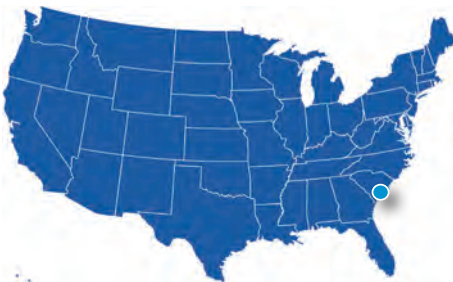




# CHARLESTON, SOUTH CAROLINA INDUSTRIAL MARKET REPORT



## Charleston's Industrial Market Constraints

### Q2 2013 Recap

Charleston's industrial market continued to improve in the second quarter, however, the market experienced a change in the types of users leasing space in the market. Major changes in incentives offered to film production operations have led to production operations looking for space; tightening in Northeastern states gun laws are leading fire arms assemblers to consider relocating to the Southeast from the Northeast; logistics companies specializing in non-traditional cargo are securing locations; and regional suppliers to the housing industry continue to fill empty small to mid-sized buildings. Niche manufacturers are continuing to grow and expand, especially if their product relates to the housing industry.

Vacancy rates decreased to 9.8% from 11.1% in the previous quarter. The market absorbed 439,610 SF in the second quarter with year-to-date absorption at 546,035 SF. Most of the transactions completed this year have been in Class B product in North Charleston.

The market is constrained due to the lack of available Class A buildings. No new spec construction is imminent although developers will build if they can achieve partial lease commitments. This has put pressure on rental rates to move upward.

### PORT

Straight down the fairway, retail goods import distribution center activity appears light even though TEU increases at the port are steady. Exports such as paper and heavy equipment are increasing. Non-container facilities in Charleston handling bulk and breakbulk cargo

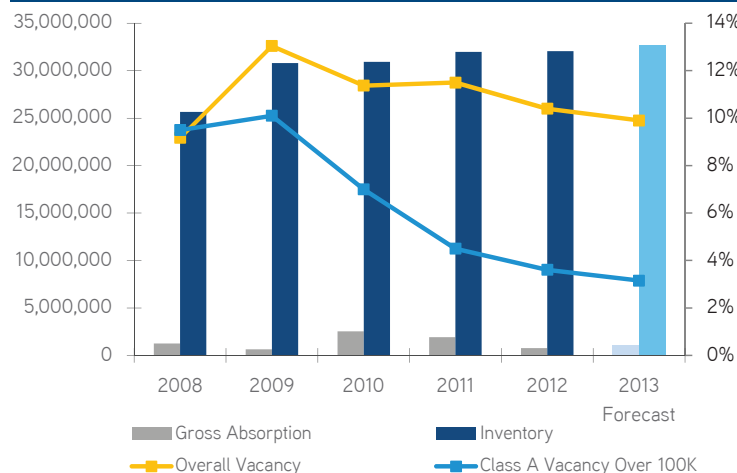
### MARKET INDICATORS

	RELATIVE TO PRIOR QUARTER	FORECAST
VACANCY	↓	↓
ABSORPTION	↑	↑
RENTAL RATE	↑	↑
CONSTRUCTION	↔	↔
LAND PRICES	↑	↑

### QUICK UPDATES

- THE MARKET IS CONSTRAINED WITH LIMITED CLASS A SPACE REMAINING AND NO NEW CONSTRUCTION YET TO BREAK GROUND.
- VACANCY RATES DECREASED TO 9.8% PUTTING PRESSURE ON RENTAL RATES.
- SEQUESTRATION HAS MARGINAL IMPACT ON CHARLESTON'S INDUSTRIAL MARKET.
- PORT ACTIVITY IS STEADY.
- BOEING CONTEMPLATES NEW FACILITY FOR 737 MAX.

### CHARLESTON INDUSTRIAL MARKET | 5-YEAR STATISTICS



#### > Q2 2013 STATISTICS

**32,758,481 SF**  
TOTAL MARKET INVENTORY

**9.8%**  
OVERALL VACANCY RATE

**3.2%**  
CLASS A VACANCY RATE

CHARLESTON, SOUTH CAROLINA INDUSTRIAL MARKET

SubMarket	Bldgs	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacant SF	Total Vacancy Rate	Vacancy Rate Prior Qtr	Net Absorption 2Q 2013	Net Absorption 2013 YTD
Clements Ferry	40	4,342,844	4.0%	2.5%	283,900	6.5%	6.54%	-	(2,000)
North Charleston	169	11,678,020	9.0%	0.7%	1,133,694	9.7%	13.06%	391,120	541,835
Hanahan - N. Rhett	31	3,775,340	7.3%	0.0%	276,253	7.3%	5.33%	(75,000)	(50,000)
Goose Creek - Moncks Corn	15	2,060,734	5.0%	0.0%	103,050	5.0%	6.12%	23,000	-
Summerville	62	7,205,887	12.2%	0.0%	877,251	12.2%	13.21%	75,000	35,200
West Ashley	14	838,670	8.5%	1.8%	86,000	10.3%	10.25%	-	21,000
Peninsula	30	2,856,986	15.8%	0.0%	451,500	15.8%	16.70%	25,490	-
<b>MARKET TOTAL</b>	<b>361</b>	<b>32,758,481</b>	<b>9.2%</b>	<b>0.6%</b>	<b>3,211,648</b>	<b>9.8%</b>	<b>11.1%</b>	<b>439,610</b>	<b>546,035</b>

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.


COMPARISON OF LEASE RATES

Class A & B Existing Buildings



**\$4.62**  
AVERAGE CURRENT RATE

**CLASS A BULK BUILDINGS** - Lease rates derived from a representative set of newer tilt-up, concrete buildings averaging 250,000 SF with bulk ceiling height and standard dock door configuration.



**\$3.76**  
AVERAGE CURRENT RATE

**CLASS B WAREHOUSE** - Lease rates derived from a representative set of metal facilities from 50,000 SF to 150,000 SF with 20'+ clear height and a functional dock loading configuration.



**STEALTH CONCEALMENT SOLUTIONS** - Colliers International assisted Stealth in their 68,763 SF lease at 3034 Ashley Phosphate Road. *Photo courtesy of Costar.*



**ROOFING SUPPLY GROUP** - Colliers International represented Roofing Supply Group in their lease at 906 Commerce Circle for 50,000 SF. *Photo courtesy of Costar.*



**PREMIER LOGISTICS** - Colliers International brokered a lease for 100,000 SF for Premier Logistics at 3290 Benchmark Drive in North Charleston.

## SELECT Q2 2013 TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SIZE (SF)
900 Commerce Circle	Hanahan	SCSPA	175,080
906 Commerce Circle	Hanahan	Roofing Supply Group	50,000
3290 Benchmark Drive	North Charleston	Premier Logistics	100,000
3034 Ashley Phosphate Road	North Charleston	Stealth Concealment Solutions	68,763
7644 Southrail Road	North Charleston	SAIC	48,000
4100 Carolina Commerce Parkway	North Charleston	Terresentia	37,500
1007 Trident Street	North Charleston	Soft Tek Memory Foam	25,000
4115 Dorchester Road	North Charleston	BAE Systems	20,000
2720 Avenue B	North Charleston	Phytogenesis Pharms, LLC	15,000
7321 Pepperdam Avenue	North Charleston	Mil-Cots Corporation	7,200

realized a 30 percent jump in activity over the previous fiscal year and intermodal moves significantly increased.

Container business at the Port of Charleston was up 9% in the fiscal year that ended June 30th, with 1.56 million 20-foot equivalent units (TEUs) handled during the past 12 months. The inland port in Greer has made strong headway towards completion and should be operational by the end of the year. BMW is constructing a 414,000 SF warehouse near the site now. BMW has committed to using over 20,000 containers per year shipping its vehicles to the Port of Charleston. The Port anticipates that over 100,000 containers will be moved at the inland port in the next few years.

Although the immediate impact has been well publicized, the bigger picture is that the Port of Charleston's rail service, historically very limited, will be significantly improved, thereby enhancing the area's ability to attract exporters, shipping lines and cargo owners.

## BOEING

The large Boeing project being contemplated, the 737 Max Inlet engineering and Assembly Facility, has not yet decided on their new location. It is planned for an initial 250,000 SF and will grow to 600,000 SF. Those developers who are pad ready or are near the Boeing facility appear to have the advantage. Boeing has most the land around the airport for their core business expansion under contract and will purchase the land upon FAA approval of the deal.

Boeing is producing one and one half 787 airplanes per month currently and was hoping to increase that to three per month by year end. They will not meet that deadline but should to reach it during 2014.

## DEFENSE

The Space and Naval Warfare Systems Center Atlantic, Charleston, SC (SPAWAR), recently awarded 15 companies contracts that could potentially be worth about \$900 million. Although sequestration created the specter of defense contractor cutbacks, the defense sector has surprisingly marginal impact on industrial space in Charleston. It appears that the larger companies will grow as they absorb the smaller companies which are dependent on only a few contracts. Even if contracts expire, the overall demand for such space for non-defense related should serve to absorb the space. Several of these facilities were nicely upfitted with the best lighting, security systems and climate control. Boeing and auto related manufacturers would fit well in this space.

## OUTLOOK

Interest rates remain low yet the anticipation of interest rate increases is having its effect. With rates going up users are finally making the move to purchase at these rates before they lose this opportunity. By year end we will see two large facilities trade; the commencement of the site work on the Boeing plant; the inland port operational; more specialty manufacturers escaping Northeastern regulations establishing a new operation here and modest growth in port related warehouse absorption.

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- \$2 billion in annual revenue
- 13,500 professional and staff
- 1.12 billion\* square feet under management
- \$71 billion USD in total transaction value

\*Together, Colliers International and FirstService manage 2.515 billion square feet of property - second-largest in the world.

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