

FIGURES | CHARLOTTE INDUSTRIAL | Q1 2025

Healthy absorption persists even as development decelerates

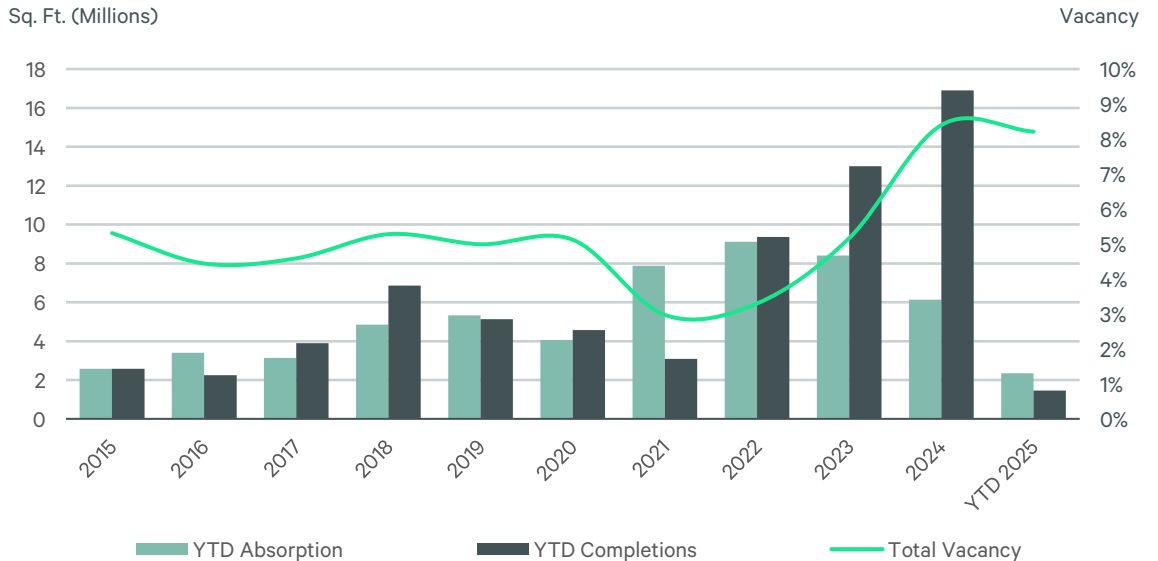


Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

- Over 2.3 million sq. ft. of positive net absorption was recorded in Q1 2025, more than double the amount recorded in the first quarter of 2024.
- Development activity continued with 4.2 million sq. ft. underway at the end of Q1 2025, with 1.4 million sq. ft. of completions. Development volume recorded a 44.3% decrease quarter-over-quarter, providing the market with a chance to absorb existing supply.
- Industrial vacancy decreased to 8.2% in Q1 2025, the first vacancy decrease recorded in two years. The majority of the vacant space can be found in projects that have delivered over the past several years.
- The overall average achieved rate increased 0.8% quarter-over-quarter to \$9.87 per sq. ft. NNN. Rent growth is expected to continue, though at a slower pace.
- Investment sales volume reached \$153.2 million in Q1 2025; 45.1% lower than the volume recorded through the first quarter of 2024. Pricing remains strong for the projects that have traded.

FIGURE 1: Historic Supply & Demand
Sq. Ft. (Millions)



Source: CBRE Research Q1 2025

Development Activity

Charlotte's industrial development has slowed with 4,162,903 sq. ft. of space under construction at the end of the first quarter. Of this total, 140,000 sq. ft. (3.4%) has already been pre-leased. Although strong build-to-suit activity has been a trend over the past several years, it has diminished in recent quarters. Currently, most development volume is in speculative projects, with the majority expected to be completed by mid-to-late 2025. A slowdown in project groundbreakings should lead to a decrease in overall vacancy rates. This pause in new developments allows the market to stabilize and absorb existing inventor. Accordingly, landlords can focus on attracting tenants to current properties, fostering a healthier balance between supply and demand.

Industrial completions totaled 1,449,065 sq. ft. in Q1 2025. Upon completion, 633,198 sq. ft. (43.7%) of the space was preleased. Of this total, 196,925 sq. ft. was tied to build-to-suit (BTS) projects. The most notable being the 325,000 sq. ft. Bosch build-to-suit in Lincoln County. Other notable completions include the 199,198-sq.-ft. Building 8C at Carolina Logistics Park, with over 153,000 sq. ft. preleased to multiple tenants. Additionally, ten other buildings were completed in Q1 2025, comprising nearly one million sq. ft.

Investment Trends

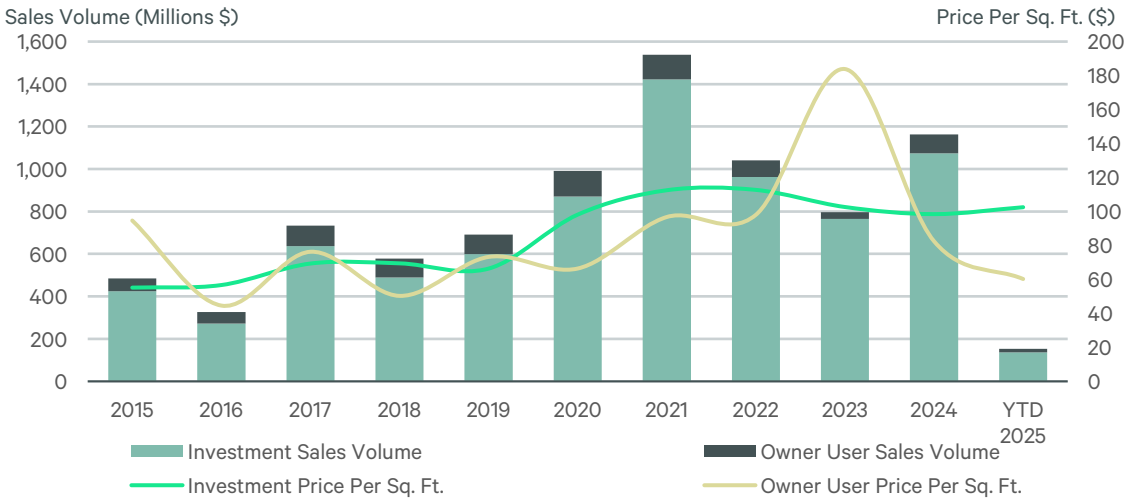
Sales activity in the Charlotte area remained steady in the first quarter, with \$153,205,086 in total sales volume. Although this represents a 45.1% decrease year-over-year, the total remains above the historical average. In 2024, Charlotte achieved a total of \$1.2 billion in industrial sales, surpassing the figures from 2022 and 2023. If the market progresses according to recent years' trends, we can expect an increase in activity throughout the balance of the year. Despite the general uncertainty in the capital markets environment, industrial products continue to demonstrate its value as one of the few asset classes that has consistently traded in recent quarters.

This quarter saw 16 properties traded, totaling 1,613,154 sq. ft. Investment sales averaged \$102.50 per sq. ft., reflecting a 20.4% year-over-year increase. Owner-user sales averaged \$60.23 per sq. ft., showing a less than 1% year-over-year decrease.

FIGURE 2: Top Projects Under Construction

Property Name	Submarket	City	Developer	Size (SF)	Est. Completion
Bryton Commerce Center Buildings 1 & 2	North	Huntersville	Foundry	733,060	Q4 2025
Landis Ridge Buildings 1A, 1B, & 2	Rowan	China Grove	Jackson Shaw	594,300	Q3 2025
CenterPoint Carolinas Buildings 1 - 3	York	Fort Mill	Foundry	467,369	Q4 2025
Constellation 485	Southwest	Charlotte	Constellation	374,220	Q3 2025
SunPoint Huntersville	North	Huntersville	Suncap	306,450	Q4 2025

Source: CBRE Research Q1 2025



Note: Tracked sales volume consists of transactions \$5.0m and greater

Source: CBRE Research Q1 2025

Net Absorption

Metro Charlotte posted another quarter of positive net absorption, with 2,341,120 sq. ft. recorded in Q1 2025, a 2.9% decrease quarter-over-quarter. However the first quarter’s net absorption volume more than doubled the total recorded in Q1 2024. Charlotte continues to exhibit encouraging absorption trends with no signs of slowing down. Pre-leasing in new deliveries during the fourth quarter added 633,198 sq. ft. to the total absorption.

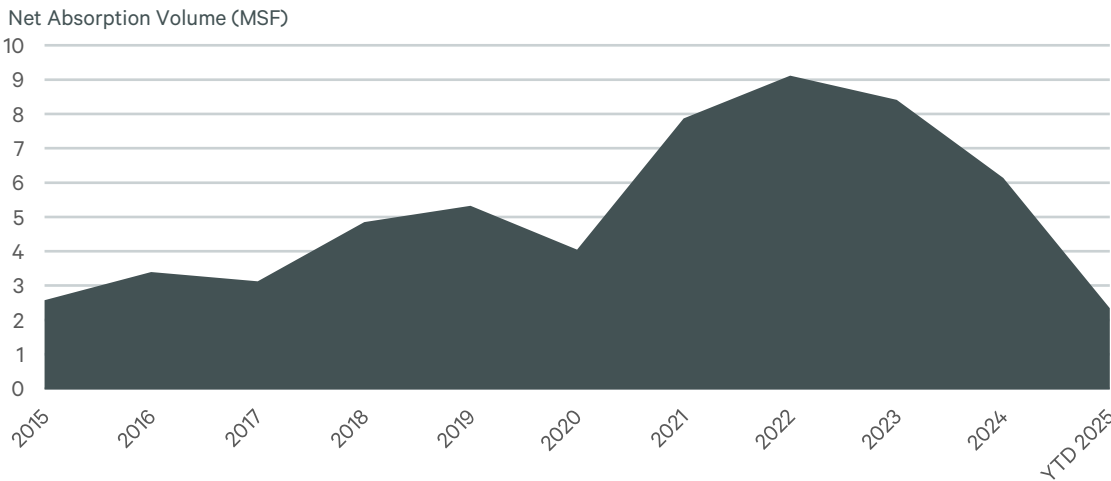
Net absorption totals are expected to remain strong throughout 2025, with several speculative projects expected to be completed soon. Although pre-leasing has slowed considerably, absorption activity is still projected to outpace completions for the foreseeable future.

Employment

Job growth remains steady yet uncertain. Despite the Federal Reserve considering the market at full employment due to the low unemployment rate, economic uncertainty persists; thus, predicting the future trajectory of employment remains challenging. In addition to disinflation, further rate cuts have been a welcome adjustment amid real estate challenges caused by higher financing costs and devaluations. The ongoing rate reductions have generated optimism for the future. However, without more substantial rate cuts, a resounding sense of recovery will remain elusive.

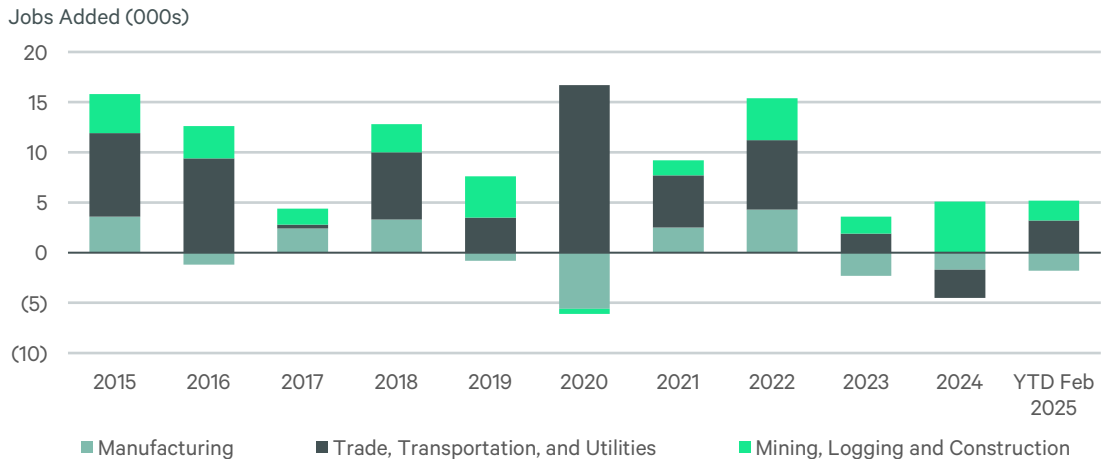
Charlotte’s unemployment rate was recorded at 3.8% as of February 2025, 30 basis points lower than the US unemployment rate during the same period. According to the BLS, total nonfarm employment is up 10.1% compared to its pre-pandemic level in February 2020, and up 1.8% compared to February 2024. The manufacturing sector has seen the largest number of industrial-using jobs added over the past year with a 1.7% increase year-over-year.

FIGURE 4: Historical Annual Net Absorption



Source: CBRE Research Q1 2025

FIGURE 5: Industrial-Using Employment Growth



Source: U.S. Bureau of Labor Statistics, February 2025

Leasing Activity

Leasing activity reached near-record levels in Q1 2025, with 4,451,411 sq. ft. recorded, marking a 51.6% increase year-over-year. The most notable lease this quarter was Momentec's new lease for 755,596 sq. ft. at Metro63 in Cabarrus County. This was followed by SolarSpace Technologies securing 553,459 sq. ft. of new industrial space in Rowan County. In total, 62 leases were signed in the first quarter of 2025, with over half being new leases.

The market is facing a relative slowdown in new groundbreakings in the near term. However, leasing activity is expected to remain strong due to sustained demand from both existing users and new entrants to the Charlotte metro area. This slowdown in new construction provides the market with an opportunity to absorb the existing supply. The combination of steady leasing activity and the absorption of existing supply will help stabilize the market and create a favorable environment for future growth.

Vacancy & Availability

The vacancy and availability rates both experienced their first decrease since Q4 2022. The vacancy rate dropped by 17 basis points to 8.2%, while total availability was recorded at 9.0%, down 82 bps since last quarter. Since Q1 2024, nearly 20.0 million sq. ft. of new inventory has been added, leading to the initial incline in the vacancy rates observed in previous quarters. Overall, industrial vacancy in Charlotte remains historically low, reflecting healthy activity across all business sectors in recent years. This trend highlights the resilience of the market and the continued demand for industrial space, despite the influx of new inventory.

Most of the vacant square footage can be found in buildings of 300k sq. ft. and above, many of which have been constructed in recent years. Despite the market's record development streak, only slight increases in availability and vacancy point to sustained demand for industrial space in Charlotte.

Average Lease Rates

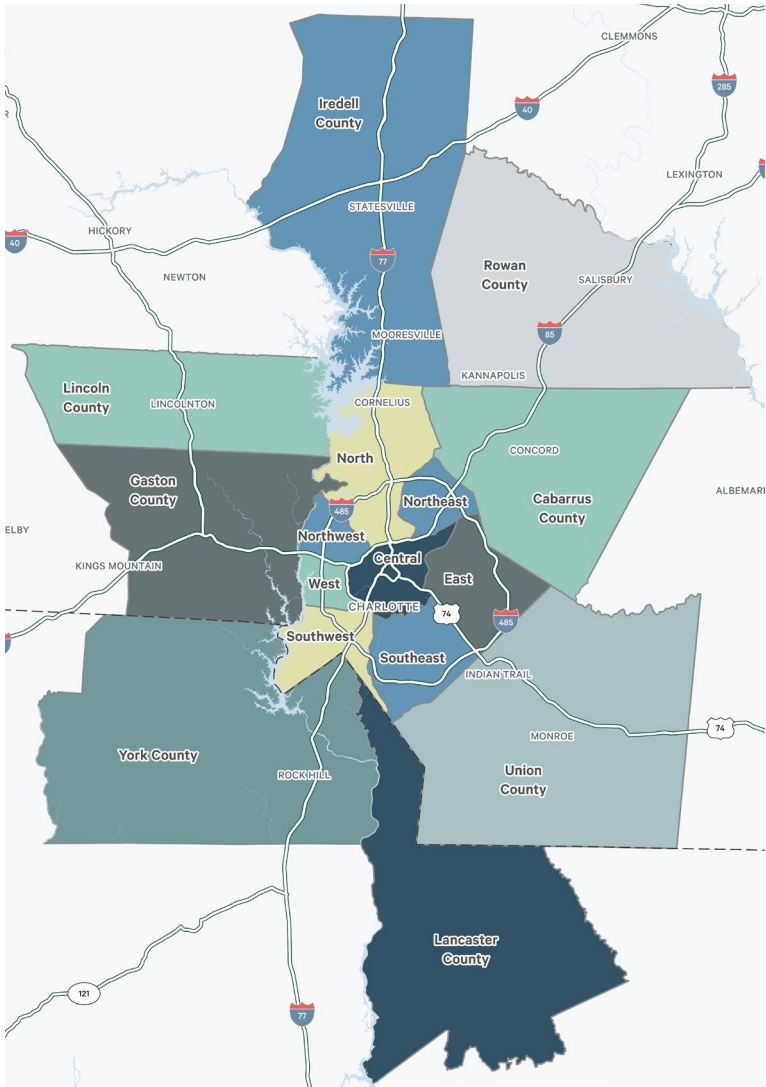
The overall average achieved rate increased to \$9.87 per sq. ft. NNN in Q4 2024, up less than 1.0% quarter-over-quarter and 2.9% year-over-year. The achieved rate represents an average of all executed lease rates signed throughout the quarter. Rates for all product types are projected to increase steadily throughout the balance of the new year. Many landlords are now quoting 4.0% annual rental rate increases, particularly for infill properties.

FIGURE 6: Market Statistics by Submarket

Submarket	Inventory (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (SF)	Q1 2025 Net Absorption (SF)
Cabarrus County	23,664,840	6.5	4.6	228,000	299,533
Central	19,647,765	4.7	5.4	-	9,865
East	1,656,141	4.8	11.9	-	-
Gaston County	34,700,348	17.2	17.5	347,640	26,570
Iredell County	31,710,445	3.9	4.3	537,500	420,213
Lancaster County	5,475,925	0.9	1.1	-	-
Lincoln County	12,317,953	6.5	12.2	-	408,200
North	28,135,362	9.9	11.7	1,300,886	56,619
Northeast	3,270,657	17.8	14.0	-	-
Northwest	11,681,045	8.4	8.9	-	6
Rowan County	20,213,577	14.7	13.5	755,518	269,397
Southeast	4,047,802	4.7	3.5	-	6,860
Southwest	49,013,564	5.6	7.8	587,980	66,747
Union County	14,694,543	1.8	1.9	60,000	4,315
West	11,968,690	15.3	19.1	345,379	100,606
York County	33,219,017	6.4	6.0	227,400	672,189
METRO TOTAL	305,417,674	8.2	9.0	4,162,903	2,341,120

Source: CBRE Research Q1 2025

Market Area Overview



CBRE Offices

South End Charlotte

1120 S Tryon St, Suite 200
Charlotte, NC 28203

Survey Criteria

Includes all industrial and flex buildings 20,000 sq. ft. and greater in size, excluding data centers, showrooms, and service properties, in Mecklenburg, Gaston, Lincoln, Iredell, Rowan, Cabarrus, Union, Lancaster and York counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

Note

In the first quarter of 2023, CBRE Charlotte updated and expanded its tracked market area in order to more accurately portray dynamics and fundamentals within the local and regional industrial real estate market. In addition to general submarket boundary adjustments, surrounding counties were added to better track growth throughout the region. Certain statistical calculation methodologies were adjusted as well. As a result, previously reported quarterly statistics are subject to change as new information not readily available at the time of publishing becomes available.

Contacts

Brady Klingman

Charlotte Research
+1 704 577 6859
brady.klingman@cbre.com