

CHARLOTTE, NORTH CAROLINA MARKETRESOURCE



OFFICE

1Q|2015

Office Market Overview

Job growth continues to bring people to the Charlotte area and, in turn, push Charlotte's economy in a positive direction. Mecklenburg County has grown in population 10.1 percent from April 2010 to July 2014 and is outpacing the state of North Carolina and the nation by more than double. In 2014 alone, Charlotte projected over 6,000 new jobs and approximately 30 companies announced their relocation or expansion with the largest being the relocation of Sealed Air Corporation's headquarters. Preliminary unemployment rates in the Charlotte-Concord-Gastonia area was 5.5 percent in February 2015 - down 1.1 percent from February last year.

The Charlotte office market continues to tighten with no new deliveries in the area in first quarter. Total vacancy in the Charlotte metro declined 10 basis points to 12.3 percent in Class A and Class B product during first quarter 2015 and declined 150 basis points as compared to first quarter 2014. Total net absorption in the Charlotte office market was positive 115,917 square feet. Direct net absorption in the metro was actually positive 228,421 square feet, but sublet net absorption was negative 119,651 square feet and pulled the overall numbers down. The two largest subleases to come available in the market were the Charlotte School of Law, in Uptown, contracted from floors 12 and 13 leaving approximately 48,000 square feet of contiguous space for sublease in the Charlotte Plaza building and CoreLogic closed their Charlotte office indefinitely in October and is now subleasing 31,035 square feet in the Forest Park III building near the airport.

There were several significant gains in the Charlotte metro during first quarter as well. TIAA-CREF moved into 34,351 square feet at 1000 Louis Rose Place in University City, MetLife exercised the option to expand and take an additional floor at the Woodward Building in Ballantyne, and The Valspar Corporation moved into over 28,000 square feet at Two Harbour Place located at 721 Jetton Street in Davidson in January. Additionally, in SouthPark, Turner Construction Company subleased 20,000 square feet on the top floor of the Roxborough building to Velocity Technology Solutions.

Leasing activity was strong during first quarter 2015 with over 450,000 square feet of leases recorded. The submarkets with the most leasing activity were SouthPark and Highway 51/Ballantyne. In SouthPark, Sterling Capital is the first lease to be signed at Capitol Towers. Sterling will be moving into approximately 23,000 square feet in August of this year when the South Tower is completed. Fleetmatics, a provider of GPS fleet management solutions, signed a lease at Fairview Center One located at 6302 Fairview Road for approximately 15,000 square feet and CIAA Headquarters and Heritage Golf took approximately a 9,500 square foot sublet space at Two Piedmont Town Center. In the Highway 51/Ballantyne submarket, Central Piedmont Community College has signed a lease for over 10,000 square feet at the Gibson Building at 11430 Community House Road. CPCC plans to begin offering classes there in July.

Overall average asking rental rates in the metro climbed \$.32 to \$21.78 per square foot - Class A and Class B buildings closed out the quarter at \$24.33 per square foot and \$18.74 per square foot respectively. SouthPark is demanding the highest rental rates among any of the submarkets with direct average asking rental rates increasing \$.37 to \$27.18 per square foot - Class A rates were \$30.10 per square foot at the end of first quarter.

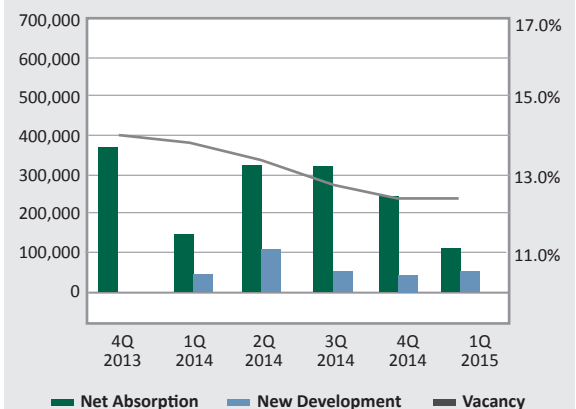
Charlotte is becoming known as one of the most attractive metros for commercial real estate investment due to the city's healthy economic growth. During first quarter 2015, Charlotte recorded \$152.6 million (\$146 per square foot) in sales volume and the average cap rate was in the 6.8 percent range. The Charlotte Plaza building is the latest building to go under contract in Uptown for \$160 million (\$254 per square foot) with a quoted cap rate of 7.5 percent. The 27 story building is currently 91 percent occupied with the largest tenant being the Charlotte School of Law. Among the buildings that sold in the suburban areas, the Three South Executive Park Building located at 6115 Park South Drive in SouthPark received the most price per square foot at \$157 per square foot or \$8.5 million for the 54,000 square foot Class B office building.

Source: CoStar data pulled 4.23.15; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research

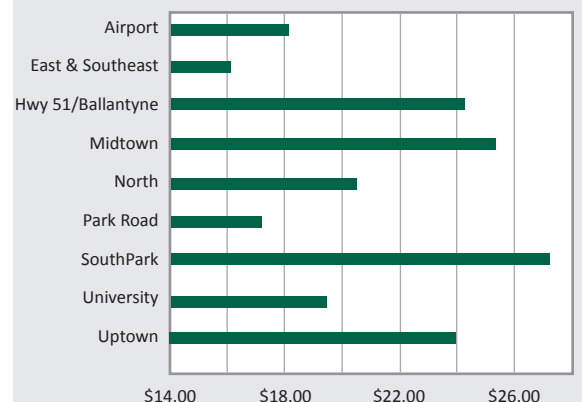
MARKET STATISTICS

	1Q 2015	4Q 2014	FORECAST
Market Supply (SF)	56,375,815	56,324,815	▲
Under Construction (SF)	445,850	460,850	▲
Direct Vacancy (%)	11.9%	12.2%	▼
Total Vacancy (%)	12.3%	12.4%	▼
Total Net Absorption (SF)	108,770	258,941	▲
YTD Net Absorption (SF)	108,770	1,078,806	▲
Direct Asking Rent	\$21.88	\$21.64	▲
Class A Direct Asking Rent	\$24.48	\$24.22	▲
Class B Direct Asking Rent	\$18.81	\$18.56	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 1Q 2015



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	1Q 2015 Absorption	YTD 2015 Absorption	Completions	Construction	Direct Asking Rate
UPTOWN	19,688,037	1,821,672	9.3%	-37,451	-37,451	0	0	\$25.00
MIDTOWN	4,331,173	189,611	4.4%	42,929	42,929	0	112,000	\$25.56
URBAN TOTALS	24,019,210	2,011,283	8.4%	5,478	5,478	0	112,000	\$25.09
AIRPORT	10,027,615	1,626,695	16.2%	28,313	28,313	0	0	\$18.11
EAST & SOUTHEAST	2,636,475	411,324	15.6%	-10,319	-10,319	0	34,000	\$16.11
HWY 51 / BALLANTYNE	6,713,565	955,211	14.2%	41,109	41,109	0	0	\$24.34
NORTH	3,249,945	542,413	16.7%	8,790	8,790	1	36,000	\$20.61
PARK ROAD	639,999	105,398	16.5%	-947	-947	0	0	\$17.19
SOUTHPARK	4,456,537	567,285	12.7%	-25,367	-25,367	0	263,850	\$27.18
UNIVERSITY	4,632,479	718,949	15.5%	61,713	61,713	0	0	\$19.98
SUBURBAN TOTALS	32,356,615	4,927,275	15.2%	103,292	103,292	1	333,850	\$20.76
CHARLOTTE TOTALS	56,375,825	6,938,558	12.3%	108,770	108,770	1	445,850	\$21.88

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2015 Absorption	Direct Asking Rent (PSF)
Class A	202	33,027,422	3,495,359	10.6%	78,675	\$24.48
Class B	318	23,348,403	3,443,199	14.7%	30,095	\$18.81
MARKET TOTALS	520	56,375,825	6,938,558	12.3%	108,770	\$21.88

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Charlotte Plaza	Uptown	630,424	\$160,000,000	\$254.00
Coliseum Centre I & II	Airport	284,010	\$81,200,000	\$286.00
212 South Tryon	Uptown	172,386	\$25,300,000	\$147.00
Time Warner Cable Building	Airport	113,600	\$18,200,000	\$160.00
Quail Plaza Office	Highway 51	86,875	\$9,600,000	\$111.00
Three South Executive	SouthPark	54,125	\$8,500,000	\$157.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Sterling Capital	Capitol Towers (South)	SouthPark	22,075	New
Novant Health	Waverly MOB I	East & Southeast	23,000	New
Fleetmatics USA, LLC	Parkview Building	SouthPark	15,309	New
Frontier Capital	525 N Tryon	CBD	12,600	New
BGW	1616 Center	Midtown	12,000	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.

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