Research & Forecast Report

CHARLOTTE | INDUSTRIAL

Q2 2017

Accelerating success.

Industrial Forecast: Clear & Sunny

The Charlotte Regional industrial market remains strong, with rental rates nearing historic highs and sale prices increasing. During the second quarter of 2017, net absorption for Charlotte and Mecklenburg County was a positive 1,246,961 SF. This marked an increase from the first quarter of 2017, which showed positive absorption of 551,910 SF. The Airport/West submarket made up the largest percentage of the positive absorption with 480,363 SF, followed by the South submarket with a positive absorption of 399,152 SF. The Northwest submarket had the only negative absorption with (34,999) SF. Larger warehouse projects under construction in the second quarter 2017 included Childress Klein's Brookwood XI (91,200 total SF) and Beacon Partners' Metrolina Building IV (136,237 total SF). The second quarter's largest transactions included Staples' lease of 600,000 SF, Bonded Logistics' lease of 124,055 SF, Commercial Works' lease of 83,200 SF, Fred Jones Enterprises' lease of 80,000 SF and Anixter's lease of 50,000 SF.

The average industrial rental rate was $4.80 per square foot for warehouse, increasing slightly from the previous quarter's rate of $4.71 per square foot. The current rate represents a year-over-year increase of 5.49% from the second quarter of 2016 where the rate was $4.55 per square foot. (For the record, 2016 began at $4.55 per square foot in first quarter. Third quarter brought $4.76 per square foot, followed by $4.79 per square foot in fourth quarter.)

Demand continues to be high for industrial space, and as in past quarters, the common theme in the market is the lack of space in the 20,000 SF to 50,000 SF range. Developers are willing to spec larger buildings but still hesitant to construct smaller buildings.

Market Indicators

Relative to prior period

Market Indicators	Charlotte Q2 2017	Charlotte Q3 2017*
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

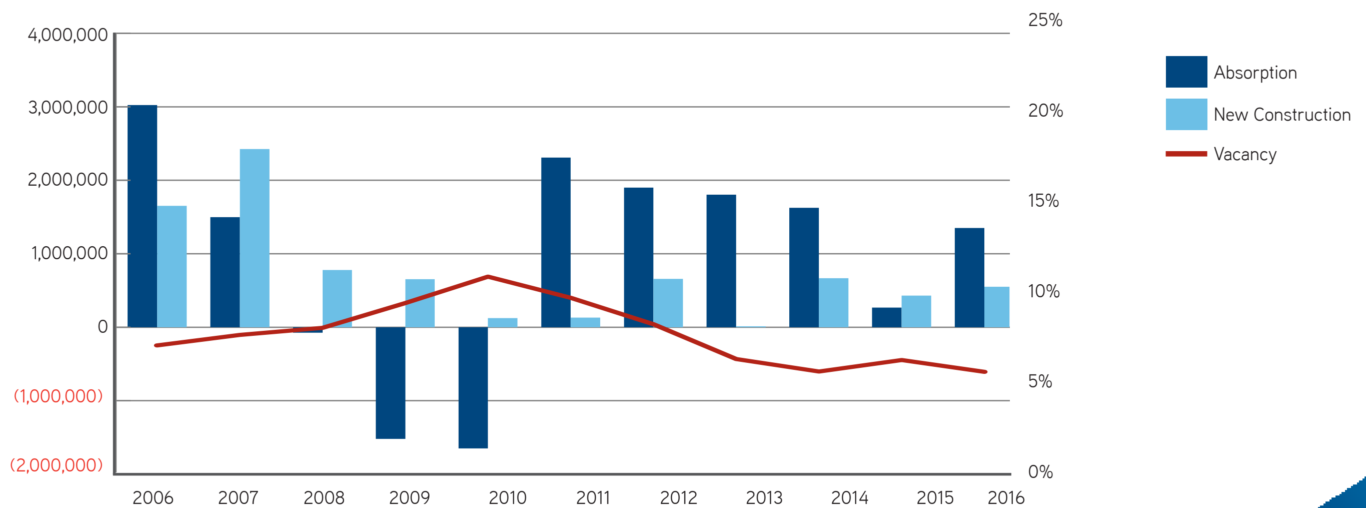
*Projected

Summary Statistics

Q2 2017 Charlotte Industrial Market

	Warehouse	Flex
VACANCY RATE	3.80%	6.50%
ABSORPTION	1,210,901	36,060
NEW CONSTRUCTION	1,069,004	-
UNDER CONSTRUCTION	2,241,815	266,695

Regional Absorption & Vacancy Rates



UPDATE—Lease and Sale Transactions

*Denotes transactions completed by Colliers | Charlotte.

LEASES—Q2 2017

TENANT	PROPERTY NAME	SUBMARKET	SIZE SQ FT	TYPE
Staples	Westinghouse Logistics Park	South	600,000	Distribution
Bonded Logistics	Metrolina Park II	North	124,055	Distribution
Commercial Works	Ridge Creek West III	South	83,200	Distribution
Fred Jones Enterprises	Granite Distribution Center	Soth	80,000	Distribution
*Anixter, Inc.	Southend Business Park	Central	50,000	Distribution

SALES—Q2 2017

SALES PRICE ($)	RBA (SF)	PRICE PER SQ FT	PROPERTY NAME	CITY	SELLER	BUYER
$5,574,000	69,300	$80	Shopton Ridge I	Charlotte	Shopton Ridge Dev. LLC	Krupalu LLC
$2,800,000	41,120	$67	10710 Southern Loop	Pineville	Southern Loop LLC	Underground Properties, LLC
$1,800,000	36,000	$50	6350 Brookshire Blvd.	Charlotte	Donald Losito	6350 Brookshire Blvd. LLC
$1,525,000	34,880	$43	301 W. 32nd Street	Charlotte	Sancocho Development	Hawthorne Capital LLC
$975,000	20,082	$48	1529 Industrial Center Circle	Charlotte	Jomar Properties	DRJ Holdings

COMPLETED CONSTRUCTION - Q2 2017

COMPANY	PARK	TYPE	SIZE SQ FT	STATUS
*Scannell Properties	Wilkinson Commerce Center	Distribution	57,500 & 159,000	Completed
Beacon Partners	Metrolina Park Buildings I & II	Distribution	636,584	Completed

HIGHLIGHTED UNDER CONSTRUCTION BUILDINGS

STEELE POINT I &II
South
250,750 & 117,000 SF
Q4 2017 Delivery

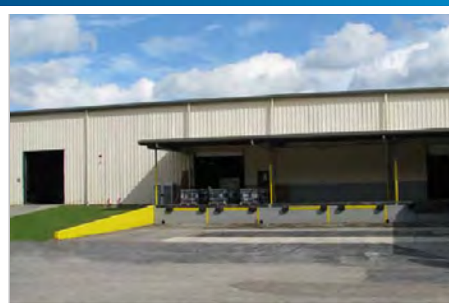
BROOKWOOD XI
South
91,200 SF
Q1 2018 Delivery

METROLINA BUILDING IX
North
136,237 SF
Q2 2018 Delivery

COMPARISON OF LEASE RATES - Class A & B Existing Buildings

$5.16
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.



$3.98
AVERAGE CURRENT RATE

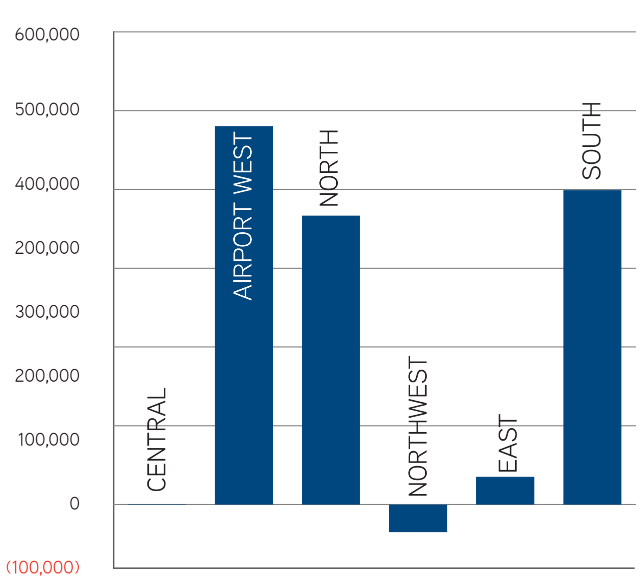
CLASS B WAREHOUSES - Lease rates derived from a representative set of facilities from 50,000 SF to 150,000 SF with 20'+ clear height and a functional dock loading configuration.

Charlotte | Q2 2017 Mecklenburg County Industrial Stats

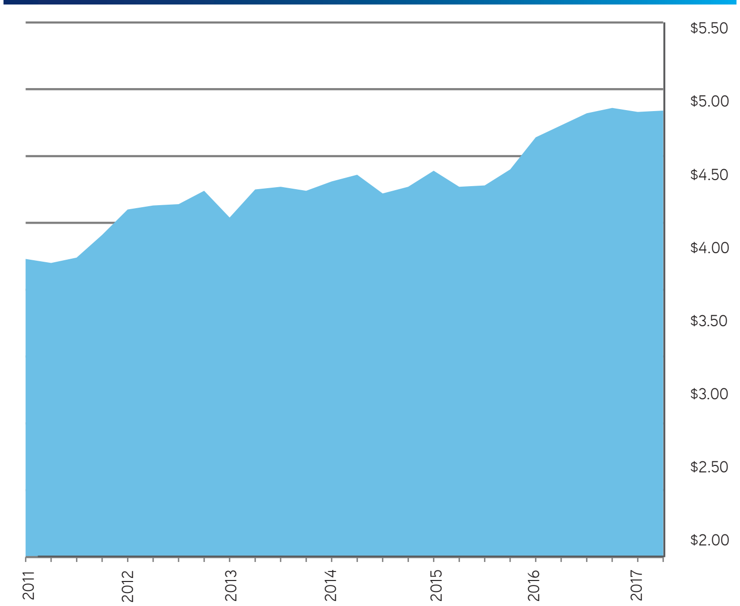
SUBMARKET	BLDGS	TOTAL INVENTORY SQ FT	TOTAL VACANT SQ FT	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	NET NEW SUPPLY CURRENT QTR SF	NET NEW SUPPLY YTD SF	UNDER CONSTRUCTION SQ FT	AVG RENTAL RATE
CENTRAL											
WAREHOUSE	263	7,868,252	434,323	5.50%	5.50%	594	61,913	-	-	153,565	$4.34
FLEX	21	923,860	29,680	3.20%	3.20%	0	3,619	-	-	-	$10.05
Total	**284**	**8,792,112**	**464,003**	**5.30%**	**5.30%**	**594**	**65,532**	**-**	**40,000**	**153,565**	**$4.87**
AIRPORT/WEST											
WAREHOUSE	246	13,046,206	809,445	6.20%	8.60%	462,040	500,775	159,000	159,000	458,135	$4.72
FLEX	46	1,758,405	109,312	6.20%	7.30%	18,323	10,691	-	-	-	$8.24
Total	**292**	**14,804,611**	**918,757**	**6.20%**	**8.50%**	**480,363**	**511,466**	**159,000**	**159,000**	**458,135**	**$4.90**
NORTH											
WAREHOUSE	213	18,553,432	600,047	3.20%	2.20%	423,155	586,245	636,584	-	440,765	$5.22
FLEX	95	3,954,844	335,430	8.50%	7.10%	(56,483)	(66,208)	-	-	-	$10.29
TOTAL	**308**	**22,508,276**	**935,477**	**4.20%**	**3.00%**	**366,672**	**520,037**	**636,584**	**-**	**440,765**	**$5.98**
NORTHWEST											
WAREHOUSE	224	13,426,263	1,052,350	7.80%	7.60%	(34,999)	(268,322)	-	-	-	$3.65
FLEX	12	448,593	5,945	1.30%	1.30%	-	(1,945)	-	-	-	$8.16
Total	**236**	**13,874,856**	**1,058,295**	**7.60%**	**7.40%**	**(34,999)**	**(270,267)**	**-**	**-**	**-**	**$3.65**
EAST											
WAREHOUSE	490	19,528,685	220,526	1.10%	1.10%	(13,715)	132,448	-	-	21,600	$4.91
FLEX	97	3,828,639	100,269	2.60%	3.90%	48,894	57,271	-	-	-	$8.96
Total	**587**	**23,357,324**	**320,795**	**1.40%**	**1.50%**	**35,179**	**189,719**	**-**	**-**	**21,600**	**$5.70**
SOUTH											
WAREHOUSE	691	46,162,468	1,396,901	3.00%	3.30%	373,826	786,016	273,420	338,582	1,167,750	$5.30
FLEX	199	7,078,090	587,328	8.30%	8.70%	25,326	(3,632)	-	-	266,695	$8.13
Total	**890**	**53,240,558**	**1,984,229**	**3.70%**	**4.00%**	**399,152**	**782,384**	**273,420**	**338,582**	**1,434,445**	**$5.97**
CHARLOTTE TOTAL											
WAREHOUSE	2,127	118,585,306	4,513,592	3.80%	4.00%	1,210,901	1,799,075	1,069,004	497,582	2,241,815	$4.80
FLEX	470	17,992,431	1,167,964	6.50%	6.70%	36,060	(204)	-	-	266,695	$8.55
Total	**2,597**	**136,577,737**	**5,681,556**	**4.20%**	**4.30%**	**1,246,961**	**1,798,871**	**1,069,004**	**537,582**	**2,508,510**	**$5.34**

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

2ND QUARTER 2017 | NET ABSORPTION BY SUBMARKET



HISTORICAL | CHARLOTTE RENTAL RATES



Charlotte Region

As the core Charlotte market continues to remain healthy, the region encompassing Charlotte is following suit. Class A, quality buildings continue to be in short supply and any speculative construction that has been completed is being absorbed. In Alexander County, NC a 50,000 square foot speculative industrial building was purchased by Borealis Compounds, having just been completed in August of 2016. This transaction is in stark contrast to last speculative building that was completed within the same park that sat on the market for at least four years.

Coming off of a successful sale of their first speculative building, Catawba County has a 48,000 square foot (expandable to 96,000 square foot) building currently under construction within Claremont International Business Park. The ±50,000 square foot size is well positioned for the regional market especially if they have expansion capabilities.

Build to suit activity continues to be sporadic with the Charlotte region, as there are several rumored deals within the market. One notable build to suit transaction announced during the Q2 2017 is the construction of a 250,000 square foot building for Room and Board in Newton, NC. They will be relocating from a facility they currently occupy within the Lincoln County Industrial Park.

Charlotte Region Notable Transactions

Q2 2017			
COMPANY	PROPERTY LOCATION	SIZE SQ FT	TYPE
Kontane Logistics	Statesville, NC	169,000	Sale
American Woodmark Corp.	Albemarle, NC	120,000	Lease
*Appalachian Supply of NC	Mooresville, NC	97,500	Lease
TSP Delivery	Newton, NC	94,240	Lease
Westrock	Conover, NC	50,000	Lease
PDM	Rock Hill, SC	41,400	Sale

***Appalachian Supply of North Carolina, LLC leased 97,500 SF industrial building at 217 Selma Drive in Mooresville, NC.**

Kontane Logistics purchased a 169,000 SF industrial building in Statesville, NC.

***PDM purchased 41,400 SF industrial building in Rock Hill, SC.**

*Denotes transactions completed by Colliers | Charlotte.

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INVESTMENT SALES - INDUSTRIAL

PROPERTY NAME	ADDRESS	SUBMARKET	TRANSACTION VALUE	RSF	PRICE PER SQ FT	BUYER
2730 Queen City Drive	2730 Queen City Drive	Airport	$27,400,000	506,750	$54	Mutual Distribution Co.
InnerLoop North	5600 David Cox Drive	North	$32,200,000	415,541	$77	Hartz Mountain
Riverwalk	874 Paragon Way	Rock Hill	$20,000,000	277,290	$72	Hartz Mountain
International Commerce Center	215 International Drive	North	$18,600,000	277,212	$67	Griffin Industrial
*Goodwill Industries NC	2122 - 2222 Freedom Drive	Northwest	$3,925,000	77,900	$50	Browder Group

Investment Summary

Investors continue to be challenged entering the Charlotte market given the amount of capital chasing quality deals. Second quarter industrial sales volume exceeded $157.9 Million, totaling over 1,742,000 SF at an average price of $91 PSF and with a year to date average cap rate of 6.8%.

One notable transaction is the Browder Group's purchase of 2122-2222 Freedom Drive, formerly Goodwill Industries, located in the Northwest submarket of Charlotte for $3,925,000 or $50.00 PSF.

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