

Office Market Report

Charlotte office occupiers continue to face uncertainty with a split between plans to return to work and those making announcements to continue working-from-home, due to the surge in COVID delta variant cases in late summer. Energetic leasing activity is an encouraging sign of demand in the market, however the flood of new supply delivering will continue to challenge absorption and rent growth over the next few quarters. On the upside, planned move-ins from firms such as Lowe's, LendingTree and Honeywell, are all expected to help boost net absorption over the next few years. After a slow start, the market set a record for sales volume this quarter, indicating a return of investors to the market in 2021.



Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$38.77	CBD Class A 15.1%	▲ 8.8%
\$26.07	CBD Class B 5.5%	▲ 0.5%
\$37.81	South/485 Class A 22.9%	▲ 9.4%
\$32.04	South/485 Class B 7.2%	▲ 2.0%
\$39.45	Midtown/SouthEnd Class A 13.8%	▲ 4.9%
\$31.67	Midtown/SouthEnd Class B 4.5%	▼ -1.0%
\$29.01	Airport Class A 14.9%	▲ 5.0%
\$25.96	Airport Class B 29.3%	▲ 11.5%
\$40.32	Southpark Class A 14.5%	▲ 4.1%
\$32.99	Southpark Class B 13.4%	▲ 1.1%

Recent Transactions

Tenant	Size	Submarket	Sector
1 Moodys Corporation	81,700 SF	Midtown/Southend	Office
2 Dentsply Sirona	59,003 SF	Airport	Office
3 Wells Fargo	58,809 SF	CBD	Office
4 Somp International	43,123 SF	South/485	Office
5 Sunlight Financial	24,052 SF	CBD	Office
6 Hayward Holdings	21,483 SF	Midtown/Southend	Office
7 Male Excel	21,246 SF	Midtown/Southend	Office
8 Sumitomo Mitsui Banking Corp.	19,231 SF	Midtown/Southend	Office

Occupier's Perspective

Workplace strategy continues to be a key service line for clients as we look at how post-pandemic offices look and function.

We recommend that occupiers begin to formulate their strategy for renewal or relocation a minimum of 12 months from lease expiration.

Market Trends

Moderate rent growth. Record supply of new office deliveries and low absorption have pushed the vacancy rate to a record high. These fundamentals are likely to keep rent growth moderate over the next year.

Well positioned market. Even with the continued uncertainty in return to work plans, Charlotte continues to attract office occupiers, with its fast-growing workforce and relative affordability.

Construction expected to shift focus. Developers have delivered a full pipeline of new tower-construction, expanding office inventory by about 5.0M SF, with Uptown leading all other submarkets in total square footage under construction. As these projects near completion, it is expected for developers to shift focus towards adaptive reuse and mid-rise projects and also to shift towards submarkets outside of Uptown.