Charlotte’s Economy Showed Continued Strength, but the industrial market remains sluggish......

Charlotte’s Local Economy
Charlotte’s economy showed continued strength during the first quarter despite at least one piece of disappointing news – the Queen City didn’t make the list of finalists for Amazon’s proposed second headquarters site, a massive development that likely would have pumped many billions of dollars into the local economy.

The Charlotte metro area’s unemployment rate hovered around 4.3% during the quarter, according to data from the U.S. Bureau of Labor Statistics. That was about the same as the previous quarter but up slightly from the previous year. Charlotte’s unemployment rate is lower than North Carolina as a whole but slightly higher than the national average.

Average Q1 employment in the Charlotte metro area rose 7% from the prior year to 3.33 million, marking the first time the figure topped 1.3 million.

The median price of homes sold in the Charlotte region climbed 7.2 percent from the prior year to $235,000, according to data from the Charlotte Regional Realtor Association.

Charlotte Market Overview
There wasn’t a lot to cheer about for Charlotte’s industrial market during the first quarter. Leasing activity saw a big slowdown while vacancy rates moved higher and average rents dipped from a quarter earlier. Deliveries were up for the quarter, though the number of buildings under construction declined.

The Q1 vacancy rate ticked up for the third straight quarter, hitting 4.9% vs. 4.6% the previous quarter and 4.2% the prior year. On the plus side, it was the sixth straight quarter rates came in below 5% after reaching double digits earlier in the decade.

Net absorption during Q1 was positive 1.18 million square feet. That compares to positive 778,947 square feet the previous quarter and positive 770,594 square feet the previous year.

The average rental rate across all types of industrial properties was $4.60 per square foot during the first quarter, down from $4.67 the previous quarter but up from $4.43 a year earlier. It was the second straight quarter average rents declined on a quarter-over-quarter basis.
Mecklenburg County’s biggest industrial lease signing during the quarter was for 63,511 square feet at Metrolina Park in the North Charlotte submarket. The tenant is Tosca, an Atlanta-based provider of reusable packaging and supply-chain solutions.

A total of 76 industrial lease deals were signed during the first quarter – the lowest number in more than a decade and down from 87 deals the prior quarter and 101 the previous year. New leases covered 1.17 million square feet of industrial space vs. 2.76 million the previous quarter and 2.02 million the previous year. The Q1 square footage total was the lowest since 2009.

Nine industrial buildings totaling 1.8 million square feet were delivered during Q1, up from seven buildings totaling 1.2 million square feet a quarter earlier and five buildings totaling 289,512 square feet the previous year. The largest delivery in Mecklenburg County was a 750,000-square-foot facility at Westinghouse Boulevard in the Southwest submarket. The leasing company is The Keith Corporation.

Sixteen buildings totaling 4.1 million square feet of industrial space were under construction at the end of Q1, down from 27 buildings totaling 4.5 million square feet the previous year. The largest project under construction was the 600,000-square-foot Staples Distribution Center on Westinghouse Boulevard in the Southwest submarket. It’s expected to deliver during the second quarter.

Southwest Charlotte
A 491,025-square-foot distribution center on Nations Ford Road in Southwest Charlotte traded hands during the first quarter, with an entity affiliated with Charlotte investment firm Ferncroft Capital acquiring the facility for $31.9 million from STAG Industrial, a Boston Real Estate Investment Trust. The building sits on about 27 acres at the intersection of interstates 77 and 485.

CIP Real Estate, an Irvine, Calif.-based real estate investment and management company, sold Charlotte Commerce Center for just shy of $16 million. The multi-tenant flex industrial park spans 167,000 square feet and sits on about 15 acres on Stuart Andrew Boulevard in Southwest Charlotte. It sold to CCC JV Partners LLC, affiliated with Charlotte-based Insite Properties and Raleigh-based SharpVue Capital.

Airport
Foundry Commercial delivered a 258,372-square-foot building at Westpark 85, a 1.1 million-square-foot industrial park on Moores Chapel Road in the Airport submarket.

Midtown
KASK America, an Italian maker of sport and safety helmets, paid $2 million to purchase a building in South End to house its North American headquarters. The building is located at 301 West Summit Avenue and covers 8,710 square feet. It’s known as the historic Hovis Radiator Building and dates to the 1950s. Kask America is expected to move into the space over the summer. A combination of office and showroom space is planned.

Indianapolis-based logistics and tech company Spot Freight signed a lease for 8,424 square feet at 1300 South Mint Street. The company took the building’s entire second floor.

North Charlotte
Charlotte-based developer M. David Properties spent $2 million to acquire three tracts of land at the corner of Hucks and Old Statesville roads in North Charlotte. The company plans to develop a 300,000-square-foot industrial site at the 30-acre property, called SilverPark North. The first development will be a 136,000-square-foot speculative building that could break ground by the summer and deliver in the first quarter of 2019. Longer-term plans include a 105,000-square-foot building and a 56,000-square-foot building.

Outlook
Charlotte’s industrial market was bound to see some softening following two years of historically low vacancy rates and historically high average rents. If vacancy rates continue to increase and rental prices keep going lower, it could be a sign of weakening demand. On a brighter note, demographic trends are positive. Although Charlotte was scratched from the Amazon HQ2 sweepstakes early in the year, the city’s economic indicators remain robust. In February, Forbes named Charlotte one of the nation’s Top 10 hottest housing markets alongside San Francisco, Seattle, Denver and other high fliers. Charlotte also made the National Association of Realtors’ list of hottest employment markets.

Meanwhile, leading economists project that North Carolina will enjoy about 3% growth in state domestic product in 2018, with Charlotte and other urban centers leading the way. The state could get an additional boost from increased infrastructure spending.
### Class A, B & C Submarket Statistics

<table>
<thead>
<tr>
<th>Class A / (4 &amp; 5 Star)</th>
<th>Total SF 52,994,878</th>
<th>Total # of Buildings 225</th>
<th>Total Available SF 4,064,795</th>
<th>Vacancy Rate % 7.7%</th>
<th>Net Absorption 1,216,856</th>
<th>Building Deliveries 6</th>
<th>Under Construction End of 1Q 1,667,322</th>
<th>Average Rental Rate $4.85</th>
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</thead>
<tbody>
<tr>
<td>Class B / (3 Star)</td>
<td>99,381,215</td>
<td>1,020</td>
<td>4,370,923</td>
<td>4.4%</td>
<td>(68,507)</td>
<td>3</td>
<td>1,381,500</td>
<td>$4.36</td>
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<tr>
<td>Class C / (1 &amp; 2 Star)</td>
<td>80,257,401</td>
<td>4,567</td>
<td>2,950,443</td>
<td>3.7%</td>
<td>(179,580)</td>
<td>0</td>
<td>30,000</td>
<td>$4.78</td>
</tr>
</tbody>
</table>

### I-277 / Remount Rd
- SF: 2,452,705
- Buildings: 160
- Available SF: 81,090
- Vacancy Rate: 1.7%
- Net Absorption: 500
- Under Construction: 0
- Average Rental Rate: $11.64

### Freedom Drive
- SF: 2,068,656
- Buildings: 88
- Available SF: 70,550
- Vacancy Rate: 3.4%
- Net Absorption: 10,791
- Under Construction: 0
- Average Rental Rate: $10.43

### I-277 / 30th Street
- SF: 3,137,623
- Buildings: 168
- Available SF: 51,312
- Vacancy Rate: 0.9%
- Net Absorption: (7,377)
- Under Construction: 0
- Average Rental Rate: $6.83

### Tyvola Road
- SF: 7,172,060
- Buildings: 389
- Available SF: 442,624
- Vacancy Rate: 2.5%
- Net Absorption: (75,734)
- Under Construction: 0
- Average Rental Rate: $6.67

### East
- SF: 6,332,196
- Buildings: 247
- Available SF: 115,983
- Vacancy Rate: 1.0%
- Net Absorption: (43,776)
- Under Construction: 0
- Average Rental Rate: $5.92

### Sugar Creek
- SF: 10,489,398
- Buildings: 468
- Available SF: 622,777
- Vacancy Rate: 2.5%
- Net Absorption: (179,031)
- Under Construction: 0
- Average Rental Rate: $5.82

### North
- SF: 19,324,687
- Buildings: 314
- Available SF: 938,368
- Vacancy Rate: 2.9%
- Net Absorption: (23,120)
- Under Construction: 0
- Average Rental Rate: $5.22

### Southwest / 77 (State Line)
- SF: 40,057,363
- Buildings: 554
- Available SF: 3,942,592
- Vacancy Rate: 5.9%
- Net Absorption: (206,781)
- Under Construction: 0
- Average Rental Rate: $5.04

### Cabarrus County
- SF: 21,154,284
- Buildings: 416
- Available SF: 1,555,602
- Vacancy Rate: 5.5%
- Net Absorption: 497,755
- Under Construction: 0
- Average Rental Rate: $4.91

### Airport / West
- SF: 14,348,868
- Buildings: 376
- Available SF: 1,124,181
- Vacancy Rate: 5.6%
- Net Absorption: (24,152)
- Under Construction: 1
- Average Rental Rate: $4.73

### York County
- SF: 26,271,590
- Buildings: 370
- Available SF: 2,240,000
- Vacancy Rate: 6.3%
- Net Absorption: 82,800
- Under Construction: 2
- Average Rental Rate: $4.66

### Rowan County
- SF: 13,526,778
- Buildings: 287
- Available SF: 1,643,618
- Vacancy Rate: 4.1%
- Net Absorption: 16,924
- Under Construction: 0
- Average Rental Rate: $4.31

### Lancaster County
- SF: 6,221,315
- Buildings: 91
- Available SF: 2,089,558
- Vacancy Rate: 24.1%
- Net Absorption: 41,600
- Under Construction: 0
- Average Rental Rate: $4.24

### Lincoln County
- SF: 11,063,892
- Buildings: 286
- Available SF: 918,324
- Vacancy Rate: 5.5%
- Net Absorption: 89,236
- Under Construction: 0
- Average Rental Rate: $4.07

### Iredell County
- SF: 27,118,781
- Buildings: 498
- Available SF: 1,864,557
- Vacancy Rate: 5.1%
- Net Absorption: (91,757)
- Under Construction: 0
- Average Rental Rate: $3.77

### I-85 / Beatties Ford Rd
- SF: 13,969,603
- Buildings: 339
- Available SF: 1,677,707
- Vacancy Rate: 8.8%
- Net Absorption: 56,663
- Under Construction: 0
- Average Rental Rate: $3.62

### Northeast (Meck Line)
- SF: 4,940,285
- Buildings: 179
- Available SF: 847,362
- Vacancy Rate: 13.1%
- Net Absorption: 8,602
- Under Construction: 0
- Average Rental Rate: $3.34

### Union County
- SF: 15,385,167
- Buildings: 582
- Available SF: 930,491
- Vacancy Rate: 2.4%
- Net Absorption: 7,200
- Under Construction: 1
- Average Rental Rate: $3.25

### Gaston County
- SF: 28,280,721
- Buildings: 574
- Available SF: 1,901,295
- Vacancy Rate: 4.4%
- Net Absorption: 151,349
- Under Construction: 0
- Average Rental Rate: $3.17

### CBD
- SF: 633,550
- Buildings: 32
- Available SF: 0
- Vacancy Rate: 0.0%
- Net Absorption: 0
- Under Construction: 0
- Average Rental Rate: $5.34

### South
- SF: 208,867
- Buildings: 14
- Available SF: 0
- Vacancy Rate: 0.0%
- Net Absorption: 0
- Under Construction: 0
- Average Rental Rate: $4.78

### Notable Lease Transactions

<table>
<thead>
<tr>
<th>Building</th>
<th>Submarket</th>
<th>SF</th>
<th>Qtr</th>
<th>Tenant Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000 E Powell Dr*</td>
<td>Lincoln County</td>
<td>360,800</td>
<td>1st</td>
<td>Niagara Bottling</td>
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<tr>
<td>279 Old Murdoch Rd</td>
<td>Iredell County</td>
<td>301,000</td>
<td>1st</td>
<td>Saddle Creek</td>
</tr>
<tr>
<td>2061 Sherrill Dr</td>
<td>Iredell County</td>
<td>112,500</td>
<td>1st</td>
<td>N/A</td>
</tr>
<tr>
<td>Ridge Creek III</td>
<td>State Line</td>
<td>65,000</td>
<td>1st</td>
<td>N/A</td>
</tr>
<tr>
<td>Metrolina Park - Building 4</td>
<td>North</td>
<td>63,511</td>
<td>1st</td>
<td>Tosca</td>
</tr>
<tr>
<td>Merinos Home Furnishings &amp; Antique Mall</td>
<td>Iredell County</td>
<td>63,350</td>
<td>1st</td>
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<tr>
<td>1910 Kyle Ct</td>
<td>Gaston County</td>
<td>54,000</td>
<td>1st</td>
<td>Burlan Manufacturing</td>
</tr>
<tr>
<td>825 Groves St*</td>
<td>Gaston County</td>
<td>50,000</td>
<td>1st</td>
<td>Bryant Electric Supply aka Hagemeyer North</td>
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<tr>
<td>Northpark XIX</td>
<td>North</td>
<td>48,000</td>
<td>1st</td>
<td>N/A</td>
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<tr>
<td>Crosspoint V</td>
<td>North</td>
<td>44,000</td>
<td>1st</td>
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<tr>
<td>Charlotte Distribution Center - CDC 3</td>
<td>North</td>
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<td>Crown Packaging</td>
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<td>Shopton Ridge 30-D</td>
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<td>5639 Brookshire Blvd</td>
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<tr>
<td>Brookwood XI</td>
<td>State Line</td>
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<td>1st</td>
<td>N/A</td>
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<tr>
<td>196 Crawford Rd</td>
<td>Iredell County</td>
<td>30,000</td>
<td>1st</td>
<td>La West Inc</td>
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### Notable Lease Transactions

<table>
<thead>
<tr>
<th>Building</th>
<th>Submarket</th>
<th>SF</th>
<th>Qtr</th>
<th>Tenant Name</th>
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<tbody>
<tr>
<td>16 110 Knob Hill Rd</td>
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<td>27,786</td>
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<td>N/A</td>
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<tr>
<td>17 121 Shannon Bradley Rd</td>
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<td>25,000</td>
<td>1st</td>
<td>N/A</td>
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<tr>
<td>18 Brookwood IV</td>
<td>State Line</td>
<td>24,000</td>
<td>1st</td>
<td>Richelieu Hardware</td>
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<tr>
<td>19 6 20th St SW</td>
<td>Catawba County</td>
<td>23,940</td>
<td>1st</td>
<td>Timeless American Furniture</td>
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<tr>
<td>20 18626 Starcreek Dr</td>
<td>North</td>
<td>23,000</td>
<td>1st</td>
<td>Bell Equipment</td>
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<tr>
<td>21 Brookwood IV</td>
<td>State Line</td>
<td>19,200</td>
<td>1st</td>
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<tr>
<td>22 T.L. Edwards Bldg #1</td>
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<td>17,200</td>
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<td>N/A</td>
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<tr>
<td>23 Fordham Park - Building 11</td>
<td>Tyvola Rd</td>
<td>16,080</td>
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<td>N/A</td>
</tr>
<tr>
<td>24 Crosspoint II</td>
<td>North</td>
<td>16,000</td>
<td>1st</td>
<td>T.E., LLC</td>
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<tr>
<td>25 3325 Service St</td>
<td>Sugar Creek</td>
<td>15,544</td>
<td>1st</td>
<td>N/A</td>
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<tr>
<td>26 145 Blackburn St</td>
<td>York County</td>
<td>15,000</td>
<td>1st</td>
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<tr>
<td>27 600 W 28th St</td>
<td>I-277 / 30th St</td>
<td>14,000</td>
<td>1st</td>
<td>N/A</td>
</tr>
<tr>
<td>28 103 Center Ln</td>
<td>North</td>
<td>13,950</td>
<td>1st</td>
<td>N/A</td>
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<tr>
<td>29 Pine Brook VII</td>
<td>State Line</td>
<td>13,096</td>
<td>1st</td>
<td>N/A</td>
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<tr>
<td>30 1310 Atando Ave</td>
<td>Sugar Creek</td>
<td>12,137</td>
<td>1st</td>
<td>N/A</td>
</tr>
<tr>
<td>31 2716 Chamber Dr</td>
<td>Union County</td>
<td>12,000</td>
<td>1st</td>
<td>Banana Fish, LLC</td>
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<tr>
<td>32 9805 Northcross Center Ct</td>
<td>North</td>
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<td>1st</td>
<td>N/A</td>
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<tr>
<td>33 413 N Polk St</td>
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<td>1st</td>
<td>N/A</td>
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<tr>
<td>34 Talbert Pointe Business Park</td>
<td>Iredell County</td>
<td>11,875</td>
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<tr>
<td>35 1966 Hilton Dr</td>
<td>Iredell County</td>
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<td>36 901 Berryhill Rd</td>
<td>Freedom Dr</td>
<td>10,000</td>
<td>1st</td>
<td>Delectables by Holly</td>
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<td>37 761 Riverview Rd</td>
<td>York County</td>
<td>10,000</td>
<td>1st</td>
<td>Whitney Kane</td>
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<td>38 125 Charter St</td>
<td>Stanly County</td>
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<td>39 1930 Center Park Dr</td>
<td>Tyvola Rd</td>
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* Renewal

### Notable Sales Transactions: 2017 through 1Q 2018

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<tr>
<th>Building(s)</th>
<th>Price</th>
<th>SF</th>
<th>Price PSF</th>
<th>Seller</th>
<th>Buyer</th>
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<tr>
<td>RSI Distribution Center</td>
<td>$55,700,000</td>
<td>1,000,000</td>
<td>$55.70</td>
<td>Hartz Mountain Industries, Inc</td>
<td>Stoneridge Realty &amp; Investments</td>
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<td>The Park - Huntersville</td>
<td>$52,900,000</td>
<td>411,434</td>
<td>$128.57</td>
<td>Bank of America Pension Plan</td>
<td>Aldade Capital, LLC</td>
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<td>InterLoop North &amp; Riverwalk Commercial</td>
<td>$52,200,000</td>
<td>692,833</td>
<td>$75.34</td>
<td>Beacon Partners</td>
<td>Hartz Mountain Industries, Inc</td>
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<td>FedEx Ground</td>
<td>$40,598,446</td>
<td>354,482</td>
<td>$114.53</td>
<td>Suncap Property Group</td>
<td>Monmouth Real Estate Investment Corp</td>
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<td>Legacy Park West</td>
<td>$33,800,000</td>
<td>558,000</td>
<td>$60.57</td>
<td>Scannell Properties</td>
<td>Graham &amp; Company</td>
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<tr>
<td>Spencer Gifts</td>
<td>$31,900,000</td>
<td>491,025</td>
<td>$64.97</td>
<td>STAG Industrial, Inc</td>
<td>Ferncroft Capital</td>
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<tr>
<td>2730 S Queen City Dr</td>
<td>$27,400,000</td>
<td>511,200</td>
<td>$53.60</td>
<td>New York Life Real Estate Investors</td>
<td>Mutual Distributing Co</td>
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<td>119 E Super Sport Dr</td>
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<td>499,200</td>
<td>$51.58</td>
<td>Godley Realty</td>
<td>Exeter Property Group</td>
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<td>Williams Sonoma</td>
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<td>Westminster Capital, LLC</td>
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