

MARKETBEAT

Charleston, SC

Office Q4 2018



CHARLESTON OFFICE

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 averages; November 2018 data used to represent Q4 2018

Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	6.6%	6.2%	▼
Net Absorption (sf)	91k	115k	▲
Under Construction (sf)	-32k	711k	▼
Average Asking Rent*	\$21.37	\$23.55	■

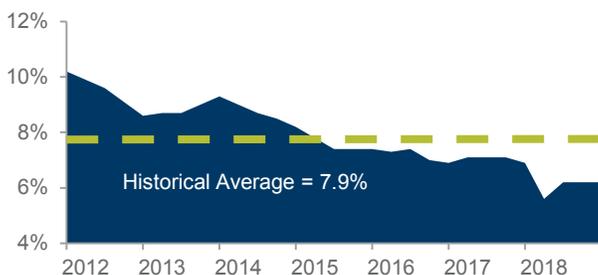
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



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Economy

The Charleston region has been booming this cycle, finishing the year as it began with significant economic growth. The professional and business sectors have performed well, adding roughly 15,000 new jobs since 2010 and outpacing the national economy for much of the cycle. Charleston's buoyant economy continues to attract investors. More than \$300 million in office building sales transactions traded in 2018, surpassing a cyclical record set just a year earlier. With the surge in investor interest, cap rates have generally declined in the Charleston market in recent years, currently averaging close to 6.9%.

Market Overview

Developers and commercial property owners continue to focus on providing not just space and great location, but an environment for success. As office designs continue to trend to be more mixed workspaces, which incorporate open work areas and creative commons, more and more firms desire curated and configured office spaces that boost employee productivity. Developers that continue to focus on market design and efficiency, as well as tailor their office products to the ever-evolving workplace trends, are seeing some of the greatest benefits. Growth and development push north up I-26.

The developers of the Nexton community in Summerville have recently filed permits in hopes of completing a 46-acre office complex and mixed-use destination located at the new I-26 interchange. The project would be geared specifically toward attracting corporate headquarters or large regional offices. Landing a corporate headquarters has long been a key priority for the S.C. Commerce Department, which hopes the addition of a new British Airways international flight between Charleston and London beginning in April will provide the missing link companies are looking for.

Outlook

Net absorption has significantly outpaced net deliveries across most of the cycle resulting in particularly low vacancy rates, especially in James Island, West Ashley and downtown Charleston. However, with an ample amount of speculative space in the pipeline, vacancies could increase in the near future if leasing is slower than expected. In the upcoming year a number of large office projects will be coming online including Portside Ferry Wharf with 120,000 sf of office delivering in the spring of 2019 and 22 West-Edge with 155,000 sf of office in November 2019.

About Cushman & Wakefield

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