

Office leasing continues to revive as transaction volume hints at a return to pre-pandemic levels

The office market in Charlotte continues to show signs of recovery as the number of leases and size of leases have escalated. With 130 leases signed in Q1 2022, 907,540 square feet (sf) was leased. That is nearly double the total square footage leased from last quarter (550,868 sf) and the highest amount leased in two years. This provides an optimistic outlook for the return of the workforce and the demand for space. According to the most recent report from the U.S Bureau of Labor Statistics, Charlotte's unemployment rate dropped from 5.8% in Q1 2021 to now only 3.8%. As many companies plan for how they will work post-pandemic, building amenities and a focus on health and wellness have become a high priority as everyone navigates return-to-office plans.

Asking rents trend upward reaching new record-high rates for tenants in the Queen City

Charlotte remains an astonishingly attractive location for companies seeking prime talent in the southeast, which has caused landlords and developers to remain bullish on the Class A office market. The Q1 2022 overall average asking rental rate increased 2.6% year over year and 3.2% quarter over quarter to \$31.45 per square foot (psf). Newly delivered high-end projects in the strongest and most sought-after submarkets in Charlotte, Midtown/South End, have seen average Class A rental rates increase to \$40.93 psf, up from \$39.07 psf year-over-year.

Charlotte's increase in availability is due to new construction projects as developers remain bullish about the local economy

In Q1 2022, the market's overall availability rate increased to 18.6% as developers continue to break ground on new speculative office projects around the region. This was up 170 basis points (bps) from 16.9% reported last quarter, as well as up 250 bps from 16.1% reported a year ago. Three of the top ten leases signed this quarter are in the new Vantage South End East Tower, one of six large office developments delivering shortly in South End.

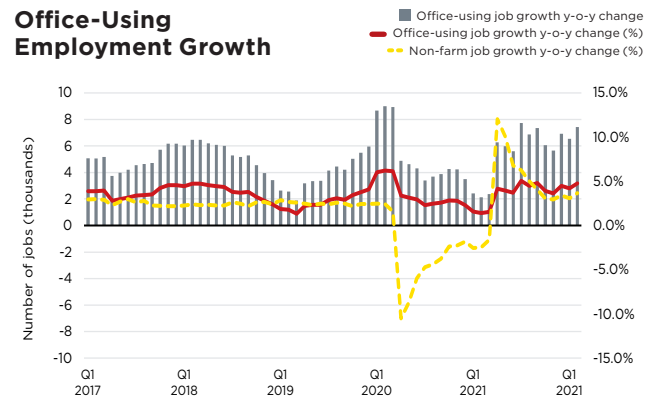
Outlook

- The Covid pandemic appears to be approaching an end, allowing businesses to return to the office for in-person or hybrid work schedules, led by large financial corporations headquartered in Charlotte
- Occupiers continue to relocate to the Midtown/South End submarket right outside the Charlotte CBD; a sign that businesses are trying to attract a younger workforce by shifting their offices to submarkets with newer and more interesting amenities
- Savills predicts major corporate relocations to accelerate as more companies from outside of the market are attracted to Charlotte's lower cost of living and well-educated talent pool

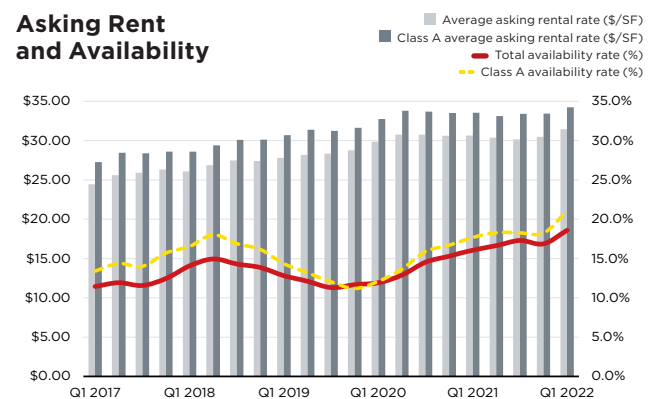
Key Statistics

	Q1 2021	Q1 2022	Y-o-Y Change
Inventory	65.2 MSF	66.0 MSF	▲
Availability Rate	16.1%	18.6%	▲
Asking Rental Rate	\$30.66	\$31.45	▲
Class A Asking Rental Rate	\$33.56	\$34.22	▲
Quarterly Leasing Activity	0.4 MSF	0.9 MSF	▲
Available Sublease Space	1.9 MSF	2.6 MSF	▲

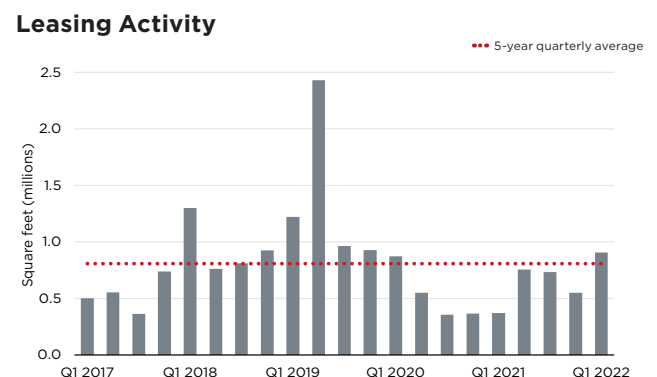
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.8%

Charlotte MSA unemployment rate (as of Feb. 2022)

4.8%

Office-using employment growth year-over-year (as of Feb. 2022)

1.1 msf

Office space currently under construction

Top Transactions

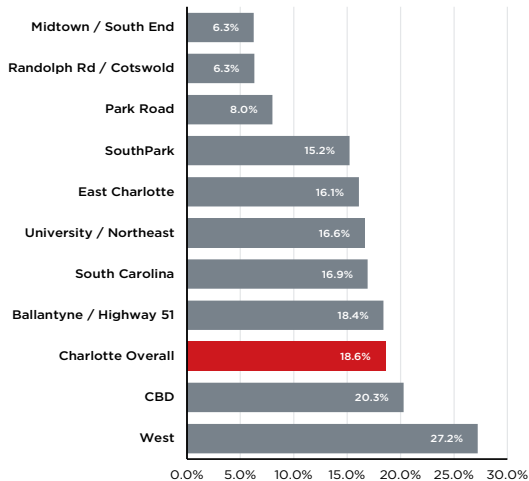
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Credit Karma	63,256	13146 Ballantyne Corporate Place	New Location	Ballantyne / Highway 51	Financial Services
Guided Solutions	62,123	7910 Microsoft Way	New Location	West	TAMI
Baldwin Risk Partners	61,099	7910 Microsoft Way	New Location	West	Financial Services
Alston & Bird	55,312	1120 S Tryon Street	New Location	Midtown / South End	Legal Services
Ingersol Rand	54,000	525 Harbour Place Drive	New Location	University / Northeast	Manufacturing
AmWIns	35,172	2550 W Tyvola Road	New Location	West	Financial Services
AAA	28,740	3426 Toringdon Way	New Location	Ballantyne / Highway 51	Healthcare
Brightspeed	27,443	1120 S Tryon Street	New Location	Midtown / South End	TAMI
Armstrong Transport Group	27,172	1120 S Tryon Street	New Location	Midtown / South End	TAMI
Guided Insurance Solutions LLC	26,267	2815 Coliseum Centre Drive	New Location	West	Financial Services

*Sublease

Source: Savills Research

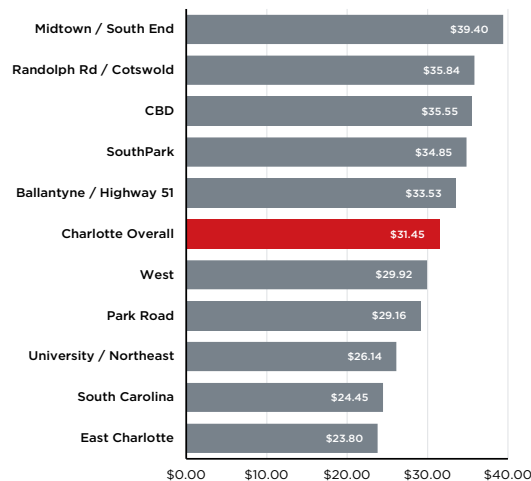
Availability Rate Comparison (%)

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. 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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