

# MARKETBEAT OFFICE SNAPSHOT

## CHARLESTON, SC

A Cushman & Wakefield Research Publication

Q3 2013



### ECONOMIC OVERVIEW

The Charleston office market has shown impressive improvement over the past three years and positive trending has continued in the third quarter 2013, this in spite of sequestration which has affected the local defense sector, but less so than nationally. Commercial construction has lagged slightly behind the residential market which has been booming of late. The population of Charleston continues to expand at 3 times the national average with 74% of that growth attributable to in-migration. With the population projected to reach 1 million within fifteen years, demand across all commercial venues is reviving with vigor due to this continuing outlook for robust population and employment growth. Office vacancy rates continue to decline with increased leasing activity and little new product coming to market.

### MAJOR TRANSACTIONS

The College of Charleston has just leased 42,000 square feet (sf) of high-end space at Rivers Enterprises' Fountain Walk on the Cooper River adjacent to The Charleston Aquarium. MeadWestvaco will soon announce a major medically oriented build-to-suit at its NEXTON new town mixed-use development in Summerville. The project will encompass a 160,000-sf campus on twenty acres which will augment the already announced South Carolina Research Authority's purchase of eight acres for a 75,000-sf headquarters building with room for expansion. NEXTON's momentum is a reflection of Charleston's attractive quality of living and solid economy. Palmetto Railways, a division of the S.C. Department of Commerce, recently completed its purchase of fifty acres at the former navy base including three office buildings totalling 115,000 sf. This will prove to be a driving force in turning the former base into an economic engine for the region, the port and the entire state and much of the future development will encompass office development well into the future.

### OUTLOOK

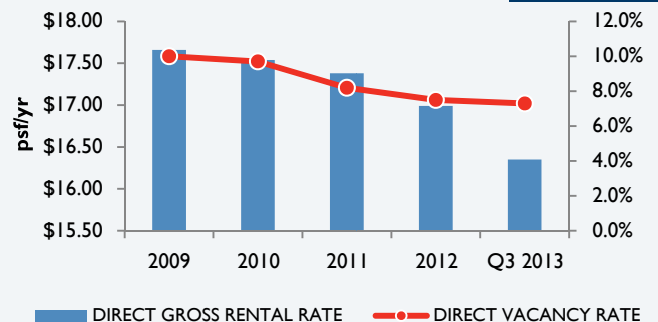
Lease rates will continue to increase in both suburban and CBD submarkets with CBD rates reaching an average high of \$31+/sf full service and concessions will be minimal in 2014. Parking downtown remains at a premium pushing \$200 per month per space for some buildings, adding as much as \$5.00 per square foot to some tenant cost scenarios. A new trend is also appearing in the form of paid parking in the uptown CBD and as a result landlords in the suburban

areas are taking note. Net absorption will be positive as landlords experience renewed demand for second and third generation space in addition to the leasing of first generation space as it comes on line. The area looks set for major impact in each of the already solid economic drivers of healthcare, IT, education, defense, tourism and world trade. Charleston is now truly recognized as a global city where everyone connects.

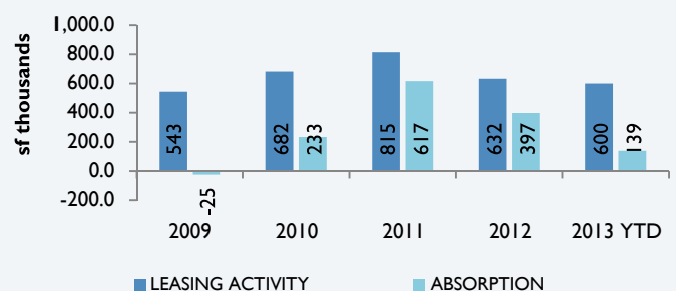
### STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.4%	7.5%	-0.9pp	▼
Direct Asking Rents (psf/yr)	\$17.40	\$16.35	-6.0%	▼
YTD Leasing Activity (sf)	463,482	600,196	29.5%	▲

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL ACTIVITY VS. 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	5,486,306	4.4%	3.9%	84,936		99,696	43,621	26,025	\$25.89	\$60.67
Dorchester County	1,707,762	6.4%	6.4%	28,763		0	(4,157)	(4,157)	\$14.56	N/A
E Charleston County	35,233	7.1%	7.1%	0		0	0	0	\$0.00	N/A
E Islands/Mt Pleasant	3,632,880	4.7%	4.7%	105,833		2,852	123,860	133,584	\$18.59	\$23.49
Greater Charleston	4,197,605	8.5%	8.5%	154,629	15,432	12,036	42,676	42,676	\$17.63	\$19.39
James Isld/Folly Beach	501,141	1.9%	1.9%	8,029		0	11,704	11,704	\$15.73	\$20.00
North Charleston	8,220,989	9.9%	9.8%	198,060	20,914	170,000	(16,329)	(13,683)	\$13.89	\$21.07
Outlying Berkeley Cty	1,674,866	11.7%	11.7%	15,869	100,000	2,579	(54,112)	(54,112)	\$9.60	\$14.48
West Charleston Cty	63,816	15.0%	15.0%	0		0	1,360	1,360	\$9.54	N/A
West Islands	250,684	5.3%	5.3%	4,077		0	(4,194)	(4,194)	\$11.70	N/A
<b>TOTALS</b>	<b>25,771,282</b>	<b>7.5%</b>	<b>7.3%</b>	<b>600,196</b>	<b>136,346</b>	<b>287,163</b>	<b>144,429</b>	<b>139,203</b>	<b>\$16.60</b>	<b>\$23.14</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
2430 Mall Drive – First Federal Corporate Center	North Charleston	SCBT	A	19,200
4105 Faber Place Drive – Faber Pointe F#3	North Charleston	Undisclosed	A	19,000
4105 Faber Place Drive – Faber Pointe F#2	North Charleston	Undisclosed	A	19,000
146 Fairchild Street – Cigna Building	Greater Charleston	Total Quality Logistics	A	10,252
2420 Mall Drive – Corporate Square I	North Charleston	Worldwide Express	B	6,896
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2 N Adgers Wharf	Downtown Charleston	N/A	\$14,800,000/\$1,057	14,000
401 Seacoast Parkway	East Islands/Mt Pleasant	N/A	\$1,400,000/\$140	10,000
3625 Montague Avenue	North Charleston	N/A	\$825,000/\$119	6,920
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
4105 Faber Place Drive – Faber Point	North Charleston	Pst Charleston, Inc.	Q3 2013	75,000
174 Meeting Street	Downtown Charleston	Certus Bank	Q3 2013	60,000
2695 Elms Plantation Blvd	North Charleston	Grace Physical Therapy & Sports Rehab, Pain Specialist of Charleston	Q3 2013	19,000
466 King Street	Downtown Charleston	People Matter	Q3 2013	13,232
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
201 Sigma – NEXTON Office Campus	Outlying Berkeley County	N/A	Q4 2013	100,000
2424 City Hall Lane	North Charleston	N/A	Q4 2013	14,880
1844 Wallace School Road	Greater Charleston	N/A	Q4 2013	9,728