



Initial economic impacts of COVID-19 come to fruition, but Charlotte showing some signs of resiliency

The first quarter of 2020 was fueled by residual activity and market optimism from 2019. In comparison, the second quarter, which was bookended by the economic impacts of COVID-19, showed dramatically less real estate activity. The quarter's leasing volume fell during to just 551,302 square feet (sf) down 36.8% from last quarter and a staggering 77.3% year over year. The steep decline in leasing is reflective of a slowdown in occupier demand as businesses re-evaluate workforce, capital and space needs. Many that can put real estate decisions on "pause" until there is more clarity are deferring leasing at this time. Despite the overall market slowdown, major transactions including Cadwalader Wickersham & Taft (72,000 sf), Jones Lang LaSalle (41,292 sf), and Global Payments (40,390 sf).

Even amid the pandemic, Charlotte still shows city-wide infrastructure growth and investment

Regardless of the pervasive uncertainty caused by the COVID-19 crisis, Charlotte has announced several new development projects. A new transportation hub called Gateway District will be moving forward after selecting a developer to start the project. The 5.8-acre development site located in the CBD will feature an extension to the light rail that runs east to west, a bus station, and a streetcar station. The site will also contain dense mix-used development. The City of Charlotte also approved a \$42.5 million investment in infrastructure improvements associated with the expansion and redevelopment of Ballantyne Corporate Park. This comes on the heels of rezoning petition approval that allowed for 400,000 sf of additional office space and more than 300,000 sf of mixed-use development in the Ballantyne Submarket. At the end of the quarter tech-healthcare company, Centene Corporation, announced plans for a new one-million-square-foot headquarters in the University / Northeast submarket.

Availability rates rise with the slow in office demand, but this is not enough for market repricing yet

Tepid demand paired with a return of sublease space to market has resulted in a substantial increase in availability across Charlotte. Overall availability reached a high of 12.9% in Q2, 100 basis points higher than the previous quarter. Sublease availability jumped 22.2% between January and the end of the second quarter so that sublease space now totals almost 700,000 sf. Despite an influx of available space, landlords have held off on repricing and overall asking rents managed to increase 3.1% to \$30.78 per square foot (psf) in the second quarter. Rents have steadily increased for the past five years and COVID-19 has not broken this trend yet. Still, even if asking rents are holding firm occupiers will likely see more favorable concessions and flexible lease terms as the market continues to soften before any real impact to base rents.

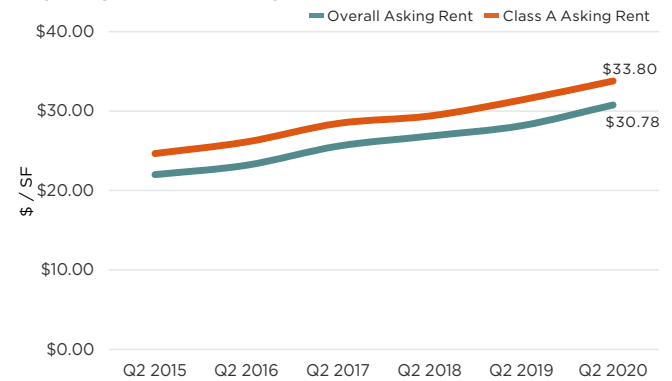
Outlook

- As large companies across the country look to branch away from a dense single-HQ-location structure, smaller metropolitan markets like Charlotte may be able to capitalize on expanding satellite corporate footprints
- Asking rents may eventually decline as landlords accept the longevity of the current crisis, however, more generous concessions including free rent, tenant improvement allowance, and term flexibility are already contributing to a highly tenant favorable environment
- New construction announcements have slowed, but with limited preleasing of the current pipeline, new completions will contribute to increasing availability

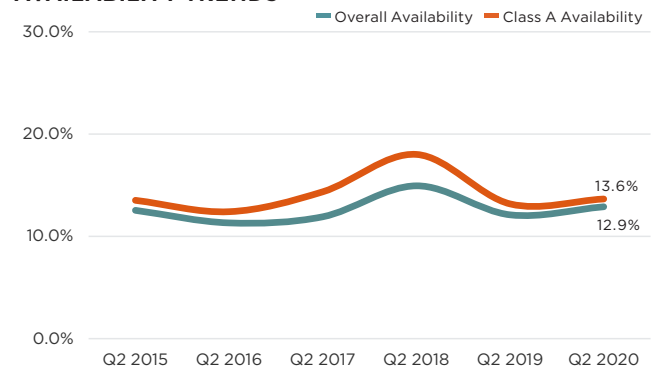
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	64.5 MSF	65.0 MSF	▲
Availability Rate	12.1%	12.9%	▲
Asking Rental Rate	\$28.15	\$30.78	▲
Class A Asking Rental Rate	\$31.40	\$33.80	▲
Quarterly Leasing Activity	2.4 MSF	0.6 MSF	▼

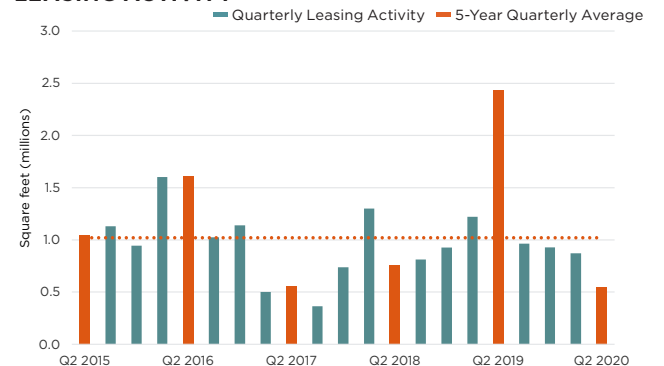
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

31.9%

of major transactions were **new locations**

40.9%

of large transactions occurred in the **CBD** submarket

24.0%

Financial Services represented 24.0% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Cadwalader Wickersham & Taft	72,000	650 S Tryon Street	Relocation	CBD	Legal Services
Jones Lang LaSalle	41,292	650 S Tryon Street	New Location	CBD	Real Estate
Global Payments	40,390	3420 Toringdon Way	Renewal	Ballantyne / Highway 51	Financial Services
Beasley Media Group LLC	33,515	1520 South Boulevard	Renewal	Midtown / South End	TAMI
Cognizant Technology Solutions Corporation	30,572	8520 Cliff Cameron Drive	Renewal	University / Northeast	TAMI
Odyssey Logistics & Technology Corp.	22,000	1916 Ayrslay Town Boulevard	New Location	West	Transportation
Willis Towers Watson	22,000	600 Forest Point Circle	New Location	West	Financial Services
Auriga Polymers Inc.	18,662	4235 S Stream Boulevard	Relocation	West	Manufacturing
Mitsubishi Chemicals	10,760	9115 Harris Corners Parkway	New Location	University / Northeast	Manufacturing
Citco	10,000	201 S College Street	Extension	CBD	Financial Services

Source Savills Research

For more information, please contact us:

Savills
227 West Trade Street
Suite 305
Charlotte, NC 28202
+1 704 831 3488

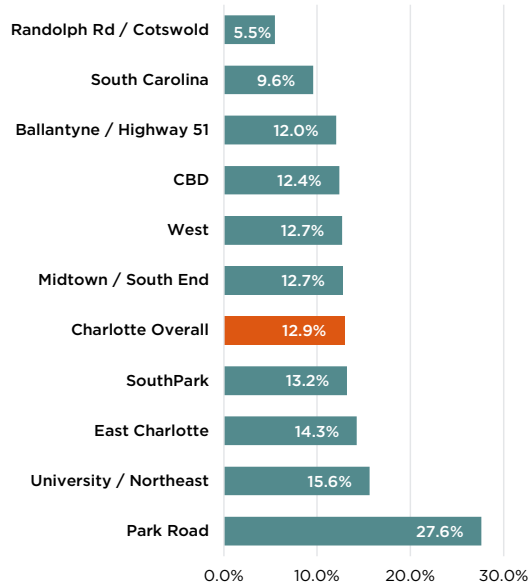
Mark Ayers
Executive Vice President
Market Leader
mayers@savills.us

About Savills Inc.
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

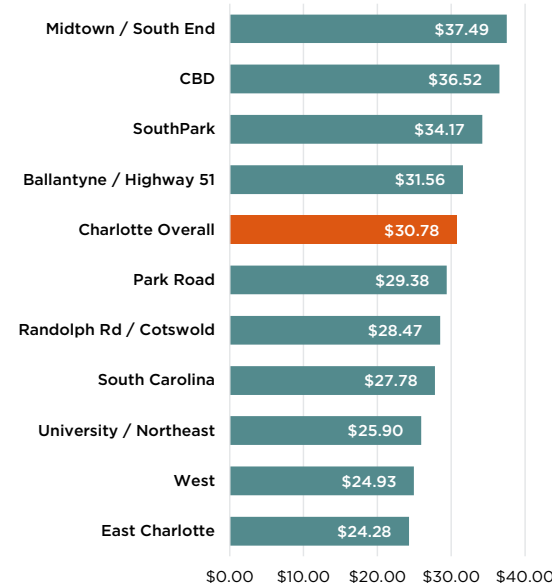
AVAILABILITY RATE COMPARISON

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.

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.

Copyright © 2020 Savills

