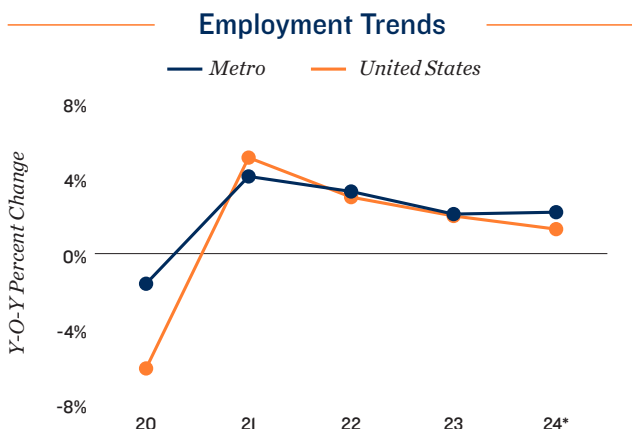


Limited New Supply and Rapid Suburban Growth Underlie Historically Low Vacancy

Vacant single-tenant spaces are becoming harder to find. Outside of Dallas-Fort Worth and Houston, no other major Sun Belt market has posted as substantial of a drop-off in new supply as Charlotte. Deliveries from March 2019 to March 2024 fell 3.7 million square feet short of the five years prior. Newer net-leased spaces have become hard to find, especially single-tenant properties delivered over the past five years, as this cohort carried a sub-1 percent vacancy rate in March. While tenant expansions are being motivated by the growth of Charlotte's historically less-dense suburbs, strong demographics in these areas continue to be mismatched with retail building. Cabarrus, Iredell, Lancaster and Union counties expect their local household counts to each grow by at least 8 percent through 2028, with limited new speculative supply expected during the span.

Shopping centers alleviate some of the single-tenant shortage. Finding few options to occupy net-leased properties, more retailers are looking to multi-tenant spaces. The marketwide multi-tenant vacancy rate fell 110 basis points over the last year, tying for the largest drop among major U.S. metros. Cabarrus County and Northeast Charlotte, which each reported record-low single-tenant vacancies in March, led the charge in this trend. Both posted local multi-tenant vacancy drops of at least 340 basis points during the last year, with the former area's reduction being the largest among major U.S. submarkets, with over 3 million square feet of segment inventory.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2024 Outlook



30,000

JOB
will be created

EMPLOYMENT:

Charlotte hosts the sixth-fastest job growth among major markets, at 2.2 percent this year. The leisure and hospitality sectors are poised for the greatest gains, with 2,500 new roles added in the first four months of 2024.



780,000

SQ. FT.
will be completed

CONSTRUCTION:

Marketwide inventory expands by 0.6 percent in 2024, with near-term additions to supply being widespread. Eight submarkets are scheduled to add between 50,000 and 150,000 square feet of deliveries this year.



10

BASIS POINT
decrease in vacancy

VACANCY:

Overall vacancy ticks down to a year-end rate of 2.8 percent, as retailers continue to expand footprints amid a below-average completions slate. Charlotte's vacancy will rank as the second lowest among major markets.



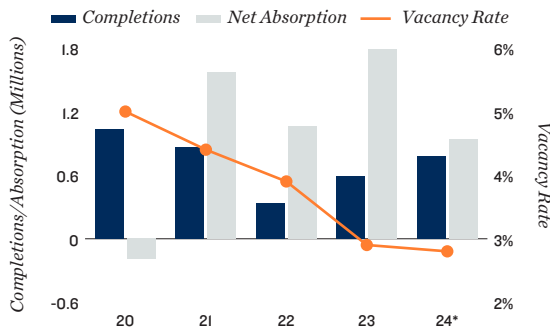
3.3%

INCREASE
in asking rent

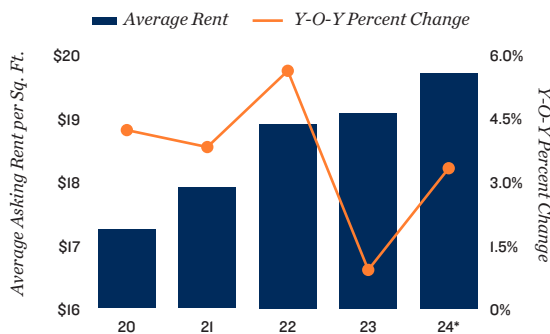
RENT:

The metro posts a third straight year of sparse vacancy, accelerating the rate of mean asking rent growth. The local benchmark rises to \$19.70 per square foot, marking a total 19.0 percent gain in the last half-decade.

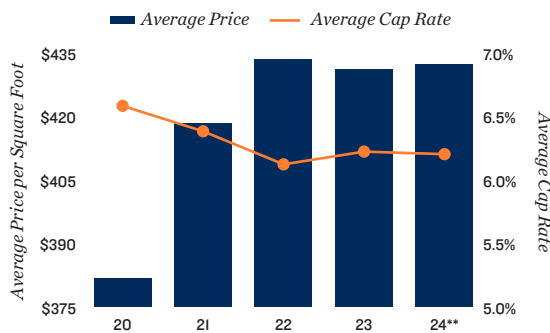
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

IQ 2024 - 12-Month Period

CONSTRUCTION

420,000 sq. ft. completed

- Completions were limited on a marketwide scale over the 12-month span ending in March. The 0.3 percent inventory increase during the frame represented less than one-half of the metro's trailing five-year average.
- Over 25 percent of deliveries were in North Charlotte. Its 3.4 percent stock gain marked one of the 15 fastest clips among major U.S. submarkets.

VACANCY

60 basis point decrease in vacancy Y-O-Y

- Three-fourths of Charlotte's 20 submarkets posted local vacancy drops over the last year. This placed the marketwide rate at 3.0 percent in March.
- Five separate submarkets observed record-low vacancies in the first quarter of 2024. This included East and Northeast Charlotte as well as Lincoln, Cabarrus and Gaston counties, where rates were all below 3.0 percent.

RENT

0.3% increase in the average asking rent Y-O-Y

- Recent volatility in the average single-tenant asking rent has led to more static growth in Charlotte's overall metric. The mean marketed rate ticked up at the slowest annual pace since late 2016, to \$19.27 per square foot.
- Several submarkets posted standout gains amid the overall lull. Lancaster County and Charlotte's northern portions posted jumps over 10 percent.

Investment Highlights

- Cabarrus County's standout property performance led it to become the market leader for retail trades during the first five months of 2024, according to preliminary data. The submarket was the only area in Charlotte to post both record-low single and multi-tenant vacancies in March, while a metro-high 325,000 square feet was absorbed here over the last year. Its nation-leading multi-tenant vacancy drop over the last 12 months should continue to elicit interest among investors seeking suburban shopping centers, with those anchored by grocers being the most coveted.
- New sources of work-related traffic are attracting more investors to Rowan County's single-tenant assets. Macy's and DHL will expand into large-scale local industrial spaces this year, which are anticipated to combine for the addition of at least 4,000 new hires. Buyers are largely targeting fast-food and restaurant assets to capitalize on this inflow of blue-collar workers.
- Through the end of 2028, Lancaster County is expected to post the fastest household growth in the metro. Strong demographics are generating a higher level of retail investment here than in prior years, with a limited single-tenant pipeline especially leading buyers to target these assets.