

INVESTMENT FORECAST

RETAIL
Charlotte Metro Area

IPA
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ADVISORS

2019

Grocery Stores and Fitness Centers Drive Retail Demand; Transit-Oriented Assets Lure New Investors

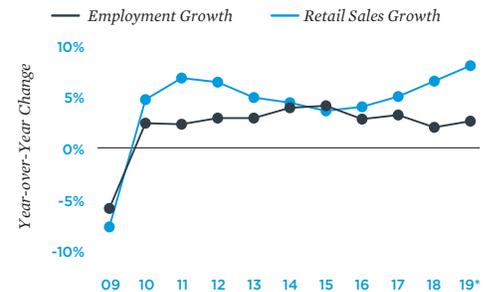
Steady employment growth fuels demand for Charlotte retail. More than 280,000 jobs have been created since 2010 as the metro has been a hub of corporate relocations and expansions. Recent announcements were made by Honeywell and LendingTree, which combined will add close to 1,000 positions over the next few years. The increase in employment opportunities is attracting new residents and nearly 50,000 additional people are expected to call the region home in 2019. The market ranks among the top 10 nationally in terms of percentage of growth, generating demand for goods and services. Grocery stores and fitness centers have been large occupiers of space in recent years and this trend will continue in 2019, with Harris Teeter among the grocers adding locations. The largest development due this year is Riverbend Village in Northwest Charlotte at 200,000 square feet. The mixed-use project will also house the headquarters of Corning Optical Communications and 370 residential units in 2019, with a hotel and additional office space due next year. Metrowide, the vacancy rate will remain below 5 percent for a third consecutive year, inching the average asking rent higher.

Strong economic drivers draw investors to Charlotte. The market's population growth and expanding corporate presence are gaining the attention of investors. Mixed-use buildings in transit-oriented walkable neighborhoods are enticing new buyers to the region. Construction along the LYNX Blue Line extension, which connects uptown with UNC-Charlotte in the northeast portion of the metro, is providing additional buying opportunities. Many of these properties will trade below the market's average cap rate, which compressed 40 basis points in the past year into the low-7 percent span. After being outbid by outside investors in past years, local buyers are more willing to pay pricing premiums for quality locations. Some sites near the downtown core or transit stations are being purchased for redevelopment opportunities.

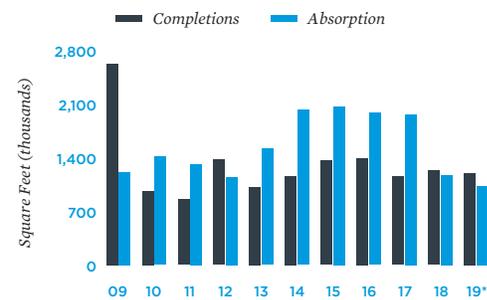
2019 Market Forecast

- Employment** up 2.6%  Roughly 32,000 workers will be added to staffs during 2019, up from 24,500 last year.
- Construction** 1.2 million sq. ft.  Deliveries are on par with last year's 1.2 million square feet, the eighth consecutive year that completions top 1 million square feet.
- Vacancy** up 10 bps  More speculative inventory will nudge vacancy up to 4.4 percent in 2019, after holding steady last year.
- Rent** up 0.7%  The average asking rent inches up to \$15.39 per square foot during 2019, just shy of the peak reached in 2009. Last year, a nominal dip was registered.
- Investment**  Investors in search of yield will find a greater potential for higher returns outside of the 485 Loop. Older multi-tenant assets with local tenants in Gastonia or Mooresville can trade at cap rates above 8 percent.

Employment vs. Retail Sales Trends



Retail Completions



Asking Rent and Vacancy Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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