

Q4 2018

Industrial Insight

Industrial continues to lead the way across all asset classes

- YoY average asking rents increased 16% compared to Q4 2017.
- Charlotte absorbed over 5.2 million square feet in 2018.
- Industrial continues to be the preferred asset class among institutional investors

Charlotte absorbed a reported 5.2 million square feet in 2018. That marks the 4th consecutive year Charlotte absorbed at minimum four million square feet. Average asking rate went up to \$4.35/sf, a 16% jump compared to Q4 2017. The vacancy rate increase is attributed to a number of factors; several older buildings with large blocks of space being vacated, and construction deliveries. The increase, however, is a sign of a healthy, expanding marketplace.

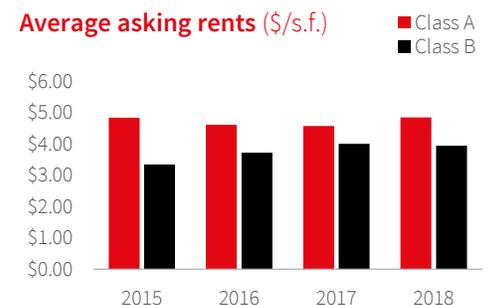
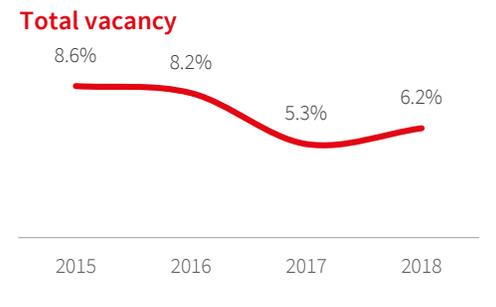
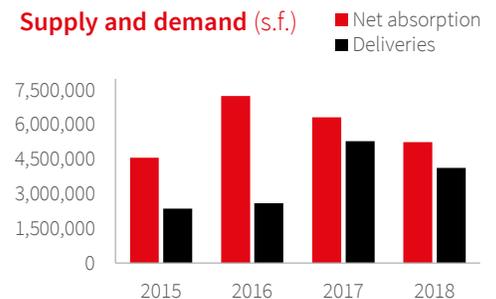
Key leasing announcements were highlighted by Black & Decker's 345,000 square foot lease at Hartz Mountain's Lakemont development in Fort Mill. Frit-O-Lay will occupy 244,999 square feet at Childress Klein's Geneva I along the Westinghouse corridor in southwest Charlotte. Sampling International leased 117,000 square feet at SteelePoint in the Westinghouse submarket. Carroll Tire will take the entire 158,841 square foot facility at 4265 Trailer Dr. in the Central Charlotte submarket. Many of the marquee deals in Charlotte in Q4 occurred at spec construction projects, a trend that should continue into 2019.

According to Real Capital Analytics, an estimated \$1.02 billion dollars were invested in Charlotte industrial in 2018. Highlighted in Q4 by Foundry's sale of SteelePointe Industrial Park for \$38.7 million to Cabot Properties, and not far from Charlotte's center city, Elmtree sold the LKQ facility at 1850 Queen City Dr. Investors will continue to find facilities that are close to highly populated areas of Charlotte.

Outlook

The U.S. industrial market maintained momentum in 2018 with stable rent growth and vacancy. The Class A market has been the primary driver of rental growth as developers add more spec projects to the construction pipeline. With a flight to quality for large institutional tenants, landlords of Class B product may look to take advantage of rising rental rates to renovate or add more amenities to attract tenants who may be priced out of Class A space.

Fundamentals	Forecast
YTD net absorption	5,244,615 s.f. ▲
Under construction	4,652,452 s.f. ▲
Total vacancy	6.2% ▲
Average asking rent	\$4.35 p.s.f.
Concessions	Flat



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