

## Availability continues to surge in Charlotte despite recent deliveries of pre-leased developments

The third quarter marked the seventh consecutive quarterly increase in availability, with overall availability increasing to a new peak of 17.3%. Availability has soared 560 basis points from pre-pandemic levels (11.7%) to the current high. Class A availability stayed flat at 18.3%, when compared to Q2. The Midtown/South End submarket is seeing some recovery, posting a 190-basis-point decline in availability to 9.3% at the end of Q2, further emphasizing companies' eagerness to be located near ample entertainment opportunities and amenities for their workforce to utilize. While the development pipeline remains active, it may not add significant new available space to the market with a majority of current developments delivering with pre-leases attached to them.

### Leasing velocity slows some from Q2, but remains substantially higher than 2020 lows

Leasing volume slowed some moving into the third quarter with 0.7 million square feet (msf) leased across the market, but still remains well above the quarterly lows seen in 2020. The hottest submarkets included Midtown/South End (192,053 sf leased), West (177,628 sf leased), and Ballantyne/Highway 51 (172,333 sf leased). Developers remain bullish on the return of occupiers to Charlotte's once bustling financial hub with a robust construction pipeline planned. Almost 2.8 msf is under construction in the market, with 2.3 msf of that space in the Central Business District (CBD). Two of the largest transactions of the quarter came from the financial services sector – Credit Karma leased 94,588 square feet (sf) at 13146 Ballantyne Corporate Place and Moody's signed for 81,700 sf at 1422 S Tryon Street.

### Asking rents face downward pressure with availability elevated

While Charlotte remains an incredibly attractive location for companies seeking a prime talent market in the southeast, landlords are still feeling the effects of the pandemic and need to be flexible with lease terms and pricing amidst weakened market dynamics. Accordingly, overall asking rental rents continue to trend downwards, now at \$30.16 per square foot (psf). Class A asking rents have seen more stability - holding fairly flat from pre-pandemic levels given the robust trophy-quality deliveries occurring and tenant flight to quality.

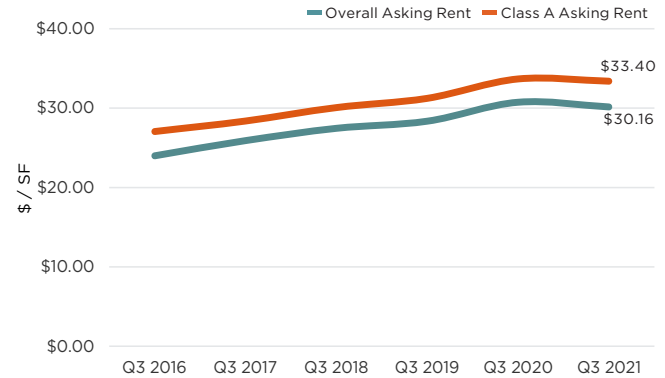
### Outlook

- The pandemic has kept asking rents depressed creating leverage for tenants in a position to sign a lease now, but not likely a window of opportunity that will remain long-term
- Major corporate relocations will continue to draw organizations to the region, particularly given the abundant space options and tenant-favorable conditions
- Charlotte's high quality of life and relatively lower cost-of-living factors make it an incredibly attractive market for top-talent

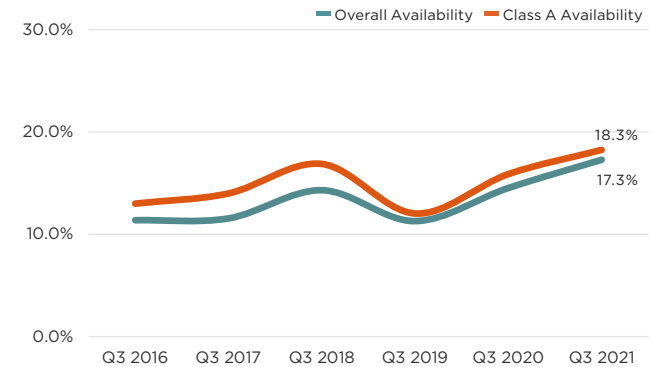
### KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	64.7 MSF	<b>65.4 MSF</b>	▲
Availability Rate	14.5%	<b>17.3%</b>	▲
Asking Rental Rate	\$30.75	<b>\$30.16</b>	▼
Class A Asking Rental Rate	\$33.67	<b>\$33.40</b>	▼
Quarterly Leasing Activity	0.4 MSF	<b>0.7 MSF</b>	▲

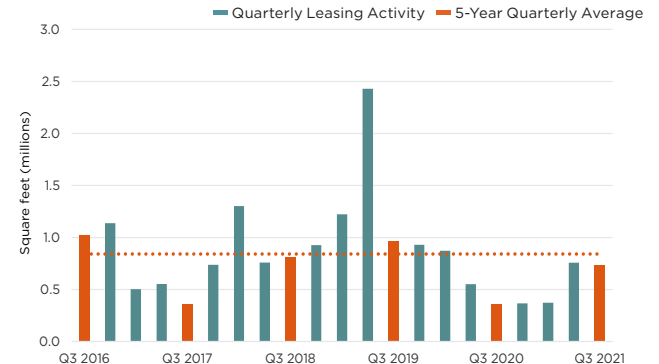
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

7 of 10

of major transactions were new locations

38.1%

of large transactions occurred in the Ballantyne / Highway 51 submarket by square footage

60.7%

Financial services sector tenants represented 60.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Credit Karma	94,588	13146 Ballantyne Corporate Place	Relocation	Ballantyne / Highway 51	Financial Services
Moody's Investor Services	81,700	1422 S Tryon Street	New Location	Midtown / South End	Financial Services
Dentsply Sirona	61,549	2725 Water Ridge Parkway	New Location	West	Healthcare
Sompo International	43,123	13146 Ballantyne Corporate Place	Relocation	Ballantyne / Highway 51	Financial Services
Hayward Holdings, Inc.	21,500	1415 Vantage Park Drive	New Location	Midtown/ South End	Retail
Dixon Hughes Goodman LLP	13,524	615 S College Street	New Location	CBD	Legal Services
Regus	12,651	10130 Perimeter Parkway	New Location	University / Northeast	Coworking
ADW Architects	11,306	2810 Coliseum Centre Drive	New Location	West	Architecture
Brown and Caldwell	11,002	309 E Morehead Street	Renewal	Midtown / South End	Construction
Stanley Martin Homes	10,685	820 Forest Point Circle	New Location	West	Real Estate

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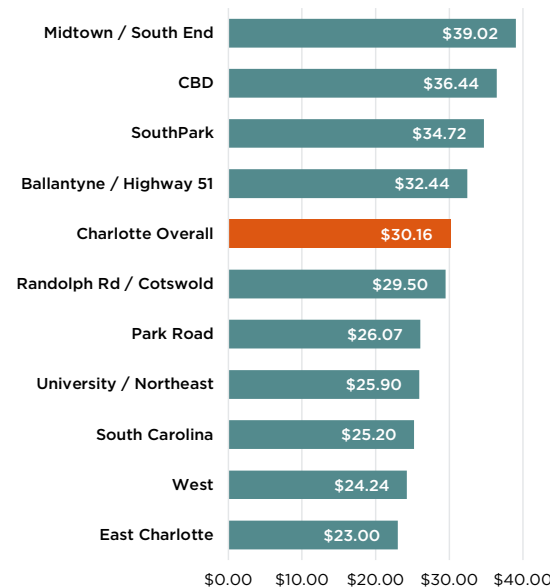
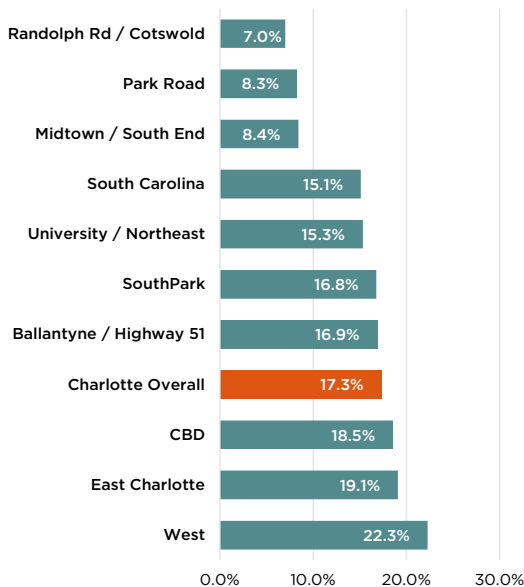
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AVAILABILITY RATE COMPARISON

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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