



CHARLESTON, SOUTH CAROLINA

# INVESTMENT MARKET REPORT



## Mid-Year Sales On Pace with 2013 Record

Commercial property sales in the Charleston region totaled \$270 million for the first six months of 2014, just behind the mid-year 2013 pace of \$275 million. The darling of the lending community, multi-family, led the way again with \$110 million in sales followed by shopping centers at \$54 million and office buildings at about \$21 million. The largest transaction thus far in 2014 was the sale of The Boulevard, a new multi-family/retail development in Mt. Pleasant to Heitman for \$66 million. By the end of the year, odds are we will beat the record-setting 2013 aggregate of over \$550 million.

### OFFICE

Three suburban office buildings sold in the first half of 2014. 3875 Faber Place, anchored by GSA/IRS and Boeing, sold for \$9.6 million. A small flex building and the former Naval Hospital on Rivers Avenue in North Charleston also sold. The later will be converted to offices, mostly for government and quasi-government users.

### MULTI-FAMILY

The most significant transaction in the market was the sale of The Boulevard, a mixed-use project for about \$200,000 per unit and a reported 6% cap rate. Additionally, 400 Meeting Street, a student housing community, traded at over \$450,000 a unit or \$115,000 per bed and sub 6% cap rate. Finally, Jamison Park, a garden community in North Charleston, traded for \$68,000 per unit.

### HOTEL

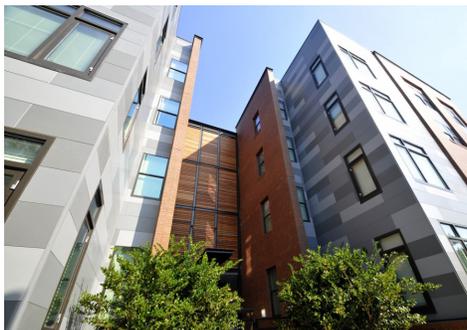
Aggregating to about \$17 million, two hotels sold, the Homewood Suites in Mt. Pleasant and the former Sheraton fronting I-26 in North Charleston. The Hampton Inn in North Charleston and the Holiday Inn in Mt. Pleasant are under contract for \$40 million as part of a much larger, multi-city 125-asset portfolio. The 168-room Crowne Plaza in North Charleston was sold in June by Inland Group to Peachtree Hotel Group at a yet-to-be-unrecorded price.

### MARKET INDICATORS

	MID-YEAR 2014	FORECAST
VACANCY	↓	↓
RENTAL RATES	↑	↑
GENERAL CAP RATES	↓	↔
"A" ASSET CAP RATES	↓	↓
ACCESS TO DEBT	↑	↑
ACCESS TO EQUITY	↑	↑

### QUICK UPDATES

- > COMMERCIAL PROPERTY SALES TOTALED \$260 MILLION IN THE FIRST SIX MONTHS OF 2014, ON PACE FOR ANOTHER RECORD YEAR
- > LARGEST TRANSACTION IN 2014 IS THE BOULEVARD AT \$66 MILLION
- > THREE BIG SHOPPING CENTERS SOLD IN THE FIRST HALF OF 2014
- > THE REMAINDER OF 2014 IS PREDICTED TO BE MUCH THE SAME WITH MULTI-FAMILY TRANSACTIONS LEADING THE WAY



**400 MEETING STREET** - The student housing community was sold by Colliers International and traded at over \$450,000 a unit or \$115,000 per bed.



**THE BOULEVARD** - The most significant transaction in the market; mixed-use project for about \$200,000 per unit and a reported 6% cap rate.



**CIGAR FACTORY** - The downtown building sold for \$24.2 million at \$99 per square foot and is being converted from half-finished residential units to mostly office uses with some retail.

## RETAIL

The first half of the year was dominated by three shopping center transactions and a small strip center. Ashley Landing, a Burlington Coat Factory and Big Lots-anchored shopping center, with Publix on an out-parcel, sold to Faison for \$57 per square foot with plans for significant redevelopment. Another value-add transaction was the North Charleston Center, anchored by dd's Discounts, Petco and Northern Tool. The center was traded in March to an investor from Atlanta at a 9% cap rate and \$68 per square foot. In March, Shoppes at Centre Pointe, anchored by Ashley Furniture and Staples, sold to Hudson Advisors as part of a portfolio from the special servicer, CWCcapital, for \$14.7 million or \$105 per square foot. One small retail center in North Charleston sold at an astounding \$532 per square foot anchored by high-paying tenants, Starbucks and Mattress Firm. Two other grocery-anchored centers are under contract as well as a larger big-box center.

## COMMERCIAL

The most significant recent transaction was the \$24.2 million sale (\$99 per square foot) of the Cigar Factory. The downtown building is being converted from half-finished residential units to a mix of offices with some retail. In addition, another urban building, 587 King Street, sold in February at \$235 per square foot.

## NNN ASSETS

No single tenant assets of any significance sold in the first half of the year.

## WAREHOUSE

Four transactions occurred thus far in 2014, totaling about \$16.5 million, and three of the four were bought for occupancy by a user or its existing tenant. The most significant transaction was the



**989 RIBAUT ROAD, BEAUFORT, SC** - The Colliers International Charleston and Charlotte offices worked collaboratively to sell the 54,000 square foot on-campus medical office building for \$8.25 million.

\$8.7 million purchase of a 162,000 square foot warehouse in Summerville purchased by a user at \$54 per square foot.

## MEDICAL OFFICE

While the national market continues to be active, no medical office buildings have sold in recent months in Charleston, or in 2013 because of the lack of product for sale. Colliers did sell, however, 989 Ribault Road in Beaufort, South Carolina, a 54,000 square foot on-campus medical office building, at \$8.25 million or about \$153 per square foot.

## OTHER (LAND)

Four other transactions worth noting for the first half of 2014: Pattillo Industrial Real Estate bought a 57-acre parcel in Palmetto Commerce Park in North Charleston for about \$80,000 per acre; a sale of a multi-family development site of 250 units on Johns Island; and the \$10 million purchase by a car dealer of a former Kmart on Savannah Highway. Campus Works bought a 2.7 acre tract at 930 Morrison Drive for a 430-unit student housing development.

## 2014 OUTLOOK

We expect the remainder of 2014 to be much the same, with multi-family transactions leading the way, followed by the occasional retail and office or hotel sale and warehouses being bought by mostly users to take advantage of long-term occupancy costs in this favorable interest rate environment. We advise owners to take a long-term approach – if you consider selling in the next 10 years, sell now. If you are certain you will hold beyond 2025, re-finance now and take advantage of historically low rates. Either way, be a consumer of capital in this frothy buying environment while investors' compare quality real estate yields with anemic bond and CD yields.

485 offices in  
63 countries on  
6 continents

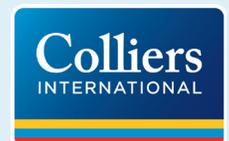
- \$2.1 billion in annual revenue
- 1.46 billion square feet under management
- Over 15,800 professionals
- 80,000 Lease/Sale Transactions
- \$75 Billion Total Transaction Value

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