

Office Snapshot Q1 2016

Charleston, SC



CUSHMAN & WAKEFIELD

THALHIMER

CHARLESTON OFFICE

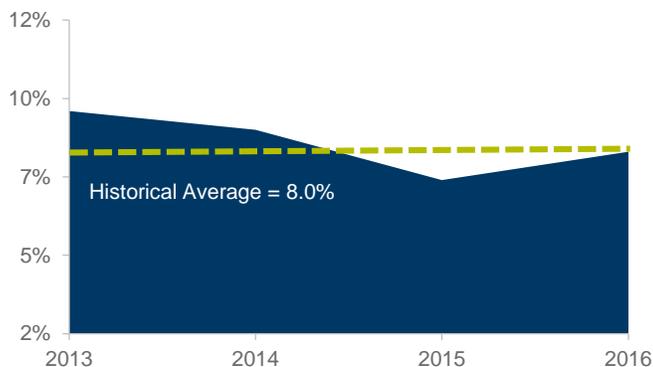
Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Charleston Employment	325k	332k	▲
Charleston Unemployment	5.4%	5.3%	▼
U.S. Unemployment	5.6%	4.9%	▼

Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	6.9%	7.8%	▲
Net Absorption	253k	45k	▼
Under Construction	118k	334k	▲
Average Asking Rent	\$21.16	\$19.88	▼

Overall Vacancy



Economy and Market Overview

Charleston's economy continues to grow with an average of 43 people moving to the Lowcountry per day. Solid job growth coupled with more millennials moving here kept the workforce growing to fuel the rising economy. Investors remained extremely interesting in the region even with low cap rates on sales. Traffic remains one of the top concerns as the local elected leaders continue to work to find solutions.

Market Overview

The regions overall vacancy increased from 6.9% in Q1 2015 to 7.8% in Q1 2016. Overall rental rates fell from \$21.16 per square foot (psf) to \$19.88 psf. The overall asking average class A rates were \$25.41 psf. The overall net absorption dropped from 253,000 square feet (sf) to 45,000 sf. Total square feet under construction was 334,000 sf consisting of 130,000 sf for build-to-suit space compared to 118,000 sf in Q1 2015. The newly renovated Cigar Factory reported the most leasing activity in Q1 2016 with four leases totaling 81,517 sf. The largest office building sale was 2575 Elms Center Rd at \$257 psf.

Key Lease Transactions Q1 16

PROPERTY	SF	TENANT	CLASS
701 East Bay St – 5 th Fl	31,000	Clemson University School of Architecture	B
701 East Bay St – 4 th Fl	28,000	Undisclosed	B
701 East Bay St – 1 st Fl	11,338	Undisclosed	B
701 East Bay St – 3 rd Fl	11,179	Undisclosed	B
5900 Core Ave – 3 rd Fl	10,600	Undisclosed	B

Key Sales Transactions Q1 16

PROPERTY	SF	BUYER	PRICE / \$PSF
234 Seven Farms Dr	40,000	Messervy LLC	\$850,000 / \$21
2265 Clements Ferry Rd	37,200	2265 Clements Ferry Rd Sui 212	\$335,000 / \$9
2575 Elms Center Rd	24,000	Healthcare Trust of America	\$6,170,000 / \$257

Outlook

Consensus job growth forecasts for the Charleston Metropolitan Area bode well for the office market. As companies both new and old increase hiring and the trend toward space-use efficiency occurs in all submarkets, look for vacancy to continue to tighten with rent growth approaching historical heights.

Tenant appetite for new class A development is strong and will continue to dominate leasing activity. In addition, the burgeoning number of companies in the health-care, technology, education and leisure and tourism sectors will continue to fuel office leasing activity not only for new development, but also for redevelopment ventures. Tenants are showing no resistance to rising asking rents as the area outlook remains sanguine.