MARKETBEAT
INDUSTRIAL SNAPSHOT

CHARLESTON, SC
A Cushman & Wakefield Research Publication

Q2 2013

ECONOMIC OVERVIEW

2013 can be best described as "trending positively" with improvements on most fronts of the industrial/warehouse sector. Vacancy rates dropped over 4.5 percentage points (pp) to 7.0% from the previous year of 11.5%. Gross absorption of over 438,000 square feet (sf) took place in the market. Leading the way were three projects in the Palmetto Commerce Park: Shimano expanding 100,000 sf, Cummins Turbo Charger adding 150,000 sf to their facility and Childress Klein building the first speculative space in the market in over four years of 175,000 sf. JAS Logistics immediately took 75,000 sf giving credence to the need for institutional grade product in the market. Rental rates ended the second quarter on the down side averaging $4.46 per square foot (psf), a slight decrease from the previous quarter. Container through put at the Charleston Ports Authority increased over 13.9%. Charleston continues to be one of the country's leading points of entry and the Ports Authority sales team is strengthening their efforts to recruit new users to the market. The Greer Inland Port is also attracting nationwide interest in South Carolina.

DISTRIBUTION ACTIVITY

With port container traffic on the upswing, an influx of repositioning within the distribution sector is occurring. With asking rates in the $4.50 per square foot (psf) range, existing warehouse spaces are seeing increased activity. Class A distribution space remains a premium with little or no proposed space coming online in the foreseeable future. The solution at this point is "pad ready" sites in locations throughout the region. MeadWestvaco is leading this effort with three locations, two in Jedburg and one in Hanahan at North Rhett Avenue and Magi Road. Land sales are coming off of the bottom particularly in well positioned locations, example Palmetto Commerce Park in Ladson.

MANUFACTURING ACTIVITY

The Boeing assembly plant is in production producing one 787 Dreamliner per month. The region has seen an increase in activity from a few suppliers. The 250,000-sf interior components facility is also drawing interest from the Tier 2 and 3 suppliers as well. These new facilities are requiring upgrades in both lighting and climate control. With some automotive and military contractor sectors seeing an increase in activity, manufacturing rates are expected to rise and vacancies to drop accordingly. Flex space rates are hovering in the $15.00 - $16.00 psf range. Sequestration remains the big unknown for this industrial sector with SPAWAR contractors feeling the brunt.

OUTLOOK

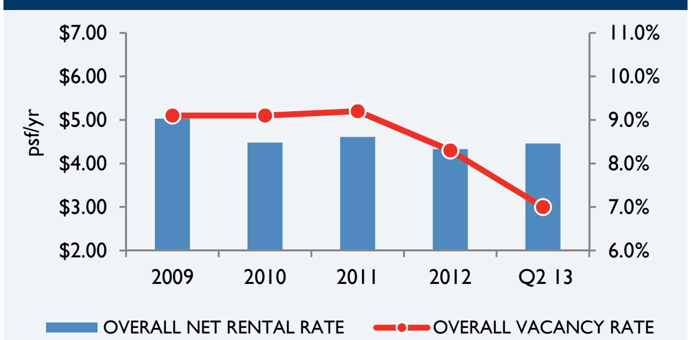
Rental rates are expected to increase and absorption will continue to diminish thus lending to this "positive trend". There is hope of speculative development with land prices still palatable and Port traffic on the increase.

Boeing contractors are expected to move to the area as their needs become more defined. With the tightening market landlords are less likely to offer concessions and subleasing is virtually eliminated which may put a strain on the market's health. The shortage of institutional grade space will inspire local developers to look at the preparation of "pad ready" sites to shorten the construction timeline for big box interest.

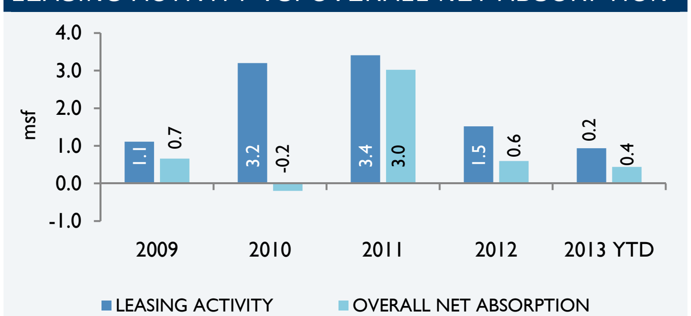
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.5%	7.0%	-4.5pp	
Direct Asking Rents (psf/yr)	$4.65	$4.46	-4.1%	
YTD Leasing Activity (sf)	297,650	936,686	214.7%	

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



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