



Despite a substantial pause in leasing activity, Charlotte is well-positioned to weather the storm

Third-quarter leasing volume fell to 357,193 square feet (sf), down 35.2% from last quarter. A majority of the leasing activity that was seen was comprised of expansions and renewals. Although companies are still re-evaluating space needs and delaying real estate decisions, the Charlotte market has not seen a leasing activity drop as dramatic as in other markets. Tenants that have satellite locations in Charlotte are looking to expand. Charlotte is currently positioned as an attractive market due to more affordable living costs, lower dependence on public transportation, and lower population density than other metro markets. Large leases that occurred this quarter include, Retirement Clearing House (44,880 sf), Centene (37,129 sf), and Cardinal Financial (31,260 sf).

Glut of sublease additions drive availability upwards in Charlotte

The Charlotte market's overall availability rate closed the quarter at 14.5% an increase of 160 basis points over the quarter. Landlords have held firm on asking rental rates, even in the face of substantial sublease additions. Average asking rents held flat over the quarter, now at \$30.75 per square foot (psf) but are likely to decline as additional lower-priced sublease options come to market. Market conditions are expected to continue to soften through the remainder of the year as the pandemic impact drags on.

Charlotte's construction pipeline remains robust through pandemic

After a historic amount of construction and development announcements in 2019, the construction pipeline is still delivering new product. Some new projects have also been announced this quarter. Mixed-use development plans are underway at Centre South, announcing that 330,000 sf of the project will be dedicated to office (delivering 2021). Proffitt Dixon has also announced that its Optimist Park Project will include 70,000 sf of office space. Currently the Charlotte market has a little more than 6.4 million sf of office development in the pipeline. A majority of that construction is occurring in South End and the Central Business District (CBD) with 2.5 million sf and 2.0 million sf, respectively.

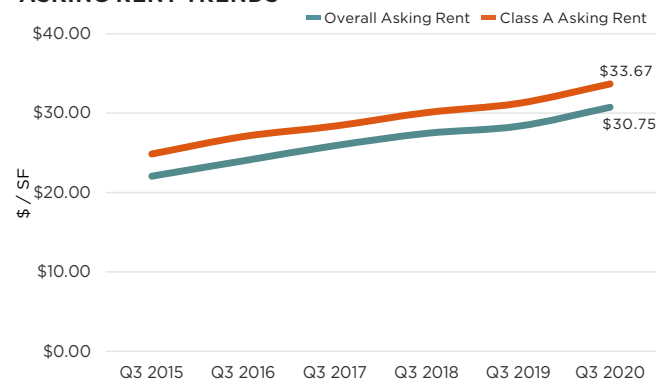
Outlook

- As the predicted movement towards suburbs comes to fruition, the Charlotte market will experience an imbalance in supply, with inner-city submarkets like the CBD surging upward in availability while outer, suburban submarkets tighten
- As deliveries continue and preleasing decreases with pandemic slowdown, the supply and demand imbalance will widen
- In the coming quarters, Charlotte will benefit from an anticipated migration to the Sunbelt as it is an alluring alternative to more expensive major markets at a time when occupiers are focused costs and quality of life

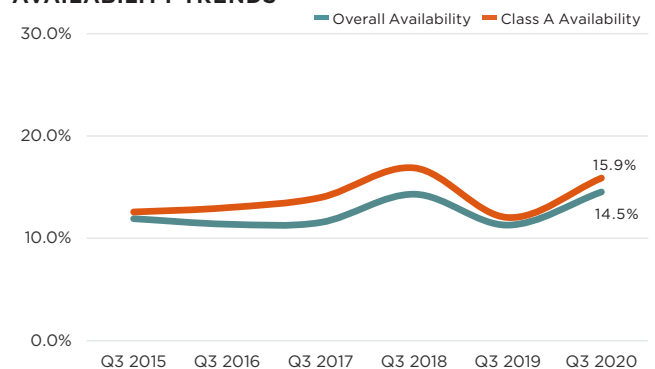
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	64.5 MSF	65.1 MSF	▲
Availability Rate	11.3%	14.5%	▲
Asking Rental Rate	\$28.35	\$30.75	▲
Class A Asking Rental Rate	\$31.24	\$33.67	▲
Quarterly Leasing Activity	1.0 MSF	0.4 MSF	▼

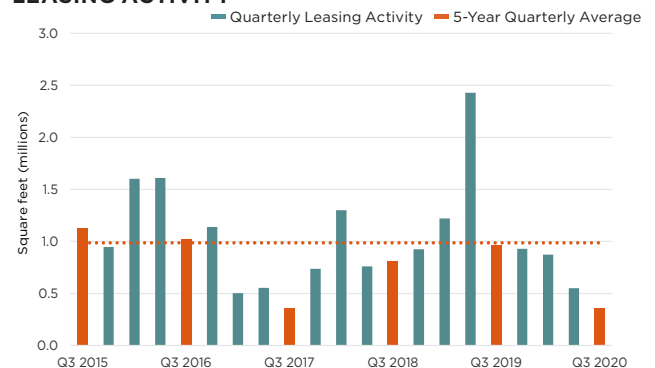
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

52.5%

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

60.6%

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

70.7%

Financial Services represented 70.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Retirement Clearing House	44,880	1916 Ayrley Town Boulevard	Relocation	West Charlotte	Financial Services
Centene	37,129	1701 N Graham Street	New Location	East Charlotte	Financial Services
Cardinal Financial	31,260	3701 Arco Corporate Drive	Renewal	West Charlotte	Financial Services
U.S. General Services Administration (GSA)	25,940	8535-8615 Cliff Cameron Drive	New Location	University / Northeast	Government
Conterra Networks	20,962	5301 77 Center Drive	New Location	West Charlotte	TAMI

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.

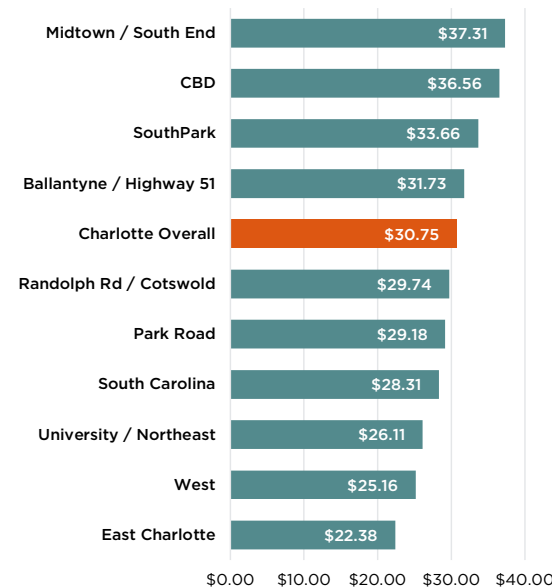
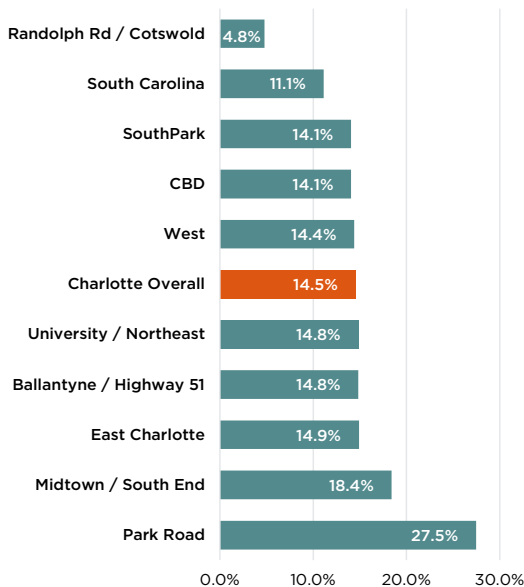
For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

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

