MARKET IN MINUTES
*Savills Research*

Q3 2022 - Office

# Charlotte

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## Despite flattening leasing activity, the Queen City continues to attract companies

Leasing activity in Charlotte had virtually no year over year change with 741,157 square feet (sf) of office space leased in the third quarter. Despite a spike in leasing activity reported at the beginning of the year, leasing activity again dropped below pre-pandemic levels and is below the 5-year quarterly average of 830,563 sf. With 63% of all leases signed this quarter in Class A buildings, the flight to quality from office occupiers in areas like Uptown and South End continues. For example, The Bank of London leased 39,480 sf to create a technology hub in Uptown Charlotte which was the second largest lease signed in Charlotte's Central Business district over the past two years. As the country continues to recover from the pandemic, sports entertainment has been on the rebound as Charlotte FC and the Atlantic Coast Conference both made Charlotte their new home this quarter. Despite high inflation and increased interest rates causing headwinds in multiple U.S. markets, the southern financial hub proved somewhat resilient as multiple companies in the third quarter chose to anchor their new headquarters in Charlotte.

### Availability increases to an all-time high and is expected to increase due to new construction

In the third quarter 2022, the total availability rate in the Charlotte office market increased to 20.6%, up 330 basis points (bps) from 17.3% reported a year ago. However, available sublease space has decreased slightly to 2.7 million square feet (msf) but remains dramatically higher compared to pre-pandemic levels. New construction has also added to the availability increase with projects such as Camp North End and The Quarter South End delivering in the third quarter. Between now and year-end, it is anticipated that up to eight new office buildings totaling more than 1.6 msf, of which only 37% is currently pre-leased, will be completed. In addition, availability levels are forecasted to also climb due to the news that Centene will no longer occupy their new $1 billion office campus in University City totaling 800,000 sf and will now put that space on the market for lease.

### Average asking rental rates increase but so do concessions

Overall average asking rental rates ended the quarter at $32.57 per square foot (psf), up 8% year over year. Though Class A asking rents have increased year over year to an average of $35.40 psf, new construction Class A spaces in the South End submarket have reached more than $50 psf. Despite increased asking rents, the market continues to be tenant-favorable as landlords offer hefty concessions including rental abatement and high tenant improvement allowances as they chase occupancy.

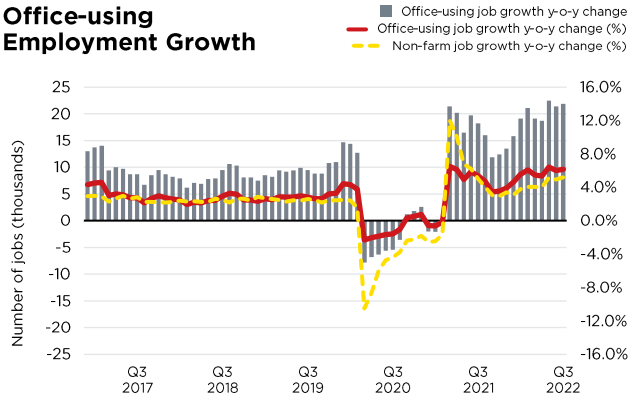
## Outlook

- Charlotte's availability is likely to surge as 800,000 sf of office space in the University submarket was relinquished by Centene and is expected to be placed on the market in the fourth quarter 2022
- Many large banks and corporations continue to install their long-term return-to-office plans, which include hybrid workplace strategies, offering employees the flexibility of work-from-home
- Expect tenant-favorable market conditions to continue with high landlord concessions as availability levels remain high

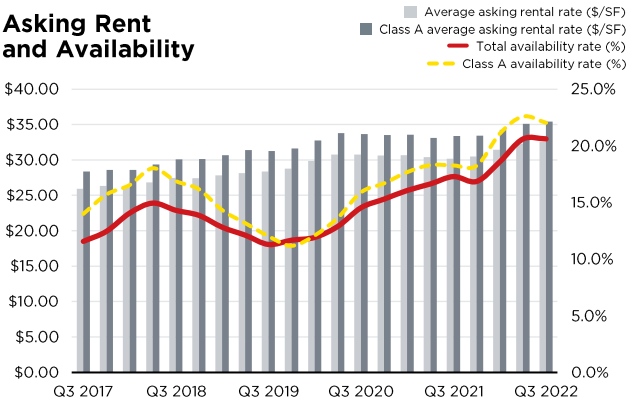
## Key Statistics

| | Q3 2021 | Q3 2022 | y-o-y Change |
|---|---|---|---|
| Inventory | 65.2 MSF | 66.1 MSF | ▲ |
| Availability Rate | 17.3% | 20.6% | ▲ |
| Asking Rental Rate | $30.16 | $32.57 | ▲ |
| Class A Asking Rental Rate | $33.40 | $35.40 | ▲ |
| Quarterly Leasing Activity | 0.7 MSF | 0.7 MSF | ◀▶ |
| Available Sublease Space | 2.3 MSF | 2.7 MSF | ▲ |

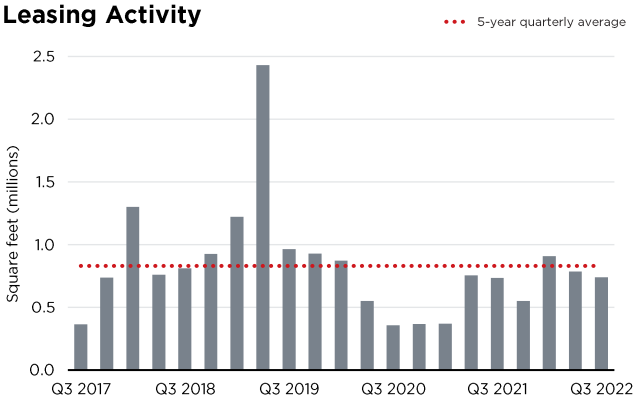
### Office-using Employment Growth




### Asking Rent and Availability




### Leasing Activity



## By the Numbers

**3.5%**
Charlotte unemployment rate (as of August 2022)

**6.2%**
Office-using employment growth year-over-year (as of August 2022)

**4.0 msf**
Office space currently under construction

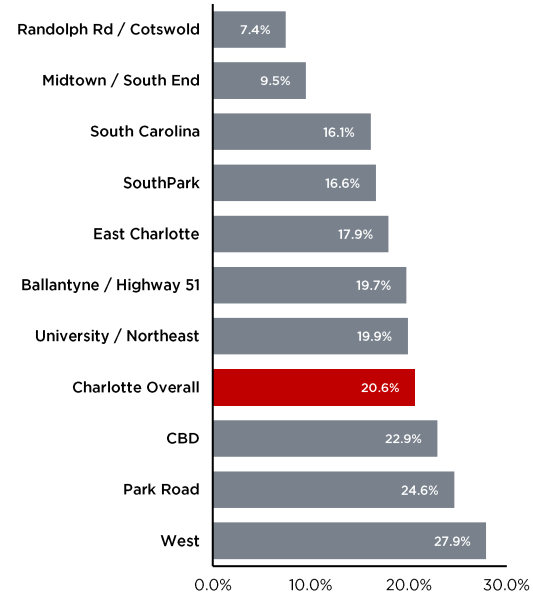
## Top Transactions

| Tenant | Square Feet | Address | Transaction Type | Submarket | Industry |
|---|---|---|---|---|---|
| Bojangles | 61,448 | 500 Forest Point Circle | Relocation | Airport / West | Retail |
| OneMain Financial | 55,000 | 605 Munn Road | Relocation | South Carolina | Financial Services |
| Charlotte FC | 52,000 | 8600 McAlpine Park Drive | New Location | East Charlotte | Personal Services and Recreation |
| The Bank of London | 39,480 | 101 N Tryon Street | Relocation | CBD | Financial Services |
| XPO Logistics* | 31,085 | 11215 N Community House Road | Relocation | Ballantyne / Hwy 51 | Transportation |
| FlexCare Medical Staffing | 27,500 | 1120 S Tryon Street | Relocation | South End / Midtown | Healthcare |
| Figure Technologies* | 23,854 | 650 S Tryon Street | New Location | CBD | TAMI |
| McAdams | 22,700 | 2100 S Tryon Street | New Location | South End / Midtown | Construction, Engineering, and Architecture |
| Greer Walker | 22,615 | 227 W Trade Street | Expansion | CBD | Financial Services |
| Undisclosed* | 21,900 | 300 Technology Center Way | Relocation | South Carolina | Undisclosed |

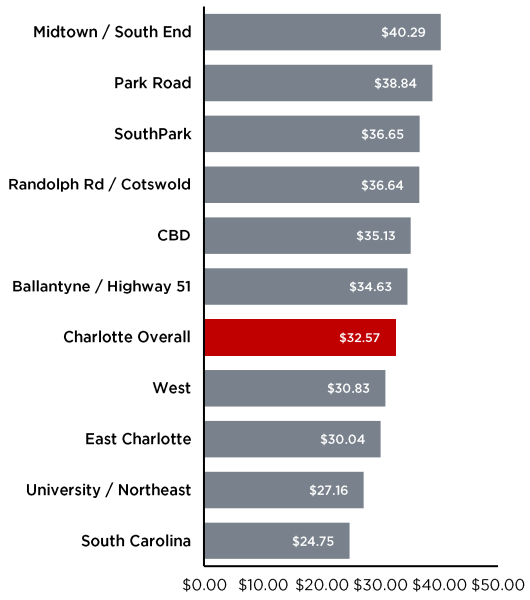
*Sublease

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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