

# MARKETBEAT

## Charlotte, NC

### Industrial Q3 2017



#### CHARLOTTE INDUSTRIAL

##### Warehouse Market Indicators\*

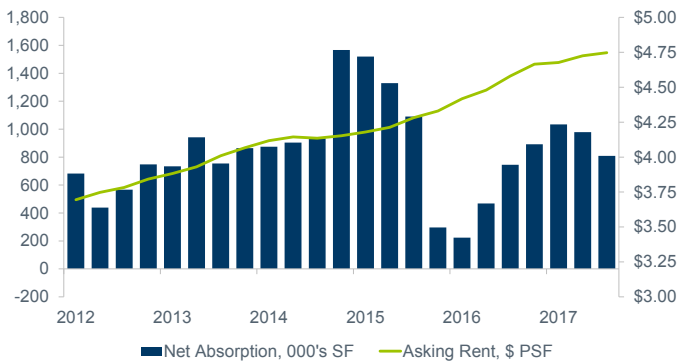
	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy	5.2%	4.7%	▼
Net absorption SF	936k	419k	▲
Under Construction SF	2.3M	3.7M	▲
Asking Rent (NNN)**	\$4.77	\$4.85	▲

##### Flex Market Indicators

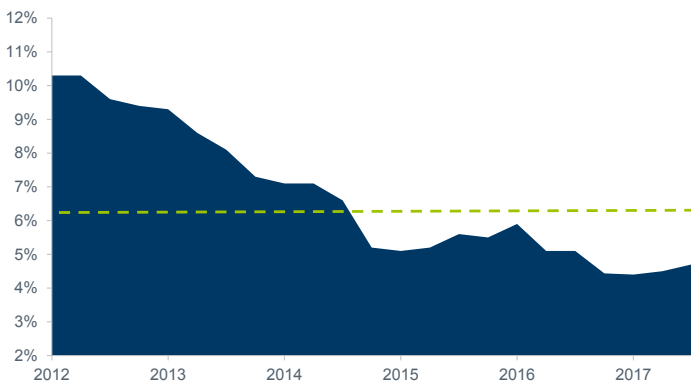
	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy	6.5%	6.3%	▼
Net absorption SF	138k	187k	▲
Under Construction SF	0	341k	▲
Asking Rent (NNN)**	\$8.24	\$8.24	◄

\*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 continues to strengthen mirroring national trends. The Charlotte MSA added just under 17,000 new jobs over the past year, which helped decrease the unemployment rate from 4.7% to 3.8%. Out of the Major MSAs (over 1 million employed), Charlotte ranks third in the country behind Dallas and Houston for the highest rate of population growth over the last 10 years. Having grown by 20% in that time frame, Charlotte has absorbed this population growth with new job creation resulting in a historically low unemployment rate of 3.8%.

### Warehouse Market Overview

Finding warehouse space in the Charlotte market continues to be a difficult task as the overall vacancy rate dropped from 5.2% to 4.7% year-over-year. At the end of 2016 the vacancy rate was compressing due to a lack of new construction and a decent pipeline of tenant demand. Nine months later the vacancy trend remains the same, but now more robust is occurring, and there is a supply of new construction. The majority of this new construction is catering to larger users in the 100,000+ square feet size range, which is causing a strain on the smaller users with a need to grow. Despite an overdue influx of new construction, the tenant demand remains strong with more deals than leasable space available in the market. Many tenants are seeing build-to-suit options that are as compelling as leasing existing space. Over the past four quarters there has been positive net absorption of just over 3.6 msf. This number will likely continue to grow if some of the larger tenants shopping the market land before year end. The average net rental rate for warehouse space is now \$4.85 per square foot (psf), a 1.7% increase year-over-year. This trend is expected to continue as more new product delivers that will demand higher rates.

### Flex Market Overview

The Charlotte flex market vacancy rate stayed almost flat, decreasing by 20 basis points to 6.3 year-over-year. Demand has remained at an all-time high with very limited multi-tenant supply having been delivered in recent years. The last year of negative absorption was

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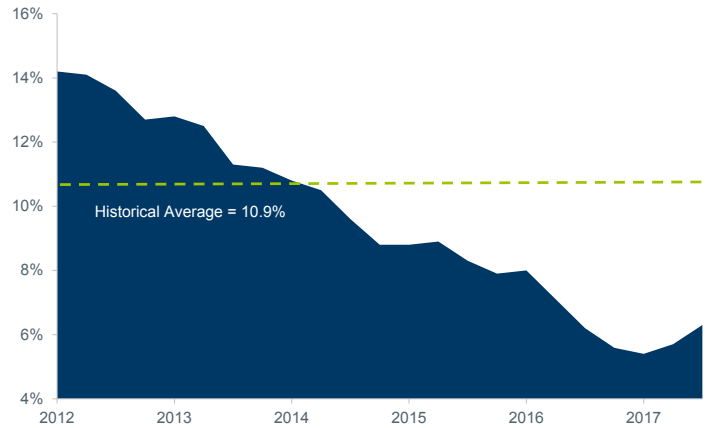
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2010, and since then absorption has been trending up. 570,000 sf were absorbed over the last four quarters. However average rental rates have surprisingly decreased by \$0.04 psf year-over-year to \$8.24 psf. This is most likely due to the quality of remaining flex space available on the market. The bulk of the flex vacancy consists of cheaper and less desirable space.

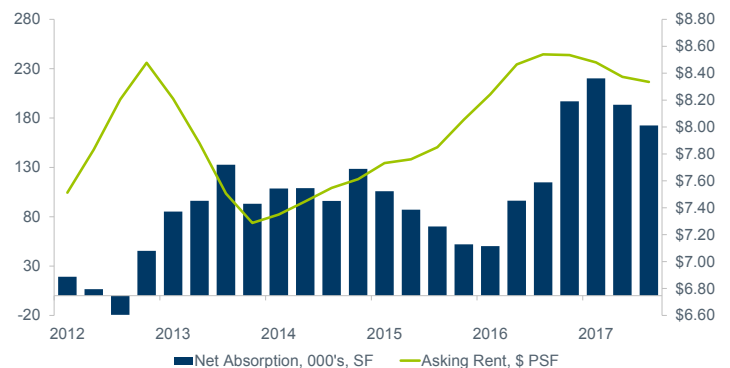
Overall Flex Vacancy



## Outlook

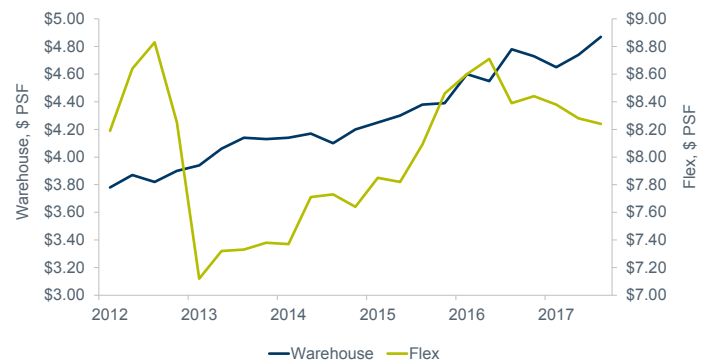
- High levels of new construction for warehouse will increase the vacancy rate in the short term until new deliveries are leased. The lack of new construction for flex product will continue to drive down vacancy.
- Rental rates for warehouse space will continue to grow over the next year as the market continues to tighten and 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 and low rental rates relative to other markets. Absorption of flex space will stay positive for the remainder of 2017, but in lower volumes due to a lack of quality product.
- More users will be forced to build due to lack of available space. Expect to see an increased activity in surrounding counties where land is more prevalent and affordable, such as along the I-85 and I-77 corridors around Mecklenburg.

FLEX NET ABSORPTION/ASKING RATE  
4-QTR TRAILING AVERAGE



Asking Rent Trend NNN

WAREHOUSE RENTS INCREASED 1.88% YEAR OVER YEAR



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SUBMARKET	TOTAL BLDGS	INVENTORY	TOTAL VACANT SF	VACANCY RATE	QTR ABSORPTION	PAST 4 QTR ABSORPTION	QTR COMPLETIONS	UNDER CONSTRUCTION	AVERAGE ASKING RENT
<b>Warehouse</b>									
Central	158	4,472,993	195,120	4.4%	600	(31,565)	0	0	\$10.16
East	228	10,274,301	693,338	6.7%	(411,366)	(343,707)	21,600	0	\$4.91
North	585	31,422,545	1,306,521	4.2%	12,100	513,688	86,000	508,330	\$4.92
Northwest	225	13,439,963	1,069,640	8.0%	27,000	(168,629)	0	0	\$3.51
Southwest	465	39,962,353	1,386,086	3.5%	(36,946)	1,423,522	120,316	1,138,950	\$5.14
West Airport	474	19,696,180	761,762	3.9%	207,731	1,206,395	0	460,520	\$4.99
York County	247	24,737,396	1,298,922	5.3%	194,610	376,478	201,788	554,512	\$5.04
Cabarrus County	237	19,346,330	1,011,173	5.2%	424,880	684,749	237,000	1,060,786	\$4.81
<b>Flex</b>									
Central	15	547,466	6,070	1.1%	(3,620)	(1)	0	0	\$15.00
East	80	3,128,724	58,077	1.9%	390	76,836	0	0	\$8.36
North	116	4,945,302	364,377	7.4%	29,143	96,909	0	0	\$9.16
Northwest	12	448,593	2,000	0.4%	3,945	(2,000)	0	0	\$8.16
Southwest	115	4,609,215	415,549	9.0%	95,562	113,385	180,125	0	\$7.69
West Airport	135	4,533,002	408,624	9.0%	30,800	83,009	86,570	0	\$8.38
York County	66	2,027,893	44,357	2.2%	(27,979)	257,182	0	0	\$5.41
Cabarrus County	73	2,674,143	153,685	5.7%	9,667	(55,219)	0	0	\$10.68
<b>By Property Type</b>									
Total Warehouse	2,619	163,352,061	7,722,562	4.7%	418,609	3,660,931	666,704	3,723,098	\$4.85
Total Flex	612	22,914,338	1,452,739	6.3%	137,908	570,101	266,695	0	\$8.24
<b>Charlotte Metro</b>	<b>3,231</b>	<b>186,266,399</b>	<b>9,175,301</b>	<b>4.9%</b>	<b>556,517</b>	<b>4,231,032</b>	<b>933,399</b>	<b>3,723,098</b>	<b>\$5.28</b>

Industrial asking rents converted to NNN

### Key Lease Transactions Q3 2017

Tenant	Building	SF	Transaction Type	Submarket
Undisclosed tenant	Wilkinson Commerce Center Bldg D	159,000	New	Airport
Bonded Logistics	Metrolina Park Bldg 2	124,055	Expansion	North
Elite Logistix	215 International Drive	109,000	Expansion	Northeast
R & D Delivery Co Inc	1000 Exchange Street	73,000	New	Northwest

### Key Sales Transactions Q3 2017

Property	Type	SF	Seller / Buyer	Price / PSF	Submarket
Legacy Park	Warehouse	558,000	Scannell Properties / Graham & Company	\$33,800,000 / \$61	York County
Twin Lakes Pkwy 1000	Warehouse	465,545	The Silverman Group / Graham & Company	\$22,000,000 / \$47	North
Afton Ridge I	Warehouse	360,000	Childress Klein / Exeter Property Group	\$20,000,000 / \$56	Cabarrus County
FedEx Ground	Warehouse	354,482	Suncap Property Group / Monmouth RE Investment Corporation	\$40,598,446 / \$115	Cabarrus County

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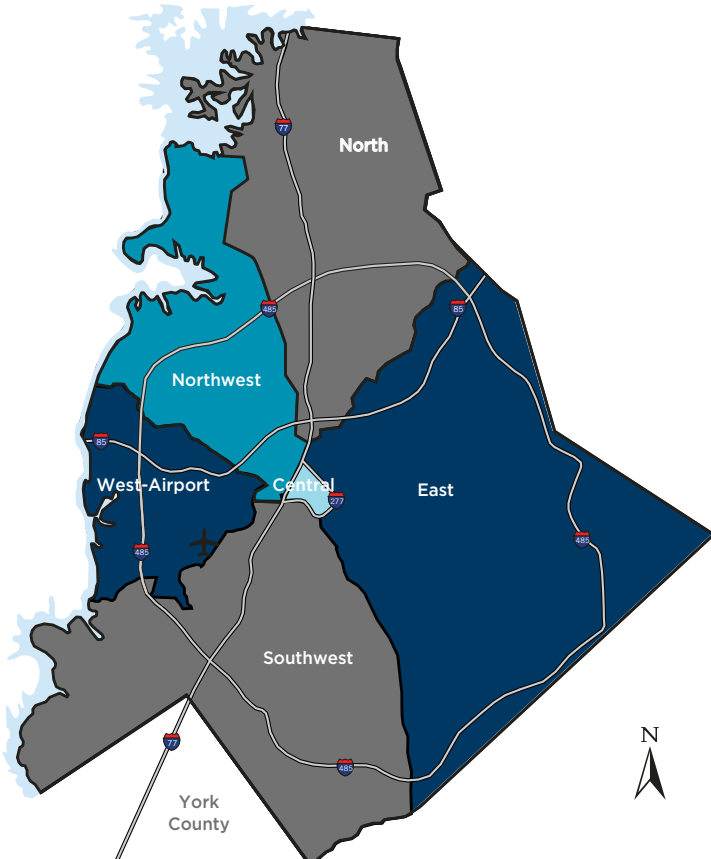
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#### Significant Under Construction Q3 2017

Project	SF	Developer	Estimated Completion	Submarket	Type
Afton Ridge II	260,000	Childress Klein	Q4 2017	Cabarrus County Industrial	Warehouse
Concord Airport Business Park - West	300,000	The Silverman Group	Q4 2017	Cabarrus County Industrial	Warehouse
WestPark 85 - Building A	258,372	Foundry Commercial	Q4 2017	Airport Industrial	Warehouse
WestPark 85 - Building B	202,148	Foundry Commercial	Q4 2017	Airport Industrial	Warehouse
Steele Point I	250,750	Equity Funds	Q4 2017	State Line Industrial	Warehouse
Steele Point II	117,000	Equity Funds	Q4 2017	State Line Industrial	Warehouse
Riverwalk Business Park - Site B	507,512	McCraney Property Company	Q4 2017	York County Industrial	Warehouse
Metrolina Park - Building 3	142,852	Beacon Partners	Q3 2018	North Industrial	Warehouse
Metrolina Park - Building 4	136,237	Beacon Partners	Q3 2018	North Industrial	Warehouse
Legacy Park East - Phase I	194,132	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

#### INDUSTRIAL SUBMARKETS CHARLOTTE, NC



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