

INVESTMENT FORECAST

Marcus & Millichap

INDUSTRIAL

Charlotte Metro Area

2024

Leasing from Notable Firms Keeps Vacancy Below Historical Norms, Despite a Recent Supply Influx

Companies focus on space in outer suburbs. Vacancy in Charlotte will stay slightly above the national level. More than 59 million square feet of space was added here between 2014 and 2023, contributing to this upward pressure. This year, more than 1.3 million square feet opening in Huntersville could continue to elevate near-term vacancy in North Charlotte, the metro's largest submarket by inventory. Still, total occupied stock in Charlotte will reach a record high this year, and vacancy will be 30 basis points below the trailing 10-year average. Move-ins by companies like Home Depot, Liquid Death, Grainger and DHL Supply Chain will help offset some of the impact from elevated supply additions over the last decade. Space in outer areas like York, Rowan and Union counties will likely continue to be sought after this year as companies seek distribution and warehouse properties along Interstates 77 and 85. These roadways link Charlotte to other major metros, like Cleveland and Richmond.

Institutions cautiously re-enter the market. Preliminary data indicates that investment activity was strong entering 2024, despite financing headwinds. Institutions have shown signs of stepping off the sidelines this year, particularly those that are out-of-state, but regionally proximate. Charlotte offers the fourth-lowest average price per square foot among major Southeastern markets, generating a draw for these regional buyers that are cost-conscious. Manufacturing assets could gain additional popularity among these buyers as companies like Bosch Rexroth take up 100,000-square-foot-plus spaces in South Charlotte. Meanwhile, private investors are likely to continue seeking warehouse assets in areas like North Charlotte, where there is an abundance of inventory, including high-vacancy assets that could present upside opportunities.

2024 MARKET FORECAST

+2.2%



EMPLOYMENT: Charlotte will welcome 30,000 new jobs on net this year, a slight slowdown from 2023's addition. The metro will claim the fourth-fastest pace of job growth among major markets.

5.3 million sq. ft.



CONSTRUCTION: Development will temper this year as inventory expands by just 1.6 percent, the metro's second-slowest pace since 2016. Rowan County expects the largest volume of this new space.

+20 bps



VACANCY: Easing construction will place less upward pressure on vacancy in 2024. The rate will still increase to 6.2 percent, but stays below the prior decade-average of 6.7 percent.

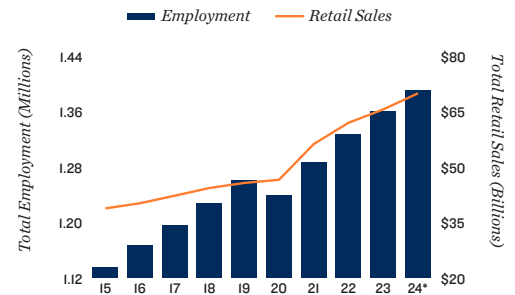
+5.8%



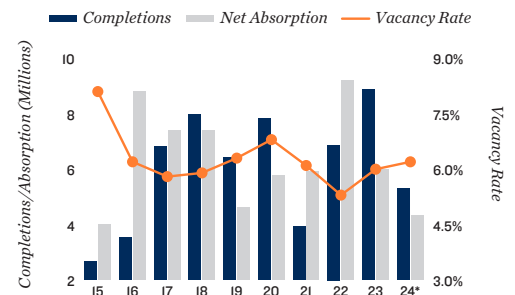
RENT: By the end of 2024, the average asking rent in Charlotte will have nearly doubled since 2019. The measure will close out December at \$8.67 per square foot.

INVESTMENT: *Investment activity could pick up in Charlotte this year as the Port of Savannah continues to add container terminals. The metro also offers access to other ports, like the Port of Virginia and of Charleston.*

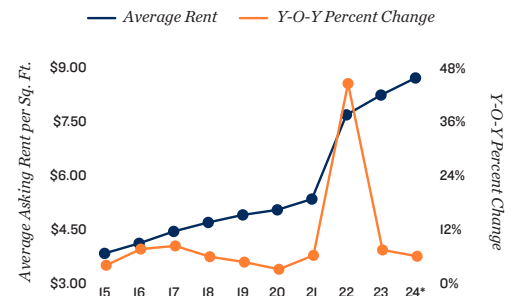
Economic Trends



Supply and Demand



Rent Trends



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

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.