

2Q25

# Charlotte Office Market Overview





# Market Observations

## Economy

- The market's unemployment rate increased by 10 basis points year over year to 3.7%, remaining below both the metro's five-year average of 4.3% and the national average of 4.2%.
- Employment growth increased by 39 basis points year over year to 2.2% at the end of May 2025.
- Most sectors reported yearly employment growth, with education and healthcare leading job gains at 4.9% over the past 12 months.
- Office-using jobs reached 381,130 as of the end of May 2025, reflecting a 2.4% increase year over year and slightly below the record high set in the previous month.

## Major Transactions

- Financial activities firm Trimont inked the largest deal of the quarter, signing a new lease for 67,935 SF at One South.
- Charlotte's place as a major financial hub was affirmed this quarter, as the top three notable leases were signed by financial institutions.
- All of the top five deals were new leases, suggesting that tenants are seizing current market conditions to secure favorable terms.
- One South and 110 East took the lion's share of the second quarter's notable leases, underscoring sustained demand by tenants for high-quality spaces in desirable locations.

## Leasing Market Fundamentals

- Annual full-service rental rates increased by 0.1% on a yearly basis to \$34.16/SF, just 0.1% shy of the record set during the previous quarter.
- Net absorption was negative 295,304 SF, pushing the vacancy rate to increase by 52 basis points quarter over quarter to a record high of 27.8%.
- The under-construction pipeline remained unchanged at 223,427 SF as the impacts of tightened fiscal policy and higher construction costs curbed new groundbreakings. There is currently 0.4% of total inventory under construction.
- Total leasing activity increased by 10.0% quarter over quarter to 1.3 MSF. Overall, the quarter's leasing volume was 7.1% higher than the second quarter activity reported over the past 16 years at 1.2 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.

1. Economy
2. Leasing Market Fundamentals



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# Economy

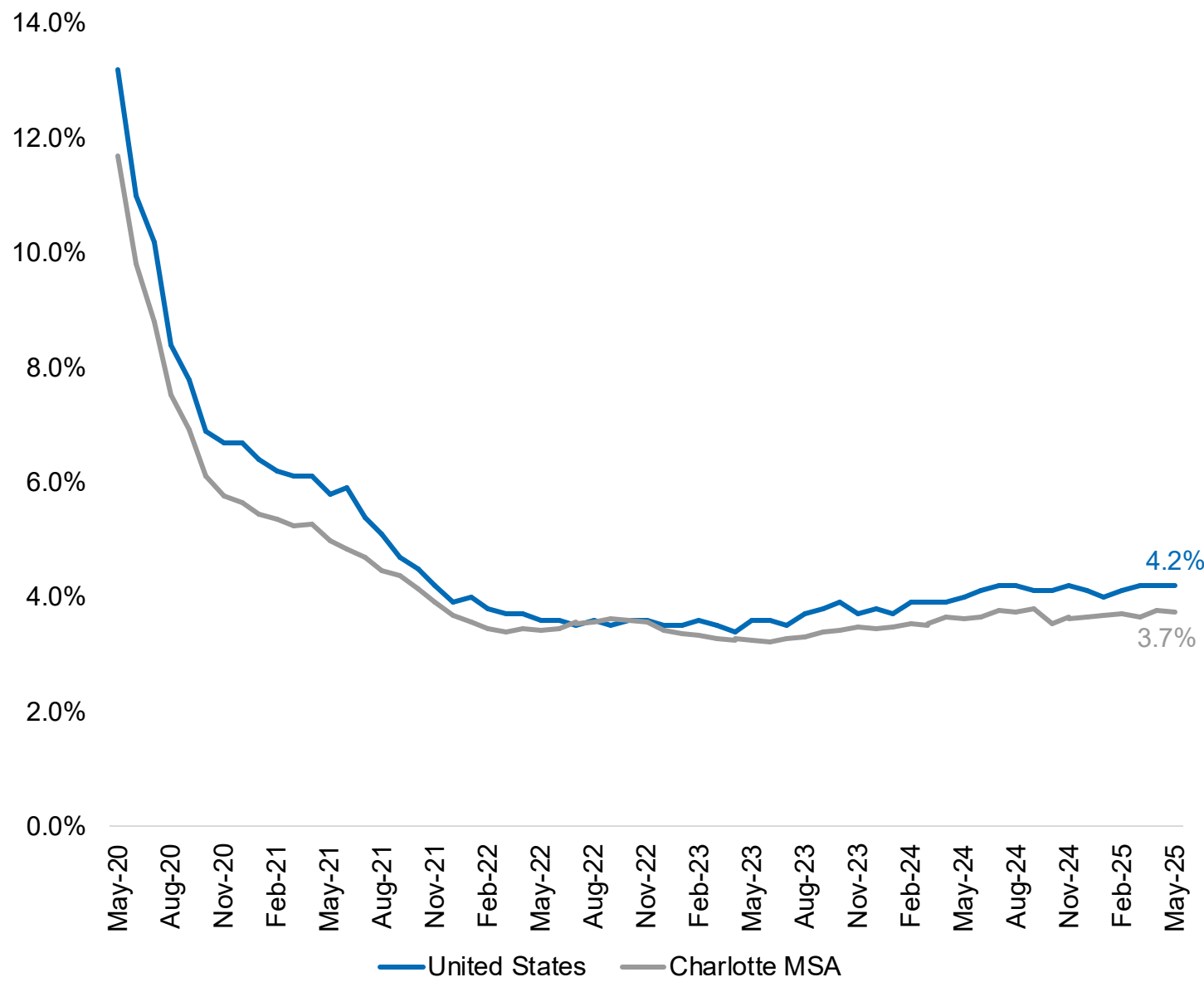




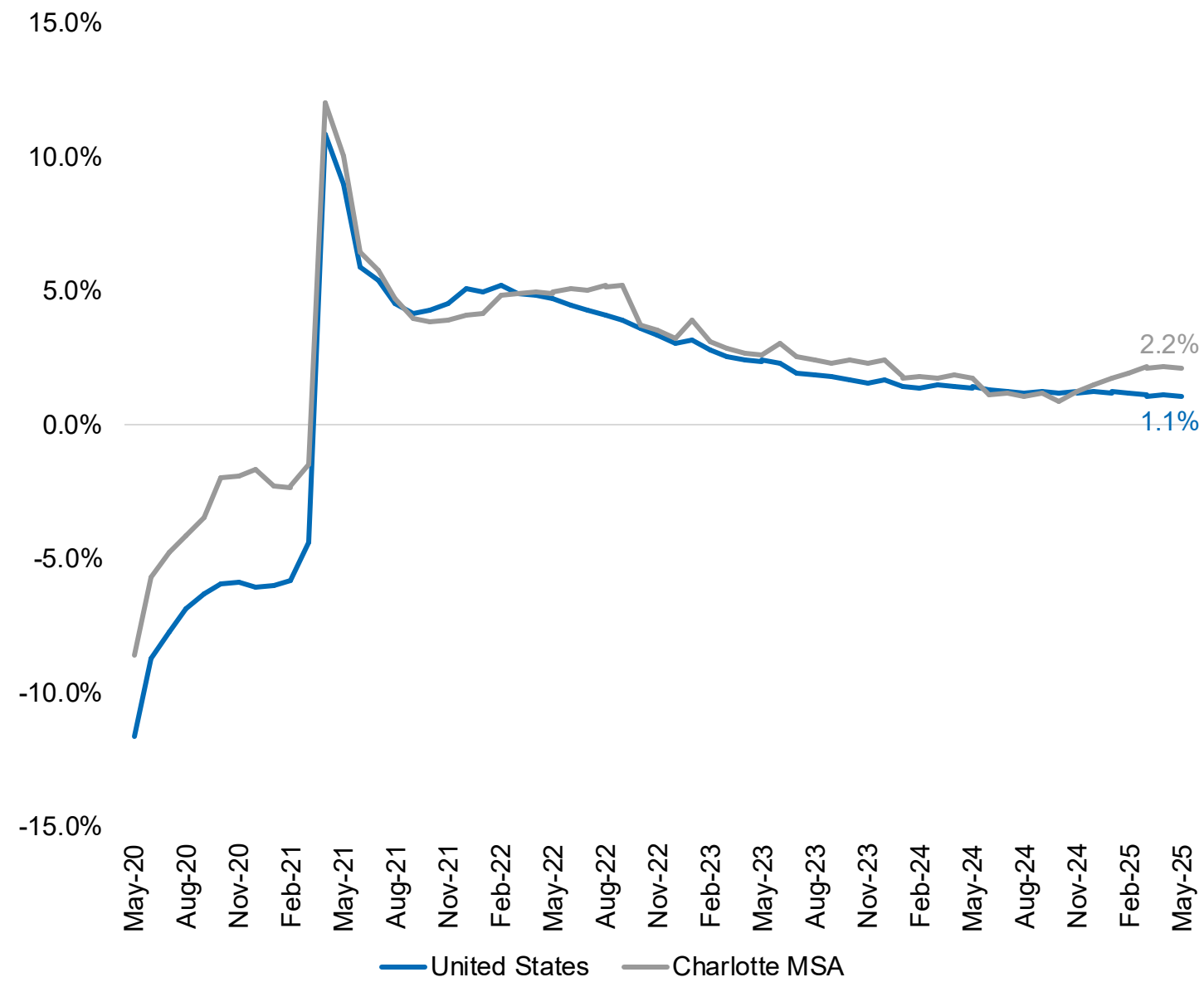
# Annual Nonfarm Payroll Growth Picks Up

Charlotte, traditionally a leader in both employment growth and low unemployment, outperformed the United States again in the second quarter of 2025. While the metro’s seasonally adjusted unemployment rate climbed 10 basis points year over year to 3.7%, it remains below both the national average of 4.2% and Charlotte’s five-year average of 4.3%. Annual nonfarm payroll growth increased by 39 basis points to 2.2%, outperforming the United States’ annual growth rate by 107 basis points.

Unemployment Rate, Seasonally Adjusted



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

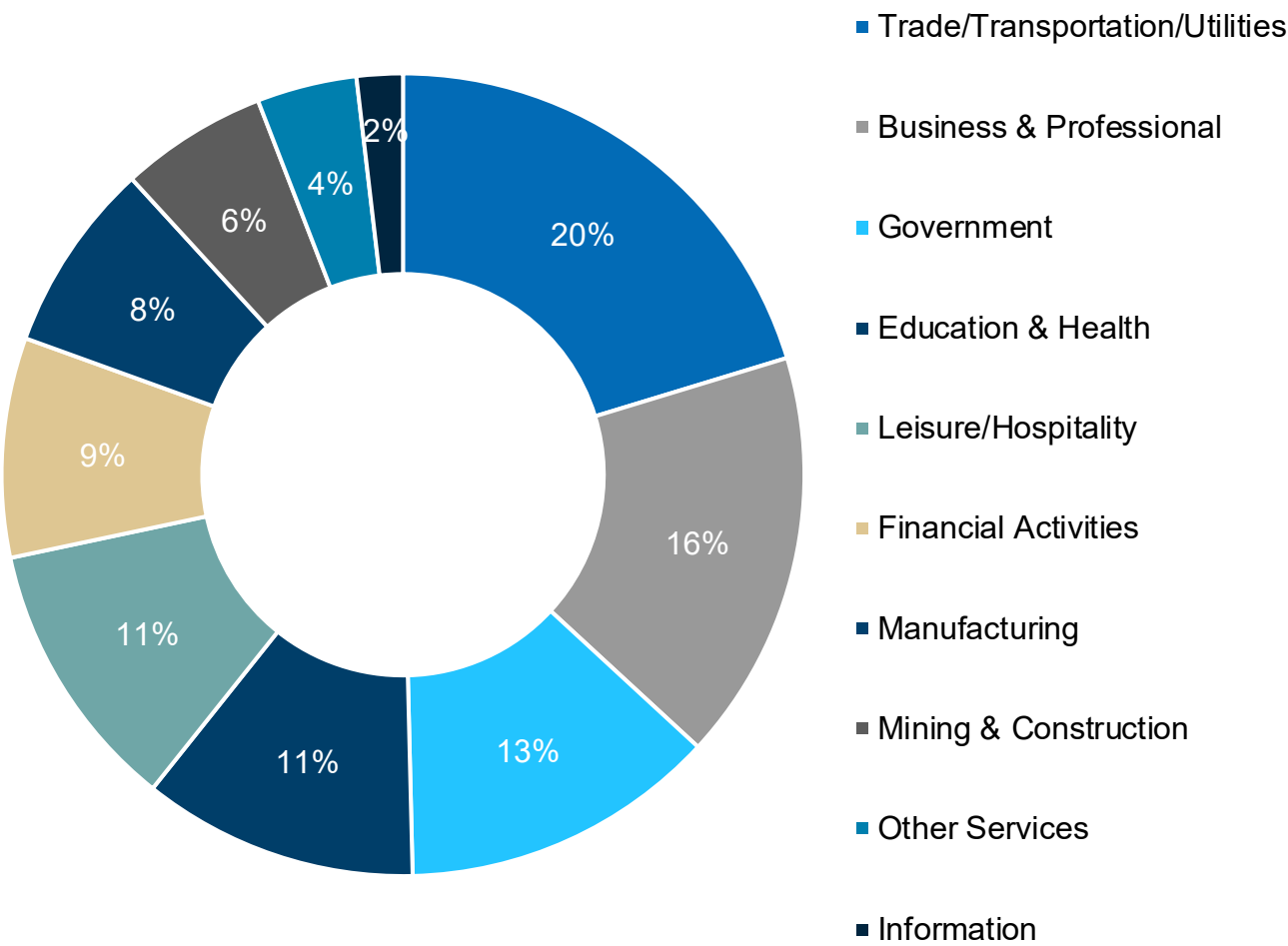


Source: U.S. Bureau of Labor Statistics, Charlotte MSA

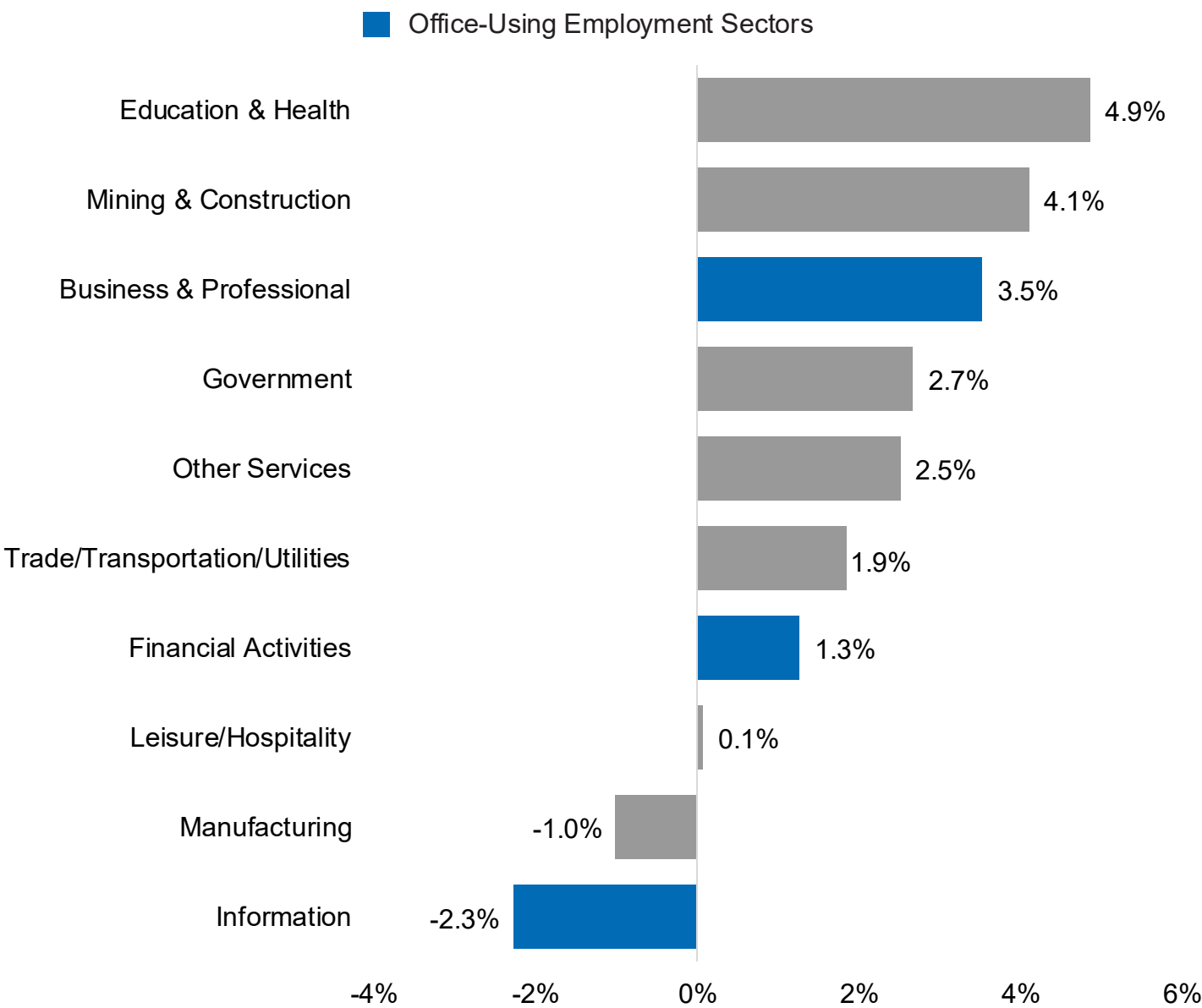
# Most Employment Sectors Continue to Grow

Charlotte, known for its strength in the financial sector, has its top two employment industries – trade/transportation/utilities and business and 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 manufacturing and information. The office-using financial activities and business and professional services sectors reported growth of 1.3% and 3.5%, respectively. Meanwhile, the information sector declined by 2.3% on a yearly basis.

Employment by Industry, May 2025



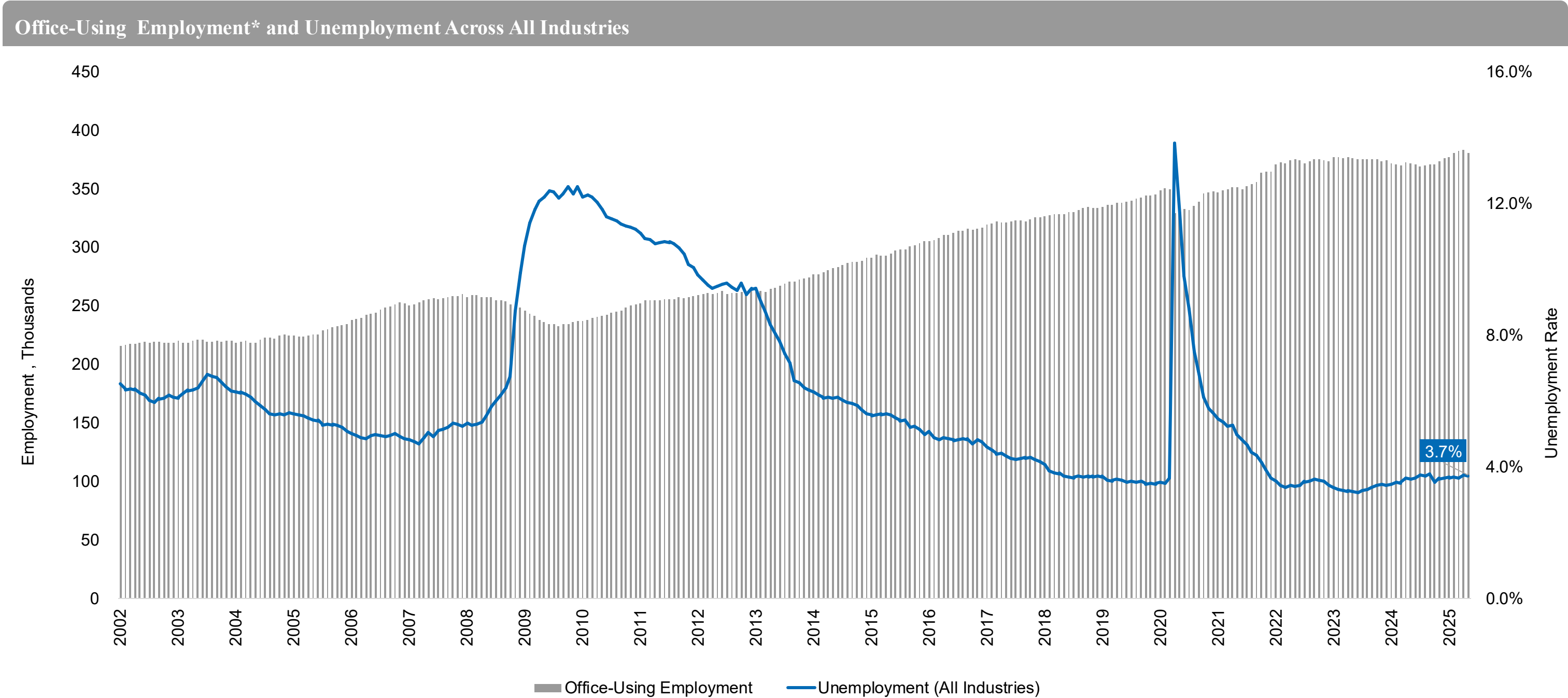
Employment Growth by Industry, 12-Month % Change, May 2025



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

# Office-Using Employment Eases from Mid-Quarter Record High

Office-using employment in the Charlotte market ended the quarter with 381,130 jobs, reflecting a 2.4% annual increase and is only 0.6% below the all-time high reported the previous month. While the information sector saw year-over-year job losses, gains in financial activities and business and 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 17 basis points above the 2019 average.



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.

# Charlotte Gross Metropolitan Product

Charlotte Gross Metropolitan Product continued to increase despite economic headwinds, albeit at a slower rate, in the first quarter of 2020. Gross Metropolitan Product rose 0.8% year over year to reach a new all-time high of roughly \$250 billion.



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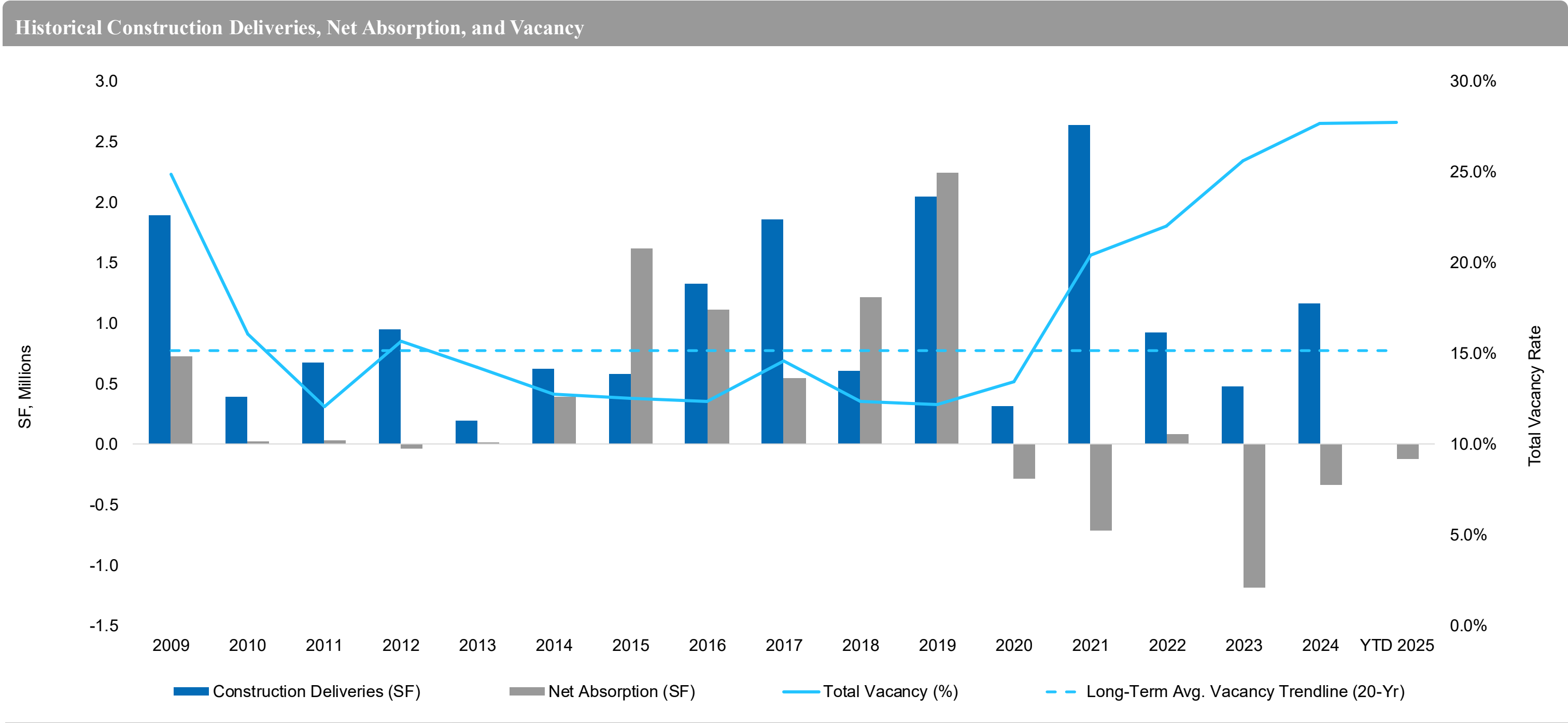
# Leasing Market Fundamentals





# Move-Outs Outpace Move-Ins, Leading to Record High Vacancy

There were no office deliveries during the second quarter of 2025, following several quarters where supply outpaced demand. However, move-outs outpaced move-ins, resulting in net absorption being negative 295,304 SF at the end of the quarter and leading to a 52 basis-point quarterly uptick in the vacancy rate to 27.8%, a record 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.

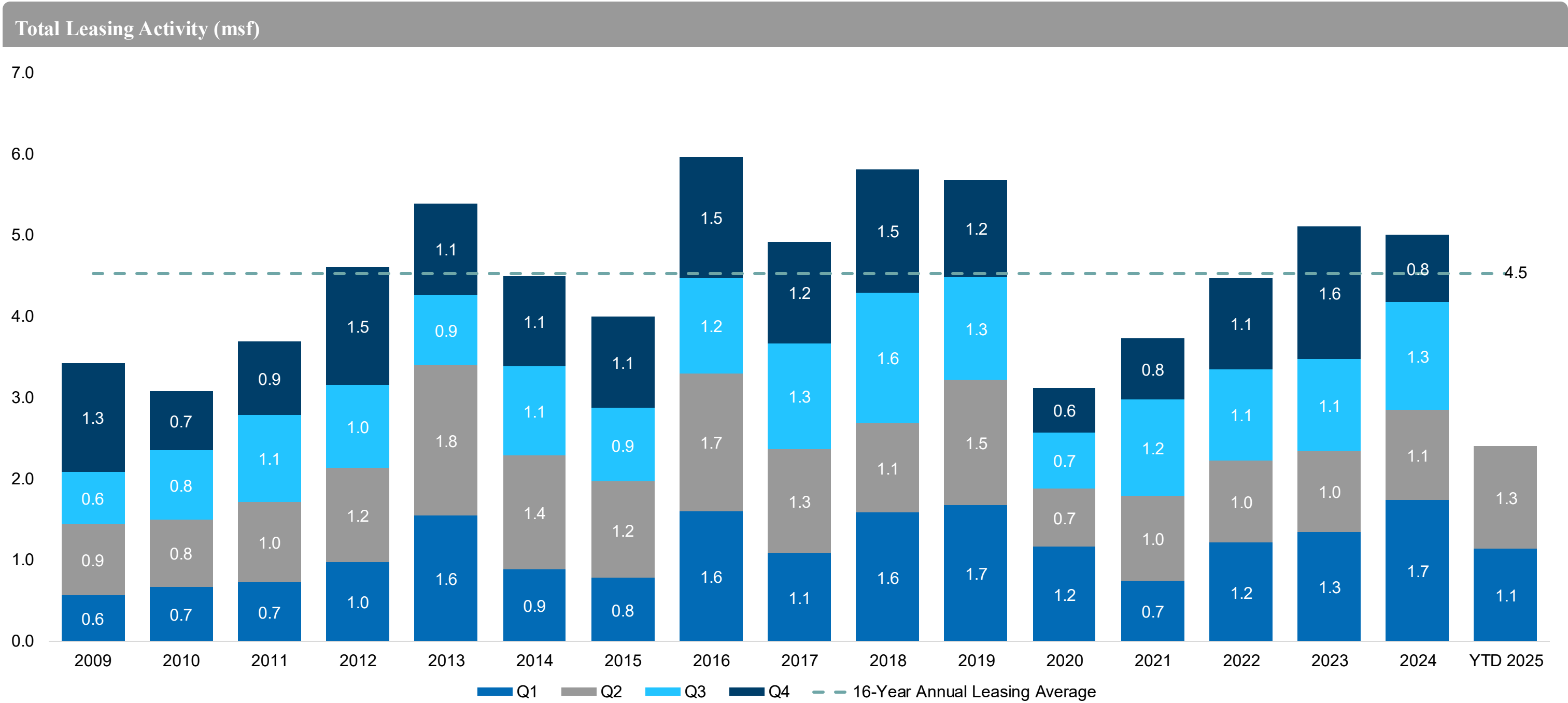


Source: Newmark Research, CoStar



# Leasing Activity Increases Quarter Over Quarter

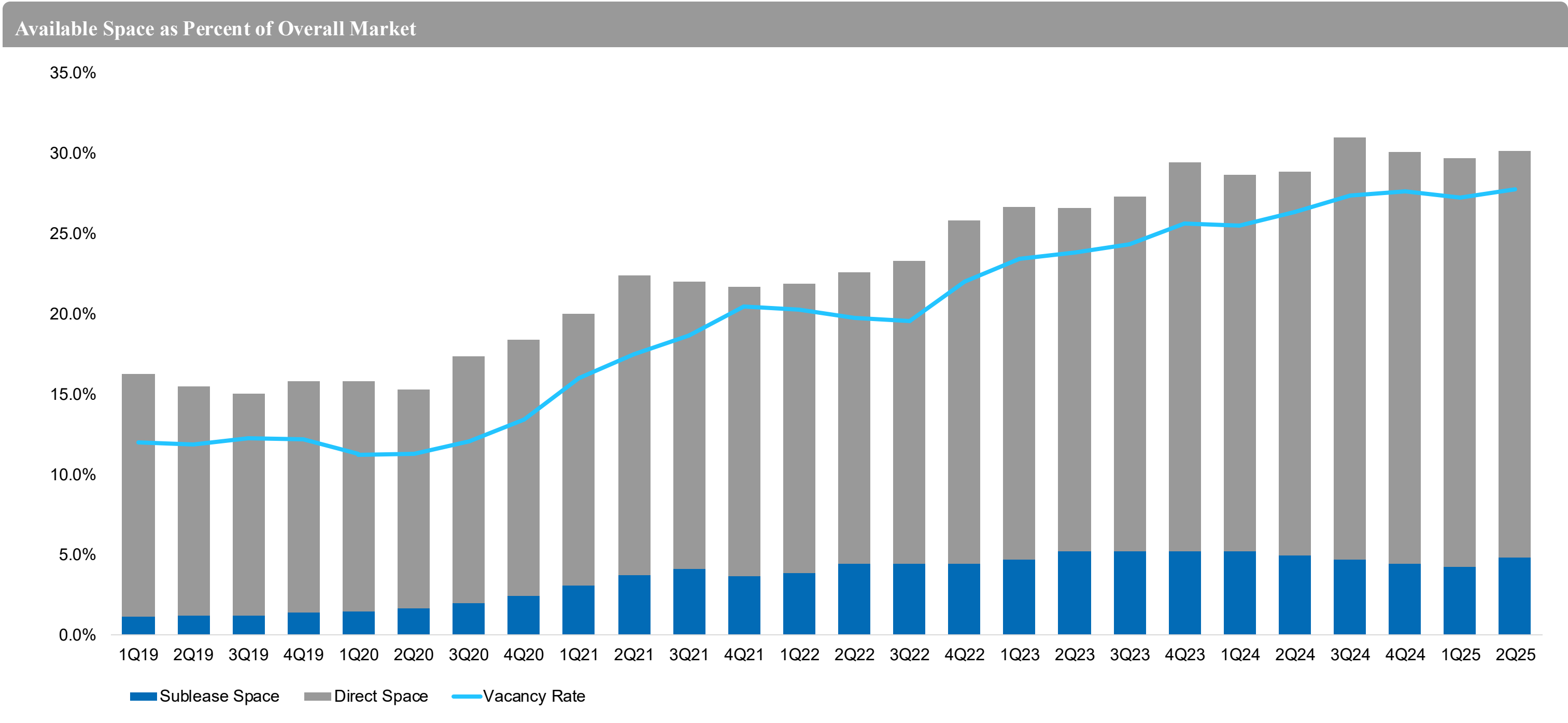
Leasing activity increased by 10.0% quarter over quarter and 13.9% year over year to 1.3 MSF by the end of the second quarter of 2025. Total leasing activity was above the 16-year second-quarter leasing activity average of 1.2 MSF. The uptick in leasing activity can be attributed to financial services companies such as Trimont and Coinbase moving their offices into high-quality spaces. Coinbase is particularly notable due to its “remote-first” work approach for its employees.



Source: Newmark Research, CoStar

# Overall Availability Decreases for Second Consecutive Quarter

In the second quarter of 2025, sublease availability increased by 61 basis points quarter over quarter to 4.9%, marking a reversal of the declining trend that had persisted since the second quarter of 2024. Still, sublease availability remains below its 5.2% peak reached in mid 2023. Meanwhile, direct availabilities decreased by 15 basis points quarter over quarter to 25.3%. As a result, total availability increased by 46 basis points quarter over quarter to 30.1%. During the same time period, the vacancy rate increased by 52 basis points quarter over quarter to a record high of 27.8%, likely a result of corporate downsizing as pre-pandemic leases expire.

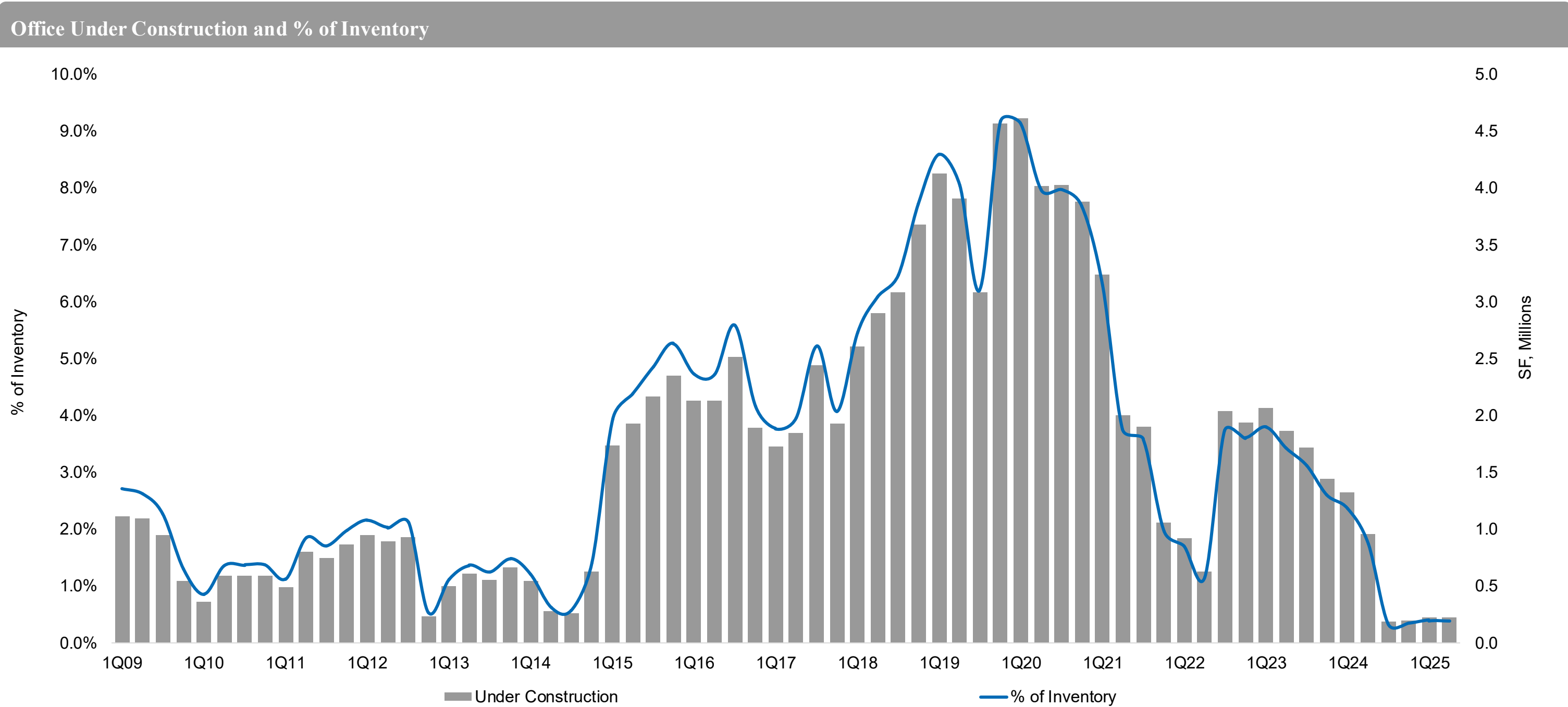


Source: Newmark Research, CoStar



# Construction Activity Holds Steady

Construction activity totaled 223,427 SF in the second quarter of 2025, remaining unchanged from the previous quarter. The pipeline has generally been declining due to high existing levels of availability, as well as elevated capital and construction costs that have curbed new groundbreakings. The under-construction pipeline currently accounts for 0.4% of the market's inventory. Overall, this mitigates the risk of overbuilding in the market.

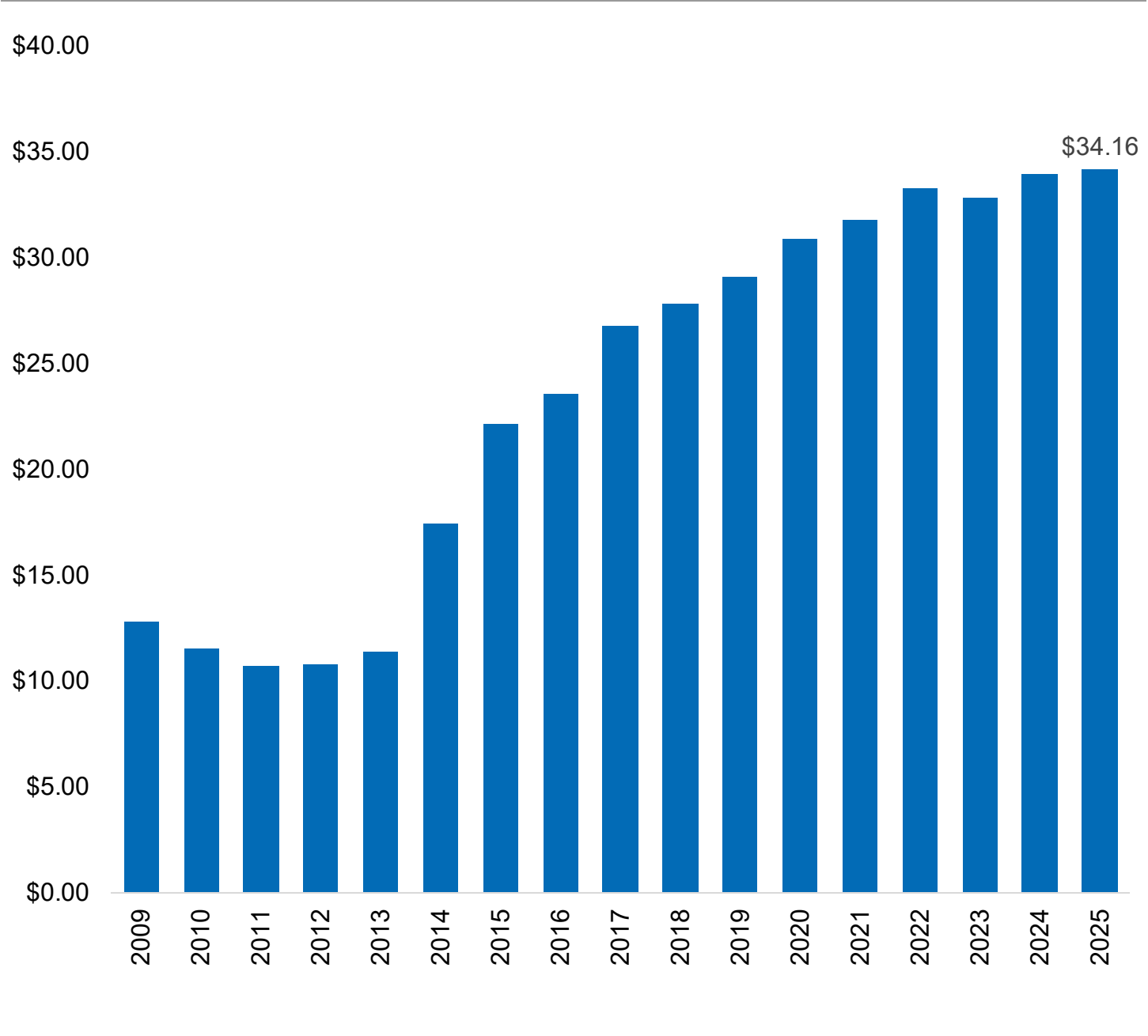


Source: Newmark Research, CoStar

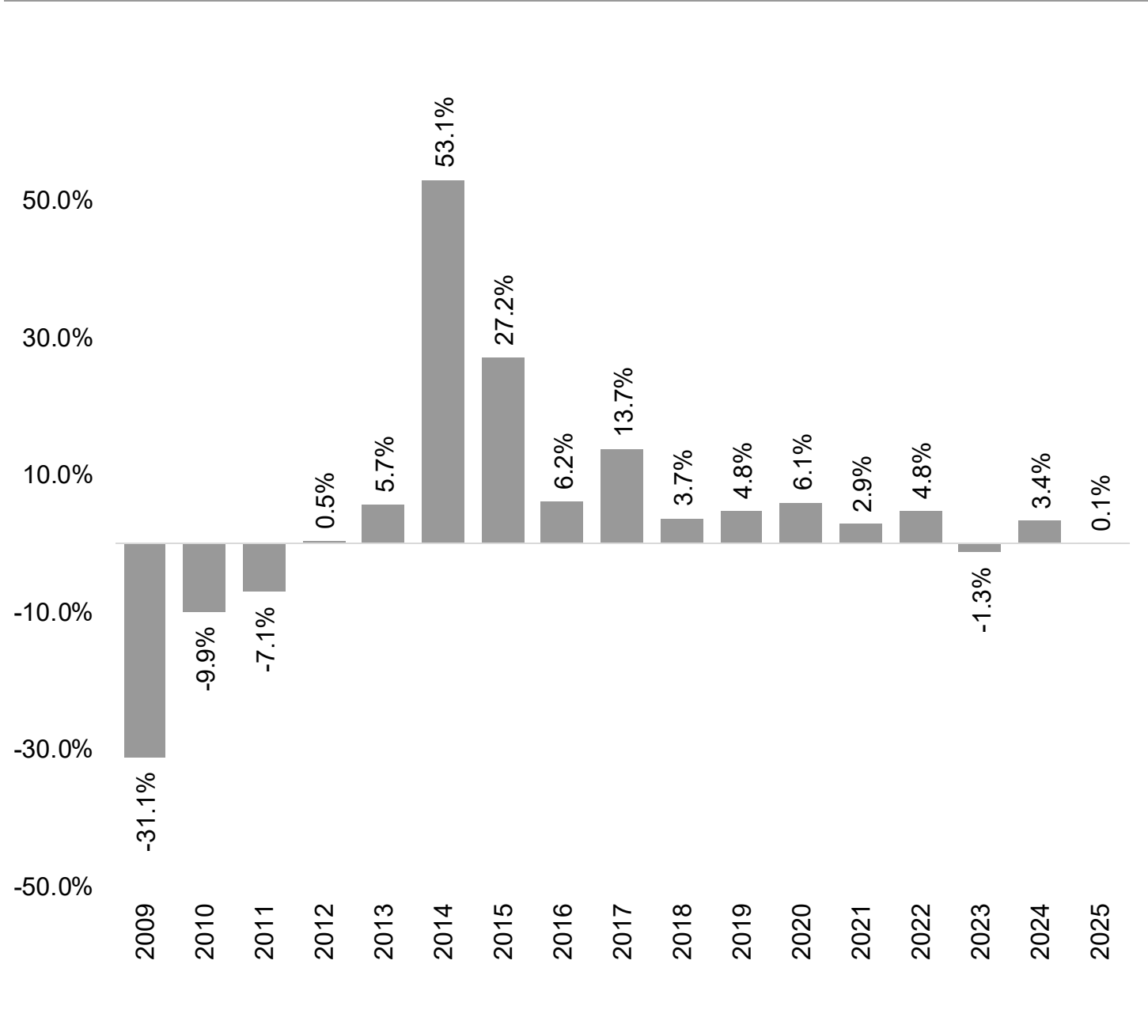
# Rents Drop From Record Highs

Charlotte’s average asking rents decreased by 0.1% quarter over quarter to \$34.16/SF. With the exception of 2023, the market has seen positive annual rent growth every year since 2012. However, the second quarter of 2025 represents the lowest positive annual growth rate since 2013. Nevertheless, 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



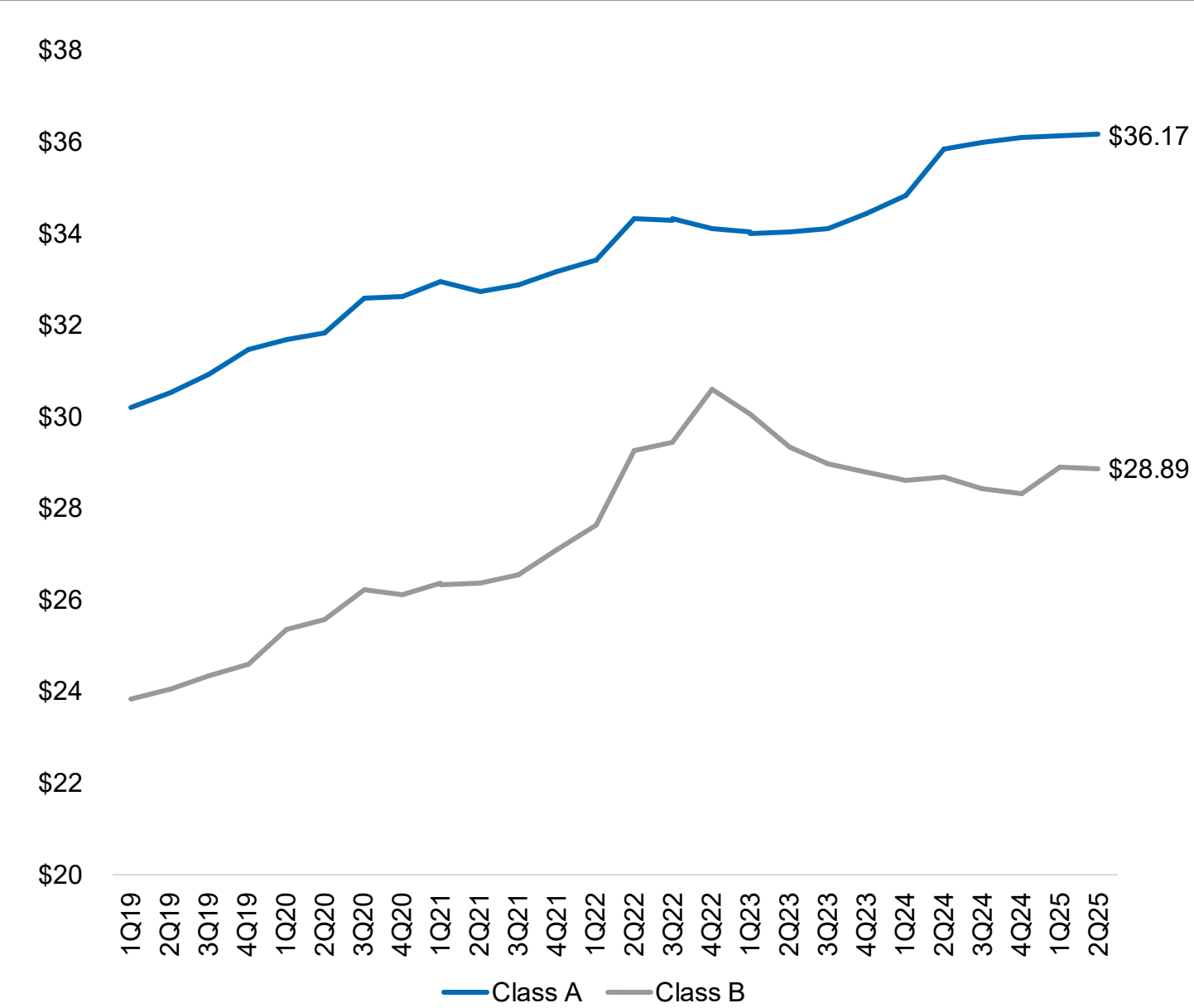
Source: Newmark Research, CoStar



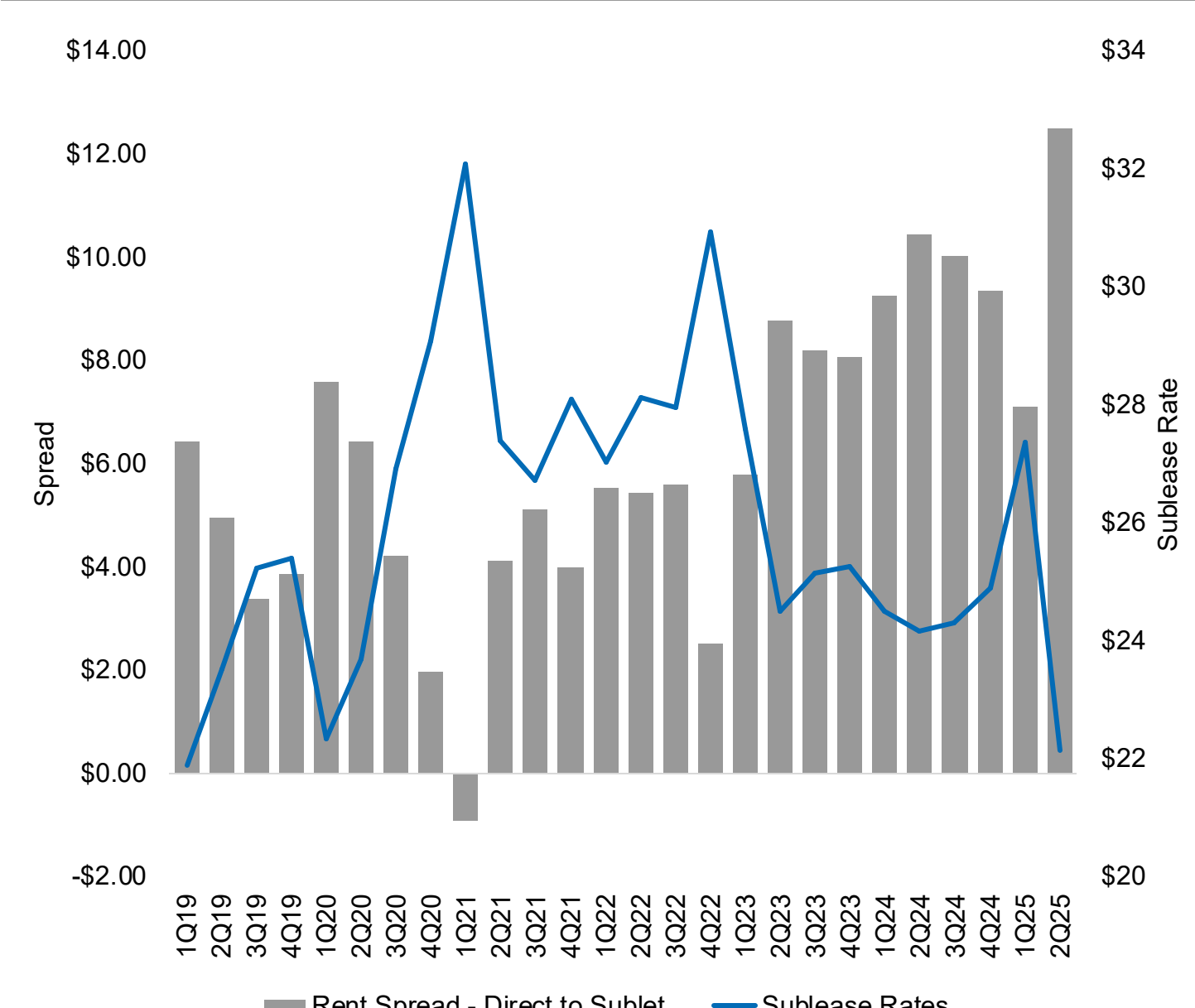
# Spread Between Class A and Class B Ticks Up

As of the end of the second quarter of 2025, Class A asking rents reached a new all-time high of \$36.17/SF, ticking up by one penny quarter over quarter. Class B reported \$28.89/SF in asking rents over the same period, reflecting a 0.1% quarter-over-quarter decrease. The spread between the two classes increased by \$0.03/SF quarter over quarter to \$7.27/SF, reflecting a preference for higher-quality space. Sublease rates declined by 19.1% quarter over quarter to \$22.12/SF at the end of the second quarter of 2025.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

# Financial Institutions Taking Class A Space Drive Quarterly Leasing

All notable second-quarter leases were direct new deals, suggesting that tenants are seizing current market conditions to secure favorable terms. One South and 110 East took the lion’s share of the quarter’s notable leases, underscoring sustained demand by tenants for high-quality spaces in desirable locations. The top three notable leases were signed by financial institutions, re-affirming Charlotte's place as a major financial hub. Another notable lease signed during the quarter was Deriva Energy’s establishment of its headquarters at One South.

Notable 2Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Trimont	One South	CBD	Direct New	67,935
Atlanta-based global real estate loan servicer Trimont will relocate Wells Fargo’s non-agency third-party commercial mortgage servicing business, which it recently acquired. The business is expected to move into One South by January 2026.				
Coinbase	110 East	Midtown/Southend	Direct New	58,600
Coinbase is establishing a “Center of Excellence” at the recently-delivered 110 East Boulevard. It will be Coinbase’s third regional office, joining San Francisco and New York City.				
SouthState Bank	110 East	Midtown/Southend	Direct New	39,800
Florida-based SouthState Bank signed a lease that will relocate its regional headquarters from the Roxborough Building to 110 East Boulevard during the second quarter of 2026.				
Compleat Kidz	ArrowPoint One	Airport	Direct New	37,042
Pediatric therapy provider Compleat Kidz inked a lease for 37,042 SF at 9401 Arrowpoint Boulevard.				
Deriva Energy	One South	CBD	Direct New	33,606
Charlotte-based clean-energy company Deriva Energy, which recently spun off from Duke Energy, signed a 10-year lease that will serve as its headquarters.				

Source: Newmark Research, CoStar



# Charlotte Office Submarket Overview—All Classes

Charlotte Office Submarket Overview—All Classes								
	Office	Office	Office	Office	Office	Office	Office	Office
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

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Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Office	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

# Charlotte Office Submarket Overview—Class A

Charlotte Office Submarket Overview—Class A						
Submarket	Class A	Class B	Class C	Class D	Class E	Class F
Submarket 1	100,000	200,000	300,000	400,000	500,000	600,000
Submarket 2	150,000	250,000	350,000	450,000	550,000	650,000
Submarket 3	200,000	300,000	400,000	500,000	600,000	700,000
Submarket 4	250,000	350,000	450,000	550,000	650,000	750,000
Submarket 5	300,000	400,000	500,000	600,000	700,000	800,000
Submarket 6	350,000	450,000	550,000	650,000	750,000	850,000
Submarket 7	400,000	500,000	600,000	700,000	800,000	900,000

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Submarket 1	Submarket 2	Submarket 3	Submarket 4	Submarket 5	Submarket 6	Submarket 7
100,000	150,000	200,000	250,000	300,000	350,000	400,000
200,000	250,000	300,000	350,000	400,000	450,000	500,000
300,000	350,000	400,000	450,000	500,000	550,000	600,000
400,000	450,000	500,000	550,000	600,000	650,000	700,000
500,000	550,000	600,000	650,000	700,000	750,000	800,000
600,000	650,000	700,000	750,000	800,000	850,000	900,000

# Charlotte Office Submarket Overview—Class B

Charlotte Office Submarket Overview—Class B						
Submarket	Class B	Class B	Class B	Class B	Class B	Class B
Submarket 1	100,000	100,000	100,000	100,000	100,000	100,000
Submarket 2	100,000	100,000	100,000	100,000	100,000	100,000
Submarket 3	100,000	100,000	100,000	100,000	100,000	100,000
Submarket 4	100,000	100,000	100,000	100,000	100,000	100,000
Submarket 5	100,000	100,000	100,000	100,000	100,000	100,000
Submarket 6	100,000	100,000	100,000	100,000	100,000	100,000
Submarket 7	100,000	100,000	100,000	100,000	100,000	100,000

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Submarket 1	Submarket 2	Submarket 3	Submarket 4	Submarket 5	Submarket 6	Submarket 7
100,000	100,000	100,000	100,000	100,000	100,000	100,000
100,000	100,000	100,000	100,000	100,000	100,000	100,000
100,000	100,000	100,000	100,000	100,000	100,000	100,000
100,000	100,000	100,000	100,000	100,000	100,000	100,000
100,000	100,000	100,000	100,000	100,000	100,000	100,000
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# 2Q25 North Carolina Office Market Overview



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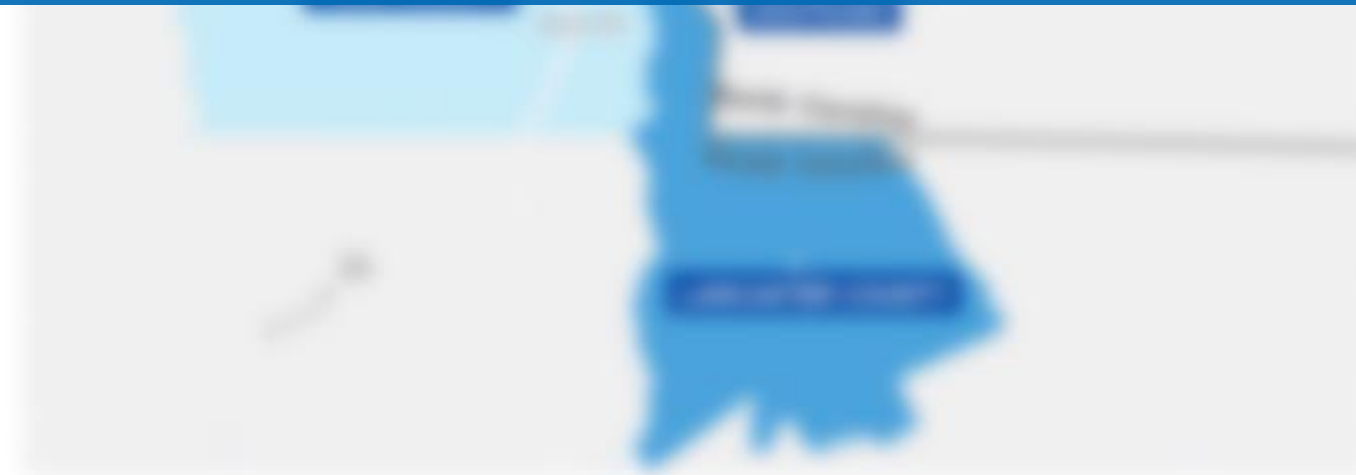
Office Market	1	1
City Market	1	1
State Market (2025)	2025	2025
State Market (2026)	2026	2026
State Market (2027)	2027	2027
Source: Newmark Research, LLC		

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## Charlotte Office Submarket Map



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# Charlotte Office Market



- Charlotte's office market has shown resilience, with positive net absorption in high-quality buildings.
- The office sector and build-to-suit are leading in leasing activity.
- Charlotte's diverse economy, with sectors like finance, technology, and healthcare, supports

- Charlotte has high vacancy rates, particularly in older buildings.
- Many market participants are in a wait-and-see posture for some time.
- Limited new construction may reduce future growth.

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- Continued expansion of the financial services sector offers significant opportunities for office space demand.
- Rebuilding older office buildings can attract new tenants.
- Increasing demand for flexible and co-working spaces presents new business opportunities.
- Older construction office space has dropped significantly, which could create openings as demand picks up.
- Property owners are focusing on renovations to attract tenants, offering modernized spaces to meet tenant work needs.
- Expansion by tech and health care are seeing strong demand, offering opportunities for targeted development.

- Property owners' decisions could slow construction activity and reduce office space demand.
- The risk of remote work may decrease long-term demand for traditional office space.
- Competition outside the market may attract businesses away from Charlotte.
- Heavy construction costs and tighter financial conditions could hinder plans for landlords.
- Low demand for office space, driven by remote and hybrid work trends, is expected to keep the market soft for several years.
- Higher office prices and vacancies may push businesses to seek cost-effective.
- Potential changes in property tax structure or commercial real estate regulations could increase costs for property owners, affecting market stability.



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