

YoY Chg 12-Mo. Forecast

10.9%
Vacancy Rate



-77K
Net Absorption, SF



\$28.00
Asking Rent, PSF



(Overall, All Property Classes)

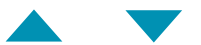
ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

359.8k
Charleston Employment



5.0%
Charleston Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY: Getting Back on Track Nationally

Employment numbers remain steady in Charleston just as the population continues to increase throughout the region. As more employees return to work, especially those most affected by the pandemic including food & beverage as well as hospitality workers, the local and national economy will see numbers closer to pre-COVID-19 figures. While population growth was anticipated, Charleston remains a popular destination for both in-state and national migration. With vaccinations being rolled out to nearly the entire population in South Carolina, Charleston continues to move toward normalcy while many other states around the country still have numerous restrictions in place.

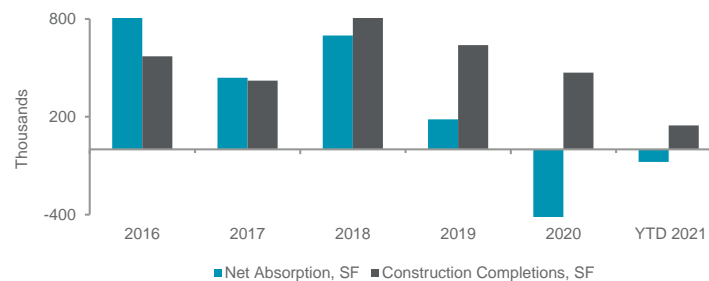
SUPPLY AND DEMAND: Rising Vacancy Anticipated

Numerous new developments throughout the region continue to move forward despite trepidation on the future of office space. While some developers remain bullish on the future of office in Charleston, others remain skeptical that over 900,000 square feet of new space will be absorbed. In addition to new construction a considerable amount of sublease space hit the market over the last several months. Some of the space available for sublease has nothing to do with the pandemic or fears on the future of office space but is more the consequence of tenants finding more attractive space elsewhere in the market or rightsizing space from firms such as Benefitfocus on Daniel Island. New deliveries are providing tenants with more appealing options and Landlords are incentivizing firms to relocate sooner than their lease expiration. While the overall vacancy rate has risen to just under 11%, Charleston remains a healthy office market compared to many other cities in the Southeast. It remains to be seen how high the vacancy will escalate once all the new office projects are delivered, as Charleston will need to recruit corporations from other parts of the country to adequately fill the abundance of new space. Approximately 64.7% of space currently under construction remains available at the moment.

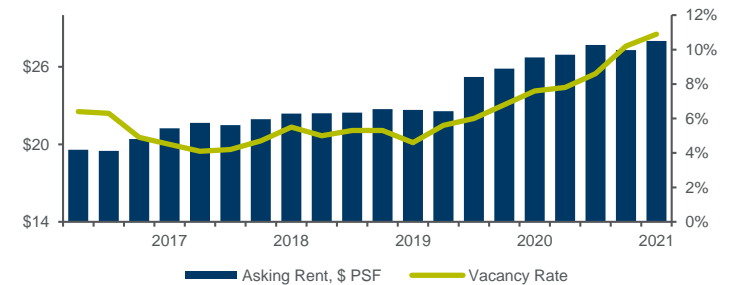
PRICING: Rental Rates Will Remain High Until Deliveries

Construction costs remain extremely high in not only Charleston, but the entire country. This will continue to push rents into the upper \$30s to the low \$40s per square foot for new developments throughout the region. The accumulation of sublease space may affect the rental rates in some submarkets as Landlords will be forced to compete with lower rents for move-in ready space. Some of the new projects are expected to deliver by the end of Q2, which should encourage Landlords of existing property to make significant concessions to retain and attract tenants. The lease up time for new office developments in Charleston commonly takes between 18 and 24 months from delivery, but with so many projects scheduled and some already delivered, that timeline is almost certainly going to change. The question remains, how far does that timeline have to extend before rental rates are lowered and additional concessions are granted?

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	2,100,345	533,999	157,312	32.9%	4,424	4,424	10,835	19,840	\$24.91	\$24.28
Dorchester County	1,348,298	4,372	41,728	3.4%	-12,626	-12,626	4,033	0	\$22.04	-
Downtown Charleston	6,587,092	69,897	479,604	8.3%	-23,506	-23,506	39,168	582,468	\$35.74	\$35.55
E Charleston County	33,000	0	0	0.0%	0	0	0	0	-	-
East Islands/Mt Pleasant	3,857,846	53,184	252,482	7.9%	1,093	1,093	22,351	42,500	\$29.31	\$32.17
James Island/Folly Beach	286,487	0	23,283	8.1%	-362	-362	871	0	\$27.00	\$27.00
North Charleston	9,294,717	162,690	1,038,649	12.9%	-33,325	-33,325	20,590	13,288	\$25.17	\$28.85
Outlying Berkeley County	2,155,569	37,295	32,344	3.2%	1,328	1,328	24,057	58,722	\$24.22	\$24.47
W Charleston County	58,975	0	2,568	4.4%	-2,568	-2,568	0	0	-	-
West Ashley	1,972,130	0	126,012	6.4%	-21,434	-21,434	2,548	0	\$27.36	\$31.26
West Islands	175,488	0	10,160	5.8%	10,016	10,016	2,531	0	-	-
CHARLESTON TOTALS	27,869,947	861,437	2,164,142	10.9%	-76,960	-76,960	126,984	716,818	\$28.00	\$31.26

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1280 Hospital Dr	East Islands/Mt Pleasant	MUSC	23,379	*Renewal
850 Morrison Dr / Morrison Yard	Downtown Charleston	Parker Poe Adams & Bernstein	12,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3800 Paramount Dr	North Charleston	Cobalt Property Group / ECPI University	50,000	\$8,250,000/\$165
650 Ellis Oaks Ave	James Island/Folly Beach	Ravenel Commercial Properties, LLC / Medical University of South Carolina	8,500	\$6,000,000/\$706
350 Seacoast Pky	East Islands/Mt Pleasant	Timothy Zwerner / Undisclosed Buyer	8,000	\$3,325,000/\$416

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
4920 O'Hear Ave	North Charleston	Ingevity	110,000	Wecco Development LLC / Wecco Development LLC
1247 Nexton Pky	Outlying Berkeley County	Home Telecom	20,000	Home Telecom Business Sales / Unlisted
846 Saint Andrews Blvd	West Ashley	Shelbourne and Associates	10,000	840 St Andrews Blvd / Unlisted

NICK TANANA

Vice President

+1 843 724 0100 / nick.tanana@thalhimer.com

thalhimer.com

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