

# MARKETBEAT OFFICE SNAPSHOT

## CHARLESTON, SC

A Cushman & Wakefield Research Publication



### ECONOMIC OVERVIEW

Overall compared to the national economy, Charleston seems to be following positive and outperforming trends as the jobless rate dropped to 5.4%, the lowest in the state. For the first time in 16 years the state's unemployment rate is a full point below the national average, having dropped to 5.7%. Additionally the labor force increased over the same time period indicating that not only are more people joining the labor force but employers are also responding by providing more jobs leading to a greater percentage of people successfully obtaining employment.

### ABSORPTION AND LEASING

Net positive absorption continues its trend across all classes and submarkets in the Greater Charleston office market. Overall vacancy rate is a stable 8.7% down meaningfully over the last year. Rental rates are holding steady around \$18.00 per square foot (psf). In the Central Business District asking rates for class A space range from \$26.00 psf to \$38.00 psf for new trophy buildings. Parking is at a premium with some rates ascending to \$225 per space per month.

Of further note in the Executive Park is the 50,000-sf build-to-suit for the North Campus of the College of Charleston joint venturing with the Lowcountry Graduate Center on a 5.3 acre site at the corner of Paramount Drive and Interstate 526 adjacent to Faber Place.

### JOB GROWTH

The Charleston market has received, yet again, more good news. One story that has everyone cheering is the recent announcement of BMW's expansion in Spartanburg. BMW, one of Charleston's largest exporters, is expanding its footprint to accommodate the growing production of the X-4 and new X-7. The projected impact the Charleston port is a 40% increase in export traffic.

As a result of this news, coupled with news from 4Q 2013 regarding Boeing and Benefit Focus and their respective expansions, positive growth will be seen as jobs are created, driving demand for office space. With very little office development, we are seeing for the first time rapid absorption of class B space. Space that has lain dormant is finally being seen as an opportunity for growing companies. Lenders appear to be a little more flexible as the market continues to improve. Speculative construction is hard to find creating a shortfall of space in the market.

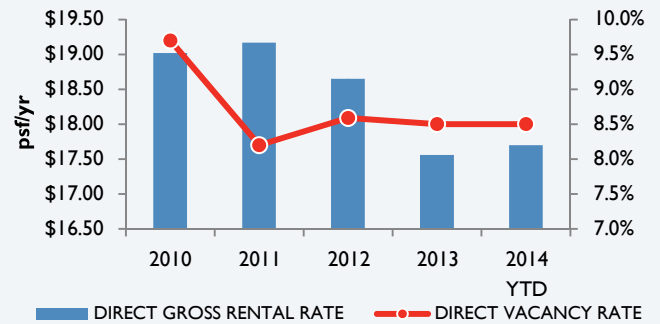
### OUTLOOK

With positive overall net absorption and reduced vacancy rates, the office market is strengthening and that trend should continue into the foreseeable future. Boeing has put Charleston into the national spotlight and corporations are attracted by the Lowcountry's diverse economy and high quality of living. The economic drivers of tourism, technology, medicine and defense will continue to create high appeal for the area.

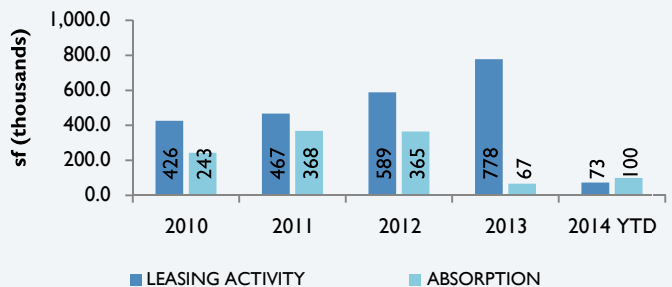
### STATS ON THE GO

|                              | Q1 2013 | Q1 2014 | Y-O-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|---------|---------|--------------|-------------------|
| Overall Vacancy              | 8.7%    | 8.7%    | 0.0pp        | ↕                 |
| Direct Asking Rents (psf/yr) | \$17.56 | \$17.70 | 0.8%         | ↕                 |
| YTD Leasing Activity (sf)    | 778,352 | 72,817  | 62.1%        | ▼                 |

### 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                    | 3,445,515         | 5.0%                 | 4.1%                | 9,632                | 0                  | 0                            | (6,652)                   | (6,652)                    | \$28.58   | \$28.87                                     |
| Dorchester County      | 285,307           | 3.7%                 | 3.7%                | 0                    | 0                  | 0                            | 0                         | 0                          | \$17.50   | \$17.50                                     |
| E Charleston County    | 28,000            | 0%                   | 0%                  | 0                    | 0                  | 0                            | 0                         | 0                          | N/A   | N/A   |
| E Islands/Mt Pleasant  | 1,676,394         | 2.6%                 | 2.6%                | 12,828               | 0                  | 0                            | 19,298                    | 19,298                     | \$23.05   | \$22.72                                     |
| Greater Charleston     | 2,103,597         | 11.3%                | 11.3%               | 21,590               | 0                  | 0                            | 15,247                    | 15,247                     | \$20.08   | \$20.08                                     |
| James Isld/Folly Beach | 96,739            | 3.5%                 | 1.8%                | 0                    | 0                  | 0                            | 0                         | 0                          | N/A   | N/A   |
| North Charleston       | 5,287,632         | 9.8%                 | 9.8%                | 28,767               | 12,000             | 0                            | 50,255                    | 50,255                     | \$12.93   | \$12.91                                     |
| Outlying Berkeley Cty  | 574,292           | 34.3%                | 34.3%               | 0                    | 0                  | 100,000                      | 22,097                    | 22,097                     | \$21.15   | \$21.15                                     |
| West Islands           | 49,234            | 0%                   | 0%                  | 0                    | 0                  | 0                            | 0                         | 0                          | \$10.00   | \$10.00                                     |
| <b>TOTALS</b>          | <b>13,546,710</b> | <b>8.5%</b>          | <b>8.7%</b>         | <b>72,817</b>        | <b>12,000</b>      | <b>100,000</b>               | <b>100,245</b>            | <b>100,245</b>             | <b>\$17.99</b>                                  | <b>\$17.70</b>                              |

\* TOTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

| SIGNIFICANT Q1 2014 LEASE TRANSACTIONS       | SUBMARKET             | TENANT                                | BUILDING CLASS         | SQUARE FEET          |
|--|-----------------------|---------------------------------------|------------------------|----------------------|
| 176 Croghan Spur Road                        | Greater Charleston    | N/A                                   | B                      | 7,196                |
| 174 Meeting Street                           | CDB                   | N/A                                   | A                      | 6,721                |
| 1280 Hospital Drive                          | E Islands/Mt Pleasant | Medical University Hospital Authority | A                      | 6,414                |
| 1064 Gardner Road                            | Greater Charleston    | N/A                                   | B                      | 5,553                |
| 3820 Faber Place Drive                       | North Charleston      | ECS Carolinas, LLC                    | B                      | 5,472                |
| SIGNIFICANT Q1 2014 SALE TRANSACTIONS        | SUBMARKET             | BUYER                                 | PURCHASE PRICE / \$PSF | SQUARE FEET          |
| 3875 Faber Place Drive                       | North Charleston      | AVA Faber Place, LLC                  | \$9,600,000 / \$172    | 55,946               |
| 7217 Peppermill Parkway (2 Properties)       | North Charleston      | Grescon Development                   | \$900,000 / \$64       | 14,000               |
| 808 Wappoo Road                              | Greater Charleston    | Coastal Kids Dental                   | \$875,000 / \$74       | 11,800               |
| 9181 Medcom Street – Healthsouth             | North Charleston      | E Healthsouth Carolina                | Unlisted               | 21,781               |
| SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS | SUBMARKET             | MAJOR TENANT                          | COMPLETION DATE        | BUILDING SQUARE FEET |
| 201 Sigma Drive                              | Outlying Berkeley Cty | MVW Community and Land Management     | Q1 2014                | 100,000              |
| SIGNIFICANT PROJECTS UNDER CONSTRUCTION      | SUBMARKET             | MAJOR TENANT                          | COMPLETION DATE        | BUILDING SQUARE FEET |
| 3800 Paramount Drive                         | North Charleston      | N/A                                   | Q3 2014                | 50,000(100%)         |
| 2575 Elms Center Road                        | North Charleston      | N/A                                   | Q3 2014                | 24,000(50%)          |
| Fairchild Street                             | Greater Charleston    | N/A                                   | Q1 2015                | 145,800(100%)        |
| 300 Benefitfocus Way                         | Greater Charleston    | N/A                                   | Q1 2015                | 145,000(100%)        |