

MARKETBEAT

Charleston, SC

Industrial Q1 2018



CHARLESTON INDUSTRIAL

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Charleston Employment	351.1k	356.2k	▲
Charleston Unemployment	3.8%	3.6%	▼
U.S. Unemployment	4.7%	4.1%	▼

Numbers above are quarterly average; March 2018 data used to represent Q1 2018

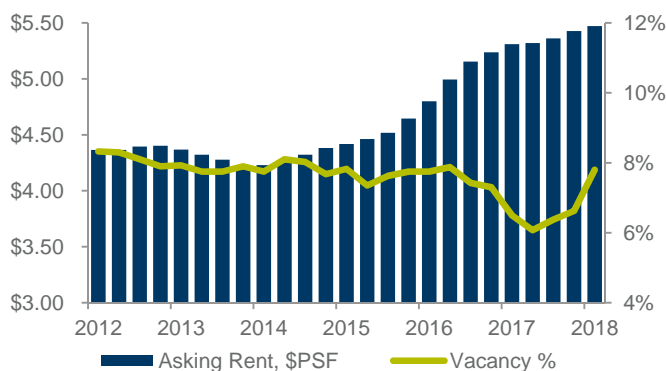
Market Indicators (Overall, All Property Types)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	4.7%	9.4%	▲
Net Absorption (sf)	1.3M	124k	▼
Under Construction (sf)	5.4M	4.6M	▼
Average Asking Rent*	\$5.36	\$5.54	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

A large amount of industrial development is occurring in Charleston right now and the region is poised for rapid growth with major projects like Volvo and Mercedes coming to fruition. South Carolina economists are not concerned about over-development right now, but they would not be surprised to see vacancy rates rise if global economic growth slows in the near-term. The Jedburg area close to Volvo's manufacturing campus has been this area's hottest market, with 750,000 square feet (sf) of space occupied in March alone. That includes a 307,350-sf warehouse, originally a spec building, at Charleston Trade Center, where New Jersey-based RPM will operate a warehouse and logistics center. In addition to vehicle and commercial plane manufacturing, developers are attracted to this area because of the revitalized Port of Charleston, which is setting records for containerized cargo moving through its terminals. This is not the first spec building boom for the Charleston area, but it is the largest. The previous cycle took place amid the irrational exuberance of the stock market's late 1990's rise and added nearly 1.0 million square feet (msf) of space to the landscape.

Market Overview

The Charleston market ended the first quarter 2018 with a 9.4% vacancy rate. The vacancy rate increased from the previous quarter and net asking rental rates ended the first quarter at \$5.54 per square foot (psf), also a slight increase over the prior quarter. IFA, formerly IFA Rotorion, added 120 jobs to its existing 660 with the opening of a \$60-million, 250,000-sf plant at the Charleston Trade Center off of Interstate 26 in Jedburg. Science Applications International Corporation (SAIC) is expanding its existing operations in Berkeley County. The company expects to create 200 new jobs over the next five years in a new 400,000-sf facility. The Silverman Group is the latest to take the plunge, purchasing the remaining 91 acres in the WestRock / Rockefeller Group near Jedburg. The developer will construct a 562,544-sf speculative warehouse at the site off of U.S. Interstate 26.

Outlook

Charleston will soon have more capacity for larger ships. Port dredging has started and the inland port construction in Dillon is scheduled to be completed in early May 2018. Plans for new industrial parks should take a priority in order to provide enough supply for the port's growing shipping capacity.

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