Q4 2022 Charlotte Office

Market Report

Total Vacancy Rate	Direct Gross Rental Rate	Direct Net Absorption
13.8%	$33.08/SF	-461,171 SF

*includes Class A & B, across all Charlotte submarkets

Market Overview

Leasing velocity slowed and the market continued to soften in Q4. Tenants are evaluating their office portfolios and shedding excess space where possible.

Absorption continues to be in newly developed buildings in highly amentized submarkets. More subleases hit the market this quarter creating more competition for Landlords.

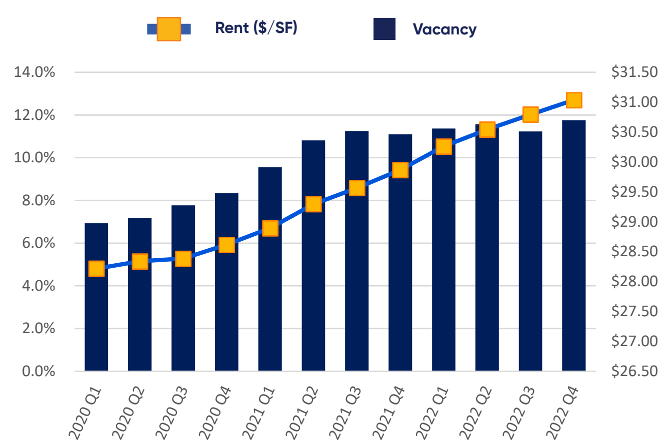
The development pipeline also slowed as banks pulled back on lending amid the rising interest rate environment and stubbornly high construction costs.

Construction

3.9M SF
Under Construction

0.4M SF
Gross Delivered

Historical Rent & Vacancy



Market Trends

Collaboration Space. Tenants are adding more collaboration areas in their office space to promote employee engagement and innovation.

Hybrid Work. The hybrid work environment is not going away. Even as utilization continues to improve, it is still no where close to pre-pandemic levels.

Right-Sizing. Tenants are shedding excess space and reconfiguring old space to accomodate the hybrid workforce.

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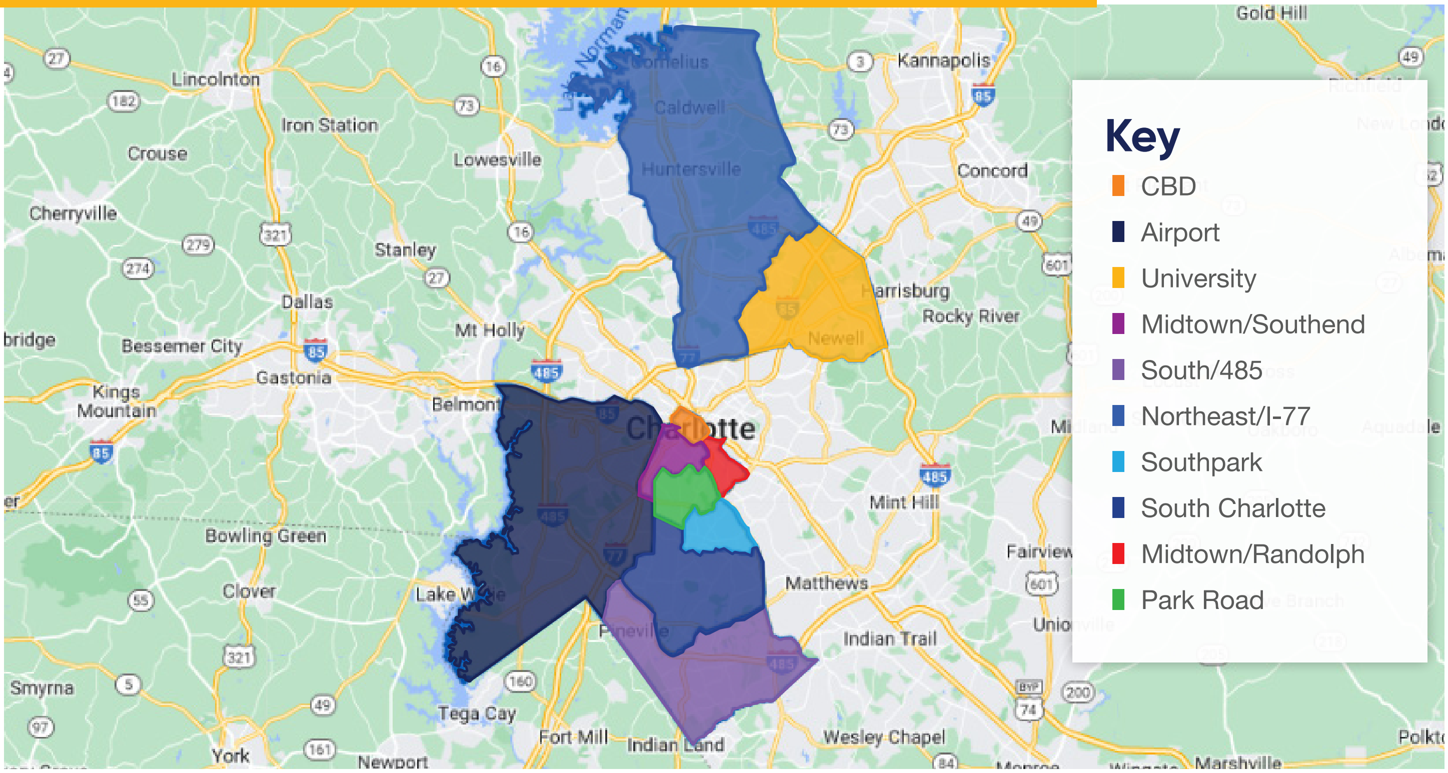
Submarket Fundamentals



Total Class A & B

Submarket	Total Inventory (SF)	Total Available (SF)	Total Vacancy Rate	Direct Gross Rental Rate ($/SF)	Direct Net Absorption (SF)	Sublet Gross Rental Rate ($/SF)	Sublet Net Absorption (SF)
CBD	23.9M	5.1M	13.9%	$35.71	-36,767	$37.03	-52,051
Airport	13.0M	2.9M	19.1%	$26.46	-145,977	$23.32	52,297
University	9.6M	2.3M	18.8%	$27.99	-332,297	-	-49,935
Midtown/Southend	8.2M	1.6M	9.8%	$43.70	111,437	$38.49	-12,078
South/485	7.9M	1.6M	21.1%	$36.84	-259,696	$28.95	50,096
Northeast / I-77	5.4M	0.6M	8.9%	$28.77	21,129	$23.22	23,921
Southpark	5.4M	0.9M	14.2%	$37.11	-7,209	$29.57	-109,155
South Charlotte	2.5M	0.2M	8.1%	$28.59	-15,245	$20.00	13,029
Midtown/Randolph	2.2M	0.2M	9.0%	$39.93	33,274	-	-
Park Road	0.9M	0.3M	29.4%	$36.36	5,423	-	-5,202

Notable Transactions

Compass Group
226,657 SF
Airport

Bojangles
61,500 SF
Airport

Cadwalader
57,768 SF
CBD

Mayer Brown
54,277 SF
CBD

Kingsmen Software
14,429 SF
Plaza Midwood

Submarket Breakdown

Class A

Submarket	Total Inventory (SF)	Total Available (SF)	Total Vacancy Rate	Direct Gross Rental Rate ($/SF)	Direct Net Absorption (SF)	Sublet Gross Rental Rate ($/SF)	Sublet Net Absorption (SF)
CBD	20.0M	4.3M	14.8%	$36.27	-34,931	$37.81	-55,688
Airport	7.6M	1.4M	15.7%	$28.08	-135,850	$22.73	-7,670
University	3.0M	1.2M	35.7%	$27.61	-12,778	-	-5,273
Midtown/Southend	4.0M	1.2M	12.8%	$45.80	62,547	$ 39.78	5,811
South/485	6.3M	1.4M	23.8%	$36.74	-244,052	$29.29	43,776
Northeast / I-77	1.6M	0.4M	17.8%	$30.14	29,937	$23.22	5,335
Southpark	3.4M	0.7M	16.5%	$38.89	29,133	$29.34	-98,082
South Charlotte	0.6M	0.1M	16.4%	$28.59	-2,109	-	-2,725
Midtown/Randolph	0.7M	0.1M	17.1%	$45.97	-400	-	-
Park Road	0.2M	0.2M	74.1%	$37.31	-	-	-2,252

Class B

Submarket	Total Inventory (SF)	Total Available (SF)	Total Vacancy Rate	Direct Gross Rental Rate ($/SF))	Direct Net Absorption (SF)	Sublet Gross Rental Rate ($/SF)	Sublet Net Absorption (SF)
CBD	3.9M	0.8M	8.9%	$29.76	-1,836	$28.00	3,637
Airport	5.4M	1.5M	23.9%	$23.81	-10,127	$24.51	59,967
University	6.6M	1.1M	11.2%	$28.50	-319,519	-	-44,662
Midtown/Southend	4.2M	0.4M	7.0%	$38.11	48,890	$33.00	-17,889
South/485	1.6M	0.2M	10.6%	$37.87	-15,644	$24.00	6,320
Northeast / I-77	3.8M	0.2M	5.0%	$26.22	-8,808	-	18,586
Southpark	2.0M	0.2M	10.2%	$32.57	-36,342	$29.90	-11,073
South Charlotte	1.9M	0.1M	5.3%	$28.60	-13,136	$20.00	15,754
Midtown/Randolph	1.5M	0.1M	5.4%	$29.61	33,674	-	-
Park Road	0.7M	0.1M	15.9%	$34.62	5,423	-	-2,950

Tenant Perspective

Workplace solutions remain top priority for all firms navigating the ever-changing hybrid workforce, however, rental rates leveled off in Q4 and we expect rates to remain steady in Class A product. Class B assets will need to get creative on amenities, offer significant concessions and/or begin reducing rental rates in order to lure tenants to their building.