

MARKETBEAT OFFICE SNAPSHOT

CHARLESTON, SC

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

The Charleston office market is off to another stellar start in the first quarter of 2015 following a year of historical growth and subsiding vacancy rates. Publicity abounds both internationally and across the United

States regarding Charleston's continued appeal as one the fastest growing and most desirable metropolitan areas in which to work, reside and play.

The office market reflects the fact that the area has been growing by 1,300 people each month over the last two years. New projects are emerging to accommodate the flood of people and businesses which are finding the area so appealing from an economic and lifestyle point of view. Rental rates are on the rise across the board with little to indicate any deviation from a sanguine forecast.

In addition to the traditional office tenant classes of the Charleston area, well-backed start-ups and millennials are being targeted along all corridors. Speculative office buildings are being received favorably as they are developed not only on the Peninsula, but also in the more suburban areas of North Charleston, Daniel Island, Goose Creek, West Ashley and Mount Pleasant. Class B and even class C space is also experiencing increased absorption as newer companies are reaching maturity and as long as lower cost options are available.

This year will continue to be an active year for the Charleston tri-county area as a whole.

ABSORPTION AND LEASING

The Charleston office market continued to grow by absorbing 253,889 square feet (sf) and vacant sublease space decreased. The overall vacancy rate dropped to 7.2% from 7.7% in Q4 14. Direct asking rental rates increased 1.8% from \$19.38 per square foot (psf) in Q4 14 to \$21.16 psf. Over 378,000 sf was under construction and 169,000 sf of new space was delivered during first quarter.

TRENDS

With vacancy rates decreasing and rental rates continuing to rise, Charleston's office market remains on a healthy path. The region continues to maintain a steady flow of development and investment activity.

OUTLOOK

Highlighted last quarter, the Nexton Development in Summerville still leads the way in providing the tri-county area with new office product. In the downtown Charleston area, the Cigar Factory, a privately owned redevelopment located at the corner of East Bay

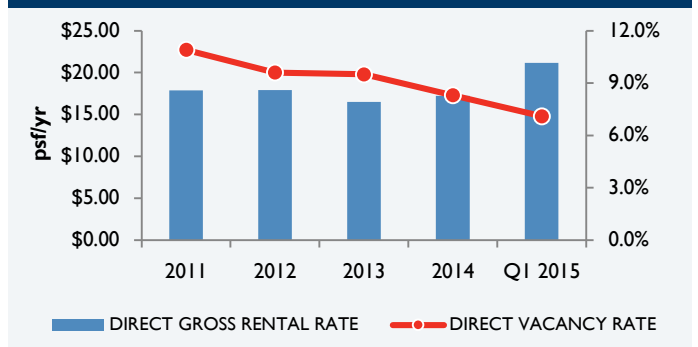
and Calhoun Street, is reporting a tremendous amount of activity from tenants in the market. Rumored to be 65% leased, the 244,000-sf renovation/rehabilitation is becoming the talk of the town amongst office brokers. The spaces feature high quality floor plans showcasing 8' bay windows facing the Charleston harbor with 12 foot plus ceiling heights.

Another new office development nearing completion will be the 75,000-sf high efficiency building located in the 4,000-acre master planned community of Daniel Island. 1 Central Island Plaza is centrally located in downtown Daniel Island where tenants will have easy access to restaurants, banks and retail stores.

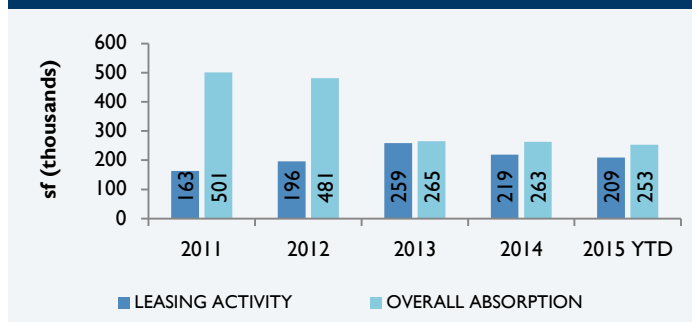
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.5%	7.2%	-1.5pp	▼
Direct Asking Rents (psf/yr)	\$17.21	\$21.16	2.3%	▲
YTD Leasing Activity (sf)	134,441	209,062	55.5%	▲

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	5,01,0748	7.6%	7.3%	19,922	19,996	0	(3,663)	(1,769)	\$28.08	\$31.36
Dorchester County	1,203,002	7.7%	7.7%	1,500	0	0	13,969	13,969	\$14.54	N/A
E Charleston County	33,000	9.1%	9.1%	0	0	0	0	0	N/A	N/A
E Islands/Mt Pleasant	3,199,306	3.7%	3.7%	24,285	69,354	0	4,119	4,119	\$24.00	\$28.00
Greater Charleston	3,628,472	7.0%	7.0%	84,361	158,784	145,000	156,848	156,848	\$20.34	\$24.52
James Islld/Folly Beach	271,068	1.9%	1.3%	0	0	0	0	0	\$14.76	N/A
North Charleston	7,529,564	8.0%	8.0%	78,354	130,000	24,000	71,332	71,332	\$17.20	\$22.87
Outlying Berkeley Cty	1,315,588	15.6%	15.6%	0	0	0	7,750	7,750	\$18.45	\$23.18
W Charleston County	18,556	26.6%	26.6%	0	0	0	0	0	\$9.00	N/A
West Islands	156,494	0.0%	0.0%	640	0	0	640	640	\$17.52	N/A
TOTALS	22,365,798	7.2%	7.1%	209,062	378,134	169,000	250,995	252,889	\$21.19	\$25.21

* TOTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Executive Park at Faber Place – 3860 Faber Place	North Charleston	Cambridge International Systems, Inc.	B	15,000
I Southpark Cir	Greater Charleston	MUSC	B	14,859
2575 Elms Center Rd	North Charleston	MUSC Health	A	12,000
3870 Leeds Ave	North Charleston	Ro Sham Beaux	B	11,000
I Southpark Cir	Greater Charleston	MUSC	B	10,459
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
176 Lockwood Blvd	Downtown Charleston	College of Charleston	\$4,985,000 / \$296	16,865
109 River Landing Dr	Greater Charleston	Palmetto Surety Corporation	\$2,050,000 / \$164	12,500
2671 Elms Plantation Blvd	North Charleston	Rivers Bridge, LLC	\$3,000,000 / \$268	11,210
241-243 East Bay St	Downtown Charleston	241-243 E Bay Holdings, LLC	\$2,300,000 / \$249	9,228
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Daniel Island Executive Center I – 300 Benefitfocus Wy	Greater Charleston	Benefitfocus	Q1 2015	145,000 (100%)
2575 Elms Center Rd	North Charleston	MUSC Health	Q1 2015	24,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Roper St Francis Bldg – 8536 Palmetto Commerce Pkwy	North Charleston	Roper St Francis Healthcare Data Center	Q2 2016	130,000 (100%)
SCRA Applied Technologies Center -315 Sigma Dr	Outlying Berkeley County	SCRA Applied Research	Q2 2015	75,000 (80%)
I Central Island Plaza	Greater Charleston	Speculative	Q2 2015	75,000 (28%)
235 McGrath Darby Blvd	East Islands/Mt Pleasant	Speculative	Q1 2016	62,500 (4%)
Midtown – 550 King St	Downtown Charleston	Speculative	Q3 2015	19,996 (16%)
2067 Charlie Hall Blvd	Greater Charleston	Speculative	Q4 2015	8,784 (10%)
0 Highway 41	East Islands/Mt Pleasant	Speculative	Q2 2015	6,854 (0%)