

MARKETBEAT

Charleston, SC

Industrial Q4 2017



CHARLESTON INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Charleston Employment	350k	357k	▲
Charleston Unemployment	3.8%	3.3%	▼
U.S. Unemployment	4.7%	4.1%	▼

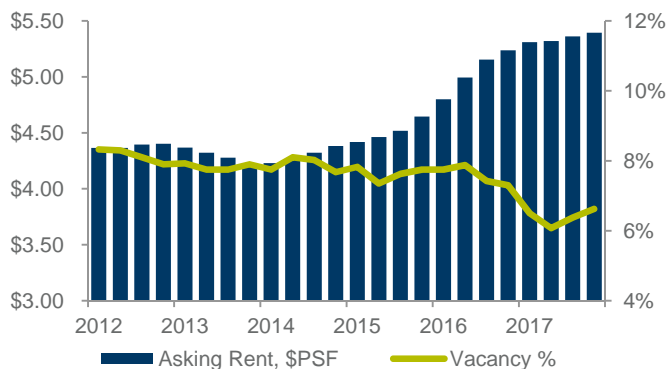
Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	6.8%	8.1%	▲
Net Absorption (sf)	1.0M	-130k	▲
Under Construction (sf)	3.5M	5.3M	▲
Average Asking Rent*	\$5.26	\$5.52	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The Palmetto State economy remained strong and stable in the fourth quarter of 2017 despite a tightening labor market. Expect broad-based growth to continue across most industries in the state with gains in employment and income as job creation is expected to climb by 2.1% in 2018. South Carolina's automobile industry will crank up two full-blown assembly plants in 2018 as Volvo Cars and Mercedes-Benz Vans will join a roster led by Palmetto State car-making stalwart BMW. Plants for both companies will begin operation in the Lowcountry area this year. Combined, the companies will hire roughly 5,300 workers over the next few years as production ramps up. 2018 will also be the year South Carolina's public maritime agency goes deeper and bigger. Work will start in February when the first dredge pulls into Charleston Harbor to begin digging the waterway to a 52-foot depth. The \$529 million project is expected to take 46 to 70 months to complete, and it will give the Port of Charleston and the South Carolina businesses it serves the deepest waterway on the East Coast. The State Ports Authority will also expand its inland operations with a new intermodal facility in Dillon.

Market Overview

The delivery of 1.8 million square feet (msf) of new space in 2017 caused the overall vacancy in the Charleston market to increase by 130 basis points to 8.1%. Direct available space totals 5.1 msf with an average asking rate of \$5.55 triple net. Industrial sales were strong as one of the largest facilities in the area sold at year-end when LRC Properties purchased the 804,000-square foot (sf) former Cummins facility at 4500 Leeds Avenue for \$33.3 million. FedEx will relocate to a new 121,000-sf facility in Palmetto Commercial Park, which will be sold to Monmouth REIT for \$21.9 million. Boeing ended 2017 with a record number of 787-9 deliveries and the company is expecting a strong 2018 for the recently certified 787-10 Dreamliner.

Outlook

Volvo and Daimler suppliers are entering the market and should be well positioned to meet the 2018 delivery dates. Port volume will shift into high gear as "Big-Ship" service and "Neo-Panamax" vessels become more frequent. New speculative warehouse space coming online in early 2018 should temper increased lease rates for big box users, while demand for smaller, mid-sized industrial space will increase.

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