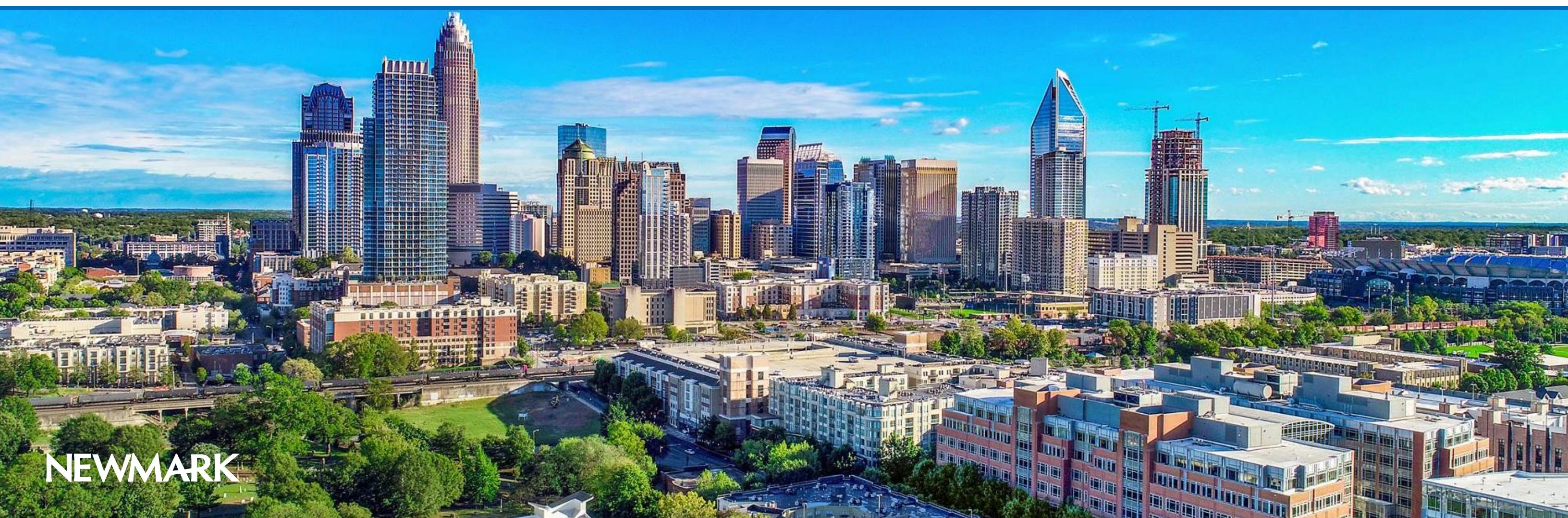


Charlotte Office Market Overview



Market Observations

Economy

- The market's unemployment rate increased by 19 basis points year over year to 3.7%, which is still below the metro's five-year average of 4.4% and the national average of 4.1%.
- Employment growth increased by 15 basis points year over year to 2.0% at the end of February 2025.
- Most sectors experienced yearly employment growth, with education and healthcare leading job gains at 4.6% over the past 12 months.
- Office-using jobs reached a record high of 381,180 as of the end of February 2025, reflecting a 2.6% increase year over year.

Major Transactions

- Professional services firm CliftonLarsonAllen, LLP inked the largest deal of the quarter, signing up for 50,000 SF at Ballantyne Village. The move represents a relocation from the CBD submarket to the South/485 submarket.
- A key leasing trend seen throughout the quarter was a diversity of tenants signing leases. Notably, given Charlotte's reputation as a financial hub, surprisingly none of the top five leases involved a financial services company.
- All of the top five deals were new leases, suggesting that tenants are seizing current market conditions to secure favorable terms.



Leasing Market Fundamentals

- Annual full-service rental rates increased by 2.4% on a yearly basis to \$34.06/SF, a new all-time high.
- Net absorption was negative 157,901 SF, pushing the vacancy rate to increase by 10 basis points quarter over quarter to 27.8%.
- The under-construction pipeline more than tripled in the first quarter of 2025 to 737,789 SF. The increase is primarily due to Queensbridge Collective, a mixed-use project in the Midtown/Southend submarket. However, under-construction activity remains significantly below the average of 2.2 MSF between 2015 and 2024.
- Total leasing activity increased by 17.7% quarter over quarter to 1.0 MSF. The quarter's leasing volume, however, was 10.8% lower than the first quarter activity reported over the past 16 years at 1.1 MSF.



Outlook

- The Charlotte office market is projected to experience moderate growth this year, with office investment activity expected to remain more muted in the near term due to higher debt costs.
- Asking rents can be expected to increase, albeit at a more modest pace while concessions will remain elevated.
- The construction pipeline will generally continue to decline, particularly in the second half of 2025.
- Vacancy is expected to remain elevated in the near term as the market absorbs the high volume of deliveries that occurred in 2024 and tenants shed excess space.

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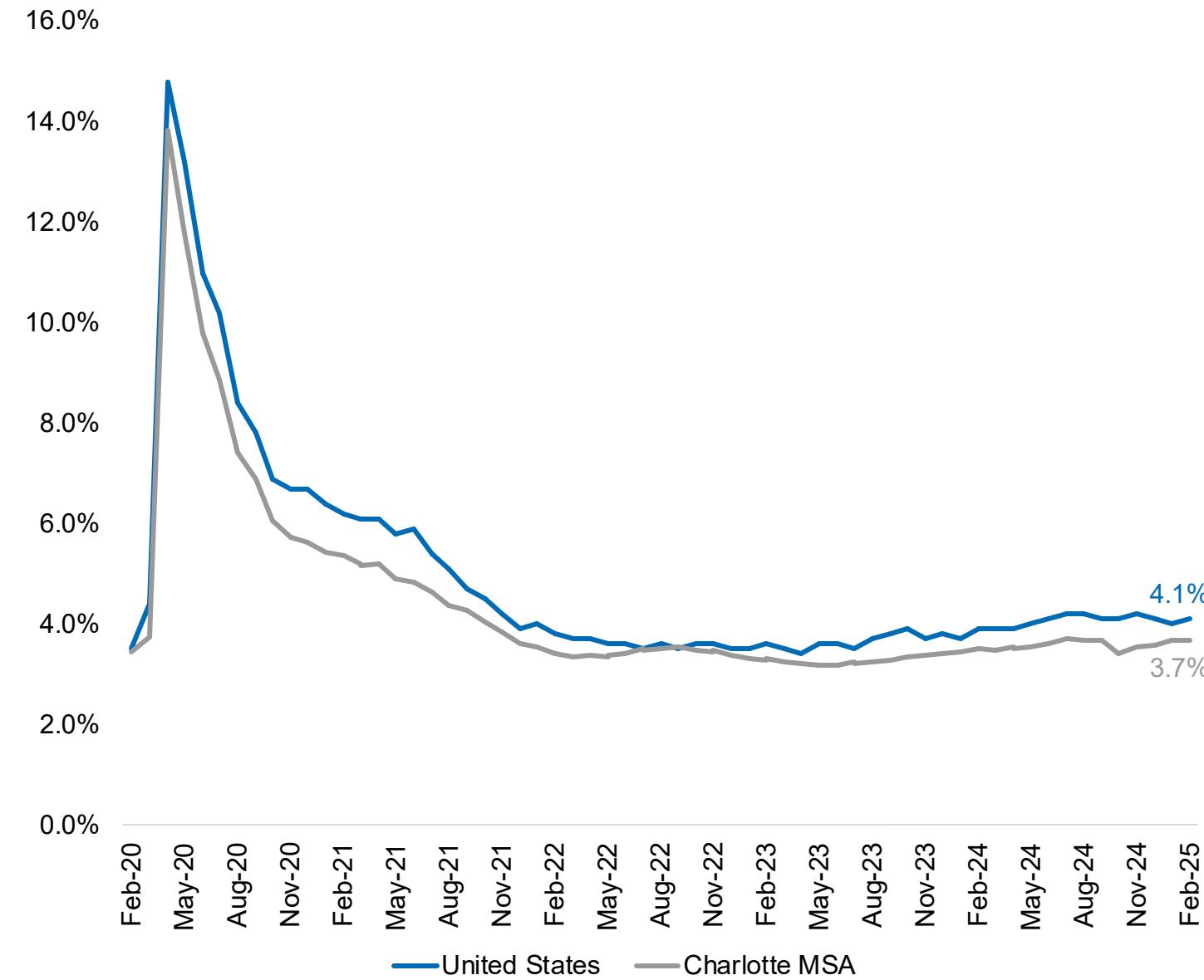
Economy



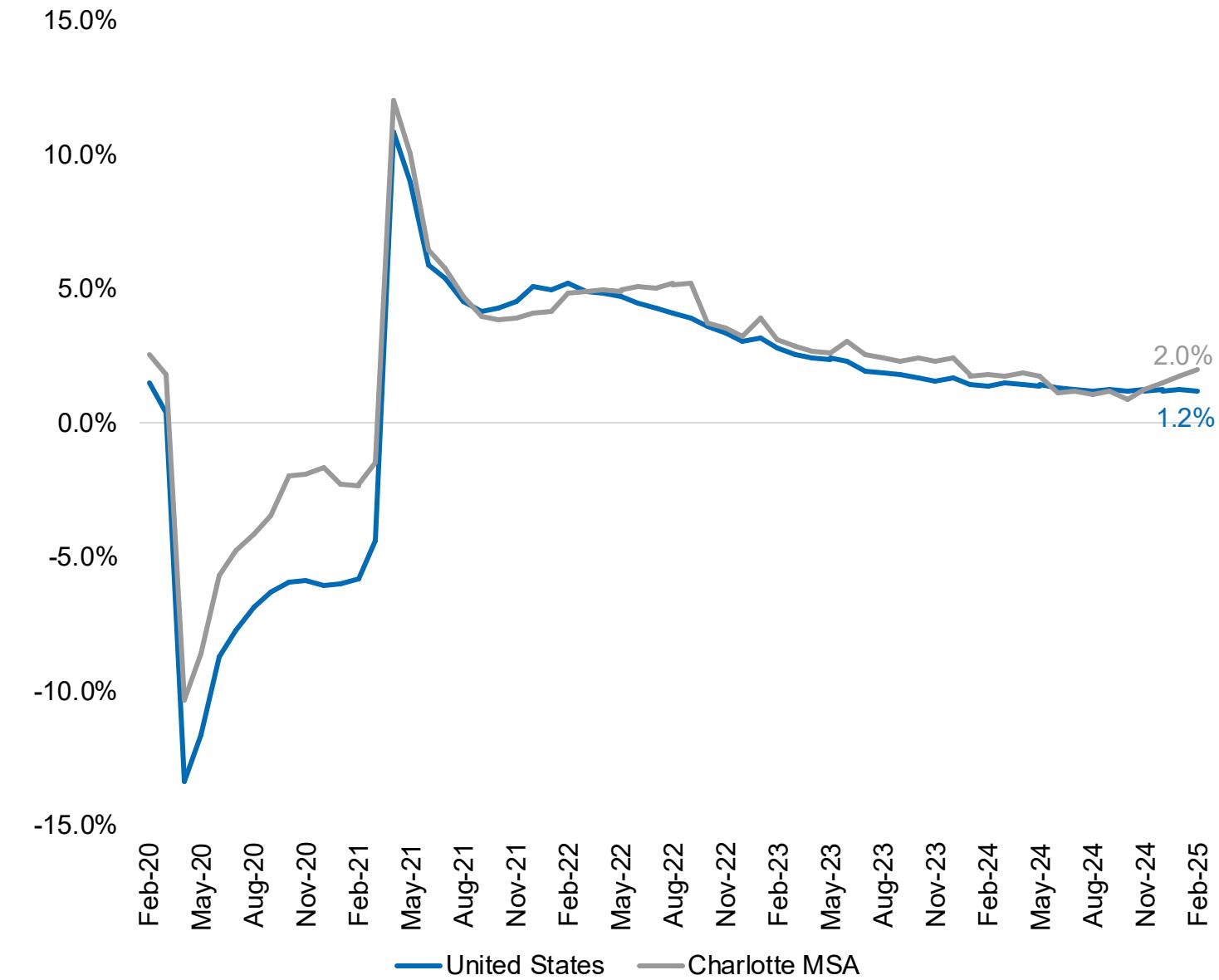
Annual Nonfarm Payroll Growth Picks Up

Charlotte, traditionally a leader in both employment growth and low unemployment, outperformed the United States again during the first quarter of 2025. While the metro's seasonally adjusted unemployment rate climbed 19 basis points year over year to 3.7%, it is below both the national average of 4.1% and Charlotte's 5-year average of 4.4%. Nonfarm payroll growth increased slightly by 15 basis points on a yearly basis to 2.0%, outperforming the United States annual growth rate by 75 basis points.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

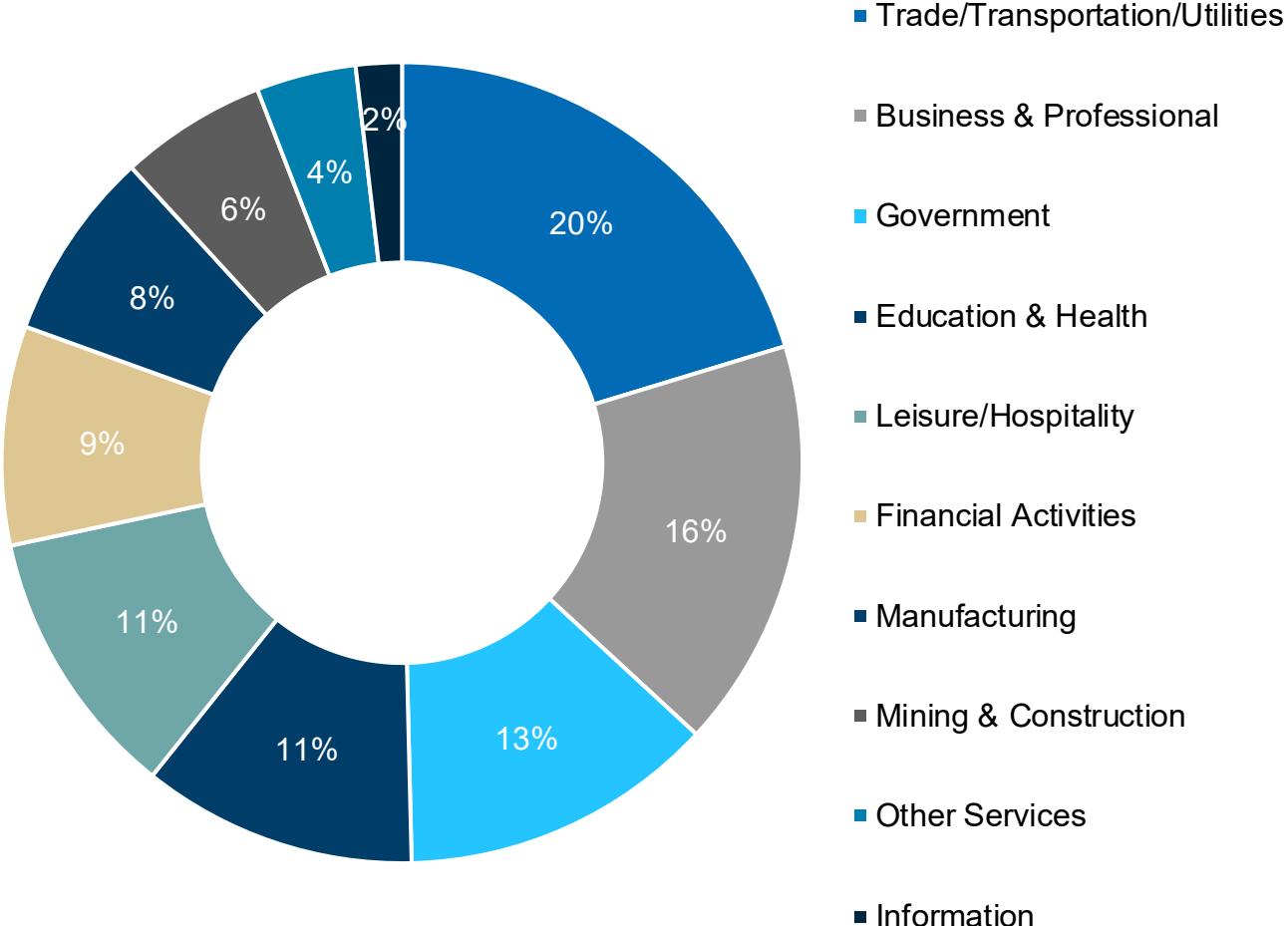


Source: U.S. Bureau of Labor Statistics, Charlotte MSA

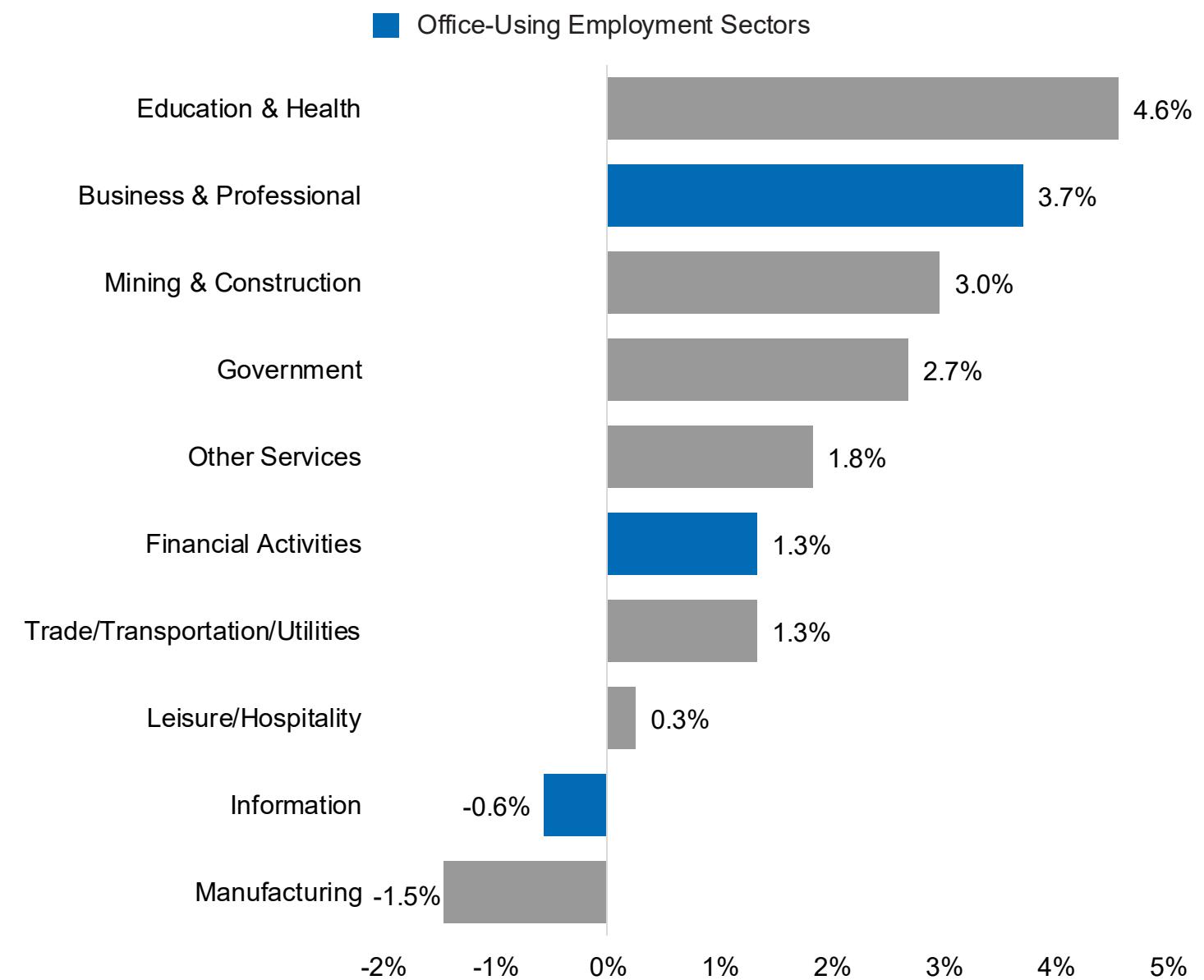
Most Employment Sectors Continue to Grow

Charlotte, known for its strength in the financial sector, has its top two employment industries – trade/transportation/utilities and business/professional services – making up 36.9% of total jobs. The office-using business and professional services sector is the second largest employment sector, representing 16.6% of total employment. Most industries saw year-over-year job growth, except for information and manufacturing. The office-using financial activities and business and professional services sectors reported growth of 1.3% and 3.7%, respectively. Meanwhile, the information sector declined by 0.6% on a yearly basis, reporting the smallest decline over the past year.

Employment by Industry, February 2025



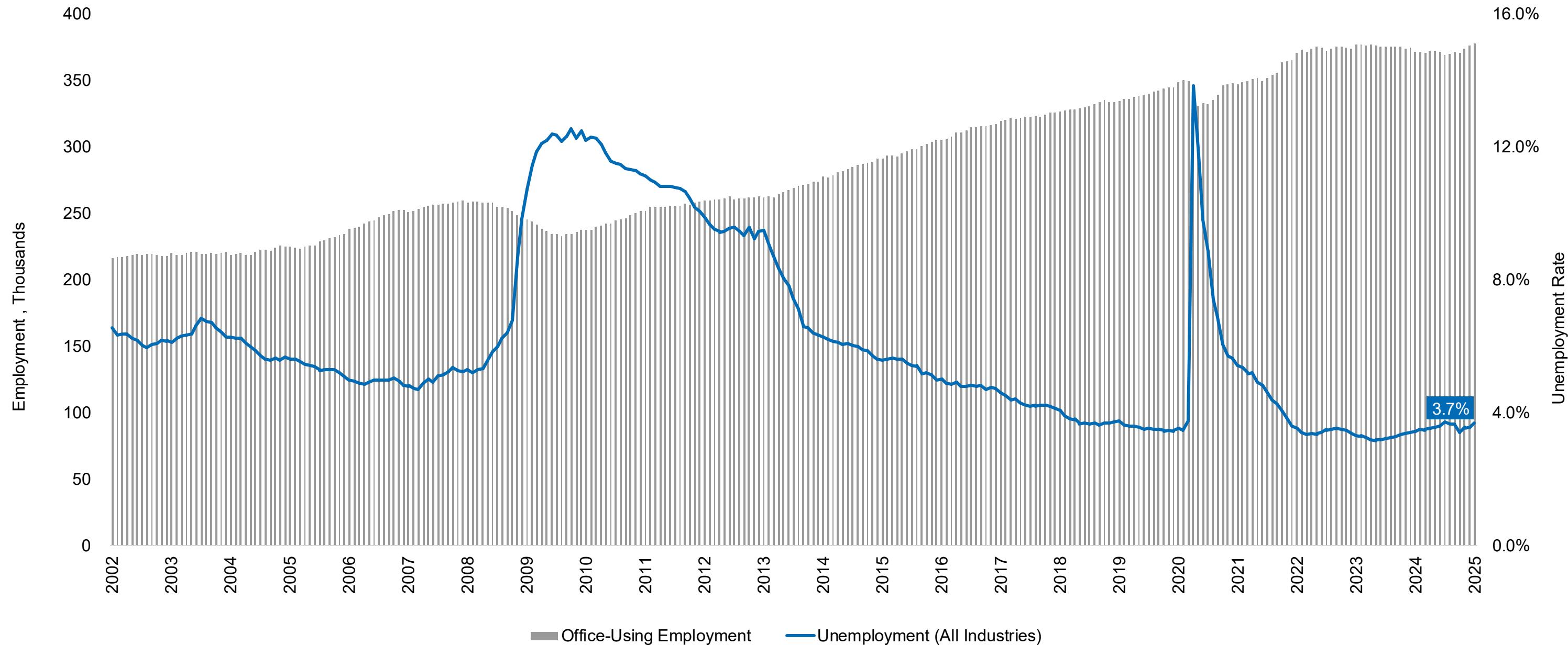
Employment Growth by Industry, 12-Month % Change, February 2025



Office-Using Employment Records Historic High

Office-using employment in the Charlotte market reached a record high of 381,180 jobs in February 2025, reflecting a 2.6% year-over-year increase. While the information sector saw modest year-over-year job losses, gains in financial activities and business/professional services more than offset these declines. It is worth noting that office-using jobs have now increased by 10.5% since the pandemic. The seasonally adjusted unemployment rate, which stands at 3.7%, is 14 basis points above the 2019 average.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Charlotte MSA

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

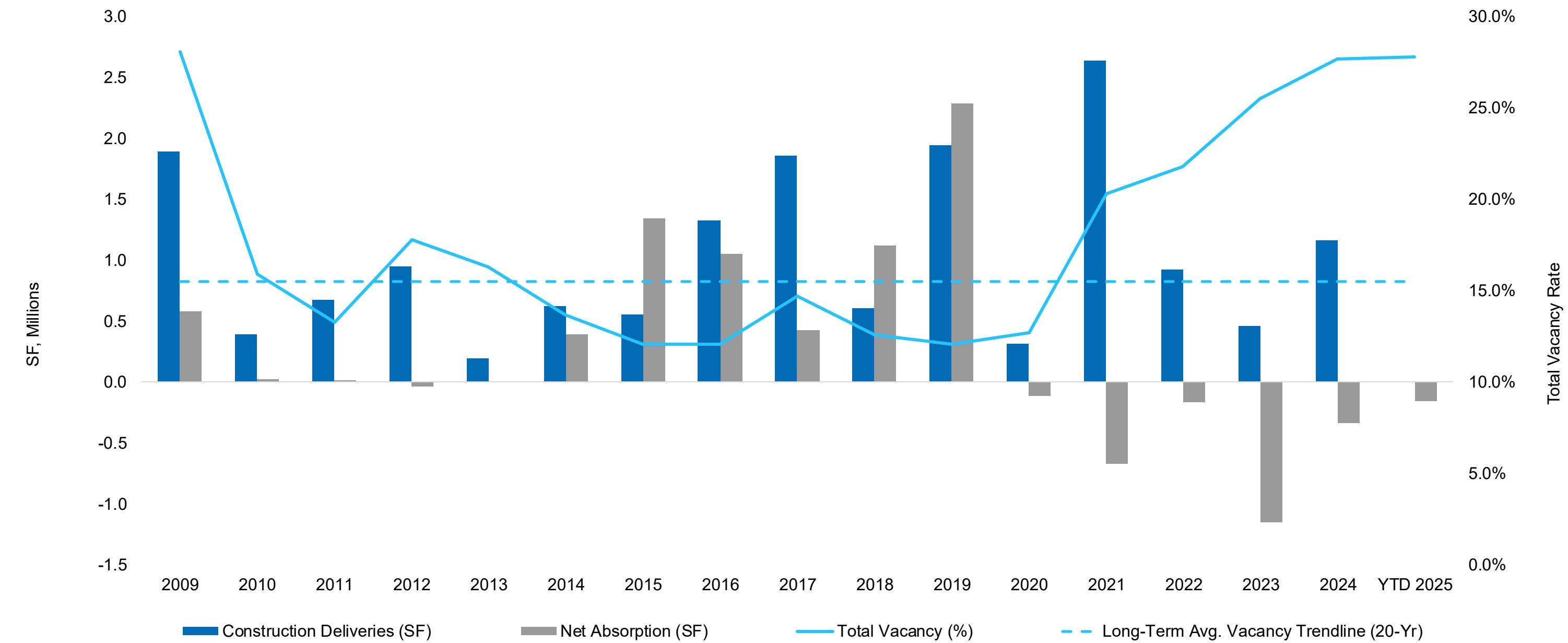
Leasing Market Fundamentals



No New Supply, but Move-Outs Outpace Move-Ins, Leading to Uptick in Vacancy

There were no office deliveries during the first quarter of 2025, following several quarters where supply outpaced demand. However, move-outs outpaced move-ins, resulting in net absorption being negative 157,901 SF at the end of the quarter, leading to a 10 basis-point uptick in the vacancy rate to 27.8%, a recent high. Vacancy rates have generally trended upward since the third quarter of 2020, due to several factors, including continued historically high levels of direct and sublet availability, coupled with previously elevated deliveries of new office space. Many tenants have also downsized their footprint as they trade up in space quality, adding to the inventory of available space.

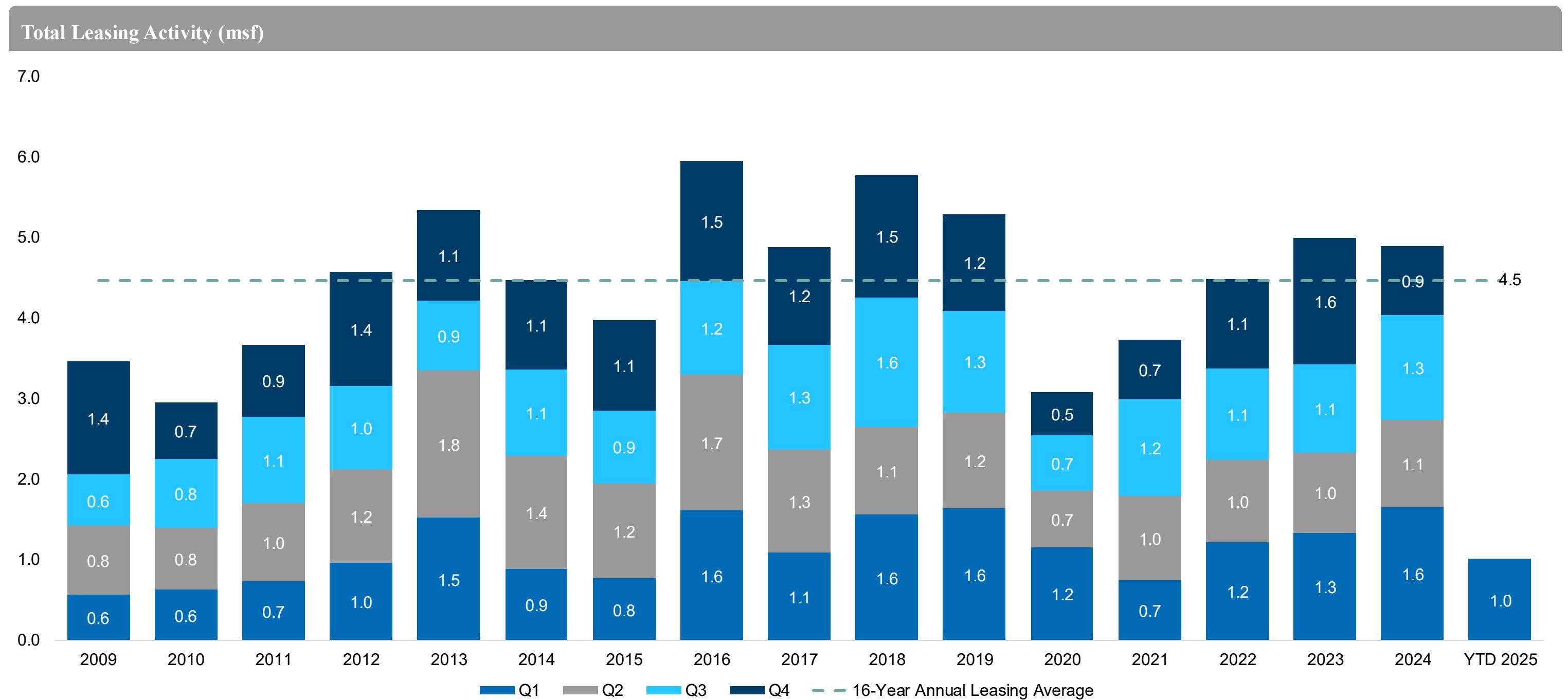
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Increases Quarter Over Quarter

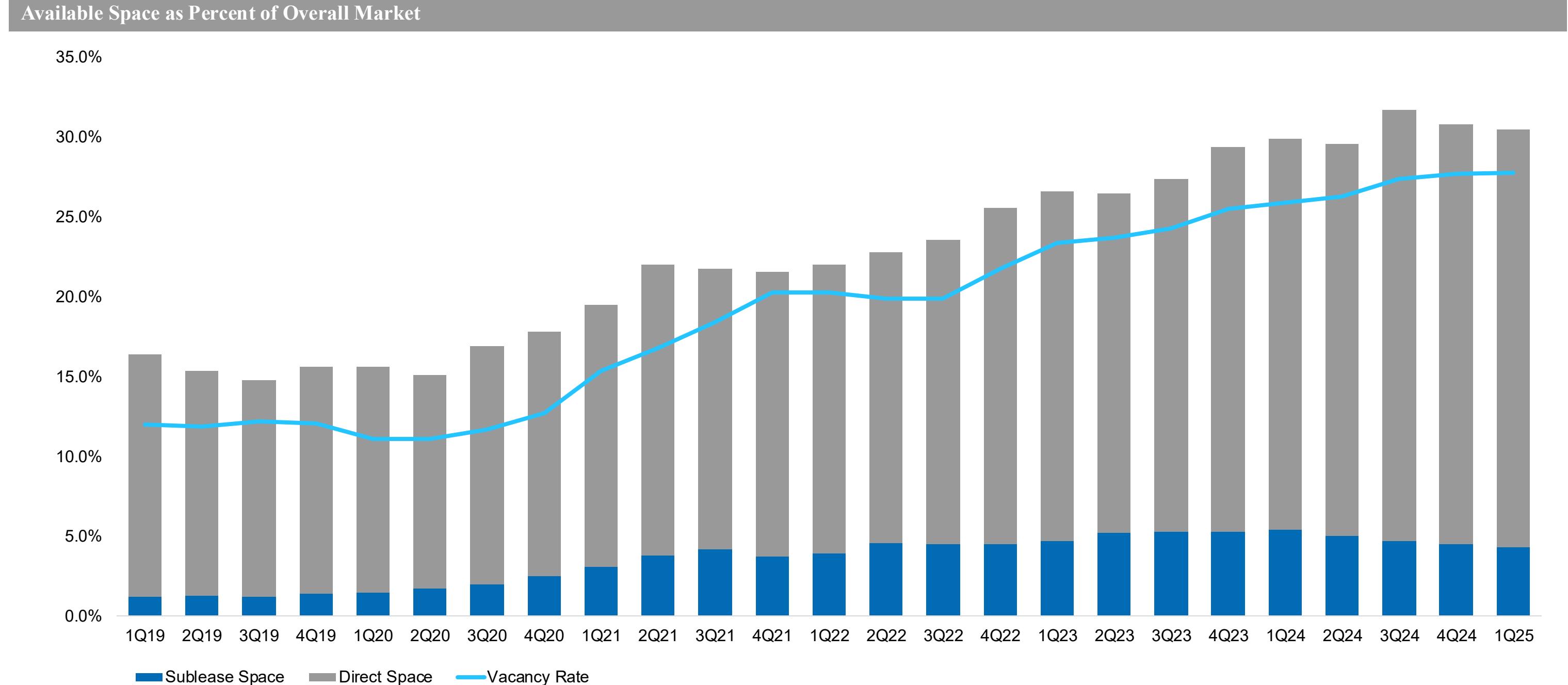
Leasing activity increased by 17.7% quarter over quarter to 1.0 MSF by the end of the first quarter of 2025. The quarter's leasing volume, however, was 10.8% lower than the first quarter activity reported over the past 16 years at 1.1 MSF. Activity was expected to improve following last quarter's election, as more companies began phasing out remote work policies and requiring employees to return to the office five days a week. J.P. Morgan Chase was one such example, announcing a full in-office work mandate in January 2025.



Source: Newmark Research, CoStar

Overall Availability Decreases for Second Consecutive Quarter

In the first quarter of 2025, sublease availability decreased by 20 basis points quarter over quarter to 4.3%. The decline represents the fourth consecutive quarterly decrease, reversing a prior trend of post-pandemic increases that peaked at 5.4% in the first quarter of 2024. Meanwhile, direct availabilities decreased by 10 basis points quarter over quarter to 26.2%. As a result, total availability decreased by 30 basis points quarter over quarter to 30.5%. In the same time period, the vacancy rate increased by 10 basis points quarter over quarter to 27.8%, a recent high, likely a result of corporate downsizing as pre-pandemic leases expire.

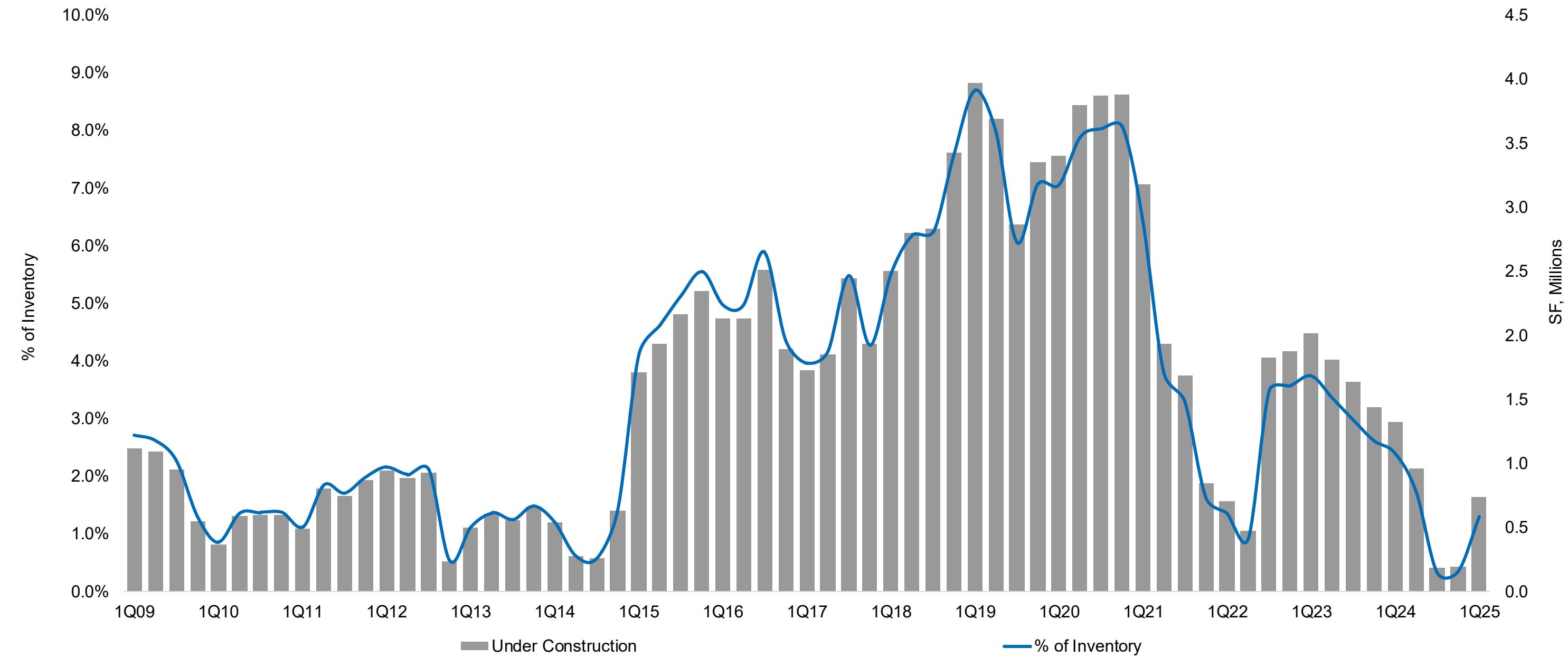


Source: Newmark Research, CoStar

Construction Activity More Than Triples

Construction activity more than tripled quarter over quarter to 737,789 SF in the first quarter of 2025. The increase is primarily attributable to Queensbridge Collective, a mixed-use project by Riverside Investment & Development in the Midtown/Southend submarket. Outside of Queensbridge Collective, the pipeline has generally been declining due to high existing levels of availability, as well as elevated capital and construction costs.

Office Under Construction and % of Inventory

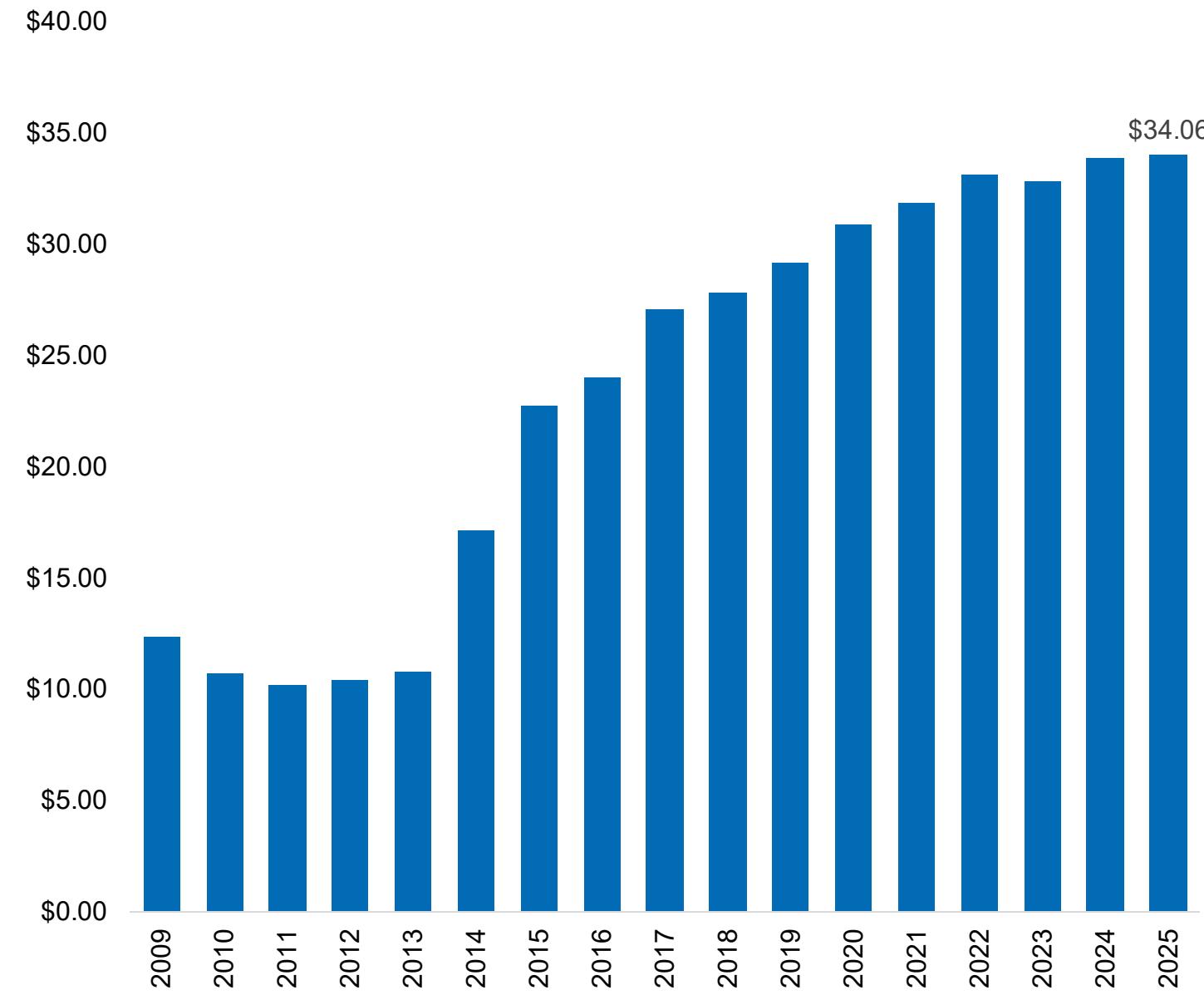


Source: Newmark Research, CoStar

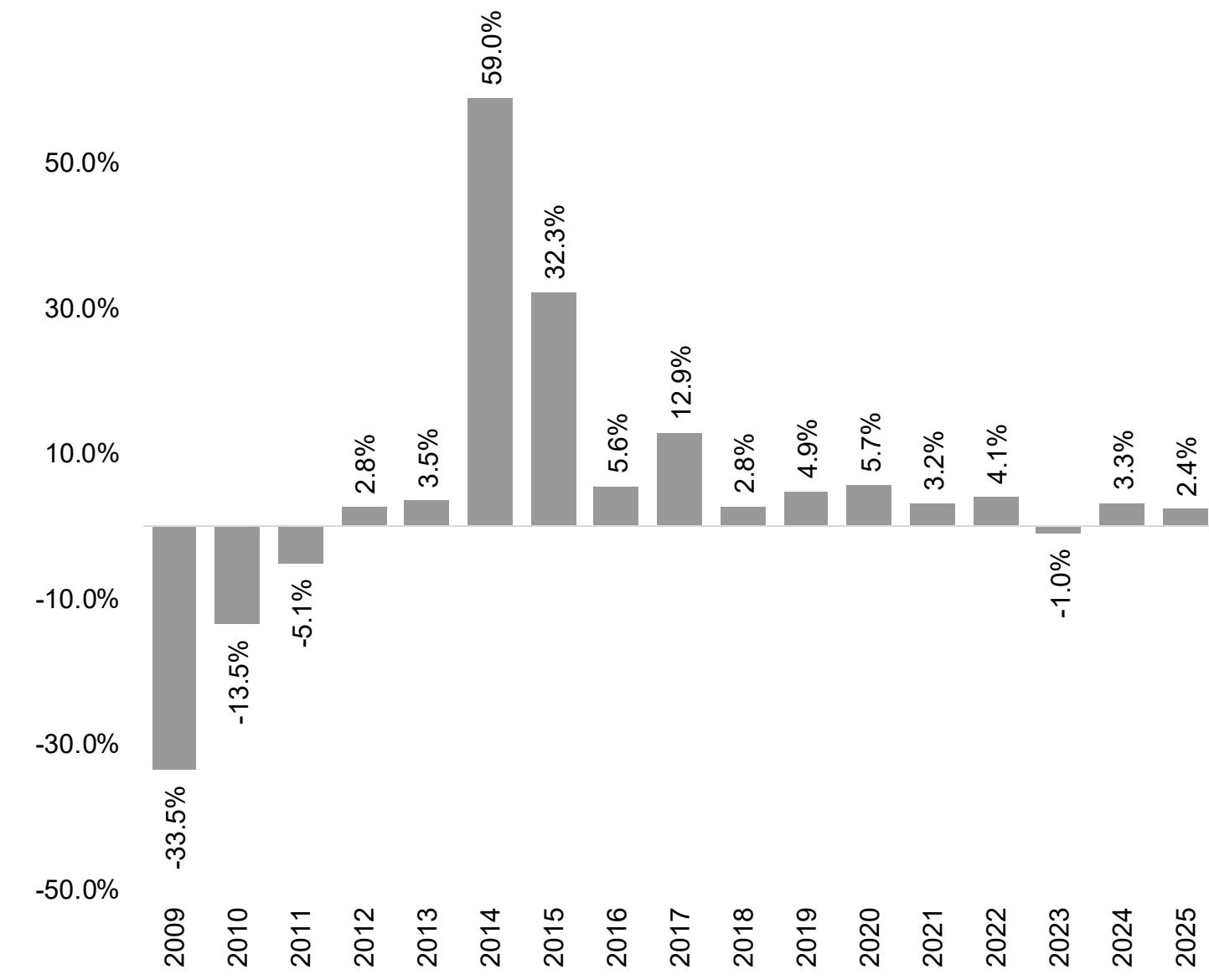
Rents Reach A New All-Time High

Charlotte's average asking rents increased by 2.4% year over year to \$34.06, a new all-time high. With the exception of 2023, the market has seen positive annual rent growth every year since 2012. However, the first quarter of 2025 represents one of the lowest annual growth rates since 2011. Asking rents are likely to remain elevated, or increase modestly in the near term, even as concession packages also remain elevated.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

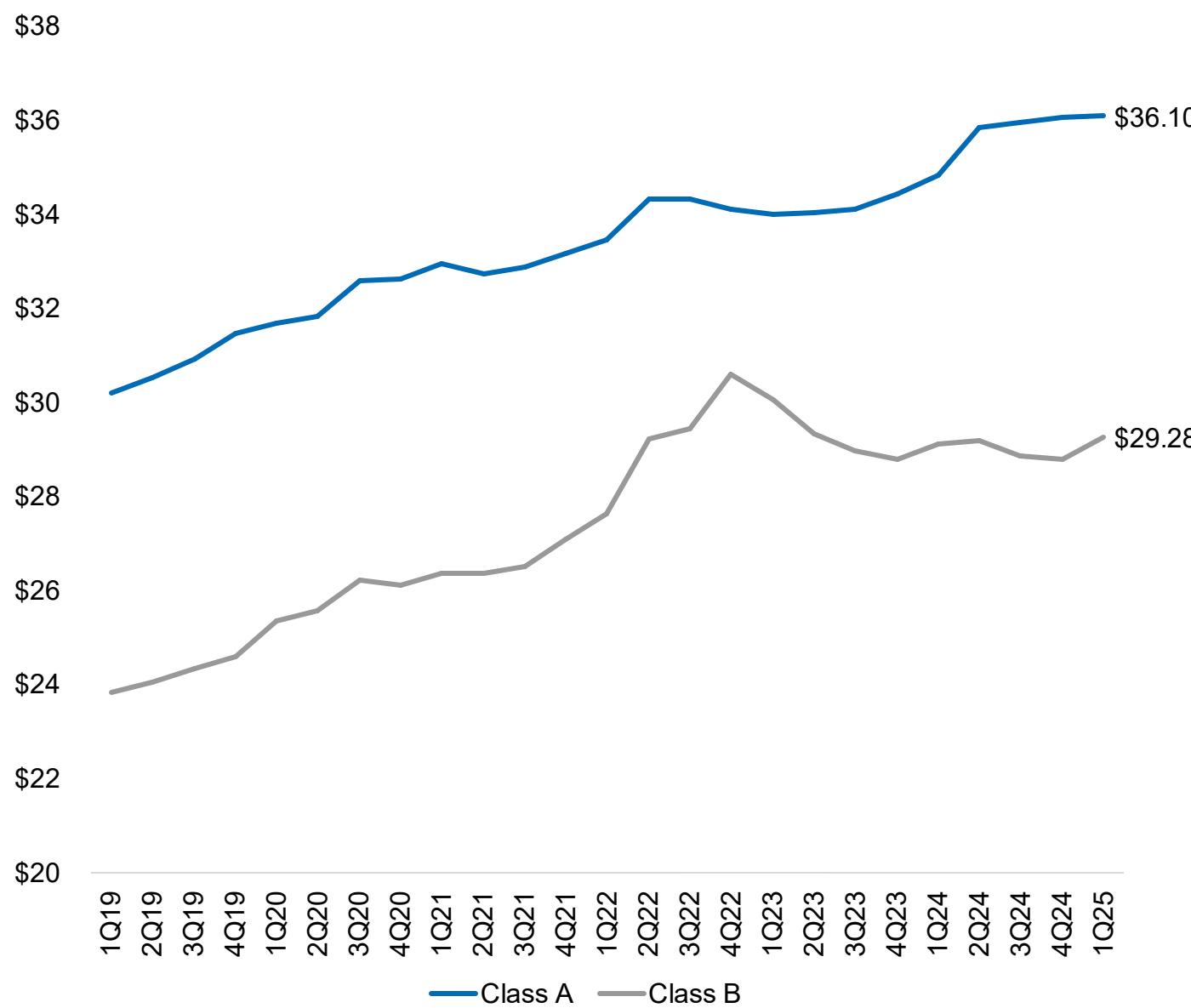


Source: Newmark Research, CoStar

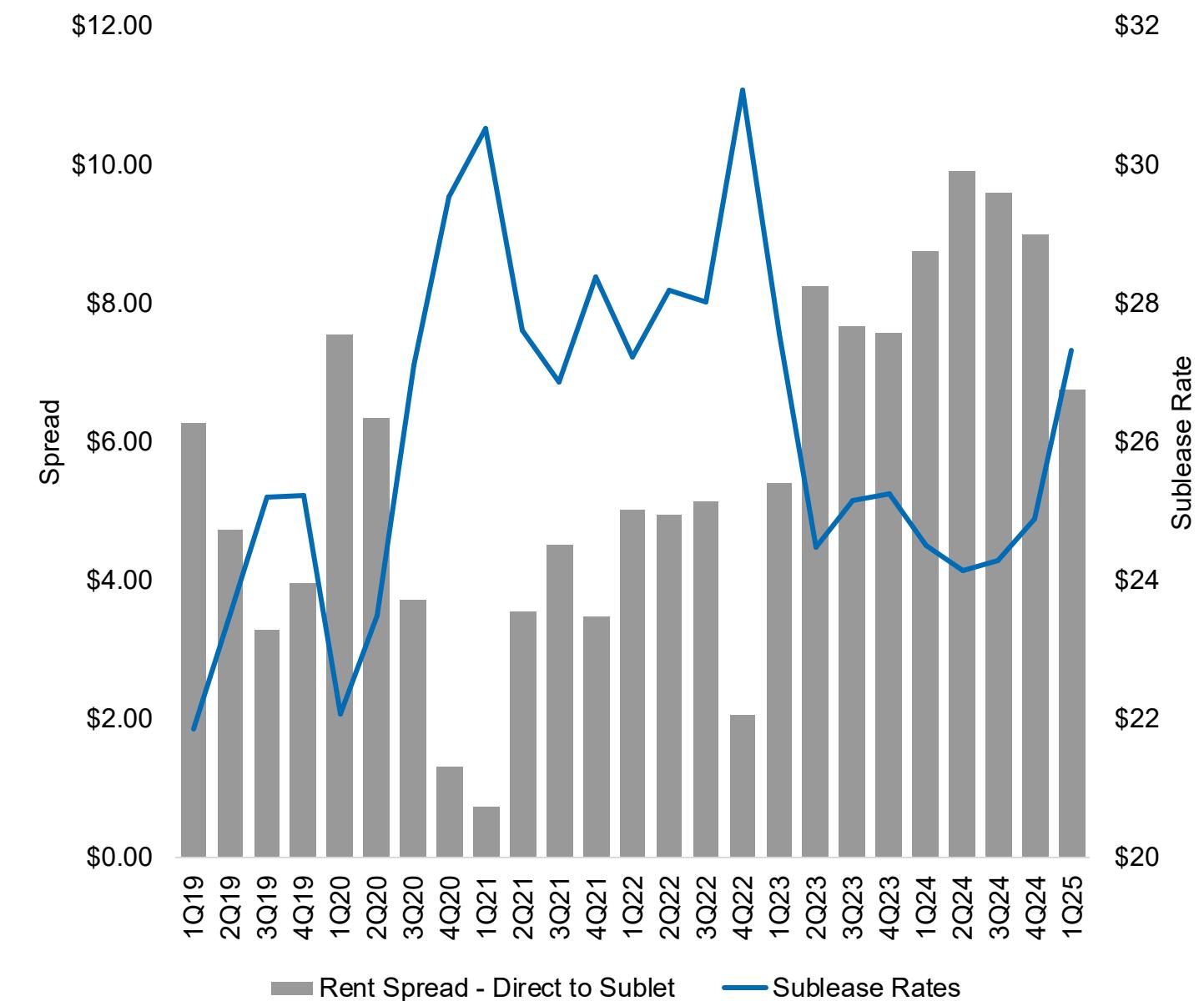
Spread Between Class A and Class B Decreases

As of the end of the first quarter of 2025, Class A asking rents reached a new all-time high of \$36.10/SF, ticking up by one penny quarter over quarter. Class B reported \$29.28/SF in asking rents over the same period, reflecting a 1.7% quarter-over-quarter increase. The spread between the two classes, at \$6.82/SF, remains significant and reflects a preference for higher-quality space, despite the \$0.47/SF decline in the spread quarter over quarter. Sublease rates spiked by 9.7% quarter over quarter to \$27.31/SF at the end of the first quarter of 2025.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

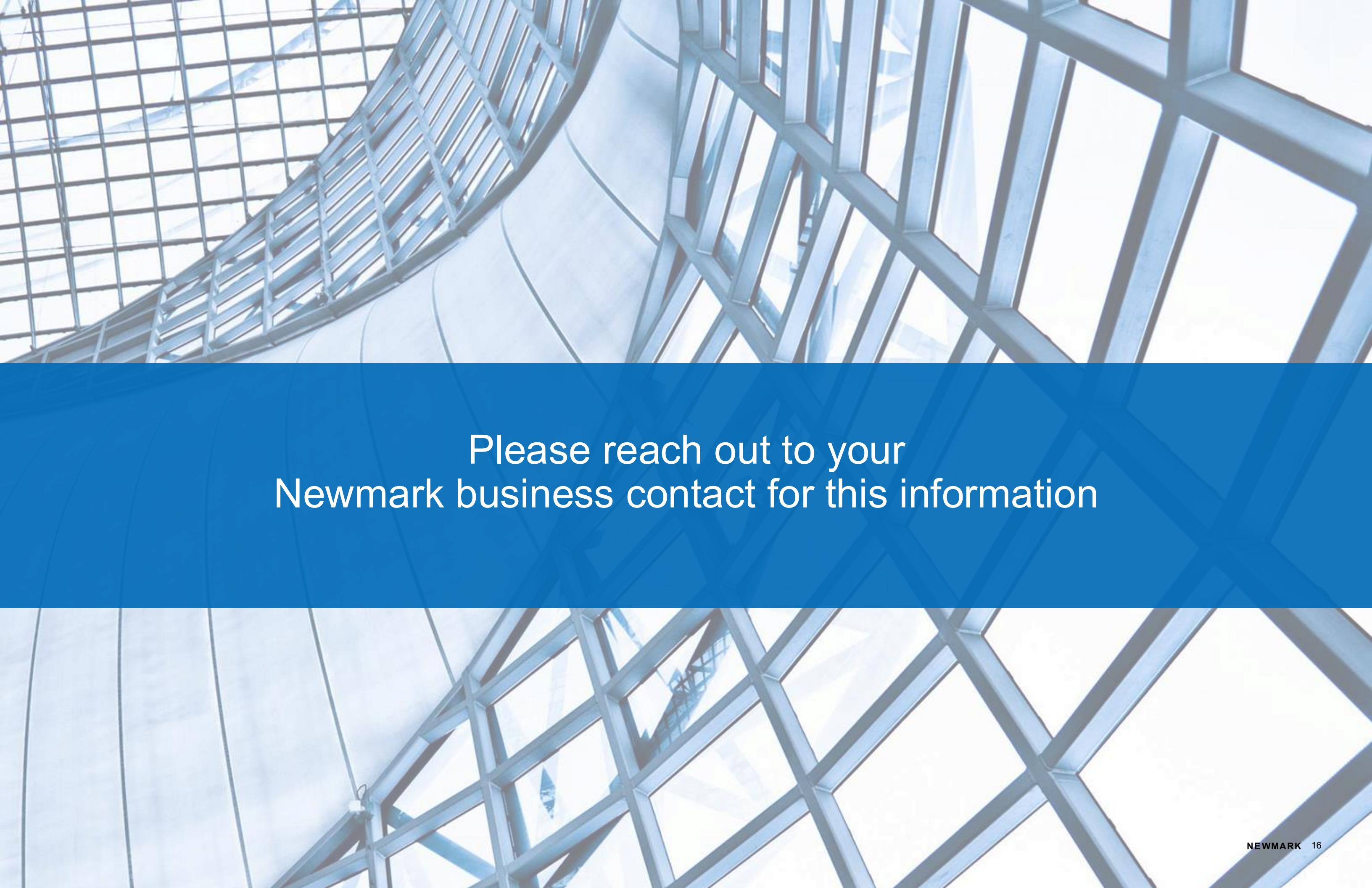
“Flight to Quality” Continues Driving Leasing Decisions

All notable first-quarter leases were direct new deals, suggesting that tenants are seizing current market conditions to secure favorable terms. Additionally, each transaction occurred in Class A buildings, underscoring sustained demand for high-quality space. Notably, three of the leases involved companies either relocating their headquarters to Charlotte or expanding into it, pointing to a modest but meaningful influx of new demand.

Notable 1Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
CliftonLarsonAllen, LLP	Ballantyne Village – Building F	South/485	Direct New	50,000
<i>Accounting and professional services firm CliftonLarsonAllen is relocating from the CBD submarket. The new space will serve both as office and a training center to grow and retain talent.</i>				
Orano	10101 David Taylor	University	Direct New	31,197
<i>Orano, a provider of technology and services for the decommissioning of nuclear energy facilities, is headquartered in Bethesda, MD. The new Charlotte lease represents an expansion to support operations tied to facilities the company services across North Carolina.</i>				
Compass Group	LakePointe 3	Airport	Direct New	29,841
<i>Food support services company Compass is relocating from 2400 Yorkmont Road within the same submarket and reducing their footprint by over 100,000 SF.</i>				
Odyssey	Whitehall Corporate Center V	Airport	Direct New	23,390
<i>The company is a private logistics solutions provider and is relocating its corporate headquarters from Danbury, CT to Charlotte.</i>				
Crete United	The Station at LoSo - 4	Midtown/Southend	Direct New	21,220
<i>The mechanical, electrical and plumbing company is relocating their corporate headquarters from Tampa, FL to Charlotte. The deal represents an expansion from the original 10,000 SF announced in 2024.</i>				

Source: Newmark Research, CoStar



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