

# MarketView Charlotte Office

**“Charlotte’s CBD continues to report the lowest CBD vacancy rate in the nation at 2.0%”**

### Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	12.0%	↑	↓
Lease Rates	\$21.67	↑	↔
Net Absorption*	3,155	↓	↓
Construction	3,483,000	↓	↓

\* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

### Hot Topics

- The planned purchase of Wachovia, Charlotte’s second largest employer, by Wells Fargo is causing speculation by real estate experts that the traditionally tight CBD market will soften.
- Toringdon VI was successful in leasing over 50,000 square feet in the new Toringdon VI building this quarter to companies such as Crown Castle (26,000 SF), Pepsico (10,000 SF), Chelsea Therapeutics (10,000 SF), John Hancock (10,000 SF).
- Doosan Infracore International, a wholly owned subsidiary of Doosan Infracore of South Korea, has established its global headquarters in Charlotte. Doosan Infracore International will employ approximately 100 at its new Charlotte headquarters. The company leased 28,272 sq. ft. in Harris Corners Corporate Park.

Charlotte’s office market statistics were virtually flat in the third quarter, with a slight increase in vacancy reported in the CBD, and an offsetting decrease in the suburbs. Overall net absorption was 3,155 sq. ft. and vacancy decreased very slightly to 12.02% from 12.1% in the 2nd quarter.

Charlotte’s CBD continues to report the lowest CBD vacancy rate in the Nation at 2% (up from 1.1% last quarter due to the delivery of the office component of EpiCentre, and down from 2.6% at the same time last year). We anticipate that the CBD will remain flat for the remainder of the year, but expect to see a few blocks of office space open up in the first half of 2009 in this bank-dominated submarket. The business and financial community continues to watch the banks and the service companies who support them.

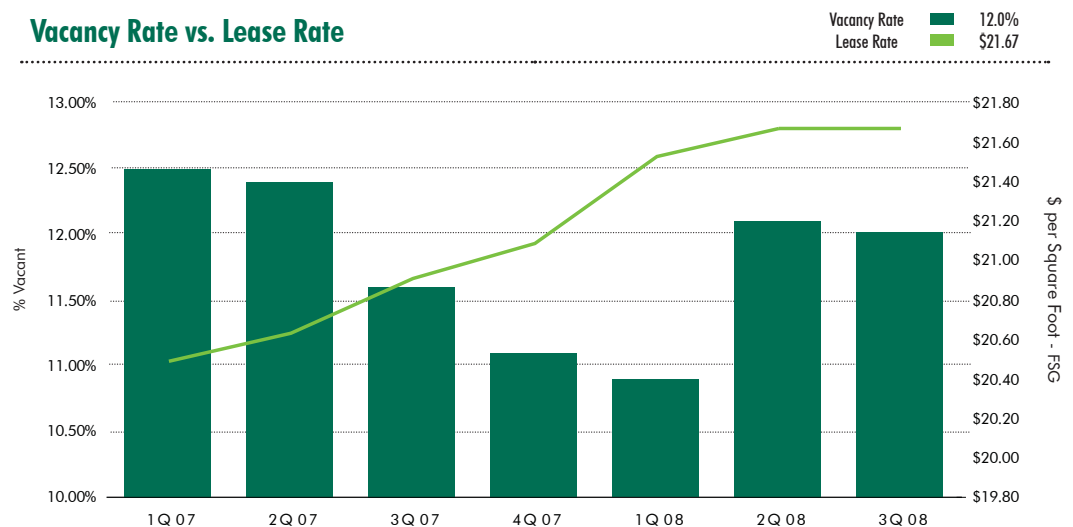
As of the 3rd quarter, there was approximately 2.8 million sq. ft. under construction in the CBD. Aggregate preleasing of the buildings under construction is currently 64%, down from a reported 86% last quarter. This is due to the groundbreaking of 440 South Church Street, a 363,000 square foot building only 15% preleased, and Wachovia’s decision to release space originally slated for their use in the new tower. Suburban submarkets overall reported a drop in the cumulative

vacancy rate to 17.9% this quarter from 18.6% last quarter. This improvement was almost totally contained in the Highway 51/Ballantyne office corridor where over 50,000 square feet was leased in the newly delivered Toringdon VI, and another 37,000 square feet at the Irby Building in Ballantyne.

Three buildings remain under construction at Ballantyne Corporate Park, totaling approximately 650,000 sq. ft. making this park ideal for a large suburban user. The addition of structured parking to the new buildings at Ballantyne has increased both construction costs and rental rates. Aside from new construction in Ballantyne and the CBD, only one other building is currently under construction at 700 East Morehead Street. This building contains 30,000 square feet of office space with retail on the ground level. The office portion of the building is 67% preleased.

The Midtown submarket with its low vacancy rate and free parking has attracted developers. With the recent successful lease up of the Metropolitan building, several projects were proposed for both the South End area and Morehead Street; however, concerns over current economic conditions and the tight lending market have stalled groundbreaking of new projects in the submarket.

### Vacancy Rate vs. Lease Rate



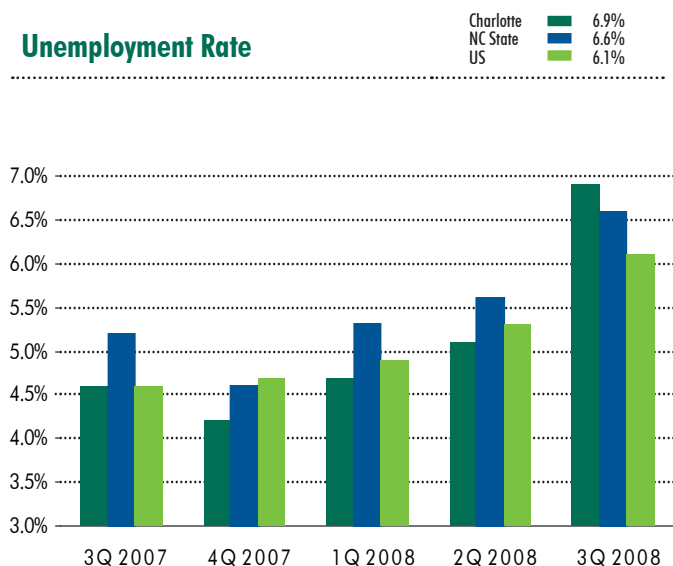
## Market Statistics

Market	Rentable Area	Vacancy Rate %	Net Absorption SF	Under Construction SF	Average Asking Lease Rate -\$ SF/YR	Availability Rate %
CBD	12,871,121	2.0%	(120,721)	2,803,000	\$25.06	2.8%
Midtown	1,697,729	4.5%	31,409	30,000	\$21.96	4.5%
Cotswold	244,389	16.3%	(13,149)	0	\$21.91	16.3%
SouthPark	3,837,007	11.8%	(4,193)	0	\$24.56	14.9%
Park Road	669,707	20.0%	15,865	0	\$17.97	20.0%
I-77 Corridor	6,693,361	23.1%	47,369	0	\$17.03	23.1%
East	1,044,400	20.9%	14,513	0	\$14.73	20.9%
51 Perimeter	3,593,039	11.5%	110,788	650,000	\$21.23	12.5%
Crownpoint	491,300	37.1%	5,049	0	\$14.68	37.1%
Northeast	2,216,596	24.6%	(62,497)	0	\$18.59	26.0%
North	1,202,053	23.3%	(21,278)	0	\$20.05	26.2%
<b>Market Total</b>	<b>34,560,702</b>	<b>12.0%</b>	<b>3,155</b>	<b>3,483,000</b>	<b>\$21.67</b>	<b>13.1%</b>

### Downtown by Class

Class A	10,592,933	1.2%	(103,473)	2,803,000	\$26.15	2.0%
Class B	2,036,511	5.4%	(16,909)	0	\$20.10	6.0%
Class C	241,677	9.3%	(339)	0	\$18.32	9.3%

## Unemployment Rate



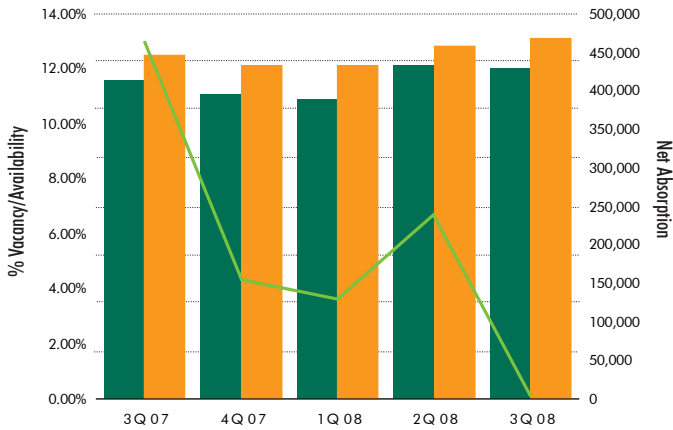
Charlotte's unemployment rate increased in the second quarter to 6.9% in July from 5.1% in May. Regionally, layoffs in the mortgage and financial industries have been the primary cause of this increase.

Significant job announcements this quarter included:

- Fluor Corp, an international engineering firm that services power plants, moved into 73,000 sq. ft. in the One SouthPark Center in May, doubling the size of its Charlotte office. Fluor plans to hire 133 employees in the next six months.
- Time Warner Entertainment Company will expand its Charlotte operations, adding 200 jobs. The Company is in the process of constructing an additional building at the Charlotte Corporate Campus on Crescent Executive Drive. The four-story building, with 103,500 sq. ft. of space, is expected to be complete in May 2009.

## Vacancy / Availability / Net Absorption

Vacancy 12.0%  
 Availability 13.1%  
 Absorption 3,155

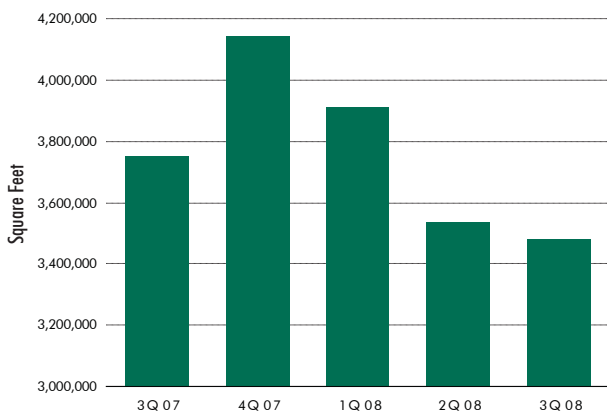


Overall office vacancy decreased slightly from 12.1% in the 2nd quarter to 12.0% in the 3rd quarter. There was a slight increase in vacancy reported in the CBD due to the delivery of the office component of EpiCentre, offset by a decrease in the suburbs. The majority of the activity was witnessed in the 51/Ballantyne submarket where the Irby and Toringdon VI office buildings were delivered 40% leased.

Net absorption was a positive 3,155 sq. ft., less than average when compared to the last two years. Absorption was highest in the 51 Perimeter which recorded 110,788 sq. ft. of positive net absorption, followed by the I-77 Corridor with 47,369 sq. ft. of absorption.

## Construction Activity

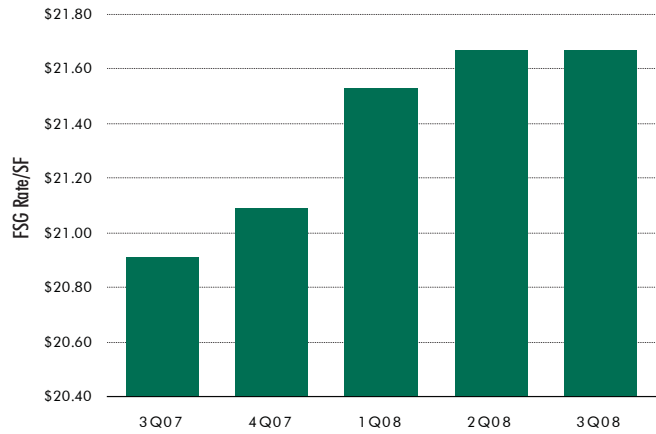
SF Under Construction 3,483,000



Four office buildings are underway in the CBD, which will add 2,803,000 sq. ft. to downtown inventory. One building (EpiCentre) was delivered in the third quarter at 85,000 sq. ft. The remaining towers under construction are 64% preleased, which is consistent with last quarter.

## Average Asking Lease Rates

Average Asking (G) Lease Rent \$21.67



Average asking full service lease rates remained the same as last quarter at \$21.65 per sq. ft. This remains the highest overall lease rate recorded since CBRE started tracking the office market in 1985.

The highest lease rates are being achieved in the CBD, which are averaging \$25.06 per sq. ft., a \$0.01 increase from last quarter. CBD Class A lease rates are averaging \$26.15 a sq. ft., while suburban Class A rates are averaging \$20.05 a sq. ft.

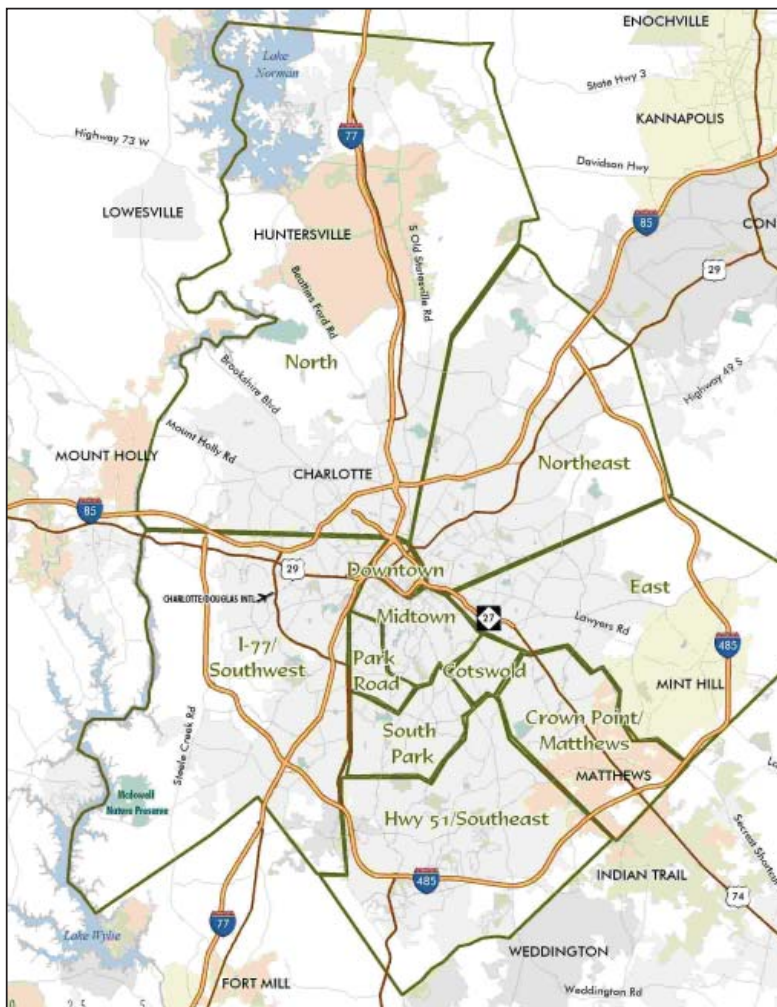
## Market Outlook

While statistics indicate a stable office market through the end of the third quarter, the financial upheaval and recent plans by Wells Fargo to purchase Wachovia, Charlotte's second largest employer, have put many development plans and expansions on hold. The upcoming presidential election adds another uncertainty to uneasy investors and tenants. Psychologically the markets are in turmoil, but the basics for a soft landing are in place. We expect the office market to remain flat through the end of 2009, and will defer consulting our crystal ball until the end of the year for our 2010 outlook.

Submarket Descriptions

Submarket	Total SF	% of Market
CBD	12,871,121	37.2%
Midtown	1,697,729	4.9%
Cotswold	244,389	0.7%
Southpark	3,837,007	11.1%
Park Road	669,707	1.9%
I-77 Corridor	6,693,361	19.4%
East	1,044,400	3.0%
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Submarket Map



Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive office buildings 20,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area (Square Feet)

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)

Available Building Area which is either physically vacant or occupied.

Availability Rate

Available Square Feet divided by the Net Rentable Area.

Vacant Area (Square Feet)

Existing Building Area which is physically vacant or immediately available.

Vacancy Rate

Vacant Building Feet divided by the Net Rentable Area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

Anne Vulcano, First Vice President  
 Colleen Hendrix, Research Coordinator  
 CB Richard Ellis  
 201 S. College Street, Suite 1900  
 Charlotte, NC 28244  
 T. 704.331.1270 F. 704.331.1259  
 anne.vulcano@cbre.com  
 colleen.hendrix@cbre.com

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