Office conversions and elevated leasing activity accelerate vacancy reduction

▼23.0%	▲556,285	▶0	▶400,183	▲$36.95
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	FSG/YR Direct Lease Rate

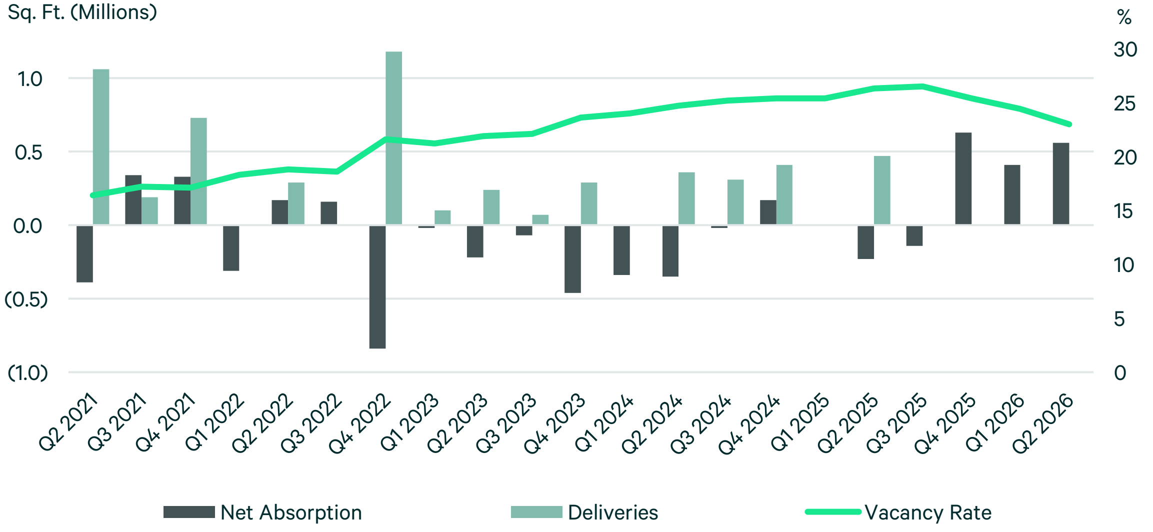
Note: Arrows indicate change from previous quarter.

Market Overview

Charlotte's office market continued to improve during the quarter, supported by steady leasing activity, positive absorption, and ongoing rent growth. Net absorption remained positive for the third consecutive quarter, as elevated occupancy remains unchanged. Uptown recorded its lowest vacancy rate in more than three years. Leasing momentum was driven by several large occupier commitments, including Capital Group's 197,000 sq. ft. lease and Sumitomo Mitsui Banking's 193,000 sq. ft. transaction in Uptown, helping push overall leasing activity to nearly 1.4 million sq. ft. Average asking rents increased to $36.95 per sq. ft., reflecting continued lift by prime assets, where rental growth has outpaced typical annual escalations and prime available vacancy now is below 4%. Prime asking rates reached $59.14 per sq. f.t recording a 12.9% increase year-over-year.

Market fundamentals remain supported by stable concession packages, new-to-market tenants relocating to Charlotte, higher than average leasing activity, and tightening availability in the Prime office sector during the second half of the year.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

The overall vacancy rate declined to 23.0%, down 330 basis points year over year and marking the lowest level recorded since Q3 2023. Vacancy compression was evident across both Class A and Class B assets, reflecting improving occupancy trends and sustained leasing momentum. Availability also tightened, falling to 21.9%, while Class A availability declined to 20.2%, indicating continued demand for higher-quality space. Performance remains uneven across submarkets, however, with North End reporting the highest vacancy rate in the market at 38.5%, followed closely by Northeast/University at 38.3%, while Midtown maintained one of the market's lowest vacancy rates at 14.7%. Uptown/CBD recorded a vacancy rate of 21.0%, while SouthPark stood at 16.3%.

Market statistics continue to be influenced by approximately 2.4 million sq. ft. of signed but unoccupied space, thus bringing the vacant available rate to 19.1%. This includes more than 1.0 million sq. ft. expected to commence occupancy before year-end. As these commitments translate into move-ins, vacancy is expected to continue declining through the remainder of the year.

Figure 2: Vacancy Rates by Class

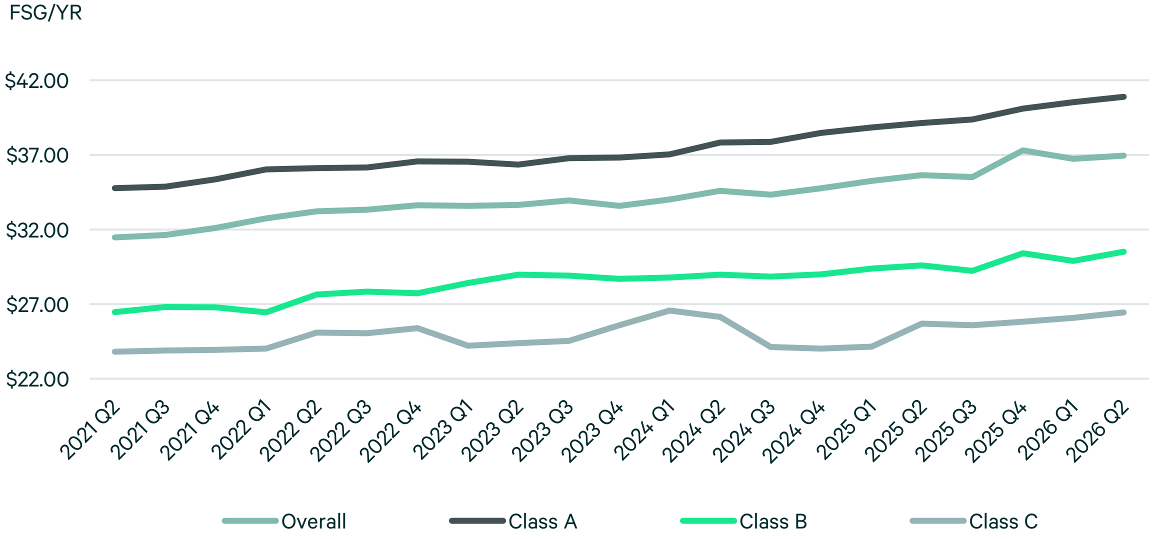
Source: CBRE Research, Q2 2026

Asking Rent

The overall average asking rent is $36.95, while Class A space commands $40.89. Quarter-over-quarter, overall rents rose 0.6% from $36.73 in Q1 2026 and Class A increased 0.9% from $40.53; year-over-year, overall rents are up 3.7% from $35.64 in Q2 2025 and Class A is up 4.5% from $39.14. Over the five-year period from Q2 2021 to Q2 2026, overall average asking rents have advanced 17.4% from $31.47, with Class A registering a 17.6% increase from $34.77. Rent growth has moderated as prime trophy space has been leased and removed from available inventory, reducing the impact of the market's highest asking rates on overall averages. However, landlord confidence remains strong, with high-watermark asking rents still exceeding $70 per sq. ft. and select preleased developments marketing space between $75 and $80 per sq. ft. Prime asking rates continue to climb, reaching $59.14 per sq. ft.. This is a 3.5% increase quarter-over-quarter.

Across submarkets, Midtown records the highest average asking rent at $40.96, followed by North End at $39.46 and SouthPark at $38.86. Midtown, SouthPark, and Uptown continue to drive market-wide rent growth, given that these submarkets include the most luxurious space within Charlotte's most walkable, highly amenitized areas.. In contrast, lower-priced submarkets with larger concentrations of older inventory continue to temper overall rent growth, caused by the concentration of functionally obsolete space and more widespread amenities in these car-reliant areas.

Figure 3: Average Direct Asking Rate by Class



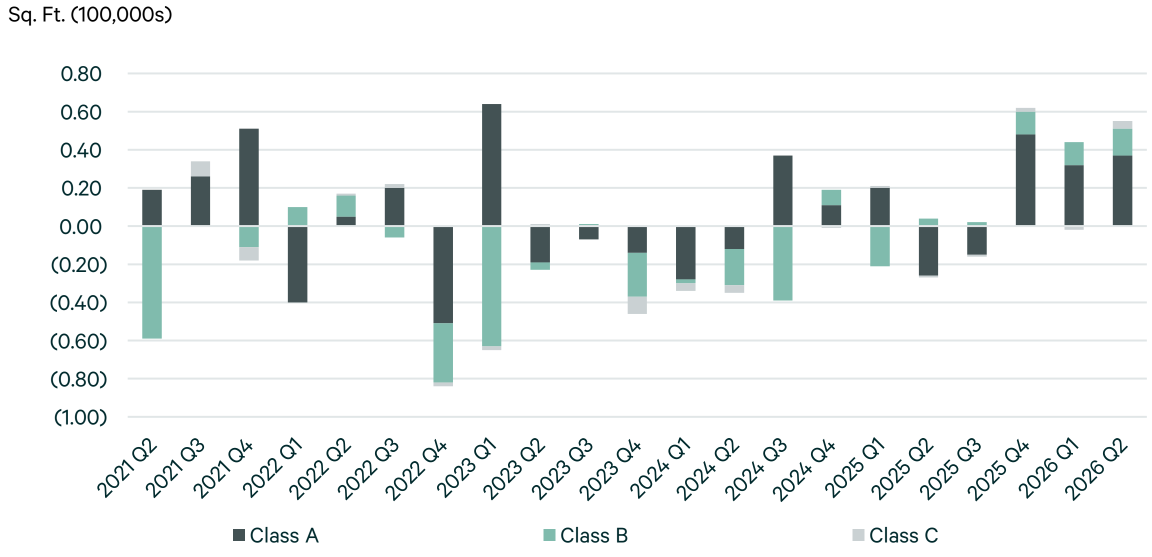
Source: CBRE Research, Q2 2026

Net Absorption

Market-wide net absorption reached 556,000 sq. ft. in Q2 2026, exceeding the 412,000 sq. ft. recorded in Q1 2026 by 144,000 sq. ft. On a rolling four-quarter basis, net absorption averaged 366,000 sq. ft., exceeding the prior quarter's 169,000 sq. ft. by 197,000 sq. ft. Compared with Q2 2025, when the market posted 232,000 sq. ft. of negative net absorption and a rolling four-quarter average of negative 19,000 sq. ft., current results are exceeding last year by 788,000 sq. ft. on a quarterly basis and 385,000 sq. ft. on the four-quarter average.

Positive absorption during the quarter was supported by several large occupancies, including Scout Motors' move into approximately 80,000 sq. ft. at 550 South as interim space while its future headquarters is completed, as well as Pike Electric and TI Holdings occupying roughly 75,000 sq. ft. at Legacy Union – Phase IV. These gains were partially offset by multiple tenant move-outs totaling 57,000 sq. ft. at 201 North Tryon. Looking ahead, occupancy momentum is expected to remain favorable, with Uptown anticipating more than 500,000 sq. ft. of occupancy over the next two quarters and Midtown expected to add approximately 255,000 sq. ft. As a result, both submarkets are positioned to remain key drivers of absorption through the remainder of 2026.

Figure 4: Net Absorption Trend



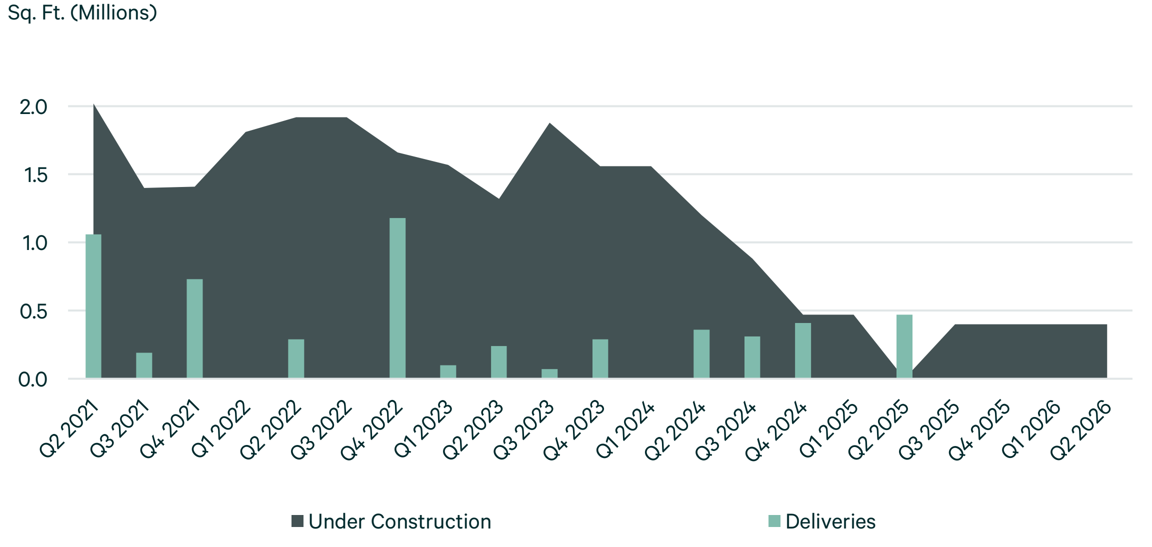
Source: CBRE Research, Q2 2026

Construction Activity

Under construction space in Q2 2026 totaled 400,000 sq. ft., unchanged quarter-over-quarter. While there was no groundbreaking activity during the second quarter, several development announcements signaled that construction activity could resume in the near term.. Currently, only two build-to-suit office developments have been announced, reflecting lenders want for less- risk.

Over the last five years, 5.7 million sq. ft. has been delivered, with the highest quarterly volume recorded in Q4 2022 at 1.2 million sq. ft. Uptown, Midtown, and SouthPark continue to drive the development pipeline and account for most announced projects. Queensbridge Collective, a 400,000 sq. ft. Prime office tower in the Midtown submarket, is 85.0% pre-leased and scheduled for delivery in Q4 2028. The project remains the market's only active office development and highlights Midtown's role as a key hub for future supply growth.

Figure 5: Construction Activity



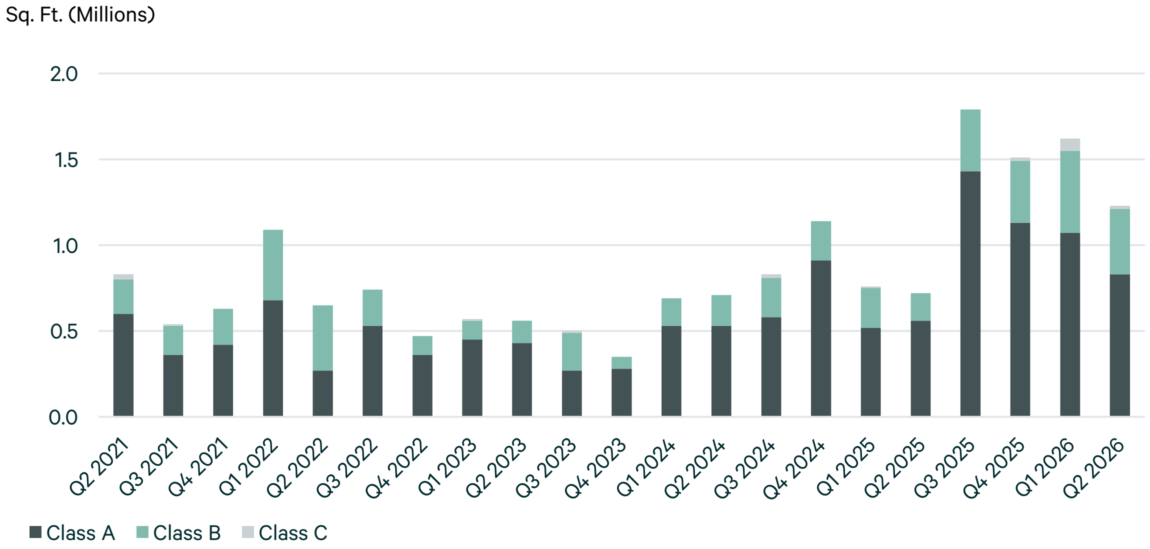
Source: CBRE Research, Q2 2026

Leasing Activity

Total leasing volume in Q2 2026 reached 1.5 million sq. ft., comprised of 862,000 sq. ft. of Class A space and 591,000 sq. ft. of Class B space. This was 13.7% lower quarter-over-quarter than the 1.7 million sq. ft. recorded in Q1 2026 and 68.9% higher year-over-year than the 529,000 sq. ft. completed in Q2 2025. Average deal size reached 10,066 sq. ft. during the quarter, representing an 11.3% increase from the prior quarter. More than 1.0 million sq. ft. of total leasing activity was comprised of new leases and expansions, underscoring net-new demand across the market.

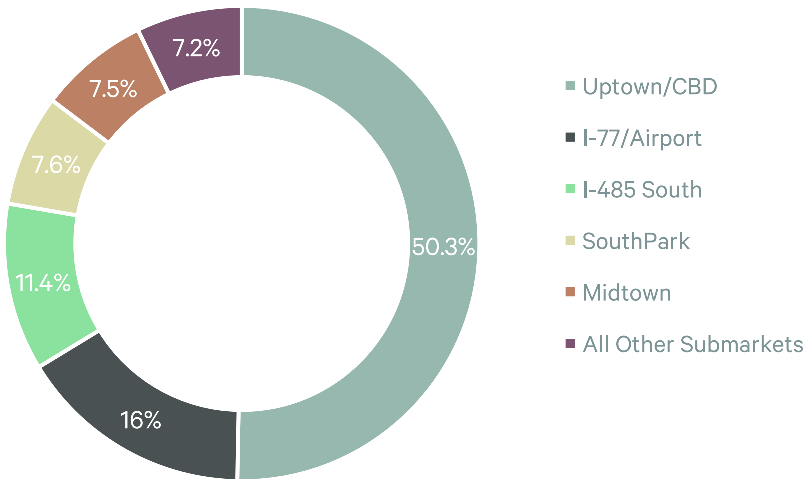
Demand was strongest among Financial Services, Government Services, and Construction tenants, which collectively accounted for a significant share of quarterly activity. Uptown led all submarkets with 618,000 sq. ft. of leasing volume, representing more than half of all leasing completed during the quarter. Activity was driven by the market's two largest transactions, including Capital Group's 197,000-sq.-ft. lease at One Independence Center and Sumitomo Mitsui Banking Corporation's 193,000-sq.-ft. expansion at 301 South College.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Capital Group	197,000	New Lease	101 N Tryon St	Uptown/CBD
Sumitomo Mitsui Banking	193,000	New Lease	301 S College St	Uptown/CBD
First Citizens Bank & Trust	40,000	New Lease	128 S Tryon St	Uptown/CBD
Direct Chassislink	33,000	Renewal	3525 Whitehall Park Dr	I-77/Airport
Securitas Security Services USA	31,000	Renewal	13950 Ballantyne Corporate Pl	I-485 South
Confidential Tenant	26,000	New Lease	128 S Tryon St	Uptown/CBD
Teksystems	26,000	Renewal	128 S Tryon St	Uptown/CBD

Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 9: Metro Market Statistics by Class

Property Class	NRA (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Q2 2026 Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	41.31M	21.1	20.2	17.1	3.2	40.89	373,000	691,000	-	400,000
Class B	18.21M	27.4	25.6	20.3	5.3	30.51	145,000	262,000	-	-
Class C	1.74M	22.7	24.1	23.2	0.9	26.44	38,000	16,000	-	-
Total	**61.26M**	**23.0**	**21.9**	**18.2**	**3.7**	**36.95**	**556,000**	**969,000**	**-**	**400,000**

Source: CBRE Research, Q2 2026

Market Statistics

Figure 10: Suburban Market Statistics by Class

Property Class	NRA (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Q2 2026 Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	18.62M	24.3	24.2	18.1	6.1	37.96	242,000	520,000	-	-
Class B	13.56M	28.7	25.6	19.1	6.5	28.86	83,000	204,000	-	-
Class C	1.38M	23.7	25.4	24.4	1.0	25.50	41,000	21,000	-	-
Total	**33.57M**	**26.1**	**24.8**	**18.8**	**6.1**	**33.56**	**367,000**	**745,000**	**-**	**-**

Source: CBRE Research, Q2 2026

Figure 11: Urban Market Statistics by Class

Property Class	NRA (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Q2 2026 Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	22.69M	18.5	17.0	16.2	0.8	43.55	131,000	171,000	-	400,000
Class B	4.65M	23.3	25.4	23.8	1.6	34.35	61,000	58,000	-	-
Class C	354,000	18.9	18.9	18.3	0.6	31.81	(3,000)	(6,000)	-	-
Total	**27.69M**	**19.3**	**18.4**	**17.5**	**0.9**	**41.33**	**189,000**	**224,000**	**-**	**400,000**

Source: CBRE Research, Q2 2026

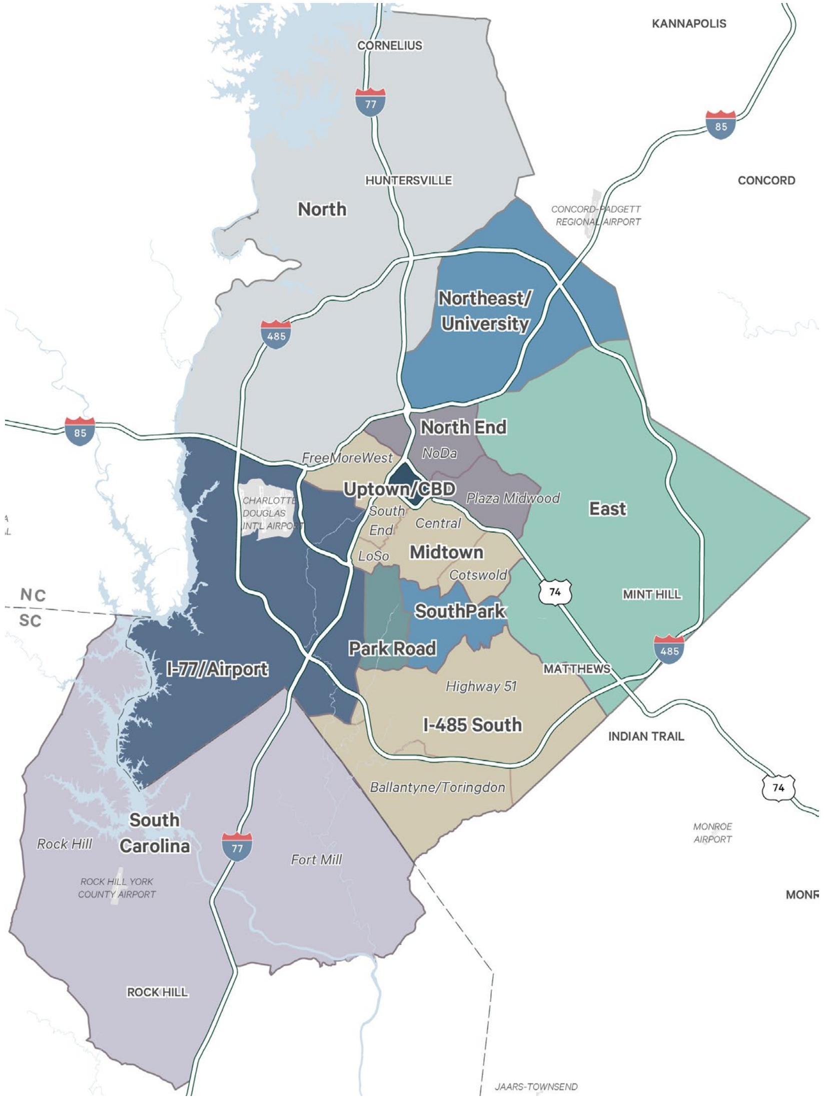
Market Statistics by Submarket

Figure 12

Submarket	NRA (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Class A Direct Asking Rate ($/SF FSG/yr)	Q2 2026 Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
East	1.85M	26.3	27.3	26.4	0.9	25.78	-	3,000	12,000	-	-
I-485 South	6.88M	24.9	28.0	25.8	2.2	41.31	43.28	136,000	250,000	-	-
I-77/Airport	9.35M	27.3	29.3	14.9	14.4	27.17	28.18	109,000	231,000	-	-
Midtown	7.33M	14.7	12.6	11.8	0.8	48.27	51.17	9,000	105,000	-	400,000
North	2.01M	11.4	13.3	11.3	2.0	31.95	32.33	36,000	42,000	-	-
North End	968,000	38.5	21.8	20.5	1.3	43.05	43.74	(23,000)	(41,000)	-	-
Northeast/University	4.55M	38.3	29.2	26.1	3.1	28.37	29.62	(8,000)	87,000	-	-
Park Road	522,000	16.0	17.7	17.4	0.3	34.00	35.00	31,000	24,000	-	-
South Carolina	2.97M	28.9	21.2	11.9	9.4	29.44	31.50	25,000	53,000	-	-
SouthPark	4.46M	16.3	14.2	13.1	1.1	41.79	49.64	58,000	87,000	-	-
Uptown/CBD	20.37M	21.0	20.5	19.6	0.9	39.84	42.08	180,000	119,000	-	-
Total	**61.26M**	**23.0**	**21.9**	**18.2**	**3.7**	**36.95**	**40.89**	**556,000**	**969,000**	**-**	**400,000**

Source: CBRE Research, Q2 2026

Market Area Overview



CBRE Offices

Charlotte

1120 S Tryon St, Suite 200
Charlotte, NC 28203

Survey Criteria

Includes all office buildings 20,000 square feet and larger, excluding owner-user and medical properties, located in Mecklenburg County and portions of York and Lancaster Counties. Only buildings that have commenced construction, as evidenced by site excavation or foundation work, are included.

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