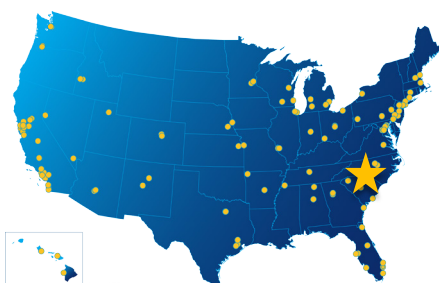




CHARLOTTE MARKET REPORT



Large Blocks of Space Diminish in Charlotte Market

The Charlotte office vacancy increased during Q2 2013 with an overall vacancy at 13.5% compared to 13.3% in Q1 2013. Class A absorption was a positive 190,418 square feet, Class B absorption was a positive 55,277 square feet and Class C was a positive 13,856 square feet. Vacant sublease space for the quarter ended at 186,399 square feet. Net absorption for the overall Charlotte office market was a positive 259,551 square feet in the second quarter 2013. That compares to a positive 181,715 square feet in the first quarter 2013. The Class-A office market was 13.0% vacant in the second quarter 2013, compared to 13.3% in the first quarter 2013. The Class-B office market was 15.4% vacant in the second quarter 2013, compared to 14.9% in the first quarter 2013. The Class-C office market was 8.1% in the second quarter of 2013 compared to the first quarter of 2013 at 7.2%. Net absorption for Charlotte's central business district was negative 31,875 square feet in the second quarter 2013. Overall CBD vacancy was up to 8.4% in Q2 compared to 8.0% in Q1.

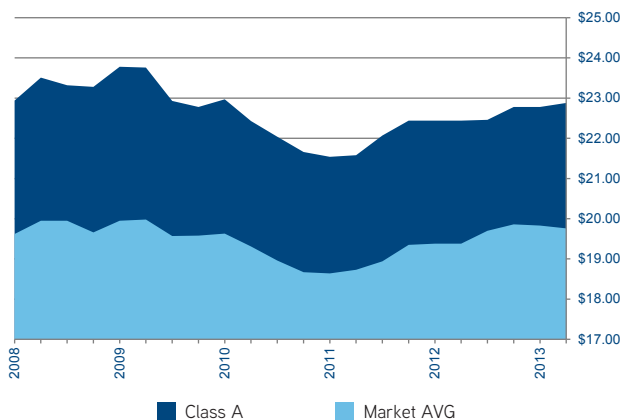
The Charlotte office market has been on the rise over the last 12-18 months. Specifically during Q2 2013, Charlotte has seen significant improvement of market fundamentals and a continuous uptick in activity. Options for large blocks of Class A & B space has diminished quickly. Buildings that can offer expansion options and an above average parking ratio will have substantial advantages as we move into the second half of 2013. Leasing activity has been particularly strong in the Airport and University submarkets as tenants have continuously requested low cost functional space options. The 105,000 SF Sharon Square office tower broke ground this quarter in the SouthPark submarket. The building is already 41.2% preleased by SunTrust. No additional new office product is expected to start construction this year.

MARKET INDICATORS

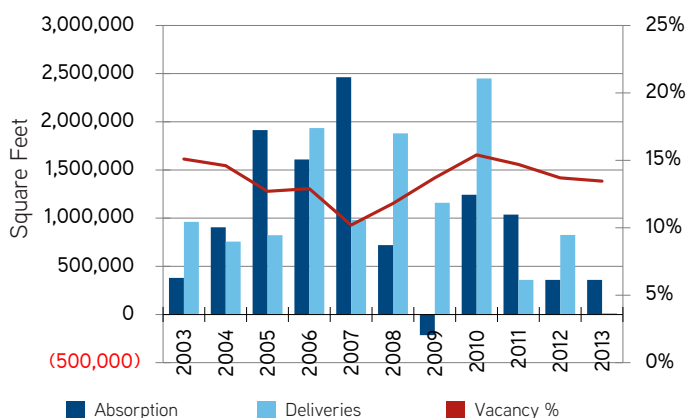
	Q2 2013	NEXT QTR
VACANCY	↑	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↓	↑
RENTAL RATE	↓	↑
CAP RATES	↓	↓

UPDATE

Charlotte Rental Rates
Overall Market & Class A (per sq. ft.)



NEW SUPPLY, ABSORPTION AND VACANCY RATES



DEFINITIONS

Absorption (Net)-The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy and subtracting all the negative changes in occupancy.

Vacancy Rate-A percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

Vacant Space-Space that is not currently occupied by a tenant, regardless of any lease obligation on the space.

Sublease Space-Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Deliveries-Buildings that complete construction during a specified period of time. A certificate of occupancy must have been issued for the property for it to be considered delivered.

Leasing Activity-The volume of square footage that is committed to and signed for under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity for buildings under construction or planned.

Build-to-Suit-A term describing property that was developed specifically for a certain tenant to occupy. Can be either leased or owned by the tenant.

VACANCY & AVAILABILITY

The Charlotte office market vacancy increased during Q2 2013 with an overall vacancy at 13.5% compared to 13.3% in Q1 2013. Class-A office market reported a vacancy rate of 13.6% in second quarter 2013. Class-B office market reported a vacancy of 15.6% in the second quarter 2013. Class-C office market reported a vacancy of 8.3% in second quarter 2013.

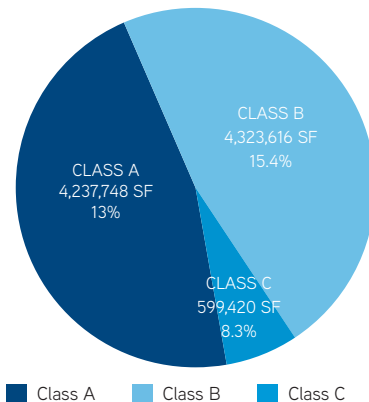
ABSORPTION

Net absorption for the overall Charlotte office market was positive 259,551 square feet in the second quarter 2013 as large corporations continue to take down significant blocks of space. That compares to positive 181,715 square feet in the first quarter of 2013. Notable tenant activity this quarter includes: MeckLink moving into 45,594 SF at Atrium Corporate Center, Carolina Healthcare System (CHS) signing leases for approximately 51,000 SF at Whitehall Corporate Center III and 21,000 SF at Two LakePointe Plaza and Westmed Medical doubling its operations at 207 Regency Executive Park to almost 50,000 SF.

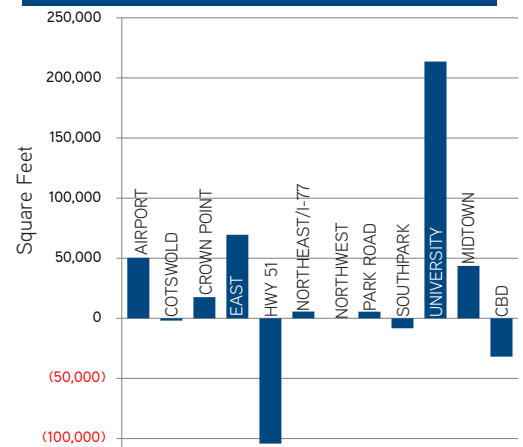
LEASING ACTIVITY

The largest lease signings occurring in 2013 included: the 408,106-square-foot lease signed by Bank of America at Wake Forest University Charlotte Center in the CBD market, the 104,368-square-foot lease signed by MetLife at Ballantyne Three in the Highway 51/Ballantyne Submarket, the 51,328-square-foot lease signed by Carolinas Health System at Whitehall Corporate Center III in the Airport Submarket, and the 50,000-square-foot lease signed by Westmed Medical at 200 Regency Executive Park in the I-77/Southwest Submarket.

2ND QTR 2013 | Vacant Space By Class



2ND QUARTER 2013 | Net Absorption by Submarket



UPDATE

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	PRICE / SF	BUYER
8740 Research Drive	University	\$6,050,000	148,169	\$41	Exeter Property Group
One Wells Fargo Center	Uptown	\$245,000,000	954,531	\$257	Starwood Capital Group JV Vision Equities
One & Two SouthPark Center	South Park	\$33,500,000	242,619	\$138	The Dilweg Companies
1500 Cameron Valley	South Park	\$11,900,000	59,325	\$201	Keith Corp

LEASING ACTIVITY

PROPERTY	SUBMARKET	TENANT	SIZE SF	TYPE
Ballantyne Three	Highway 51/Ballantyne	MetLife	104,368	Short-term swing space
Whitehall Corporate Center III	Airport	Carolinas Healthcare System	51,328	Expansion
Two LakePointe Plaza	Airport	Carolinas Healthcare System	20,788	Expansion
Regency Executive Park	Airport	Westmed Medical	50,000	Expansion
Two LakePointe Plaza	Airport	Publix	15,460	New

UPDATE Market Comparisons

EXISTING PROPERTIES			VACANCY				ABSORPTION		DELIVERIES		U/C	RENT			
CLASS	BLDGS	TOTAL SF	DIRECT VCY SF	DIRECT VCY %	SUB VCY SF	SUB VCY %	TOTAL VCY SF	VCY CURR %	VCY PRIOR %	NET ABSORP CURR SF	NET ABSORP YTD SF	NEW SUPPLY CURR SF	NEW SUPPLY YTD SF	UNDER CONSTR SF	AVG RENT RATE
URBAN															
CBD															
A	32	15,891,412	1,463,675	9.2%	42,553	0.3%	1,506,228	9.5%	9.7%	36,800	(318,977)	-	-	-	\$24.90
B	50	5,517,652	340,944	6.2%	10,000	0.2%	350,944	6.4%	5.1%	(68,063)	(43,958)	-	-	-	\$20.87
C	24	1,011,666	17,066	1.7%	1,933	0.2%	18,999	1.9%	1.8%	(612)	432	-	-	-	\$15.31
Total	106	22,420,730	1,821,685	8.1%	54,486	0.2%	1,876,171	8.4%	8.2%	(31,875)	(362,503)	-	-	-	\$23.89
MIDTOWN															
A	13	971,136	106,338	10.9%	12,000	1.2%	118,338	12.2%	13.9%	16,826	21,472	-	-	46,000	\$24.54
B	71	2,185,477	181,067	8.3%	-	0.0%	181,067	8.3%	9.5%	25,662	21,380	-	-	-	\$19.55
C	76	1,482,972	142,250	9.6%	-	0.0%	142,250	9.6%	9.7%	1,118	(10,271)	-	-	-	\$16.25
Total	160	4,639,585	429,655	9.3%	12,000	0.3%	441,655	9.5%	10.5%	43,606	32,581	-	-	46,000	\$19.57
URBAN TOTAL															
A	45	16,862,548	1,570,013	9.3%	54,553	0.3%	1,624,566	9.6%	10.0%	53,626	(297,505)	-	-	46,000	\$24.84
B	121	7,703,129	522,011	6.8%	10,000	0.1%	532,011	6.9%	6.4%	(42,401)	(22,578)	-	-	-	\$20.41
C	100	2,494,638	159,316	6.4%	1,933	0.1%	161,249	6.5%	6.5%	506	(9,839)	-	-	-	\$16.06
Total	266	27,060,315	2,251,340	8.3%	66,486	0.2%	2,317,826	8.6%	8.6%	11,731	(329,922)	-	-	46,000	\$23.09
SUBURBAN															
AIRPORT															
A	42	5,340,785	828,024	15.5%	16,961	0.3%	844,985	15.8%	17.5%	91,386	162,967	-	-	-	\$18.04
B	107	5,890,526	1,247,466	21.2%	9,067	0.2%	1,256,533	21.3%	20.6%	(44,702)	(24,148)	-	-	-	\$14.15
C	44	1,002,410	86,659	8.6%	-	0.0%	86,659	8.6%	9.0%	3,677	4,201	-	-	-	\$13.31
Total	193	12,233,721	2,162,149	17.7%	26,028	0.2%	2,188,177	17.9%	18.3%	50,361	143,020	-	-	-	\$15.58
COTSWOLD															
A	1	57,000	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	-
B	0	0	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	-
C	5	99,005	16,048	16.2%	6,459	6.5%	22,507	22.7%	20.8%	(1,934)	816	-	-	-	\$15.55
Total	6	156,005	16,048	10.3%	6,459	4.1%	22,507	14.4%	13.2%	(1,934)	816	-	-	-	\$15.55
CROWNPOINT															
A	6	247,915	28,631	11.5%	-	0.0%	28,631	11.5%	11.5%	0	35,336	-	-	-	\$21.04
B	40	1,195,928	250,132	20.9%	-	0.0%	250,132	20.9%	22.1%	14,089	(39,845)	-	-	-	\$14.41
C	18	442,645	54,616	12.3%	-	0.0%	54,616	12.3%	13.1%	3,546	7,012	-	-	-	\$13.18
Total	64	1,886,488	333,379	17.7%	-	0.0%	333,379	17.7%	18.6%	17,635	2,503	-	-	-	\$14.84
EAST															
A	1	23,817	7,870	33.0%	-	0.0%	7,870	33.0%	33.0%	0	0	-	-	-	\$17.00
B	40	1,665,481	178,974	10.7%	-	0.0%	178,974	10.7%	14.9%	68,789	73,550	-	-	70,632	\$14.23
C	45	1,373,083	105,183	7.7%	-	0.0%	105,183	7.7%	7.7%	750	8,750	-	-	-	\$10.66
Total	86	3,062,381	292,027	9.5%	-	0.0%	292,027	9.5%	11.8%	69,539	82,300	-	-	70,632	\$13.27
HIGHWAY 51															
A	36	4,422,278	1,044,953	23.6%	-	0.0%	1,044,953	23.6%	24.1%	20,725	85,751	-	-	-	\$25.04
B	70	2,331,773	533,639	22.9%	-	0.0%	533,639	22.9%	17.4%	(127,638)	(145,166)	-	-	-	\$21.15
C	10	162,077	2,400	1.5%	-	0.0%	2,400	1.5%	3.1%	2,656	5,056	-	-	-	\$15.85
Total	116	6,916,128	1,580,992	22.9%	-	0.0%	1,580,992	22.9%	21.4%	(104,257)	(64,359)	-	-	-	\$23.73
NORTHEAST-II-77															
A	15	1,117,521	215,237	19.3%	28,143	2.5%	243,380	21.8%	23.0%	13,416	9,761	-	-	-	\$19.67
B	55	1,523,096	239,705	15.7%	-	0.0%	239,705	15.7%	14.0%	(13,600)	(2,872)	14,458	14,458	-	\$15.98
C	23	452,261	17,307	3.8%	1,680	0.4%	18,987	4.2%	5.5%	5,770	20,242	-	-	-	\$13.75
Total	93	3,092,878	472,249	15.3%	29,823	1.0%	502,072	16.2%	16.0%	5,586	27,131	14,458	14,458	-	\$17.74
NORTHWEST															
A	0	0	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	-
B	11	375,938	64,105	17.1%	-	0.0%	64,105	17.1%	17.1%	0	(60,505)	-	-	-	\$20.44
C	12	207,593	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$11.00
Total	23	583,531	64,105	11.0%	-	0.0%	64,105	11.0%	11.0%	0	(60,505)	-	-	-	\$20.19
PARK ROAD															
A	1	62,851	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	-
B	8	552,977	174,277	31.5%	-	0.0%	174,277	31.5%	32.2%	3,590	(3,732)	-	-	-	\$17.26
C	15	422,005	59,740	14.2%	-	0.0%	59,740	14.2%	14.6%	1,983	3,329	-	-	-	\$14.22
Total	24	1,037,833	234,017	22.5%	-	0.0%	234,017	22.5%	23.1%	5,573	(403)	-	-	-	\$17.30
SOUTHPARK															
A	22	2,580,113	219,321	8.5%	46,480	1.8%	265,801	10.3%	9.8%	(11,853)	(52,466)	-	-	105,000	\$24.78
B	28	2,036,853	564,345	27.7%	6,146	0.3%	570,491	28.0%	28.3%	6,646	8,877	-	-	-	\$19.71
C	28	304,160	38,029	12.5%	-	0.0%	38,029	12.5%	11.5%	(3,098)	(3,098)	-	-	-	\$14.97
Total	78	4,921,126	821,695	16.7%	52,626	1.1%	874,321	17.8%	17.6%	(8,305)	(46,687)	-	-	105,000	\$24.56
UNIVERSITY															
A	15	1,964,557	172,585	8.8%	4,977	0.3%	177,562	9.0%	10.2%	23,118	49,901	-	-	-	\$19.88
B	39	4,749,262	523,749	11.0%	-	0.0%	523,749	11.0%	15.0%	190,504	307,471	-	-	-	\$19.06
C	7	416,598	50,050	12.0%	-	0.0%	50,050	12.0%	12.0%	0	0	-	-	-	\$15.50
Total	61	7,130,417	746,384	10.5%	4,977	0.1%	751,361	10.5%	13.5%	213,622	357,372	-	-	-	\$18.68
SUBURBAN TOTAL															
A	139	15,816,837	2,516,621	15.9%	96,561	0.6%	2,613,182	16.5%	17.4%	136,792	291,250	-	-	105,000	\$21.58
B	398	20,321,834	3,776,392	18.6%	15,213	0.1%	3,791,605	18.7%	19.1%	97,678	113,630	14,458	14,458	70,632	\$16.86
C	207	4,881,837	430,032	8.8%	8,139	0.2%	438,171	9.0%	9.2%	13,350	46,308	-	-	-	\$13.52
Total	744	41,020,508	6,723,045	16.4%	119,913	0.3%	6,842,958	16.7%	17.3%	247,820	451,188	14,458	14,458	175,632	\$18.50
CHARLOTTE MARKET GRAND TOTAL															
A	184	32,679,385	4,086,634	12.5%	151,114	0.5%	4,237,748	13.0%	13.6%	190,418	(6,255)	-	-	151,000	\$22.88
B	519	28,024,963	4,298,403	15.3%	25,213	0.1%	4,323,616	15.4%	15.6%	55,277	91,052	14,458	14,458	70,632	\$17.39
C	307	7,376,475	589,348	8.0%	10,072	0.1%	599,420	8.1%	8.3%	13,856	38,469	-	-	-	\$14.34
Total	1,010	68,080,823	8,974,385	13.2%	186,399	0.3%	9,160,784	13.5%	13.8%	259,551	121,266	14,458	14,458	221,632	\$19.76

NOTE: STATISTICAL SET INCLUDES CLASS A, B & C OFFICE PROPERTIES 10,000 SF AND UP, EXCLUDING MEDICAL. WHILE CoSTAR ATTEMPTS TO PROVIDE THE MOST ACCURATE DATA AT THE END OF EVERY QUARTER, REVISIONS ARE MADE THROUGHOUT THE YEAR ACCOUNTING FOR DISCREPANCIES IN PAST REPORTING.

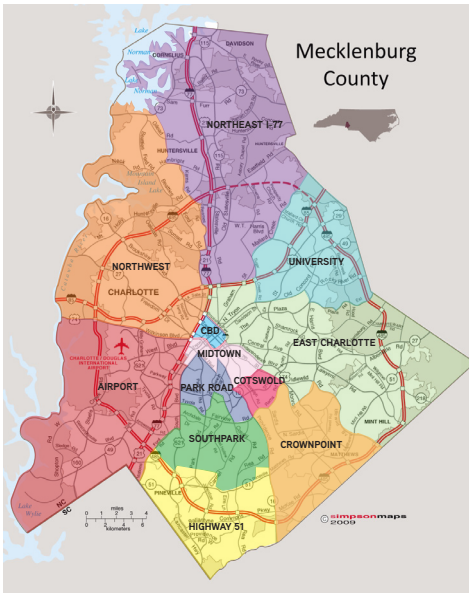
SOURCE: CoSTAR PROPERTY, COLLIERS RESEARCH

CONSTRUCTION

During the second quarter 2013, two buildings totaling 116,632 square feet were under construction in the Charlotte market area. In the first quarter 2013 two buildings totaling 91,615 square feet were completed. Construction has declined in the 2nd quarter of 2013. The only delivery in the second quarter was 212 S Main St, a 14,458-square-foot building that is now 100% occupied. The largest projects underway at the end of second quarter 2013 were 500 Dalton Ave, a 70,632-square-foot building with 100% of its space pre-leased, and The Duke Endowment Corporate HQ, a 46,000-square-foot facility that is 100% preleased.

RENTAL RATES & CONCESSIONS

The average quoted asking rental rate for available office space in all classes was \$19.76 per square foot per year at the end of the 2nd quarter 2013 in the Charlotte market area. Rental rates were down from the end of the 1st quarter 2013 when rents were reported at \$19.83 per square foot. The average quoted rate within the Class-A sector was \$22.88 at the end of the second quarter 2013, while Class-B rates stood at \$17.39 and Class-C rates at \$14.34.



INVESTMENT & SALES ACTIVITY

Well located multi-tenant office properties remain a hot commodity in the Charlotte market. While downtown trophy tower transactions have highlighted previous quarterly reports, this quarter saw two notable suburban office deals. The largest transaction in the second quarter took place in the Hwy 51 Submarket. Carmel Executive Park, a six building 223,850 SF office park located along Hwy 51 at Carmel Rd. sold to the Adler Group out of Miami, FL for \$113.70/sf. The 95% occupied office park was leased by Colliers International and the buildings were constructed between 1981 and 1990.

Additionally, the Dilweg Companies acquired One and Two SouthPark Center from Trammel Crow. This marks The Dilweg Companies largest acquisition. One Southpark Center, a 145,350 SF building located at 6060 JA Jones Dr., sold for \$22,200,000 (\$153/sf). The 96% occupied property is anchored by Fluor Engineering. Two Southpark Center, a 93,800 sf building located at 6135 Park South Dr., sold for \$11,300,000 (\$120/sf). The 90% occupied property is anchored by Quicken Loans.

For additional information on these transactions or others in the Charlotte market, please contact Adam Russ.

482 offices in
62 countries on
6 continents

- \$2 billion in annual revenue
- Over 1.12 billion square feet under management
- Over 13,500 professionals

UNITED STATES:

Charlotte Office Team

Bradley Grow SIOR
Partner



Brent Royall SIOR | CCIM
Partner



Adam Farber
Office Specialist



Adam Russ
Investment Services Group



Charlotte
301 S. College Street | Suite 3350
Charlotte, NC 28202
TEL +1 704 409 9933
FAX +1 704 409 9934

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