

Office Market Overview

For businesses in Mecklenburg County, 2016 is off to a strong start. First quarter was one of the strongest for job growth in the last two years as 283 firms added 2,675 jobs – more than double the job growth number of first quarter of 2015. Among companies moving and expanding in the area, U.S. Bank expanded to the fourth floor of South Tryon Square, taking an additional 24,000 square feet. The company has been growing these operations since expanding here in late 2014 and now has 400 employees in Charlotte. Republic Services also announced in February that they would open a full-service customer service center in Charlotte, creating 350 new jobs and investing \$6.8 million over the next three years. The company recently leased over 82,000 square feet at 10815 David Taylor Drive.

Charlotte's economy continues to bring opportunities for investors. During first quarter, 18 office buildings sold totaling \$659 million with an average price of \$252 psf and an average cap rate of 5.7 percent. The largest building sale was One Wells Fargo Center, a nearly 1.0 million square foot Class A office building that is 98.0 percent leased. The tower was acquired by 301 College Street Center LLC in late March from Starwood Capital Group and Vision Properties for \$284 million. KBS Real Estate Investment Trust III finalized a \$147 million purchase of the Carillon office tower, another Class A office building totaling 476,000 square feet located on West Trade Street.

Overall office building vacancy in the Charlotte metro declined 60 basis points from 11.1 percent to 10.5 percent during first quarter 2016. Direct vacancy moved to 9.9 percent – down 80 basis points from fourth quarter, and down 160 basis points versus a year ago. Overall net absorption was positive 390,000 square feet and much of that activity was in the CBD and Airport submarkets. In Uptown, Townsquare Interactive relocated from Ballantyne to 200 S Tryon where they are now leasing 51,000 square feet on two floors of the building. In addition, Dimensional Fund Advisors took two floors totaling nearly 50,000 square feet at Fifth Third Center for the company's East Coast regional headquarters. Dimensional Fund Advisors along with Cousins Properties will be developing a new headquarters building in Southend on 2.3 acres worth \$12.2 million located on Camden Road, South Tryon Street, and West Park Avenue. Near the airport, iQor moved into the company's new 80,000 square foot building at SouthLake Crossing. Also, Imagine Software moved into almost 37,000 square feet in the Willow Oak building and Healthgram Inc. moved into approximately 19,000 square feet in the Laural Oak building, both on Red Oak Boulevard.

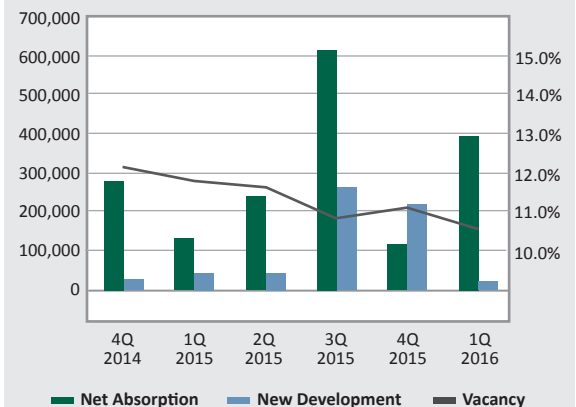
There are few options if a company is looking for large contiguous blocks of space in the Charlotte metro. In Uptown, there are only three existing buildings that can accommodate a request for 100,000 square feet or more including 300 S Brevard, 128 S Tryon, and 101 Independence Center. Two additional buildings are under construction, but will not be available until the first half of 2017 - 615 S College and 300 S Tryon. The former AT&T Plaza building at 300 S Brevard Street is currently undergoing renovations since Stream Realty Partners purchased the building from Childress Klein Properties and Norfolk Southern Corp for \$45.5 million during third quarter 2015. The building has 332,000 square feet currently available for lease. In the First Citizens Bank Plaza building at 128 S Tryon, Westinghouse Electric Co., which recently purchased Chicago Bridge & Iron's nuclear engineering business, is looking to move the company's uptown office totaling nearly 180,000 square feet to southwest Charlotte when the lease expires in April. Bank of America will leave approximately 95,000 square feet on the market at 101 Independence Center when they vacate floors six through nine in August 2016 as part of the company's effort to consolidate. The two remaining building options with more than 100,000 square feet of contiguous space are located in the suburbs of Charlotte. Capitol Tower's South Tower delivered 240,000 square feet in September of last year in SouthPark. Sterling Capital Management and Dixon Hughes Goodman, two of the largest tenants signed to date, have claimed the top three floors. The building has a little over 100,000 square feet left on floors one through five available for lease. The last building to consider is the 287,507 square foot Brigham Building in Ballantyne Corporate Park that is currently under construction and set to deliver in November 2016. No transactions have been announced to date. With Charlotte being named as one of the fastest growing cities recently in Forbes magazine, these spaces are expected to lease up with new and expanding companies.

Source: CoStar data pulled 4.8.16; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research

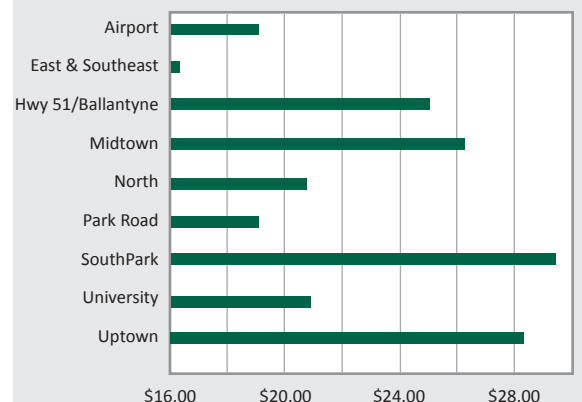
MARKET STATISTICS

	1Q 2016	4Q 2015	FORECAST
Market Supply (SF)	56,606,746	56,490,847	▲
Under Construction (SF)	2,519,272	2,272,022	▲
Direct Vacancy (%)	9.9%	10.7%	▼
Total Vacancy (%)	10.5%	11.1%	▼
Total Net Absorption (SF)	390,033	108,590	▲
YTD Net Absorption (SF)	390,033	1,075,419	▼
Direct Asking Rent	\$24.00	\$23.54	▲
Class A Direct Asking Rent	\$26.79	\$26.30	▲
Class B Direct Asking Rent	\$19.54	\$19.68	▼

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 1Q 2016



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	1Q 2016 Absorption	YTD 2016 Absorption	Completions	Construction	Direct Asking Rate
UPTOWN	19,522,711	1,626,458	8.3%	184,909	184,909	0	1,219,722	\$28.36
MIDTOWN	4,413,763	205,792	4.7%	41,186	41,186	0	36,000	\$26.28
URBAN TOTALS	23,936,474	1,832,250	7.7%	226,095	226,095	0	1,255,722	\$28.16
AIRPORT	10,022,124	1,218,839	12.2%	212,801	212,801	0	643,300	\$19.10
EAST & SOUTHEAST	2,635,751	359,400	13.6%	7,981	7,981	0	26,500	\$16.25
HWY 51/BALLANTYNE	6,694,085	746,955	11.2%	-615	-615	0	287,500	\$25.01
NORTH	3,310,945	440,052	13.3%	39,599	39,599	25,000	70,000	\$20.91
PARK ROAD	624,546	85,063	13.6%	-15,937	-15,937	0	-	\$19.07
SOUTHPARK	4,611,804	602,639	13.1%	-1,646	-1,646	0	236,250	\$29.62
UNIVERSITY	4,680,118	622,736	13.3%	-78,245	-78,245	0	-	\$20.95
SUBURBAN TOTALS	32,579,373	4,075,684	12.5%	163,938	163,938	25,000	1,263,550	\$21.75
CHARLOTTE TOTALS	56,515,847	5,907,934	10.5%	390,033	390,033	25,000	2,519,272	\$24.00

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2016 Absorption	Direct Asking Rent (PSF)
Class A	206	33,226,601	3,202,607	9.6%	219,470	\$26.79
Class B	319	23,289,246	2,705,327	11.6%	170,563	\$19.54
MARKET TOTALS	525	56,515,847	5,907,934	10.5%	390,033	\$24.00

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
One Wells Fargo Center	Uptown	985,315	\$284,000,000	\$288.00
Carillon Building	Uptown	476,308	\$147,000,000	\$309.00
Esplanade at SouthPark	SouthPark	219,110	\$38,000,000	\$173.00
SouthPark Center I	SouthPark	145,350	\$28,300,000	\$194.00
Five Resource Square	University	156,250	\$22,000,000	\$141.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
MetLife	Woodward Building	Hwy 51/Ballantyne	56,742	Expansion
American International Group	BB&T Center	Uptown	32,108	New
Ensemble Health Partners	Alexander Building	North	30,870	New
US Bank	201 S Tryon	Uptown	24,124	New
Not Disclosed	Hearst Tower	Uptown	24,055	New

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.

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