

# MARKETBEAT

## Charleston

### Industrial Q4 2016



#### CHARLESTON INDUSTRIAL

##### Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Charleston Employment	337k	347k	▲
Charleston Unemployment	4.7%	4.1%	▼
U.S. Unemployment	5.0%	4.8%	▼

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

	Q4 15	Q4 16	12-Month Forecast
Vacancy	7.3%	6.8%	▼
Net Absorption (sf)	871k	1.0M	▼
Under Construction (sf)	4.3M	3.5M	▼
Average Asking Rent*	\$4.93	\$5.26	▲

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

##### Overall Asking Rent/Overall Vacancy

###### 4-QTR TRAILING AVERAGE



## Economy

South Carolina's population was the 10th-fastest growing in the nation over the past year and will likely top five million in 2017 according to the Census Bureau. Having eclipsed Alabama's population last year, South Carolina is now closing in on Minnesota, the 22nd-largest state. During the past 12 months, the Palmetto State gained 66,285 residents. More than two-

thirds of the growth was due to people moving in from other states. Major investments in manufacturing facilities promise future growth. Charleston/North Charleston, SC moved to 16th in the latest Milken Institute report on the Best Performing Cities in 2016. From 2010 to 2015, its high-tech economy grew 20% faster than the nation overall, resulting in a regional high-tech concentration roughly equal to the national average in 2015. With major auto manufacturers and aerospace firms located in the region, the Charleston/North Charleston metro added 4,800 jobs in the transportation equipment manufacturing category from 2010 to 2015.

## Market Overview

Firms are continuing to invest in the region. In 2015, Daimler broke ground on its plan to build a \$500-million plant in North Charleston that will manufacture Mercedes-Benz vans and add 1,360 jobs. The completion of the Panama Canal expansion is expected to drive up movement through the Port of Charleston. Construction at the Volvo Cars of North America factory in Berkeley County continues. In 2015, Volvo Cars announced a \$500-million investment to create 2,000 new jobs in the Charleston industrial market. The facility will be 2.3 million square feet (MSF) and is expected to deliver at the end of 2018. Once complete, it will produce 100,000 cars and \$4.8 billion in economic output each year. Boeing unveiled its mammoth 396,000-square-foot (SF) paint hangar at its 787 campus, completing the aerospace giant's plan to complete all phases of aircraft manufacturing at its still-young North Charleston site.

The largest leases in 2016 included the 400,000-SF distribution facility deal signed by mattress and bed frame manufacturer Zinus Inc. on Newton Way. Sales in the last quarter of 2016 included the 616,650-SF former Piggly Wiggly Carolinas facility in Berkeley County to CenterPoint Properties for \$39.6 million. Also in Berkeley County, the 1.1-MSF TBC facility was purchased as part of a portfolio sale by Gramercy Property Trust, Inc. for \$63.2 million.

## Outlook

The Port of Charleston is forecasted to report moderate growth in 2017. The Charleston Harbor Deepening Project will be coming to fruition playing a key role in the movement of container volume across the docks. Next year, strong absorption is expected as activity from new and expanding tenants increases. With the Daimler/Sprinter Van facility opening in late 2017 and the Volvo Assembly operation coming on line in 2018, speculative building activity will continue to be on the rise.

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