

Asking rents increase over the year, particularly in the CBD

The overall average asking rent in Charlotte ended the second quarter of 2019 at \$28.06 per square foot (psf), up 4.4% compared to one year ago. Class A asking rents followed a similar trend, increasing 5.1% over the same period, to \$31.16 psf. Rents ranged from a low of \$21.96 psf in the South Carolina submarket, to \$33.99 psf in Central Business District (CBD). The CBD, the largest submarket in terms of office inventory, registered a year-over-year increase of 7.4% in Class A rents corresponding to a significant drop in available options over the same period.

Uptick in activity is driving Class A availability rates down

In the second quarter of 2019, overall and Class A availability rates in the Charlotte market declined year over year by 290 and 500 basis points, to 12.3% and 13.5%, respectively. Overall availabilities range from just 5.2% in the South Carolina submarket and 7.5% in Randolph Road/Cotswold to 15.7% in University/Northeast and 15.9% in the West submarket. All submarkets saw Class A availability rates decline year-over-year, with the most tightening seen in Charlotte's CBD (currently at 13.5% available). As tenants continue to seek out high-quality, well-located spaces, options in this market may become scarce.

Leasing sees strongest quarter in five years, tenants flock to new construction

Total second-quarter leasing activity stood at 2.2 million square feet (msf), the strongest seen in the past five years. The majority of large-tenant activity was comprised of new market entrants or relocations as tenants are eager to make a move and new construction is a top choice. Home improvement retailer, Lowe's, will open a new 2,000-person, 375,000-sf tech hub at 100 W. Worthington Avenue in the Midtown/South End submarket. Honeywell International announced that it will relocate its global headquarters to Charlotte taking 280,000 sf at 700 S. Mint Street in the CBD which is expected to deliver in 2021. Meanwhile, LendingTree is shifting its headquarters from the Ballantyne submarket to the more centrally-located South End submarket, taking 175,000 sf at 1200 S. Tryon Street, one of two 11-story towers Spectrum is building in the Midtown /South End submarket. These are just a few among many organizations looking to relocate near abundant amenities such as the light rail to attract workers in a competitive labor environment.

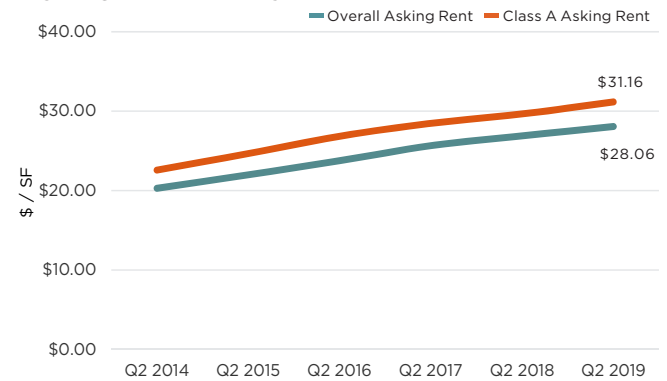
Outlook

- With an ongoing demand for new and top-tier space, options in the market may become more challenging to find - particularly for larger tenants
- Corporate headquarters continue to relocate to the region for the attractive business climate, amenities and access to a talented workforce
- Charlotte MSA employment is projected to grow by 2.1% per year over the next five years, resulting in an aggregate of 125,000 new jobs through the first quarter of 2024

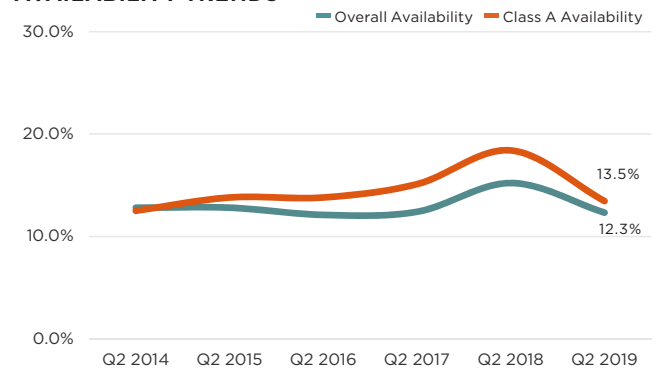
KEY STATISTICS

	Q2 2018	Q2 2019	y-o-y Change
Inventory	63.4 MSF	63.4 MSF	◀▶
Availability Rate	15.2%	12.3%	▼
Asking Rental Rate	\$26.89	\$28.06	▲
Class A Asking Rental Rate	\$29.65	\$31.16	▲
Quarterly Leasing Activity	0.7 MSF	2.2 MSF	▲

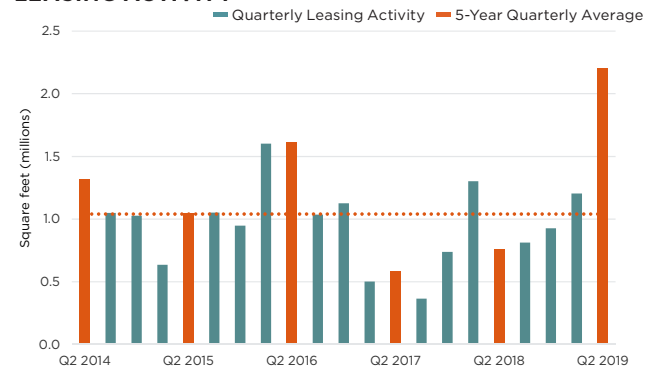
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

All

major transactions were **new market entrants or relocations**

60.1%

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

40.6%

Financial services represented 40.6% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Truist	510,000	214 N Tryon Street	New Location	CBD	Financial Services
Lowie's	375,000	100 W Worthington Avenue	New Location	Midtown/South End	Retail
Honeywell International Inc	280,000	700 S Mint Street	New Location	CBD	Manufacturing
LendingTree	175,000	1200 S Tryon Street	Relocation	Midtown/South End	Financial Services
WeWork	141,000	128 S Tryon Street	New Location	CBD	Coworking
Parker Poe	83,859	620 S Tryon Street	Relocation	CBD	Legal Services
NN, Inc.	53,580	6325 Ardrey Kell Road	Relocation	East Charlotte	Manufacturing
Remi	26,181	11325 N Community House Road	Relocation	Ballantyne/Highway 51	Professional Services
VentureX	24,385	3540 Toringdon Way	New Location	Ballantyne/Highway 51	Coworking
Paychex	18,529	8701 Red Oak Boulevard	Relocation	West	Professional 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

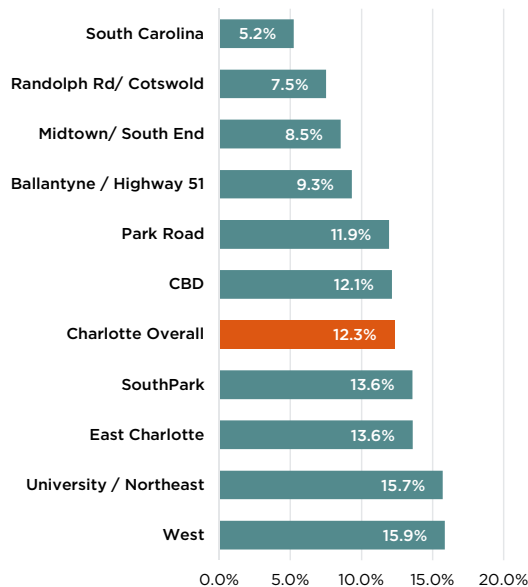
About Savills Inc.

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.

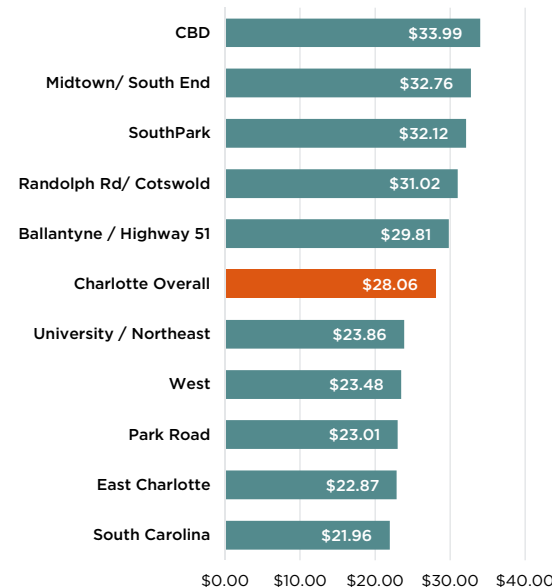
AVAILABILITY RATE COMPARISON

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 © 2019 Savills

