

Sublease supply surges – up over 25% from Q4 – pushing availability up to record high rate

In Q1, Charlotte's overall availability hit the highest rate on record at 16.1%, up 420 basis points year over year. The jump in availability was bolstered by the 1.9 million square feet (msf) of sublease space on the market. This is the most sublease space that Charlotte has had on record and is a significant increase from the 1.4 msf seen a quarter prior. Tenants active in the market will find plentiful options and discounted sublet space competing heavily with direct space. Tenants are taking advantage of current circumstances with several sizeable leases completed, Chicago Mortgage Solutions LLC subleased 44,269 sf at LakePointe Corporate Center, Grant Thornton LLP downsized from 56,000 sf and relocated to the new Vantage South End West Tower where they took 31,600 sf and Child Care Resources signed on for 21,038 sf at 200 Regency Executive Park Drive.

Leasing activity still down, yet rental rates seemingly rise and are not reflective of the weakened market

Just 371,831 square feet (sf) were leased in the first quarter, down 57.4% year over year and up 1.3% over the quarter. Many transactions that were active prior to the pandemic, that were put on hold, are now resurfacing. However, it will take several quarters for significant demand shifts to be seen. Even with demand tight, asking rents saw a moderate increase of 2.7 % year over year to \$30.66 per square foot (psf). This is due to landlords hoping to keep building valuations high and choosing to offer other incentives rather than reprice their listings, as well as confidence in Charlotte's market to make it through the tail-end of the pandemic in better shape than many office markets. If sublease supply remains elevated, over time landlords may need to reduce asking rents in order to keep tenants from changing their focus to the financially friendly alternative.

Large number of developments still in the works, adaptive reuse account for a big portion of them

With about 4.6 msf of development in the pipeline across the Charlotte market, progress on active construction projects continues as planned and leasing continues to be in line with what was seen in 2020. New developments that are still proposed will struggle to move forward until a significant pre-leasing percentage has been met, as lenders are being more reserved with dealing out loans. Developers in Charlotte are taking large bets on the adaptive reuse projects, with old warehouse and industrial parks being at the heart of these projects. Some recent successes in this category such as the booming Camp North End and the long-awaited Station West project, set to open late 2021, are a potential catalyst to the resurgence. Some notable new deliveries that hit the market in Q1 are Ally Charlotte Center (717,000 sf) in the Charlotte CBD and 13146 Ballantyne Corporate Place (328,000 sf) in the Ballantyne submarket.

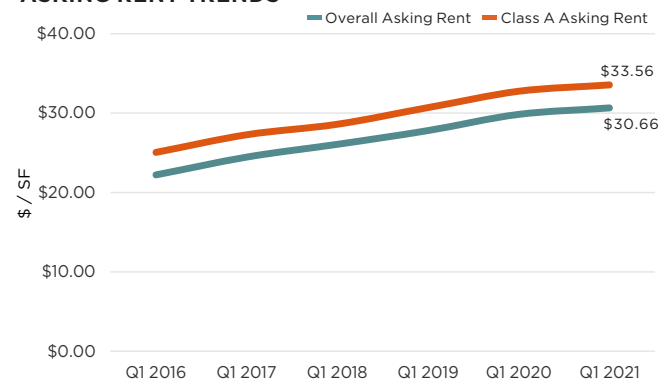
Outlook

- An abundance of opportunities are present in the market, most notably in the form of sublet space, which is offered at a discounted rate and already built-out.
- As the vaccine continues to be administered, occupiers may start to return to the office sooner than they originally reported and leasing activity may start to pick up as a result.
- Charlotte remains weakened from the pandemic's effects and the market will be tenant-favorable for the near- to mid-term.

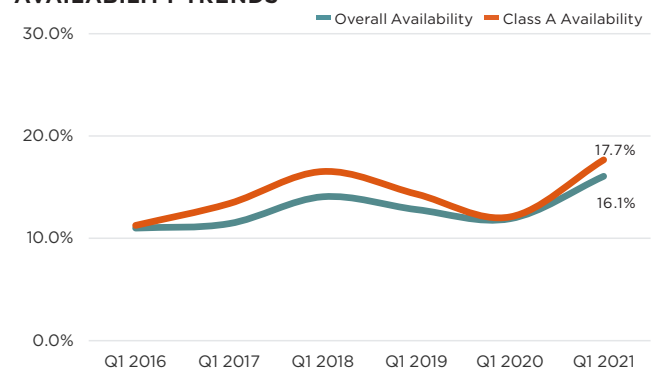
KEY STATISTICS

	Q1 2020	Q1 2021	y-o-y Change
Inventory	64.4 MSF	65.3 MSF	▲
Availability Rate	11.9%	16.1%	▲
Asking Rental Rate	\$29.84	\$30.66	▲
Class A Asking Rental Rate	\$32.76	\$33.56	▲
Quarterly Leasing Activity	0.9 MSF	0.4 MSF	▼

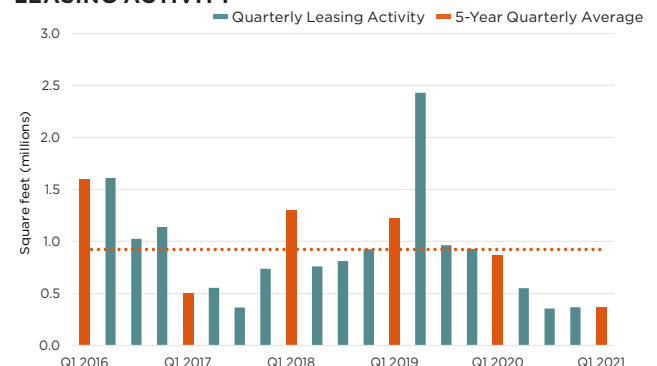
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

54.5%

of major transactions were **new locations** by square footage

56.2%

of large transactions occurred in the **West** submarket by square footage

34.7%

Financial services sector tenants represented 34.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Chicago Mortgage Solutions LLC	44,269	3730 Glen Lake Drive	New Location	West	Financial Services
Grant Thornton LLP	31,600	1415 Vantage Park Drive	Relocation	Midtown/ South End	Professional Services
Child Care Resources, Inc.	21,038	200 Regency Executive Park Drive	New Location	West	Education
Sherwin-Williams	17,000	721 Jetton Street	Renewal	University / Northeast	Retail
Advanced Barrier Extrusions (ABX)	14,363	3525 Whitehall Park Drive	Relocation	West	Manufacturing
Humana	11,533	8520 Cliff Cameron Drive	New Location	University / Northeast	Financial Services
Vesuvius, plc.	10,692	5510 77 Center Drive	New Location	West	Construction
ColeJenest & Stone	10,220	200 S Tryon Street	Renewal	CBD	Construction

Source Savills Research

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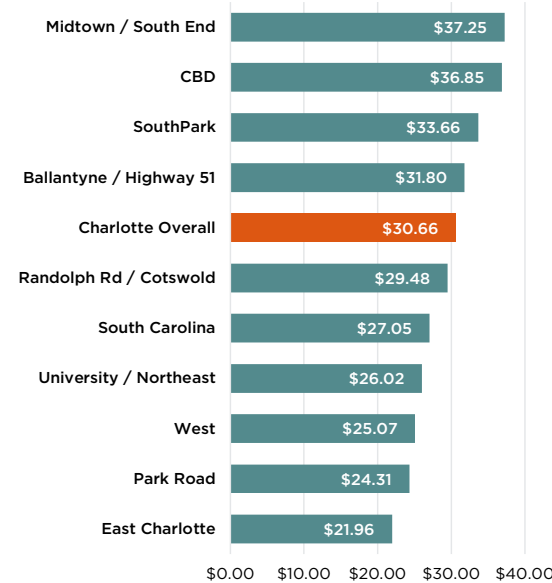
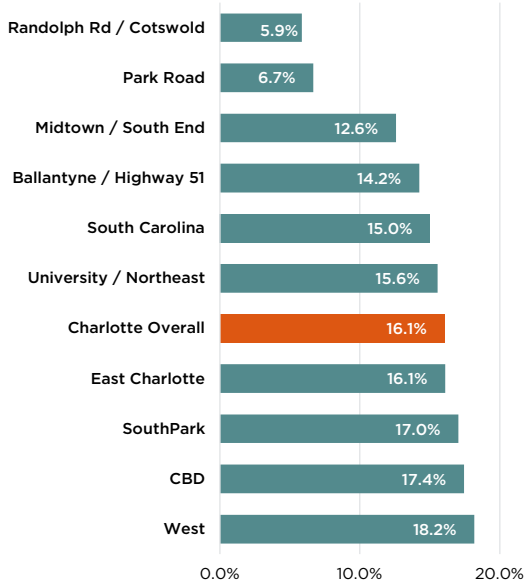
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AVAILABILITY RATE COMPARISON

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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