

# MARKETBEAT

## Charlotte, NC

### Office Q1 2018



#### CHARLOTTE OFFICE

##### Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Charlotte MSA Employment*	1.17M	1.2M	▲
Charlotte MSA Unemployment**	4.9%	4.3%	▼
U.S. Unemployment	4.7%	4.1%	▼

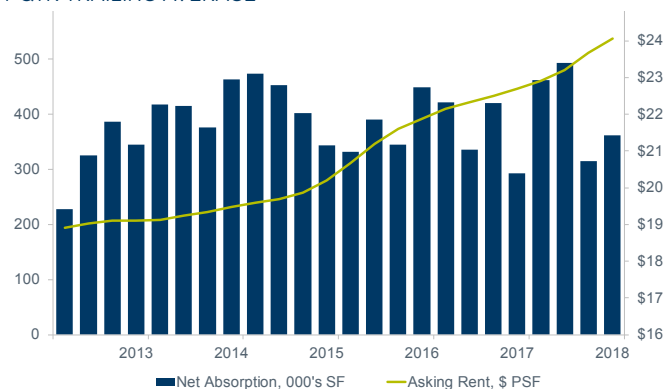
\*February 2018 data used to represent Q1 2018  
 \*\*January 2018 data used to represent Q1 2018

##### Market Indicators (Overall, All Classes)

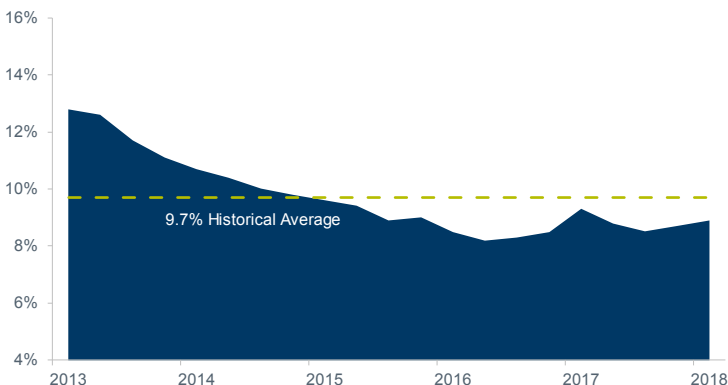
	Q1 17	Q1 18	12-Month Forecast
Vacancy	9.3%	8.9%	▼
Net Absorption (sf)	67k	238k	▲
Under Construction (sf)	1.9M	3M	■
Asking Rent*	\$22.91	\$24.46	▲

\*Rental rates reflect gross asking \$psf/year  
 \*\*Stats above are not reflection of U.S. MarketBeat tables

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



##### Overall Vacancy



### Economy

Charlotte's economy is doing well and is showing no signs of slowing down. As of January, Charlotte has gained 34,200 jobs year-over-year and is expected to stay on this path throughout 2018. Since reaching an all-time low of 3.8% last September, the unemployment rate has slightly increased to 4.3% as of February and aligned more with the nation's average. The United States unemployment rate remained at 4.1%, which is the lowest since the 2004 unemployment rate of 3.9%.

### Market Overview

Charlotte's office market continues to demonstrate strong demand for Class A office space as tenants occupy buildings that were delivered last year. In the first quarter of 2018, 263,000 square feet (sf) of Class A office space was absorbed. Year-over-year the average asking rents for Class A space increased 5.3% to \$28.41 per square foot (psf) gross. Rents are expected to increase in the future and are estimated to eclipse \$40.00 psf in trophy Class A assets located in the CBD/Uptown and Midtown submarkets. This is primarily due to the expected delivery of 3.0 million square feet (msf) currently under construction in the Charlotte market. Vacancy is also expected to decrease further as newly delivered buildings are in the lease up phase. Year-over-year vacancy decreased from 9.3% to 8.9%. Sales volume for the first quarter totaled \$156.5 million, averaging \$180 psf. Notable transactions included the office portion of The Park at Huntersville for \$62.5 million (\$158 psf) and the Daimler building in York County for \$40 million (\$266 psf). 2018 will be the year of record breaking pricing in Charlotte for both the CBD and suburbs. The Lash Group HQ Campus and 615 S College are both currently being marketed and will shatter previous suburban and CBD price per square foot records.

### Suburban

At the end of the first quarter of 2018, asking rents were up 8.8% year-over-year ending at \$22.69 psf. With a low vacancy rate of 8.3% and 1.4 msf under construction, asking rents will continue to increase with buildings such as The RailYard and The Refinery demanding highest rents. The LYNX Blue Line in Midtown/Southend is one major factor responsible for the superior performance of the suburban markets. According to estimates, \$2.1 billion has been

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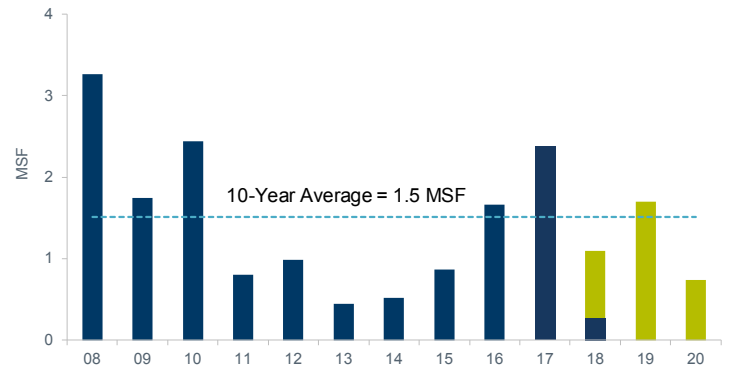
invested in Midtown/Southend along the LYNX Blue line since the original opening in late 2007. Now that the long awaited 9.3-mile Blue Line Extension opened March 16th of this year, rapid development will continue in CAMP North End with asking rents increasing due to new construction. The LYNX Blue Line will be a huge catalyst for development for decades to come as the light rail service connects the University and CBD/ Uptown submarkets.

### Uptown/CBD

Charlotte's CBD/Uptown area performed exceptionally well last year and is forecasted to maintain this trend in 2018. Vacancy is down to 11.5% due to 92,386 sf of total absorption for the quarter. Absorption will increase and vacancy decrease further as newly delivered buildings lease up. Average total asking rates are \$31.33 psf, a 5.9% increase year-over-year. No new buildings are to be completed in 2018 but delivery of Legacy Union by Lincoln Harris is expected for the second quarter 2019. This building is an 853,000-sf build-to-suit for Bank of America and has set the prime rate close to \$40.00 psf for the CBD/Uptown.

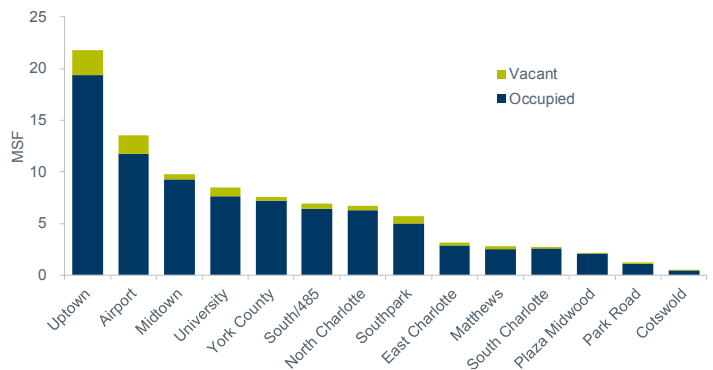
### New Supply

NEW SUPPLY IS PROJECTED TO BE 20% ABOVE THE HISTORICAL AVERAGE.



### Sublease & Direct Trend

SUBLEASE SPACE RECEDING

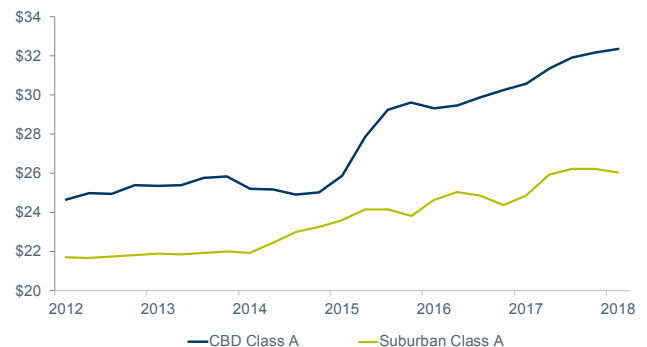


### Outlook

- 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.
- With over 1.7 msf of supply currently under construction in the CBD/Uptown, rental growth may begin to slow until these Class A trophy buildings deliver along the Stonewall corridor.
- As new "spec" supply is delivered in the urban core markets, vacancy rates could start to increase temporarily in 2019.
- As vacancy decreases and rental rates continue to rise, owners are expected to sell properties for record high amounts as Charlotte demonstrates it is a viable and highly sought after investment market.

### CLASS A Asking Rent Trend

CBD RENTS HAVE INCREASED 6.28% YEAR-OVER-YEAR



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	OVERALL VACANCY %	YTD NET ABSORPTION (SF)	YTD DELIVERIES (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT
Airport	348	13,546,071	1,784,290	1,809,793	13.4%	131,288	131,565	274,000	\$19.99
CBD / UPTOWN	123	21,820,244	2,459,019	2,507,213	11.5%	92,386	0	1,595,073	\$31.33
Cleveland County	270	1,812,746	73,109	73,109	4.0%	-2,601	0	10,901	\$13.38
Cotswold	37	490,271	2,836	2,836	0.6%	-254	0	0	\$23.08
East Charlotte	324	3,163,450	274,655	274,655	8.7%	-13,005	0	0	\$15.61
Gaston County	697	4,086,817	178,539	178,539	4.4%	33,842	0	0	\$14.56
Iredell County	452	4,363,788	209,684	232,935	5.3%	6,984	0	22,492	\$18.26
Matthews	241	2,829,533	298,768	300,574	10.6%	-20,186	0	0	\$18.12
Midtown	649	9,757,021	476,255	553,098	5.7%	-82,629	90,438	774,194	\$31.02
Northeast/I-77	388	5,614,898	368,520	427,690	7.6%	-20,332	4,114	22,979	\$22.11
Northwest Charlotte	192	1,324,368	50,758	50,758	3.8%	16,520	10,834	0	\$21.14
Park Road	84	1,225,621	155,596	155,596	12.7%	-10,704	0	0	\$25.80
Plaza Midwood/NoDa	278	2,130,838	62,435	62,435	2.9%	7,334	0	169,730	\$21.46
South Charlotte	173	2,737,142	139,924	139,924	5.1%	-701	0	0	\$22.93
South/485	170	6,934,328	489,244	546,139	7.9%	107,963	0	30,000	\$29.53
Southpark	100	5,695,314	682,747	744,089	13.1%	23,147	0	0	\$30.79
Union County	396	2,512,148	163,061	163,061	6.5%	2,185	0	46,530	\$18.33
University	154	8,531,770	896,469	904,069	10.6%	-35,080	0	0	\$22.27
York County	573	7,599,903	360,945	364,440	4.8%	2,073	30,455	59,362	\$20.60
<b>SUBURBAN MARKET TOTALS</b>	<b>5,526</b>	<b>84,356,027</b>	<b>6,667,835</b>	<b>6,983,740</b>	<b>8.3%</b>	<b>145,844</b>	<b>267,406</b>	<b>1,410,188</b>	<b>\$22.69</b>
<b>CBD/UPTOWN MARKET TOTAL</b>	<b>123</b>	<b>21,820,244</b>	<b>2,459,019</b>	<b>2,507,213</b>	<b>11.5%</b>	<b>92,386</b>	<b>-</b>	<b>1,595,073</b>	<b>\$31.33</b>
Class A	272	41,804,686	5,055,503	5,324,733	12.7%	263,091	210,438	2,901,851	\$28.41
Class B	2,121	44,473,043	3,308,450	3,399,824	7.6%	-12,296	56,968	103,410	\$21.34
Class C	3,256	19,898,542	762,901	766,396	3.9%	-12,565	0	0	\$18.11
<b>CHARLOTTE METRO TOTAL</b>	<b>5,649</b>	<b>106,176,271</b>	<b>9,126,854</b>	<b>9,490,953</b>	<b>8.9%</b>	<b>238,230</b>	<b>267,406</b>	<b>3,005,261</b>	<b>\$24.46</b>

\* Office asking rents converted to Full Service \*\*Stats above are not reflection of U.S. MarketBeat tables

### Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
201 N Tryon St	286,137	Bank of America	Renew	CBD
1515 S Tryon St	265,000	Dimensional Fund Advisors	New	Midtown
4250 Congress St	141,500	Albemarle Corp	Expansion	Southpark
615 S College St	59,920	Little Diversified Architectural Consulting	New	CBD
2116 Hawkins St	31,176	Krispy Kreme	New	Midtown
615 S College St	27,081	WeWork	New	CBD
101 S Tryon St	21,663	Ridgemont Equity Partners	Sublease	CBD
7621 Little Ave	10,434	SeedSpark	New	Southpark
13620 Reese Blvd	15,895	Ensemble Health Partners	New	Northeast/I-77
130 Harbour Place Dr	15,524	Curtiss Wright	New	Northeast/I-77

### Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
9930 Kincey Ave - Latta Building	395,796	Bank of America/OA Development	\$62,500,000 / \$158	Northeast/I-77
2477 Deerfield Dr - Koll Intellicenter	150,164	LIC Asset Management/Robin Global Prop Trust	\$40,000,000 / \$266	York
9801 Kincey Ave	117,117	Bank of America/Viking Partners	\$14,650,000 / \$125	Northeast/I-77
6115 Park South Dr	54,125	Origin Investments/Lat Purser & Assoc.	\$11,300,000 / \$209	Southpark

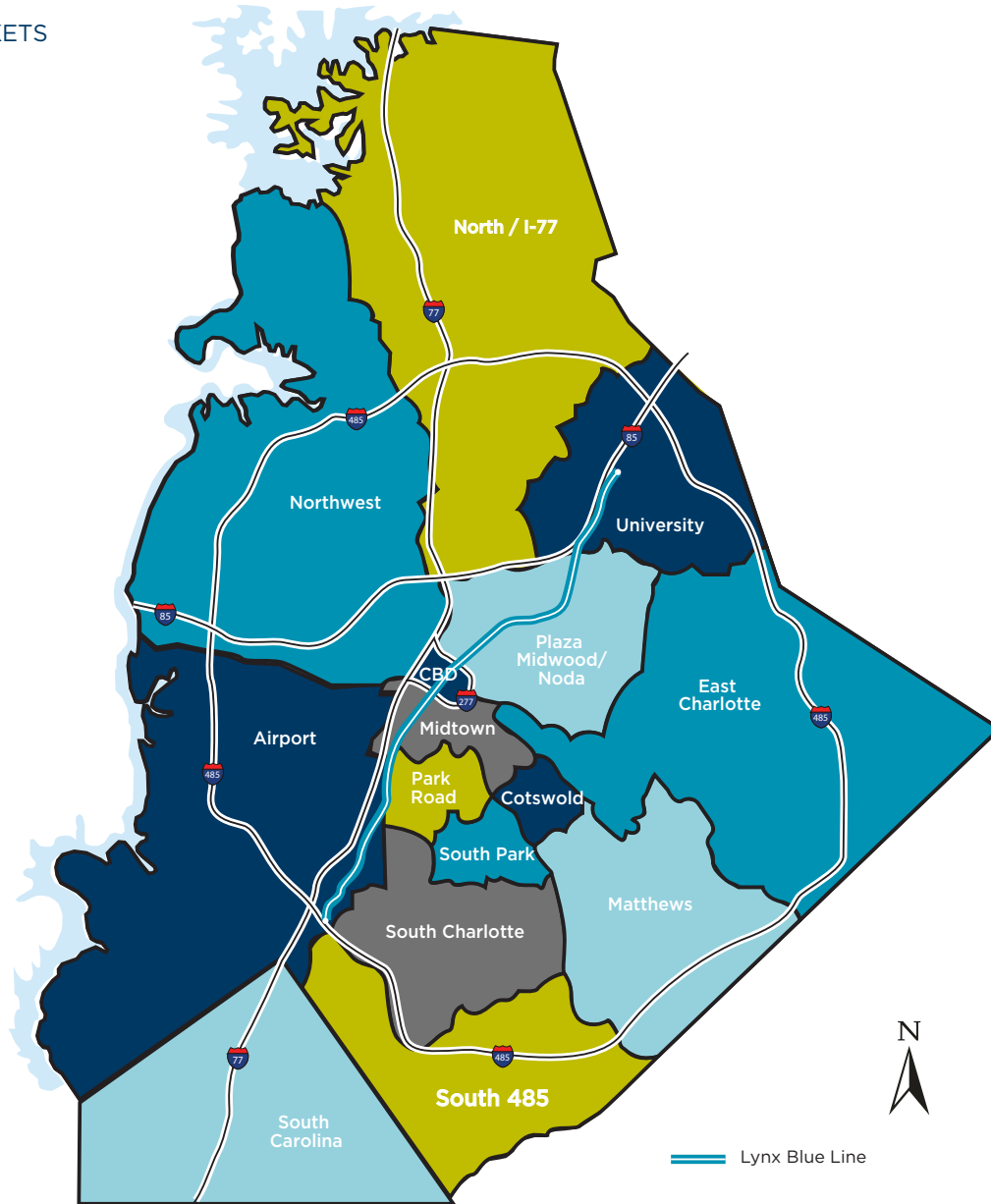
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#### OFFICE SUBMARKETS CHARLOTTE, NC



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