MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Charlotte

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The Queen City experiences record high availability due to higher sublease space and new construction

In the second quarter 2022, the total availability rate in the Charlotte office market increased to a record high of 20.6%, up 200 basis points (bps) from 18.6% reported last quarter and up 400 bps from 16.6% reported a year ago. Due to higher sublease space on the market, as well as new speculative office construction, overall and Class A availability levels have both now increased to over 20%. With 2.8 million square feet (msf) of sublease space now on the market, including Walmart's 110,000 sf sublease in the Airport submarket, sublease availability has now increased 47.0% year over year.

Charlotte's robust Class A construction pipeline indicative of overall tenant flight to quality

In Q2, more than 300,000 sf of new construction was delivered including the almost entirely preleased East Tower of the Vantage South End project in Midtown/South End. Of the 3.7 msf currently under construction, 35.0% of office space is being built in the Midtown/South End submarket in hopes of attracting a younger workforce who predominantly resides in that area. Demand for new Class A space is high as 31.0% of all space under construction is now preleased. This example of the overall flight to quality from tenants is indicative of a bifurcated leasing market as growing companies increasing are interested in newer Class A product as they hope to recruit and retain talent.

Leasing activity continues to recover yet is still lower than pre-pandemic levels

Despite lower leasing activity relative to last quarter, Charlotte reported 105 lease transactions totaling 786,160 sf in Q2. Year over year, this was a slight 4.1% increase in overall lease transactions and a 17.0% increase in Class A lease transactions. Historically, the market has seen a seasonal slowdown in leasing activity at mid-year with leasing activity spiking towards the end of the year. However, there is cautious optimism as companies continue to encourage their employees to return to the office. With landlords now offering record-high concession packages including rent abatement and high tenant improvement allowances, expect tenant-favorable market conditions to persist especially with more new construction on the way and economic uncertainty returning due primarily to high inflation and increased interest rates.

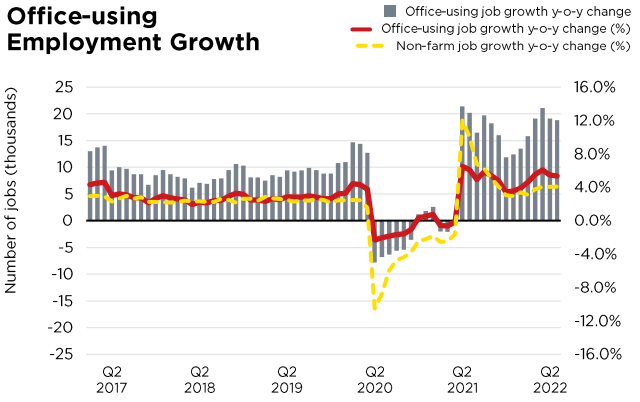
Outlook

- Sublease inventory may see an uptick as companies continue to evaluate the amount of office space they need two years after the pandemic first began
- The return to office push by major occupiers such as Bank of America, Wells Fargo, and other large financial firms have shown positive signs of recovery for Charlotte's CBD and is expected to continue
- Average rental rates are forecasted to increase due to new deliveries of Class A office product in the CBD and Midtown/South End submarkets

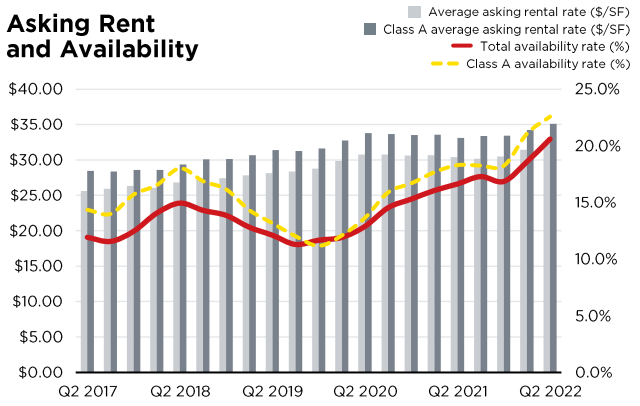
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	64.5 MSF	66.1 MSF	▲
Availability Rate	16.6%	20.6%	▲
Asking Rental Rate	$30.38	$32.31	▲
Class A Asking Rental Rate	$33.10	$35.08	▲
Quarterly Leasing Activity	0.8 MSF	0.8 MSF	◀▶
Available Sublease Space	1.9 MSF	2.8 MSF	▲

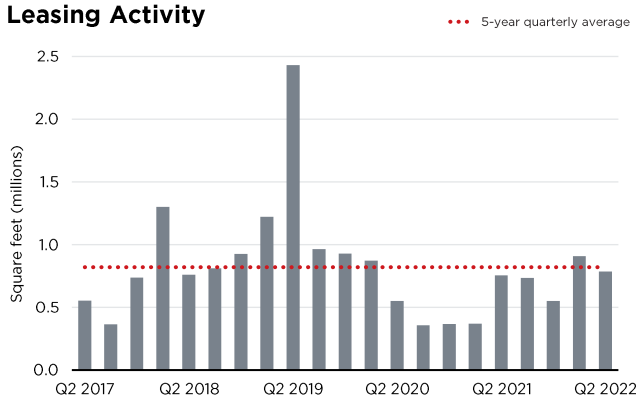
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.4%
Charlotte unemployment rate (as of May 2022)

5.4%
Office-using employment growth year-over-year (as of May 2022)

3.7 msf
Office space currently under construction

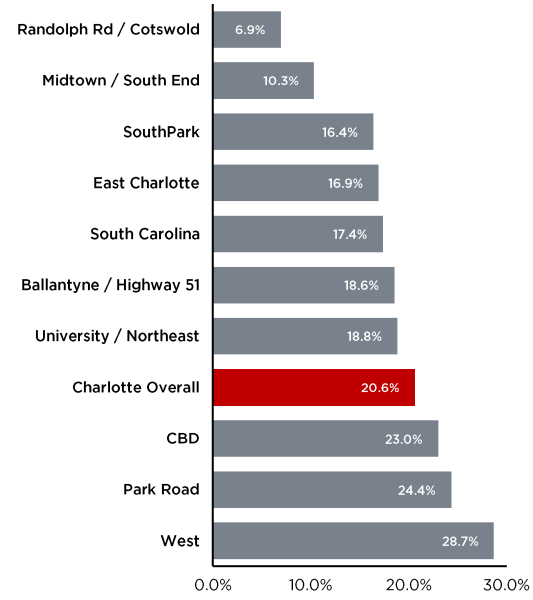
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Robinson Bradshaw	101,000	600 S Tryon Street	New Location	CBD	Legal Services
Vanguard*	80,172	2425 Cascade Pointe Boulevard	Relocation	Airport	Financial Services
Credit Karma	63,228	13146 Ballantyne Corporate Place	Expansion	Ballantyne	Financial Services
Northern University Charlotte	52,957	2151 Hawkins Street	New Location	Midtown / SouthEnd	Education
Silicon Valley Bank	46,893	2151 Hawkins Street	New Location	Midtown / SouthEnd	Financial Services
NVR Mortgage Finance, Inc.*	32,580	10720 Sikes Place	Relocation	East Charlotte	Financial Services
U.S. General Services Administration (GSA)	31,271	3700 Arco Corporate Drive	Relocation	Airport	Government
Movement Mortgage	20,022	1901 Roxborough Road	Relocation	South Park	Financial Services
Burns & McDonnell	15,719	101 N Brand Boulevard	Relocation	Airport	Construction and Engineering
Aalberts*	15,681	12959 Coral Tree Place	Relocation	East Charlotte	TAMI

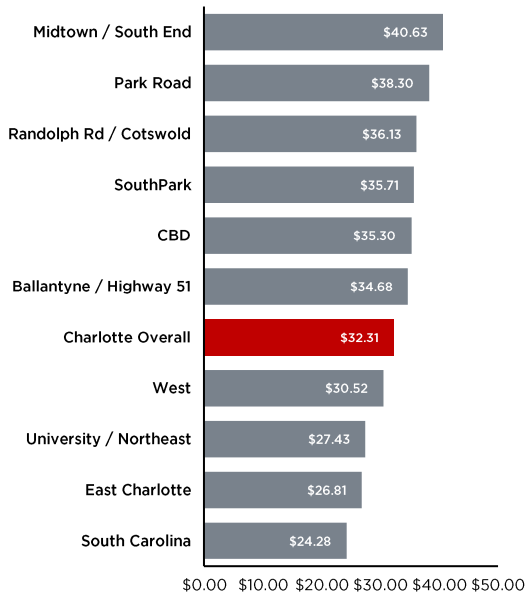
*Sublease

Source: Savills Research

Availability Rate Comparison (%)
Charlotte Submarkets



Rental Rate Comparison ($/SF)
Charlotte Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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