



## Office Market Overview

In Mecklenburg County, unemployment rates dropped to a nine year low of 4.4 percent according to the latest numbers published in May. During the first half of 2016 there were approximately 1,600 more jobs added than in the first six months of 2015.

Overall office building vacancy in the Charlotte metro declined 20 basis points from 10.9 percent to 10.7 percent during second quarter. Direct vacancy moved to 10.1 percent – down 160 basis points versus a year ago. Overall net absorption was positive 116,506 square feet with the North, University, and SouthPark submarkets experiencing the most activity. One of the largest move-ins of the quarter was the relocation of Republic Services Inc. Republic Services Inc. announced in February of this year that the company would bring 350 jobs and spend \$6.8 million to open a customer service center. In April, the waste company moved into 82,375 square feet on the third and fourth floors at Three Resource Square located at 10815 David Taylor Drive in the University submarket. Further North, Ensemble Health Partners moved into over 30,000 square feet on the second floor in the Alexander Building in Huntersville, and in SouthPark, Ally Financial relet a portion of Garretson Resolution Group's former space and took over approximately 57,000 square feet on the second floor in April.

Over 1.3 million square feet of leases were signed during second quarter. The largest lease reported was at LakePointe Corporate Center where Westinghouse Electric (WECTEC) signed a new lease for 140,000 square feet - one floor in LakePointe Corporate Center 3 and all of LakePointe Corporate Center 5. The company will be moving out of the First Citizens Bank Plaza building at 128 S Tryon Street to take the majority of the space previously occupied by The Lash Group near the airport. The Lash Group moved to a new headquarter building in Fort Mill in April. In Uptown, Elliott Davis Decosimo announced that the company signed a lease for 58,600 square feet on floors 6 and 7 at 500 East Morehead - a 180,000 square foot Class A office building currently under construction. The building is expected to deliver by the end of this year. The largest renewal of second quarter was Belk's renewal at 2801 W Tyvola Road where the retailer occupies the entire 470,000 square foot building. The new lease expires in April 2031.

Building sales remain active in the Charlotte metro. The largest office building sales transaction during second quarter was The Charlotte Observer building located in Uptown at 600 S Tryon Street. The 361,000 square foot building on 9.4 acres sold for \$34.12 million (\$95 per square foot) to a joint venture between Lincoln Harris and Goldman Sachs. The Charlotte Observer has relocated to NASCAR Plaza at 550 S Caldwell Street where the company has subleased nearly 70,000 square feet on floors 10 through 12 from Chiquita Brands. Chiquita closed the company's headquarters and moved to Central Florida after moving to Charlotte in 2011. The Charlotte Observer building is being demolished and the site prepared for a future development. Lincoln Harris is the latest developer to join in the transformation along Stonewall Street.

Overall Charlotte metro Class A and B office rents were pushed to \$24.25 psf during second quarter - up approximately 1.1 percent from first quarter and up almost 6.0 percent over last year. Class A direct rental rates increased to \$27.30 psf while Class B direct rental rates fell slightly over the previous quarter to \$19.41 psf. Class A office product in Midtown, Park Road, and SouthPark are demanding the highest rents with SouthPark being the highest at \$32.36 psf on full service leases.

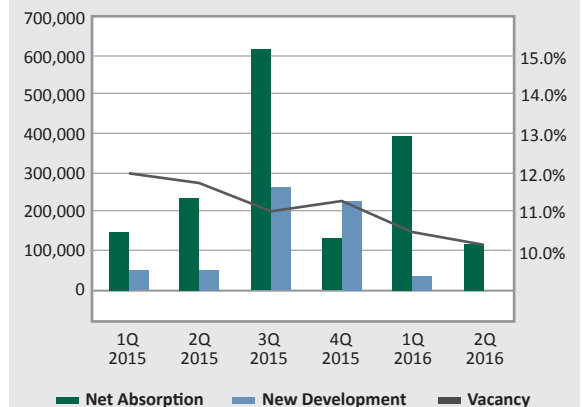
No new buildings were delivered into the market during second quarter, but development activity continues with approximately 2.65 million square feet of projects currently under construction. The largest office developments are in the CBD with Spectrum Properties' 300 S Tryon Street and Portman Holdings' 615 S College Class A office buildings. However, the suburban areas are also experiencing significant development activity. There are five buildings currently under construction in the Airport submarket alone. The largest being the new \$58.0 million, 300,000 square foot Sealed Air campus on Cascade Pointe Boulevard expected to deliver in November of this year. Sealed Air announced in the summer of 2014 that it would be moving its corporate headquarters to Charlotte from New Jersey adding almost 1,300 jobs to the City of Charlotte.

Source: CoStar data pulled 7.15.16; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research

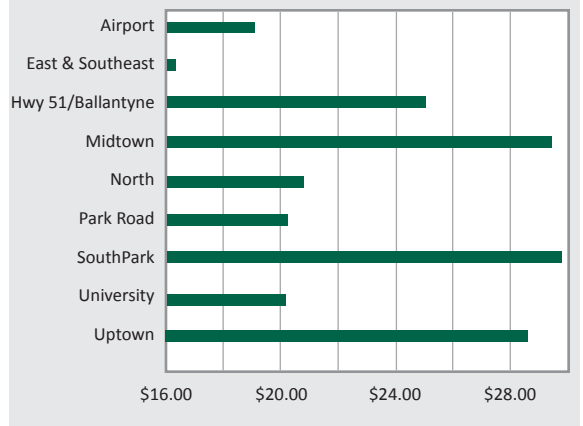
### MARKET STATISTICS

	2Q 2016	1Q 2016	FORECAST
Market Supply (SF)	56,531,944	56,531,944	▲
Under Construction (SF)	2,658,018	2,533,018	▲
Direct Vacancy (%)	10.1%	10.4%	▼
Total Vacancy (%)	10.7%	10.9%	▼
Total Net Absorption (SF)	116,506	394,265	▼
YTD Net Absorption (SF)	510,771	394,265	▲
Direct Asking Rent	\$24.41	\$24.17	▲
Class A Direct Asking Rent	\$27.30	\$26.96	▲
Class B Direct Asking Rent	\$19.41	\$19.48	▼

### HISTORICAL VACANCY & NET ABSORPTION



### SUBMARKET DIRECT ASKING RATES - 2Q 2016



## OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	2Q 2016 Absorption	YTD 2016 Absorption	Completions	Construction	Direct Asking Rate
UPTOWN	19,440,892	1,596,153	8.2%	-19,510	165,399	0	1,213,461	\$28.70
MIDTOWN	4,413,765	173,249	3.9%	32,543	73,729	0	251,000	\$29.35
<b>URBAN TOTALS</b>	<b>23,854,657</b>	<b>1,769,402</b>	<b>7.4%</b>	<b>13,033</b>	<b>239,128</b>	<b>0</b>	<b>1,464,461</b>	<b>\$28.79</b>
AIRPORT	10,066,164	1,425,819	14.2%	-76,674	136,127	0	573,300	\$19.09
EAST & SOUTHEAST	2,638,608	352,974	13.4%	25,301	33,228	0	26,500	\$16.39
HWY 51/BALLANTYNE	6,732,565	759,502	11.3%	-12,547	-13,162	0	287,507	\$25.19
NORTH	3,310,945	366,412	11.1%	61,179	108,814	0	70,000	\$20.78
PARK ROAD	624,546	72,163	11.6%	8,680	-7,257	0	0	\$20.23
SOUTHPARK	4,629,456	554,004	12.0%	40,827	35,431	0	236,250	\$29.82
UNIVERSITY	4,675,003	749,656	16.0%	56,707	-21,538	0	0	\$20.16
<b>SUBURBAN TOTALS</b>	<b>32,677,287</b>	<b>4,280,530</b>	<b>13.1%</b>	<b>103,473</b>	<b>271,643</b>	<b>0</b>	<b>1,193,557</b>	<b>\$21.88</b>
<b>CHARLOTTE TOTALS</b>	<b>56,531,944</b>	<b>6,049,932</b>	<b>10.7%</b>	<b>116,506</b>	<b>510,771</b>	<b>0</b>	<b>2,658,018</b>	<b>\$24.41</b>

## OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2016 Absorption	Direct Asking Rent (PSF)
Class A	211	33,706,560	3,366,905	10.0%	266,496	\$27.30
Class B	315	22,825,384	2,683,027	11.8%	244,275	\$19.41
<b>MARKET TOTALS</b>	<b>526</b>	<b>56,531,944</b>	<b>6,049,932</b>	<b>10.7%</b>	<b>510,771</b>	<b>\$24.41</b>

## RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
The Charlotte Observer	Uptown	361,000	\$34,100,000	\$95.00
Fairview Center I & II	SouthPark	181,115	\$33,800,000	\$186.00
Morrison Building	SouthPark	114,545	\$22,800,000	\$199.00
Park Abbey	Park Road	111,226	\$12,400,000	\$112.00
Roxborough	SouthPark	64,718	\$12,700,000	\$196.00

## SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Belk Inc.	2801 W Tyvola Road	Airport	470,000	Renewal
CPI Security Systems, Inc.	4240 Sandy Porter Road	Airport	120,000	New
WECTEC	LakePointe 5	Airport	111,847	New
Elliott Davis Decosimo	500 E Morehead Street	Midtown	55,000	New
South State Bank	Morrison Building	SouthPark	23,109	Expansion

## 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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