



### Office Market Overview

Charlotte's net absorption totaled 454,130 square feet in fourth quarter, the third significant gain to close out 2013. Both Class A and Class B buildings experienced positive net absorption of 342,567 and 111,563 respectively. The overall Charlotte market has seen a steady decline in vacancy during 2013 from 15.7 percent in first quarter to 13.6 percent in fourth quarter - Class A vacancy is down 1.2 percent and Class B vacancy is down fifty basis points over third quarter. Office vacancy is the lowest it has been since fourth quarter 2008.

Suburban office had the most move-ins during fourth quarter with a positive net absorption of 474,171 square feet; most of which can be attributed to MetLife Inc. moving into approximately 340,000 square feet in both the Woodward Building and Gragg Building in Ballantyne. Recently, it was announced that MetLife Inc. will also be taking two additional floors in the Woodward Building adding 56,842 square feet and bringing its total space in the south Charlotte office park to approximately 398,000 square feet. The University submarket also contributed to the overall office demand with positive net absorption of 72,646 square feet due to an expansion by TIAA CREF into 46,000 square feet and Electrolux leasing 30,000 square feet at 10101 David Taylor Drive. Verizon also moved into 15,000 square feet at 10101 Claude Freeman Drive. SouthPark, Uptown, and East Charlotte were among the submarkets that reported negative net absorption. Move-outs at Carnegie X by UNUM and Executive Suites of SouthPark at 6201 Fairview Road contributed to the negative net absorption of -16,350 square feet in the SouthPark submarket. In the Uptown submarket, a negative net absorption of -24,249 was reported as Edgeview Partners moved out of 18,994 square feet in Charlotte Plaza, STV/Ralph Whitehead Associates Inc. relocated to Gateway Village taking 35,000 square feet and leaving 16,000 square feet available in The Boxer Building, CB&I moved out 13,280 square feet in Interstate Tower and 129 W Trade Street now has 9,764 square feet of vacant space on the 6th and 11th floors due to tenant relocations.

Leasing activity in the Charlotte market totaled 554,705 square feet in fourth quarter. Of that total, the University submarket executed leases for 262,479 square feet. The largest lease signed in the Charlotte market was with Wells Fargo for the entire 8740 Research Drive building totaling 160,000 square feet which it vacated earlier this year. Wells Fargo will relocate in May after extensive renovations. ALLSTATE also signed a lease for an additional 60,000 square feet at Innovation Park and Cardinal Health signed a lease for 26,000 square feet in Prosperity Place. In Uptown, Irongate Home Finance signed a lease at 128 S Tryon Street for 18,000 square feet and Accrue Partners will be taking 12,000 square feet of the 28,000 square feet that STV/Ralph Whitehead vacated in the fourth quarter. SouthPark's largest lease signed was a 17,000 square foot lease with Sales Performance International at 6201 Fairview.

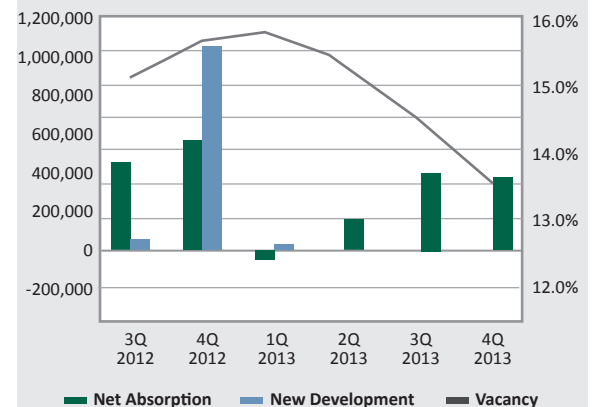
Rental rates continue to increase as space tightens in the Charlotte market. There are four buildings under construction totaling 192,505 square feet that will be delivering in January and February; all 100 percent leased. The 46,000 square foot Duke Endowment corporate headquarters building will be ready in June of 2014 leaving 20,000 square feet vacant in Bank of America Corporate Center. Only one Class-A building lists approximately 325,000 square feet of space currently available for lease: the Maersk regional office at 9300 Arrowpoint Boulevard. Developers are poised and ready to get back to business.

Source: CoStar; Real Capital Analytics; Lincoln Harris Research

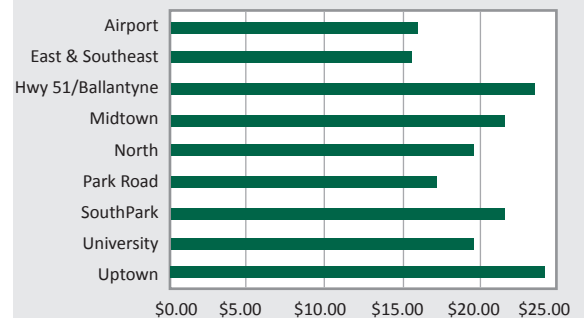
### MARKET STATISTICS

	4Q 2013	3Q 2013	FORECAST
Market Supply (SF)	56,000,561	56,000,561	▲
Under Construction (SF)	331,851	331,851	▲
Direct Vacancy (%)	13.2%	14.2%	▲
Total Vacancy (%)	13.6%	14.5%	▲
Total Net Absorption (SF)	454,130	464,689	▼
YTD Net Absorption (SF)	1,062,584	608,454	▼
Direct Asking Rent	\$20.74	\$20.77	▼
Class A Direct Asking Rent	\$23.33	\$23.36	▼
Class B Direct Asking Rent	\$18.28	\$18.18	▼

### HISTORICAL VACANCY & NET ABSORPTION



### SUBMARKET ASKING RATES - 4Q 2013



## OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	4Q 2013 Absorption	YTD 2013 Absorption	Completions	Construction	Asking Rates
UPTOWN	19,683,625	1,872,409	9.5%	-24,249	-169,741	0	0	\$24.42
MIDTOWN	4,376,334	287,424	6.6%	4,208	118,768	0	46,000	\$22.41
<b>URBAN TOTALS</b>	<b>24,059,959</b>	<b>2,159,833</b>	<b>9.0%</b>	<b>-20,041</b>	<b>-50,973</b>	<b>0</b>	<b>46,000</b>	<b>\$24.10</b>
AIRPORT	9,957,340	1,765,521	17.7%	42,185	380,829	0	70,000	\$16.10
EAST & SOUTHEAST	2,610,848	482,477	18.5%	-5,326	22,868	0	37,408	\$15.85
HWY 51 / BALLANTYNE	6,682,441	1,103,292	16.5%	336,067	322,139	0	0	\$23.78
NORTH	2,885,001	552,331	19.1%	41,160	-23,203	0	39,975	\$19.75
PARK ROAD	639,999	175,128	27.4%	3,789	1,427	0	0	\$16.81
SOUTHPARK	4,643,896	510,474	11.0%	-16,350	89,732	0	138,468	\$22.39
UNIVERSITY	4,521,077	876,376	19.4%	72,646	319,765	0	0	\$19.35
<b>SUBURBAN TOTALS</b>	<b>31,940,602</b>	<b>5,465,599</b>	<b>17.1%</b>	<b>474,171</b>	<b>1,113,557</b>	<b>0</b>	<b>285,851</b>	<b>\$19.30</b>
<b>CHARLOTTE TOTALS</b>	<b>56,000,561</b>	<b>7,625,432</b>	<b>13.6%</b>	<b>454,130</b>	<b>1,062,584</b>	<b>0</b>	<b>331,851</b>	<b>\$20.63</b>

## OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2013 Absorption	Asking Rent (PSF)
Class A	198	32,677,147	3,978,829	12.2%	640,743	\$22.96
Class B	312	23,323,414	3,646,603	15.6%	421,841	\$18.30
<b>MARKET TOTALS</b>	<b>510</b>	<b>56,000,561</b>	<b>7,625,432</b>	<b>13.6%</b>	<b>1,062,584</b>	<b>\$20.63</b>

## RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
LakePointe Office Park (6 buildings)	Airport	506,071	\$52,000,000	\$103.00
Carmel Crossing (3 buildings)	Hwy 51/Ballantyne	323,391	\$37,500,000	\$116.00
401 McCullough Drive	University	191,681	\$36,400,000	\$190.00
Kenton I, II, & III	North	147,780	\$17,500,000	\$118.00
1100 Euclid Avenue	Midtown	24,355	\$4,175,000	\$171.00

## SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Wells Fargo	8740 Research Drive	University	163,000	New
Allstate	8209 IBM Drive	University	60,000	New
Cardinal Health	Prosperity III	University	25,865	New
Novant Health	Whitehall CC IV	Airport	20,764	New
Irongate Home Finance	First Citizens Bank Plaza	CBD	19,111	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.

Source: CoStar; Real Capital Analytics; Lincoln Harris Research

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