

Mecklenburg County Commercial Office Market

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Third Quarter 2020

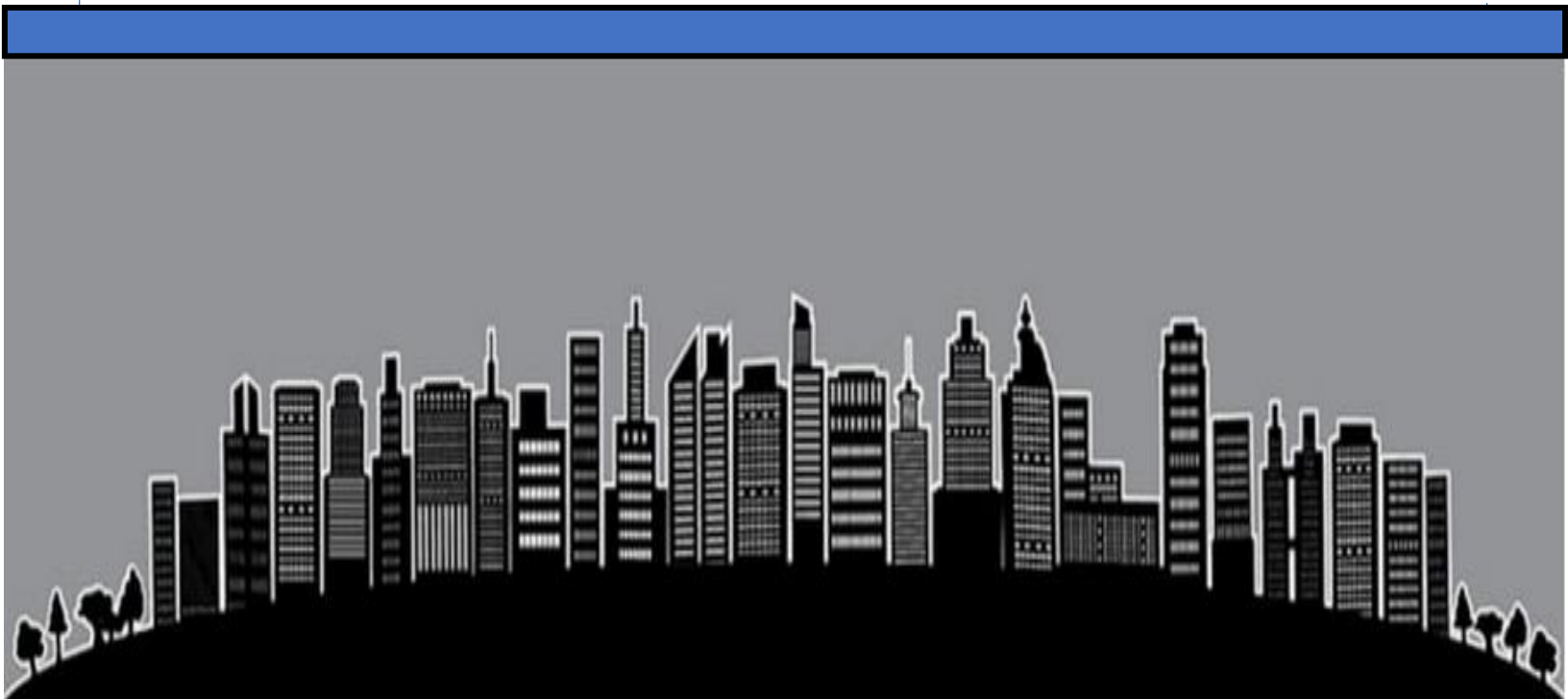


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About this report

The following report contains information on the commercial office market for Mecklenburg County. The report focuses on office markets in two urban markets and eleven suburban markets. The report contains a primer on commonly used terms and definitions. Following that a summary of market conditions is provided. Finally, statistics on the current quarter and the same quarter from the prior year are listed in tables, as well as their quarter-to-quarter variances and percentage changes. This report will be released quarterly as the data becomes available.

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Commonly Used Terms

Class A Office Space

These buildings represent the newest and highest quality buildings in their market. They are generally the best looking buildings with the best construction, and possess high-quality building infrastructure. Class A buildings also are well located, have good access, and are professionally managed. As a result of this, they attract the highest quality tenants and also command the highest rents.



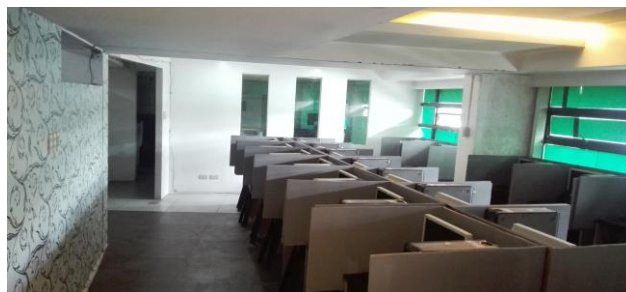
Class B Office Space

Class B buildings are generally a little older, but still have good quality management and tenants. These offices have dated facades, and common areas relative to Class A offices. Class B buildings should generally not be functionally obsolete and should be well maintained.



Class C Office Space

The lowest classification of office building and space is Class C. These are older buildings, located in less desirable areas, and are often in need of extensive renovation. Architecturally, these buildings are the least desirable, and building infrastructure and technology is outdated. As a result, Class C buildings have the lowest rental rates, take the longest time to lease, and are often targeted as re-development opportunities. Only Class A and B are shown in this report.



Definition & Map

Total Buildings: The number of commercial buildings in a geographic area.

Inventory (SF): Square footage of office space.

Sublet Vacant (SF): Vacant space available that has been subleased.

Direct Vacant (SF): Vacant space available for lease by the landlord divided by the total space inventory.

Total Vacant (SF): Vacant space available for lease both directly and through sublease divided by the total space inventory.

Overall Vacancy rate: Total vacant as a percentage of the total inventory square footage.

Absorption: The change in office space over the quarter. $\text{Absorption} = \text{Total Space Leased} - \text{Vacated Space} - \text{New Space}$. If the number is positive it means more space was leased than vacated or brought online by new construction.

YTD Deliveries: Total new inventory built available to the market.

Under construction: Square footage of new space that is currently being built.

Weighted Average Rent: The average rent paid per square foot for a given market.

Summary

Due to the impacts of COVID-19 the coming year will likely bring reduced occupancy and lower asking rents. A growing number of tenants are alerting their workforces that work from home plans may continue through mid-2021 and beyond. However, in the long run the County continues to grow in population as the County is attracting new businesses and jobs to the area. Most recently, RCLCO Real Estate Advisors and CapRidge Partners released a study that ranked Charlotte as the number one metro for job growth in Science, Technology, Engineering and Mathematics (STEM) related fields. The report concluded that Charlotte's young, educated workforce and favorable weather are a few of the reasons STEM based roles attract and retain talent in the Queen City.

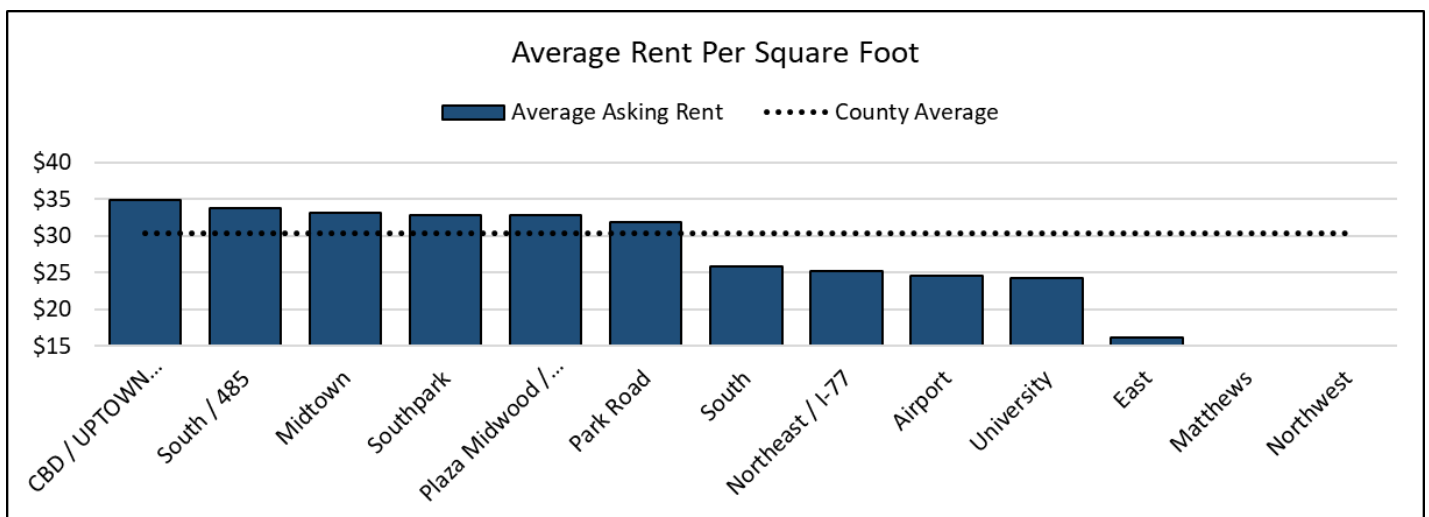
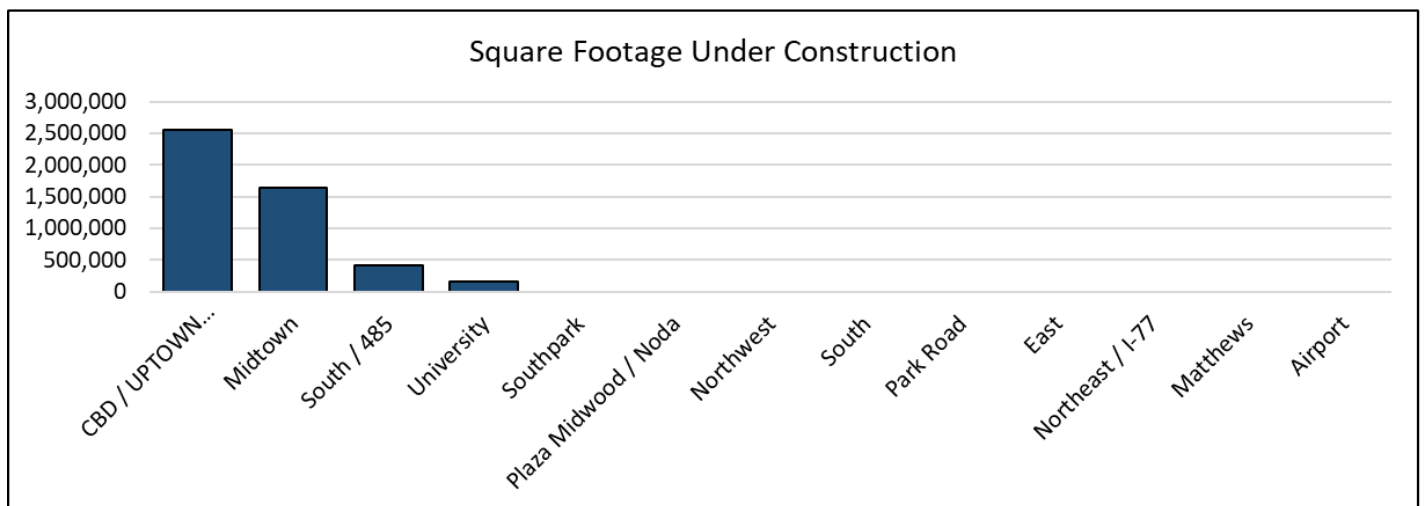
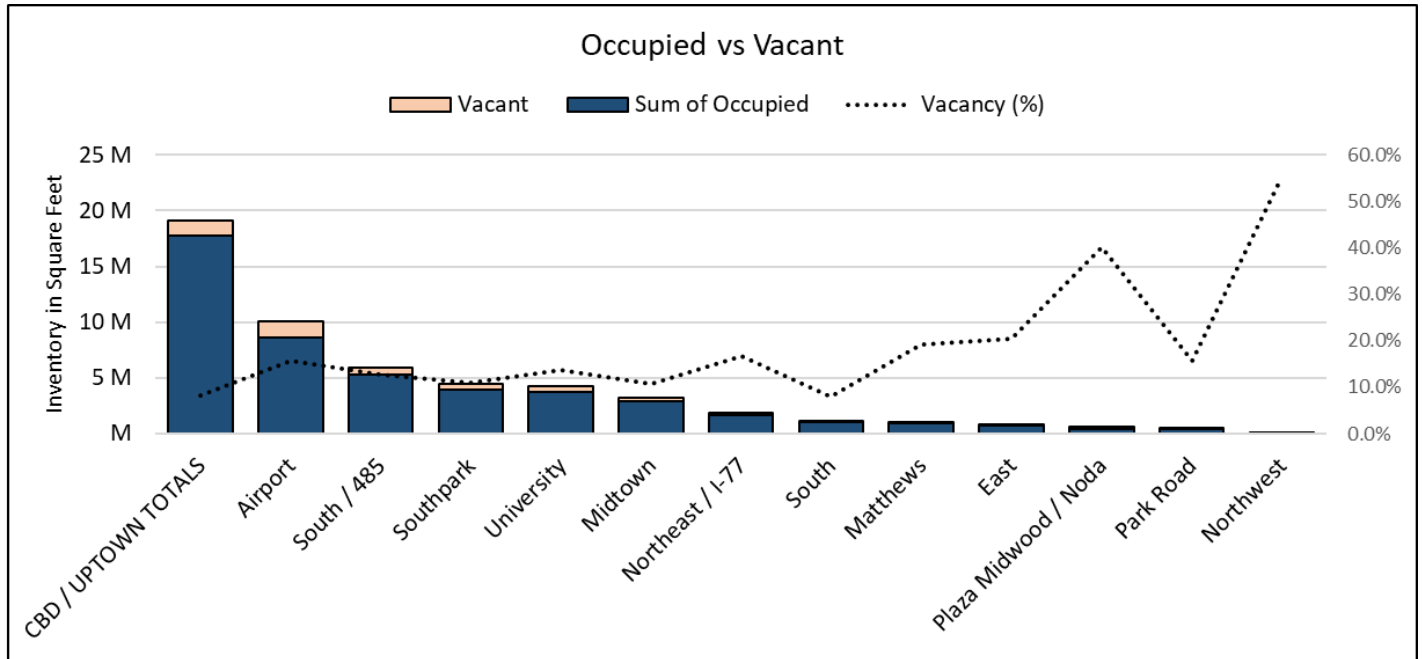
Urban Market

With approximately 4.2 million square foot of new inventory under construction the Urban center of Charlotte continues to grow rapidly. However, most of the construction began pre-COVID so as these new buildings are delivered the growth in the urban markets should slow to match the overall dip we experienced in the economy. Fortunately for the County 40% of the properties under construction are being built for large single use tenants such as Honeywell. The rest are heavily pre-leased, so the County is not at a risk of being overdeveloped. It is expected that roughly 1 million square foot of the construction will deliver by the end of the year.

Suburban Market

The suburban market in the County has 579,001 square foot of new construction in the University and South 485 markets. Overall, the suburban office market has experienced higher vacancies than the urban market with the average vacancy rate at 13% compared to 7.8% in the urban market. Currently, there is over 1 million square foot of office space under renovation in the suburban markets.

Graphs and Comparisons



MECKLENBURG COUNTY QUARTERLY STATISTICS

OFFICE MARKET STATISTICS - THIRD QUARTER 2020

Submarket	Inventory (SF)	Sublet Vacant (SF)	Direct Vacant (SF)	Overall Vacancy (%)	Current Quarter Absorption	Under Construction (SF)	Under Renovation (SF)	YTD Deliveries (SF)	Average Asking Rent
CBD / UPTOWN TOTALS	19,139,953	130	1,428,600	8.1%	-136,105	2,547,915	-	-	\$34.90
Midtown	3,190,494	21,496	319,457	10.7%	-50,060	1,631,827	-	96,022	\$33.15
Urban Market Total	22,330,447	21,626	1,748,057	7.8%	-186,165	4,179,742	-	96,022	\$34.65
Northeast / I-77	1,861,379	82,004	228,757	16.7%	-12,437	0	-	-	\$25.14
Northwest	51,868	28,590	-	55.1%	-8,590	0	438,680	-	\$0.00
University	4,266,620	67,237	517,890	13.7%	6,976	159,041	429,607	-	\$24.19
Plaza Midwood / Noda	617,137	0	247,206	40.1%	13,657	0	76,940	45,000	\$32.76
Airport	10,061,841	91,406	1,482,875	15.6%	-159,123	0	-	114,469	\$24.61
Park Road	506,376	0	79,863	15.8%	-23,550	0	146,458	-	\$31.81
Matthews	1,064,801	51,650	151,612	19.1%	-50,349	0	-	-	\$13.51
South / 485	5,912,427	134,060	608,006	12.6%	-50,446	419,960	-	-	\$33.74
South	1,168,364	7,093	85,169	7.9%	-18,444	0	-	-	\$25.87
East	857,099	0	176,018	20.5%	226	0	-	-	\$16.07
Southpark	4,430,937	53,674	434,419	11.0%	-54,678	0	-	-	\$32.80
Suburban Market Total	30,798,849	515,714	4,011,815	13.0%	-356,758	579,001	1,091,685	159,469	\$25.41
Class A	37,275,647	464,040	3,388,743	10.3%	-397,171	4,679,743	745,265	87,250	\$32.39
Class B	15,853,649	203,403	2,371,129	16.2%	-145,752	79,000	346,420	168,241	\$24.39
Mecklenburg Total	53,129,296	537,340	5,759,872	10.8%	-542,923	4,758,743	1,091,685	255,491	\$30.32

