



## COVID-19 reaches Charlotte with unknown consequences to growing market

Towards the end of the first quarter, the rapidly evolving COVID-19 pandemic brought business to an unprecedented halt across the country. Starting March 20th, Mecklenburg County issued an unprecedented shelter-in-place order, limiting business across Charlotte to essential activities only. The office market will likely be impacted by a decrease in leasing activity as businesses re-evaluate current capital and workforce needs, both near- and long-term. Charlotte was in high demand in 2019 and 2020 was poised to be another active year for the market ahead of the public health crisis. The overall effect on the Charlotte office market while unknown, will be dependent on the severity of current circumstances and overall trajectory they take.

### Development pipeline moves forward regardless of pandemic stopping most business

In Q1, 5.4 million square feet (msf) were under construction in Charlotte and on schedule for delivery despite the COVID-19 threat. North Carolina deemed construction work as essential, as long as social distancing measures are met to protect the labor force. Currently, in the CBD alone, there are four major projects underway: The FNB Tower (1515 S. Tryon Street), Duke Energy Center (525 S. College Street) and Legacy Union II & III (650 and 300 S. Tryon Street). In South End, construction at the new LendingTree headquarters (Vantage South End) and Lowe's headquarters (Design Center Tower) are still underway. These ongoing projects situated along the edges of Uptown and South End will serve to unite the CBD and create a seamless skyline.

### Record-breaking sale and out-of-market investors make headlines before COVID-19 threatened to upend real estate activity

Trophy asset Hearst Tower sold for \$455.5 million or \$470 per square foot – a new record for the largest single office property transaction by total sales price in North Carolina. The building was purchased by Truist – the entity created from the merger of SunTrust & BB&T last year. The 966,000-square-foot (sf) property will be renamed Truist Center and serve as its new corporate headquarters. This transaction beat out last year's record-sale of the Bank of America Tower at Legacy Union by a small margin. Charlotte has recently seen increased sales activity from out-of-market investors. Adaptive reuse and development projects in the CBD and South End are particularly attractive. A prime example of this is the newly named East/West Station in South End, which is owned by Fort Lauderdale-based Stiles and joint-venture partner, Shorenstein of San Francisco.

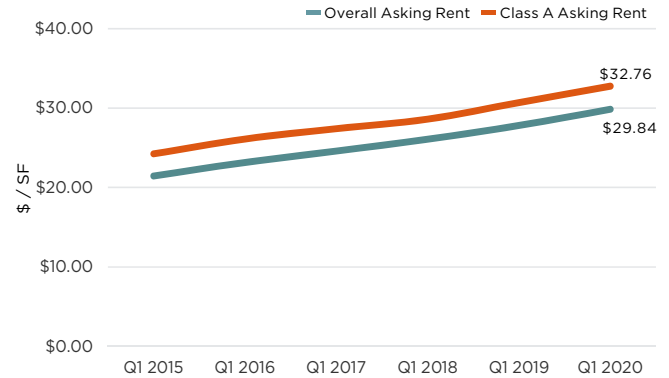
### Outlook

- The economic downturn caused by COVID-19 may create tenant-favorable opportunities in the form of increased space options and lessened competition in the near-term
- While development projects currently under construction are on-pace for completion, projects that have not yet broken ground are likely to see delays as developers wait for more clarity
- Flight-to-quality office demand will continue as tenants will want to implement additional wellness measures with clean and more effective HVAC systems and building ventilation

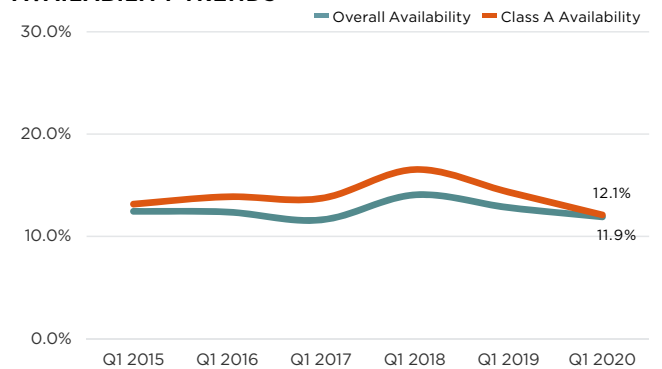
### KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	64.5 MSF	<b>64.7 MSF</b>	▲
Availability Rate	12.8%	<b>11.9%</b>	▼
Asking Rental Rate	\$27.81	<b>\$29.84</b>	▲
Class A Asking Rental Rate	\$30.69	<b>\$32.76</b>	▲
Quarterly Leasing Activity	1.2 MSF	<b>0.9 MSF</b>	▼

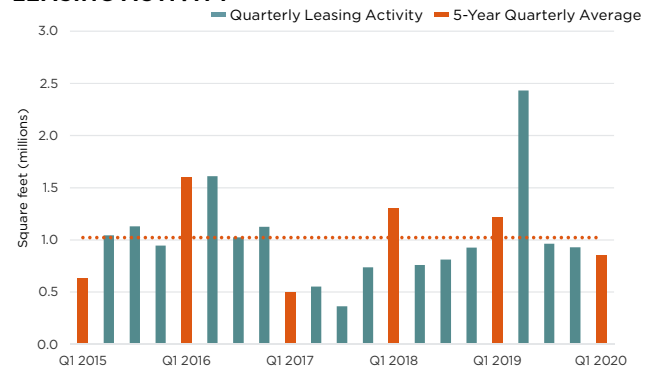
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

41.0%

of major transactions were new locations

57.7%

of large transactions occurred in the CBD submarket

51.5%

Financial Services represented 51.5% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Ally Financial	80,249	440 S Church Street	Extension	CBD	Financial Services
Troutman Sanders LLP	39,880	301 S College Street	Expansion	CBD	Legal Services
Maestro Health	31,475	2401 Sardis Road N	New Location	East Charlotte	Financial Services
Wells Fargo	28,488	7207 IBM Drive	New Location	University / Northeast	Financial Services
Colliers International	25,000	2550 W Tyvola Road	New Location	West	Real Estate
General Services Administration (GSA)	16,122	121 W Trade Street	New Location	CBD	Government
Collet & Associates	15,888	1111 Metropolitan Avenue	Expansion	Randolph Rd / Cotswold	Real Estate
Integreon	14,428	200 Regency Executive Park Dr	New	West	Professional Services
James Scott Farrin	10,581	301 S McDowell Street	New Location	CBD	Legal Services
ColeJenest & Stone	10,220	200 S Tryon Street	Renewal	CBD	Professional Services

Source Savills Research

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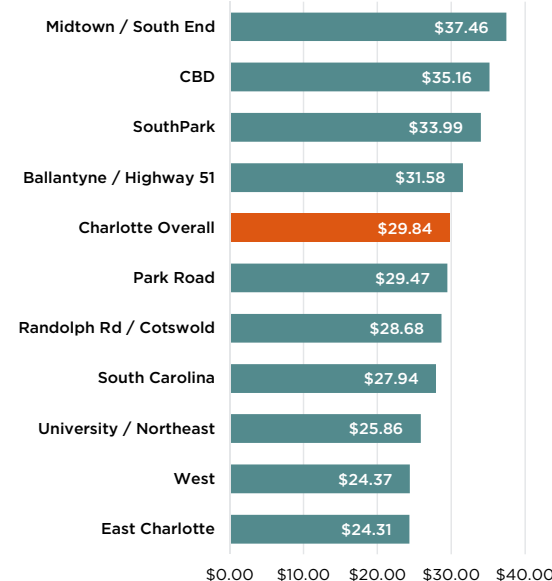
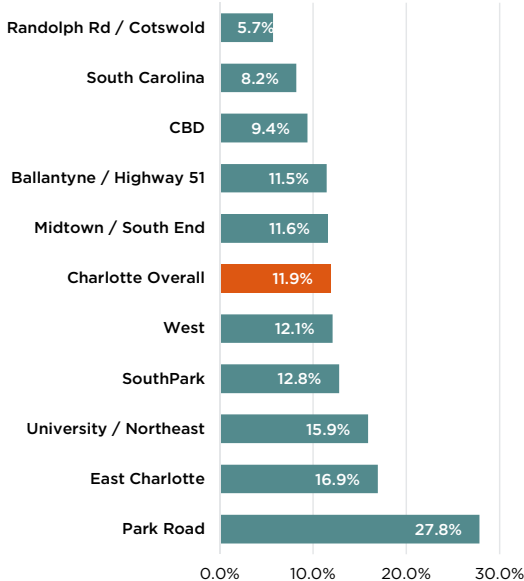
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AVAILABILITY RATE COMPARISON

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 (psf). 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.

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