

MARKETBEAT

Charleston, SC

Industrial Q4 2018



CHARLESTON INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Charleston Employment	355k	363k	▲
Charleston Unemployment	3.6%	2.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly average; November 2018 data used to represent Q4 2018

Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	8.1%	7.3%	▲
Net Absorption (sf)	-130k	910k	▼
Under Construction (sf)	5.3M	2.2M	▼
Average Asking Rent*	\$5.52	\$5.56	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

As of 2018, the Charleston Metro Area population is 775,155, growing at three times the U.S. population average. Jobs continued to post healthy gains across all sectors. With over 377,000 in the labor force, unemployment dropped to 3.7%. The region had a net gain of more than 9,000 new jobs in 2018. One of every five jobs created in the State of South Carolina in the last five years was in the Charleston region.

Market Overview

Developers have been active in the Charleston region delivering more than 6.3 million square feet (msf) of new space in 2018. Net asking rents continued to increase as well, posting a 4.4% annual gain to \$5.56 per square foot (psf). The overall industrial vacancy rate ended the year at 7.3%. Sales volume reached more than \$250 million in 2018, well above a typical year in Charleston, as cap rates dropped to 7.2% from 7.7% in 2017. Five properties, sold as part of the Blackstone purchase of the Gramercy portfolio, were included in the total sales volume. Monmouth Real Estate Investment Corporation (NJ) purchased a fully-leased four-star building from SunCap Property Group (NC) for more than \$47.0 million, approximately \$178 psf. The newly constructed building serves as a distribution center for FedEx, which signed a 15-year lease in August 2018. Another recent notable transaction occurred in May 2018, when Stockbridge Capital Group LLC purchased the 350,000-sf warehouse on Northpointe Industrial Boulevard for \$30.5 million, approximately \$87 psf. The building was fully occupied by AmerCareRoyal and ManTech International Corp. at the time of sale. W International, a full-service manufacturer of welded metal fabrications, announced plans for new production operations in Berkeley County. The company's \$35.2 million capital investment will construct a new 451,000-sf facility in the Bushy Park Industrial Complex and is projected to create more than 600 new jobs.

Outlook

Though 2019 may not see completion levels quite as high as 2018, more than 2.3 msf of industrial space will deliver in 2019 – well above the historical average of 1.5 msf. Market rents will stay level as recently delivered inventory is absorbed over the year. Jobs are expected to post healthy gains across all sectors. The region is expected to have a net gain of new jobs of 1.8% in 2019.

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