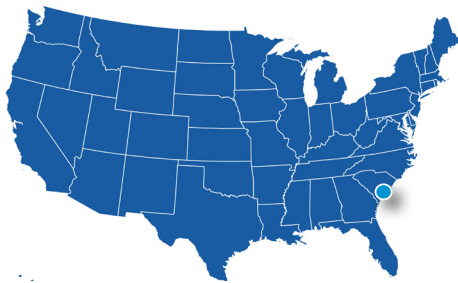




CHARLESTON, SOUTH CAROLINA

INDUSTRIAL MARKET REPORT



Charleston's Industrial Market Steady Sailing

Q3 2013 Recap

Charleston's industrial market was stable through the third quarter. This period was characterized by existing tenants consolidating and repositioning into more functional space and the continuance of the national trend of users purchasing their facility. As was noted in the second quarter report, the mix of tenants is realizing a fundamental change as existing manufacturers are growing and new manufacturers are considering the Charleston area.

Port users appear stable yet the existing prospects for the region are calling for larger facilities than in the past. The market continues to be constrained by the lack of class A industrial buildings. Although Charleston can meet the need for facilities of 150,000 SF and smaller, the area is challenged to compete with Savannah on offering ready larger facilities. Yet, the deep draft argument remains compelling with shippers giving Charleston the ultimate advantage. Regional suppliers continue to target the Charleston area resulting in a steady flow of leasing activity in the 15,000 – 50,000 SF range.

Several specialized manufacturers are seeking new facilities due to aggressive growth projections. These include auto-related manufacturers as well as firearm manufacturers. Some of them will require upfitting the building with a large investment in heavy power, a large office build-out, HVAC and compressed air systems.

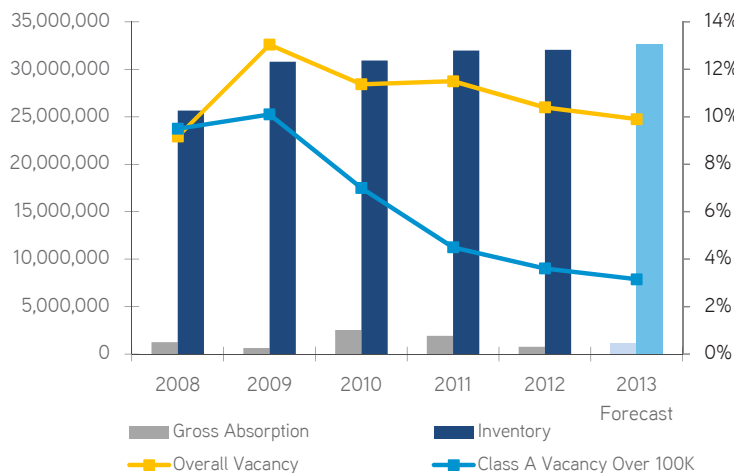
MARKET INDICATORS

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

QUICK UPDATES

- WEAK QUARTERLY ABSORPTION, BUT POSITIVE.
- DEFENSE SECTOR GROWTH LEVELED OUT.
- PORT TEU GROWTH MODERATE.
- MANUFACTURERS GROWING.

CHARLESTON INDUSTRIAL MARKET | 5-YEAR STATISTICS



Q3 2013 STATISTICS

32,758,481 SF
TOTAL MARKET INVENTORY

9.5%
OVERALL VACANCY RATE

2.9%
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 3Q 2013	Net Absorption 2013 YTD
Clements Ferry	40	4,342,844	3.2%	1.8%	217,900	5.0%	6.54%	66,000	64,000
North Charleston	169	11,678,020	9.0%	0.7%	1,128,435	9.7%	9.71%	5,259	547,094
Hanahan - N. Rhett	31	3,775,340	13.4%	0.0%	506,253	13.4%	7.32%	(230,000)	(280,000)
Goose Creek - Moncks Corner	15	2,060,734	0.0%	0.0%	-	0.0%	5.00%	103,050	126,050
Summerville	62	7,205,887	10.2%	0.0%	733,716	10.2%	12.17%	143,535	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%	15.80%	-	-
MARKET TOTAL	361	32,758,481	9.0%	0.5%	3,123,804	9.5%	9.8%	87,844	513,344

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.

Vacancy rates increased from 9.8% in the second quarter to 10.32% at the end of the third quarter. The market absorbed 87,844 SF compared to last quarters' 439,610 SF. Net absorption to date is 513,344 SF. There are several sizeable prospects currently in the RFP process which should significantly raise this absorption number by year-end.

The major sales transaction this quarter was the purchase of 1000 Charleston Regional Parkway by Kontane Logistics, who was previously leasing the facility. It was purchased for \$10,600,000 or approximately \$53/SF.

PORT

The South Carolina Ports Authority handled 144,649 20-foot equivalent units, or TEUs, in August, and recorded its highest monthly volume since October 2008. The Port of Charleston handled 280,808 TEUs compared to 268,806 TEUs during the same period last year, and year-to-date TEU volumes are ahead of the fiscal year 2014 plan by 1.8%.

Exports such as paper, pellets, grain and heavy equipment are steady and increasing. Bulk, breakbulk and energy-related project cargo activity is brisk. The intermodal center in Greer is operational and has attracted an impressive flow of prospect tours. In 2012, the S.C. General Assembly set aside \$300 million in a Harbor Deepening Reserve Fund to cover the entire estimated construction cost of the harbor deepening project in case of any shortfall in federal dollars. The harbor deepening project complements the SCPA's \$1.3-billion, 10-year capital plan for infrastructure improvements and new land-side capacity, including the Inland Port. The 91-acre Inland Port offers overnight rail service to and from the Port of Charleston with initial utilization of approximately 40,000 container moves annually with the potential to expand to 100,000 moves annually.

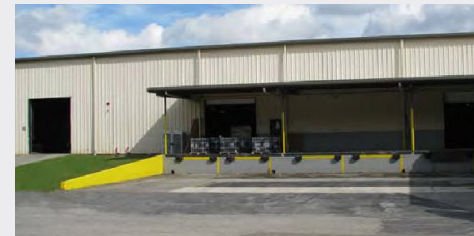
Charleston's non-container facilities handled 1.12 million tons of bulk and breakbulk cargo in fiscal year 2013, a 30% jump from the

COMPARISON OF LEASE RATES



\$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.



\$5.25
AVERAGE
CURRENT
RATE

CLASS B FLEX - Activity is brisk in this category characterized by 15,000 - 50,000 SF buildings; 24' clear open warehouse space; good access and visibility, two dock high doors and a drive in door.

SELECT Q3 2013 INDUSTRIAL LEASE & SALES TRANSACTIONS

PROPERTY	SUBMARKET	TENANT/BUYER	SIZE (SF)
1116 Newton Way	Summerville	Husqvarna	460,000
211 Farmington Road	Summerville	Conquer Logistics	131,000
2550 US Highway 52	Moncks Corner	American LaFrance Manufacturing	100,000
1000 Charleston Regional Pkwy	Clements Ferry	Kontane Logistics	200,000

previous year. Grieg Star Shipping selected Charleston for its monthly service, which calls Union Pier Terminal.

BOEING

The 737 Max Inlet Engineering and Assembly Facility is under construction. It will be built to 250,000 SF and eventually expanded to 600,000 SF. Boeing is still working to improve construction processes in order to meet the three planes per month goal set for 2014. Even with the current backlog, this goal is expected to increase to four planes per month.

The current discussions surround where the next 777X Production Plant will be located. Charleston did not appear to be a finalist for this. Washington State could have secured the plant without competition, yet the union soundly rejected the company's contract extension proposal. Therefore, Charleston appears to be back in the running.

Boeing currently leases 241 acres under its existing 787 Dreamliner factory from the Aviation Authority. It has an option to buy the property but not before 2025. Boeing will double its footprint in North Charleston in a scaled-down land deal, but it hasn't closed the door on future land acquisitions.

DEFENSE

The defense sector is showing significant signs of consolidating. There is far less activity related to the integration of electronics into the armored vehicles. For the last five years, this has served as the catalyst for defense sector growth. Large users will look to consolidate and smaller users may be absorbed by the main players. The current level of work appears steady for the next 36-48 months, but little growth is expected.

OUTLOOK

- More user building purchases.
- Heightened demand for conditioned warehouse space.
- Limited supply remains for quality space will lead to BTS activity.
- Two (2) 150,000-200,000 SF users will enter the market and commit to a lease
- Large bulk DC in 2014.
- At least three user building sales will occur.
- There will be a strong push to complete industrial transactions by year end.
- We predict that someone will go spec by Q2 2014 for a facility greater than 150,000 SF.



245 DEMING WAY -

One of a few industrial buildings available and ready for manufacturers. The building is 30,455 SF on 5.49 acres and is available for lease or sale. Contact Colliers International for more information.

482 offices in
62 countries on
6 continents

- \$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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