

Leasing volume down at year-end due to rise in uncertainty from Omicron variant

With the surge of Covid-19 at year-end 2021, the Charlotte office market saw a slowdown in leasing activity compared to the uptick seen in both Q3 and Q2. Just 550,868 square feet (sf) was leased in Q4, a significant drop from the 734,074 sf seen the quarter prior. Even though leasing activity was down in Q4, there was enough momentum to make a small decrease in overall availability. Charlotte availability dropped from 17.3% in Q3 to 16.9% in Q4. Even with the decrease in availability, it is still significantly higher than Q4 2020 at 15.3% and it will take time and a significant increase in leasing activity to return availability to pre-pandemic levels.

Charlotte asking rental rates continue to hold firm throughout 2021

With national and global companies continuing to relocate to Charlotte, landlords and developers remain bullish on the office market. Asking rental rates for Charlotte saw a slight decrease throughout 2021 from \$30.61 per square foot (psf) in Q4 2020, to \$30.47 psf in Q4 2021. For Class A office space in Charlotte, asking rental rates saw a smaller decrease from \$33.51 psf in Q3 2021 to \$33.42 psf in Q4 2021. The strongest and most sought-after submarket in Charlotte, Midtown/South End, has seen newly delivered high-end projects which have caused average Class A rental rates to increase to \$39.80 psf, up from \$39.08 psf year-over-year.

Despite leasing slowdown at year-end, Charlotte remains a booming economy with a recovering office market

Construction activity remained high with over 4.9 million square feet (msf) under construction market-wide. Of this amount, 3.4 msf is in the CBD and Midtown/South End submarkets. Larger projects expected to deliver in 2022 include the 287,631-sf Vantage South End – East Tower and the 1.0 msf Duke Energy Plaza Tower, the latter of which is fully pre-leased to Duke Energy. Once all these projects deliver, availability rates will likely flatten and decrease as these new projects get leased. With so much flight to quality, these new projects will be in high demand as growing companies look to lease in brand-new fully amenitized office buildings.

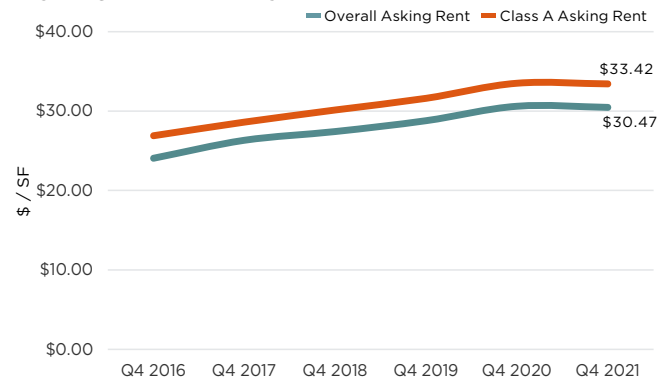
Outlook

- Charlotte's robust development pipeline is a bullish sign of higher office space demand in both the short- and long-term
- Charlotte's strong underlying market fundamentals means that tenant-favorable conditions could be short-lived, especially if leasing activity returns to pre-pandemic levels
- Expect 2022 to see more companies from outside the market to become active in the market as corporate relocations could be accelerating again

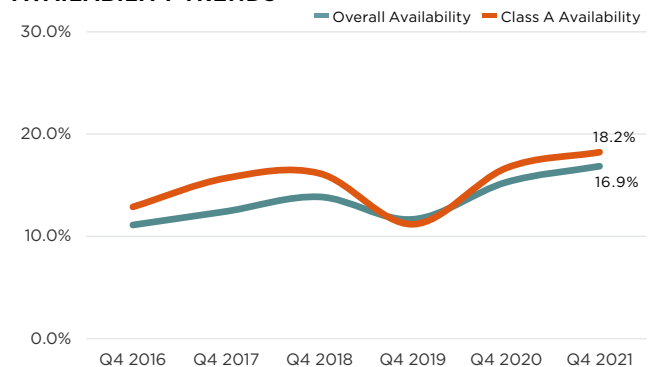
KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	64.7 MSF	65.5 MSF	▲
Availability Rate	15.3%	16.9%	▲
Asking Rental Rate	\$30.61	\$30.47	▼
Class A Asking Rental Rate	\$33.51	\$33.42	▼
Quarterly Leasing Activity	0.4 MSF	0.6 MSF	▲

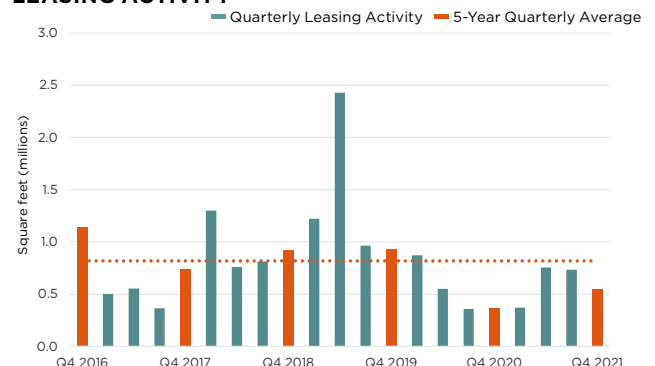
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

69.3%

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

30.7%

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

90.6%

Financial services sector tenants represented 90.6% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Wells Fargo	58,809	301 S College Street	Renewal	CBD	Financial Services
OneMain Financial	55,000	605 Munn Road	New Location	South Carolina	Financial Services
Allspring Global Investments	32,227	1415 Vantage Park Drive	New Location	Midtown / South End	Financial Services
Lending Tree	27,825	8215 Forest Point Boulevard	New Location	West	Financial Services
Hedrick Gardner Kincheloe & Garofalo, LLP	17,986	4201 Congress Street	New Location	SouthPark	Legal Services

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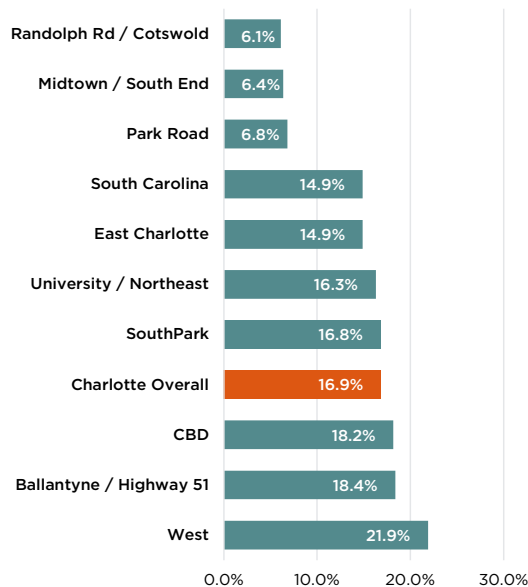
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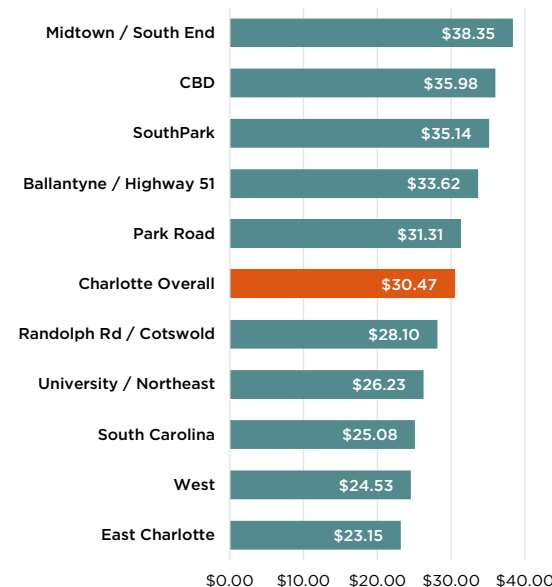
AVAILABILITY RATE COMPARISON

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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