MARKETBEAT

INDUSTRIAL SNAPSHOT

CHARLESTON, SC

A Cushman & Wakefield Alliance Research Publication

Q1 2013

ECONOMIC OVERVIEW

During the first quarter of 2013, the Charleston market continued to see modest growth. The defense contractor's network of companies, the area's largest employers, saw sequestration continue with cuts in the Department of Defense spending. This tempered the requirement and need for the flex warehouse product. The expected cuts were somewhat offset by growth in the warehousing sector, particularly with port container volume increasing along with construction and manufacturing. Leasing activity was steady with rental rates inching up for the first time in many years. Vacancy rates dropped to 10.6%, from the 2012 year end of 10.9%. New construction pricing, although limited in the industrial market, is seeing slight increases due to some material and labor costs on the rise. Land pricing in a few industrial parks remains stable but interest has picked up in recent weeks. Project activity has increased with our local and regional economic development organizations seeing an uptick in visitations.

DISTRIBUTION ACTIVITY

Rents fell for most in 2013 and remain tight at $4.50 per square foot (psf). This may allow for rents to rise in 2014. No new speculative warehouse construction is under way. There are two pad ready projects underway in North Pointe Industrial Park in Hanahan. One is a 395,000-square foot (sf) project on 24 acres that is scheduled to come on line in early summer. Mead Westvaco is offering a 285,000-sf facility site with land breaking to take place in late spring. Asking rates for these projects will be under $5.00 psf. Port container volume rose 11% in the first quarter of 2013 year over year. Eastport Industrial Park in Summerville saw Cowboy USA take 50,000 sf and the Charleston region continued to see Boeing expanding with a new Operations / Logistic facility near the Charleston International Airport site.

MANUFACTURING ACTIVITY

Google has invested another $600 million in Berkeley County, doubling their footprint. TIG Hitco, a local aerospace composite company, has opened their 100,000-sf facility in Palmetto Commerce Park employing 350 people. Boeing did secure another 320-acre parcel around the airport increasing their site to over 1,000 acres around the airport. Vacancy rates for manufacturing space remain stable with asking rates hovering at $5.35 psf. With relatively inexpensive land and utilities, road/rail/port infrastructure in place and a right-to-work labor environment Charleston should be a future destination for more manufacturing.

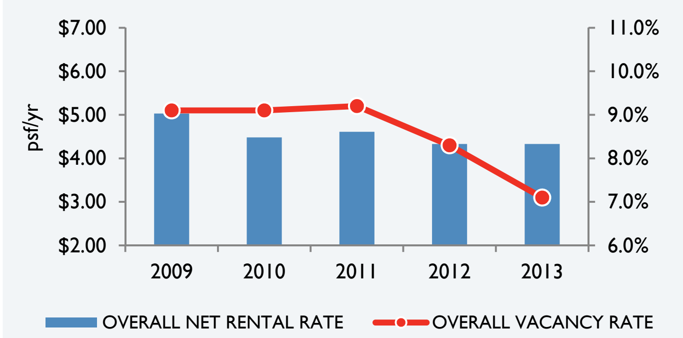
OUTLOOK

There is hope speculative development will gain some traction in late 2013 with Port traffic on the increase. Sequestration is the unknown for the defense contractor sector. Concern of SPAWAR constricting in-house may hinder improvement on the flex warehouse sector. And Boeing will continue to be a question mark until their needs become more defined. Land prices on infill sites will see an increase, particularly in the North Charleston and Clements Ferry Road area.

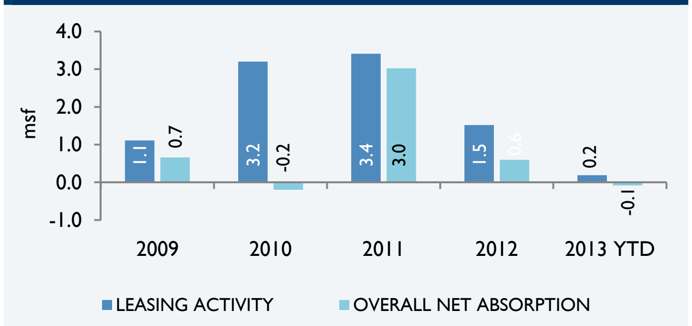
STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.7%	7.1%	-0.6pp	
Direct Asking Rents (psf/yr)	$4.46	$4.33	-2.9%	
YTD Leasing Activity (sf)	283,510	189,334	-33.2%	

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



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