

Market Report

Charlotte's office market continues to be a beneficiary of the economic growth throughout the country. According to CoStar, vacancy continues to be low in the mid 7%'s and well below the 10-year average of a little over 10%. Absorption has been strong as new and existing product comes available contributing to rent growth of 6.5% year over year. These fundamentals have put Charlotte in the crosshairs of institutional investors with several large transactions announced or closed in Q4.

Absorption, Vacancy and Rental Rates



| Vacancy Rates | | | Rental Rates | |
|------------------|---------|---------|------------------|---------|
| | Q3 2019 | Q4 2019 | | Q4 2019 |
| Class A CBD | 10.1% | 7.1% | Class A CBD | \$38.18 |
| Class B CBD | 9.2% | 6.5% | Class B CBD | \$36.33 |
| Class A Suburban | 7.4% | 7.6% | Class A Suburban | \$27.46 |

Source: CoStar

Recent Transactions

| Occupier | Size | Submarket | Type | Sector |
|---------------------------|-----------|------------------|-----------|--------|
| 1 K & L Gates | 53,000 SF | CBD | Class A | Office |
| 2 Undisclosed | 43,112 SF | SouthPark | Class A- | Office |
| 3 Undisclosed | 35,233 SF | Airport | Class A- | Office |
| 4 Commerical Credit Group | 27,455 SF | CBD | Class A- | Office |
| 5 Undisclosed | 26,790 SF | South/485 | Class A- | Office |
| 6 Undisclosed | 22,549 SF | Airport | Class A/B | Office |
| 7 Undisclosed | 19,523 SF | Midtown/SouthEnd | Class A- | Office |
| 8 Undisclosed | 18,362 SF | Airport | Class A- | Office |

Occupier's Perspective



The five largest submarkets by total inventory are CBD, Airport, University, Midtown/SouthEnd and York County.



We recommend that occupiers begin to formulate a strategy for renewal or relocation a minimum of 12 months from from lease expiration.

Market Trends



Highwoods Properties closed on purchase of Bank of America Tower for \$436M.

Truist exercises purchase option on headquarters building for \$455.5 M.

To be constructed **Duke Energy Tower** sold in sale-leaseback to **CGA Capital** and local developer **Childress Klein**.