



Office Market Overview

The Charlotte market continues to strengthen as Mecklenburg County's unemployment rates declined from 5.8 percent in July to 5.1 percent in September adding over 3,200 jobs since June and nearly 20,000 jobs since September last year. Businesses are moving, expanding, and investing in Charlotte and Mecklenburg County. Recently, Albemarle Corporation announced that it would relocate its headquarters and 120 employees to the area and Dimensional Fund Advisors announced that the company would open an East Coast regional headquarters in Charlotte, creating 316 jobs. Newcomers, residents, and businesses continue to choose Charlotte over other U.S. metropolitan cities due to Charlotte's high quality of life, low cost of business, and access to major transit systems such as Charlotte Douglas International Airport.

Where there is job growth, there is also an increasing demand for office space. Class A and B office vacancy in the overall Charlotte metro declined 50 basis points from 11.7 percent to 11.2 percent during third quarter - down from 12.5 percent a year ago. Net absorption was positive 448,559 square feet during third quarter bringing year to date numbers to positive 792,206 square feet for 2015. There is over 1.7 million square feet of office space currently under construction in the Charlotte metro. Capitol Towers is the latest project to deliver. The 236,000 square foot phase I building delivered in September and is already 57.0 percent leased.

The SouthPark and Highway 51/Ballantyne submarkets experienced the highest rate of office demand during third quarter. SouthPark's net absorption was primarily driven by the delivery of Capitol Towers. Sterling Capital moved into the top floor of the 236,000 square foot Class A building taking over 23,000 square feet and Dixon Hughes Goodman now occupies floors 8 and 9 totaling approximately 48,000 square feet. In addition to the activity at Capitol Towers, Marsh & McLennan Agency, LLC moved into 15,000 square feet at Carnegie X and Quicken Loans Mortgage Services took over 19,000 square feet at Two SouthPark Center located at 6135 Park South Drive. Further south in the Highway 51/Ballantyne area, Synchrony Financial expanded their Charlotte operation into the Rushmore One building at Ballantyne Corporate Park. The 152,000 square foot building was once occupied by AXA Financial who moved to Innovation Park in April 2013.

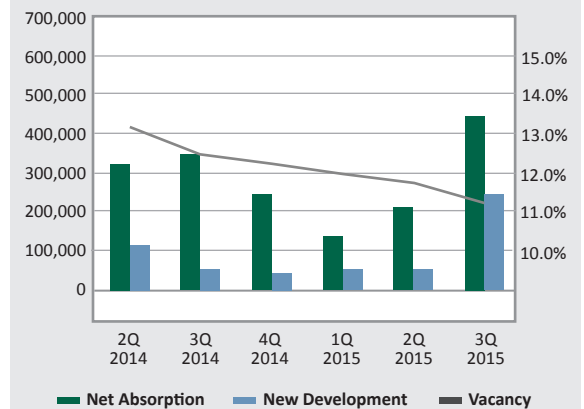
Over 700,000 square feet of leases were signed in the Charlotte metro during third quarter with Uptown having the most leasing activity among the submarkets. The largest lease of the quarter was the AvidXchange transaction for the new 200,000 square foot headquarters building in Fourth Ward. The new building is expected to be completed by March 2017 and an additional building is already in the planning stages in anticipation of future growth of the tech company. Also in Uptown, Dimensional Fund Advisors signed a lease at Fifth Third Center for nearly 50,000 square feet as temporary space for the company's east coast headquarters. It is speculated that the company is looking to build a permanent home in South End and it is to be complete as early as the end of 2018. The University and SouthPark submarkets also had a great deal of leasing activity. Red Ventures signed a 98,000 square foot lease at the Cambridge Corporate Center on Claude Freeman Drive at University City as the company recently announced plans to hire 500 additional employees in the next few months. In SouthPark, Garretson Resolution Group signed a lease for approximately 43,000 square feet at Two Morrocroft Centre as the company plans to take the space vacated by Horizon Lines and Sterling Capital when the company relocates to Capitol Towers and Albemarle Corporation announced that they are in negotiations for approximately 48,000 square feet at Capitol Towers as they relocate the headquarters from Baton Rouge, Louisiana.

Secondary markets such as Charlotte are becoming increasingly attractive for investors. New office developments in Uptown, Highway 51/Ballantyne, and SouthPark as well as more than 3,700 multifamily units either under construction or recently delivered in just Uptown and South End alone proves that capital is coming into the city. The rising price of real estate in top-tier markets such as Manhattan, Los Angeles, Boston, San Francisco, Chicago and Washington, D.C. makes Charlotte even more appealing. The largest sales transaction of third quarter was the sale of the former AT&T Plaza building at 300 S. Brevard Street in Uptown. Childress Klein and Norfolk Southern sold the building to Stream Realty for \$45.5 million (\$134 per sf).

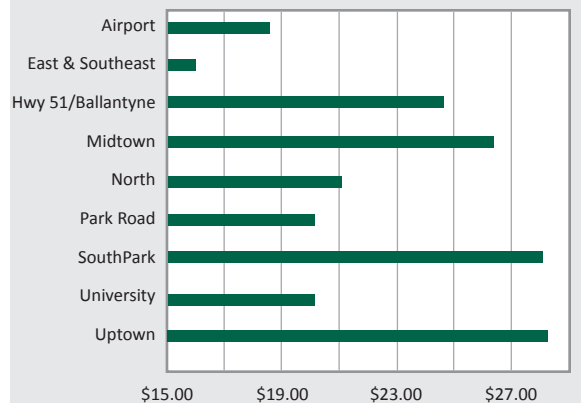
MARKET STATISTICS

| | 3Q 2015 | 2Q 2015 | FORECAST |
|----------------------------|------------|------------|----------|
| Market Supply (SF) | 56,326,264 | 56,090,014 | ▲ |
| Under Construction (SF) | 1,797,240 | 1,152,227 | ▲ |
| Direct Vacancy (%) | 10.8% | 11.3% | ▼ |
| Total Vacancy (%) | 11.2% | 11.7% | ▼ |
| Total Net Absorption (SF) | 448,559 | 205,093 | ▲ |
| YTD Net Absorption (SF) | 792,206 | 343,647 | ▲ |
| Direct Asking Rent | \$23.59 | \$23.01 | ▲ |
| Class A Direct Asking Rent | \$26.56 | \$25.76 | ▲ |
| Class B Direct Asking Rent | \$19.42 | \$19.30 | ▲ |

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 3Q 2015



Source: CoStar data pulled 10.1.15; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research

OFFICE MARKET STATISTICS

| | Inventory | Vacant Space | Vacancy Rate | 3Q 2015 Absorption | YTD 2015 Absorption | Completions | Construction | Direct Asking Rate |
|-------------------------|-------------------|------------------|--------------|--------------------|---------------------|-------------|------------------|--------------------|
| UPTOWN | 19,505,278 | 1,594,233 | 8.2% | 68,575 | 98,203 | 0 | 1,219,722 | \$28.09 |
| MIDTOWN | 4,324,212 | 208,158 | 4.8% | -17,984 | 24,382 | 0 | 79,119 | \$26.31 |
| URBAN TOTALS | 23,829,490 | 1,802,391 | 7.6% | 50,591 | 122,585 | 0 | 1,298,841 | \$27.91 |
| AIRPORT | 9,924,789 | 1,583,428 | 16.0% | 35,428 | -10,092 | 0 | 376,899 | \$18.52 |
| EAST & SOUTHEAST | 2,600,828 | 367,468 | 14.1% | 21,657 | 33,537 | 0 | 60,500 | \$15.98 |
| HWY 51/BALLANTYNE | 6,713,838 | 779,363 | 11.6% | 150,001 | 201,549 | 0 | - | \$24.73 |
| NORTH | 3,249,945 | 427,748 | 13.2% | 21,998 | 73,455 | 0 | 61,000 | \$21.01 |
| PARK ROAD | 624,546 | 71,344 | 11.4% | 8,062 | 33,107 | 0 | - | \$20.08 |
| SOUTHPARK | 4,702,680 | 615,480 | 13.1% | 154,451 | 155,633 | 1 | - | \$27.98 |
| UNIVERSITY | 4,680,148 | 642,999 | 13.7% | 6,371 | 182,432 | 0 | - | \$20.23 |
| SUBURBAN TOTALS | 32,496,774 | 4,487,830 | 13.8% | 397,968 | 669,621 | 1 | 498,399 | \$21.18 |
| CHARLOTTE TOTALS | 56,326,264 | 6,290,221 | 11.2% | 448,559 | 792,206 | 1 | 1,797,240 | \$23.59 |

OFFICE STATISTICS BY TYPE

| Building Class | Buildings | Inventory | Vacant Space | Vacancy Rate | YTD 2015 Absorption | Direct Asking Rent (PSF) |
|----------------------|------------|-------------------|------------------|--------------|---------------------|--------------------------|
| Class A | 203 | 33,095,636 | 3,382,047 | 10.2% | 122,585 | \$26.56 |
| Class B | 315 | 23,230,628 | 2,908,174 | 12.5% | 669,621 | \$19.42 |
| MARKET TOTALS | 518 | 56,326,264 | 6,290,221 | 11.2% | 792,206 | \$23.59 |

RECENT INVESTMENT SALES

| Building | Submarket | RBA | Sale Price | Price/SF |
|-----------------------|-------------------|---------|--------------|----------|
| AT&T Plaza | Uptown | 340,267 | \$45,500,000 | \$134.00 |
| Camel Park I&II | Hwy 51/Ballantyne | 167,200 | \$23,000,000 | \$138.00 |
| Corporate Center One | Airport | 183,030 | \$20,600,000 | \$113.00 |
| Corporate Center Two | Airport | 152,800 | \$16,900,000 | \$110.00 |
| 701 E Trade Street | Uptown | 23,987 | \$10,000,000 | \$417.00 |
| 701 E Morehead Street | Midtown | 23,669 | \$3,800,000 | \$161.00 |

SIGNED LEASE TRANSACTIONS

| Tenant | Building | Submarket | Size | Type |
|----------------------------|-------------------------|------------|---------|------|
| AvidXchange | AvidXchange HQ | Uptown | 199,998 | New |
| Red Ventures | 10101 Claude Freeman Dr | University | 80,596 | New |
| Dimensional Fund Advisors | Fifth Third Center | Uptown | 49,744 | New |
| Garretson Resolution Group | Two Morrocroft Centre | SouthPark | 43,231 | New |
| Quicken Loans Mortgage | Esplanade at SouthPark | SouthPark | 19,355 | 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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Source: CoStar data pulled 10.1.15; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research

