

Charlotte

Office | Q1 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$38.61/SF

↓ Vacancy
20.2%

↑ Net Absorption
10,987 SF

Occupier's Perspective

The volume of new subleases landing on the market has slowed, indicating companies are returning to the office at a higher rate.

In the face of high construction costs, speculative suites continue to garner tenant demand as occupiers look for solutions that require minimal out-of-pocket expenses.

Large corporate relocations have slowed with few leases larger than 50,000 square feet signed over the past year. Tenants who can occupy a full floor are well-positioned to receive above market concessions for their tenancy.

The flight-to-quality continues to be a major theme within the region. The pipeline for projects under construction has dropped to a 10-year low leading to higher rents in the most desirable areas like the South End. This constraint on supply will continue to push rents and force tenants to carefully consider office utilization.

Conversely, product built prior to 2010 is suffering from record vacancy due to the lack of amenities and functional obsolescence. While vacancy in these buildings continues to climb, the delta between asset class market rates have not dropped enough to justify choosing lower-class buildings over a higher-quality asset. Still, even if a tenant desires occupancy within these buildings' lender covenants can restrict the financial terms being offered to earn their tenancy. Significant rent movement will likely not occur until new ownership can acquire assets at a lower basis and can underwrite deals with new financial terms.

We expect these same trends for both larger and smaller tenants to continue well into 2024.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Truist Insurance Holdings	69,271 SF	CBD	New Lease	Office
Regus	40,802 SF	CBD	New Lease	Office
Asana Partners	23,382 SF	Midtown/Southend	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
23.6%	▼	\$29.13	University
17.8%	▼	\$29.16	Airport
17.8%	▼	\$29.64	Plaza Midwood/NoDa
7.4%	▲	\$29.79	Northeast/I-77
8.5%	▲	\$30.27	South Charlotte
12.2%	▲	\$31.84	Park Road
6.7%	▼	\$33.94	Midtown/Randolph
23.7%	▼	\$38.89	South/485
9.5%	▼	\$39.55	Midtown/SouthEnd
21.7%	▲	\$39.97	CBD
16.3%	▲	\$40.94	SouthPark