Market Report

IPA INSTITUTIONAL PROPERTY ADVISORS

RETAIL 3Q/26

Charlotte Metro Area

Single-Tenant Holds Nationally Tight Vacancy While Multi-Tenant Lies Below Average

Pre-2000-built properties gain momentum. Charlotte's vacancy rate ranks among the nation's lowest in mid-2026, though a divergence has emerged between tenancy types. Single-tenant vacancy of 2.7 percent is the tightest across major markets, while multi-tenant sits at 5.8 percent — just 10 basis points below the national average. Within the single-tenant segment, pre-2000 vintage space is gaining momentum, posting its strongest quarter of net absorption since early 2022. Post-2000 builds, which logged nine consecutive quarters of positive net absorption through 2025, gave back more than 100,000 square feet in the first half of 2026 amid softer leasing in smaller footprint spaces. However, that segment should benefit from easing development.

Infill submarket's leasing activity varies. Neighborhoods adjacent to the urban core, from South Charlotte to University City, recorded some of the metro's strongest net absorption in the first half of the year. Lease signings around South End, NoDa, and along nearby transportation corridors such as U.S. Routes 74 and 29, coupled with minimal ongoing construction, should help these areas maintain vacancy near 3 percent. By contrast, weaker leasing northwest of the urban core may keep the submarket's vacancy elevated in the mid-6 percent range.

2026 FORECAST

EMPLOYMENT

20,000	1.4%
Jobs will be created	Increase Y-O-Y

CONSTRUCTION

600,000	0.4%
Sq. ft. will be added	Inventory increase Y-O-Y

VACANCY

3.6%	10
Vacancy rate	BPS decrease Y-O-Y

RENT

$22.40	4.7%
Average asking rent by year-end	Increase Y-O-Y

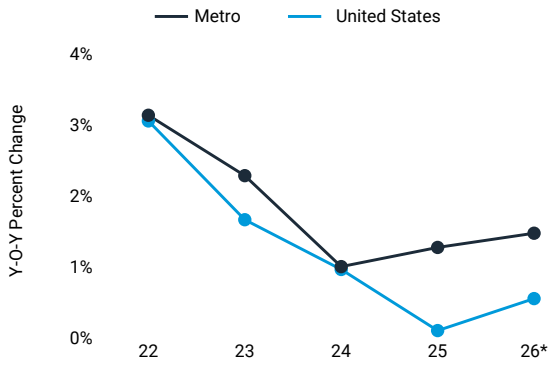
EMPLOYMENT

Charlotte's job growth accelerated notably in April and May, with the two months together adding 11,000 positions. This marks a notable acceleration from the prior two-year period, when the metro averaged fewer than 1,200 new jobs per month. While manufacturing remains the metro's weakest employment sector, hiring in traditionally office-using industries — which shed 2,500 jobs in the first quarter — has improved meaningfully in recent months.

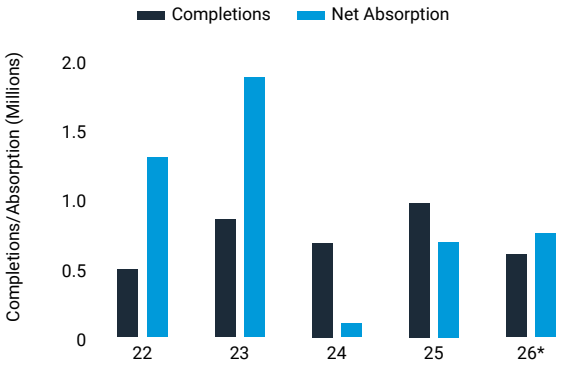
CONSTRUCTION

The development pipeline in Charlotte is set to temper slightly from last year's 0.8 percent inventory growth. Nearly half of the square footage scheduled for 2026 delivery was completed by the second quarter, signaling a steady pace of new supply. Development remains concentrated in outer-ring submarkets, with very little new space set to deliver within a five-mile radius of the CBD. Union, York, and Cabarrus counties are expected to account for roughly one-third of this year's total inventory growth.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



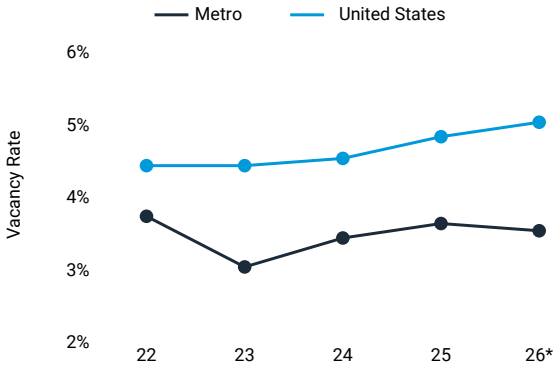
* Forecast

Sources: BLS; CoStar Group, Inc.

VACANCY

The metro's average inventory growth of 0.6 percent over the past five years fell well below the preceding decade's annual average of 1.1 percent, helping vacancy decline to a cycle low of 3.0 percent in late 2023 amid strong demand. Since then, the metric has hovered in the mid-3 percent range, reaching 3.7 percent in June. With inventory growth remaining tempered through year-end and net absorption rebounding strongly in the second quarter, vacancy is expected to edge down modestly in the back half of the year.

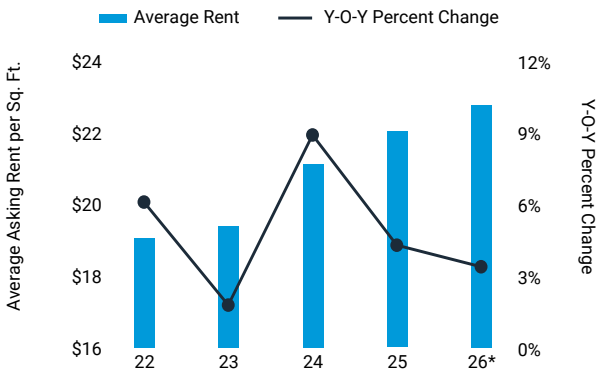
VACANCY TRENDS



RENT

Vacancy rates have remained below 4 percent over the four years ended in June — well below the 5.3 percent average since 2007 — helping Charlotte sustain robust asking rent growth. Across tenancy types, there has been little divergence over that period, with both multi-tenant and single-tenant spaces recording growth near 20 percent. With vacancy forecast to remain in the mid-3 percent range through year-end, Charlotte's asking rent growth should remain among the nation's fastest.

RENT TRENDS



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

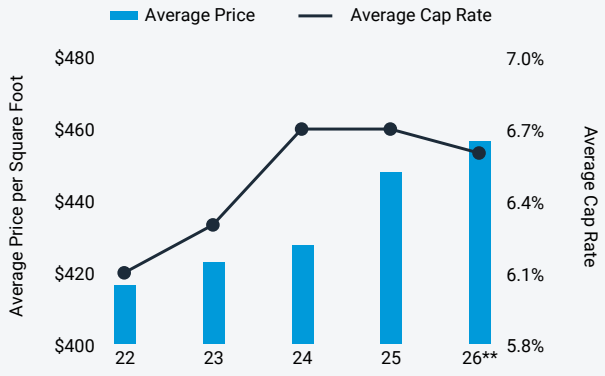
INVESTMENT HIGHLIGHTS

- The average sale price per square foot rose faster in Charlotte over the year ended June than in any other major U.S. metro. Strengthening buyer conviction is evidenced by total transaction activity nearly matching the 2021 record, while single-tenant sales slightly surpassed the previous peak. With vacancy below 3 percent, underscoring the durability of tenant demand, this segment may continue to attract heightened investor interest. This is particularly true for spaces under 10,000 square feet, which maintained an average months-to-lease near historical lows, at just over 3 months in the second quarter.

- Northeast Charlotte's retail landscape has benefited from a metro-leading pace of apartment construction over the past five years. Investors may increasingly target the corridor between NoDa and University City, where recent multifamily deliveries have expanded the nearby renter base and strengthened demand for retail spaces. Single-tenant assets under 30,000 square feet in this area often trade for $1 million to $5 million, offering an accessible entry point for private buyers seeking exposure to one of Charlotte's more actively expanding residential corridors.

- York and Union counties continue to see steady trading, supported by tight second-quarter vacancy rates of 3.8 percent and 2.7 percent, respectively, despite a gradual pace of deliveries in recent years. Heavy concentrations of single-tenant spaces under 10,000 square feet should continue to drive private investor interest around Rock Hill, Pecan Grove, and Monroe.

SALES TRENDS



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