

MARKETBEAT

Charlotte, NC

Industrial Q4 2018



CHARLOTTE INDUSTRIAL

Warehouse Market Indicators*

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	4.4%	7.6%	▼
Net absorption (sf)	800k	114k	▲
Under Construction (sf)	3.4M	6.2M	▼
Asking Rent**	\$4.77	\$4.95	▲

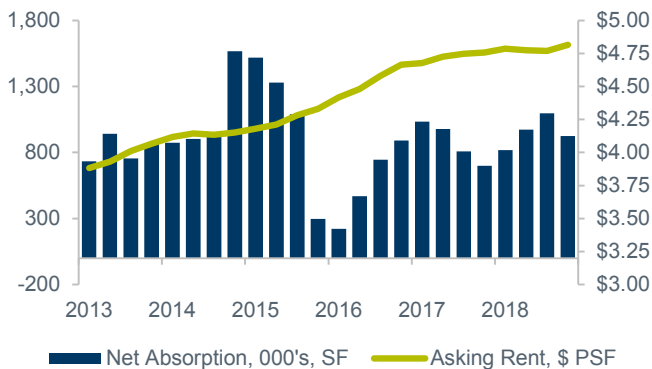
Flex Market Indicators*

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	6.2%	4.3%	■
Net Absorption (sf)	10k	419k	▲
Under Construction (sf)	0k	125k	▲
Asking Rent**	\$8.67	\$10.27	▲

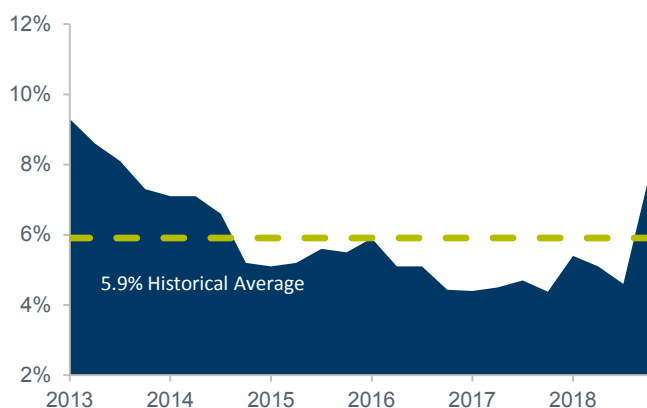
*Overall stats are not reflective of U.S. Overview
 ** Rental rates reflect net asking \$psf/year

Warehouse Net Absorption/Asking Rate

4-QTR TRAILING AVERAGE



Overall Warehouse Vacancy



Economy

This past November the Charlotte Chamber and the Charlotte Regional Partnership aligned and formed the Charlotte Regional Business Alliance, creating a much needed united front between the two organizations. Already, the union between the two has made significant headway, most notably in a recent announcement that Honeywell will be relocating its headquarters to Charlotte, bringing over 1,000 jobs to the area. Other significant wins include ServiceMac announcing it will add 1,000 jobs over the next five years, Movement Mortgage doubling the size of its HQ and Cognizant Technology Solutions adding 300 jobs. During 2018, the Charlotte MSA added 39,000 jobs and currently has a 3.4% unemployment rate, just below the 3.7% national average. Coming in 12th on the MagnifyMoney list of America's top millennial boomtowns, it is clear that young professionals and companies prefer working and doing business in the Queen City.

Warehouse Market Overview

Charlotte's warehouse market much like the rest of the Southeast has seen remarkable growth. Currently, warehouse space is perceived to be one of the more reliable and recession proof product types in commercial real estate. Charlotte currently has 6.3 million square feet (msf) of warehouse space under construction, with 73% of that being speculative development. With a current vacancy rate of only 7.2%, there is minimal concern that Charlotte is over building despite a 320-basis-point (bp) increase in the vacancy rate year-over-year. This increase is due to 5.7 msf of deliveries in 2018, while in that same time frame 3.8 msf was absorbed. Of the 5.7 msf of 2018 deliveries, 64% were preleased. This absorption was largely driven by the high demand Third Party Logistic Users (3PLs) have for premium Class A bulk facilities. With the recent announcement of the planned demolition of the old Philip Morris Plant, now branded "The Grounds at Concord", 1,000 acres of developable land in Cabarrus is of great interest to developers for speculative industrial space. Net average asking rents increased 4.2% year-over-year, settling at \$4.95 per square foot (psf) primarily due to new Class A product delivering.

Flex Market Overview

Net absorption for the Charlotte flex market reached 488,000 square feet (sf) for the year 2018. With only 986,000 sf of available space, absorption is limited due to the tightness of the market. There is currently a large 104,000-sf speculative flex building under construction at 1818 Westinghouse Blvd that is one of the few large block flex availabilities in the entire Charlotte market. There is still investment demand for this “niche” flex space illustrated by CIP Real Estate selling the Coffey Creek International Business Center to The Arden Group for \$38.9 million, or \$98 psf.

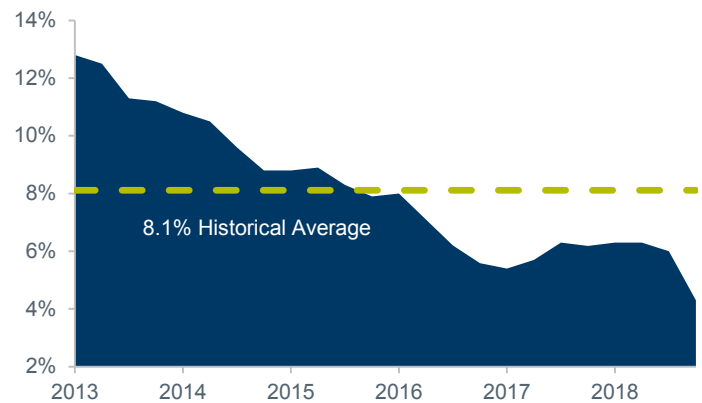
Investment Overview

Investment activity continues to be strong for industrial product as institutional investors seek properties along I-85 that cater to logistics service providers’ needs. In 2018, \$818 million of warehouse investment properties traded, a 19% increase over the prior year. The average price was \$68 psf, a 12.3% increase year-over-year. There was also a total flex investment volume of \$242 million that sold for an average price of \$83 psf. This was the most square footage sold in a year for the Charlotte market, depicting the high demand for industrial space by institutional investors.

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 2019, but in lower volumes due to a lack of quality product.
- Continued emergence of eCommerce will impact future redevelopment and development of bulk warehouse facilities as demand increases for “last mile” distribution centers.

Overall Flex Vacancy



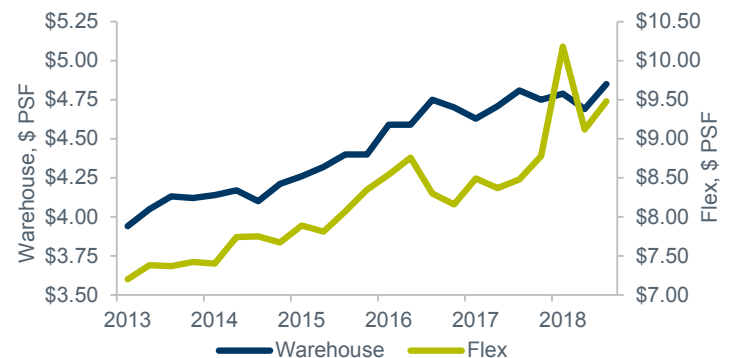
Flex Net Absorption/Asking Rate

4-QTR TRAILING AVERAGE



Asking Rent Trend NNN

WAREHOUSE RENTS INCREASED 4.21% 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
Warehouse									
Central	153	4,383,355	64,431	1.5%	63,611	34,639	0	0	\$13.35
East	228	10,500,487	558,709	5.3%	-247,284	226,617	0	24,000	\$4.43
North	587	31,810,842	741,816	2.3%	85,305	484,061	0	359,809	\$5.66
Northwest	225	13,487,073	1,299,484	9.6%	52,690	-12,306	0	20,000	\$3.90
Southwest	473	41,991,985	3,254,109	7.7%	-257,674	498,844	353,216	609,778	\$4.79
West Airport	479	20,508,767	987,008	4.8%	103,284	517,387	251,420	1,283,870	\$5.50
York County	258	26,655,977	1,299,174	4.9%	533,638	1,131,641	411,356	1,398,584	\$4.95
Cabarrus County	246	20,767,408	4,797,729	23.1%	-219,103	430,724	0	2,479,811	\$5.05
Flex									
Central	14	590,333	15,681	2.7%	1,450	3,356	0	0	\$24.74
East	76	3,037,698	44,716	1.5%	-2,783	4,224	0	0	\$7.18
North	115	4,763,814	219,208	4.6%	146,053	171,001	0	0	\$9.11
Northwest	12	448,593	15,015	3.3%	0	-13,015	0	0	\$9.60
Southwest	122	4,768,417	320,771	6.7%	99,603	179,544	0	104,000	\$9.63
West Airport	136	4,665,235	193,214	4.1%	32,347	136,498	0	0	\$10.72
York County	65	1,941,730	79,920	4.1%	38,675	-53,642	0	0	\$8.53
Cabarrus County	72	2,664,143	97,638	3.7%	104,082	59,947	0	21,089	\$11.34
By Property Type									
Total Warehouse	2,649	170,105,894	13,002,460	7.6%	114,467	3,311,607	1,015,992	6,175,852	\$4.95
Total Flex	612	22,879,963	986,163	4.3%	419,427	487,913	0	125,089	\$10.27
CHARLOTTE TOTALS	3,261	192,985,857	13,988,623	7.2%	533,894	3,799,520	1,015,992	6,300,941	\$5.44

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

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11903 General Dr	244,000	Frito-Lay	New	Southwest
5910 Long Creek Park Dr	165,000	Eaton	New	North
1087 Lincoln County Parkway	148,153	Cargo Integrated Logistics	New	Lincoln County
1300 Altura	140,415	Diversey	New	York County
4205 Westinghouse Commons Dr	123,333	Chemring	New	Southwest

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Coffey Creek International Business Center	397,751	CIP Real Estate / The Arden Group	\$38,800,000 / \$98	Central
Steele Point Industrial Park	367,750	Foundry & Thackeray Partners & HQ Capital / Cabot Properties	\$29,800,000 / \$82	Southwest
12520 General Dr (Freezer/Cooler)	197,623	LRC & New York Life / Lineage Logistics	\$20,357,000 / \$103	Southwest
Northpark VIII	102,000	H&R Investments / Meritex Enterprises	\$7,500,000 / \$74	North
LKQ (Vacant)	156,419	ElmTree Funds / SilverCap Partners	\$6,137,000 / \$39	West Airport

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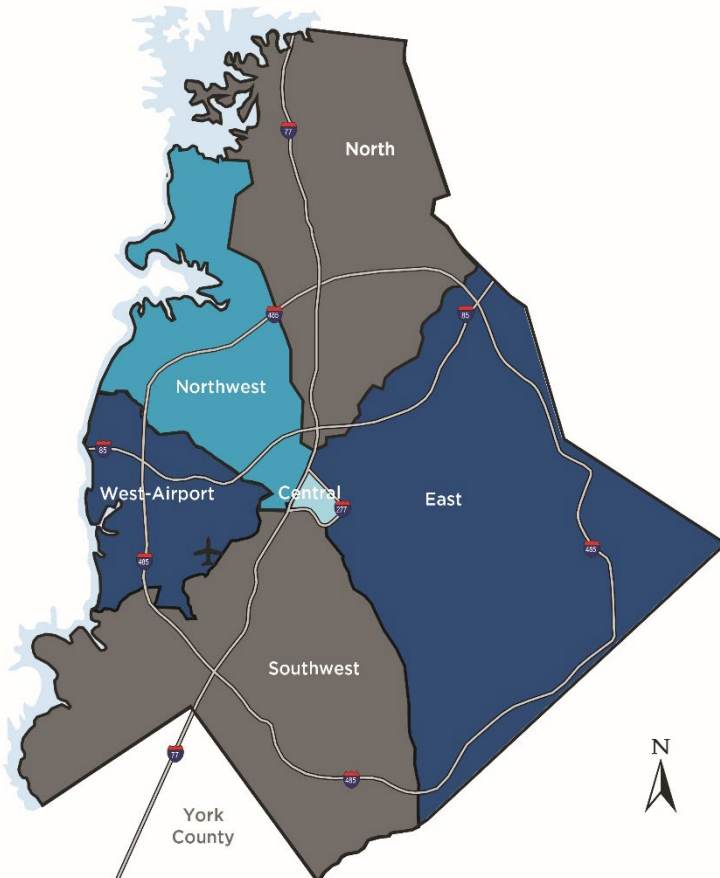


Significant Under Construction Q4 2018

PROJECT	SF	DEVELOPER	ESTIMATED COMPLETION	SUBMARKET	TYPE
Amazon Distribution Center	1,000,000	TPA Group	Q1 2019	Cabarrus County	Warehouse
Legacy Park East – Phase II	460,800	Scannell	Q1 2019	York County	Warehouse
Lakemont77	370,000	Rockefeller Group	Q1 2019	York County	Warehouse
1858 Kannapolis Pkwy	300,000	Triliad Development	Q1 2019	Cabarrus County	Warehouse
Steele Creek Commerce Park – Building 11	225,000	EastGroup Properties	Q1 2019	Southwest	Warehouse
John Price Rd & Westinghouse Blvd	220,683	Beacon Partners	Q1 2019	Southwest	Warehouse
Bryton Corporate Center – Building A	125,937	Foundry Commercial	Q1 2019	North	Warehouse
Steele Creek Commerce Park – Building 9	125,400	EastGroup Properties	Q1 2019	Southwest	Warehouse
WestPark85 – Phase II	566,800	Foundry Commercial / Principal	Q2 2019	West Airport	Warehouse
8400 Automation Dr – Building A	441,444	Exeter Property Group	Q2 2019	Cabarrus County	Warehouse
Commerce Station Rd	324,000	Foundry Commercial	Q2 2019	North	Warehouse
River Park @ 77	275,963	McCraney Property Company	Q2 2019	York County	Warehouse
Airport South Logistics Park – Building 200	148,466	McCraney Property Company	Q2 2019	West Airport	Warehouse
Charlotte Intermodal Logistics Center	420,000	The Silverman Group	Q3 2019	West Airport	Warehouse

INDUSTRIAL SUBMARKETS

CITY/COUNTY



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