

Availability rates are the highest Charlotte has seen in fifteen years, creating a unique opportunity for occupiers

In Q2, Charlotte's overall availability rate hit a 15-year high of 16.6%, up 370 basis points year over year from 12.9%. Class A availabilities sit even higher at 18.3%, a sharp increase of 460 basis points over the year from 13.7%. In the Central Business District (CBD) submarket, where the highest concentration of Class A buildings is located, the overall availability rate is well above the market average at 18.2% with the Class A rate being at 19.4%. Further elevating downtown availability is 630,000 square feet (sf) of sublease space available in the CBD, the highest concentration of sublet inventory market-wide. Occupiers have ample opportunities to find prime Class A options with favorable transaction terms amongst Charlotte's increasingly soft market, which will likely continue through the end of the year.

Charlotte bolsters its Rolodex of major financial services expansions in the market

The second quarter saw Charlotte land two well-known financial services organizations with USAA and Robinhood both inking large deals that will provide future job growth. USAA expanded its U.S. operations to Charlotte by taking 93,000 sf at the newly completed, Square building, located at 200 West Boulevard in the Midtown/Southend submarket and pledging to provide 750 jobs. Trading platform Robinhood entered the region by way of a 47,797-sf lease at 650 S Tryon Street in the CBD submarket, bringing 400 jobs along with it. In Q2, a notable addition to the Charlotte skyline delivered, the 26-story, 750,000-sf, Ally Charlotte Center, anchored by its namesake – Ally Financial – which will begin a staged move in that will last well into 2022. These well-known companies' significant footholds in the market may entice additional prominent companies to enter the Charlotte market, especially in the financial services sector.

Leasing activity doubles from Q1, but rents still dipping and do not reflect the increase in demand

After four quarters of limited transaction volume, quarterly leasing volume doubled from 400,000 sf to 800,000 sf in Q2 - nearly on par with the five-year quarterly average of 900,000 sf. Leasing was significantly bolstered by sizeable transactions in the financial services industry, accounting for half of the ten largest leases. Despite increased demand it will still take time for market fundamentals to rebalance. Overall asking rents are down 1.3% year over year at \$30.38 per square foot (psf). Class A asking rents have seen a greater 2.1% dip over the year and now average \$33.10 psf.

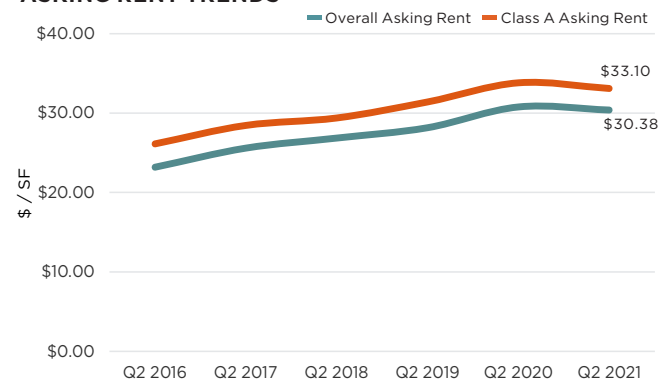
Outlook

- With availability at a record-high, occupiers in a position to sign a new lease should take advantage of the tenant-favorable market conditions
- Charlotte continues to welcome new financial services companies to the market, likely due to the region's abundant talent pool, which may catch the attention of similar organizations in the near- to mid-term
- While rental rates have fluctuated over the past year, they will more than likely begin to rise if leasing activity picks up and market dynamics begin to recover

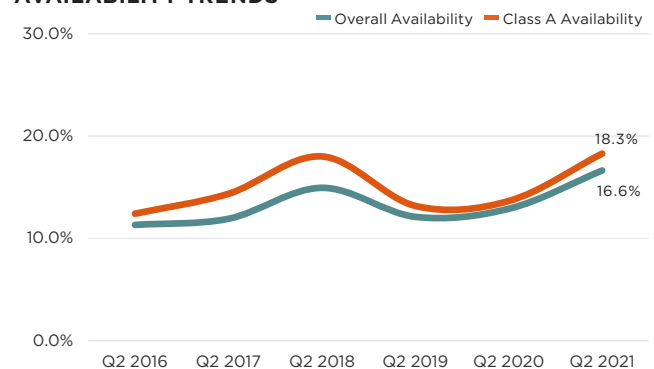
KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	64.8 MSF	64.7 MSF	▼
Availability Rate	12.9%	16.6%	▲
Asking Rental Rate	\$30.78	\$30.38	▼
Class A Asking Rental Rate	\$33.80	\$33.10	▼
Quarterly Leasing Activity	0.6 MSF	0.8 MSF	▲

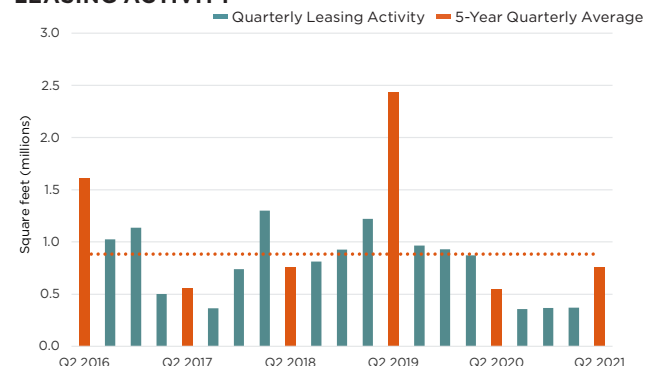
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

71.6%

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

33.8%

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

58.7%

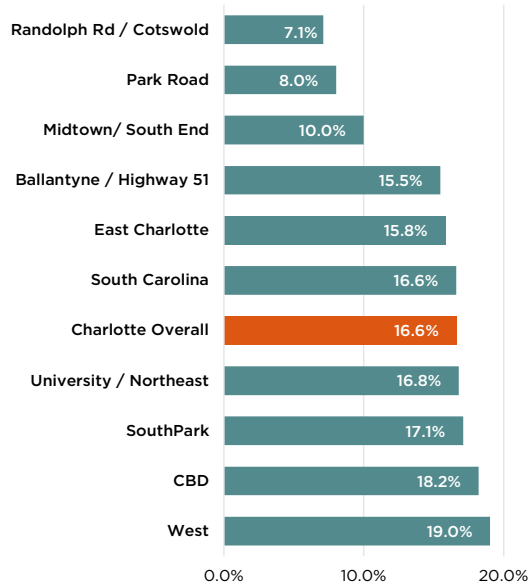
Financial services sector tenants represented 58.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
USAA	93,000	200 West Boulevard	New Location	Midtown / South End	Financial Services
Accenture	60,447	8336 Forest Point Boulevard	Renewal	West	Professional Services
Robinhood	47,797	650 S Tryon Street	New Location	CBD	Financial Services
Cardinal Financial	31,260	3701 Arco Corporate Drive	New Location	West	Financial Services
BSI Solutions, Inc	27,568	201 S Tryon Street	New Location	CBD	Professional Services
Skookum	25,150	201 S College Street	New Location	CBD	Non-profit
Cardinal Financial	24,591	3530 Toringdon Way	Relocation	Ballantyne / Highway 51	Financial Services
Service Logic	24,031	650 S Tryon Street	New Location	CBD	Manufacturing

Source Savills Research

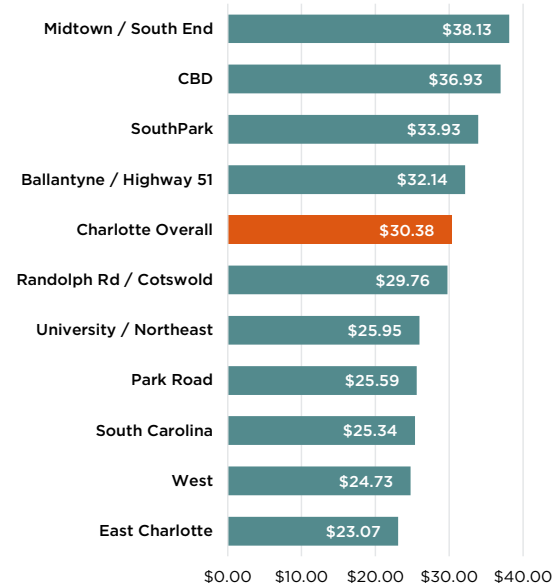
AVAILABILITY RATE COMPARISON

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 (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.

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