

MARKETBEAT

Charleston

Industrial Q3 2016



CHARLESTON INDUSTRIAL

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Charleston Employment	335k	345k	▲
Charleston Unemployment	4.8%	4.4%	▼
U.S. Unemployment	5.2%	4.9%	▼

Market Indicators (Overall, All Property Types)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	8.6%	6.4%	▼
Net Absorption (sf)	-672k	832k	▲
Under Construction (sf)	5.2M	4.0M	▼
Average Asking Rent*	\$4.67	\$5.24	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The Charleston area economy grew faster than any other South Carolina-based region during the first half of this decade and was one of the nation's top performers in 2016, according to a report from the federal Bureau of Economic Analysis. The North Charleston metropolitan area which

includes Charleston, Berkeley and Dorchester counties reported a 14.8 percentage point increase in its gross domestic product between 2010 and 2015, according to the report. The Charleston metro area grew 4% year-over-year in terms of the value of the goods and services it produces, the 50th best growth rate in the nation and well ahead of the 2.5% national average.

Market Overview

The industrial market in South Carolina remains active and is expected to maintain interest throughout the remainder of the year. Approximately 832,000 square feet (SF) of industrial space was absorbed during Q3 16 with year-to-date absorption totaling 1.9 million square feet (MSF). Over 2.3 MSF of new industrial inventory will be delivered by 2018. There was 4.0 MSF of industrial space under construction at the end of the third quarter 2016, compared to 5.2 MSF in Q3 15 which included five buildings over 350,000 SF and the 2.3-MSF Volvo manufacturing plant. The largest lease signings occurring in 2016 included the 281,000-SF transaction signed by BAE Systems at 175 McQueen Blvd; the 127,156-SF lease signed by Neal Brothers at 2650 Carner Ave in the North Charleston market; and the 112,009-SF deal signed by Conquer Logistics at 7555 Palmetto Commerce Pky in the North Charleston market. The market is expected to continue this expansion as the local and state economies strengthen, the job market continues to grow and South Carolina completes its many infrastructure improvements.

Charleston has been one of the nation's fastest-growing ports each year since the beginning of the recession. The port did experience a drop in terms of growth, falling behind Savannah and New York, but the development of an inland port in Greer, South Carolina, has enabled Charleston to achieve higher export Twenty-foot Equivalent Unit (TEU) levels than comparable southeastern ports. With TEU growth of 10.1% in 2015, the Port of Charleston was the third-fastest growing port in the U.S.

Outlook

The balance of seaborne-cargo delivery in the U.S. shifted further east in the last year, resulting in East and Gulf Coast seaports making gains against their West Coast counterparts. The last quarter of 2016 will continue to be strong with more absorption and increased rents.

Cushman & Wakefield | Thalhimers
1 Central Island Plaza
115 Central Island Street, Suite 175
Charleston, SC 29492
www.thalhimers.com

For more information, contact:
Brad McGetrick, Director of
Brokerage Services
Tel: +1 804 697 3558
brad.mcgetrick@thalhimers.com

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