



Charlotte office market report

Q1 2022

**AVISON
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Office market trends

01

Robust development pipeline

Demand for new, Class A product remains elevated with 3.9 msf currently underway and 52% of the pipeline already pre-leased. Following a record year of deliveries in 2021, at the close of the first quarter new deliveries added only 72,000 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 977,000 sf in the first quarter, up 46% year-over-year. 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.

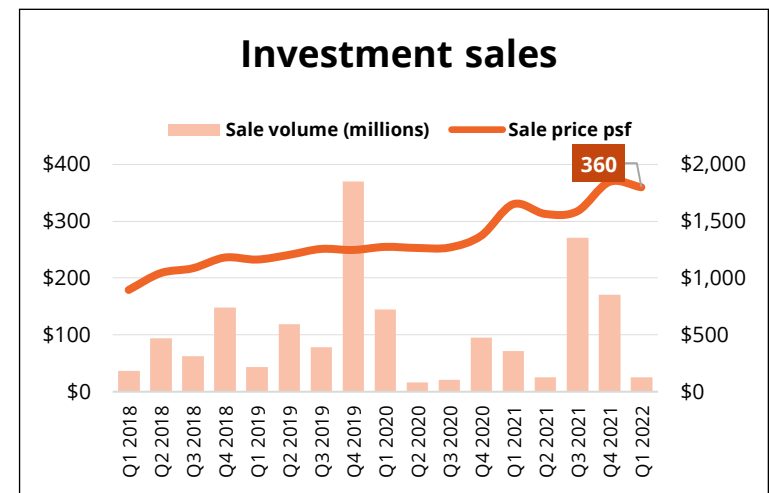
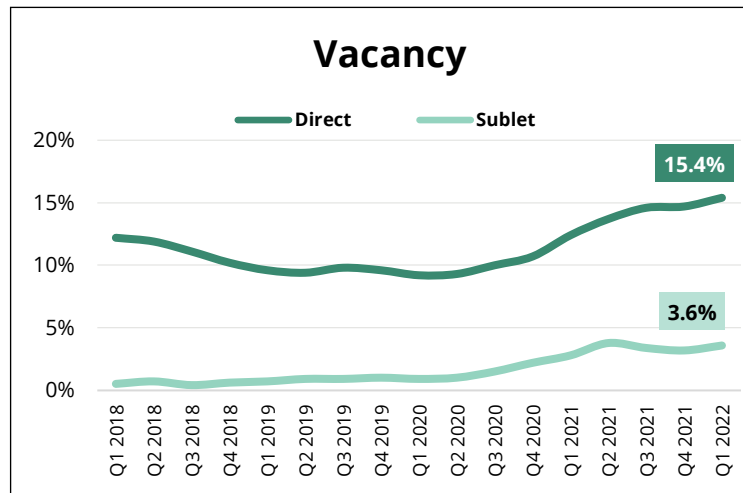
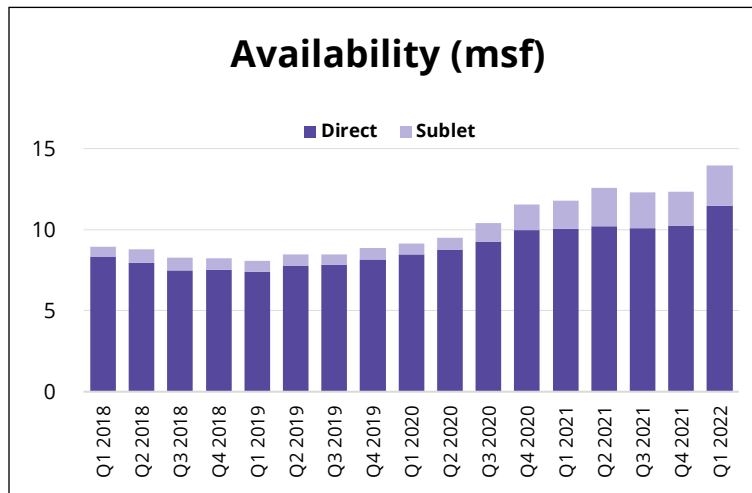
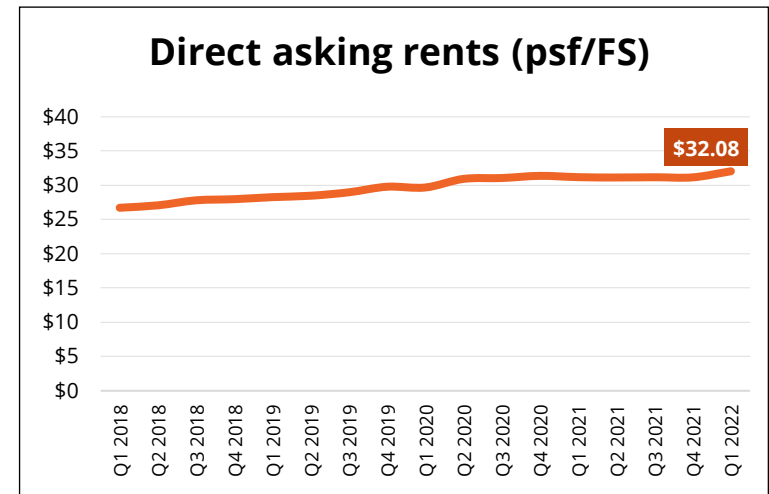
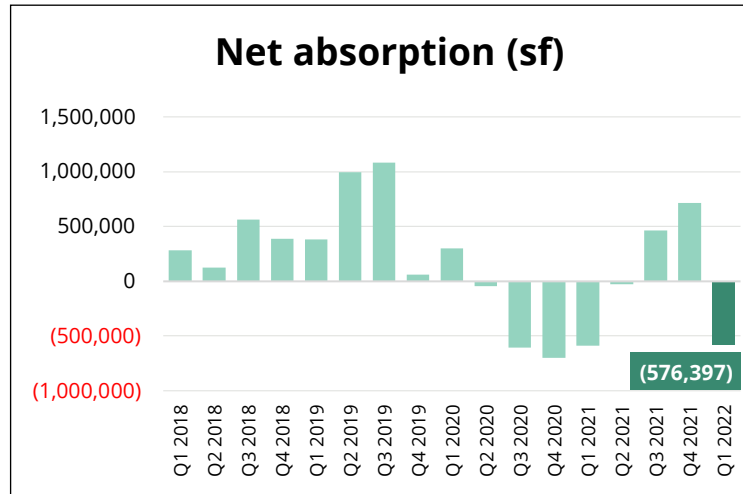
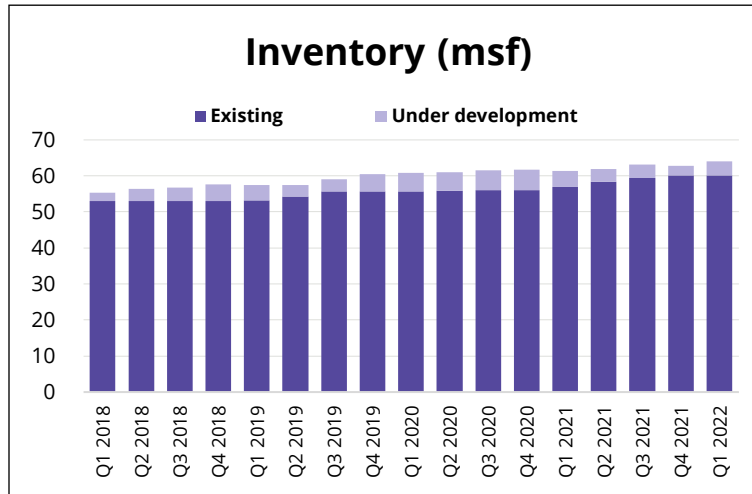
03

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	Transaction type	Lease type	Submarket
Centene	2405 Governor Hunt Rd	Mar 2022	770,000	New	Direct	University
Vanguard	LakePointe Corporate Center	Feb 2022	83,983	New	Direct	Airport
Guided Solutions	The Edison at Arrowood	Mar 2022	62,123	New	Direct	Airport
Baldwin Risk Partners	The Edison at Arrowood	Mar 2022	61,099	New	Direct	Airport
Mayer Brown	300 S Tryon	Feb 2022	54,277	New	Direct	CBD
Total Quality Logistics	Regency Executive Park	Mar 2022	54,000	New	Direct	Airport

Recent sales activity

Buyer	Property	Sale date	Sale price	Sale price psf	Submarket	Seller
Praelium	Three Resource Square	Mar 2022	\$21,000,000	\$168	University	Taconic Capital
Continental Capital Partners	Forest Park II & III*	Mar 2022	\$15,000,000	\$183	Airport	Terracap Management
Asana Partners	1431 W Morehead St*	Feb 2022	\$13,600,000	\$436	Midtown	Edifice
Asana Partners	1401 W Morehead St*	Feb 2022	\$12,400,000	\$259	Midtown	Edifice

*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	May 2022	770,000	100%	N/A	Rafco Properties
Three Rea Farms	South/485	Jan 2024	500,000	0%	\$37.00 FS	Lincoln Harris
East West Station	Midtown	Jan 2024	370,000	0%	\$38.00 FS	Stiles Corporation

Office market stats by submarket

By Submarket	Inventory (sf)	Total %	Vacancy		Net Absorption		SF Under	Average Asking Rent		
			Class A	Class B	1Q22	TTM	Construction	Total	Class A	Class B
CBD	21,317,670	14.9%	14.3%	18.7%	-477,747	450,583	1,000,000	\$36.12	\$37.05	\$31.02
Midtown	4,636,142	14.8%	18.3%	5.0%	102,857	789,325	940,109	\$38.68	\$40.28	\$33.33
Plaza Midwood/Noda	774,277	62.0%	69.9%	3.0%	954	-70,232	389,482	\$36.92	\$36.94	\$22.65
Urban Subtotal	26,728,089	16.1%	16.5%	15.2%	-373,936	1,169,676	2,329,591	\$36.53	\$37.38	\$31.38
By Submarket	Inventory (sf)	Total %	Class A	Class B	1Q22	TTM		Total		
Airport	9,244,563	24.1%	18.0%	36.0%	60,344	-436,830	-	\$25.06	\$27.20	\$23.07
East Charlotte	846,665	17.4%	-	18.4%	7,231	55,389	-	\$17.16	-	\$17.55
North Charlotte	2,066,495	21.1%	24.9%	13.7%	-49,390	-83,215	292,000	\$29.35	\$29.51	\$28.76
Park Road	739,811	30.6%	44.9%	19.3%	13,699	21,220	-	\$35.41	\$36.99	\$32.76
South/485	5,864,696	22.9%	23.7%	14.1%	-132,336	-82,547	500,000	\$36.12	\$36.39	\$31.15
South Charlotte	921,201	11.1%	12.3%	8.7%	-3,217	1,740	-	\$26.04	\$26.27	\$25.37
Southeast Charlotte/Matthews	878,198	15.1%	9.5%	15.1%	2,304	5,277	-	\$16.70	-	\$17.51
Southpark	4,526,024	15.3%	15.1%	15.4%	-32,102	38,554	-	\$35.28	\$37.02	\$31.33
University	5,330,468	23.1%	45.6%	9.0%	53,301	-59,533	770,000	\$26.59	\$27.04	\$24.60
South Carolina	3,036,842	18.6%	15.7%	30.2%	-122,295	-55,042	-	\$24.38	\$24.64	\$21.78
Suburban Subtotal	33,454,963	21.2%	22.2%	20.3%	-202,461	-594,987	1,562,000	\$29.17	\$31.26	\$24.70
Market Total	60,183,052	19.0%	19.2%	19.0%	-576,397	574,689	3,891,591	\$32.08	\$33.99	\$26.27

For more market insights
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