

# MARKETBEAT

## Charleston, SC

Office Q3 2018



### CHARLESTON OFFICE

#### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Charleston Employment	355k	361k	▲
Charleston Unemployment	3.5%	3.0%	■
U.S. Unemployment	4.4%	3.9%	▼

Numbers above are quarterly averages; Aug 2018 data used to represent Q3 2018

#### Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	6.6%	6.2%	■
Net Absorption (sf)	91k	111k	▲
Under Construction (sf)	558k	588k	▼
Average Asking Rent*	\$21.10	\$25.46	▲

\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



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#### Economy

Overall, Charleston's economy continued to boom this quarter. New employers keep following the success of Boeing, Mercedes, Benefitfocus, and People Matter. According to the Charleston Chamber of Commerce, more than 9,000 new jobs were created in 2017 with that number expected to grow exponentially in 2018 as Volvo and Mercedes continue hiring after expansion plans were recently announced. Current job growth continues to sit above the national average, with particularly strong growth across several mid- and high-income job sectors. The ongoing investment and expansion of the Port coupled with Charleston's ever-increasing tourism numbers will further bolster Charleston's overall economic success into the foreseeable future.

#### Market Overview

Charleston saw a slight up-tick in office vacancy from Q2 18 to Q3 18 with rates moving from 3.2% to 3.3% in the CBD and 5.7% to 6.2% across the entire market. A total of 670,252 square feet (sf) of office space has delivered year-to-date, with only about 40,000 sf of that delivering in Q3 18. The newly completed office space is nearly half into speculative and build-to-suit space which is demonstrative of the newly found success of speculative development. Of the 588,443 sf of space currently under construction, about 80% is built on a speculative basis.

#### Outlook

While Charleston's office market remains strong, a potential shift is on the horizon with the emergence of more name brand coworking options looking to expand into the Charleston market. While coworking space currently only accounts for less than 1.0% of the overall Charleston office market. Forecasters expect the sector to triple in size nationally in the foreseeable future and represent as much as between 5.0% and 10.0% of inventory in many markets. Coworking options are set to become a staple for corporate occupiers seeking increased lease flexibility with the added advantage of limited capital expenditure costs, increased collaboration and networking. Serendipity Labs, a nationwide co-working brand has recently committed to 25,000 sf of space in Portside at Ferry Wharf, a project of Atlanta-based Holder Properties, as well as an additional 33,000 sf of space in the Garco Mill redevelopment project in North Charleston. Both projects are set to deliver next year.