

# Second Quarter Absorption Reaches Over Two Million Square Feet

The Charlotte Regional industrial market remains strong, with rental rates near historic highs and sale prices steadily increasing. During the second quarter of 2018, net absorption for Charlotte and surrounding counties was a positive 2,072,933 SF. This was an increase from the first quarter of 2018, which showed a positive absorption of 790,294 SF.

The South submarket made up the largest percentage of the positive absorption with 1,089,615 SF, followed by Iredell County submarket with a positive absorption of 484,075 SF and third, the East submarket with a positive absorption of 369,290 SF. The Northwest submarket had the largest negative absorption with (185,215) SF.

Larger warehouse projects under construction in the second quarter include Geneva Commerce Center consisting of 351,520 SF, Beacon's John Price Road Building of 220,683 SF and Scanell's 169,000 SF building at The Park at Huntersville. The second quarter's largest transactions included Tricor Braun's lease of 124,740 SF at Shopton Ridge, TrakMotive's lease of 100,000 SF at Concord Airport Business Park, Macomb Group's lease of 80,000 SF at Steele Creek Commerce Park, Boxman Studios' lease of 66,380 SF at Twin Lakes, TW Metals renewal of 50,400 SF at Brookwood and Dental Imaging's lease of 40,000 SF at Lakemont West.

The second quarter's overall vacancy rate (which includes warehouse and flex) was 5.40% and remained the same as the first quarter 2018 with 5.40%. The average industrial rental rate was \$4.57 PSF for warehouse, which is five cents lower than the previous quarter's rate of \$4.62 PSF. This rental rate is still near an all-time high for industrial properties.

Demand continues to be high for industrial space, as evidenced by absorption throughout the year. E-commerce is fueling industrial fundamentals, and there continues to be new development in the larger/bulk warehouses throughout the Charlotte MSA. However, the supply of industrial buildings for owner occupiers continues to be a challenge within the market.

### Market Indicators

Relative to prior period

Charlotte Q2 2018

Charlotte Q3 2018\*

Market Indicator	Charlotte Q2 2018	Charlotte Q3 2018*
VACANCY	↔	↔
NET ABSORPTION	↑	↔
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↔
*Projected		

### Summary Statistics

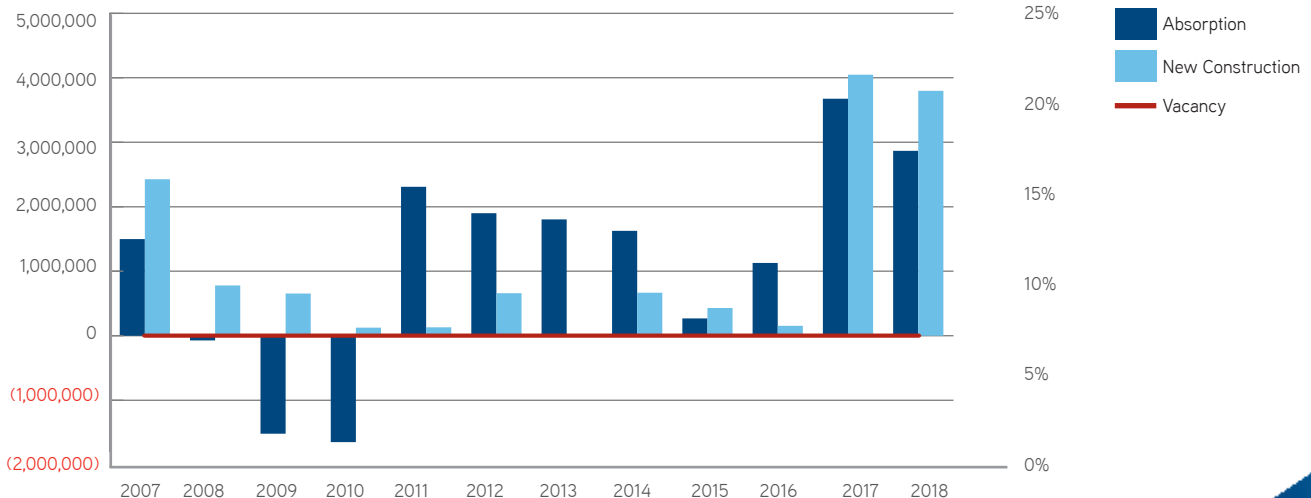
Q2 2018 Charlotte Industrial Market

Warehouse

Flex

Summary Statistic	Warehouse	Flex
VACANCY RATE	5.30%	6.20%
ABSORPTION	2,052,598 SF	20,335 SF
NEW CONSTRUCTION	2,069,420 SF	48,600 SF
UNDER CONSTRUCTION	3,458,989 SF	94,200 SF

### Regional Absorption & Vacancy Rates



LEASES - Q2 2018				
TENANT	PROPERTY NAME	SUBMARKET	SIZE SQ FT	TYPE
TricorBraun Inc.	Shopton Ridge	Airport/West	124,740 SF	Distribution
TrakMotive	Concord Airprot Business Park III	Cabarrus County	100,000 SF	Distribution
Georgia Pacific	11515 Granite Street	South	121,600 SF	Distribution
The Macomb Group	Steele Creek Commerce Park 7	Airport/West	80,000 SF	Distribution
Protech	9701 Brookford Street	South	67,200 SF	Distribution
Boxman Studios	Twin Lakes Business Park	North	66,380 SF	Distribution
TW Metals	Brookwoox IX	South	50,400 SF	Distribution
Dental Imaging	Lakemont	South	40,000 SF	Distribution

SALES - Q2 2018						
SALES PRICE (\$)	RBA (SF)	PRICE PER SQ FT	PROPERTY NAME	CITY	SELLER	BUYER
\$2,035,000	38,600 SF	\$52.72	9401 Nations Ford	Charlotte	Victory Christian	SCNB Invest
\$1,250,000	10,189 SF	\$122.68	10817 Southern Loop	Pineville	10817 Southern Loop	Pray Investments
\$1,195,000	21,020 SF	\$56.85	11301 Downs Road	Pineville	Downs Properties LLC	Concrete & Materials
\$1,125,000	14,000 SF	\$80.36	11125 Hutchinson McDonald	Charlotte	Froehling & Robertson	United Business Properties

COMPLETED CONSTRUCTION - Q2 2018				
COMPANY	PARK	TYPE	SIZE SQ FT	STATUS
Liberty Property Trust	Shopton Ridge	Distribution	158,760 SF	Completed
Beacon Partners	Metrolina Park III	Distribution	135,105 SF	Completed

HIGHLIGHTED UNDER CONSTRUCTION BUILDINGS



**\*WILKINON COMMERCE CENTER III**  
 Airport Submarket  
 172,000 SF  
 Q3 2018 Delivery



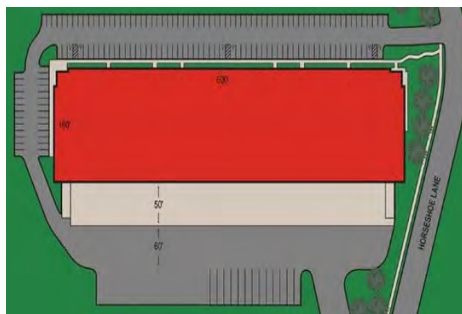
**\*LEGACYPARK EAST**  
 York County  
 193,750 SF - Phase I  
 Q3 2018 Delivery



**GENEVA COMMERCE CENTER**  
 South Submarket  
 351,520 SF  
 Q4 2018 Delivery



**JOHN PRICE ROAD**  
 South Submarket  
 220,683 SF  
 Q4 2018 Delivery



**AIRPORT COMMERCE CENTER III**  
 South Submarket  
 96,000 SF  
 Q1 2019 Delivery



**THE PARK HUNTESVILLE**  
 North Submarket  
 169,000 SF  
 Q2 2019 Delivery

Q2 2018 Industrial Market Summary Statistics   Charlotte, NC - Mecklenburg, Cabarrus, Iredell & York Counties											
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	260	7,197,819	122,323	1.70%	1.70%	3,000	1,238	-	-	-	\$9.03
FLEX	19	907,767	46,700	5.20%	2.70%	(22,660)	(20,245)	-	-	-	\$19.85
<b>Total</b>	<b>279</b>	<b>8,099,586</b>	<b>169,023</b>	<b>2.10%</b>	<b>1.80%</b>	<b>(19,660)</b>	<b>(19,007)</b>	-	-	-	<b>\$10.57</b>
<b>AIRPORT/WEST</b>											
WAREHOUSE	250	13,633,218	723,872	5.30%	4.80%	124,116	246,855	202,148	460,520	251,420	\$5.01
FLEX	46	1,833,763	62,073	3.40%	3.70%	5,782	21,433	-	-	-	\$8.63
<b>Total</b>	<b>296</b>	<b>15,466,981</b>	<b>785,945</b>	<b>5.10%</b>	<b>4.70%</b>	<b>129,898</b>	<b>268,288</b>	<b>202,148</b>	<b>460,520</b>	<b>251,420</b>	<b>\$5.28</b>
<b>NORTH</b>											
WAREHOUSE	215	18,705,258	517,685	2.80%	3.00%	41,900	19,340	-	-	1,071,705	\$5.26
FLEX	97	4,019,354	317,532	7.90%	8.70%	30,515	(6,618)	-	-	-	\$9.61
<b>TOTAL</b>	<b>312</b>	<b>22,724,612</b>	<b>835,217</b>	<b>3.70%</b>	<b>4.00%</b>	<b>72,415</b>	<b>12,722</b>	-	-	<b>1,071,705</b>	<b>\$6.01</b>
<b>NORTHWEST</b>											
WAREHOUSE	225	13,422,081	1,402,010	10.40%	9.20%	(168,075)	(114,690)	-	-	-	\$3.87
FLEX	12	448,593	20,915	4.70%	0.80%	(17,140)	(18,915)	-	-	-	\$10.27
<b>Total</b>	<b>237</b>	<b>13,870,674</b>	<b>1,422,925</b>	<b>10.30%</b>	<b>8.90%</b>	<b>(185,215)</b>	<b>(133,605)</b>	-	-	-	<b>\$3.89</b>
<b>EAST</b>											
WAREHOUSE	489	19,617,408	560,241	2.90%	4.80%	384,266	174,789	-	-	-	\$4.66
FLEX	91	3,529,825	121,534	3.40%	3.00%	(14,976)	(3,509)	-	-	-	\$9.13
<b>Total</b>	<b>580</b>	<b>23,147,233</b>	<b>681,775</b>	<b>2.90%</b>	<b>4.50%</b>	<b>369,290</b>	<b>171,280</b>	-	-	-	<b>\$5.44</b>
<b>SOUTH</b>											
WAREHOUSE	697	48,597,938	2,278,642	4.70%	5.40%	1,076,142	1,412,429	758,760	1,967,710	268,400	\$4.75
FLEX	205	7,339,227	631,587	8.60%	8.80%	13,473	67,898	-	-	45,600	\$9.32
<b>Total</b>	<b>902</b>	<b>55,937,165</b>	<b>2,910,229</b>	<b>5.20%</b>	<b>5.90%</b>	<b>1,089,615</b>	<b>1,480,327</b>	<b>758,760</b>	<b>1,967,710</b>	<b>314,000</b>	<b>\$5.54</b>
<b>IREDELL COUNTY</b>											
WAREHOUSE	378	26,693,244	1,204,764	4.50%	5.10%	448,734	374,658	301,000	301,000	227,000	\$3.66
FLEX	89	2,501,385	83,296	3.30%	2.90%	35,341	62,189	48,600	48,600	48,600	\$9.98
<b>Total</b>	<b>467</b>	<b>29,194,629</b>	<b>1,288,060</b>	<b>4.40%</b>	<b>4.90%</b>	<b>484,075</b>	<b>436,847</b>	<b>349,600</b>	<b>349,600</b>	<b>275,600</b>	<b>\$4.09</b>
<b>CABARRUS COUNTY</b>											
WAREHOUSE	241	20,451,121	1,253,835	6.10%	5.80%	213,139	730,894	300,000	300,000	1,410,814	\$4.88
FLEX	73	2,674,143	216,450	8.10%	8.00%	(2,000)	(58,865)	-	-	-	\$11.68
<b>Total</b>	<b>314</b>	<b>23,125,264</b>	<b>1,470,285</b>	<b>6.40%</b>	<b>6.10%</b>	<b>211,139</b>	<b>672,029</b>	<b>300,000</b>	<b>300,000</b>	<b>1,410,814</b>	<b>\$5.33</b>
<b>YORK COUNTY</b>											
WAREHOUSE	254	26,198,504	2,232,569	8.50%	6.40%	(70,624)	14,676	507,512	719,512	229,650	\$4.69
FLEX	65	1,941,730	61,778	3.20%	2.80%	(8,000)	(35,500)	-	-	-	\$9.24
<b>Total</b>	<b>319</b>	<b>28,140,234</b>	<b>2,294,347</b>	<b>8.20%</b>	<b>6.20%</b>	<b>(78,624)</b>	<b>(20,824)</b>	<b>507,512</b>	<b>719,512</b>	<b>229,650</b>	<b>\$4.77</b>
<b>MARKET TOTAL</b>											
WAREHOUSE	3,009	194,516,591	10,295,941	5.30%	5.30%	2,052,598	2,860,189	2,069,420	3,78,742	3,458,989	\$4.57
FLEX	697	25,189,787	1,561,865	6.20%	6.10%	20,2335	7,868	48,600	48,600	94,200	\$9.75
<b>Total</b>	<b>3,706</b>	<b>219,706,378</b>	<b>11,857,806</b>	<b>5.40%</b>	<b>5.40%</b>	<b>2,072,933</b>	<b>2,868,057</b>	<b>2,118,020</b>	<b>3,797,342</b>	<b>3,553,189</b>	<b>\$5.09</b>

## COMPARISON OF LEASE RATES - Class A & B Existing Buildings



**\$4.96**  
AVERAGE CURRENT RATE

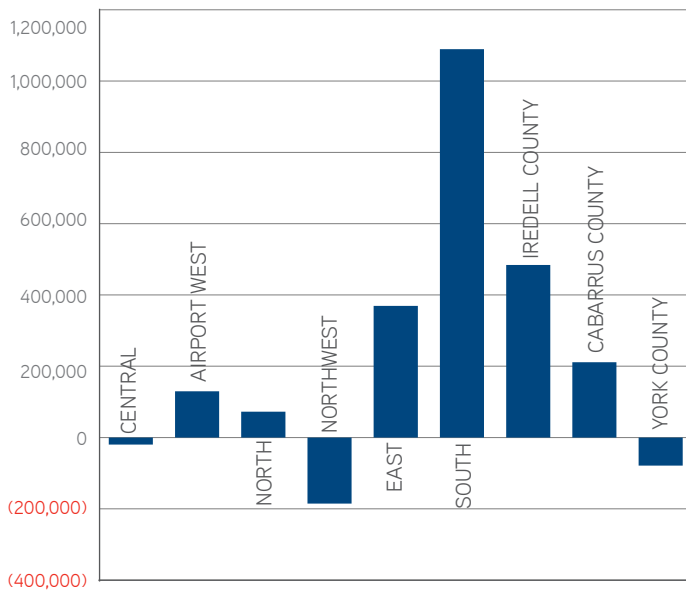
**CLASS A BULK BUILDINGS** - Lease rates derived from a representative set of newer tilt-up, concrete buildings averaging 250,000 SF with bulk ceiling height and standard dock door configuration.



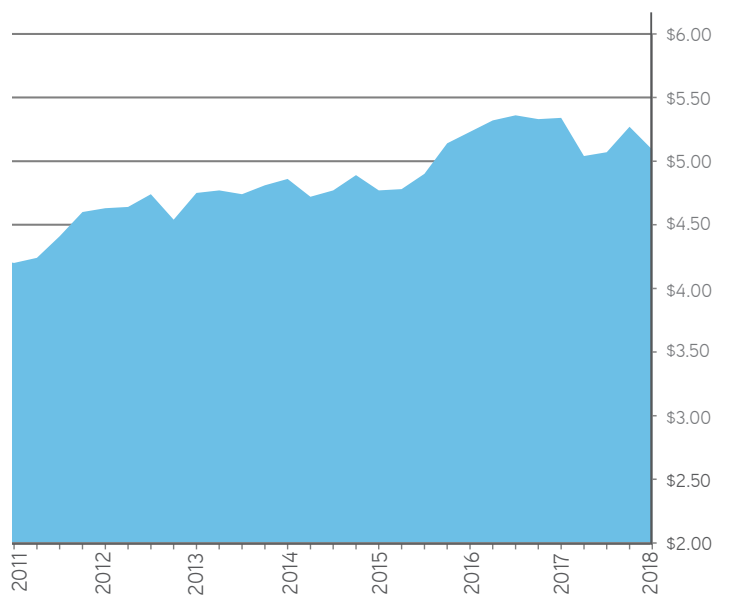
**\$3.98**  
AVERAGE CURRENT RATE

**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.

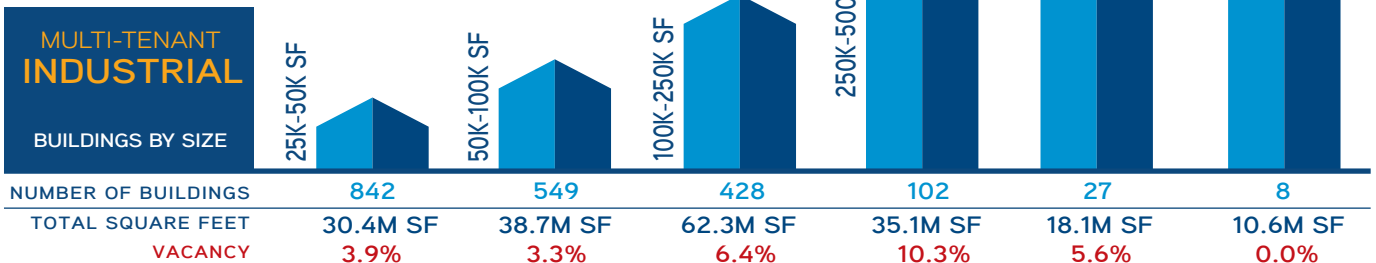
### Q2 2018 | NET ABSORPTION BY SUBMARKET



### HISTORICAL | CHARLOTTE REGION RENTAL RATES



**5.4%** VACANCY  
**2,072,933 SF** NET ABSORPTION





## INVESTMENT SALES - INDUSTRIAL

PROPERTY NAME	ADDRESS	SUBMARKET	TRANSACTION VALUE	RSF	PRICE PER SQ FT	BUYER
Bond Distribution Center	1001 Bond Street	Northwest	\$14,200,000	402,200 SF	\$35	Rialto Capital Management
Gateway Distribution Center	9504 Rodney Street	South	\$22,600,000	283,000 SF	\$80	Mapletree Commercial
Lakemont East	194 Springhill Farm Road	York County	\$12,700,000	201,788 SF	\$63	Hartz Mountain
4001 Performance Road	4001 Performance Road	Airport/West	\$11,200,000	184,319 SF	\$61	Rialto Capital Management
Westlake Corporate Campus	4205 Westinghouse Commons Drive	South	\$7,800,000	124,800 SF	\$62	PIRET JV Ivanhoe Cambridge
*Airpark West V	8610 Airpark West Drive	Airport/West	\$7,200,000	100,286 SF	\$72	Meritex Enterprises
*2027 Gateway Blvd.	2027 Gateway Blvd.	Northwest	\$5,550,000	69,200 SF	\$80	STAG Industrial Holdings

## Investment Summary

Investors continue to be challenged entering the Charlotte market given the amount of capital chasing quality deals. Second quarter 2018 industrial sales volume exceeded \$132.1 Million, totaling over 2,119,756 SF at an average price of \$66 PSF (includes both

warehouse and flex) with a year to date average cap rate of 6.4%. One notable transaction is Meritex Enterprises' purchase of Airpark West V located in the Airport/Westsubmarket of Charlotte for \$7,200,000 or \$72 PSF.



## FOR MORE INFORMATION

**Chris Neal, MAI**  
Associate | Industrial  
+1 704 409 2906  
chris.neal@colliers.com

**Greg Copps, SIOR**  
Managing Partner  
+1 704 409 2361  
greg.copps@colliers.com

**Haleigh Mundell-Moore**  
Marketing Coordinator  
+1 704 409 2378  
haleigh.moore@colliers.com