

MARKETBEAT

Charleston, SC

Office Q2 2018



CHARLESTON OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Charleston Employment	353k	357k	▲
Charleston Unemployment	3.6%	3.6%	■
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; May 2018 data used to represent Q2 2018

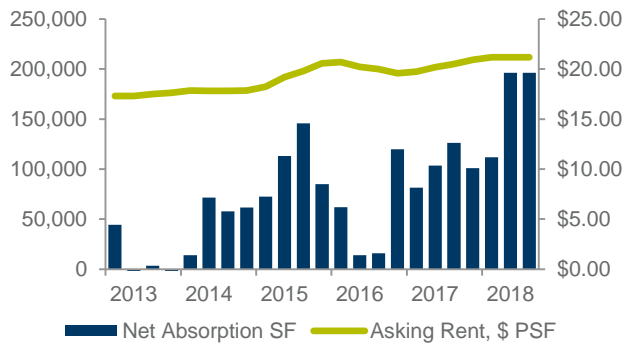
Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	6.2%	5.7%	▼
Net Absorption (sf)	240k	264k	▲
Under Construction (sf)	601k	404k	▼
Average Asking Rent*	\$20.82	\$23.01	▲

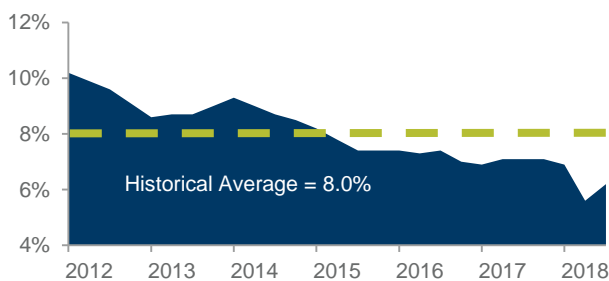
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



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Economy

The Charleston office market continued where it left off at the end of Q1, with rapid growth, tightening vacancy, and rental rates progressing upwards. As additional companies decide to move their headquarters to the area or expand existing space, current job growth continues to be roughly 80 basis points above the national average, with particularly strong growth across several mid- and high-income job sectors. Professional and businesses services, primarily office-using sectors, are the third largest employer by industry after government and trade which employs more than 50,000 people in the metro area. The Medical University of South Carolina (MUSC), the largest office tenant, occupies the entire 1.4-million-square-foot (msf) Rutledge Tower in Downtown Charleston. MUSC and Benefitfocus are two major employers in the market providing jobs for around 14,000 employees and occupying more than 1.7 msf.

Market Overview

While Charleston persists to grow at a rapid pace, inventory in the office market remained relatively unchanged from Q1 2018. Net absorption significantly outpaced net deliveries across most of the cycle, with only a handful of quarters outpaced by new space at just over 264,000 sf. This has resulted in particularly low vacancy rates, especially in James Island, Dorchester County, and Downtown Charleston with an overall average vacancy rate of 5.7%, down from 6.2% in Q2 2017. For comparison, vacancy rates in the Lowcountry are hovering at about half that of the national average. Current gross asking rents remain to be the highest in the state by a wide margin averaging \$23.01 per square foot (psf). While asking rents have continued to climb, overall rent growth has started to slow in recent quarters.

Outlook

Charleston's economic outlook is strong for the foreseeable future. Of the major commercial real estate sectors, the office market continues to outperform the group. Charleston is showing no signs of slowing down any time soon. Investments in the ever-expanding port and further additions of industry leading corporations will only further improve Charleston's economy. And at the same time, tourism is stronger than ever and attracts an increasing number of visitors to this bustling port city.

About Cushman & Wakefield

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