

# No Signs of Slowdown in the Delivery of New Development

## Key Takeaways

- Charlotte continues to see strong development activity as nearly 2.5 Million square feet is under construction across CBD and Suburban submarkets.
- Market wide vacancy remained low at 10.3% during Q2 2017. New deliveries and leasing momentum are expected to keep absorption neutral as job growth pushes the Charlotte unemployment rate down to 4.5%.
- Urban Class A rental rates continue to trend past an average of \$31.00 per square foot, while premier suburban submarkets like Southpark inch closer to rivaling the rental rates of the CBD submarket.
- Expect steady activity in new construction projects throughout 2017 as momentum for pre-leasing has been positive. Currently over 50% of newly delivered product is pre-leased. A few of the most notable speculative deliveries thus far in 2017 include Spectrum Properties' 300 South Tryon, Portman's 615 S. College Street and Beacon Partners' 500 East Morehead.

## Q2 2017 Office Market Summary

Charlotte remains a hotbed of leasing activity with year to date absorption totaling 437,550 square feet. Development will remain healthy as several speculative projects are proposed in CBD and Midtown submarkets. Greater focus is on the Midtown/South End submarket as tenants seek to ramp up their recruiting power by leasing creative office space in the area. Expect an increase in rental rates and decrease in suburban submarket vacancy as constricted speculative construction will push for more rental growth. The capital markets sector should pick up activity as a wide range of buyers from outside of the market continue to eye Charlotte's growth as an opportunity to capitalize on buildings with low vacancy.

### Market Indicators

Relative to prior period

	Charlotte Q2 2017	Charlotte Q3 2017*
VACANCY	↑	↑
NET ABSORPTION	↓	↑
CONSTRUCTION	↑	↔
RENTAL RATE	↑	↑

Note: Construction is the change in Under Construction.  
\*Projected

### Summary Statistics

Q2 2017 Charlotte Office Market

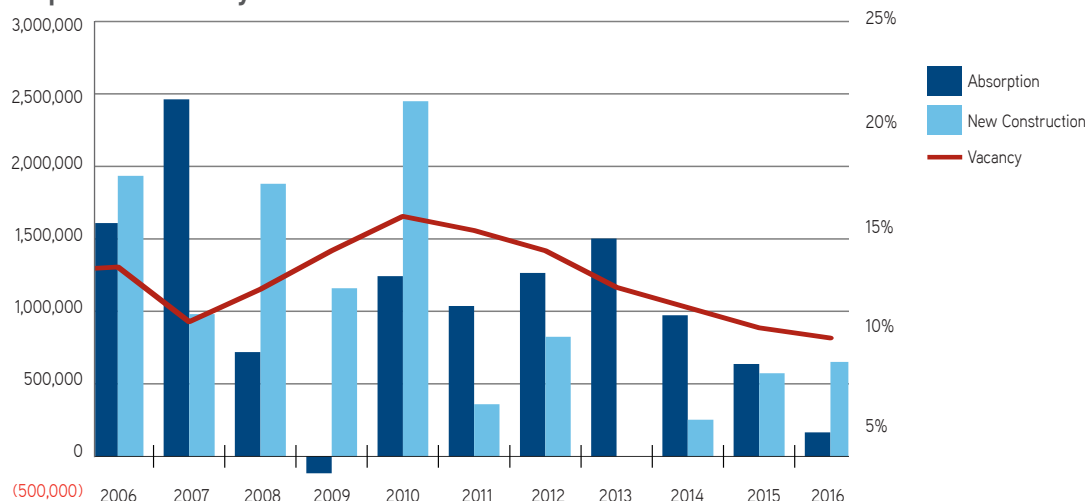
	Overall	Class A
Vacancy Rate	10.3%	12.4%
Absorption	221,458	186,001
New Construction	574,202	557,202
Under Construction	2,481,222	2,309,903

### Asking Rents

Per Square Foot Per Year

Downtown	\$29.61	\$31.35
Suburban	\$20.95	\$25.75

## Regional Absorption & Vacancy Rates



## LEASES—Q2 2017

TENANT	PROPERTY NAME	SUBMARKET	SIZE	TYPE
Verizon Wireless	INQ	Crownpoint	92,259	New Lease
Empowered Benefits	525 N. Tryon Street	CBD	32,123	New Lease
Black & Decker	Reed Building	Northeast/I-77	26,295	New Lease
*ALS Resolvion	Three Resource Square	University	15,523	New Lease
*Skanska	4235 South Stream Blvd.	Ariport	13,789	Lease Renewal

## UNDER CONSTRUCTION / PROPOSED



**\*THE EDISON AT ARROWOOD**  
 Airport | 120,000 SF | Spec. Dev.  
 Delivery Q2 2018

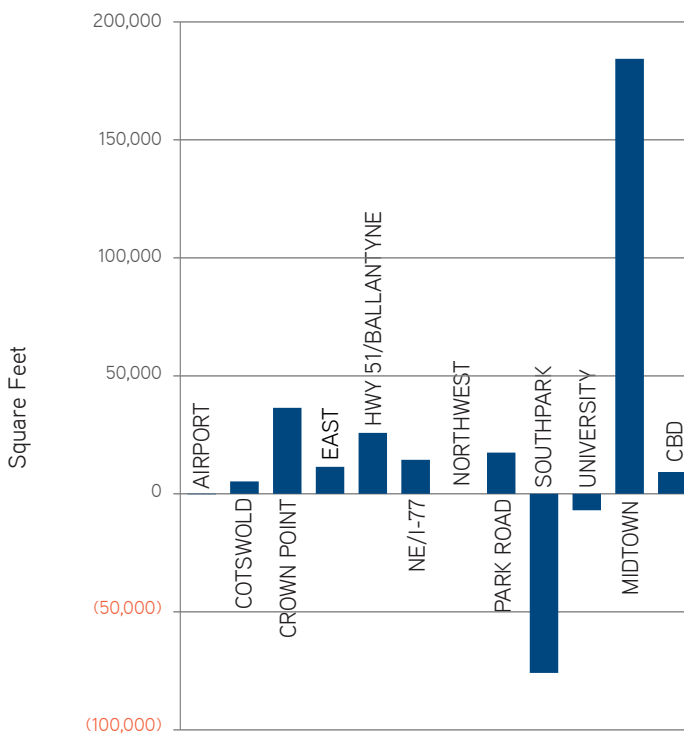


**ARROWOOD STATION**  
 Airport | 114,469 SF | Spec. Dev.  
 Delivery Q4 2017

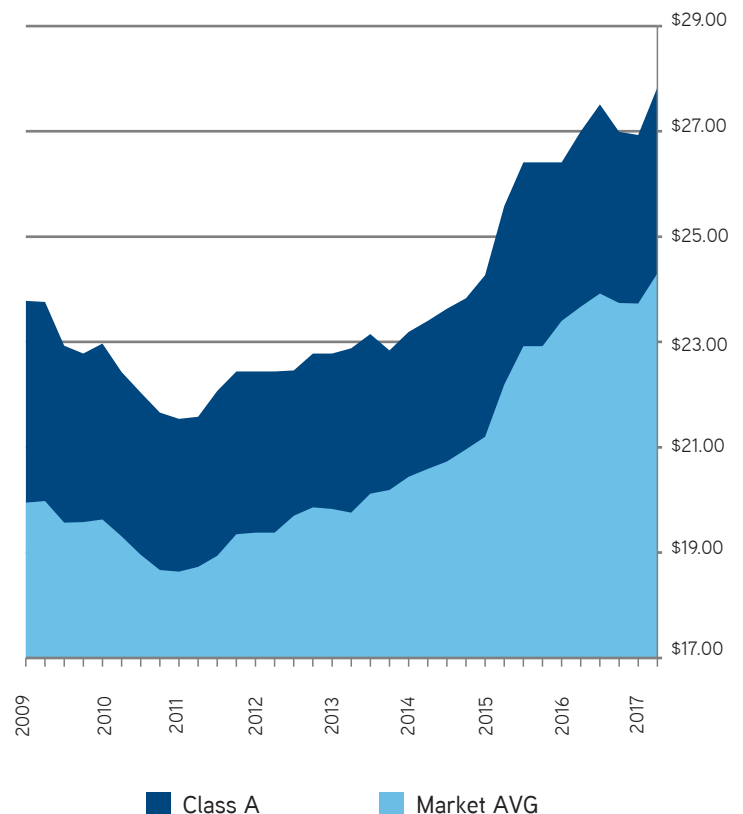


**ONE SILVER CRESCENT**  
 Airport | 120,000 SF | Spec. Dev.  
 Delivery Q4 2017

## 2ND QUARTER 2017 | NET ABSORPTION BY SUBMARKET



## 2ND QUARTER 2017 | CHARLOTTE RENTAL RATES



## Charlotte - Office Market

SUBMARKET	BLDGS	TOTAL INVENTORY SQ FT	TOTAL VACANT SQ FT	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	NET NEW SUPPLY CURRENT QTR SF	NET NEW SUPPLY YTD SF	UNDER CONSTRUCTION SQ FT	AVG RENTAL RATE
<b>URBAN</b>											
CBD	91	20,671,887	1,685,381	8.2%	6.5%	9,286	27,216	378,943	753,945	1,491,532	\$29.82
MIDTOWN	164	5,275,569	208,491	4.0%	3.9%	184,339	198,798	195,259	195,259	383,371	\$28.90
<b>TOTAL</b>	<b>255</b>	<b>25,947,456</b>	<b>1,828,734</b>	<b>7.3%</b>	<b>6.0%</b>	<b>193,625</b>	<b>226,014</b>	<b>574,202</b>	<b>949,204</b>	<b>1,874,903</b>	<b>\$29.61</b>
<b>SUBURBAN</b>											
AIRPORT	166	11,488,545	1,423,150	12.4%	12.4%	(169)	(44,387)	-	-	370,469	\$20.62
COTSWOLD	6	156,005	-	-	-	5,234	5,915	-	-	-	\$21.01
CROWNPOINT	59	1,699,215	289,135	17.0%	19.2%	36,446	24,059	-	-	-	\$18.22
EAST	45	1,902,451	142,759	7.5%	8.1%	11,430	11,677	-	-	30,000	\$16.54
HWY. 51/BALLANTYNE	163	8,624,558	1,026,168	11.9%	12.2%	25,818	72,108	-	-	189,000	
NORTHEAST/I-77	98	3,458,334	270,065	7.8%	8.2%	14,385	54,633	-	-	-	\$20.63
NORTHWEST	24	610,414	38,800	6.4%	6.4%	-	-	-	-	16,850	\$17.29
PARK ROAD	52	1,986,680	430,568	21.7%	22.6%	17,510	29,572	-	-	-	\$16.25
SOUTHPARK	57	5,161,915	776,271	15.0%	13.6%	(75,870)	(62,075)	-	231,000	-	\$30.46
UNIVERSITY	65	7,342,189	749,792	10.2%	10.1%	(6,951)	120,025	-	-	-	\$21.57
<b>TOTAL</b>	<b>735</b>	<b>42,430,306</b>	<b>5,146,708</b>	<b>12.1%</b>	<b>10.1%</b>	<b>27,833</b>	<b>211,536</b>	<b>-</b>	<b>231,000</b>	<b>606,319</b>	<b>\$20.95</b>
<b>CHARLOTTE</b>											
<b>TOTAL</b>	<b>990</b>	<b>68,377,762</b>	<b>7,040,580</b>	<b>10.3%</b>	<b>8.3%</b>	<b>221,458</b>	<b>437,550</b>	<b>574,202</b>	<b>1,180,204</b>	<b>2,481,222</b>	<b>\$24.30</b>



## INVESTMENT SALES - OFFICE

PROPERTY NAME	ADDRESS	TRANSACTION VALUE	RSF	PRICE PER RSF	BUYER
BB&T Center	200 S. College Street	\$148,500,000	553,000	\$269	Arden Group
First Citizens Plaza	128 S. Tryon Street	\$79,000,000	475,043	\$166	Dilweg Companies
Rotunda	4201 Congress Street	\$60,000,000	230,790	\$260	Equus Capital Partners
*401 McCullough	401 McCullough Drive	\$12,600,000	191,681	\$66	Tempus Realty Partners
Cameron Brown Building	301 S. McDowell Street	\$24,500,000	184,144	\$133	The Fallon Company
Sherrill Building	13510 Ballantyne Corporate Place	\$35,000,000	146,804	\$238	Bank of America
*Live Oak	8701 Red Oak Blvd.	\$7,800,000	81,428	\$96	Tempus Live Oak LLC
1065 E. Morehead	1065 E. Morehead Street	\$12,800,000	74,108	\$173	1065 Morehead Street Prop LLC

## Investment Update

Office sales activity continues to be strong in both the suburbs and CBD. Second quarter office sales volume exceeded \$413.4 million totaling over 2,122,043 square feet at an average price of \$195 PSF. The volume is up compared to last year, year to date the average cap rate is 6.2%.

A few notable transactions of the second quarter is Tempus Realty Partners purchase of 401 McCullough, located in the University submarket, for \$12,600,000 or \$66 PSF. Tempus Live Oak LLC's purchase of Live Oak, located in the Airport submarket, for \$7,800,000 or \$96 PSF.



## FOR MORE INFORMATION

Chandler Knox  
Associate | Office  
+1 704 409 2901  
chandler.knox@colliers.com

Greg Copps, SIOR  
Managing Partner  
+1 704 409 2361  
greg.copps@colliers.com

Haleigh Mundell-Moore  
Marketing Coordinator  
+1 704 409 9933  
haleigh.moore@colliers.com

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Colliers International | Charlotte  
301 S. College St. Suite 3350  
Charlotte, NC 28202  
+1 704 409 9933  
colliers.com/charlotte



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