

MARKETBEAT

Charleston, SC

Office Q3 2017



CUSHMAN & WAKEFIELD

THALHIMER

CHARLESTON OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Charleston Employment	348k	353k	▲
Charleston Unemployment	3.9%	3.3%	▼
U.S. Unemployment	4.9%	4.4%	▼

Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	6.7%	6.6%	▼
Net Absorption (sf)	191k	-153k	▼
Under Construction (sf)	276k	558k	▲
Average Asking Rent*	\$19.39	\$21.10	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The overall economy in the Lowcountry has continued to impress through Q3 2017 with no signs of letting up in the near future. Charleston has successfully embraced globalization and economic diversification allowing it to develop a strong economy among the nation's top performers. The region's employment number increased by 16,000 over Q3 2016, dropping the total

unemployment to 3.3%, well below the national average of 4.4% and 1.5% below Q3 2016. The Charleston market's office-using employment grew at a pace of 3.9% over the last 12 months, leading the state in office-related hiring. Office vacancy rates are some of the lowest ever reported, currently at 6.6% across all markets and 2.6% in the Charleston CBD.

Market Overview

Rents in the Charleston office market are the highest in the state by a significant margin and continue to climb steadily. Overall office rents average \$21.00 per square foot (psf) with downtown still as the priciest submarket. Downtown office rents averaged \$30.00 psf with some rents exceeding the \$40.00 psf mark, followed closely by East Islands/Mt. Pleasant averaging \$25.50 psf. Charleston's healthy economy and strong increase in rent growth on new leases continue to attract willing investors leading to the past 12 months' sales volume doubling the historical average. Office property is currently changing hands at an average of roughly \$130 psf with sales reaching well over \$200 psf in the downtown market, though cap rates have recorded a gradual decline in recent years, currently averaging 7.5%.

Repurposing of properties into usable office space continues to have large success around the Charleston market. Pacific Box & Crate recently completed a transformation of an 80,000-square-foot (sf) industrial warehouse into modern office space in the "neck area" while the old Garco Mill in North Charleston is set to be converted into another 80,000 sf of office. Additionally, an old K-Mart retail center on Rivers Ave. is currently being renovated into 168,000 sf of office space set to deliver Q1 2018. A new T-Mobile call center will occupy 126,000 sf leaving 42,000 sf in new inventory available for lease. Historically, new supply has been concentrated in downtown, but as land is become scarcer, development is moving towards North Charleston and Mt. Pleasant.

Outlook

As of September 2017, 558,000 sf of office space is set to deliver by the end of next year, consisting of an even mix of build-to-suit and speculative projects. There are no indications of new construction stopping in the near term as increasing rent and low vacancy rates do little to discourage spec construction. The surge in new inventory could temporarily bump vacancy rates higher as they deliver, but those rates are expected to remain well below the 10% mark.

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About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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