Charlotte, North Carolina

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

Charlotte has not seen significant changes in 2011. Overall vacancy has decreased by less than 1%, ending at 16.7% for all submarkets and building classes. 2011 ended with an average rental rate of $19.25, up from $18.77 last year. Chiquita's announcement of their headquarters relocation from Cincinnati to Charlotte and the Democratic National Convention bring excitement as we move into 2012. However, the lack of new jobs and an economy still dependent on the banks and clouded with uncertainty continues to negatively affect leasing activity. There is considerable opportunity in this market for the good credit tenant, but few are taking full advantage. Speculative development is non-existent, except in Ballantyne Corporate Park where they delivered 300,000 SF of speculative buildings in 2011 and currently have 550,000 SF under construction in two speculative buildings delivering in 2012. Overall, Charlotte is healthy when compared to other similar sized markets in the United States. Activity is steady, rates are slowly increasing, and with little new space coming into the market, absorption will continue to tighten up the market. But with the banks giving up several hundred thousand square feet of leased space in 2013, we anticipate that the tenant will continue to have the advantage in most submarkets in the coming years.

Market Trends

- Companies aren't able to confidently forecast growth and therefore seek flexible leases. Encouragingly, landlords continue to compete in most submarkets.
- Tenants are seeing the opportunity to upgrade in terms of geographical location or building class without significant financial impact.
- The financial stability of landlords continues to be scrutinized as some major class A buildings are in financial distress. Tenants are wise to inspect the credit quality of all possible landlords and take measures to protect themselves from unnecessary risk.

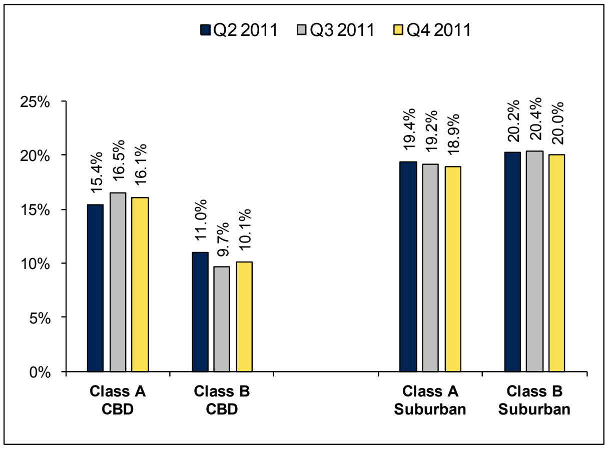
Tenant's Perspective

The outlook for 2012 remains guarded, but favorable for tenants in most submarkets, including the CBD. In southeast Charlotte, with little competition among space providers, different strategies are required to achieve competitive lease terms for our clients. For all markets, the best possible tenant deal is going to be secured by starting early, exploring multiple options, and negotiating aggressively.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Compass Group	214,507	Office	Renewal
Chiquita	150,000	Office	New Lease
Transamerica	150,000	Office	Prelease
AMEC	30,000	Office	Renewal
Crosland	23,000	Office	Relocation
PMAB	21,466	Office	Relocation
Turner Construction	20,000	Office	Relocation
FNB United	18,114	Office	New Lease
Hanson Brick	13,290	Office	New Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	$25.00	$24.50	$24.81
Class B Office	$20.00	$19.82	$19.76

Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	$20.32	$21.18	$21.56
Class B Office	$17.15	$16.91	$17.15

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