

# New companies, expansions and upgrades increase industrial demand

Crystal Baker Research Coordinator | South Carolina

## Key Takeaways

- > Rental rates continue to rise and vacancy decreased again this quarter.
- > New companies are moving to the Columbia market.
- > Current industrial tenants are expanding and owners are upgrading dated space.

## Demand for space is high

The Columbia market has a strong demand for industrial space of any size as the sectors of advanced manufacturing, distribution and service industries continue to see rapid growth. New companies such as Garden State Lumber, which is now occupying 170,000 square feet at the Lexington County Industrial Park, and Morrisette Paper, which leased 65,000 square feet at 128 McQueen Street in West Columbia continue, to be drawn to the region. Also, established companies are expanding their current operations: Belk has 410,000 square feet at 120 Belk Court and now has expanded into an additional 154,000 square feet at 110 Belk Court. In addition, Constantia also expanded their footprint at 1111 Northpointe Boulevard and the CED Solar Panel Division expanded from 15,000 square feet to 30,000 square feet. As rental rates rise with diminishing availabilities remaining, dated industrial space is being upgraded and absorbed. For example, the 10700 Farrow Road building owner updated the roof and added LED lights throughout the facility. New construction is also supported, as evidenced by Midway III, a 200,000-square-foot Class A distribution facility, which was 100% leased prior to its completion.

## Market Conditions

The Columbia industrial market is comprised of 68.41 million square feet within 1280 buildings throughout 17 submarkets. The overall Columbia industrial market absorbed 7,977 square feet this quarter, in spite of 414,000 square feet being vacated during the third quarter, and there were no new industrial buildings delivered

### Market Indicators

Relative to prior period

Q3 2018

Q4 2018\*

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

Note: Construction is the change in Under Construction.

\*Projected

\*\*Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

### Summary Statistics

Q3 2018 Columbia Industrial

Market

Vacancy Rate	8.77%
Change From Q3 2017 (basis points)	-127
Absorption (Thousand Square Feet)	7.98
New Construction (Thousand Square Feet)	-
Under Construction (Thousand Square Feet)	818.06

\*New construction is newly delivered buildings

### Asking Rents

NNN Per Square Foot Per Year

Market	\$3.78
Change From Q3 2017	+13.17%
Flex	\$7.72
Manufacturing	\$3.17
Warehouse	\$3.85

to the Columbia market this quarter. Northeast Columbia posted the highest absorption of 116,732 square feet, followed by Southeast Columbia's absorption of 91,325 square feet. The overall industrial market vacancy rate dropped only slightly from 8.81% during the second quarter of 2018 to 8.77% during the third quarter. Also, average triple net industrial rental rates remained basically the same at \$3.78 per square foot through the second and third quarters.

### Warehouse/Distribution

The warehouse/distribution sector comprises the largest portion of the Midlands industrial market, with more than 43.39 million square feet. Columbia warehouses absorbed 175,266 square feet during the third quarter of 2018. Also, the warehouse sector posted a vacancy rate of 7.65% this quarter, which is 5.4% lower than the second quarter vacancy rate of 8.09%. The average triple net warehouse rental rates rose from \$3.72 per square foot during the second quarter of 2018 to \$3.85 per square foot this quarter.

### Manufacturing

The manufacturing sector in the Midlands is comprised of 22.69 million square feet, and there are currently 818,056 square feet under construction at the China Jushi manufacturing facility in Southeast Columbia. The manufacturing sector posted a net negative absorption of 207,012 square feet this quarter mostly due to SCANA vacating 263,374 square feet of space at 375 Metropolitan Drive. Likewise, the vacancy rate rose from 9.56% during the second quarter of 2018 to 10.47% during the third quarter of 2018. However, the average manufacturing rental rates rose this quarter; the average triple net weighted rental rate for the remaining manufacturing space was \$3.17 per square foot this quarter, up from \$2.94 per square foot during the second quarter of 2018.

### Flex/R&D

The Flex/R&D sector in the Midlands has 2.36 million square feet within its submarkets, but there are currently no flex/R&D properties under construction within the market. This submarket absorbed 39,723 square feet this quarter, and the vacancy rate decreased from 14.74% during the second quarter of 2018 to 13.05% during the third quarter. The average triple net weighted rental rate decreased from \$9.09 per square foot during the second quarter of this year to \$7.72 per square foot this quarter.

### Capital Investment & Employment

Through June of 2018, there were \$649.2 million in capital investments, accounting for 1,068 jobs announced within the Columbia region. The types of investors are widespread, ranging from solar energy and a solar farm to a wood provider and wood manufacturer; there were also two polymer extrusion manufacturer expansions and a medical technology expansion to name a few. According to the Federal Reserve data through July of 2018, industrial employment comprises 11.2% of Columbia's

total employment, or about 45.1 million jobs in the Midlands region. There were 700 industrial jobs, one-third of the total added employment, added during the past 12 months ending with July 2018.

### Significant Transactions

The statewide expansion of logistics, automotive and aeronautical production continues to drive the expansion of manufacturing in the Columbia market. With access to national markets via Interstates 20 and 26 and international markets through the Port of Charleston, tenants and investors are combing the region for locations and investments. According to CoStar, there were 15 industrial sale transactions and 21 industrial leases signed during the third quarter of 2018.

### 4400 12th Street Extension | Cayce, SC



Source: Colliers International

### Commercial Real Estate Growth Cycle: Where the market stands and where it is going.



## Sales

- > 7 Sunbelt Court, a 34,000-square-foot, Class C manufacturing building, was purchased by Vinod A. Patel for \$1.35 million.
- > In August, Newfuturevest Two LLC purchased 268,000-square-foot industrial building at 2059 Congaree Road in Eastover.
- > 170 Pontiac Business Center Drive, a 32,820-square-foot, Class B warehouse in Columbia, was purchased for \$950,000 by the Adams Property Group.
- > A Class C, 53,286-square-foot manufacturing building at 751 Old Clemson Road in Columbia was sold for \$750,000 to 751 Old Clemson Road LLC.

## Leases

- > Husqvarna Consumer Outdoor Products NA Inc. leased 319,617 square feet at 2500 St. Matthews Road in Orangeburg.
- > Garden State Lumber signed a 170,000-square-foot lease at the Lexington County Industrial Park located at 810 Bistline Court in West Columbia.
- > A 151,200-square-foot lease was executed by Belk, Inc. in Blythewood.
- > In July, the Carlstar Group, LLC signed a 136,504-square-foot lease at 358 Ascauga Lake Road in Graniteville.
- > Harsco Rail leased 100,000 square feet on Technology Drive in Lexington.
- > Jushi USA Fiberglass Co LTD renewed their 74,646-square-foot lease at 3130 Bluff Road.

## Construction Pipeline

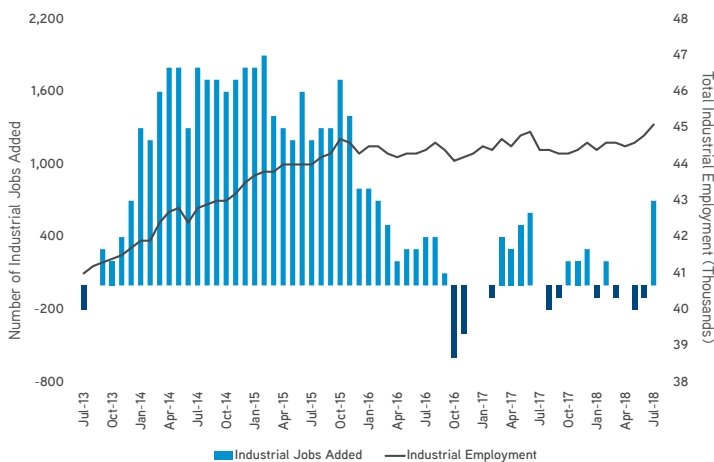
### Under Construction

- > Construction at the 818,056-square-foot China Jushi manufacturing facility in southeast Columbia continues.

## Market Forecast

The transportation of products is crucial to industrial development in Columbia, and the centralized interstate network positions Columbia as a prime location for new distribution centers. The Columbia industrial market demand is high, with continued positive absorption and a declining vacancy rate, and these conditions are predicted to continue into 2019. Also, rental rates are expected to gradually rise over the next several quarters. In the Columbia market, there is currently an 818,056-square-foot warehouse under construction and 200,000 square feet of warehouse space proposed to be built. In addition, companies outside of the Columbia region will be drawn to the area due to a positive business climate and the central location within the state, where industrial activity continues to increase. Current tenants will continue to expand their industrial footprints as robust market activity increases.

## Industrial Employment | Columbia MSA



Source: Bureau of Labor Statistics, St. Louis Federal Reserve, Colliers International

## Columbia Q3 2018 Industrial Market Conditions



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.**

## Q3 2018 Industrial Market Summary Statistics | Columbia, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE
<b>CALHOUN COUNTY</b>								
Flex/R&D	1	10,800	-	-	-	0.00%	-	-
Manufacturing	5	383,493	180,019	-	180,019	46.94%	-	-
Warehouse/Distribution	5	409,673	-	-	-	0.00%	-	-
<b>Calhoun County Total</b>	<b>11</b>	<b>803,966</b>	<b>180,019</b>	<b>-</b>	<b>180,019</b>	<b>22.39%</b>	<b>-</b>	<b>-</b>
<b>CAYCE/WEST COLUMBIA</b>								
Flex/R&D	20	471,084	59,889	-	59,889	12.71%	5,900	\$7.33
Manufacturing	44	3,149,630	291,874	-	291,874	9.27%	-277,174	\$4.62
Warehouse/Distribution	192	9,051,543	385,938	-	385,938	4.26%	17,103	\$4.58
<b>Cayce/West Columbia Total</b>	<b>256</b>	<b>12,672,257</b>	<b>737,701</b>	<b>-</b>	<b>737,701</b>	<b>5.82%</b>	<b>-254,171</b>	<b>\$4.84</b>
<b>CLARENDON COUNTY</b>								
Manufacturing	9	722,117	22,560	-	22,560	3.12%	-	\$1.50
Warehouse/Distribution	10	426,532	-	-	-	-	-	-
<b>Clarendon County Total</b>	<b>19</b>	<b>1,148,649</b>	<b>22,560</b>	<b>-</b>	<b>22,560</b>	<b>1.96%</b>	<b>-</b>	<b>\$1.50</b>
<b>COLUMBIA-CBD</b>								
Flex/R&D	4	309,925	-	-	-	0.00%	-	-
Manufacturing	3	60,505	-	-	-	0.00%	-	-
Warehouse/Distribution	40	998,855	36,010	-	36,010	3.61%	11,689	\$5.54
<b>Columbia-CBD Total</b>	<b>47</b>	<b>1,369,285</b>	<b>36,010</b>	<b>-</b>	<b>36,010</b>	<b>2.63%</b>	<b>11,689</b>	<b>\$5.54</b>
<b>EAST COLUMBIA</b>								
Flex/R&D	11	309,567	32,850	-	32,850	10.61%	13,086	\$6.75
Manufacturing	3	265,205	-	-	-	0.00%	-	-
Warehouse/Distribution	49	1,232,400	148,766	-	148,766	12.07%	-20,927	\$3.85
<b>East Columbia Total</b>	<b>63</b>	<b>1,807,172</b>	<b>181,616</b>	<b>-</b>	<b>181,616</b>	<b>10.05%</b>	<b>-7,841</b>	<b>\$5.61</b>
<b>FAIRFIELD COUNTY</b>								
Manufacturing	9	740,487	200,000	-	200,000	27.01%	-	\$2.00
Warehouse/Distribution	9	988,176	51,225	-	51,225	5.18%	-	\$2.00
<b>Fairfield County Total</b>	<b>18</b>	<b>1,728,663</b>	<b>251,225</b>	<b>-</b>	<b>251,225</b>	<b>14.53%</b>	<b>-</b>	<b>\$2.00</b>
<b>IRMO/CHAPIN</b>								
Flex/R&D	4	85,500	7,300	-	7,300	8.54%	-2,800	-
Manufacturing	6	353,113	-	-	-	0.00%	-	-
Warehouse/Distribution	31	610,327	19,000	-	19,000	3.11%	-	\$7.00
<b>Irmo/Chapin Total</b>	<b>41</b>	<b>1,048,940</b>	<b>26,300</b>	<b>-</b>	<b>26,300</b>	<b>2.51%</b>	<b>-2,800</b>	<b>\$7.00</b>
<b>KERSHAW COUNTY</b>								
Manufacturing	17	1,550,896	81,366	-	81,366	5.25%	-	\$2.80
Warehouse/Distribution	40	4,396,899	25,326	-	25,326	0.58%	-	-
<b>Kershaw County Total</b>	<b>57</b>	<b>5,947,795</b>	<b>106,692</b>	<b>-</b>	<b>106,692</b>	<b>1.79%</b>	<b>-</b>	<b>\$2.80</b>
<b>LEE COUNTY</b>								
Manufacturing	6	708,115	67,865	40,000	107,865	15.23%	-	\$3.50
Warehouse/Distribution	6	187,740	-	-	-	0.00%	-	-
<b>Lee County Total</b>	<b>12</b>	<b>895,855</b>	<b>67,865</b>	<b>40,000</b>	<b>107,865</b>	<b>12.04%</b>	<b>-</b>	<b>\$3.50</b>
<b>LEXINGTON</b>								
Flex/R&D	4	99,821	2,159	-	2,159	2.16%	12,855	\$14.38
Manufacturing	24	1,631,922	105,000	-	105,000	6.43%	3,500	\$2.00
Warehouse/Distribution	63	2,500,854	14,000	-	14,000	0.56%	24,520	-
<b>Lexington Total</b>	<b>91</b>	<b>4,232,597</b>	<b>121,159</b>	<b>-</b>	<b>121,159</b>	<b>2.86%</b>	<b>40,875</b>	<b>\$2.25</b>

## Q3 2018 Industrial Market Summary Statistics | Columbia, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE
<b>NEWBERRY COUNTY</b>								
Flex/R&D	1	15,000	-	-	-	0.00%	-	-
Manufacturing	4	891,744	189,600	-	189,600	21.26%	-	\$3.75
Warehouse/Distribution	19	891,316	89,235	-	89,235	10.01%	-	\$2.98
<b>Newberry County Total</b>	<b>24</b>	<b>1,798,060</b>	<b>278,835</b>	<b>-</b>	<b>278,835</b>	<b>15.51%</b>	<b>-</b>	<b>\$3.51</b>
<b>NORTH COLUMBIA</b>								
Flex/R&D	3	98,107	51,476	-	51,476	52.47%	-343	\$10.46
Manufacturing	6	168,768	73,288	-	73,288	43.43%	-10,000	-
Warehouse/Distribution	55	1,384,528	298,639	-	298,639	21.57%	-	\$4.32
<b>North Columbia Total</b>	<b>64</b>	<b>1,651,403</b>	<b>423,403</b>	<b>-</b>	<b>423,403</b>	<b>25.64%</b>	<b>-10,343</b>	<b>\$4.98</b>
<b>NORTHEAST COLUMBIA</b>								
Flex/R&D	12	396,904	74,317	-	74,317	18.72%	-4,600	\$5.81
Manufacturing	25	3,303,756	280,468	-	280,468	8.49%	51,162	\$3.85
Warehouse/Distribution	44	3,438,621	226,218	-	226,218	6.58%	70,170	\$4.29
<b>Northeast Columbia Total</b>	<b>81</b>	<b>7,139,281</b>	<b>581,003</b>	<b>-</b>	<b>581,003</b>	<b>8.14%</b>	<b>116,732</b>	<b>\$4.26</b>
<b>NORTHWEST COLUMBIA</b>								
Flex/R&D	10	190,157	46,851	-	46,851	24.64%	6,625	\$9.86
Manufacturing	4	272,248	3,000	-	3,000	1.10%	-	-
Warehouse/Distribution	13	508,536	2,100	-	2,100	0.41%	9,120	\$7.88
<b>Northwest Columbia Total</b>	<b>27</b>	<b>970,941</b>	<b>51,951</b>	<b>-</b>	<b>51,951</b>	<b>5.35%</b>	<b>15,745</b>	<b>\$9.73</b>
<b>ORANGEBURG COUNTY</b>								
Flex/R&D	3	81,223	29,150	-	29,150	35.89%	-	-
Manufacturing	38	4,607,413	638,610	-	638,610	13.86%	-	\$2.54
Warehouse/Distribution	80	4,645,697	800,678	-	800,678	17.23%	-6,734	\$4.02
<b>Orangeburg County Total</b>	<b>121</b>	<b>9,334,333</b>	<b>1,468,438</b>	<b>-</b>	<b>1,468,438</b>	<b>15.73%</b>	<b>-6,734</b>	<b>\$3.27</b>
<b>SALUDA COUNTY</b>								
Manufacturing	2	150,929	-	-	-	0.00%	-	-
Warehouse/Distribution	3	271,550	75,000	-	75,000	27.62%	-	\$1.95
<b>Saluda County Total</b>	<b>5</b>	<b>422,479</b>	<b>75,000</b>	<b>-</b>	<b>75,000</b>	<b>17.75%</b>	<b>-</b>	<b>\$1.95</b>
<b>SOUTHEAST COLUMBIA</b>								
Flex/R&D	8	182,744	3,500	-	3,500	1.92%	9,000	\$11.00
Manufacturing	39	1,801,469	40,094	-	40,094	2.23%	12,000	\$4.05
Warehouse/Distribution	220	7,978,245	919,739	-	919,739	11.53%	70,325	\$3.27
<b>Southeast Columbia Total</b>	<b>267</b>	<b>9,962,458</b>	<b>963,333</b>	<b>-</b>	<b>963,333</b>	<b>9.67%</b>	<b>91,325</b>	<b>\$3.36</b>
<b>SUMTER COUNTY</b>								
Flex/R&D	1	104,600	-	-	-	0.00%	-	-
Manufacturing	25	1,906,678	160,332	-	160,332	8.41%	13,500	\$2.78
Warehouse/Distribution	49	3,269,569	226,916	-	226,916	6.94%	-	\$2.24
<b>Sumter County Total</b>	<b>75</b>	<b>5,280,847</b>	<b>387,248</b>	<b>-</b>	<b>387,248</b>	<b>7.33%</b>	<b>13,500</b>	<b>\$2.72</b>
<b>MARKET TOTAL</b>								
Flex/R&D	82	2,355,432	307,492	-	307,492	13.05%	39,723	\$7.72
Manufacturing	269	22,668,488	2,334,076	40,000	2,374,076	10.47%	-207,012	\$3.17
Warehouse/Distribution	928	43,191,061	3,318,790	-	3,318,790	7.68%	175,266	\$3.85
<b>Market Total</b>	<b>1,279</b>	<b>68,214,981</b>	<b>5,960,358</b>	<b>40,000</b>	<b>6,000,358</b>	<b>8.80%</b>	<b>7,977</b>	<b>\$3.78</b>

Source: CoStar, Colliers International



---

**400** offices in  
**69** countries on  
**6** continents

---

**\$2.7**  
billion in  
annual revenue

**2**  
billion square feet  
under management

**15,400**  
professionals  
and staff

**FOR MORE INFORMATION:**

Liz H. McCary  
Vice President, Marketing | South Carolina  
+1 803 401 4269  
Liz.McCary@colliers.com

Crystal Baker  
Research Coordinator | South Carolina  
+1 803 401 4230  
Crystal.Baker@colliers.com

**COLUMBIA INDUSTRIAL PROFESSIONALS:**

Chuck Salley, SIOR  
Vice President & Director of Industrial Brokerage Team  
+1 803 401 4266  
Chuck.Salley@colliers.com

Dave Mathews, SIOR  
Senior Brokerage Associate  
+1 803 401 4293  
Dave.Mathews@colliers.com

Thomas Beard  
Brokerage Associate  
+1 803 401 4247  
Thomas.Beard@colliers.com

Colliers International | Columbia  
1301 Gervais Street, Suite 600  
Columbia, South Carolina | USA  
+1 803 254 2300

## About Colliers International



*Colliers International Group Inc. (NASDAQ: CIGI) (TSX: CIGI) is a top tier global real estate services and investment management company operating in 69 countries with a workforce of more than 12,000 professionals. Colliers is the fastest-growing publicly listed global real estate services and investment management company, with 2017 corporate revenues of \$2.3 billion (\$2.7 billion including affiliates). With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide, and through its investment management services platform, has more than \$20 billion of assets under management from the world's most respected institutional real estate investors.*

*Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.*

*Colliers is led by an experienced leadership team with a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.*

*For the latest news from Colliers, visit [Colliers.com](http://Colliers.com) or follow us on Twitter: @Colliers and LinkedIn.*

[www2.colliers.com](http://www2.colliers.com)

Copyright © 2018 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.