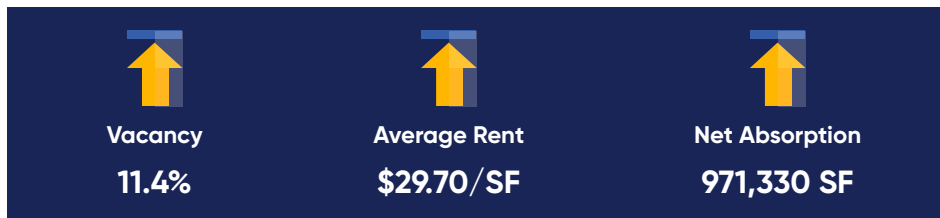


Office Market Report

Charlotte office occupiers continue to face uncertainty with a split between plans to return to work and those making announcements to continue working-from-home. Despite this uncertainty, the Charlotte market fundamentals remain strong and the market posted positive net absorption in Q4, the vast majority of which is concentrated in new or redeveloped buildings in Uptown, SouthEnd and FreeMoreWest submarkets. Robust capital markets activity in Q4, the highest quarterly sales volume on record, led to record breaking transactions including Honeywell's HQ at \$735/SF and the sale of Lowe's Tech Hub in South End for \$889/SF. Investors continue to be bullish on the Charlotte market and several developers will kick off speculative office buildings in South End as the flight to quality for tenant's seeking amenity rich, Class A product remains the headline.



Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$38.70	CBD Class A 12.3%	▲ 4.6%
\$27.18	CBD Class B 7.7%	▲ 0.6%
\$38.17	South/485 Class A 19.2%	▲ 5.3%
\$33.25	South/485 Class B 13.6%	▲ 8.2%
\$39.33	Midtown/SouthEnd Class A 16.9%	▲ 5.2%
\$32.88	Midtown/SouthEnd Class B 4.8%	▼ -0.8%
\$29.12	Airport Class A 14.6%	▲ 3.1%
\$26.73	Airport Class B 27.3%	▲ 10.3%
\$39.99	Southpark Class A 13.3%	▼ -0.3%
\$34.00	Southpark Class B 13.3%	▼ -1.3%

Recent Transactions

Tenant	Size	Submarket	Sector
1 Northeastern	52,957 SF	Midtown/SouthEnd	Office
2 Lending Tree	27,825 SF	Airport	Office
3 AAA	27,072 SF	South/485	Office
4 Hendrick Gardner	17,986 SF	Southpark	Office
5 Primeline Capital	17,649 SF	CBD	Office

Occupier's Perspective

With second generation vacancies coming to market, rental rates should stabilize in the coming months for this product type. We expect to see concessions for second generation space increase to attract new tenants.

The backlog in permitting and supply chain challenges are contributing to construction delays and longer office builds, so we encourage occupiers to be formulating their real estate strategies 12-18 months prior to existing lease expirations.

Market Trends

Flight to quality. Although direct vacancy decreased in Q4 2021, many large corporate tenants have relocated into newly constructed office buildings leaving second generation space on the market.

Supply. Charlotte saw close to 3.0 msf of new deliveries in 2021, marking the highest recorded amount of office delivery in the city's history. Currently there is more than 2.9 msf of construction under way throughout the Queen City.

Rental rates. As the workforce returns to the office, rental rates are steadily climbing with Class A office in Midtown/SouthEnd posting the highest rents averaging \$39.33/SF and Uptown trailing at \$38.70/SF.