Commercial Real Estate Services, Worldwide.

QUARTERLY
MARKET REPORT

QUARTER TWO **2026**

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QUARTER TWO 2026

COMMERCIAL INSIGHTS

The second quarter of 2026 continued the trend of stabilization across the Western North Carolina commercial real estate market. While transaction volume declined compared to the same period in 2025, the underlying fundamentals—particularly vacancy rates—point to a market that remains tight, competitive, and selective. This follows a first quarter that reintroduced a sense of "business as usual" and greater predictability after several years shaped by disruption and adjustment. The broader story in Q2 was not rapid expansion, but measured confidence: buyers, tenants, and investors continued to move when the right location, pricing, and long-term use case aligned.

Retail remained one of the clearest drivers of market strength. Vacancy tightened further to 1.3%, down from 1.5% in the first quarter of 2026, reinforcing the continued demand for well-positioned space across the region. Asheville and Western North Carolina's ongoing national recognition for food, beverage, outdoor recreation, and art culture continues to support restaurant, service, and experiential retail activity. As the region moves into peak tourism season, improving foot traffic and renewed leasing confidence continue to serve as positive indicators for property owners, tenants, and investors evaluating opportunities in the months ahead.

The office sector also showed steady progress, continuing to outperform many national trends. Local office vacancy dropped to 2.2% this quarter, down from 2.5% in Q1 2026 and 2.9% at the end of 2025. While large-scale institutional activity remains tempered by financing conditions, locally driven businesses continue to seek viable, well-located space. This steady demand suggests that the local office market is being shaped less by broad national narratives and more by the practical needs of regional employers, professional service firms, healthcare users, and small businesses looking for flexibility and stability.

Industrial activity was more restrained, with fewer transactions recorded during the quarter and vacancy at 4.4%. While that remains above the 2.9% reported during the same quarter last year, it is an improvement from 4.6% in Q1 2026 and suggests the sector is moving toward balance. Multi-family and land also saw steady activity, though overall volume was lower than the previous year's peaks.

Altogether, the second quarter reflects a market trending toward less dependence on sharp rebounds or sudden slowdowns and instead toward a return to consistent demand, disciplined decision-making, and a stable outlook for the second half of 2026.

12 **INDUSTRIAL TRANSACTIONS**
FOR
$20.0M ▲
2025: $18.7M

17 **OFFICE TRANSACTIONS**
FOR
$12.7M ▼
2025: $17.9M

27 **RETAIL TRANSACTIONS**
FOR
$39.6M ▼
2025: $52.7M

9 **MULTI-FAMILY TRANSACTIONS**
FOR
$29.4M ▼
2025: $51.3M

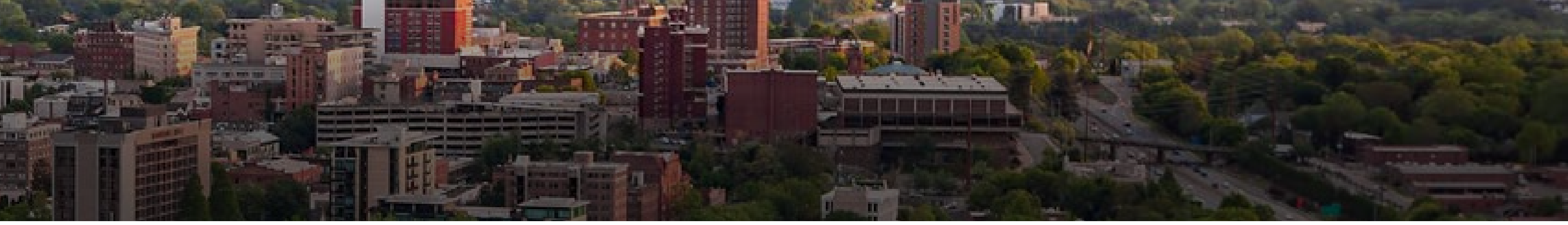
13 **LAND TRANSACTIONS**
FOR
$16.0M ▼
2025: $32.7M

FEATURED LISTINGS

19 RANKIN AVENUE, UNIT 1B |$2,400,000
39 NORTH LEXINGTON AVENUE, UNIT 2 | $1,800,000
37 NORTH LEXINGTON AVENUE, UNIT 5 | $432,400

Listed by Chris Mansfield, RA, Member Associate, Society of Industrial and Office Realtors®

Three distinctive downtown Asheville locations are available within the T. S. Morrison building, offering flexible ownership options in one of the city's most walkable commercial corridors. The offerings include 39 N. Lexington Avenue Unit 2, a ±3,714 SF adaptive reuse asset currently operating as Sweet Peas Hostel; 39 N. Lexington Avenue Unit 5, a ±806 SF ground-level garage/flex condo; and 19 Rankin Avenue Unit 1B, a ±4,768 SF creative office/flex space. Together, these listings offer rare versatility for a variety of use concepts in an extremely desirable, high-traffic corridor.



INDUSTRIAL

9 ▼	**4.4%** ▲
LEASES	**VACANCY RATE**
2025: 21	*2025: 3.1%*

OFFICE

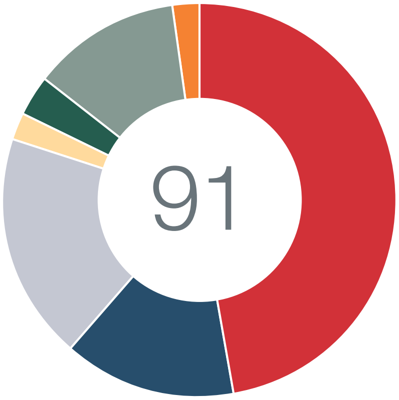
27 ◁▷	**2.2%** ▼
LEASES	**VACANCY RATE**
2025: 27	*2025: 2.9%*

RETAIL

25 ▲	**1.3%** ▼
LEASES	**VACANCY RATE**
2025: 23	*2025: 1.7%*

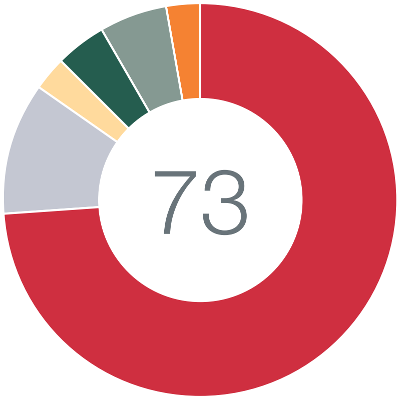
PROPERTIES SOLD

BUNCOMBE	43
HAYWOOD	13
HENDERSON	17
MADISON	0
MITCHELL/YANCEY	2
POLK	3
RUTHERFORD	11
TRANSYLVANIA	2



PROPERTIES LEASED

BUNCOMBE	54
HAYWOOD	0
HENDERSON	8
MADISON	0
MITCHELL/YANCEY	2
POLK	3
RUTHERFORD	4
TRANSYLVANIA	2



All chart information represents 2026 data as provided by CoStar for the 9-county region.

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NOTABLE TRANSACTION

575 & 605 SWEETEN CREEK INDUSTRIAL PARK | CLOSED FOR $10,869,002

Sold by Jim Davis, SIOR

This two-building industrial portfolio at 575 and 605 Sweeten Creek Road represents a significant leased investment opportunity in Asheville's industrial market. Totaling approximately 131,400 square feet across 6.15 acres, the fully conditioned properties include substantial office buildout, multiple truck docks, and drive-in doors. The portfolio is occupied by a long-term tenant with approximately eight years remaining on the existing lease, offering stable in-place tenancy within a well-located industrial corridor. The transaction reflects continued investor demand for income-producing industrial assets in Western North Carolina.

ASHEVILLE MSA **STATISTICS**

Population 422,345

Labor Force 202,335

Average Commute 23.6 min

Average Household Income $81,604

NC Individual Income Tax Rate 4.50%

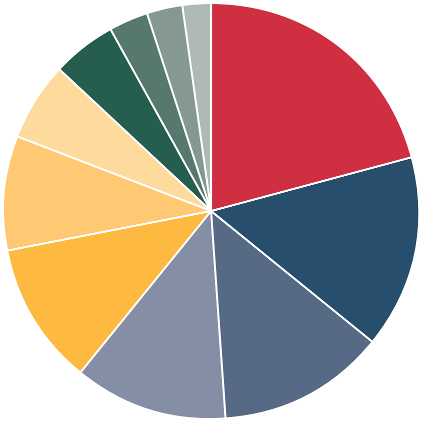
Sales & Use Tax by County

- Buncombe **7.00%**
- Henderson **6.75%**
- Haywood **7.00%**
- Madison **7.00%**

Cost of Living Index 106.8

Buncombe, Haywood, Henderson, and Madison Counties

Employment Distribution



Health Services and Education	21%
Leisure and Hospitality	15%
Government (federal, state, & local)	13%
Retail Trade	12%
Professional and Business Services	11%
Manufacturing	9%
Construction, Mining, and Logging	6%
Financial Activities	5%
Transportation and Utilities	3%
Wholesale Trade	3%
Information	2%

Data Provided by Census Reporter, US Bureau of Labor Statistics, The Asheville Chamber Of Commerce, and NC Department of Revenue (For Buncombe, Haywood, Henderson, and Madison Counties).

Asheville's River Arts District awarded the #1 Best Arts District in the U.S.

— USA Today, 2026

Asheville placed 4th on the list of "The 10 Best U.S. Mountain Towns to Live in Year-round."

—Travel + Leisure, 2026

Asheville topped the list of "The Top Small US Cities for Food and Drink"

—Food & Wine, 2025

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