

MARKETBEAT OFFICE SNAPSHOT

CHARLESTON, SC

A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

The Charleston office market retains its overall positive trend of the past year, both downtown and in the suburbs. Vacancy rates are low and rental rates continue to climb, reflecting the growing economy and the area's proactive business climate. All economic indicators are positive. Charleston's quality of living is amongst the highest in the nation and the region continues to mirror full-blown progress and growth in the fields of medicine, high-tech research and manufacturing, aeronautics, automotive, and hospitality with no signs of decelerating. The population of the Tri-County area is expected to top one million in 2020.

ABSORPTION AND LEASING

The Charleston office market continued to grow as reflected in the 96,000 square feet (sf) of positive net absorption reported in the first half of 2014. Vacancy rates for the region decreased to 10.0% from 10.8% same time last year. Vacancy rates for class A space remain extremely low especially on the peninsula, leaving very few options for tenants. 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 still at a premium with some rates ascending to \$225 per space per month.

JOB GROWTH

The employment picture in South Carolina and Charleston in particular continues to improve. The state unemployment rate dropped to 5.4% in April and the state has made considerable strides in reducing the jobless rate which in April of 2013 was 7.9%. The state labor market has seen "dramatic improvement" over the past year with most of it resulting from the private sector. South Carolina's job growth over the last year places it among the top third of all states with the second-fastest growing payroll employment in the Southeast. During the past 12 months, the state has added 5,300 professional and business services jobs, 4,800 jobs in manufacturing, and 3,200 jobs in construction. Amongst the state's large metro markets ranked in the Milken Institute's list of the top 200 best-performing cities in the United States, Charleston ranked No. 11 nationally. This list of top cities shows where jobs are being created and sustained in metros across the United States. Boeing South Carolina recently achieved production of three Dreamliners each month and will be hiring over the rest of the year as production continues to ramp up. Fruit of the Loom, JBE, New World Pharmaceuticals, Aeterna Zentaris and Lineage Logistics have all announced significant job creation for the Lowcountry.

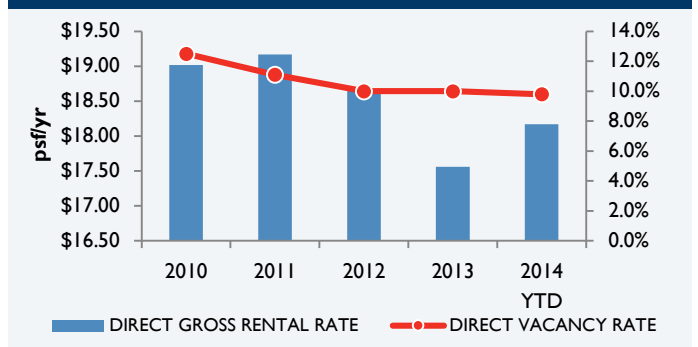
OUTLOOK

Increasing occupancy and some of the highest rental rates in the southeast will feed speculative development in the office market as competitive companies seek to expand their footprints in the region. Construction will be nearing its highest levels since 2009 and the market will see fading concessions and ever increasing rental rates as developers act on strengthening conditions by building new inventory. The region will see increasing momentum and the market is expected to accelerate as the southeast economic recovery continues to outpace the rest of the nation.

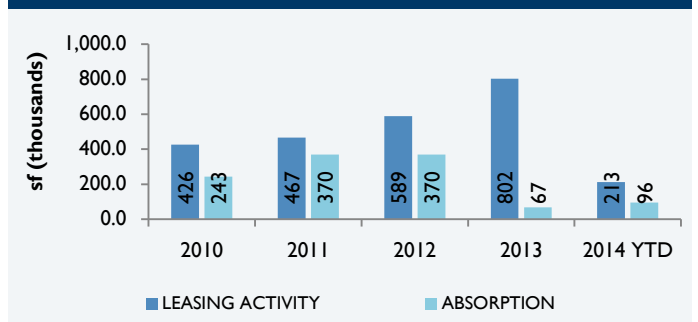
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.8%	10.0%	-0.8pp	↕
Direct Asking Rents (psf/yr)	\$17.25	\$18.17	5.3%	▲
YTD Leasing Activity (sf)	165,116	212,820	28.9%	▲

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	3,689,515	10.5%	9.8%	54,937	0	0	6,382	11,063	\$29.01	\$29.34
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	1,731,130	3.0%	3.0%	16,530	0	0	11,450	11,450	\$23.31	\$23.06
Greater Charleston	2,103,597	10.7%	10.7%	64,932	145,000	0	10,672	10,672	\$20.01	\$20.01
James Isld/Folly Beach	96,739	3.5%	3.5%	0	0	0	0	0	N/A	N/A
North Charleston	5,339,098	9.7%	9.7%	76,431	74,000	0	38,807	40,382	\$13.01	\$12.98
Outlying Berkeley Cty	574,292	34.3%	34.3%	0	0	0	22,097	22,097	\$21.54	\$21.54
West Islands	49,234	0%	0%	0	0	0	0	0	\$10.00	\$10.00
TOTALS	13,896,912	10.0%	9.8%	212,820	219,000	0	89,408	95,664	\$18.43	\$18.17

* TOTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
701 East Bay Street	CBD	Garden and Gun	B	19,700
3870 Leeds Avenue	North Charleston	N/A	B	7,569
701 East Bay Street	CBD	The Indigo Road Restaurant Group	B	7,500
960 Morrison Drive	Greater Charleston	N/A	B	6,291
960 Morrison Drive	Greater Charleston	N/A	B	6,245
230 Seven Farms Drive	Greater Charleston	Home Telecom Business Sales	B	5,893

SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
701 East Bay Street	CBD	Federal Capital Partners	\$24,180,000 / \$99	244,000
268 W Coleman Blvd	East Islands/Mt Pleasant	The Blackstone Group International	\$2,480,000 / \$237	10,458
729 East Bay Street	CBD	Anastopoulos Law Firm LLC	\$1,200,000/\$118	10,200

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	Q4 2014	24,000(50%)
300 Benefitfocus Way	Greater Charleston	N/A	Q1 2015	145,000(100%)