

MARKETBEAT

Charlotte, NC

Office Q3 2017



CHARLOTTE OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Charlotte MSA Employment	1.23M	1.26M	▲
Charlotte MSA Unemployment	4.7%	3.8%	▼
U.S. Unemployment	4.9%	4.4%	▼

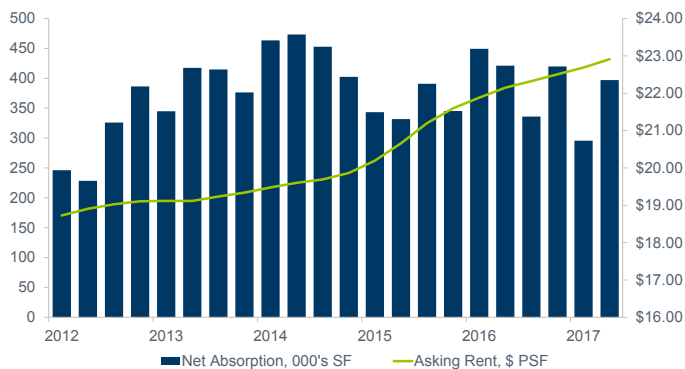
Market Indicators (Overall* All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	7.5%	8.5%	▼
Net absorption SF	407k	573k	▲
Under Construction SF	3.1M	2.4M	◄
Asking Rent**	\$22.70	\$23.84	▲

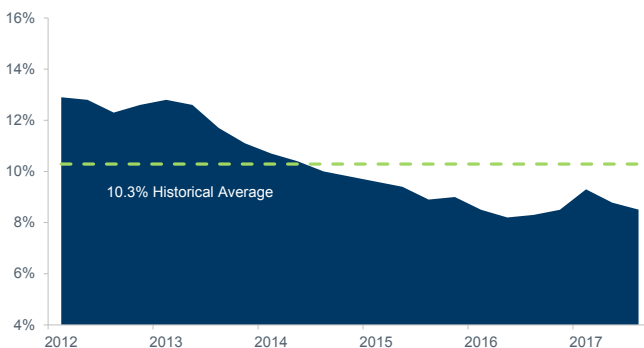
*Overall stats are not reflective of U.S. Overview

**Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Charlotte's economy continues to strengthen mirroring national trends. The Charlotte MSA added just under 17,000 new jobs over the past year, which helped decrease the unemployment rate from 4.7% to 3.8%. Out of the Major MSAs (over 1 million employed), Charlotte ranks third in the country behind Dallas and Houston for the highest rate of population growth over the last 10 years. Having grown by 20% in that time frame, Charlotte has absorbed this population growth with new job creation resulting in a historically low unemployment rate of 3.8%.

Market Overview

Charlotte's strong economic foundation continues to foster a healthy demand for office space. Q3 absorption netted 573,268 sf with a year-to-date total of just over 1.4 msf, which is above the 10-year historical average. Marketwide vacancy increased to 8.5% from 8.2% year-over-year. However, this can be attributed to new building deliveries. Notable deliveries in Q3 were 300 S Tryon (638,459 sf) in the CBD and The Hub at Waverly (154,000 sf) in the South/485 submarket. These two buildings amass 792,459 sf of new Class A inventory adding to the 1.1 msf delivered in the first half of 2017. Robust rental rate growth has continued, growing with another 5% year-over-year. This trend will continue, as the market gets tighter. There is 2.4 msf under construction which will increase inventory by 3.6%. New, high quality product should push rental rates higher. Investment sales activity in 2017 has been high with continuing demand to purchase Charlotte office space. Sales volume should increase further towards the end of 2017 and beginning of 2018 as occupancy numbers increase and owners monetize their assets.

Suburban

The majority of Charlotte's office demand has been suburban over the past few years. Year-to-date the suburban markets have outpaced Charlotte's CBD by absorbing a total of just under 1.2 msf. Nonetheless the bulk of speculative construction is taking place in the CBD, where there has been high demand for large blocks of pre-leased space. Average suburban rental rates increased by 6% since the end of 2016. Right now there are several proposed office buildings in South End working on pre-leasing to break ground. However, there have also been a few speculative building construction announcements. While South End has greatly benefited from the LYNX Blue Line, the new, North End submarket is already benefiting from the 2018 opening of the Lynx North Line. The new, North LYNX Line has spurred new redevelopment like CAMP North End, a \$13.5-million acquisition by ATCO. CAMP North

MARKETBEAT

Charlotte, NC

Office Q3 2017



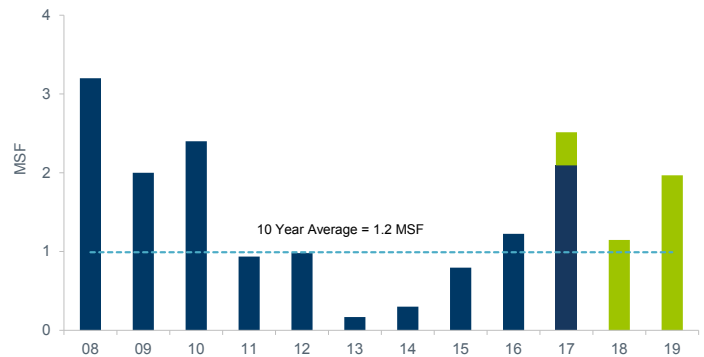
End will add approximately 1.3 msf of office space and has already begun to sign retail tenants.

Uptown

2017 has been full of major headlines including Ally recently announcing its pre-lease of 400,000 sf at 601 S Tryon, being developed by Crescent Communities. Ally currently leases 187,111 sf at 440 S Church. Another recent headline is that the CBD will add a grocery store to its portfolio next to 10 Tryon, a 10-story office building totaling 189,000 sf, beginning construction in Q4. In addition to these new availabilities, several Class B buildings with longtime planned renovations are starting to ramp up. These renovations could generate more demand for Class B product and catalyze absorption from Fintech and TAMI users in the CBD. With the high volume of new construction, average asking rates in the CBD have increased by 6.5% year-over-year while the vacancy rate sits at 10.4%.

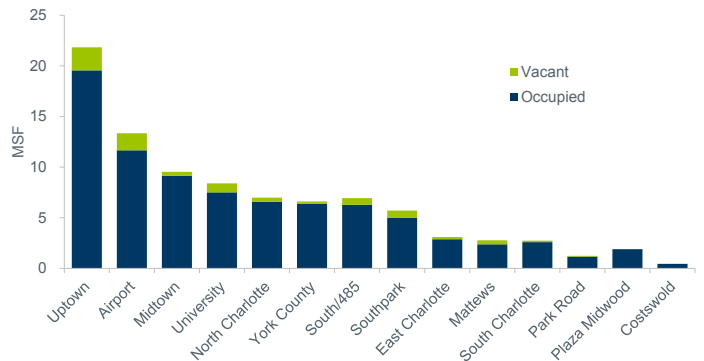
New Supply

NEW SUPPLY DELIVERED IN 2017 IS PROJECTED TO BE OVER 2.5 MILLION SQUARE FEET.



Submarket Comparison

VACANCY CONTINUES TO TIGHTEN ACROSS CHARLOTTE METRO

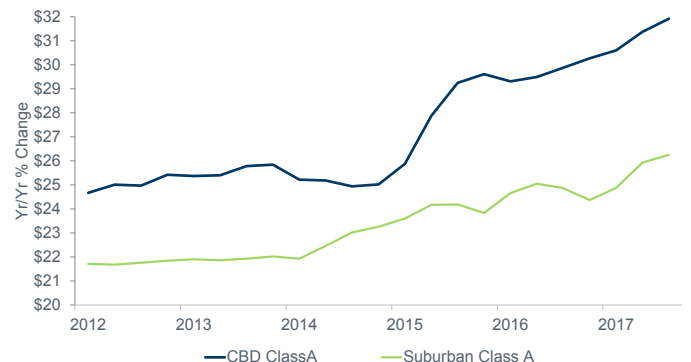


Outlook

- Vacancy in the suburbs will decrease over the next year due to high demand and constricted speculative construction, spurring increased rental growth, particularly in the Airport, South 485, and University submarkets.
- As supply continues to increase in the CBD, rental growth may begin to slow. Charlotte remains a lower cost option, compared to other cities, with relocations fueling demand.
- Net absorption in 2017 is already above par, compared to historical averages, and should push vacancy down in suburban markets. With more tenants moving towards higher density occupancy, they require parking needs of 6 plus per 1,000 sf. As new "spec" supply is delivered in the urban core markets, vacancy rates could start to increase in 2019.
- While the volume of sales has been slow in the first half of the year, a broad base of buyers continue to demand Charlotte office opportunities. In the second half of 2017 sales volume should pick up as buildings are leased and owners look to monetize their assets.

CLASS A Asking Rent Trend

CBD RENTS HAVE INCREASED 6.4% YEAR-OVER-YEAR
SUBURBAN RENTS HAVE INCREASED 3.5% YEAR-OVER-YEAR



MARKETBEAT

Charlotte, NC

Office Q3 2017



SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	TOTAL VACANT SF	VACANCY RATE	YTD NET ABSORPTION	YTD DELIVERIES	UNDER CONSTRUCTION	AVERAGE ASKING RENT
Airport	343	13,344,231	1,669,832	1,683,459	12.6%	72,498	23,000	382,034	\$19.83
CBD	124	21,836,797	2,229,873	2,270,911	10.4%	236,129	1,017,402	853,073	\$30.82
Cleveland County	264	1,796,705	112,168	112,168	6.2%	3,492	5,147	20,901	\$12.72
Cotswold	37	450,104	6,345	6,345	1.4%	4,576	0	0	\$23.73
East Charlotte	319	3,089,860	211,107	211,107	6.8%	88,158	80,000	30,000	\$15.64
Gaston County	693	4,081,698	188,270	188,270	4.6%	37,092	0	0	\$14.39
Iredell County	448	4,255,735	248,290	271,241	6.4%	54,707	18,000	22,492	\$17.31
Matthews	236	2,777,225	398,786	402,041	14.5%	53,361	0	0	\$17.21
Midtown	645	9,537,525	340,905	387,828	4.1%	186,833	230,259	383,371	\$27.91
Northeast/I-77	389	5,678,664	340,852	361,092	6.4%	10,821	0	11,629	\$21.02
Northwest Charlotte	190	1,308,523	63,651	63,651	4.9%	15,632	0	10,834	\$17.15
Park Road	86	1,242,057	84,701	84,701	6.8%	(24,985)	0	0	\$24.49
Plaza Midwood/NoDa	278	1,911,214	16,760	16,760	0.9%	202,056	201,067	169,730	\$13.93
South Charlotte	172	2,737,717	140,971	142,121	5.2%	141,002	0	0	\$21.24
South/485	171	6,941,112	602,732	659,695	9.5%	340,967	164,000	30,000	\$29.21
Southpark	100	5,708,885	677,092	727,265	12.7%	(36,035)	231,000	0	\$30.20
Union County	388	2,473,878	168,224	168,524	6.8%	24,942	3,972	0	\$18.04
University	153	8,392,286	864,114	879,786	10.5%	(45,912)	0	0	\$21.55
York County	555	6,615,330	224,326	226,298	3.4%	48,559	0	530,504	\$20.32
SUBURBAN MARKET TOTALS	5,467	82,342,749	6,359,126	6,592,352	8.0%	1,177,764	956,445	1,591,495	\$21.98
UPTOWN MARKET TOTAL	124	21,836,797	2,229,873	2,270,911	10.4%	236,129	1,017,402	853,073	\$30.82
Class A	262	41,013,615	4,692,222	4,873,962	11.9%	990,080	1,815,661	2,194,028	\$28.16
Class B	2,078	43,214,567	3,123,905	3,216,129	7.4%	362,970	158,186	250,540	\$19.62
Class C	3,251	19,951,364	772,872	773,172	3.9%	60,843	0	0	\$16.65
CHARLOTTE METRO TOTAL	5,591	104,179,546	8,588,999	8,863,263	8.5%	1,413,893	1,973,847	2,444,568	\$23.84

* Office asking rents converted to Full Service * Overall stats are not reflective of U.S. Overview

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
601 S Tryon St - Tryon Place	400,000	Ally	New	CBD
9300 Arrowpoint Blvd	145,611	Charter Communications	New	Airport
340 E 16th St -Tompkins Hall	83,000	Duke Energy	New	I-277/30th St Ind
525 N Tryon St	48,322	James, McElroy & Diehl	New	CBD
10720 Sikes Pl - Providence Park	47,116	Integration Point	Expansion	South/485
300 S Tryon St	27,204	King & Spalding	New	CBD
128 S Tryon St - First Citizens Bank Plaza	26,986	Passport	New	CBD
300 S Tryon St	26,857	Winston & Strawn	New	CBD
8711 University East Dr	23,497	TZ Insurance	New	University

Key Sales Transactions Q3 2017

PROPERTY	SF	Seller / Buyer	Price / PSF	Submarket
200 South Tryon	215,496	LNR Partners / Jewell Capital	\$35,490,000 / \$165	CBD
600 S College St	44,429	James, McElroy & Diehl, P.A. / Asana Partners	\$6,400,000 / \$144	CBD
4401 Barclay Downs Dr	38,395	Culp Elliott & Carpenter, P.L.L.C / ZOM, Inc.	\$13,205,500 / \$344	Southpark
301 Hawthorne Ln - Novant Health	18,075	301 Hawthorne LLC / Novant Health	\$6,700,000 / \$371	Midtown / Randolph
1515 Shopton Rd	15,000	Tryon South Professional Center / Aliyah Estates	\$2,349,500 / \$157	Airport
400 E Trade St	14,000	Wells Property Number One / Innervision RE Foundation	\$2,050,000 / \$146	CBD
12311 Copper Way	13,222	Toringdon Partners / TMBIG	\$3,100,000 / \$234	South 485

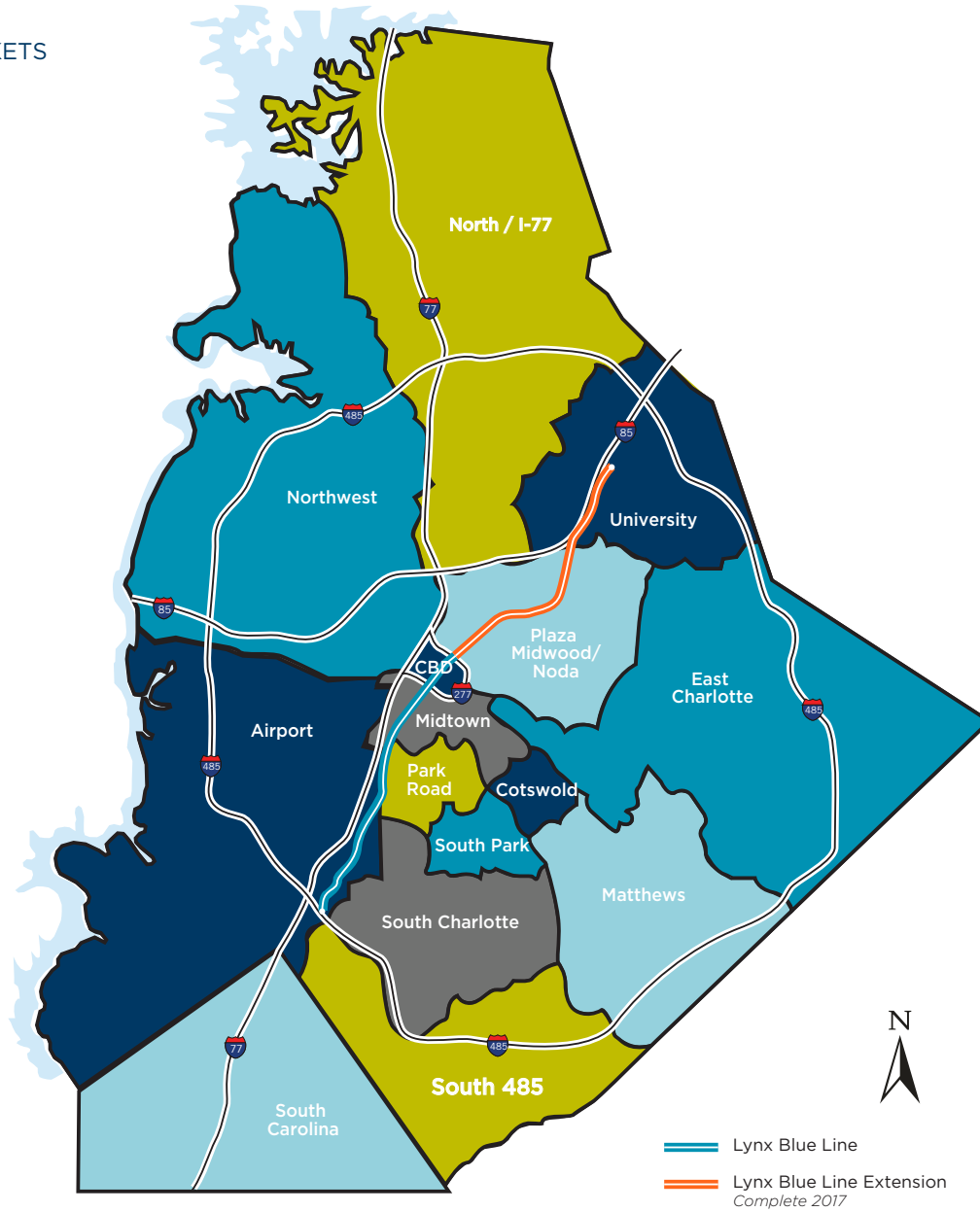
MARKETBEAT

Charlotte, NC

Office Q3 2017



OFFICE SUBMARKETS CHARLOTTE, NC



Cushman & Wakefield
550 S. Tryon St. | Ste. 3400
Charlotte, NC 28202
cushmanwakefield.com

For more information, contact:
Brett Gray, Market Leader
Tel: +1 704 335 4442
brett.gray@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2017 Cushman & Wakefield.

The material in this presentation has been prepared solely for information purposes, and is strictly confidential. Any disclosure, use, copying or circulation of this presentation (or the information contained within it) is strictly prohibited, unless you have obtained Cushman & Wakefield's prior written consent. The views expressed in this presentation are the views of the author and do not necessarily reflect the views of Cushman & Wakefield. Neither this presentation nor any part of it shall form the basis of, or be relied upon in connection with any offer, or act as an inducement to enter into any contract or commitment whatsoever. No representation or warranty is given, express or implied, as to the accuracy of the information contained within THIS PRESENTATION, and Cushman & Wakefield is under no obligation to subsequently correct it in the event of errors.