



### Office Market Overview

Total net absorption in the Charlotte office market was positive 394,759 square feet during third quarter - the sixth consecutive quarter of positive space demand. Overall vacancy in the metro dropped 70 basis points from the previous quarter to 12.7 percent. Contradictory to second quarter, the urban office market drove the trend with 281,859 square feet worth of move-ins while the suburban areas experienced a more modest demand of 112,900 square feet.

The Uptown and Airport areas had the highest rate of move-ins of all of the submarkets at 206,636 square feet and 103,856 square feet respectively. In Uptown, Spectra Group Inc. announced they would establish the company's new financial services delivery center to Charlotte from Princeton, NJ. Spectra moved into nearly 13,000 square feet on the 22nd floor of BB&T Center in August and, in that same building, AIG moved their new technology center totaling 32,000 square feet on the 13th floor. Both floors were once occupied by Bank of America who has recently been consolidating into owned assets. Currently, there is over 172,000 square feet of vacancy in BB&T Center (160,000 square feet of contiguous space) which is the second largest block of space behind AT&T Plaza. Also in the Uptown submarket, Bryan Cave occupied nearly 20,000 square feet in One Wells Fargo Center, Thinkgate relocated their corporate headquarters from Atlanta into approximately 21,000 square feet at 201 S Tryon Street and Ally Financial expanded into an additional 36,000 square feet on the third and sixth floors at Ally Center in July. In the Airport submarket, RoundPoint Mortgage Company completed their move to Six Parkway Plaza located at 5016 Parkway Plaza Boulevard where they finished their renovations on the first floor and now occupy the entire 41,000 square foot building. Also, SnapAV expanded by approximately 32,500 square feet at 1800 Continental Boulevard and now occupy the first three floors of the building.

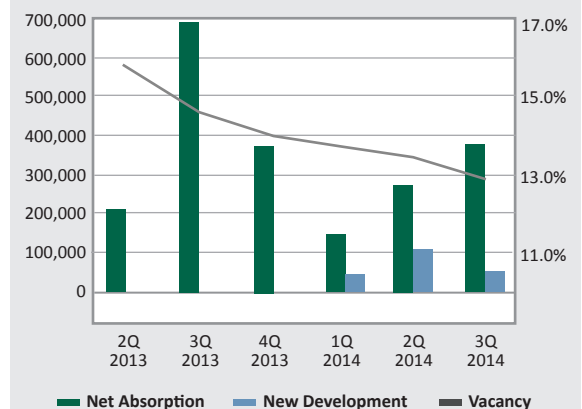
Leasing activity in the Charlotte metro totaled approximately 742,000 square feet during third quarter with nearly half of the transactions occurring in the Highway 51/Ballantyne, Airport and Uptown submarkets. In Highway 51/Ballantyne, MetLife exercised their option to take the fifth floor of the Woodward building with an additional 28,000 square feet. MetLife will now occupy nearly 426,000 square feet in two buildings in Ballantyne. TIAA-CREF signed a 24,190 square foot lease in Toringdon Four, Extended Stay expanded by nearly 12,000 square feet in the Everett Building for a total of 77,000 square feet and Woolpert will be moving into approximately 13,000 square feet in The Piedmont Building in Carmel Crossing in November. Sealed Air Corp., the makers of Bubble Wrap, announced that they will be moving the global headquarters to Charlotte bringing more than 1,262 jobs. It is the largest Fortune 500 corporate headquarters relocation in the Queen City's history. Sealed Air is looking for a multi-building campus, but signed a short term lease for approximately 69,000 square feet in the Airport submarket at the Forest Park VI building on Forest Point Boulevard. In Uptown, Shumaker, Loop & Kendrick signed a lease for approximately 23,000 square feet at Bank of America Plaza and Duke Energy expanded into over 17,000 square feet at the 400 S Tryon Street building.

Charlotte building sales in 2014 are being compared to those in 2007 when building prices were at an all time high. In 2007, the Carillon building sold to Hines for \$297 per square foot (\$140,000,000). In July of this year, Fifth Third Center sold to Cousins Properties for \$317 per square foot (\$215,000,000) - the highest price ever recorded for a Charlotte office building. Charlotte office sales are expected to exceed \$1.0 billion this year. That dollar volume has only been reached twice in the last ten years in 2007 and 2012. The Charlotte Plaza, 525 N Tryon, 212 S Tryon and 129 W Trade are among several buildings that are currently listed for sale. Cap rates in the Carolinas are presently in the low to mid 6 percent range with only select assets falling below 6 percent. Cap rates are expected to compress further as demand increases and the cost of new construction creates a push in rental rates. Currently, direct asking rental rates for Class A plus buildings in the Uptown submarket are being quoted at \$29.73 per square foot.

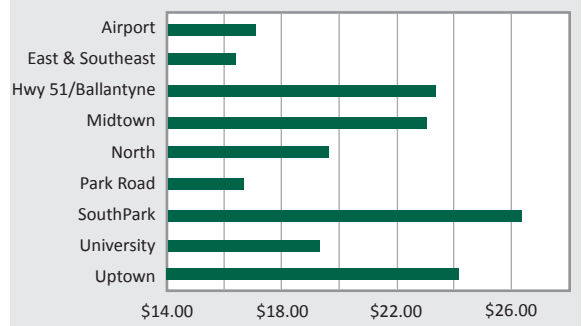
### MARKET STATISTICS

	3Q 2014	2Q 2014	FORECAST
Market Supply (SF)	56,317,071	56,271,071	▲
Under Construction (SF)	301,258	347,258	▲
Direct Vacancy (%)	12.4%	13.0%	▲
Total Vacancy (%)	12.7%	13.4%	▲
Total Net Absorption (SF)	394,759	282,123	▼
YTD Net Absorption (SF)	834,323	439,564	▲
Direct Asking Rent	\$21.39	\$21.16	▲
Class A Direct Asking Rent	\$23.99	\$23.72	▲
Class B Direct Asking Rent	\$18.42	\$18.25	▲

### HISTORICAL VACANCY & NET ABSORPTION



### SUBMARKET ASKING RATES - 3Q 2014



## OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	3Q 2014 Absorption	YTD 2014 Absorption	Completions	Construction	Asking Rates
UPTOWN	19,836,220	1,899,938	9.6%	206,636	146,234	0	0	\$24.06
MIDTOWN	4,460,169	250,138	5.6%	75,223	82,417	1	0	\$22.95
<b>URBAN TOTALS</b>	<b>24,296,734</b>	<b>2,150,076</b>	<b>8.8%</b>	<b>281,859</b>	<b>228,651</b>	<b>1</b>	<b>0</b>	<b>\$23.92</b>
AIRPORT	9,965,519	1,614,463	16.2%	103,856	181,990	0	0	\$17.11
EAST & SOUTHEAST	2,599,926	427,658	16.4%	27,299	27,980	0	37,408	\$16.45
HWY 51 / BALLANTYNE	6,557,930	1,038,932	15.8%	9,909	70,472	0	0	\$23.53
NORTH	2,987,673	474,842	15.9%	50,223	79,693	0	0	\$19.80
PARK ROAD	639,999	126,980	19.8%	21,767	30,921	0	0	\$16.69
SOUTHPARK	4,746,958	573,754	12.1%	-59,386	35,240	0	263,850	\$26.32
UNIVERSITY	4,522,332	757,920	16.8%	-40,768	179,376	0	0	\$19.77
<b>SUBURBAN TOTALS</b>	<b>32,020,337</b>	<b>5,014,549</b>	<b>15.7%</b>	<b>112,900</b>	<b>605,672</b>	<b>0</b>	<b>301,258</b>	<b>\$20.21</b>
<b>CHARLOTTE TOTALS</b>	<b>56,317,071</b>	<b>7,164,625</b>	<b>12.7%</b>	<b>394,759</b>	<b>834,323</b>	<b>1</b>	<b>301,258</b>	<b>\$21.23</b>

## OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	199	32,975,407	3,507,021	10.6%	786,368	\$23.64
Class B	315	23,341,664	3,657,604	15.7%	47,955	\$18.40
<b>MARKET TOTALS</b>	<b>514</b>	<b>56,317,071</b>	<b>7,164,625</b>	<b>12.7%</b>	<b>834,323</b>	<b>\$21.23</b>

## RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Fifth Third Center	Uptown	678,715	\$215,000,000	\$317.00
Ally Center	Uptown	368,000	\$109,000,000	\$296.00
Oakwood Business Park	Airport	248,155	\$16,600,000	\$67.00
Colonial Plaza	SouthPark	204,085	\$25,300,000	\$124.00
Toringdon III & V	Highway 51 / Ballantyne	158,589	\$20,000,000	\$126.00
The Park	Park Road	119,086	\$9,700,000	\$81.00

## SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Sealed Air	Forest Park VI	Airport	68,709	New
TIAA-CREF	1000 Louis Rose Place	University	19,555	New
ITT Technical Institute	Two Resource Square	University	34,351	Renewal
Southeast Series of Lockton	Two Piedmont Town Center	SouthPark	13,050	Expansion
Extended Stay	Everett Building	Hwy 51 / Ballantyne	11,833	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.

Source: CoStar; Real Capital Analytics; Lincoln Harris Research

## CONTACT INFORMATION

### Campbell Walker

Senior Vice President

704.714.7690

[campbell.walker@lincolnharris.com](mailto:campbell.walker@lincolnharris.com)

### Jubal Early

Senior Vice President

704.714.7645

[jubal.early@lincolnharris.com](mailto:jubal.early@lincolnharris.com)

### Ryan Ramey

Research Coordinator

704.714.7639

[ryan.ramey@lincolnharris.com](mailto:ryan.ramey@lincolnharris.com)

### Lincoln Harris

4725 Piedmont Row Drive, Suite 800

Charlotte, NC 28210

704.714.7600

[lincolnharris.com](http://lincolnharris.com)

