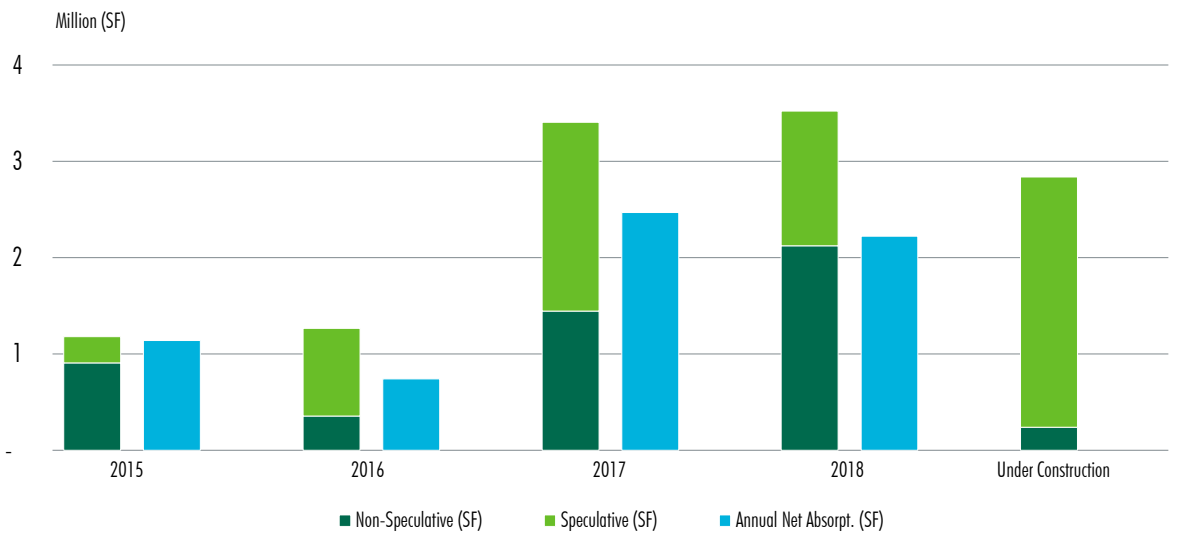


Charleston Industrial & Logistics, Q4 2018

Increased industrial demand sparks rise in speculative development

▼ Vacancy Rate 6.5%
▶ Availability Rate 9.4%
▼ Net Absorption 425,148 SF
▶ Avg. Asking Rent \$5.62 PSF NNN
▲ Construction 2,837,990 SF

Figure 1. Absorption and Development



Source: CBRE Research, Q4 2018

In the fourth quarter of 2018 the Charleston industrial market delivered its thirteenth consecutive quarter of growth, with just over 400,000 sq. ft. of positive absorption. In the last four quarters the Charleston market has absorbed just over 3 million sq. ft. of industrial product.

Of the roughly 2.8 million sq. ft. of industrial product currently under construction, 90% has been classified as speculative warehouse, i.e., construction beginning prior to the developer having secured a tenant. Despite the Charleston market’s historic ability to quickly absorb large amounts of space, expect to see vacancy increase in the short-term as several existing speculative

speculative facilities continue to remain vacant. For example, Chicago-based developer Clarius’ 500,000 sq. ft. speculative property delivered during the first quarter of 2018 to the I-26 North submarket, has not yet stabilized.

Largely fueled by port-related activity and expansion in petroleum, automotive and aerospace sectors, speculative space continues to be developed at a rapid pace. Additionally, consistent absorption and growing asking rates for Class A warehouse have helped to bolster investor interest, although the size of product being delivered is significantly larger than those delivered in the past. The majority

Figure 2. Market Statistics

Market	Market Rentable Area (SF)	Vacancy Rate (%)	Total Availability (%)	Avg Asking Dr Rate (\$ PSF/YR)	Under Construction (SF)	Net Absorption Last 4 Quarters (SF)	Net Absorption Current Quarter (SF)
Charleston	1,816,457	9.0	12.8	9.75	48,000	(64,113)	(26,113)
East Cooper	8,472,100	2.9	4.6	5.77	-	156,726	69,763
Hanahan	5,957,388	2.0	7.9	7.29	587,000	(91,720)	-
Hwy 52 North	4,681,735	9.6	11.2	1.64	-	(136,859)	-
I-26 North	13,163,674	8.8	11.1	5.06	1,323,044	3,365,575	324,180
North Charleston/Ladson	23,742,876	6.9	9.7	5.88	879,946	(55,104)	55,078
West Ashley	1,267,604	7.0	12.5	8.89	-	(7,908)	2,240
MARKET TOTAL	59,101,834	6.5	9.4	5.62	2,837,990	3,136,245	425,148
Manufacturing	24,409,808	4.4	5.8	4.67	420,888	1,574,573	295,180
R&D/Flex	2,413,262	8.3	11.3	10.41	-	46,350	(20,202)
Warehouse/Distribution	32,098,764	8.0	12.0	5.59	2,417,102	1,515,322	150,170
MARKET TOTAL	59,101,834	6.5	9.4	5.62	2,837,990	3,136,245	425,148

Source: CBRE Research, Q4 2018

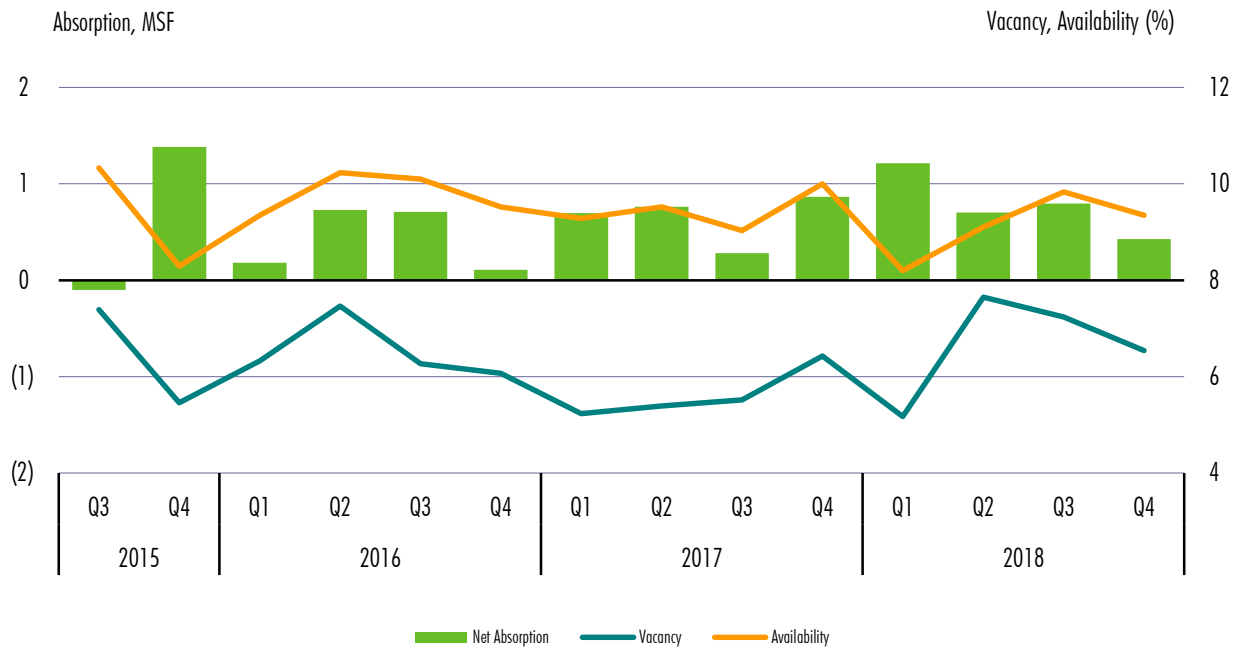
of new speculative product currently available or under construction is larger than 200,000 sq. ft., indicating that tenants interested in smaller Class A facilities do not have as many options as current market dynamics would suggest.

Projects currently under construction include the Silverman Group’s latest addition to Summerville’s Foreign Trade Zone as well as Greensboro-based developer Samet’s facility in Omni Industrial Park. Together the two properties will supply nearly 1 million sq. ft. of Class A warehouse space to the I-26 North submarket. Another major development is set to break ground at Camp Hall in early 2019, also located in the I-26 North submarket. The project is slated to be one of the largest in the region providing roughly 800,000 sq. ft. of speculative

warehouse space adjacent to Volvo’s 2.3 million sq. ft. manufacturing facility completed in 2018. Given the large amount of speculative warehouse product currently under construction, expect to see vacancy tighten in the coming quarter for smaller warehouse product as developers fail to respond to demand.

One of the greatest challenges facing developers, owners and tenants is the growing cost of new construction. In response to widespread industrial development across the U.S., both building materials and qualified labor are in short supply. Additionally, there is still some uncertainty as to the long-term ramifications of global trade tariffs.

Figure 3. Vacancy, Availability and Absorption

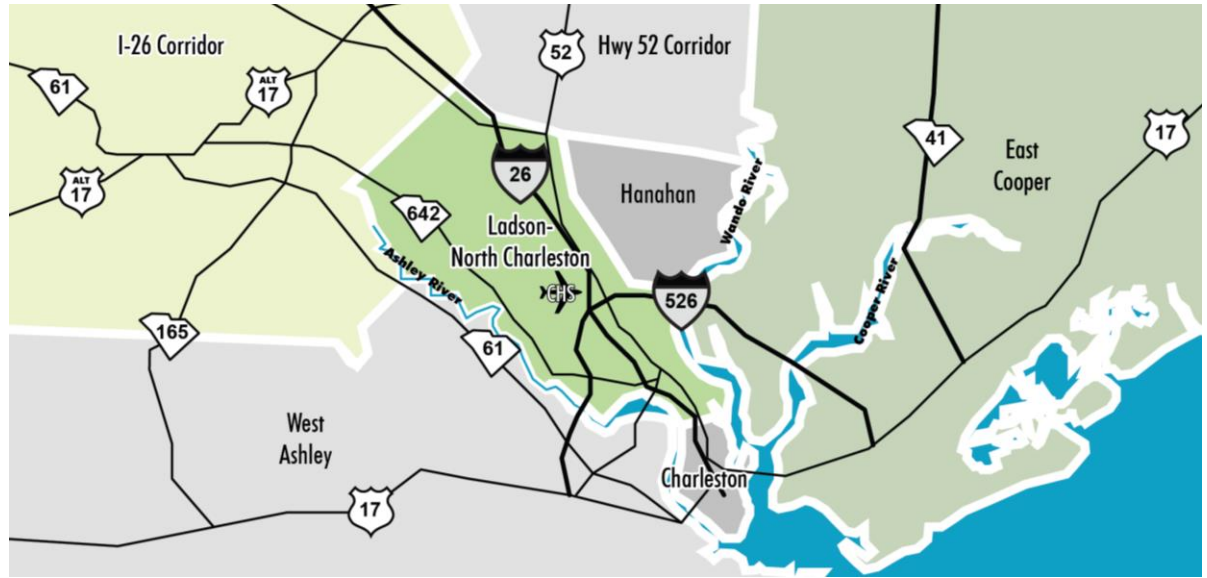


Source: CBRE Research, Q4 2018

Another major challenge in the industrial market pertains to the continued increase in cost of land appropriately zoned for industrial development. When combined with previous trends in the market, these cost conditions serve as a driving force in support of one thing: rising asking rents. These elevated costs are expected to have a substantial impact on both new construction and existing industrial product in the forthcoming quarters.

A significant contributor to the growth in warehouse and distribution facilities in the Charleston market can be attributed to ongoing expansion efforts at the Port of Charleston, one of the fastest growing and most efficient ports in the country. The Port of Charleston, in addition to two recently opened Inland Ports in the state, continues to be a catalyst for growth in the

Charleston market and it is difficult to understate its vital role in helping to cultivate the region's industrial market. The port is undertaking a massive capital improvement project intended to attract more container traffic from a recently widened Panama Canal. The end-goals are to both deepen the port to 52 feet and to open a new terminal. The new Hugh K. Leatherman, Sr. terminal will expand the port's capacity by 50%, further driving the demand for warehouse and distribution product.

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