

FIGURES | CHARLOTTE OFFICE | Q1 2025

# Positive momentum continues in the Charlotte office market

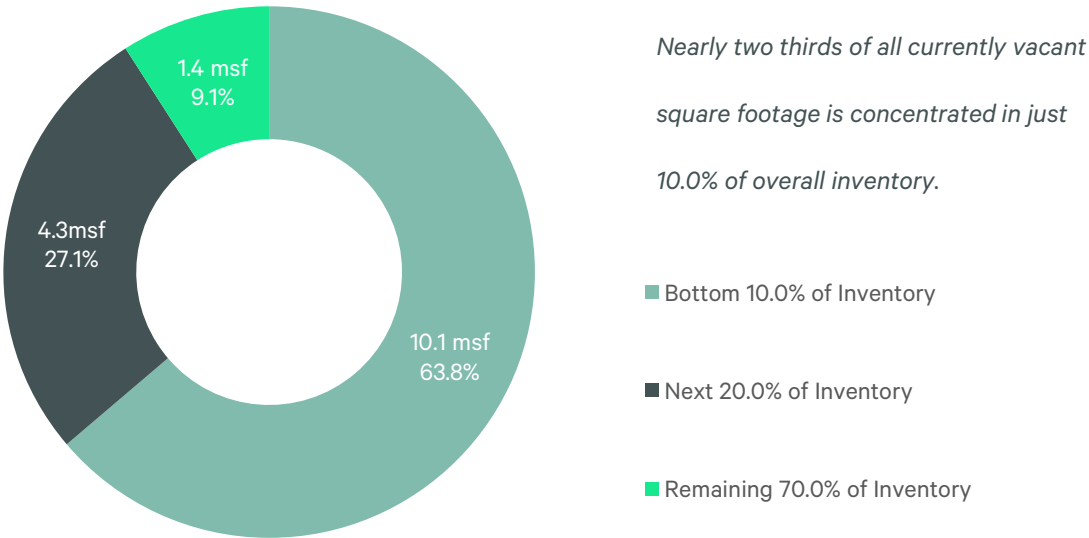


Note: Arrows indicate change from previous quarter.

## MARKET SUMMARY

- Occupancy gains started strong this quarter with 286k sq. ft. of positive net absorption recorded. This marks the first year-opening quarter with positive net absorption since Q1 2020.
- Average asking rates rose to \$35.12 per sq. ft. FSG with Class A asking rates also recording an increase in the first quarter. The Midtown submarket continued to command the highest rates in Charlotte, highlighting asset and location flight-to-quality as enduring trends.
- Leasing activity started the year strong with 746,252 sq. ft. of volume transacted in Q1 2025. The majority of this quarter's volume occurred in the SouthPark and I-77/Airport submarkets. Average deal size was 6,784 sq. ft.
- Although the market continues to face challenges and overall investor uncertainty, investment sales activity remained steady with \$25.3 million of overall volume recorded in Q1 2025.

FIGURE 1: Market Vacancy Concentration



Source: CBRE Research Q1 2025

## Vacancy

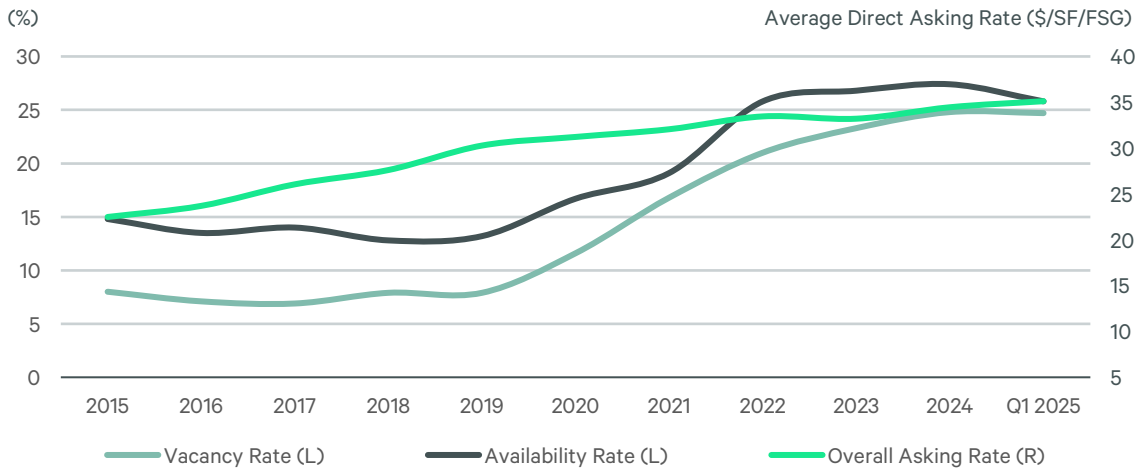
Vacancy within the Charlotte market fell for the first time in four years, signaling a positive shift. This decline is a welcome change from recent years with vacancy rates remaining a hot topic of discussion. In Q1 2025, total vacancy dropped to 24.7%, 10 basis points lower than the figure reported in Q4 2024. Signs of stability are emerging within certain divisions of the regional office market. However, vacancy is expected to remain relatively high, particularly in older, functionally obsolete buildings. Clarification of return-to-work strategies and recent tenant occupancies are anticipated to help reduce overall vacancy in the future. Currently, most vacant space is concentrated in a small percentage of buildings relative to the overall market. Market-wide, 63.8% of all vacant space is in just 9.1% of buildings, suggesting the overall landscape may not be as bleak as the statistics indicate.

The gap between direct and total vacancy continues to narrow. The direct vacancy rate decreased by 82 basis points quarter-over-quarter, indicating a steady increase in absorption activity. The sublease vacancy rate fell by 38 basis points in Q1 2025, supporting the positive momentum in the office market. A consistent bright spot in Charlotte’s office market, the Midtown submarket saw an 83 bps decrease in vacancy quarter-over-quarter. South End has benefited from the flight-to-quality trend, as the migration into highly-amenitized spaces continues to attract both existing and new-to-market users to Charlotte’s most vibrant district. Charlotte’s trophy subset vacancy rate fell 101 bps quarter-over-quarter with a recorded vacancy of 17.8%.

## Net Absorption

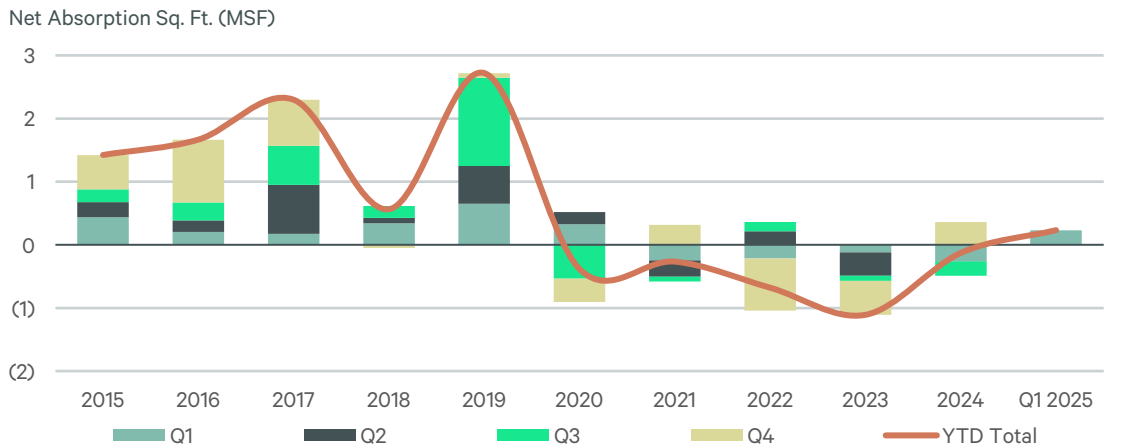
The Charlotte office market started the year off strong with 286,394 sq. ft. of positive net absorption being reported in the first quarter. This positive report can be attributed to a marketwide plateau in mass move-outs and a pause in downsizing. Over one half of the positive absorption can be attributed to multiple tenants entering 164,323 sq. ft. of sublease space in the Lash Group Headquarters. The market reported more notable movements with 15 buildings seeing over 10,000 sq. ft. of positive absorption. Charlotte’s trophy subset posted a strong quarter with 170,588 sq. ft. of positive absorption recorded.

FIGURE 2: Total Vacancy, Availability & Lease Rate



Source: CBRE Research Q1 2025

FIGURE 3: Historical Net Absorption



Source: CBRE Research Q1 2025

## Sublease Availability

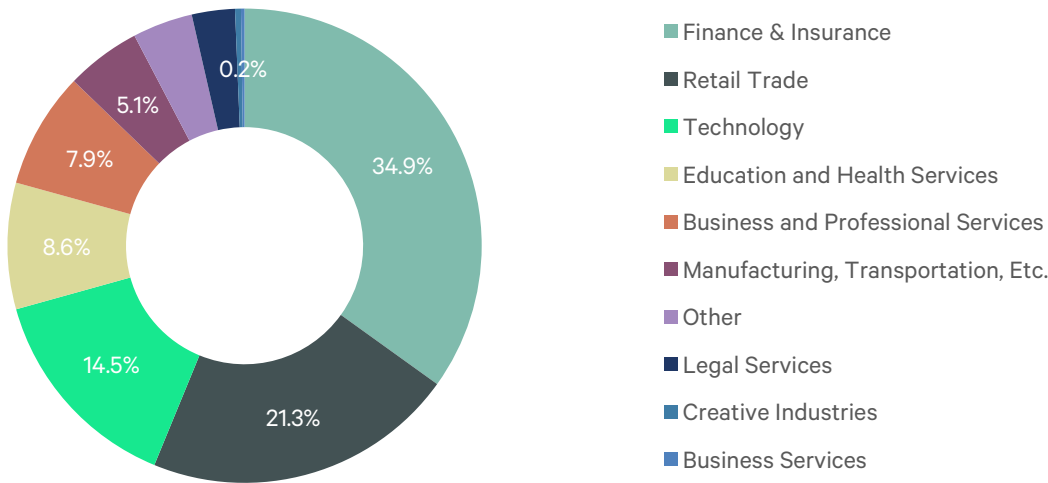
Sublease availability in Charlotte was recorded at 2,338,507 sq. ft. in Q1 2025, down 26.9% year-over-year. The decline in sublease availability was driven by increased leasing volume and a reduction in new sublease space entering the market. The Airport and Uptown submarkets continue to post the highest sublease availability with the South Carolina and North submarkets following close behind.

The South Carolina submarket had the largest change in sublease availability with a 428 bps decrease quarter-over-quarter. The submarket recorded an impressive 140,617 sq. ft. of positive sublease net absorption, highlighted by LPL and Pike Engineering moving into the Lash Group HQ space. The top three sectors within the sublease industry represent 60.9% of the total office market, reflecting a year-over-year decrease of 616 basis points. This trend underscores the ongoing decline in sublease availability.

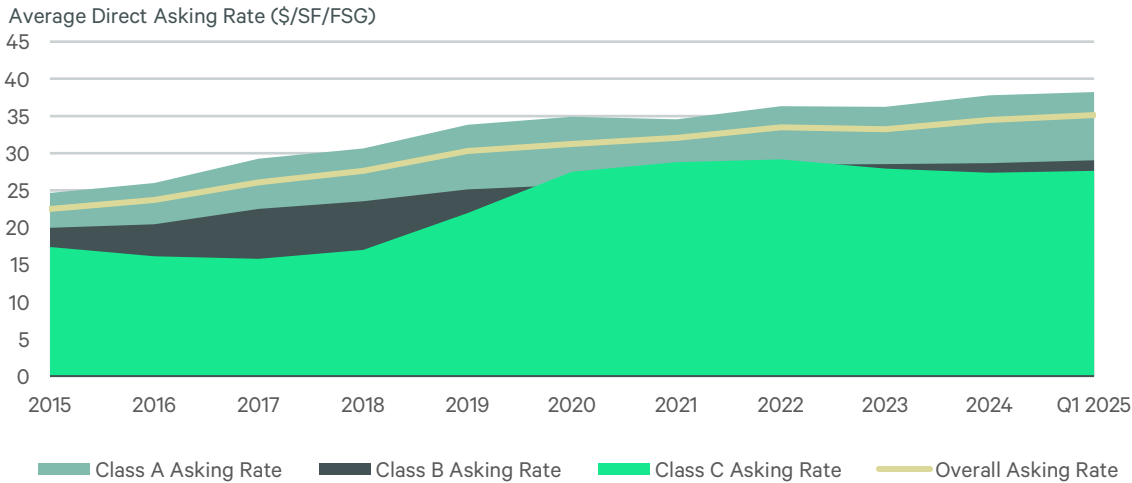
## Average Asking Lease Rates

In Q1 2025, the Charlotte office recorded an impressive average asking rate of \$35.12 per square foot FSG, marking the second consecutive quarter it has held the top position. This is a strong climb of \$0.66 per sq. ft., or 1.9%, quarter-over-quarter. The steady rise in rental rates is beyond the pace of the past two years. The Uptown submarket followed the same trend, reaching a significant milestone with its highest average asking rate to date at \$37.51 per sq. ft. This impressive figure is a nod to the resurgence in popularity of the Uptown submarket. The rate continues to climb far past its pre-covid prime. Class A rates in the Midtown submarket were recorded at an impressive \$47.85 per sq. ft., maintaining their position as the highest in the Charlotte office market. Sustained demand underscores Midtown's premier status and attractiveness to top-tier tenants, reflecting its strong market dynamics and the premium value placed on its office spaces. Despite healthy leasing activity in both areas, Uptown landlords continue to offer more concessions for second-generation spaces. They are also heavily investing in amenities, designed to attract and retain tenants, competing with the offering that new construction product has.

FIGURE 4: Sublease Industry Composition



Source: CBRE Research Q1 2025



Source: CBRE Research Q1 2025

## Development Activity

The office development pipeline continued to slow with just 793,000 sq. ft. under construction at the end of the first quarter, 69.2% of which is currently preleased. The Pearl, the largest speculative project in the market, is underway in the Midtown submarket, totaling nearly 650,000 sq. ft. The Pearl will deliver 86.0% pre-leased mid-2025. Following one major office completion in Q4 2024, the market recorded zero office deliveries this quarter.

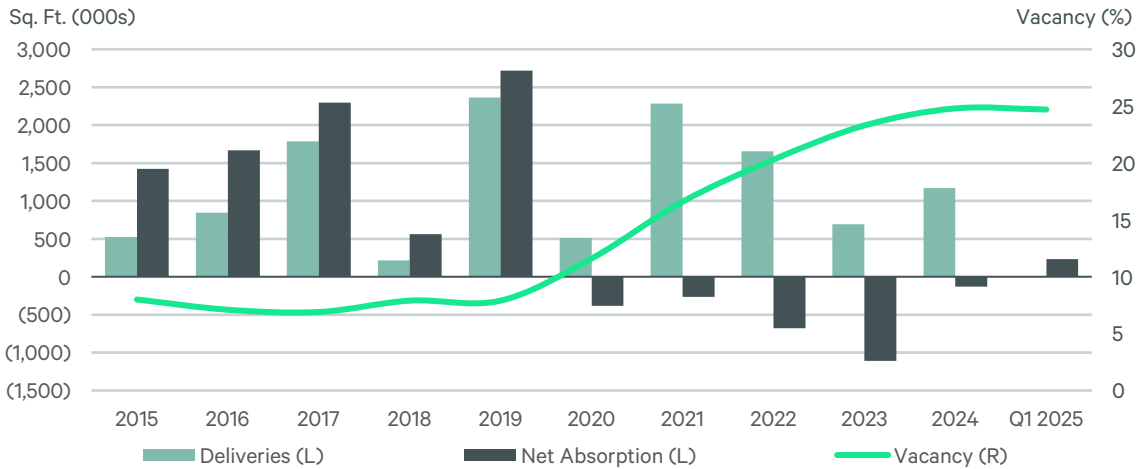
With several projects still in the planning stage, current economic conditions leading to financing challenges will continue to limit speculative office development in the coming months. Fewer projects breaking ground in the near-term will give the market an opportunity to absorb existing supply, which could signal further stabilization. Office vacancy rates could continue to compress with sustained leasing activity in brand new, Class A space, and with numerous lease expirations on the horizon, flight-to-quality is expected to amplify in Uptown and beyond.

## Investment Trends

Charlotte has navigated the challenges of an uncertain capital markets environment, yet the market reported two trades in the first quarter. The largest transaction was at 725 E Trade St. for 14,445 sq. ft. and amounting to \$16,100,000 (\$1,115 per sq. ft.) . This transaction is noteworthy not only because of the exceptionally high price per square foot, but also because the building is being converted into a data center, adding to the limited number of data centers in the submarket. Year-over-year, the market saw a slight 26.4% increase in sales compared to Q1 2024. If the market follows the trends from the previous year, we can expect to see a steady increase in sales as the year goes on.

Following a strong close in 2024, the market is under close scrutiny as stakeholders watch for signs of future growth and stability. Despite anticipated uncertainty in investment sales activity due to fluctuating interest rates and cautious investor behavior, there is a general expectation economic activity will increase over the next year. This optimism is driven by broader economic trends that could foster a more favorable environment for growth and investment.

FIGURE 6: Deliveries, Net Absorption & Vacancy



Source: CBRE Research Q1 2025

FIGURE 7: Notable Projects Under Construction

Property Name	Submarket	Property Size (SF)	Preleased (SF)	Spec/BTS	Estimated Completion
The Pearl – Education Tower	Midtown	330,000	330,000	BTS	Q2 2025
The Pearl – Research Tower One (R1)	Midtown	313,000	219,100	Pre-lease Anchor	Q2 2025
Commonwealth	North End	150,000	-	Spec	Q2 2025

Source: CBRE Research Q1 2025

## Leasing Activity

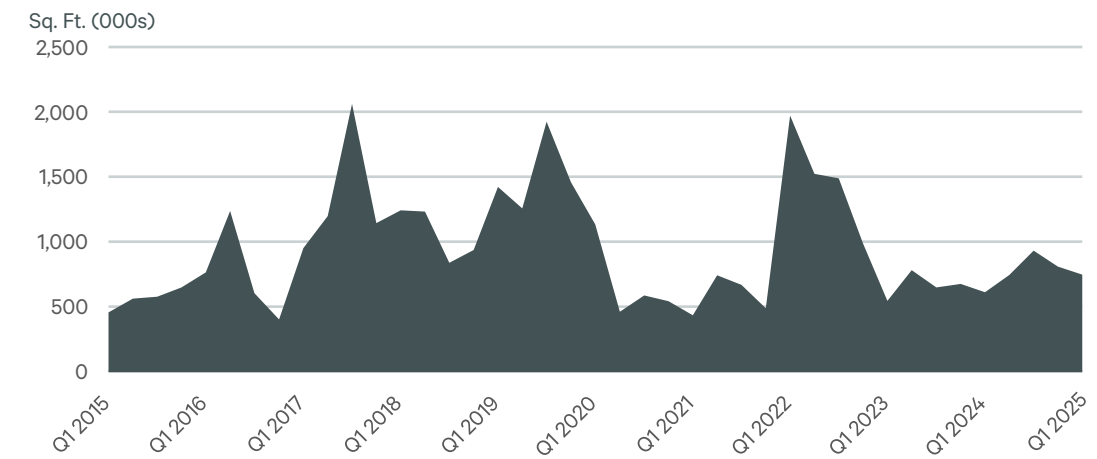
Office leasing activity stayed elevated quarter-over-quarter in Charlotte with 746,252 sq. ft. of total volume recorded in Q1 2025. This marks an impressive 22.5% increase in leasing activity year-over-year. With 6,784 sq. ft. being recorded as the average lease size for Q1 2025, we can see that both leasing size and activity remain just above average. 110 leases were signed during Q1 2025 with 68 of those deals being either a new lease or an expansion of an existing tenant. Compass Group, a food service company, signed the largest lease in the first quarter with a 44,269 sq. ft. expansion occurring at LakePointe Corporate Center. Larger leases remain prominent in Charlotte, with 24 leases over 10,000 sq. ft. signed. The SouthPark submarket had the most amount of activity out of any submarket, with 148,261 sq. ft. of leasing activity. The trophy subset had a good start to the year with 188,410 sq. ft. of premium office space leased. Just over half of the trophy activity resided in the SouthPark submarket.

## Employment

As of February 2025, Charlotte's unemployment rate rose to 3.9%, which is 10 basis points lower than the national unemployment rate during the same period. According to the Bureau of Labor Statistics (BLS), total nonfarm employment in Charlotte has increased by 10.1% compared to its pre-pandemic level in February 2020. Additionally, there has been a 1.8% rise in employment compared to February 2024, showcasing a steady upward trend.

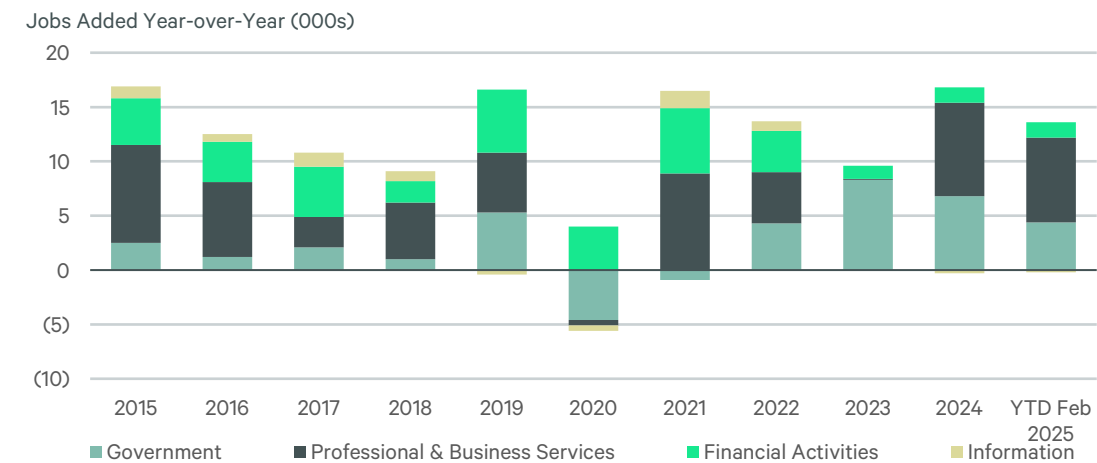
A significant portion of Charlotte's economy is heavily reliant on the financial activities sector. Encouragingly, this industry has experienced notable employment growth over the past year, further contributing to the city's overall economic stability and progress. This employment trend is followed by an increase in Professional & Business Services recording a 3.5% increase in total jobs year-over-year.

FIGURE 8: Quarterly Leasing Activity



Source: CBRE Research Q1 2025

FIGURE 9: Office-Using Employment Growth



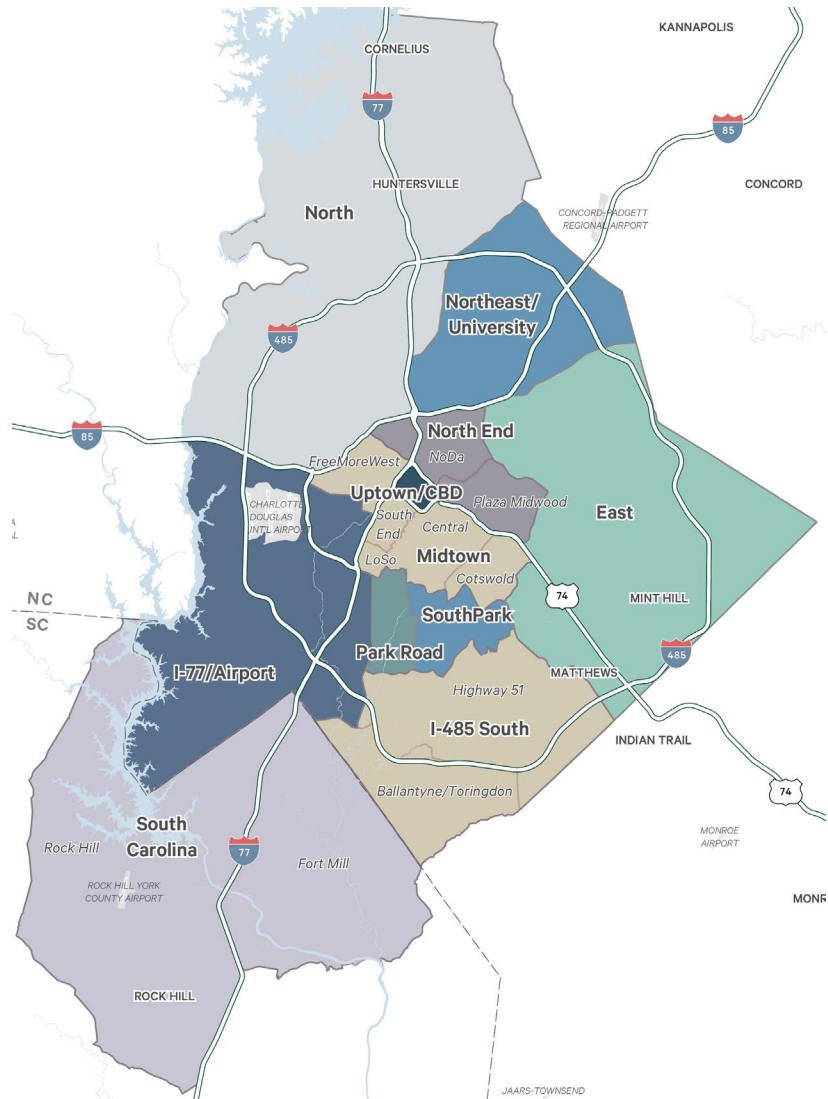
Source: U.S. Bureau of Labor Statistics, Feb 2025

FIGURE 10: Market Statistics by Submarket & District

Submarket/ District	Inventory (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (SF)	Average Lease Rate (\$/SF/YR FSG)	Q1 2025 Net Absorption (SF)	Annual 2024 Net Absorption (SF)
East	1,940,511	25.3	25.2	-	22.40	(11,993)	(72,936)
I-485 South	7,336,852	28.3	33.5	-	36.20	(32,565)	(20,139)
Ballantyne/Toringdon	5,558,337	32.2	38.8	-	37.44	13,398	(20,713)
Highway 51	1,778,515	16.0	16.9	-	29.91	(45,963)	574
I-77/Airport	9,973,200	23.1	25.7	-	26.81	(38,751)	158,309
Midtown	7,108,938	21.7	21.2	643,000	46.32	54,906	212,408
Central	987,807	5.8	10.6	643,000	46.08	4,044	64,095
Cotswold	179,591	0.8	1.9	-	31.85	(630)	(709)
FreeMoreWest	1,013,070	42.8	41.7	-	41.66	(9,167)	64,784
LoSo	296,889	29.6	23.9	-	43.47	34,905	19,904
South End	4,631,581	20.9	19.6	-	49.37	25,754	64,334
North	2,014,595	14.4	17.3	-	29.93	(7,840)	9,343
North End	1,229,949	37.1	40.7	150,000	39.41	(10,058)	118,427
NoDa	902,762	49.9	54.8	-	39.41	(7,467)	112,618
Plaza Midwood	327,187	1.7	1.7	150,000	-	(2,591)	5,809
Northeast/University	4,590,553	31.0	35.0	-	27.71	30,267	(284,563)
Park Road	522,278	24.2	28.1	-	32.83	673	(2,680)
South Carolina	3,209,369	30.3	32.9	-	26.21	108,766	25,360
Fort Mill	2,223,141	25.4	27.9	-	26.05	113,078	22,330
Rock Hill	986,228	41.3	44.1	-	27.13	(4,312)	3,030
SouthPark	4,463,620	19.8	21.1	-	38.62	3,435	(157,231)
Uptown/CBD	21,525,883	24.6	22.7	-	38.56	134,983	(398,857)
METRO TOTAL	63,915,748	24.7	25.8	793,000	35.12	231,823	(412,559)

Source: CBRE Research Q1 2025

Market Area Overview



CBRE Offices

South End Charlotte

1120 S Tryon St, Suite 200  
Charlotte, NC 28203

Survey Criteria

Includes all office buildings 20,000 sq. ft. and greater in size, excluding owner-user and medical, in Mecklenburg County and parts of York and Lancaster Counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

Note

In the first quarter of 2023, CBRE Charlotte updated and expanded its tracked market area in order to more accurately portray dynamics and fundamentals within the local office real estate market. In addition to general submarket boundary changes, micromarkets were added to better show intricacies within larger submarkets. As a result, previously reported historical statistics have changed in certain instances.

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