Market Overview

Charlotte Office

2Q26

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Market Observations

Economy

- The market's unemployment rate declined by 10 basis points year over year to 3.8%, below the national average of 4.3%.
- Nonfarm payroll growth in the Charlotte market increased by 33 basis points year over year to 1.5%, largely driven by job gains across most industries, including business and professional services and financial activities, two of the three office-using sectors.
- Most sectors reported year-over-year employment growth. The mining and construction industry led the way, growing by 7.6% annually, followed by education and health services and business and professional services, which grew by 4.0% and 2.6%, respectively.
- Office-using employment growth continued in the Charlotte metro, rising 1.4% year over year to a near-record 377,126 jobs as of May 2026, amid continued job losses in the information sector.

Leasing Market Fundamentals

- Rental rates in the Charlotte office market climbed by 1.0% quarter over quarter, reaching a new record high of $35.16/SF.
- With no new deliveries and 547,732 SF of positive absorption in the second quarter of 2026, the vacancy rate declined by 97 basis points quarter over quarter to 26.4%, the fourth consecutive quarter of declining vacancy since the market's peak in the second quarter of 2025.
- Pass43, an 80,000-SF office space that is part of a 260,000 SF mixed-use development in the Midtown/NoDa submarket, joined Queensbridge Collective in the pipeline this quarter, bringing total office space under construction to 594,362 SF, still just 1.1% of total inventory.
- Leasing volume totaled 1.2 MSF in the second quarter of 2026, due in large part to sizable leases signed by financial services firms including Capital Group and Sumitomo Mitsui Banking Corporation.

Major Transactions

- Charlotte's reputation as a hub for financial services operations centers and headquarters continued in the second quarter of 2026, building on a strong start to the year. Capital Group signed the quarter's largest deal, a 16-year lease for nearly 197,000 SF at One Independence Center in the CBD backed by a $60 million investment to establish its East Coast operations hub. Sumitomo Mitsui Banking Corporation followed closely behind with a 192,770 SF sublease at 301 South to house its second U.S. headquarters.
- Four of the top five leases signed during the quarter were direct new deals, reflecting improving market conditions and tenants' willingness to commit to new space on favorable terms. The exception was Sumitomo Mitsui Banking Corporation, which subleased space at 301 South.
- Although the CBD continued to dominate major moves, top leases for the quarter included two in the urban core, with the rest landing in the suburbs, spread across the Airport and South Charlotte submarkets, demonstrating that leasing activity remains broad-based across the metro.

Outlook

- The Charlotte office market is projected to experience moderate growth over the next several years as the construction pipeline picks up steam, leasing momentum continues to build, and vacancy, which has already begun to decline over the past four quarters, continues moving back toward more historical levels.
- Charlotte continues to be a premier destination for financial services firms, drawing not only new entrants but also continued expansion from firms already established in the market. A noteworthy example is TowneBank, a Virginia-based regional bank, which recently broke ground on a five-story, 75,000-square-foot headquarters building in SouthPark, more than four times the size of its existing branch on the same site.
- Preleasing will continue to be an important consideration in future groundbreakings, with financing being available to projects which have attracted leasing activity from tenants looking to trade-up their office space. That same flight-to-quality demand is also showing up in existing Class A vacancy, which continues to trend down at a faster pace than the broader market.

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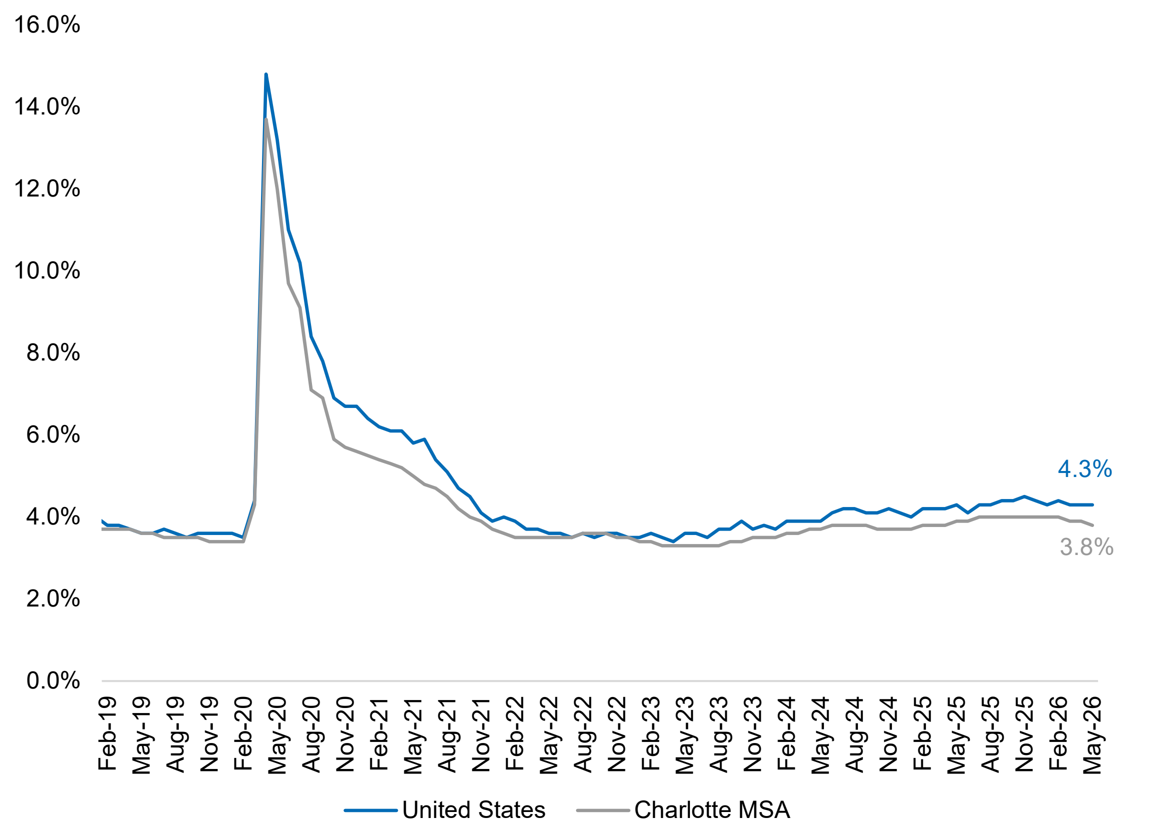
Economy

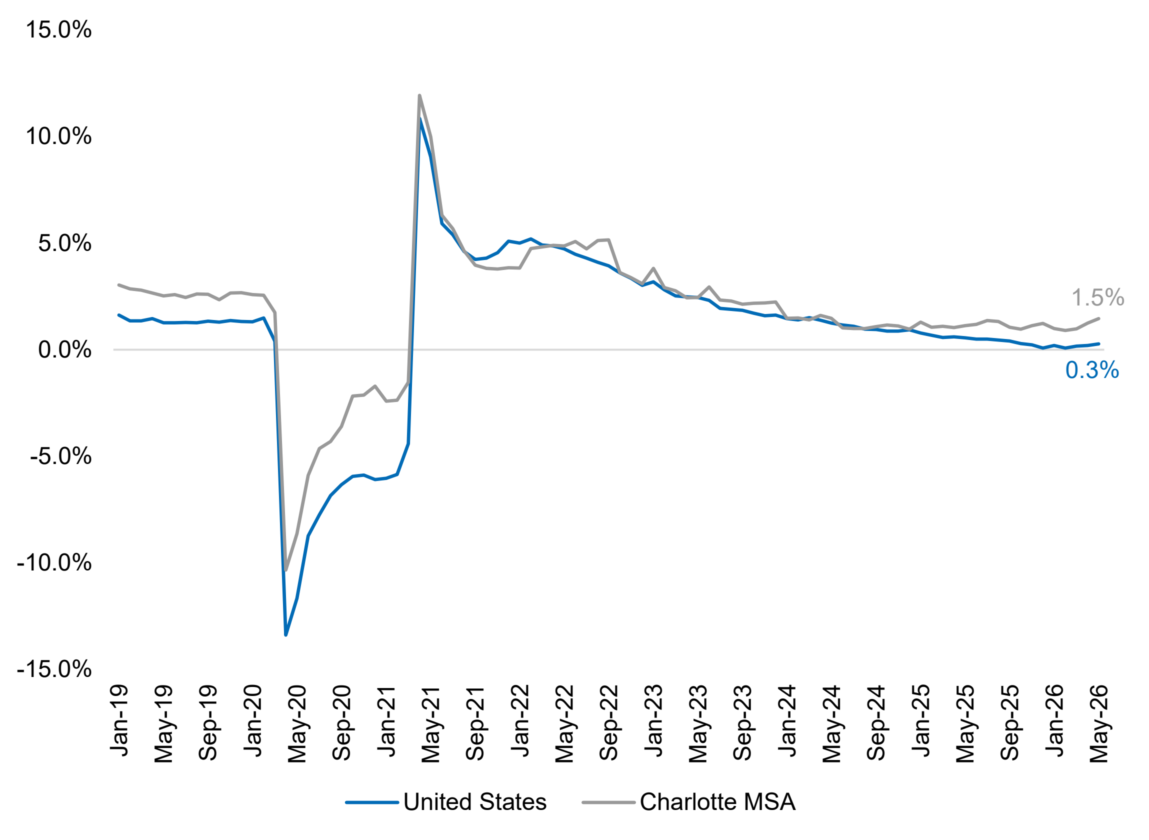
Unemployment Rate Falls as Job Growth Accelerates

Charlotte's job market continues to outperform the nation, combining a structurally lower unemployment rate with accelerating job growth. The market's seasonally adjusted unemployment rate declined by 10 basis points year over year to 3.8%, remaining below the national average of 4.3%. Charlotte's nonfarm payroll growth, meanwhile, grew by 33 basis points year over year to 1.5%, driven by employment gains across several industries, most notably the mining and construction and education and health services sectors. Over the same period, nonfarm payroll growth at the national level decelerated by 29 basis points to just 0.3%, less than a fifth of Charlotte's pace.

Unemployment Rate*, Seasonally Adjusted



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



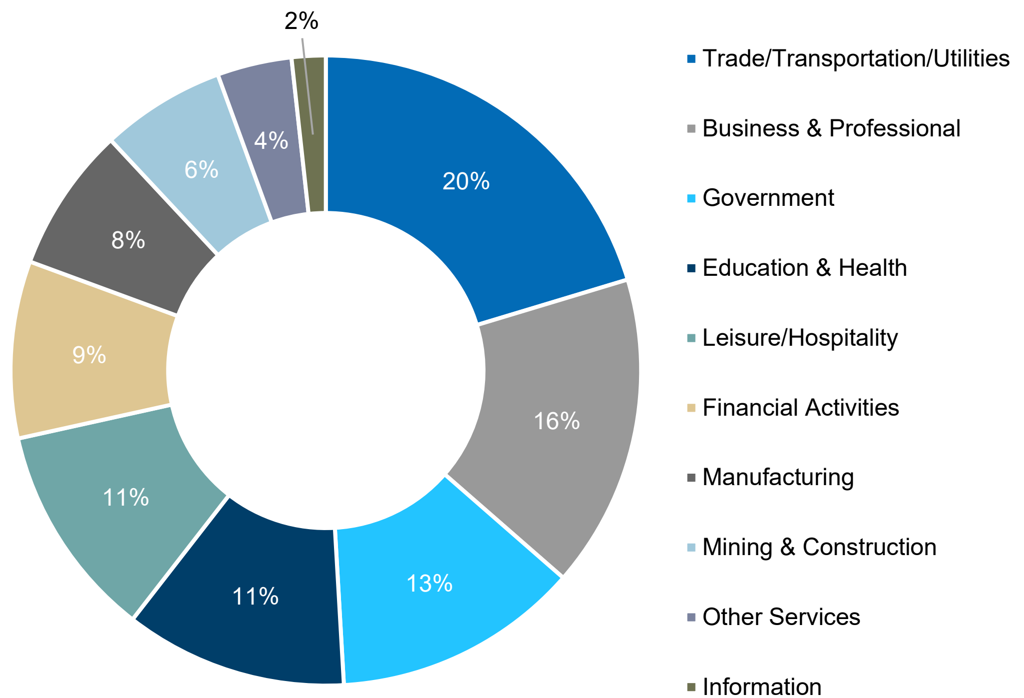
Source: U.S. Bureau of Labor Statistics, Charlotte MSA

*October 2025 government shutdown missing data addressed with duplicating September 2025’s data

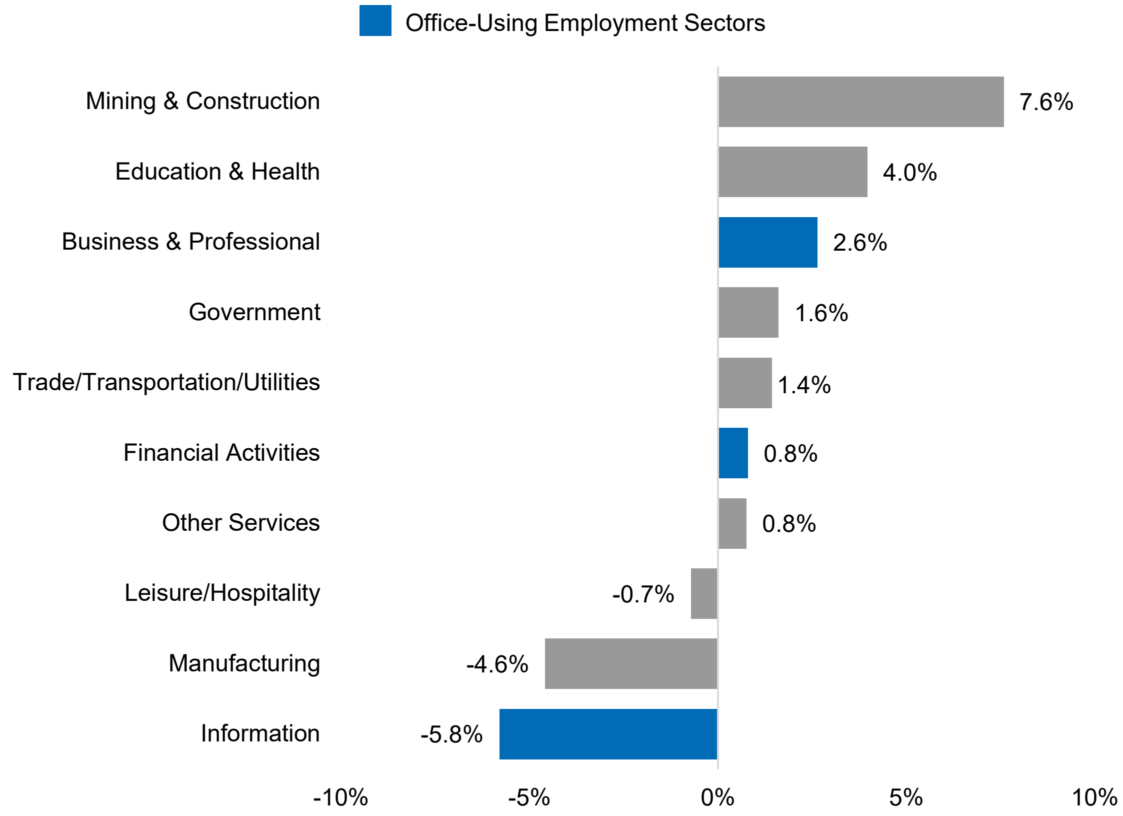
Gains in Most Employment Sectors Continue

As of May 2026, the Charlotte metropolitan area's two largest employment sectors are trade/transportation/utilities and business and professional services, accounting for a combined 36.4% of total jobs in the market. Business and professional services is the market's largest office-using employment sector, accounting for 16.1% of jobs. Most industries in the Charlotte metro reported year-over-year job growth, with the office-using financial activities and business and professional services expanding by 0.8% and 2.6%, respectively. In contrast, the information sector contracted by 5.8%.

Employment by Industry, May 2026



Employment Growth by Industry, 12-Month % Change, May 2026

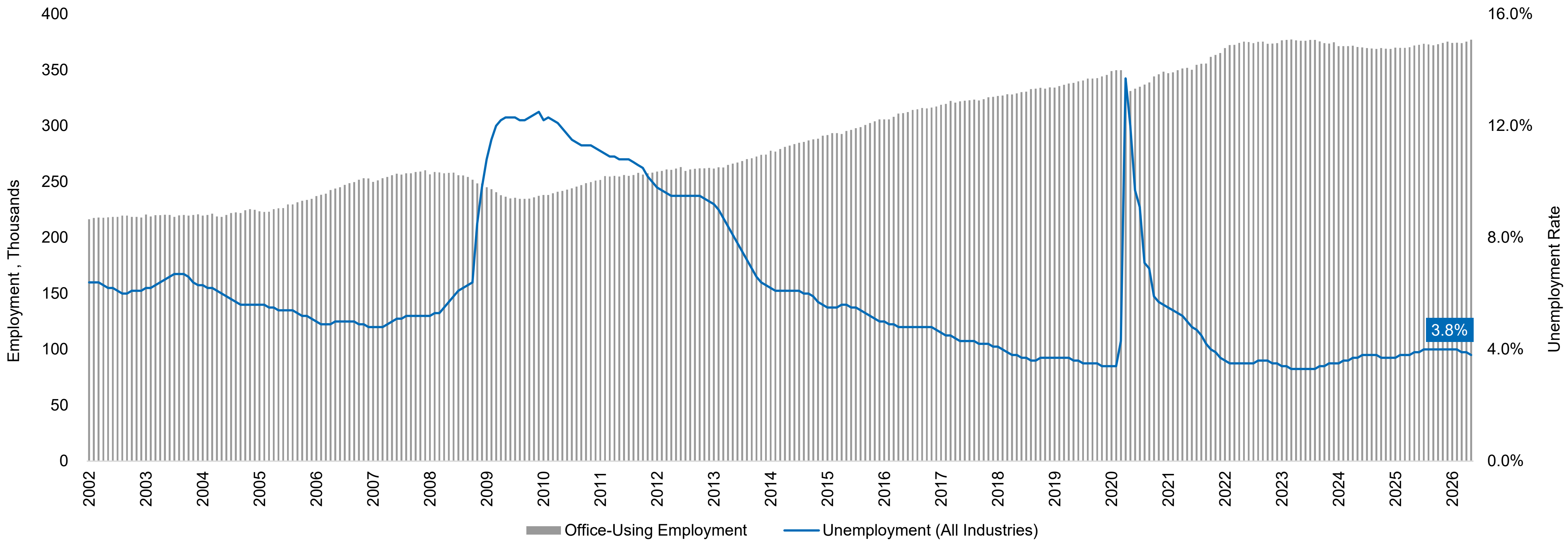


Source: U.S. Bureau of Labor Statistics, Charlotte MSA
*Data for Other Services is a BLS-based estimate

Office-Using Employment Climbs to Near Record High

As of May 2026, office-using employment in the Charlotte metro reached 377,126 jobs, up 1.4% year over year and just 311 jobs shy of the metro's all-time high set in March 2023. Although employment in the information sector contracted 5.8% over the past year, gains in business and professional services and financial activities more than offset that decline, driving the overall increase in office-using employment. Meanwhile, Charlotte's overall unemployment rate declined 10 basis points year over year, even as the information, manufacturing and leisure and hospitality sectors continued to lose jobs.

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.

**October 2025 government shutdown missing data addressed with duplicating September 2025's data

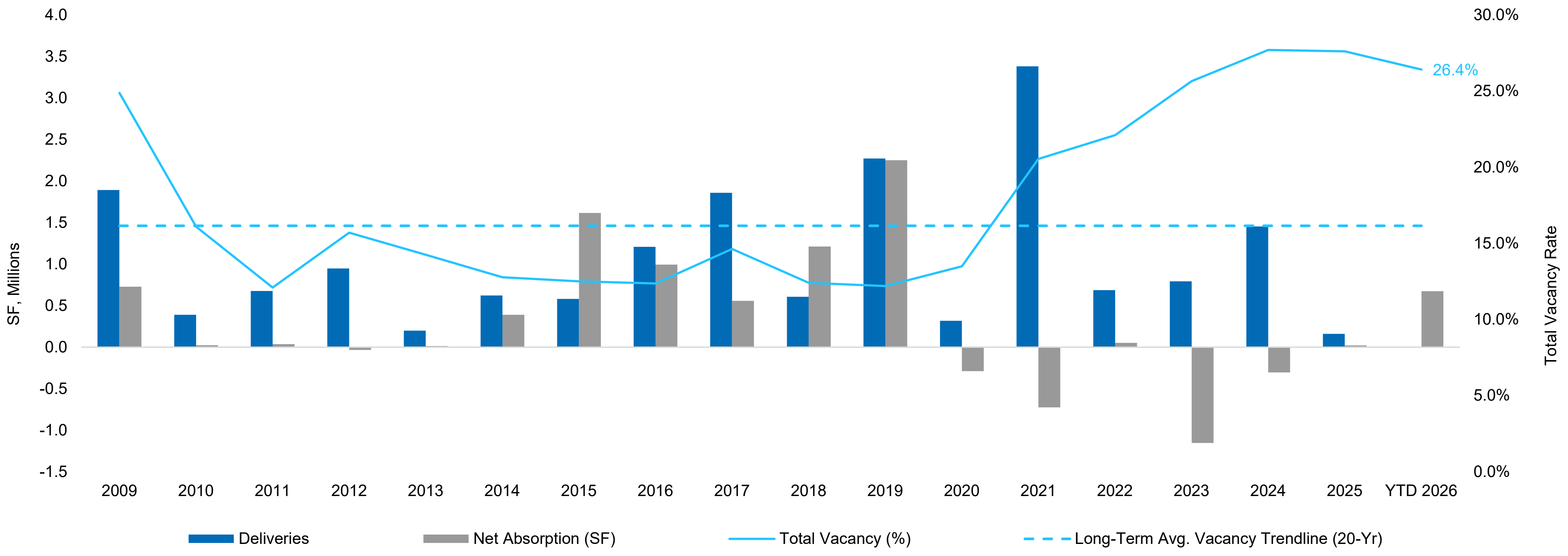
02

Leasing Market Fundamentals

Limited Deliveries and Sustained Demand Drive Continued Improvement in Vacancy

The Charlotte office market continued to post positive occupancy gains in the second quarter of 2026, recording 547,732 SF of net absorption and bringing year-to-date net absorption to 673,005 SF. With no new deliveries during the quarter, vacancy further declined to 26.4%, dipping by 97 basis points quarter over quarter and 190 basis points year over year, marking the fourth consecutive quarter of declining vacancy. Although vacancy is expected to remain elevated in the near term, muted construction should allow the market to gradually absorb existing vacancy.

Historical Construction Deliveries, Net Absorption, and Vacancy

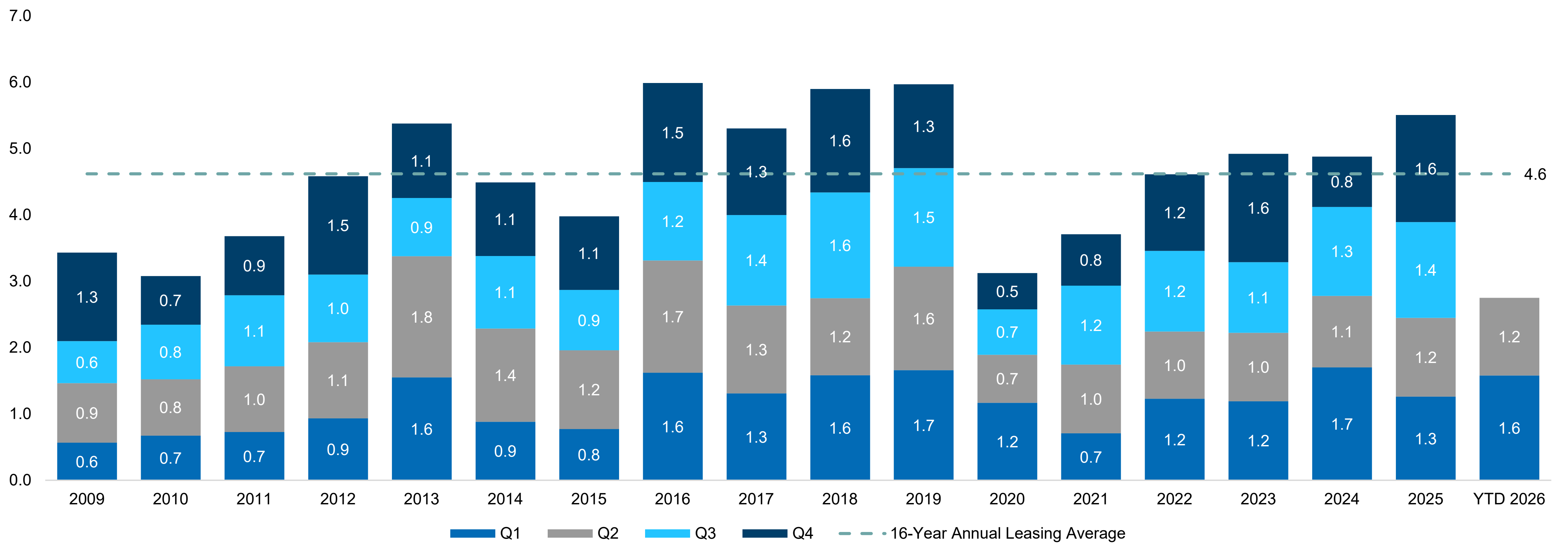


Source: Newmark Research, CoStar

Overall Leasing Activity Remains Strong

Leasing activity in the Charlotte office market totaled 1.2 MSF in the second quarter of 2026, matching the 16-year second-quarter average, while trailing 12-month leasing activity rose 27.7% year over year, reflecting growing demand in the market. This trend is supported by North Carolina's pro-business climate and Charlotte’s continued attractiveness as a financial services hub, highlighted by recent moves from Sumitomo Mitsui Banking Corporation and Capital Group. Annual leasing activity has generally been increasing in the market since the onset of the pandemic in 2020, suggesting leasing momentum has strengthened over recent years.

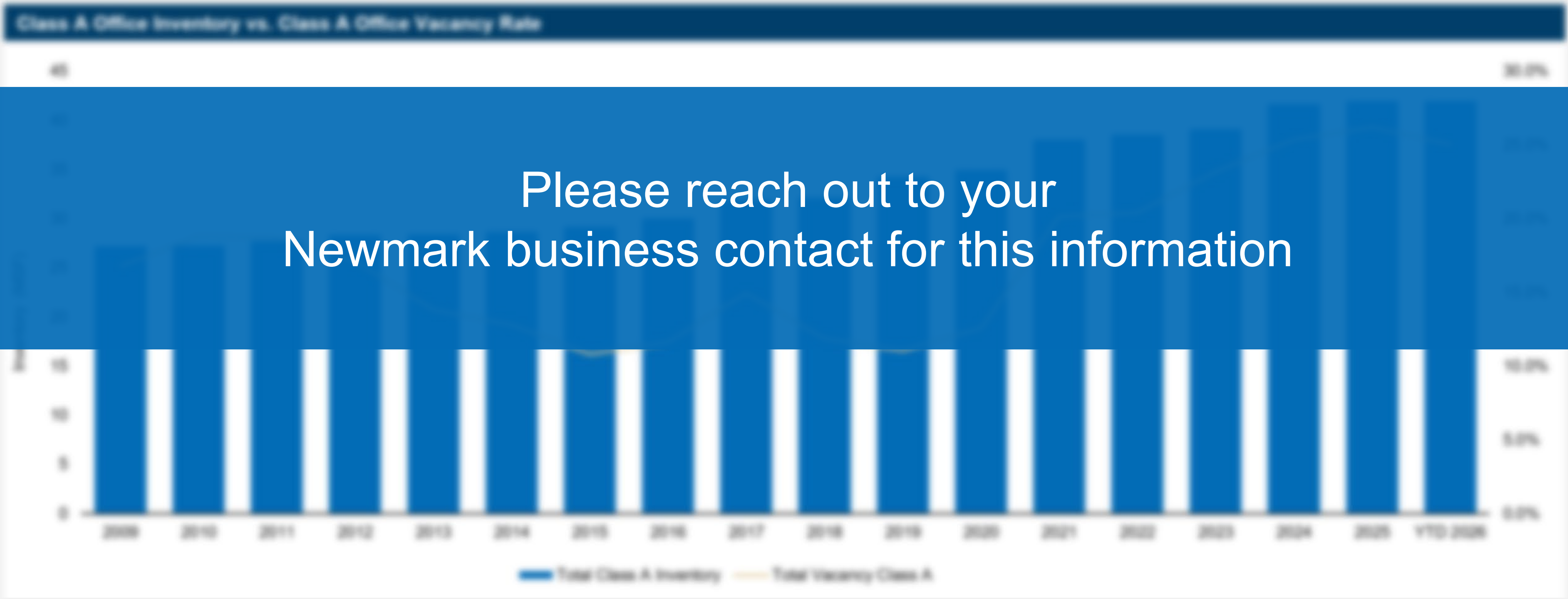
Total Leasing Activity (MSF)



	Q1	Q2	Q3	Q4
2009	0.6	0.9	0.6	1.3
2010	0.7	0.8	0.8	0.7
2011	0.7	1.0	1.1	0.9
2012	0.9	1.1	1.0	1.5
2013	1.6	1.8	0.9	1.1
2014	0.9	1.4	1.1	1.1
2015	0.8	1.2	0.9	1.1
2016	1.6	1.7	1.2	1.5
2017	1.3	1.3	1.4	1.3
2018	1.6	1.2	1.6	1.6
2019	1.7	1.6	1.5	1.3
2020	1.2	0.7	0.7	0.5
2021	0.7	1.0	1.2	0.8
2022	1.2	1.0	1.2	1.2
2023	1.2	1.0	1.1	1.6
2024	1.7	1.1	1.3	0.8
2025	1.3	1.2	1.4	1.6
YTD 2026	1.6	1.2		

Source: Newmark Research, CoStar

Class A Continues to Outperform Overall Office Market Amid Early Stabilization



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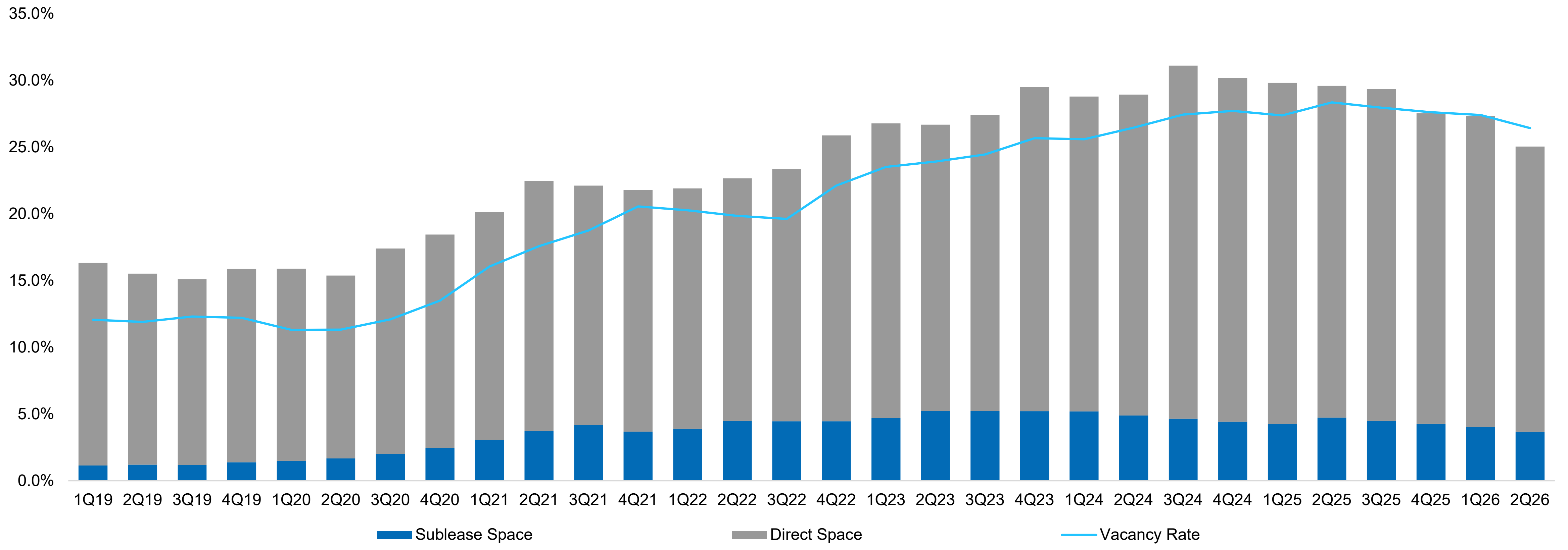
Source: Newmark Research, CoStar

Direct and Sublet Availability Declines Continue to Pull Vacancy Lower

As of the second quarter of 2026, direct and sublease availability declined quarter over quarter by 191 basis points and 36 basis points, respectively. Sublease availability has declined for four consecutive quarters, falling from 4.5% in the third quarter of 2025 to 3.7% in the second quarter of 2026. The second-quarter decline was aided by Sumitomo Mitsui Banking Corp.'s sublease of 192,770 SF in the CBD submarket. Direct availability has also been trending downward since reaching a high of 26.5% during the third quarter of 2024. In turn, the vacancy rate has declined to 26.4%, while the availability rate stands lower at 25.0%. Vacancy is expected to remain elevated in the near term but should gradually trend downward in the coming quarters, provided absorption remains positive and muted construction continues to limit new supply.

Available Space as Percent of Overall Market

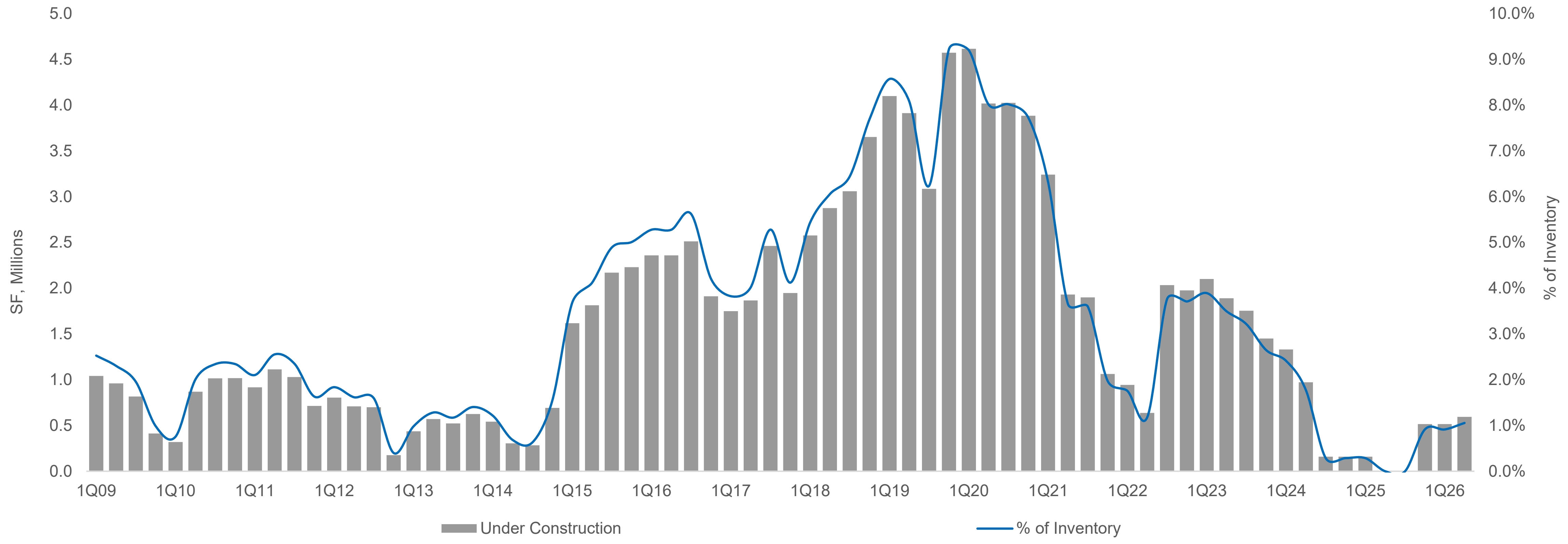


Source: Newmark Research, CoStar

Pass43 Joins Queensbridge Collective in Driving Construction Activity

There is currently 594,362 SF of office space under construction in the Charlotte metro. The largest project under construction is the 525,000-SF Queensbridge Collective—a mixed-use development with 514,362 SF of office space—in the Midtown/Southend submarket, which broke ground during the fourth quarter of 2025. Previously, the under-construction pipeline had been stagnant and generally declining due to high levels of existing supply combined with continued constraints on capital that stalled new development activity. The newest addition to the pipeline is the 260,000-SF Pass43 in the Midtown/NoDa submarket, a mixed-use development of which 80,000 SF is office space. Even with this addition, the under-construction pipeline remains muted, representing just 1.1% of the market's total office inventory.

Office Under Construction and % of Inventory

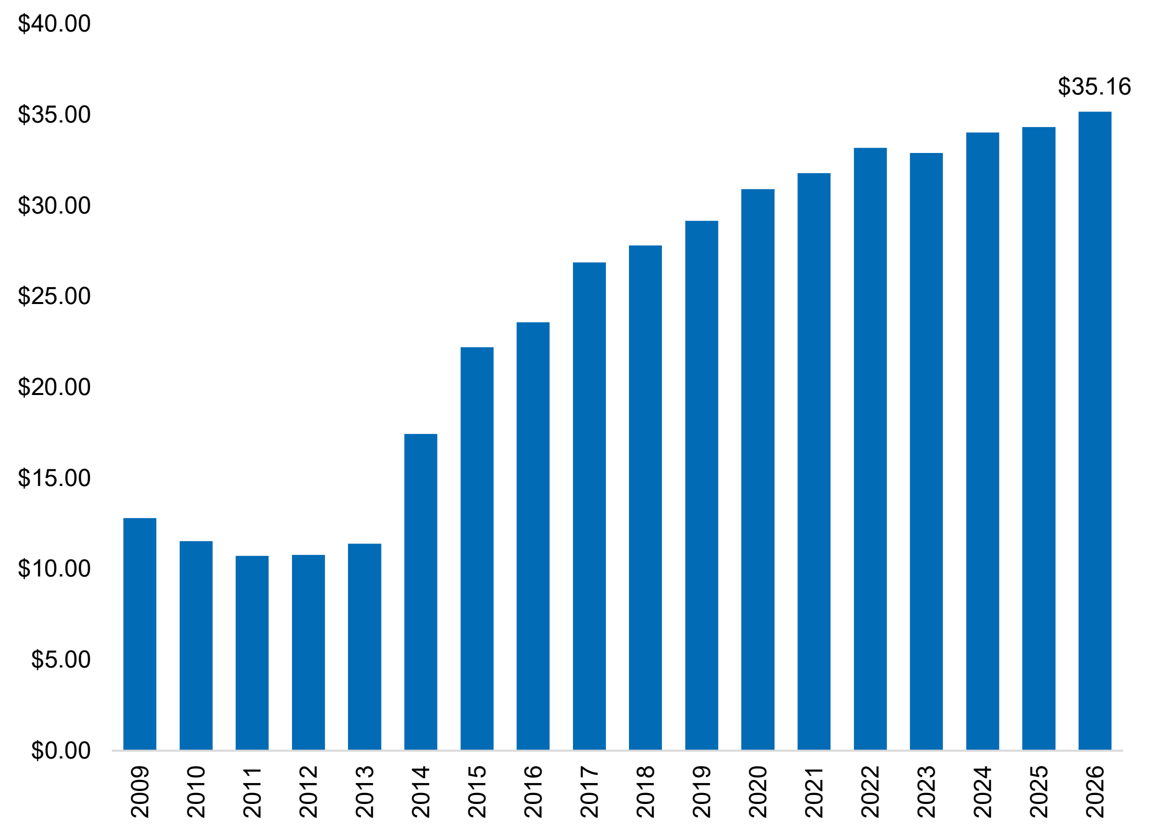


Source: Newmark Research, CoStar

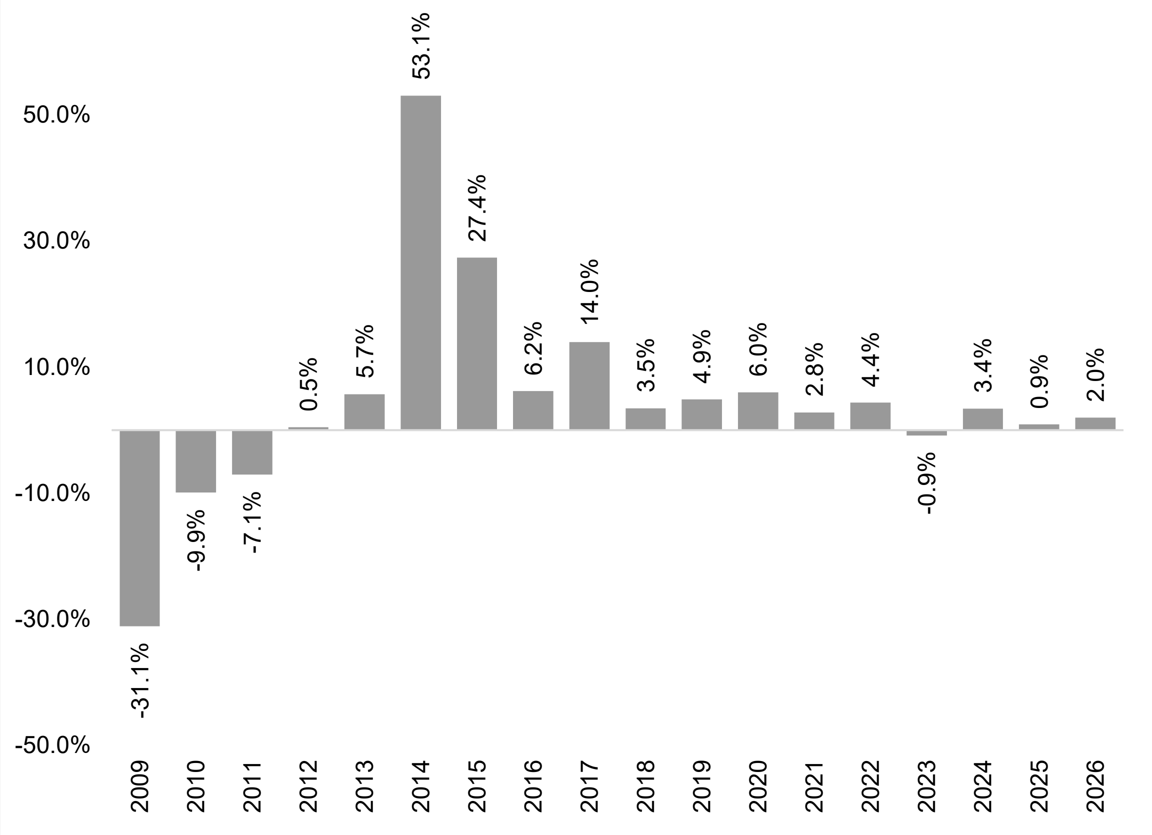
Elevated Vacancy Keeps Rent Growth Muted

Charlotte metro average asking rents reached a new record high of $35.16/SF in the second quarter of 2026, up 1.0% quarter over quarter and 2.0% year over year. Annual rent growth improved from 1.5% in the first quarter of 2026 to 2.0% in the second quarter of 2026. However, annual growth remains relatively flat, reflecting that elevated levels of vacant space and economic uncertainty will continue to incentivize landlords to curb the pace of asking rent increases. As long as vacancy remains elevated, annual growth in asking rent will likely remain positive, albeit modest.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

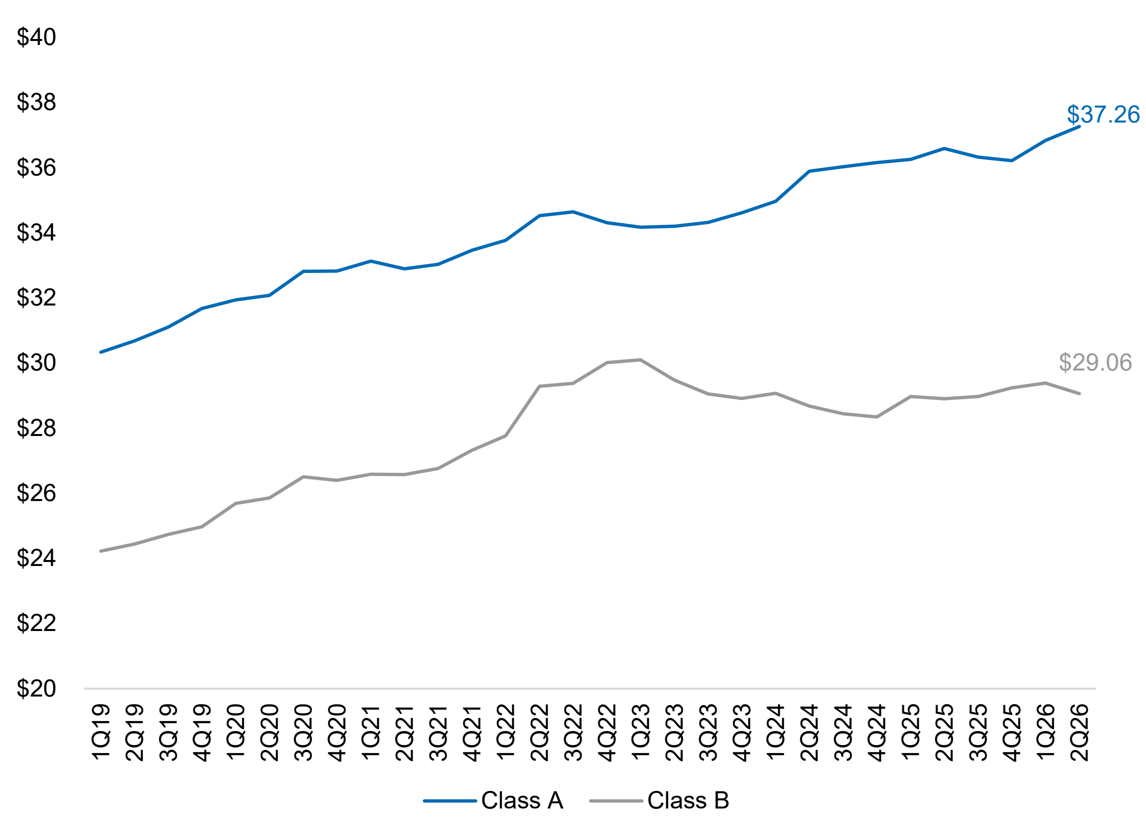


Source: Newmark Research, CoStar

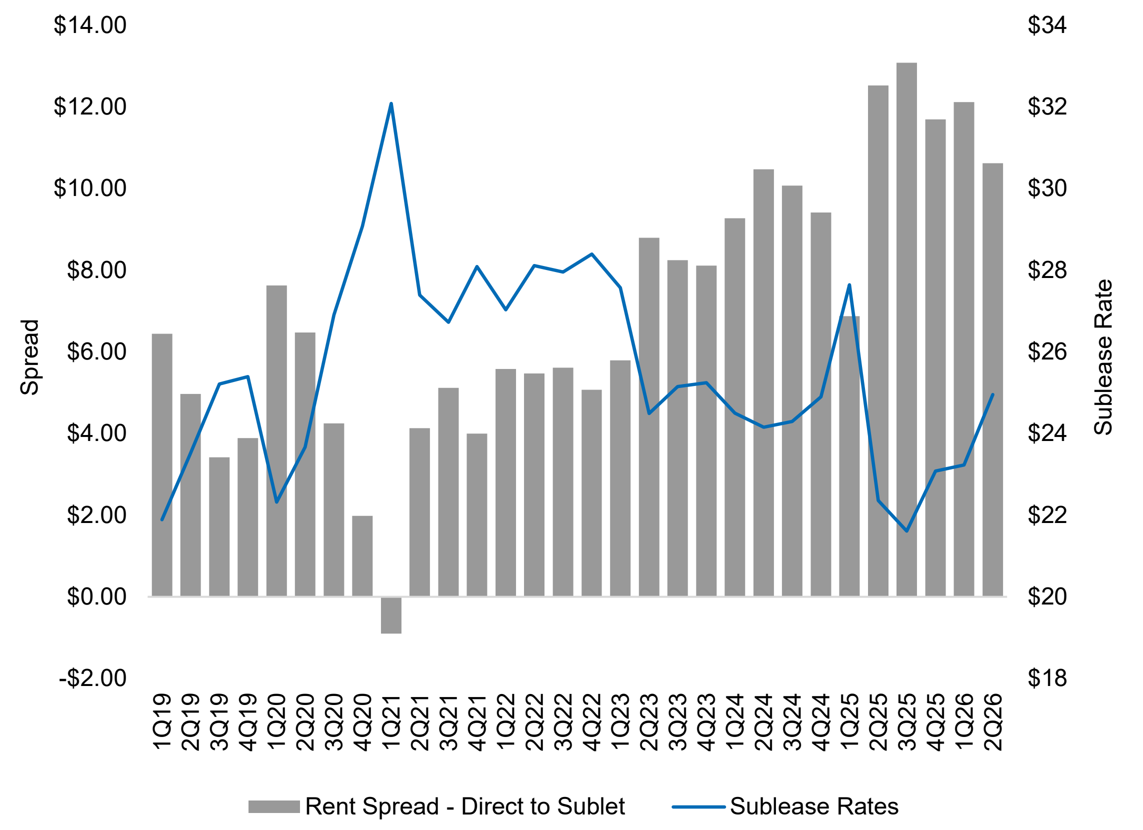
Class A Pricing Power Drives Widening Rent Spread

As of the second quarter of 2026, Class A asking rents climbed 1.2% quarter over quarter to $37.26/SF, while Class B rents decreased 1.1% over the same period to $29.06/SF, widening the gap between the two classes to $8.20/SF. The spread between Class A and Class B has generally been widening, as strong pricing power in Class A reflects robust demand for high-quality space, while Class B faces elevated vacancy as occupiers continue the flight to quality. Direct rents increased 0.7% quarter over quarter to $35.57/SF, while sublease rates rose 7.4% to $24.95/SF, indicating that tenants may no longer find the steep discounts previously available in sublease space.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

The Flight to Quality Office Space Continues

Leasing activity in the second quarter of 2026 included a significant sublease commitment, suggesting that tenants are willing to absorb large blocks of existing space as discounts continue to narrow. Notably, four of the top five leases signed this quarter were direct new deals, as tenants seize on current market conditions to secure favorable terms. Continued expansion by financial services firms further solidified Charlotte's reputation as a major financial hub, driving job growth in both the urban core and suburban submarkets alike. While the CBD continued to draw major commitments, the top leases this quarter were split between the urban core and the suburbs, with activity in the Airport and South Charlotte submarkets showing that demand for amenity-rich, well-located space is no longer confined to Uptown.

Notable 2Q26 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Capital Group	One Independence Center	CBD	Direct New	196,940
Capital Group recently signed a 16-year lease for nearly 197,000 square feet at One Independence Center in Uptown Charlotte, backed by a $60 million investment to establish its East Coast operations hub. The lease's length and scale mark it as one of the most significant long-term commitments to Charlotte's CBD this cycle, reinforcing Uptown's continued attraction for major financial services occupiers.				
Sumitomo Mitsui Banking Corporation	301 South	CBD	Sublease	192,770
Sumitomo Mitsui Banking Corporation (SMBC) recently sublet 192,770 square feet at 301 South College Street, a Class A office tower in Charlotte's CBD, to establish its second U.S. headquarters. The scale of this sublease underscores that occupiers remain willing to commit to large blocks of space in the market's most amenity-rich, well-located assets as part of the broader flight-to-quality trend.				
Sundt Construction	Whitehall Corporate Center VI	Airport	Direct New	23,511
Sundt Construction, a national general contractor headquartered in Tempe, Arizona, signed a direct new lease at 3525 Whitehall Park Dr in Charlotte's Airport submarket, as the firm expands its footprint in the Southeast. The deal is part of a broader wave of momentum at the Class A campus, which landed four new tenants and more than 45,000 SF of activity in a single month.				
Carnegie Private Wealth	Towers at SouthPark I	South Charlotte	Direct New	20,096
Carnegie Private Wealth, a wealth management firm with more than $2.5 billion in client assets, almost tripled its footprint through the relocation of its headquarters from 6106 Carnegie Blvd to 6100 Fairview Rd. The move reflects Carnegie's confidence in South Charlotte, given its proximity to SouthPark—a submarket that has seen significant leasing activity from financial firms in recent quarters.				
Fastbreak AI	4651 Charlotte Park Dr	Airport	Direct New	19,915
Fastbreak AI, a Charlotte-based AI-powered sports operations platform founded in 2022, signed a direct new lease in the Airport submarket. The company builds software for league scheduling, tournament management, and brand activation for amateur sports and professional leagues.				

Source: Newmark Research, CoStar

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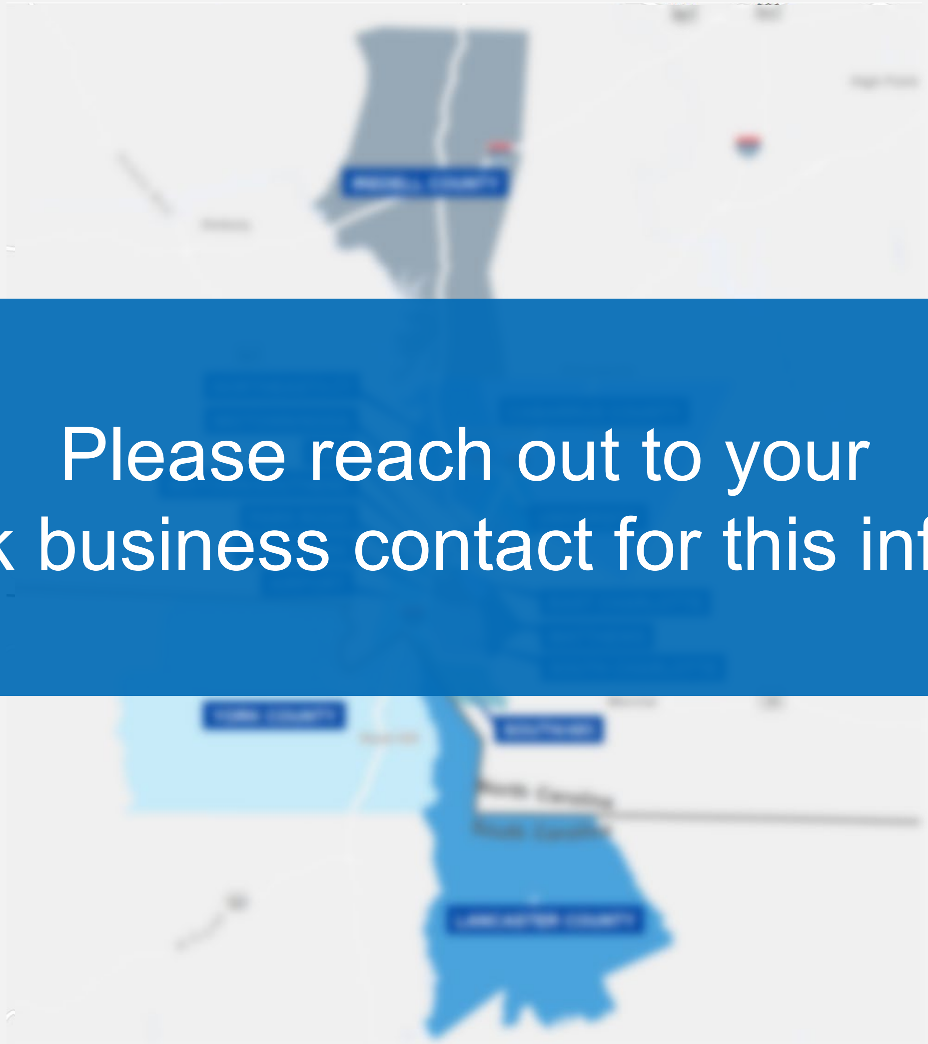
Market Statistics & Map

Charlotte Office Submarket Map



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Source: Newmark Research

Charlotte Office Submarket Overview–All Classes

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Source: Newmark Research

Charlotte Office Submarket Overview–Class A

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Source: Newmark Research

Charlotte Office Submarket Overview–Class B

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Source: Newmark Research

2Q26 North Carolina Office Market Overview

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Source: Newmark Research

04

Supplemental Analysis

Charlotte Office Market

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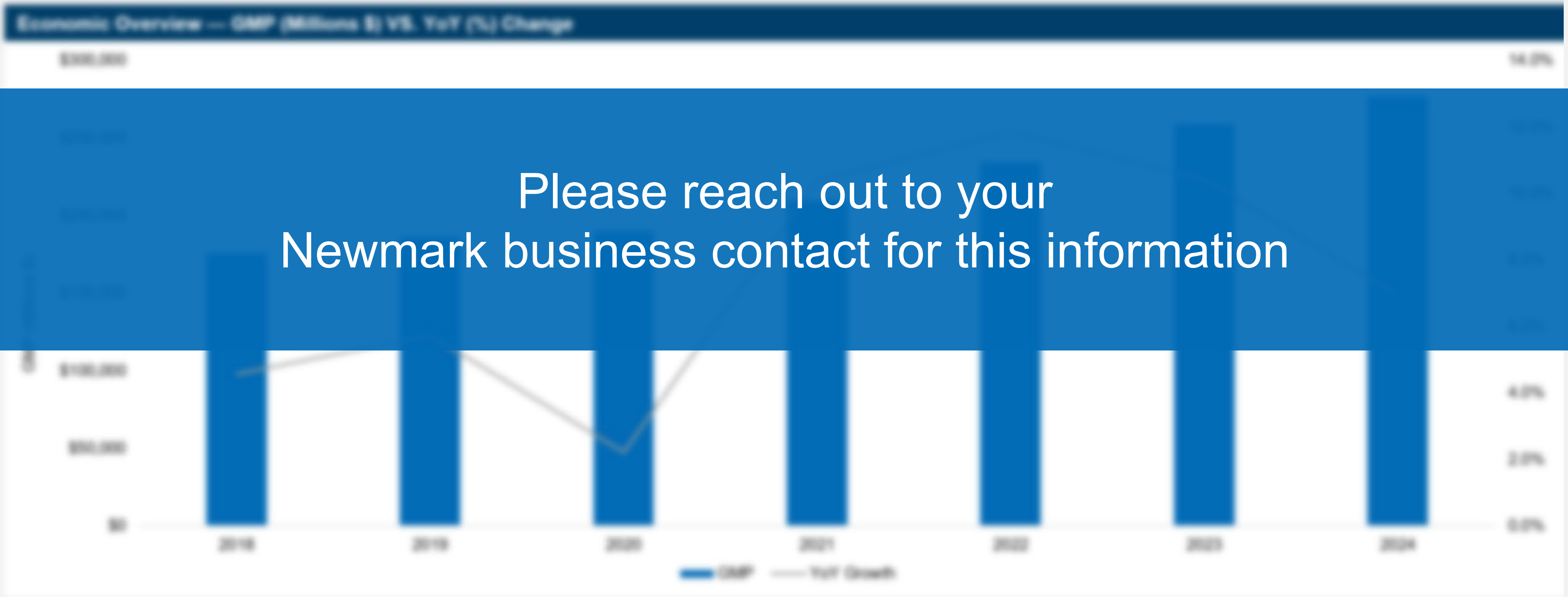
Charlotte Gross Metropolitan Product



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Source: Moody's Analytics

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