

Mecklenburg County Commercial Office Market

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2021 - Q2

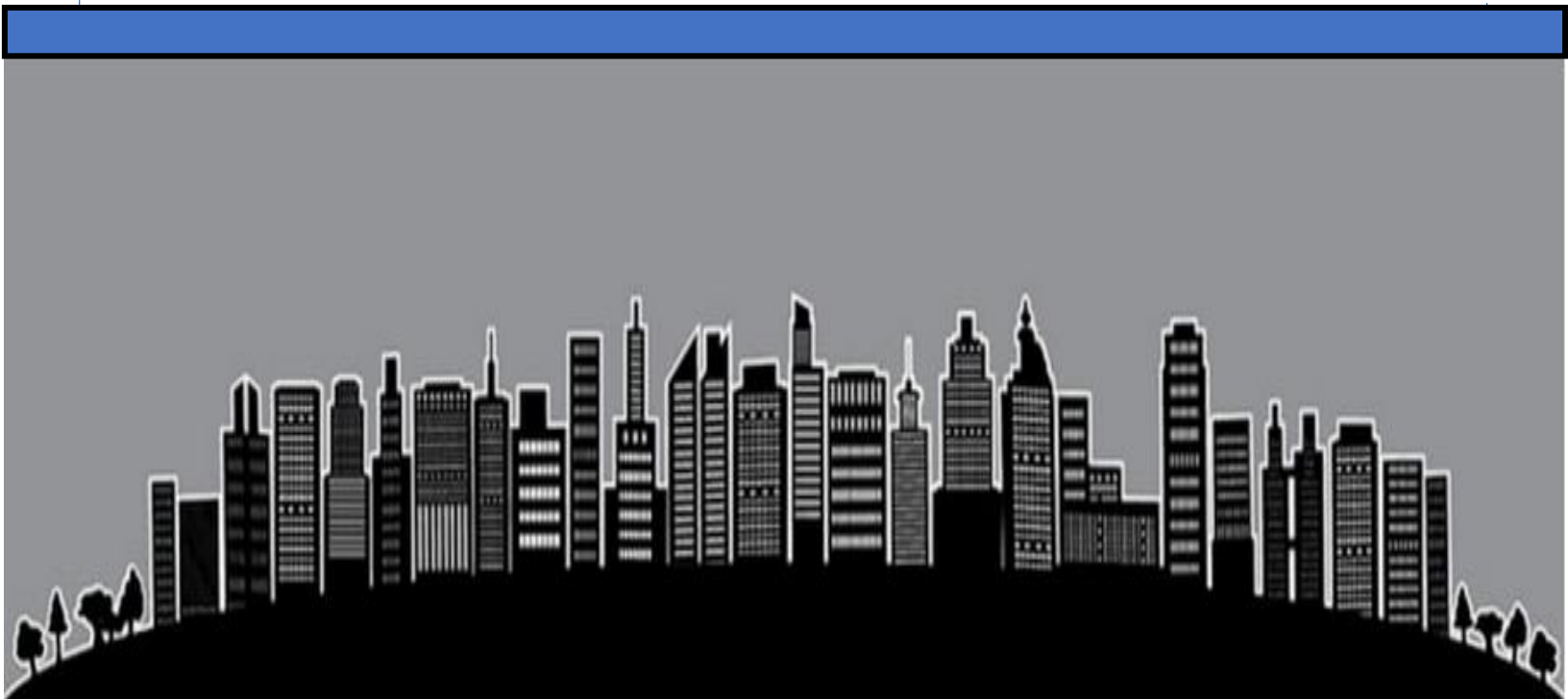


Table of Contents

Commonly Used Terms	2
Definitions & Map	3
National Comparisons	4
Commercial Office Space by City	7
Local Market Summary	8
Local Market Graphs	9
Local Market Statistics	10

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 Architecturally, these buildings are the least desirable, and building infrastructure and technology is outdated.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

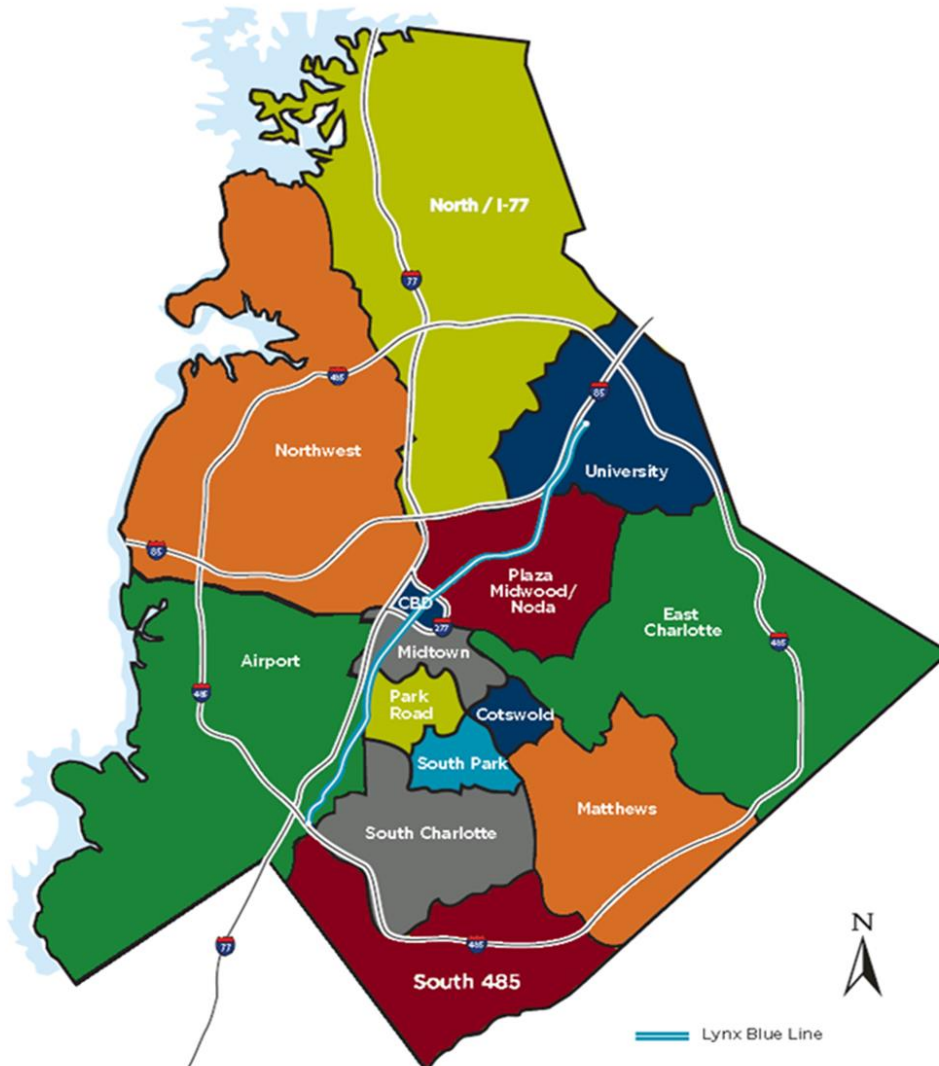
Overall Vacancy rate: Total vacant as a percentage of the total inventory square footage.

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.

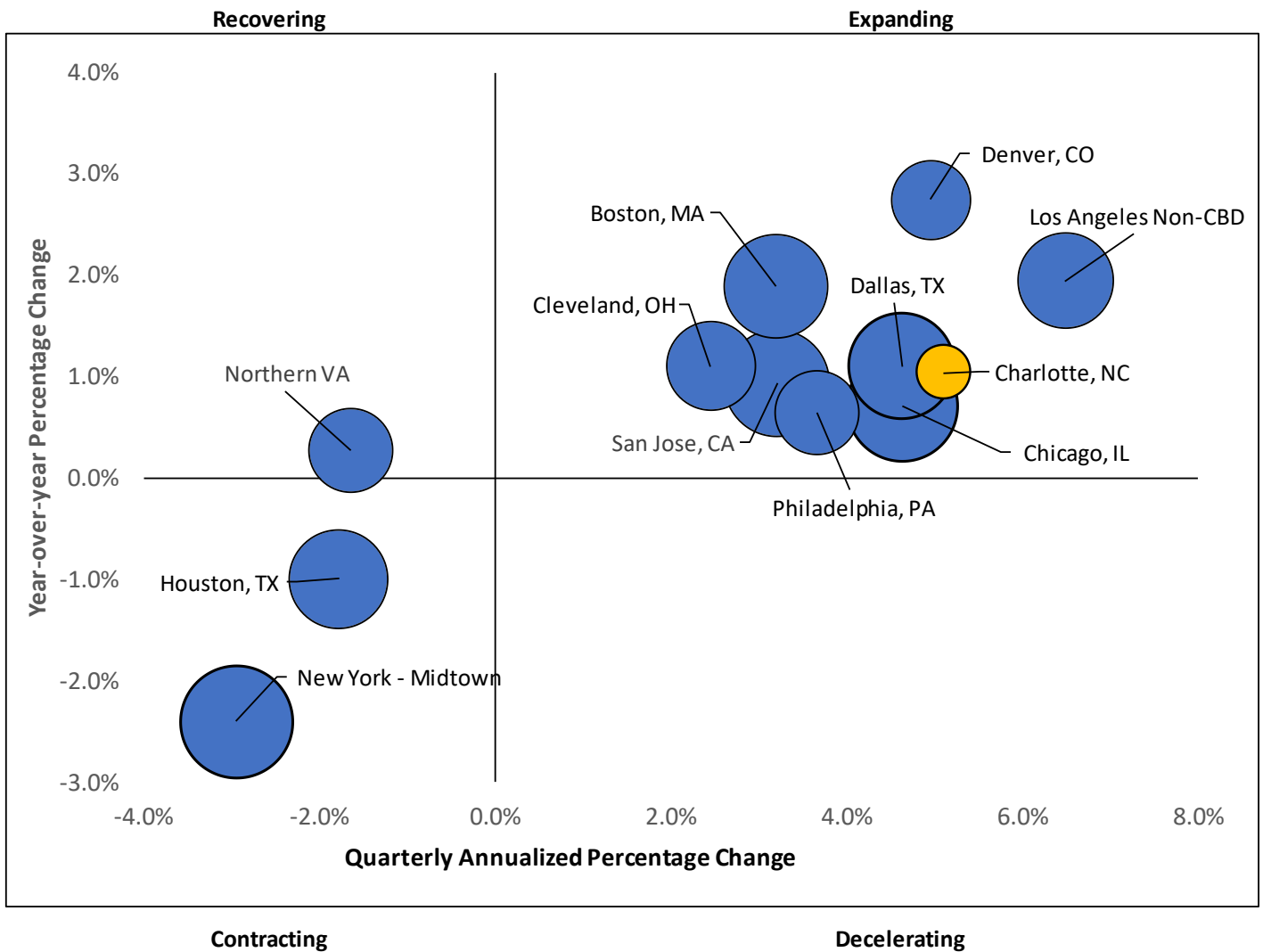


National Comparison

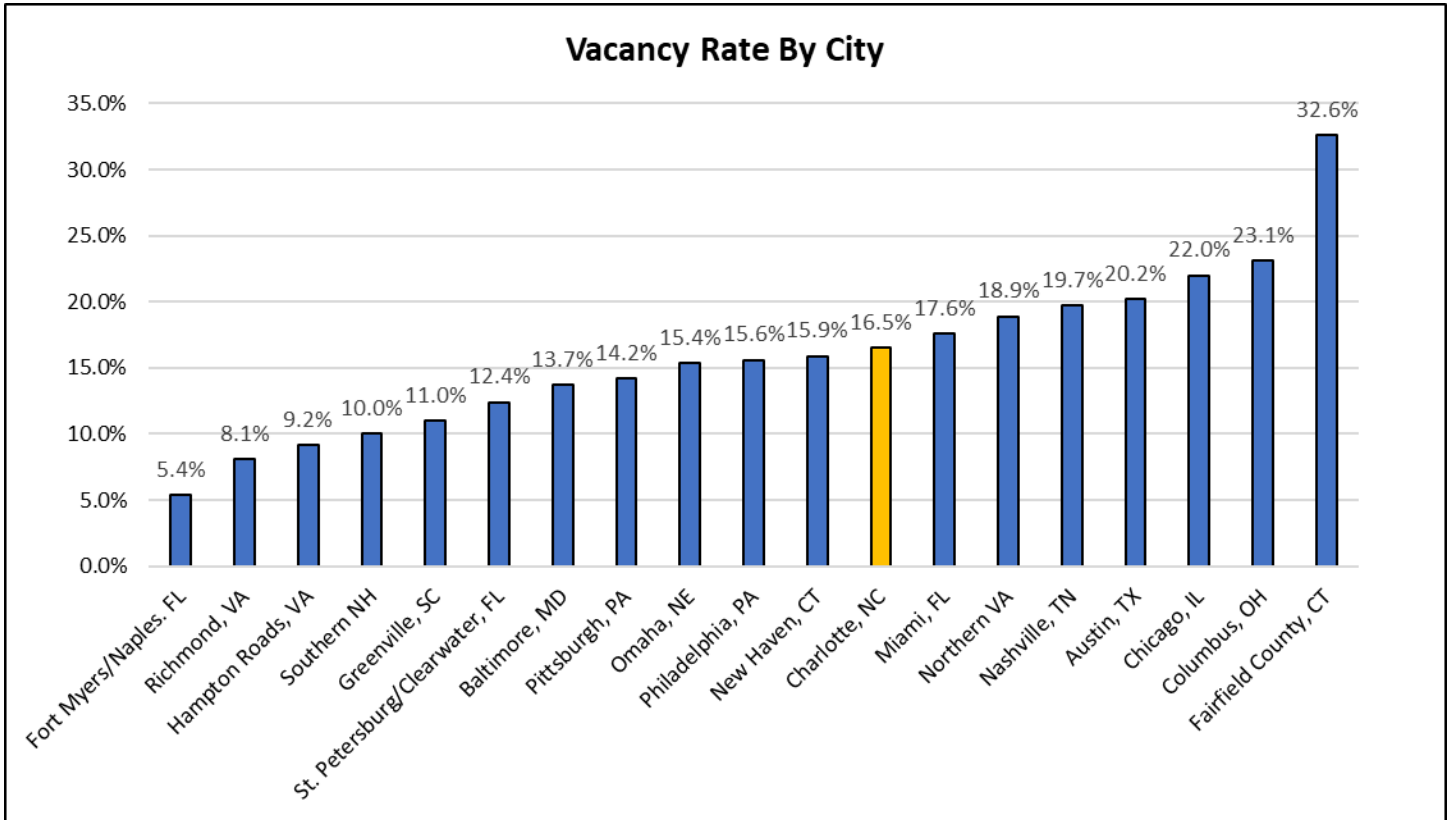
The Charlotte commercial office market moved up one position to become the 34th largest office market in the US after surpassing Salt Lake City, UT with 55.8 million square foot of office space. Charlotte's office market posted year-over-year growth at 1.0% with the most recent quarterly growth increasing at 5.1%.

Charlotte continues to attract new businesses which is ensuring that office market demand remains high. In the second quarter the company announcements included Credit Karma's which will invest more than \$13 million to expand its Charlotte presence with a new high-tech engineering hub creating 600 new jobs. Also, USAA confirmed it would lease six floors in South End to create 750 new jobs.

National Office Market Rent Growth



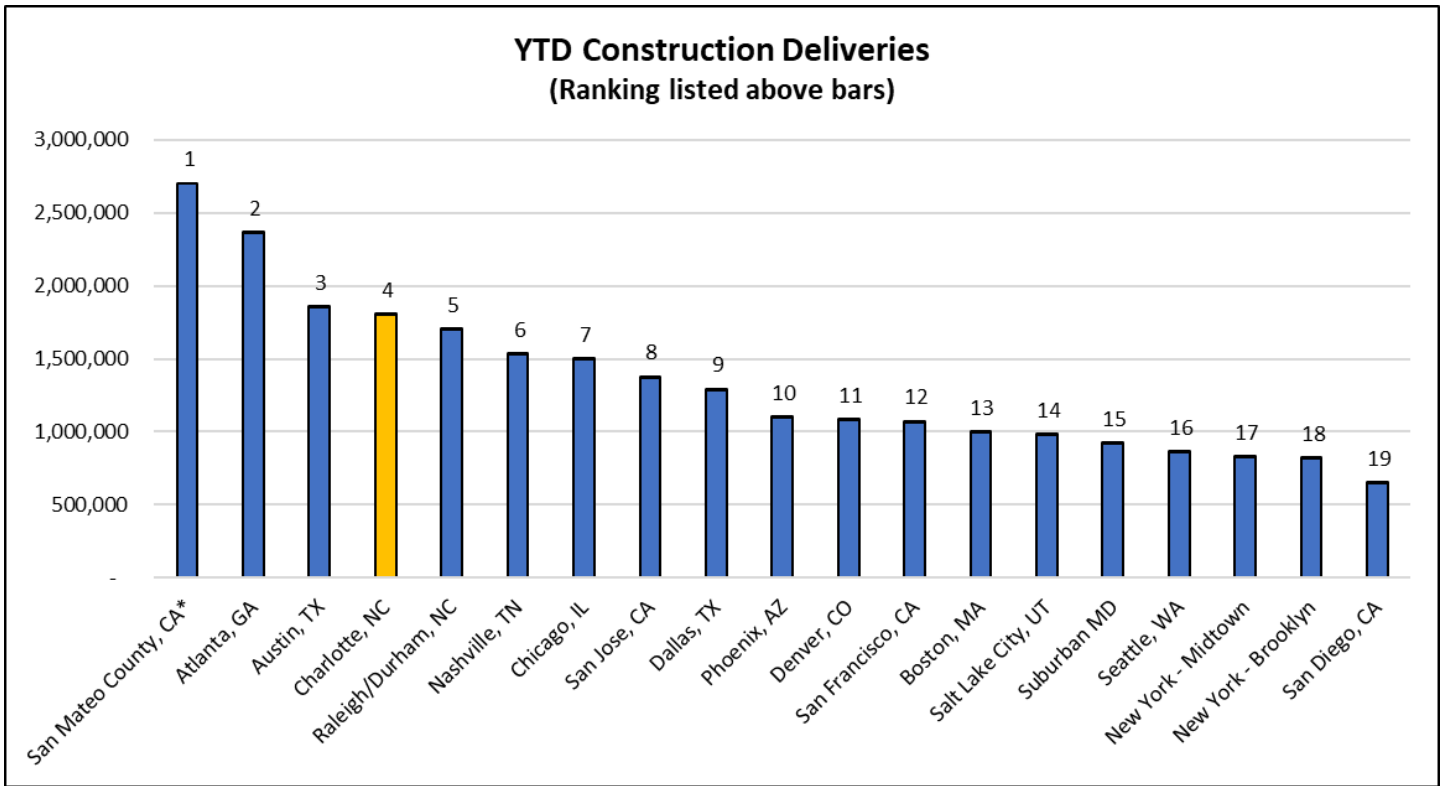
Vacancy rates for the Charlotte market increased to 16.5% from 15.1% in the prior quarter. The lowest vacancy rate of any city was Fort Myers / Naples, Florida at 5.4% and the highest was Fairfield County, Connecticut at 32.6%. Despite the uptick in vacancy, space options remain limited. For users seeking 100,000 square foot or more, only eight options exist across all of Metro Charlotte available for immediate occupancy. The overall supply of large space means that the need to build more office space will continue into the foreseeable future.



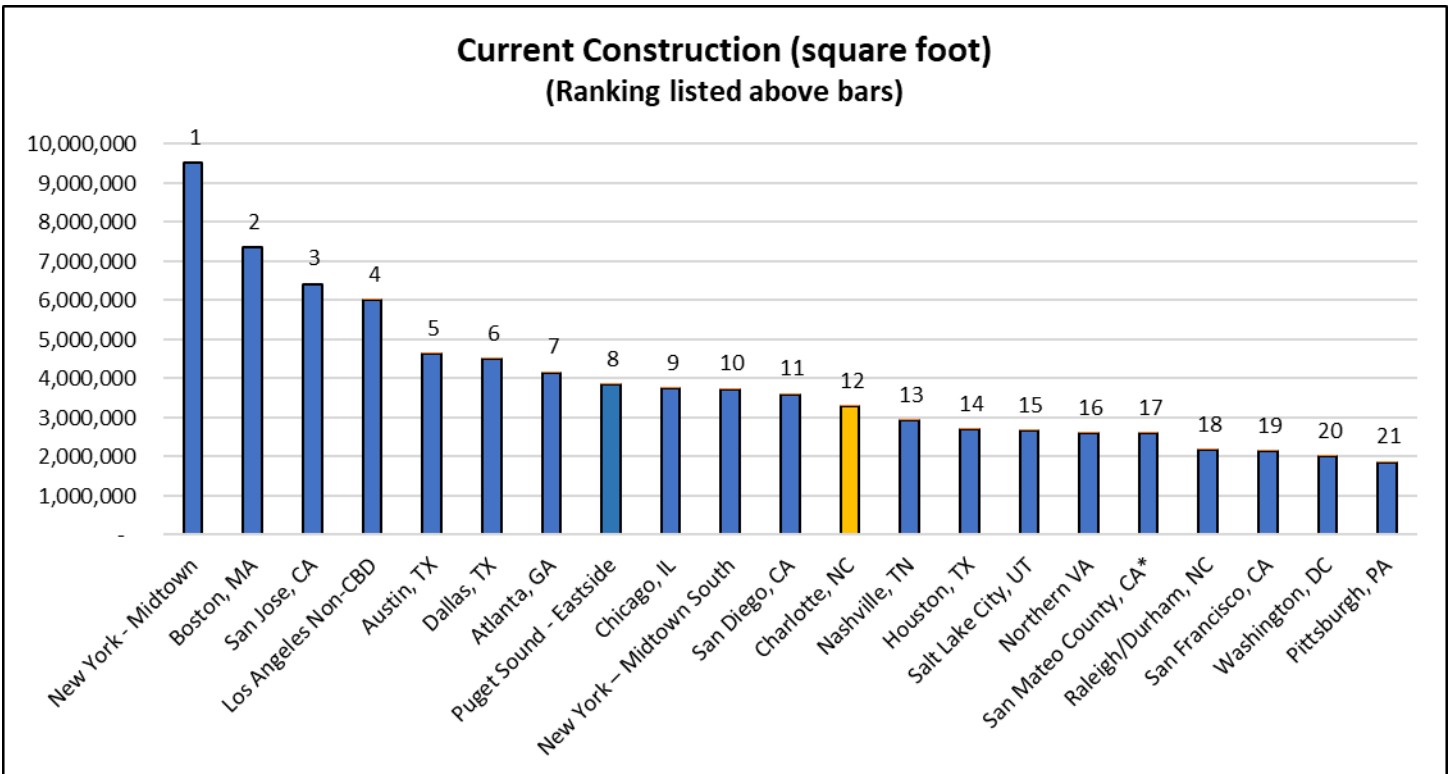
The above graph shows vacancy rates for selected cities. Charlotte was 52nd out of 87 in lowest vacancy rate.

Charlotte ranked 4th for the most office space delivered in the US over the past two quarters with 1.8 million square foot which was partially responsible for increase in vacancy in the city. The urban CDB / Uptown market and Midtown market delivered 66% of the new space in the city with the remainder delivered in the suburban areas of the city.

Not only has Charlotte had one of the largest construction deliveries in the US recently, it also has 3.28 million square foot still under construction ranking Charlotte 12th nationally. Of the 3.28 million square foot under construction, 2.4 million of the space is located within the urban CBD / Midtown markets. The remaining office space under construction is mostly being built in the University area with 770,000 and Plaza Midwood / Noda with 109,972 square foot under construction.



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	249.8 M	45	Fairfield County, CT	38.2 M
2	Chicago, IL	242.5 M	46	Long Island, NY	36.8 M
3	Dallas, TX	223.7 M	47	Orlando, FL	36.7 M
4	San Jose, CA	221.2 M	48	Puget Sound - Eastside	35.8 M
5	Boston, MA	209.8 M	49	Columbus, OH	34.8 M
6	Houston, TX	189.4 M	50	Greensboro/Winston-Salem, NC	34.8 M
7	Los Angeles Non-CBD	179.0 M	51	Cincinnati, OH	33.8 M
8	Cleveland, OH	154.0 M	52	Tampa, FL	32.9 M
9	Atlanta, GA	152.7 M	53	New York - Brooklyn	32.0 M
10	Northern VA	135.2 M	54	Milwaukee, WI	30.3 M
11	Philadelphia, PA	135.0 M	55	Colorado Springs, CO	29.1 M
12	Denver, CO	120.4 M	56	Fort Lauderdale, FL	28.5 M
13	Washington, DC	112.5 M	57	Columbia, SC	28.3 M
14	New Jersey - Northern	110.5 M	58	Tucson, AZ	28.3 M
15	Oakland/East Bay, CA*	110.2 M	59	Charleston, SC	28.1 M
16	Detroit, MI	109.7 M	60	Los Angeles CBD	27.8 M
17	Pittsburgh, PA	93.4 M	61	Providence, RI	26.9 M
18	Phoenix, AZ	92.3 M	62	New Orleans, LA	26.4 M
19	Orange County, CA	92.1 M	63	Memphis, TN	26.2 M
20	New York - Downtown	88.3 M	64	Greenville, SC	26.1 M
21	San Francisco, CA	84.8 M	65	Hartford, CT	24.8 M
22	New Jersey - Central	83.8 M	66	Palm Beach, FL	23.9 M
23	San Diego, CA	83.2 M	67	Jacksonville, FL	23.9 M
24	Minneapolis/St. Paul, MN	78.9 M	68	Westchester County, NY	23.4 M
25	Baltimore, MD	78.0 M	69	Buffalo, NY	22.7 M
26	Sacramento, CA	68.1 M	70	Fort Myers/Naples, FL	22.1 M
27	New York – Midtown South	67.6 M	71	Inland Empire CA	21.8 M
28	Seattle, WA	66.8 M	72	Louisville, KY	20.7 M
29	San Mateo County, CA*	62.7 M	73	San Francisco North Bay, CA	20.7 M
30	Suburban MD	61.5 M	74	Omaha, NE	20.1 M
31	Raleigh/Durham, NC	59.1 M	75	Birmingham, AL	19.9 M
32	Austin, TX	58.8 M	76	El Paso, TX	19.9 M
33	Portland, OR	55.9 M	77	Fort Worth, TX	19.2 M
34	Charlotte, NC	55.8 M	78	Boise, ID	16.5 M
35	Salt Lake City, UT	55.5 M	79	Southern NH	14.4 M
36	Kansas City, MO	53.5 M	80	Syracuse, NY	14.2 M
37	Richmond, VA	53.4 M	81	Rochester, NY	14.1 M
38	St. Louis, MO	51.0 M	82	Roanoke, VA	13.3 M
39	Tulsa, OK	48.2 M	83	St. Petersburg/Clearwater, FL	11.9 M
40	Las Vegas, NV	47.6 M	84	New Haven, CT	10.7 M
41	Nashville, TN	46.2 M	85	Fredericksburg, VA	10.3 M
42	Miami, FL	46.0 M	86	San Juan, PR	10.3 M
43	Hampton Roads, VA	45.2 M	87	Reno, NV	8.1 M
44	Indianapolis, IN	38.5 M	88	Binghamton, NY	4.2 M

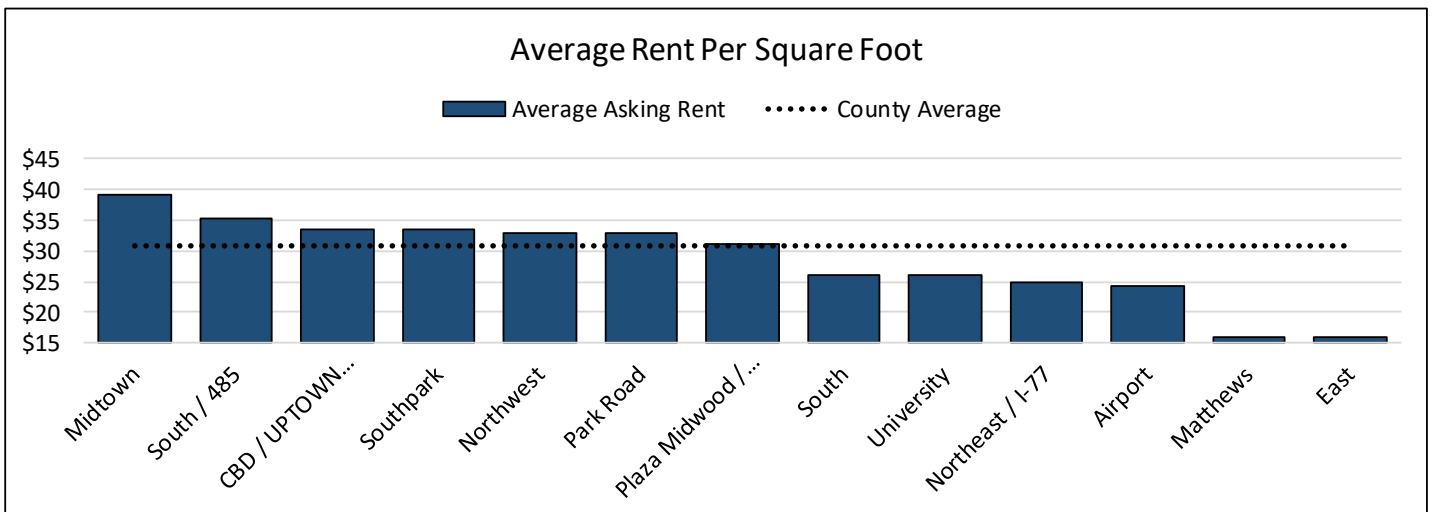
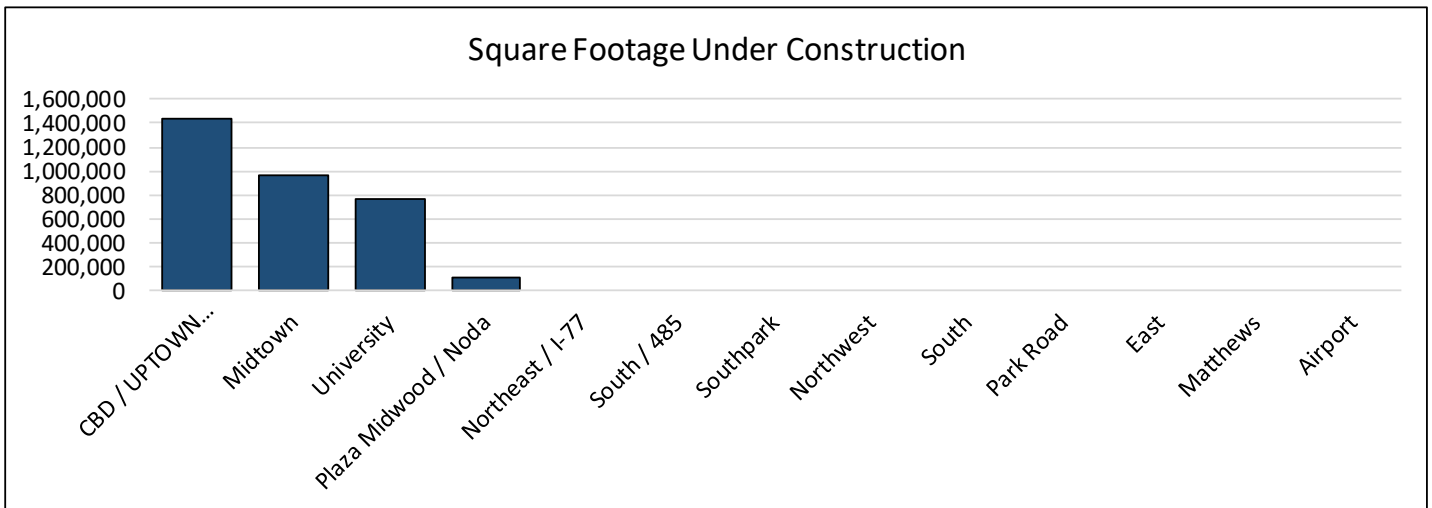
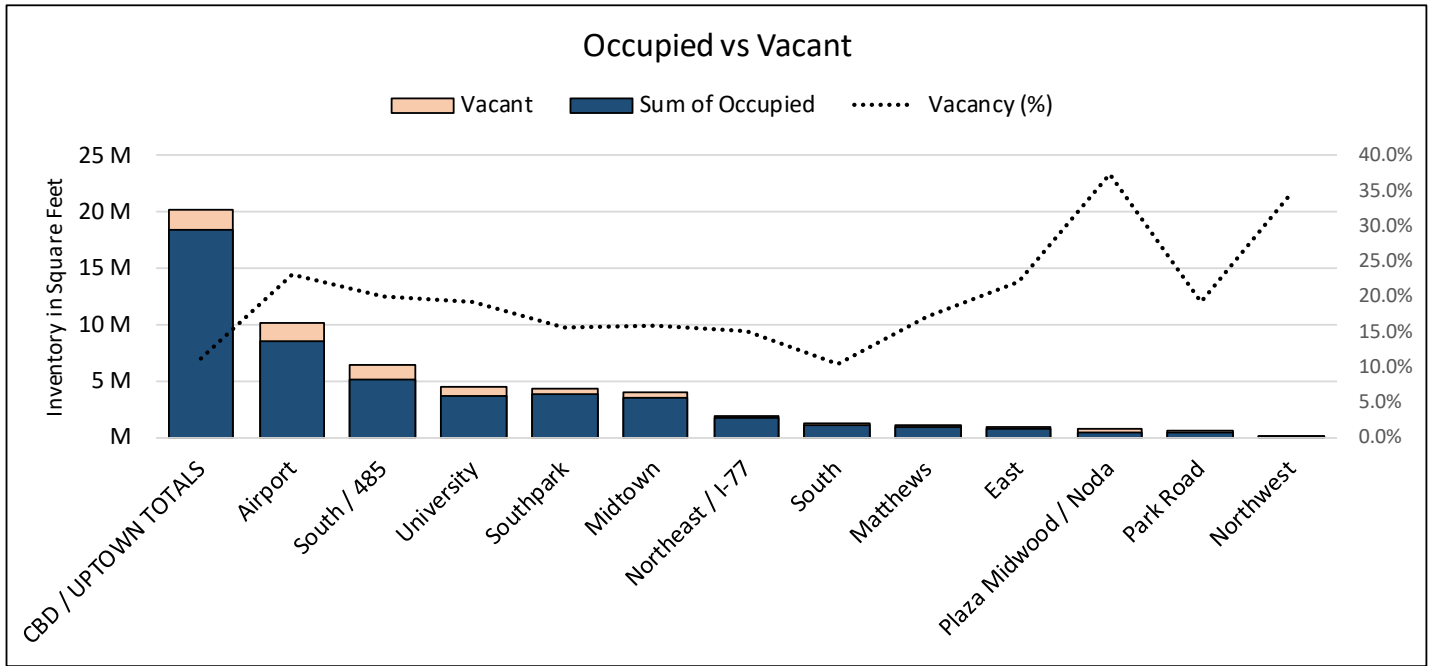
Mecklenburg County Urban Market

The CBD / Uptown market and the Midtown market comprise 43.4% of the Counties total inventory of commercial office space. Vacancy rates in the urban areas are lower than its suburban counterparts averaging 12%. The largest transaction of the quarter occurred in Midtown where USAA signed a 93,738 square foot lease at The Square. Another notable transaction of the quarter was Robinhood's 47,797 square foot signing at Legacy Union in the CBD / Uptown market. Rents in the urban market fell on average 23 cents from the prior quarter, or 0.7%. Overall, we are seeing the owners make concessions while holding rents stable.

Mecklenburg County Suburban Market

The suburban markets of the County comprise 56.6% of the total commercial inventory and has a vacancy rate averaging 20% with the highest vacancy rate found in the Northwest market at 34.6% and the lowest in the South Market with 10.4% which is also the lowest submarket vacancy rate in the County. The suburban markets currently have 879,972 square foot of new construction under development and an additional 959,787 square foot of space under renovation. In the suburban market rents increased 50 cents from the previous quarter or 1.8%. Matthews showed the highest growth in rents with average rents increasing \$2.61 per square foot to \$16.08.

GRAPHS AND COMPARISONS



MECKLENBURG COUNTY QUARTERLY STATISTICS

OFFICE MARKET STATISTICS - SECOND 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	20,244,206	486,878	1,773,761	11.2%	671,816	1,443,415	-	742,000	\$33.45
Midtown	3,994,476	60,406	575,937	15.9%	31,937	962,897	104,599	465,597	\$39.08
Urban Market Total	24,238,682	547,284	2,349,698	12.0%	703,753	2,406,312	104,599	1,207,597	\$34.38
Northeast / I-77	1,861,379	90,354	190,245	15.1%	24,382	0	-	-	\$24.90
Northwest	157,958	29,950	24,761	34.6%	15,919	0	383,722	-	\$33.00
University	4,426,391	139,900	708,695	19.2%	-2,850	770,000	429,607	159,041	\$26.15
Plaza Midwood / Noda	750,482	0	281,709	37.5%	0	109,972	-	-	\$31.16
Airport	10,102,939	718,246	1,617,712	23.1%	-581,040	0	-	-	\$24.13
Park Road	506,133	8,208	89,026	19.2%	-3,661	0	146,458	-	\$32.83
Matthews	1,031,707	0	177,092	17.2%	-67,192	0	-	-	\$16.08
South / 485	6,348,604	85,733	1,177,356	19.9%	-14,517	0	-	436,500	\$35.30
South	1,168,364	1,986	119,825	10.4%	-4,922	0	-	-	\$26.16
East	855,651	0	189,919	22.2%	-1,105	0	-	-	\$15.99
Southpark	4,366,937	84,396	590,534	15.5%	-43,539	0	-	-	\$33.40
Suburban Market Total	31,576,545	1,158,773	5,166,874	20.0%	-678,525	879,972	959,787	595,541	\$27.93
Class A	39,721,639	871,889	4,944,634	14.6%	523,470	3,286,284	670,065	1,803,138	\$32.48
Class B	16,093,588	834,168	2,571,938	21.2%	-498,242	0	394,321	-	\$25.54
Mecklenburg Total	55,815,227	1,706,057	7,516,572	16.5%	25,228	3,286,284	1,064,386	1,803,138	\$30.73

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

MECKLENBURG COUNTY QUARTERLY STATISTICS

OFFICE MARKET STATISTICS - VARIANCE (CURRENT - PRIOR)										
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	742,000	-3,989	24,037	-0.3%	1,164,014	-742,000	0	742,000	-\$0.62	
Midtown	138,710	36,950	62,387	2.0%	-131,613	-193,748	0	138,710	\$1.78	
Urban Market Total	880,710	32,961	86,424	0.1%	1,032,401	-935,748	-	880,710	-\$0.23	
Northeast / I-77	0	-10,228	-18,296	-1.5%	-1,480	0	0	0	-\$0.58	
Northwest	29,480	0	7,311	-2.3%	-3,881	0	32,520	0	\$0.00	
University	0	0	2,850	0.1%	31,981	0	0	0	-\$0.01	
Plaza Midwood / Noda	40,426	0	40,426	3.5%	-57,129	0	-36,940	0	-\$1.53	
Airport	1,348	481,341	58,395	5.3%	-523,340	0	0	0	-\$0.23	
Park Road	0	0	2,071	0.4%	10,182	0	0	0	\$0.18	
Matthews	-35,375	-51,650	31,817	-1.3%	-56,054	0	0	0	\$2.61	
South / 485	436,500	-54,375	479,415	5.7%	54,463	-436,500	0	436,500	\$1.75	
South	0	-6,914	15,660	0.7%	7,591	0	0	0	-\$0.14	
East	-1,448	0	261	0.1%	-3,614	0	0	0	-\$0.02	
Southpark	-64,000	-9,196	46,317	1.1%	35,031	0	0	0	\$0.79	
Suburban Market Total	406,931	348,978	666,227	3.0%	-506,250	-436,500	(4,420)	436,500	\$0.50	
Class A	1,346,690	-64,663	791,832	1.3%	771,916	-1,372,248	32,520	1,317,210	\$0.30	
Class B	-59,049	446,602	-39,181	2.6%	-245,765	0	-36,940	0	\$0.47	
Charlotte Metro Total	1,287,641	381,939	752,651	1.7%	526,151	-1,372,248	(4,420)	1,317,210	\$0.23	

OFFICE MARKET STATISTICS - PERCENTAGE CHANGE										
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	3.8%	-0.8%	1.4%	-2.6%	-236.5%	-34.0%	0.0%	0.0%	-1.8%	
Midtown	3.6%	157.5%	12.1%	14.4%	-80.5%	-16.8%	0.0%	42.4%	4.8%	
Urban Market Total	3.8%	6.4%	3.8%	0.5%	-314.1%	-28.0%	0.0%	269.4%	-0.7%	
Northeast / I-77	0.0%	-10.2%	-8.8%	-9.0%	-5.7%	0.0%	0.0%	0.0%	-2.3%	
Northwest	22.9%	0.0%	41.9%	-6.2%	-19.6%	0.0%	9.3%	0.0%	0.0%	
University	0.0%	0.0%	0.4%	0.5%	-91.8%	0.0%	0.0%	0.0%	0.0%	
Plaza Midwood / Noda	5.7%	0.0%	16.8%	10.3%	-100.0%	0.0%	-100.0%	0.0%	-4.7%	
Airport	0.0%	203.2%	3.7%	29.8%	907.0%	0.0%	0.0%	0.0%	-0.9%	
Park Road	0.0%	0.0%	2.4%	2.1%	-73.6%	0.0%	0.0%	0.0%	0.6%	
Matthews	-3.3%	-100.0%	21.9%	-7.0%	503.3%	0.0%	0.0%	0.0%	19.4%	
South / 485	7.4%	-38.8%	68.7%	40.1%	-79.0%	-100.0%	0.0%	0.0%	5.2%	
South	0.0%	-77.7%	15.0%	7.2%	-60.7%	0.0%	0.0%	0.0%	-0.5%	
East	-0.2%	0.0%	0.1%	0.5%	-144.0%	0.0%	0.0%	0.0%	-0.1%	
Southpark	-1.4%	-9.8%	8.5%	7.6%	-44.6%	0.0%	0.0%	0.0%	2.4%	
Suburban Market Total	1.3%	43.1%	14.8%	17.6%	293.9%	-33.2%	-0.5%	274.5%	1.8%	
Class A	3.5%	-6.9%	19.1%	9.8%	-310.7%	-29.5%	5.1%	271.1%	0.9%	
Class B	-0.4%	115.2%	-1.5%	14.0%	97.3%	0.0%	-8.6%	0.0%	1.9%	
Charlotte Metro Total	2.4%	28.8%	11.1%	11.4%	-105.0%	-29.5%	-0.4%	271.1%	0.7%	

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.