

MARKETBEAT CHARLOTTE

Office Q2 2021



16.5%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-223K

YTD Net Absorption, SF



\$30.08

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

1.2M

Charlotte
Employment

YoY
Chg



12-Mo.
Forecast



4.9%

Charlotte
Unemployment Rate



5.9%

U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Charlotte boasted a significant rebound since the height of the pandemic. The unemployment rate fell to 4.9%, down from its peak of 13.9% in May of 2020. The gap between the metro's and nation's rates widened further, as Charlotte's unemployment plummeted below the U.S. unemployment rate of 5.9%. The Queen City continued to blossom as a key MSA as it recently ranked seventh in the nation for markets with conditions most suitable for job hunters by MoneyGeek. CNBC also ranked North Carolina as the number two state for business in 2021. Recent corporate job announcements in Q2 2021 included Fortune 100 financial services company USAA, which will create jobs for 750 employees, and Credit Karma which announced 600 new jobs.

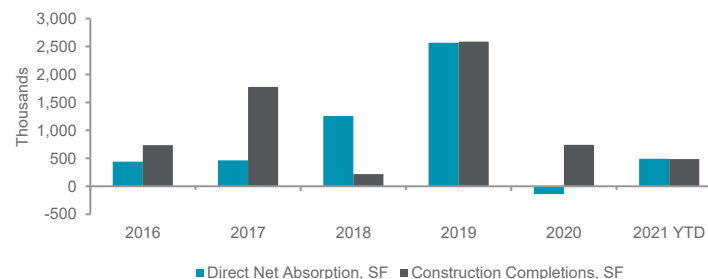
SUPPLY

The overall vacancy rate rose during the second quarter of 2021 from 14.8% to 16.5%, a 170-basis point (bp) increase quarter-over-quarter (QOQ). The number of newly listed sublet space has begun to decelerate across the MSA; however, total sublet square footage increased 28.8% QOQ. This rise was due to Belk recently listing its corporate headquarters at 2801 W Tyvola Rd in the Airport submarket for sublease, totaling 473,698 square feet (sf). Direct space increased moderately during the quarter as well, increasing from 12.4% to 13.5%, a more modest 110-bp rise QOQ. This slight increase was driven primarily by the South/485 submarket where both Panorama Tower and Overlook delivered vacant. Class A product in the CBD/Uptown submarket has a direct vacancy rate of only 7.9%. Despite the uptick in vacancy, space options remain limited. For users seeking 100,000 sf or more, only eight options exist across all of Metro Charlotte available for immediate occupancy.

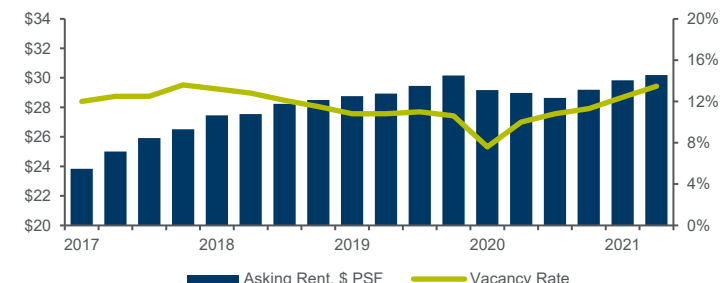
RENTAL RATES

At \$30.19 per square foot (psf) the direct average gross asking rent, which excludes sublease vacancies, rose 1.2% QOQ. Since the end of 2020, direct asking rents in the CBD/Uptown increased 0.7% to an average of \$33.44 psf while asking rents in the suburban markets increased more dramatically, climbing 4.6% to \$29.24 psf. Suburban submarket are anticipated to see higher percentage rent increases as flight to value continues to accelerate. Overall gross asking rents of all direct and sublease space on the market averaged \$30.08 psf at the end of Q2, up 1.9% QOQ as landlords opted to increase concessions to attract tenants while keeping rates stable.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & ASKING RENT





DEMAND

Metro Charlotte recorded more than 1.25 million square feet (msf) of new leasing activity throughout the first half of 2021. The most active suburban markets were Airport and Midtown which together accounted for 48.7% of leasing activity, while the CBD/Uptown submarket accounted for 16.7% of total market activity. Of the total demand, 72.3% of leasing activity occurred in Class A assets, 25.6% of which occurred in Midtown submarket. The largest transaction of the quarter occurred in Midtown where USAA signed a 93,738 sf lease at The Square.

In Q2, Charlotte recorded a 42.3% year-over-year (YOY) increase in quarterly office sale volume, the first positive YOY change since before the pandemic. Cross-Border buyers comprised a larger share of 2021 YTD capital composition than in past years at nearly 27%. Notable sales transactions in the second quarter included Asana Partners' purchase of Three30Five (2001 S Tryon St) for \$30.2 million or \$512 psf from Ram Realty Advisors. The second largest transaction was Nucor's acquisition of Rexford Park One (2100 Rexford Rd) for \$20.5 million (\$304 psf) from Childress Klein.

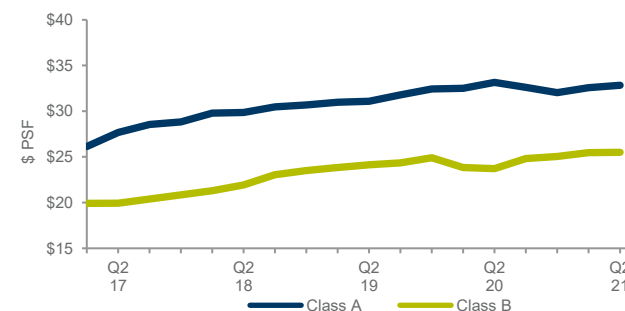
DEVELOPMENT PIPELINE

New deliveries increased dramatically as 1.3 msf of new product delivered in the second quarter, totaling 1.8 msf year-to-date (YTD). Of this total, 60.2% has been preleased; most notably, Ally completed its build-to-suit (742,000 sf) and USAA leased 94,562 sf at the Square in the Midtown submarket. Despite the pandemic-induced slowdown, Charlotte's development pipeline remains robust. Across the metro, 3.3 msf is currently under construction and 1.1 msf is under renovation. The surge of new supply does not place Charlotte at great risk of being overbuilt, as 75.2% of all properties currently under construction have been preleased.

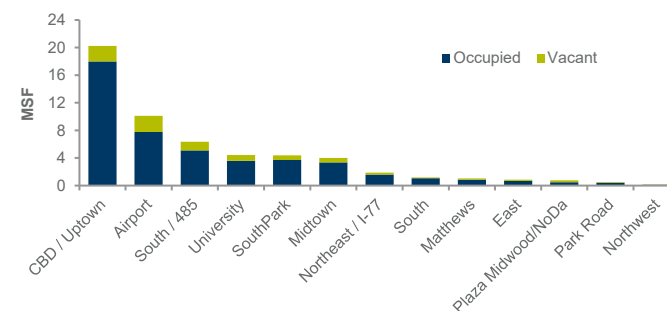
Outlook

- Charlotte's suburban submarkets will continue to flourish as real estate investors and tenants flock to value, affordability and convenience.
- As national and global investors continue to chase yields at this stage in the cycle, secondary markets like Charlotte should remain attractive and enjoy higher investment volumes than gateway markets.
- Developers will focus on highly sought-after urban infill (Midtown) areas.

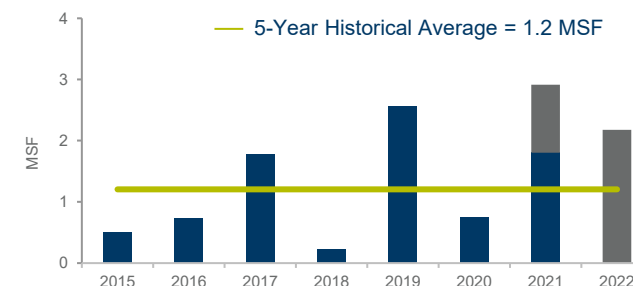
DIRECT ASKING RENT BY CLASS



SUBMARKET COMPARISON



NEW SUPPLY





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)**	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	UNDER RENOVATION (SF)	YTD DELIVERIES (SF)	AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD / UPTOWN TOTALS	20,244,206	486,878	1,773,761	11.2%	671,816	230,738	208,718	1,443,415	0	742,000	\$33.45	\$34.78
Airport	10,102,939	718,246	1,617,712	23.1%	-581,040	-631,566	314,982	0	0	0	\$24.13	\$25.89
East	855,651	0	189,919	22.2%	-1,105	1,404	13,707	0	0	0	\$15.99	N/A
Matthews	1,031,707	0	177,092	17.2%	-67,192	8,695	12,985	0	0	0	\$16.08	\$16.00
Midtown	3,994,476	60,406	575,937	15.9%	31,937	194,648	294,302	962,897	104,599	465,597	\$39.08	\$40.29
Northeast / I-77	1,861,379	90,354	190,245	15.1%	24,382	54,497	92,086	0	0	0	\$24.90	\$25.09
Northwest	157,958	29,950	24,761	34.6%	15,919	41,969	0	0	383,722	0	\$33.00	\$33.00
Park Road	506,133	8,208	89,026	19.2%	-3,661	-15,914	24,827	0	146,458	0	\$32.83	\$32.00
Plaza Midwood / NoDa	750,482	0	281,709	37.5%	0	57,129	15,824	109,972	0	0	\$31.16	\$33.23
South	1,168,364	1,986	119,825	10.4%	-4,922	-17,435	16,910	0	0	0	\$26.16	\$26.81
South / 485	6,348,604	85,733	1,177,356	19.9%	-14,517	-58,059	87,925	0	0	436,500	\$35.30	\$35.66
SouthPark	4,366,937	84,396	590,534	15.5%	-43,539	-51,970	113,488	0	0	0	\$33.40	\$35.39
University	4,426,391	139,900	708,695	19.2%	-2,850	-37,681	55,531	770,000	429,607	159,041	\$26.15	\$27.34
SUBURBAN TOTALS	35,571,021	1,219,179	5,742,811	19.6%	-646,588	-454,283	1,042,567	1,842,869	1,064,386	1,061,138	\$29.09	\$31.64
Class A	39,721,639	871,889	4,944,634	14.6%	523,470	364,528	904,724	3,286,284	670,065	1,803,138	\$32.48	\$32.48
Class B	16,093,588	834,168	2,571,938	21.2%	-498,242	-588,073	346,561	0	394,321	0	\$25.54	N/A
CHARLOTTE TOTALS	55,815,227	1,706,057	7,516,572	16.5%	25,228	-223,545	1,251,285	3,286,284	1,064,386	1,803,138	\$30.08	\$32.48

*Rental rates reflect full service asking ** 1,478,000 sf of total available sublease space

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
The Square - 200 West Blvd	Midtown	USAA	93,738	New Deal
Legacy Union – Phase II – 650 S Tryon St	CBD / Uptown	Robinhood	47,797	New Deal
Whitehall Corporate Center IV - 3701 Arco Corporate Dr	Airport	Cardinal Financial	31,260	New Deal

MARKETBEAT

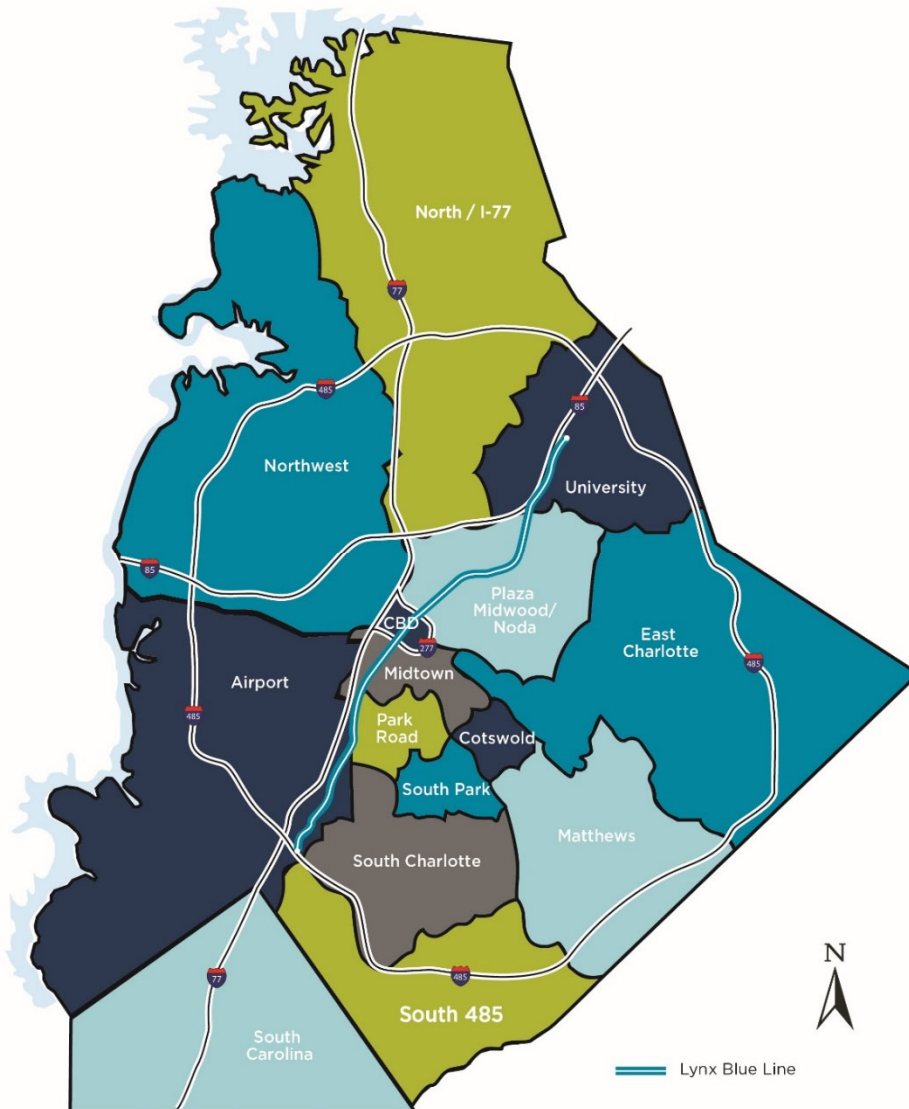
CHARLOTTE

Office Q2 2021



CUSHMAN &
WAKEFIELD

OFFICE SUBMARKETS



Will Propst

Research Analyst

Tel: +1 704 335 4435

will.propst@cushwake.com

Brett Gray

Managing Principal

Tel: +1 704 335 4442

brett.gray@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com