

CHARLOTTE, NORTH CAROLINA MARKETRESOURCE



OFFICE

2Q | 2014

Office Market Overview

Total net absorption in the Charlotte office market was positive 208,244 square feet during second quarter. Vacancy in the metro dropped 20 basis points from the previous quarter to 13.4 percent. The suburban office market drove the trend with 296,176 square feet worth of move-ins while the urban areas experienced a negative space demand of -87,932 square feet.

The contractions in the urban areas are mainly due to shifts Uptown. Class A and B vacancy in Uptown climbed 60 basis points to 10.7 percent during second quarter, but the CBD still has one of the lowest vacancy rates among the Charlotte submarkets behind Midtown. Bank of America moved out of approximately 130,000 square feet on floors 11 and 12 at BB&T Center creating one of the largest blocks of vacant space. In an effort to consolidate operations, Bank of America took all space off the market in Uptown as they work to relocate employees into properties that the bank owns. Plans to move their operations from the Betsill building in Ballantyne to the Sherrill building and Gateway Village by the end of the year have also been set. Other reductions in Uptown during second quarter included McGuireWoods and PricewaterhouseCoopers. McGuireWoods consolidated their space at Fifth Third Center and gave back approximately 25,000 square feet as part of their lease renewal and PricewaterhouseCoopers relet and moved from three full floors down to two floors in Hearst Tower. Conversely, the largest gains in Uptown were at The Boxer Building where AccruePartners occupied over 12,000 square feet and at the Charlotte Chamber of Commerce building at 330 S Tryon Street where BBVA moved into nearly 12,000 square feet.

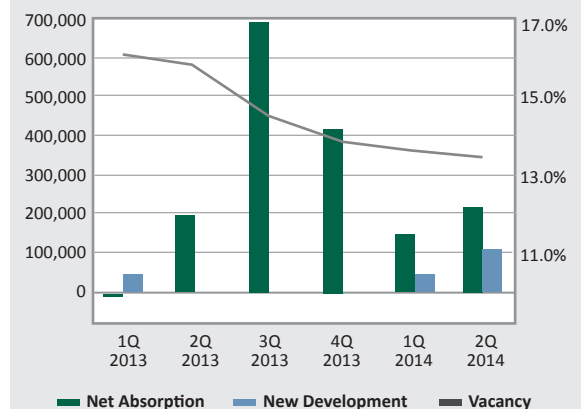
In the suburban areas, the University, SouthPark and Airport submarkets experienced the largest increases in space demand. In the University, ALLSTATE moved out of Three Resource Square and into 60,000 square feet at 8209 IBM Drive at Innovation Park. ALLSTATE plans to occupy a total of 200,000 square feet at Innovation Park by late 2015. Wells Fargo also moved into the newly renovated building at 8740 Research Drive in May where they signed a lease for the entire 160,000 square foot building. In SouthPark, SunTrust settled into nearly 60,000 square feet in the recently constructed office building at Sharon Square that will now serve as a regional headquarters. The largest move-ins in the Airport submarket were at ArrowPoint One and Whitehall Corporate Center IV. Carolinas HealthCare System took the entire building at ArrowPoint One in April totaling over 66,000 square feet at and SERC moved into 27,157 square feet on the first and third floors in June at Whitehall Corporate Center IV on Arco Corporate Drive.

Leasing activity during second quarter approached 850,000 square feet. The largest lease signed during the quarter was at Ballantyne Three where Snyder's-Lance agreed to lease the entire 104,000 square foot building. Sonic Automotive also signed a 40,000 square foot lease in the Hayes building in Ballantyne Corporate Park. Though there was substantial leasing activity, the Charlotte metro area is still stinging from the announcements that two companies are moving their headquarters over the South Carolina border to Fort Mill's Kingsley Park. LPL Financial will move 1,000 employees and Lash Group will move 1,200 employees from three different locations to new buildings in the park - both buildings are expected to deliver in 2016. These moves will open up large blocks of space, particularly in the Airport submarket where both companies occupy space, to make way for new prospects. Five Coliseum Centre, one of the buildings that LPL Financial plans to vacate, just sold to America's Capital Partners, LLC in a three building portfolio for \$62.5 million.

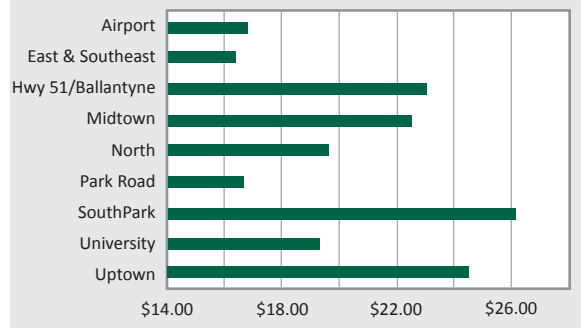
MARKET STATISTICS

	2Q 2014	1Q 2014	FORECAST
Market Supply (SF)	56,198,124	56,092,624	▲
Under Construction (SF)	347,258	188,908	▲
Direct Vacancy (%)	13.1%	13.2%	▼
Total Vacancy (%)	13.4%	13.6%	▼
Total Net Absorption (SF)	208,244	148,141	▲
YTD Net Absorption (SF)	356,385	197,106	▲
Direct Asking Rent	\$21.19	\$21.03	▲
Class A Direct Asking Rent	\$23.72	\$23.59	▲
Class B Direct Asking Rent	\$18.30	\$18.21	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET ASKING RATES - 2Q 2014



Source: CoStar; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research



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OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	2Q 2014 Absorption	YTD 2014 Absorption	Completions	Construction	Asking Rates
UPTOWN	19,754,725	2,106,574	10.7%	-112,863	-79,513	0	0	\$24.45
MIDTOWN	4,425,885	252,861	5.7%	24,931	36,375	0	46,000	\$22.52
URBAN TOTALS	24,180,610	2,359,435	9.8%	-87,932	-43,138	0	46,000	\$24.23
AIRPORT	9,961,645	1,734,949	17.4%	90,325	21,417	0	0	\$16.85
EAST & SOUTHEAST	2,610,248	439,079	16.8%	206	681	0	37,408	\$16.45
HWY 51 / BALLANTYNE	6,547,642	1,054,354	16.1%	-53,674	60,563	0	0	\$23.06
NORTH	2,987,673	552,105	18.5%	-8,012	18,769	0	0	\$19.73
PARK ROAD	639,999	148,747	23.2%	8,900	9,154	0	0	\$16.62
SOUTHPARK	4,749,230	520,644	11.0%	101,098	88,350	1	263,850	\$26.08
UNIVERSITY	4,521,077	723,300	16.0%	157,333	200,589	0	0	\$19.36
SUBURBAN TOTALS	32,017,514	5,173,178	16.2%	296,176	399,523	1	301,258	\$19.76
CHARLOTTE TOTALS	56,198,124	7,532,613	13.4%	208,244	356,385	1	347,258	\$21.05

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	197	32,923,863	3,832,067	11.6%	418,063	\$23.42
Class B	314	23,274,261	3,700,546	15.9%	-61,678	\$18.28
MARKET TOTALS	511	56,198,124	7,532,613	13.4%	356,385	\$21.05

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Charlotte Chamber of Commerce	Uptown	65,000	\$12,150,000	\$179.00
Three, Five & Six Coliseum Center	Airport	490,319	\$63,300,000	\$129.00
One & Two North Falls Plaza	Airport	222,247	\$33,200,000	\$149.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Snyder's-Lance Inc.	Ballantyne Three	Hwy 51 / Ballantyne	104,368	New
Sonic Automotive	Hayes Building	Hwy 51 / Ballantyne	40,000	Sublease
SnapAV Commercial	Patriot Plaza	Airport	32,500	New
Duke Energy Corp	NASCAR Plaza	Uptown	21,485	New
CH2M Hill	Cullman Park	Hwy 51 / Ballantyne	15,454	New

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About Lincoln Harris

Lincoln Harris, an affiliate of Lincoln Property Company, is a full-service corporate real estate company focused on development, commercial brokerage, corporate real estate services, retail services, land services, project services, property management and asset management. Based in Charlotte, NC, Lincoln Harris has twenty-three service offices across the country.

Source: CoStar; Real Capital Analytics; Lincoln Harris Research

