

# MARKETBEAT

## Charlotte, NC

### Industrial Q1 2018



#### CHARLOTTE INDUSTRIAL

##### Warehouse Market Indicators\*

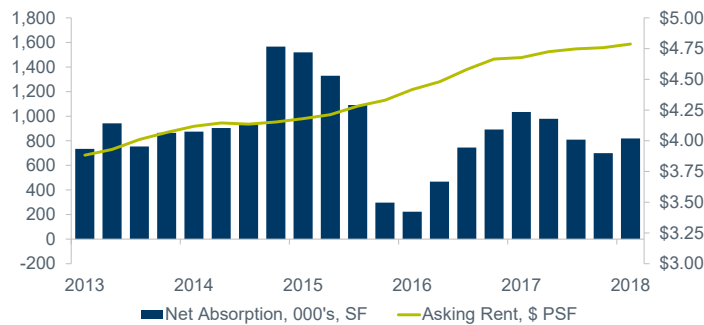
	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	4.4%	5.4%	▼
Net absorption (sf)	483k	892k	▲
Under Construction (sf)	3.1M	4.1M	▲
Asking Rent**	\$4.65	\$4.77	▲

##### Flex Market Indicators\*

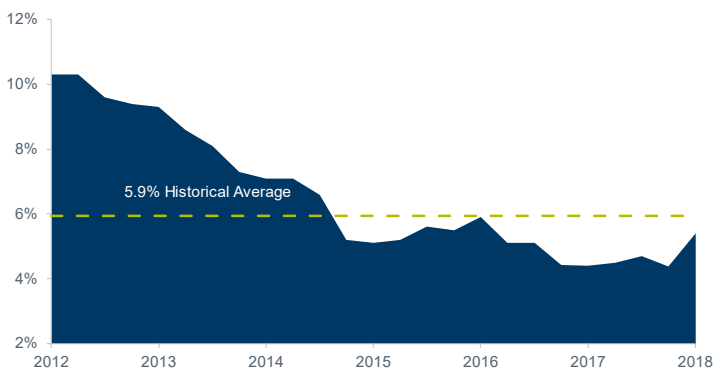
	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	5.5%	6.3%	▼
Net absorption (sf)	77k	44k	▲
Under Construction (sf)	382k	46k	▲
Asking Rent**	\$8.38	\$8.67	▲

\*Overall stats are not reflective of U.S. Overview  
 \*\*Rental rates reflect net asking \$psf/year

##### Warehouse Net Absorption/Asking Rate 4-QTR TRAILING AVERAGE



##### Overall Warehouse Vacancy



### Economy

Charlotte's economy is doing well and is showing no signs of slowing down. As of January, Charlotte has gained 34,200 jobs year-over-year and is expected to stay on this path throughout 2018. Since reaching an all-time low of 3.8% last September, the unemployment rate has slightly increased to 4.3% as of February and aligned more with the nation's average. The United States unemployment rate remained at 4.1%, which is the lowest since the 2004 unemployment rate of 3.9%.

### Warehouse Market Overview

Industrial warehouse space in Charlotte has been in high demand as eCommerce and "last mile" delivery continue to be a driving force for new construction. Already in the first quarter 1.7 million square feet (msf) has been delivered. The vast majority being built on a speculative basis which explains why the vacancy rate increased 100 basis points (bps) year-over-year, settling at 5.4%. With just under 4.1 msf of space currently under construction, vacancy rates should increase in the short-term as the influx of new product enters the market. There have been concerns in the market place that there is a possibility of oversaturation. However, in the first quarter, positive absorption totaled 848,000 square feet (sf), a significant indicator that demand is high and will keep pace with the industrial boom seen across the country. The average triple net asking rental rate for warehouse space is now at \$4.77 per square foot (psf) and has remarkably increased by 21% over the past five years. Asking rents are expected to increase as new product delivered will demand higher rental rates.

### Flex Market Overview

The Charlotte flex market vacancy rate has remained relatively flat for the past two years and is currently at 6.3%. That translates to only 1.4 msf of vacant inventory in the entire Charlotte market. And, with only one flex building under construction (45,600 sf) vacancy may soon reach its floor. With supply stagnant, asking rents continue to increase. The current flex triple net asking rate is \$8.67 psf a 3.5% increase year-over-year. Limited supply is forecasted to hit the market as developers concentrate their efforts on building warehouse space. Flex space does not offer the same profit margins and is much more difficult to build relative to the large industrial warehouse buildings.

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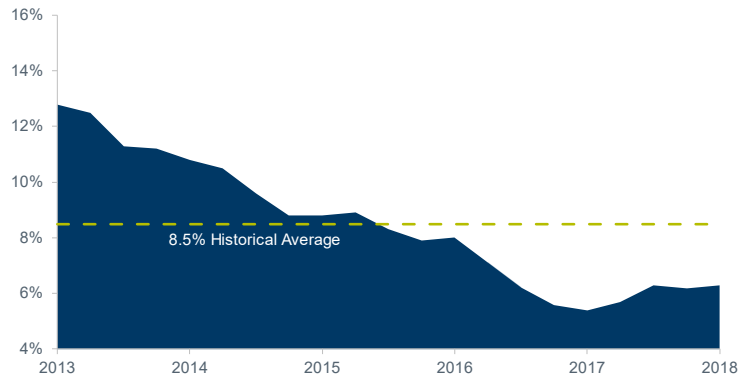
### Industrial Q1 2018



#### Investment Overview

Industrial investment activity in the first quarter totaled 2.1 msf for just over \$123.5 million. This correlates closely with the investment activity that occurred in 2017, averaging the same amount of square footage sold for around \$140 million. Due to the relatively low number of transactions, the drop in price per square foot is not indicative of the investment climate. Warehouse acquisitions accounted for the majority at 1.7 msf with an average sale price of \$57 psf and 376,000 sf of flex buildings sold for an average sale price of \$67 psf.

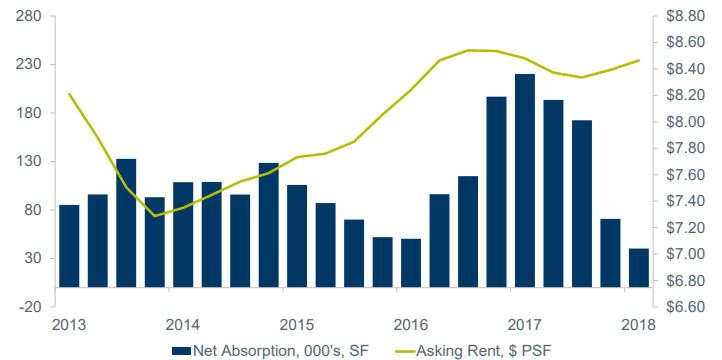
#### Overall Flex Vacancy



#### Outlook

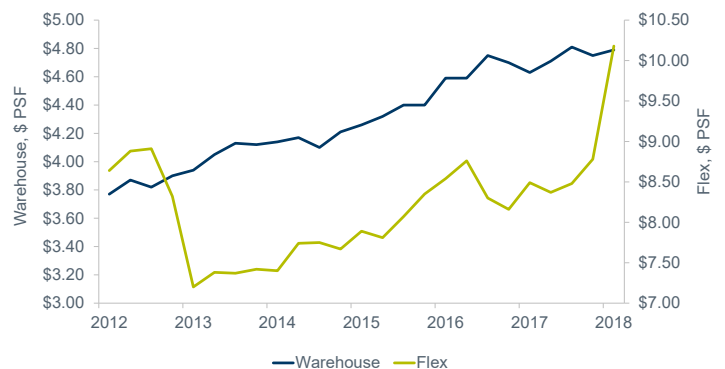
- High levels of new construction for warehouse will increase the vacancy rate in the short term until new deliveries are leased or existing space is backfilled. The lack of new construction for flex product will continue to drive down vacancy.
- Rental rates for warehouse space will increase further over the next year. New product coming to the market will demand a higher price. Flex rates will likely remain stable until more quality product becomes available.
- Absorption levels will remain high for warehouse product, fueled by strong user demand. Absorption of flex space will stay positive in 2018, but in lower volumes due to a lack of quality product.
- Continued emergence of eCommerce will impact future redevelopment and development of larger warehouses facilities as demand increases for “last mile” distribution centers.

#### FLEX NET ABSORPTION/ASKING RATE 4-QTR TRAILING AVERAGE



#### Asking Rent Trend NNN

WAREHOUSE RENTS INCREASED 3.46% YEAR OVER YEAR



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	TOTAL VACANT (SF)	OVERALL VACANCY RATE	QTR ABSORPTION (SF)	PAST FOUR QTR ABSORPTION (SF)	QTR COMPLETIONS (SF)	UNDER CONSTRUCTION (SF)	OVERALL WEIGHTED AVG. NET RENT
<b>Warehouse</b>									
Central	155	4,423,707	97,570	2.2%	43,400	90,870	0	0	\$10.36
East	227	10,271,344	683,662	6.7%	-33,646	-446,822	0	0	\$3.67
North	586	31,121,901	848,183	2.7%	-213,944	552,453	0	945,768	\$5.23
Northwest	224	13,406,382	1,231,093	9.2%	53,385	-174,452	0	0	\$3.62
Southwest	469	41,392,459	2,459,672	5.9%	354,571	483,308	1,208,950	640,000	\$5.12
West Airport	476	19,881,318	785,272	3.9%	85,455	836,498	258,372	453,568	\$4.96
York County	252	25,459,227	1,624,933	6.4%	85,300	-8,361	212,000	737,162	\$4.66
Cabarrus County	239	20,123,027	1,165,374	5.8%	517,655	1,045,855	0	1,300,000	\$4.88
<b>Flex</b>									
Central	15	601,299	21,055	3.5%	-2,018	-18,605	0	0	\$19.13
East	77	3,058,683	48,755	1.6%	3,185	44,136	0	0	\$7.86
North	116	4,860,265	411,835	8.5%	-29,248	-58,212	0	0	\$8.89
Northwest	12	448,593	3,775	0.8%	-1,775	2,170	0	0	\$9.77
Southwest	116	4,517,214	380,895	8.4%	47,345	179,331	0	45,600	\$8.82
West Airport	134	4,532,199	297,106	6.6%	22,731	144,548	0	0	\$12.17
York County	65	1,984,713	53,778	2.7%	-27,500	-35,819	0	0	\$7.32
Cabarrus County	73	2,674,143	214,450	8.0%	-56,865	-55,457	0	0	\$11.30
<b>By Property Type</b>									
Total Warehouse	2,628	166,079,365	8,895,759	5.4%	892,176	2,379,349	1,679,322	4,076,498	\$4.77
Total Flex	608	22,677,109	1,431,649	6.3%	-44,145	202,092	0	45,600	\$8.67
<b>CHARLOTTE METRO</b>	<b>3,236</b>	<b>188,756,474</b>	<b>10,327,408</b>	<b>5.5%</b>	<b>848,031</b>	<b>2,581,441</b>	<b>1,679,322</b>	<b>4,122,098</b>	<b>\$5.20</b>

\*Industrial asking rents converted to NNN \*\*Overall stats are not reflective of U.S. overview

### Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
547 Kings Ridge Dr	149,558	Oerlikon	New	York County
729 Celriver Rd	127,000	La-Z-Boy	New	York County
7224 Statesville Rd	114,470	Premium Vision	New	North
4701 Entrance Dr	102,660	Fireside Hearth & Home	New	Southwest
901 Carrier Drive	92,400	Chambers Warehousing	New	Northwest

### Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
10701 Nations Ford Rd	491,025	STAG Industrial/Ferncroft Capital	\$31,900,000 / \$65	Southwest
860 Marine Dr	471,744	DCT Industrial/Pauls Corp	\$27,243,000 / \$58	York County
11524 Wilmar Blvd	283,836	Textron Financial Corp/RealOp Investments	\$7,300,000 / \$26	Southwest
4321 Stuart Andrew Blvd	171,601	CIP Real Estate/Insite Properties	\$15,900,000 / \$93	South

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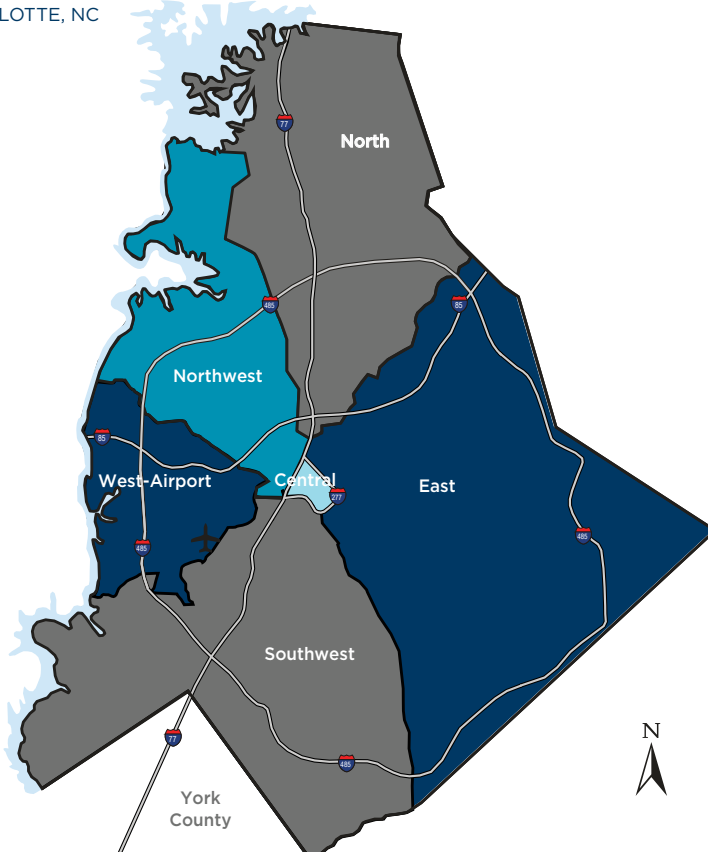
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#### Significant Under Construction Q1 2018

PROJECT	SF	DEVELOPER	ESTIMATED COMPLETION	SUBMARKET	TYPE
Staples Distribution Center	600,000	Keith Corporation	Q2 2018	State Line Industrial	Warehouse
845 Paragon Way - Site B	507,512	McCraney Property Company	Q2 2018	York County Industrial	Warehouse
Metrolina Park - Building 5	349,303	Beacon Partners	Q2 2018	North Industrial	Warehouse
Commerce Station Rd	324,000	Foundry Commercial	Q2 2018	North Industrial	Warehouse
Concord Airport Business Park - West	300,000	The Silverman Group	Q2 2018	Cabarrus County Industrial	Warehouse
WestPark 85 - Building B	202,148	Foundry Commercial	Q2 2018	Airport Industrial	Warehouse
Legacy Park East - Phase I	193,750	Colliers International	Q3 2018	York County Industrial	Warehouse
Wilkinson Commerce Center - Building C	172,000	Scannell	Q4 2018	Airport Industrial	Warehouse
Shopton Ridge	158,760	Liberty Property Trust	Q4 2018	State Line Industrial	Warehouse
Metrolina Park - Building 3	135,105	Beacon Partners	Q3 2018	North Industrial	Warehouse
Metrolina Park - Building 4	137,360	Beacon Partners	Q3 2018	North Industrial	Warehouse

#### INDUSTRIAL SUBMARKETS CHARLOTTE, NC



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#### About Cushman & Wakefield

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