

Mecklenburg County Commercial Office Market

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County Economist

Data as of 2nd Quarter, 2022

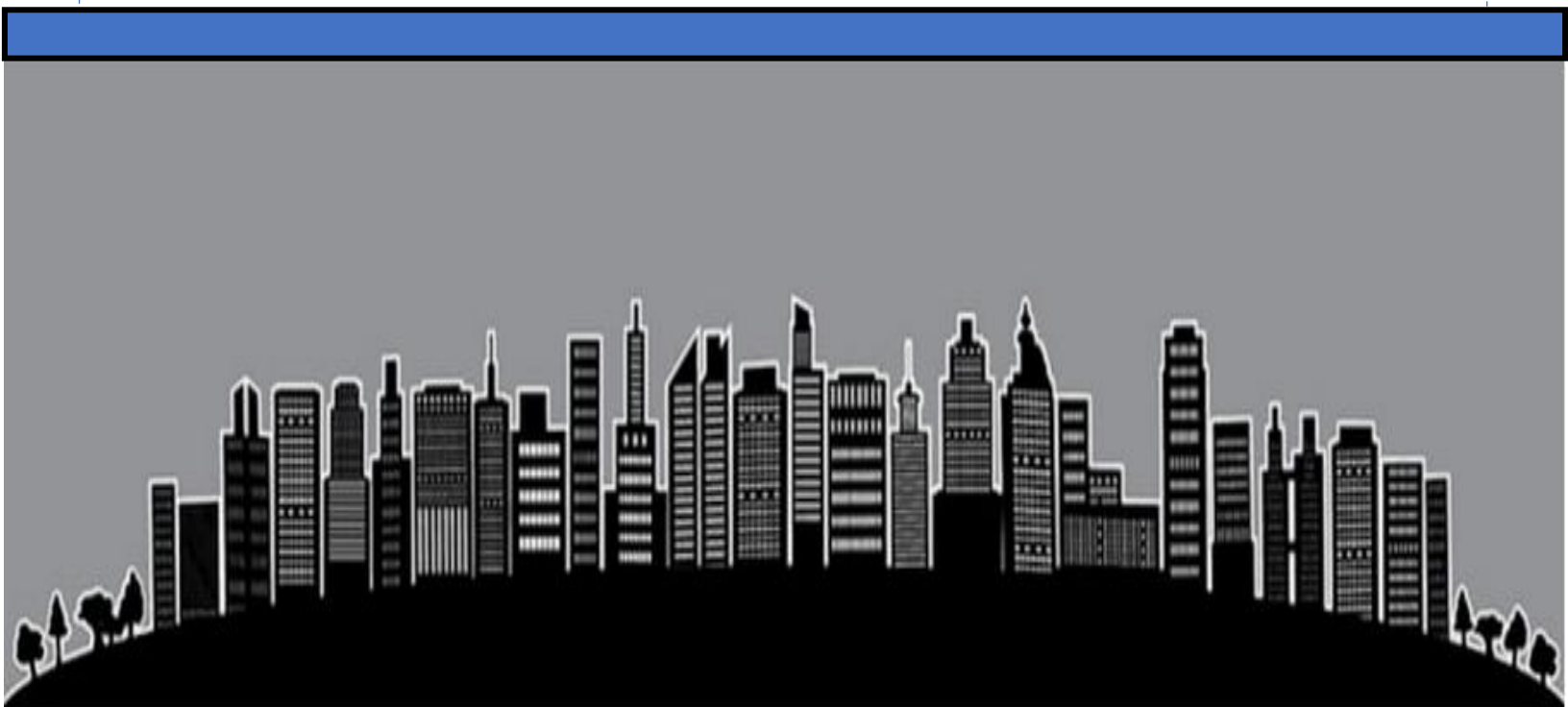


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About this report

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.

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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.



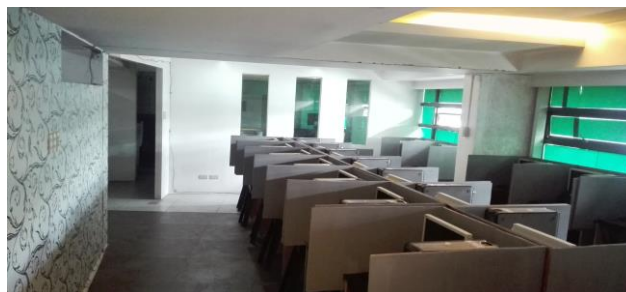
Class B Office Space

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 Architecturally, these buildings are the least desirable, and building infrastructure and technology is outdated.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

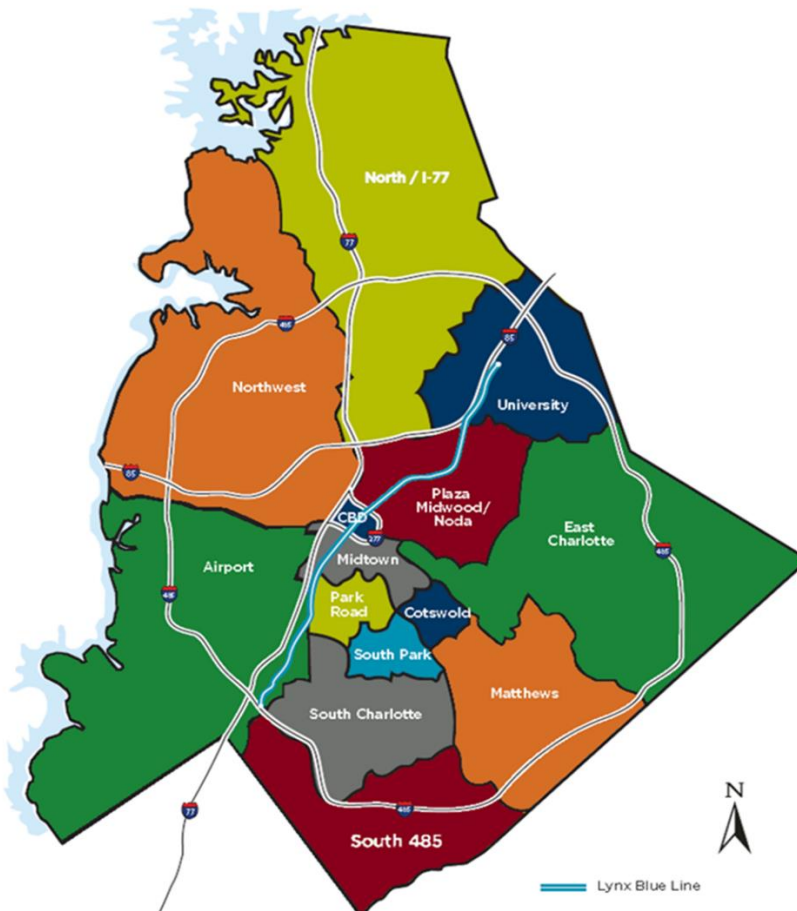
Absorption: The change in office space over the quarter. $\text{Absorption} = \text{Total Space Leased} - \text{Vacated Space} - \text{New Space}$. If the number is positive, it means more space was leased than vacated or brought online by new construction.

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.

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



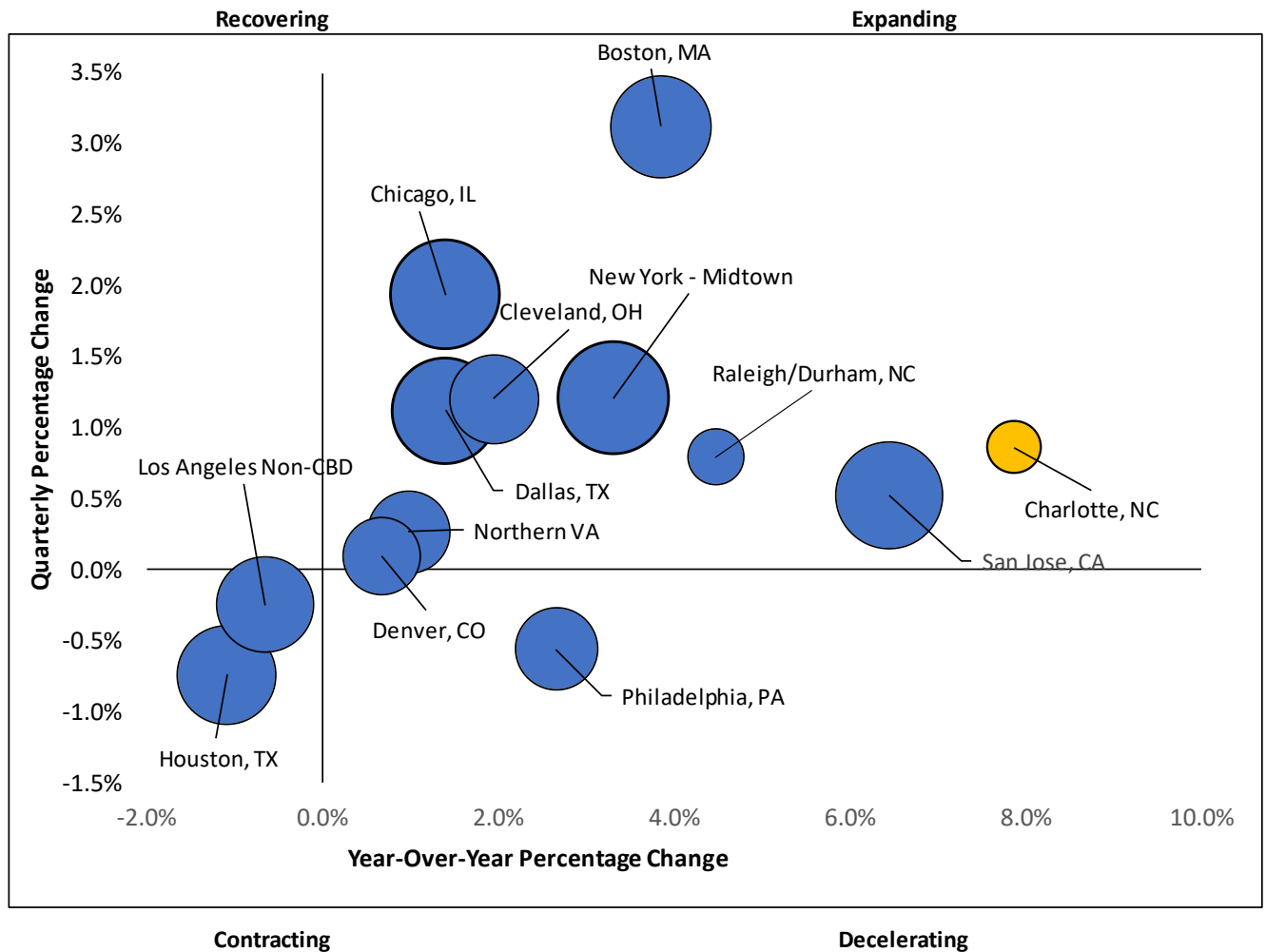
Office Market Report for Q2 2022

Rent Growth

In the 2nd quarter, effective office rent growth in Charlotte’s commercial office market increased 7.9% year-over-year, or 0.9% above the 1st quarter of 2022. Charlotte’s quarterly rent growth was the 26th fastest in the nation.

Mecklenburg’s asking rents averaged \$32.82 in the 2nd quarter which is lower than the national average of \$37.03. Rents in the uptown and midtown markets of the County averaged \$38.03 while rent in the suburban markets were lower at \$29.20. The largest gains were in the Southpark up 2.9%, South / 485 / Ballentyne up 2.4%, and the Uptown market up 2.3%.

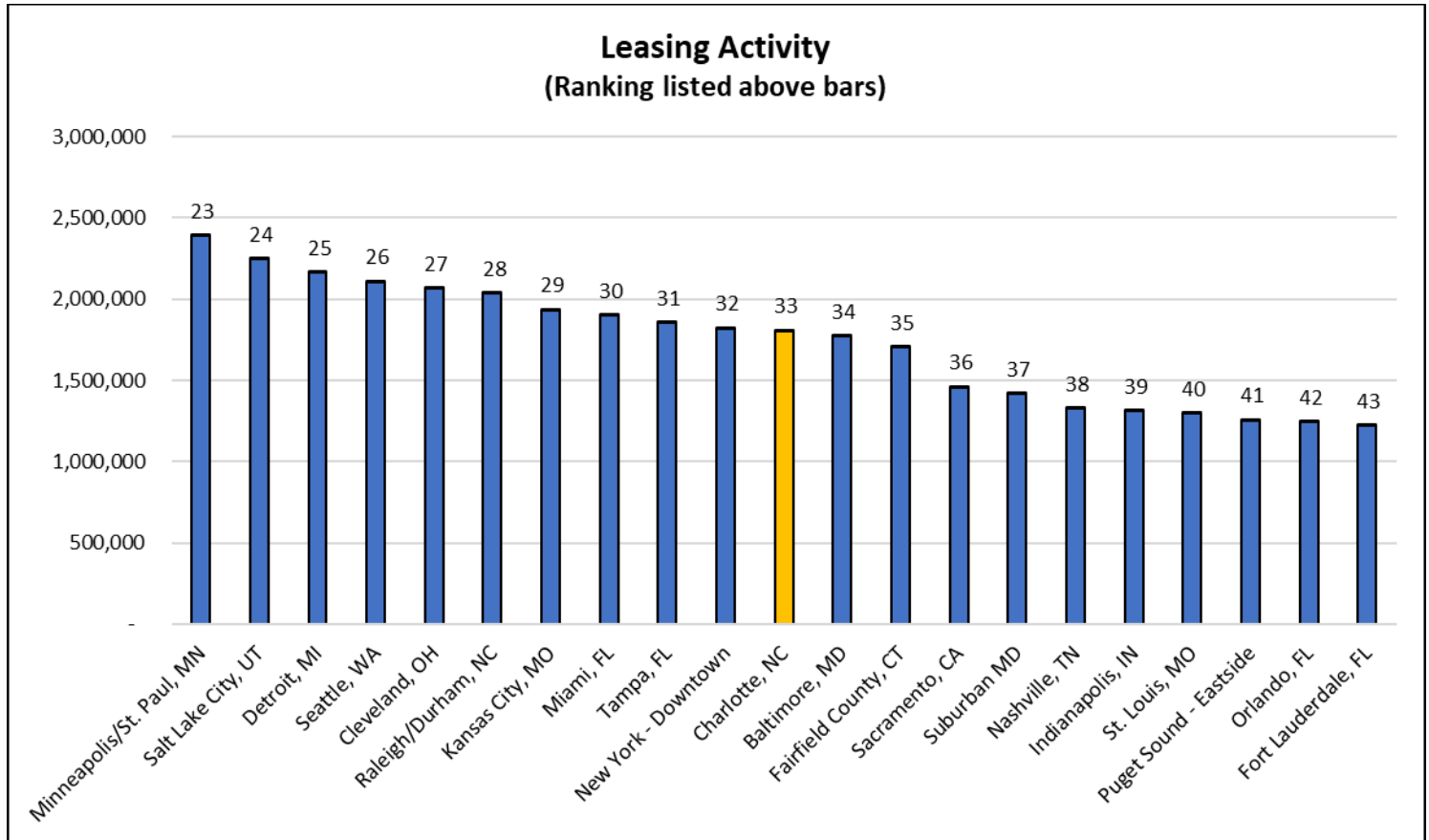
National Office Market Rent Growth



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 35th at 56.7 million sq ft of commercial office space.

Leasing Activity

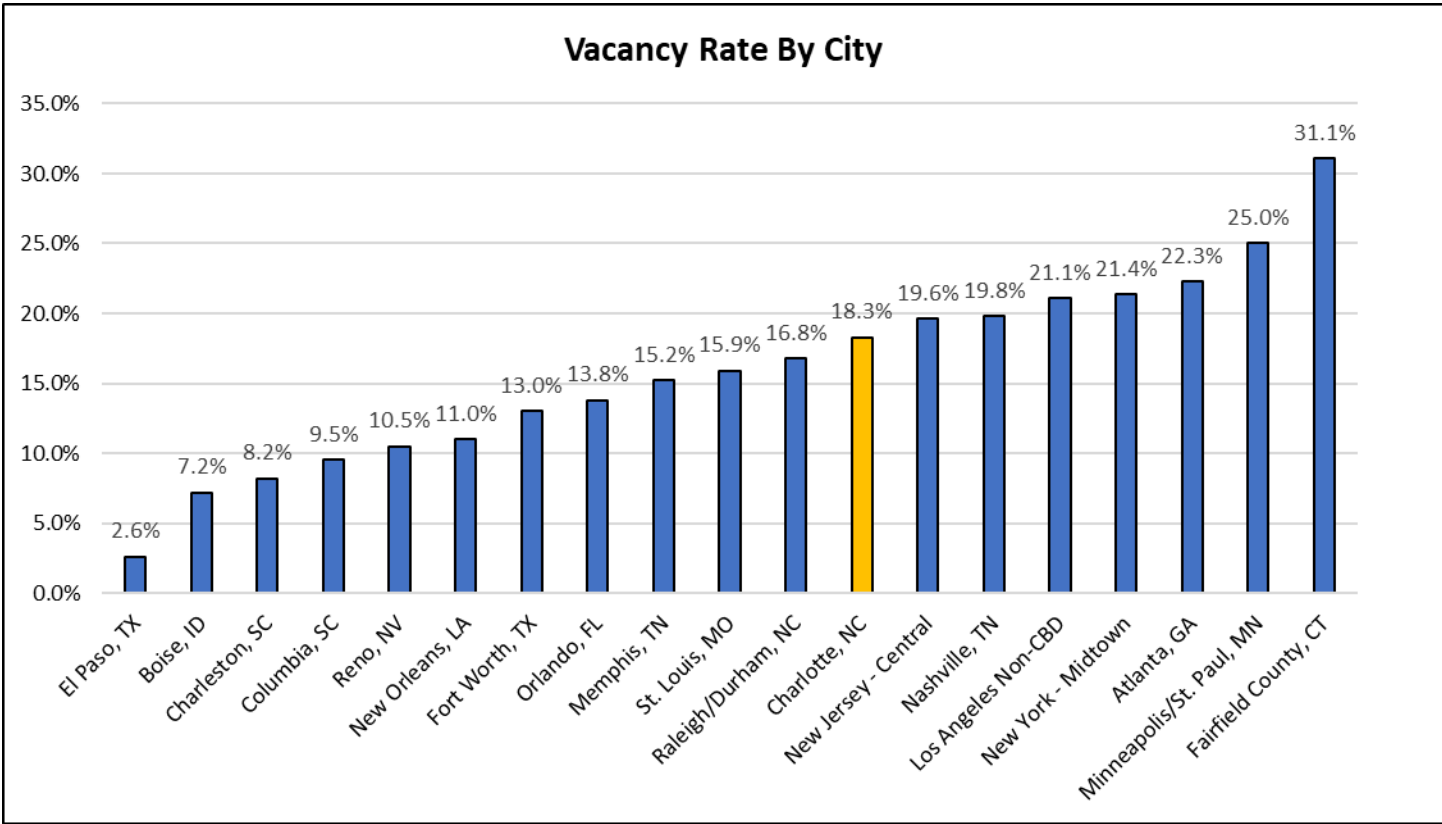
A total of 1,804,766 square foot of office space was leased in the 2nd quarter with Charlotte ranking 33rd overall in total activity. The largest amount of new leasing activity occurred in the Airport submarket with a total of 402,934 square foot of new activity. Key leases in the Uptown Market include the Legacy Union – Phase IV at 600 S Tryon St with 101,500 square foot signed by Robinson Bradshaw law firm for the top four floors of the building. The Airport submarket recorded the most leasing volume with 162,989 new deals inked including with Bojangles, a regional chain restaurant, taking office space with a 61,500-square foot lease at 500 Forest Park Circle.



Vacancy Rates

Nationally, vacancy rates in the second quarter was 17.6% an increase of 40 basis points from the prior quarter. Charlotte's vacancy rate also increased by 40 basis points to 18.3% from the 1st quarter. Kastle Security Systems tracks office occupancy via the data from their security systems and reports that current occupancy is still 44.1% from the onset of the pandemic. Most of the increase in vacancy is the result of new supply hitting the market.

Within the Charlotte market the overall vacancy rates in the urban submarkets averaged 15.0%, with the suburban markets vacancy rates higher averaging 20.8%. However, the direct vacancy rate was 15.2%, which is down 40 basis points from the peak in the 3rd quarter of 2021.



The above graph shows vacancy rates for selected cities. Charlotte was ranked 55 out of 88 in lowest vacancy rate.

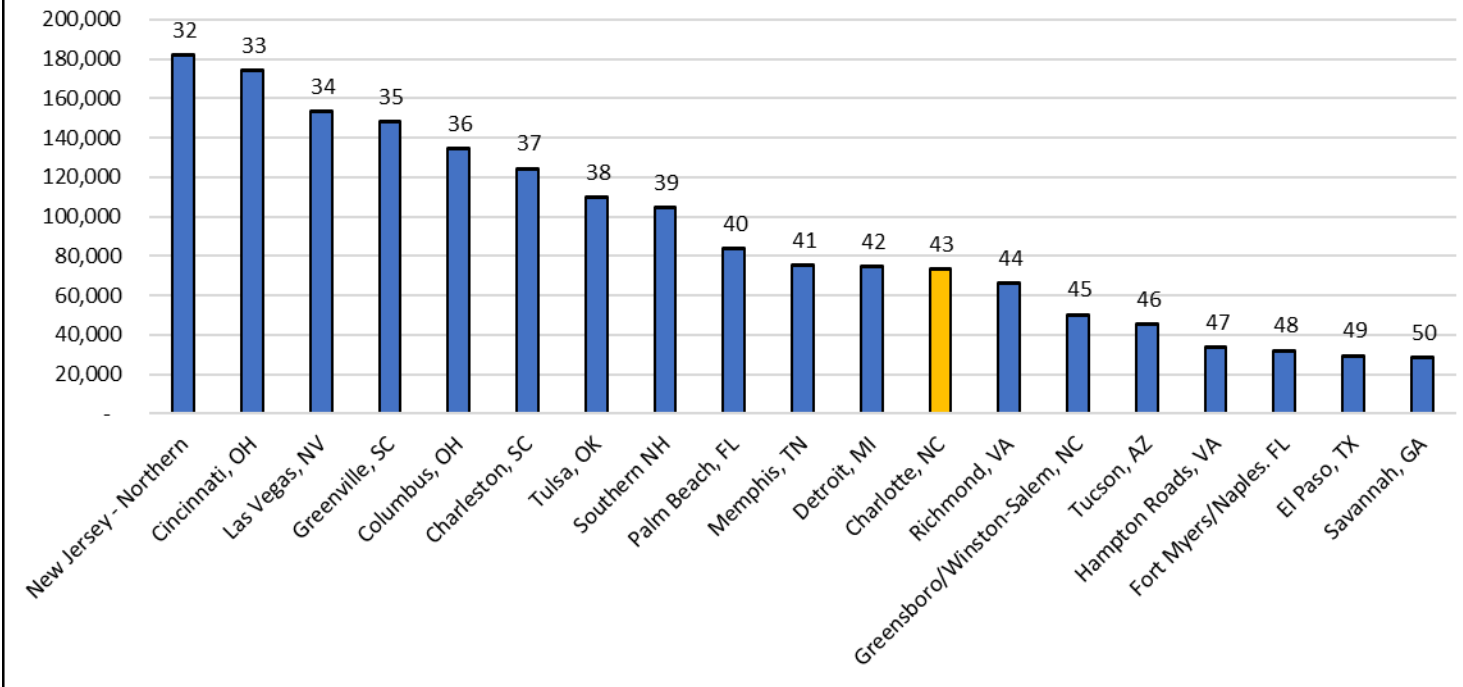
New Construction and Deliveries

Office construction in the Charlotte market totaled 3.6 million with 59% of the new construction taking place in the urban submarkets. The Charlotte market in the 2nd quarter ranked 9th in total ongoing construction in the nation and 43rd most construction completions in the nation during 2022 with a total of 73,000 square foot delivered in the 1st quarter.

Construction is expected to conclude during Q3 on the Duke Energy Tower, a 1-million square foot build-to-suit for Duke Energy’s real estate consolidation strategy and Vantage South End – East Tower, a 272,000- square foot Class A office which will deliver at least 50% pre-leased. Overall, more than 2.5 million square foot of new space is scheduled to be complete next quarter including six additional speculative buildings that are 34.5% pre-leased.

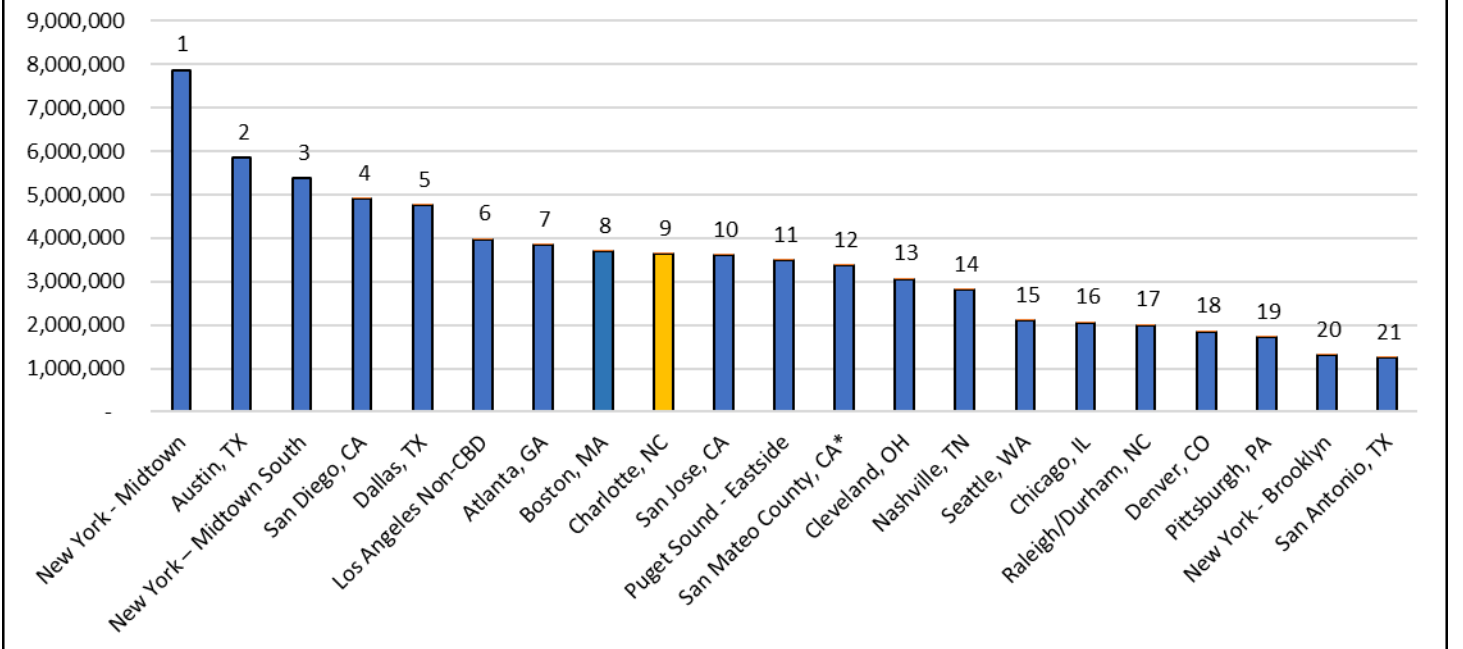
Expect vacancy rates to rise next quarter due to the influx of new supply in the market.

YTD Construction Deliveries (Ranking listed above bars)



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

Current Construction (square foot) (Ranking listed above bars)

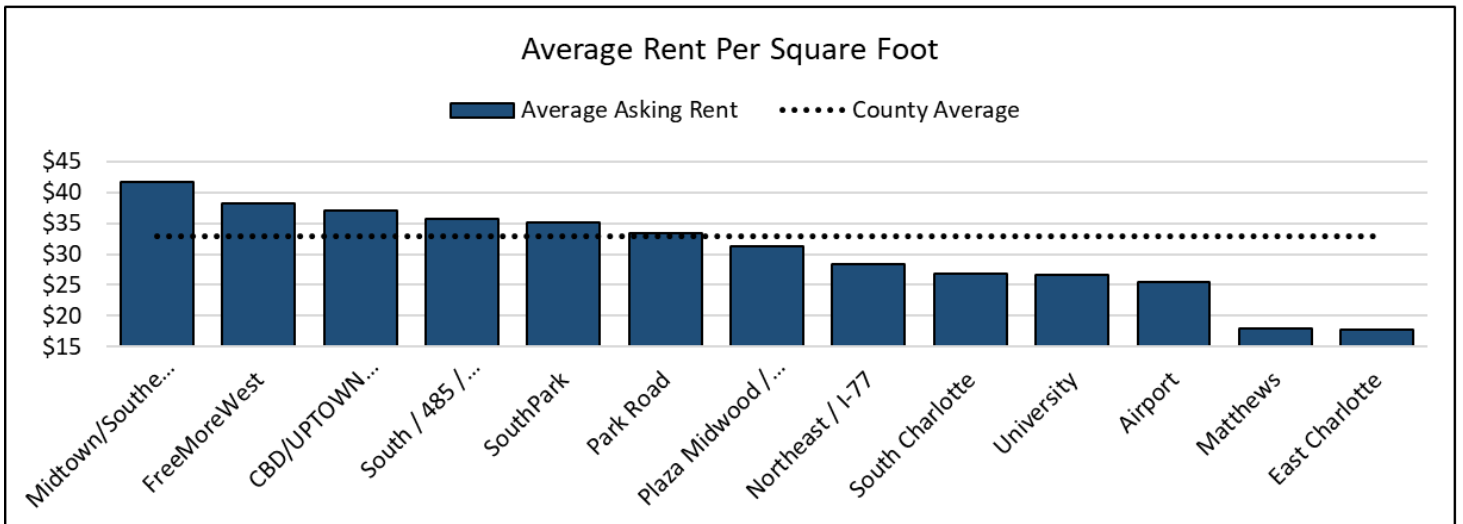
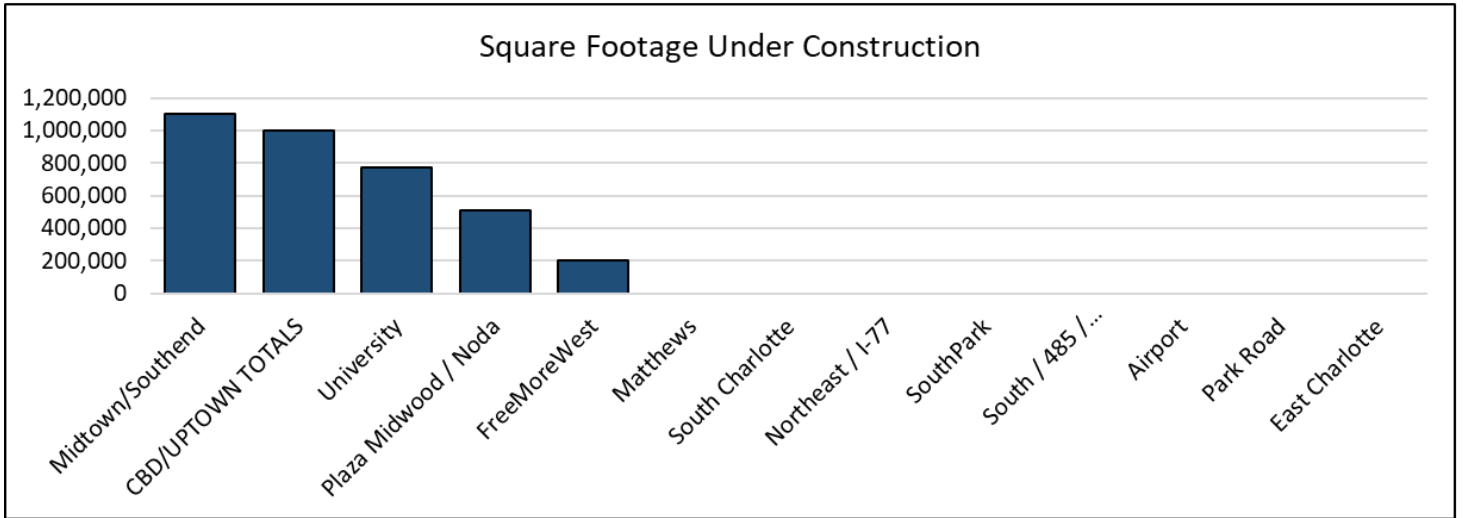
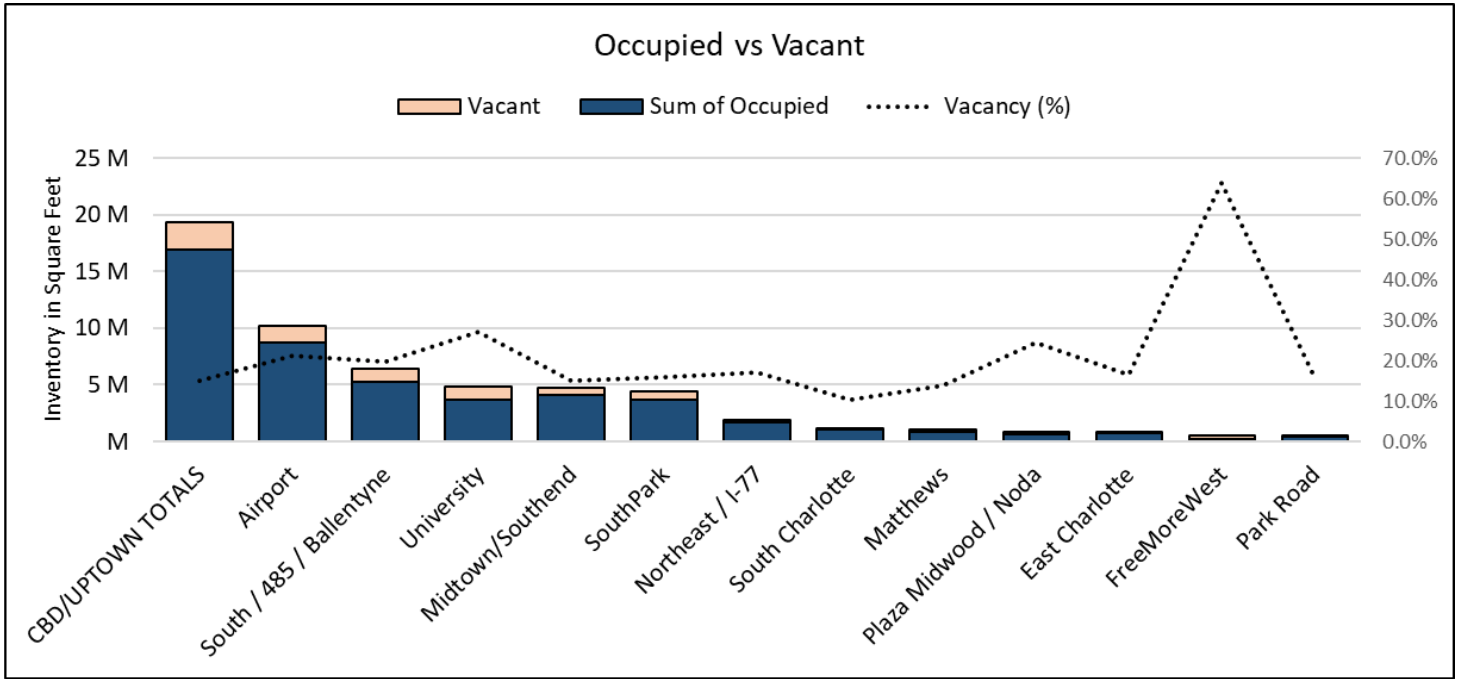


The above graph shows the total square footage of new office space that is still under construction.

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	255.1 M	45	Fairfield County, CT	39.1 M
2	Chicago, IL	242.7 M	46	Indianapolis, IN	39.0 M
3	Dallas, TX	227.0 M	47	Puget Sound - Eastside	37.1 M
4	San Jose, CA	226.1 M	48	Long Island, NY	36.8 M
5	Boston, MA	202.3 M	49	Orlando, FL	35.9 M
6	Houston, TX	189.4 M	50	Greensboro/Winston-Salem, NC	35.6 M
7	Los Angeles Non-CBD	184.0 M	51	Columbus, OH	35.1 M
8	Cleveland, OH	156.2 M	52	Cincinnati, OH	34.0 M
9	Atlanta, GA	154.2 M	53	Tampa, FL	31.1 M
10	Philadelphia, PA	135.6 M	54	Milwaukee, WI	30.2 M
11	Northern VA	134.9 M	55	Colorado Springs, CO	30.0 M
12	Denver, CO	120.9 M	56	New York - Brooklyn	29.3 M
13	Washington, DC	113.1 M	57	Tucson, AZ	28.6 M
14	Detroit, MI	110.4 M	58	Los Angeles CBD	20.5 M
15	New Jersey - Northern	110.0 M	59	Memphis, TN	26.8 M
16	Oakland/East Bay, CA*	109.3 M	60	New Orleans, LA	26.2 M
17	Pittsburgh, PA	94.4 M	61	Fort Lauderdale, FL	26.2 M
18	Orange County, CA	92.1 M	62	Hartford, CT	25.0 M
19	Phoenix, AZ	90.9 M	63	Providence, RI	23.6 M
20	New York - Downtown	88.8 M	64	Buffalo, NY	23.0 M
21	San Francisco, CA	86.1 M	65	Greenville, SC	22.7 M
22	New Jersey - Central	83.6 M	66	Palm Beach, FL	22.7 M
23	San Diego, CA	83.5 M	67	Columbia, SC	22.4 M
24	Minneapolis/St. Paul, MN	80.0 M	68	Fort Myers/Naples, FL	21.8 M
25	Baltimore, MD	78.3 M	69	Jacksonville, FL	21.8 M
26	Seattle, WA	68.8 M	70	Inland Empire CA	21.4 M
27	Sacramento, CA	68.3 M	71	Charleston, SC	20.9 M
28	New York – Midtown South	68.0 M	72	Louisville, KY	20.8 M
29	San Mateo County, CA*	63.4 M	73	San Francisco North Bay, CA	20.5 M
30	Austin, TX	61.3 M	74	Omaha, NE	20.2 M
31	Suburban MD	61.1 M	75	El Paso, TX	20.0 M
32	Raleigh/Durham, NC	60.6 M	76	Fort Worth, TX	19.5 M
33	Salt Lake City, UT	58.6 M	77	Birmingham, AL	19.1 M
34	Portland, OR	57.8 M	78	Boise, ID	16.6 M
35	Charlotte, NC	56.7 M	79	Southern NH	15.6 M
36	Richmond, VA	54.4 M	80	Rochester, NY	14.5 M
37	Kansas City, MO	53.6 M	81	Syracuse, NY	14.1 M
38	St. Louis, MO	50.9 M	82	Roanoke, VA	11.2 M
39	San Antonio, TX	49.4 M	83	St. Petersburg/Clearwater, FL	10.9 M
40	Tulsa, OK	49.4 M	84	Fredericksburg, VA	10.6 M
41	Nashville, TN	47.8 M	85	New Haven, CT	10.6 M
42	Hampton Roads, VA	45.3 M	86	San Juan, PR	10.3 M
43	Las Vegas, NV	40.8 M	87	Reno, NV	8.3 M
44	Miami, FL	39.9 M	88	Binghamton, NY	4.3 M

GRAPHS AND COMPARISONS



MECKLENBURG COUNTY QUARTERLY STATISTICS

OFFICE MARKET STATISTICS - FIRST QUARTER 2022

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)
CBD/UPTOWN TOTALS	19,391,482	416,128	2,484,626	15.0%	31,244	1,000,000	-	\$37.12	\$38.45
Midtown/Southend	4,728,897	36,034	674,912	15.0%	11,454	1,103,342	73,000	\$41.77	\$42.46
Urban Market Total	24,120,379	452,162	3,159,538	15.0%	42,698	2,103,342	73,000	\$38.03	\$38.03
Northeast / I-77	1,871,932	111,659	208,603	17.1%	2,387	0	-	\$28.35	\$28.99
FreeMoreWest	507,500	9,950	314,159	63.9%	8,773	200,000	-	\$38.23	\$37.51
University	4,850,384	169,345	1,147,376	27.1%	-7,576	770,000	-	\$26.62	\$27.26
Plaza Midwood / Noda	863,946	0	211,870	24.5%	0	506,549	-	\$31.22	\$35.54
Airport	10,151,491	771,230	1,391,563	21.3%	88,700	0	-	\$25.44	\$26.83
Park Road	506,133	22,262	58,106	15.9%	3,608	0	-	\$33.30	\$33.72
Matthews	1,031,707	0	144,320	14.0%	5,964	0	-	\$17.96	\$17.46
South / 485 / Ballentyne	6,379,244	148,158	1,108,866	19.7%	-13,889	0	-	\$35.76	\$35.77
South Charlotte	1,169,636	20,590	100,070	10.3%	-2,939	0	-	\$26.86	\$27.14
East Charlotte	855,651	0	139,979	16.4%	-492	0	-	\$17.80	
SouthPark	4,378,096	46,390	643,679	15.8%	46,061	0	-	\$35.17	\$36.20
Suburban Totals	32,565,720	1,299,584	5,468,591	20.8%	130,597	1,476,549	0	\$29.20	\$29.20
Class A	40,384,660	1,047,700	6,023,957	17.5%	31,244	3,325,244	73,000	\$37.12	\$38.45
Class B	16,301,439	704,046	2,607,172	20.3%	142,051	308,647	-	\$30.92	\$32.49
Mecklenburg Total	56,686,099	1,751,746	8,628,129	18.3%	173,295	3,579,891	73,000	\$32.82	\$34.60

