

# MARKETBEAT INDUSTRIAL SNAPSHOT

## CHARLESTON, SC

A Cushman & Wakefield Research Publication

Q1 2014



### ECONOMIC OVERVIEW

Four Southern states are among the top 10 states in aerospace job growth between 2007 and 2012, with South Carolina far ahead of the others. And, thanks to Boeing, aerospace jobs in Charleston jumped by more than 600% over the period. This has helped send the Charleston MSA unemployment rate to under 5.4%, one of the lowest rates in the country. IT and engineering opportunities dominate, with manufacturing not far behind. On the distribution side, the SCPA saw an 11% year over year increase in pier container volumes for the month, with growth of both import and export cargo.

### GROWTH

2014 started with better than expected results with lease and sales activity on the upswing. Activity in the market slowed at year end but distribution and manufacturing leasing increased leaving a fewer buildings available. Vacancy rates dropped to 7.1% with rental rates easing upward. Big box demand showed renewed strength particularly in the class B sector. Lack of institutional product continues to affect our ability to attract large box users, even with Port activity for Charleston on the increase. Container traffic has increased by 8% year over year. South Carolina State Ports faces a number of challenges in the years to come, including financing the North Charleston Terminal and increasing the depth of the harbor. Boeing projects took center stage on the manufacturing side with a number of other sectors making news.

### WAREHOUSE

Two significant property sales occurred in the first quarter of 2014. Lee Distributors purchased a 162,000-square foot (sf) distribution/manufacturing facility for \$8,750,000 in Dorchester County. Origin Brands, a garden accessory company, purchased the 120,000-sf facility they leased in the Neck area of Charleston for \$5,325,000, or \$30 per square foot (psf) for its US headquarters and regional distribution center. A late 2013 sale of interest was Kontaine Logistics purchasing a 790,000-sf facility for \$10,600,000, or \$55 psf in Charleston Regional Commerce Park in Berkeley County. Leased deals in the market included Key Logistics, a Boeing 3PL, taking 50,000 sf and Dupuy Storage, a coffee warehouse, taking 100,000 sf in North Charleston. Asking rates for class A product remains in the \$4.25 to \$5.25 psf range with class B rates around \$3.00 - \$3.75 psf.

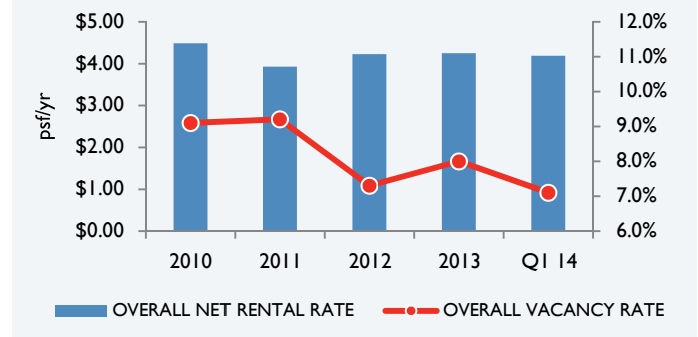
### MANUFACTURING

Boeing had another project take 50,000 sf in Palmetto Commerce Park in the Cross Point building. And there are two more Boeing related projects in the market seeking build to suits. Both are international carbon fiber companies seeking to build 100,000 sf and 60,000 sf respectively. UEC Electronics and a locally woman owned SPAWAR / Aerospace Company sold their operation to Areoteck for \$26,000,000 and will be expanding in the area. Vacancy rates for class A manufacturing facilities slipped to 9.8% with rates at \$5.25 psf. Class B is slightly under \$3.90 psf.

### STATS ON THE GO

|                              | Q1 2013   | Q1 2014 | Y-O-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|-----------|---------|--------------|-------------------|
| Overall Vacancy              | 8.0%      | 7.1%    | 0.9pp        | ▼                 |
| Direct Asking Rents (psf/yr) | \$4.20    | \$4.14  | -1.4%        | ◄►                |
| YTD Leasing Activity (sf)    | 1,009,552 | 199,615 | -80.3%       | ▼                 |

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL ACTIVITY VS. ABSORPTION

