



Charlotte office market report

Q2 2022

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Office market trends

01

Robust development pipeline

Demand for new, Class A product remains elevated with 3.8 msf currently under development and 53% of the pipeline already pre-leased. Following a record year of deliveries in 2021, year-to-date new deliveries added 408,000 sf of inventory. Total vacancy is projected to increase with the anticipation of an additional 2.6 msf that is expected to deliver by year end.

02

Leasing activity

Leasing activity in Charlotte continues to gain traction from pandemic lows, totaling 978,568 sf absorption in the second quarter, up 22% from Q1. While momentum continues to pick up, tenants are expected to face premium rental rates psf, with a heightened emphasis on space needs and occupancy costs as landlords continue to hold the upper hand in lease term negotiations.

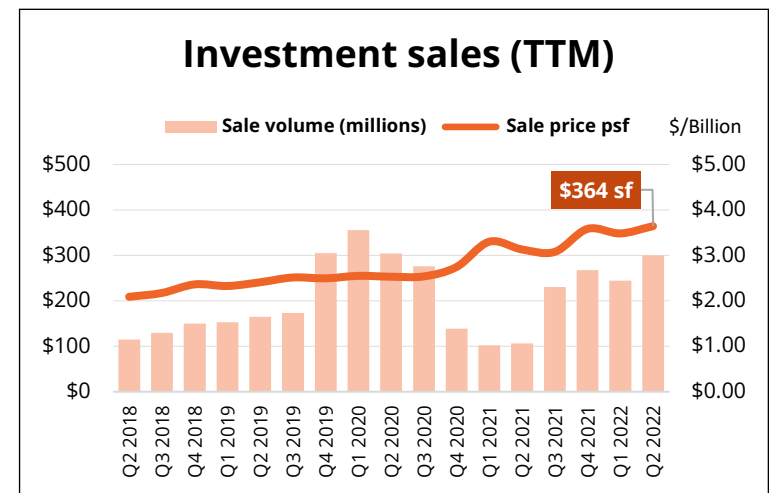
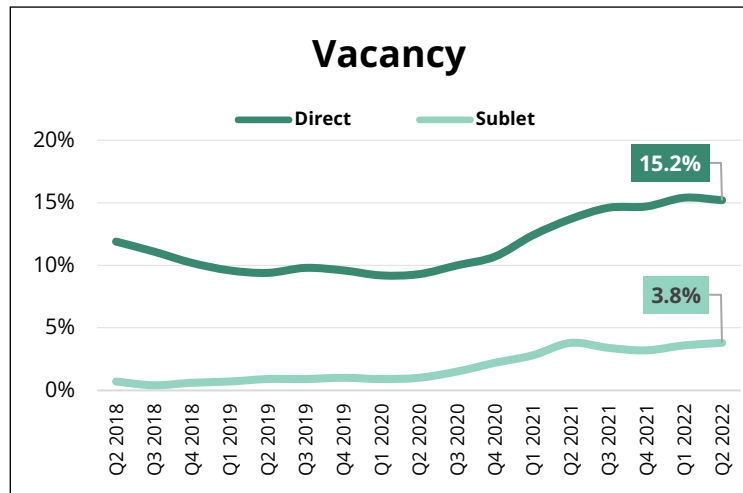
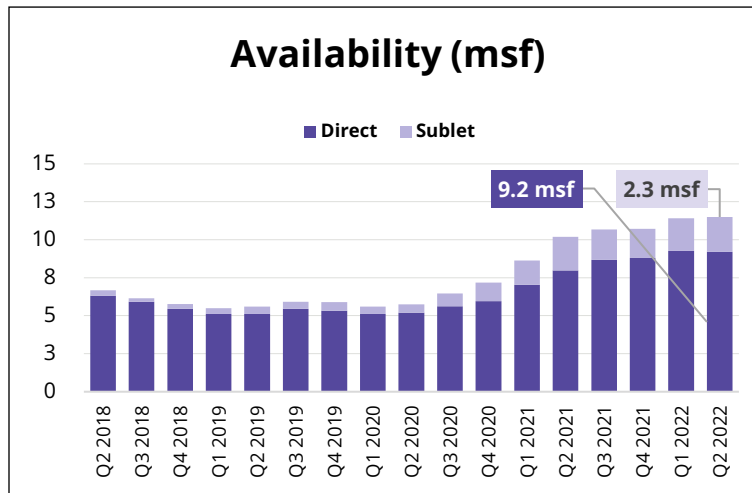
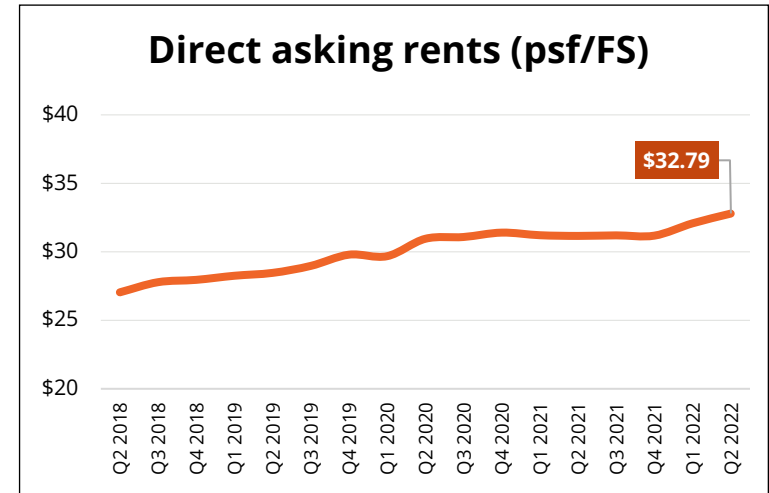
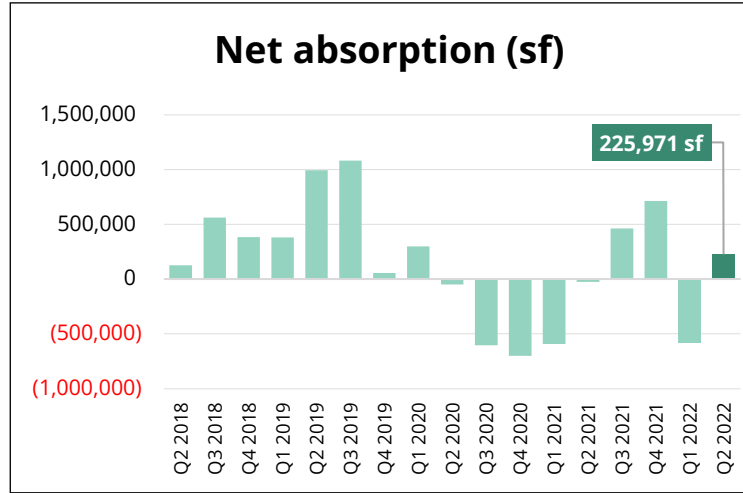
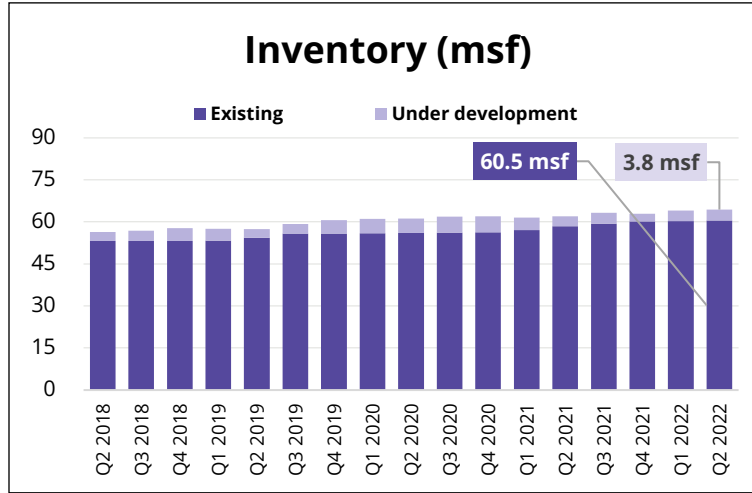
03

Positive rent growth

Average annual rent growth in Charlotte continues to increase, in both Class A and B product, despite an uptick in direct and sublet vacancy. Annual rent growth is led by new construction rates and a solid investment sales year in 2021 (\$2.7B). With the amount of trophy office supply that is on the horizon, rents are only expected to increase further.



Office market indicators



Office market activity

Recent leasing activity

Tenant Name	Property	Sign Date	Size (sf)	Transaction Type	Lease Type	Submarket
Foundry Commercial	2151 Hawkins St	Jun 2022	34,811	New	Direct	Midtown/South End
Sampo International	13146 Ballantyne Corporate Pl	Jun 2022	31,620	New	Direct	South/485
Vanguard	2425 Cascade Pointe Blvd	Jun 2022	31,608	New	Sublease	Airport
Movement Mortgage	1901 Roxborough Rd	Apr 2022	20,022	New	Direct	SouthPark
Solve Industrial	2127 Ayrslay Town Blvd	Jun 2022	11,580	New	Direct	Airport

Recent sales activity

Buyer	Property	Sale Date	Sale Price	Sale Price (psf)	Submarket	Seller
CBRE Investment Management	2151 Hawkins St – The Line	June 2022	\$206,000,000	\$656	Midtown/South End	Portman Holdings, LLC
Crestlight Capital	6000 Fairview Rd – SouthPark Towers II*	May 2022	\$106,487,000	\$341	SouthPark	CalSTRS
USAA Real Estate	200 West Blvd – The Square	June 2022	\$96,969,000	\$620	Midtown/South End	Beacon Development Company
Crestlight Capital	6100 Fairview Rd – SouthPark Towers I*	May 2022	\$86,014,000	\$366	SouthPark	CalSTRS

*Portfolio

Notable Development

Property	Submarket	Delivery Date	Total (sf)	% Preleased	Asking Rent	Developer
Duke Energy Tower	CBD	Jul 2022	1,000,000	100%	N/A	Childress Klein
Centene Corporation	University	Sept 2022	770,000	100%	N/A	Rafco Properties
The Thread	South Carolina	Dec 2023	400,000	0%	N/A	The Keith Corporation
East West Station	Midtown	Jan 2024	370,000	0%	\$38.00 FS	Stiles Corporation

Office market stats by submarket

By Submarket	Inventory (sf)	Vacancy			Net Absorption		SF Under Construction	Average Asking Rent		
		Total %	Class A	Class B	2Q22	TTM		Total	Class A	Class B
CBD	21,398,443	14.8%	14.2%	19.3%	(2,306)	(351,606)	1,000,000	\$36.26	\$37.23	\$31.16
Midtown/South End	4,922,855	15.4%	17.8%	8.3%	218,360	931,092	949,842	\$38.59	\$40.72	\$34.93
Plaza Midwood/Noda	774,277	57.3%	69.5%	3.2%	2,542	19,412	389,482	\$38.28	\$37.25	\$22.65
Urban Subtotal	27,095,575	16.1%	16.4%	16.8%	218,596	598,898	2,339,324	\$36.74	\$37.86	\$31.60
By Submarket	Inventory (sf)	Total %	Class A	Class B	2Q22	TTM	Construction	Total	Class A	Class B
Airport	9,245,967	23.7%	18.3%	34.5%	35,348	219,188	-	\$24.82	\$27.14	\$23.00
East Charlotte	846,665	16.8%	-	18.2%	5,235	61,729	-	\$17.40	-	\$17.90
North Charlotte	2,066,495	19.5%	23.4%	11.9%	33,116	(67,660)	292,000	\$29.67	\$30.13	\$28.01
Park Road	739,811	34.3%	51.7%	19.1%	(6,049)	(8,237)	-	\$36.13	\$37.18	\$33.73
South/485	5,849,639	23.9%	24.8%	14.5%	(55,507)	(80,835)	-	\$37.54	\$37.63	\$36.01
South Charlotte	921,201	11.2%	13.2%	6.9%	(267)	7,065	-	\$26.16	\$26.62	\$24.34
Southeast Charlotte/Matthews	878,198	13.6%	6.5%	13.4%	12,979	26,766	-	\$17.08	-	\$17.77
SouthPark	4,533,035	15.7%	17.0%	13.3%	(19,577)	(17,678)	-	\$36.30	\$38.19	\$31.98
University	5,330,916	23.0%	45.2%	8.9%	8,938	(15,442)	770,000	\$26.88	\$27.24	\$26.37
South Carolina	3,036,842	18.8%	15.0%	33.8%	(6,841)	77,405	400,000	\$27.41	\$28.54	\$22.36
Suburban Subtotal	33,448,769	20.9%	20.4%	16.6%	7,375	202,301	1,462,000	\$31.27	\$32.21	\$26.44
Market Total	60,544,344	19.0%	19.4%	18.7%	225,971	801,199	3,801,324	\$32.79	\$34.69	\$26.97

For more market insights
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