



Office Market Overview

The Charlotte market continues to strengthen as Mecklenburg County's unemployment rates declined from 5.2 percent in October to 5.1 percent in November adding over 7,000 jobs since July and nearly 24,000 jobs since November last year. Businesses continue to move, expand, and invest in Charlotte and Mecklenburg County. LendingTree recently announced the company will be expanding into the Frenette building in Ballantyne Corporate Park in January as the company has outgrown the current 37,800 square foot building at 11115 Rushmore Drive. In addition, TTI Floor Care will be hiring 200 workers over the next two years as it sets up a marketing and innovation center in Charlotte investing \$5 million in the facility at Innovation Park. Corning Optical Communications also announced that the company is looking for a site to build a \$38.7 million headquarter building that would deliver by the end of 2018 in order to relocate 500 jobs from Hickory and add another 150 new employees. Albemarle Corporation finalized its plans to relocate its headquarters to Charlotte in 2016. The company signed a lease at Capitol Towers for nearly 48,000 square feet and will receive state incentives that could total more that \$2 million over 12 years if it creates the jobs as planned. Incentives are returning to North Carolina after the Job Development Investment Grants (JDIG) program ran out of money for the 2015-2016 fiscal year. After being stalled in the Senate, a bill was approved that includes \$20 million annually for the JDIG program and that number could increase to \$35 million per year if a large project brings at least \$500 million in investment and creates a minimum of 1,750 jobs.

Overall office building vacancy in the Charlotte metro increased slightly from 11.0 percent to 11.2 percent during fourth quarter. Direct vacancy increased to 10.9 percent – up 30 basis points from third quarter, but down 1.0 percentage point versus a year ago. The increase in market vacancy is a direct result of AT&T moving out of the 300 S Brevard building. In December of 2014, AT&T announced it would vacate what was once known as AT&T Plaza and relocate employees into two office buildings that the company already occupied at 4100 S Stream Boulevard and 2359 Perimeter Pointe Parkway near the airport. The 300 S Brevard building has since been sold by Childress Klein and Norfolk Southern to Stream Realty for \$45.5 million (\$134 per sf). Direct net absorption for fourth quarter showed as relatively flat at positive 62,147 square feet, however, if AT&T's 316,000 square feet of negative net absorption is removed, then the statistics show a more reflective story of the market at positive 378,147 square feet.

The Airport and University submarkets both experienced positive net absorption of over 100,000 square feet. In June 2015, Wal-Mart Stores Inc. signed a 12-year lease for the nearly 108,000 square foot Three Water Ridge office building near the airport. The company moved into the five-story, Class A space in November 2015. Also in November, Biesse America Inc. expanded the company's headquarter facility into a newly developed 30,000 square foot building off of Meadow Oak Drive. Further north in University City, Red Ventures has started to expand into the Cambridge Corporate Center located at 10101 Claude Freeman Drive where the company has signed a lease for approximately 98,000 square feet. Also, The Hartford expanded into an additional 26,000 square feet at the University East Professional Center. They now occupy nearly 95,000 square feet in the Class B building.

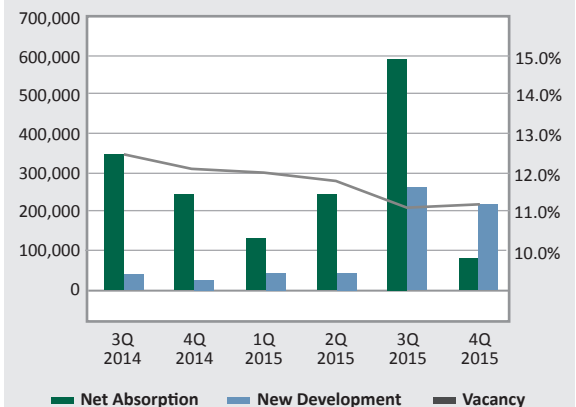
Leasing activity reached over 840,000 square feet during fourth quarter. The largest lease signed during the quarter was a 10-year renewal for nearly 165,000 square feet at the Bank of America Corporate Center for Moore Van Allen PLLC. Moore Van Allen is the largest tenant in the building occupying 8 floors and has been a tenant since the building opened in 1992. The Airport and University submarkets also had considerable leasing activity. In the Airport submarket, iQor signed a lease for the newly renovated, 77,000 square foot office building at SouthLake Crossing and Schweitzer purchased and will occupy the 52,000 square foot building at 901 Center Park Drive at Coffey Creek Business Center in March. TTI Floor Care signed leases totaling approximately 65,000 square feet at both 8405 and 8501 IBM Drive at Innovation Park during fourth quarter and Republic Services will occupy approximately 65,000 square feet on the third and fourth floors at Three Resource Square in April.

Source: CoStar data pulled 1.4.16; Real Capital Analytics; Charlotte Business Journal; Lincoln Harris Research

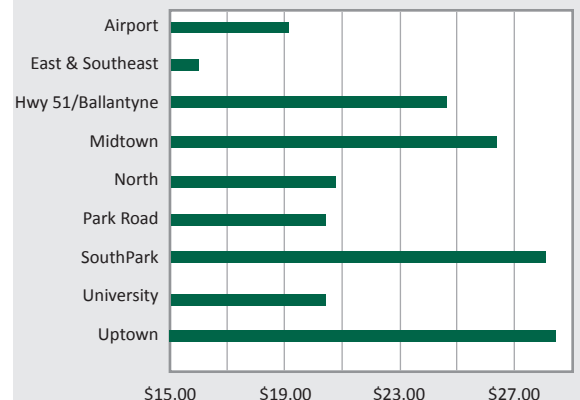
MARKET STATISTICS

	4Q 2015	3Q 2015	FORECAST
Market Supply (SF)	56,606,746	56,384,672	▲
Under Construction (SF)	2,103,895	1,775,169	▲
Direct Vacancy (%)	10.9%	10.6%	▲
Total Vacancy (%)	11.2%	11.0%	▲
Total Net Absorption (SF)	81,744	598,572	▼
YTD Net Absorption (SF)	1,041,904	960,160	▲
Direct Asking Rent	\$23.54	\$23.59	▼
Class A Direct Asking Rent	\$26.30	\$26.56	▼
Class B Direct Asking Rent	\$19.67	\$19.41	▲

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET DIRECT ASKING RATES - 4Q 2015



OFFICE MARKET STATISTICS

	Inventory	Vacant Space	Vacancy Rate	4Q 2015 Absorption	YTD 2015 Absorption	Completions	Construction	Direct Asking Rate
UPTOWN	19,644,975	1,877,765	9.6%	-288,504	-177,016	0	1,219,722	\$28.22
MIDTOWN	4,413,763	246,978	5.6%	40,299	64,681	79,119	0	\$26.75
URBAN TOTALS	24,058,738	2,124,743	8.8%	-248,205	-112,335	79,119	1,219,722	\$28.05
AIRPORT	10,021,741	1,493,602	14.9%	178,599	186,242	106,955	475,173	\$19.11
EAST & SOUTHEAST	2,634,828	369,999	14.0%	-5,308	63,120	0	26,500	\$16.00
HWY 51/BALLANTYNE	6,688,996	698,628	10.4%	80,735	282,284	0	287,500	\$24.63
NORTH	3,285,945	454,651	13.8%	9,097	132,552	36,000	95,000	\$20.79
PARK ROAD	624,546	69,126	11.1%	2,218	35,325	0	0	\$20.49
SOUTHPARK	4,611,804	600,993	13.0%	-37,309	165,574	0	0	\$27.97
UNIVERSITY	4,680,148	544,491	11.6%	101,917	289,142	0	0	\$20.49
SUBURBAN TOTALS	32,548,008	4,231,490	13.0%	329,949	1,154,239	142,955	884,173	\$21.09
CHARLOTTE TOTALS	56,606,746	6,356,233	11.2%	81,744	1,041,904	222,074	2,103,895	\$23.54

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2015 Absorption	Direct Asking Rent (PSF)
Class A	206	33,225,631	3,415,729	10.3%	420,812	\$26.30
Class B	318	23,381,115	2,940,504	12.6%	621,092	\$19.67
MARKET TOTALS	524	56,606,746	6,356,233	11.2%	1,041,904	\$23.54

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
Water Ridge Office Park (11 bldgs)	Airport	340,267	\$115,000,000	\$136.00
Toringdon (6 bldgs)	Ballantyne/Hwy 51	519,602	\$114,000,000	\$219.00
121 West Trade	Uptown	321,250	\$71,600,000	\$223.00
Kenton I, II, III	North	135,757	\$27,000,000	\$199.00
Park Avenue Building	Midtown	92,000	\$21,700,000	\$236.00

SIGNED LEASE TRANSACTIONS

Tenant	Building	Submarket	Size	Type
Moore Van Allen PLLC	Bank of America CC	Uptown	165,000	Renewal
iQor	SouthLake Crossing	Airport	76,899	New
TTI Floor Care	8405 IBM Drive	University	44,662	New
Republic Services	Three Resource Square	University	64,676	New
Securitas	Richardson Building	Ballantyne/Hwy 51	31,000	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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