

# MARKETBEAT OFFICE SNAPSHOT

## CHARLESTON, SC

A Cushman & Wakefield Research Publication

Q2 2013



### ECONOMIC OVERVIEW

Renewed optimism is the watchword for the Charleston Metropolitan Area office market, bolstered by positive indicators from Boeing related activity and technology related transactions representing both relocation to the area and expansion within the area. The specter of sequestration has had some negative effect, but not as much as originally anticipated despite the significant presence of defense oriented companies in the marketplace. Overall vacancy rates have continued to decrease to 7.4% as inventory is being absorbed with net absorption totaling a positive 97,514 square feet (sf) YTD, slightly more than at the same time last year. Overall full service rates ranged from \$14.00 per square foot (psf) in the suburbs to an average high of \$24.61 psf full service downtown with average rental rates at \$22.44 psf. Parking is a significant consideration for tenants, which can be quite costly downtown but free of charge in the suburbs.

### MAJOR TRANSACTIONS

The College of Charleston is searching for 41,000 sf and the city is pursuing purchasing acreage at 999 Morrison Drive for Flagship 3, a two phase project totalling 100,000 sf. First generation space transactions are commanding effective rates of \$37.00 psf with parking rates ranging between \$110 and \$165 per space per month. The scarcity of viable sites for development will continue to drive escalating rental rates for this much-in-demand sector of the office market.

The suburban submarkets saw positive absorption in Q2 2013 with overall vacancy rates of 8.7% and overall average rental rates of \$14.36 psf full service with highs of \$26.00 psf for first generation class A space. Boeing has purchased the 178,000-sf Applied Technology Research Center for expansion, thus displacing The South Carolina Research Authority which will be relocating their headquarters to Mead Westvaco's Nexton project in Summerville for an approximate 75,000-sf built-to-suit building. They are under contract to purchase 10 acres with an option to purchase another 7 acres for Phase II and they expect to move in October 2014. Nexton is a 4,500-acre planned live-work-play mixed-use community. Mead Westvaco's development of their new 100,000 sf class A office building remains on schedule and will deliver in December of 2013.

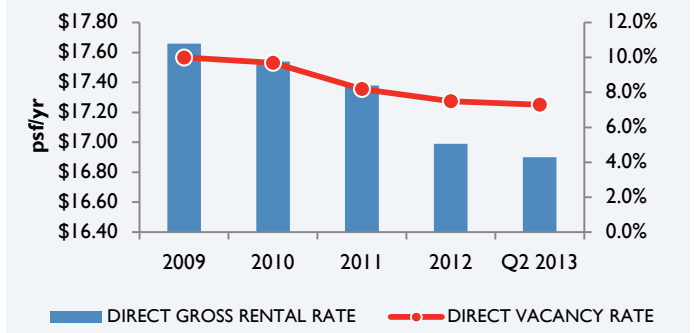
### OUTLOOK

With overall positive net absorption and reduced vacancy rates, the Charleston regional office market remains healthy and that trend should continue into the foreseeable future. Developers remain active and sellers are reaping the benefits of low capitalization rates on investment sales. The Charleston economy is diverse with a relatively low cost of living, and the region continues to attract corporate interest based on its superior work force and favorable quality of life, highlighted by a sophisticated and historic urban center and convenient access to excellent beaches and abundant seaside natural resources.

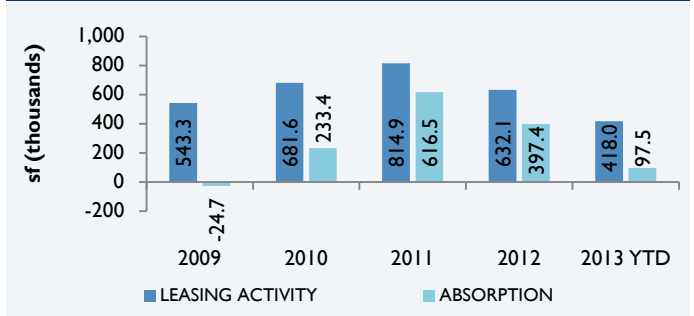
### STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.5%	7.4%	-1.1pp	▼
Direct Asking Rents (psf/yr)	\$17.24	\$16.70	-3.1%	▼
YTD Leasing Activity (sf)	398,695	418,007	4.8%	▲

### DIRECT RENTAL VS. VACANCY RATES



### LEASING ACTIVITY VS. OVERALL 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*
CBD	5,798,598	3.1%	2.8%	65,961	60,000	13,232	33,307	22,572	\$24.61	\$29.44
Dorchester County	1,675,109	6.9%	6.9%	19,802	0	0	(7,471)	(7,471)	\$14.67	N/A
E Charleston County	37,783	6.6%	6.6%	0	0	0	0	0	\$15.36	N/A
E Islands/Mt Pleasant	3,588,697	6.2%	5.9%	65,714	0	1,426	77,068	74,762	\$18.71	\$20.95
Greater Charleston	4,119,169	8.7%	8.7%	128,326	0	6,018	38,076	38,076	\$18.13	\$19.55
James Isld/Folly Beach	501,548	1.5%	1.5%	5,277	0	0	13,732	13,732	\$16.20	\$20.00
North Charleston	8,281,886	10.5%	11.7%	121,544	137,940	76,000	(47,760)	(43,539)	\$14.23	\$21.36
Outlying Berkeley Cty	1,226,110	10.4%	12.2%	10,483	2,579	0	(3,218)	(3,218)	\$12.33	\$14.48
West Charleston Cty	55,578	17.0%	28.3%	0	0	0	1,500	1,500	\$7.41	N/A
West Islands	244,628	4.2%	5.3%	900	0	0	1,100	1,100	\$12.17	N/A
<b>TOTALS</b>	<b>25,529,106</b>	<b>7.4%</b>	<b>7.3 %</b>	<b>418,007</b>	<b>200,519</b>	<b>96,676</b>	<b>106,334</b>	<b>97,514</b>	<b>\$16.90</b>	<b>\$22.44</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR \*\* Construction Completion stats revised after close of the quarter

## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
125 Fairchild Street	Greater Charleston	N/A	A	24,917
4401 Bello Oaks Drive – Ashley Center	North Charleston	N/A	A	20,000
4401 Belle Oaks Drive - Ashley Center	North Charleston	RCF Ashley Center, LLC	A	10,354
100 Calhoun Street – RBC Centura Bank Building	Downtown Charleston	N/A	A	3,600
145 King Street – Sun Trust Bank	Downtown Charleston	NAI Avant	A	2,962
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3950 Faber Place Drive	North Charleston	Usgp li Charleston Ice Lp	\$32,013,185/\$369	86,609
1671 Belle Isle Avenue, Bldg 2	E Islands/Mt Pleasant	Sppott Investments, LLC	\$8,250,000/\$225	36,524
1156 Bowmen – Bowmen Center	E Islands/ Mt Pleasant	1156 Bowman, LLC	\$4,450,000/\$111	39,980
SIGNIFICANT Q2 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
174 Meeting Street	Downtown Charleston	N/A	Q3 2013	60,000
2695 Elms Plantation Boulevard	North Charleston	N/A	Q3 2013	23,060