3Q25

Charlotte Office Market Overview

Market Observations

Economy

- The market's unemployment rate decreased by five basis points year over year to 3.7%, remaining well below both the metro's five-year average of 4.5% and the national average of 4.3%.
- Annual nonfarm payroll growth in Charlotte has increased, growing to 1.4 million jobs by the end of the third quarter of 2025. This represents year over year growth of 2.3%, which is higher than the five-year average of 2.0%.
- Most sectors reported year over year employment growth, with education and healthcare leading job gains at 4.6% and business and professional services close behind at 3.9%.
- There were 380,190 office-using jobs in the Charlotte metro at the end of the third quarter of 2025, reflecting a 2.8% increase year over year. Despite a contraction in the information sector, gains in other office-using industries offset this decline. The increase over the past year is also a significant improvement from 2022 to 2024, during which office-using employment decreased by a total of 1.3%. This change, likely caused by improving economic conditions, signifies renewed demand for office-using labor.

Leasing Market Fundamentals

- Rental rates edged down 0.9% from their peak in the second quarter of 2025, settling at $34.19/SF for this quarter.
- With 45,499 SF of net absorption in the third quarter of 2025, vacancy edged down to 28.5%, an eight-basis-point decrease from the record high vacancy rate set in the previous quarter.
- The under-construction pipeline remained unchanged since the second quarter at 63,427 SF, representing just 0.1% of total inventory, as high levels of available existing product and uncertainty surrounding fiscal policy have slowed new groundbreakings.
- Total leasing activity in the Charlotte metro increased by 0.8% quarter over quarter and 2.0% year over year to 1.4 MSF. Overall, the quarter's activity was 27.9% higher than average third quarter leasing volume of 1.1 MSF reported over the past 16 years.

Major Transactions

- Law firm Moore & Van Allen PLLC, who currently occupies 152,000 SF in Bank of America Corporate Center, inked a 15-year lease for 206,200 SF at Queensbridge Collective, a significant expansion of their footprint in the market. The company will occupy the top nine floors of the building and plans to move in once the building is completed, likely between the end of 2027 and mid-2028.
- Charlotte continues to cement its status as a financial hub. Of the top five leases this quarter, three were signed by financial institutions, and one by a law firm specializing in financial and business law.
- Two of the largest leases signed this quarter were for trophy spaces that are currently under construction, indicating that both the construction of premium office space as well as flight to quality will continue for the foreseeable future.
- The Ballantyne Corporate Park, a campus consisting of Class A buildings, took a major share of the most notable leases in the third quarter, with three out of the top five leases by volume being signed within the campus.

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 historical levels of vacancy level off and eventually begin to gradually decline.
- Construction pipeline activity remains unchanged quarter over quarter but is expected to pick up as multiple new projects begin construction, including Queensbridge Collective and 110 East, two proposed office buildings breaking ground soon in Charlotte's South End.
- Vacancy rates decreased slightly in third quarter to 28.5%, down eight basis points from the record-high set in the previous quarter. This indicates that although vacancy rates will likely remain elevated in the near-term, they can be expected to flatten out and then gradually decrease as demand catches up with supply.
- Class A office space is still at a premium, but the gap between class A and B asking rents has narrowed, indicating that pricing power for class A space is softening while demand for class B space is on the rise.

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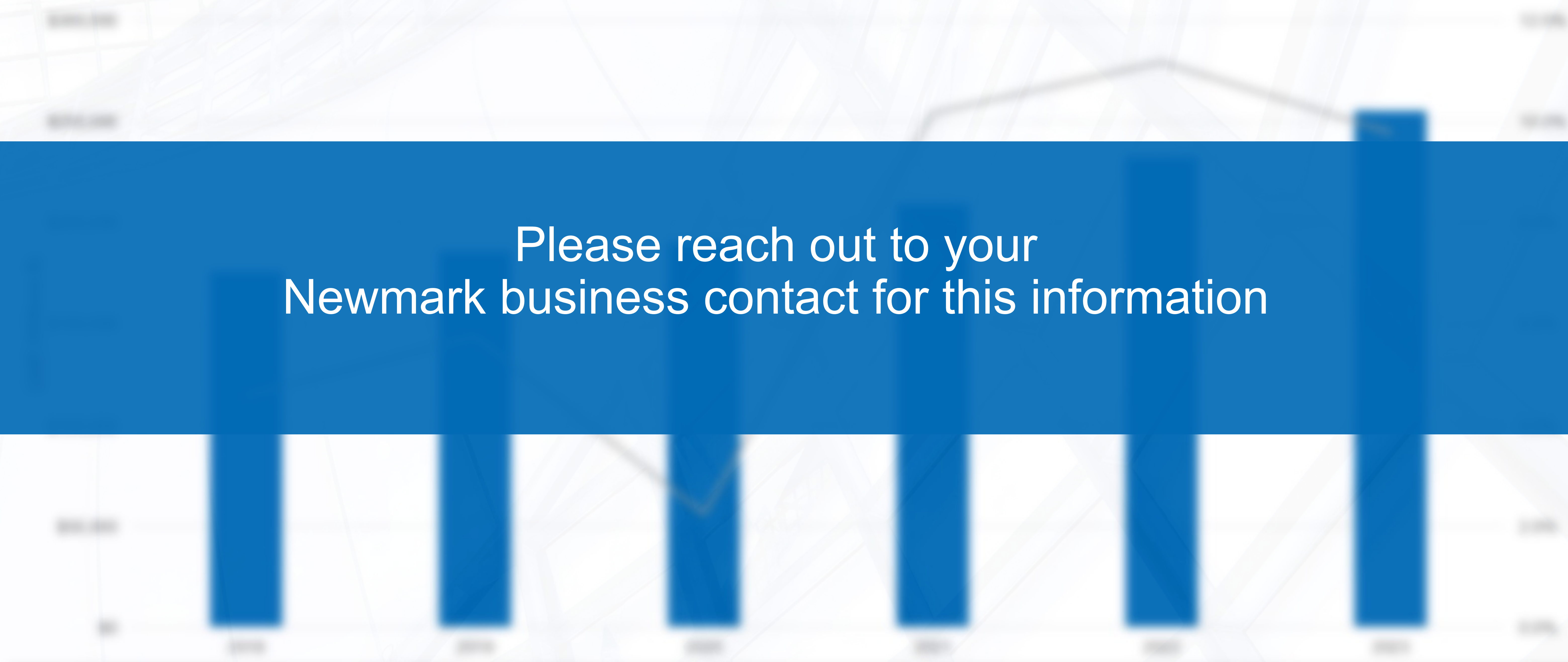
Economy

Charlotte Gross Metropolitan Product



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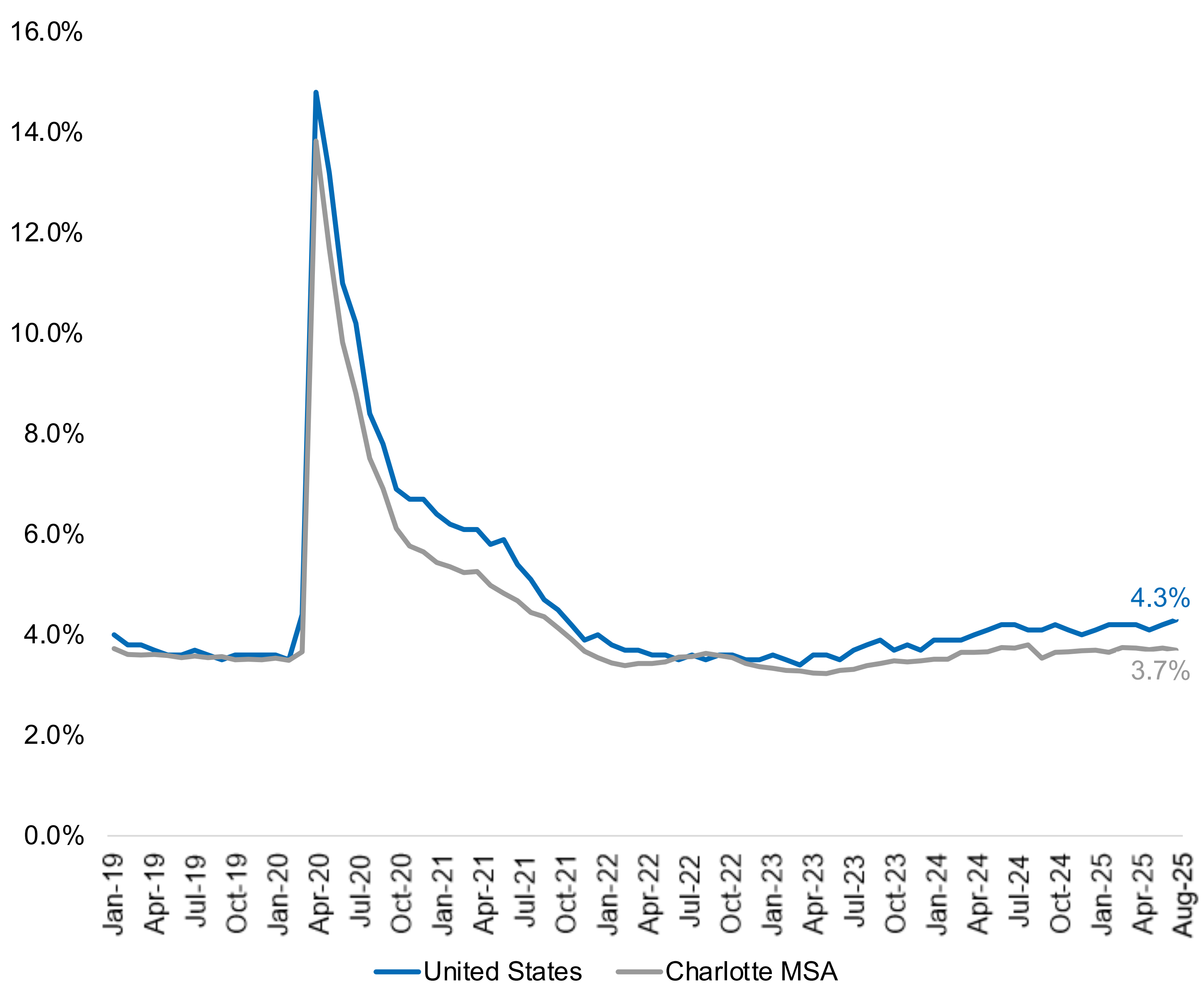
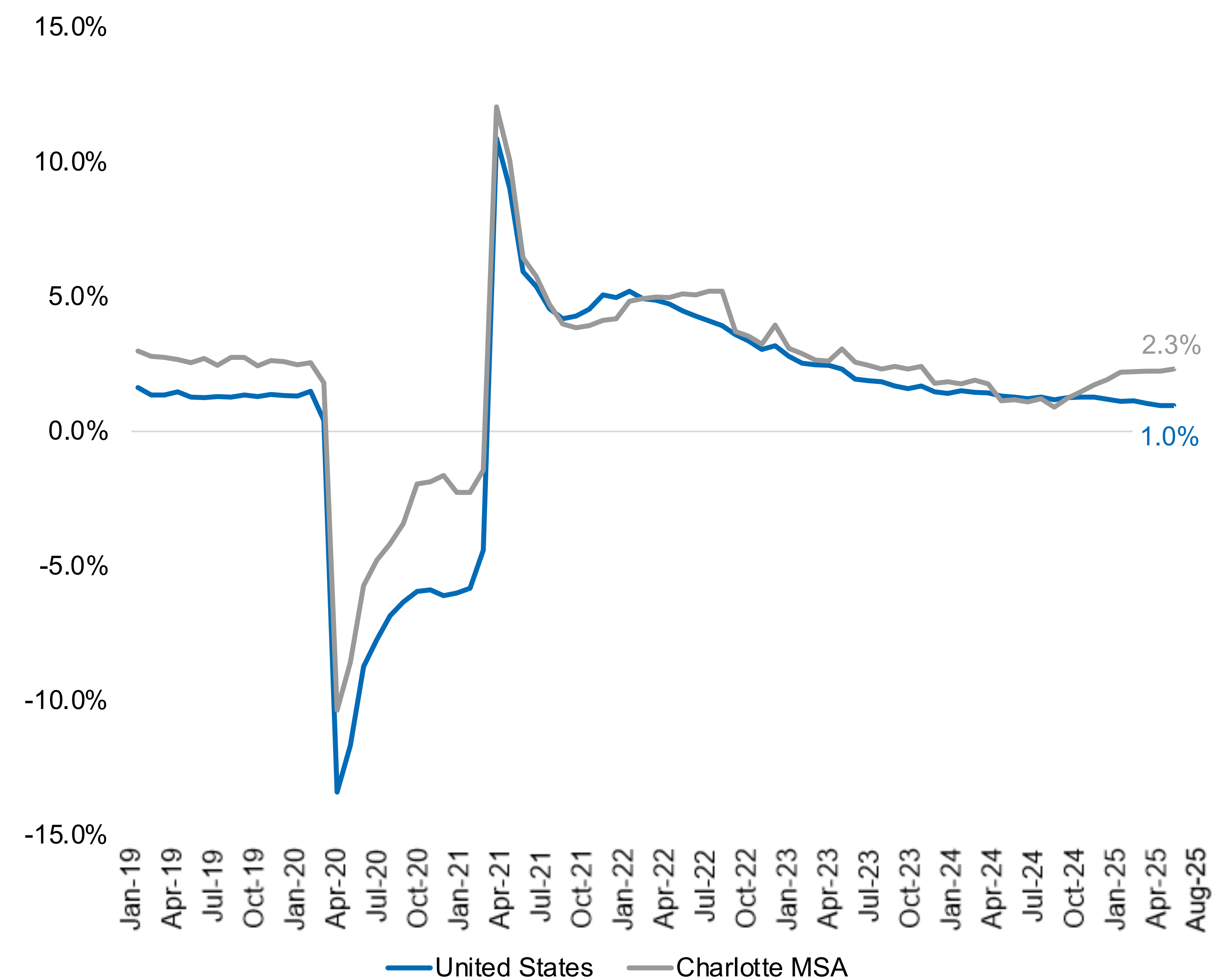
Job Growth Accelerates While Unemployment Remains Unchanged

Charlotte's nonfarm payroll growth and unemployment rate both outperformed the United States in the third quarter of 2025. The city's annual payroll growth rate was 140 basis points higher, and its unemployment rate was 61 basis points lower than that of the U.S. The metro's seasonally adjusted unemployment rate decreased by five basis points year over year to 3.7%, remaining well below both the national average of 4.3% and Charlotte's five-year average of 4.5%. Annual nonfarm payroll growth has increased over the past several months from a low of 0.9% in October 2024 to its recent high of 2.3%, driven by a significant increase in employment in several industries including education and health, professional and business, and leisure and hospitality.

Unemployment Rate, Seasonally Adjusted



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

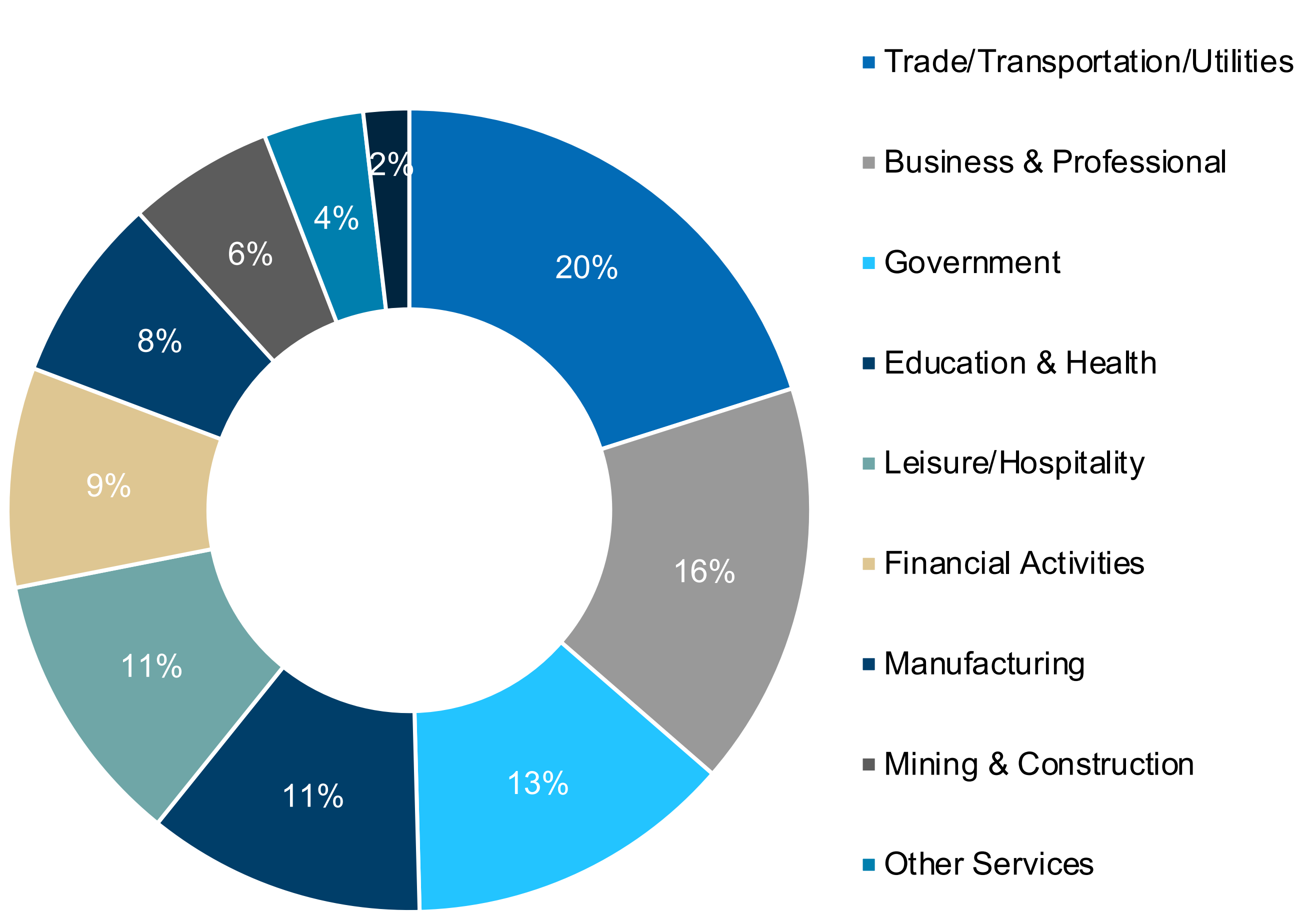


Source: U.S. Bureau of Labor Statistics, Charlotte MSA

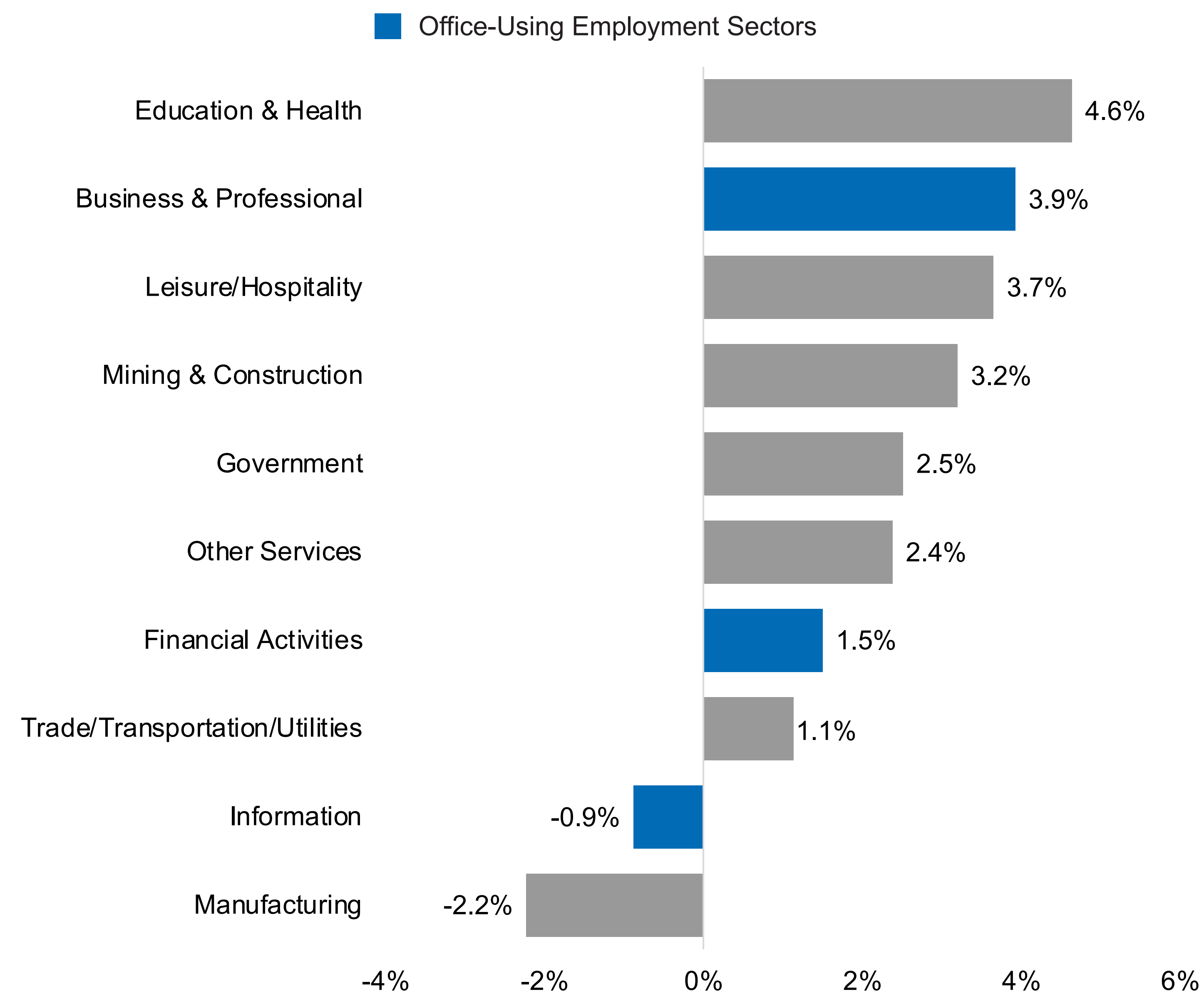
Most Employment Sectors Continue to Grow

Charlotte has two main employment industries – trade/transportation/utilities, which accounts for 20.1% percent of total jobs, and business and professional services, which accounts for 16.3% of total jobs and is also the largest office-using sector of employment. Most industries reported year-over-year job growth, except for the office-using information sector and manufacturing, which reported declines in employment growth of 0.9% and 2.2%, respectively. The two other office-using industries reflected yearly increases, with financial activities expanding by 1.5% and professional services growing by 3.9%. Overall, office-using employment increased by 2.8% year over year.

Employment by Industry, August 2025



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

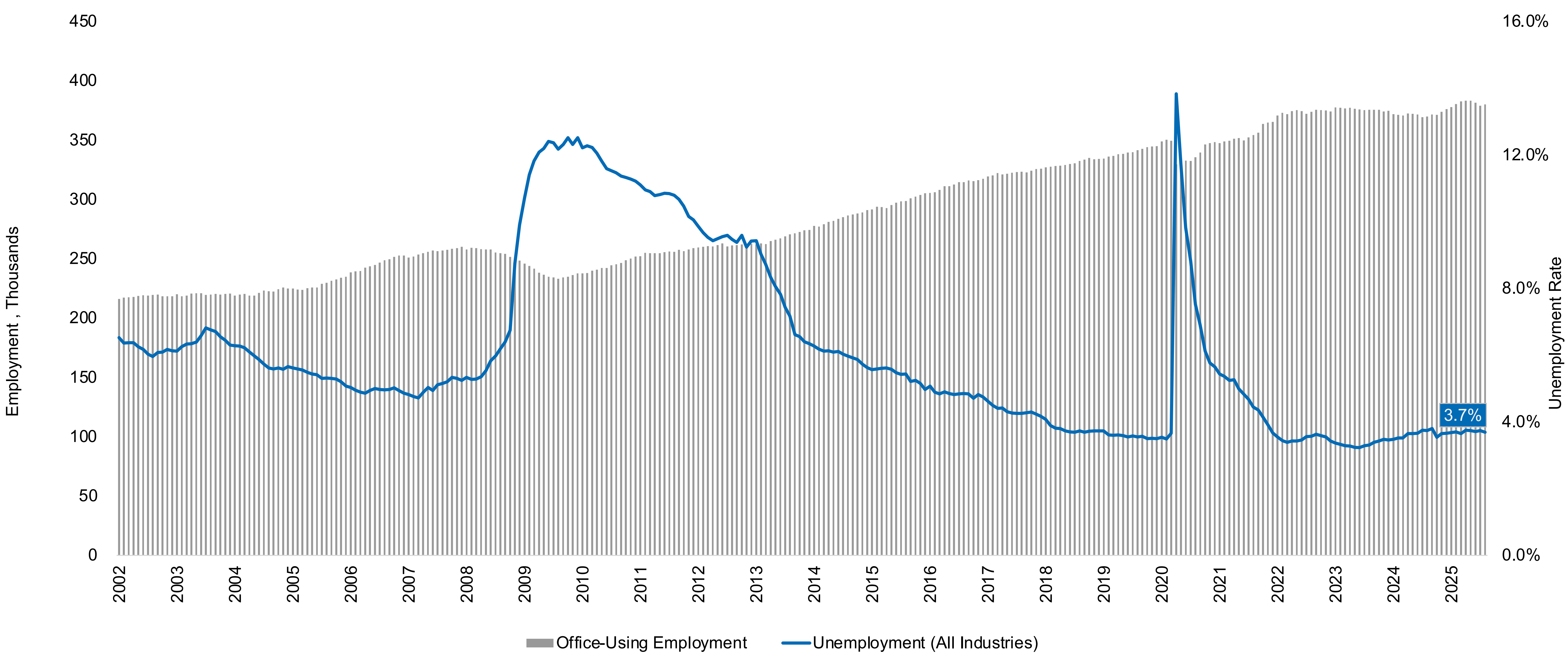


Source: U.S. Bureau of Labor Statistics, Charlotte MSA

Office-Using Employment Remains Strong

Office-using employment in the Charlotte market currently consists of 380,190 jobs, reflecting a 2.8% increase year over year and is only 0.8% below the all-time high reported in the second quarter of 2025. While employment in the information industry has contracted slightly, gains in other office-using sectors offset this decline, leading to an uptick in overall office-using employment year over year. It is also worth noting that the unemployment rate, which has remained relatively flat over the past year, reported a slight decrease quarter over quarter, indicating that the job market is beginning to rebound.

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.

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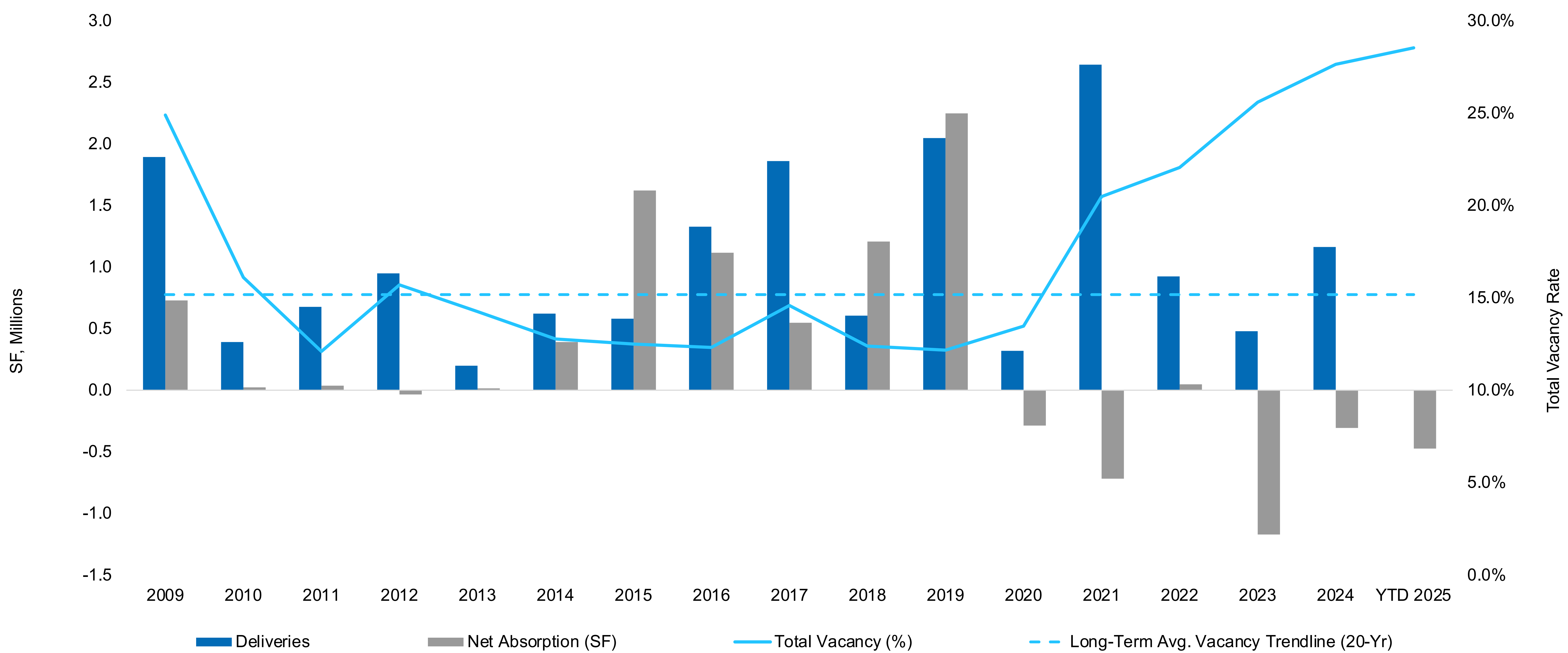
Leasing Market Fundamentals

Additional Occupancies and No New Supply Ease Vacancy from Historical High

There were no office deliveries during the third quarter of 2025. Vacancy rates have been trending upward since 2020 due to historically high levels of availability coupled with deliveries of new office space. However, move-ins slightly outpaced move-outs in the third quarter, generating 45,499 SF of positive net absorption and reducing the vacancy rate to 28.5%, an eight-basis point decline from the historical high recorded in the previous quarter. While the decrease was modest, and vacancy rates still climbed 3.3% year over year, it is an improvement from the 2022 to 2024 period when it rose by 741 basis points, indicating that drastic increases in vacancy rates are a thing of the past. Although vacancy rates are expected to remain elevated in the near-term, the muted construction pipeline will allow existing vacant space more time to be absorbed. Overall, vacancy rates are expected to flatten out and then gradually decrease as demand catches up with excess supply

Historical Construction Deliveries, Net Absorption, and Vacancy

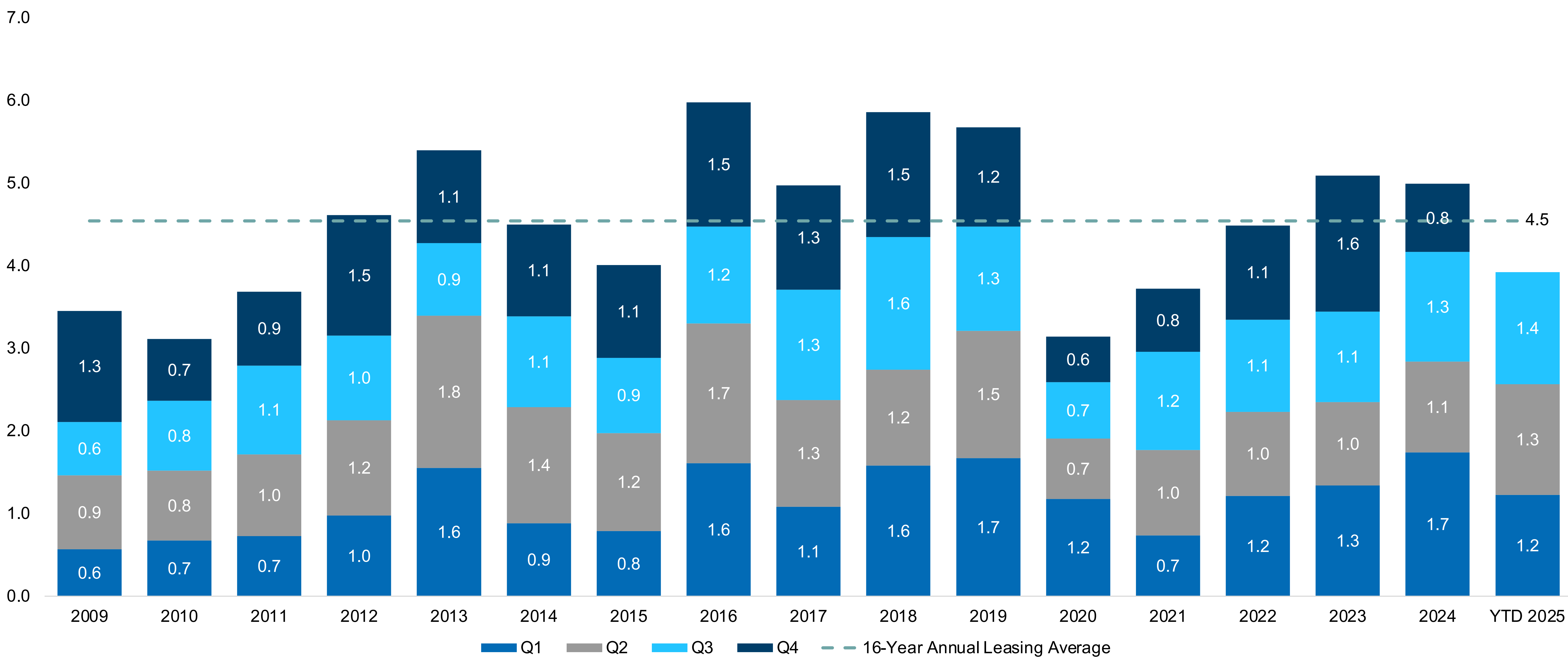


Source: Newmark Research, CoStar

Leasing Activity Continues to Pick Up Steam

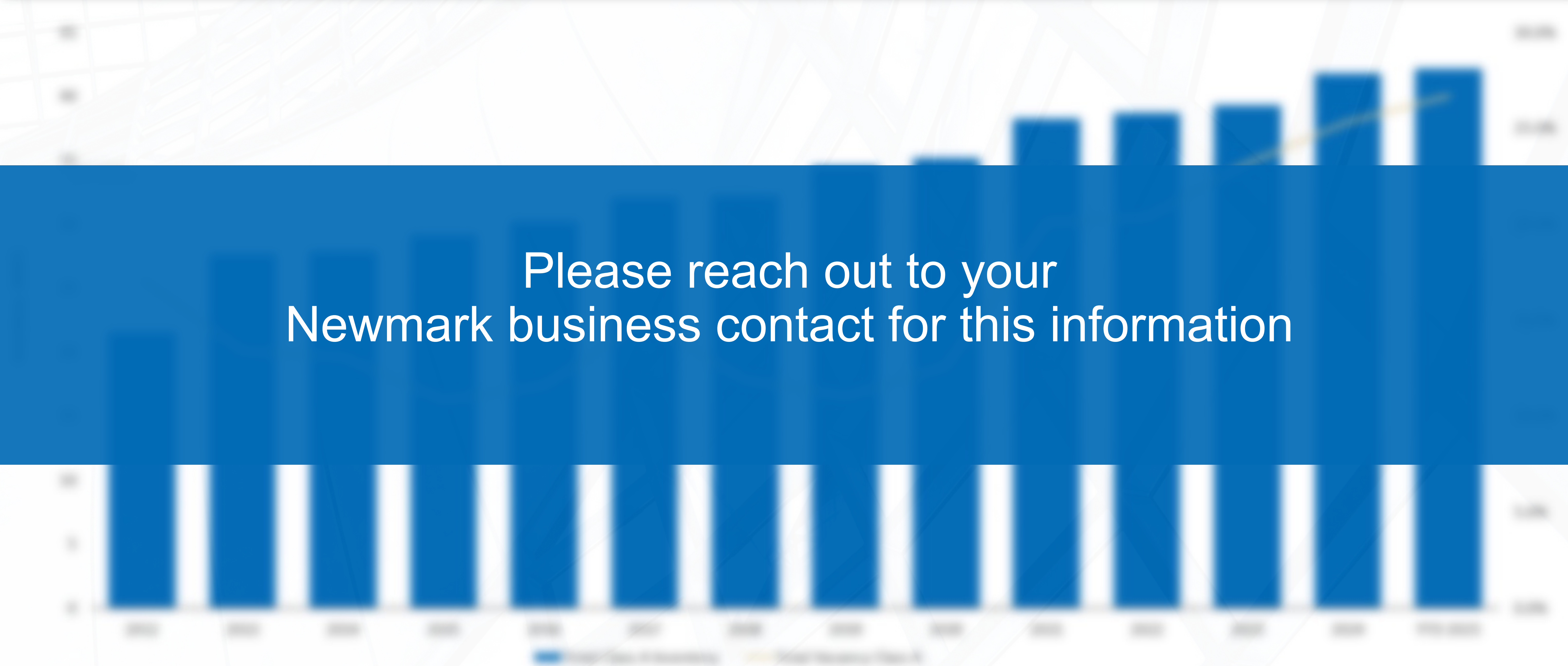
Leasing activity in Charlotte totaled 1.4 MSF in the third quarter of 2025, representing increases of 0.8% quarter over quarter and 2.0% year over year, slightly exceeding the 16-year third-quarter average of 1.1 MSF. The increase in volume is due in large part to firms like Moore & Van Allen and First Horizon, which have experienced significant growth in recent years, expanding their market footprints.

Total Leasing Activity (msf)



Source: Newmark Research, CoStar

Class A Office Inventory Growth Outpaces Occupancy, Driving Vacancy Rate Spike



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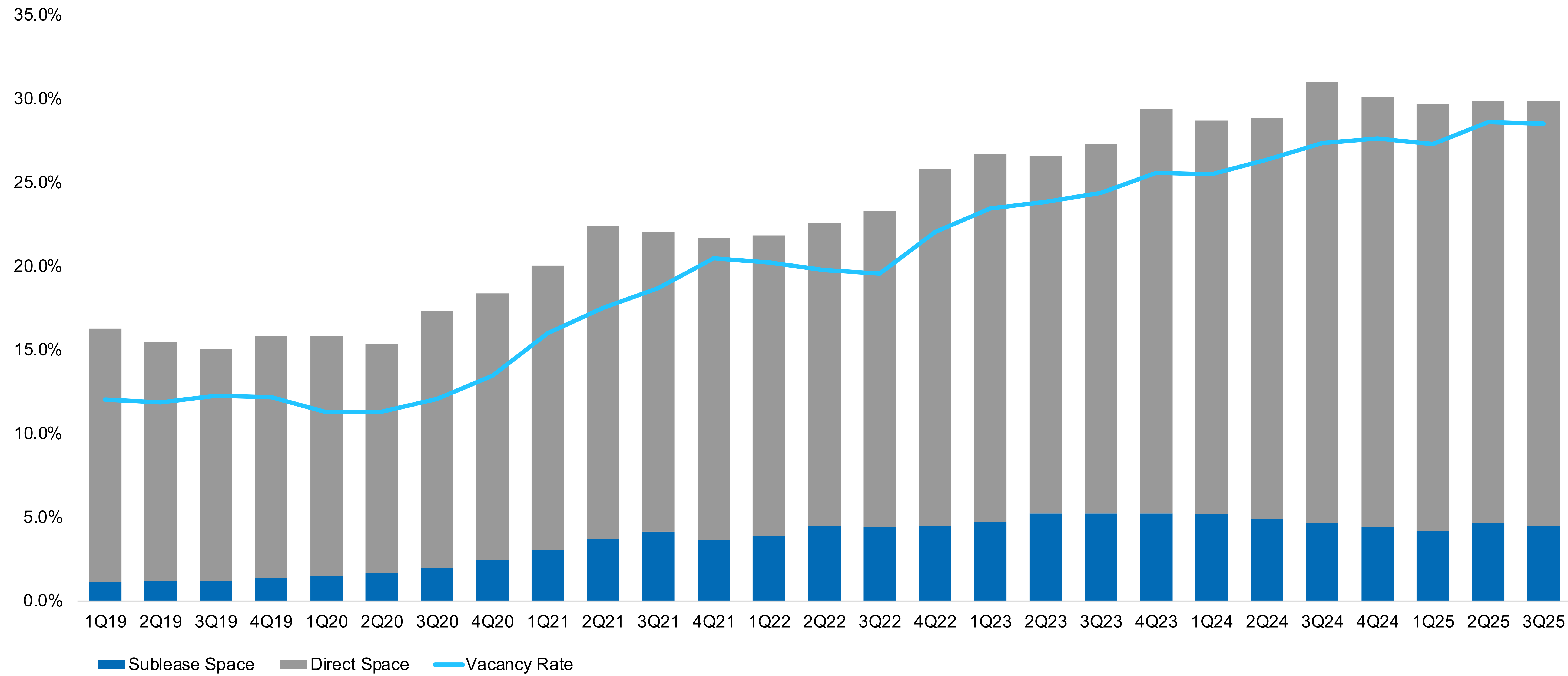
Availabilities Remain Unchanged While Vacancy Reports Slight Downturn

Sublease availability in the third quarter decreased by 20 basis points quarter over quarter to 4.5%, after increasing by 50 basis points from the first to second quarter. This decrease is more in line with historical trends, as sublease availability had been trending downward since the peak of 5.2% reported in the first quarter of 2024. Meanwhile, direct availability increased by 20 basis points quarter over quarter to 25.4%. Over the same period, the vacancy rate decreased by eight basis points, easing from a record high to 28.5%. The fact that vacancy decreased even as availabilities remained flat suggests that the muted construction pipeline is allowing existing vacant space additional time to absorb.

Available Space as Percent of Overall Market

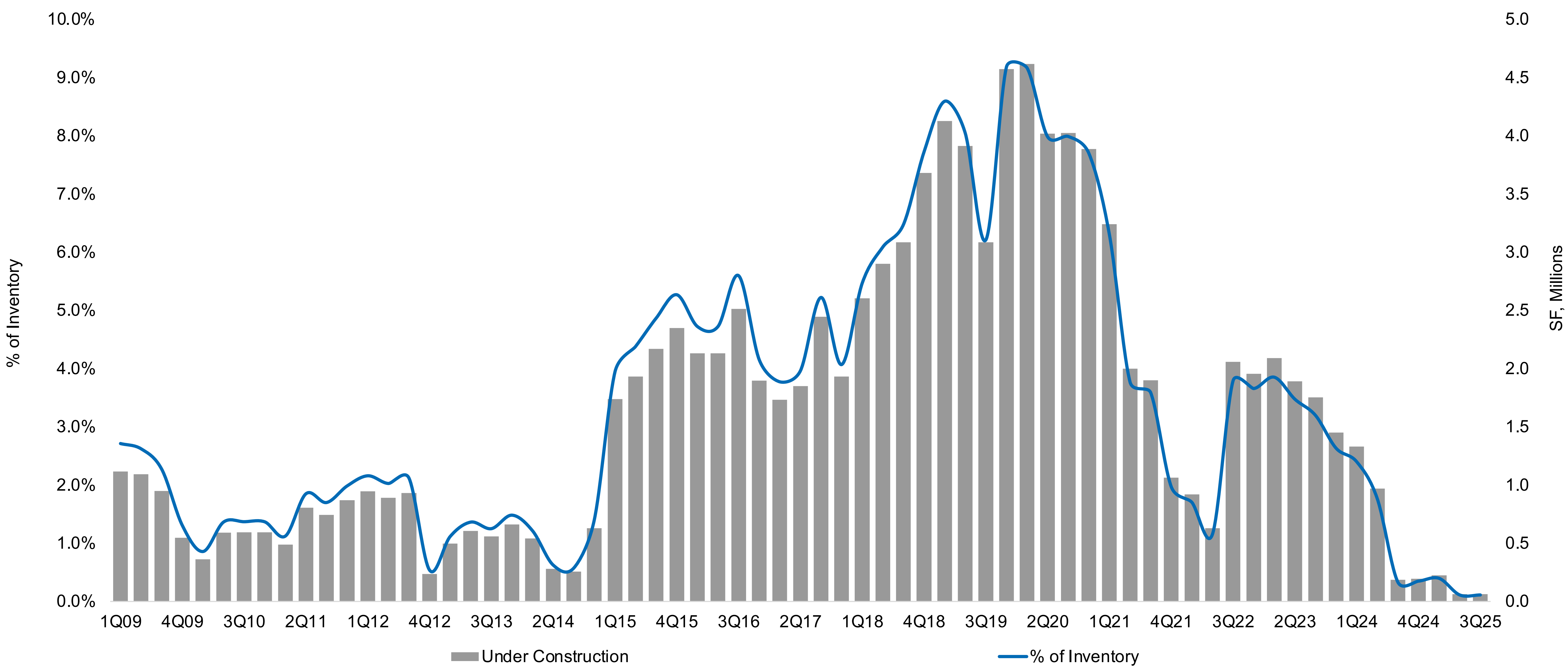


Source: Newmark Research, CoStar

Development Activity Remains Sluggish but Likely to Accelerate Soon

There is currently 63,427 SF of office space under construction as of the third quarter of 2025, unchanged from the previous quarter. The pipeline has been declining due to high existing levels of availability combined with continued constraints on capital that have curbed new groundbreakings. The under-construction pipeline accounts for just 0.1% of the total inventory, but this is expected to change within the year as multiple high-profile office buildings break ground. One such project, Queensbridge Collective, is part of a mixed-use development and will span across 450,000 SF of office space upon completion. The building is expected to break ground during the fourth quarter of 2025, with an estimated delivery date between late 2027 and mid-2028.

Office Under Construction and % of Inventory

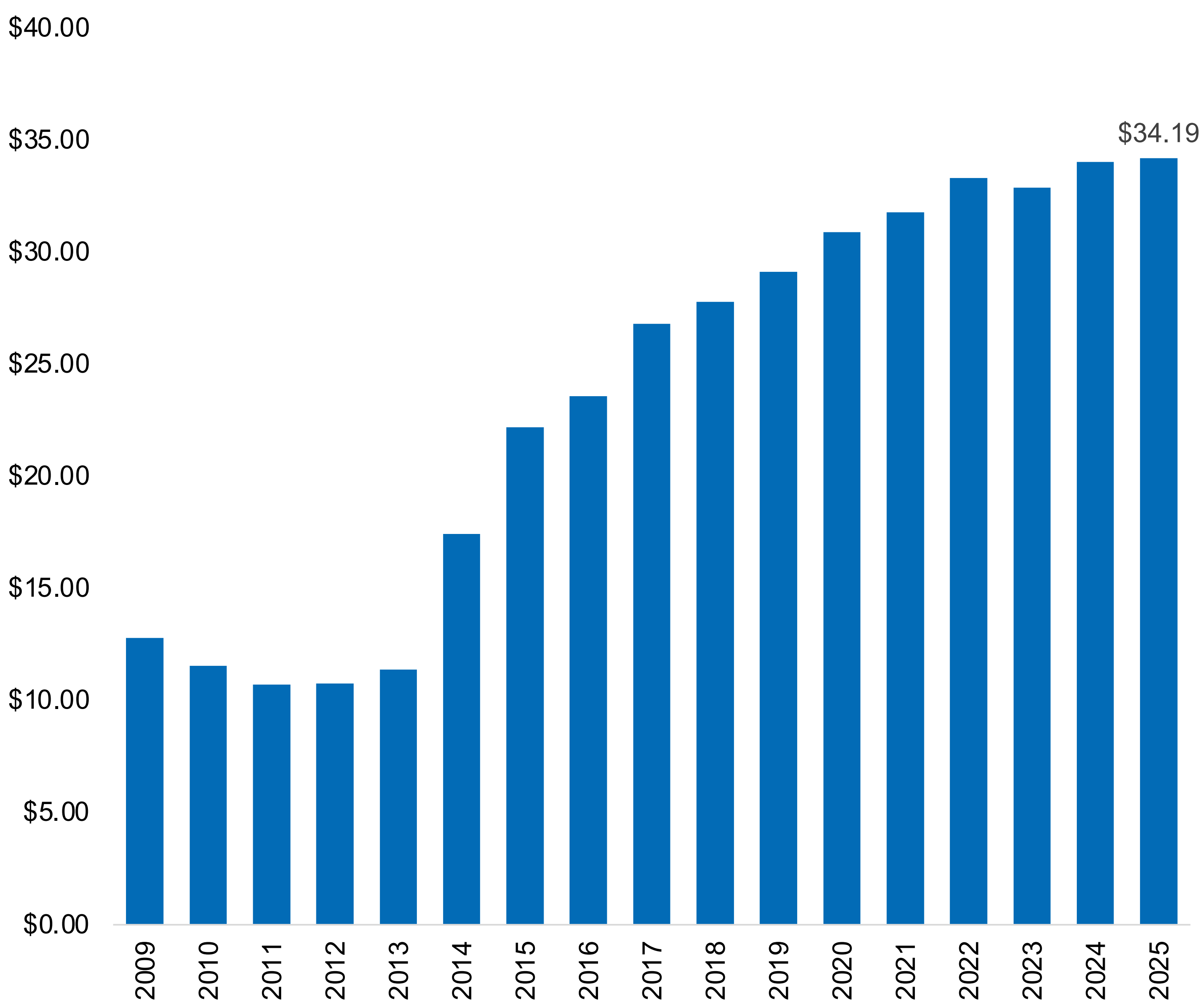


Source: Newmark Research, CoStar

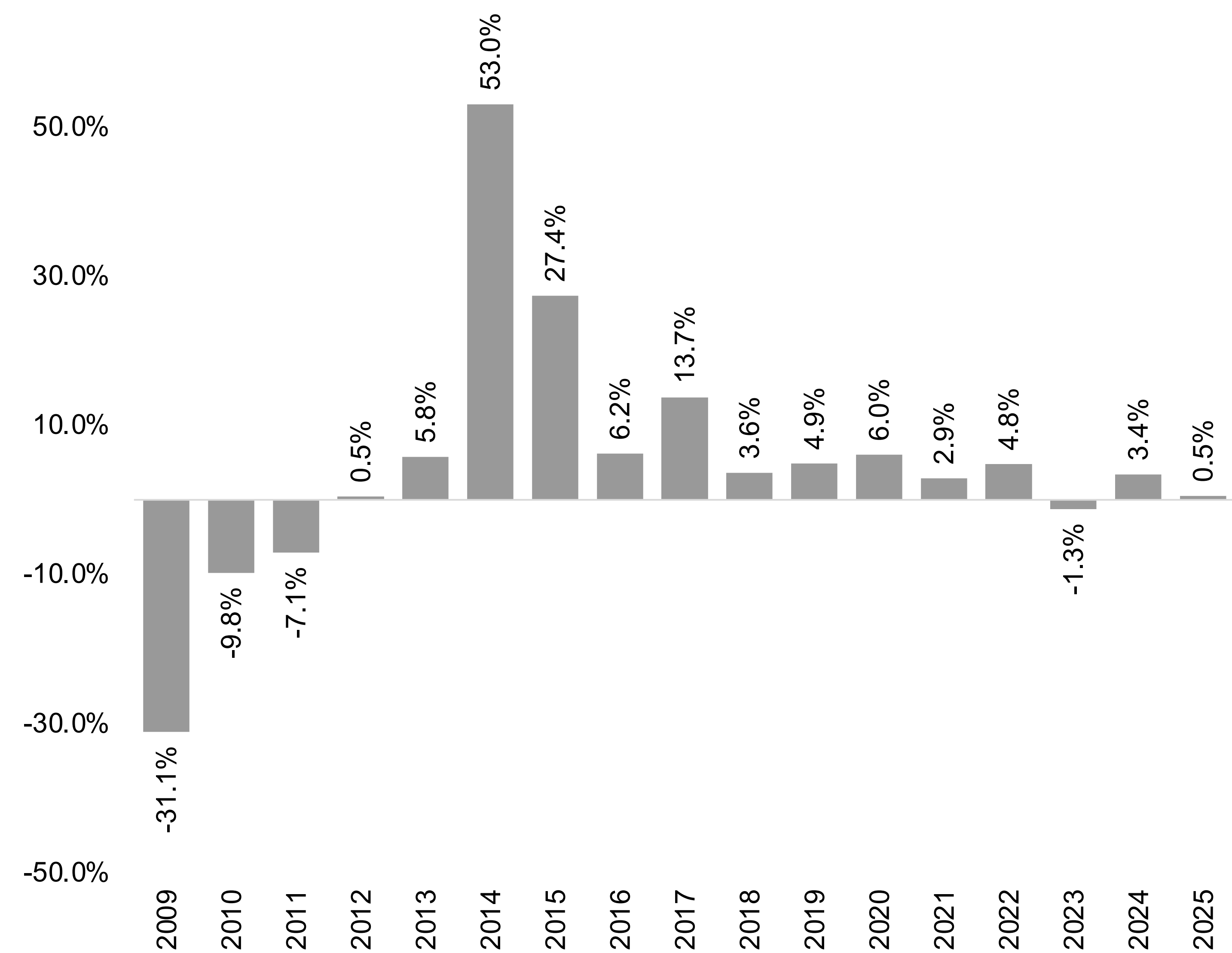
Asking Rents Dip Slightly Amid Flat Annual Growth

Charlotte's average asking rents decreased by 0.9% quarter over quarter to $34.19/SF, marking the first time in a year that average asking rents have declined. Additionally, asking rent growth has waned significantly year over year, from 3.4% in 2024 to just 0.5% through the third quarter of 2025. The flat growth reflects the elevated levels of vacant space, driving landlords to curb the pace of asking rent increases.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

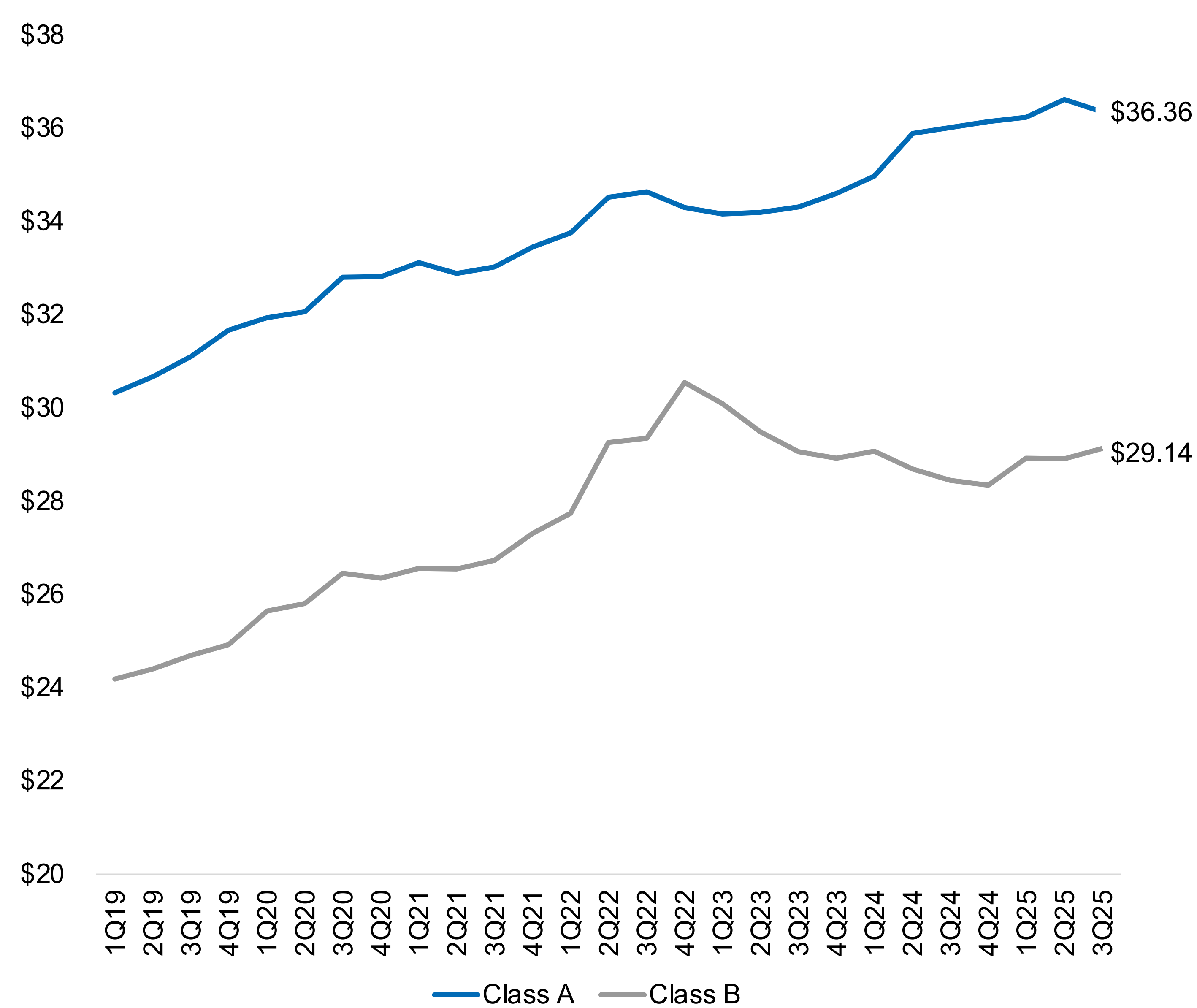


Source: Newmark Research, CoStar

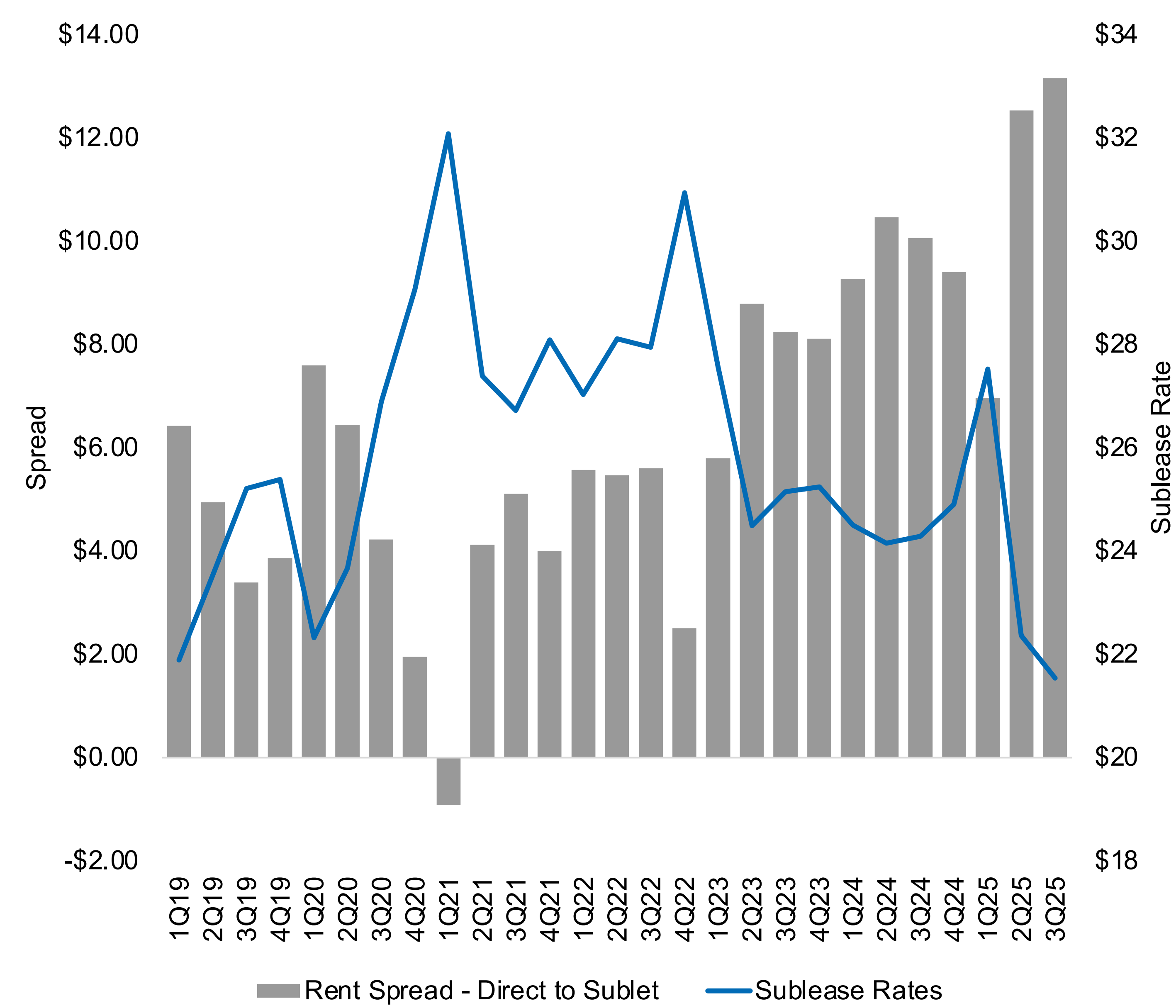
Pricing Power for Class A Space Softens

As of the end of the third quarter of 2025, Class A asking rents dipped quarter over quarter to $36.36/SF, representing a 0.7% decrease from their record-high set during the previous quarter. Class B office space reported $29.14/SF in asking rents in the same period, reflecting a quarter-over-quarter increase of 0.8%. The spread in asking rents between the two classes decreased by $0.48/SF quarter over quarter to $7.22/SF, reflecting the elevated levels of vacant Class A space. Between the second and third quarters of 2025, direct rents decreased by 0.5% to $34.70/SF and sublease rates fell by 3.7% to $21.54/SF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

The Flight to Quality Office Space Continues

Each of the top five leases signed during the third quarter of 2025 were direct new deals, suggesting that tenants are seizing current market conditions to secure favorable terms. The Ballantyne Corporate Park, a collection of Class A office buildings, was home to a bulk of the quarter's most notable leases, signifying employees' increased desire to work in high-quality office space with abundant amenities within walking distance. Three of the top five leases were signed by financial institutions, and one by a law firm that specializes in finance-related law, solidifying Charlotte's reputation as a major financial center.

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Moore & Van Allen PLLC	Queensbridge Collective	Midtown/Southend	Direct New	206,200
North Carolina's largest law firm, Moore & Van Allen PLLC, has signed a 15-year lease to occupy the top nine floors of Queensbridge Collective once the building is completed. They currently occupy 152,000 SF in the Bank of America Corporate Center; the firm's move represents a significant expansion of their footprint in the market. The building, which is scheduled to deliver in mid-2028, is part of the Queensbridge Collective project – a mixed-use development that is meant to bridge the gap between Charlotte's Uptown and South End submarkets. The project, which broke ground in May 2023, will include a 35-story office tower, a 42-story residential tower and 30,000 square feet of retail space.				
TD Bank	The Harris Building	South/485	Direct New	91,646
The New Jersey-based bank recently inked a 10-year lease to occupy three floors in the Harris Building within Ballantyne Corporate Park. Northwood Office, which is a subsidiary of the landlord of Ballantyne Corporate Park, handled the lease. This is one of three leases signed in the Ballantyne Corporate Park that made the top five leases by volume list in the third quarter of 2025.				
First Horizon Corporation	110 East	Midtown/Southend	Direct New	88,173
Leading financial services provider First Horizon Corporation has leased the top three floors of 110 East, a new Class A+ office tower in Charlotte's South End. The move, which is scheduled for the first half of 2026, will consolidate two of the bank's current offices and make it the building's largest tenant, pushing building occupancy to nearly 70%. The move into a larger space was precipitated by the rapid growth of the company's Charlotte-based team, which has grown by more than 150% in the last year.				
Travelers Indemnity Company	The Hixon Building	South/485	Direct New	62,332
Travelers Indemnity Company, a property and casualty insurance provider, recently signed a lease for 62,332 SF across three floors at The Hixon Building, a Class A office building located within the Ballantyne Corporate Park.				
Daimler Truck	The Boyle Building	South/485	Direct New	58,538
Daimler Truck signed a lease for 58,538 SF at the Boyle Building in Ballantyne Corporate Park. The vehicle manufacturer is consolidating its United States offices, currently spread across Michigan and Texas, into a single location which will also serve as the company's headquarters in the U.S. The company plans on investing approximately $7.8M in the building and believes that the relocation of its corporate offices to be in closer proximity to their manufacturing facilities will streamline operations and offer opportunities for continued growth.				

Source: Newmark Research, CoStar

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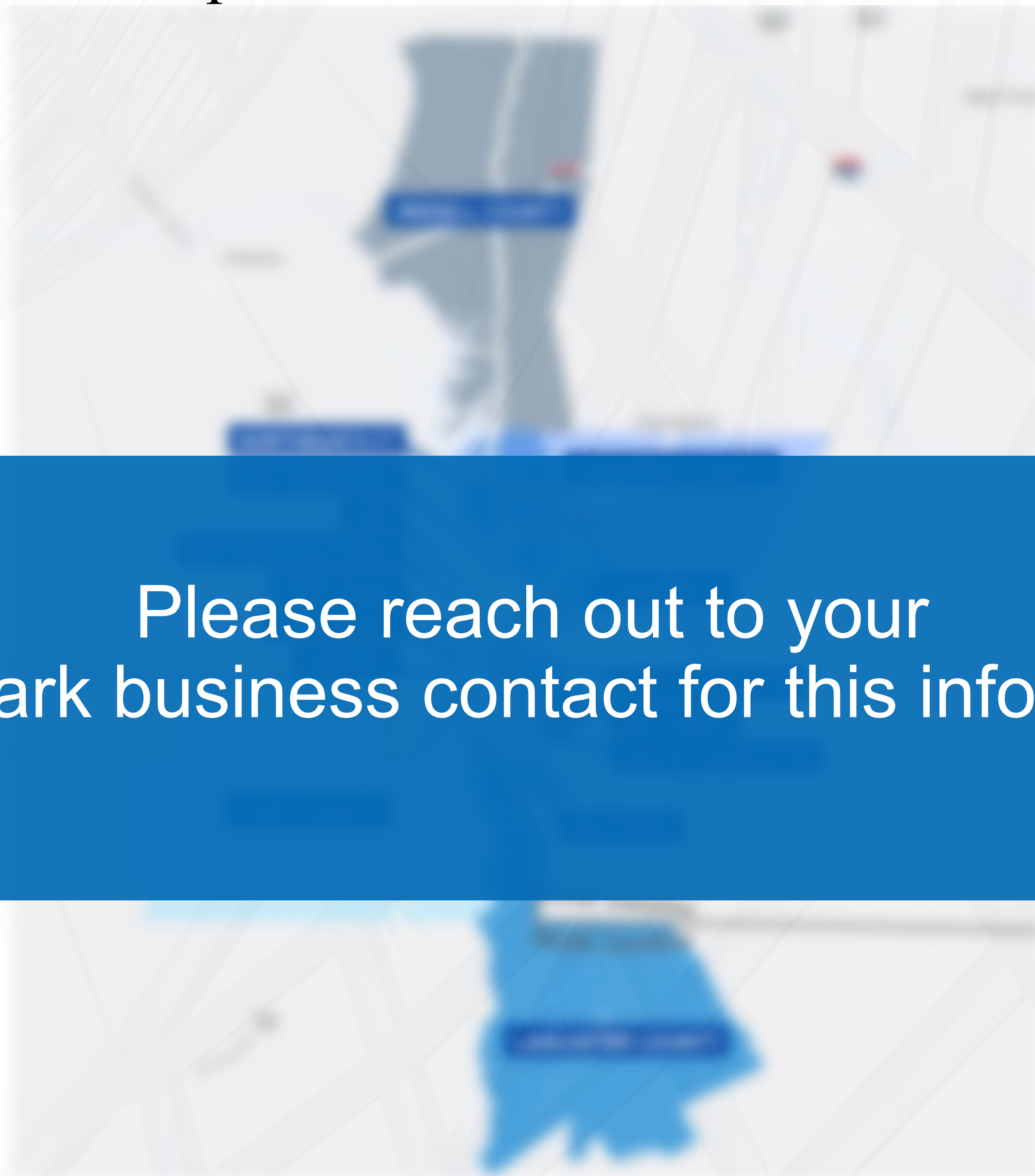
Market Statistics & Map

Charlotte Office Submarket Map



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Source: Newmark Research

Charlotte Office Submarket Overview—All Classes

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Charlotte Office Submarket Overview—Class A

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Charlotte Office Submarket Overview—Class B

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3Q25 North Carolina Office Market Overview

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Supplemental Analysis

Charlotte Office Market

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Newmark business contact for this information

For more information:

Wyatt Horn
Senior Research Analyst
Wyatt.Horn@nmrk.com

Andrew Cook
Research Analyst
Andrew.Cook@nmrk.com

Ching-Ting Wang
Head of Southeast Research
ChingTing.Wang@nmrk.com

Charlotte
615 S College St
Suite 450
Charlotte, NC 28202
t 704-208-5858

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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