

Greater Charlotte Area
(28 ± Mile Radius from Uptown Charlotte)

2017 3Q

Total Number of Buildings	10,130
Total Square Feet	124,473,544
Average Asking Rates	\$16.44
Overall Vacancy	3.9%
Net Absorption	306,085 SF
Deliveries	150,226 SF
Under Construction	1,407,258 SF

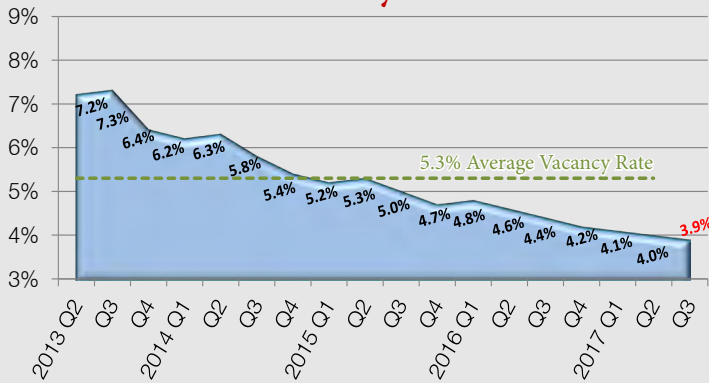
Charlotte's Retail Market Remains Steady but Flat

with a minor dip in vacancy rates and relatively level rental rates from Q1 to Q3 in 2017.

Absorption (RSF) / Asking Rates



Vacancy Rates



Charlotte Unemployment Rate



Local Economy

Charlotte's overall economic picture remained pretty stout during the third quarter, even as the region took a couple minor steps backward in a couple of key metrics.

The unemployment rate in Mecklenburg County stood at 4.2% during Q3. That was up from 4.0% at the end of the second quarter but down from 4.9% the previous year. The local rate compares favorably to the U.S. as a whole, which had a rate of 4.4% during Q3.

The county's average home price was \$286,467 at the end of the third quarter, according to the Charlotte Chamber. It marked the first time since February that average home prices fell below \$300,000. On the bright side, the figure represented a 3% gain year-over-year. However, new construction of multi-family and single-family units was well down from the previous year.

Mecklenburg County's Consumer Price Index during the third quarter showed improvement from the prior year, though it has remained pretty flat for most of 2017.

3Q16 vs. 3Q17



Charlotte Market Overview

Charlotte's retail market was a mixed bag during the third quarter, with some metrics moving in a positive direction but overall activity on the decline. The Q3 vacancy rate stood at 3.9% -- the lowest in at least a decade. The rate was barely down from 4.0% the previous quarter and 4.2% the previous year.

There were a few sales transactions during Q3. One notable deal was Red Hill Ventures' \$13 million purchase of East Town Market in Northeast Charlotte.

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Sources: CoStar, NAI Southern Real Estate

The biggest delivery was a 12,036-square-foot building in the Waverly mixed use development near Ballantyne. Overall, 12 retail buildings totaling 130,226 square feet were delivered during Q3. Both figures were well down from the prior quarter and year.

A total of 186 leasing deals were signed during the third quarter, down from 202 the previous quarter and 249 the previous year.

The retail market's third-quarter net absorption was positive 306,085 square feet. That compares to positive 306,708 square feet the previous quarter and positive 614,451 square feet at the end of the previous year, but comparing quarter to quarter from the previous year, down slightly as seen on the previous pages index.

Average retail rents during the third quarter dipped to \$16.44 per square foot from \$16.56 a quarter earlier, but relatively flat compared to Q1 to Q3 of this year. However, the Q3 rates are up from \$15.85, the previous years Q3 figures.

Midtown - South End

Pappas Properties announced plans for a mixed-use development at a 5.2-acre parcel adjacent to Pearle Street Park in Midtown. According to news reports, plans include demolishing the existing Charlotte Regional Realtor Association building and putting in a mix of residential and retail properties. A new office for the association will be built on a neighboring parcel. Other phases might include a mixed-use development with a hotel and office building in addition to more retail and residential.

Northeast

Charlotte-based Red Hill Ventures paid \$13 million to purchase East Town Market, a 182,362-square-foot retail/office complex on Milton Road. Plans include a revamping of the property's facade, paint, lighting, parking lot, signage and landscaping. There will also be an effort to strengthen the tenant mix with healthier food options, according to media reports. East Town has more than 142,000 square feet of first-floor retail space and 40,150 square feet of second-floor office space.

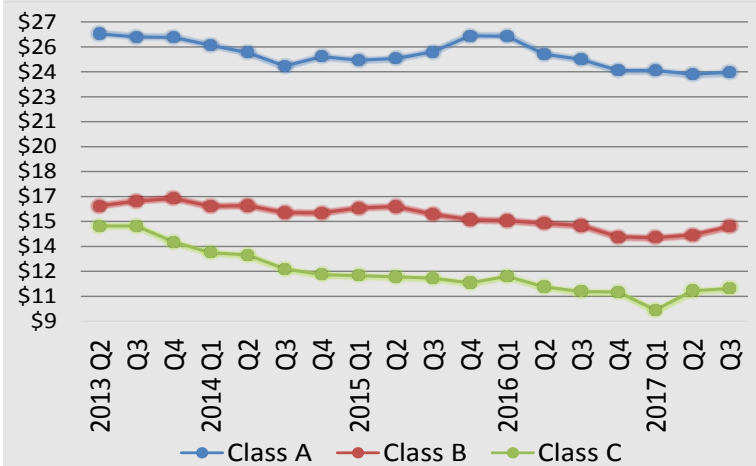
Local Outlook

Despite this year's slowdown in deliveries and leasing deals, developers seem to be bullish on Charlotte's retail market. A total of 53 buildings totaling 1.4 million square feet were under construction at the end of the third quarter. The square footage figure was the highest this decade. One of the largest projects under construction is Riverbend Village, a major mixed-use development near Mountain Island Lake due to deliver early next year.

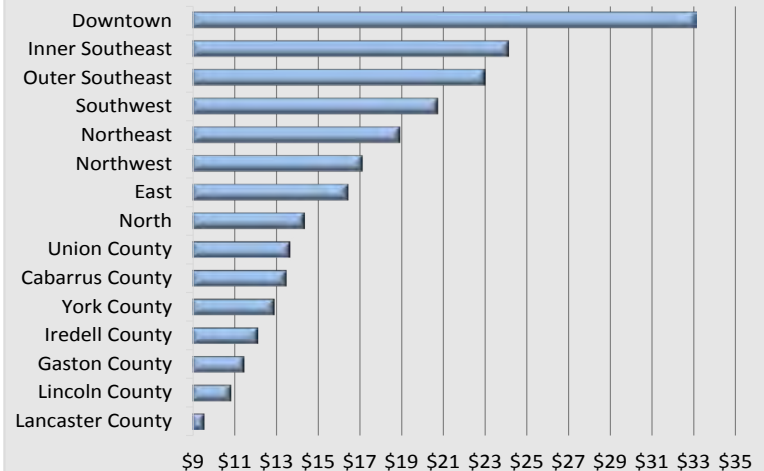
Mecklenburg County's retail sales volume was flat from the prior year at \$1.7. Volume has been trending higher over the last five-plus years, along with the county's population.

The region continues to get good news on the demographic front. A June report from Time magazine said the Charlotte metro area ranked No. 18 among U.S. cities in terms of the number of millennials moving in. According to the report, Charlotte had 4% growth in its millennial population during the first half of the decade, putting it ahead of notable cities such as New York, Las Vegas and Washington, D.C.

Asking Rates by Building Class



Rates by Submarket



North Carolina's Outlook

Meanwhile, state economic trends continue to bode well. North Carolina's inflation-adjusted gross state product (GSP) is expected to increase by 1.9% both this year and next year, according to an economic forecast published in September by Barings and UNC-Charlotte. The report also forecasts that the state's unemployment rate should stay around 4% by the end of this year and then fall to 3.8% by the end of 2018.

Class A, B & C Submarket Statistics and Submarket Specific Statistics

<small>*Class A-C covers the entire 28± Mile Radius Market</small>	Total SF	Total # of Buildings	Total Available SF	Vacancy Rate %	Net Absorption	Deliveries	Under Construction End of 3Q	Average Rental Rate
Class A / (4 & 5 Star)	22,844,686	381	1,310,255	3.4%	51,711	32,000	910,777	\$26.29
Class B / (3 Star)	69,451,557	4,943	4,354,527	4.3%	215,860	108,226	470,481	\$15.94
Class C / (1 & 2 Star)	32,177,301	4,806	1,729,023	3.5%	38,514	10,000	26,000	\$14.74
Downtown	1,242,760	88	41,296	2.0%	12,197	0	62,000	\$33.11
Inner Southeast	11,146,556	900	555,830	3.9%	8,155	4,653	60,000	\$24.14
Outer Southeast	12,151,009	562	639,038	4.1%	21,690	19,036	94,566	\$23.01
Southwest	3,818,528	257	71,176	2.5%	(4,934)	0	19,465	\$20.75
Northeast	11,122,355	890	694,904	4.1%	75,676	23,600	57,800	\$18.94
North	5,385,138	436	327,568	4.1%	(7,119)	0	33,267	\$14.39
East	13,349,977	969	885,741	4.0%	(5,914)	0	26,357	\$16.46
Northwest	7,220,338	626	351,458	3.3%	(18,381)	0	301,000	\$17.14
Union County	9,438,059	910	698,911	4.7%	(2,358)	0	35,700	\$13.69
York County	12,638,357	1,168	754,684	2.8%	77,569	39,195	82,686	\$12.93
Cabarrus County	13,690,194	1,027	685,986	3.5%	84,680	63,742	209,372	\$13.51
Gaston County	13,593,547	1,410	1,091,483	6.5%	40,635	0	110,000	\$11.49
Iredell County	10,600,214	831	622,101	4.9%	32,106	0	1,000	\$12.15
Lincoln County	4,116,934	468	274,441	3.8%	4,604	0	90,358	\$10.87
Lancaster County	3,747,370	399	412,535	4.5%	3,127	0	232,787	\$9.59

Notable Lease Transactions

Building	Submarket	SF	Qtr	Tenant Name
1 Matthews Corners	East	63,000	2nd	Academy Sports
2 202 S NC 16 Hwy	Lincoln County	50,000	2nd	Publix
3 Riverbend Village	Northwest	40,000	2nd	Harris Teeter
4 8215 University City Blvd	Northeast	30,090	3rd	Fallas
5 Bowers - Building A	Inner Southeast	27,234	3rd	Artisanal Brewing Ventures
6 Chester Crossing	Chester County	26,171	1st	Roses
7 Carolina Pavilion	Outer Southeast	26,043	2nd	Frontgate Outlet Store
8 Franklin Square I & II	Gaston County	25,000	2nd	Burkes Outlet
9 8101 University City Blvd	Northeast	24,500	3rd	Patel Brothers
10 Eastgate Shopping Center	Stanly County	24,150	3rd	Ollie' Bargain Outlet
11 City View Shopping Center	Northwest	23,383	1st	American Freight
12 8404 N Tryon St	Northeast	16,000	2nd	-
13 2509 Roosevelt Blvd	Union County	15,231	2nd	-
14 The Ketner Center	Rowan County	15,000	3rd	-
15 Center Street Plaza	Iredell County	14,700	1st	-
16 5352 South Blvd	Inner Southeast	13,880	1st	-
17 Mooresville Consumer Square	Iredell County	13,500	1st	Tuesday Morning
18 Salisbury Marketplace	Rowan County	12,500	3rd	City Trends
19 Parkway Crossing Phase I	Outer Southeast	12,275	2nd	Habitat Restore
20 3425 David Cox Rd	Northeast	11,316	1st	Stats
21 1315 East Blvd	Inner Southeast	10,980	2nd	The People's Market
22 403 S NC 27 Hwy	Gaston County	10,908	1st	Dollar Tree

Notable Lease Transactions

Building	Submarket	SF	Qtr	Tenant Name
23 Oak Street Mill	North	10,874	2nd	-
24 7129 Wallace Blvd	East	10,812	1st	Manpower Auto Detailing
25 Charlotte Cotton Mills	Downtown	10,651	2nd	-
26 Shops at Freedom - Bldg 2 *	Northwest	9,869	2nd	Salon Central
27 Franklin Square I & II	Gaston County	9,575	1st	Partners in Primary Care
28 Hwy 521 and Hwy 160	Lancaster County	9,464	3rd	Tide Dry Cleaners
29 322 S Main St	Rowan County	9,088	1st	Roc's Furniture
30 2549 W Franklin Blvd	Gaston County	9,000	2nd	Gavel Time Auction
31 The Plaza Mall Marketplace	Northeast	8,753	1st	New Hope Church
32 128 N Broad St	Iredell County	8,700	1st	WFV Design
33 Lake Wylie Plaza	York County	8,513	3rd	Dollar Tree
34 2301 Westinghouse Blvd	Southwest	8,470	3rd	Family Dollar
35 City View Shopping Center	Northwest	8,450	3rd	-
36 902 N New Hope Rd	Gaston County	8,000	2nd	Auto Accessories
37 1350 US 321 Hwy	Catawba County	7,600	3rd	Peddler's Steak House
38 215 Williamson Rd	Iredell County	7,406	3rd	Honest 1 Automotive
39 354 George W Liles Pkwy NW	Cabarrus County	7,366	3rd	Pet Supermarket
40 Countryside Shopping Center	Outer Southeast	7,000	3rd	Play It Again Sports

* Renewal

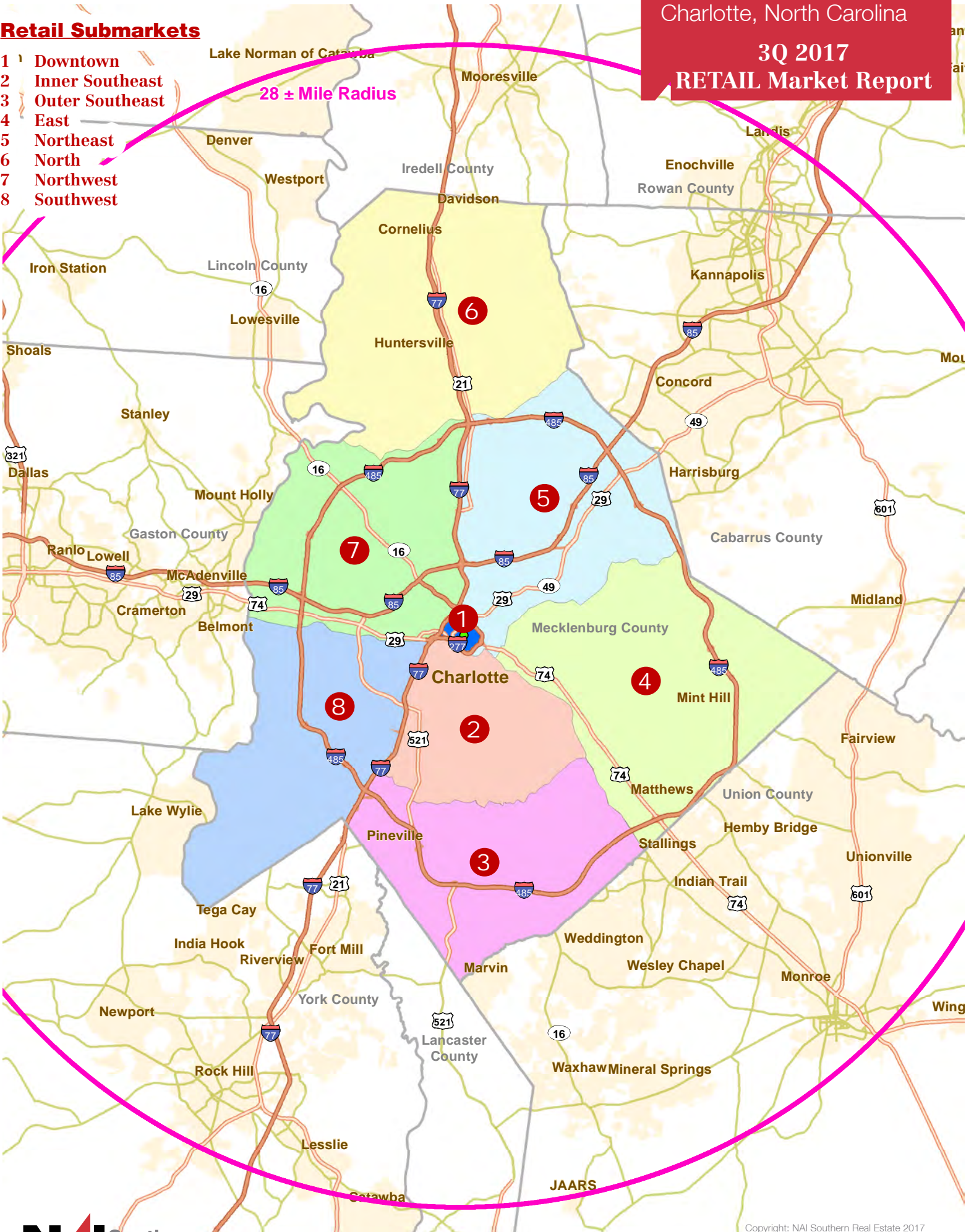
Major Sales Transactions

Building(s)	Price	SF	Seller	Buyer
Mooresville Consumer Square	\$48,230,000	472,182	DDR Corp.	Slate Retail REIT
Hickory Ridge Shopping Center	\$44,020,000	380,487	Retail Properties of America, Inc	Acadia Realty Trust
Ballantyne Village - A, B & F	\$43,150,000	166,000	Vision Ventures	American Realty Advisors
McCullough Commons	\$40,100,000	209,175	Smart Stop Asset Management	Ferris Development, LLC
Northcross Commons	\$31,000,000	62,164	Hawthorne Retail Partners, Inc	InvenTrust Properties
900 Metropolitan Ave	\$30,000,000	122,695	Property Markets Group, Inc	Bluejay Management
The Arbors at Mallard Creek	\$25,100,000	55,323	Principal Real Estate Investors, LLC	Westwood Financial Corp.
Coddle Creek Market/Regency Village	\$22,200,000	149,098	Castco	ECHO Real Estate Services
Mooresville Town Square	\$16,700,000	89,824	Manchester Financial NC, LLC	Slate Retail REIT
East Town Square				

Retail Submarkets

- 1 Downtown
- 2 Inner Southeast
- 3 Outer Southeast
- 4 East
- 5 Northeast
- 6 North
- 7 Northwest
- 8 Southwest

28 ± Mile Radius



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