

Warehouse/Distribution

Charlotte

☑ Southern Atlantic Region

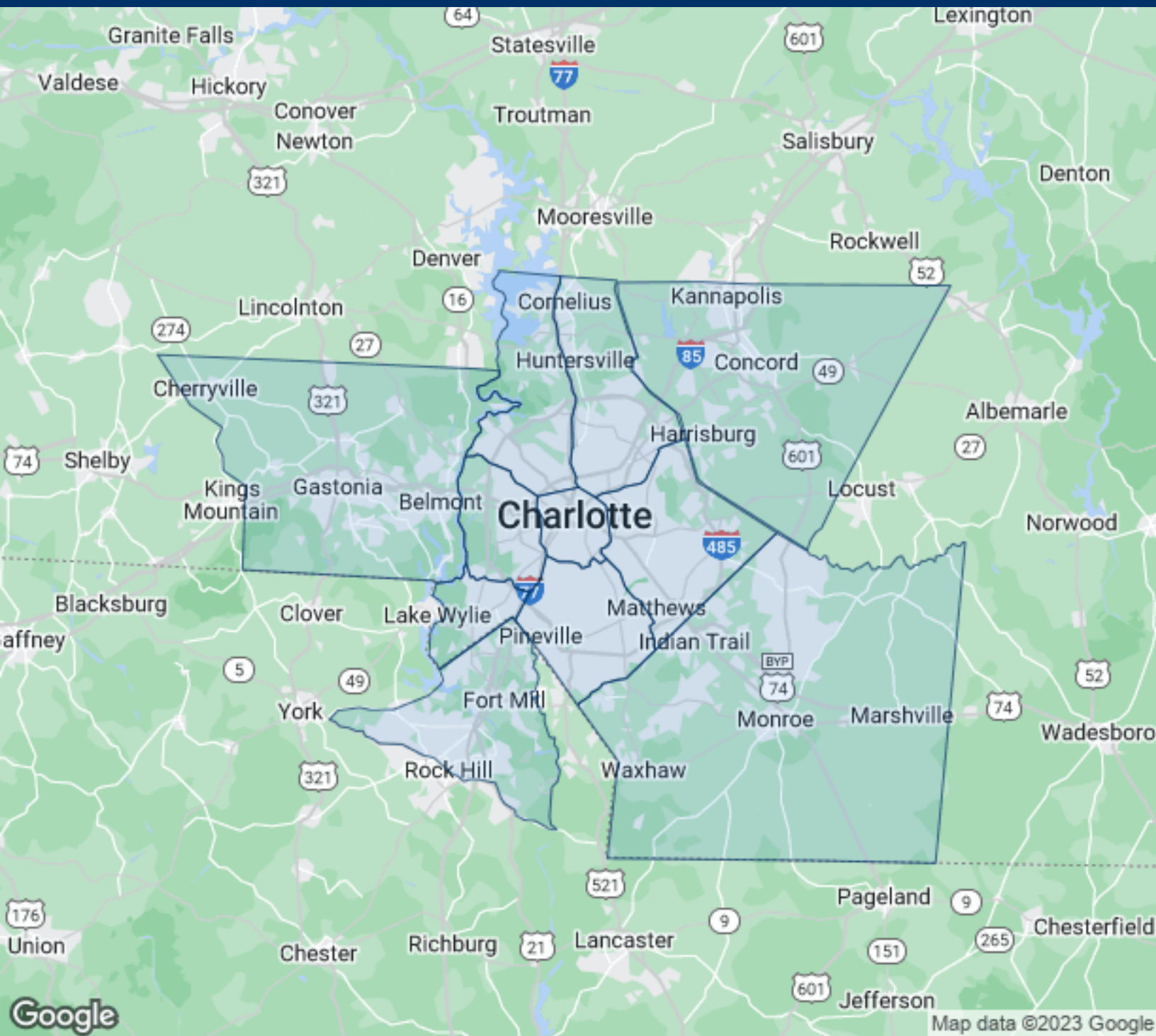
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MOODY'S
ANALYTICS

CRE

REPORT GENERATED
October 31, 2023

DATA AS OF Q2 2023



Warehouse/Distribution

Charlotte

Charlotte

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I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$6.13/sqft**

AVERAGE VACANCY **5.1%**

(Published August 2023)

- Rent in the Charlotte metro was up 0.3% from August.
- Rent has risen in every month since May 2021 in the Charlotte metro.
- No vacancy change since August in the Charlotte metro.
- Vacancy is expected to finish 2023 at 5.7% in the Charlotte metro.

Market Overview

The Charlotte warehouse/distribution market is comprised of 142.7 million square feet in eleven geographic concentrations ranging in size from the 23.3 million square foot Northeast submarket to the East/Southeast submarket, which accounts for 6.3 million square feet. In the ten-year period beginning with Q4 2013, the West submarket has experienced the greatest introduction of new inventory, 6.6 million square feet, amounting to 20.2% of all new competitive stock added to the market.

Asking and Effective Rent

Asking rents advanced every month during the third quarter, with September's increase of 0.3% bringing the cumulative quarterly total up to 0.8%. The market has now experienced twenty-eight consecutive monthly gains in asking rent, for a cumulative total of 21.3%. Since the beginning of Q4 2013, the metro as a whole has recorded an annual average increase of 4.3%. Effective rents, which take into account concessions offered to new lessees, advanced more quickly, up by 0.5% during September. During the past 12 months, 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 increased by 13,200 jobs during the third quarter, representing 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 1.7 million square feet, 60.3% lower than the average annual absorption rate of 4.2 million square feet recorded since the beginning of Q4 2013. In a long-term context, September vacancy rate is 4.0 percentage points lower than the 9.4% average recorded since the beginning of Q4 2013.

Executive Briefing (cont.)

Outlook

Reis is tracking warehouse/distribution construction activity that will deliver 4.5 million square feet to the metro by the end of the year, and net total absorption will be positive 4.0 million square feet. Consequently, the vacancy rate will drift upward by 0.3 percentage points to 5.7%. During 2024 and 2025, construction activity under surveillance is expected to deliver a total of 7.6 million square feet. Industrial employment growth at the metro level during 2024 and 2025 is expected to average 0.4% annually, enough to facilitate an absorption rate averaging 3.6 million square feet per year. The market vacancy rate will finish both years at 5.7%. Between now and year-end 2023 asking rents are expected to rise 1.3% to a level of \$6.23, while effective rents will increase by 1.2% to \$5.88. On an annualized basis, asking and effective rents are projected to climb at a rate of 5.1% through year end 2025, reaching average rates of \$6.88 and \$6.50 per square foot, respectively.

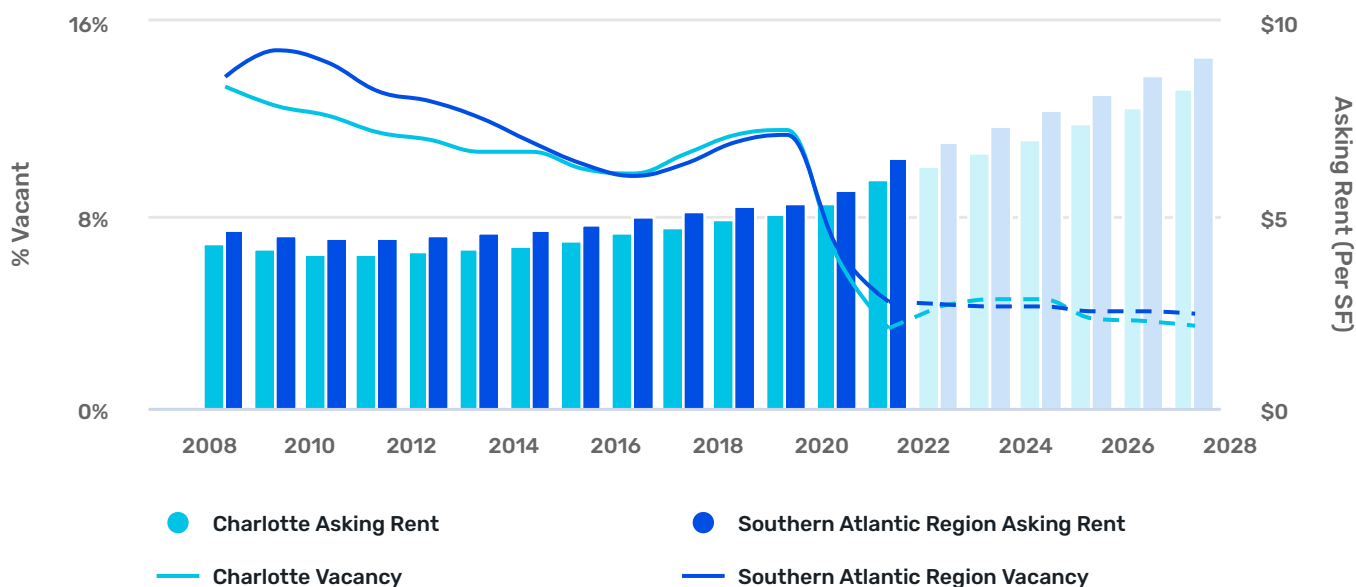
II. OVERVIEW

Key Performance Indicators

<p>Effective Rent PER SF</p> <p>\$5.78</p> <p>– from 0.0% Q1 2023</p>	<p>Vacancy Rate</p> <p>4.2%</p> <p>↑ from 70 Q1 2023</p>	<p>Income Growth PER HOUSEHOLD</p> <p>0.5%</p> <p>↓ vs 1.0% national</p>	<p>Job Growth</p> <p>0.6%</p> <p>↑ vs 0.4% national</p>
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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	\$6.31	4.2%	\$6.93	4.3%
2024	\$6.65	4.5%	\$7.30	4.2%
2025	\$6.99	4.5%	\$7.71	4.2%
2026	\$7.38	3.7%	\$8.15	4.0%
2027	\$7.80	3.6%	\$8.63	4.0%
2028	\$8.25	3.4%	\$9.13	3.9%

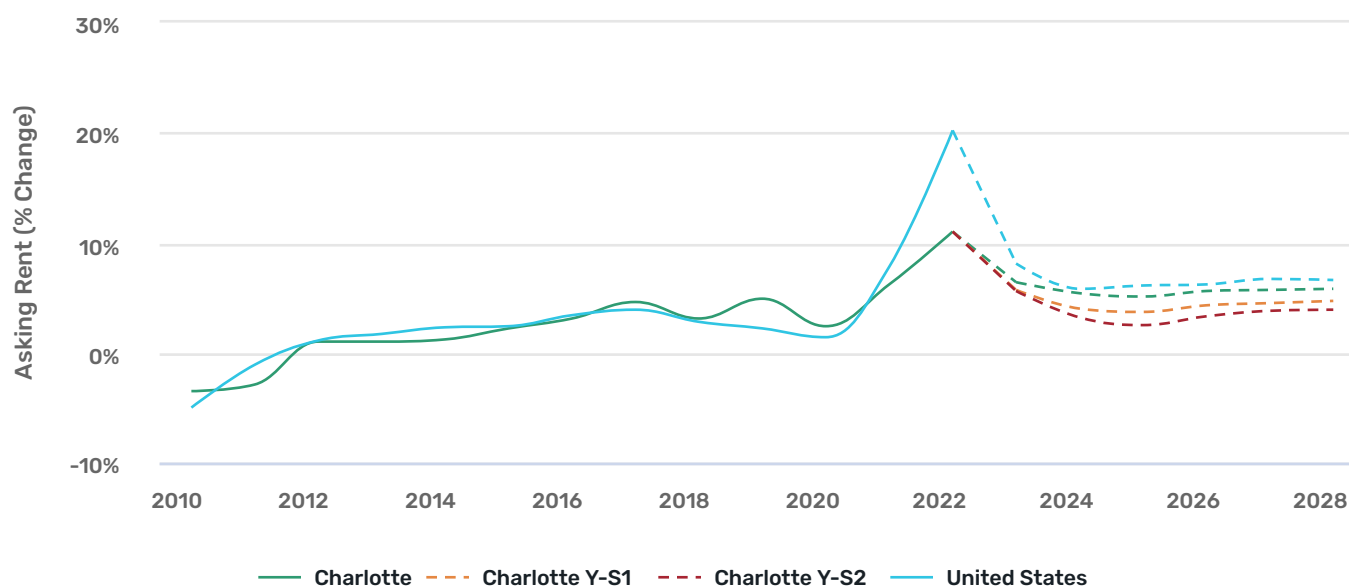
Market Performance

Year	Quarter	Asking Rent Per SF	Asking Rent % Change	Effective Rent Per SF	Effective Rent % Change	% Vacant	% Vacant Change in BPS
2020	Q1	\$4.96	1.0%	\$4.46	0.0%	12.6%	130
2020	Q2	\$4.96	0.0%	\$4.47	0.0%	12.0%	-60
2020	Q3	\$4.99	0.6%	\$4.50	0.0%	11.9%	-10
2020	Q4	\$5.03	0.8%	\$4.55	0.0%	11.5%	-40
2020	Y	\$5.03	2.4%	\$4.55	2.9%	11.5%	20
2021	Q1	\$5.07	0.8%	\$4.60	0.0%	10.8%	-70
2021	Q2	\$5.08	0.2%	\$4.65	0.0%	8.8%	-200
2021	Q3	\$5.21	2.6%	\$4.81	0.0%	6.7%	-210
2021	Q4	\$5.34	2.5%	\$4.95	0.0%	6.2%	-50
2021	Y	\$5.34	6.2%	\$4.95	8.8%	6.2%	-530
2022	Q1	\$5.46	2.2%	\$5.10	0.0%	5.2%	-100
2022	Q2	\$5.63	3.1%	\$5.29	0.0%	4.3%	-90
2022	Q3	\$5.79	2.8%	\$5.47	0.0%	4.1%	-20
2022	Q4	\$5.93	2.4%	\$5.62	0.0%	3.3%	-80
2022	Y	\$5.93	11.0%	\$5.62	13.5%	3.3%	-290
2023	Q1	\$6.01	1.3%	\$5.69	0.0%	3.5%	20
2023	Q2	\$6.10	1.5%	\$5.78	0.0%	4.2%	70

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	127,851,000	2,128,000	1.7%	16,126,000	111,725,000	176,000
2020	Q2	128,120,000	269,000	0.2%	15,381,000	112,739,000	1,014,000
2020	Q3	128,330,000	210,000	0.2%	15,329,000	113,001,000	262,000
2020	Q4	129,379,000	1,049,000	0.8%	14,929,000	114,450,000	1,449,000
2020	Y	129,379,000	3,656,000	2.9%	14,929,000	114,450,000	2,901,000
2021	Q1	129,379,000	0	0.0%	13,938,000	115,441,000	991,000
2021	Q2	129,379,000	0	0.0%	11,442,000	117,937,000	2,496,000
2021	Q3	131,191,000	1,812,000	1.4%	8,852,000	122,339,000	4,402,000
2021	Q4	133,078,000	1,887,000	1.4%	8,300,000	124,778,000	2,439,000
2021	Y	133,078,000	3,699,000	2.9%	8,300,000	124,778,000	10,328,000
2022	Q1	133,372,000	294,000	0.2%	6,957,000	126,415,000	1,637,000
2022	Q2	134,297,000	925,000	0.7%	5,723,000	128,574,000	2,159,000
2022	Q3	138,853,000	4,556,000	3.4%	5,645,000	133,208,000	4,634,000
2022	Q4	139,217,000	364,000	0.3%	4,594,000	134,623,000	1,415,000
2022	Y	139,217,000	6,139,000	4.6%	4,594,000	134,623,000	9,845,000
2023	Q1	139,719,000	502,000	0.4%	4,828,000	134,891,000	268,000
2023	Q2	142,609,000	2,890,000	2.1%	5,919,000	136,690,000	1,799,000

Scenarios: Asking Rent Per SF

[View Full Table in Appendix](#)

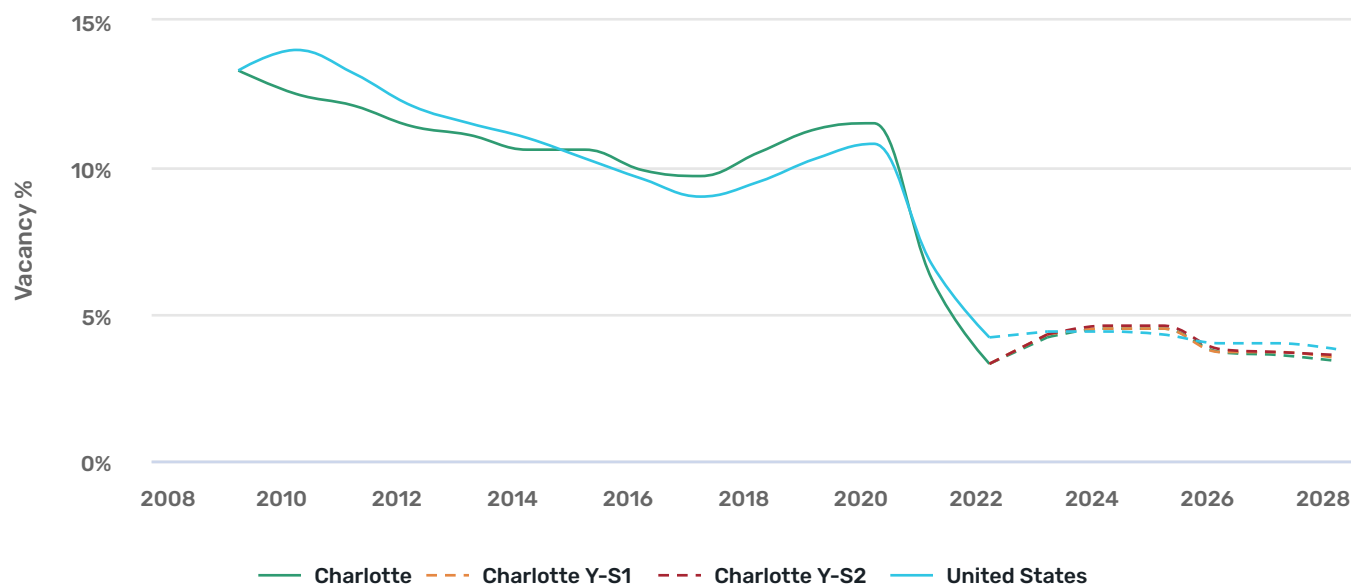
Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2023	6.4%	5.7%	5.6%	7.3%	8.1%
2024	5.4%	4.0%	3.2%	5.3%	5.8%
2025	5.1%	3.7%	2.5%	5.6%	6.1%
2026	5.6%	4.3%	3.3%	5.7%	6.2%
2027	5.7%	4.5%	3.8%	5.9%	6.7%
2028	5.8%	4.7%	3.9%	5.8%	6.6%

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](#)

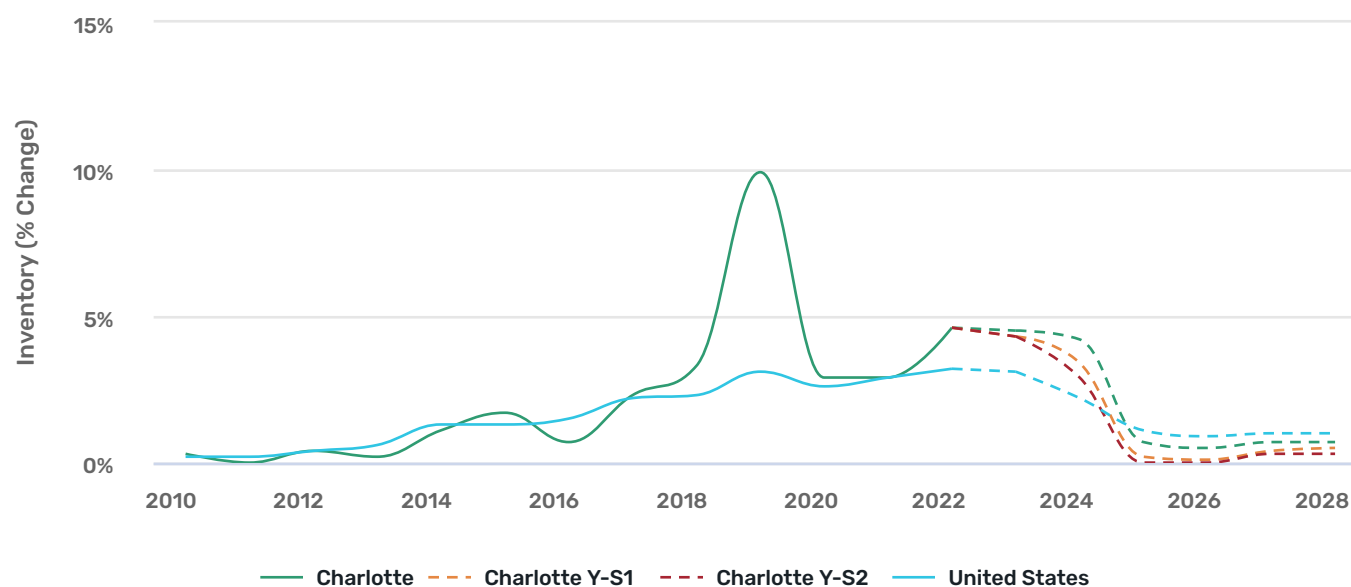


Year	Charlotte			Southern Atlantic Region	United States
	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2023	4.2%	4.3%	4.3%	4.3%	4.4%
2024	4.5%	4.5%	4.6%	4.2%	4.4%
2025	4.5%	4.5%	4.6%	4.2%	4.3%
2026	3.7%	3.7%	3.8%	4.0%	4.0%
2027	3.6%	3.7%	3.7%	4.0%	4.0%
2028	3.4%	3.5%	3.6%	3.9%	3.8%

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	4.5%	4.3%	4.3%	2.3%	3.1%
2024	4.2%	3.4%	2.9%	1.7%	2.2%
2025	0.7%	0.2%	0.0%	1.1%	1.1%
2026	0.5%	0.1%	0.0%	1.0%	0.9%
2027	0.7%	0.4%	0.3%	1.1%	1.0%
2028	0.7%	0.5%	0.3%	1.2%	1.0%

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)".

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	-	-	-	3,115,800	2,875,400	1.08
Southern Atlantic Region	-	-	-	25,127,800	25,407,000	0.99

Quarterly Construction/Absorption (Current and Previous Quarters)

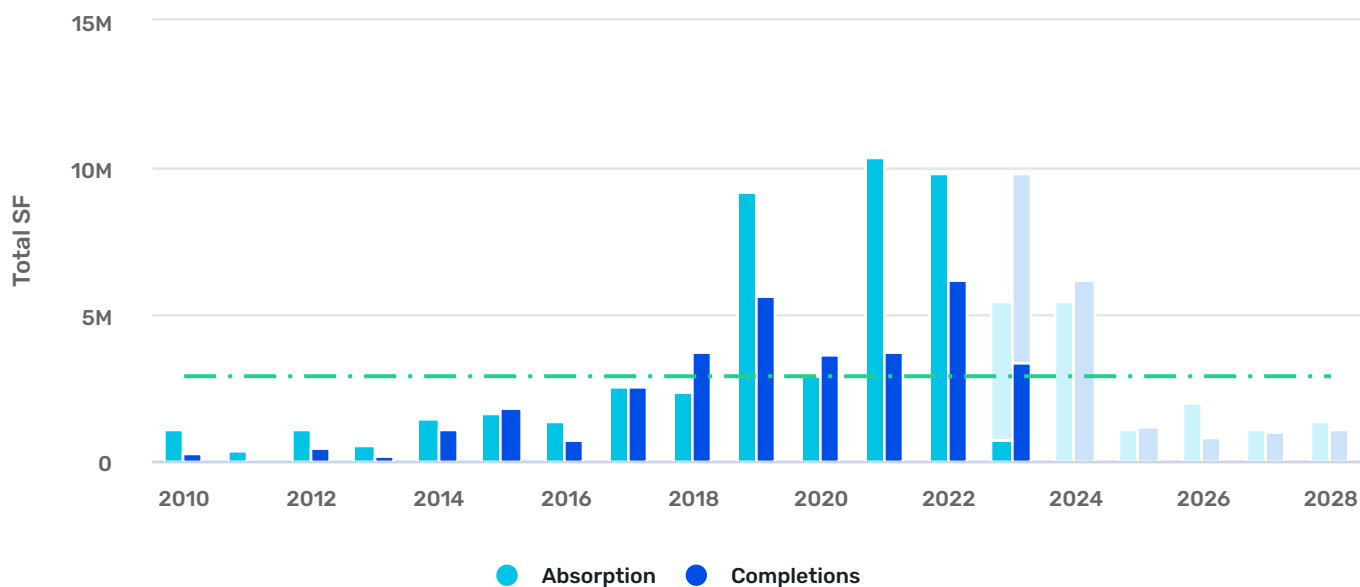
	Q2 2023			Q1 2023		
	SF Built Ending 6/30/2022	SF Absorbed Ending 6/30/2022	Con/Abs Ratio Ending 6/30/2022	SF Built Ending 3/31/2022	SF Absorbed Ending 3/31/2022	Con/Abs Ratio Ending 3/31/2022
Charlotte	2,890,000	1,799,000	1.6	502,000	268,000	1.9
Southern Atlantic Region	12,834,000	12,323,000	1	10,008,000	11,490,000	0.9

Quarterly Construction/Absorption (YTD)

	YTD Average		
	SF Built	SF Absorbed	Con/Abs Ratio
Charlotte	1,696,000	1,033,500	1.6
Southern Atlantic Region	11,421,000	11,906,500	1

Absorption Trends

[View Full Table in Appendix](#)



New Construction Trends

[View Full Table in Appendix](#)

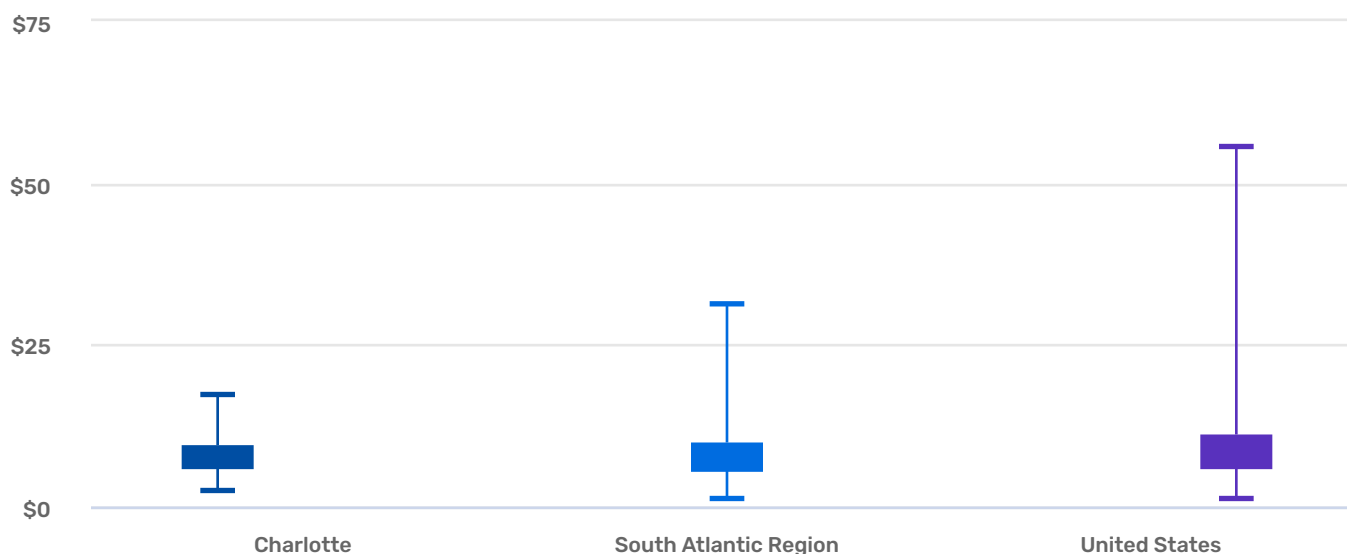


III. PERFORMANCE

Performance By Vintage

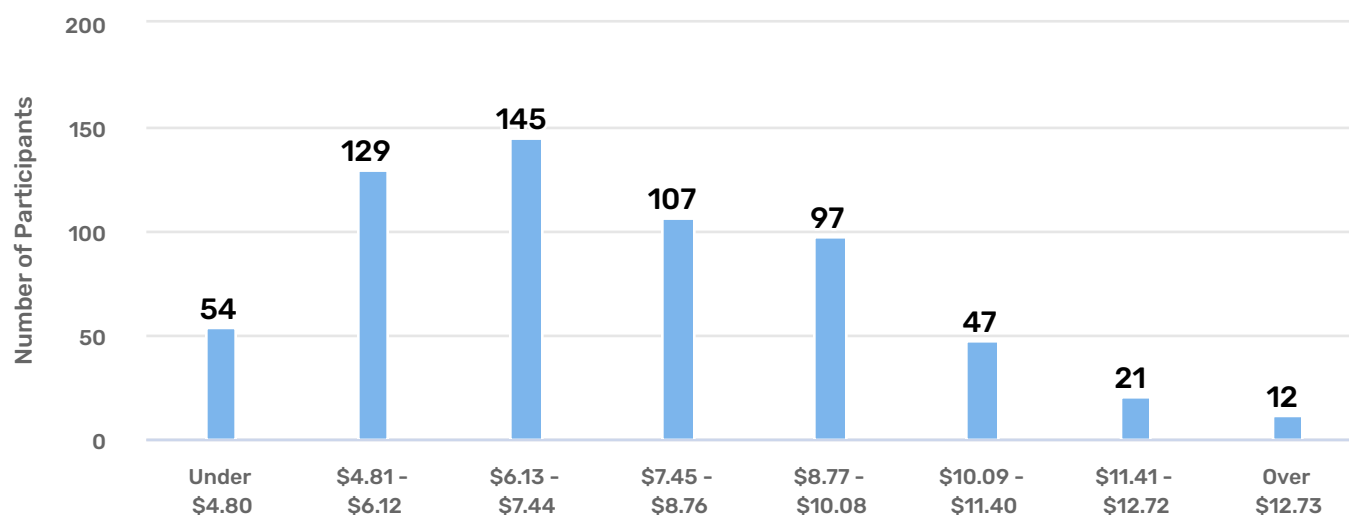
Year Built	Asking Rent (Per SF)	% Vacant	Inventory %
Before 1970	\$5.23	3.9%	7.0%
1970-1979	\$6.77	5.1%	8.0%
1980-1989	\$6.80	4.1%	9.0%
1990-1999	\$6.50	3.5%	16.0%
2000-2009	\$7.56	9.3%	15.0%
2010-2019	\$7.86	5.8%	24.0%
After 2019	\$7.16	13.7%	21.0%
All	\$7.08	5.1%	100.0%

Rent Distribution Benchmark (Per SF)



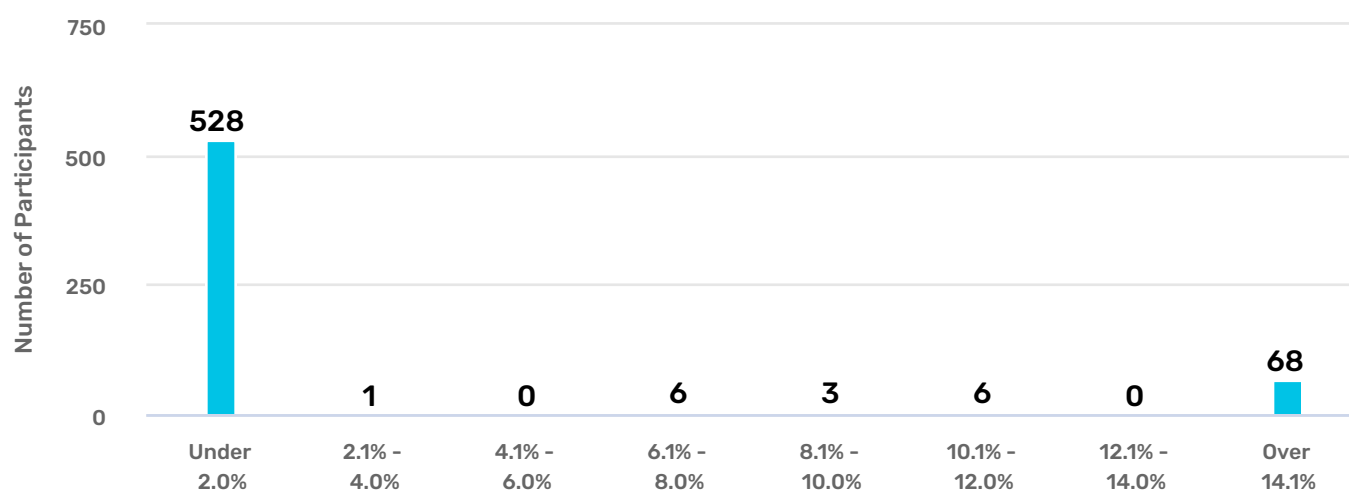
	Minimum Rent	Lower Quartile Rent	Median Rent	Upper Quartile Rent	Maximum Rent
Charlotte	\$2.42	\$5.94	\$7.11	\$9.09	\$17.00
South Atlantic Region	\$0.90	\$5.63	\$7.24	\$9.65	\$31.02
United States	\$0.88	\$6.07	\$8.11	\$11.12	\$55.29

Asking Rent Distribution Per SF



Low	25%	Mean	Median	75%	High
\$3.29	\$5.57	\$6.13	\$6.74	\$9.09	\$10.66

Vacancy Distribution



Low	25%	Mean	Median	75%	High
0.0%	0.0%	5.1%	0.0%	0.0%	100.0%

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
Cabarrus County	547	9,058,000	36	\$7.80	13.9%	560
Central	330	18,487,000	110	\$5.49	2.5%	-50
East/Southeast	289	6,346,000	136	\$4.33	1.6%	-10
Far Southeast	513	6,937,000	230	\$5.43	1.1%	0
Far Southwest	3	8,038,000	46	\$6.39	13.7%	-1,640
Gaston County	564	9,896,000	65	\$4.16	17.0%	840
Northeast	377	23,437,000	252	\$6.56	4.0%	-20
Northwest	175	11,152,000	123	\$5.16	2.2%	-250
South	232	9,856,000	142	\$6.68	0.4%	-70
Southwest	345	22,741,000	231	\$6.00	3.5%	20
West	260	16,661,000	196	\$7.82	3.4%	20

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

Submarket Name	CRD %	Free Rent Mos	Expenses \$	Effective Rent SF	Lease Terms Years
Cabarrus County	-6.9%	7.7	\$2.40	\$7.31	2.9
Central	-4.5%	6.8	\$2.30	\$5.23	2.29
East/Southeast	-7.7%	7.3	\$2.50	\$4.12	3.6
Far Southeast	-7.1%	5.7	\$1.70	\$5.07	3.5
Far Southwest	-10.0%	5.4	\$1.80	\$5.93	2.2
Gaston County	-9.5%	6.4	\$2.10	\$3.98	2.2
Northeast	-6.7%	5.3	\$1.00	\$6.18	2
Northwest	-7.5%	6.7	\$2.10	\$4.85	2.5
South	-8.8%	4.9	\$2.10	\$6.20	2.7
Southwest	-7.2%	6.1	\$2.70	\$5.63	2.5
West	-8.5%	5.09	\$2.90	\$7.53	3.4

*There are 568 submarkets in the Warehouse/Distribution sector nationally.

V. NEW CONSTRUCTION

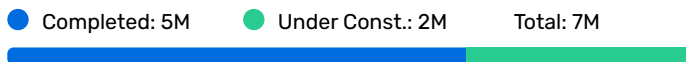
Top New Construction Projects By Size

Property Name	Property Type	Size sqft	Construction Status	Expected Completion	Expected Groundbreak	Developer	Developer Phone
12220 Carolina Logistics Rd, Pineville, NC, 28134							
Carolina Logistics Park	Warehouse/Distribution	1,006,462	Complete	11/01/2021	11/2020	-	-
13081 Sam Neely Rd, Charlotte, NC, 28273							
Westinghouse Logistics Park Bldg 1	Warehouse/Distribution	710,640	Under Constr.	-	7/2022	-	-
1500 Delta Dr, Gastonia, NC, 28052							
Delta Industrial Park	Warehouse/Distribution	878,104	Under Constr.	-	-	-	-
2087 Williams Industrial Boulevard, Rock Hill, SC, 29730							
LegacyPark East - Building 2	Warehouse/Distribution	851,500	Under Constr.	-	12/2022	-	-
2321 Concord Pkwy S, Concord, NC, 28027							
The Grounds at Concord Future Phase	Warehouse Distribution	2,510,000	Under Constr.	-	10/2022	-	-
The Grounds at Concord Future Phase	Warehouse Distribution	800,000	Under Constr.	-	-	-	-
3211 Aberdeen Blvd, Gastonia, NC, 28098							
Gateway85 Ph 2 Bldg 3	Warehouse/Distribution	1,500,000	Complete	09/30/2022	-	-	-
5700 Royce St, Kannapolis, NC, 28083							
Metro 63 Logistics Center	Warehouse/Distribution	755,996	Complete	07/01/2022	-	-	-
705 Canterbury Rd, Kings Mountain, NC, 28086							
Kings Mountain Corporate Center	Warehouse/Distribution	1,256,278	Complete	06/01/2023	7/2022	-	-
7149 Logistics Ln, Fort Mill, SC, 29715							
Stateline 77 Bldg 2	Warehouse/Distribution	786,167	Complete	02/01/2022	7/2021	-	-

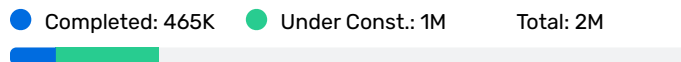
Submarket Project Tally (as of 09/22/2023)

[View Full Table in Appendix](#)

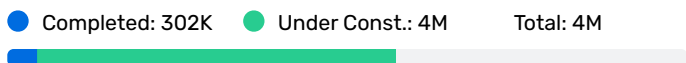
Gaston County



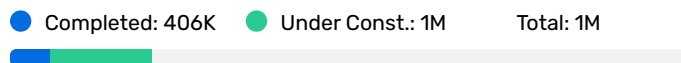
Northwest



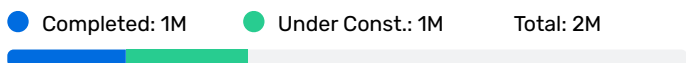
Cabarrus County



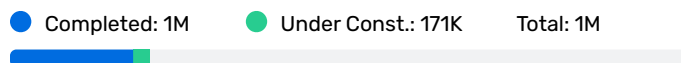
South



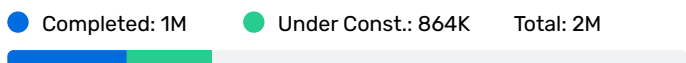
Far Southwest



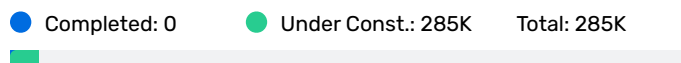
Northeast



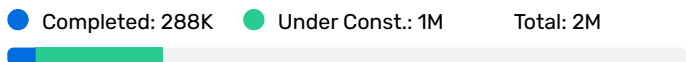
West



Far Southeast

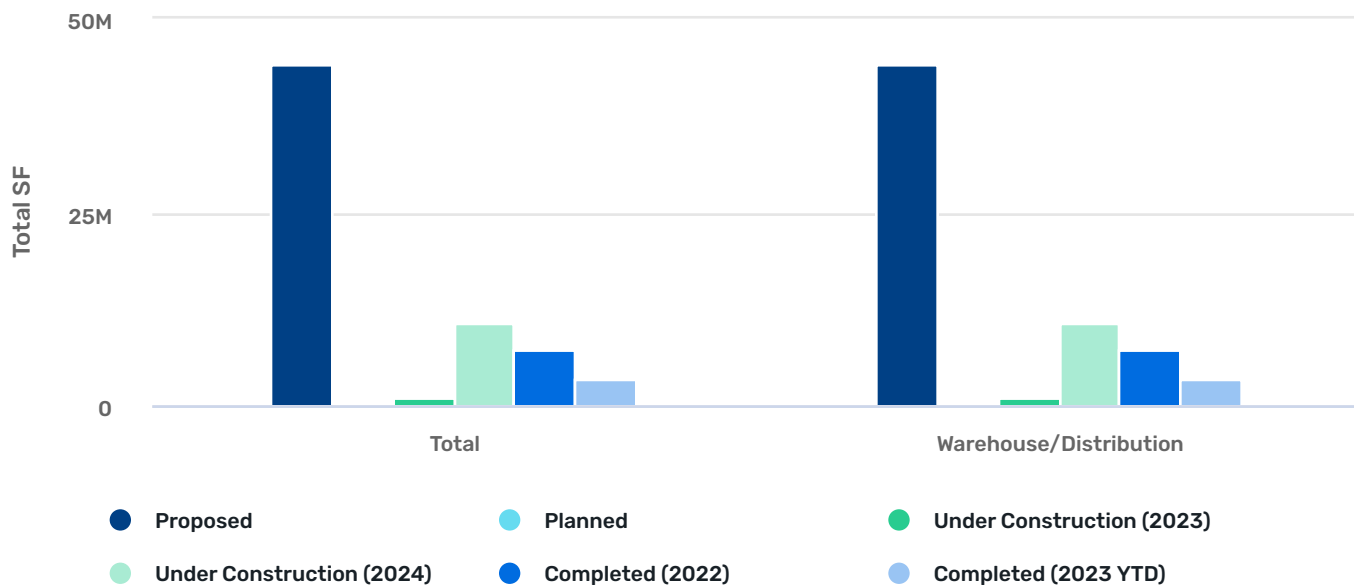


Southwest



Construction Deliveries

[View Full Table in Appendix](#)



VI. TRANSACTIONS

Key Performance Indicators (2023 YTD)

Transaction Volume
CHARLOTTE

\$354.596M

Number of Transactions
CHARLOTTE

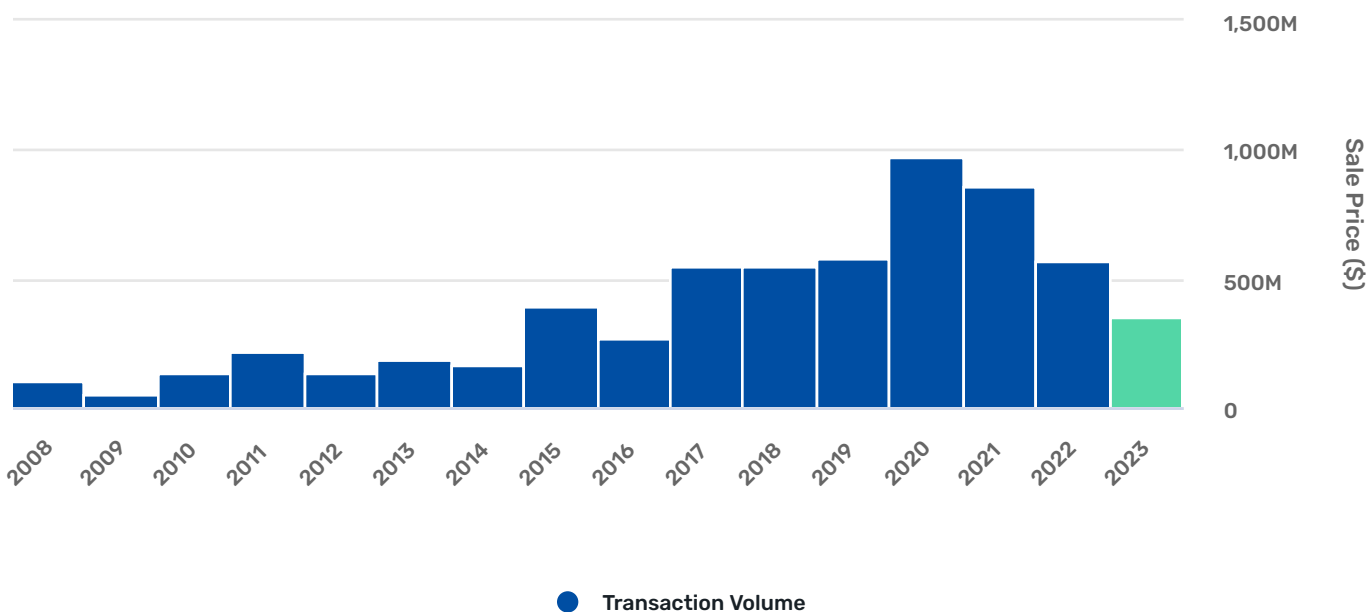
29

12 Month Rolling Cap Rate
CHARLOTTE

—

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	\$148.527M	25	\$86.32	\$109.58	7.7%	8.0%
2020	Q2	\$236.916M	16	\$92.95	\$106.18	6.3%	6.3%
2020	Q3	\$133.936M	19	\$87.66	\$90.69	8.0%	8.0%
2020	Q4	\$448.048M	35	\$88.86	\$97.08	7.8%	6.9%
2021	Q1	\$93.887M	15	\$142.39	\$189.47	7.1%	7.1%
2021	Q2	\$264.547M	36	\$88.01	\$121.69	7.1%	7.1%
2021	Q3	\$338.557M	33	\$143.00	\$150.86	6.8%	5.9%
2021	Q4	\$160.875M	17	\$75.59	\$88.61	7.1%	6.6%
2022	Q1	\$97.422M	9	\$17.53	\$91.54	2.9%	3.0%
2022	Q2	\$98.769M	8	\$75.00	\$105.72	3.5%	3.8%
2022	Q3	\$89.832M	12	\$132.62	\$116.27	3.2%	3.0%
2022	Q4	\$281.127M	20	\$95.66	\$128.52	3.3%	3.6%
2023	Q1	\$183.615M	13	\$100.58	\$87.31	2.5%	3.9%
2023	Q2	\$89.556M	10	\$62.49	\$83.60	5.7%	5.6%

10 Largest Transactions (2023 YTD)

Address	City	State	Sale Price ¹²	Sale Price Per SQFT	Sale Date	Size sf
2501 David Hutchison Rd	Rock Hill	SC	\$93,250,000	\$317.08	03/03/2023	294,092
4225 Pleasant Rd	Fort Mill	SC	\$42,500,000	\$88.04	05/08/2023	482,758
330 Woodlake Parkway	Kings Mountain	NC	\$32,900,000	\$109.58	07/07/2023	300,240
1000 Exchange Street	Charlotte	NC	\$28,700,000	\$135.08	01/17/2023	212,474
2198 Wilkinson Blvd	Charlotte	NC	\$18,750,000	\$368.90	08/09/2023	50,827
5243 NC-49	Harrisburg	NC	\$12,110,000	\$110.78	03/01/2023	109,312
10615 Twin Lakes Pky	Charlotte	NC	\$11,600,000	\$257.05	08/01/2023	45,128
1701 Westinghouse Blvd	Charlotte	NC	\$9,800,000	\$95.43	05/15/2023	102,696
801 Pressley Rd	Charlotte	NC	\$9,100,000	\$130.00	07/10/2023	70,000
4017 Chesapeake Dr	Charlotte	NC	\$8,687,500	\$25.68	02/01/2023	338,335

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
11922 General Dr	Charlotte	NC	-	-	10/05/2023	879,128
9701 Brookford St	Charlotte	NC	-	-	09/07/2023	67,200
2101 Westinghouse Blvd	Charlotte	NC	-	-	09/07/2023	200,180
4112 Joe St	Charlotte	NC	\$4,500,000	\$98.36	09/07/2023	45,750
2198 Wilkinson Blvd	Charlotte	NC	\$18,750,000	\$368.90	08/09/2023	50,827
3825 Wilkinson Blvd	Charlotte	NC	\$4,575,000	\$179.41	08/08/2023	25,500
10615 Twin Lakes Pky	Charlotte	NC	\$11,600,000	\$257.05	08/01/2023	45,128
801 Pressley Rd	Charlotte	NC	\$9,100,000	\$130.00	07/10/2023	70,000
330 Woodlake Parkway	Kings Mountain	NC	\$32,900,000	\$109.58	07/07/2023	300,240
1604 Morgan Mill Rd	Monroe	NC	\$3,625,000	\$79.17	06/27/2023	45,786

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

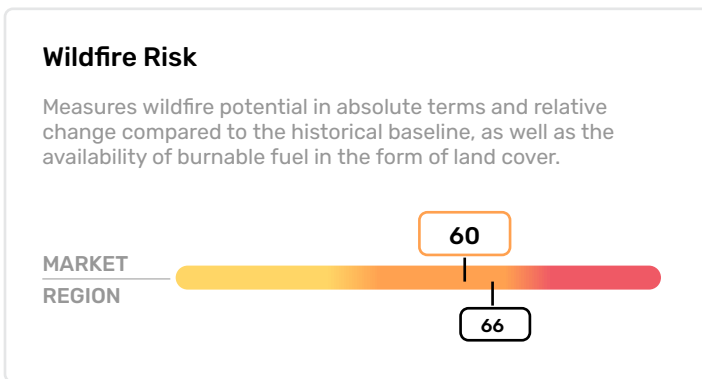
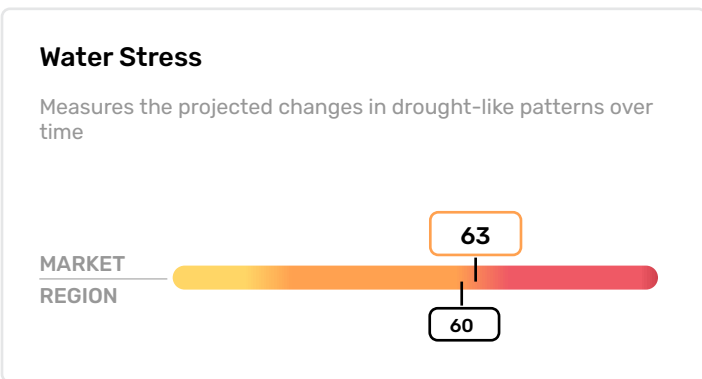
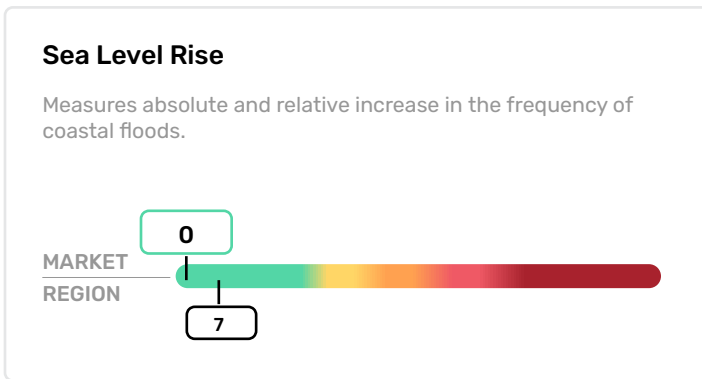
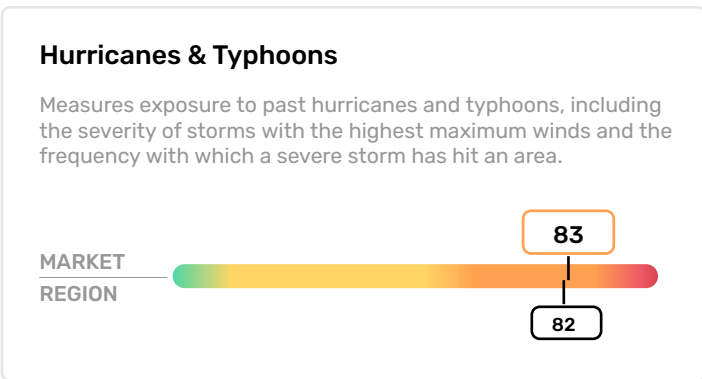
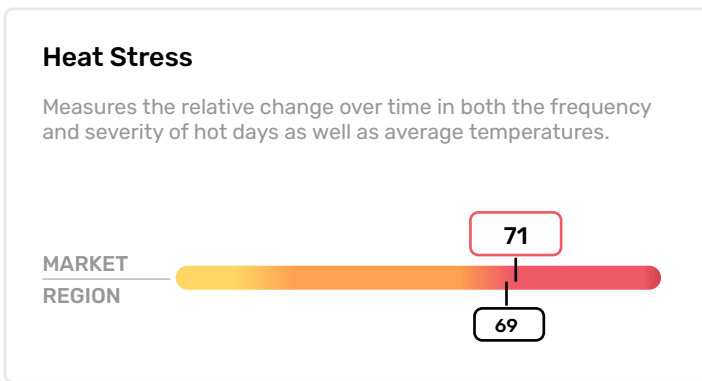
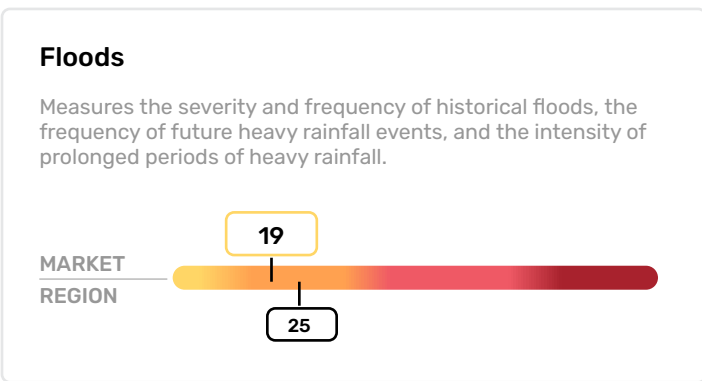
VII. CLIMATE RISK

Highest Risk Category

Heat Stress
HIGH RISK

Exposed today and exposure level is increasing

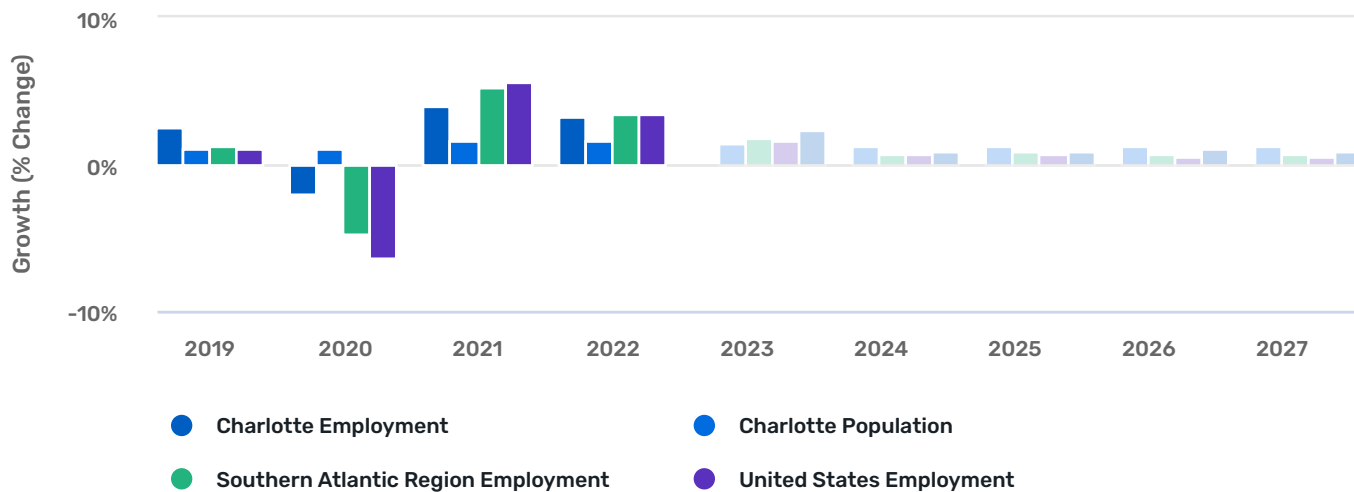
Risk Categories



VIII. DEMOGRAPHICS

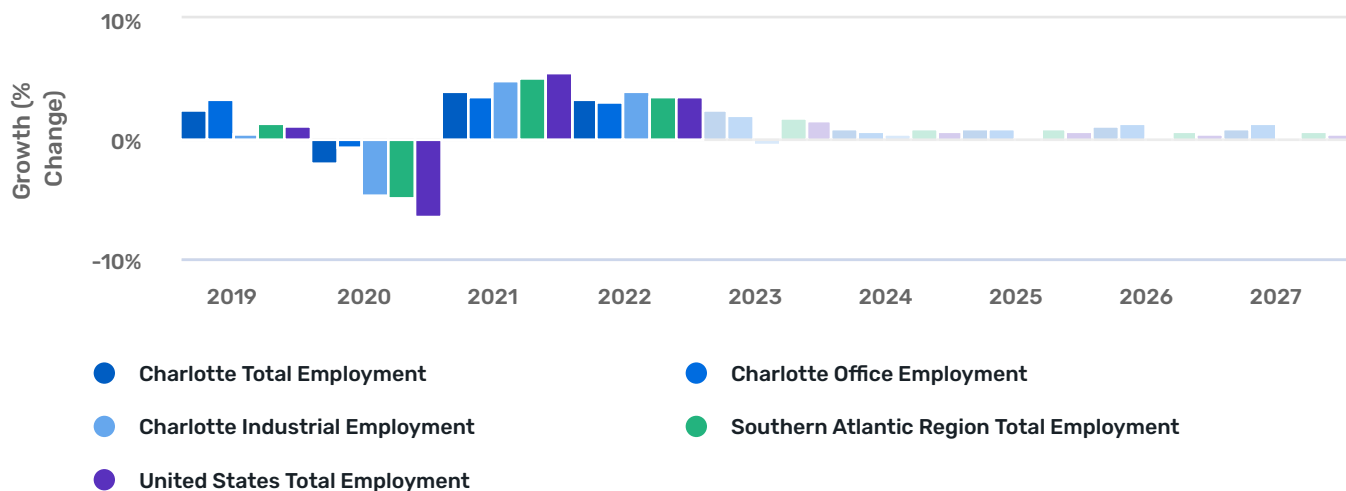
Employment and Population Growth

[View Full Table in Appendix](#)



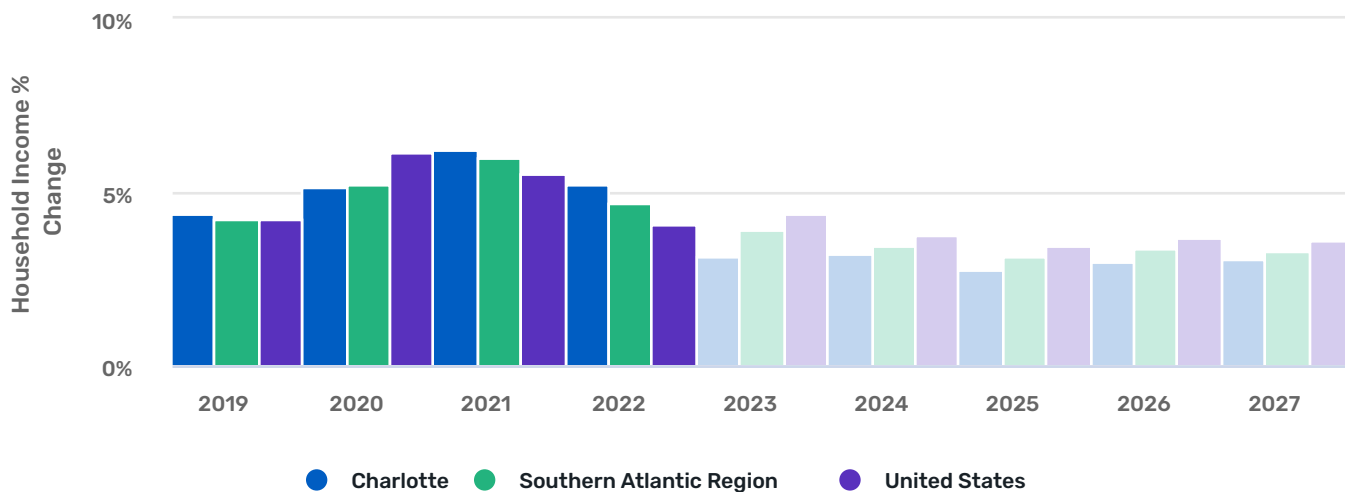
Employment Growth

[View Full Table in Appendix](#)



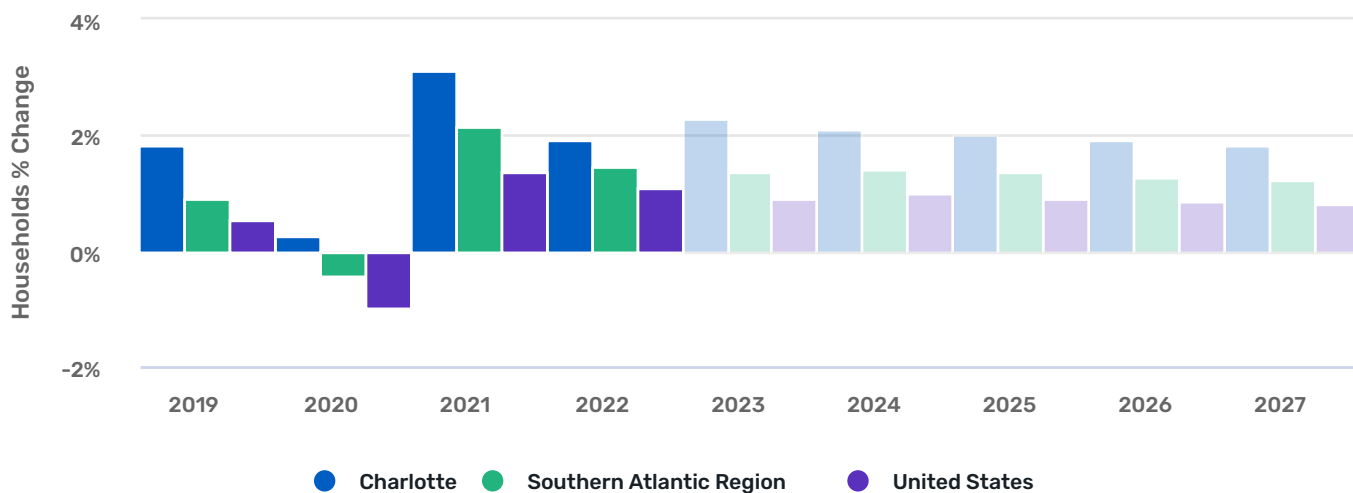
Household Income Growth

[View Full Table in Appendix](#)



Household Growth

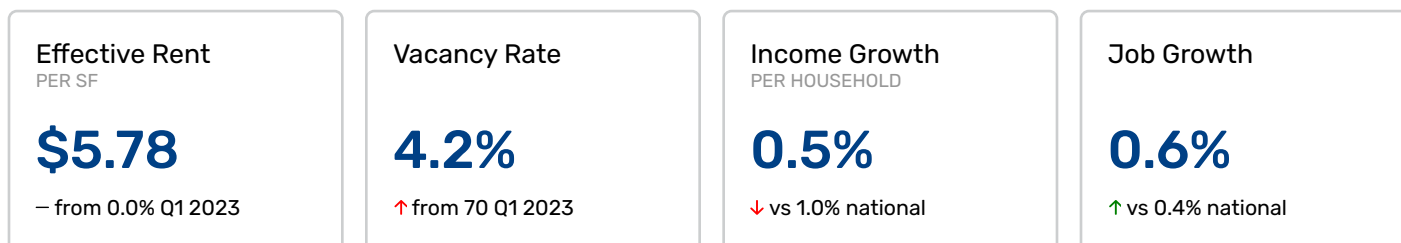
[View Full Table in Appendix](#)



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	\$4.26	13.3%	\$4.63	13.7%
2010	\$4.11	12.5%	\$4.45	14.8%
2011	\$3.99	12.1%	\$4.38	14.3%
2012	\$4.03	11.4%	\$4.42	13.1%
2013	\$4.07	11.1%	\$4.47	12.7%
2014	\$4.12	10.6%	\$4.56	12.0%
2015	\$4.21	10.6%	\$4.65	11.0%
2016	\$4.34	9.9%	\$4.79	10.1%
2017	\$4.54	9.7%	\$4.96	9.6%
2018	\$4.68	10.5%	\$5.09	10.1%
2019	\$4.91	11.3%	\$5.22	11.0%
2020	\$5.03	11.5%	\$5.30	11.3%
2021	\$5.34	6.2%	\$5.67	6.6%
2022	\$5.93	3.3%	\$6.46	4.4%
2023	\$6.31	4.2%	\$6.93	4.3%
2024	\$6.65	4.5%	\$7.30	4.2%
2025	\$6.99	4.5%	\$7.71	4.2%
2026	\$7.38	3.7%	\$8.15	4.0%
2027	\$7.80	3.6%	\$8.63	4.0%
2028	\$8.25	3.4%	\$9.13	3.9%

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	-3.5%	--	--	-3.9%	-5.0%
2011	-2.9%	--	--	-1.6%	-1.1%
2012	1.0%	--	--	0.9%	1.1%
2013	1.0%	--	--	1.1%	1.7%
2014	1.2%	--	--	2.0%	2.3%
2015	2.2%	--	--	2.0%	2.4%
2016	3.1%	--	--	3.0%	3.4%
2017	4.6%	--	--	3.5%	3.9%
2018	3.1%	--	--	2.6%	2.8%
2019	4.9%	--	--	2.6%	2.2%
2020	2.4%	--	--	1.5%	1.4%
2021	6.2%	--	--	7.0%	7.8%
2022	11.0%	--	--	13.9%	20.2%
2023	6.4%	5.7%	5.6%	7.3%	8.1%
2024	5.4%	4.0%	3.2%	5.3%	5.8%
2025	5.1%	3.7%	2.5%	5.6%	6.1%
2026	5.6%	4.3%	3.3%	5.7%	6.2%
2027	5.7%	4.5%	3.8%	5.9%	6.7%
2028	5.8%	4.7%	3.9%	5.8%	6.6%

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	13.3%	--	--	13.7%	13.3%
2010	12.5%	--	--	14.8%	14.0%
2011	12.1%	--	--	14.3%	13.2%
2012	11.4%	--	--	13.1%	12.1%
2013	11.1%	--	--	12.7%	11.5%
2014	10.6%	--	--	12.0%	11.0%
2015	10.6%	--	--	11.0%	10.3%
2016	9.9%	--	--	10.1%	9.6%
2017	9.7%	--	--	9.6%	9.0%
2018	10.5%	--	--	10.1%	9.5%
2019	11.3%	--	--	11.0%	10.3%
2020	11.5%	--	--	11.3%	10.8%
2021	6.2%	--	--	6.6%	6.7%
2022	3.3%	--	--	4.4%	4.2%
2023	4.2%	4.3%	4.3%	4.3%	4.4%
2024	4.5%	4.5%	4.6%	4.2%	4.4%
2025	4.5%	4.5%	4.6%	4.2%	4.3%
2026	3.7%	3.7%	3.8%	4.0%	4.0%
2027	3.6%	3.7%	3.7%	4.0%	4.0%
2028	3.4%	3.5%	3.6%	3.9%	3.8%

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	0.3%	--	--	0.2%	0.2%
2011	0.0%	--	--	0.2%	0.2%
2012	0.4%	--	--	0.5%	0.4%
2013	0.2%	--	--	0.5%	0.6%
2014	1.1%	--	--	1.0%	1.3%
2015	1.7%	--	--	0.9%	1.3%
2016	0.7%	--	--	1.6%	1.5%
2017	2.3%	--	--	2.6%	2.2%
2018	3.3%	--	--	2.8%	2.3%
2019	9.9%	--	--	3.0%	3.1%
2020	2.9%	--	--	2.8%	2.6%
2021	2.9%	--	--	3.1%	2.9%
2022	4.6%	--	--	2.8%	3.2%
2023	4.5%	4.3%	4.3%	2.3%	3.1%
2024	4.2%	3.4%	2.9%	1.7%	2.2%
2025	0.7%	0.2%	0.0%	1.1%	1.1%
2026	0.5%	0.1%	0.0%	1.0%	0.9%
2027	0.7%	0.4%	0.3%	1.1%	1.0%
2028	0.7%	0.5%	0.3%	1.2%	1.0%

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)".

Absorption Trends

 [View Chart in Overview](#)

Year	Absorption (SF)	Completions (SF)
2010	1,051,000	293,000
2011	393,000	0
2012	1,101,000	445,000
2013	515,000	186,000
2014	1,490,000	1,111,000
2015	1,631,000	1,789,000
2016	1,404,000	746,000
2017	2,506,000	2,518,000
2018	2,407,000	3,692,000
2019	9,153,000	5,612,000
2020	2,901,000	3,656,000
2021	10,328,000	3,699,000
2022	9,845,000	6,139,000
2023	4,750,000	6,462,000
2023 YTD	722,000	3,392,000
2024	5,456,000	6,145,000
2025	1,079,000	1,137,000
2026	2,004,000	808,000
2027	1,088,000	1,027,000
2028	1,358,000	1,121,000

Submarket Project Tally: Proposed And Planned

 [View Chart in Overview](#)

	Warehouse/Distribution
Cabarrus County	3,170,300
Central	40,000
East/Southeast	2,995,640
Far Southeast	4,201,262
Far Southwest	4,925,479
Gaston County	7,249,737
Northeast	4,843,952
Northwest	1,975,382
South	1,266,307
Southwest	440,487
West	7,686,747

Size of Projects is in SF.

Submarket Project Tally: Under Construction

 [View Chart in Overview](#)

	Warehouse/Distribution
Cabarrus County	3,641,600
Central	-
East/Southeast	-
Far Southeast	284,836
Far Southwest	1,237,820
Gaston County	2,246,563
Northeast	170,730
Northwest	1,046,388
South	1,026,865
Southwest	1,289,252
West	864,084

Size of Projects is in SF.

Submarket Project Tally: Complete

 [View Chart in Overview](#)

	Warehouse/Distribution
Cabarrus County	302,120
Central	-
East/Southeast	-
Far Southeast	-
Far Southwest	1,202,475
Gaston County	4,655,405
Northeast	1,249,904
Northwest	465,408
South	406,401
Southwest	288,000
West	1,210,093

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
Warehouse/ Distribution	43,996,223	-	1,148,776	10,659,362	7,129,498	3,549,254
Total	43,996,223	0	1,148,776	10,659,362	7,129,498	3,549,254

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	\$100,179,500	17	\$41.31	\$44.20	-	-
2009	\$52,009,500	13	\$36.77	\$31.89	-	-
2010	\$132,933,096	17	\$38.42	\$38.99	-	-
2011	\$215,304,001	32	\$42.32	\$34.61	8.9%	8.8%
2012	\$139,289,000	18	\$31.72	\$35.50	9.2%	8.8%
2013	\$181,857,782	19	\$39.98	\$41.41	8.4%	7.9%
2014	\$170,207,500	23	\$53.64	\$58.86	6.4%	5.9%
2015	\$390,521,999	50	\$56.02	\$57.44	7.2%	6.9%
2016	\$267,684,200	36	\$55.57	\$58.96	7.6%	6.8%
2017	\$546,233,631	60	\$58.27	\$66.34	7.8%	6.8%
2018	\$550,503,460	59	\$57.87	\$60.76	7.6%	6.9%
2019	\$582,198,255	57	\$67.14	\$80.35	6.9%	6.9%
2020	\$967,426,426	95	\$89.25	\$100.41	7.8%	8.0%
2021	\$857,866,550	101	\$105.12	\$113.21	7.0%	6.5%
2022	\$567,150,612	49	\$54.06	\$122.74	3.3%	3.5%
2023	\$354,595,500	29	\$93.41	\$98.36	4.5%	4.7%

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.