

MARKETBEAT

Charleston, SC

Office Q1 2017



CUSHMAN & WAKEFIELD

THALHIMER

CHARLESTON OFFICE

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 Classes)

| | Q1 16 | Q1 17 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy | 6.7% | 7.7% | ▲ |
| Net Absorption (sf) | 60k | -130k | ▼ |
| Under Construction (sf) | 271k | 563k | ▲ |
| Average Asking Rent* | \$19.30 | \$21.12 | ▲ |

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The Charleston economy started the year off similarly to how it ended 2016. Employment stood at 352k, increasing 10k from Q1 2016. The unemployment rate decreased 10-basis point (BP), dropping to 4.8%. At the close of Q1 2017 the office vacancy in Charleston stood at 7.7%. This rate equates to a 70 BP increase from 7.0% that was in place in Q4 2016. Companies continued to ramp up their hiring and tourism numbers remained strong overall. With an average of 48 new

residents added to the region each day, employment will continue to rise. The SC State Ports Authority is expecting continued growth and Charleston International Airport is forecasting a passenger increase of almost 5% in 2017.

Market Overview

With overall vacancy on a slight rise, the office market should continue to tick up a bit as more product is being developed. The Charleston CBD remains very tight with limited options. In addition, the last sites on Daniel Island are now under construction, paving the way for future development on Clements Ferry, North Charleston and Mount Pleasant. Bennet Hospitality signed a 99-year lease with the Patriots Point Development Authority for 61.75 acres of land for four office buildings totaling 540,000 square feet (SF), three hotels, 75,000 SF of retail, two parking garages along with other mixed uses.

Key Lease Transactions Q1 17

| PROPERTY | SF | TENANT | PROPERTY TYPE |
|---------------------|--------|--------------------|---------------|
| 6209 Rivers Avenue | 19,515 | The Salvation Army | Class B |
| 3955 Faber Place Dr | 7,169 | Good Done Great | Class A |

Key Sales Transactions Q1 17

| PROPERTY | SF | BUYER | PRICE / PSF |
|---|--------|-------------------------------|----------------------|
| 3450 Ingleside Blvd | 80,000 | CEGM North Charleston LLC | \$21,000,000 / \$263 |
| 1064 Gardner Road | 67,462 | 1001 Harborview, LLC | \$5,700,000 / \$84 |
| 176 Concord Street (Part of multi property) | 45,000 | Leucadia Coast Properties LLC | \$10,548,987 / \$234 |

Outlook

The office outlook will remain steady and unchanged for the next 9-12 months. Delivery of new Class A space is still months away. Many buildings that have been sitting idle or vacant (Class B or C) will be improved to attract new businesses. A few of these older buildings are expected to change hands from idle owners to new, open-minded entrepreneurs willing to spend real dollars not only on improvements, but creating multiple floor plans that will fit most requirement needs.

In 2017, big box retail locations (like Kmart spaces) will be repurposed into Class B call centers or the like. These type buildings include a massive floor plate that can accommodate hundreds of employee cubicles without parking issues.

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About Cushman & Wakefield

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