

Policy Topic Referral: Office Vacancy

JOBS & ECONOMIC DEVELOPMENT COMMITTEE

JANUARY 8, 2024

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Discussion Outline

- 1. Policy referral summary**
- 2. Overview of office vacancy and the impacts**
- 3. Discuss next steps**

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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.

Policy Referral Summary

< Committee Charge

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.

Key Pillars for Uptown Vibrancy

Quality of Life

- Quality of Life Team
- SAFE Charlotte
- Vision Zero
- Mayor's Referral

Public Realm / Built Environment

- Bus shelters
- Tryon Street
- Polk Park

Real Estate and Econ Development

- Office Vacancy
- Return-to-work considerations for uptown employers
- Underutilized buildings and office conversions

We are here 

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Other Cities

1. Boston

- a) Revive & Reimagine Strategy - October '22

2. San Francisco

- a) Roadmap to San Francisco's Future - March '23

3. New York City

- a) City of Yes for Housing Opportunity - August '23

4. Charlotte

- a) Vintage Office Competition
- b) Real estate market conversations



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Q3 MARKET SNAPSHOT (FIGURES | CHARLOTTE OFFICE | Q3 2023)

Charlotte Office

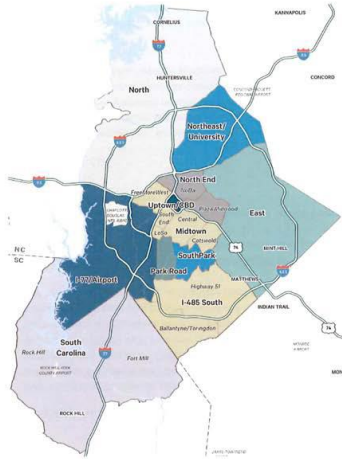


FIGURE 10: Market Statistics by Submarket & District

Submarket/District	Inventory (\$F)	Total Vacancy Rate (%)	Total Availability Rate (%)	Under Construction (\$F)	Average Lease Rate (\$/SF/YR FSG)	Q3 2023 Net Absorption (\$F)	YTD 2023 Net Absorption (\$F)
East	1,940,511	18.9	14.1	-	19.62	(2,073)	(4,608)
I-485 South	7,254,557	26.4	27.4	-	35.84	19,595	(176,737)
Ballantyne/Torington	5,438,596	30.9	31.2	-	37.01	41,942	(198,614)
Highway 51	1,815,961	12.9	15.9	-	29.56	(22,347)	21,877
I-77/Airport	10,121,722	22.8	28.2	-	26.69	(84,129)	(35,421)
Midtown	6,289,454	20.3	20.8	1,289,382	43.55	(41,627)	106,005
Central	987,807	13.7	27.8	64,000	42.16	(38,170)	15,215
Cotswold	179,591	1.6	3.5	-	32.00	-	5,180
FreeMoreWest	813,070	41.1	38.8	225,000	40.69	13,452	51,067
LoSo	283,103	62.8	48.6	-	46.84	-	21,920
South End	4,025,883	15.6	14.3	421,382	44.73	(16,909)	12,623
North	2,012,268	12.4	21.2	-	29.14	(21,484)	16,704
North End	1,230,864	48.1	48.0	410,288	38.27	(13,791)	(6,764)
NoDa	903,677	64.5	64.6	260,288	38.27	(10,759)	(4,742)
Plaza Midwood	327,187	2.7	2.3	150,000	-	(3,032)	(2,022)
Northeast/University	4,911,667	27.2	39.1	770,000	26.67	(20,923)	(161,360)
Park Road	280,266	32.4	31.5	-	33.43	(1,077)	(12,626)
South Carolina	3,137,196	26.1	29.4	170,000	25.58	50,388	(200,938)
Fort Mill	2,474,005	30.3	34.6	-	26.45	50,388	(201,702)
Rock Hill	663,191	10.3	10.1	170,000	21.39	-	766
SouthPark	5,039,356	18.3	20.9	45,357	37.64	39,025	61,104
Uptown/CBD	22,434,560	18.5	21.4	410,880	36.32	70,985	47,912
METRO TOTAL	64,652,421	21.7	25.1	3,098,907	33.46	(5,111)	(366,717)

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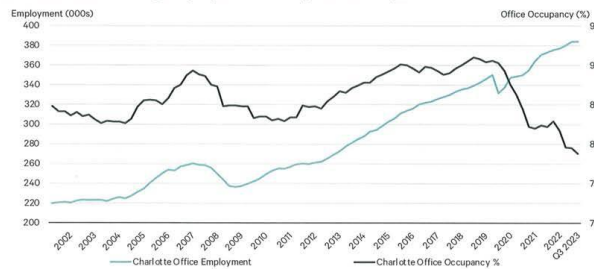
CHARLOTTE MARKET OVERVIEW

Office Demand & Occupancy

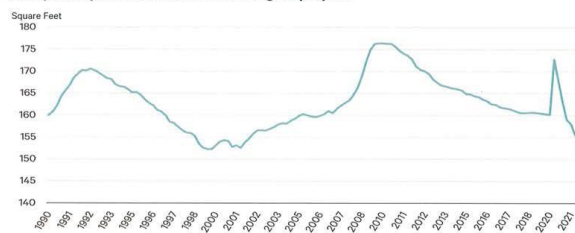
The historical relationship between office using jobs and office occupancy has diverged.

- Office space per employee is currently 152 SF / employee, which is a 22-year low.
- Companies have contracted as much as they can, perhaps over-reacting to current conditions.

Charlotte Office-Using Employment & Occupied Office Space



Occupied Square Feet Per Office-Using Employees



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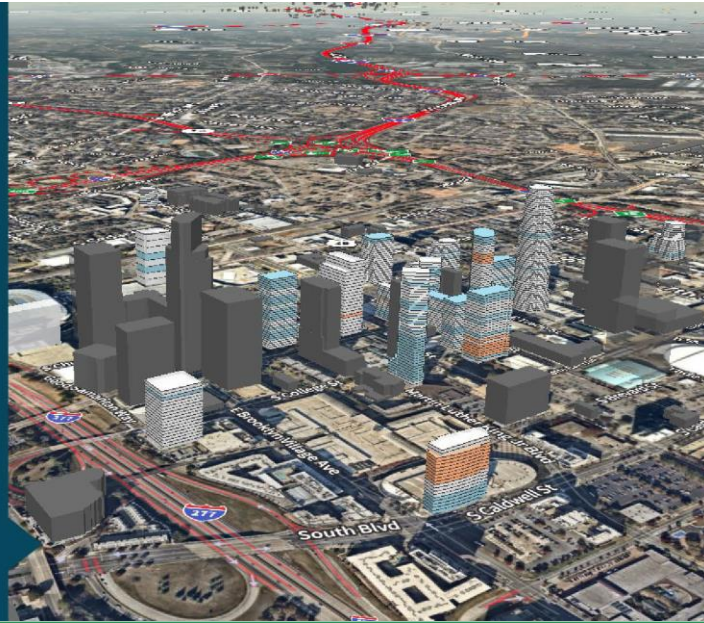
940 Total Floors
in Uptown Charlotte

165 full floors available

22 sublease floors available
+515,000 SF

5 Assets have **+50%** of
available full floors

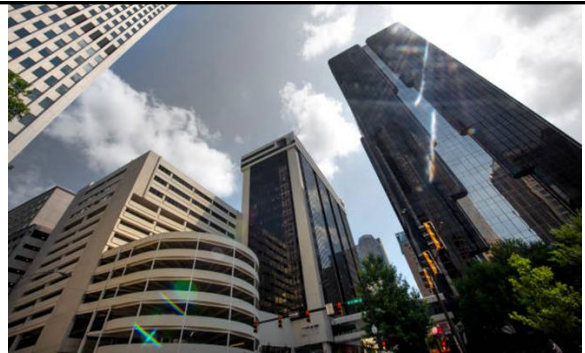
31% of all full floor
availabilities are within
non-owner occupied
buildings



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Looking into the future

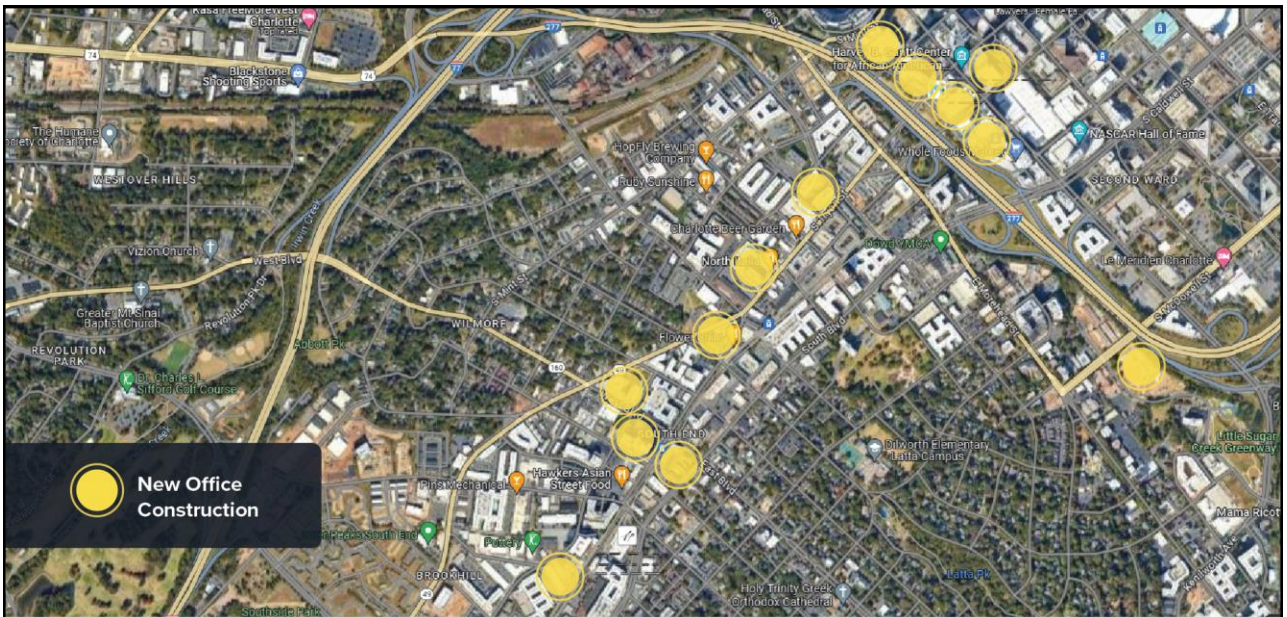
- Next 18 months - 1.7M SF expiring
- Ranging from 9,000 - 330,000 SF
- 17 Buildings - All built before 2000





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Public Sector Role

1. Questions and Impact

- 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?



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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 investments.

2. Near-Term Next Steps

- a) Bring forward proposed strategies for consideration
- b) Bring potential projects forward for consideration

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