



### Office Market Overview

The overall Charlotte office market closed out 2014 with positive net absorption of over 1.1 million square feet total for the year. During fourth quarter alone, the market experienced positive 239,494 square feet of net space demand. Vacancy declined 40 basis points to 12.4 percent in fourth quarter compared to the previous quarter and declined 160 basis points from the prior year.

CBD had the most net space demand among the submarkets during fourth quarter at positive 121,248 square feet. US Bank expanded their space by nearly 24,000 square feet at Hearst Tower leasing the thirty-fifth floor. US Bank now occupies over 81,000 square feet on four floors in the building. Duke Energy relocated its commercial renewables group that now occupies the entire sixth floor totaling approximately 21,000 square feet at Nascar Plaza. Duke Energy expects to backfill the space remaining at 400 South Tryon and Duke Energy Center. Diligent Board Member Services Inc. moved into over 10,000 square feet on the fifth floor of Ally Center in October. Ally Center sold in October to Epic UK Ltd. by Principal Real Estate Investors and Trinity Capital for \$109 million (\$296 per square foot) and is now fully leased. Also during fourth quarter, the Charlotte Chamber of Commerce announced plans to renew their lease at 330 S Tryon Street as the building undergoes extensive renovations in December. The Charlotte Chamber of Commerce currently occupies over 34,000 square feet on three floors in the 68,000 square foot building.

Overall leasing activity during fourth quarter in the Charlotte metro totaled nearly 700,000 square feet. The Highway 51/Ballantyne submarket totaled over 385,000 square feet alone. Synchrony Financial signed a lease for the entire 152,000 square foot building at Rushmore One in Ballantyne Corporate Park. The building was built for AXA Financial in 1997. AXA Financial made a decision to consolidate their operations and move to Innovation Park during second quarter 2013. Synchrony Financial plans to occupy their new space in October 2015. Another large block of space in the submarket was taken by TIAA CREF. Bank of America vacated the Betsill building at the end of 2014 and TIAA CREF now plans to move into the 141,540 square foot building in May 2015. In addition, TIAA CREF signed a 24,190 square foot lease in the Toringdon 4 building owned by Trinity Capital Advisors in a joint venture with Stockbridge Capital Group and Madison International Realty. MetLife Inc. also announced that they have exercised the option to take the fifth floor of the Woodward building in Ballantyne Corporate Park. MetLife will now have 15 floors totaling approximately 426,000 square feet in the Gragg and Woodward buildings.

Overall Class A direct average rental rates during fourth quarter increased \$0.77 to \$24.19 per square foot and Class B direct average rental rates moved \$0.15 to \$18.68 per square foot. New office development is mostly responsible for the increase in Class A office rates as new office towers are coming online and marketing first generation space. Capitol Towers in SouthPark is quoting rates between \$32.00 and \$36.00 per square foot and 300 South Tryon is listing available space at \$35.50 to \$36.50 per square foot. Existing buildings such as Hearst Tower and South Tryon Square have also increased quoted rates. Hearst Tower increased rates \$2.00 to \$34.00 per square foot and South Tryon Square increased direct rental rates from \$26.00 to \$28.50 per square foot to between \$28.50 and \$30.50 per square foot. This trend is continuing through much of the market.

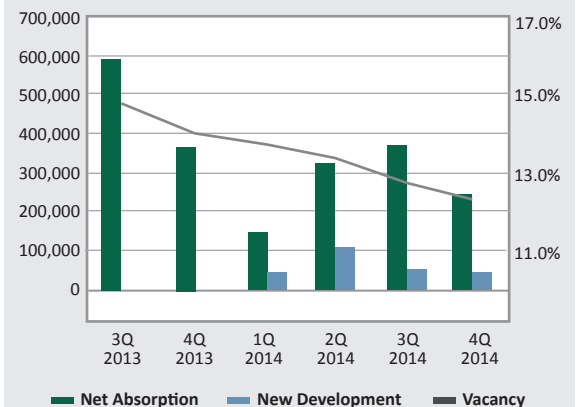
Charlotte also continues to be a hot spot for building sales activity. During fourth quarter, two uptown buildings were listed for sale - 525 North Tryon and 400 South Tryon. New York Life Real Estate Investors and Grubb Properties purchased 525 North Tryon for \$60 million (\$146 per square foot) from Parkway Properties Inc. The 412,000 square foot building, at the time of sale, had 36.0 percent vacancy with Bank of America occupying approximately 195,000 square feet. The other building in uptown that went under contract was the 400 South Tryon building. USB Realty Advisors sold the 584,000 square foot building in October to DRA Advisors and Trinity Capital for \$61.3 million (\$105 per square foot). The building was 92.0 percent occupied at the time of the sale with Duke Energy leasing the majority of the building.

Source: CoStar data pulled 1.21.14; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research

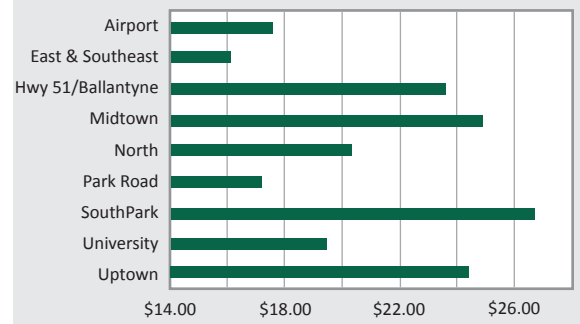
### MARKET STATISTICS

	4Q 2014	3Q 2014	FORECAST
Market Supply (SF)	56,234,424	56,197,016	▲
Under Construction (SF)	464,850	88,408	▲
Direct Vacancy (%)	12.1%	12.4%	▼
Total Vacancy (%)	12.4%	12.8%	▼
Total Net Absorption (SF)	239,494	374,975	▲
YTD Net Absorption (SF)	1,101,498	862,004	▲
Direct Asking Rent	\$21.67	\$21.02	▲
Class A Direct Asking Rent	\$24.19	\$23.42	▲
Class B Direct Asking Rent	\$18.68	\$18.43	▲

### HISTORICAL VACANCY & NET ABSORPTION



### SUBMARKET ASKING RATES - 4Q 2014



## OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	4Q 2014 Absorption	YTD 2014 Absorption	Completions	Construction	Asking Rates
UPTOWN	19,686,636	1,773,481	9.0%	121,248	281,712	0	0	\$24.29
MIDTOWN	4,459,501	230,082	5.2%	20,056	102,473	0	116,000	\$24.79
<b>URBAN TOTALS</b>	<b>24,146,137</b>	<b>2,003,563</b>	<b>8.3%</b>	<b>141,304</b>	<b>384,185</b>	<b>0</b>	<b>116,000</b>	<b>\$24.35</b>
AIRPORT	10,007,026	1,689,335	16.9%	-47,170	120,518	0	0	\$17.71
EAST & SOUTHEAST	2,636,475	379,792	14.4%	85,274	113,254	1	34,000	\$16.10
HWY 51 / BALLANTYNE	6,695,184	996,320	14.9%	53,677	134,164	0	0	\$23.71
NORTH	3,149,673	450,234	14.3%	24,608	104,301	0	51,000	\$20.29
PARK ROAD	639,999	136,774	21.4%	-18,898	21,127	0	0	\$17.22
SOUTHPARK	4,377,923	541,679	12.4%	18,601	67,315	0	263,850	\$26.40
UNIVERSITY	4,582,007	780,662	17.0%	-17,902	156,634	0	0	\$19.65
<b>SUBURBAN TOTALS</b>	<b>32,088,287</b>	<b>4,974,796</b>	<b>15.5%</b>	<b>98,190</b>	<b>717,313</b>	<b>1</b>	<b>348,850</b>	<b>\$20.42</b>
<b>CHARLOTTE TOTALS</b>	<b>56,234,424</b>	<b>6,978,359</b>	<b>12.4%</b>	<b>239,494</b>	<b>1,101,498</b>	<b>1</b>	<b>464,850</b>	<b>\$21.50</b>

## OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	201	32,986,168	3,544,191	10.7%	783,678	\$23.86
Class B	316	23,248,256	3,434,168	14.8%	317,820	\$18.63
<b>MARKET TOTALS</b>	<b>517</b>	<b>56,234,424</b>	<b>6,978,359</b>	<b>12.4%</b>	<b>1,101,498</b>	<b>\$21.50</b>

## RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Ally Center	Uptown	368,000	\$109,000,000	\$296.00
400 S Tryon Street	Uptown	583,911	\$61,300,000	\$105.00
525 N Tryon Street	Uptown	412,000	\$60,000,000	\$146.00
8740 Research Drive	University	147,467	\$41,500,000	\$281.00
200 Regency Executive Park Drive	Airport	272,661	\$22,900,000	\$84.00
Avery at Morrocroft	SouthPark	41,350	\$8,000,000	\$57.00

## SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Synchrony Financial	Rushmore One	Hwy 51/Ballantyne	152,000	New
TIAA-CREF	Betsill Building	Hwy 51/Ballantyne	141,450	New
Dynacast	Brixham Green Two	Hwy 51/Ballantyne	29,848	New
US Bank	Hearst Tower	CBD	23,775	Expansion
Velocity	Roxborough Building	SouthPark	20,022	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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