

# INVESTMENT FORECAST

Marcus & Millichap

## RETAIL

Charlotte Metro Area

2025

### Swelling Population Supporting Retailers, Emphasized Within Growing Outer Submarkets

**Low suburban vacancy contrasted by some urban headwinds.** Local residential growth has accelerated over the last two years, with much of the in-migration directed to outer suburbs. Retail vacancy is lowest in these areas as a result, with both Stanly and Lincoln counties entering 2025 with sub-1 percent vacancy. Relatively small inventories with few supply additions over the last three years has helped keep these areas almost fully occupied. An escalation of construction may be warranted in the near future to meet local needs. The city center, meanwhile, reported a second year of vacancy expansion that pushed the rate to 11.7 percent last December — the highest level since at least 2007. This upward trend, however, could slow this year. A 90-basis-point reduction in office vacancy during the final quarter of 2024 points to an upcoming improvement in midweek foot traffic. At the same time, net in-migration metrowide could lead to further apartment vacancy compression in the Uptown-South End area, which would further aid demand for nearby retailers.

**Areas with strong in-migration draw investment.** Sales activity over the last three years has been highest in outer submarkets, with Gaston, Cabarrus and York counties proving popular with investors. Buyer should continue to remain interested in outlying areas while population growth remains concentrated further from the city center. With the lowest vacancies in the metro, Lincoln and Stanly counties should attract more stability-seeking investors. Buyers looking for higher returns, however, will need to search closer to the city center. North Charlotte could gain additional sales activity after three consecutive years of rent gains propelled the submarket's average asking rent to \$35.40 per square foot last year — the highest rate in the metro.

### 2025 MARKET FORECAST

+1.4%



**EMPLOYMENT:** Job growth moderates this year, with employers adding 20,000 roles on net. Professional and technical service sectors are likely to lead the employment expansion.

658,000  
sq. ft.



**CONSTRUCTION:** Delivery volume reaches a four-year high; however, additions increase inventory by just 0.5 percent. Lancaster County will host the largest incoming square footage.

+10 bps



**VACANCY:** This year's net absorption total will amount to nearly one-third of the historical average, lifting vacancy to 3.2 percent. This rate is nearly 200 basis points below the long-term mean.

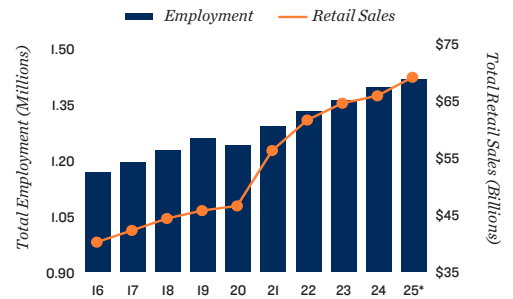
+3.9%



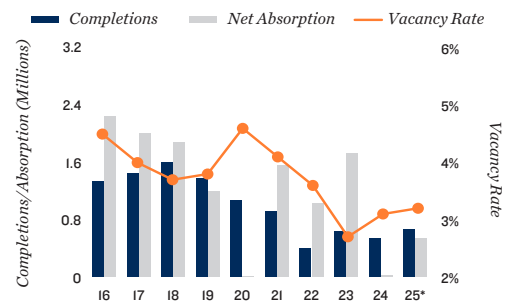
**RENT:** While less than the growth reported in 2024, upward momentum will push the average asking rent to \$21.50 per square foot by December — the highest rate on record.

**INVESTMENT:** Investors with larger capital pools may be interested in the stability of University City, where a growing UNC Charlotte student population and local health care presence support demand for nearby retail.

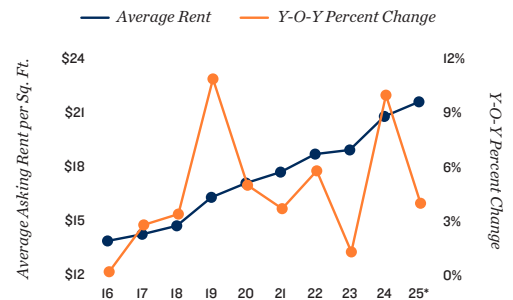
#### Economic Trends



#### Supply and Demand



#### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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.