

MARKETBEAT

Charleston, SC

Office Q3 2016



CUSHMAN &
WAKEFIELD

THALHIMER

CHARLESTON OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Charleston Employment	335k	345k	▲
Charleston Unemployment	4.8%	4.4%	▼
U.S. Unemployment	5.2%	4.9%	▼

Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	8.1%	7.0%	▼
Net Absorption (sf)	-224k	105k	▲
Under Construction (sf)	384k	381k	▼
Average Asking Rent*	\$21.12	\$19.37	▼

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Charleston's economy remained on a healthy course as Manpower Group named the area's job outlook the sixth best in the country. Nearly a third of the companies interviewed said they were planning to grow their workforces. In addition, Travel & Leisure magazine readers voted Charleston as the world's best city, topping last year's ranking of #2.

Market Overview

With companies continuing to expand and hire more workers, overall vacancy will decrease as absorption remains positive. More speculative new development will provide more opportunities for tenants to choose from across the region. The steady flow of new residents sustain the job growth. Some new developments downtown continue to face Board of Architectural Review opposition, but should ultimately receive final approvals. Infrastructure continues to be a very hot topic as arguments over the completion of the Mark Clark, Interstate 526, remain in the forefront.

Several defense contractors have given space back in North Charleston but this space should be re-leased relatively quickly.

In Daniel Island, Blackbaud will break ground in mid-October on a 360,000-square-foot (SF), two-phase headquarters with structured parking. Phase I will deliver during second quarter 2018 and total 172,000 SF of new office product.

Outlook

The economic outlook appears to include a steady stream of continuous growth. With historical events such as the upcoming Presidential election or rumors of the Federal Reserve raising interest rates at the end of the year, the commercial real estate market in Charleston is ticking along unfazed. With more than a million square feet of office space projected for delivery in 2017 the Charleston market is incorporating a more modern mix of retail and residential components to the once mundane office environment. More companies will relocate to newly developed areas that offer a more urban lifestyle slightly raising downtown Charleston's vacancy rate in the coming years. Other reasons for growth outside the peninsula include availability of parking and easier access to airport and two major interstates. Parking will always be a challenge downtown. New developments offer free parking to decrease expenses thus lowering company overhead. Sites located closer to the interstates provide less travel time for employees who once were bogged down by the ever increasing tourist activity due to the media attention of being the number one city in the world to visit.

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