

Mecklenburg County Commercial Office Market

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2021 - Q1

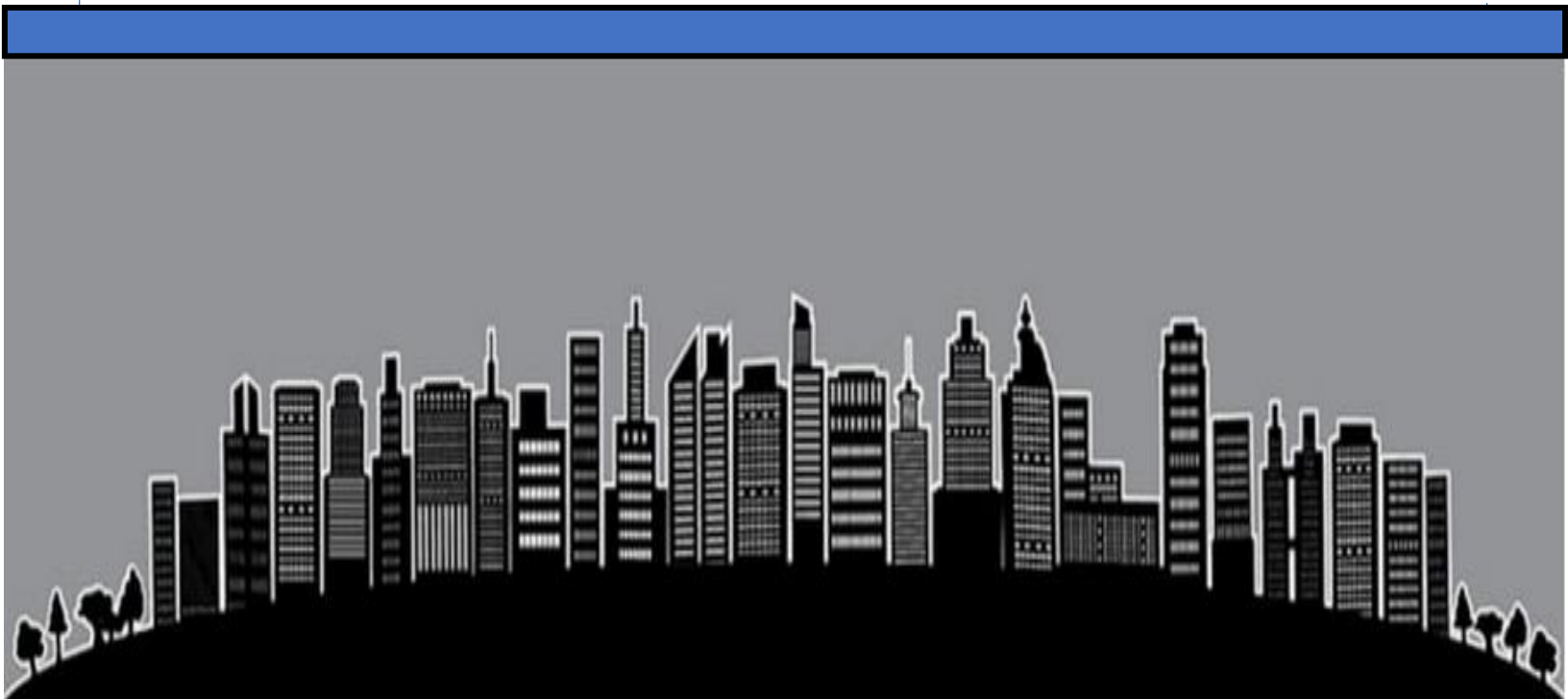


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About this report

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.



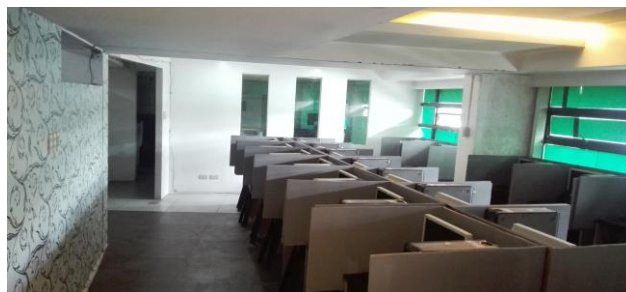
Class B Office Space

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 Architecturally, these buildings are the least desirable, and building infrastructure and technology is outdated.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.

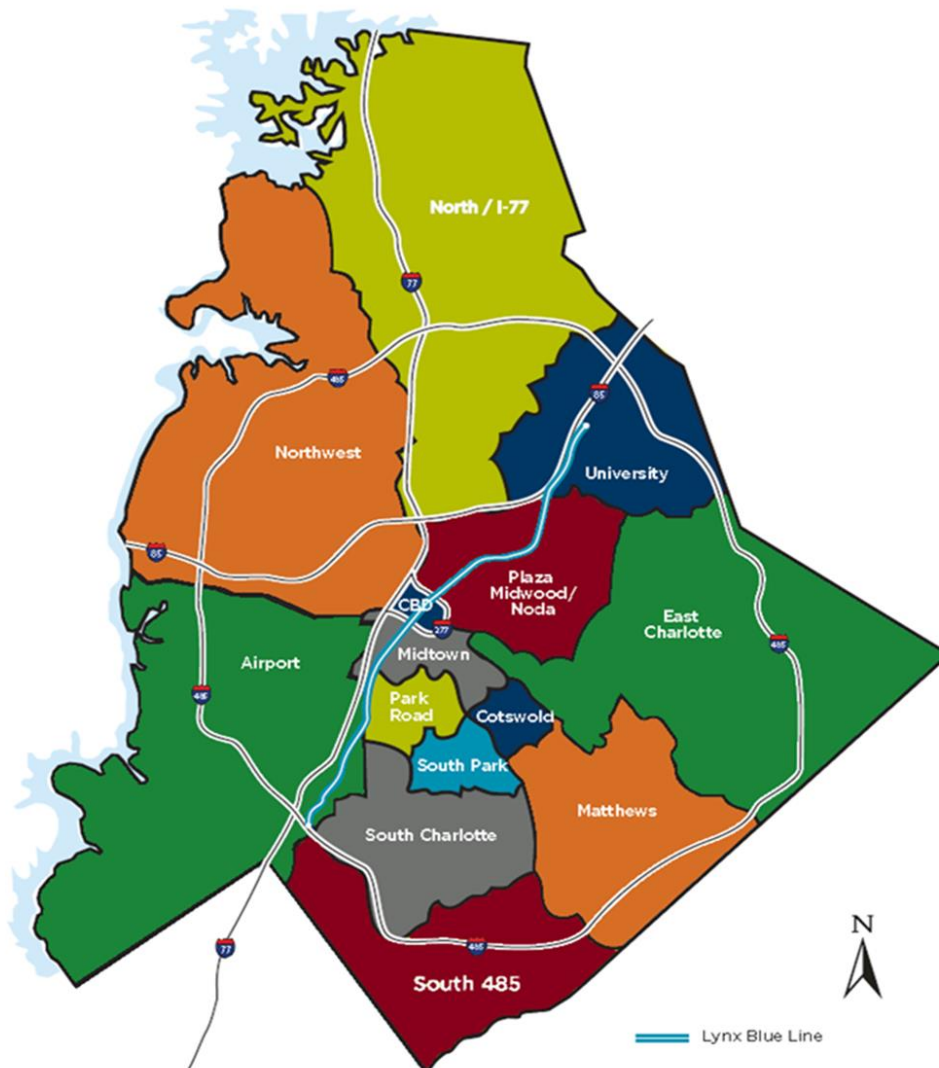
Overall Vacancy rate: Total vacant as a percentage of the total inventory square footage.

Absorption: The change in office space over the quarter. Absorption = Total Space Leased - Vacated Space - 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.

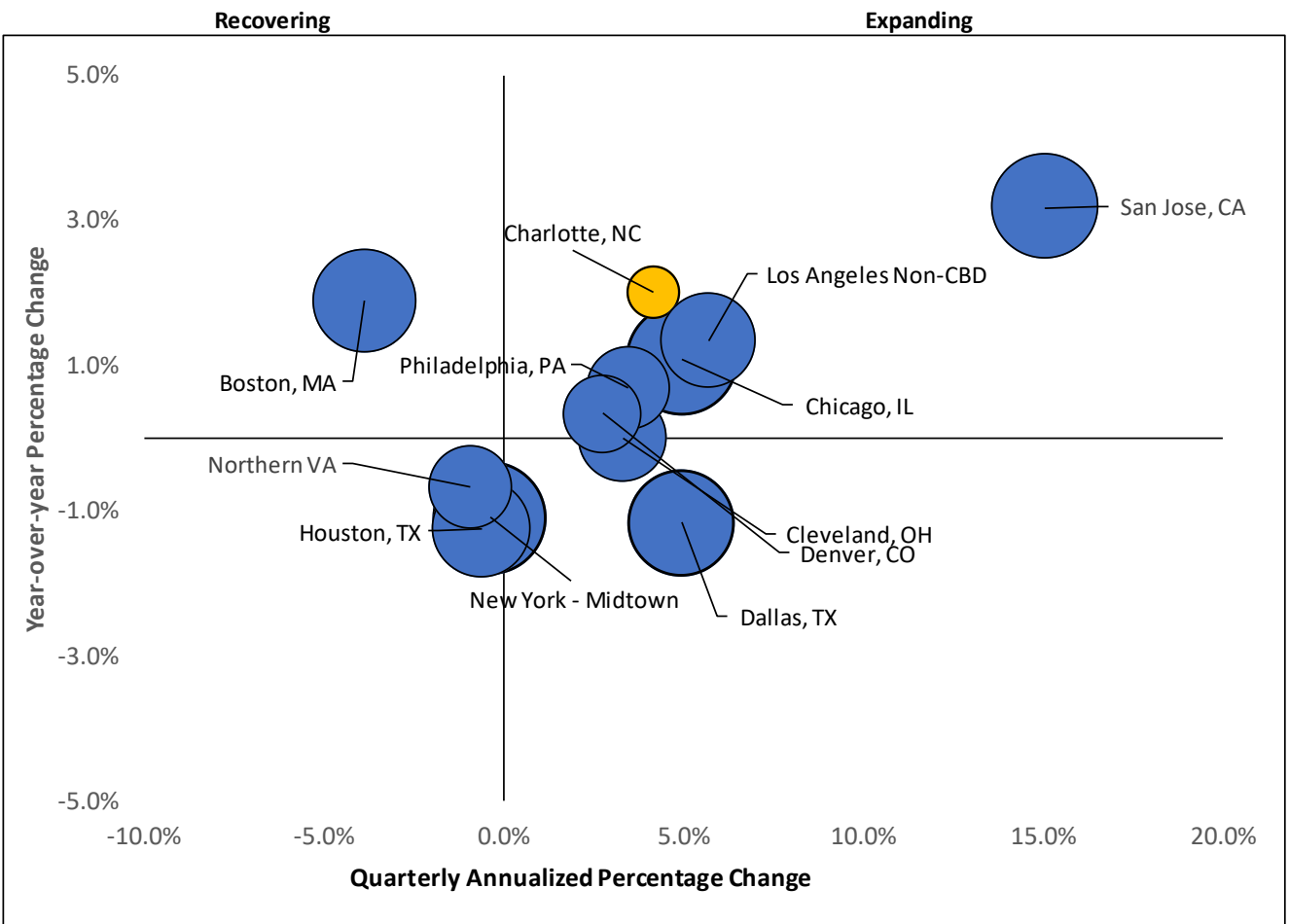
Weighted Average Rent: The average rent paid per square foot for a given market.



National Comparison

The Charlotte commercial office market is the 35th largest in the US with 54.5 million square foot of office space. The market is expanding and was less affected by the pandemic than other markets. Charlotte's office market posted year-over-year growth at 2.0% with the most recent quarterly growth increasing at 4.2%. Charlotte has attracted many large businesses lately to include an announcement from Robinhood, the California-based financial services investing \$11.7 million to establish an office in Charlotte focused on customer experience. Other announcements include Atrium Healthcare creating a \$228 million medical school, and electric vehicle manufacturer, Arrival investing \$3 million for a North American headquarters. These new additions to the County will ensure that demand for commercial office space remains high.

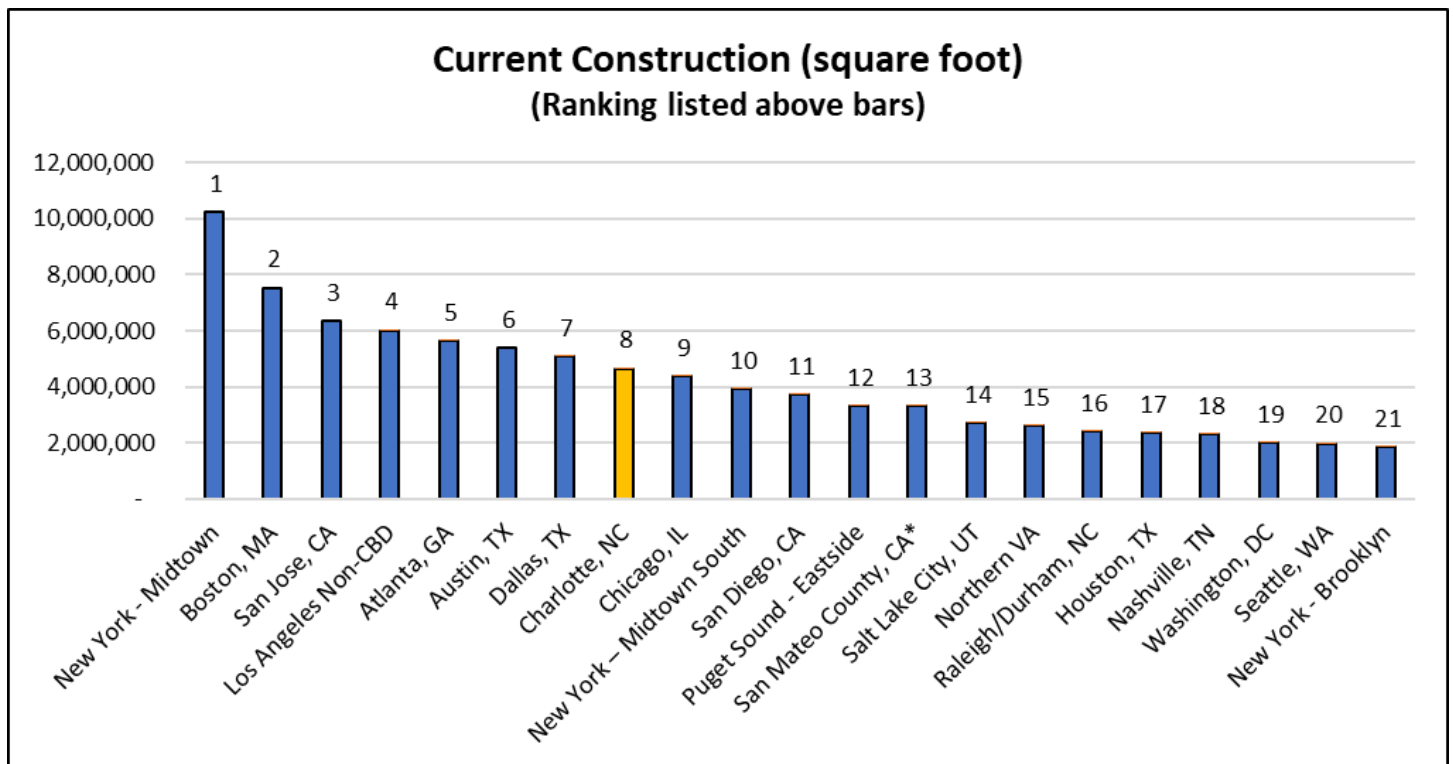
National Office Market Rent Growth



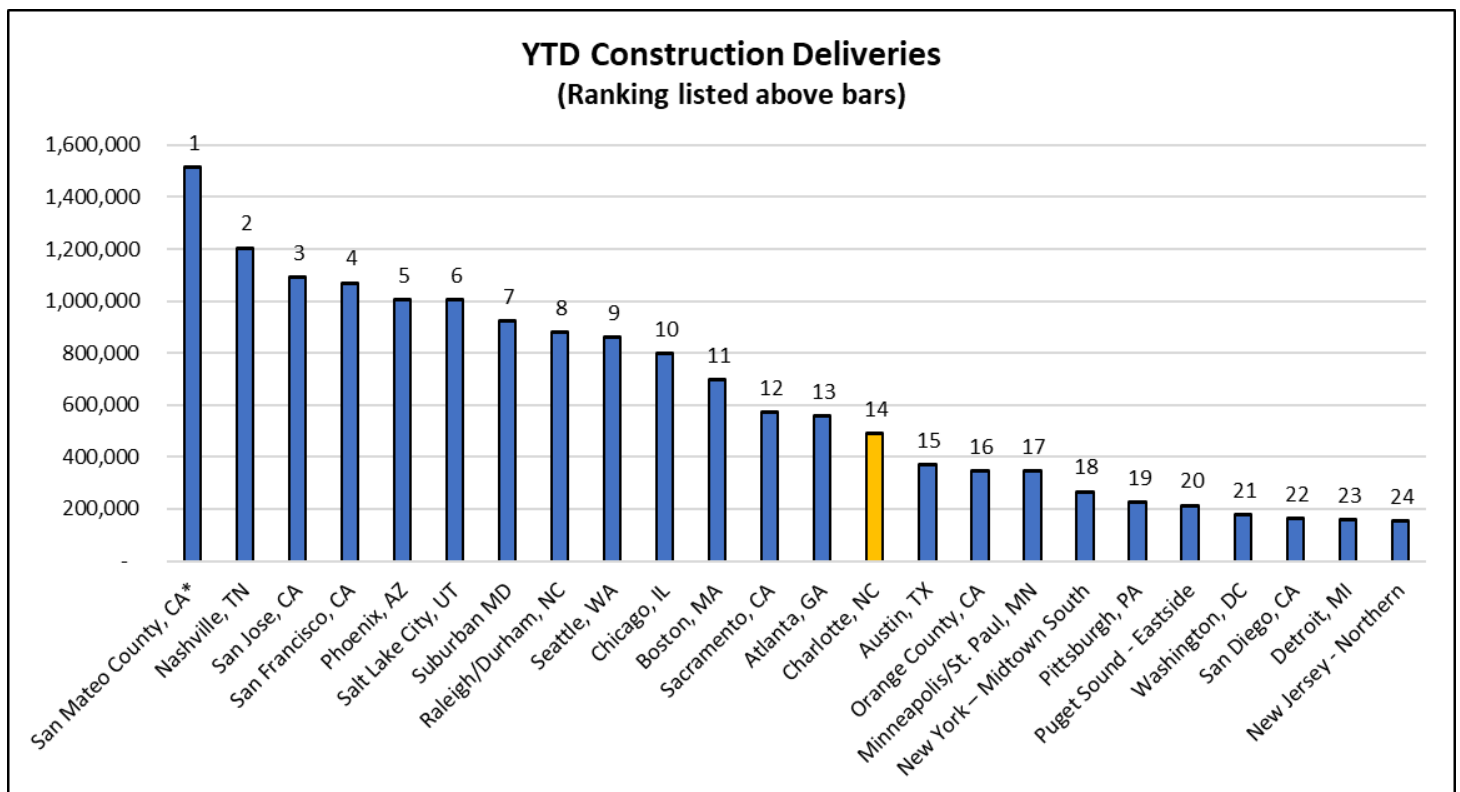
Vacancy rates for the Charlotte market is 14.8% which places it 43rd lowest out of the 87 major cities in the data set. The lowest vacancy rate of any city was Fort Myers / Naples, Florida at 5.9% and the highest was Fairfield County, Connecticut at 30.9%. Although the vacancy rate seems high for Charlotte there are only six options available for users seeking 100k square foot or more. One contributing factor in the increase in vacancy rate in the Charlotte market comes from recent construction completions, where approximately 486k square foot of new office space was completed in the 1st quarter.

Construction in the Charlotte market remains high even beating out much larger cities such as Chicago (population 2.71 million), and Houston (population 2.31 million). Overall, Charlotte places 8th of the 87

major cities with 4.6 million square foot of construction under development. Of the current development 69% is currently preleased space.

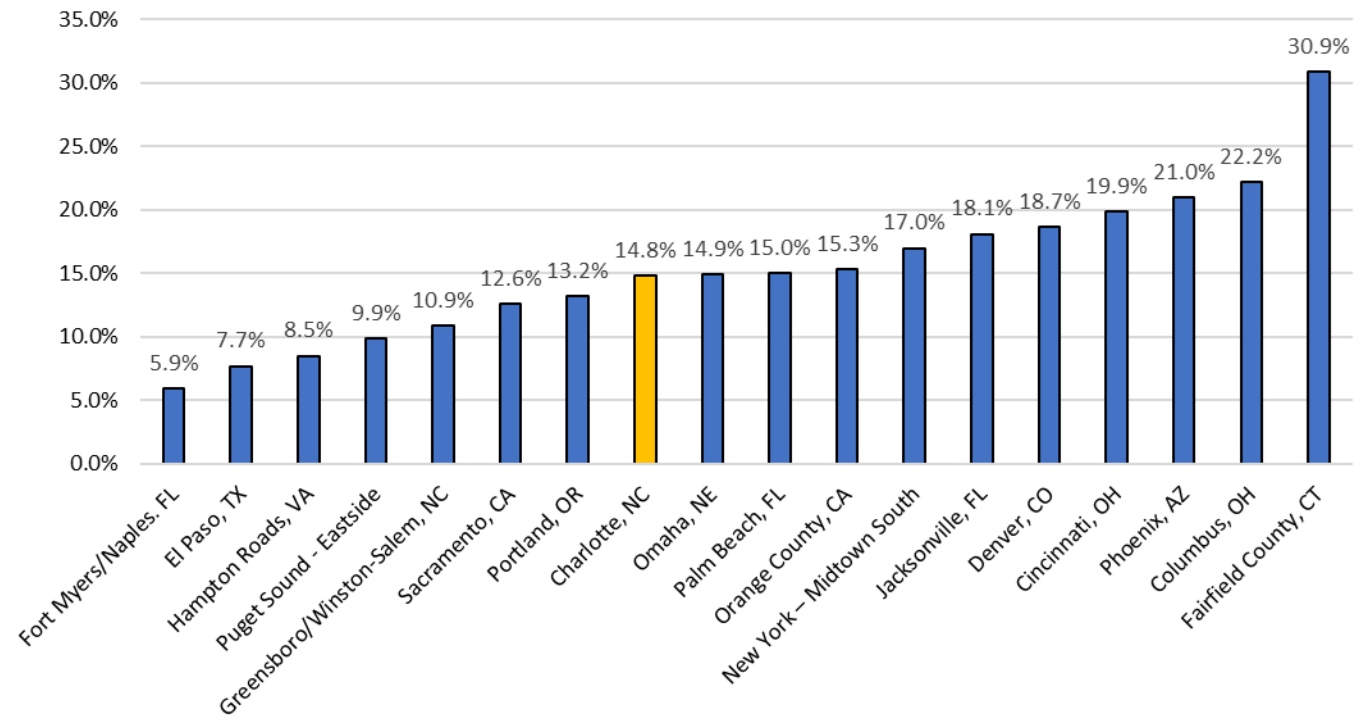


The above graph shows the total square footage of office space currently under construction.



The above graph shows the total square footage of new office space that has been completed in the current calendar year.

Vacancy Rate By City



The above graph shows vacancy rates for selected cities. Charlotte was 43rd out of 87 in lowest vacancy rate.

Commercial Inventory (Square Footage) by Major US Cities

New York - Midtown	248.8 M	San Diego, CA	82.8 M	Fairfield County, CT	38.2 M	Westchester County, NY	23.4 M
Chicago, IL	241.8 M	Minneapolis/St. Paul, MN	79.0 M	Long Island, NY	36.8 M	Buffalo, NY	22.7 M
Dallas, TX	222.2 M	Baltimore, MD	78.0 M	Orlando, FL	36.3 M	Fort Myers/Naples, FL	22.2 M
San Jose, CA	221.1 M	Sacramento, CA	68.3 M	Puget Sound - Eastside	35.8 M	Inland Empire CA	21.8 M
Boston, MA	209.9 M	New York - Midtown South	67.5 M	Greensboro/Winston-Salem	34.8 M	San Francisco North Bay, CA	20.7 M
Houston, TX	189.4 M	Seattle, WA	66.9 M	Columbus, OH	34.4 M	Louisville, KY	20.7 M
Los Angeles Non-CBD	178.5 M	San Mateo County, CA*	61.7 M	Cincinnati, OH	33.8 M	Fort Worth, TX	20.1 M
Cleveland, OH	153.0 M	Suburban MD	61.5 M	Tampa, FL	32.0 M	Birmingham, AL	19.9 M
Atlanta, GA	150.2 M	Raleigh/Durham, NC	57.7 M	New York - Brooklyn	31.3 M	Omaha, NE	19.8 M
Northern VA	135.1 M	Austin, TX	57.3 M	Milwaukee, WI	30.5 M	El Paso, TX	19.6 M
Philadelphia, PA	134.9 M	Portland, OR	55.7 M	Colorado Springs, CO	29.0 M	Boise, ID	16.3 M
Denver, CO	119.2 M	Salt Lake City, UT	55.7 M	Fort Lauderdale, FL	28.4 M	Southern NH	14.3 M
Washington, DC	112.3 M	Charlotte, NC	54.5 M	Tucson, AZ	28.0 M	Syracuse, NY	14.2 M
New Jersey - Northern	110.9 M	Kansas City, MO	53.5 M	Charleston, SC	27.9 M	Rochester, NY	14.1 M
Oakland/East Bay, CA*	109.9 M	Richmond, VA	53.1 M	Los Angeles CBD	27.8 M	Roanoke, VA	13.2 M
Detroit, MI	109.8 M	St. Louis, MO	51.0 M	Providence, RI	26.8 M	St. Petersburg/Clearwater, FL	11.6 M
Pittsburgh, PA	93.1 M	Tulsa, OK	48.2 M	Greenville, SC	26.4 M	New Haven, CT	10.7 M
Phoenix, AZ	92.3 M	Las Vegas, NV	47.7 M	New Orleans, LA	26.3 M	Fredericksburg, VA	10.4 M
Orange County, CA	91.7 M	Miami, FL	45.9 M	Memphis, TN	25.8 M	Columbia, SC	9.1 M
New York - Downtown	88.8 M	Nashville, TN	45.6 M	Hartford, CT	24.3 M	Reno, NV	8.0 M
San Francisco, CA	84.8 M	Hampton Roads, VA	45.1 M	Jacksonville, FL	23.9 M	Binghamton, NY	4.2 M
New Jersey - Central	83.8 M	Indianapolis, IN	38.3 M	Palm Beach, FL	23.4 M	Savannah, GA	3.9 M

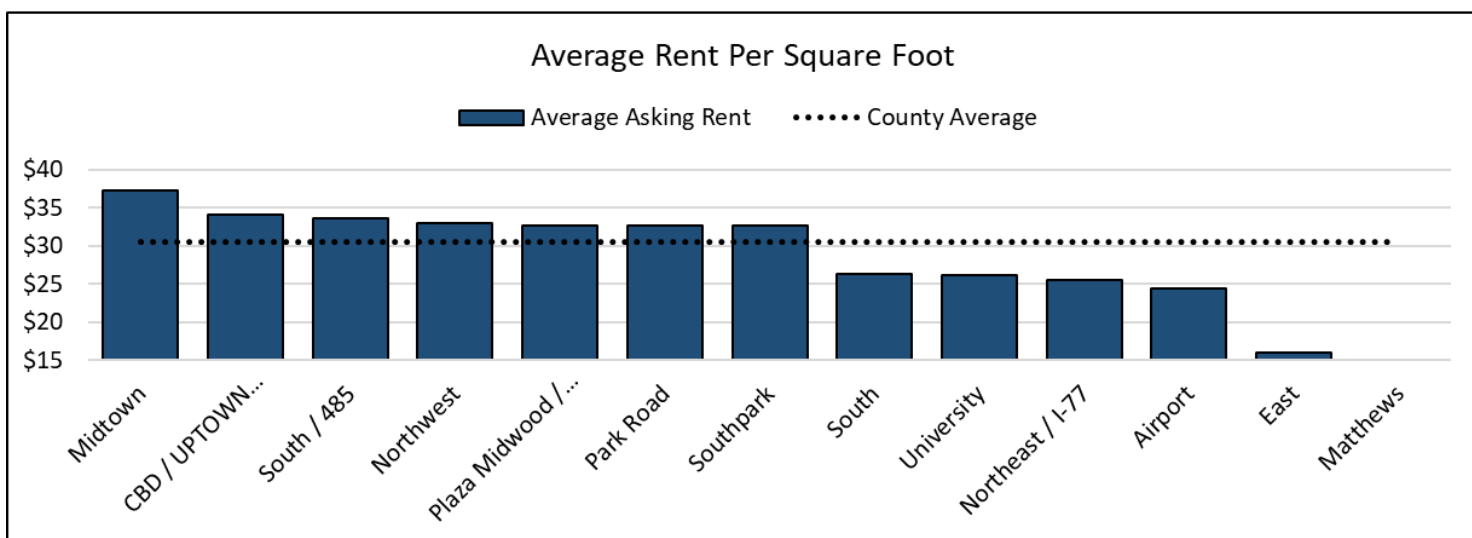
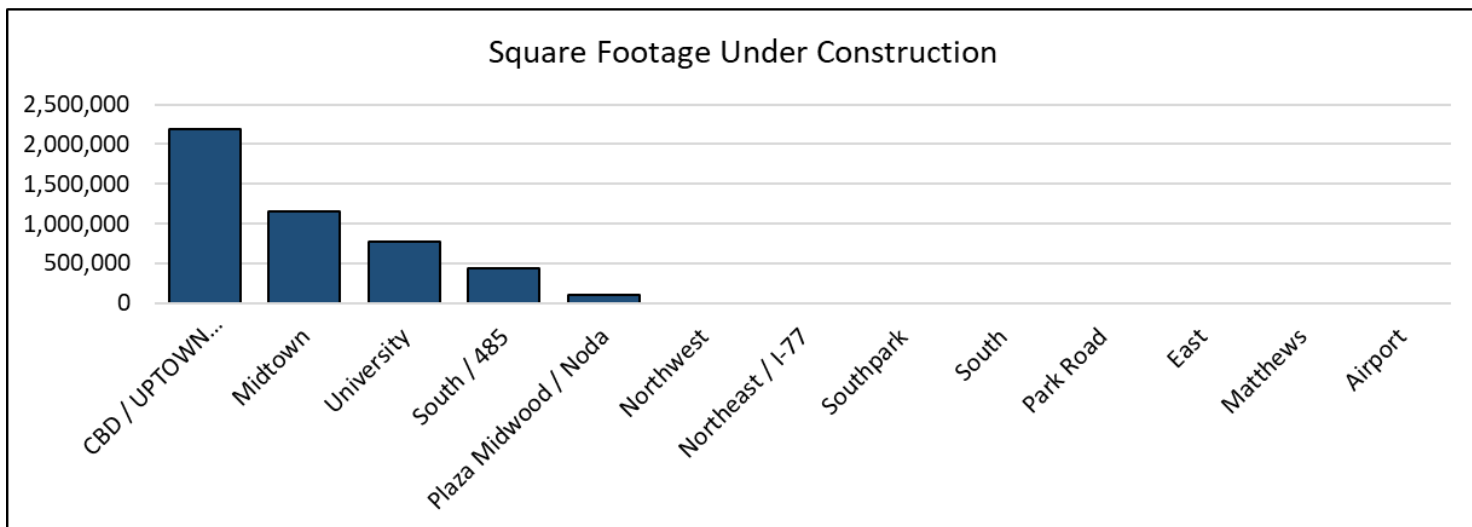
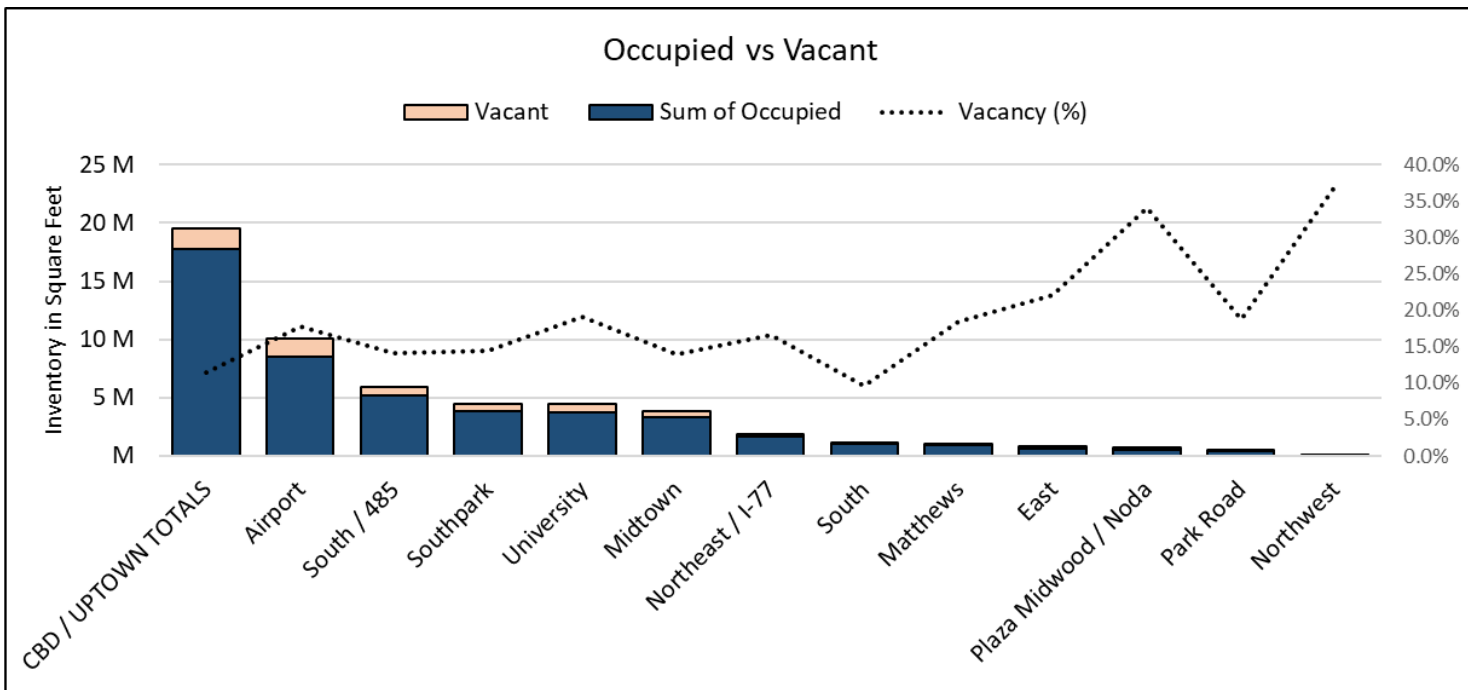
Mecklenburg County Urban Market

The County's urban markets identified in this report as the CBD Uptown market and the Midtown market comprise 42.8% of the Counties commercial space with 23.3 million square foot of office space. Of the 4.6 million square foot of commercial space under development in the County 72% of the total new construction is being developed in the urban market with 2.2 million square foot in the CBD market and 1.1 million square foot of new space in the Midtown market. The total vacancy rate in the urban markets increased from 9.4% to 11.2%, primarily due to the negative absorption rate in the CBD market. Rents continue to rise and were up 3.5% from the 4th quarter to \$34.60 per square foot. However, the rise in rent was mostly attributable to higher end spaces becoming vacant in the CBD market.

Mecklenburg County Suburban Market

The suburban market currently has 1.3 million square foot of new office space under construction mostly concentrated in the University market with 770k square foot of new construction under development. Vacancy rates in the suburban market range from 9.7% in the South market to 36.9% in the Northwest market. Rents in the suburban market also increased, but to a lesser degree than the urban market increasing 1.1% from the 4th quarter. The urban market carried most of the new construction whereas the suburban markets have undergone far more renovations to the existing buildings. In the County 90% of the 1.06 million square foot of space under renovation is occurring in the suburban market.

GRAPHS AND COMPARISONS



MECKLENBURG COUNTY QUARTERLY STATISTICS

OFFICE MARKET STATISTICS - FIRST QUARTER 2021										
Submarket	Inventory (SF)	Sublet Vacant (SF)	Direct Vacant (SF)	Overall Vacancy (%)	Current Quarter Absorbtion	Under Construction (SF)	Under Renovation (SF)	YTD Deliveries (SF)	Average Asking Rent	
CBD / UPTOWN TOTALS	19,502,206	490,867	1,749,724	11.5%	-492,198	2,185,415	-	-	\$34.07	
Midtown	3,855,766	23,456	513,550	13.9%	163,550	1,156,645	104,599	326,887	\$37.30	
Urban Market Total	23,357,972	514,323	2,263,274	11.9%	-328,648	3,342,060	104,599	326,887	\$34.60	
Northeast / I-77	1,861,379	100,582	208,541	16.6%	25,862	0	-	-	\$25.48	
Northwest	128,478	29,950	17,450	36.9%	19,800	0	351,202	-	\$33.00	
University	4,426,391	139,900	705,845	19.1%	-34,831	770,000	429,607	159,041	\$26.16	
Plaza Midwood / Noda	710,056	0	241,283	34.0%	57,129	109,972	36,940	-	\$32.69	
Airport	10,101,591	236,905	1,559,317	17.8%	-57,700	0	-	-	\$24.36	
Park Road	506,133	8,208	86,955	18.8%	-13,843	0	146,458	-	\$32.65	
Matthews	1,067,082	51,650	145,275	18.5%	-11,138	0	-	-	\$13.47	
South / 485	5,912,104	140,108	697,941	14.2%	-68,980	436,500	-	-	\$33.55	
South	1,168,364	8,900	104,165	9.7%	-12,513	0	-	-	\$26.30	
East	857,099	0	189,658	22.1%	2,509	0	-	-	\$16.01	
Southpark	4,430,937	93,592	544,217	14.4%	-78,570	0	-	-	\$32.61	
Suburban Market Total	31,169,614	809,795	4,500,647	17.0%	-172,275	1,316,472	964,207	159,041	\$27.43	
Class A	38,374,949	936,552	4,152,802	13.3%	-248,446	4,658,532	637,545	485,928	\$32.18	
Class B	16,152,637	387,566	2,611,119	18.6%	-252,477	0	431,261	-	\$25.07	
Mecklenburg Total	54,527,586	1,324,118	6,763,921	14.8%	-500,923	4,658,532	1,068,806	485,928	\$30.50	

OFFICE MARKET STATISTICS - FOURTH QUARTER 2020										
Submarket	Inventory (SF)	Sublet Vacant (SF)	Direct Vacant (SF)	Overall Vacancy (%)	Current Quarter Absorbtion	Under Construction (SF)	Under Renovation (SF)	YTD Deliveries (SF)	Average Asking Rent	
CBD / UPTOWN TOTALS	19,502,206	292,938	1,458,217	9.0%	-88,999	2,185,415	-	362,500	\$33.28	
Midtown	3,341,796	12,864	394,303	12.2%	38,914	1,661,040	-	197,162	\$34.33	
Urban Market Total	22,844,002	305,802	1,852,520	9.4%	-50,085	3,846,455	-	559,662	\$33.43	
Northeast / I-77	1,861,379	84,995	252,616	18.1%	-26,428	0	-	-	\$25.32	
Northwest	91,228	29,950	-	32.8%	38,000	0	410,618	-	\$24.35	
University	4,267,350	103,487	554,218	15.4%	-69,917	159,041	429,607	-	\$32.76	
Plaza Midwood / Noda	658,902	0	253,012	38.4%	-5,806	0	76,940	65,000	\$24.67	
Airport	10,165,166	200,553	1,546,807	17.2%	-227,085	0	-	114,469	\$31.29	
Park Road	506,133	0	81,128	16.0%	-4,701	0	146,458	-	\$13.32	
Matthews	1,064,801	51,650	138,117	17.8%	7,077	0	-	-	\$33.59	
South / 485	5,912,427	138,342	639,536	13.2%	-43,446	436,500	-	-	\$25.95	
South	1,168,364	6,914	95,575	8.8%	-14,505	0	-	-	\$16.06	
East	857,099	0	192,167	22.4%	-16,149	0	-	-	\$32.55	
Southpark	4,430,937	83,323	477,699	12.7%	-79,625	0	-	-	\$27.12	
Suburban Market Total	30,983,786	699,214	4,230,875	15.9%	-442,585	595,541	1,063,623	179,469	\$31.77	
Class A	37,849,867	773,832	3,592,851	11.5%	-346,521	4,362,996	739,480	540,037	\$24.63	
Class B	15,977,921	231,184	2,490,544	17.0%	-146,169	79,000	324,143	199,094	\$29.85	
Mecklenburg Total	53,827,788	1,005,016	6,083,395	13.2%	-492,670	4,441,996	1,063,623	739,131	\$29.85	

MECKLENBURG COUNTY QUARTERLY STATISTICS

OFFICE MARKET STATISTICS - VARIANCE (CURRENT - PRIOR)									
Submarket	Inventory (SF)	Sublet Vacant (SF)	Direct Vacant (SF)	Overall Vacancy (%)	Current Quarter Absorbtion	Under Construction (SF)	Under Renovation (SF)	YTD Deliveries (SF)	Average Asking Rent
CBD / UPTOWN TOTALS	0	197,929	291,507	2.5%	403,199	0	0	-362,500	\$0.79
Midtown	513,970	10,592	119,247	1.7%	124,636	-504,395	104,599	129,725	\$2.97
Urban Market Total	▲ 513,970	▼ 208,521	▼ 410,754	▼ 2.4%	▼ -278,563	▼ -504,395	▲ 104,599	▼ (232,775)	▲ \$1.17
Northeast / I-77	0	15,587	-44,075	-1.5%	52,290	0	0	0	\$0.16
Northwest	37,250	0	17,450	4.1%	-18,200	0	-59,416	0	\$33.00
University	159,041	36,413	151,627	3.7%	35,086	610,959	0	159,041	\$1.81
Plaza Midwood / Noda	51,154	0	-11,729	-4.4%	62,935	109,972	-40,000	-65,000	-\$0.07
Airport	-63,575	36,352	12,510	0.6%	169,385	0	0	-114,469	-\$0.31
Park Road	0	8,208	5,827	2.8%	-9,142	0	0	0	\$1.36
Matthews	2,281	0	7,158	0.7%	-18,215	0	0	0	\$0.15
South / 485	-323	1,766	58,405	1.0%	-25,534	0	0	0	-\$0.04
South	0	1,986	8,590	0.9%	1,992	0	0	0	\$0.35
East	0	0	-2,509	-0.3%	18,658	0	0	0	-\$0.05
Southpark	0	10,269	66,518	1.7%	1,055	0	0	0	\$0.06
Suburban Market Total	▲ 185,828	▼ 110,581	▼ 269,772	▼ 1.1%	▲ 270,310	▲ 720,931	▼ (99,416)	▼ (20,428)	▲ \$0.31
Class A	525,082	162,720	559,951	1.8%	98,075	295,536	-101,935	-54,109	\$0.41
Class B	174,716	156,382	120,575	1.6%	-106,308	-79,000	107,118	-199,094	\$0.44
Charlotte Metro Total	▲ 699,798	▼ 319,102	▼ 680,526	▼ 1.7%	▼ -8,253	▲ 216,536	▲ 5,183	▼ (253,203)	▲ \$0.65

OFFICE MARKET STATISTICS - PERCENTAGE CHANGE									
Submarket	Inventory (SF)	Sublet Vacant (SF)	Direct Vacant (SF)	Overall Vacancy (%)	Current Quarter Absorbtion	Under Construction (SF)	Under Renovation (SF)	YTD Deliveries (SF)	Average Asking Rent
CBD / UPTOWN TOTALS	0.0%	67.6%	20.0%	27.8%	-453.0%	0.0%	0.0%	-100.0%	2.4%
Midtown	15.4%	82.3%	30.2%	13.9%	320.3%	-30.4%	0.0%	65.8%	8.7%
Urban Market Total	▲ 2.2%	▼ 68.2%	▼ 22.2%	▼ 25.9%	▲ 556.2%	▼ -13.1%	▲ 0.0%	▼ -41.6%	▲ 3.5%
Northeast / I-77	0.0%	18.3%	-17.4%	-8.3%	-197.9%	0.0%	0.0%	0.0%	0.6%
Northwest	40.8%	0.0%	0.0%	12.5%	-47.9%	0.0%	-14.5%	0.0%	0.0%
University	3.7%	35.2%	27.4%	24.0%	-50.2%	384.2%	0.0%	0.0%	7.4%
Plaza Midwood / Noda	7.8%	0.0%	-4.6%	-11.5%	-1084.0%	0.0%	-52.0%	-100.0%	-0.2%
Airport	-0.6%	18.1%	0.8%	3.5%	-74.6%	0.0%	0.0%	-100.0%	-1.3%
Park Road	0.0%	0.0%	7.2%	17.5%	194.5%	0.0%	0.0%	0.0%	4.3%
Matthews	0.2%	0.0%	5.2%	3.9%	-257.4%	0.0%	0.0%	0.0%	1.1%
South / 485	0.0%	1.3%	9.1%	7.6%	58.8%	0.0%	0.0%	0.0%	-0.1%
South	0.0%	28.7%	9.0%	10.2%	-13.7%	0.0%	0.0%	0.0%	1.3%
East	0.0%	0.0%	-1.3%	-1.3%	-115.5%	0.0%	0.0%	0.0%	-0.3%
Southpark	0.0%	12.3%	13.9%	13.4%	-1.3%	0.0%	0.0%	0.0%	0.2%
Suburban Market Total	▲ 0.6%	▼ 15.8%	▼ 6.4%	▼ 7.1%	▼ -61.1%	▲ 121.1%	▼ -9.3%	▼ -11.4%	▲ 1.1%
Class A	1.4%	21.0%	15.6%	15.7%	-28.3%	6.8%	-13.8%	-10.0%	1.3%
Class B	1.1%	67.6%	4.8%	9.4%	72.7%	-100.0%	33.0%	-100.0%	1.8%
Charlotte Metro Total	▲ 1.3%	▼ 31.8%	▼ 11.2%	▼ 12.6%	▲ 1.7%	▲ 4.9%	▲ 0.5%	▼ -34.3%	▲ 2.2%

Note: Green highlighting and green up arrows in the totals represent favorable statistics. Red highlighting and red down arrows in the total represent unfavorable statistics.