

MARKETBEAT CHARLOTTE

Office Q1 2022



YoY
Chg

12-Mo.
Forecast

15.1%

Vacancy Rate



-110K

YTD Net Absorption, SF



\$32.56

Asking Rent, PSF



(Direct, All Property Classes)

ECONOMIC INDICATORS Q1 2022

YoY
Chg

12-Mo.
Forecast

1.2M

Charlotte
Employment



3.7%

Charlotte
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The Charlotte Metropolitan Area's unemployment rate decreased substantially to 3.7%, a 180-basis-point (bps) improvement since last year. This indicator demonstrates Charlotte's economic resilience in returning to pre-pandemic levels. Overall, the combination of Charlotte's hot housing market, educated workforce, and prolific capital investment in the region advances the flourishing local economy.

DEMAND

Charlotte recorded 781,000 square feet (sf) of new leasing activity in Q1 2022, a 26.2% year-over-year (YOY) increase. This figure represents new leases signed, in contrast to the net absorption figure that illustrates when tenants occupy their space. The Airport submarket executed the majority of top leases for the quarter, posting 402,934 sf of new activity. Vanguard recorded the largest lease of the quarter with the financial giant signing 83,983 sf to relocate to 2425 Cascade Point Blvd, downsizing 33.5% from its previous leases at One and Two North Falls Plaza and Water Ridge Office Park that totaled 251,043 sf. Midtown/Southend posted more than 200,000 sf of new leasing activity, driven by demand for mid-sized spaces. Alston & Bird inked the submarket's largest deal at 55,312 sf, and five leases in the 15-30,000-sf range occurred in newly-built, newly-renovated, or under construction properties. This flurry of activity within creative office product also denotes Charlotte tenants' interest in innovative and collaborative work environments.

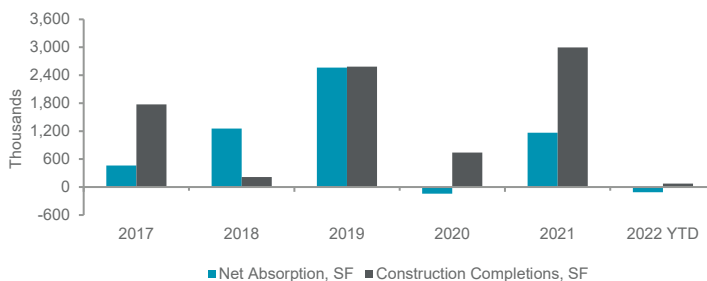
Charlotte's investment sale volume recorded at \$27.8M for Q1 2022. The largest transaction of the quarter occurred at 6101 Carnegie Blvd, a 107,405 sf office building which traded for \$27.8M to Redline Property Partners. The Charlotte-based investment company will also partner with Long Wharf Capital as its equity partner for the deal.

RENTAL RATES

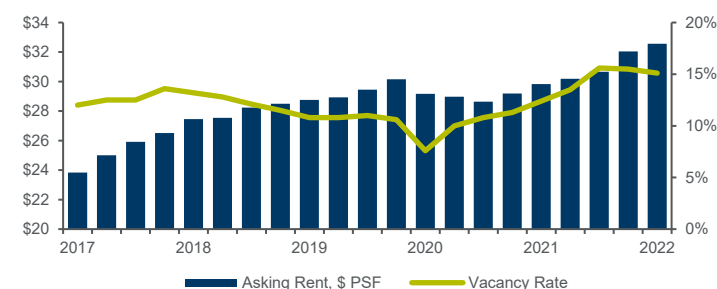
Charlotte's direct asking rental rate climbed to \$32.56 per square foot (psf) in Q1 2022, up 9.2% YOY as multiple top-tier office buildings delivered to the market in that time with high-priced vacancy opportunities. With several deliveries anticipated for Q2 2022, rents are expected to continue escalating throughout the year. The expectation for superior office space continues to grow, which will be reflected in the higher rental rates.

The Midtown/Southend submarket posted the highest rents of the quarter, at \$42.17 psf, a 9.2% increase YOY. With substantial recent construction deliveries and more on the way, rental rates are expected to climb even further.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





SUPPLY AND ABSORPTION

Direct vacancy continued to trend downwards for the Charlotte market reporting a rate of 15.1%, -270.0 bps lower than first quarter 2021. Due to strong leasing activity and occupancy in the suburbs, Park Road, Airport, and South/485/Ballantyne submarkets saw the greatest declines in vacancy.

Following a record year of nearly 3.0 msf of new deliveries in the office market in 2021, Q1 2022 saw only one completion. Crescent Community's 73,000-sf Elizabeth on Seventh delivered on a speculative basis. This Plaza Midwood/NoDa property features ground floor retail and three floors of office space, quoting \$42.00 psf asking rental rates.

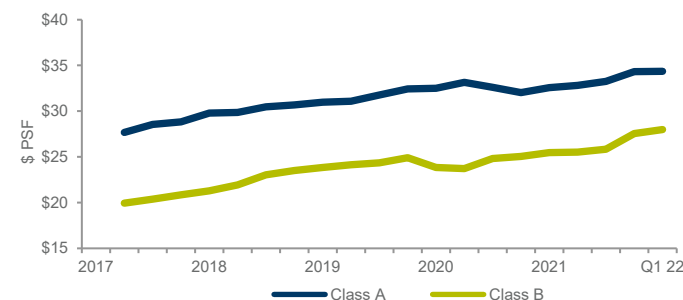
The construction pipeline remains robust for the remainder of the year with 3,237,929 sf of office space expected to deliver throughout 2022. Two build-to-suit projects are nearing completion: the Centene East Coast HQ (770,000 sf) is expected to deliver next quarter in the University submarket, and the Duke Energy Tower (1.0 msf) is scheduled to finish construction in July 2022 in the CBD. Another noteworthy site under construction is Vantage South End - East Tower, located in the Midtown/Southend submarket. The 272,631 sf building is already 46.7% preleased by major tenants including Brightspeed, Alston & Bird, Armstrong Transport Group, and CBRE.

Charlotte's net absorption dipped slightly into the red at -110,152 sf which can be attributed to Wells Fargo which vacated 348,626 sf at One Wells Fargo in the CBD. This long-anticipated vacancy was part of a planned consolidation by the financial institution. Though this move out had a dramatic negative effect on net absorption, several move-ins played against it with Guided Insurance Solutions occupying 26,267 sf at Six Coliseum Centre, Flores & Associates moving into 16,790 sf at 2001 W Morehead St, and Batson Cook occupying 10,000 sf at the same location. Primeline Capital moved into their suite at BB&T Center Uptown, totaling 17,649 sf of positive absorption for the CBD this quarter. Despite negative Q1 absorption, anticipated large move-ins will have a considerable effect on the direct net absorption figures next quarter. Namely, Baldwin Risk Partner anticipates a Q2 2022 move-in to its 62,132-sf space at 7910 Microsoft Way, and Allspring Global Investments and Hayward Brands move-in to their separate suites at Vantage South End - West Tower, with 31,627-sf and 20,769-sf leases, respectively.

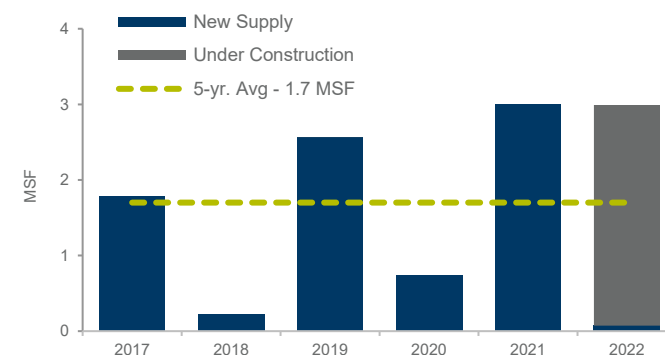
OUTLOOK

- More than 1.4 msf of office space is expected to deliver in the second quarter of 2022, which will increase the vacancy rate, but with 904,462 sf already pre-leased, the effects of the construction completions will be marginal.
- With the current buyer's market, large capital market transactions are expected to produce this year to capitalize on the current asset pricing.
- Rental rates will likely increase soon due to the projected deliveries this year, specifically in the Midtown/Southend submarket.

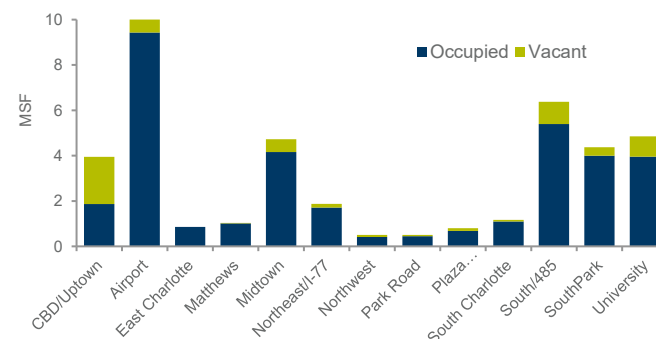
ASKING RENT COMPARISON



NEW SUPPLY



SUBMARKET COMPARISON





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD DELIVERIES (SF)	AVG DIRECT ASKING RENT (ALL CLASSES)*	DIRECT AVG ASKING RENT (CLASS A)*
CBD/UPTOWN TOTALS	20,750,234	2,503,216	12.1%	384,565	13.9%	-339,380	-339,380	76,445	1,000,000	0	\$36.51	\$37.83
Airport	10,085,112	1,409,044	14.0%	739,127	21.3%	161,947	161,947	402,934	0	0	\$25.40	\$26.59
East Charlotte	855,651	139,487	16.3%	0	16.3%	3,201	3,201	2,301	0	0	\$17.39	-
Matthews	1,031,707	153,034	14.8%	0	14.8%	3,957	3,957	2,769	0	0	\$17.92	\$18.46
Midtown/Southend	4,728,897	685,167	14.5%	36,481	15.3%	96,976	96,976	200,638	886,047	73,000	\$42.20	\$42.87
Northeast / I-77	1,871,932	211,059	11.3%	80,143	15.6%	-20,950	-20,950	9,612	0	0	\$27.58	\$28.36
FreeMoreWest	507,500	342,868	67.6%	29,950	73.5%	0	0	0	200,000	0	\$38.34	\$37.51
Park Road	506,133	62,526	12.4%	0	12.4%	12,245	12,245	15,319	0	0	\$33.51	\$33.82
Plaza Midwood / NoDa	804,019	321,389	40.0%	0	40.0%	0	0	0	381,882	0	\$32.78	\$36.97
South Charlotte	1,169,636	97,068	8.3%	12,055	9.3%	-8,475	-8,475	14,531	0	0	\$27.12	\$27.41
South / 485 / Ballantyne	6,376,662	1,072,250	16.8%	153,328	19.2%	-6,327	-6,327	38,850	0	0	\$34.91	\$35.34
SouthPark	4,371,053	572,165	13.1%	43,327	14.1%	-21,152	-21,152	12,653	0	0	\$34.28	\$36.17
University	4,851,996	1,161,163	23.9%	167,230	27.4%	7,806	7,806	5,198	770,000	0	\$26.49	\$27.13
SUBURBAN TOTALS	37,910,622	6,227,220	15.8%	1,261,641	20.2%	229,228	229,228	704,805	2,237,929	73,000	\$30.34	\$32.26
Class A	41,687,801	6,080,647	14.6%	908,505	16.8%	-359,882	-359,882	623,727	3,006,019	73,000	\$34.36	\$34.36
Class B	16,222,821	2,649,789	16.3%	737,701	20.9%	196,005	196,005	157,523	231,910	0	\$27.98	-
CHARLOTTE TOTALS	57,910,622	8,730,436	15.5%	1646,206	17.9%	-110,152	-110,152	781,250	3,237,929	73,000	\$32.56	\$32.41

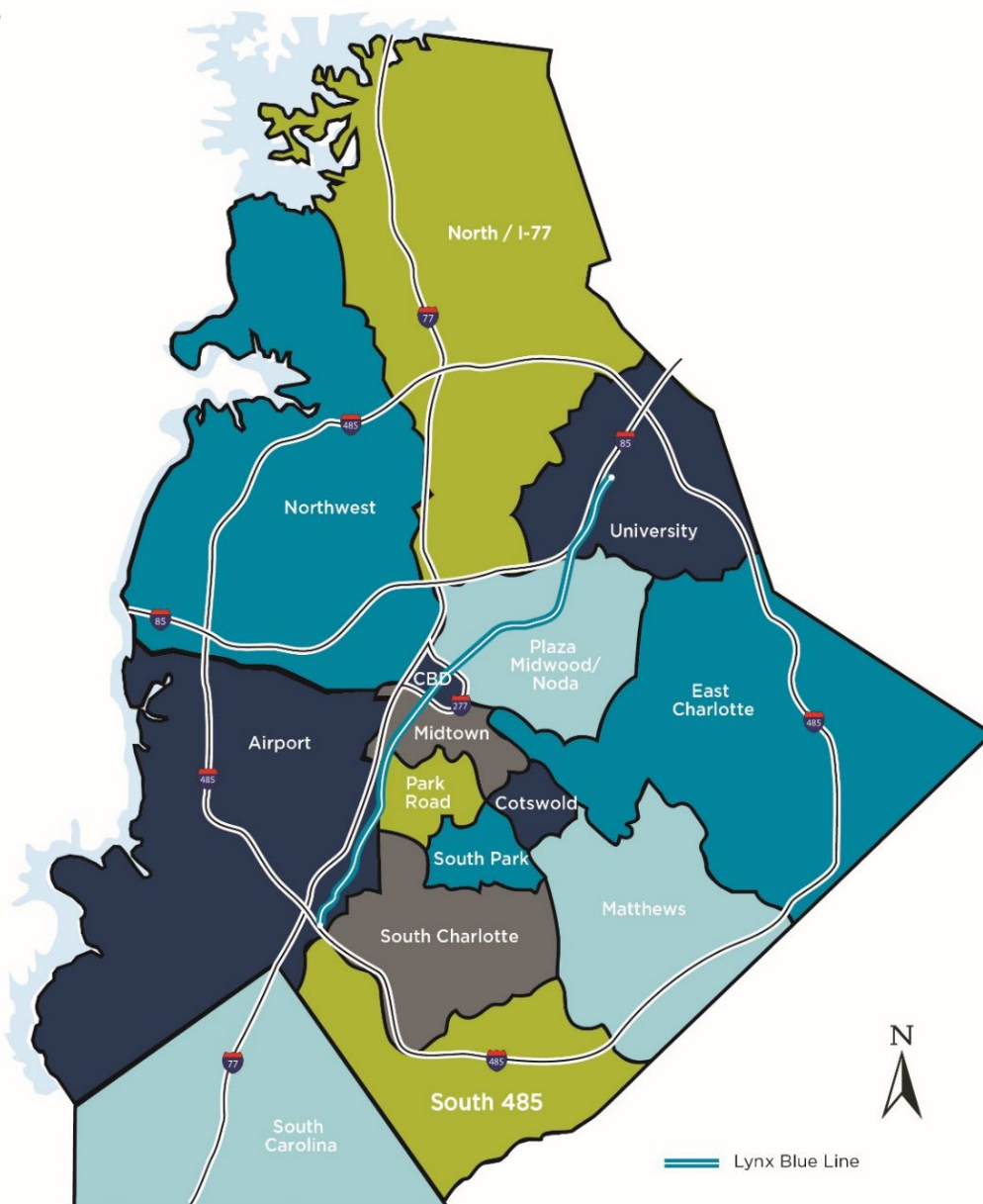
*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2425 Cascade Pointe Blvd	Airport	Vanguard	83,983	New Deal
The Edison at Arrowood	Airport	Guided Solutions	62,132	New Deal
The Edison at Arrowood	Airport	Baldwin Risk Partners	61,099	New Deal
300 S Tryon	CBD/Uptown	Mayer Brown, LP	54,277	New Deal
525 Harbor Place Dr	Northeast/I-77	Ingersoll Rand	54,000	New Deal
200 Regency Executive Park Dr	Airport	Total Quality Logistics	51,881	New Deal



OFFICE SUBMARKETS

**JOHN PETER PRICE***Senior Research Analyst, Carolinas*

Tel: +1 704 335 4433

jp.price@cushwake.com**BETSY RICE***Research Analyst, Charlotte*

Tel: +1 704 918 1313

betsy.rice@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 over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 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](https://twitter.com/CushWake) on Twitter.

©2022 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