

7.3%
Vacancy Rate



211K
Net Absorption, SF



\$5.71
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2020

328.8K
Charleston
Employment



12.6%
Charleston
Unemployment Rate



13.0%
U.S.
Unemployment Rate



Source: BLS
2020Q2 data are based on latest available data.

ECONOMY: Significant Market Disruption

Prior to Covid the Charleston industrial market was on pace for another record quarter, but the pandemic has caused significant disruption to global supply chains, particularly for manufacturers. SC State Ports traffic was off 14% in March, 20% in April and over 15% in May, slowing new deals in the market. Parts and assemblies produced and shipped from low cost countries have caused manufacturing, particularly automotive, to come to a screeching halt. It will take time for processing and delivery times to align with demand as economies reopen. Supply chain localization and shifting real estate requirements are in play. Flexibility in leasing is critical, particularly for short-term temporary warehouse facilities. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

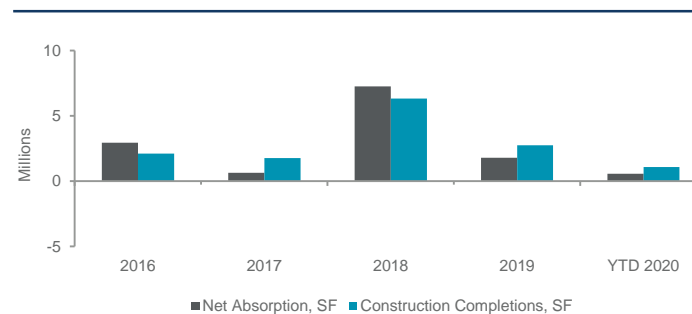
SUPPLY and DEMAND: Construction Activity Slows, but Stays Steady

Charleston Industrial developers have been especially active, delivering roughly 2.0 million square feet (msf) of new inventory in 2019 and more than 6.0 msf in 2018. This is a significant increase compared to the metro's typical 1.8 msf in annual deliveries. While construction levels have slowed, there is still roughly 2.6 msf in the pipeline. The ample supply additions have been met with strong absorption, with ecommerce, 3PLs' and light manufacturing servicing Volvo and Mercedes-Benz taking large blocks of space. Sam's Club leased 150,000 square feet (sf) in Clarius Omni along with Universal leasing 230,000 sf. Kontaine Logistics and Pods each leased 82,000 sf in Charleston Logistics and ProPak took 100,000 sf in Air Park Industrial following a new government contract.

PRICING: Rental Rate Growth Expected to Resume

The Charleston industrial market is primed for continued expansion and positive activity into the next few quarters. Due to strengthening fundamentals, both rent growth and sales volume have ticked up. Owners were able to push rents by 3.4% over the past year, and 2019 sales volume far outpaced its historical average. Despite the negative numbers earlier in the quarter, absorption should continue to rise along with lease rates. The large industrial pipeline expected in 2020 is being absorbed relatively quickly due to high demand and an ongoing influx of new industrial businesses looking in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Daniel Island	5,131,153	299,603	5.8%	55,660	-31,080	0	0	-	-	\$8.66
Dorchester County	8,766,226	507,721	5.8%	-58,928	94,995	566,666	18,176	-	\$5.16	\$7.36
Downtown Charleston	1,812,109	50,315	2.8%	0	-13,000	0	0	-	-	\$8.50
E Charleston County	42,295	0	0.0%	0	0	0	0	-	-	-
East Islands/Mt Pleasant	1,039,098	41,561	4.0%	24,432	28,098	0	0	-	-	\$12.70
James Island/Folly Beach	486,678	121,000	24.9%	0	-14,000	0	0	-	-	\$6.84
North Charleston	31,483,813	2,461,758	7.8%	165,339	-86,600	20,130	241,320	\$6.54	\$14.16	\$8.42
Outlying Berkeley County	28,069,938	2,070,263	7.4%	38,571	737,720	2,357,609	380,000	\$5.35	\$10.00	\$6.68
W Charleston County	203,074	0	0.0%	0	0	0	0	-	-	-
West Ashley	987,014	4,183	0.4%	-621	1,351	0	0	-	\$10.50	\$15.73
West Islands	543,314	148,615	27.4%	-13,388	-149,815	0	0	-	-	\$7.00
CHARLESTON TOTALS	78,564,712	5,705,019	7.3%	211,065	567,669	2,944,405	639,496	\$5.95	\$9.96	\$9.10

*Rental rates reflect weighted net asking \$psf/year

FX = Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2465 Air Park Rd	North Charleston	Propac, Inc.	100,000	New Lease
830 Drop Off Dr	Outlying Berkeley County	Kontane Logistics	81,868	New Lease
264 Deming Wy	Dorchester County	Trigo	65,625	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
7450 Industry Dr	North Charleston	ATS Buildings LLC / Thaynes Capital Northwoods II LLC	58,860	\$3,415,000 / \$58.02
1020 Aragon Ave	North Charleston	Ted Tomaszewski / Hoplite	51,484	\$3,600,000 / \$69.92
915 Commerce Cir	Outlying Berkeley County	Old Harbor Native Corp / Ameer Bay LLC	40,000	\$3,400,000 / \$85.00

PHILIP OWENS

Vice President

+1 843 724 0100 / philip.owens@thalhimer.com

thalhimer.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.