

INVESTMENT FORECAST

Marcus & Millichap

OFFICE

Charlotte Metro Area

2025

Demand Improving in Established Office Submarkets; Medical Offices Proving Stable During Uncertainty

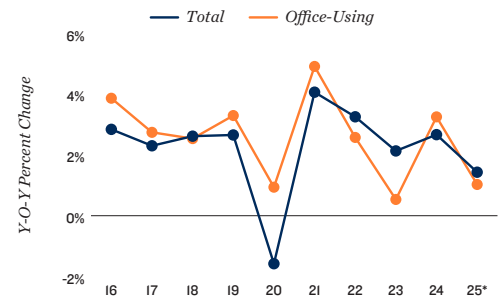
Concluding leases could open door to demand shifts. A reduction in the supply pipeline this year will help balance office demand while hundreds of short-term leases possibly expire in 2025. At the same time, other companies will be starting new commitments, focused in the University City Research Park, Center City and South End, to take advantage of the highly amenitized areas. The highlight of these is Robinson Bradshaw upsizing to 101,500 square feet in Center City. Metrowide net absorption will be about half of 2024's level, however, which was a three-year high. While demand growth for traditional office space may fall this year, medical office expansion will likely continue into the long term, given health care services have held a local upward trend in hiring since 2022. This movement corresponds with an uptick in net in-migration, along with ongoing growth in the age 55-plus population cohort.

Local investment demand highest for more stable offices. Investment activity rose last year in Southwest Charlotte, which is likely to continue this year after a 120-basis-point vacancy drop during the trailing 12 months ended in December 2024. This submarket holds one of the largest inventories in the metro. The properties traded here over the last five years have varied drastically in age, size and quality, lending themselves to diverse investment strategies from a range of buyers, including renovating buildings completed pre-1980 or deploying capital for a nearly fully leased Class A office. Midtown will also likely hold investor attention this year, as local vacancy entering 2025 below 12 percent supports market-leading asking rents. The area has been a target for higher-occupancy trades, with three-fourths of transactions since 2020 noting rates of at least 67 percent. Correspondingly higher price points limit deals to investors with sufficient capital.

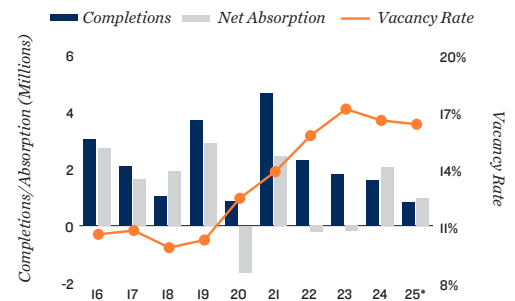
2025 MARKET FORECAST

- +1.4%**  **EMPLOYMENT:** Overall employment will expand by 20,000 roles as job growth continues to taper this year. Of these new positions, 4,000 will belong to traditionally office-using sectors.
- 820,000 sq. ft.**  **CONSTRUCTION:** Delivery volume pulls back this year, marking the lowest point since 2013 with under 1 million square feet opening. This drop may give the metro time to absorb current vacant space.
- 20 bps**  **VACANCY:** Net absorption will not meet 2024's impressive levels, but the reduction in supply this year will result in the vacancy rate being nudged down to 16.4 percent by December.
- +1.2%**  **RENT:** The average asking rent will climb to the highest point on record at \$30.72 per square foot. Monthly rents are highest in the Midtown and Northwest Charlotte submarkets.
- INVESTMENT:** Vacancy for medical offices enters 2025 in the mid-5 percent band, with needs to expand with the population. The largest number of fully leased medical offices are located in Midtown, which may draw investors.

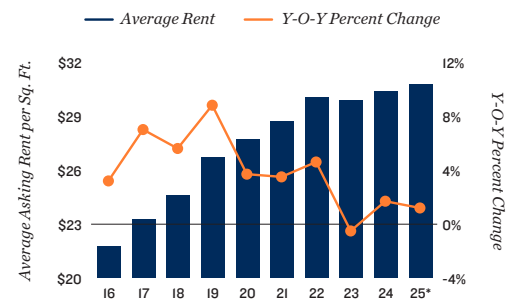
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.