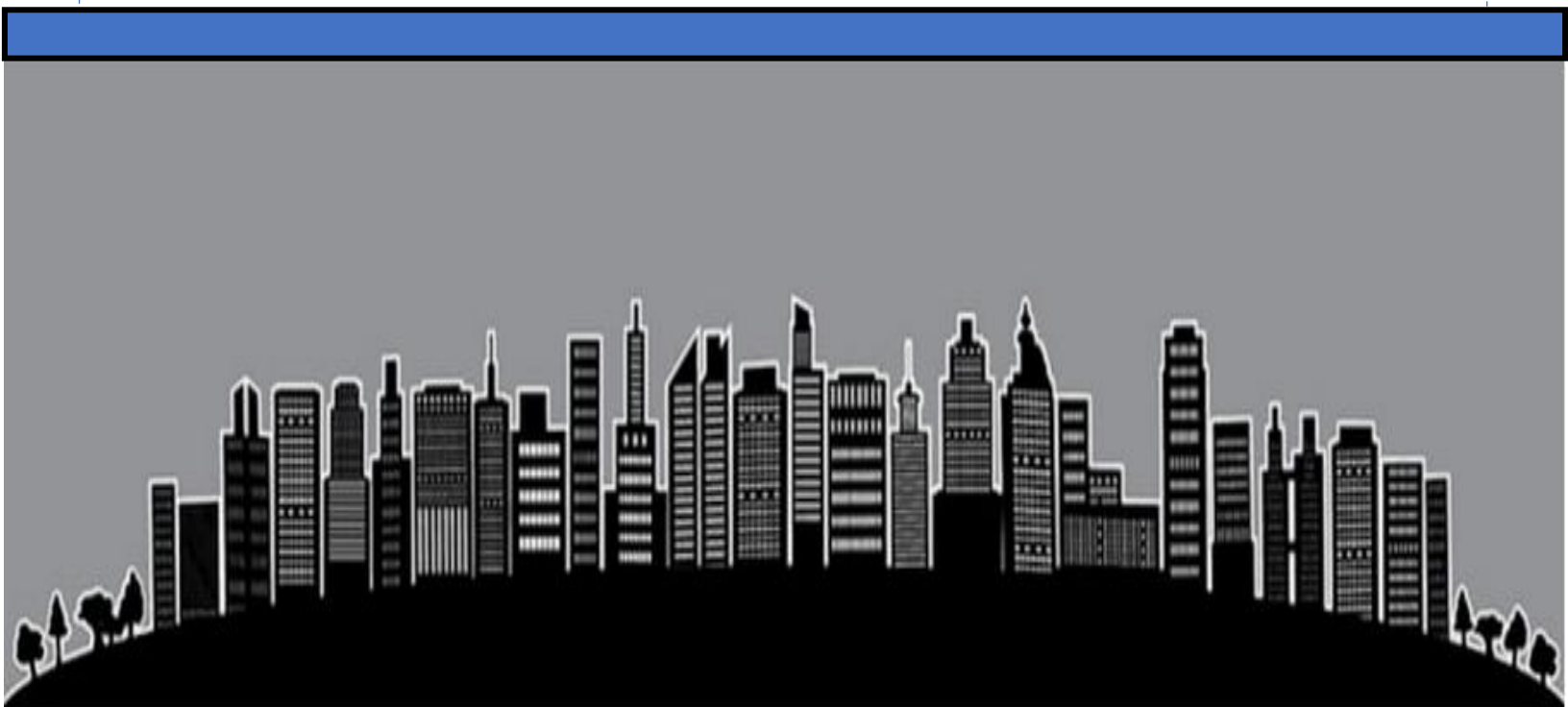


# Mecklenburg County Commercial Office Market

Michael B. Simmons

County Economist

Data as of 3<sup>rd</sup> Quarter, 2021



## Table of Contents

Commonly Used Terms .....	2
Definitions & Map.....	3
Rent Growth.....	4
Leasing Activity and Vacancy Rates .....	5
New Construction and Deliveries .....	6
Commercial Office Space by City .....	8
Local Market Comparison Graphs .....	9
Mecklenburg County Quarterly Office Statistics .....	10

### **About this report**

The following report contains information on the commercial office market for Mecklenburg County as well as comparisons to 88 other major US cities. Note that the use of the word “city” within the report refers to the County. The data source used refers to the area as a city as it is more recognizable to most individuals. Within the County the report focuses on office markets in two urban markets and eleven suburban markets within the County. Data is sourced from Cushman and Wakefield market insight reports. This report will be released quarterly as the data becomes available.

For more information you can contact me at: [michael.simmons@mecklenburgcountync.gov](mailto:michael.simmons@mecklenburgcountync.gov)

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 Architecturally, these buildings are the least desirable, and building infrastructure and technology is outdated.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

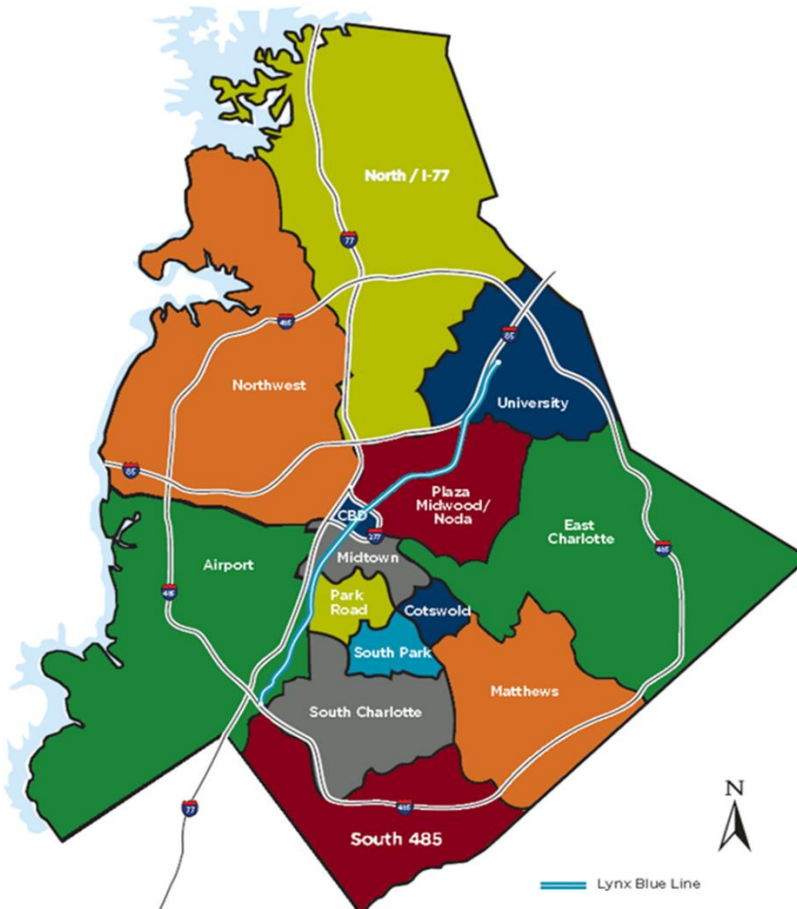
**Absorption:** The change in office space over the quarter.  $\text{Absorption} = \text{Total Space Leased} - \text{Vacated Space} - \text{New Space}$ . If the number is positive it means more space was leased than vacated or brought online by new construction.

**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.

**Build-to-suit:** is a commercial building or space specifically constructed to the client's needs this process focuses on one end user.



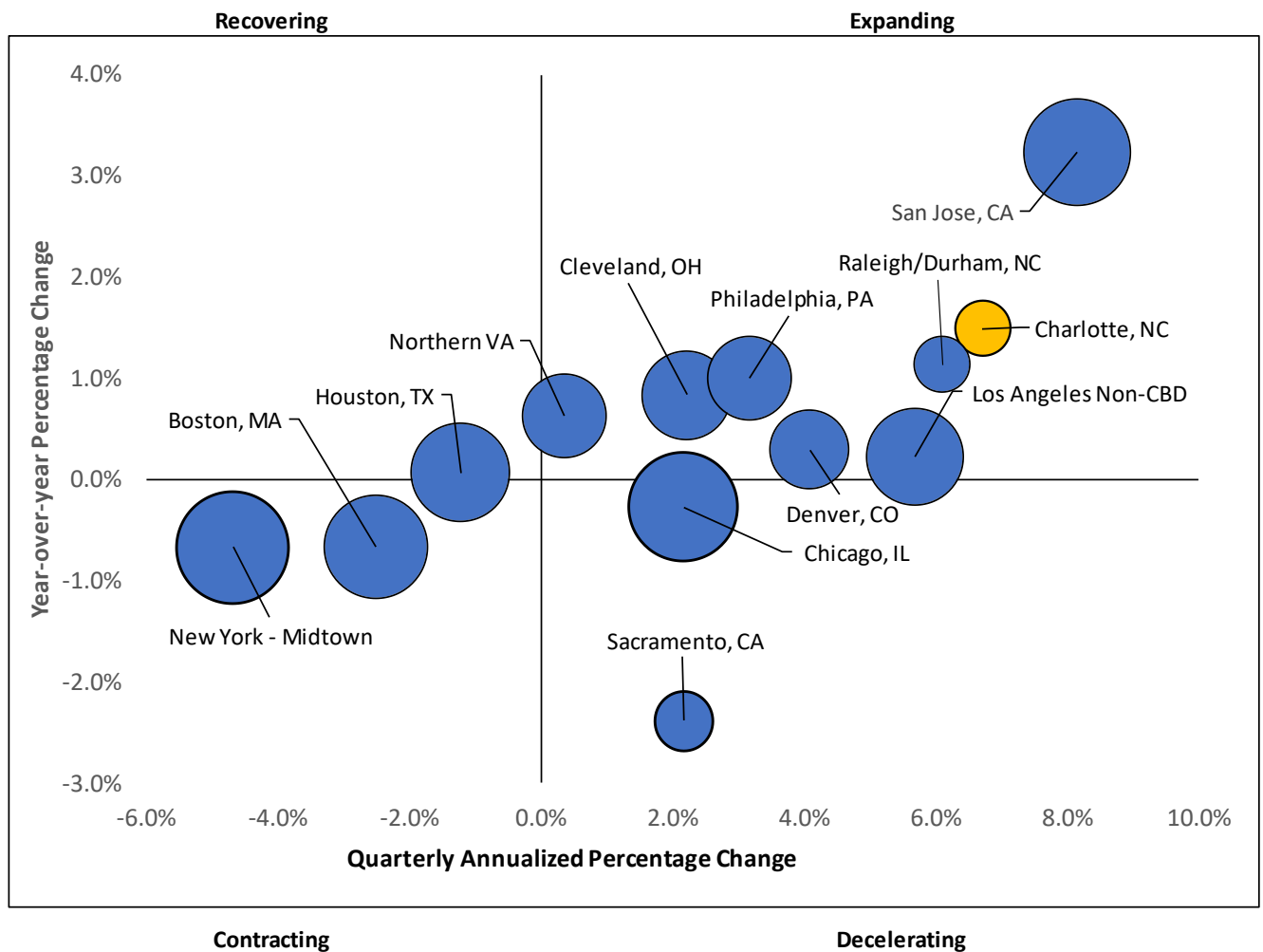
# Office Market Report for Q3 2021

## Rent Growth

In the 3rd quarter, effective office rent growth in Charlotte’s commercial office market increased 6.7% over the 2nd quarter, or 1.5% year-over-year. Charlotte’s growth continues to outpace many other large cities including Raleigh/Durham which is also doing very well in comparison with other major cities.

Mecklenburg’s asking rents averaged \$30.63 in the third quarter which is lower than the national average of \$35.63. Rents in the uptown and midtown markets of the County averaged \$35.42 while rent in the suburban markets were lower at \$28.37.

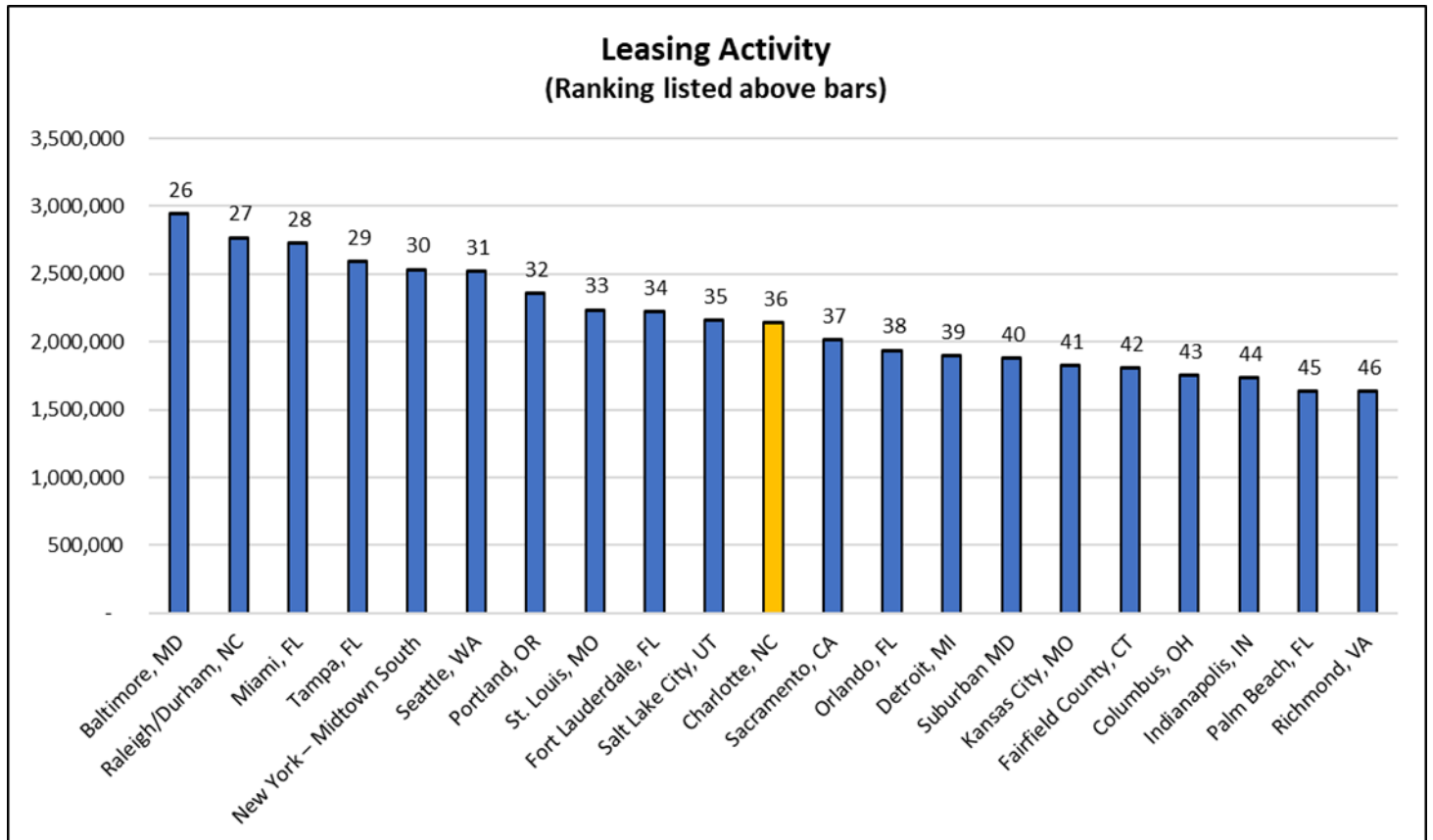
**National Office Market Rent Growth**



The above chart shows the largest 12 commercial office markets in the US by inventory level as well as Charlotte and Raleigh / Durham. The Charlotte market ranks 33rd at 57.2 million sq ft of commercial office space.

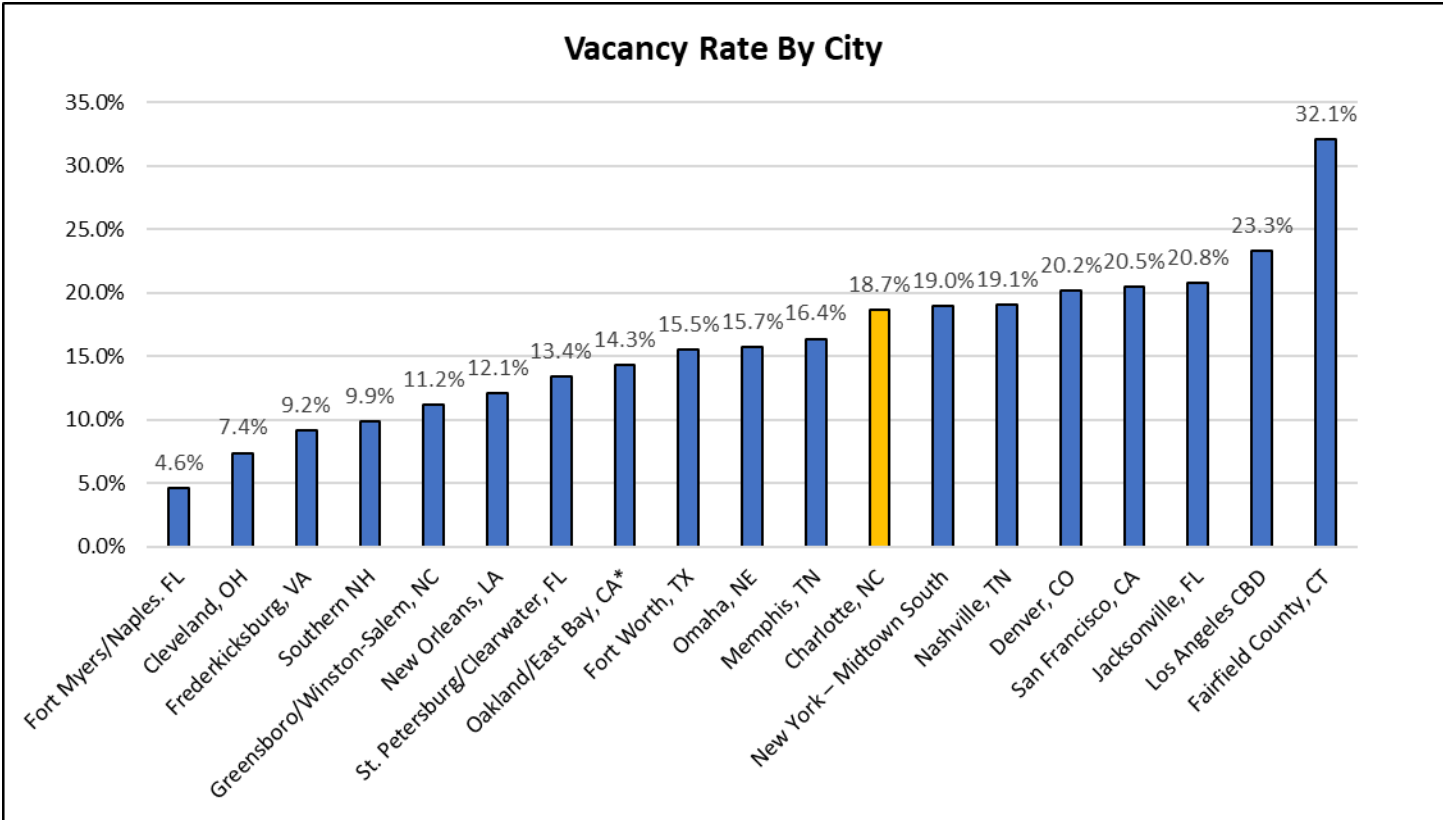
## Leasing Activity

A total of 2.1 million square foot of office space was leased in the 3rd quarter with Charlotte ranking 36th overall in total activity. The suburban market accounted for 87.9% of the total leasing activity within the County with the most active markets being the Airport and South / 485 markets. The largest transaction of the quarter occurred in South/485 where Credit Karma signed a 94,588-sf lease at Overlook for its east coast hub. The personal finance company plans to add 600 new jobs by 2026.



## Vacancy Rates

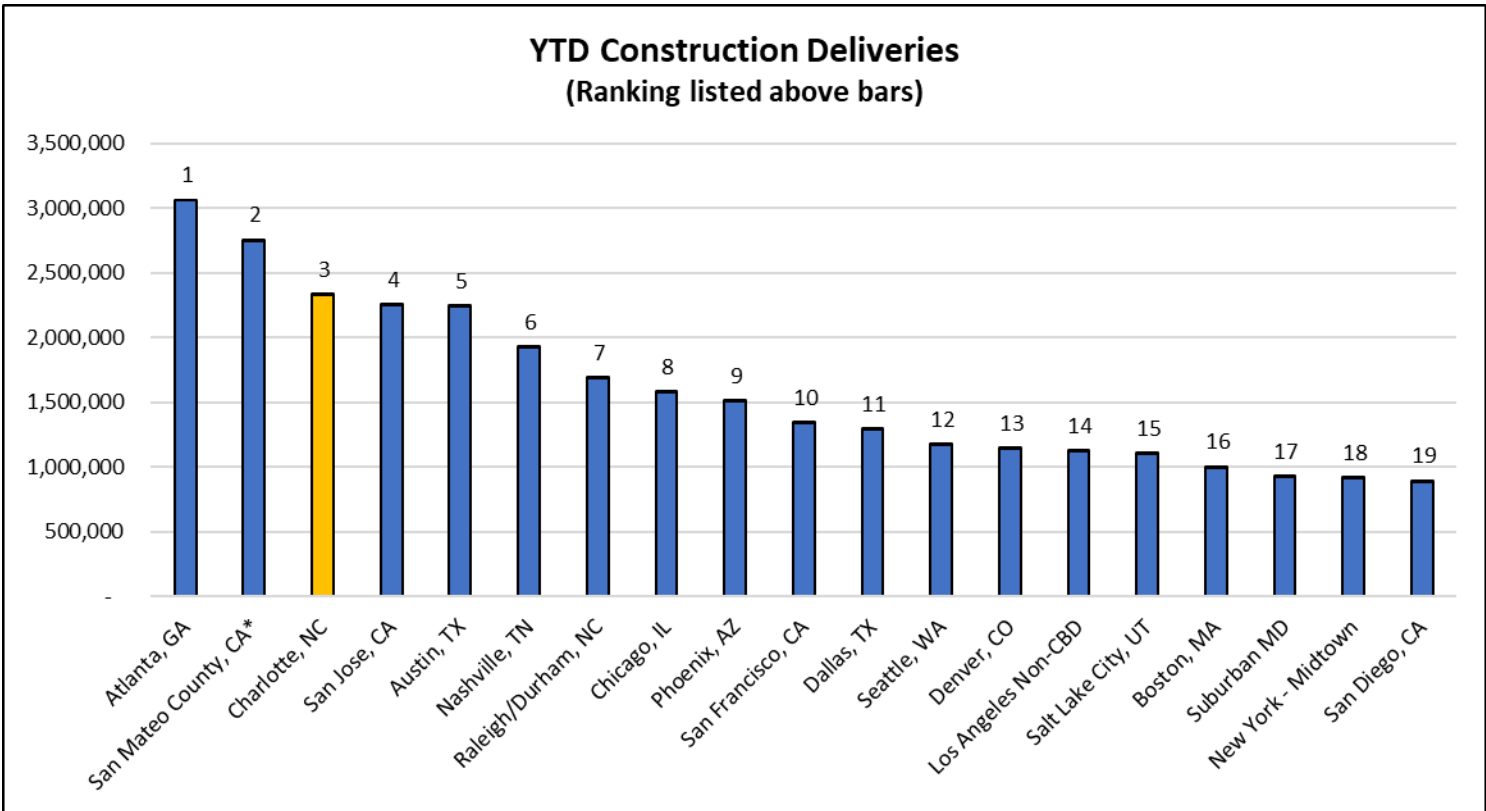
Charlotte's vacancy rate increased from 16.3% to 18.7% from the 2<sup>nd</sup> to 3<sup>rd</sup> quarter. Vacancy rates have steadily increased over the past year from 12.1% but remains near the national average of 17.4%. Note that the national vacancy rate is near the previous peak vacancy of prior recessions, as during the 2001 recession peak vacancy reached 17.6% and during the 2008 recession the vacancy rate peaked at 17.3%. New supply has played a role in the high vacancy rate for the County, year-to-date 2.3 million square foot of new space was added to the County, adding 957,000 of new space through construction and renovation activity in the 3<sup>rd</sup> quarter.



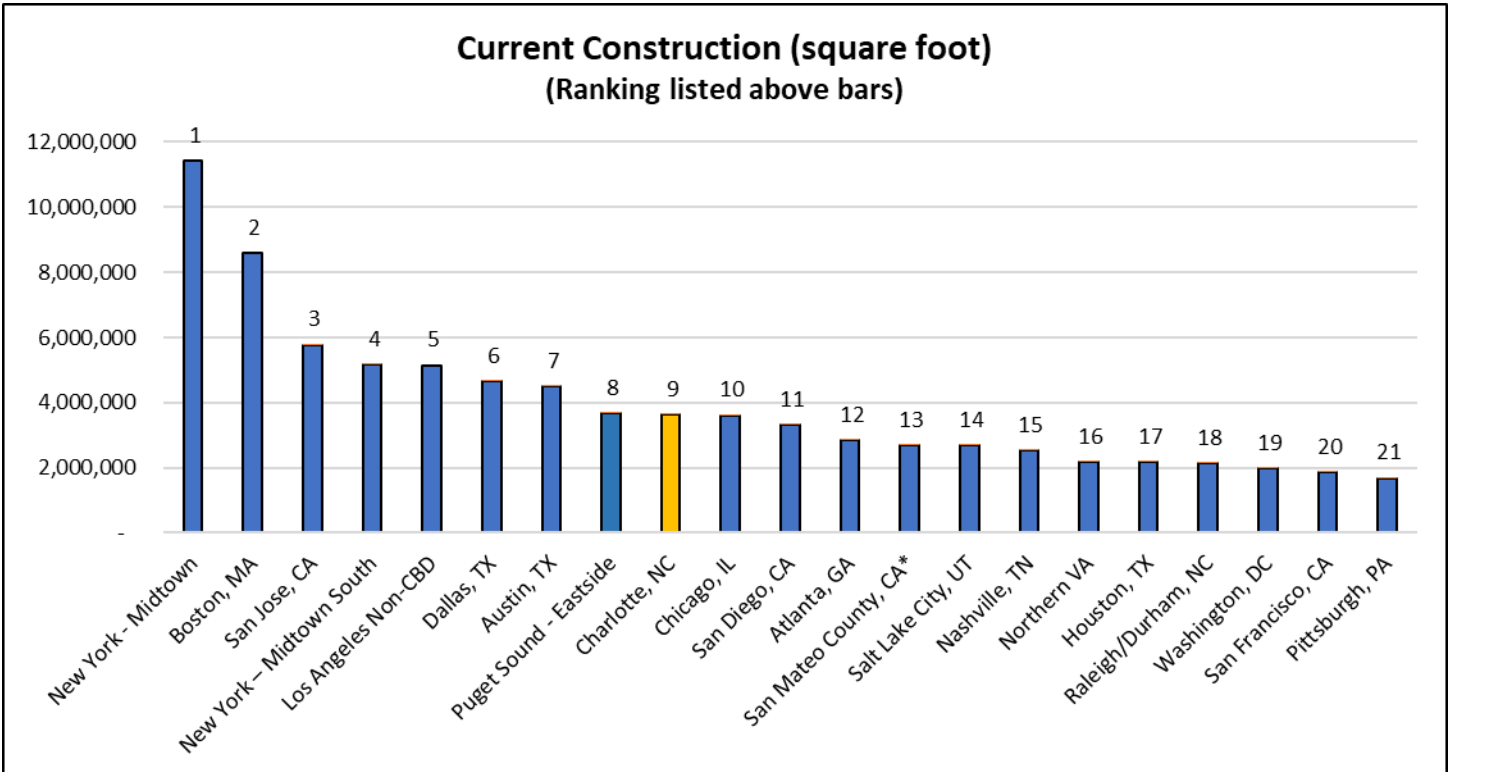
The above graph shows vacancy rates for selected cities. Charlotte was 63<sup>rd</sup> out of 87 in lowest vacancy rate.

**New Construction and Deliveries**

Office construction in the County is booming with 2.3 million square foot of inventory being completed year-to-date and an additional 3.6 million square foot currently under construction. In terms of ranking Charlotte ranks 3<sup>rd</sup> highest in construction deliveries year-to-date and 12<sup>th</sup> in current construction. In the 4<sup>th</sup> quarter an additional 692,000 square foot of space is expected to be complete which includes Portman Holdings’ “The Line” and Lowe’s build-to-suit in Midtown/South End. Of the current 3.6 million square foot under construction, 59% is preleased as demand for users seeking 100,000 square foot or more, only 10 options exist in the County available for immediate occupancy.



The above graph shows the total square footage of new office space that has been completed year-to-date.



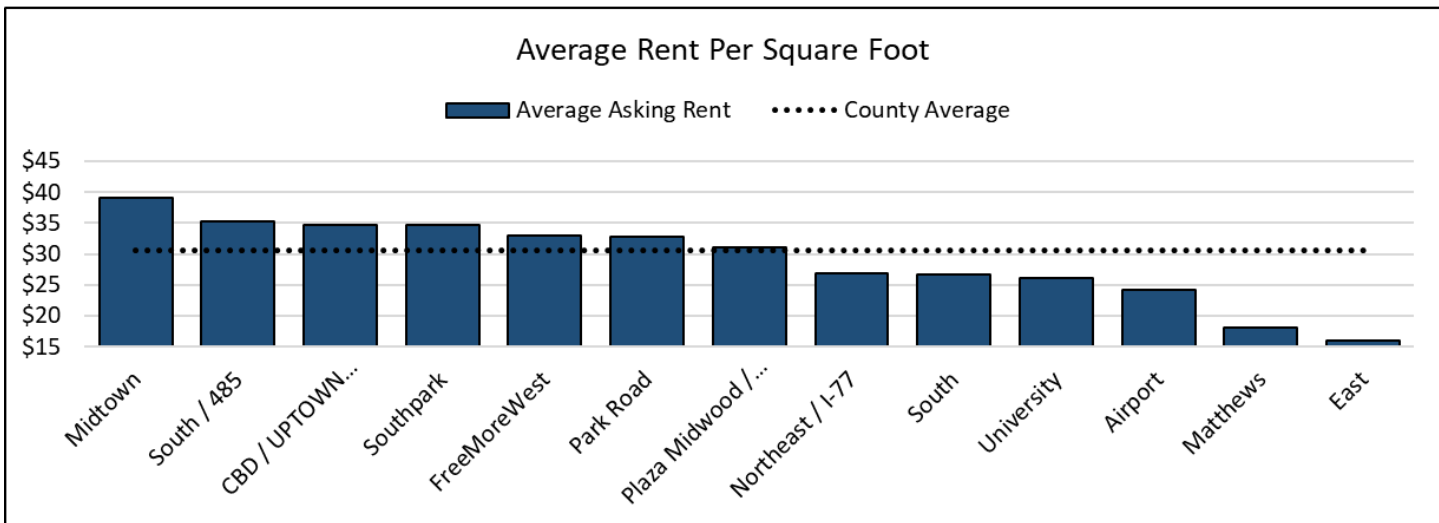
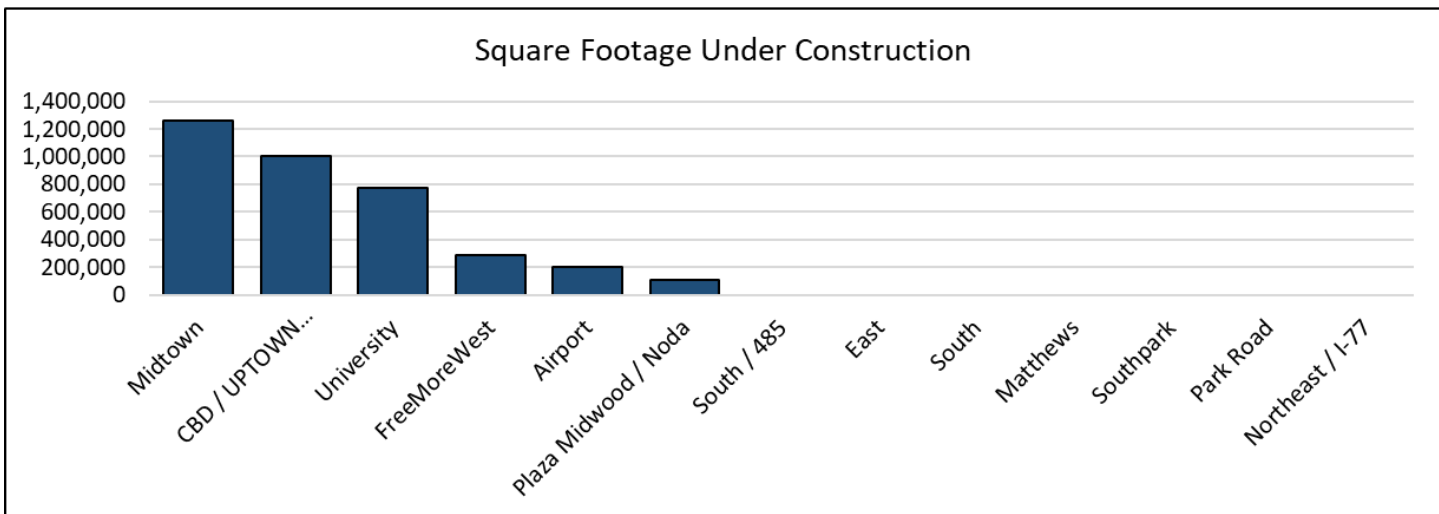
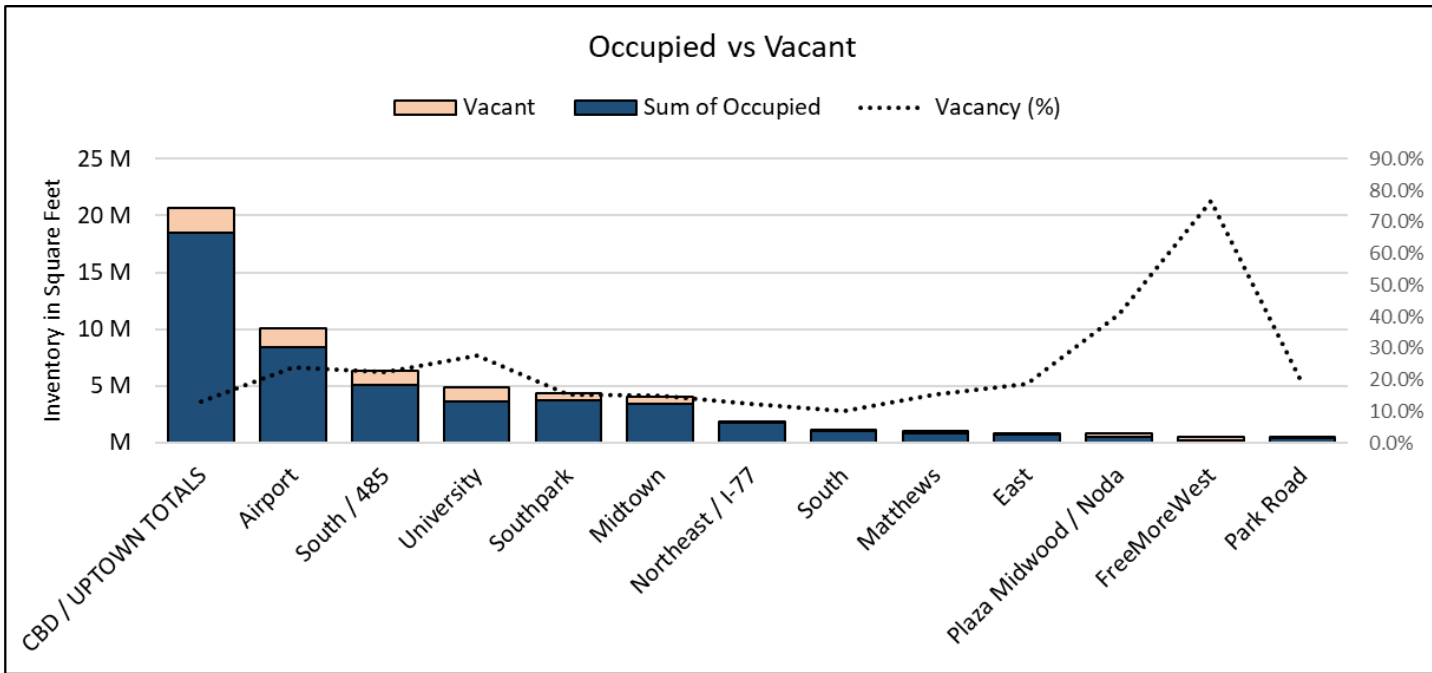
The above graph shows the total square footage of new office space that is still under construction.



## Commercial Inventory (square foot) by City

<u>Rank</u>	<u>City</u>	<u>Inventory</u>	<u>Rank</u>	<u>City</u>	<u>Inventory</u>
1	New York - Midtown	250.3 M	45	Indianapolis, IN	38.6 M
2	Chicago, IL	242.5 M	46	Fairfield County, CT	38.2 M
3	Dallas, TX	223.1 M	47	Long Island, NY	36.8 M
4	San Jose, CA	222.3 M	48	Puget Sound - Eastside	36.8 M
5	Boston, MA	209.1 M	49	Orlando, FL	36.7 M
6	Houston, TX	189.0 M	50	Greensboro/Winston-Salem, NC	35.1 M
7	Los Angeles Non-CBD	181.5 M	51	Columbus, OH	34.9 M
8	Cleveland, OH	154.2 M	52	Cincinnati, OH	33.8 M
9	Atlanta, GA	153.6 M	53	Tampa, FL	33.4 M
10	Philadelphia, PA	135.6 M	54	New York - Brooklyn	32.2 M
11	Northern VA	134.8 M	55	Milwaukee, WI	30.2 M
12	Denver, CO	120.4 M	56	Colorado Springs, CO	29.6 M
13	Washington, DC	112.9 M	57	Fort Lauderdale, FL	28.5 M
14	New Jersey - Northern	110.7 M	58	Columbia, SC	28.3 M
15	Oakland/East Bay, CA*	110.3 M	59	Tucson, AZ	28.3 M
16	Detroit, MI	109.7 M	60	Charleston, SC	28.0 M
17	Pittsburgh, PA	93.4 M	61	Los Angeles CBD	27.8 M
18	Orange County, CA	92.4 M	62	Providence, RI	26.8 M
19	Phoenix, AZ	92.0 M	63	Memphis, TN	26.6 M
20	New York - Downtown	88.3 M	64	New Orleans, LA	26.4 M
21	San Francisco, CA	85.1 M	65	Greenville, SC	26.3 M
22	New Jersey - Central	84.1 M	66	Hartford, CT	24.8 M
23	San Diego, CA	83.5 M	67	Jacksonville, FL	24.4 M
24	Minneapolis/St. Paul, MN	78.9 M	68	Palm Beach, FL	23.9 M
25	Baltimore, MD	78.1 M	69	Buffalo, NY	22.8 M
26	Sacramento, CA	68.2 M	70	Fort Myers/Naples, FL	21.9 M
27	New York - Midtown South	67.9 M	71	Inland Empire CA	21.8 M
28	Seattle, WA	67.3 M	72	Louisville, KY	20.7 M
29	San Mateo County, CA*	62.8 M	73	San Francisco North Bay, CA	20.6 M
30	Suburban MD	61.5 M	74	Omaha, NE	20.3 M
31	Austin, TX	59.3 M	75	Birmingham, AL	19.9 M
32	Raleigh/Durham, NC	59.2 M	76	El Paso, TX	19.9 M
33	Charlotte, NC	57.2 M	77	Fort Worth, TX	19.2 M
34	Portland, OR	57.1 M	78	Boise, ID	16.7 M
35	Salt Lake City, UT	56.0 M	79	Southern NH	14.4 M
36	Richmond, VA	53.6 M	80	Syracuse, NY	14.1 M
37	Kansas City, MO	53.4 M	81	Rochester, NY	14.1 M
38	St. Louis, MO	51.0 M	82	Roanoke, VA	13.3 M
39	San Antonio, TX	48.7 M	83	St. Petersburg/Clearwater, FL	12.0 M
40	Tulsa, OK	48.1 M	84	New Haven, CT	10.7 M
41	Nashville, TN	46.6 M	85	San Juan, PR	10.3 M
42	Miami, FL	46.1 M	86	Fredericksburg, VA	10.3 M
43	Hampton Roads, VA	45.1 M	87	Reno, NV	8.1 M
44	Las Vegas, NV	40.3 M	88	Binghamton, NY	4.2 M

## GRAPHS AND COMPARISONS



# MECKLENBURG COUNTY QUARTERLY STATISTICS

## OFFICE MARKET STATISTICS - THIRD QUARTER 2021

Submarket	Inventory (SF)	Sublet Vacant (SF)	Direct Vacant (SF)	Overall Vacancy (%)	Current Quarter Absorption	Under Construction (SF)	YTD Deliveries (SF)	Asking Rent (All Classes)	Asking Rent (Class A)
<b>CBD / UPTOWN TOTALS</b>	20,687,621	502,872	2,217,510	13.1%	2,274	1,000,000	1,185,415	\$34.71	\$36.04
Midtown	4,026,434	31,146	568,240	14.9%	37,602	1,264,183	465,597	\$39.04	\$40.09
<b>Urban Market Total</b>	<b>24,714,055</b>	<b>534,018</b>	<b>2,785,750</b>	<b>13.4%</b>	<b>39,876</b>	<b>2,264,183</b>	<b>1,651,012</b>	<b>\$35.42</b>	<b>\$35.42</b>
Northeast / I-77	1,861,379	91,666	138,924	12.4%	33,949	0	-	\$26.86	\$27.80
FreeMoreWest	541,680	29,950	384,964	76.6%	23,649	289,000	-	\$33.00	\$33.00
University	4,856,444	155,350	1,196,319	27.8%	-63,896	770,000	159,487	\$26.16	\$27.29
Plaza Midwood / Noda	809,104	0	328,378	40.6%	8,953	109,972	53,020	\$30.99	\$33.34
Airport	10,117,991	720,439	1,716,823	24.1%	-112,710	200,000	-	\$24.27	\$26.48
Park Road	506,133	8,208	84,403	18.3%	565	0	-	\$32.84	\$32.00
Matthews	1,031,707	0	158,140	15.3%	-22,903	0	-	\$18.12	\$18.46
South / 485	6,376,662	147,061	1,281,511	22.4%	-94,565	0	463,966	\$35.29	\$35.66
South	1,168,364	0	117,855	10.1%	-3,237	0	-	\$26.65	\$26.97
East	855,651	0	161,168	18.8%	-536	0	-	\$16.06	
Southpark	4,366,937	66,841	597,661	15.2%	-8,428	0	-	\$34.60	\$36.49
<b>Suburban Market Total</b>	<b>32,492,052</b>	<b>1,219,515</b>	<b>6,166,146</b>	<b>22.7%</b>	<b>-239,159</b>	<b>1,368,972</b>	<b>676,473</b>	<b>\$28.37</b>	<b>\$28.37</b>
<b>Class A</b>	<b>40,696,247</b>	<b>882,471</b>	<b>5,947,880</b>	<b>16.8%</b>	<b>-120,076</b>	<b>3,344,155</b>	<b>2,274,465</b>	<b>\$33.25</b>	<b>\$33.25</b>
<b>Class B</b>	<b>16,509,860</b>	<b>871,062</b>	<b>3,004,016</b>	<b>23.5%</b>	<b>-79,207</b>	<b>289,000</b>	<b>53,020</b>	<b>\$25.83</b>	
<b>Mecklenburg Total</b>	<b>57,206,107</b>	<b>1,753,533</b>	<b>8,951,896</b>	<b>18.7%</b>	<b>-199,283</b>	<b>3,633,155</b>	<b>2,327,485</b>	<b>\$30.67</b>	<b>\$33.25</b>

