



# Charlotte office market report

Q3 2022

**AVISON  
YOUNG**

# Office market trends

## 01

### Robust development pipeline

Demand for new, Class A product remains elevated with 4.2 msf currently under development and 74% of the pipeline already pre-leased. Following a record year of deliveries in 2021, year-to-date new deliveries added 808,000 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

### Capital Markets

As interest rates continue to rise, transaction volume in Q3 fell \$301m from Q2. This is largely in part due to a decrease in private capital deployment as the cost of borrowing money is losing favor. However, institutional buyers have remained active and are keeping transaction volume at a healthy level. As cap rates increase, and employees return to work, we can expect sales volume to rise in the coming year.

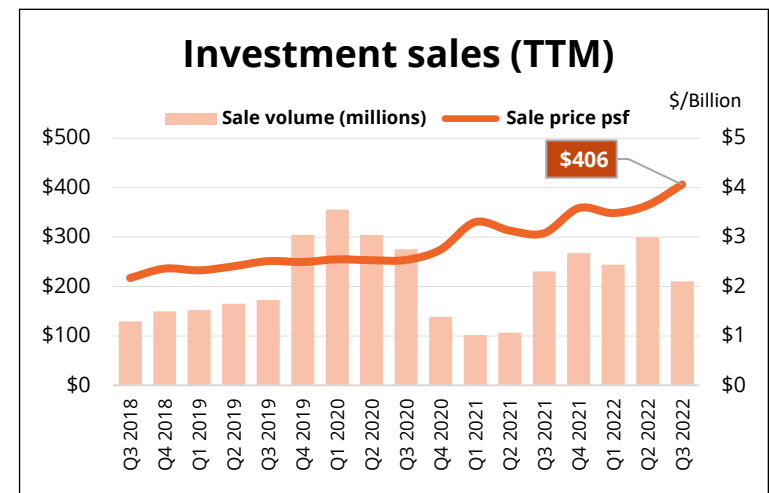
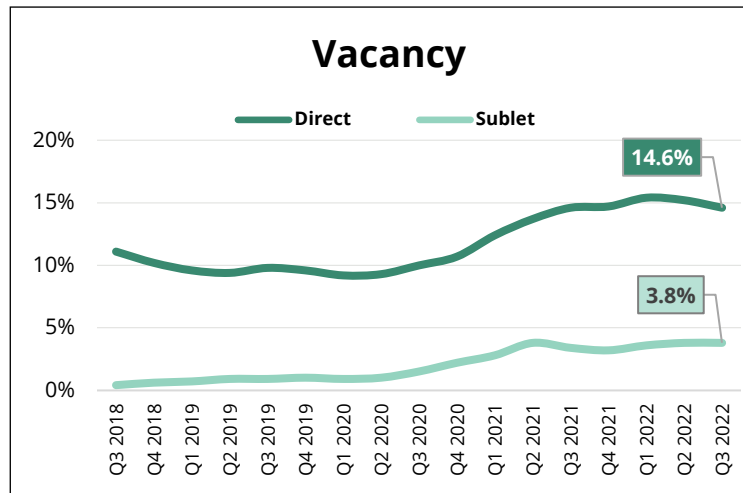
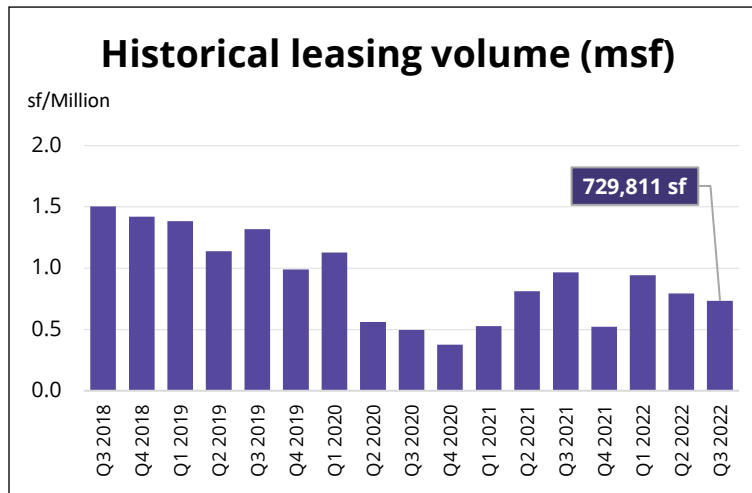
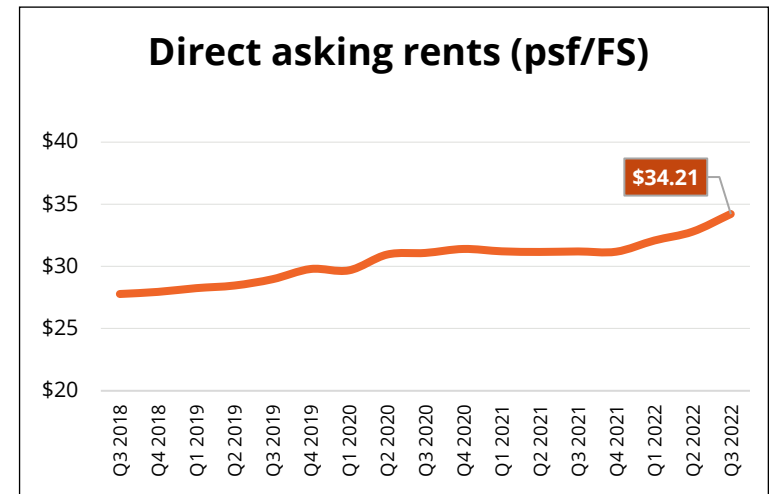
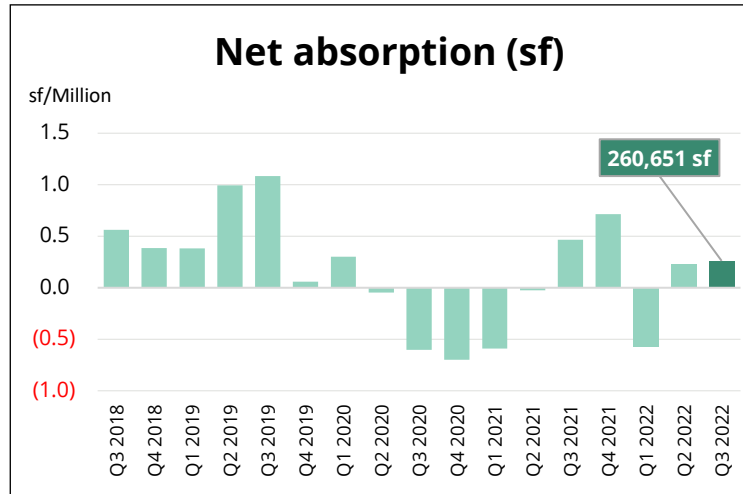
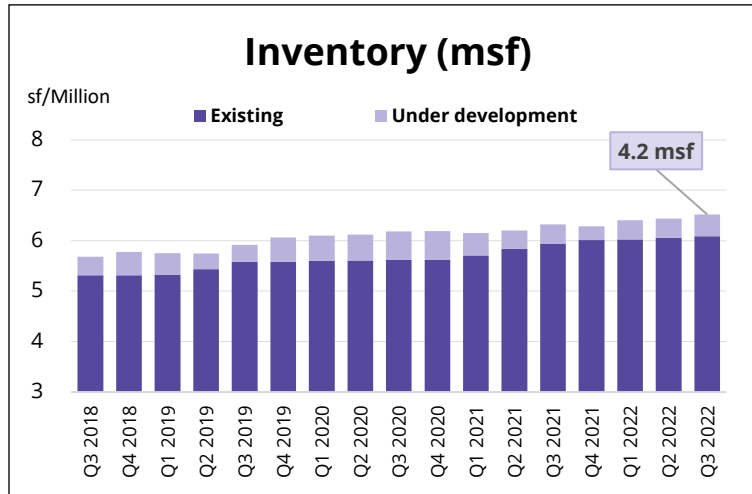
## 03

### Positive rent growth

Average annual rent growth in Charlotte continues to increase, in both Class A and B product, which has been aided by interest rate hikes and the return to work. 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
Robinson Bradshaw	600 S Tryon St	Aug 2022	101,502	New	Direct	CBD
Bojangles	500 Forest Point Cir	Sep 2022	61,500	New	Direct	Airport
Charlotte FC	8600 McAlpine Park Dr	Aug 2022	52,000	New	Direct	Matthews
Bank of London	101 N Tryon St	Jul 2022	38,654	New	Direct	CBD
FlexCare Medical Staffing	1120 S Tryon St	Oct 2022	22,720	New	Direct	South End

## Recent sales activity

Buyer	Property	Sale Date	Sale Price	Sale Price (psf)	Submarket	Seller
Highwoods Properties, Inc.	650 S Tryon St	Aug 2022	\$201,226,000	\$526	CBD	Lincoln Harris
The Brookdale Group	4201 Congress St	Sep 2022	\$79,940,000	\$341	SouthPark	Equus Capital Partners, Ltd.
Workspace Property Trust	8740 Research Dr**	Aug 2022	\$34,084,378	\$219	University	Griffin Realty Trust
Workspace Property Trust	2605 Water Ridge Pkwy**	Aug 2022	\$24,228,812	\$214	Airport	Griffin Realty Trust
B Group Capital Management	8520 Cliff Cameron Dr**	Sep 2022	\$19,306,942	\$165	University	Stream Realty Partners, LP

*\*\*Part of a portfolio*

## Notable Development

Property	Submarket	Delivery Date	Total (sf)	% Preleased	Asking Rent	Developer
Duke Energy Tower	CBD	Aug 2023	1,000,000	99%	\$52	Childress Klein
2405 Governor Hunt Rd	University	Nov 2022	770,000	0%	N/A	Rafco Properties
Legacy Union – Phase IV	CBD	Sep 2024	410,880	25%	N/A	Lincoln Harris
The Thread	York County	Dec 2023	400,000	0%	N/A	The Keith Corporation

# Office market stats by submarket

By Submarket	Inventory (sf)	Direct & Sublet Vacancy			Q3 New Leases	Net Absorption		SF Under Construction	Average Asking Rent	
		Total %	Class A	Class B		3Q22	TTM		Class A	Class B
CBD	21,790,237	14.3%	13.9%	16.1%	162,482	63,017	(337,531)	1,504,000	\$36.62	\$31.33
Midtown/South End	4,750,416	14.0%	15.3%	9.0%	104,055	88,542	899,319	1,024,734	\$36.40	\$35.63
Plaza Midwood/Noda	685,824	65.4%	69.2%	17.8%	30,890	(36,679)	(44,647)	439,972	\$37.29	\$30.51
<b>Urban Subtotal</b>	<b>27,226,477</b>	<b>15.5%</b>	<b>15.8%</b>	<b>14.4%</b>	<b>297,427</b>	<b>114,880</b>	<b>517,141</b>	<b>2,968,706</b>	<b>\$37.71</b>	<b>\$32.20</b>
By Submarket	Inventory (sf)	Total %	Class A	Class B	Q3 New Leases	3Q22	TTM	Construction	Class A	Class B
Airport	9,046,759	23.0%	16.7%	33.8%	126,088	88,172	237,944	95,472	\$27.29	\$23.27
East Charlotte	768,697	19.6%	-	19.6%	4,815	(10,835)	4,944	-	-	\$17.96
North Charlotte	2,072,617	19.5%	22.3%	13.9%	27,696	(589)	(74,000)	443,320	\$30.10	\$28.74
Park Road	691,003	37.1%	53.6%	21.9%	7,090	(16,237)	(17,130)	-	\$37.19	\$34.62
South/485	5,849,428	22.4%	23.0%	15.5%	43,529	90,638	25,235	-	\$36.98	\$35.85
South Charlotte	1,070,203	14.1%	20.3%	5.4%	33,091	(48,348)	(46,229)	-	\$28.07	\$25.13
Matthews	706,475	5.3%	6.5%	5.2%	59,242	52,154	91,011	-	\$28.00	\$19.22
SouthPark	4,609,940	13.7%	15.1%	10.4%	70,492	104,530	95,600	-	\$38.45	\$31.67
University	5,801,166	23.1%	46.9%	10.1%	4,206	(20,889)	(5,249)	770,000	\$27.20	\$26.10
South Carolina	3,046,842	21.8%	18.8%	33.7%	56,135	(92,825)	(239,320)	-	\$28.39	\$24.93
<b>Suburban Subtotal</b>	<b>33,663,130</b>	<b>20.9%</b>	<b>22.2%</b>	<b>18.6%</b>	<b>432,384</b>	<b>145,771</b>	<b>72,806</b>	<b>1,308,792</b>	<b>\$32.14</b>	<b>\$25.78</b>
<b>Market Total</b>	<b>60,889,607</b>	<b>18.2%</b>	<b>18.8%</b>	<b>17.6%</b>	<b>729,811</b>	<b>260,651</b>	<b>589,947</b>	<b>4,277,498</b>	<b>\$34.21</b>	<b>\$27.13</b>

For more market insights  
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