

# MARKETBEAT INDUSTRIAL SNAPSHOT

## CHARLESTON, SC

A Cushman & Wakefield Research Publication

Q3 2014



### ECONOMIC OVERVIEW

Charleston continued to outperform the national economy in all sectors. Regional unemployment is once again the lowest rate among metro areas of South Carolina, dropping to 6.4%. Area Development Magazine ranked the state Number 3 in the U.S. as a "2014 Top

States for Doing Business." Specifically mentioning Charleston and noting "South Carolina is a right-to-work state with a low unionization rate of 3.3% overall, and -at 1.3%- the lowest unionization rate in the U.S. for the private sector." The South Carolina State Ports Authority reported another year-over-year increase in traffic numbers with over 1.9 million TEUS's moved across their docks. Pressure on lease rates increased on second generation space but asking rates remained stable. While speculative building opportunities are on the increase higher rates are expected to follow.

### GROWTH

Warehouse properties experienced increased activity. Port traffic in the third quarter was up over 12% from this time in 2013. With class A space scarce and all but absorbed, higher rates have followed and less functional space is in more demand. Absorption exceeded 195,000 square feet (sf), with vacancy rates dipping to 7.8%. Asking rates are beginning to increase slightly to \$4.30 per square foot (psf) from \$4.10 psf in the previous year on class A and B, respectively.

### WAREHOUSE

Consolidation and renewals of 3PLs and trade suppliers took center stage in the third quarter of 2014. Dockside Logistics, Continental Terminals, SAIC, Ozburn Hesse Logistics, Sunset Trading and Anywhere Express either renewed or consolidated in the region. Sizes of these lease transactions ranged from 80,000 sf to 200,000 sf. One major sale was conducted in North Charleston where the 246,000-sf, second generation, former Radio Shack warehouse traded for \$6.4M or \$26.00 psf. Pads and concrete are being poured on the Childress Klein and Patillo speculative buildings in Palmetto Commerce Park sparking high interest. Expected delivery is late first quarter of 2015. Asking rates for this institutional/class A product will be \$5.75 psf. Class B product asking rates are exceeding \$4.25 psf.

### MANUFACTURING

Boeing recently announced taking 105,000 sf in Crosspoint where over 300 workers will be conducting R&D for the aerospace giant. Nexans officially opened an \$85M facility on the Cooper River in Berkeley County in Bushy Park Industrial Complex, while Japan-based Showa Denko Carbon celebrated a \$300M expansion of its 31-year-old factory near Ridgeville in Dorchester County. Paris-based Nexans

currently employs about 50 people and will be adding 150 at its new 350,000-sf plant, where underground cables are now stranded together from copper wires. Vacancy rates for class A manufacturing facilities remains stable at 10.2% with rates at \$5.25 psf. Class B is slightly under \$3.90 psf.

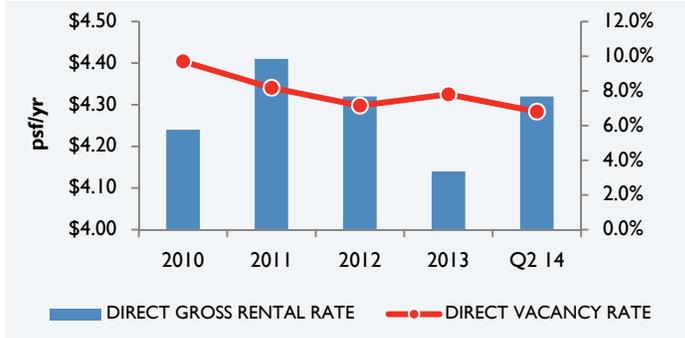
### OUTLOOK

SC State Ports Authority traffic will continue increasing thus fueling warehouse demand. Over 500,000 sf of new speculative institutional product is to be delivered in early 2015 to address the need. Lease rates on new and existing product will increase. Boeing activity will be considered as First Tier suppliers survey the market. Well-positioned land opportunities will become a premium.

### STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.8%	8.0%	.2pp	▲
Direct Asking Rents (psf/yr)	\$4.19	\$4.33	3.3%	◄
YTD Leasing Activity (sf)	2,630,610	2,492,852	-21.8%	▼

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL ACTIVITY VS. ABSORPTION

