

MARKETBEAT

Charleston, SC

Office Q4 2017



CHARLESTON OFFICE

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Charleston Employment	350k	357k	▲
Charleston Unemployment	3.8%	3.3%	▼
U.S. Unemployment	4.7%	4.1%	▼

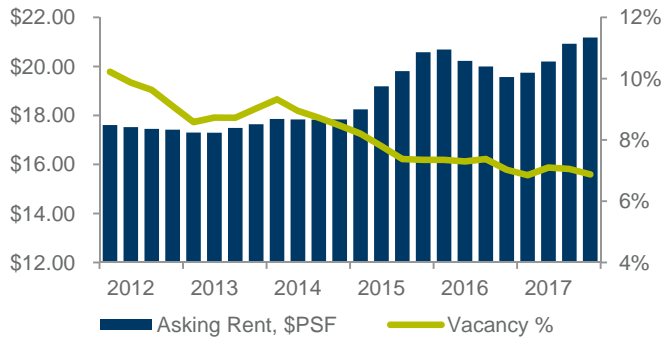
Market Indicators (Overall, All Classes)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	7.0%	6.3%	▼
Net Absorption (sf)	-76k	-32k	▼
Under Construction (sf)	455k	683k	▲
Average Asking Rent*	\$20.67	\$21.67	▲

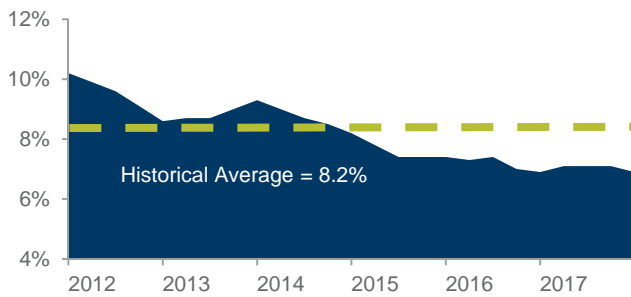
*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Overall Vacancy



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Economy

Charleston continues to enjoy impressive population and job growth, sustained by the Port of Charleston and proximity to several large manufacturers and employers. The Charleston office market finished 2017 much like it started, with increasing asking rents and tightening vacancy rates. The overall economy of the Charleston region finished the year strong with unemployment remaining steady at 3.3%, well below the national average and 50 basis points lower than in 2016. Charleston's employment added roughly 4,000 jobs in the fourth quarter, bringing total employment to 357,000. The versatility of the Charleston area and its ability to attract young workers have made the market attractive to tech-related firms in particular.

Market Overview

Current asking rents remain the highest in the state, averaging \$21.67 per square foot (psf) over the entire market and \$32.67 psf within the Charleston CBD. Charleston's recent increase in popularity has led to a surge in tourism and permanent resident growth that has encouraged developers to focus new downtown development towards lodging and residential as opposed to office, with a number of hotels and multi-family projects currently under construction. The lack of new office space development in the CBD is pushing office users towards North Charleston, Mt. Pleasant, and farther up I-26 into Summerville. The new WestEdge development currently under construction in downtown Charleston will have the most immediate impact on the office market, with 140,000 square feet (sf) of office space set to deliver in 2018 and an additional 760,000 sf coming to market over the next few years. Demand for office space continues to exceed supply and total sales volume remains strong with over \$200 million in transactions in 2017, a new record for the Charleston market.

Outlook

Charleston's strong economy and tightening office market are expected to continue in 2018 and there are few signs of any slowdown. Over 500,000 sf of office space should deliver in 2018, which will help meet demand, but continued economic and population growth will increase the need for additional supply over the coming years. The low vacancy rates have also given landlords more negotiating power, allowing them to secure higher rates and longer term leases on the limited available spaces. Developers will focus on speculative construction as demand continues to outpace deliveries.

About Cushman & Wakefield

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