



Office Market Overview

Charlotte's net absorption remained relatively flat at positive 12,875 square feet in first quarter of 2014. This is a modest start to the new year mainly due to a tightening market and the lack of new office product. Tenants are trading within existing office space, but there has been little incremental change with regard to new deliveries; a concern for local economic developers that the city may be losing deals due to the lack of large blocks of vacant office space. Currently, there are only five Class A office buildings with available contiguous space of 100,000 square feet or greater. The largest contiguous block of available space is in the AT&T Plaza building uptown where 322,000 square feet is being marketed but will not be ready for occupancy until October of 2015. The good news is that developers are poised and ready to get back to business and Charlotte and the Carolinas are feeling the most confident when it comes to real estate construction. Proposed projects such as Lincoln Harris' Capitol Towers, a mixed use development to include twin ten story office buildings totaling 480,000 square feet in SouthPark and Crescent's Tryon Place, a 27 story office tower totaling approximately 700,000 square feet along Tryon Street in uptown are ready to break ground. Spectrum Properties has also announced a plan to construct a new 190,000 square foot office building on a 1.5 acre site adjacent to SouthPark Mall that is still in the rezoning stages.

The overall Charlotte market has seen a steady decline in vacancy since 2010 when vacancy reached as high as 18.7 percent. Now vacancy is 13.9 percent, up ten basis points from the end of 2013, but down almost 2.0 percentage points from a year ago equating to more than 1 million square feet.

The University and North submarkets drove the positive net absorption for first quarter. Cardinal Innovations Healthcare Solutions moved into more than 26,000 square feet in the Prosperity III building on Mallard Creek Road and plans to bring 80 jobs to the region in the next five years. The Airport submarket experienced the most significant negative net absorption of -52,038 square feet mainly due to the General Dynamics sublease at Four LakePointe Plaza that was terminated totaling over 66,000 square feet.

In first quarter 2014, leasing activity in the Charlotte market totaled 298,783 square feet. Over one-third of the transactions executed were in the Uptown submarket alone. American International Group Inc. (AIG) signed a lease in January for approximately 32,000 square feet on the 13th floor of the BB&T Center for its new technology center. The remaining space at BB&T Center is still the largest contiguous block of vacant space in uptown Charlotte totaling 146,684 square feet. Irongate Home Finance LLC has moved their corporate headquarters to Charlotte and signed a lease to take 21,000 square feet in the First Citizens Bank Plaza building at 128 S. Tryon Street in April and Bryan Cave signed a lease for approximately 19,000 square feet at One Wells Fargo Center at 301 S. College Street and will occupy the space in June. The largest lease signed outside of the CBD was a 10 year lease executed by SERC Reliability Corp. for 27,157 square feet at the Whitehall Corporate Center IV building near the airport. SERC Reliability Corp. currently occupies space at Coliseum Centre and Parkway Plaza office parks and plans to relocate to the new space this summer.

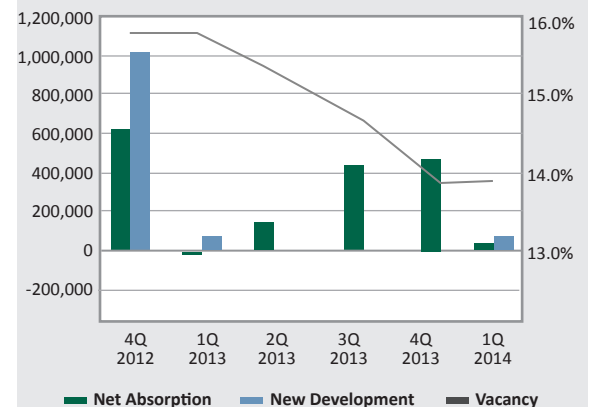
Asking rental rates increased during first quarter 2014 from \$20.63 to \$20.87 per square foot. Class A buildings drove the rise surpassing \$23.00 per square foot and landing at \$23.21 as Class B buildings actually experienced a decline of \$.10 per square foot. Some real estate executives believe that \$30.00 per square foot rental rates are certain to be in the Charlotte market's future as new Class A developments come online.

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

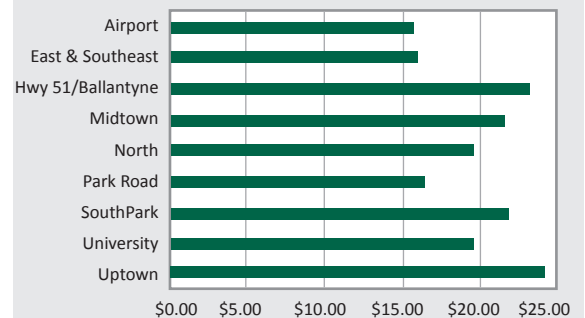
MARKET STATISTICS

	1Q 2014	4Q 2013	FORECAST
Market Supply (SF)	55,964,874	55,924,899	▲
Under Construction (SF)	221,876	261,851	▲
Direct Vacancy (%)	13.3%	13.4%	▲
Total Vacancy (%)	13.9%	13.8%	▲
Total Net Absorption (SF)	12,875	446,797	▼
YTD Net Absorption (SF)	12,875	1,057,570	▼
Direct Asking Rent	\$21.03	\$20.74	▲
Class A Direct Asking Rent	\$23.63	\$23.33	▲
Class B Direct Asking Rent	\$18.20	\$18.28	▼

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET ASKING RATES - 1Q 2014



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	1Q 2014 Absorption	YTD 2014 Absorption	Completions	Construction	Asking Rates
UPTOWN	19,583,945	2,031,896	10.4%	5,929	5,929	0	0	\$24.50
MIDTOWN	4,370,606	285,744	6.5%	3,492	3,492	0	46,000	\$22.29
URBAN TOTALS	23,954,551	2,317,640	9.7%	9,421	9,421	0	46,000	\$24.23
AIRPORT	9,967,485	1,812,452	18.2%	-52,038	-52,038	0	0	\$16.12
EAST & SOUTHEAST	2,610,248	435,622	16.7%	1,707	1,707	0	37,408	\$16.26
HWY 51 / BALLANTYNE	6,702,808	1,097,398	16.4%	-1,295	-1,295	0	0	\$23.84
NORTH	2,924,976	570,251	19.5%	18,982	18,982	1	0	\$19.64
PARK ROAD	639,999	157,647	24.6%	254	254	0	0	\$16.98
SOUTHPARK	4,643,730	519,998	11.2%	-7,412	-7,412	0	138,468	\$23.29
UNIVERSITY	4,521,077	843,220	18.7%	43,256	43,256	0	0	\$18.83
SUBURBAN TOTALS	32,010,323	5,436,588	17.0%	3,454	3,454	1	175,876	\$19.42
CHARLOTTE TOTALS	55,964,874	7,754,228	13.9%	12,875	12,875	1	221,876	\$20.87

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	197	32,602,834	4,137,684	12.7%	-6,417	\$23.21
Class B	313	23,362,040	3,616,544	15.5%	19,292	\$18.20
MARKET TOTALS	510	55,964,874	7,754,228	13.9%	12,875	\$20.87

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
SPX Headquarters	Hwy 51/Ballantyne	256,788	\$54,200,000	\$211.00
Fairview Center I&II	SouthPark	181,115	\$26,200,000	\$145.00
Atrium at 77 South	Airport	121,673	\$7,500,000	\$62.00
The Linville Building	North	125,000	\$19,000,000	\$152.00
6201 Fairview	SouthPark	57,416	\$9,500,000	\$166.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
AIG	BB&T Center	Uptown	32,000	New
SERC Reliability Corp.	Whitehall CC IV	Airport	27,157	New
Irongate Home Finance	First Citizens Bank Plaza	Uptown	21,000	New
Bryan Cave	One Wells Fargo Center	Uptown	19,112	New
CHS Hematology/Oncology	1100 S Tryon	Midtown	15,039	Renewal

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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