



Charlotte Office Market

Market Sees Upsurge in Activity

The Charlotte office market saw the third quarter of 2022 make another leap towards a successful year as 2022 inches closer to a close. The city added another 346,000 square feet of positive absorption and is looking to add at least 1 million square feet after the year ends. The Class A segment recorded more than 269,000 square feet of positive absorption, while lower-tier Class C space returned only 906 square feet back to the market. Overall vacancy retreated downward by 60 basis points, to 18.6% but was still higher compared to 12 months prior.

The market added more projects to the pipeline and had almost 2 million square feet under construction, a big upswing from the less than 500,000 square feet that was recorded in the prior quarter.

Charlotte reached its larger counterparts in terms of asking rents, with an average of \$33.45/SF. This is expected to continue to rise as larger Class A spaces become available in the coming months. The overall asking average rental rate was nearly \$2.00/SF higher than a year ago.

Current Conditions

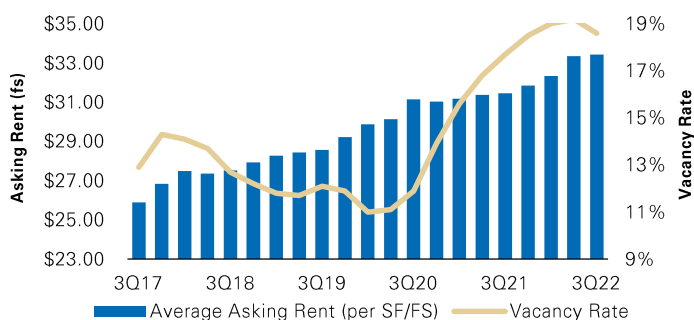
- Midtown/Southend lead in construction activity as the third quarter of 2022 ended.
- The Midtown and Southpark submarkets had the most absorption activity.
- Total sublet inventory remained stable at 4.4% from last quarter and 40 basis points above 12 months ago.
- Asking average rental rates held steady as landlords have yet to show signs of discounting rents, despite market corrections.

Market Summary

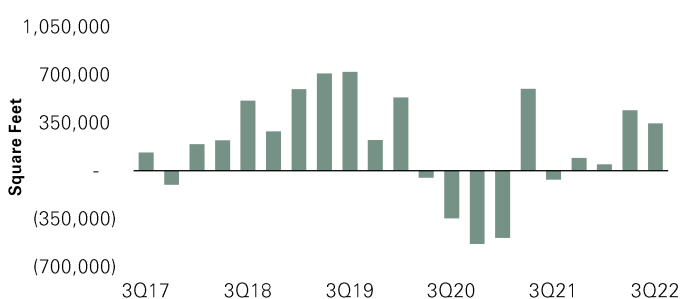
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	55.9M	55.9M	54.1M	↑
Vacancy Rate	18.6%	19.2%	17.7%	←
Quarterly Net Absorption (SF)	346,897	440,569	-65,074	←
Average Asking Rent/SF (FS)	\$33.43	\$33.35	\$31.46	↓
Under Construction (SF)	1.9M	473K	1.8M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Construction Pipeline

Construction activity was slow this past quarter in terms of deliveries, as none were recorded as completed or received occupation certificates; however, 1.2 million square feet of space was in development as the quarter ended, with most activity happening in the Central Business District and Midtown submarkets. Legacy Union, a 410,000-square-foot building in the CBD area, has already pre-leased 101,000 square feet of space to Robinson Bradshaw, a law firm. This project is expected to complete in the first quarter of 2024.

Leasing Activity

The Charlotte office market had another productive quarter executing new deals. Between July and the end of September, there were 323 lease deals signed. This was up from the 293 lease deals that were signed in the second quarter of 2022. Some of the top deals of the quarter were spread throughout the city, including the CBD, Airport, York County and Matthews County submarkets. These leases represent a variety of tenants in law, finance and the food industry.

Leasing activity for Charlotte remained strong. Total availability increased by only 10 basis points, bringing available space to 23.4%, but was 170 basis points above its third quarter of 2021

level. Asking rents increased to just under \$2.00/SF over the last 12 months. Class A properties could average \$35.00/SF by the end of the year.

Market Outlook

Although a more subdued time of the year, Charlotte still added more occupied space to the market and ramped up construction in the last three months. As always, activity will begin to quiet in the last quarter of the year but will still add a substantial amount of new tenants and office space to the market. Asking rents are still making their way closer to record highs.

The construction boom will likely make vacancy rise in the coming months as more properties become available. Charlotte has also added more mixed-use developments with primary office and ground floor retail, while also welcoming new tenants to the market that have relocated their headquarters to North Carolina. These developments will increase curiosity and interest in the Metro. New tenants are spanning multiple industries and thus will drive the workforce upward and unemployment downward. All industries experienced increases over a 12-month period to some degree, which will help diversify Charlotte's tenant selection.

Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Robinson Bradshaw	CBD	600 S Tryon St	New	101,502
Bojangles	Airport	500 Forest Point Cir	New	61,500
Confidential	York County	605 Munn Rd	New	55,000
Charlotte FC LLC	Matthews	8600 McAlpine	New	52,000
Bank of London	CBD	101 N Tryon St	New	38,654

Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
650 S Tryon St	CBD	\$201,226,000	362,500	\$555.11
4201 Congress St	SouthPark	\$79,940,000	234,748	\$340.54
8740 Research Dr	University	\$34,601,817	155,579	\$222.41
2605 Water Ridge Pky	Airport	\$24,578,167	112,993	\$217.52
8520 Cliff Cameron Dr	University	\$19,306,942	117,004	\$165.01

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy 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	504,000	17.6 %	17,928	-103,413	\$37.73	\$32.67	\$36.78
Suburban Total	10,598,955	142,000	17.1 %	22,471	123,244	\$26.55	\$26.29	\$26.58
Airport	572,617	0	3.7 %	2,019	27,670	\$25.50	\$20.07	\$19.94
Cabarrus County	656,759	157,000	20.5 %	-15,613	-10,332	\$34.68	\$17.94	\$18.53
East Charlotte	234,275	0	11.3 %	0	23,940	\$30.00	\$23.50	\$29.16
Iredell County	523,352	0	36.0 %	-540	-19,820	\$32.57	\$23.00	\$31.16
Lancaster County	606,802	0	14.7 %	10,104	27,236	0	\$20.85	\$20.47
Matthews	1,036,602	229,972	37.4 %	56,143	75,742	\$38.71	\$25.77	\$38.68
Midtown/NoDa	3,745,232	661,776	17.5 %	119,095	810,590	\$42.62	\$42.85	\$42.54
Midtown/Southend	1,518,244	0	23.1 %	-20,441	-62,041	\$29.46	\$26.47	\$28.89
Northeast/I-77	0	200,000	0	0	0	0	0	0
Park Road	653,118	0	16.4 %	-9,132	-20,219	\$44.50	\$33.93	\$32.91
South Charlotte	945,716	0	15.8 %	-20,968	-47,585	\$28.34	\$24.97	\$27.62
South/485	5,661,435	0	21.5 %	83,624	-22,984	\$37.22	\$32.71	\$37.04
Southpark	4,245,056	0	14.1 %	116,389	75,860	\$39.11	\$32.01	\$37.12
University	4,805,439	0	27.3 %	-6,039	54,518	\$27.96	\$30.25	\$28.79
York County	2,289,054	0	9.9 %	-8,143	-97,768	\$31.60	\$26.50	\$28.41
Charlotte Market	55,855,396	1,894,748	18.6 %	346,897	834,638	\$34.85	\$29.83	\$33.43

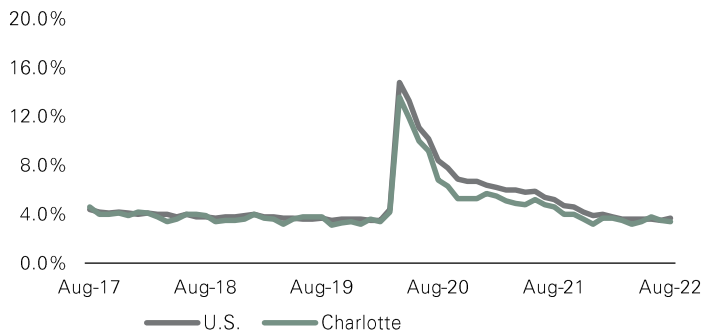
Economic Conditions

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 August 2022. Charlotte's unemployment rate remained at 3.4%, which was stable from the previous quarter but 120 basis points below the unemployment rate year over year. Charlotte's unemployment rate remained under the national average, standing at 3.7%.

Trade/transportation/utilities and professional/business services led all sectors with the most amount of growth over a 12-month period, while the government sector followed. Most industries saw moderate job growth, though the government sector saw the smallest increase in the 12-month period ending in August 2022.

Unemployment Rate

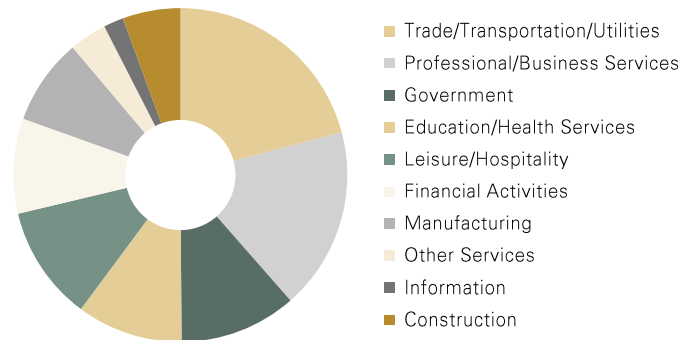
NOT SEASONALLY ADJUSTED



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

Employment by Industry

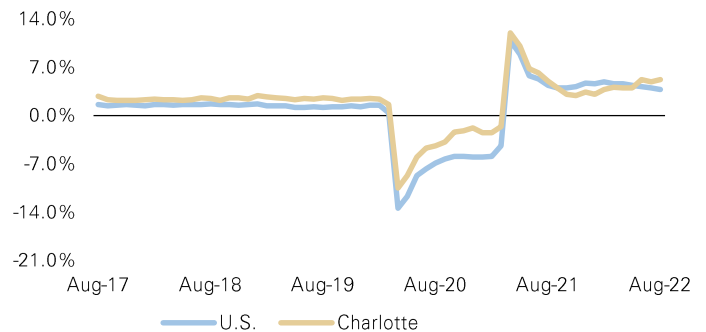
CHARLOTTE, August 2022



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

Payroll Employment

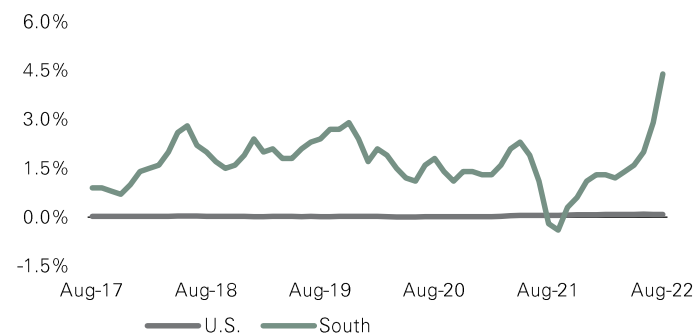
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



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

Consumer Price Index (CPI)

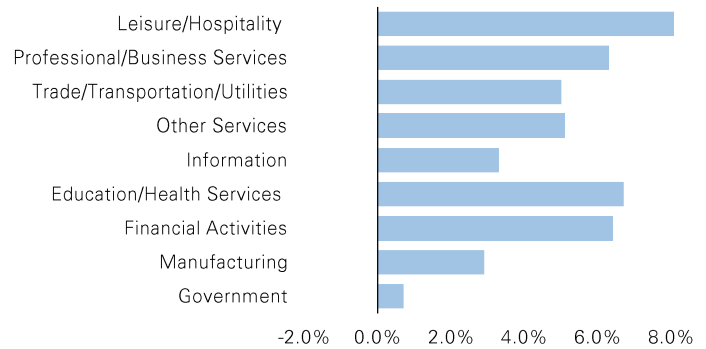
ALL ITEMS, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



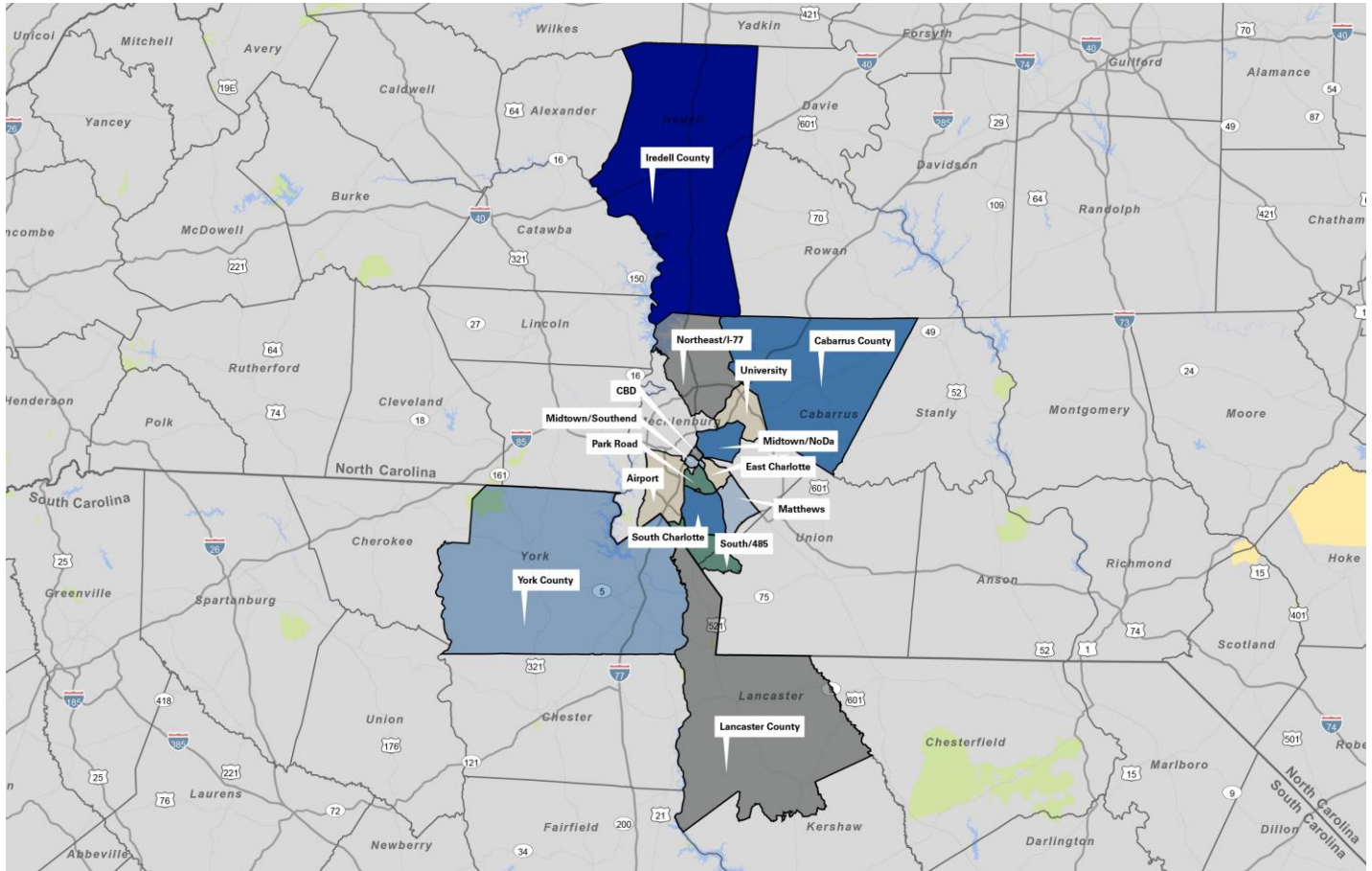
Source: U.S. Bureau of Labor Statistics, August 2022.

Employment Growth by Industry

CHARLOTTE, August 2022, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



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



For more information:

Charlotte

615 S College St
Suite 450
Charlotte, NC 28202
t 704-208-5858

Jerren Cooper

Research Analyst

Jerren.cooper@nrmk.com

nrmk.com

ALABAMA

Birmingham

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