

S.C. Ports opens newest deep water container terminal in the U.S.

▲ **Market Inventory**
65,351,949

▼ **Vacancy Rate**
3.55%

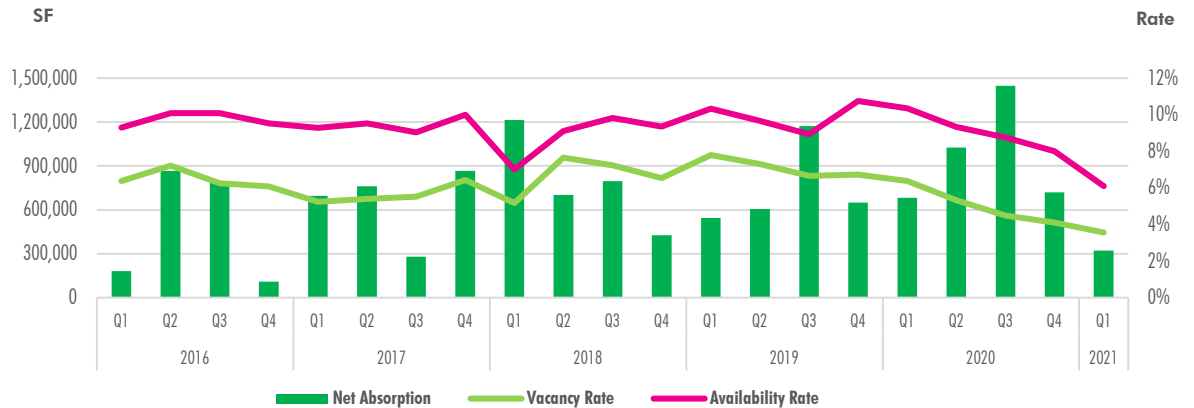
▲ **Average Direct Rate**
\$6.39/PSF NNN

▼ **Net Absorption**
320,494

▲ **Construction**
4,883,092

*Arrows indicates quarterly change

Figure 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q1 2021

Charleston’s industrial market remained active in Q1 2021 as 320,000 sq. ft. of industrial product was absorbed this quarter. Strong population growth coupled with the emergence of the Port of Charleston continues to fuel demand. The Hugh K. Leatherman Port Terminal delivered this year, exponentially increasing the capacity and capabilities of the port making it more desirable amid COVID-19. As West Coast ports continue to recover from the backlog of port related congestion, the Port of Charleston has emerged as a leader in efficiency. According to the South Carolina Port Authority, the Port of Charleston set a record in March 2021 posting its highest amount of TEU’s in the ports history as 248,796 units were imported and exported. The port’s uptick in crane usage and efficient turn-around time will continue to improve the port’s capabilities.

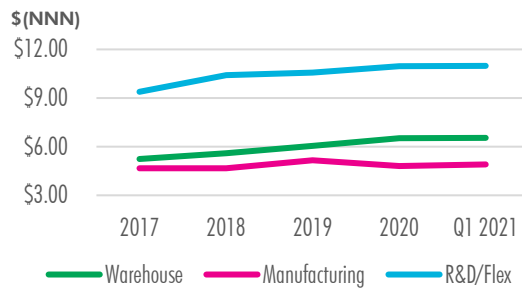
Q1 2021 marks the 14th consecutive quarter of positive net absorption exceeding 300,000 sq. ft. in Charleston. Per *CBRE’s U.S. Industrial & Logistics Q4 2020 Report*, the Charleston market was ranked the second fastest growing industrial market in the United States. Three markets in the Southeast, Savannah, Charleston, and Memphis were ranked in the top five for future growth, which is based on year-to-date absorption as a percent of existing inventory.

Charleston’s vacancy rate decreased 50 basis points to 3.6%, the lowest rate on record. Furthermore, Charleston’s availability rate decreased 190 basis points to 6.1%, the first time the market’s availability rate has dropped under 7% since Q1 2018.

PRICING

Asking rates slightly increased this quarter ending Q1 at \$6.39 per sq. ft. per annum on a triple net basis. Warehouse assets continued to increase reaching \$6.54 NNN in Q1 2021, a 6.5% increase from 2020. Landlords remain optimistic about the Charleston industrial market as companies continue to relocate and consolidate operations to the area.

Figure 2: Historical Pricing



Source: CBRE Research, Q1 2021

CAPITAL MARKETS

Over \$78 million of industrial transactional volume sold in Charleston in Q1 2021. The largest transaction of the quarter was Iron Tree Capital’s purchase of 537 Omni Drive for \$49 million or \$82 per sq. ft. The fully occupied 587,000 sq. ft. asset was previously owned by a joint-venture between Clarius Partners and Wanxiang America RE Group.

Demand for Class B product continues to increase as owner-users pursue purchasing buildings for their operations. However, inventory remains scarce, creating multiple offer situations and thus driving up the price per sq. ft.

LEASING ACTIVITY

Leasing velocity persisted in Q1 2021 with new deals accounting for 63% of all activity compared to 37% being renewals. Two new deals include:

- A confidential 3PL company inked a 305,000 sq. ft. transaction at 1020 Northpointe Industrial Blvd in the Hanahan submarket.
- Thorne Research, a market leader in Life Sciences, leased 115,000 sq. ft. of space at 553 Trade Center Pkwy in Berkeley County.

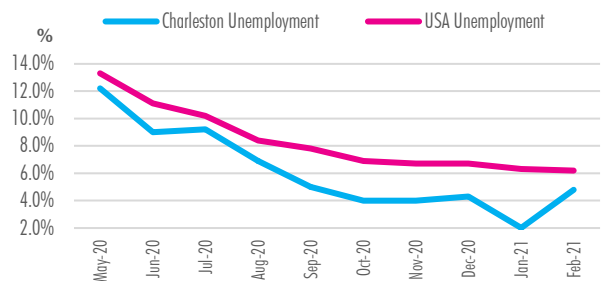
E-COMMERCE

The E-commerce sector continues to accelerate its leasing efforts amid the COVID-19 Pandemic. In 2020, CBRE’s 2020 North America Industrial Big Box Review & Outlook indicated that E-commerce retailers signed more deals in big-box facilities than ever before. As Charleston grows and more speculative development delivers, E-commerce users may pursue the market due to strong market fundamentals and strength of the port.

ECONOMIC SNAPSHOT

Charleston’s unemployment rate ended February 2021 at 4.8%, 40 basis points lower than South Carolina’s unemployment rate of 5.2%. As restrictions ease and vaccines become more readily available, Charleston’s unemployment rate will revert to pre-COVID-19 levels.

Figure 3: Charleston vs. U.S. Unemployment Rate



Source: BLS, Q1 2021

Figure 3: Notable Q1 2021 Lease Transactions

Occupier	Building Address	Submarket	Industry	SF	Lease Type
Confidential 3PL	1020 Northpointe Blvd	Hanahan	3PL	305,423	New Lease
UPS	1701 Charleston Regional Pkwy	I-26 North	Building Supplies	175,500	Renewal/Expansion
Thorne Research	553 Trade Center Pkwy	I-26 North	Life Sciences	115,500	New Lease
Lowe’s	1701 Charleston Regional Pkwy	I-26 North	Logistics	78,000	Renewal

Source: CBRE Research, Q1 2021

DEVELOPMENT ACTIVITY

Largest speculative building, totaling 1 million sq. ft., in Charleston history breaks ground

As the Port of Charleston continues to grow, industrial developers will remain bullish on the market. After a strong year of deliveries (2.4 million sq. ft.), The Keith Corporation, headquartered in Charlotte, broke ground on the largest speculative building in Charleston history. The 1 million sq. ft. cross-docked project located at 180 Trade Center Parkway will have 120 dock doors, 40’ clear height, ample amounts of parking, and is minutes from I-26.

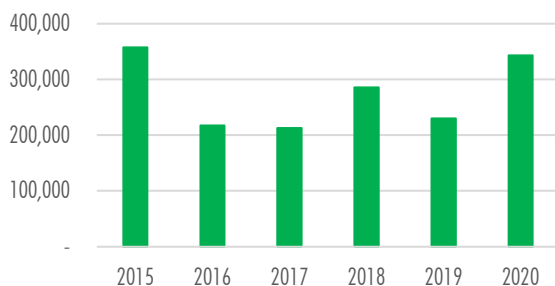
As of Q1 2021, close to 5 million sq. ft. is currently under development in Charleston. Walmart’s entry to the market, proximity to national occupiers such as Boeing, and the emergence of the Port of Charleston has intensified development in the market.

Cold Storage Expansion Delivery

7748 Palmetto Commerce Parkway in the Ladson/North Charleston submarket delivered this quarter 100% occupied. The 126,000 sq. ft. distribution facility will serve as expansion space for Lineage Logistics, a regional cold storage provider.

Charleston remains an attractive option to developers, but it is worth noting that land prices, construction costs, and material costs have all increased in recent years. Per *CBRE’s U.S. Development Opportunities Winter 2021 Report*, prices of construction materials have been extremely volatile due to the disruption in the supply chain during the pandemic.

Figure 4: Average Delivery Size of Class A Warehouses



Source: CBRE Research, Q1 2021

COVID-19 Q1 RESPONSE

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

A reopening of the economy would support near 7% GDP growth this year—the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor. Indeed, consumers, particularly high earners, have plenty of ‘dry powder’ in the form of elevated savings accrued during the pandemic. This will be paired with over \$800 billion of transfer payments to low and middle-income households via the American Recovery Plan.

As social distancing measures subside much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality). Overall, we think the U.S. economy will create upward of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve’s traditional 2% target, but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.

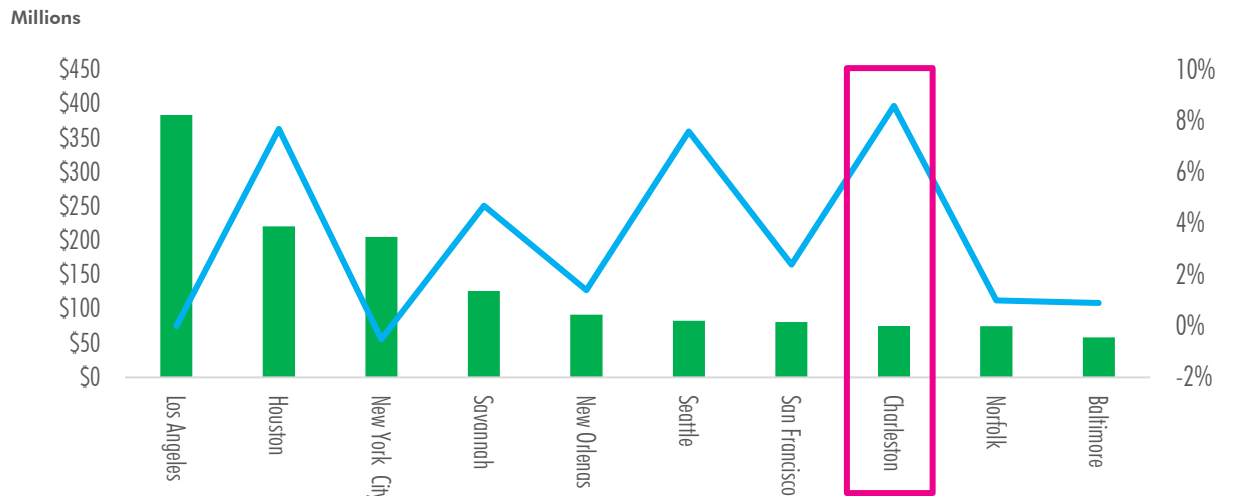
Figure 5: Market Statistics

Submarket	Building Count	Total RBA	Total Vacancy (%)	Total Availability (%)	Overall Rate (\$/FS)	Q1 2021 Net Absorption	Construction
Charleston	18	1,070,203	0.0	0.0	0.00	-	-
East Cooper	65	8,511,754	3.6	5.2	6.50	35,349	-
Hanahan	42	6,755,723	0.2	0.7	7.00	409,423	-
Highway 52 North	35	6,039,966	0.5	0.9	1.80	-	-
I-26 North	108	15,334,157	5.5	9.2	5.44	(404,391)	4,821,530
North Charleston/ Ladson	308	26,372,542	4.2	7.2	7.27	284,336	61,562
West Ashley	24	1,267,604	3.8	10.5	10.10	16,777	-
Market Total	600	65,351,949	3.6	6.1	6.39	320,494	4,883,092

Development Type	Building Count	Total RBA	Total Vacancy (%)	Total Availability (%)	Overall Rate (\$/NNN)	Q1 2021 Net Absorption	Construction
Manufacturing	179	24,317,345	1.5	2.2	4.90	-	-
R&D/Flex	54	2,330,567	8.1	11.8	10.99	(15,309)	96,062
Warehouse/Distribution	367	38,704,037	4.6	8.2	6.54	230,803	4,787,030
Market Total	600	65,351,949	3.6	6.1	6.39	320,494	4,883,092

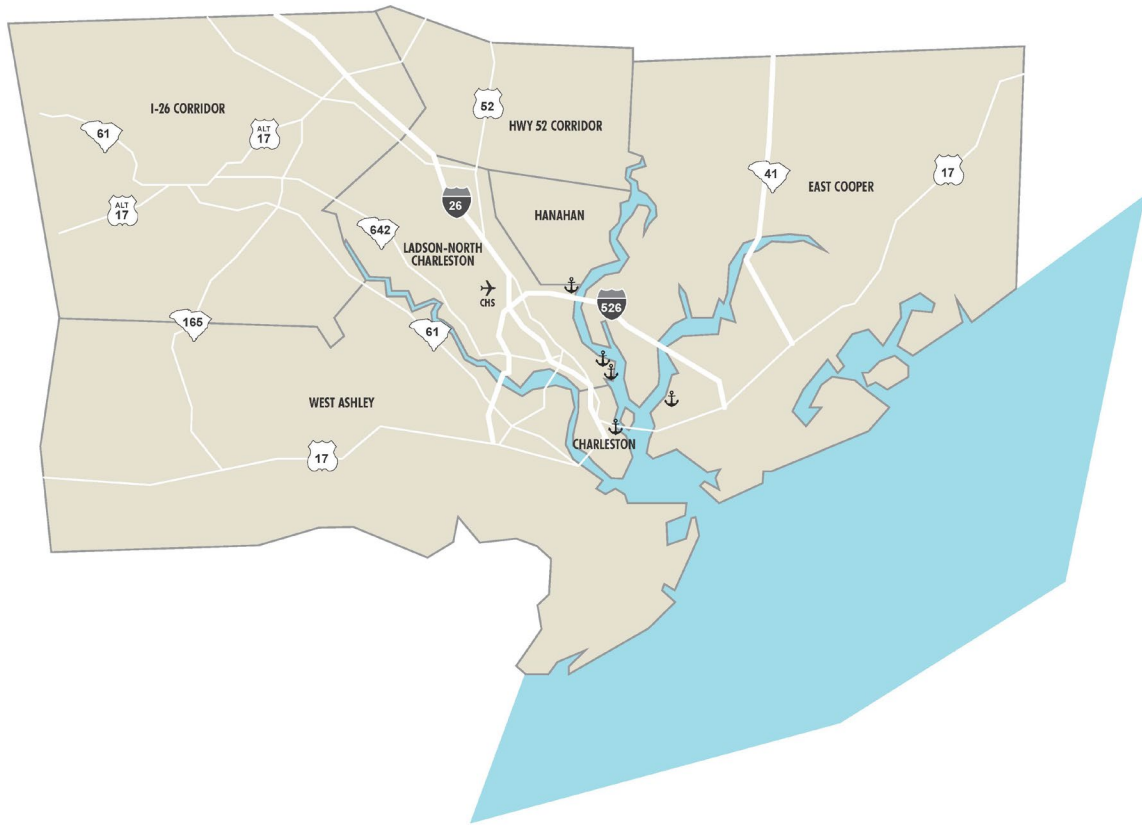
Source: CBRE Research, Q1 2021

Figure 6: Port Revenue vs. 5-Year Population Growth



Source: CBRE Research, Q1 2021

Figure 6: Submarket Segmentation



CONTACTS

ELIZABETH RYAN

Field Research Analyst
704-497-3783
elizabeth.ryan@cbre.com

ROBERT BARRINEAU

Senior Vice President
843-577-1157
robert.barrineau@cbre.com

HOLDEN BRAYBOY

Research Manager
704-264-3603
holden.brayboy@cbre.com

BRENDAN REDEYOFF

First Vice President
843-577-1167
brendan.redeyoff@cbre.com

STEVE SMITH

Managing Director
864-527-6030
steve.b.smith@cbre.com

TIM RABER

Vice President
843-720-3555
tim.raber@cbre.com

CBRE OFFICES

200 Meeting Street
Suite 202
Charleston, SC 29401
@CBRE_SC

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