

MARKETBEAT

OFFICE SNAPSHOT

CHARLESTON, SC

A Cushman & Wakefield Alliance Research Publication

Q1 2013



ECONOMIC OVERVIEW

Leasing activity has been satisfactory across all markets in all categories with the supply of class A space in downtown completely exhausted. Vacancy rates in the submarket are hovering around 2.5% and asking rates are between \$32.00 - \$35.00 per square foot (psf)/full service not including parking which adds \$3.00 - \$4.50 psf at present tariffs for class A. Developers are competing for redevelopment of existing buildings given the dearth of available sites for first-generation development. Overall, there will be continued growth in the business sector to meet the demands of growing companies as well as businesses locating to Charleston. New development will require higher rental rates which will also lead to increased rates for existing properties.

CHARLESTON PENINSULA

There has been no pause in the demand for office space in downtown Charleston during the past recession years. Given the barriers in downtown which constrain future development and supply, developers are beginning to cast their nets in the Morrison Drive area just north of the Cooper River Bridge. While rents are lower than those of the downtown center, they are approaching \$25 psf full service for value-add smaller office buildings. The prime example is 960 Morrison Drive a 26,000-square foot (sf) building located at the foot of the bridge with a \$25 psf asking price. The area has become darling of the investor market as evidenced by the recent sale of 25 Calhoun Street for \$24 million or \$370 psf.

SUBURBAN CHARLESTON

The North Charleston submarket is experiencing a solid recovery highlighted by Holder's completed spec development of 75,000-sf Faber Pointe office building in Faber Place. Office fundamentals are tightening as steady absorption has driven class A suburban vacancy near 12% in the key submarkets of North Charleston and Summerville. There should be continued tightening and some rent growth in 2013. Boeing recently committed to establish an IT Center at 3875 Faber Place in 32,000 sf of leased class A space, not far from the Boeing 787 Campus at Charleston International Airport. Boeing also just settled on a \$12.5 million purchase of 320 acres across from its 787 production complex. Speaking of high-tech, Telogical, Inc. recently signed a lease for 11,000 sf at Noisette/Navy Base in the former People Matter space.

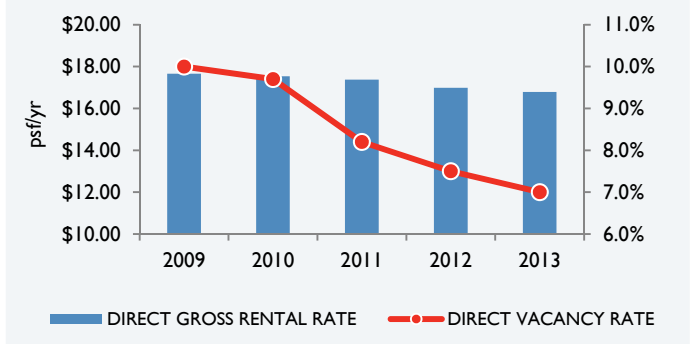
OUTLOOK

Despite some localized weaknesses, the Charleston overall office market is a vibrant market which is enjoying steady growth and an ever expanding tenant base. Properties are commanding premium prices in most markets. For the foreseeable future, sequestration will remain an issue with SPAWAR defense contractors. The Summerville area will continue to see interest with NEXTON, a MeadWestvaco/Rockefeller mixed-use development, later in 2013. Vacancy rates will continue to drop with average asking rates increasing.

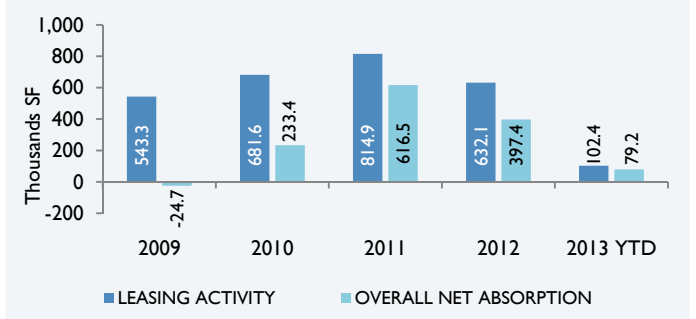
STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.2%	7.2%	-1.0pp	▼
Direct Asking Rents (psf/yr)	\$23.18	\$16.79	-1.38%	▲
YTD Leasing Activity (sf)	83,510	102,412	18.9%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



CHARLESTON, SC

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Dorchester County	1,678,917	6.7%	6.7%	7,684	1,514	0	(4,747)	(4,747)	\$13.62	\$0.00
Downtown Charleston	7,299,215	2.6%	2.4%	10,129	60,000	0	6,088	(4,647)	\$23.49	\$27.22
East Charleston County	37,783	6.6%	6.6%	0	0	0	0	0	\$15.36	\$0.00
East Islands / Mount Pleasant	3,633,613	7.4%	7.2%	22,157	0	0	35,444	35,444	\$17.97	\$21.57
Greater Charleston	4,182,616	10.1%	10.1%	20,905	0	6,018	7,320	7,230	\$17.38	\$19.49
James Island / Folly Beach	500,358	1.9%	1.9%	1,889	0	0	8,906	8,906	\$16.17	\$20.00
North Charleston	8,175,857	10.0%	9.9%	38,380	0	75,000	29,625	29,625	\$15.69	\$19.73
Outlying Berkeley County	1,230,824	9.7%	9.7%	1,268	0	0	5,629	5,629	\$11.55	\$14.48
West Charleston County	57,328	22.1%	22.1%	0	0	0	0	0	\$7.41	\$0.00
West Islands	240,960	4.0%	4.0%	0	0	0	1,800	1,800	\$12.17	\$0.00
TOTALS	27,037,471	7.3%	7.2%	102,412	61,514	81,018	89,975	79,240	\$16.96	\$21.08

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1360 Truxtun Ave	North Charleston	Telogical Inc	B	11,355
2170 Ashley Phosphate Rd	North Charleston	N/A	B	8,209
2265 Clements Ferry Rd	Greater Charleston	N/A	B	7,012
3870 Leeds Ave	North Charleston	Fastenel	B	5,000
100 Calhoun St	Downtown Charleston	N/A	A	4,147
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
741 Johnnie Dodds Blvd	East Islands/Mt Pleasant	EI CID Bravo LLC	\$1,571,500 / \$173.78	9,043
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
4105 Faber Pointe	North Charleston	N/A	Q1 2013	75,000
2287 Henry Tecklenburg Dr	Greater Charleston	Bluestein Custom Vision	Q1 2013	1,514
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
174 Meeting St	Downtown Charleston	N/A	Q2 2013	60,000
121 E 5 th North St	Dorchester County	N/A	2013	1,514