

# MARKETBEAT

## Charleston

### Industrial Q1 2017



#### CHARLESTON INDUSTRIAL

##### Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Charleston Employment	342k	352k	▲
Charleston Unemployment	4.8%	3.8%	▼
U.S. Unemployment	4.9%	4.8%	■

##### Market Indicators (Overall, All Property Types)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	7.9%	4.7%	▼
Net Absorption (sf)	648k	1.3M	▼
Under Construction (sf)	2.6M	5.4M	▲
Average Asking Rent*	\$5.07	\$5.36	▲

\*Rental rates reflect net asking \$psf/year

##### Overall Asking Rent/Overall Vacancy

###### 4-QTR TRAILING AVERAGE



## Economy

The Charleston region's economy continues its growth momentum and strong performance earning new accolades and maintaining top rankings for business, international investment, lifestyle and more. U.S. News and World Report analyzed 100 metro areas in the United States to find the best

places to live based on quality of life and the job market in each metro area. Charleston ranks as #27 in the U.S. with an overall score of 6.8 out of 10. Charleston's Tech Scene Made Big Strides in 2016 and ranked the 11th best performing U.S. metro for high-tech. Charleston is home to 250+ tech companies and counting.

In addition, South Carolina Ports Authority announced the strongest monthly container volume in its history, with 192,411 twenty foot-equivalent units (TEUs) handled in March. The month was nearly 13% higher than March 2016 and surpassed SCPA's previous record, set in January 2017, by more than 7,000 TEUs. Fiscal year-to-date, the Port has handled 1.58 million TEUs.

## Market Overview

The Charleston industrial market reported a vacancy rate of 4.7% which represents a 2.1 percentage point decrease from Q4 2016. The average asking rental rate for Class A Industrial product rose to \$5.36 per square (PSF), an increase of 11% from the previous year. Net absorption increased to nearly 1.3 million square feet (MSF) in the first quarter of 2017. Most of the leasing transactions were mid-sized projects ranging from 30,000 to 80,000 square feet (SF). Shimano, a multinational manufacturer of products for the bicycle and sports fishing industries, is expanding its existing Charleston County operations. On an almost 200-acre site off Palmetto Commerce Parkway in North Charleston, the future of Mercedes-Benz Vans, LLC is taking shape. Under construction there is a 1.0-MSF manufacturing plant that, by the end of the decade, will produce the company's next-generation Sprinter van for the North American market. When completed, the new plant will not only ramp up production of the highly successful Sprinter. It will also become the first automotive original equipment manufacturer (OEM) to make its home in Charleston County and the first in the U.S. since 2011.

## Outlook

The industrial market is set to improve 2017 with over 2 MSF of new speculative space coming onto the market. Interest in the region will remain strong and market conditions should strengthen. In addition, investment sales will continue to be strong as investors take into consideration higher occupancy and low interest rates in the open market. Rental rates should increase as vacancy rates drop and the costs of construction increase.

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