

Q1 2020 Ended with Significant Market Disruption Due to COVID-19; Record Sales & Low Vacancy Likely Peaked this Quarter

Key Takeaways

- > Q1 2020 kicked off with a string of new office developments being announced as continued renovations to current office buildings throughout the Charlotte market. One of the proposed office developments of note was Stiles Corporation's and Shorenstein Properties' 23-story, 370,000 square foot office tower.
- > Beacon Partners recently announced it would double the projected size of their new mixed used development at LoSo Station to over 1 Million square feet of office and retail space. Beacon plans to begin the development by breaking ground on a 5-story, 80,000 square foot office building in Q1 2021.
- > Currently there is still a large amount of office buildings under construction across Charlotte, totaling 5.3 Million square feet, most of which remain in the Urban markets such as CBD, South End and Midtown.
- > On the last day of Q1 2020, a new single building sale record was set by Truist Financial Corporation's acquisition of Truist Center located at 214 N. Tryon Street in Charlotte's CBD for \$455.5 Million or \$472 per square foot. Truist will occupy 561,000 square feet of the 47-story building.
- > After a strong performance in Q4 2019, leasing activity slowed significantly in late Q1 2020 due to the impacts of COVID-19. We expect the pandemic impacts to continue to negatively impact the market throughout at least the next quarter - the depth of the impact will depend on how soon everyone can get back out and actively use real estate again to generate revenue.

Market Indicators

Relative to prior period	Charlotte Q1 2020	Charlotte Q2 2020*
VACANCY	↑	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↓	↔
RENTAL RATE	↑	↑

Note: Construction is the change in Under Construction.
*Projected

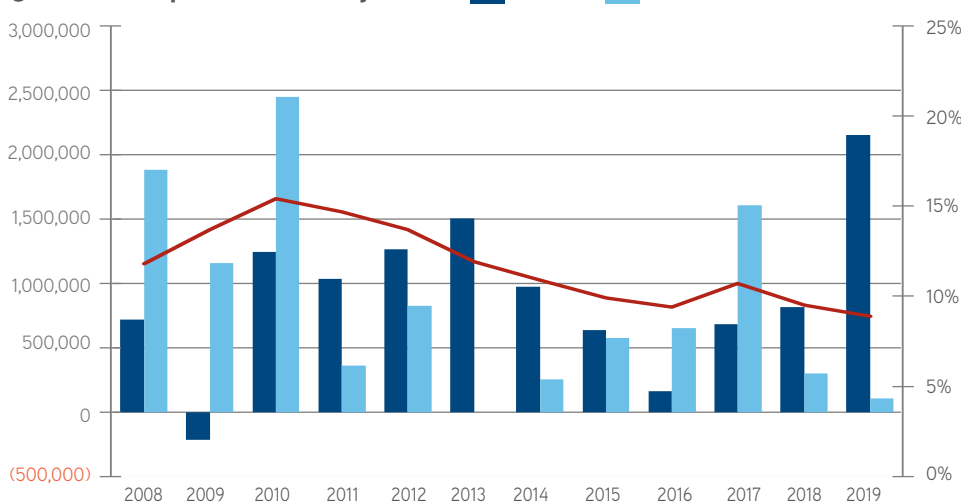
Summary Statistics

Q1 2020 Charlotte Office Market	Overall	Class A
Vacancy Rate	8.4%	8.6%
Absorption	156,627 SF	518,244 SF
New Construction	-	-
Under Construction	5,347,960 SF	4,831,988 SF

Asking Rents

Per Square Foot Per Year	Downtown	Suburban
Downtown	\$36.13 PSF	\$39.71 PSF
Suburban	\$28.89 PSF	\$32.79 PSF

Regional Absorption & Vacancy Rates



A Note Regarding COVID-19

As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate. The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' COVID-19 Knowledge Leader page for resources and recent updates.

LEASES – Q1 2020

TENANT	PROPERTY NAME	SUBMARKET	SIZE	TYPE
Vanguard Financial	Ten Water Ridge	Airport	220,000 SF	Lease Renewal
Colliers International	Coliseum Centre 3	Airport	25,000 SF	New Lease
GSA	121 W. Trade	CBD	16,122 SF	New Lease
Collett & Associates	Metropolitan Plaza	Midtown	15,888 SF	New Lease
James Scott Farrin	301 Midtown	Midtown	10,589 SF	New Lease
Fusion	Toringdon 7	Hwy. 51/Ballantyne	9,561 SF	New Lease
Leidos	Toringdon 7	Hwy. 51/Ballantyne	8,610 SF	New Lease
Clear Blue	BB&T Center	CBD	8,590 SF	New Lease
Energy Solutions	121 W. Trade	CBD	7,962 SF	Expansion
Angel Oak Home Loans, LLC	Park Abbey Building	Park Road	6,107 SF	New Sublease

UNDER CONSTRUCTION - Q1 2020



FOUNDATION SUPPLY
North | 133,000 SF | Speculative
Delivery Q3 2020

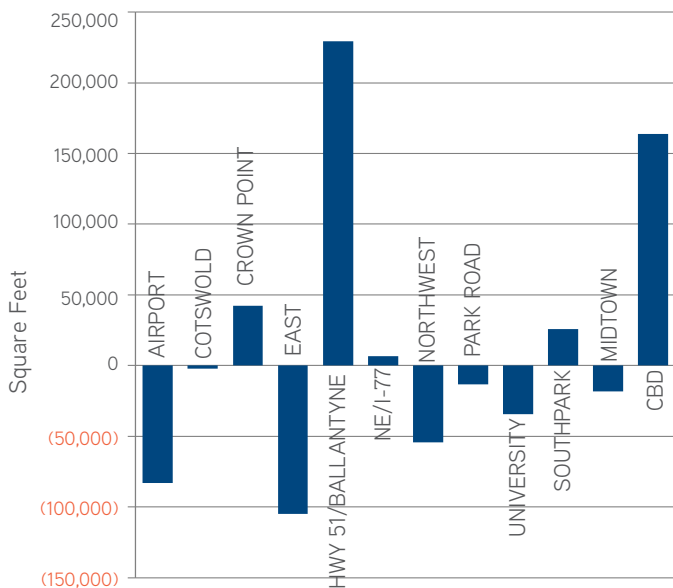


THE SQUARE
Southend | 150,000 SF | Speculative
Delivery Q4 2020

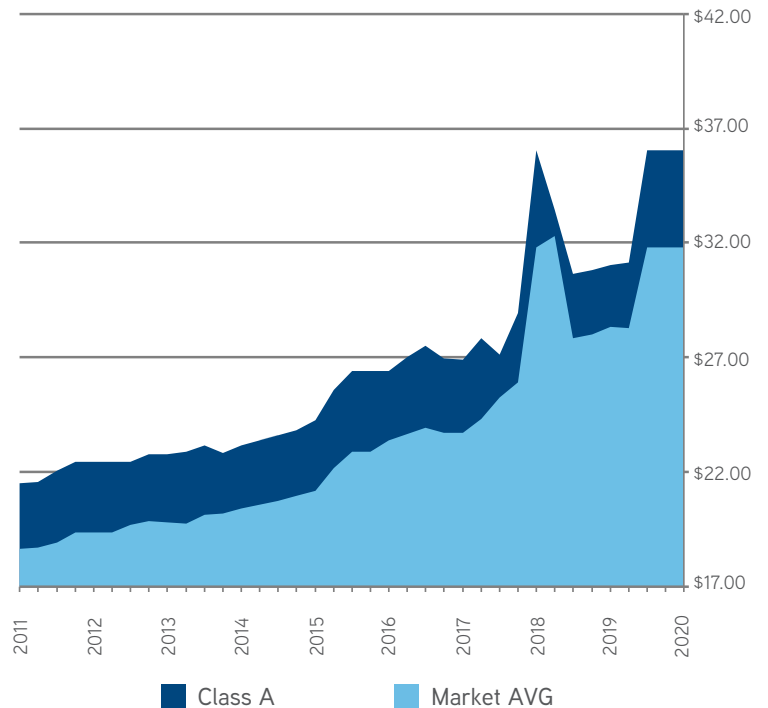


2151 HAWKINS STREET
Southend | 275,000 SF | Speculative
Delivery Q3 2021

1ST QUARTER 2020 | NET ABSORPTION BY SUBMARKET



1ST QUARTER 2020 | CHARLOTTE RENTAL RATES



CHARLOTTE - OFFICE MARKET

SUBMARKET	BLDGS	TOTAL INVENTORY SQ FT	TOTAL VACANT SQ FT	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	NET NEW SUPPLY CURRENT QTR SF	NET NEW SUPPLY YTD SF	UNDER CONSTRUCTION SQ FT	AVG RENTAL RATE
URBAN											
CBD	92	22,866,728	1,425,770	6.2%	6.6%	163,784	163,784	-	-	2,745,915	\$32.15
MIDTOWN	238	8,862,174	1,421,164	5.6%	5.9%	(18,386)	(18,386)	-	-	1,780,144	\$32.26
TOTAL	330	31,728,902	2,846,934	6.2%	6.4%	145,398	145,398	-	-	4,526,059	\$36.13
SUBURBAN											
AIRPORT	205	13,364,197	1,621,764	12.1%	11.8%	(83,260)	(83,260)	-	-	33,200	\$25.59
COTSWOLD	11	383,951	8,501	2.2%	1.6%	(2,205)	(2,205)	-	-	-	\$32.97
CROWNPOINT	78	2,253,778	303,343	13.5%	14.4%	42,089	42,089	-	-	20,000	\$24.55
EAST	57	2,340,257	270,678	11.6%	9.3%	(104,922)	(104,922)	-	-	13,000	\$21.48
HWY. 51/BALLANTYNE	169	9,061,424	788,421	8.7%	11.1%	229,349	229,349	-	-	368,000	\$34.17
NORTHEAST/I-77	140	4,614,786	390,755	8.5%	8.6%	6,699	6,699	-	-	48,660	\$26.54
NORTHWEST	40	1,222,183	90,526	7.4%	2.9%	(54,516)	(54,516)	-	-	180,000	\$25.33
PARK ROAD	23	883,433	71,018	9.1%	10.5%	(13,416)	(13,416)	-	-	-	\$28.04
SOUTHPARK	61	5,397,682	428,582	7.9%	7.2%	(34,517)	(34,517)	-	-	-	\$36.50
UNIVERSITY	86	8,256,127	726,082	8.8%	9.1%	25,928	25,928	-	-	159,041	\$26.37
TOTAL	870	47,777,818	4,699,670	10.0%	10.2%	11,229	11,229	-	-	821,901	\$28.89
CHARLOTTE											
TOTAL	1,200	79,506,720	7,546,604	8.4%	8.6%	156,627	156,627	-	-	5,347,960	\$31.81

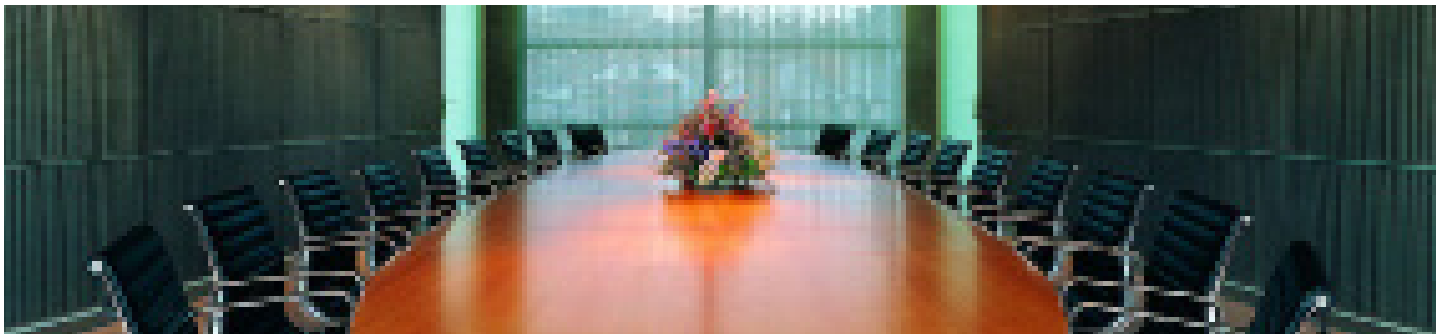


INVESTMENT SALES - OFFICE					
PROPERTY NAME	ADDRESS	TRANSACTION VALUE	RSF	PRICE PER RSF	BUYER
Truist Center	214 N. Tryon Street	\$455,500,000	966,000 SF	\$472 PSF	Truist Financial Corporation
Coliseum Centre Three, Five & Six	2550 W. Tyvola Road, 2810 Coliseum & 2815 Coliseum	\$102,000,000	511,322 SF 3 Buildings	\$199 PSF	South Street Partners Office
LakePointe Corporate Center 3 & 5	3730 & 2735 Glen Lake Drive	\$46,300,000	227,000 SF 2 Buildings	\$203 PSF	Bridge Investment Group
Latta Arcade	316 S. Tryon Street	\$7,500,000	27,867 SF	\$269 PSF	NorthPond Partners
The Commercial Building	1200 E. Morehead Street	\$6,400,000	26,130 SF	\$245 PSF	Abacus Capital Group

Investment Update

Office investment spiked dramatically during Q1 2020, totaling \$620,589,000 with a total square footage of 1,768,119 for an average price of \$350 per square foot. The major increase is mainly due to Truist's purchase of 214 N. Tryon for \$455.5 million, which was the largest Urban transaction of Q1 2020. Excluding the purchase of the newly named Truist Center, the airport submarket accounted for almost 90% of office purchases in Q1 2020, totaling \$148,300,000. To date, the market cap rate is 6.6% which is an increase from the previous quarter.

The most notable transaction suburban transaction during Q1 2020 was South Street Partner's purchase of Coliseum Centre Three, Five and Six located in the airport submarket for \$102 million for or \$199 per square foot. Another airport transaction worth mentioning is Bridge Investment Group acquiring LakePointe Corporate Center Three and Five for \$46,300,000 or \$203 per square foot.



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*In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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