

# MARKET RESOURCE

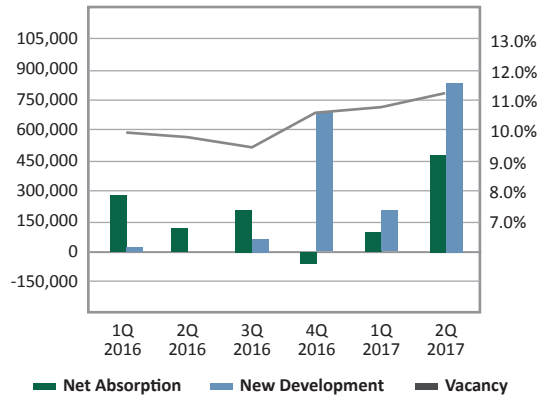
Charlotte, North Carolina - OFFICE MARKET

Q2  
2017

## OFFICE MARKET SNAPSHOT

|                            | 2Q 2017    | 1Q 2017    | FORECAST |
|----------------------------|------------|------------|----------|
| Market Supply (SF)         | 58,901,601 | 58,064,399 | ▲        |
| Under Construction (SF)    | 2,489,372  | 2,130,032  | ▲        |
| Direct Vacancy (%)         | 10.9%      | 10.5%      | ▲        |
| Total Vacancy (%)          | 11.3%      | 10.8%      | ▲        |
| Total Net Absorption (SF)  | 468,990    | 95,758     | ▲        |
| YTD Net Absorption (SF)    | 564,748    | 95,758     | ▲        |
| Direct Asking Rent         | \$25.29    | \$24.30    | ▲        |
| Class A Direct Asking Rent | \$28.18    | \$26.84    | ▲        |
| Class B Direct Asking Rent | \$20.01    | \$19.87    | ▲        |

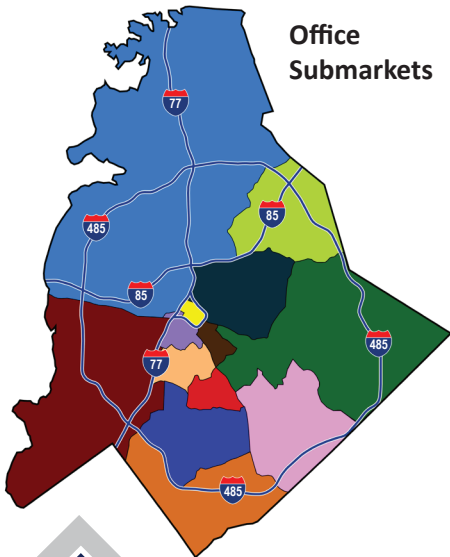
## HISTORICAL VACANCY & NET ABSORPTION



## HIGHLIGHTS

- ▶ North Carolina's state economy ranked 15th overall in the nation, and Charlotte's metro unemployment rate is down to 4%, a full half percent lower than Q2 of last year
- ▶ In a remarkable quarter for growth, Charlotte simultaneously experienced peaks in net absorption, new development completion, and direct asking rents, all reaching individual highs from across the last six quarters
- ▶ A massive, 30-year plan to develop the "River District" submarket, touted as the next SouthPark, will drive \$5.6 billion in economic growth near Charlotte-Douglas Airport
- ▶ The delivery of 615 S College and 500 E Morehead, in Uptown and Midtown respectively, gave rise to the 800,000 sf increase in office inventory but due to Charlotte's demand for A+ office space both are well on their way to lease-up

## Office Submarkets



## OFFICE MARKET STATISTICS

| Submarket               | Inventory         | Vacant Space     | Vacancy Rate | 2Q 2017 Absorption | 2Q 2016 Absorption | Completions | Construction     | Direct Asking Rate |
|-------------------------|-------------------|------------------|--------------|--------------------|--------------------|-------------|------------------|--------------------|
| UPTOWN                  | 18,406,218        | 1,651,190        | 9.0%         | 10,586             | 10,825             | 1           | 1,491,532        | \$31.09            |
| MIDTOWN/RANDOLPH RD     | 1,591,360         | 83,634           | 5.3%         | -546               | 9,173              | 0           | 125,438          | \$30.27            |
| MIDTOWN/SOUTH END       | 3,126,566         | 131,827          | 4.2%         | 161,778            | 27,580             | 1           | 292,933          | \$30.29            |
| <b>URBAN TOTALS</b>     | <b>23,124,144</b> | <b>1,866,651</b> | <b>8.1%</b>  | <b>171,818</b>     | <b>47,578</b>      | <b>2</b>    | <b>1,909,903</b> | <b>\$30.94</b>     |
| AIRPORT                 | 9,964,151         | 1,337,910        | 13.4%        | -5,412             | -112,093           | 0           | 370,469          | \$21.08            |
| EAST                    | 1,241,446         | 138,939          | 11.2%        | 93,351             | -18,168            | 1           | 30,000           | \$16.80            |
| MATTHEWS                | 1,110,046         | 238,006          | 21.4%        | 27,962             | 45,249             | 0           | 0                | \$19.22            |
| NORTH                   | 3,095,144         | 307,922          | 9.9%         | 15,512             | 63,879             | 0           | 0                | \$21.60            |
| PARK ROAD               | 1,284,411         | 304,962          | 23.7%        | 13,649             | 9,358              | 0           | 0                | \$16.07            |
| PLAZA MIDWOOD/NODA      | 452,173           | 0                | 0.0%         | 200,000            | -                  | 1           | 0                | -                  |
| SOUTH CHARLOTTE         | 1,465,848         | 210,593          | 14.4%        | 24,513             | 3,989              | 0           | 0                | \$20.67            |
| SOUTH I-485             | 5,819,728         | 745,786          | 12.8%        | 24,783             | -20,682            | 0           | 179,000          | \$29.81            |
| SOUTHPARK               | 5,081,204         | 778,495          | 15.3%        | -82,620            | 44,267             | 0           | 0                | \$30.35            |
| UNIVERSITY              | 6,263,306         | 732,001          | 11.7%        | -14,566            | 66,790             | 0           | 0                | \$21.71            |
| <b>SUBURBAN TOTALS</b>  | <b>35,777,457</b> | <b>4,794,614</b> | <b>13.4%</b> | <b>297,172</b>     | <b>82,589</b>      | <b>2</b>    | <b>579,469</b>   | <b>\$22.84</b>     |
| <b>CHARLOTTE TOTALS</b> | <b>58,901,601</b> | <b>6,661,265</b> | <b>11.3%</b> | <b>468,990</b>     | <b>130,167</b>     | <b>4</b>    | <b>2,489,372</b> | <b>\$25.29</b>     |

Market Data Source: CoStar data pulled 7.5.17 | Real Capital Analytics | Charlotte Business Journal | The Charlotte Observer | Lincoln Harris Research



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## OFFICE SPACE UNDER CONSTRUCTION

| Building                  | Submarket           | Developer/Owner          | SF      | SF Preleased | % Preleased | Completion Qtr. | Asking Rents    | Major Tenant(S)           |
|---------------------------|---------------------|--------------------------|---------|--------------|-------------|-----------------|-----------------|---------------------------|
| 620 S Tryon               | Uptown              | Lincoln Harris           | 843,000 | 547,000      | 64.8%       | 2Q 2019         | Negotiable      | Bank of America           |
| 300 S Tryon               | Uptown              | Spectrum Properties      | 638,000 | 200,000      | 31.6%       | 3Q 2017         | \$35.50         | Barings                   |
| 615 S College             | Uptown              | Portman                  | 381,000 | 148,700      | 39.0%       | 2Q 2017         | \$34.50-\$35.50 | Regions, BDO, WeWork      |
| Dimensional Fund Advisors | Midtown/South End   | Cousins                  | 285,000 | 285,000      | 100.0%      | 4Q 2018         | NA              | Dimensional Fund Advisors |
| AvidXchange HQ            | Plaza Midwood/NODA  | ARK/Red Rock             | 200,000 | 200,000      | 100.0%      | 2Q 2017         | NA              | AvidXchange               |
| 500 E Morehead            | Midtown/South End   | Beacon                   | 165,000 | 122,100      | 74.0%       | 2Q 2017         | \$35.00         | CB&I, Elliott Davis       |
| The Hub at Waverly        | South               | Childress Klein          | 154,000 | 0            | 0.0%        | 2Q 2017         | \$32.50-\$35.00 |                           |
| 1515 Montford Park        | Park Road           | Grubb Properties         | 110,000 | 26,440       | 24.0%       | 1Q 2018         | \$25.00         | Pfeiffer University       |
| Harding Place             | Midtown/Randolph Rd | CitiSculpt/Armada Hoffer | 67,000  | 0            | 0.0%        | 1Q 2018         | \$34.00         |                           |

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## RECENT INVESTMENT SALES

| Building                  | Submarket   | RBA     | Sale Price    | Price/SF |
|---------------------------|-------------|---------|---------------|----------|
| BB&T Center               | Uptown      | 553,000 | \$148,500,000 | \$269.00 |
| First Citizens Bank Plaza | Uptown      | 475,043 | \$79,000,000  | \$166.00 |
| Rotunda Building          | SouthPark   | 230,790 | \$60,000,000  | \$260.00 |
| Sherrill Building         | South I-485 | 146,804 | \$35,000,000  | \$238.00 |
| 301 S McDowell            | Uptown      | 184,144 | \$24,500,000  | \$133.00 |

## SIGNED LEASE TRANSACTIONS

| Tenant                                  | Building              | Submarket          | Size   | Type |
|---|-----------------------|--------------------|--------|------|
| Verizon Wireless                        | 2401 Sardis Rd        | Matthews           | 92,259 | New  |
| Cardinal Innovations Healthcare         | NASCAR Plaza          | Uptown             | 69,271 | New  |
| Chicago Bridge & Iron                   | 500 E Morehead        | Midtown/South End  | 63,120 | New  |
| Junior Achievement of Central Carolinas | Camp North End        | Plaza Midwood/NODA | 30,000 | New  |
| Industrious                             | Bank of America Plaza | Uptown             | 21,465 | New  |

## OFFICE STATISTICS BY TYPE

| Building Class       | Buildings  | Inventory         | Vacant Space     | Vacancy Rate | YTD 2017 Absorption | Direct Asking Rent (PSF) |
|----------------------|------------|-------------------|------------------|--------------|---------------------|--------------------------|
| Class A              | 222        | 35,564,202        | 4,439,565        | 12.5%        | 404,885             | \$28.18                  |
| Class B              | 315        | 23,337,399        | 2,221,700        | 9.5%         | 159,863             | \$20.01                  |
| <b>MARKET TOTALS</b> | <b>537</b> | <b>58,901,601</b> | <b>6,661,265</b> | <b>11.3%</b> | <b>564,748</b>      | <b>\$25.29</b>           |

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