

Policy Topic Referral: Office Vacancy

JOBS & ECONOMIC DEVELOPMENT COMMITTEE

JANUARY 6, 2025

1

2024 Policy Referral Summary

◀ Background

- The prevalence of remote work that started in 2020 out of necessity during the pandemic has endured, at least in part, more than three years later. In Charlotte, the central business district is largely populated by services industries (banking, legal, audit and accounting), and the major employers have emphasized flexibility for their employees in terms of in-office or remote work.
- Despite record office vacancy rates nationally, disjointed performance since 2020 has driven the older-vintage “commodity” segment of the office market to bear an outsized proportion of impact—today, 30% of existing office buildings comprise more than 90% of total vacancy on the market.

◀ Policy Question

- What effective strategies can the **city** employ to mitigate the impact of **Uptown** vacancies through economic development efforts to ensure positive growth in tax base and **Uptown** vitality.

2

Policy Referral Summary

◀ Committee Charge in 2024

1. Conduct a comprehensive review of other cities.
2. Review initiatives underway.
3. Develop a framework for strategies/policies on how the city might participate.
4. Propose for consideration of full City Council any recommended strategies/policies.

3

State of Charlotte

FIGURE 10: Market Statistics by Submarket & District

Q3 2023

Submarket/ District	Inventory (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (SF)
East	1,940,511	18.9	14.1	-
I-485 South	7,254,557	26.4	27.4	-
Ballantyne/Toringdon	5,438,596	32.9	31.2	-
Highway 51	1,815,961	12.9	15.9	-
I-77/Airport	10,121,722	22.8	28.2	-
Midtown	6,289,454	20.3	20.8	1,289,382
Central	987,807	13.7	27.8	643,000
Cotswold	179,591	1.6	3.5	-
FreeMoreWest	813,070	41.1	38.8	225,000
LoSo	283,103	62.8	48.6	-
South End	4,025,883	15.6	14.3	421,382
North	2,012,268	12.4	21.2	-
North End	1,230,864	48.1	48.0	410,288
NoDa	903,677	64.5	64.6	260,288
Plaza Midwood	327,187	2.7	2.3	150,000
Northeast/University	4,911,667	27.2	39.1	770,000
Park Road	280,266	32.4	31.5	-
South Carolina	3,137,196	26.1	29.4	170,000
Fort Mill	2,474,005	30.3	34.6	-
Rock Hill	663,191	10.3	10.1	170,000
SouthPark	5,039,356	18.3	20.6	45,357
Uptown/CBD	22,434,560	18.5	21.4	410,880
METRO TOTAL	64,652,421	21.7	25.1	3,095,907

FIGURE 10: Market Statistics by Submarket & District

Q3 2024

Submarket/ District	Inventory (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (SF)
East	1,940,511	28.3	26.1	-
I-485 South	7,334,716	29.3	29.2	-
Ballantyne/Toringdon	5,553,519	34.0	33.0	-
Highway 51	1,781,197	16.5	17.4	-
I-77/Airport	9,906,109	23.3	24.1	-
Midtown	7,086,720	21.0	23.3	643,000
Central	987,807	6.5	12.4	643,000
Cotswold	179,591	0.3	10.3	-
FreeMoreWest	1,013,070	42.7	44.6	-
LoSo	296,889	31.5	32.0	-
South End	4,609,363	19.4	20.8	-
North	2,014,595	15.2	16.6	-
North End	1,229,949	38.4	38.6	150,000
NoDa	902,762	51.7	51.9	-
Plaza Midwood	327,187	1.7	1.7	150,000
Northeast/University	4,827,218	30.8	46.6	-
Park Road	564,359	28.1	28.4	-
South Carolina	3,547,670	33.3	36.8	-
Fort Mill	2,561,442	30.3	33.0	-
Rock Hill	986,228	41.0	46.8	-
SouthPark	4,463,620	20.9	23.3	-
Uptown/CBD	21,248,052	22.2	24.4	410,880
METRO TOTAL	64,163,519	24.5	27.2	1,203,639

Source: CBRE Research Q3 2024

4

State of Charlotte-Uptown 2024

Looking into the future

- Next 18 months – 1.7M SF expiring
- Ranging from 9,000 – 330,000 SF
- 17 Buildings - All built before 2000

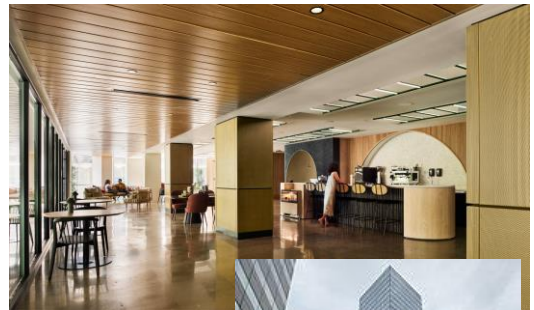


5

State of Charlotte - Uptown



550
 Built 2009
 395,000 SF



One South:
 Built 1974
 891,000 total SF



Owner investments to enhance tenant amenities in order to reposition buildings

6

State of Charlotte - Uptown



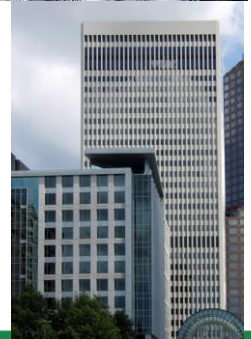
400 S. Tryon

Built 1974
587,000 SF
2018 purchase for \$133.5M
Foreclosure - \$93.5M loan
Estimated \$18-24M demo
Estimated \$4M operating



Two Wells Fargo

Built 1955
830,000 SF
2023 Tax Value: \$204M
Estimated mkt offers 70% below



State of Charlotte - Uptown

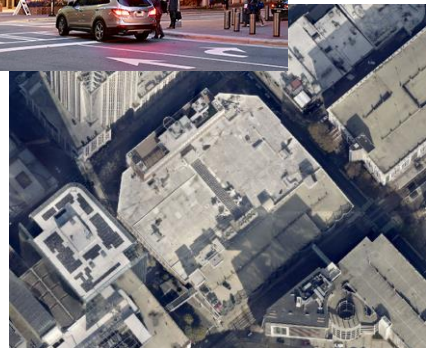
Johnston Building

Built 1924
172,000 SF
Purchased \$19.3M
Conversion to 245 room hotel



200 N. College

Built 1988
458,000 SF
Purchased \$32.9M
Conversion to residential



State of Charlotte - Uptown



Bank of America

Exited 280,000 SF from Gateway Center
Exits 316,00 SF from Fifth Third building in July 2025
Consolidation into bank owned properties



State of Charlotte – South End



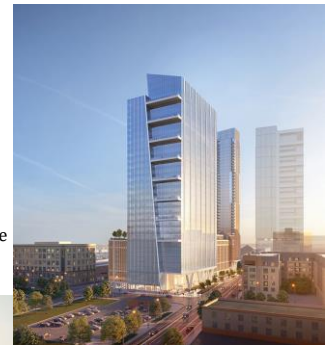
Carson & Tryon

Planned
565,000 SF Office
31 Floors



Queensbridge

Planned Mixed Use
Residential Under
Construction
Up to 600,000 SF Office



State of Charlotte – South End



110 East
24 floors
375,000 SF
Delivered 2024 w/o tenant
\$91M tax valuation

State of Charlotte - Ballantyne



RXO Expansion
\$13.7M investment
Expand 216 jobs
Retain 647 jobs in Charlotte

Ballantyne Reimagined
\$42.5M (\$25M TIG) City Investment
4.5M SF Office



State of Charlotte – University



Escent

159,000 SF

Delivered 2021

No tenants to date

Building is consistently toured for life science prospects

13

Public Sector Role

1. Questions and Impact from 2024

- a. Will investment expedite market correction?
- b. How long to consider investments?
- c. How feasible are conversions?
- d. Is demolition a possibility?
- e. What is the impact of doing nothing?



14

Public Sector Role

1. Recommendations to consider in 2025

- a. Partner on broad study for tools to support stronger office occupancy
- b. Study ordinance changes to allow better alignment with the office market
- c. Consider supporting new financing options such as C-Pace
- d. Consider creative incentive options (local and state)
 - a. *Historic Tax Credits*
 - b. *Job Development Investment Grant (JDIG)*
 - c. *Business Investment Grant*
 - d. *City/County incentive alignment*
 - e. *Demolition Fund*



Today's Discussion and Proposed Next Steps

1. Today

- a. What further information would the committee like to receive?
- b. Is there an appetite for public investment? If so, begin to discuss a framework for next steps.

2. Potential Near-Term Next Steps

- a) Potential Studies and Partnerships (Q1 2025)
- b) Consider mechanism for alignment on City/County BIG incentives (Spring 2025)
- c) C-Pace education and support – (Q1 2025 – post county support)
- d) Deeper dive in zoning constraints and opportunities specific to office vacancy challenges (Spring 2025)