

Retail

Charlotte

☑ Southern Atlantic Region

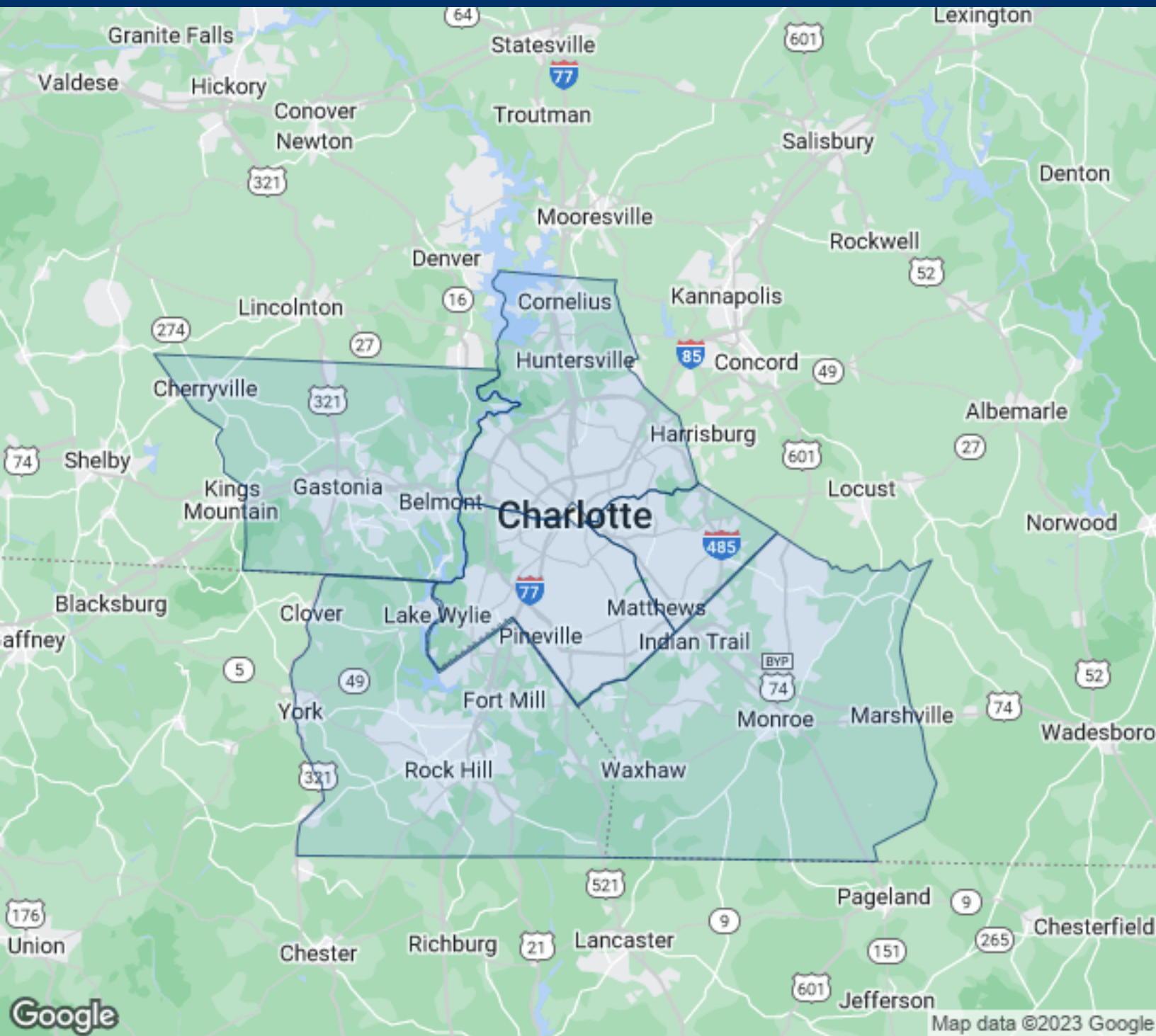
🇺🇸 United States

MOODY'S
ANALYTICS

CRE

REPORT GENERATED
October 31, 2023

DATA AS OF Q2 2023



Charlotte

Charlotte

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I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$20.05/sqft**

AVERAGE VACANCY **9.4%**

(Published August 2023)

- Rent in the Charlotte metro was up 0.1% from August.
- Rent is expected to finish 2023 at \$20.12 in the Charlotte metro.
- No vacancy change since August in the Charlotte metro.
- Vacancy is expected to finish 2023 at 9.5% in the Charlotte metro.

Market Overview

The Charlotte retail market is comprised of 28.1 million square feet in five geographic concentrations ranging in size from the 9.5 million square foot South submarket to the Gaston County submarket, which accounts for 2.7 million square feet. In the ten-year period beginning with Q4 2013, the South submarket has experienced the greatest introduction of new inventory, 777,000 square feet, amounting to 56.8% of all new competitive stock added to the market.

Asking and Effective Rent

Monthly movement in asking rent during the third quarter was mixed, with September's drift upward of 0.1% bringing the cumulative quarterly total up to 0.2%. Since the same reporting period last year, asking rents have advanced by 0.6%, up from \$19.96. Since the beginning of Q4 2013, the metro as a whole has recorded an annual average increase of 1.0%. Effective rents, which exclude the value of concessions offered to prospective tenants, also increased by 0.1% during September. The identical rates of change suggest that, although the rent increases are small, landlords have been able to maintain a stable relationship between asking and effective rent values. Although all of the Charlotte metropolitan area's five retail submarkets contributed to the metro's recent rent growth, it is worth noting that the 0.6% asking rent growth rate of the past 12 months compares unfavorably to the metro's long term performance.

Competitive Inventory, Absorption

Over the last 12 months, market absorption totaled 64,000 square feet, a fraction of the average annual absorption rate of 490,700 square feet recorded since the beginning of Q4 2013. This vacancy rate matches exactly the metro's long-term average recorded since the beginning of Q4 2013.

Executive Briefing (cont.)

Outlook

Between now and year's end, 110,000 square feet of competitive retail stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 58,000 square feet. In response, the vacancy rate will drift upward by 0.1 percentage points to 9.5%. During 2024 and 2025, developers are expected to deliver a total of 593,000 square feet. Total employment growth during 2024 and 2025 is projected to average 0.8% annually, while household formations are expected to average an increase of 2.1% per year. Over the same period the metro absorption rate is expected to average 115,000 square feet per year. Because this amount does not exceed the forecasted new construction, the market vacancy rate will rise by 110 basis points to finish 2025 at 10.6%. Between now and year-end 2023 asking rents are expected to increase 0.2% to a level of \$20.12, while effective rents will rise by 0.4% to \$17.79. Thereafter, Reis projects that asking rent growth will accelerate to an annualized average of 1.0% during 2024 and 2025 to reach a level of \$20.54 per square foot. Effective rents will climb by a more rapid annualized average rate of 1.4%, as landlords begin to reduce the relative value of concessions packages.

II. OVERVIEW

Key Performance Indicators

Effective Rent
PER SF**\$17.67**

– from 0.0% Q1 2023

Vacancy Rate

9.4%

– from 0 Q1 2023

Income Growth
PER HOUSEHOLD**0.5%**

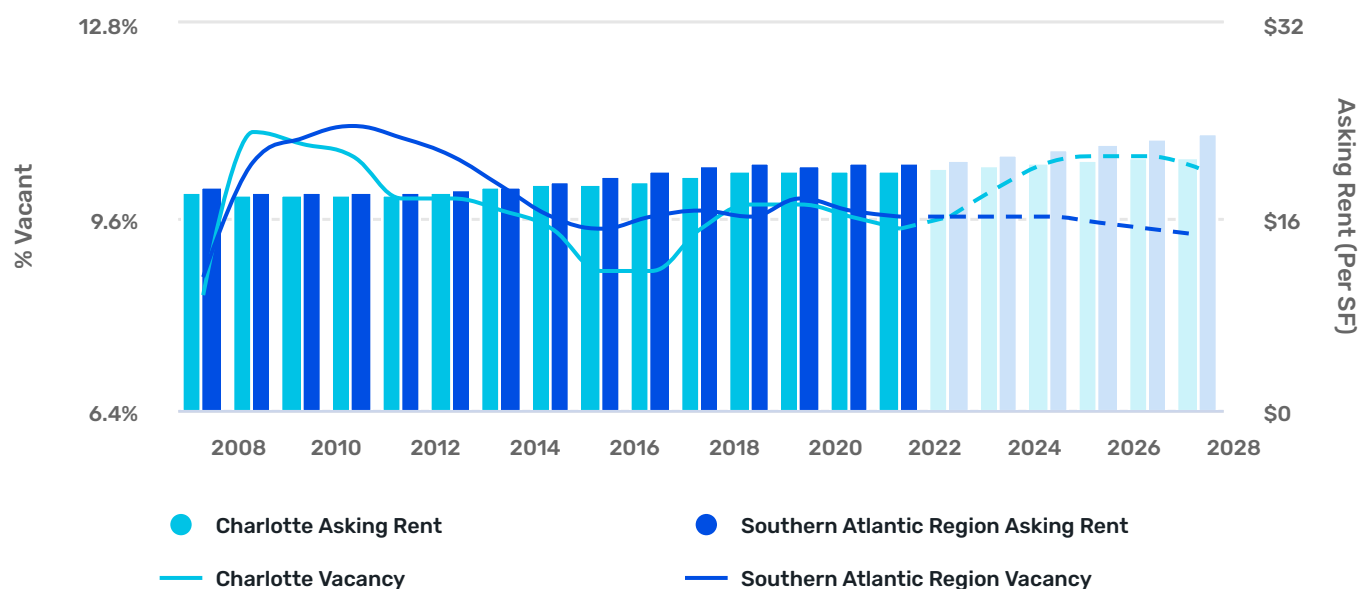
↓ vs 1.0% national

Job Growth

0.6%

↑ vs 0.4% national

Asking Rent and Vacancy Trends

[View Full Table in Appendix](#)

Year	Charlotte		Southern Atlantic Region	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2023	\$20.07	9.6%	\$20.74	9.6%
2024	\$20.27	10.1%	\$21.11	9.6%
2025	\$20.46	10.5%	\$21.53	9.6%
2026	\$20.66	10.6%	\$22.00	9.5%
2027	\$20.86	10.6%	\$22.48	9.4%
2028	\$21.03	10.4%	\$22.99	9.3%

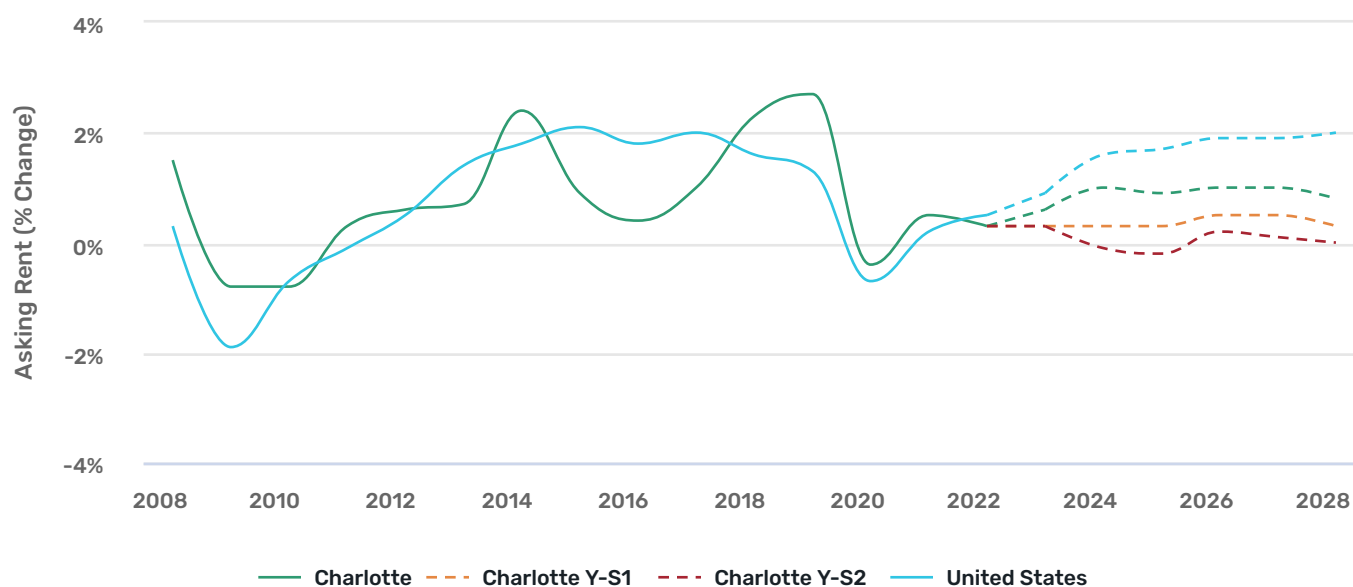
Market Performance

Year	Quarter	Asking Rent Per SF	Asking Rent % Change	Effective Rent Per SF	Effective Rent % Change	% Vacant	% Vacant Change in BPS
2020	Q1	\$19.94	0.4%	\$17.51	0.0%	9.6%	-20
2020	Q2	\$19.82	-0.6%	\$17.37	0.0%	9.7%	10
2020	Q3	\$19.84	0.1%	\$17.37	0.0%	9.8%	10
2020	Q4	\$19.80	-0.2%	\$17.33	0.0%	9.8%	0
2020	Y	\$19.80	-0.4%	\$17.33	-0.6%	9.8%	0
2021	Q1	\$19.83	0.2%	\$17.39	0.0%	9.7%	-10
2021	Q2	\$19.85	0.1%	\$17.42	0.0%	9.7%	0
2021	Q3	\$19.91	0.3%	\$17.48	0.0%	9.6%	-10
2021	Q4	\$19.90	-0.1%	\$17.49	0.0%	9.6%	0
2021	Y	\$19.90	0.5%	\$17.49	0.9%	9.6%	-20
2022	Q1	\$19.93	0.2%	\$17.56	0.0%	9.5%	-10
2022	Q2	\$19.96	0.2%	\$17.60	0.0%	9.3%	-20
2022	Q3	\$19.96	0.0%	\$17.60	0.0%	9.6%	30
2022	Q4	\$19.95	-0.1%	\$17.59	0.0%	9.4%	-20
2022	Y	\$19.95	0.3%	\$17.59	0.6%	9.4%	-20
2023	Q1	\$19.95	0.0%	\$17.61	0.0%	9.4%	0
2023	Q2	\$20.02	0.4%	\$17.67	0.0%	9.4%	0

Market Inventory

Year	Quarter	Inventory Per SF	Completions Per SF	Inventory % Growth	Vacant Stock In SF	Occupied Stock In SF	Net Absorption In SF
2020	Q1	27,825,000	30,000	0.1%	2,685,000	25,140,000	79,000
2020	Q2	27,825,000	0	0.0%	2,706,000	25,119,000	-21,000
2020	Q3	27,825,000	0	0.0%	2,723,000	25,102,000	-17,000
2020	Q4	27,868,000	43,000	0.2%	2,739,000	25,129,000	27,000
2020	Y	27,868,000	73,000	0.3%	2,739,000	25,129,000	68,000
2021	Q1	27,888,000	20,000	0.1%	2,718,000	25,170,000	41,000
2021	Q2	27,931,000	43,000	0.2%	2,709,000	25,222,000	52,000
2021	Q3	28,052,000	121,000	0.4%	2,699,000	25,353,000	131,000
2021	Q4	28,052,000	0	0.0%	2,693,000	25,359,000	6,000
2021	Y	28,052,000	184,000	0.7%	2,693,000	25,359,000	230,000
2022	Q1	28,052,000	0	0.0%	2,676,000	25,376,000	17,000
2022	Q2	28,052,000	0	0.0%	2,613,000	25,439,000	63,000
2022	Q3	28,052,000	0	0.0%	2,694,000	25,358,000	-81,000
2022	Q4	28,057,000	5,000	0.0%	2,639,000	25,418,000	60,000
2022	Y	28,057,000	5,000	0.0%	2,639,000	25,418,000	59,000
2023	Q1	28,057,000	0	0.0%	2,632,000	25,425,000	7,000
2023	Q2	28,057,000	0	0.0%	2,629,000	25,428,000	3,000

Scenarios: Asking Rent Per SF

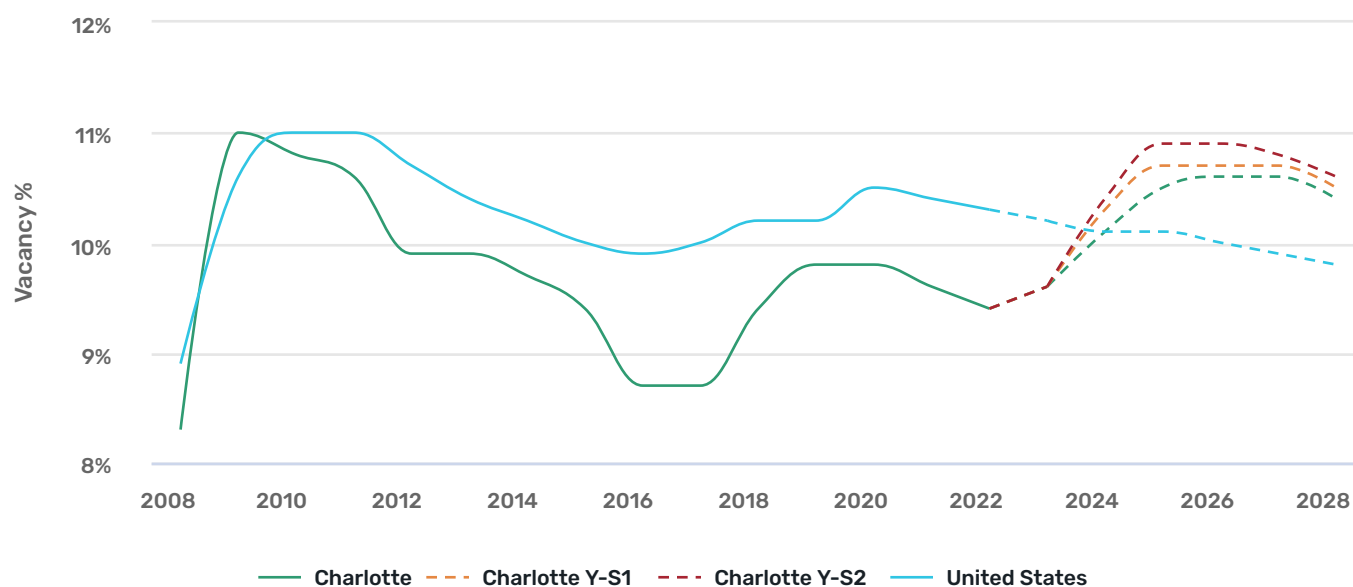
[View Full Table in Appendix](#)


Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2023	0.6%	0.3%	0.3%	1.0%	0.9%
2024	1.0%	0.3%	-0.1%	1.8%	1.6%
2025	0.9%	0.3%	-0.2%	2.0%	1.7%
2026	1.0%	0.5%	0.2%	2.2%	1.9%
2027	1.0%	0.5%	0.1%	2.2%	1.9%
2028	0.8%	0.3%	0.0%	2.3%	2.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Vacancy

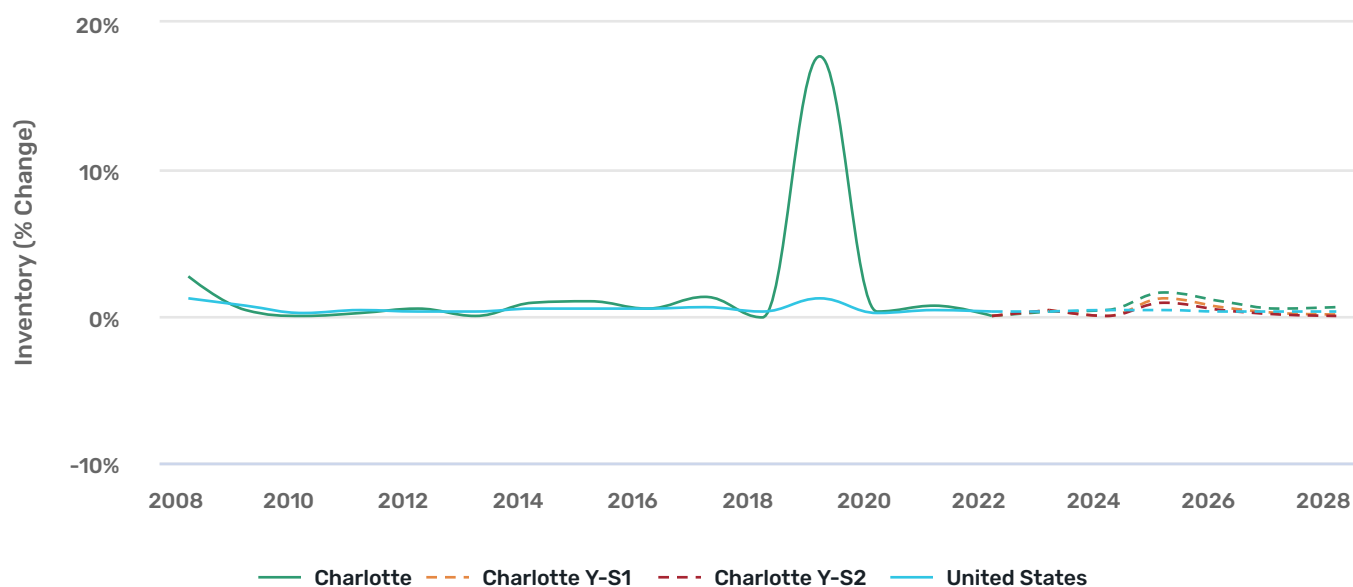
[View Full Table in Appendix](#)


Year	Charlotte			Southern Atlantic Region	United States
	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2023	9.6%	9.6%	9.6%	9.6%	10.2%
2024	10.1%	10.3%	10.4%	9.6%	10.1%
2025	10.5%	10.7%	10.9%	9.6%	10.1%
2026	10.6%	10.7%	10.9%	9.5%	10.0%
2027	10.6%	10.7%	10.8%	9.4%	9.9%
2028	10.4%	10.5%	10.6%	9.3%	9.8%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Inventory

[View Full Table in Appendix](#)


Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2023	0.3%	0.4%	0.4%	0.2%	0.3%
2024	0.4%	0.0%	0.0%	0.2%	0.4%
2025	1.6%	1.2%	0.9%	0.3%	0.4%
2026	1.0%	0.6%	0.4%	0.3%	0.3%
2027	0.5%	0.2%	0.1%	0.3%	0.3%
2028	0.6%	0.1%	0.0%	0.3%	0.3%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Annualized Construction/Absorption (Historical 1 Year and 3 Year)

	1 Year History			3 Year History		
	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022
Charlotte	5,000	59,000	0.08	87,000	119,000	0.73
Southern Atlantic Region	2,384,000	2,387,000	0.99	2,081,000	1,716,000	1.21

Annualized Construction/Absorption (Historical 5 Year and Forecasted)

	5 Year History			5 Year Forecast		
	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022	SF Built Ending 12/31/2027	SF Absorbed Ending 12/31/2027	Con/Abs Ratio Ending 12/31/2027
Charlotte	92,000	771,000	0.11	221,400	132,400	1.67
Southern Atlantic Region	2,289,000	3,251,000	0.7	1,669,400	1,787,800	0.93

Quarterly Construction/Absorption (Current and Previous Quarters)

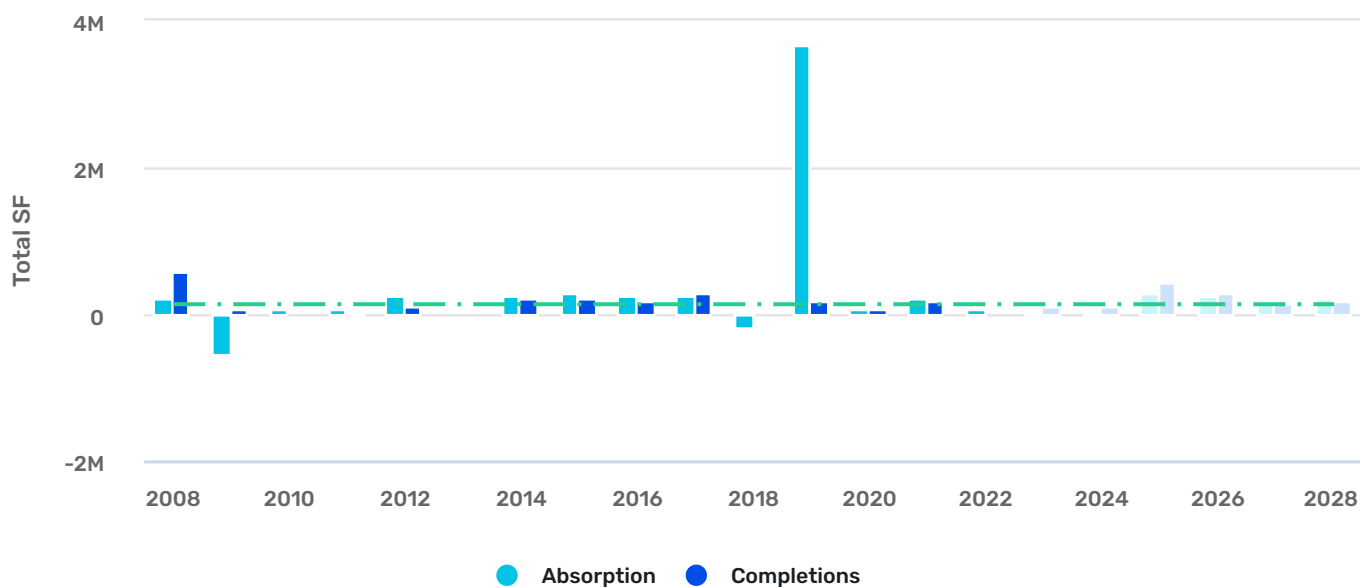
	Q2 2023			Q1 2023		
	SF Built Ending 6/30/2022	SF Absorbed Ending 6/30/2022	Con/Abs Ratio Ending 6/30/2022	SF Built Ending 3/31/2022	SF Absorbed Ending 3/31/2022	Con/Abs Ratio Ending 3/31/2022
Charlotte	0	3,000	0	0	7,000	0
Southern Atlantic Region	344,000	985,000	0.3	125,000	163,000	0.8

Quarterly Construction/Absorption (YTD)

	YTD Average		
	SF Built	SF Absorbed	Con/Abs Ratio
Charlotte	0	5,000	0
Southern Atlantic Region	234,500	574,000	0.4

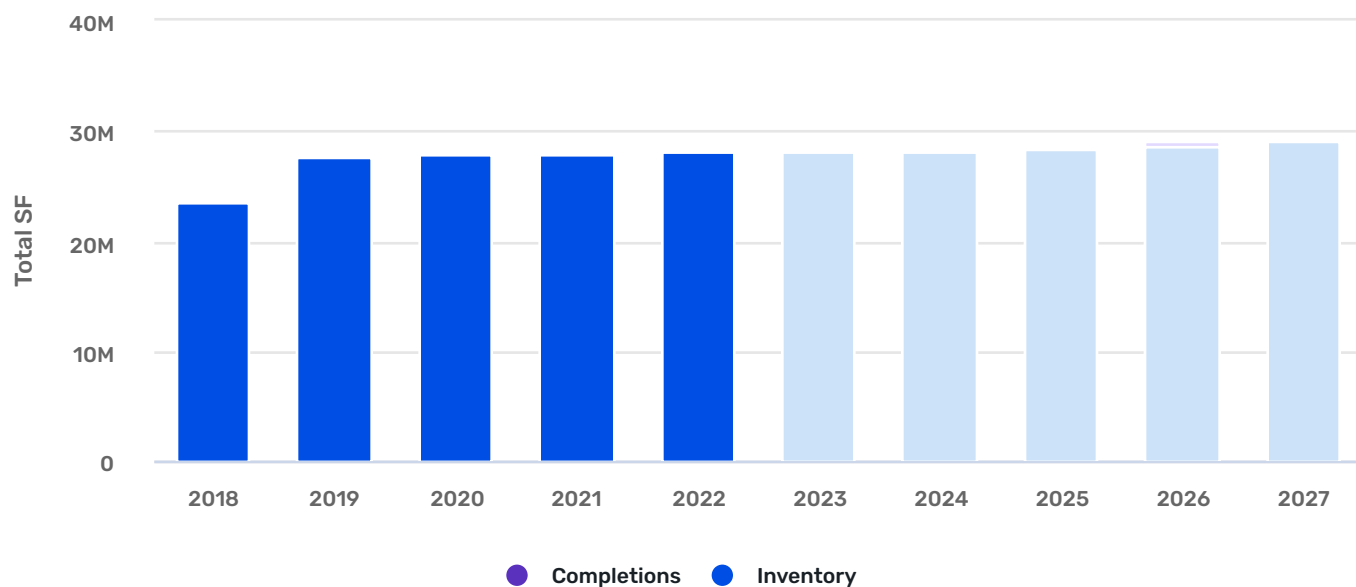
Absorption Trends

[View Full Table in Appendix](#)



New Construction Trends

[View Full Table in Appendix](#)

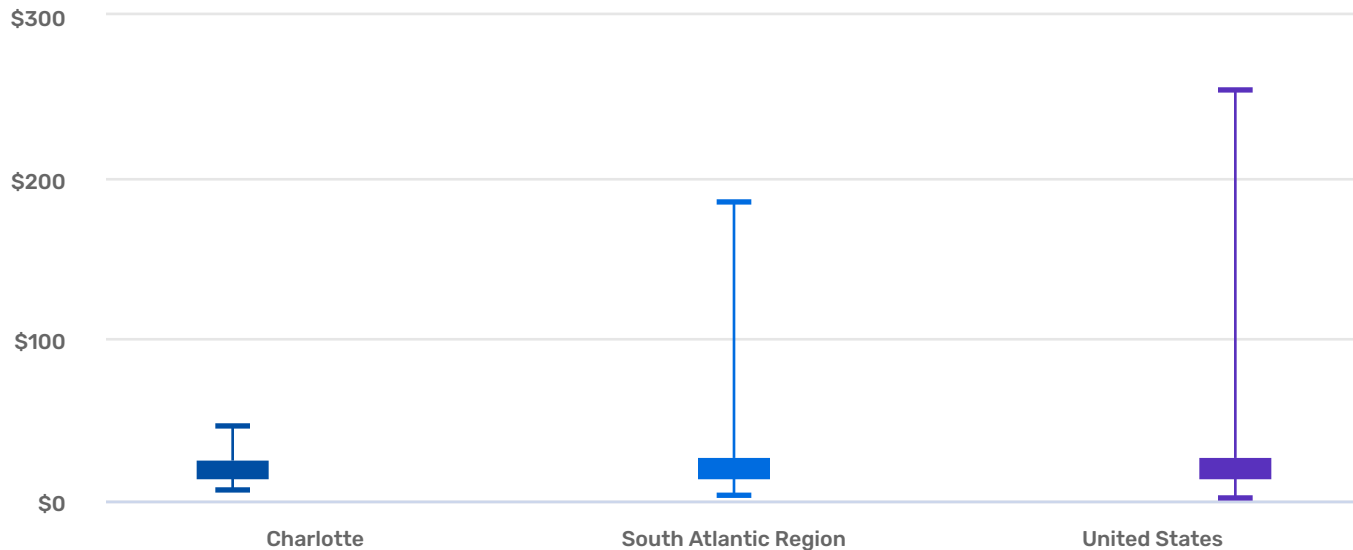


III. PERFORMANCE

Performance By Vintage: All Retail

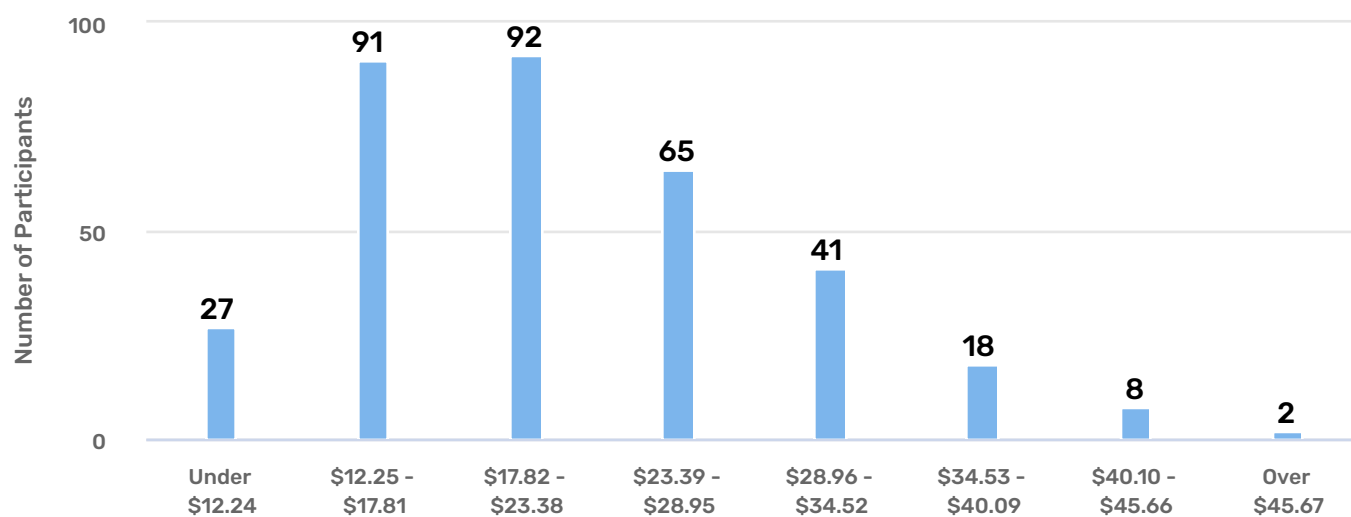
Year Built	Asking Rent (Per SF)	% Vacant	Inventory %
Before 1970	\$20.08	-	13.0%
1970-1979	\$19.81	-	10.0%
1980-1989	\$18.23	-	21.0%
1990-1999	\$26.47	-	17.0%
2000-2009	\$25.86	-	30.0%
2010-2019	\$26.05	-	7.0%
After 2019	\$29.72	-	1.0%
All	\$23.02	9.4%	100.0%

Rent Distribution Benchmark (Per SF)



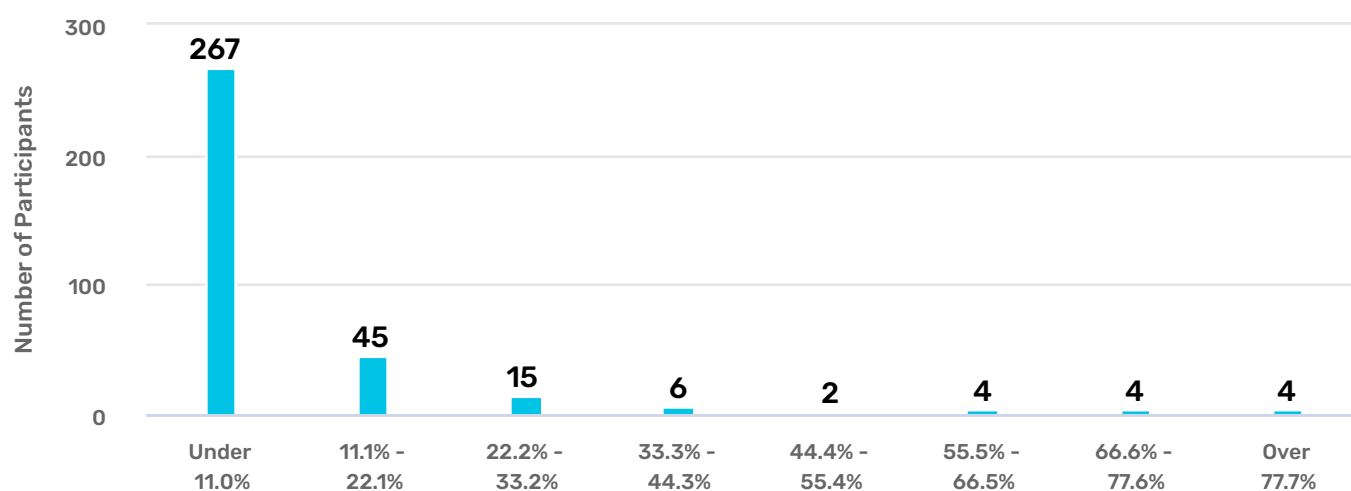
	Minimum Rent	Lower Quartile Rent	Median Rent	Upper Quartile Rent	Maximum Rent
Charlotte	\$6.41	\$13.80	\$17.93	\$23.38	\$46.09
South Atlantic Region	\$3.07	\$14.14	\$18.94	\$25.79	\$183.91
United States	\$0.75	\$13.79	\$18.29	\$25.00	\$252.78

Asking Rent Distribution Per SF



Low	25%	Mean	Median	75%	High
\$10.00	\$15.98	\$20.05	\$20.30	\$26.92	\$40.03

Vacancy Distribution



Low	25%	Mean	Median	75%	High
0.0%	0.0%	9.4%	1.3%	9.9%	62.3%

IV. SUBMARKETS

CRE Fundamentals: REIS Rank, Asking Rent, Vacancy, Inventory

Type	REIS Rank*	Inventory SF	Inventory Buildings	Asking Rent SF	Vacancy
East					
Anchor	339	2,342,000	34	\$10.21	7.3%
Non-Anchor	339	2,296,000	51	\$15.32	13.7%
Far South					
Anchor	90	2,041,000	64	\$19.26	9.4%
Non-Anchor	90	1,963,000	62	\$21.08	7.2%
Gaston County					
Anchor	78	1,718,000	27	\$9.51	10.6%
Non-Anchor	78	948,000	27	\$13.53	9.8%
North					
Anchor	189	3,888,000	66	\$21.13	13.3%
Non-Anchor	189	3,340,000	87	\$17.96	11.6%
South					
Anchor	336	4,479,000	70	\$17.56	7.3%
Non-Anchor	336	5,042,000	110	\$25.34	6.1%

Concessions: CRD, Commissions, Effective Rent, Expenses, Free Rent, Improvements, Lease Terms

Type	CRD %	Free Rent Mos	Expenses \$	Lease Terms Years	Leasing Commission	Leasing Commission (Renewal)	Tenant Improvements	Tenant Improvements (Renewal)
East								
Anchor	-8.0%	5.8	\$3.60	4.9	14.4%	5.7%	\$46.07	\$23.48
Non-Anchor	-8.0%	2.5	\$3.60	2.8	13.7%	3.8%	\$37.02	\$18.95
Far South								
Anchor	-8.3%	3.5	\$4.90	7.7	14.8%	9.5%	\$46.53	\$25.76
Non-Anchor	-4.9%	2.6	\$5.10	3.3	16.9%	10.4%	\$23.82	\$12.99
Gaston County								
Anchor	-7.4%	6.9	\$1.50	6.6	17.1%	4.6%	\$20.45	\$14.33
Non-Anchor	-6.4%	4.9	\$1.60	3.4	16.9%	4.9%	\$15.90	\$10.71
North								
Anchor	-6.2%	1.9	\$3.30	7	12.4%	6.3%	\$26.58	\$16.55
Non-Anchor	-5.6%	0.9	\$3.30	2.7	13.2%	5.7%	\$25.06	\$15.01
South								
Anchor	-7.5%	0.3	\$5.00	7.6	14.5%	4.8%	\$35.10	\$18.40
Non-Anchor	-8.1%	2.6	\$5.30	2.6	16.1%	6.1%	\$31.87	\$16.78

*There are 394 submarkets in the Retail sector nationally.

V. NEW CONSTRUCTION

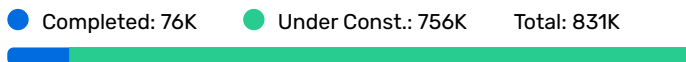
Top New Construction Projects By Size

Property Name	Property Type	Size sqft	Construction Status	Expected Completion	Expected Groundbreak	Developer	Developer Phone
13402 Sam Furr Rd, Huntersville, NC, 28078							
North Creek Village Neighborhood Shopping Center	Neighborhood	84,210	Under Constr.	-	9/2022	-	-
13448 Sam Furr Road, Huntersville, VA, 28078							
North Creek Village Lifestyle Center	Neighborhood	61,000	Complete	01/01/2023	4/2022	-	-
3232 South Blvd, Charlotte, NC, 28209							
The Platform	Neighborhood	38,000	Under Constr.	-	9/2022	Investicore Holdings USA LLC	(704) 232 - 3578
3701 Sharon Rd, Charlotte, NC, 28211							
The Colony Ph 1	Mixed Use	232,000	Under Constr.	-	-	-	-
4212 Raleigh St, Charlotte, NC, 28206							
Pass42	Mixed Use	120,000	Under Constr.	-	-	Third & Urban	-
915 South Point Road, Belmont, NC, 28012							
Harris Teeter	Neighborhood	68,372	Under Constr.	-	3/2017	-	-
Hwy 16 & 485, Charlotte, NC, 28216							
Riverbend Village	Mixed Use	202,190	Under Constr.	-	-	-	-
N Tryon (Hwy 29) & Carrington Ave, Charlotte, NC, 28262							
Trevi Village	Mixed Use	80,000	Under Constr.	-	-	-	-
Ridge Rd & Odell School Rd, Charlotte, NC, 28262							
Ridge Road Retail	Mixed Use	75,000	Under Constr.	-	-	Thompson Thrift	(812) 235 - 5959
Springfield Parkway, Fort Mill, SC, 29715							
Springfield Town Center Ph 2	Neighborhood	120,000	Under Constr.	-	8/2022	-	-

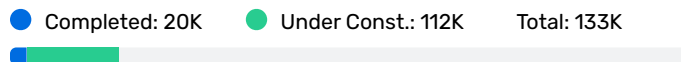
Submarket Project Tally (as of 09/22/2023)

[View Full Table in Appendix](#)

North



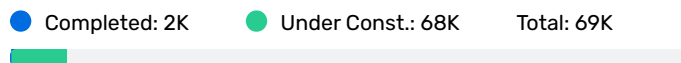
Gaston County



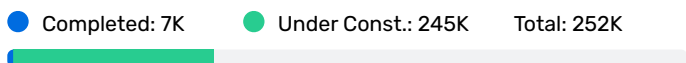
South



East

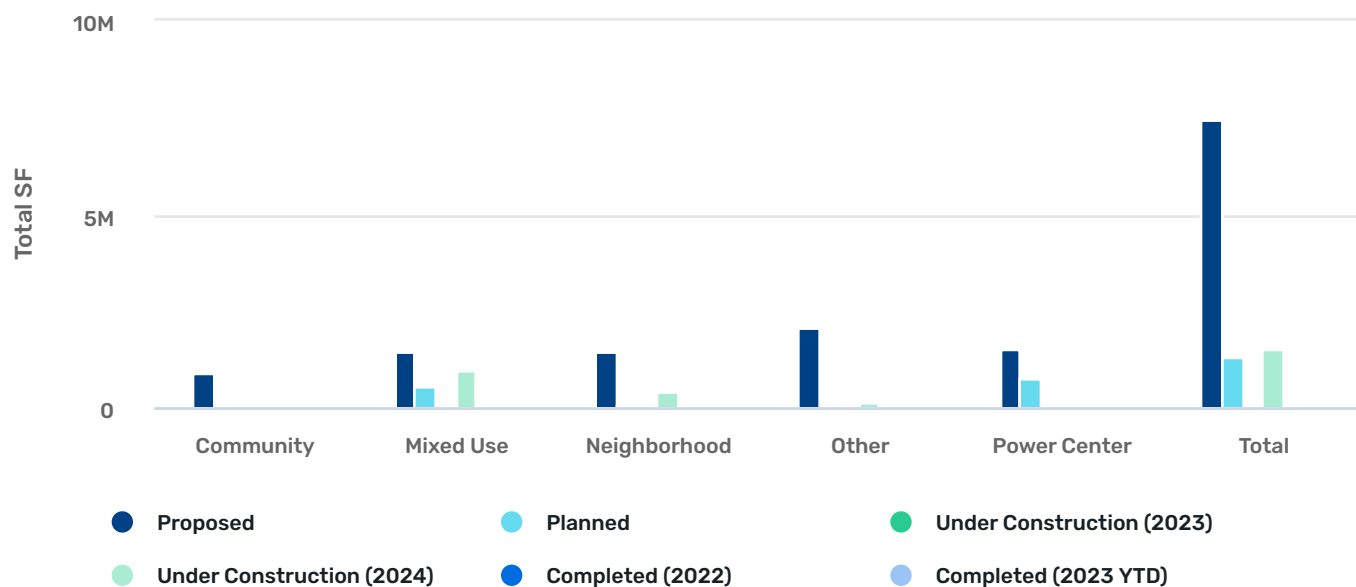


Far South



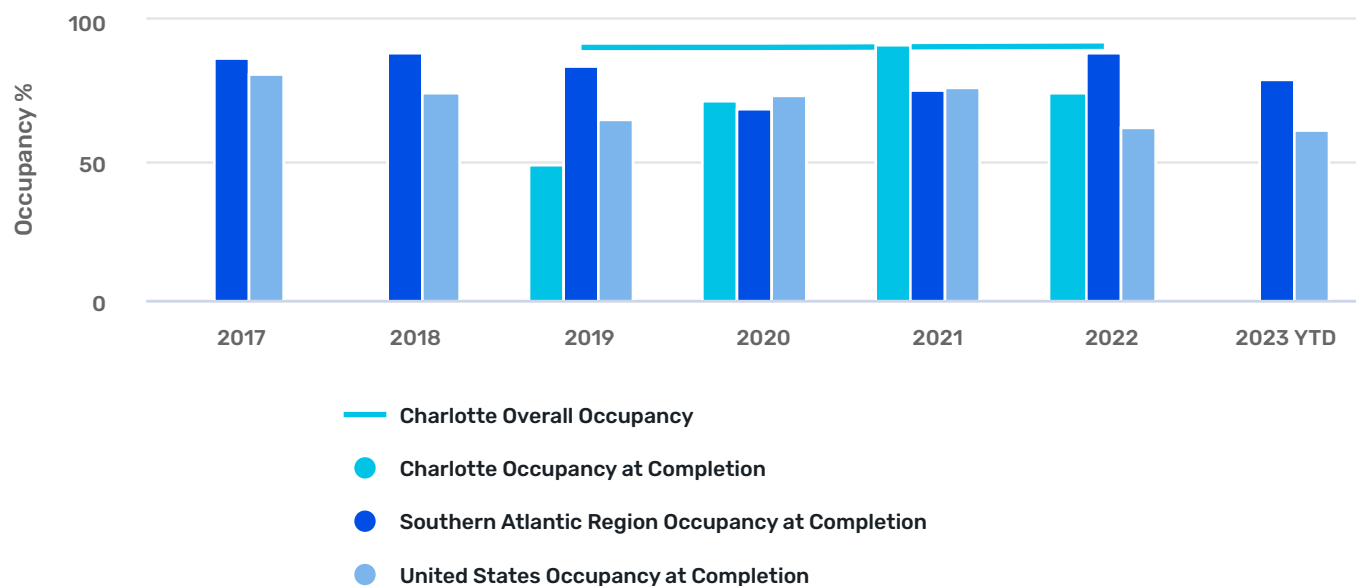
Construction Deliveries

[View Full Table in Appendix](#)



Occupancy At Completion

[View Full Table in Appendix](#)



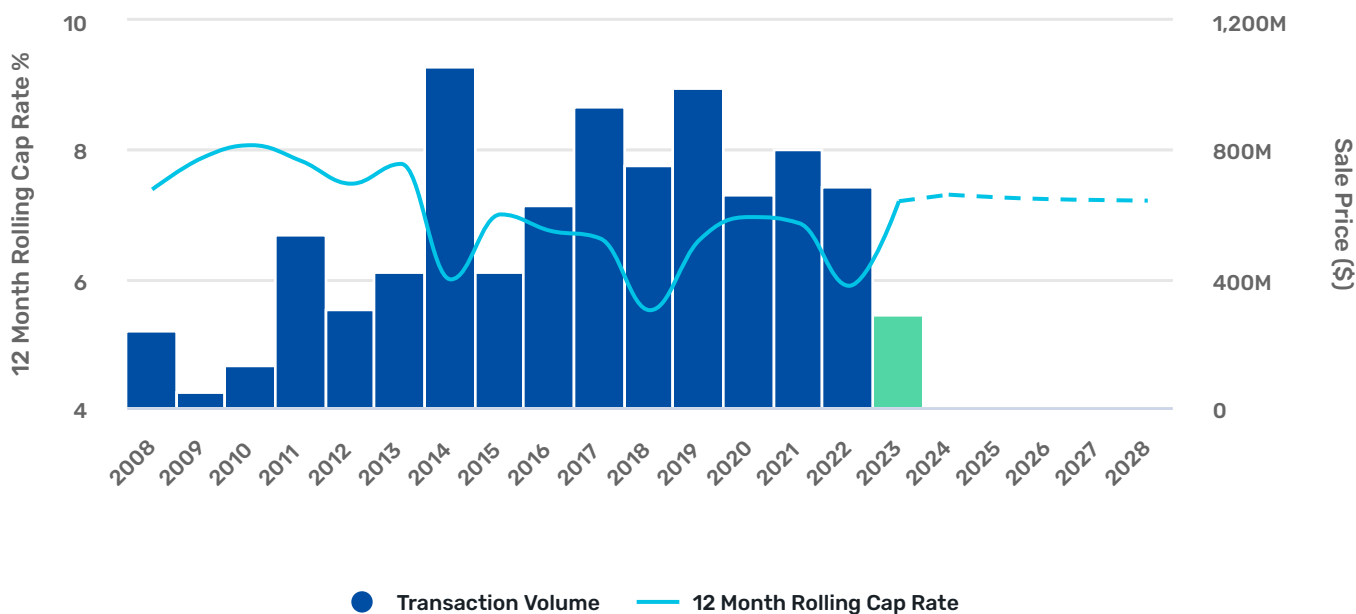
VI. TRANSACTIONS

Key Performance Indicators (2023 YTD)

<p>Transaction Volume CHARLOTTE</p> <p>\$292.088M</p>	<p>Number of Transactions CHARLOTTE</p> <p>46</p>	<p>12 Month Rolling Cap Rate CHARLOTTE</p> <p>7.2%</p>
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Sales Trends

[View Full Table in Appendix](#)



Sales Trends - Quarterly

Year	Quarter	Transaction Volume (\$)	Number of Transactions	12 Month Rolling Cap Rate	Mean Sale Price	Median Sale Price	Mean Transaction Cap Rate	Median Transaction Cap Rate
2020	Q1	\$191.903M	33	7.4%	\$192.22	\$402.63	9.2%	9.1%
2020	Q2	\$129.01M	21	8.2%	\$155.17	\$208.73	8.8%	8.8%
2020	Q3	\$128.391M	23	8.2%	\$228.03	\$280.13	6.1%	6.1%
2020	Q4	\$209.586M	35	7.0%	\$241.51	\$390.07	4.3%	4.7%
2021	Q1	\$101.616M	29	7.0%	\$201.39	\$386.61	11.5%	11.5%
2021	Q2	\$183.506M	43	6.6%	\$248.28	\$335.90	6.1%	6.2%
2021	Q3	\$278.243M	48	6.2%	\$314.48	\$534.61	5.0%	4.6%
2021	Q4	\$236.973M	41	6.9%	\$298.84	\$422.10	7.9%	6.3%
2022	Q1	\$216.745M	23	6.2%	\$253.94	\$372.68	7.7%	5.6%
2022	Q2	\$146.764M	28	6.1%	\$301.11	\$334.37	-	-
2022	Q3	\$150.316M	24	6.6%	\$326.42	\$484.48	7.0%	6.3%
2022	Q4	\$171.354M	29	5.9%	\$328.15	\$417.58	6.1%	5.4%
2023	Q1	\$110.15M	14	6.2%	\$361.86	\$471.24	6.4%	5.0%
2023	Q2	\$113.287M	17	6.9%	\$216.16	\$333.33	8.2%	7.9%

10 Largest Transactions (2023 YTD)

Address	City	State	Sale Price ¹²	Sale Price Per SQFT	Sale Date	Size sf
6401 Carnegie Boulevard	Charlotte	NC	\$40,200,000	\$576.57	03/15/2023	69,723
7796 Charlotte Highway	Indian Land	SC	\$34,050,000	\$153.50	06/08/2023	221,831
8445 Davis Lake Pkwy	Charlotte	NC	\$22,400,000	\$252.68	06/02/2023	88,648
5850 U.S. 74	Indian Trail	NC	\$16,200,000	\$163.70	02/02/2023	98,964
1401 East Blvd	Charlotte	NC	\$13,750,000	\$4,164.14	07/10/2023	3,302
2325 N Tryon St	Charlotte	NC	\$9,750,000	\$704.07	03/15/2023	13,848
2700 W Trade Street	Charlotte	NC	\$8,600,000	\$726.23	06/21/2023	11,842
1819 Sardis Rd N	Charlotte	NC	\$8,000,000	\$784.16	09/20/2023	10,202
2908 Oak Lake Blvd	Charlotte	NC	\$7,250,000	\$236.53	06/28/2023	30,652
11530 N Tryon Street	Charlotte	NC	\$7,208,000	\$118.16	07/31/2023	61,000

1: Only includes transactions that are verified

2: Any transactions missing a sale price did not have their sale price disclosed at time of sale

10 Most Recent Transactions

Address	City	State	Sale Price ¹	Sale Price Per SQFT	Sale Date	Size sf
6500 South Blvd	Charlotte	NC	-	-	10/16/2023	21,449
2476 Cherry Rd	Rock Hill	SC	\$1,300,000	\$646.12	10/06/2023	2,012
926 N Anderson Rd	Rock Hill	SC	\$915,000	\$680.80	09/26/2023	1,344
1535 Filbert Hwy	York	SC	\$365,000	\$140.38	09/26/2023	2,600
7701 South Blvd	Charlotte	NC	\$2,050,000	\$629.03	09/20/2023	3,259
1819 Sardis Rd N	Charlotte	NC	\$8,000,000	\$784.16	09/20/2023	10,202
2520 W Roosevelt Blvd	Monroe	NC	\$1,000,000	\$95.79	09/15/2023	10,440
971 Bethel St	Clover	SC	\$2,256,000	\$310.36	09/12/2023	7,269
212 S Broad St	Gastonia	NC	\$100,000	\$16.69	09/08/2023	5,990
5310 Lancaster Hwy	Monroe	NC	\$1,300,000	\$287.04	09/08/2023	4,529

¹: Any transactions missing a sale price did not have their sale price disclosed at time of sale

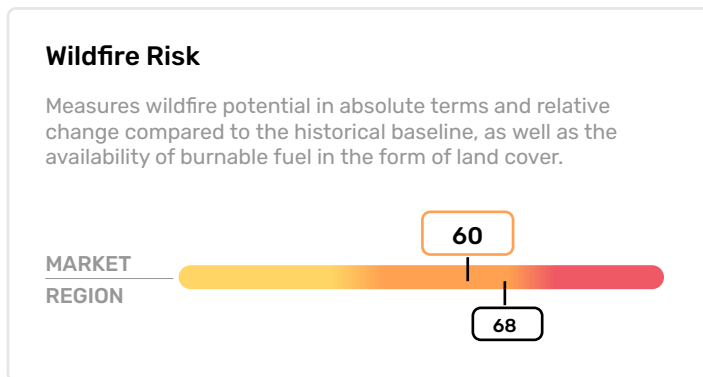
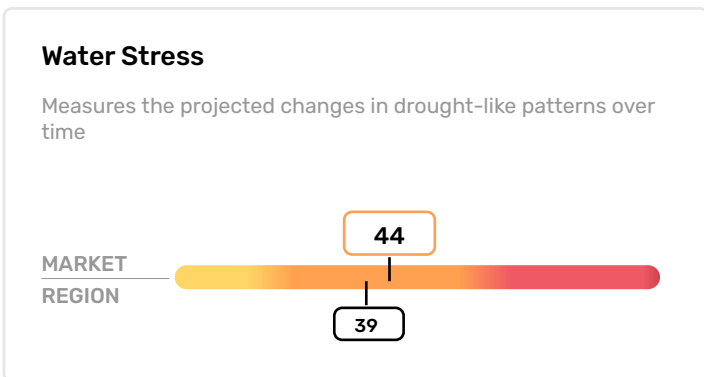
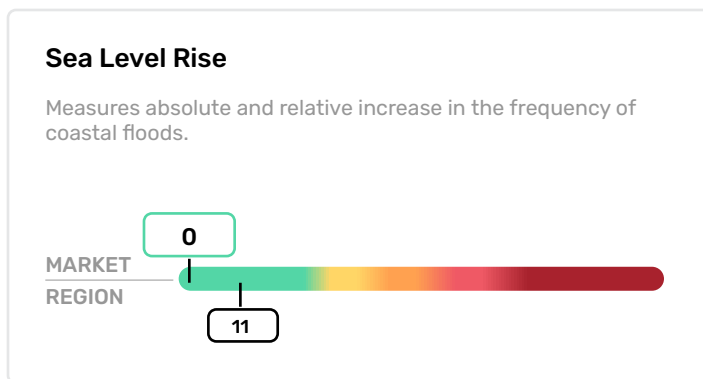
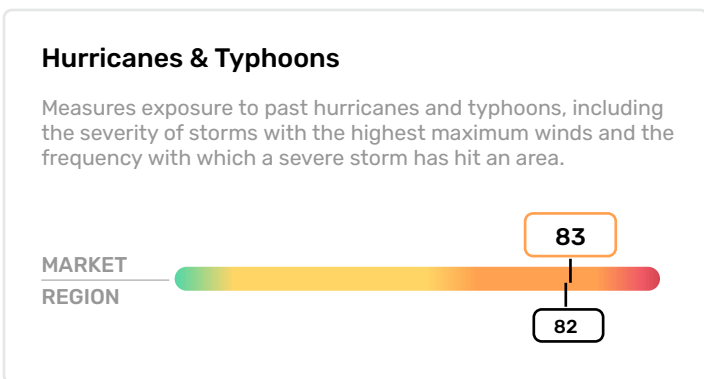
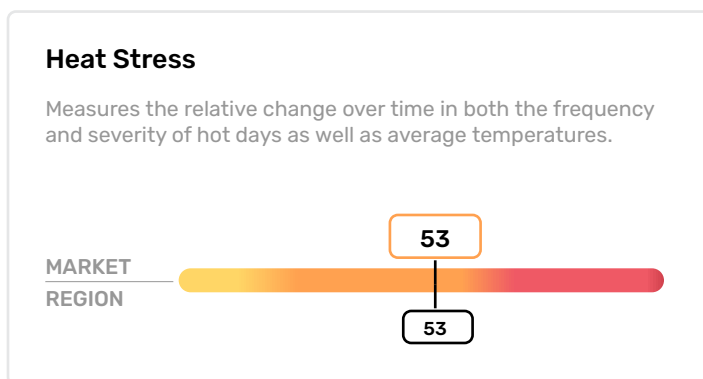
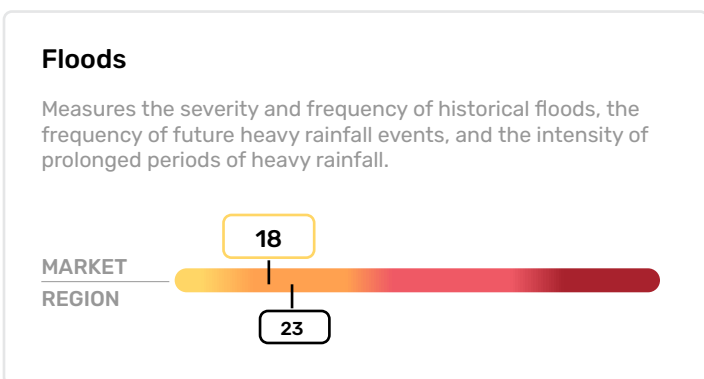
VII. CLIMATE RISK

Highest Risk Category

Hurricanes & Typhoons
MEDIUM RISK

Exposed to some historical and/or projected risks

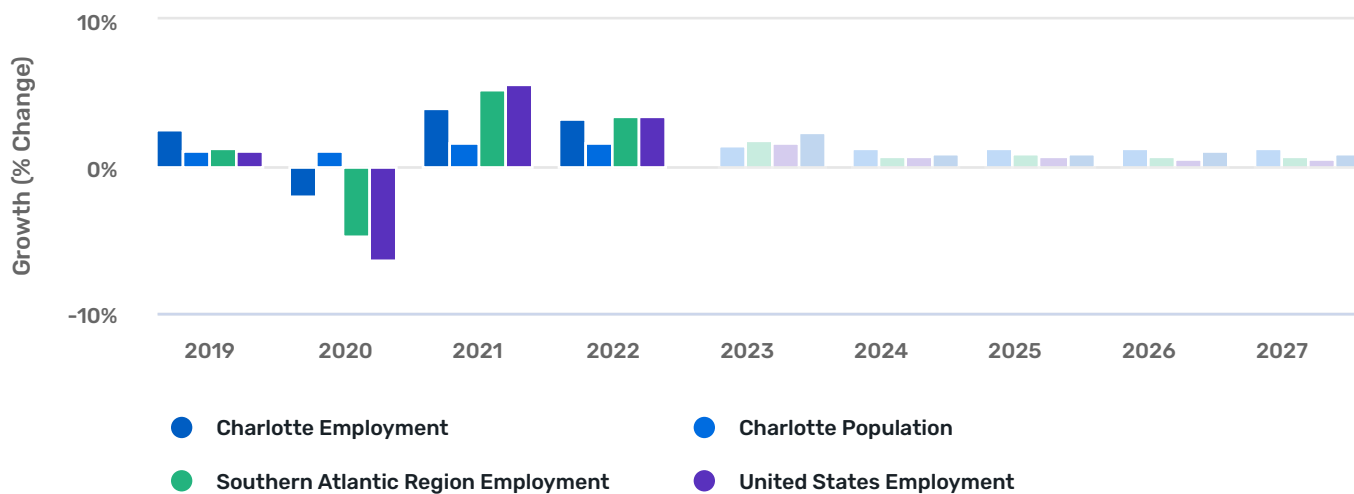
Risk Categories



VIII. DEMOGRAPHICS

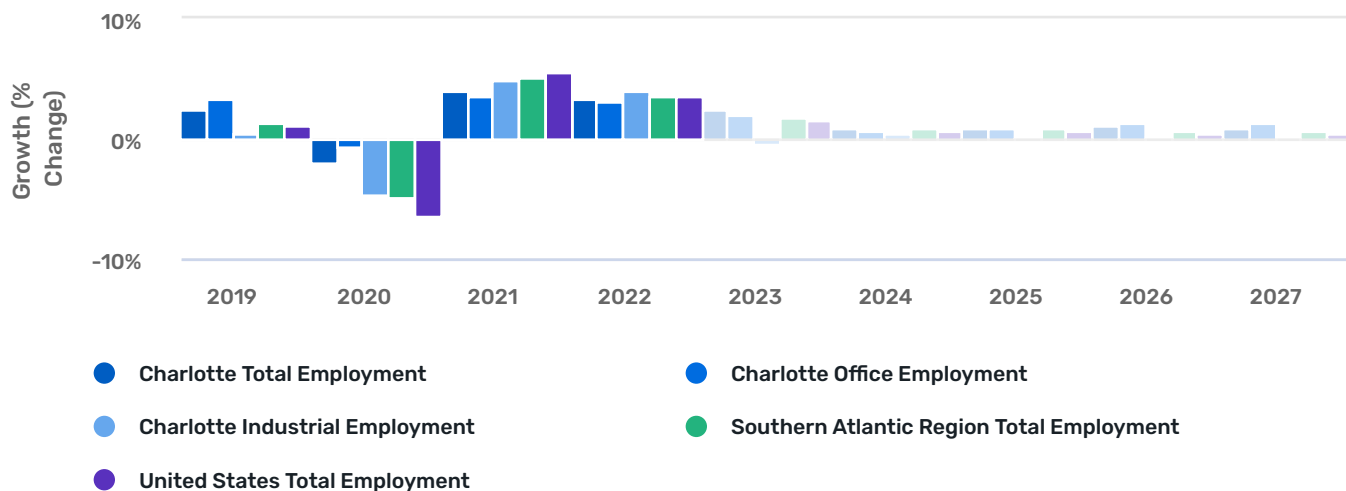
Employment and Population Growth

[View Full Table in Appendix](#)



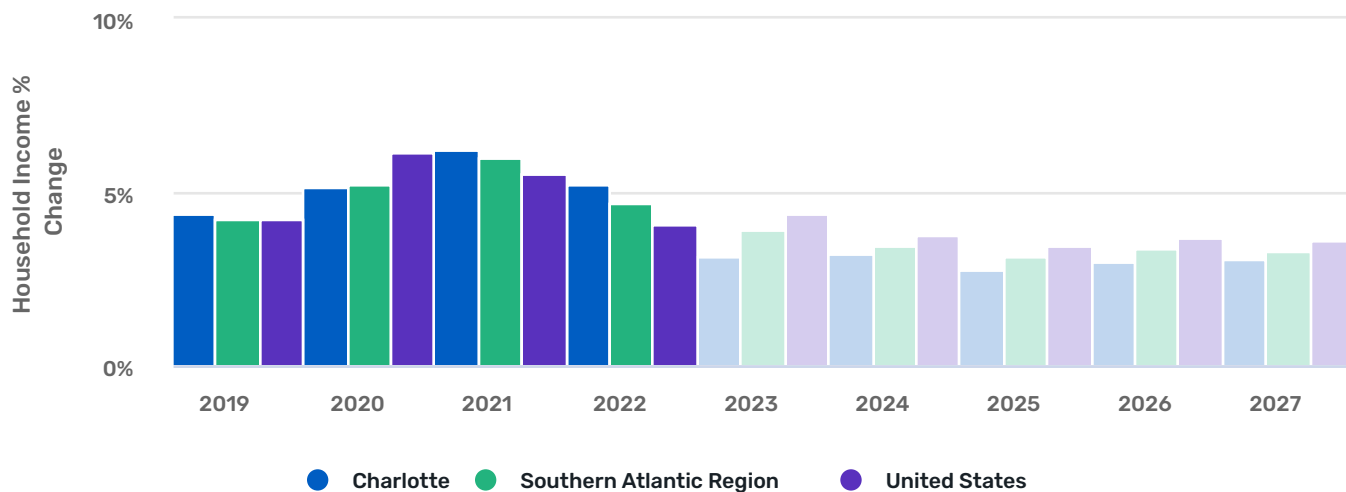
Employment Growth

[View Full Table in Appendix](#)



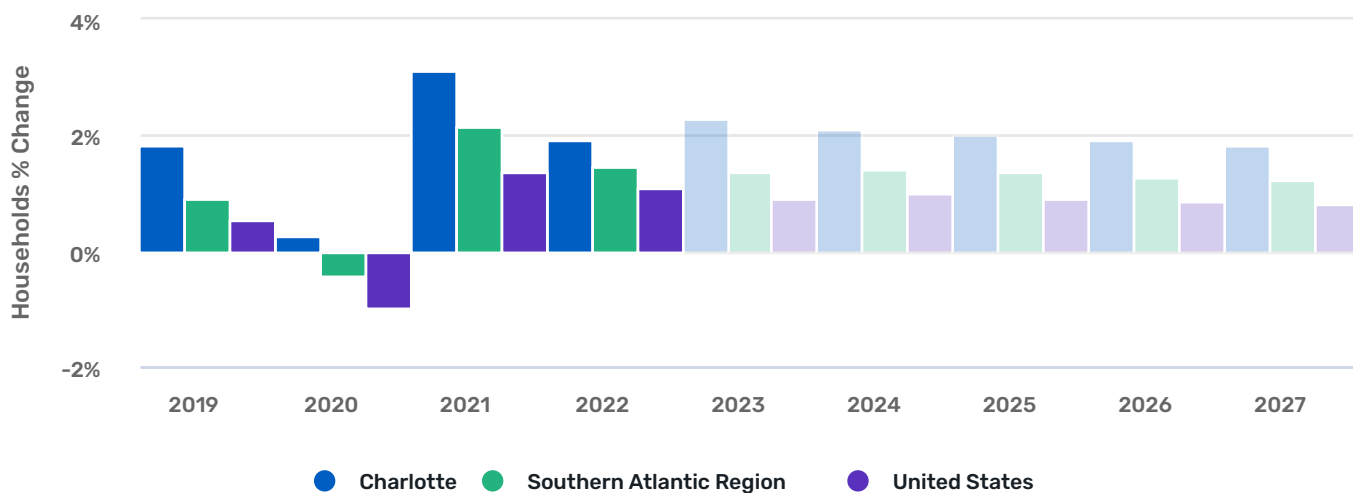
Household Income Growth

[View Full Table in Appendix](#)



Household Growth

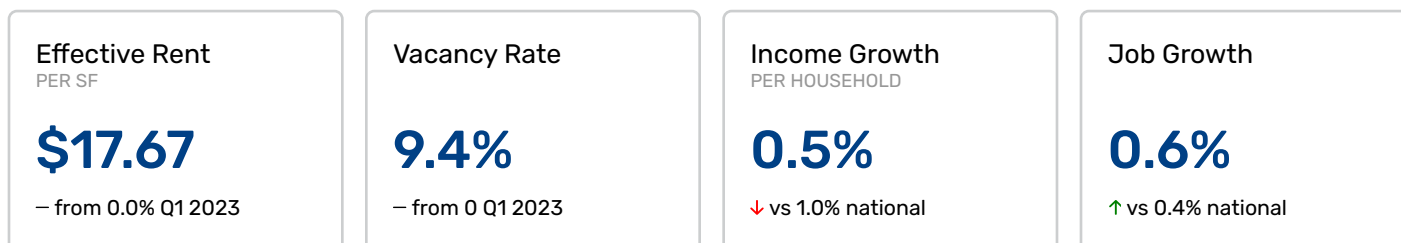
[View Full Table in Appendix](#)



IX. THE INSIGHT

Last Updated: 08/24/2023

Key Performance Indicators



Economic Overview

Author: Ricardo Rosas, Associate Data Scientist

The data for the second quarter shows that Charlotte's employment growth continues to surpass the national average. There was a 3.0% increase in overall employment in Charlotte since the second quarter of 2022, resulting in the addition of more than 39,700 jobs. This growth rate is faster than the national average, which saw a 2.5% increase during the same period. Out of the 82 metro areas monitored by Moody's Analytics CRE, Charlotte ranks 21st in terms of employment growth. All major industries in Charlotte experienced employment growth, with the leisure and hospitality, education and health services, and professional and business services sectors contributing to two-thirds of the overall increase.

The apartment market in Charlotte, however, is progressing slowly. Since the second quarter of 2022, Charlotte has added 2,774 units and absorbed 1,445 units. The metro's vacancy rate has increased from 5.5% a year ago to 6.1% as the number of completions surpassed absorptions. This increase of 60 basis points in the vacancy rate since the second quarter of 2022 is higher than the national average, which saw an increase of 30 basis points during the same period. Charlotte ranks 69th out of 82 metros in this regard. The submarkets along Harris Boulevard/ Mallard Creek Church Road (491 units), North Tryon Street to The Plaza (379 units), and Fairview North (345 units) accounted for the majority of the overall metro absorption, making up over four-fifths of the total. The average asking rent for an apartment increased by 3.3% to \$1,514 per unit since the second quarter of 2022, which is less than the national average increase of 3.8% during the same period. The average effective rent increased by 3.3% to \$1,437 during the same period, also lagging behind the national average increase of 3.8%. At the submarket level, effective rent growth ranged from a decrease of 0.2% in the West Charlotte to Airport submarket to a growth of 10.2% in the East Charlotte to Albemarle Corridor submarket. The metro's rent-to-income ratio decreased by 20 basis points to 24.9%, below the national average of 30.2%.

The finance and insurance sectors have contributed to the growth of the Charlotte metro area, but the current tightening of the financial market has slowed the growth in these industries. Going forward, the Charlotte metro is expected to rely more on the financial technology and medical services sectors to drive near-term growth. The deep talent pool in these sectors continues to attract investment to the metro. For instance, Atrium Health is currently expanding its campus with a \$1 billion investment, including a new 12-story advanced care facility.

Economic Overview (cont.)

Since the second quarter of 2022, Charlotte has added over 11,000 office jobs, a 2.5% increase that places it 27th out of 82 metros and ahead of the national average, which increased by 2.1% over the same period. Despite an inventory increase of 918,000 square feet since the second quarter of 2022, Charlotte's office market has absorbed 376,000 square feet over the same period. The market's vacancy rate increased to 20.4% from 19.7% a year ago as construction outpaced absorption by a factor of two. This 70 basis point increase in the vacancy rate since the second quarter of 2022 places Charlotte ahead of the national average, which increased by 40 basis points, and ranks it 52nd out of 82 metros. Most of the absorption occurred in the North/University submarket, which absorbed 626,000 square feet, offset by the Uptown submarket's release of 559,000 square feet. The average office asking rent increased by 2.1% since the second quarter of 2022 to \$29.85 per square foot, outpacing the national average, which increased by 1.4% over the same period. The average office effective rent increased by 2.0% to \$24.61, surpassing the 1.4% growth in the national average. Effective rent growth at the submarket level varies, with a decrease of 0.4% in the Uptown submarket and an increase of 10.1% in the North/University submarket.

Charlotte's warehouse and distribution sector has absorbed 8.02 million square feet since the second quarter of 2022, while inventory increased by 8.28 million square feet during the same period. The metro's vacancy rate decreased to 4.1% from 4.3% a year ago as absorption has kept pace with new completions. However, Charlotte's vacancy change underperforms compared to the national average, which decreased by 80 basis points during the same period and ranks 58th out of 80 metros in terms of vacancy decline. The Gaston County submarket accounted for the majority of the metro absorption, absorbing 3.0 million square feet, which is nearly two-fifths of the total metro absorption. The average warehouse/distribution asking rent increased by 8.3% to \$6.10 per square foot since the second quarter of 2022, which is less than the national average increase of 10.8% during the same period. The average effective rent increased by 9.3% to \$5.78 during the same period, also falling short of the national average increase of 11.4%. At the submarket level, effective rent growth ranges from an increase of 5.2% in the Far Southeast submarket to an increase of 13.5% in the Far Southwest submarket.

In the second quarter of 2023, Charlotte's neighborhood and community shopping center sector appears to have reversed its course. Since the second quarter of 2022, Charlotte has released 11,000 square feet while constructing 5,000 square feet over the same period. With the release of retail space back into the market, the metro's vacancy rate increased to 9.4% from 9.3% a year ago. The 10 basis point increase in the vacancy rate that Charlotte experienced is in contrast to the 10 basis points decline at the national level and ranks 59th out of 80 metros. Most of the retail space released back into the market occurred in the North submarket, which released 20,000 square feet. This release was balanced by the South submarket, which absorbed 13,000 square feet. The average retail asking rent increased by 0.3% to \$20.02 since the second quarter of 2022, underperforming the national average, which increased by 0.7% during the same period. The average effective rent increased by 0.4% to \$17.67 over the same period, also underperforming the national average, which increased by 0.7%. At the submarket level, effective rent growth ranges from a 0.3% decline in the South submarket to a 1.6% increase in the Gaston County submarket.

Economic Overview (cont.)

The leisure and hospitality sector in Charlotte continues to grow at a faster rate than the national average. Since the second quarter of 2022, the sector has added 20,800 jobs, an increase of 14.5% compared to the national average increase of 5.1% during the same period. However, according to Moody's Analytics CRE hotel data, Charlotte's hotel occupancy rate dropped from 69.5% a year ago to 58.8% in the second quarter of 2023. Despite this, the average room cost increased by 3.2% to \$127, outpacing the national average, which saw a decrease of 1.0% during the same period.

(Next Update: November 2023)

Outlook

According to the most recent Moody's Analytics CRE forecast, Charlotte's total employment is projected to grow by 6.3% over the next five years. This growth rate surpasses the national projection of 4.1% for the same period. In detail, total employment in Charlotte is expected to increase by 2.4% in 2023 and then by 0.9% in 2024.

Similarly, Charlotte's office employment, which has been consistently outpacing the national average, is anticipated to continue this trend. Over the next five years, office employment in Charlotte is expected to grow by 6.5%, compared to the national average growth rate of 4.2%. The growth for office employment in Charlotte is projected to be 2.1% in 2023 and 0.6% in 2024.

In the Charlotte apartment market, over the next five years, it is anticipated that over 20,600 units will be absorbed while more than 20,900 units will be completed. For the years 2023 and 2024, the market is expected to absorb 2,922 units and 4,375 units respectively. However, the average annual increase in effective rents in the Charlotte apartment market is anticipated to be slower than the national average, at 2.4% compared to 2.7%. Specifically, effective rents are projected to increase by 1.9% in 2023 and 1.6% in 2024.

In the Charlotte office market, over the next five years, an estimated 2.9 million square feet is expected to be absorbed, while 2.1 million square feet will be added. With absorption expected to outpace completions, office vacancy rates are projected to decline steadily. In 2023, the market is anticipated to absorb 0.4 million square feet and in 2024, 0.8 million square feet. However, the average annual growth rate for office effective rents in Charlotte is expected to lag behind the national average, at 1.6% compared to 1.9%. Specifically, office effective rents are projected to increase by 1.3% in 2023 and 1.4% in 2024.

X. APPENDIX

Asking Rent and Vacancy Trends

 [View Chart in Overview](#)

Year	Charlotte		Southern Atlantic Region	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2008	\$18.07	8.3%	\$18.59	8.6%
2009	\$17.92	11.0%	\$18.16	10.5%
2010	\$17.78	10.8%	\$18.04	10.9%
2011	\$17.83	10.6%	\$18.00	11.1%
2012	\$17.94	9.9%	\$18.11	10.9%
2013	\$18.06	9.9%	\$18.32	10.6%
2014	\$18.49	9.7%	\$18.64	10.1%
2015	\$18.66	9.4%	\$19.07	9.6%
2016	\$18.73	8.7%	\$19.45	9.4%
2017	\$18.91	8.7%	\$19.87	9.6%
2018	\$19.35	9.4%	\$20.26	9.7%
2019	\$19.87	9.8%	\$20.50	9.6%
2020	\$19.80	9.8%	\$20.39	9.9%
2021	\$19.90	9.6%	\$20.44	9.7%
2022	\$19.95	9.4%	\$20.54	9.6%
2023	\$20.07	9.6%	\$20.74	9.6%
2024	\$20.27	10.1%	\$21.11	9.6%
2025	\$20.46	10.5%	\$21.53	9.6%
2026	\$20.66	10.6%	\$22.00	9.5%
2027	\$20.86	10.6%	\$22.48	9.4%
2028	\$21.03	10.4%	\$22.99	9.3%

Scenarios: Asking Rent Per SF

 [View Chart in Overview](#)

Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2008	1.5%	--	--	0.3%	0.3%
2009	-0.8%	--	--	-2.3%	-1.9%
2010	-0.8%	--	--	-0.7%	-0.7%
2011	0.3%	--	--	-0.2%	-0.1%
2012	0.6%	--	--	0.6%	0.5%
2013	0.7%	--	--	1.2%	1.4%
2014	2.4%	--	--	1.7%	1.8%
2015	0.9%	--	--	2.3%	2.1%
2016	0.4%	--	--	2.0%	1.8%
2017	1.0%	--	--	2.2%	2.0%
2018	2.3%	--	--	2.0%	1.6%
2019	2.7%	--	--	1.2%	1.3%
2020	-0.4%	--	--	-0.5%	-0.7%
2021	0.5%	--	--	0.2%	0.2%
2022	0.3%	--	--	0.5%	0.5%
2023	0.6%	0.3%	0.3%	1.0%	0.9%
2024	1.0%	0.3%	-0.1%	1.8%	1.6%
2025	0.9%	0.3%	-0.2%	2.0%	1.7%
2026	1.0%	0.5%	0.2%	2.2%	1.9%
2027	1.0%	0.5%	0.1%	2.2%	1.9%
2028	0.8%	0.3%	0.0%	2.3%	2.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Vacancy

 [View Chart in Overview](#)

Year	Charlotte			Southern Atlantic Region	United States
	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2008	8.3%	--	--	8.6%	8.9%
2009	11.0%	--	--	10.5%	10.6%
2010	10.8%	--	--	10.9%	11.0%
2011	10.6%	--	--	11.1%	11.0%
2012	9.9%	--	--	10.9%	10.7%
2013	9.9%	--	--	10.6%	10.4%
2014	9.7%	--	--	10.1%	10.2%
2015	9.4%	--	--	9.6%	10.0%
2016	8.7%	--	--	9.4%	9.9%
2017	8.7%	--	--	9.6%	10.0%
2018	9.4%	--	--	9.7%	10.2%
2019	9.8%	--	--	9.6%	10.2%
2020	9.8%	--	--	9.9%	10.5%
2021	9.6%	--	--	9.7%	10.4%
2022	9.4%	--	--	9.6%	10.3%
2023	9.6%	9.6%	9.6%	9.6%	10.2%
2024	10.1%	10.3%	10.4%	9.6%	10.1%
2025	10.5%	10.7%	10.9%	9.6%	10.1%
2026	10.6%	10.7%	10.9%	9.5%	10.0%
2027	10.6%	10.7%	10.8%	9.4%	9.9%
2028	10.4%	10.5%	10.6%	9.3%	9.8%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Inventory

 [View Chart in Overview](#)

Year	Charlotte			Southern Atlantic Region	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2008	2.7%	--	--	1.1%	1.2%
2009	0.4%	--	--	0.6%	0.7%
2010	0.0%	--	--	0.2%	0.2%
2011	0.2%	--	--	0.2%	0.4%
2012	0.5%	--	--	0.4%	0.3%
2013	0.0%	--	--	0.3%	0.3%
2014	0.9%	--	--	0.5%	0.5%
2015	1.0%	--	--	0.6%	0.5%
2016	0.5%	--	--	0.6%	0.5%
2017	1.3%	--	--	0.6%	0.6%
2018	-0.1%	--	--	0.2%	0.3%
2019	17.7%	--	--	1.8%	1.2%
2020	0.3%	--	--	0.3%	0.2%
2021	0.7%	--	--	0.3%	0.4%
2022	0.0%	--	--	0.4%	0.3%
2023	0.3%	0.4%	0.4%	0.2%	0.3%
2024	0.4%	0.0%	0.0%	0.2%	0.4%
2025	1.6%	1.2%	0.9%	0.3%	0.4%
2026	1.0%	0.6%	0.4%	0.3%	0.3%
2027	0.5%	0.2%	0.1%	0.3%	0.3%
2028	0.6%	0.1%	0.0%	0.3%	0.3%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Absorption Trends

 [View Chart in Overview](#)

Year	Absorption (SF)	Completions (SF)
2008	209,000	589,000
2009	-551,000	85,000
2010	57,000	0
2011	81,000	48,000
2012	268,000	108,000
2013	-18,000	0
2014	240,000	207,000
2015	278,000	219,000
2016	266,000	172,000
2017	272,000	309,000
2018	-164,000	0
2019	3,664,000	199,000
2020	68,000	73,000
2021	230,000	184,000
2022	59,000	5,000
2023	43,000	97,000
2023 YTD	6,000	0
2024	-53,000	110,000
2025	280,000	453,000
2026	244,000	293,000
2027	148,000	154,000
2028	204,000	170,000

New Construction Trends

 [View Chart in Overview](#)

Year	Completions (SF)	Inventory (SF)
2018	0	23,612,000
2019	199,000	27,596,000
2020	73,000	27,795,000
2021	184,000	27,868,000
2022	5,000	28,052,000
2023	97,000	28,057,000
2024	110,000	28,154,000
2025	453,000	28,264,000
2026	293,000	28,717,000
2027	154,000	29,010,000

Submarket Project Tally: Proposed And Planned

 [View Chart in Overview](#)

	Other	Community	Mixed Use	Neighborhood	Power Center
East	75,000	37,690	60,000	94,000	-
Far South	343,128	292,877	398,724	382,266	-
Gaston County	45,200	22,200	220,000	146,200	-
North	473,020	201,737	676,500	433,567	-
South	1,137,696	355,726	276,025	441,200	800,000

Size of Projects is in SF.

Submarket Project Tally: Under Construction

 [View Chart in Overview](#)

	Other	Community	Mixed Use	Neighborhood	Power Center
East	30,829	4,085	32,707	-	-
Far South	39,467	33,000	-	172,190	-
Gaston County	-	-	36,910	75,572	-
North	42,633	48,745	560,176	104,210	-
South	5,028	-	307,116	68,000	-

Size of Projects is in SF.

Submarket Project Tally: Complete

 [View Chart in Overview](#)

	Other	Community	Mixed Use	Neighborhood	Power Center
East	1,694	-	-	-	-
Far South	7,104	-	-	-	-
Gaston County	-	20,270	-	-	-
North	9,687	5,000	-	61,000	-
South	12,210	9,546	-	-	-

Size of Projects is in SF.

Construction Deliveries (In SF)

 [View Chart in New Construction](#)

	Proposed	Planned	Under Construction 2023	Under Construction 2024 and Later	Completed 2022	Completed 2023 YTD
Community	910,230	-	33,000	62,830	5,000	-
Mixed Use	1,480,194	520,000	-	936,909	-	-
Neighborhood	1,452,233	45,000	-	419,972	-	61,000
Other	2,074,044	-	-	117,957	7,104	13,904
Power Center	1,500,000	765,000	-	-	-	-
Total	7,416,701	1,330,000	33,000	1,537,668	12,104	74,904

Occupancy At Completion

 [View Chart in New Construction](#)

	2017	2018	2019	2020	2021	2022	2023 YTD
Charlotte Overall Occupancy	-	-	90.2%	90.2%	90.4%	90.6%	-
Charlotte Occupancy at Completion	-	-	48.8%	71.5%	91.6%	74.7%	-
Southern Atlantic Region Occupancy at Completion	86.4%	88.6%	83.5%	68.6%	75.3%	88.6%	79.4%
United States Occupancy at Completion	80.5%	74.7%	64.6%	72.9%	76.3%	61.9%	60.9%

Sales Trends

 [View Chart in Transactions](#)

Year	Transaction Volume (\$)	Number of Transactions	12 Month Rolling Cap Rate	Mean Sale Price Per SF	Median Sale Price Per SF	Mean Transaction Cap Rate	Median Transaction Cap Rate
2008	\$236,625,000	33	7.4%	\$153.09	\$220.41	8.0%	6.6%
2009	\$51,048,500	10	7.9%	\$99.31	\$133.99	6.9%	8.1%
2010	\$131,265,560	14	8.1%	\$58.54	\$127.81	8.5%	7.3%
2011	\$539,451,000	27	7.8%	\$138.46	\$177.91	9.4%	7.6%
2012	\$307,174,936	43	7.5%	\$83.33	\$159.61	8.5%	7.3%
2013	\$422,359,100	47	7.8%	\$145.09	\$161.62	7.4%	7.1%
2014	\$1,057,905,552	68	6.0%	\$219.44	\$321.54	5.5%	5.1%
2015	\$422,701,644	70	7.0%	\$154.69	\$265.22	7.2%	6.1%
2016	\$631,094,082	122	6.7%	\$142.88	\$270.67	8.0%	6.8%
2017	\$938,421,737	131	6.6%	\$231.30	\$336.58	7.9%	5.0%
2018	\$755,172,292	118	5.5%	\$170.51	\$319.38	5.9%	5.0%
2019	\$993,226,117	158	6.6%	\$182.80	\$328.64	7.0%	5.8%
2020	\$658,889,871	112	7.0%	\$202.07	\$325.86	7.8%	6.7%
2021	\$800,338,001	161	6.9%	\$273.95	\$422.10	7.7%	6.2%
2022	\$685,178,888	104	5.9%	\$294.88	\$391.37	6.6%	5.7%
2023	\$292,087,531	46	7.2%	\$296.72	\$407.38	7.7%	5.5%
2024	-	-	7.3%	-	-	-	-
2025	-	-	7.3%	-	-	-	-
2026	-	-	7.2%	-	-	-	-
2027	-	-	7.2%	-	-	-	-
2028	-	-	7.2%	-	-	-	-

Includes sales of \$2M and greater only

Employment and Population

 [View Chart in Demographics](#)

	2019	2020	2021	2022	2023	2024	2025	2026
Employment								
Charlotte Total Employment	2.5%	-2.1%	4.0%	3.4%	2.4%	0.9%	0.9%	1.0%
Charlotte Office Employment	3.3%	-0.7%	3.7%	3.1%	2.1%	0.6%	0.9%	1.3%
Charlotte Industrial Employment	0.5%	-4.7%	4.8%	4.0%	-0.4%	0.5%	0.3%	0.3%
Southern Atlantic Region Total Employment	1.3%	-4.8%	5.2%	3.5%	1.8%	0.8%	0.9%	0.7%
Southern Atlantic Region Office Employment	1.4%	-3.1%	4.8%	3.0%	1.6%	0.6%	0.9%	1.0%
Southern Atlantic Region Industrial Employment	0.9%	-4.8%	4.2%	3.9%	1.2%	0.5%	0.5%	0.4%
United States Total Employment	1.1%	-6.3%	5.6%	3.5%	1.6%	0.7%	0.7%	0.5%
United States Office Employment	1.2%	-4.6%	4.9%	3.1%	1.3%	0.5%	0.8%	0.8%
United States Industrial Employment	0.1%	-6.4%	4.2%	3.7%	0.7%	0.5%	0.4%	0.2%
Population								
Charlotte Population	1.1%	1.1%	1.7%	1.7%	1.5%	1.3%	1.2%	1.2%
Southern Atlantic Region Population	0.7%	0.4%	0.8%	1.3%	0.9%	0.8%	0.8%	0.8%
United States Population	0.5%	0.1%	0.1%	0.7%	0.6%	0.6%	0.5%	0.5%

% change from previous year.

Households

 [View Chart in Demographics](#)

	2019	2020	2021	2022	2023	2024	2025	2026
Household Growth								
Charlotte Households	1.8%	0.3%	3.1%	1.9%	2.3%	2.1%	2.0%	1.9%
Southern Atlantic Region Households	0.9%	-0.4%	2.2%	1.5%	1.4%	1.4%	1.4%	1.3%
United States Households	0.5%	-1.0%	1.4%	1.1%	0.9%	1.0%	0.9%	0.9%
Household Income								
Charlotte Household Income	4.4%	5.2%	6.2%	5.3%	3.1%	3.2%	2.8%	3.0%
Southern Atlantic Region Household Income	4.3%	5.2%	6.0%	4.7%	3.9%	3.5%	3.1%	3.4%
United States Household Income	4.2%	6.2%	5.5%	4.1%	4.4%	3.7%	3.5%	3.7%

% change from previous year.