

Charlotte

Office | Q1 2023 Market Report

Quarterly Shifts

- ↑ Vacancy
0.9%
- ↓ Average Rent
-\$0.07/SF
- ↓ Net Absorption
-496,014 SF

Occupier's Perspective

Tenants are adding more collaboration areas in their office space to promote employee engagement and innovation.

The hybrid-work environment is not going away. Despite office occupancy rates continuing to improve, it is still approximately 50 percent on the highest usage days (Tuesday through Thursday).

The market is shifting and will create opportunities for tenants to secure more favorable lease terms. Owners who can offer a rich tenant experience without the new building price tag will be positioned to compete with the limited new construction coming online over the next 24 months.

The office sector continues to struggle amid macroeconomic headwinds and decreased demand as occupiers rethink their space needs. **The Charlotte market is a tale of two asset types as new Class A, highly-amenitized buildings continue to perform well, while older buildings are struggling to retain a foothold.** Charlotte recorded the highest level of vacancy since real estate data has been meaningfully tracked, mostly due to Wells Fargo and Bank of America vacating nearly 730,000 square feet of space in Uptown. Subleases continue to flood the market rising to nearly 1.9 million square feet total. Stories of assets returning to lenders are making headlines, and it is expected that this will continue as struggling assets are difficult to refinance amid the higher interest rate environment and rising vacancy due to lagging demand.

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
18.8%	-0.2% ▼	\$26.79	Airport
14.7%	-4.2% ▼	\$27.30	University
8.3%	0.3% ▲	\$28.74	South Charlotte
9.3%	1.3% ▲	\$29.12	Northeast/I-77
17.2%	3.9% ▲	\$35.70	CBD
28.9%	-0.5% ▼	\$36.37	Park Road
23.4%	2.3% ▲	\$36.78	South/485
15.0%	0.8% ▲	\$36.95	SouthPark
9.0%	-0.1% ▼	\$39.29	Midtown/Randolph
32.4%	-5.5% ▼	\$40.43	Plaza Midwood/NoDa
12.2%	2.4% ▲	\$44.32	Midtown/SouthEnd

NC Economic Development

28,000
New Jobs
Created

\$19B+
Capital
Investment

\$1.55B
New Annual
Payroll

Source: Economic Development Partnership of NC 2022 Annual Report