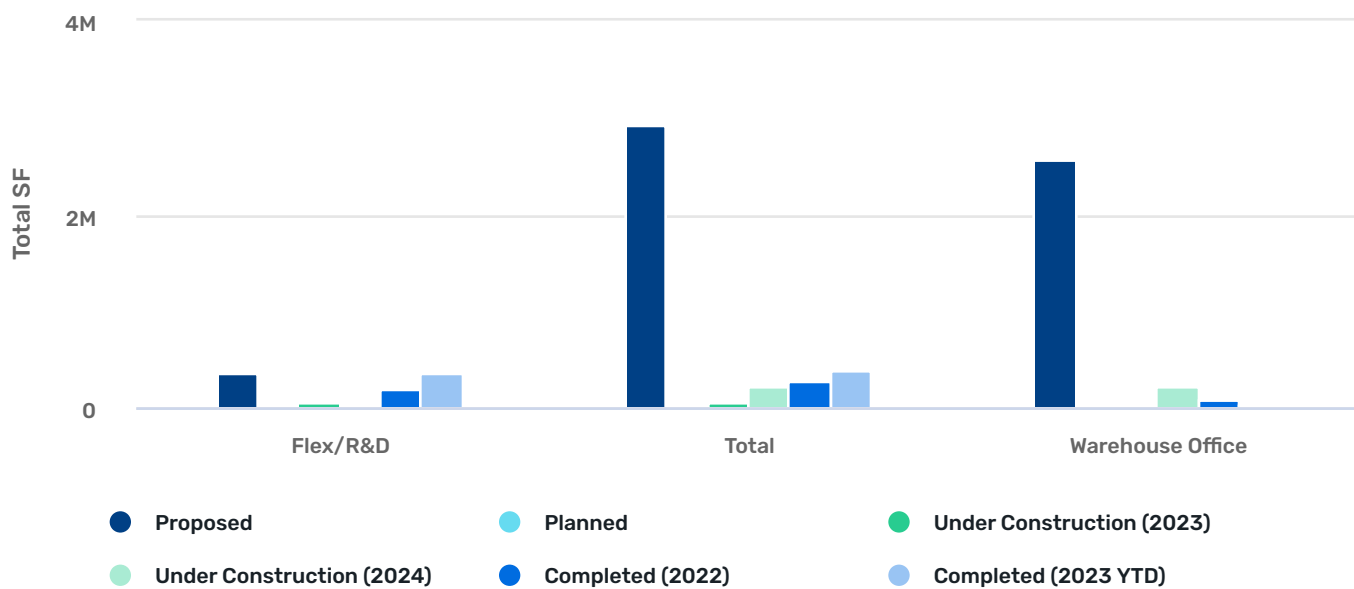


Far Southeast



Construction Deliveries

[View Full Table in Appendix](#)



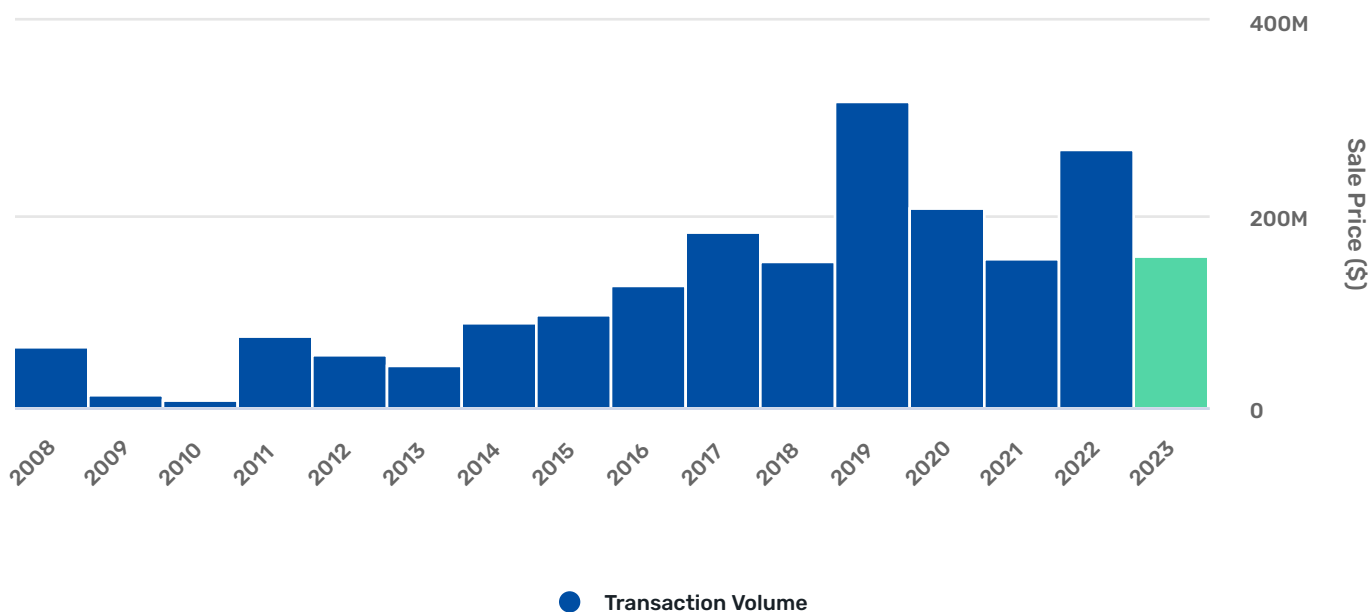
VI. TRANSACTIONS

Key Performance Indicators (2023 YTD)

<p>Transaction Volume CHARLOTTE</p> <p>\$158.142M</p>	<p>Number of Transactions CHARLOTTE</p> <p>24</p>	<p>12 Month Rolling Cap Rate CHARLOTTE</p> <p>—</p>
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Sales Trends

[View Full Table in Appendix](#)



Sales Trends - Quarterly

Year	Quarter	Transaction Volume (\$)	Number of Transactions	Mean Sale Price	Median Sale Price	Mean Transaction Cap Rate	Median Transaction Cap Rate
2020	Q1	\$15.25M	4	\$157.00	\$91.08	8.6%	8.5%
2020	Q2	\$84.029M	15	\$113.64	\$161.00	10.2%	10.9%
2020	Q3	\$7M	2	\$11.14	\$20.09	-	-
2020	Q4	\$101.442M	10	\$157.57	\$142.81	7.6%	6.9%
2021	Q1	\$11.75M	2	\$65.53	\$95.24	-	-
2021	Q2	\$74.136M	7	\$163.85	\$143.76	5.4%	5.4%
2021	Q3	\$35.839M	5	\$100.78	\$128.17	6.6%	7.4%
2021	Q4	\$31.665M	5	\$80.34	\$115.71	-	-
2022	Q1	\$24.28M	7	\$97.47	\$123.91	4.3%	4.3%
2022	Q2	\$65.176M	13	\$202.39	\$176.62	4.2%	2.6%
2022	Q3	\$60.72M	12	\$131.42	\$144.62	4.6%	2.9%
2022	Q4	\$116.427M	12	\$521.87	\$178.59	3.1%	2.5%
2023	Q1	\$91.378M	12	\$136.20	\$151.69	4.3%	3.9%
2023	Q2	\$57.239M	10	\$129.64	\$157.90	4.4%	3.3%

10 Largest Transactions (2023 YTD)

Address	City	State	Sale Price ¹²	Sale Price Per SQFT	Sale Date	Size sf
10695 Hambright Road	Huntersville	NC	\$28,250,000	\$125.57	10/05/2023	224,979
5005 W T Harris Blvd	Charlotte	NC	\$25,250,000	\$146.01	03/02/2023	172,933
920 Blairhill Rd	Charlotte	NC	\$11,972,500	\$189.16	02/15/2023	63,294
20310 Chartwell Center Dr	Cornelius	NC	\$9,500,000	\$58.04	01/18/2023	163,690
4324 Barringer Dr	Charlotte	NC	\$7,778,000	\$185.46	02/15/2023	41,940
285 Gillman Rd	Denver	NC	\$6,525,000	\$286.32	08/11/2023	22,789
13001 General Dr	Charlotte	NC	\$6,500,000	\$773.81	02/28/2023	8,400
10925 Westlake Dr	Charlotte	NC	\$6,150,000	\$157.37	01/05/2023	39,079
601 Gulf Dr	Charlotte	NC	\$6,000,000	\$131.36	06/30/2023	45,675
11010 Metromont Pkwy	Charlotte	NC	\$5,000,000	\$330.45	05/26/2023	15,131

1: Only includes transactions that are verified

2: Any transactions missing a sale price did not have their sale price disclosed at time of sale

10 Most Recent Transactions

Address	City	State	Sale Price ¹	Sale Price Per SQFT	Sale Date	Size sf
10695 Hambright Road	Huntersville	NC	\$28,250,000	\$125.57	10/05/2023	224,979
4717 Sweden Rd	Charlotte	NC	\$1,390,000	\$197.84	09/15/2023	7,026
144 Atando Ave	Charlotte	NC	\$202,000	\$20.50	09/15/2023	9,855
4150 Pebble St	Charlotte	NC	\$3,000,000	\$287.44	08/16/2023	10,437
285 Gillman Rd	Denver	NC	\$6,525,000	\$286.32	08/11/2023	22,789
7424 Orr Rd	Charlotte	NC	\$699,000	\$54.69	07/31/2023	12,780
5230 Terminal St	Charlotte	NC	-	-	07/25/2023	29,215
5025 Old York Rd	Rock Hill	SC	\$1,358,000	\$84.35	07/24/2023	16,100
8461 Possum Hollow Rd	Indian Land	SC	-	-	07/18/2023	9,974
601 Gulf Dr	Charlotte	NC	\$6,000,000	\$131.36	06/30/2023	45,675

¹: Any transactions missing a sale price did not have their sale price disclosed at time of sale

VII. CLIMATE RISK

Highest Risk Category

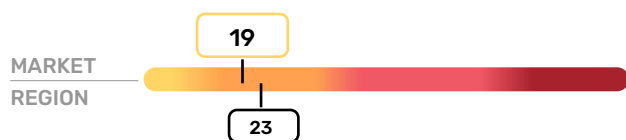
Hurricanes & Typhoons
MEDIUM RISK

Exposed to some historical and/or projected risks

Risk Categories

Floods

Measures the severity and frequency of historical floods, the frequency of future heavy rainfall events, and the intensity of prolonged periods of heavy rainfall.



Heat Stress

Measures the relative change over time in both the frequency and severity of hot days as well as average temperatures.



Hurricanes & Typhoons

Measures exposure to past hurricanes and typhoons, including the severity of storms with the highest maximum winds and the frequency with which a severe storm has hit an area.



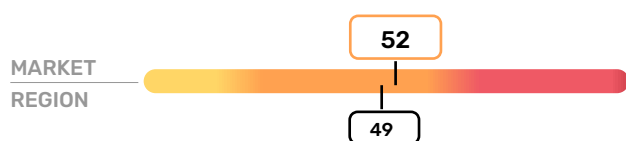
Sea Level Rise

Measures absolute and relative increase in the frequency of coastal floods.



Water Stress

Measures the projected changes in drought-like patterns over time



Wildfire Risk

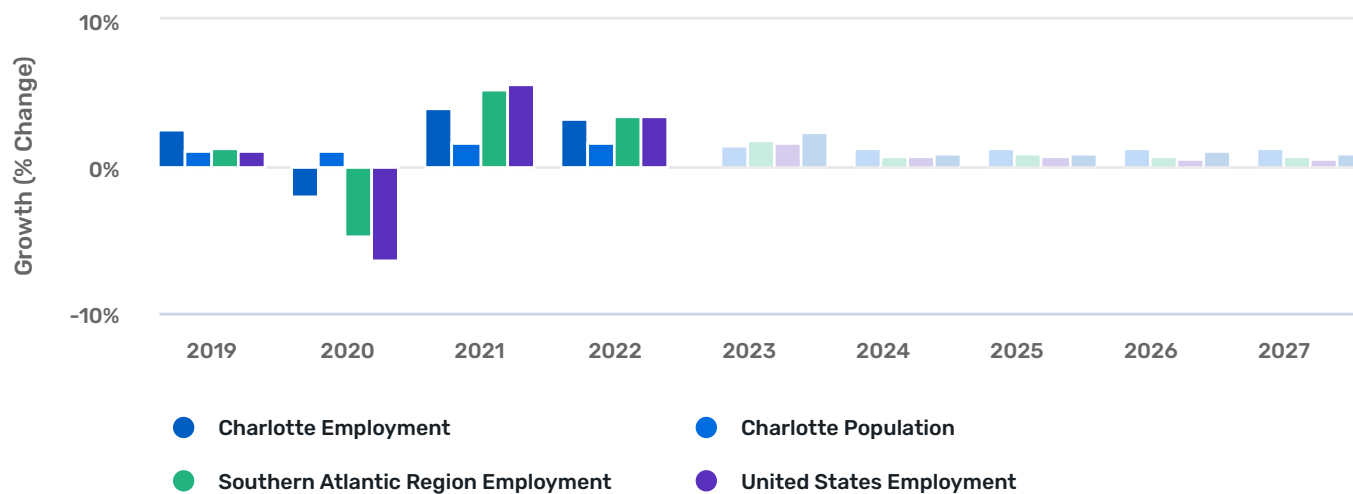
Measures wildfire potential in absolute terms and relative change compared to the historical baseline, as well as the availability of burnable fuel in the form of land cover.



VIII. DEMOGRAPHICS

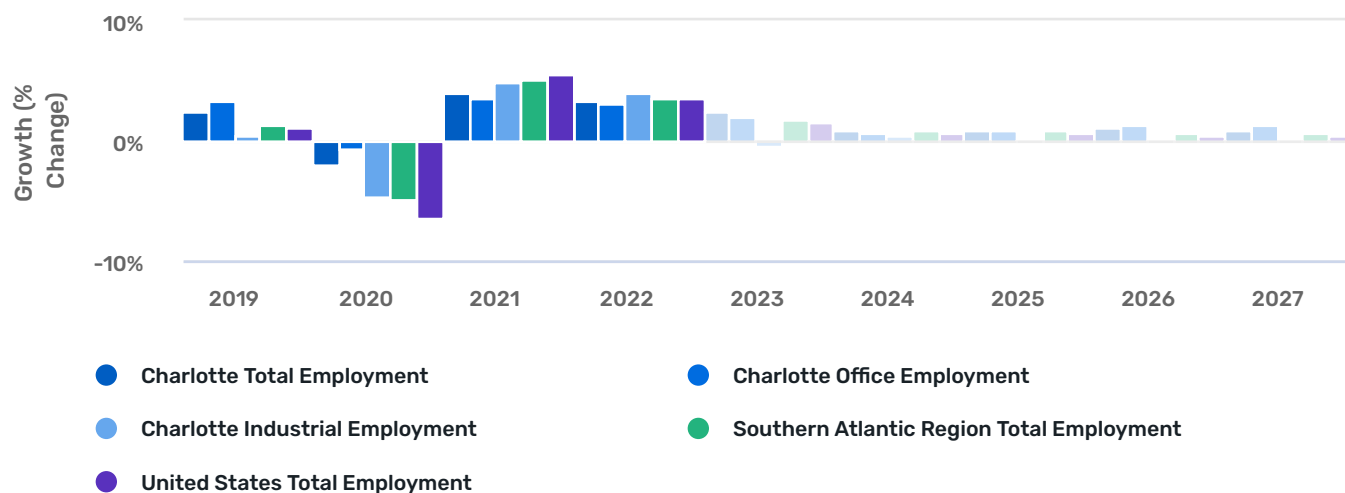
Employment and Population Growth

[View Full Table in Appendix](#)



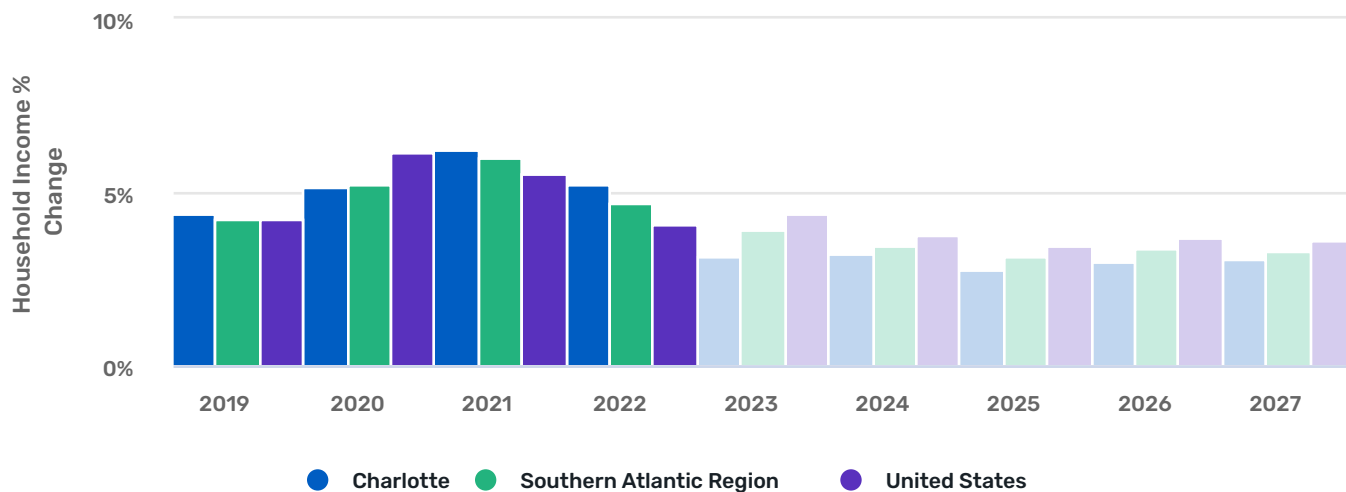
Employment Growth

[View Full Table in Appendix](#)



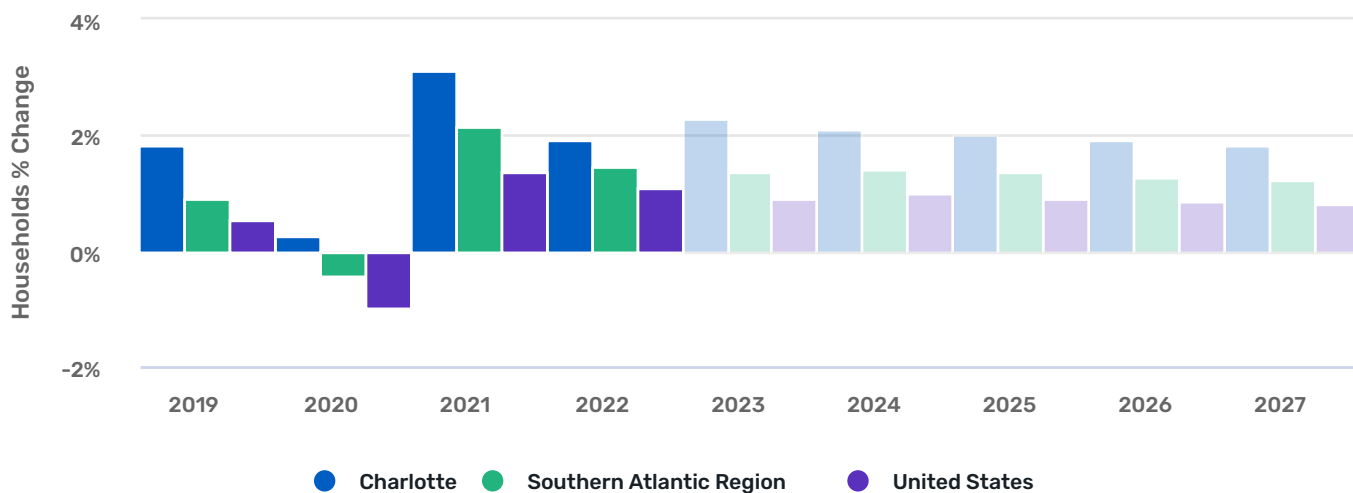
Household Income Growth

[View Full Table in Appendix](#)



Household Growth

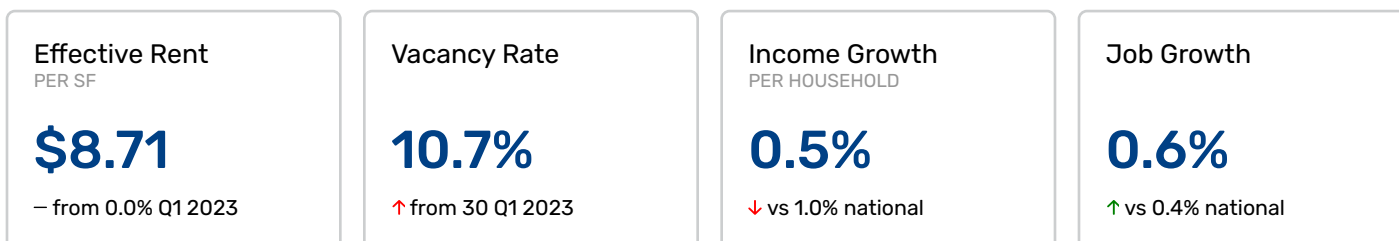
[View Full Table in Appendix](#)



IX. THE INSIGHT

Last Updated: 08/24/2023

Key Performance Indicators



Economic Overview

Author: Ricardo Rosas, Associate Data Scientist

The data for the second quarter shows that Charlotte's employment growth continues to surpass the national average. There was a 3.0% increase in overall employment in Charlotte since the second quarter of 2022, resulting in the addition of more than 39,700 jobs. This growth rate is faster than the national average, which saw a 2.5% increase during the same period. Out of the 82 metro areas monitored by Moody's Analytics CRE, Charlotte ranks 21st in terms of employment growth. All major industries in Charlotte experienced employment growth, with the leisure and hospitality, education and health services, and professional and business services sectors contributing to two-thirds of the overall increase.

The apartment market in Charlotte, however, is progressing slowly. Since the second quarter of 2022, Charlotte has added 2,774 units and absorbed 1,445 units. The metro's vacancy rate has increased from 5.5% a year ago to 6.1% as the number of completions surpassed absorptions. This increase of 60 basis points in the vacancy rate since the second quarter of 2022 is higher than the national average, which saw an increase of 30 basis points during the same period. Charlotte ranks 69th out of 82 metros in this regard. The submarkets along Harris Boulevard/ Mallard Creek Church Road (491 units), North Tryon Street to The Plaza (379 units), and Fairview North (345 units) accounted for the majority of the overall metro absorption, making up over four-fifths of the total. The average asking rent for an apartment increased by 3.3% to \$1,514 per unit since the second quarter of 2022, which is less than the national average increase of 3.8% during the same period. The average effective rent increased by 3.3% to \$1,437 during the same period, also lagging behind the national average increase of 3.8%. At the submarket level, effective rent growth ranged from a decrease of 0.2% in the West Charlotte to Airport submarket to a growth of 10.2% in the East Charlotte to Albemarle Corridor submarket. The metro's rent-to-income ratio decreased by 20 basis points to 24.9%, below the national average of 30.2%.

The finance and insurance sectors have contributed to the growth of the Charlotte metro area, but the current tightening of the financial market has slowed the growth in these industries. Going forward, the Charlotte metro is expected to rely more on the financial technology and medical services sectors to drive near-term growth. The deep talent pool in these sectors continues to attract investment to the metro. For instance, Atrium Health is currently expanding its campus with a \$1 billion investment, including a new 12-story advanced care facility.

Economic Overview (cont.)

Since the second quarter of 2022, Charlotte has added over 11,000 office jobs, a 2.5% increase that places it 27th out of 82 metros and ahead of the national average, which increased by 2.1% over the same period. Despite an inventory increase of 918,000 square feet since the second quarter of 2022, Charlotte's office market has absorbed 376,000 square feet over the same period. The market's vacancy rate increased to 20.4% from 19.7% a year ago as construction outpaced absorption by a factor of two. This 70 basis point increase in the vacancy rate since the second quarter of 2022 places Charlotte ahead of the national average, which increased by 40 basis points, and ranks it 52nd out of 82 metros. Most of the absorption occurred in the North/University submarket, which absorbed 626,000 square feet, offset by the Uptown submarket's release of 559,000 square feet. The average office asking rent increased by 2.1% since the second quarter of 2022 to \$29.85 per square foot, outpacing the national average, which increased by 1.4% over the same period. The average office effective rent increased by 2.0% to \$24.61, surpassing the 1.4% growth in the national average. Effective rent growth at the submarket level varies, with a decrease of 0.4% in the Uptown submarket and an increase of 10.1% in the North/University submarket.

Charlotte's warehouse and distribution sector has absorbed 8.02 million square feet since the second quarter of 2022, while inventory increased by 8.28 million square feet during the same period. The metro's vacancy rate decreased to 4.1% from 4.3% a year ago as absorption has kept pace with new completions. However, Charlotte's vacancy change underperforms compared to the national average, which decreased by 80 basis points during the same period and ranks 58th out of 80 metros in terms of vacancy decline. The Gaston County submarket accounted for the majority of the metro absorption, absorbing 3.0 million square feet, which is nearly two-fifths of the total metro absorption. The average warehouse/distribution asking rent increased by 8.3% to \$6.10 per square foot since the second quarter of 2022, which is less than the national average increase of 10.8% during the same period. The average effective rent increased by 9.3% to \$5.78 during the same period, also falling short of the national average increase of 11.4%. At the submarket level, effective rent growth ranges from an increase of 5.2% in the Far Southeast submarket to an increase of 13.5% in the Far Southwest submarket.

In the second quarter of 2023, Charlotte's neighborhood and community shopping center sector appears to have reversed its course. Since the second quarter of 2022, Charlotte has released 11,000 square feet while constructing 5,000 square feet over the same period. With the release of retail space back into the market, the metro's vacancy rate increased to 9.4% from 9.3% a year ago. The 10 basis point increase in the vacancy rate that Charlotte experienced is in contrast to the 10 basis points decline at the national level and ranks 59th out of 80 metros. Most of the retail space released back into the market occurred in the North submarket, which released 20,000 square feet. This release was balanced by the South submarket, which absorbed 13,000 square feet. The average retail asking rent increased by 0.3% to \$20.02 since the second quarter of 2022, underperforming the national average, which increased by 0.7% during the same period. The average effective rent increased by 0.4% to \$17.67 over the same period, also underperforming the national average, which increased by 0.7%. At the submarket level, effective rent growth ranges from a 0.3% decline in the South submarket to a 1.6% increase in the Gaston County submarket.

Economic Overview (cont.)

The leisure and hospitality sector in Charlotte continues to grow at a faster rate than the national average. Since the second quarter of 2022, the sector has added 20,800 jobs, an increase of 14.5% compared to the national average increase of 5.1% during the same period. However, according to Moody's Analytics CRE hotel data, Charlotte's hotel occupancy rate dropped from 69.5% a year ago to 58.8% in the second quarter of 2023. Despite this, the average room cost increased by 3.2% to \$127, outpacing the national average, which saw a decrease of 1.0% during the same period.

(Next Update: November 2023)

Outlook

According to the most recent Moody's Analytics CRE forecast, Charlotte's total employment is projected to grow by 6.3% over the next five years. This growth rate surpasses the national projection of 4.1% for the same period. In detail, total employment in Charlotte is expected to increase by 2.4% in 2023 and then by 0.9% in 2024.

Similarly, Charlotte's office employment, which has been consistently outpacing the national average, is anticipated to continue this trend. Over the next five years, office employment in Charlotte is expected to grow by 6.5%, compared to the national average growth rate of 4.2%. The growth for office employment in Charlotte is projected to be 2.1% in 2023 and 0.6% in 2024.

In the Charlotte apartment market, over the next five years, it is anticipated that over 20,600 units will be absorbed while more than 20,900 units will be completed. For the years 2023 and 2024, the market is expected to absorb 2,922 units and 4,375 units respectively. However, the average annual increase in effective rents in the Charlotte apartment market is anticipated to be slower than the national average, at 2.4% compared to 2.7%. Specifically, effective rents are projected to increase by 1.9% in 2023 and 1.6% in 2024.

In the Charlotte office market, over the next five years, an estimated 2.9 million square feet is expected to be absorbed, while 2.1 million square feet will be added. With absorption expected to outpace completions, office vacancy rates are projected to decline steadily. In 2023, the market is anticipated to absorb 0.4 million square feet and in 2024, 0.8 million square feet. However, the average annual growth rate for office effective rents in Charlotte is expected to lag behind the national average, at 1.6% compared to 1.9%. Specifically, office effective rents are projected to increase by 1.3% in 2023 and 1.4% in 2024.

X. APPENDIX

Asking Rent and Vacancy Trends

 [View Chart in Overview](#)

Year	Charlotte		Southern Atlantic Region	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2009	\$7.83	19.5%	\$8.97	13.8%
2010	\$7.37	21.0%	\$8.57	15.2%
2011	\$7.15	21.5%	\$8.36	15.0%
2012	\$7.21	20.5%	\$8.39	13.9%
2013	\$7.28	18.8%	\$8.44	13.3%
2014	\$7.37	16.8%	\$8.57	12.8%
2015	\$7.51	14.7%	\$8.71	11.5%
2016	\$7.78	12.3%	\$8.91	10.4%
2017	\$8.07	9.8%	\$9.13	9.5%
2018	\$8.21	10.2%	\$9.27	9.5%
2019	\$8.42	11.0%	\$9.45	9.3%
2020	\$8.55	12.1%	\$9.55	9.8%
2021	\$8.88	10.5%	\$10.06	6.8%
2022	\$9.53	11.0%	\$11.35	5.1%
2023	\$10.02	10.2%	\$12.18	4.7%
2024	\$10.60	9.4%	\$13.01	4.4%
2025	\$11.24	8.9%	\$13.87	4.2%
2026	\$11.90	8.1%	\$14.78	4.2%
2027	\$12.57	7.4%	\$15.69	4.1%
2028	\$13.26	6.8%	\$16.61	4.1%

Scenarios: Asking Rent Per SF

 [View Chart in Overview](#)

Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2010	-5.9%	--	--	-4.5%	-5.9%
2011	-3.0%	--	--	-2.5%	-1.6%
2012	0.8%	--	--	0.4%	0.7%
2013	1.0%	--	--	0.6%	0.7%
2014	1.2%	--	--	1.5%	2.0%
2015	1.9%	--	--	1.6%	2.2%
2016	3.6%	--	--	2.3%	3.0%
2017	3.7%	--	--	2.5%	3.4%
2018	1.7%	--	--	1.5%	2.1%
2019	2.6%	--	--	1.9%	2.1%
2020	1.5%	--	--	1.1%	1.3%
2021	3.9%	--	--	5.3%	5.2%
2022	7.3%	--	--	12.8%	13.0%
2023	5.1%	4.4%	4.3%	7.3%	6.9%
2024	5.8%	4.3%	3.4%	6.8%	6.6%
2025	6.0%	4.6%	3.4%	6.6%	6.4%
2026	5.9%	4.7%	3.8%	6.6%	6.5%
2027	5.6%	4.5%	3.6%	6.2%	6.1%
2028	5.5%	4.4%	3.6%	5.9%	6.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Vacancy

 [View Chart in Overview](#)

Year	Charlotte			Southern Atlantic Region	United States
	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2009	19.5%	--	--	13.8%	14.7%
2010	21.0%	--	--	15.2%	15.8%
2011	21.5%	--	--	15.0%	15.2%
2012	20.5%	--	--	13.9%	14.1%
2013	18.8%	--	--	13.3%	13.5%
2014	16.8%	--	--	12.8%	12.6%
2015	14.7%	--	--	11.5%	11.5%
2016	12.3%	--	--	10.4%	10.6%
2017	9.8%	--	--	9.5%	9.8%
2018	10.2%	--	--	9.5%	9.8%
2019	11.0%	--	--	9.3%	9.7%
2020	12.1%	--	--	9.8%	10.3%
2021	10.5%	--	--	6.8%	7.2%
2022	11.0%	--	--	5.1%	5.4%
2023	10.2%	10.9%	11.0%	4.7%	5.3%
2024	9.4%	11.0%	11.9%	4.4%	5.0%
2025	8.9%	10.3%	11.3%	4.2%	4.8%
2026	8.1%	9.3%	10.1%	4.2%	4.6%
2027	7.4%	8.6%	9.4%	4.1%	4.4%
2028	6.8%	7.8%	8.6%	4.1%	4.2%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Inventory

 [View Chart in Overview](#)

Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2010	0.0%	--	--	0.5%	0.3%
2011	0.0%	--	--	0.2%	0.1%
2012	0.0%	--	--	0.1%	0.2%
2013	0.0%	--	--	0.2%	0.2%
2014	0.6%	--	--	0.2%	0.3%
2015	0.0%	--	--	0.1%	0.4%
2016	0.4%	--	--	0.3%	0.3%
2017	0.8%	--	--	0.2%	0.4%
2018	0.6%	--	--	0.7%	0.8%
2019	0.2%	--	--	0.3%	0.4%
2020	0.7%	--	--	0.4%	0.4%
2021	0.1%	--	--	0.2%	0.6%
2022	0.9%	--	--	0.4%	0.5%
2023	1.8%	1.8%	1.8%	0.4%	0.5%
2024	0.2%	0.1%	0.1%	0.3%	0.4%
2025	0.5%	0.5%	0.5%	0.2%	0.3%
2026	0.4%	0.3%	0.3%	0.2%	0.2%
2027	0.3%	0.3%	0.3%	0.2%	0.2%
2028	0.5%	0.5%	0.5%	0.2%	0.2%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Absorption Trends

 [View Chart in Overview](#)

Year	Absorption (SF)	Completions (SF)
2010	-210,000	0
2011	-61,000	0
2012	132,000	0
2013	247,000	0
2014	339,000	78,000
2015	307,000	0
2016	382,000	50,000
2017	469,000	120,000
2018	19,000	89,000
2019	-88,000	30,000
2020	-73,000	104,000
2021	257,000	20,000
2022	45,000	132,000
2023	349,000	261,000
2023 YTD	-40,000	0
2024	134,000	25,000
2025	157,000	75,000
2026	170,000	54,000
2027	143,000	52,000
2028	178,000	80,000

New Construction Trends

 [View Chart in Overview](#)

Year	Completions (SF)	Inventory (SF)
2018	89,000	14,366,000
2019	30,000	14,455,000
2020	104,000	14,485,000
2021	20,000	14,589,000
2022	132,000	14,609,000
2023	261,000	14,741,000
2024	25,000	15,002,000
2025	75,000	15,027,000
2026	54,000	15,102,000
2027	52,000	15,156,000

Submarket Project Tally: Proposed And Planned

 [View Chart in Overview](#)

	Flex/R&D
Central	25,000
East/Southeast	-
Far Southeast	-
Far Southwest	-
Northeast	209,040
Northwest	-
South	-
Southwest	-
West	120,000

Size of Projects is in SF.

Submarket Project Tally: Under Construction

 [View Chart in Overview](#)

	Flex/R&D
Central	-
East/Southeast	-
Far Southeast	-
Far Southwest	-
Northeast	-
Northwest	6,600
South	50,000
Southwest	-
West	-

Size of Projects is in SF.

Submarket Project Tally: Complete

 [View Chart in Overview](#)

	Flex/R&D
Central	25,000
East/Southeast	-
Far Southeast	10,859
Far Southwest	40,517
Northeast	12,060
Northwest	224,979
South	22,000
Southwest	110,208
West	203,320

Size of Projects is in SF.

Construction Deliveries (In SF)

 [View Chart in New Construction](#)

	Proposed	Planned	Under Construction 2023	Under Construction 2024 and Later	Completed 2022	Completed 2023 YTD
Flex/R&D	354,040	-	50,000	6,600	185,659	346,419
Warehouse Office	2,577,653	-	16,000	221,832	90,300	36,000
Total	2,931,693	0	66,000	228,432	275,959	382,419

Sales Trends

 [View Chart in Transactions](#)

Year	Transaction Volume (\$)	Number of Transactions	Mean Sale Price Per SF	Median Sale Price Per SF	Mean Transaction Cap Rate	Median Transaction Cap Rate
2008	\$62,183,651	15	\$69.49	\$85.96	-	-
2009	\$13,486,717	3	\$52.38	\$48.20	-	-
2010	\$9,359,256	2	\$69.61	\$66.76	-	-
2011	\$74,171,000	7	\$50.98	\$44.38	-	-
2012	\$55,045,000	3	\$273.64	\$161.77	7.0%	7.0%
2013	\$42,958,500	10	\$55.98	\$51.63	8.7%	7.6%
2014	\$87,086,500	9	\$120.49	\$105.33	7.9%	8.2%
2015	\$96,424,500	12	\$68.99	\$74.16	7.2%	6.8%
2016	\$126,981,192	15	\$68.11	\$76.26	8.8%	8.0%
2017	\$182,401,000	21	\$120.72	\$112.24	7.3%	7.8%
2018	\$152,734,939	19	\$91.54	\$98.51	6.9%	7.4%
2019	\$317,056,000	10	\$105.51	\$113.59	7.1%	7.1%
2020	\$207,720,820	31	\$98.49	\$141.24	8.5%	9.4%
2021	\$153,389,244	19	\$111.03	\$129.03	6.1%	5.4%
2022	\$266,602,200	44	\$212.22	\$145.38	4.2%	2.9%
2023	\$158,141,500	24	\$138.04	\$161.95	4.4%	3.5%

Includes sales of \$2M and greater only

Employment and Population

 [View Chart in Demographics](#)

	2019	2020	2021	2022	2023	2024	2025	2026
Employment								
Charlotte Total Employment	2.5%	-2.1%	4.0%	3.4%	2.4%	0.9%	0.9%	1.0%
Charlotte Office Employment	3.3%	-0.7%	3.7%	3.1%	2.1%	0.6%	0.9%	1.3%
Charlotte Industrial Employment	0.5%	-4.7%	4.8%	4.0%	-0.4%	0.5%	0.3%	0.3%
Southern Atlantic Region Total Employment	1.3%	-4.8%	5.2%	3.5%	1.8%	0.8%	0.9%	0.7%
Southern Atlantic Region Office Employment	1.4%	-3.1%	4.8%	3.0%	1.6%	0.6%	0.9%	1.0%
Southern Atlantic Region Industrial Employment	0.9%	-4.8%	4.2%	3.9%	1.2%	0.5%	0.5%	0.4%
United States Total Employment	1.1%	-6.3%	5.6%	3.5%	1.6%	0.7%	0.7%	0.5%
United States Office Employment	1.2%	-4.6%	4.9%	3.1%	1.3%	0.5%	0.8%	0.8%
United States Industrial Employment	0.1%	-6.4%	4.2%	3.7%	0.7%	0.5%	0.4%	0.2%
Population								
Charlotte Population	1.1%	1.1%	1.7%	1.7%	1.5%	1.3%	1.2%	1.2%
Southern Atlantic Region Population	0.7%	0.4%	0.8%	1.3%	0.9%	0.8%	0.8%	0.8%
United States Population	0.5%	0.1%	0.1%	0.7%	0.6%	0.6%	0.5%	0.5%

% change from previous year.

Households

 [View Chart in Demographics](#)

	2019	2020	2021	2022	2023	2024	2025	2026
Household Growth								
Charlotte Households	1.8%	0.3%	3.1%	1.9%	2.3%	2.1%	2.0%	1.9%
Southern Atlantic Region Households	0.9%	-0.4%	2.2%	1.5%	1.4%	1.4%	1.4%	1.3%
United States Households	0.5%	-1.0%	1.4%	1.1%	0.9%	1.0%	0.9%	0.9%
Household Income								
Charlotte Household Income	4.4%	5.2%	6.2%	5.3%	3.1%	3.2%	2.8%	3.0%
Southern Atlantic Region Household Income	4.3%	5.2%	6.0%	4.7%	3.9%	3.5%	3.1%	3.4%
United States Household Income	4.2%	6.2%	5.5%	4.1%	4.4%	3.7%	3.5%	3.7%

% change from previous year.