

MARKETBEAT OFFICE SNAPSHOT

CHARLESTON, SC

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

The Charleston office market continued its long-term upward surge in all office classes underlining the complete recovery from the recession years. Given the dearth of available class A space in the Downtown and Mount Pleasant submarkets, rental rates will continue to rise to record figures – over \$40.00 per square foot (psf) downtown and \$30.00 psf full service in Mount Pleasant will be the norm for first generation class A buildings. Average rental rates in these locales have increased 10% over last year and rates in other areas such as North Charleston and Daniel Island have steadily trended upward also. Along with the dynamic office market, hospitality and retail continue to be red hot, substantiating Conde Nast’s assessment of Charleston as the Number One tourist destination in the continental United States. The overall market only looks to get better from here, especially as the lack of new development will keep tenants focused on existing inventory.

ABSORPTION AND LEASING

The Charleston office market extended its growth curve yet again by absorbing 290,000 square feet (sf) and overall leasing activity of 642,381 sf by years end. Average rental rates increased dramatically over quarter Q4 2013 by \$2.43 psf. Overall vacancy rates dropped to 7.7% from 8.4% in Q4 2013. Over 387,000 sf was under construction and over 171,000 sf of new space was delivered. There were several significant sale transactions over \$24M.

TRENDS

There is a finite inventory of buildable land for downtown office space and we’re getting close to the limits where existing buildings will need to be demolished to make room for new product –all of which translates to ever increasing rental rates for landlords. Well capitalized investors and developers will continue to be attracted to Charleston for its quality of life and outstanding natural resources.

OUTLOOK

Live-work-play is the name of the game not only downtown but also in suburbia highlighted by MeadWestvaco’s ambitious NEXTON development in Summerville. Summerville is a town of just 45,000 residents, more than 20 miles from the historic district of Charleston. With the progress of the ambitious “new town” of Nexton there by MeadWestvaco, the developer is following the example of the Daniel Island development in creating walkable neighborhoods with an urban feel in a live-work-play environment. Millennials’ inspiration is contributing meaningfully to future

development in all submarkets and a strong demand for new office projects across all markets will continue.

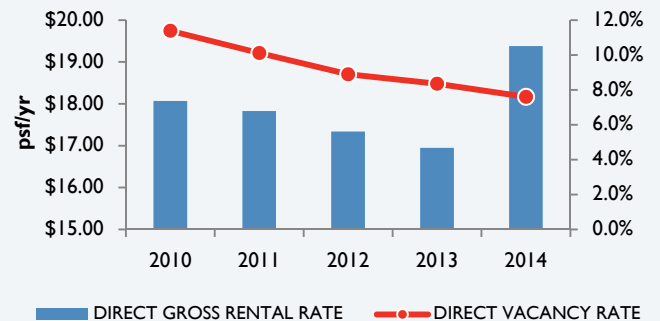
Boeing surpassed its goal of Dreamliner deliveries with 114 787’s, four more than estimated. Boeing also received orders last year worth \$237.7 billion, breaking their previous record set in 2007.

The States Port Authority experienced continued growth as well with a year-over-year increase of 14% in container volume in its first half of its new fiscal year that ended on December 31, 2014.

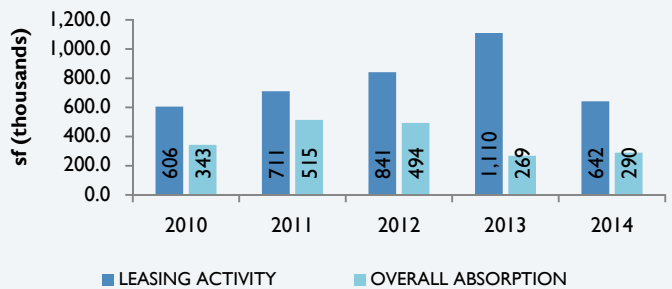
STATS ON THE GO

	Q4 2013	Q4 2014	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.4%	7.7%	-0.6pp	↕
Direct Asking Rents (psf/yr)	\$16.95	\$19.38	1.4%	▲
YTD Leasing Activity (sf)	1,109,778	642,381	-42.1%	▼

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	4,972,734	7.9%	7.5%	117,727	0	0	23,221	38,699	\$26.90	\$26.90
Dorchester County	1,200,294	8.8%	8.8%	24,704	0	13,891	441	441	\$14.52	\$14.52
E Charleston County	33,000	9.1%	9.1%	0	0	0	(500)	(500)	0	0
E Islands/Mt Pleasant	3,192,306	3.0%	3.0%	114,228	13,854	7,926	31,645	31,645	\$21.67	\$21.57
Greater Charleston	3,473,022	7.4%	7.4%	110,491	145,000	9,728	60,513	60,513	\$19.37	\$19.37
James Isld/Folly Beach	271,068	1.9%	1.3%	0	0	0	6,510	6,510	\$14.76	\$14.76
North Charleston	7,489,702	8.7%	8.7%	238,170	154,000	39,782	94,929	101,354	\$17.56	\$17.56
Outlying Berkeley Cty	1,315,588	15.0%	15.0%	34,208	75,000	100,000	45,959	49,959	\$18.94	\$18.94
W Charleston County	18,556	26.6%	26.6%	0	0	0	0	0	\$9.00	\$9.00
West Islands	156,494	0.4%	0.4%	2,853	0	0	5,198	5,198	\$17.52	\$17.52
TOTALS	22,122,764	7.7%	7.6%	642,381	387,854	171,327	267,916	289,819	\$19.51	\$19.38

* TOTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Cigar Factory – 701 East Bay Street	CBD	Garden and Gun LLC	B	19,726
174 Meeting Street	CBD	ATLATL	A	14,500
1141 Remount Rd –Building #2	North Charleston	Simplex Grinnel	A	11,225
4600 Goer Drive	North Charleston	Simco Inc of Charleston	B	9,000
3870 Leeds Avenue	North Charleston	Ro Sham Beaux	B	8,405
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
701 East Bay Street	CBD	Federal Capital Partners	\$24,180,000 / \$99	244,026
4975 Lacross Road	North Charleston	ICR Properties LLC	\$4,751,250/\$66	71,597
134 Meeting Street	CBD	CMB Properties, LLC	\$19,550,000/\$279	70,097
180 Wingo Way	East Islands/Mt Pleasant	Healthcare Trust of America, Inc.	\$24,750,000/\$359	69,000
325 Folly Road	James Island/Folly Beach	Healthcare REIT, Inc.	\$28,550,000/\$428	66,739
3875 Faber Place Drive	North Charleston	Howard Ecker & Co.	\$9,600,000/\$150	64,113
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Nexton Office Campus – 201 Sigma Drive	Outlying Berkeley County	MWV Community Development & Land Management	Q1 2014	100,000(44%)
3689 Leeds Ave	North Charleston	Charleston County Sheriff Office	Q4 2014	15,402(100%)
2424 City Hall Lane	North Charleston	American Red Cross Inc.	Q1 2014	14,880(72%)
328 Midland Parkway	Dorchester County	Charleston GI	Q2 2014	9,891(100%)
1844 Wallace School Rd	East Islands/Mt Pleasant	Low Country Ambulatory Center	Q1 2014	9,728(100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Daniel Island Executive Center - 300 Benefitfocus	Greater Charleston	Benefitfocus	Q1 2015	145,000(100%)
Roper St Francis Office Building - 8536 Palmetto Commerce Parkway	North Charleston	Roper St Francis Data Center	Q2 2016	130,000(100%)
Nexton - 315 Sigma Drive	Outlying Berkeley County	SCRA Applied Research	Q2 2015	75,000(80%)
2575 Elms Center Road	North Charleston	Coastal Vascular and Vein Center	Q1 2015	24,000(50%)
0 Highway 41	East Islands/Mt Pleasant	N/A	Q1 2015	6,854(0%)