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Tight industrial space driving construction, transactions in Charlotte

By Ely Portillo

There's been a lot of attention paid (by me, in part) to the booming office and apartment construction markets in Charlotte. But there's another category with low vacancy rates that developers are paying attention to as well: Industrial.

A low vacancy rate is leading some developers to start building spec industrial space, and others to buy. Crescent broke ground last week on a new building at AirPark West, set to be a 209,000-square-foot building at I-85 and Sam Wilson Road. And Florida-based Adler Kawa Real Estate Advisors paid $33 million for Shopton Ridge Business Park in southwest Charlotte.

The industrial vacancy rate for warehouse space was just 5.9 percent in Charlotte in the fourth quarter, according to research firm Karnes. That's down from 14.4 percent in 2010, and lower than both apartment and office vacancy rates. The available inventory has gone up just 7 percent over that same time.

The flex-space vacancy rate was higher, at 14.8 percent, compared to 20.3 percent in 2010. Charlotte has about three times as much warehouse vs. flex-space (34.5 million square feet vs. 10.7 million).

Crescent said that low vacancy rate made constructing a spec building appealing. Low vacancy rates mean rent growth, especially as demand increases.

"This is the ideal time to break ground on a spec industrial facility in this market," said Ned Austin, a vice president on Crescent's commercial team, in a statement. "With the economy improving and industrial vacancy rates tightening, this new facility is poised to attract tenants quickly."

Nicholas Rahman of Adler Kawa said there's room for rents to go up in the industrial segment.

"Charlotte is a target market for us," he said. "We believe it's still an economy that's on the rise."