

CHARLOTTE OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Charlotte Employment*	1,175k	1,205k	▲
Charlotte Unemployment*	4.5%	4.0%	▲
U.S. Unemployment	4.3%	3.8%	▼

* May 2018 data used to represent Q2 2018

Market Indicators (Overall, All Classes)

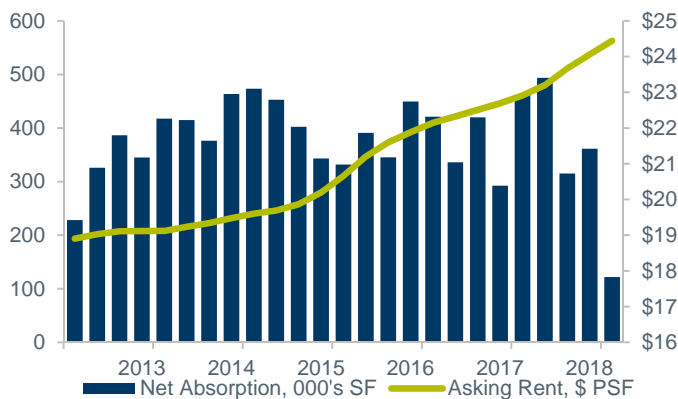
	Q2 17	Q2 18	12-Month Forecast
Vacancy	8.8%	8.9%	▼
Net Absorption (sf)	617k	-42k	▲
Under Construction (sf)	3M	3.6M	■
Average Asking Rent*	\$23.44	\$24.98	▲

*Rental rates reflect gross asking \$psf/year

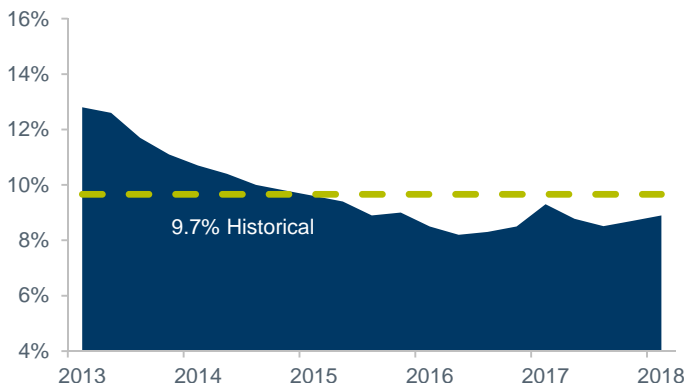
**Stats above are not reflection of U.S. MarketBeat tables

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Southeast region of the US is continuing to see a trend of job migration with Charlotte being one of the forerunners. Much of this growth can be attributed to Charlotte's strong economy, affordability, millennial labor growth and hub airport that makes it an ideal location for employers and job seekers. These attributes had a huge impact on why Charlotte landed fifth on Forbes list for "best cities for jobs". Year-over-year Charlotte has added 30,400 jobs and has an unemployment rate of 4% as of May. Though in the past Charlotte was known for being the third largest banking hub in the nation, Tech job growth is currently outpacing financial services roles in the city with no signs of slowing down. The US unemployment rate has decreased to 3.8% and the economy is forecasted to continue its nine year economic expansion for the foreseeable future.

Market Overview

Through the first half of 2018, Class A asking rents have risen 2.6% to \$24.98 per square foot (psf). This pace of growth can be expected to continue for the rest of 2018 as the 2 million square feet (msf) of deliveries in 2017 continues to lease up and stabilize. Vacancy year-over-year has remained relatively flat at 8.9% since fewer large speculative developments are expected to deliver for the rest of 2018 and stabilization continues. Toringdon 7 and 300 W Summit are two of the more prominent speculative developments expected to deliver next quarter. These two spec buildings are cumulatively 30% preleased and total 264,000 sf. Year-over-year, 772,000 sf of office space has been absorbed. Currently, there is 3.5 msf under construction, 2 msf of that being located in the suburban market. Surprisingly, the total amount of construction in Charlotte exceeds the total amount of construction in all of Florida. This is indeed a testament to Charlotte and how the Southeast are experiencing robust, healthy growth sustained by the large influx of jobs. Year-to-date, Charlotte investment activity has been strong, totaling \$622.7 million with an average psf of \$234. The sale of 615 S College for \$222 million set a new market high of \$598 psf surpassing the previous record of \$309 psf set by the 2016 sale of Carillon Tower in Uptown Charlotte.

Suburban

Activity in the suburban market has been a huge driver in the success of Charlotte's real estate market. Although current under construction properties such as the Railyard, the Refinery or Dimensional Place in Midtown command suburban

market highs nearing \$40 psf, asking rents for the entire suburban market have increased to \$23.20 psf; a 4.6% increase year-over-year. Suburban vacancy rate has decrease slightly during that same time period and is currently at 8.4%. Under construction currently stands at 2 msf predominantly taking place in the Midtown, Airport and South/485 submarkets. Absorption year-over-year is just over 802,000 sf, a key indicator of the strong demand for suburban office space. The most notable second quarter sale was Dilweg's purchase of the Vanguard Center for \$42.7 million (\$81 psf) from True North Management Group. The purchase is a complete renovation that illustrates the potential for many likewise projects.

CBD/Uptown

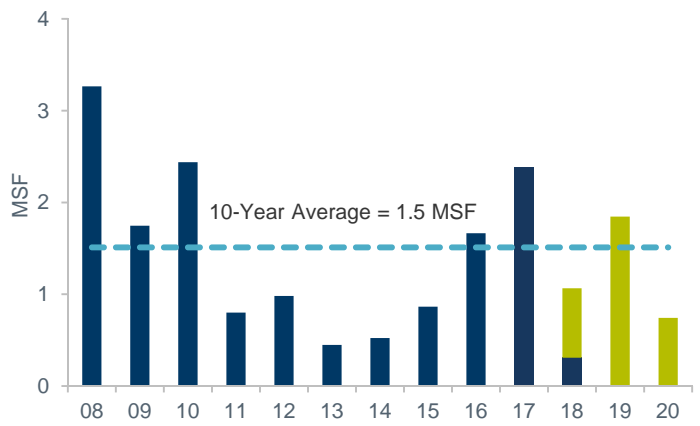
Overall asking rents in the CBD have increased 4.6% year-over-year to an average of \$31.87 psf. Much of that appreciation can be attributed to new Class A deliveries such as 615 S College and 300 S Tryon. However, newly renovated buildings are also playing a significant role in the overall market rent increase of Uptown. These up-fitted Class B buildings are seeing increased demand by tenants looking for a premium location at a market discount. These renovations offer tenants similar amenities as new constructed buildings but at a lower cost. As these new deliveries and newly renovated projects deliver, the current vacancy rate of 10.8% will decline. Absorption for 2018 has been 232,000 sf and will only increase as new deliveries lease up as well and recent renovated buildings find new tenants.

Outlook

- Vacancy in the suburbs will decrease for the rest of 2018 due to high demand and constricted speculative construction, spurring increased rental growth, particularly in the Airport, South/485 and University submarkets.
- With 1.6 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.

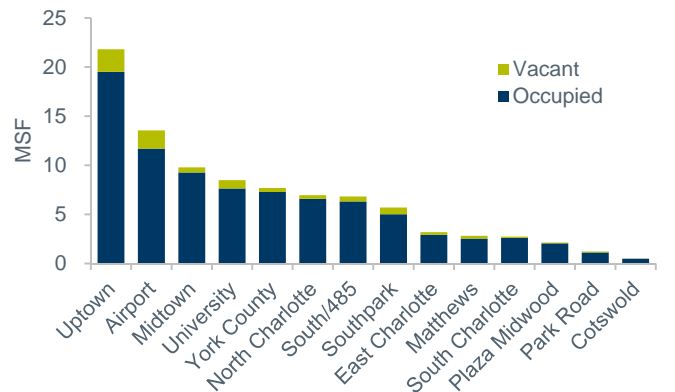
New Supply

NEW SUPPLY IS PROJECTED TO BE 20% ABOVE THE HISTORIC AVERAGE



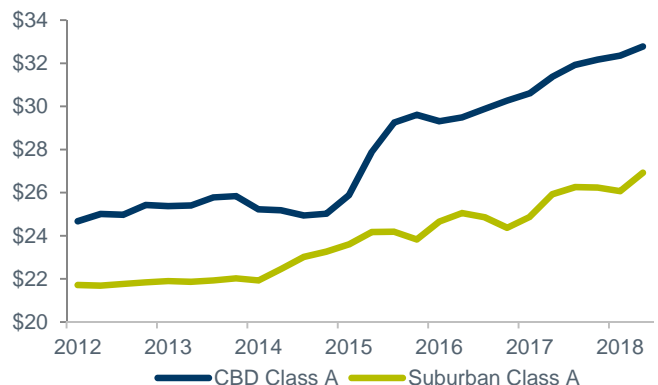
Sublease & Direct Trend

SUBLEASE SPACE RECEDING



Class A Asking Rent Trend

CBD RENTS INCREASED 0.7% YEAR-OVER-YEAR



MARKETBEAT
Charlotte
Office Q2 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	OVERALL VACANCY %	YTD NET ABSORPTION (SF)	YTD DELIVERIES (SF)	UNDER CNSTR AVERAGE (SF)	ASKING RENT
Airport	348	13,545,426	1,849,508	1,911,077	14.1%	-54,735	177,426	493,469	\$21.00
CBD/UPTOWN	122	21,802,887	2,300,892	2,365,520	10.8%	232,622	0	1,595,073	\$31.87
Cleveland County	273	1,812,746	64,469	64,469	3.5%	6,539	0	10,901	\$13.48
Cotswold	37	490,271	1,904	1,904	0.4%	678	0	0	\$23.21
East Charlotte	323	3,163,450	272,633	272,633	8.5%	-13,848	0	0	\$15.61
Gaston County	706	4,086,817	226,306	230,462	5.6%	-8,887	0	0	\$14.68
Iredell County	456	4,363,788	212,532	235,483	5.5%	28,228	22,492	0	\$18.54
Matthews	241	2,829,533	275,871	277,677	9.9%	18,521	13,810	0	\$18.55
Midtown	649	9,757,021	518,950	540,456	5.5%	-143,449	0	784,956	\$30.77
Northeast/I-77	391	5,614,898	330,984	443,775	7.9%	-36,417	4,114	42,000	\$22.24
Northwest Charlotte	192	1,324,368	43,936	43,936	3.3%	23,342	10,834	67,920	\$20.78
Park Road	84	1,230,687	102,167	102,167	8.3%	42,725	0	0	\$25.89
Plaza Midwood/NoDa	278	2,134,320	82,451	82,451	3.9%	-12,682	0	169,730	\$25.84
South Charlotte	174	2,738,201	125,520	135,916	5.0%	3,307	0	0	\$23.32
South/485	173	6,828,044	509,058	581,206	8.5%	73,396	0	379,000	\$32.07
Southpark	100	5,694,863	671,177	744,907	13.1%	22,329	0	0	\$29.91
Union County	400	2,501,392	142,867	146,867	5.9%	18,879	0	28,630	\$18.01
University	153	8,480,770	842,571	865,842	10.2%	1,717	0	0	\$22.80
York County	574	7,684,232	408,358	418,659	5.4%	-6,444	78,732	18,000	\$20.96
SUBURBAN MARKET TOTAL	5,526	84,356,027	6,681,262	7,099,887	8.4%	-36,801	307,408	1,994,606	\$23.20
CBD/UPTOWN MARKET TOTAL	123	21,820,244	2,300,892	2,365,520	10.8%	232,622	0	1,595,073	\$31.87
Class A	278	42,053,211	5,081,858	5,408,980	12.9%	175,659	207,354	3,362,259	\$29.10
Class B	2,138	44,154,292	3,112,752	3,257,787	7.4%	76,983	100,054	227,420	\$21.82
Class C	3,258	19,938,042	787,544	798,640	4.0%	-56,821	0	0	\$18.18
CHARLOTTE METRO TOTAL	5,674	106,145,545	8,892,154	9,465,407	8.9%	195,821	307,408	3,589,679	\$24.98

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

Key Lease Transactions Q2 2018

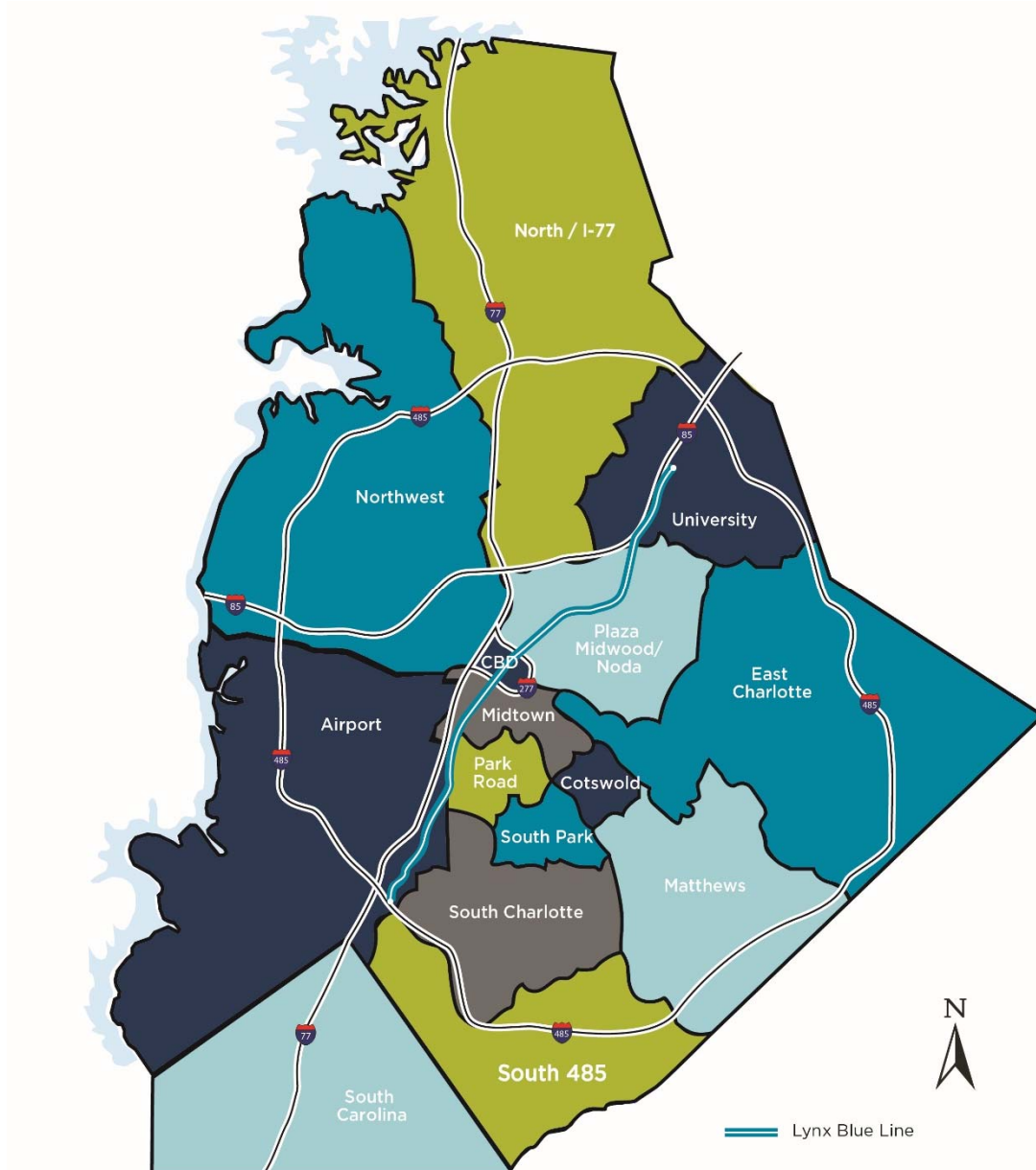
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
128 S Tryon	128,000	WeWork	New	CBD
340 E 16 th St	83,000	Duke Energy	New	Plaza Midwood/NoDa
6210 Ardrey Kell Rd	76,000	NN INC	New	South/485
4828 Parkway Plaza Blvd	62,000	Xylem	New	Airport
2116 Hawkins St	31,176	Krispy Kreme	New	Midtown

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
400 S Tryon	583,911	DRA Advisors / Oaktree	\$133,500,000 / \$229	CBD
Vanguard Center	530,316	True North / Dilweg	\$42,750,000 / \$81	Airport
615 S College St	375,865	Portman Holdings / CBRE Global	\$222,000,000 / \$590	CBD
2359 Perimeter Pointe Pky	335,830	Artemis / BB&T	\$52,800,000 / \$157	Airport

OFFICE SUBMARKETS

CHARLOTTE, NC



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