

Charlotte

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Availability continues to rise as new Class A office space delivers

In Q2 2024, availability in the Charlotte market totaled 24.6%, up 160 basis points (bps) year over year from 23.0%. Despite the increase, developers continue to bring new office product to the market, such as 110 East Street in the highly sought after South End submarket which delivered this quarter. This new Class A building brings 370,000 square feet (sf) of office space to the market, none of which has been released yet. Currently, there is 1.9 million square feet (msf) of office space under construction, with only 10.0% preleased. Looking ahead, expect developers to remain reserved on breaking ground for new office projects as availability remains high and the economy uncertain during an election year.

Rental rates increase despite the market remaining highly tenant-favorable

Charlotte's overall rental rate in Q2 2024 experienced a 3.1% annual increase to \$32.92 per square foot (psf). As the flight to quality trend continues, tenants look to occupy Class A spaces that offer high-end finishes and tenant amenities. This has caused the overall Class A rental rates to increase by 3.3% year over year to reach \$35.76 psf. Despite rising rents, record amounts of concession packages are being offered to tenants.

Office conversions on the rise in Uptown Charlotte

As office availability rises in the Queen City, many developers and local leaders seek to find a solution by converting Class B/C older generation office buildings into mixed use residential and retail projects. In the second quarter, two major office conversions were announced in Charlotte's CBD. The historic 100-year-old Johnson Building was sold in May for \$19.3 million. The once 172,000-square-foot office building is expected to be converted into a boutique hotel concept. Another project announced that is expected to begin construction late this year is the \$250 million Brooklyn & Church development to convert Duke Energy's 1970s headquarters into apartments and retail next to the Bank of America Stadium.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	66.5 msf	66.2 msf	-0.3 msf
Availability Rate	23.0%	24.6%	+160 bps
Asking Rental Rate	\$31.93	\$32.92	+3.1%
Class A Asking Rental Rate	\$34.63	\$35.76	+3.3%
Quarterly Leasing Activity	0.5 msf	0.6 msf	+0.1 msf
Available Sublease Space	3.1 msf	2.8 msf	-0.3 msf

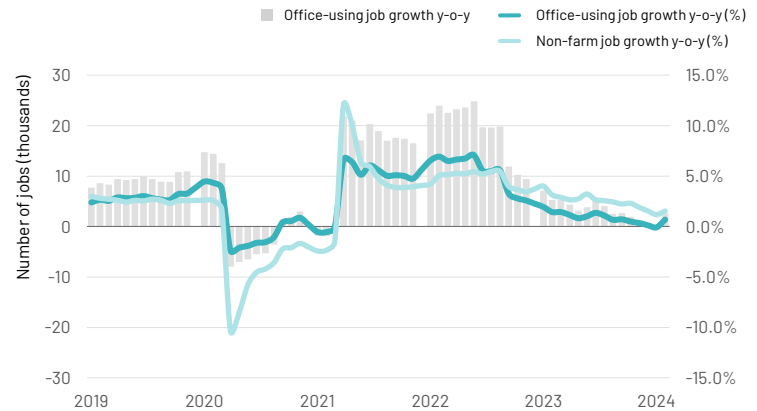
Outlook

01 Charlotte is expected to remain a highly desirable Southeast market with strong office space demand, driven by its diverse industry base, lower cost of living, and growing workforce

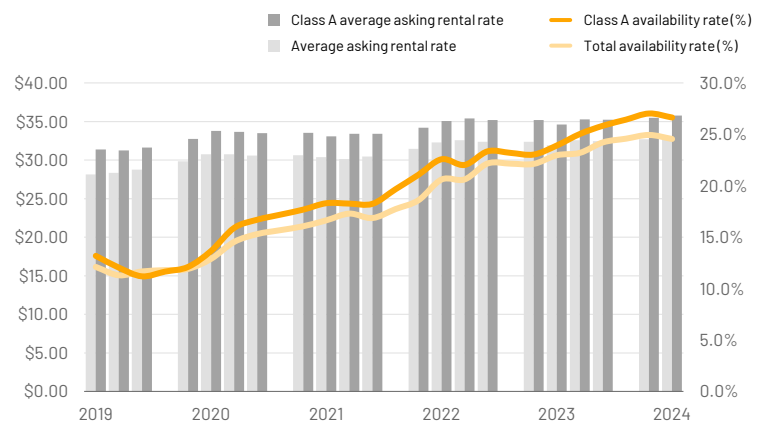
02 Tenant-favorable conditions are likely to maintain throughout 2024, as space availability remains heightened and some landlords face loan distress

03 Leasing activity of spec suites is expected to continue to increase as tenant demand for turnkey space remains high

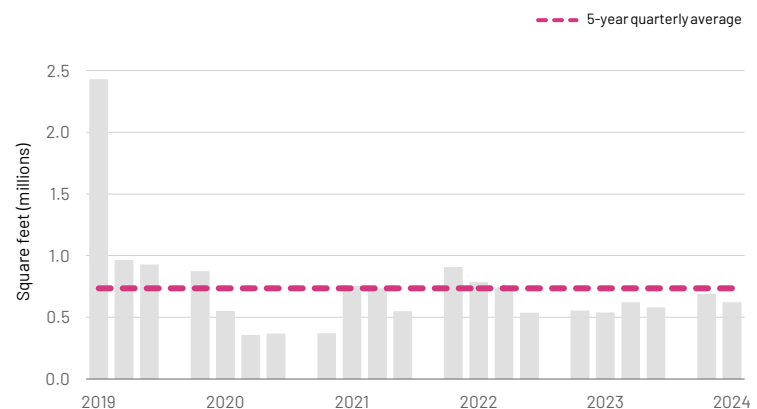
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

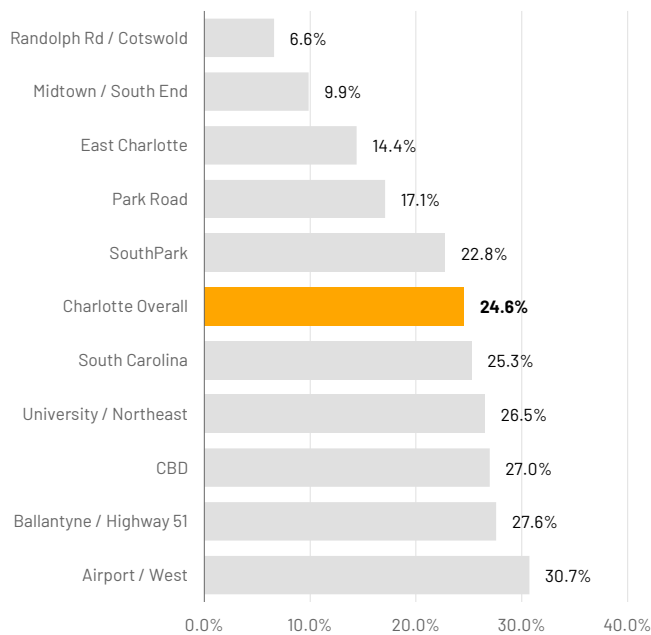
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Quint Events	Personal Services and Recreation	University / Northeast	9335 Harris Corners Parkway	28,278	Renewal & Expansion
Powers Engineers Inc	Architecture, Engineering and Construction	South Carolina	1041 Red Ventures Drive	26,045	Renewal
Levine Foundation	Associations & Non-profit Organizations	Park Road	4600 Park Road	24,134	New Location
CPL	Architecture, Engineering and Construction	Midtown / South End	3600 South Boulevard	19,925	New Location
Alliance Health	Healthcare	University / Northeast	8520 Cliff Cameron Drive	18,125	New Location
Brown Brothers Harriman	Financial Services and Insurance	Midtown / South End	1945 E 7 th Street	17,500	New Location
Progressive Companies	Architecture, Engineering and Construction	East Charlotte	1801 N Graham Street	16,500	New Location
Collett & Associates	Real Estate	Randolph Rd / Cotswold	1111 Metropolitan Avenue	15,888	Renewal
Little Legends ABA Therapy	Healthcare	East Charlotte	8525 Crown Crescent Court	15,000	New Location
Synechron	Business, Professional and Consulting Services	CBD	214 N Tryon Street	13,356	New Location

Availability Rate Comparison (%)

CHARLOTTE SUBMARKETS



Rental Rate Comparison (\$/sf)

CHARLOTTE SUBMARKETS



Charlotte Q2 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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