

Office Market Report

Demand in Charlotte remains strong as 781,000 SF of new leasing activity occurred in the first quarter. The majority of leasing activity occurred in Charlotte's largest submarket, the Airport. We continued to see a flight to quality in the CBD and SouthEnd submarkets, such as leases by Alston & Bird for 55,312 SF and Armstrong Transportation for 27,172 SF, both in new Class A buildings.

As a result of the consistent demand across the market, direct asking rental rates (class A & B) rose to an average of \$32.02 per SF in the first quarter, an increase of 4.4% year-over-year. The Midtown/SouthEnd submarket had the largest increase in rental rates, raising the average rent (class A & B) to \$37.52 per SF, with the expectation that rental rates will continue to climb throughout 2022.



Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$40.08	CBD Class A 14.5%	▲ 3.5%
\$28.83	CBD Class B 10.3%	▲ 0.3%
\$38.16	South/485 Class A 20.2%	▲ 7.3%
\$33.98	South/485 Class B 11.2%	▲ 2.4%
\$41.07	Midtown/SouthEnd Class A 16.8%	▲ 0.1%
\$33.97	Midtown/SouthEnd Class B 5.9%	▼ -3.5%
\$29.73	Airport Class A 14.3%	▲ 0.3%
\$26.00	Airport Class B 26.0%	▲ 8.5%
\$41.34	Southpark Class A 15.9%	▬ 0.0%
\$33.39	Southpark Class B 9.2%	▼ -2.6%

Recent Transactions

Tenant	Size	Submarket	Sector
1 Guided Insurance Solutions	62,132 SF	Airport	Office
2 Alston & Bird	55,312 SF	Midtown/SouthEnd	Office
3 Brightspeed	27,443 SF	Midtown/SouthEnd	Office
4 Armstrong Transportation	27,172 SF	Midtown/SouthEnd	Office
5 Flores & Associates	16,790 SF	Airport	Office

Occupier's Perspective

Workplace solutions remain a top priority for all firms navigating the ever-changing hybrid workforce.

Rental rates continue to rise as do construction costs. Companies with a well thought out real estate strategy should be able to minimize the economic impact of increased real estate costs.

Market Trends

Supply. With over 65% of the 1.4M SF of office space expected to deliver in the second quarter, pre-leased, vacancy rates will marginally increase.

New Class A building delivery. Rental rates will continue to increase as more Class A buildings deliver in 2022 and flight to quality continues.

Return-to-Work. Per CoStar market report, from mid-January to late March, weekly office use jumped by 10%, a positive sign for Charlotte office market. While overall job growth in Charlotte remains flat, the office-using sectors have added 15,000 net new jobs since Q1 of 2020.