



Charlotte Office Market

Positive Growth for First Time in 12 Months

The Charlotte office market experienced mixed fundamentals in the second quarter of 2021, but with a cautiously optimistic outlook for the year ahead. The vacancy rate rose 150 basis points over last quarter due to the delivery of 1.5 million square feet of new space. Almost half of the space was available for lease at the time of delivery.

Ally Charlotte Center, the Central Business District's newest tower, was completed in May and the bank began moving into its 700,000 square feet. This accounted for most of the quarter's net absorption, despite the firm's consolidation from offices spread throughout the region. This is another example of the strength of the financial services sector in Charlotte, following the creation of Truist's headquarters in the region in 2020.

The lower amount of new construction in the region will help limit additional spikes in vacancy over the next 18 months. As additional companies return to the office during the third quarter, there will be more clarity as to the extent of the pandemic's impact on real estate needs in the short and long term across all industries.

Current Conditions

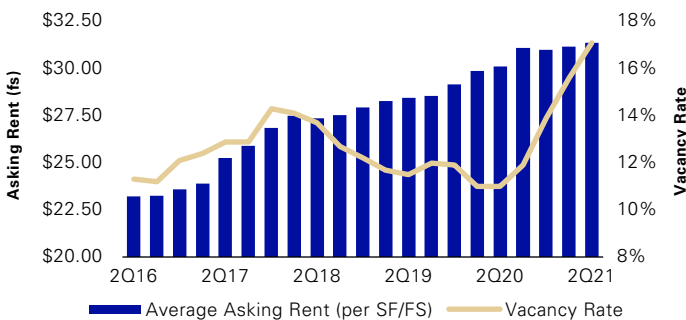
- The vacancy rate rose 150 basis points over last quarter due to the delivery of 1.5 million square feet of new space.
- This was the first quarter of positive net absorption in 12 months.
- More than 3/4 of the new development is concentrated in three submarkets: Midtown/Southend, CBD and University.
- The average asking rate rose 0.6% over last quarter to \$31.37/SF. This was 4.1% higher than one year ago.

Market Summary

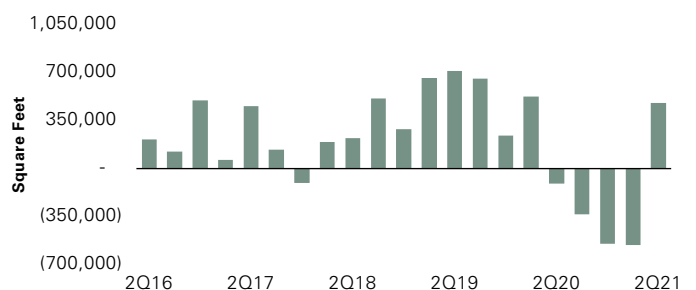
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	53.6M	52.1M	50.9M	↑
Vacancy Rate	17.1%	15.6%	11.0%	←
Quarterly Net Absorption (SF)	476,921	-555,778	-109,057	←
Average Asking Rent/SF (FS)	\$31.37	\$31.17	\$30.13	↓
Under Construction (SF)	2.8M	4.0M	4.2M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



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	17,341,199	443,415	13.9 %	651,994	357,568	\$37.67	\$30.51	\$36.44
Suburban Total	36,300,910	2,345,940	18.7 %	-175,073	-436,425	\$30.97	\$25.76	\$29.13
Airport	10,564,955	172,000	18.4 %	-106,461	-289,305	\$26.04	\$24.28	\$25.16
Cabarrus County	572,617	-	8.8 %	-20,470	-17,180	\$19.48	\$20.07	\$19.85
East Charlotte	656,759	-	21.7 %	-1,105	963	\$33.49	\$16.10	\$17.15
Iredell County	234,275	-	23.9 %	-4,339	14,000	\$32.50	\$17.41	\$28.06
Lancaster County	403,352	120,000	5.8 %	3,874	861	\$23.50	\$21.25	\$22.18
Matthews	606,802	-	18.5 %	-24,060	-65,936	-	\$19.11	\$18.18
Midtown/NoDa	906,574	120,000	37.7 %	8,337	28,337	\$34.85	\$17.66	\$34.82
Midtown/Southend	2,592,660	1,304,333	20.3 %	33,535	191,736	\$39.51	\$34.06	\$38.60
Northeast/I-77	1,518,244	200,000	19.8 %	-12,360	-34,601	\$27.52	\$24.66	\$26.97
Park Road	653,118	-	15.2 %	383	-13,031	-	\$32.14	\$32.14
South Charlotte	945,716	-	10.2 %	-4,544	-7,973	\$26.03	\$25.62	\$25.93
South/485	5,686,646	-	21.8 %	9,072	-59,832	\$33.77	\$32.06	\$33.68
Southpark	4,294,306	-	18.0 %	818	-59,866	\$35.71	\$31.08	\$33.98
University	4,375,832	429,607	20.0 %	-74,284	-102,350	\$27.31	\$27.00	\$27.18
York County	2,289,054	-	9.5 %	16,531	-22,248	\$25.50	\$23.00	\$24.71
Charlotte Market	53,642,109	2,789,355	17.1 %	476,921	-78,857	\$33.35	\$26.67	\$31.37

Economic Conditions

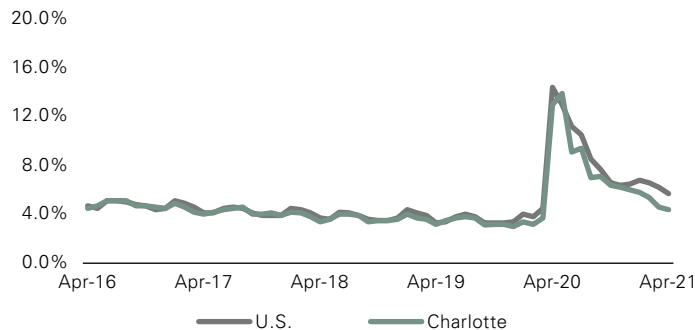
Economic metrics are improving from the pandemic-fueled lows in spring 2020, as all industry sectors posted year-over-year employment growth in the 12 months ending in April 2021.

After losing 150,000 jobs in April 2020, Charlotte has gained 110,000 jobs between May 2020 and April 2021. The employment is still 111,000 jobs fewer than one year ago. The leisure/hospitality sector experienced the largest year-over-year job growth, increasing by 50.1%, or 10,800 jobs, from April 2020 to April 2021.

Charlotte's unemployment rate was 4.4% as of April. While significantly lower than the 2020 peak of 13.9% in May 2020, it is still 120 basis points higher than April 2019. Charlotte's rate was 130 basis points lower than the U.S. rate of 5.7%.

Unemployment Rate

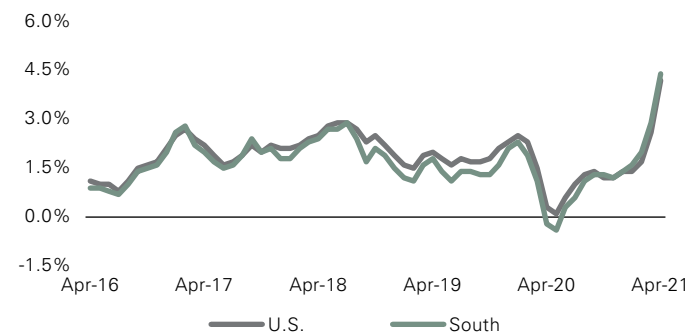
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, July 2021.

Consumer Price Index (CPI)

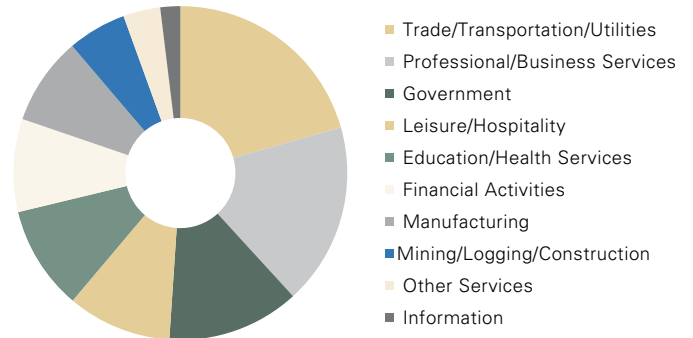
ALL ITEMS, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, July 2021.

Employment by Industry

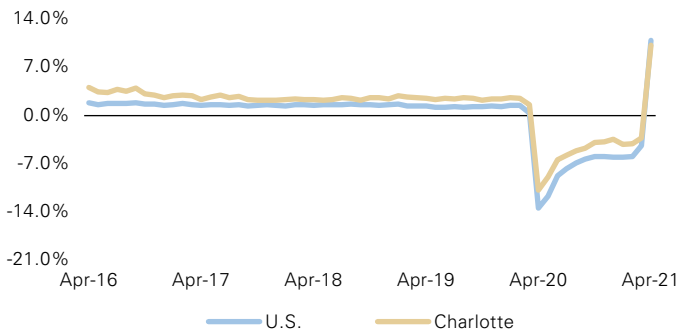
CHARLOTTE, APRIL 2021



Source: U.S. Bureau of Labor Statistics, July 2021.

Payroll Employment

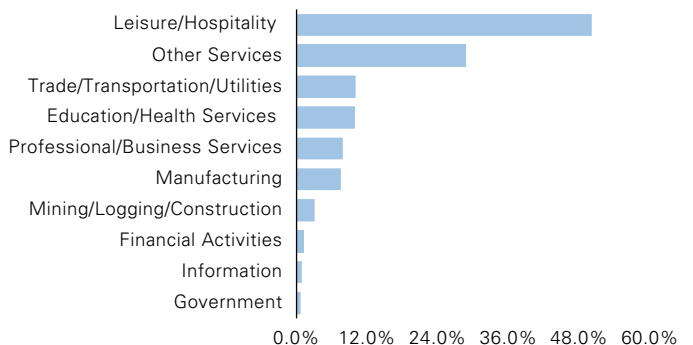
TOTAL NONFARM, NOT SEASONALLY ADJUSTED,
12-MONTH % CHANGE



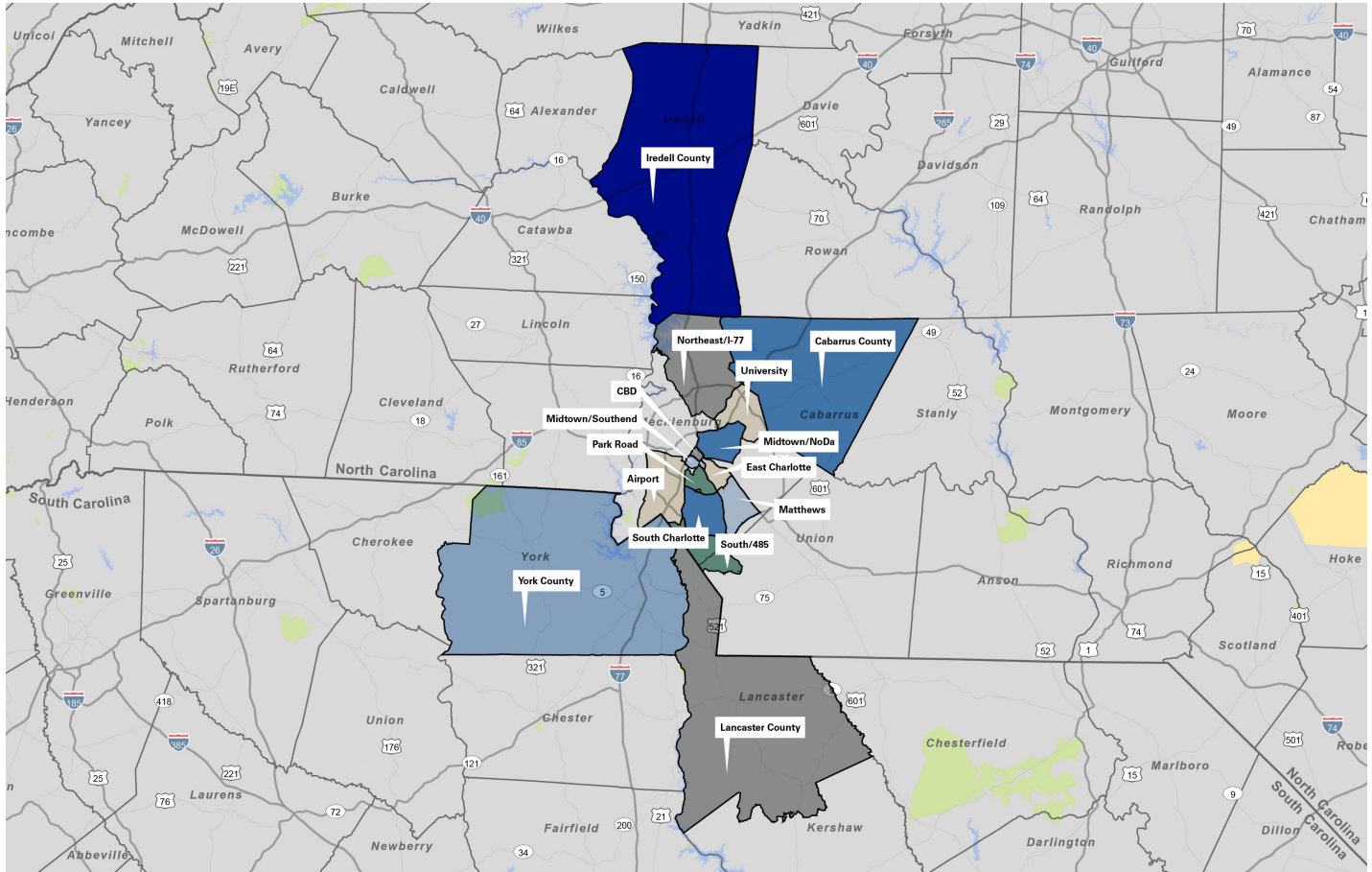
Source: U.S. Bureau of Labor Statistics, July 2021.

Employment Growth by Industry

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



Source: U.S. Bureau of Labor Statistics, July 2021.



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