

Office Q3 2020

YoY Chg      12-Mo. Forecast

**8.7%**

Vacancy Rate



**-190.7k**

Net Absorption, SF



**\$27.63**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2020

YoY Chg      12-Mo. Forecast

**349.4k**

Charleston  
Employment



**7.8%**

Charleston  
Unemployment Rate



**8.8%**

U.S.  
Unemployment Rate



Source: BLS  
2020Q3 data are based on latest available data.

## ECONOMY: Local and National Economy Picking Up

Unemployment rates are declining, both locally and nationally, as some statewide restrictions have been lifted. Many office tenants continue to work from home and likely will until early 2021. There is still the possibility that some firms decide to downsize or relinquish their space entirely, but we likely will not know that until 2021. Although many corporations throughout the U.S. have placed restrictions on employees returning to the office, most employers in Charleston have allowed at least a small portion of their workforce to return.

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#)

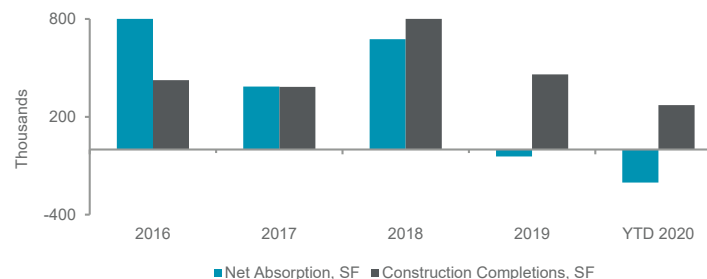
## SUPPLY: Still Moving Forward

While there is still over 800,000 square feet of new office development under construction, investors are extremely nervous about the long-term health of the office market. The overall vacancy rate in Charleston has increased 80 basis points to 8.7% since the onset of the pandemic. Many tenants that were pursuing new space opportunities in 2020 have either paused their search until 2021, reduced their square footage requirement significantly or opted to end their search permanently in favor of allowing employees to continue to work from home. There is continuous debate as to how employee productivity will be affected in the near and long-term if firms continue to operate away from the office.

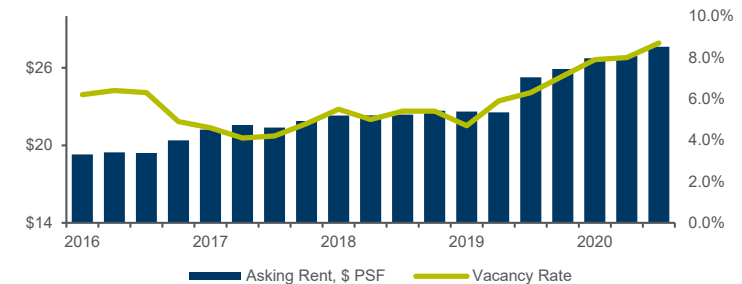
## PRICING: Rental Rates Continue to Escalate

Rental rates continue to rise as the overall average asking rent increased 6.6% over the past 12 months. With several Class-A office developments under construction, owners of older, less centrally localized building are going to have to offer additional concessions to attract new prospects and maintain their existing tenancy. Tenants will have numerous options to consider projects, such as the Charleston Tech Center, The Quin, and The Refinery, which are all slated to deliver in early 2021. The success of these new developments on the upper peninsula will ultimately determine whether tenants are willing to pay a premium for new construction versus negotiating lower rent and additional concessions with their existing landlords.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)**	YTD OVERALL NET ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Daniel Island	1,956,152	213,062	208,797	21.6%	-227,453	-267,808	40,664	19,840	\$25.58	\$24.44
Dorchester County	1,299,514	1,750	31,741	2.6%	1,955	10,294	13,355	0	\$20.93	-
Downtown Charleston	6,217,259	40,475	375,577	6.7%	-18,928	14,497	127,819	604,983	\$32.96	\$34.08
E Charleston County	33,000	0	0	0.0%	0	0	0	0	-	-
East Islands/Mt Pleasant	3,756,998	46,376	199,700	8.5%	-2,665	27,150	130,389	7,200	\$28.70	\$33.2
James Island/Folly Beach	293,226	0	16,539	5.6%	3,308	28,591	1,921	0	-	-
North Charleston	9,074,010	96,835	878,496	10.7%	16,792	-116,240	220,610	168,288	\$25.20	\$29.50
Outlying Berkeley County	2,135,569	37,295	97,515	6.3%	4,879	50,475	56,464	78,722	\$26.49	\$25.40
W Charleston County	41,731	0	0	0.0%	0	0	0	0	-	-
West Ashley	1,961,900	8,000	84,756	4.7%	31,390	50,849	66,447	10,000	\$27.42	\$31.48
West Islands	168,877	0	20,176	11.9%	0	-906	960	0	-	-
<b>CHARLESTON TOTALS</b>	<b>26,938,236</b>	<b>433,793</b>	<b>1,913,297</b>	<b>8.7%</b>	<b>-190,722</b>	<b>-203,098</b>	<b>658,629</b>	<b>889,033</b>	<b>\$27.63</b>	<b>\$30.03</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4401 Leeds Ave – River Oaks Center	North Charleston	Nolan Transportation	22,258	New Lease
4390 Belle Oaks Dr – Ashley Overlook	North Charleston	Alcami	16,660	New Lease
7410 Northside Dr	North Charleston	Undisclosed	10,942	New Lease
2 S Park Cir	West Ashley	MUSC	10,791	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
65 Fairchild St	Daniel Island	Holder Properties/Blackbaud	172,000	\$76,272,484/\$443.44
134 Meeting St	Downtown Charleston	Cobalt Property Group/Highland Ventures Ltd	71,947	\$23,750,000/\$330.10
346 Seacoast Pky	East Islands/Mt Pleasant	Linden Construction/Gary F Berenyi	8,000	\$2,457,600/\$307.20
45 Isabella St	Downtown Charleston	Union Baptist Church of Chs/RCB Development	7,420	\$1,100,000/\$148.25

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