

Q3 2017

Office Insight

Not a bird, not a plane, it's a crane: Rents rise amid record construction

- Strong development pipeline with over 1.6 million in completions and over 1.9 under construction.
- Rents continue to climb, reaching \$25.30 per square foot for the market.
- Millennial migration to the Queen City grew by 10 percent over the last decade, making it the number one destination for this highly sought after demographic group.

The market is poised for a strong fourth quarter, with 1.6 million square feet of construction completed and an additional 1.9 million square feet in the pipeline. Leasing activity continues to flourish in Charlotte's urban submarkets; Midtown/South End and Uptown are both reporting 92,000+ square feet of net absorption and a vacancy rate of 9.7 percent, all while adding over 600,000 square feet of new inventory. Rents across the market continue to climb with CBD Class A office space crossing the \$32.00 mark for the first time. Key suburban submarkets are seeing remarkable rent growth as well. Class A Office space is now commanding \$31 a square foot in SouthPark, rivaling those of the urban core.

Employment growth in Charlotte is a key underpinning to the region's success. In the last 12 months, Charlotte has added 30,200 new jobs, led by the finance and professional and business services sectors.

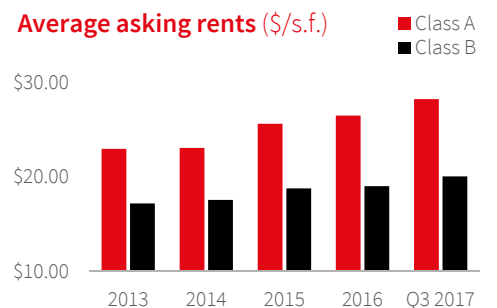
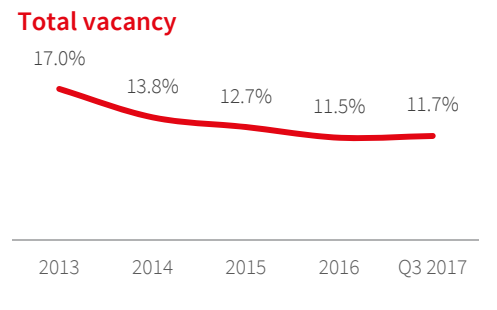
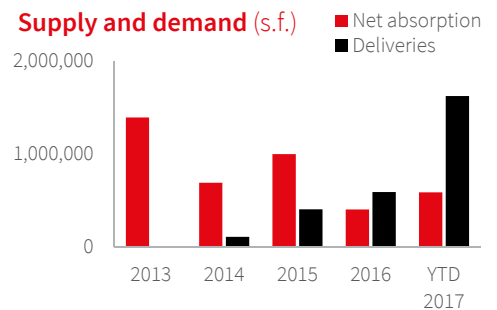
Key leases this quarter include: Duke Energy is taking 83,000 square feet of space in the adaptive reuse space of Tompkins Hall, a renovated textile mill dating back to 1891. Passport Parking signed a 26,000 square foot lease at 128 S. Tryon, Verizon Wireless has signed a 90,000 square foot lease for expanded call center space at 2401 Sardis Road North.

Outlook

All indicators are positive, unemployment is hovering around 4 percent, Charlotte is on pace to see record supply added to the metro, new construction already 65 percent preleased. The continued flight to quality is resulting in Class A rents crossing the \$30 mark in SouthPark and Central Business District. Connectivity provided by the light rail continues to foster transit-oriented development in the Midtown/Southend along with the University submarkets.

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Fundamentals	Forecast
YTD net absorption	710,098 s.f. ▲
Under construction	1,906,500 s.f. ▲
Total vacancy	11.7% ►
Average asking rent (gross)	\$25.30 p.s.f. ▲
Concessions	Stable ►



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Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average asking rent (\$ p.s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Uptown	Totals	18,395,519	124,040	710,098	3.9%	10.3%	10.5%	\$31.01	1,213,459	853,000
Midtown	Totals	2,144,547	-31,613	-16,151	-0.8%	4.5%	6.0%	\$31.67	178,259	466,000
CBD	Totals	20,540,066	92,427	693,947	3.4%	9.7%	10.0%	\$31.04	1,391,718	1,319,000
Airport	Totals	8,026,396	156,961	77,396	1.0%	13.8%	14.0%	\$21.41	0	114,469
East Charlotte	Totals	887,675	-12,679	-2,330	-0.3%	19.5%	19.5%	\$15.28	0	0
Highway 51/Ballantyne	Totals	6,198,853	307,443	423,906	6.8%	7.3%	8.1%	\$26.53	0	154,000
Northeast/I-77	Totals	2,219,987	-6,887	14,599	0.7%	7.2%	7.3%	\$22.59	0	0
Park Road	Totals	1,459,276	8,527	8,545	0.6%	27.5%	27.5%	\$16.94	0	0
Southeast Charlotte	Totals	798,187	10,205	46,073	5.8%	8.4%	8.4%	\$16.15	0	0
Southpark	Totals	4,497,319	93,128	-81,217	-1.8%	10.9%	12.1%	\$28.67	231,000	0
University	Totals	4,423,594	-65,059	-60,555	-1.4%	17.7%	16.4%	\$21.29	0	0
Suburban	Totals	28,511,287	491,639	426,417	1.5%	12.8%	13.0%	\$22.17	231,000	587,500
Charlotte	Totals	49,051,353	584,066	1,120,364	2.3%	11.5%	11.7%	\$25.30	1,622,718	1,906,500
Uptown	A	15,451,070	195,037	705,826	4.6%	10.4%	10.7%	\$32.03	1,213,459	853,000
Midtown	A	1,051,589	-30,698	-15,236	-1.4%	6.9%	9.0%	\$33.43	178,259	466,000
CBD	A	16,502,659	164,339	690,590	4.2%	10.2%	10.6%	\$32.09	1,391,718	1,319,000
Airport	A	5,765,671	150,411	162,915	2.8%	14.5%	14.7%	\$22.52	0	114,469
East Charlotte	A	0	0	0	0.0%	0.0%	0.0%	\$15.28	0	0
Highway 51/Ballantyne	A	5,098,376	274,454	316,227	6.2%	7.7%	8.8%	\$27.57	0	154,000
Northeast/I-77	A	1,292,931	-39	38,987	3.0%	7.5%	7.7%	\$23.22	0	0
Park Road	A	186,824	3,492	3,492	1.9%	5.5%	5.5%	\$27.01	0	0
Southeast Charlotte	A	70,078	2,636	2,636	3.8%	0.0%	0.0%	\$32.75	0	0
Southpark	A	3,077,767	87,221	-90,771	-2.9%	9.9%	11.5%	\$31.00	231,000	0
University	A	1,537,930	-42,826	-57,520	-3.7%	18.4%	15.6%	\$21.76	0	0
Suburban	A	17,029,577	475,349	375,966	2.2%	11.3%	11.7%	\$24.84	231,000	587,500
Charlotte	A	33,532,236	639,688	1,066,556	3.2%	10.8%	11.2%	\$28.23	1,622,718	1,906,500
Uptown	B	2,944,449	-70,997	4,272	0.1%	9.3%	9.4%	\$25.01	0	0
Midtown	B	1,092,958	-915	-915	-0.1%	2.2%	3.0%	\$26.44	0	0
CBD	B	4,037,407	-71,912	3,357	0.1%	7.4%	7.7%	\$25.13	0	0
Airport	B	2,260,725	6,550	-85,519	-3.8%	12.2%	12.2%	\$18.04	0	0
East Charlotte	B	887,675	-12,679	-2,330	-0.3%	19.5%	19.5%	\$15.28	0	0
Highway 51/Ballantyne	B	1,100,477	32,989	107,679	9.8%	5.1%	5.1%	\$19.28	0	0
Northeast/I-77	B	927,056	-6,848	-24,388	-2.6%	6.7%	6.7%	\$21.60	0	0
Park Road	B	1,272,452	5,035	5,053	0.4%	30.7%	30.7%	\$16.68	0	0
Southeast Charlotte	B	728,109	7,569	43,437	6.0%	9.2%	9.2%	\$16.15	0	0
Southpark	B	1,419,552	5,907	9,554	0.7%	13.2%	13.3%	\$24.88	0	0
University	B	2,885,664	-22,233	-3,035	-0.1%	17.4%	16.8%	\$21.02	0	0
Suburban	B	11,481,710	16,290	50,451	0.4%	14.9%	14.8%	\$19.17	0	0
Charlotte	B	15,519,117	-55,622	53,808	0.3%	13.0%	12.9%	\$20.05	0	0

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