Charlotte, North Carolina

Tenant's Guide ▪ North American Markets ▪ Second Quarter 2010

Overview

The Charlotte office market continues to soften slightly as the overall vacancy rate increased to 15% in the second quarter from 14.4% in the first quarter of 2010. The current vacancy of 15% compares to the 12.6% reported in the second quarter of 2009. With new office towers being delivered in the CBD and employers continuing to give back space this comes as no surprise. Both direct and sublease average rental rates continue to trend downwards dropping from $19.50 in Q1 to $19.20 in Q2 and $16.24 to $16.16, respectively. Reports indicate that 1,101 buildings are listed for sale which is up from 870 in Q2 2009. With increased numbers in available space for both lease and sale the market remains extremely competitive.

Charlotte has received some impressive headlines and accolades during Q2 2010. The Charlotte Regional Partnership and the Charlotte Chamber of Commerce were selected as two of the Top 10 Economic Development Groups in the U.S. They were selected on the basis of total jobs created, jobs per capita created, total capital investment generated, and investment per capita. Other big announcements included Hewitt Associates adding 463 jobs, Norfolk Southern creating 200+ jobs, American Red Cross leasing 64,000 SF and creating 400 jobs, Citco Fund Services creating 260 jobs, and WebVisible leasing 31,000 SF and creating 150 new jobs. Perhaps the biggest news was Bank of America's announcement to occupy all but five percent of their new 32-story tower.

Market Trends

- Vacancy rates continue to rise throughout the overall market.
- Landlords are continuing to provide greater overall concessions in the form of free or partial rent and additional tenant improvement allowances.
- Rates continue to trend downward.
- There is increased scrutiny between landlords and tenants to insure financial stability of their respective entities.

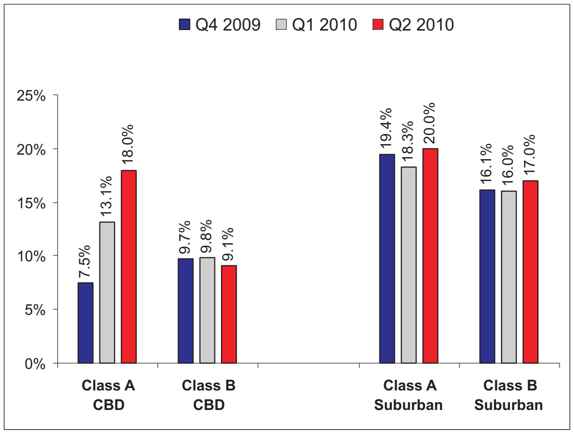
Tenant's Perspective

A window of opportunity remains for tenants to secure aggressive economic terms for long-term leases or purchase opportunities. Tenants are forced to review the prospective landlord's ability to fund tenant improvement packages and in some cases request that agreed upon packages are placed in escrow. Creativity can be found in unique deal structures. There are opportunities to restructure leases to achieve improved terms in return for providing additional lease term to landlords.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
IBM	92,000	Office	Lease
American Red Cross	64,000	Office	Lease
Shaw	51,000	Office	Lease
CIT Group	50,000	Office	Lease
Bovis	40,000	Office	Lease
SOI	37,000	Office	Lease
WebVisible	31,000	Office	Lease
Balfour Beatty	30,000	Office	Lease
Citco	23,000	Office	Lease
Crescent Resources	22,000	Office	Lease
Nexsen Pruet	13,500	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	$27.78	$27.35	$27.16
Class B Office	$19.75	$19.22	$19.46

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	$20.01	$20.17	$20.48
Class B Office	$17.44	$17.70	$17.15

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