

MARKETBEAT

Charlotte, NC

Industrial Q4 2017



CHARLOTTE INDUSTRIAL

Warehouse Market Indicators*

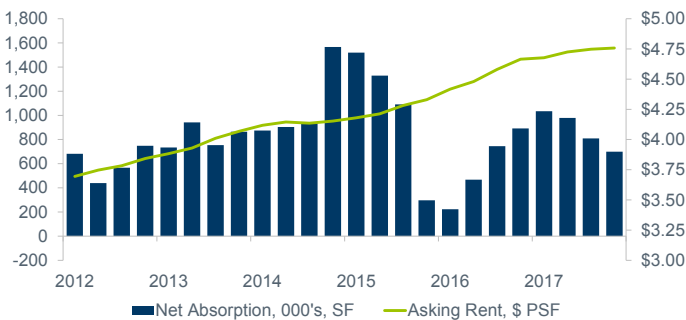
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	4.4%	4.4%	▼
Net absorption SF	1.2M	800k	▲
Under Construction SF	3.3M	3.4M	▲
Asking Rent (NNN)**	\$4.73	\$4.77	▲

Flex Market Indicators

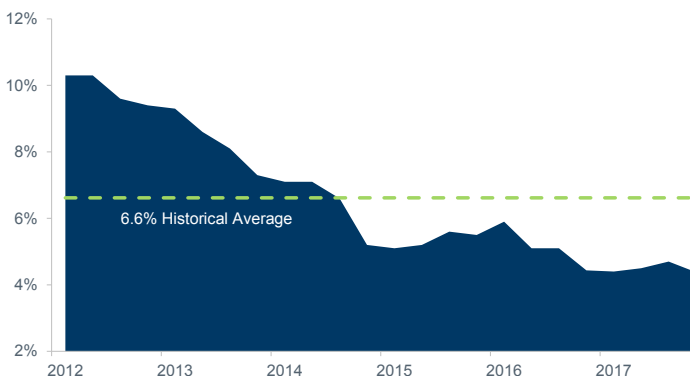
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	5.6%	6.2%	▼
Net absorption SF	417k	10k	▲
Under Construction SF	0	0	■
Asking Rent (NNN)**	\$8.44	\$8.67	▲

*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 continues to strengthen mirroring national trends. The U.S. as a whole saw a decrease in unemployment for 2017, even after job growth suffered slightly due to hurricane season. Charlotte still remains below fourth quarter's national unemployment average of 4.1% having added just under 18,500 new jobs in 2017 to end the year with a 3.9% unemployment rate.

Warehouse Market Overview

Finding warehouse space in the Charlotte market continues to be a difficult task as the overall vacancy rate stayed flat at 4.4% 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. One year later the vacancy trend remains the same, but now more robust construction is occurring, and there is a supply of 3.4 million square feet (msf) of new construction. The majority of this new construction is catering to larger users in the 100,000-plus square-foot range, which is causing a strain on the smaller users that are growing. 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. In 2017, net absorption was positive with just over 3.1 msf. This number will likely continue to grow in 2018 as some of under construction properties are delivered. The average triple net asking rental rate for warehouse space is now at \$4.77 per square foot (psf), a 0.8%-increase in 2017. This trend is expected to continue as more new product delivers that will demand higher rental rates.

Flex Market Overview

The Charlotte flex market vacancy rate increased by 60 basis points to 6.2% in 2017. 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 2010, and since then absorption has been trending up. In 2017, just under 180,000 sf were absorbed. Average flex rental rates have increased by \$0.23 psf year-over-year to \$8.67 psf. This is most likely due to new leases on the recently delivered flex buildings demanding higher rental rates than the current vacant, less desirable flex space.

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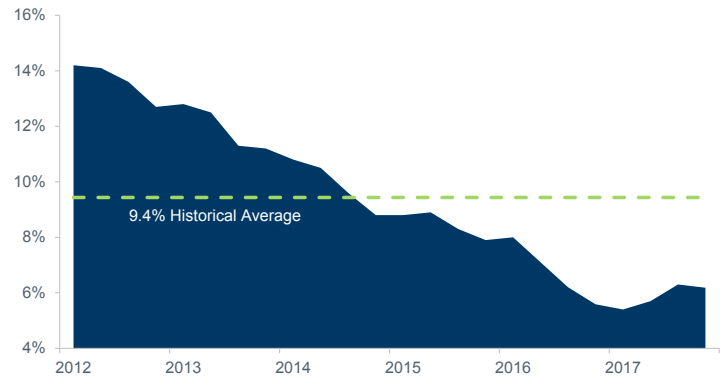
Investment Overview

Charlotte 2017 investment activity saw over 8.7 msf of industrial property selling for over \$562 million. Warehouse acquisitions accounted for the majority at 7 msf with an average sale price of \$59.70 psf. 850,000 sf of flex buildings sold for an average sale price of \$98 psf. Investment sales in terms of square feet were flat year-over-year due to the constraint of available buildings but demand is still high, indicated by investors purchasing vacant buildings.

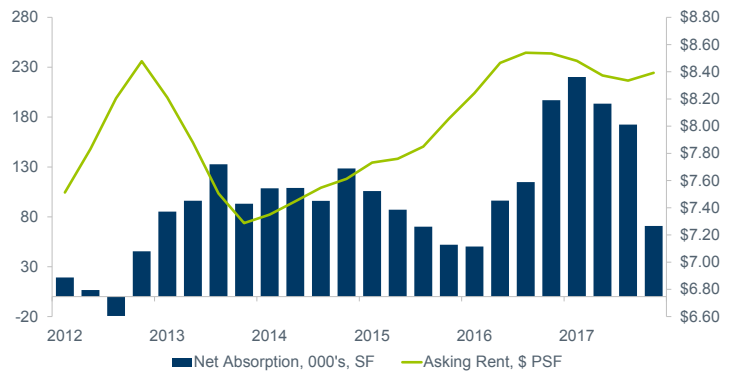
Outlook

- 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 increase further over the next year as the market continues to tighten. 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 continue to impact future redevelopment and development of larger warehouses facilities as demand increases for "last mile" distribution centers.

Overall Flex Vacancy

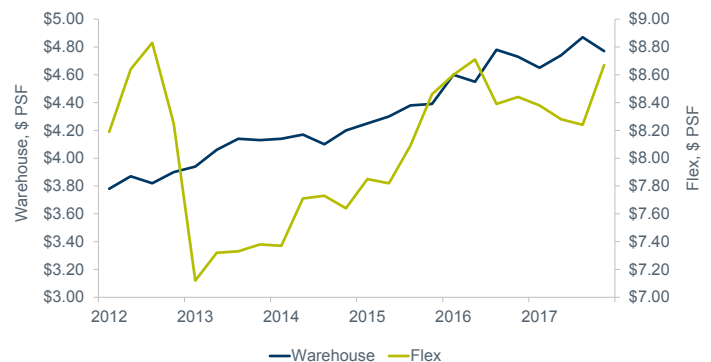


FLEX NET ABSORPTION/ASKING RATE 4-QTR TRAILING AVERAGE



Asking Rent Trend NNN

WAREHOUSE RENTS INCREASED 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
Warehouse									
Central	156	4,450,302	144,940	3.3%	(14,725)	16,377	0	0	\$10.36
East	228	10,312,733	650,016	6.3%	47,885	(296,932)	0	0	\$3.87
North	586	31,028,308	673,585	2.2%	315,150	923,623	166,765	693,000	\$4.89
Northwest	225	13,440,726	1,144,159	8.5%	(140,326)	(394,587)	0	0	\$3.51
Southwest	465	39,962,335	1,104,133	2.8%	239,892	1,086,209	120,316	1,098,950	\$5.10
West Airport	473	19,609,927	565,930	2.9%	190,432	853,236	0	632,520	\$4.85
York County	249	25,199,407	1,301,109	5.2%	120,575	236,428	35,000	713,262	\$4.98
Cabarrus County	237	20,107,547	1,603,009	8.0%	41,368	564,439	760,786	300,000	\$4.72
Flex									
Central	15	606,220	3,620	0.6%	6,125	2,449	0	0	\$15.54
East	78	3,088,683	55,540	1.8%	2,537	64,276	0	0	\$7.88
North	116	4,866,944	386,589	7.9%	(19,754)	(77,383)	0	0	\$9.14
Northwest	12	448,593	2,000	0.4%	0	(2,000)	0	0	\$8.16
Southwest	115	4,609,215	427,568	9.3%	(19,812)	94,859	0	0	\$8.88
West Airport	134	4,516,657	324,917	7.2%	57,134	108,432	0	0	\$8.28
York County	67	2,052,293	56,078	2.7%	(11,721)	11,829	0	0	\$4.58
Cabarrus County	73	2,674,143	157,585	5.9%	(3,900)	(24,119)	0	0	\$10.94
By Property Type									
Total Warehouse	2,619	164,111,285	7,186,881	4.4%	800,251	2,988,793	1,082,867	3,437,732	\$4.77
Total Flex	610	22,862,748	1,413,897	6.2%	10,609	178,343	0	0	\$8.67
Charlotte Metro	3,229	186,974,033	8,600,778	4.6%	810,860	3,167,136	1,082,867	3,437,732	\$5.20

Industrial asking rents converted to NNN

Key Lease Transactions Q4 2017

Tenant	Building	SF	Transaction Type	Submarket
Veritiv	4901 Gibbon Rd	318,855	New	North
Atlas Copco	2101 Westinghouse Blvd	192,740	Renewal	South
Corsan Charlotte	13201 W Reese Blvd	185,570	New	North
City Electric Supply	3929 Shutterfly Rd	158,760	New	South
Trane	8810 Airpark West Dr	108,946	New	West Airport

Key Sales Transactions Q4 2017

Property	Type	SF	Seller / Buyer	Price / PSF	Submarket
125 Amesbury Truth Dr	Warehouse	242,520	Ryan Companies US / VEREIT	\$27,200,000 / \$112	Iredell County
6100 Harris Technology Boulevard	Warehouse	232,000	Sun Life Assurance Co of Canada / Hartz Mountain	\$19,400,000 / \$84	North
Magna Distribution Center	Warehouse	229,950	Sun Cap Property Group / United Salad Co	\$18,453,016 / \$80	Southwest

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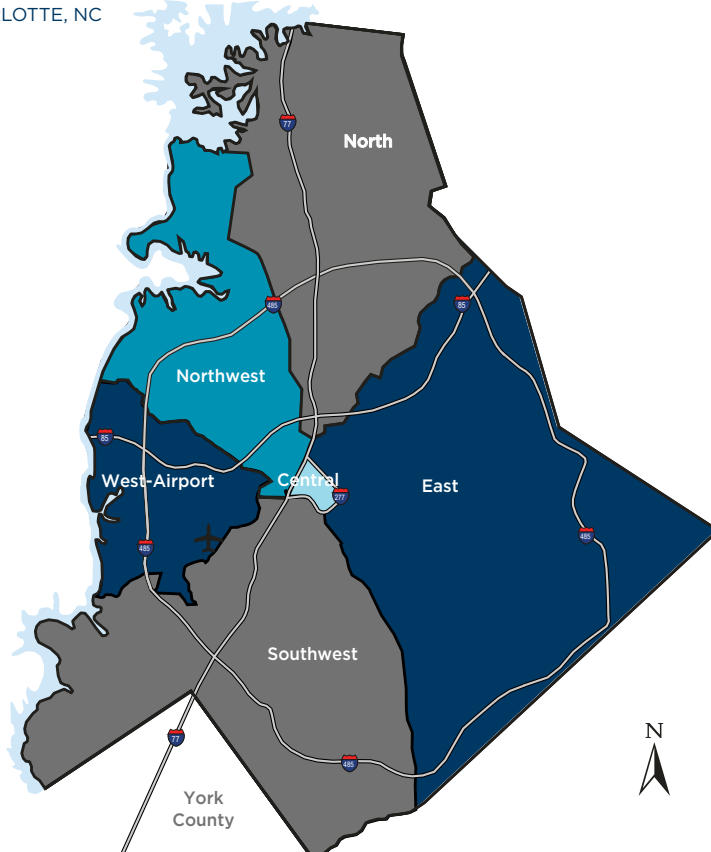
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Significant Under Construction Q4 2017

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	369,000	Beacon Partners	Q2 2018	North Industrial	Warehouse
Commerce Station Rd	324,000	Foundry Commercial	Q1 2018	North Industrial	Warehouse
Concord Airport Business Park - West	300,000	The Silverman Group	Q2 2018	Cabarrus County Industrial	Warehouse
WestPark 85 - Building A	258,372	Foundry Commercial	Q1 2018	Airport Industrial	Warehouse
Steele Point I	250,750	Foundry Commercial	Q1 2018	Southwest	Warehouse
WestPark 85 - Building B	202,148	Foundry Commercial	Q1 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	142,852	Beacon Partners	Q3 2018	North Industrial	Warehouse
Metrolina Park - Building 4	136,237	Beacon Partners	Q3 2018	North Industrial	Warehouse
Steele Point II	117,000	Equity Funds	Q1 2018	State Line Industrial	Warehouse

INDUSTRIAL SUBMARKETS CHARLOTTE, NC



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