

# Positive Absorption Pushes Rental Rates for Fourth Consecutive Quarter

The Charlotte Regional industrial market continues its streak of low vacancy as lease rates and sale prices steadily climb. Net absorption for Mecklenburg County during the quarter was positive 1,126,970 SF. This compares to first quarter of 2016, which had a negative absorption of 545,683 SF. The South submarket made up the largest percentage of the positive absorption with 759,995 SF, followed by the Northwest submarket with positive absorption of 134,523 SF. Larger warehouse projects that were under construction in the second quarter of 2016 include Steele Creek 6, Ridge Creek West III and Wilkinson Commerce Center. The larger deals in the second quarter were Positec leasing (165,682 SF), Exel leasing (109,200 SF), Etimex leasing (106,065 SF) and PODS leasing (83,200 SF). In addition Amazon leased 397,800 SF that will be denoted in the third quarter. The second quarter vacancy rate was 5.80%, compared to 6.50% in the prior quarter. The average industrial rental rate was \$4.55 per square foot for warehouse, which increased 8.33% from the previous quarter's rate of \$4.20 per square foot.

Industrial demand throughout the area remains strong. The common theme in the market continued to be the lack of space in the 20,000 to 50,000 square foot range and lack of outside storage / trailer parking. Trinity Partners has started site work for a park that will include five buildings of various sizes, totaling 250,000 SF. This could help absorb the demand for the smaller single-tenant buildings. The larger bulk warehouses experienced good activity in the second quarter as well. Amazon leased Childress Klein's Wilkinson Falls facility near the airport and Liberty leased its vacant pad in a build-to-suit transaction at CDC South to Exel for 109,200 SF.

### Market Indicators

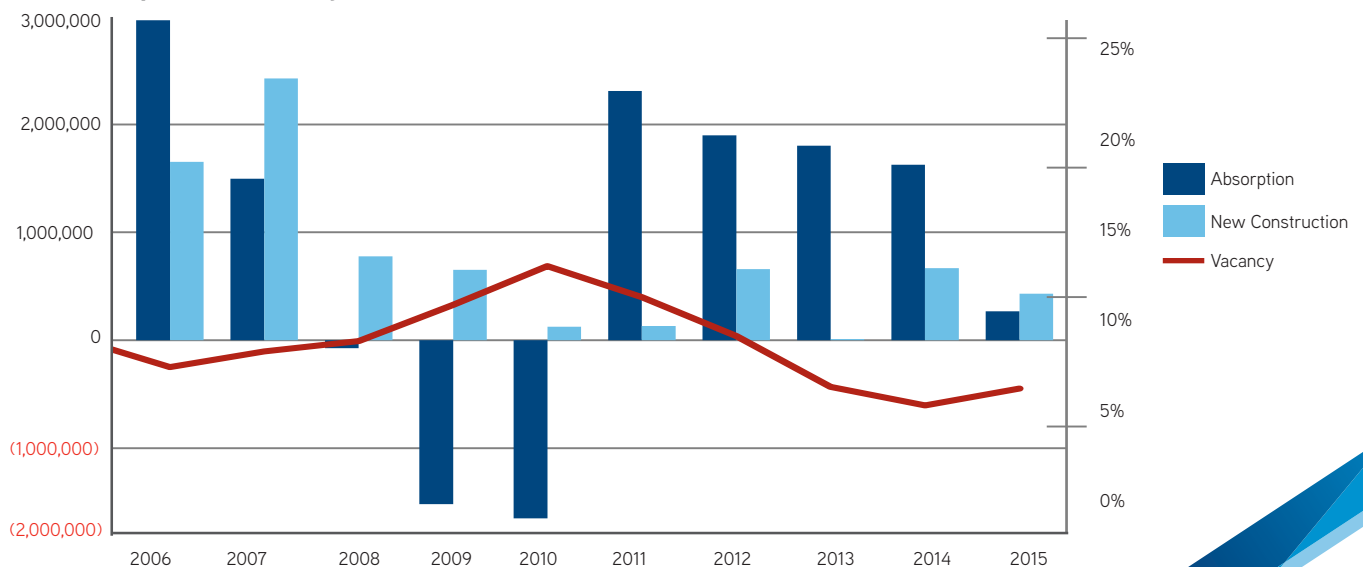
Relative to prior period	Charlotte Q2 2016	Charlotte Q3 2016*
VACANCY	↓	↔
NET ABSORPTION	↑	↑
CONSTRUCTION	↓	↑
RENTAL RATE	↑	↔

\*Projected

### Summary Statistics

Q2 2016 Charlotte Industrial Market	Warehouse	Flex
VACANCY RATE	5.50%	7.70%
ABSORPTION	964,274	162,696
NEW CONSTRUCTION	162,120	11,763
UNDER CONSTRUCTION	681,700	169,100

### Regional Absorption & Vacancy Rates



LEASES—Q2 2016				
TENANT	PROPERTY NAME	SUBMARKET	SIZE	TYPE
Amazon	Wilkinson Falls	Airport/West	397,800	Distribution
*Exel	Charlotte Distribution Center South	Southwest	109,200	Distribution
Positec	5809 Long Creek	North	165,682	Distribution
*Etimex USA, Inc.	SilverLake Industrial Park	Southwest	106,065	Distribution
PODS	Ridge Creek West III	Southwest	83,200	Distribution
*ITW	2027 Gateway Blvd.	Airport/West	69,200	Distribution/Warehouse
Crescent Gardens	Gateway Distribution Center	Southwest	50,000	Distribution

SALES—Q2 2016						
SALES PRICE (\$)	RBA (SF)	PRICE/SF	PROPERTY NAME	CITY	SELLER	BUYER
\$2,250,000	88,686	\$25	9555 Monroe Road	Charlotte	Lifetouch	Elise Enterprises, LLC
\$1,300,000	19,322	\$67	9319 Forsyth Park Dr.	Charlotte	S I Carolina	Murrah Properties LLC
\$1,250,000	12,000	\$104	9836 Northcross Center Ct.	Huntersville	Piedmont Commercial Gr	Great Star Industrial LLC
*\$960,000	10,340	\$92	255 Clanton Road	Charlotte	Gateway Invest. Holdings	Wareen Klugman
\$925,000	20,134	\$45	700 Montana Drive	Charlotte	SunTrust Bank	TDP 700 Montana Dr. LLC
\$745,000	26,004	\$29	1127 Tar Heel Road	Charlotte	Charles Layman	Skillet LLC

NEW CONSTRUCTION				
COMPANY	PARK	TYPE	SIZE	STATUS
Childress Klein	Ridge Creek West II	Bulk Distribution	216,320 SF	Completed
Eastgroup	Steele Creek 6	Bulk Distribution	137,120 SF	Completed

UNDER CONSTRUCTION



**\*WILKINSON COMMERCE CENTER**  
 Airport  
 19,000 - 159,000 SF  
 Q2 2017 Delivery



**METROLINA LOGISTICS PARK**  
 North  
 1,200,000 SF  
 Proposed Q3 2016 Breaking Ground



**RIVEROAKS CORPORATE CENTER**  
 North  
 309,536 SF  
 Q3 2016 Delivery

COMPARISON OF LEASE RATES - Class A & B Existing Buildings



**\$4.55**  
 AVERAGE  
 CURRENT  
 RATE



**\$3.65**  
 AVERAGE  
 CURRENT  
 RATE

**CLASS A BULK BUILDINGS** - Lease rates derived from a representative set of newer tilt-up, concrete buildings averaging 250,000 SF with bulk ceiling height and standard dock door configuration.

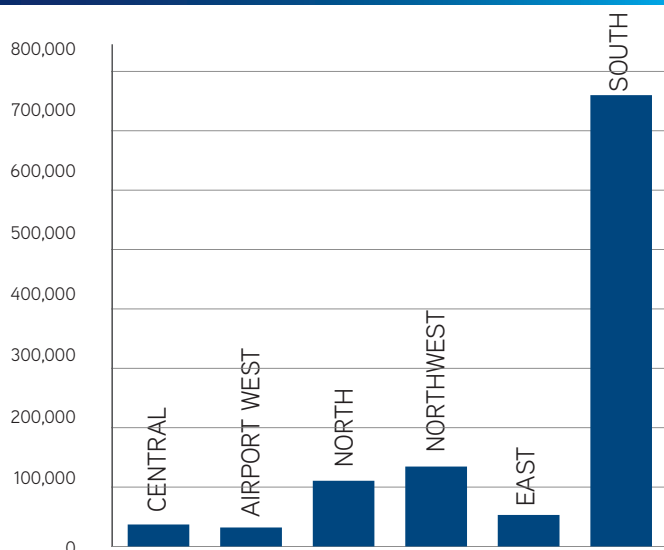
**CLASS B WAREHOUSES** - Lease rates derived from a representative set of facilities from 50,000 SF to 150,000 SF with 20'+ clear height and a functional dock loading configuration.

## Charlotte | Q2 2016 Mecklenburg County Industrial Stats

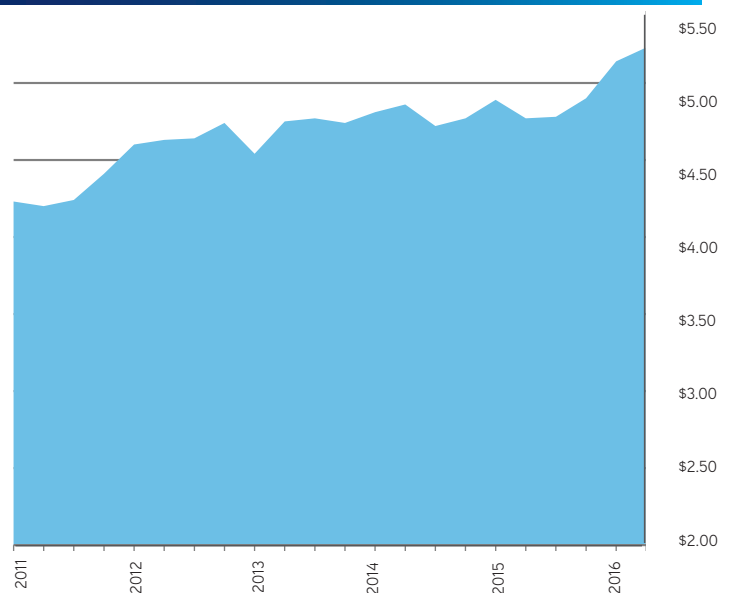
SUBMARKET	BLDGS	TOTAL INVENTORY SQ FT	TOTAL VACANT SQ FT	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	NET NEW SUPPLY CURRENT QTR SF	NET NEW SUPPLY YTD SF	UNDER CONSTRUCTION SQ FT	AVG RENTAL RATE
<b>CENTRAL</b>											
WAREHOUSE	274	9,001,837	338,325	3.80%	4.20%	36,163	3,602	-	-	40,000	\$4.80
FLEX	20	885,031	49,245	5.60%	5.70%	768	2,408	-	-	-	\$14.97
<b>Total</b>	<b>294</b>	<b>9,886,868</b>	<b>387,570</b>	<b>3.90%</b>	<b>4.30%</b>	<b>36,931</b>	<b>6,010</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>\$6.58</b>
<b>AIRPORT/WEST</b>											
WAREHOUSE	244	12,949,843	1,826,700	14.10%	14.30%	20,454	(368,184)	-	-	142,500	\$4.36
FLEX	46	1,797,606	162,227	9.00%	9.70%	11,489	(24,949)	-	-	-	\$8.05
<b>Total</b>	<b>290</b>	<b>14,747,449</b>	<b>1,988,927</b>	<b>13.50%</b>	<b>13.70%</b>	<b>31,953</b>	<b>(393,133)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$4.63</b>
<b>NORTH</b>											
WAREHOUSE	205	17,455,826	791,908	4.70%	5.00%	52,800	(135,684)	-	-	142,500	\$4.80
FLEX	92	3,743,132	222,628	5.90%	7.20%	57,715	46,600	11,763	-	125,508	\$8.94
<b>TOTAL</b>	<b>297</b>	<b>21,198,958</b>	<b>1,014,536</b>	<b>4.90%</b>	<b>5.40%</b>	<b>110,515</b>	<b>(86,084)</b>	<b>11,763</b>	<b>-</b>	<b>268,008</b>	<b>\$5.37</b>
<b>NORTHWEST</b>											
WAREHOUSE	226	13,722,982	710,262	5.20%	6.10%	129,773	573,573	-	-	-	\$4.00
FLEX	12	448,593	1,250	0.30%	1.30%	4,750	16,625	-	-	-	\$9.23
<b>Total</b>	<b>238</b>	<b>14,171,575</b>	<b>711,512</b>	<b>5.00%</b>	<b>6.00%</b>	<b>134,523</b>	<b>590,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$4.02</b>
<b>EAST</b>											
WAREHOUSE	496	19,850,879	465,811	2.30%	2.30%	(17,530)	11,619	-	-	-	\$4.39
FLEX	97	3,828,088	226,465	5.90%	7.80%	70,583	51,366	-	-	-	\$8.86
<b>Total</b>	<b>593</b>	<b>23,678,967</b>	<b>692,276</b>	<b>2.90%</b>	<b>3.10%</b>	<b>53,053</b>	<b>62,985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$5.26</b>
<b>SOUTH</b>											
WAREHOUSE	684	45,409,250	2,399,401	5.30%	6.60%	742,604	921,084	162,120	-	499,200	\$4.94
FLEX	196	7,011,047	707,670	10.10%	10.30%	17,391	58,856	-	-	43,592	\$7.52
<b>Total</b>	<b>880</b>	<b>52,420,297</b>	<b>3,107,071</b>	<b>5.90%</b>	<b>7.10%</b>	<b>759,995</b>	<b>979,940</b>	<b>162,120</b>	<b>-</b>	<b>542,792</b>	<b>\$5.61</b>
<b>CHARLOTTE TOTAL</b>											
WAREHOUSE	2,129	118,390,617	6,556,457	5.50%	6.00%	964,274	1,006,010	162,120	-	681,700	\$4.55
FLEX	463	17,713,497	1,369,485	7.70%	8.60%	162,696	153,906	11,763	-	169,100	\$9.02
<b>Total</b>	<b>2,593</b>	<b>136,104,114</b>	<b>7,925,942</b>	<b>5.80%</b>	<b>6.50%</b>	<b>1,126,970</b>	<b>1,159,916</b>	<b>173,883</b>	<b>-</b>	<b>850,800</b>	<b>\$5.23</b>

The data tracked is for Mecklenburg County. The data does not reflect the activity in the greater Charlotte Region.

### 2ND QUARTER 2016 | NET ABSORPTION BY SUBMARKET



### HISTORICAL | CHARLOTTE RENTAL RATES



## Charlotte Region

Activity throughout the counties surrounding Mecklenburg County and Charlotte appeared to be modest throughout the second quarter of 2016. While construction is limited to a handful of speculative buildings scattered throughout the region, building sale and lease transactions were limited as well.

Quality available buildings are in short supply outside the Charlotte area. Given the lackluster demand, speculative construction will be limited to what is currently under construction or planned.

One highlight of the second quarter was the sale of the Wooten Portfolio in Statesville, NC, encompassing  $\pm 2,000,000$  square feet of industrial space, to Nandina Properties, a Statesville based real estate investment company.

## Charlotte Region Predictions

York County, SC and Cabarrus County, NC will continue to lead growth due to their proximity to the Charlotte metro market and accessibility to both the interstates and to the Charlotte-Douglas International Airport. Functional industrial buildings within the region will continue to attract attention from users seeking to either begin a new operation or existing users within the area needing to accommodate their additional warehousing needs.

**\*5047 NC Hwy. 24-27 in Midland, NC, 45,353 SF, leased to SRS Distribution.**



**\*2,000,000 SF Industrial Portfolio located in Statesville, NC, sold to Nandina Properties V.**



**\*1787 Salisbury Highway in Statesville, NC, 32,400 SF sold to Catawba Holding LLC for \$880,000 or \$27 PSF.**



\*Denotes transactions completed by Colliers | Charlotte.

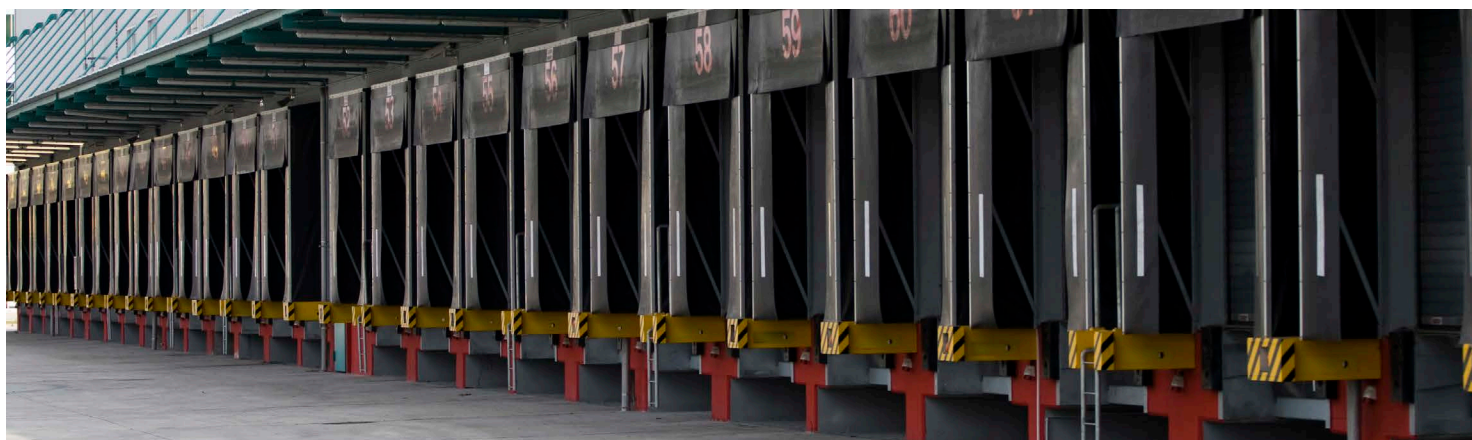
## INVESTMENT SALES - INDUSTRIAL

PROPERTY NAME	ADDRESS	SUBMARKET	TRANSACTION VALUE	RSF	PRICE PER RSF	BUYER
200 Clanton Road	200 Clanton Road	Central	\$3,100,000	83,648 SF	\$37	MPV Properties
Lakemont West Business Park	13327 Carowinds Blvd.	South	\$63,000,000	969,633	\$65	Hartz Mountain
*2027 Gateway Blvd.	2027 Gateway Blvd.	Airport/ West	\$3,575,000	69,200	\$51	Illinois Tool Works
12801 Jamesburg Drive	12801 Jamesburg Drive	North	\$32,200,000	457,308	\$70	Industrial Property Trust
1003 Louise Ave.	1003 Louise Ave.	East	\$4,600,000	73,375	\$62	1003 Louise LLC
4000 Westinghouse Blvd.	4000 Westinghouse Blvd.	South	\$6,600,000	104,428	\$63	STAG Industrial

### Investment Summary

It continues to be a challenge for new investors to enter the Charlotte market given the amount of capital chasing quality deals. Second quarter industrial sales volume exceeded \$138 Million, totaling over 2,332,641 SF at an average price of \$60 PSF and the year to date the average cap rate is 6.7%.

One notable transaction is Hartz Mountain's purchase of Lakemont West Business Park located at 1337 Carowinds Blvd. for \$63,000,000 or \$65.00 PSF. Located in the South submarket of Charlotte, this was a 969,633 SF multi-tenant project.



\*Denotes transactions completed by Colliers | Charlotte.

### FOR MORE INFORMATION

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