

# Charlotte

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## Availability remains on the rise despite construction reaching record lows

In the first quarter of 2024, Charlotte's availability rate increased to a record high of 24.9%. This is an increase of 280 basis points (bps) year over year. The availability rate has been steadily rising due to occupiers resizing to match their hybrid work models and new projects delivering over the past 24 months. Despite no new office projects breaking ground in the first quarter, one building did deliver to the market. The Thread, an adaptive reuse building in South Carolina, delivered 400,000 square feet (sf) of office space, of which only 10% had been preleased at completion. The abundance of office space in the Charlotte market has City leaders looking deeper at the opportunity for office-to-residential conversions in Uptown buildings like the Johnston Building and 526 N Church Street. Looking ahead, Charlotte may face a temporary pause in construction starts as construction financing remains difficult without significant preleasing activity.

## Rental rates remain stagnant as landlords create spec suites

The overall average rental rate of \$32.72 per square foot (psf) was an increase of just 0.1% year over year. Although Class A space averaged \$35.47 psf, it also only increased by 0.1%. The office class spread is tightening as highly sought-out newer Class A space is in high demand leaving only middle- to lower-tier Class A space on the market. This is apparent in the older Class A buildings in Charlotte's CBD. Many landlords in the CBD that have access to capital have created spec suites in the vacant second-generation spaces. Expect the spec suite trend to continue into 2024 as demand for turn-key offices grows.

## Leasing activity experiences a slight uptick

The Queen City experienced its highest leasing activity in over a year in Q1 2024. Though slightly below the 5-year quarterly average, 0.7 million square feet was leased, a 14% increase from Q1 2023. Looking ahead, as companies now have more concrete in-office guidelines, tenants will be more proactive in leasing office space.

## Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	66.1 msf	66.5 msf	+0.4 msf
Availability Rate	22.1%	24.9%	+280 bps
Asking Rental Rate	\$32.36	\$32.71	+1.1%
Class A Asking Rental Rate	\$35.21	\$35.47	+0.7%
Quarterly Leasing Activity	0.6 msf	0.7 msf	+0.1 msf
Available Sublease Space	2.8 msf	3.2 msf	+0.4 msf

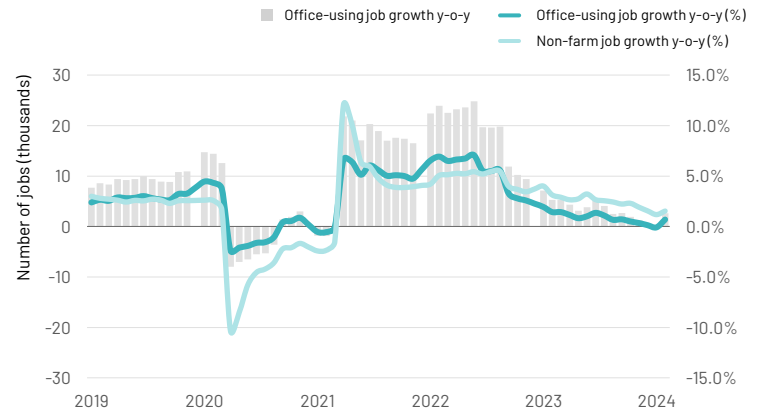
## Outlook

**01** Expect to see more leasing activity as tenants take a more proactive approach to market engagement and initiate negotiations earlier instead of waiting and staying

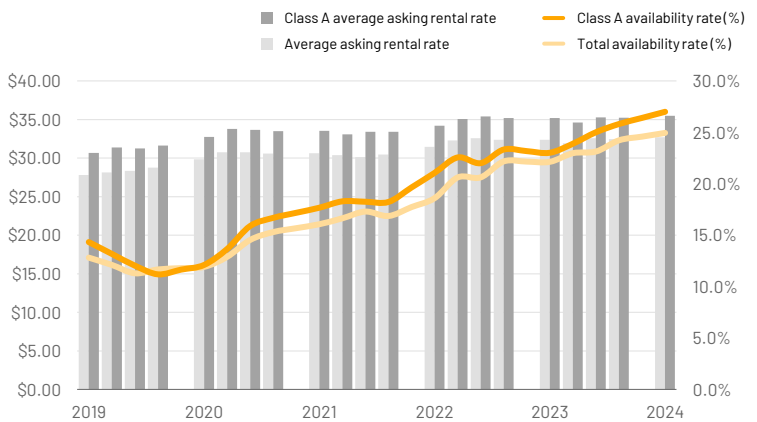
**02** Growth in spec suites is likely to continue as tenant demand for turnkey offices with modern workspaces continues amidst high build-out costs

**03** Tenant-favorable market conditions will continue throughout 2024 due to heightened availability coupled with some landlords facing loan distress

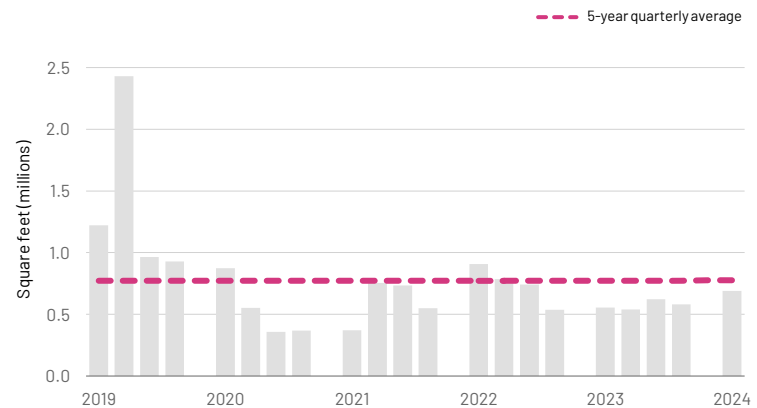
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

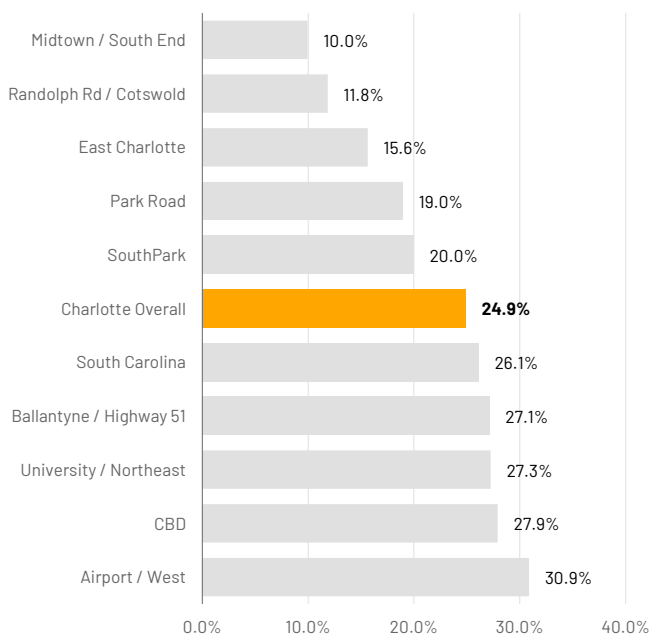
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Truist Insurance Holdings	Financial Services and Insurance	CBD	550 S Caldwell Street**	69,271	New Location**
IWG	Coworking	CBD	128 S Tryon Street	40,802	New Location
Undisclosed	Undisclosed	Airport / West	3600 Arco Corporate Drive	40,048	New Location
Asana Partners	Real Estate	Midtown / South End	2151 Hawkins Street*	23,382	New Location
Daye North America	Manufacturing	Airport / West	901 Tuckaseegee Road	21,000	New Location
EnPro Industries	TAMI	SouthPark	5605 Carnegie Boulevard	20,100	Renewal
Expeditors	Transportation	Airport / West	3600 Arco Corporate Drive	17,362	New Location
Dewberry	Architecture, Engineering and Construction	University / Northeast	9300 Harris Corners Parkway	13,917	Renewal & Expansion
ATS Corporation	TAMI	East Charlotte	6210 Ardrey Kell Road	13,078	New Location**
Beacon Partners	Real Estate	Midtown / South End	3600 South Boulevard	12,254	New Location

## Availability Rate Comparison (%)

CHARLOTTE SUBMARKETS



## Rental Rate Comparison (\$/sf)

CHARLOTTE SUBMARKETS



## Charlotte Q1 2024 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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