



Charlotte Office Market

Market Conditions Begin the Road To Recovery

The Charlotte office market commenced 2022 with demand outpacing supply at a modest level of 120,000 square feet of positive net absorption. This is the second consecutive quarter of steady positive absorption, signifying a possible shift in market conditions as the office sector begins to recover from the impacts of the pandemic. Class A buildings continued to show a modest and more leveled approach between supply and demand, with 13,360 square feet of absorbed space in the first quarter of 2022. The Class B segment led the market with over 106,000 square feet of net absorption, while lower-tier Class C space saw supply just beat out demand. Overall vacant space increased by 40 basis points to close out the first quarter of 2022 at 18.4% and can be attributed to the new office buildings delivered at the start of the year. Notably, overall vacancy increased 320 basis points from one year ago from the combination of available space from new office buildings delivered, coupled with the increased supply of vacant space added as a result from companies downsizing, consolidating and closing office operations due to employees working from home. Despite the market corrections seen over the past two years, asking rate averages continued to tick upward as the Class A and Class B segments saw year-over-year increases.

Current Conditions

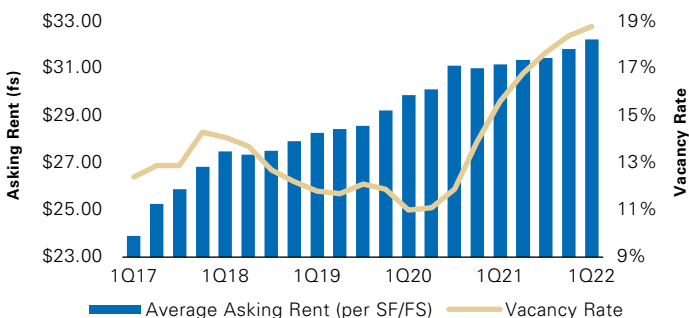
- The Midtown/Southend submarket of Charlotte continued to be the main epicenter of construction activity.
- While the Charlotte market continued its progression in the first quarter of 2022 as a whole, Class B properties saw the most activity, as vacancy in this segment was the only one to see a decrease from the previous quarter.
- Demand for office space should continue to build momentum as the market continues to mend from the effects of the global pandemic.
- Average rates appear to be holding steady as landlords have yet to show signs of discounting rents, despite market corrections.

Market Summary

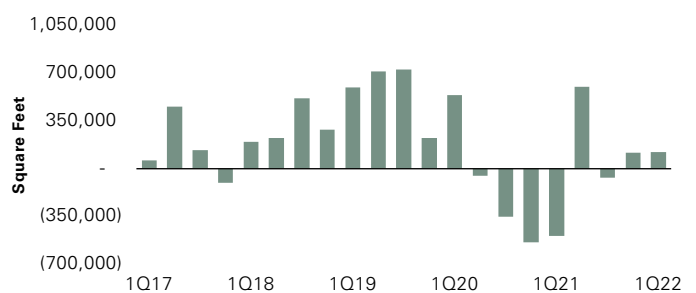
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	55.1M	54.8M	52.1M	↑
Vacancy Rate	18.8%	18.4%	15.6%	←
Quarterly Net Absorption (SF)	119,625	114,721	--490,034	←
Average Asking Rent/SF (FS)	\$32.24	\$31.83	\$31.18	↓
Under Construction (SF)	832K	1.2M	3.8M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Construction Pipeline

There was a total of two buildings delivered during the first quarter of 2022, totaling just under 400,000 square feet. The Midtown, Airport and Lancaster County submarkets are the primary areas of current construction activity planned for future completion, with a total of 832,000 square feet of space listed as in development. One project of interest that is due for completion in the coming months is 1120 S. Tryon St., the Vantage South End, where many spaces have already been pre-leased by tenants like CBRE, Alston & Bird and Brightspeed in the Midtown/Southend submarket, totaling 287,000 square feet. The projected completion date is in the second quarter of 2022.

Leasing Activity

The Charlotte office market had another healthy quarter of positive net absorption. While absorption remained consistent with the previous quarter, total available space dropped to 20.9%. The Class A segment should begin to see increased demand as the return to office picks up steam. The lure of high-quality spaces with better amenities will continue to attract companies looking to relocate or open offices as the Southeast remains a hot

spot for relocations and new branch offices from businesses in the Northeast. The continued recovery of the market showed no signs of slowing down, as the overall asking rent average increased by almost \$1.00/SF over the previous year.

Market Outlook

The outlook for the remainder of 2022 looks bright, with sizable new projects and healthy pre-leasing coming to the area. The city has projects that are either in development or under construction that are spread across the entire city, making the area continue to become a larger hub of business and productivity. Average asking rents are still inching upward within the top-tier submarkets, while the Charlotte market sees increased momentum in leasing activity. The effects of the pandemic continues to impact the market as it slowly recovers from the amount of office space given back. Charlotte is fortunate to benefit from the increasing population as people move from the more expensive Northeastern states. North Carolina's more affordable cost of living, combined with the pro-business tax laws and incentives, should continue to aid the market as companies look to Charlotte as an alternative for their business operations.

Select Lease Transactions				
Tenant	Submarket	Building	Type	Square Feet
Guided Solutions	Airport	7910 Microsoft Way	New	62,132
Alston & Bird	Midtown/Southend	1120 S Tryon St	New	55,312
Ingersoll Rand	Northeast/I-77	525 Harbour Place Dr	New	54,000
Confidential	North	6135 Lakeview Rd	New	37,438
Confidential	South/485	13146 Ballantyne Corp Pl	New	31,629

Select Sale Transactions				
Property	Submarket	Sale Price	Square Feet	Price/SF
One SouthPark Center	SouthPark	\$38,300,000	147,141	\$260.29
Resource Square Three	University	\$21,000,000	124,767	\$168.31
601-623 S Cedar St	Midtown/Southend	\$17,912,723	54,422	\$329.14
The Foundry	Midtown/Southend	\$13,462,633	25,915	\$519.49
Coca-Cola Bottling Co.	Midtown/Southend	\$12,400,000	47,919	\$258.77

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
CBD Total	17,762,740	0	17.1 %	-10,703	-10,703	\$37.88	\$31.31	\$36.58
Suburban Total	37,357,012	832,868	19.7 %	130,328	130,328	\$31.60	\$26.80	\$30.09
Airport	10,598,955	142,000	17.6 %	66,020	66,020	\$26.60	\$26.19	\$26.28
Cabarrus County	572,617	0	8.9 %	-1,777	-1,777	\$19.48	\$20.07	\$19.70
East Charlotte	656,759	0	18.7 %	1,001	1,001	\$33.42	\$16.43	\$17.96
Iredell County	234,275	0	21.6 %	0	0	\$30.00	\$23.45	\$29.42
Lancaster County	403,352	120,000	11.3 %	3,013	3,013	\$26.73	\$23.00	\$26.27
Matthews	606,802	0	18.0 %	6,701	6,701	0	\$19.71	\$18.82
Midtown/NoDa	796,602	109,972	28.0 %	-15	-15	\$34.80	\$25.00	\$34.76
Midtown/Southend	3,369,588	460,896	30.1 %	77,023	77,023	\$40.63	\$35.50	\$39.10
Northeast/I-77	1,518,244	0	20.9 %	-29,223	-29,223	\$28.61	\$26.01	\$28.15
Park Road	653,118	0	11.3 %	12,855	12,855	\$41.50	\$33.21	\$32.14
South Charlotte	945,716	0	9.9 %	9,060	9,060	\$26.23	\$25.78	\$26.13
South/485	5,661,435	0	22.4 %	-74,124	-74,124	\$36.00	\$31.60	\$35.81
Southpark	4,245,056	0	14.2 %	69,856	69,856	\$36.98	\$31.21	\$35.09
University	4,805,439	0	28.3 %	2,508	2,508	\$28.06	\$26.49	\$27.68
York County	2,289,054	0	6.2 %	-12,570	-12,570	\$28.03	\$25.00	\$25.87
Charlotte Market	55,119,752	832,868	18.8 %	119,625	119,625	\$33.86	\$27.96	\$32.24

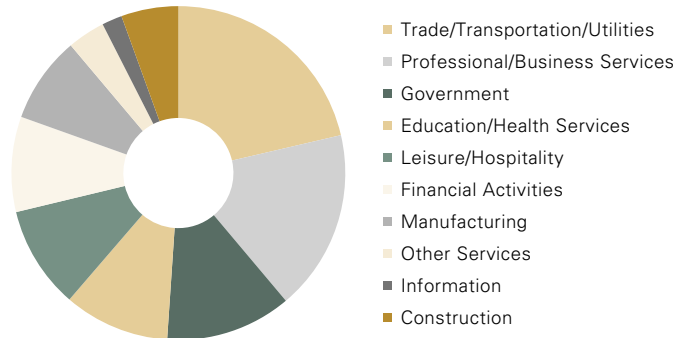
Economic Conditions

Economic metrics are still on the mend from previous lows caused by the health crisis. All industry sectors posted year-over-year employment growth in the 12 months ending in February 2022. Charlotte's unemployment rate was 3.7% as of this quarter, a decrease of 170 basis points from the 5.4% recorded during the same period one year ago. Charlotte's unemployment rate has consistently remained under the national average.

Trade/Transportation/Utility jobs had the lead with the most improvement with the most amount of jobs added, while professional/business services sector followed. Most industries saw moderate job growth, while the other services and information sectors saw the smallest increase in the 12-month period ending in February 2022.

Employment by Industry

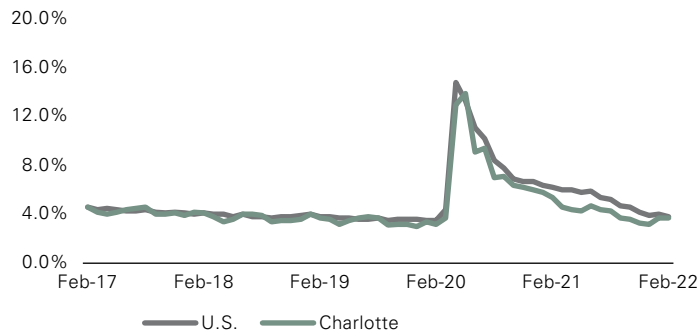
CHARLOTTE, February 2022



Source: U.S. Bureau of Labor Statistics, February 2022.

Unemployment Rate

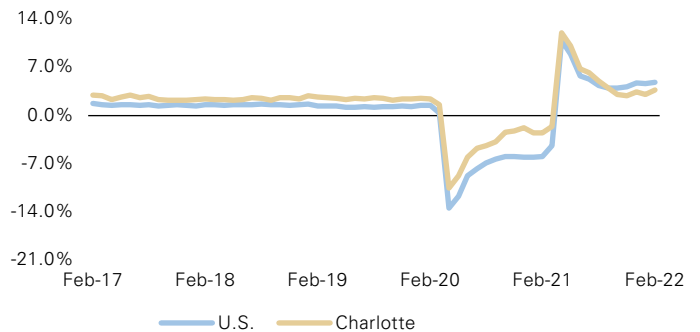
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, February 2022.

Payroll Employment

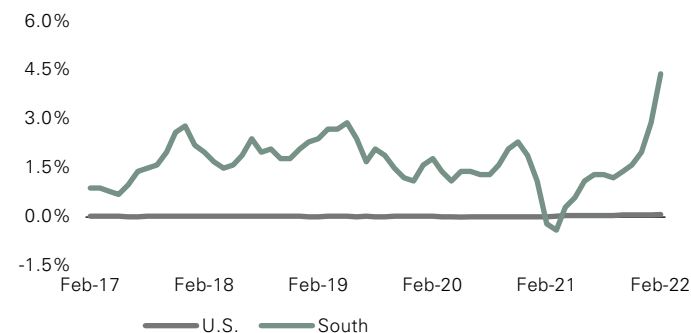
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, February 2022.

Consumer Price Index (CPI)

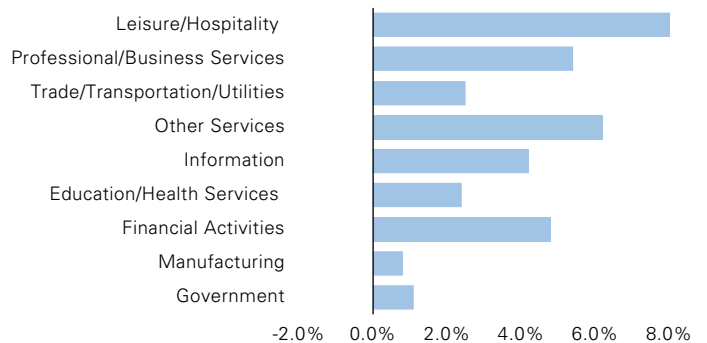
ALL ITEMS, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



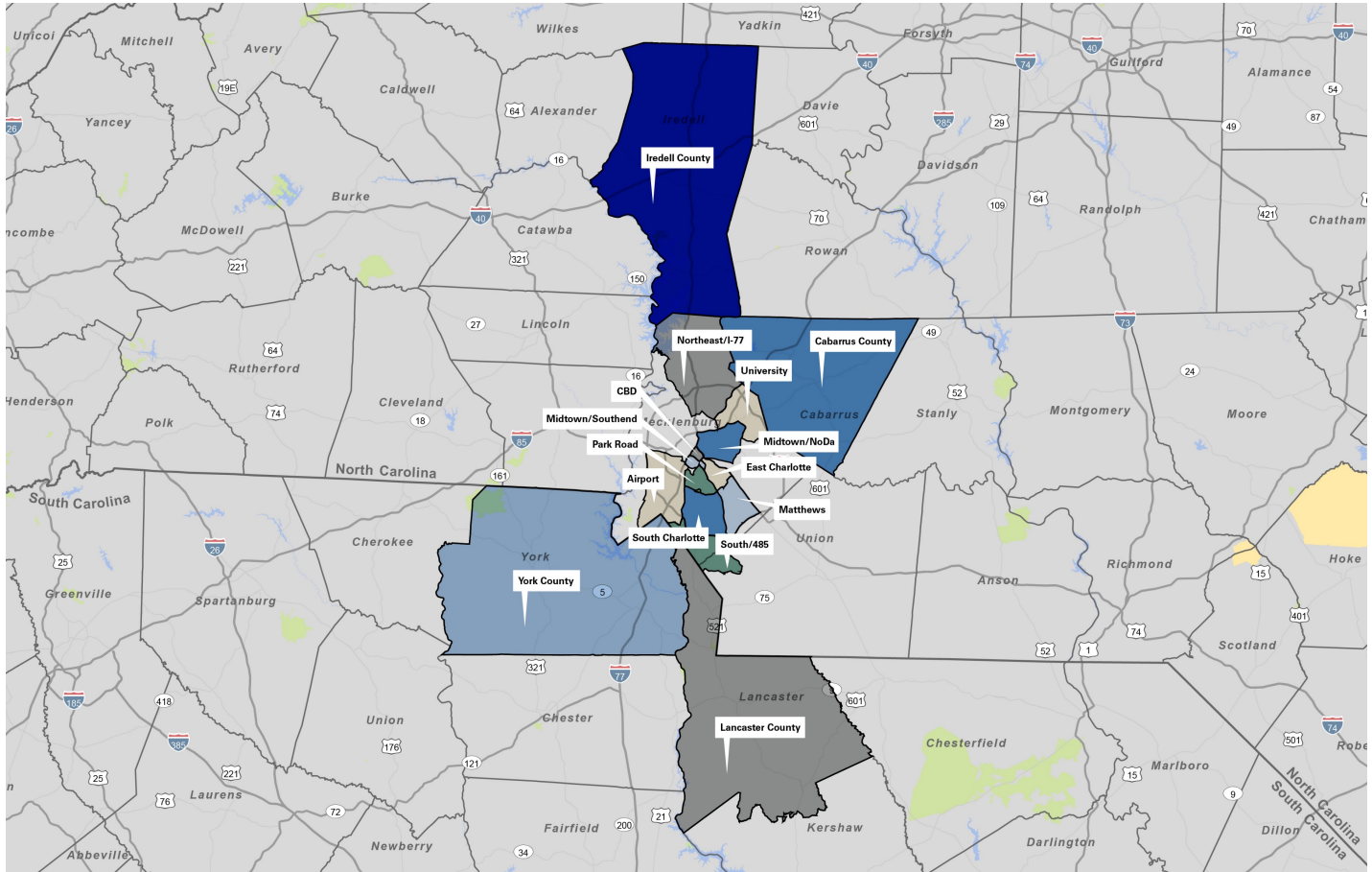
Source: U.S. Bureau of Labor Statistics, February 2022.

Employment Growth by Industry

CHARLOTTE, APRIL 2021, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, February 2022.



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