



Office Market Overview

Charlotte experienced tremendous growth post recession and has emerged as a city to watch. The jobless rate remained at 4.5 percent in November according to preliminary numbers recently released - a steady decline from 5.1 percent in November 2015 and outpacing the nation.

Charlotte's quality of life and low cost of living continues to be a draw. Charlotte's population has grown 12.4 percent from April 2010 to July 2015 - equating to 91,327 new residents or nearly 20,000 people per year moving to the city of Charlotte. In comparison, the national growth rate is 4.1 percent. It is anticipated that the Charlotte metro will reach a population milestone by April 2017 of 2,500,000 based on new estimates by *Business First*. New companies have been attracted to Charlotte for the quality of education among people living in the area. In Charlotte, 41.3 percent of the population have a Bachelor's degree or higher compared to the national average of 29.8 percent. Multi-family developers are trying to keep up with demand with over 10,000 apartments under construction and another 13,000 planned across the metro area with the average vacancy rate currently around 6.0 percent.

Even with the impact of HB2, the state of North Carolina was ranked No. 2 among the best states for business by Forbes magazine. This strong business climate is apparent in the city of Charlotte through the expansion of companies already located in the metro. JELD-WEN announced in November that the company would be expanding and moving their headquarters to a new facility that is currently under construction near the airport. The company plans to create over 200 jobs in the next five years to more than double in size. LendingTree also recently revealed that they would invest \$47.0 million and double the number of employees at its Charlotte headquarters by adding 314 jobs over the next five years. It is confirmed that LendingTree, currently in Ballantyne, has purchased the Rexford Park I and II buildings in SouthPark for the company's new headquarters. The renovation of these existing Class B office buildings is said to include an atrium area and parking deck with a ground-breaking planned for this spring. Their move is likely to take place in fourth quarter 2018. Wells Fargo is also planning for future growth by leasing the entire 287,507 square foot Brigham Building in Ballantyne Corporate Park. The office building, that will eventually hold approximately 1,600 employees, was started on a speculative basis and was recently delivered in November. Wells Fargo is planning occupancy for 2017. It is this type of organic growth that is fueling the occupancy rates that are averaging about 90 percent among Class A and B office buildings in the Charlotte metro.

Companies are continuing to relocate to the city of Charlotte as well. A prime example is the much anticipated move by Sealed Air Corp. that was completed during fourth quarter. Sealed Air moved into the company's recently delivered, three-building research and development campus off of Cascade Pointe Boulevard totaling over 380,000 square feet. The Fortune 500 company announced back in 2014 that they would move their headquarters to Charlotte bringing 1,262 jobs. The campus, a \$58 million investment, now holds closer to 1,400 employees.

Vacancy in the Charlotte metro has continued to compress when compared to prior years. Though the market is strong, overall office vacancy did experience a slight increase during fourth quarter to 10.4 percent from the prior quarter. LPL Financial completed the company's move from Five Coliseum Centre near the airport to a new headquarters campus in Kingsley Park - just across the North Carolina/South Carolina border. Though LPL has settled into its new 450,000 square foot, two-building complex in Fort Mill, SC, they are still benefiting from Charlotte's amenities and contributing to the overall growth of the region. The move of LPL, coupled with the delivery of the nearly 290,000 square foot Brigham Building in Ballantyne that has not yet been occupied by Wells Fargo, pushed vacancy up. Vacancy is expected to increase in the short term as over 1.9 million square feet of new office product is delivered to the market during 2017.

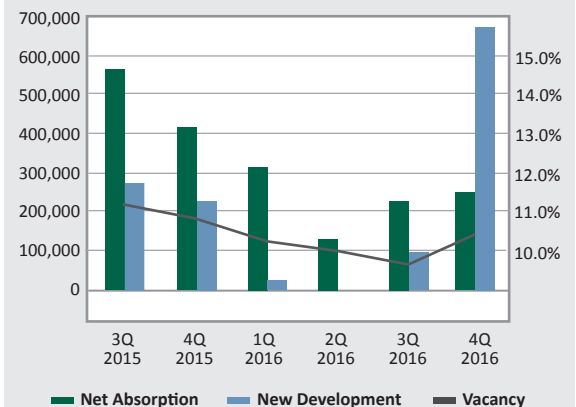
Two new office buildings were announced during fourth quarter. Stiles is planning a 64,000 square foot, three-story office building that will be located at 300 West Summit Avenue in Southend. Construction will start in March 2017 with completion scheduled for first quarter 2018. Vision Ventures is also among developers targeting the Southend area. 2100 South Tryon will be an 83,000 square foot, four-story office building with ground floor retail. Both projects are within walking distance of the Lynx light rail. Charlotte, together with the 6th busiest airport in the world and the new and expanding light rail system, is emerging as a real transit-oriented development hub.

Source: CoStar data pulled 1.6.17; Real Capital Analytics; United States Census Bureau; Charlotte Business Journal; Charlotte Observer; Lincoln Harris Research

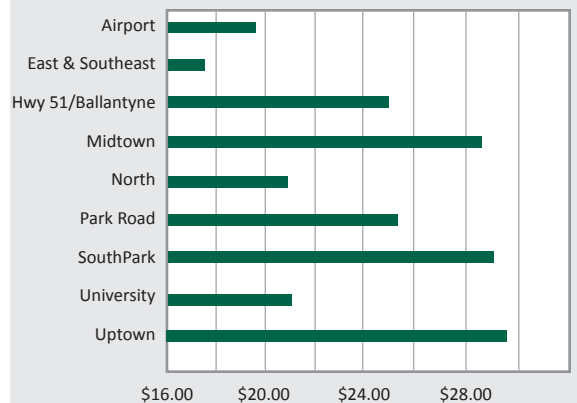
MARKET STATISTICS

	4Q 2016	3Q 2016	FORECAST
Market Supply (SF)	56,686,456	55,999,649	▲
Under Construction (SF)	1,952,970	2,639,777	▼
Direct Vacancy (%)	9.8%	9.1%	▲
Total Vacancy (%)	10.4%	9.7%	▲
Total Net Absorption (SF)	259,181	227,849	▲
YTD Net Absorption (SF)	944,502	685,321	▲
Direct Asking Rent	\$24.46	\$24.51	▼
Class A Direct Asking Rent	\$27.09	\$27.40	▼
Class B Direct Asking Rent	\$19.82	\$19.64	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 4Q 2016



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	4Q 2016 Absorption	YTD 2016 Absorption	Completions	Construction	Direct Asking Rate
UPTOWN	18,570,138	1,429,901	7.7%	-129,454	8,038	0	1,213,461	\$29.59
MIDTOWN	4,534,312	199,510	4.4%	15,104	88,140	36,000	213,259	\$28.45
URBAN TOTALS	23,104,450	1,629,410	7.1%	-114,350	96,178	36,000	1,426,720	\$29.45
AIRPORT	10,446,598	1,358,058	13.0%	324,698	432,887	363,300	136,000	\$19.56
EAST & SOUTHEAST	2,823,046	355,704	12.6%	-3,503	30,774	0	154,000	\$17.65
HWY 51/BALLANTYNE	7,021,836	947,948	13.5%	72,375	85,171	287,507	0	\$25.07
NORTH	3,452,985	331,487	9.6%	18,583	201,676	0	0	\$20.90
PARK ROAD	511,590	53,717	10.5%	-5,342	5,627	0	0	\$25.44
SOUTHPARK	4,640,689	510,476	11.0%	-7,320	67,836	0	236,250	\$29.00
UNIVERSITY	4,685,262	702,789	15.0%	-25,960	24,353	0	0	\$21.01
SUBURBAN TOTALS	33,582,006	4,260,178	12.7%	373,531	848,324	650,807	526,250	\$21.76
CHARLOTTE TOTALS	56,686,456	5,889,588	10.4%	259,181	944,502	686,807	1,952,970	\$24.46

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2016 Absorption	Direct Asking Rent (PSF)
Class A	218	34,416,147	3,484,395	10.1%	447,659	\$27.09
Class B	315	22,270,309	2,405,193	10.8%	496,843	\$19.82
MARKET TOTALS	533	56,686,456	5,889,588	10.4%	944,502	\$24.46

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Design Center of the Carolinas	Midtown	188,146	\$42,500,000	\$226
Carnegie VII & X	SouthPark	139,858	\$40,200,000	\$287
Rexford Park I & II	SouthPark	147,074	\$24,900,000	\$169
Mallard Creek	University	260,703	\$19,800,000	\$76
Grinnell Water Works	Midtown	52,538	\$11,800,000	\$225

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Wells Fargo	Brigham Building	Hwy 51/Ballantyne	287,507	New
Windstream	Three Morrocroft	SouthPark	63,889	Renewal
Undisclosed	One Wells Fargo	CBD	38,132	New
Mass Mutual	Capitol Towers	SouthPark	17,295	New
Bank of America	525 N Tryon	CBD	16,268	Sublease

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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Source: CoStar data pulled 1.6.17; Real Capital Analytics; United States Census Bureau; Charlotte Business Journal; Charlotte Observer; Lincoln Harris Research

