

MARKETBEAT CHARLOTTE



CUSHMAN &
WAKEFIELD

Office Q3 2022

YoY
Chg

12-Mo.
Forecast

15.6%
Vacancy Rate



226.9K
Q3 Net Absorption, SF



\$33.42
Asking Rent, PSF
(Direct, All Property Classes)



ECONOMIC INDICATORS Q3 2022

YoY
Chg

12-Mo.
Forecast

1.3M
Charlotte
Employment



3.3%
Charlotte
Unemployment Rate



3.5%
U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The Charlotte economy maintained its growth trajectory in Q3 2022. With 1.3 million people employed, the region hit an all-time high for employment, a long-term trend as the region's population continues to grow. In a major headquarter announcement, The Atlantic Coast Conference announced they are moving their headquarters from the Triad area to Charlotte and inked a deal at Legacy Union's Bank of America Tower in Uptown. UNC's Kenan-Flagler School of Business also announced a new Charlotte campus in Uptown, bringing a top-ranked Executive MBA program to the region.

DEMAND

Occupiers continue to see Charlotte as a great place to work with 376,071 square feet (sf) of new leasing activity reported in Q3, bringing the year-to-date (YTD) total to 2.1 million square feet (msf). Most of the activity occurred in the CBD/Uptown submarket, which saw 139,478 sf of new leasing activity and 35,374 sf of renewals in Q3. The Bank of London signed a new 11-year lease for 38,654 sf at One Independence Center, its first entry into the Charlotte market and a demonstration of the sustained interest in the Uptown submarket from the financial services sector. The international bank has pledged to add 350 jobs to the Charlotte market by 2026. Additionally, the public accounting firm GreerWalker LLP renewed and expanded its footprint at the Carillon Tower in Uptown, now occupying 44,722 sf on two floors. Figure Technologies announced that they will be subleasing 23,854 sf of Robinhood's space at Legacy Union SIX50. The FinTech firm will be moving 90 employees to this location from its current location in Ballantyne. Also in the Uptown submarket, UNC Kenan-Flagler School of Business and the Atlantic Coast Conference (ACC) inked deals at the Bank of America Tower at Legacy Union. Midtown/South End continues to see consistent demand as the one of the more popular submarkets with 77,498 sf of new leasing activity. The travel nursing firm FlexCare leased 27,509 sf at Vantage South End's East Tower, and the engineering firm McAdams signed on for 22,467 sf at the newly constructed mixed-use development 2100 S Tryon.

RENTAL RATES

As anticipated, the Charlotte market's average rents continued to increase as the direct gross rental rate rose 7.2% year-over-year (YOY) to an average of \$33.42 per square foot (psf). Tenants in the market will expect to pay a premium for Class A product, with the average direct rental rate for Class A product at \$35.24 psf, while the average direct rental rate for Class B product is \$28.52 psf, a \$6.72- psf difference. The Midtown/South End submarket averages the highest direct rental rate at \$44.89 psf due to the high-quality product in the submarket. As new office product delivers in future quarters, expect rates to escalate, as the average asking rate for under construction product is \$42 psf with some product quoting as high as \$50 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





SUPPLY AND ABSORPTION

Charlotte's direct vacancy rate rose 50 basis points (bps) in Q3 in large part due to the new vacant deliveries that hit the market this quarter. The CBD/Uptown submarket saw a direct vacancy rate of 12.7%, while Midtown/South End submarket reported at 17.2%. While the vacancy rate increased slightly quarter-over-quarter (QOQ), much of the space that delivered vacant has been pre-leased, and the vacancy rate will decline when these pre-leased tenants occupy in future quarters. Sublease space remains readily available as illustrated by the market-wide overall vacancy rate of 18.5%, 290 bps higher than the direct vacancy rate.

Net absorption remained positive, totaling 50,591 sf in Q3 as several large tenants moved into their spaces. In the Airport submarket, Vanguard occupied its space at 2425 Cascade Pointe Blvd for 80,172 sf while third-party logistics company Total Quality Logistics moved in to 51,881 sf at 200 Regency Executive Park Dr. Telecommunications firm Brightspeed took its 54,615-sf space at Vantage South End's East Tower in the Midtown/South End submarket, with more tenants expected to move into the East and West Tower in future quarters. In the FreeMoreWest submarket, Positec Tool Corporation moved in to 26,958 sf into Lower Tuck.

A few significant deliveries occurred in Q3 including Vantage South End's East Tower, the last phase of the Midtown/South End development. Including several pending leases, the East Tower is expected to be close to fully leased by year-end. 201 Camp Rd, part of the expansive Camp North End development, added 118,117 sf of creative office space to the Plaza Midwood/NoDa submarket. 2218 Toomey Ave, the first building in The Quarter South End project also delivered in Q3, bringing 24,252 sf of adaptive reuse space to market, 48.9% of which has been pre-leased and occupied by Clancy & They's Construction. Looking forward into Q4, the Duke Energy Tower build-to-suit is anticipated to deliver 1.0 msf and Duke Energy employees are expected to occupy this space in the spring of 2023. The second building in The Quarter South End project, 2320 Toomey Ave, delivers in Q4 and remains fully available.

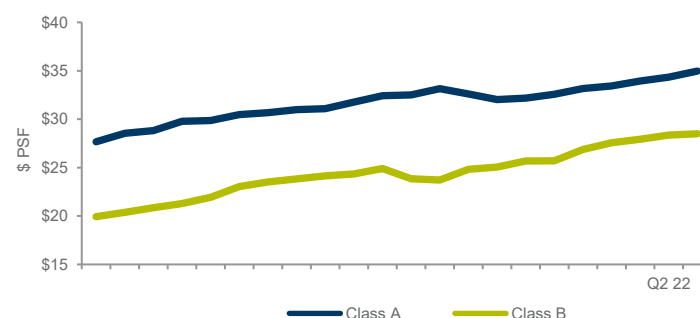
INVESTMENT SALES

Q3 saw robust capital markets transaction volume in the office sector. Equus Capital Partners sold The Rotunda Building at 4201 Congress St in the SouthPark submarket to Brookdale Group. The 234,728-sf class A office building traded for an impressive sales price of nearly \$80M. In the University submarket, Stream Realty sold The Grove, a four-building portfolio totaling 260,620 sf to B Group Capital Management for \$38.5M, a deal brokered by Cushman & Wakefield's Capital Markets Team.

OUTLOOK

- The Duke Energy Tower will bring 1,000,000 sf of positive absorption to the Charlotte office market in Q4 2022 when the BTS building delivers and internal buildout commences.
- Vacancy rates are expected to decline in future quarters as newly-delivered product leases and tenants take occupancy of their space.
- Financial institutions and technology firms continue to find Charlotte an attractive market with the talented labor pool, high quality of life, and established localized amenities.

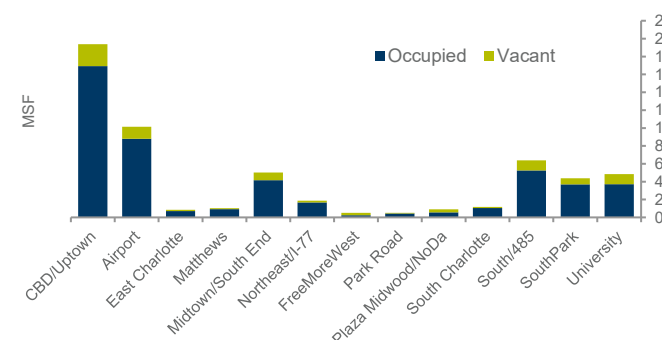
ASKING RENT COMPARISON



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	19,391,482	2,469,428	12.7%	408,911	14.8%	19,976	-300,281	402,296	1,504,000	0	\$37.46	\$38.64
Airport	10,151,491	1,355,657	13.4%	683,663	20.1%	60,064	258,854	635,956	0	0	\$25.52	\$26.81
East Charlotte	855,651	155,290	18.1%	0	18.2%	-15,311	-12,602	10,287	0	0	\$17.84	-
Matthews	1,031,707	107,913	10.5%	0	10.5%	-4,373	7,360	64,748	0	0	\$19.52	\$17.46
Midtown/Southend	5,025,780	862,391	17.2%	36,034	17.9%	70,924	187,613	363,324	793,995	369,883	\$44.89	\$46.61
Northeast / I-77	1,871,932	201,478	10.8%	111,659	16.7%	10,505	-9,612	62,059	0	0	\$28.65	\$29.14
FreeMoreWest	507,500	270,523	53.3%	9,950	55.3%	43,995	54,274	24,825	200,000	0	\$36.81	\$35.01
Park Road	506,133	64,691	12.8%	22,262	17.2%	-6,684	6,027	43,233	0	0	\$34.13	\$34.68
Plaza Midwood / NoDa	896,063	329,987	36.8%	0	36.8%	0	96,702	22,436	221,157	118,117	\$34.32	\$37.55
South Charlotte	1,169,636	114,448	9.8%	20,590	11.6%	-13,280	-28,655	28,787	0	0	\$26.96	\$27.32
South / 485 / Ballantyne	6,379,244	1,128,105	17.7%	148,158	20.0%	-13,551	-119,466	199,646	0	0	\$36.13	\$36.23
SouthPark	4,378,096	678,419	15.5%	53,330	16.7%	-1,193	-99,786	155,842	0	0	\$36.50	\$37.81
University	4,850,384	1,141,753	23.5%	169,345	27.0%	-5,685	10,163	92,093	770,000	0	\$26.75	\$27.32
SUBURBAN TOTALS	37,623,617	6,410,655	17.0%	1,254,991	20.4%	125,411	350,872	1,703,236	1,985,152		\$31.80	\$33.57
Class A	40,863,208	6,414,458	15.7%	959,788	18.1%	81,519	-58,070	1,555,602	3,203,152	0	\$35.24	\$35.24
Class B	16,151,891	2,465,625	15.3%	704,114	19.6%	63,868	108,661	549,930	286,000	488,000	\$28.52	-
CHARLOTTE TOTALS	57,015,099	8,880,083	15.6%	1,663,902	18.5%	145,387	50,591	2,105,532	3,489,152	488,000	\$33.24	\$35.24

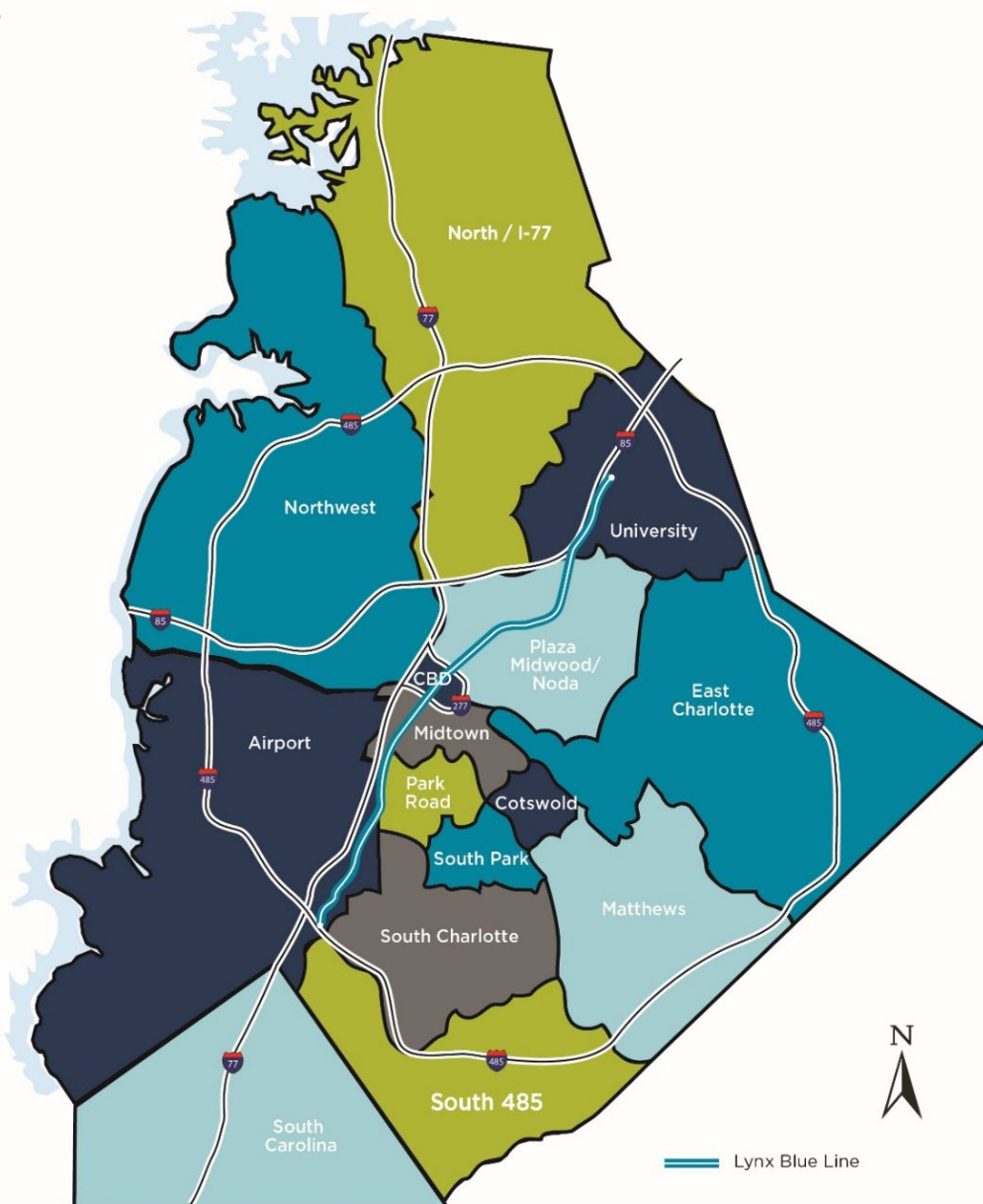
*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8600 McAlpine Park Dr	Matthews	Charlotte FC	51,650	New Lease
One Independence Center	CBD/Uptown	Bank of London	38,654	New Lease
Vantage South End – East Tower	Midtown/South End	FlexCare	27,509	New Lease
Ally Center	CBD/Uptown	Driven Brands	26,753	Renewal
Legacy Union – Phase II	CBD/Uptown	Figure Technologies	23,854	Sublease



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