

MARKETBEAT

Charleston, SC

Office Q1 2018



CHARLESTON OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Charleston Employment	351k	355k	▲
Charleston Unemployment	3.8%	3.6%	▼
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	7.7%	5.6%	▼
Net Absorption (sf)	149k	486k	▲
Under Construction (sf)	521k	643k	▲
Average Asking Rent*	\$21.12	\$22.42	▲

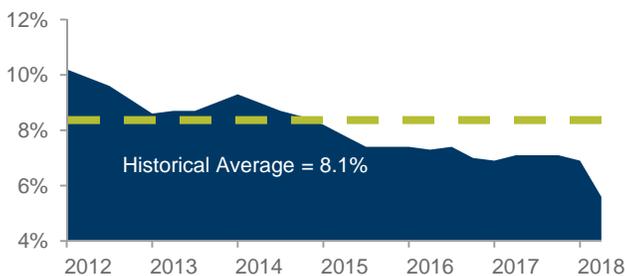
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



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

For more information, contact:
 Matthew Pickard
 Tel: +1 843 724 0100
matthew.pickard@thalhimers.com

Economy

Charleston continues to stand out as a leading market for office-related hiring in South Carolina. Among the three major metros in the state, Charleston recorded strong employment gains, adding roughly 2,800 office-using jobs in the past year to further the need for office space. Particularly strong hiring has kept the unemployment rate well below 4% for nine consecutive months. However, a number of positions remain unfilled, moderating employment growth overall.

Market Overview

Current asking rates continue to be the highest in the state, averaging \$32.30 per square foot (psf) in the CBD and \$22.42 psf across the Charleston market. New deliveries in the first quarter led to a slight uptick in vacancy rates downtown, increasing from 2.8% to 3.7%, but overall vacancy tightened even more, down to 5.6% from 6.6% in previous quarter. 2017 proved to be the best year to date for the buying and selling of commercial office space in the Lowcountry, a trend that continued into the New Year. Steadily increasing rental rates with continued low vacancy rates in the office market has heightened interest from investors nationwide. Faber Plaza, a 126,000-square-foot (sf) spec office building in North Charleston completed last year, sold at the beginning of the year for \$36.4 million, or \$288 psf. Over 283,000 of the 345,200 sf of new office space delivered to the market this quarter was speculative.

Outlook

While the retail market continues to cope with the presence of eCommerce, the office and industrial markets in the Lowcountry show no signs of waning in the foreseeable future. In recent quarters, Charleston has witnessed a vast increase in repurposed space for office use, particularly in old industrial buildings. The limited supply of these buildings, combined with high rehab and construction costs has led investors to seek alternative investments. Charleston is seeing a large influx of mixed-use developments that combine retail, office and multi-family in one central location, echoing a nationwide interest in more community-based developments with a live/work/play premise. As developers attempt to keep up with the pace of demand in Charleston, a large percentage of new office space delivered in the upcoming years will likely be included in these mixed-use developments.

About Cushman & Wakefield

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