

# Industrial Expansion Continues

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## Key Takeaways

- > Warehouse vacancy dropped 23 basis points.
- > The market added 603,000 square feet of space this quarter in 6 buildings.
- > Automotive suppliers are ramping up.

## Market Conditions

The Charleston industrial market had strong activity in the second quarter, with rapid expansion of the manufacturing, logistics and warehousing sectors continuing. Despite the addition of 604,000 square feet of space in the second quarter, nearly 58,000 square feet were absorbed. Vacancy increased slightly to 5.53% and rents were steady.

## Warehouse/Distribution

Seventy percent of the industrial market is considered warehouse/distribution space. In the second quarter of 2017, vacancy dropped to 4.29% and 632,783 square feet were absorbed. In the North Charleston submarket, 352,209 square feet were absorbed, while 369,823 square feet were absorbed in the Clements Ferry submarket. Rents for Class A warehouse space in the market ranged from \$4.50 to \$5.75 per square foot per year triple net. Many large speculative buildings are currently under construction and national developers had more pad-ready sites available.

## Manufacturing

This industrial subtype is primarily used to assemble goods for sale and distribution. Vacancy in manufacturing space increased in the second quarter from 5.15% to 10.56%, largely because Husqvarna vacated a 512,000-square-foot building in Summerville, consolidating its operations to a new facility in Orangeburg. Rates were stable during the quarter.

## Flex/R&D

Flex/R&D space is defined as industrial space where more than 30%

### Market Indicators

Relative to prior period

Q2 2017

Q3 2017\*

VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

Note: Construction is the change in Under Construction.

\*Projected

### Summary Statistics

Q2 2017 Charleston Industrial Market

Industrial

Vacancy Rate	5.52%
Change From Q4 2016 (basis points)	109
Absorption (Thousand Square Feet)	57.9
New Construction (Thousand Square Feet)	603
Under Construction (Million Square Feet)	3.7

\*New construction is newly delivered buildings

### Asking Rents

Per Square Foot Per Year NNN

Market	\$5.00
Flex	\$12.00
Warehouse	\$5.00
Manufacturing	\$4.00
Change From Q1 2017	1%

of the building is utilized for office space. In Charleston, there is 3.7 million square feet of this type of space. In the second quarter of 2017, vacancy rose slightly to 3.04%, with 28,780 net negative square feet of absorption.

## Capital Investments

In 2016, \$1.5 billion in capital investments bringing at least 1,797 new jobs were announced in the Charleston industrial market. The trend continues in 2017, with more than \$113 million in capital investments and 957 jobs announced in the market between January and May 2017 alone.

## Significant Transactions

With the funding of the harbor deepening secured, development of a new container terminal with dedicated dual rail access underway and new interstate interchange to service the port under construction, tenants and investors rapidly expanded their interest in the Charleston market. Completed sales were concentrated in the North Charleston and Hanahan submarkets this quarter, while leasing activity was concentrated in the Clements Ferry submarket. During this time, most tenants securing space were leasing between 40,000 and 100,000 square feet.

### Sales

- › 1950 Hanahan Road, a 50,000-square-foot manufacturing facility, was sold to a local group of investors for \$3.75 million in June.
- › 7271 Spa Road, an 11,000-square-foot Class C building was purchased in May for \$870,000.

### Leases

- › Patricio Enterprises leased 90,000 square feet at 2440 Clements Ferry Road in the Clements Ferry submarket.
- › Kontane Logistics leased 93,600 square feet at 2310 Charleston Regional Parkway in the Clements Ferry submarket.
- › Vivid Granite leased 42,500 square feet at 3235 Industrial Drive in the North Charleston submarket.

## Construction Pipeline

Construction activity remains high in the Charleston market, with 3.7 million square feet under construction. This excludes 3.5 million square feet contained in the two largest automotive plants under construction in the region – Volvo and Mercedes Vans. Meanwhile, 603,000 square feet were delivered in the quarter.

### Delivered

- › Crosspoint Building 5, a 273,000-square-foot warehouse delivered in the North Charleston market.
- › Buildings 100 and 200 delivered at Airport Commerce Center, adding 298,000 square feet to the North Charleston market.

## Under Construction

- › Volvo continues construction of its 2.1 million-square-foot automotive manufacturing facility in Ridgeville. The first cars are scheduled to roll off the assembly line in 2018.
- › Mercedes Vans continued construction of its 1.2 million-square-foot manufacturing facility in North Charleston
- › Clarius Partners is constructing a 587,000-square-foot speculative warehouse in the Summerville market.
- › Sundarum Clayton is constructing a 660,000-square-foot building in the Summerville market.

## Market Forecast

With the final elements of the post-Panamax port facilities underway, Volvo expanding its commitment to the region and the area's rapid population growth, manufacturers, warehouse users and logistics users will continue to accelerate their search for space in the Charleston market. Industrial developers will continue to activate opportunities in the market to support the demand of this growing sector. Rents will continue to climb for all types of space until equilibrium is reached.

### 635 Omni Industrial Boulevard



Source: Ridge Development

### Charleston Logistics Center



Source: Colliers International

## Q2 2017 Industrial Market Summary Statistics | Charleston, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)
<b>BERKELEY COUNTY</b>	<b>10</b>	<b>337,056</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>
Manufacturing	6	95,349	0	0	0	0.00%	0
Warehouse	4	241,707	0	0	0	0.00%	0
<b>CLEMENTS FERRY</b>	<b>103</b>	<b>5,619,353</b>	<b>329,545</b>	<b>0</b>	<b>329,545</b>	<b>5.86%</b>	<b>369,748</b>
Flex/R&D	14	369,863	55,400	0	55,400	14.98%	-27,075
Manufacturing	8	412,329	0	0	0	0.00%	0
Warehouse	81	4,837,161	274,145	0	274,145	5.67%	396,823
<b>GOOSE CREEK/ MONCK'S CORNER</b>	<b>67</b>	<b>5,679,059</b>	<b>317,935</b>	<b>0</b>	<b>317,935</b>	<b>5.60%</b>	<b>-53,535</b>
Flex/R&D	10	1,341,915	0	0	0	0.00%	0
Manufacturing	12	2,533,049	240,000	0	240,000	9.47%	0
Warehouse	45	1,804,095	77,935	0	77,935	4.32%	-53,535
<b>HANAHAN/ NORTH RHETT</b>	<b>45</b>	<b>4,377,867</b>	<b>294,723</b>	<b>0</b>	<b>294,723</b>	<b>6.73%</b>	<b>-36,565</b>
Flex/R&D	3	66,374	8,307	0	8,307	12.52%	-5,005
Manufacturing	6	753,309	25,560	0	25,560	3.39%	-25,560
Warehouse	36	3,558,184	260,856	0	260,856	7.33%	-6,000
<b>NORTH CHARLESTON</b>	<b>474</b>	<b>18,617,204</b>	<b>965,399</b>	<b>50,000</b>	<b>1,015,399</b>	<b>5.45%</b>	<b>368,861</b>
Flex/R&D	33	1,088,152	14,300	0	14,300	1.31%	4,200
Manufacturing	48	3,552,230	263,000	0	263,000	7.40%	12,452
Warehouse	393	13,976,822	688,099	50,000	738,099	5.28%	352,209
<b>SUMMERVILLE</b>	<b>161</b>	<b>10,066,241</b>	<b>625,403</b>	<b>0</b>	<b>625,403</b>	<b>6.21%</b>	<b>-608,468</b>
Flex/R&D	5	152,698	4,000	0	4,000	2.62%	0
Manufacturing	35	2,281,169	537,023	0	537,023	23.54%	-532,968
Warehouse	121	7,632,374	84,380	0	84,380	1.11%	-75,500
<b>OTHER SUBMARKETS</b>	<b>136</b>	<b>2,820,381</b>	<b>41,640</b>	<b>0</b>	<b>41,640</b>	<b>1.48%</b>	<b>17,886</b>
Flex/R&D	16	653,837	29,640	0	29,640	4.53%	-900
Manufacturing	12	459,648	0	0	0	0.00%	0
Warehouse	108	1,706,896	12,000	0	12,000	0.70%	18,786
<b>MARKET</b>							
Flex/R&D	81	3,672,839	111,647	0	111,647	3.04%	-28,780
Manufacturing	127	10,087,083	1,065,583	0	1,065,583	10.56%	-546,076
Warehouse	788	33,757,239	1,397,415	50,000	1,447,415	4.29%	632,783
<b>Market Total</b>	<b>996</b>	<b>47,517,161</b>	<b>2,574,645</b>	<b>50,000</b>	<b>2,624,645</b>	<b>5.52%</b>	<b>57,927</b>

Source: CoStar, Colliers International

In January 2017, Colliers International benchmarked its industrial data set statewide. The new standard for collection is all industrial buildings 10,000 square feet or larger that can be readily adapted to an alternative industrial use. All properties were placed into a revised set of markets and submarkets and divided into three categories. **Warehouse/Distribution**, a facility primarily used for the storage or distribution or both of materials, goods and merchandise. **Manufacturing**, a facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods. **Flex/R&D**, a building designed to be used in a variety of ways with at least 30% of the rentable building area used as office. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more. **Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.**

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EMEA: **111**

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## \$2.6

billion in  
annual revenue

## 2

billion square feet  
under management

## 15,000

professionals  
and staff

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