

# INVESTMENT FORECAST

INDUSTRIAL  
Charlotte Metro Area

IPA  
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2019

## Carolina's Central Hub Draws Industrial Interest; Investors Seek to Capitalize on Low Vacancies

**Robust population growth and access to key distribution channels strengthen demand for warehouse space.** The metro provides distribution advantages to tenants with easy access to Charlotte International Airport, Interstate 77, Interstate 85 and a population that is growing at triple the national rate. The area has seen an influx of e-commerce companies searching for opportunities to grow a footprint near their consumer base in response to the emphasis on last-mile shipping. After two years of heightened construction levels, expected deliveries are closer to the previous five-year average, with 2.5 million square feet scheduled to be finalized in 2019. The decline in new inventory and Amazon's recent move into 1 million square feet of existing space will result in absorption levels outpacing completions, compressing the vacancy rate to the lowest level of the current cycle. The Queen City's demand for leasable space is going to push rents up for the sixth consecutive year.

**Outdated warehouses are enticing investors through value-add opportunity.** Charlotte industrial market posted increased trading activity in 2018 as more out-of-state buyers entered the market hoping to capitalize on the high tenant demand and compressed vacancy rates. The majority of the activity is focused around the Interstate 77 and 485 interchange, and in Catawba County situated northwest of Charlotte near Interstate 40. Metrowide, buyers are seeking warehouses built before 2000 and ranging from 10,000 square feet to 100,000 square feet. Many of these older properties near population centers are being renovated and may be targeted for lease by last-mile distributors. First-year returns in the market are typically in the 7 to 8 percent range, but they can dip below that for well-located assets.

## 2019 Market Forecast

- Employment up 2.6%

Charlotte employers will hire 32,000 workers this year, expanding payrolls by 2.6 percent. A portion of this growth is due to Amazon's move into an existing 1 million-square-foot facility.
- Construction 2.5 million sq. ft.

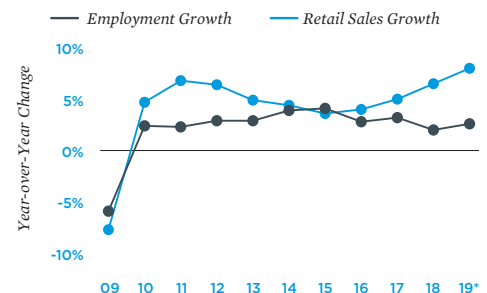
The square footage delivered in 2018 was much greater than what is expected for 2019. The largest development to be finalized is Campbell's Soup's 500,000-square-foot facility.
- Vacancy down 20 bps

Net absorption outpaces construction, contracting vacancy to 5.0 percent after posting 5.2 percent vacancy in 2018.
- Rent up 4.3%

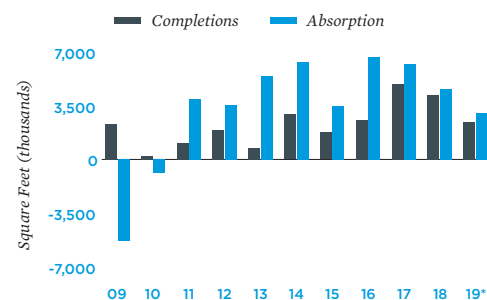
The average asking rent rises to \$4.66 per square foot, building on last year's 5.7 percent gain.
- Investment

Investors looking for steady cash flows can find opportunity in Union County where centers support the metro's growing southeast suburbs. The average vacancy here is below 3 percent.

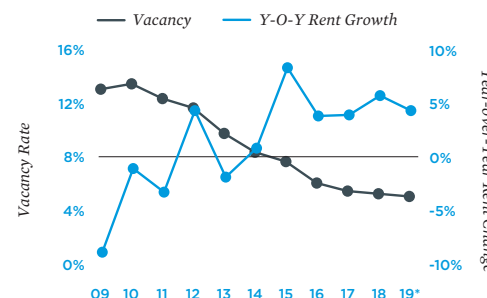
### Employment vs. Retail Sales Trends



### Industrial Completions



### Asking Rent and Vacancy Trends



\* Forecast;  
Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2018. Asking rent is based on the full-service marketed rental rate. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.