

YoY Chg 12-Mo. Forecast

9.9%

Vacancy Rate



97K

Net Absorption, SF



\$28.10

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

362.3k

Charleston Employment



4.4%

Charleston Unemployment Rate



5.9%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY: Increasing Demand for Labor

As South Carolina opted out of all federal unemployment benefits at the end of June, many previously unemployed residents have started to return to their jobs. While the Unemployment rate has dropped only slightly to 4.4%, those numbers are expected to decrease even further as the demand for labor is at an all-time high in Charleston and many other parts of the country. With the population surging in the Southeast, the need for labor has been exacerbated, specifically in the food and beverage and hospitality sectors. A strong percentage of South Carolina residents are now fully vaccinated and as those numbers increase, more organizations will allow larger numbers of employees to return to the office. While there are still a few larger, local corporations remaining on work-from-home schedules, several of these firms are planning on returning to the office in the early fall. As other states return to pre-pandemic unemployment operations, the national unemployment rate will continue to decline, and the augmented labor force should revive some of the industries that have suffered the most over the last year and half.

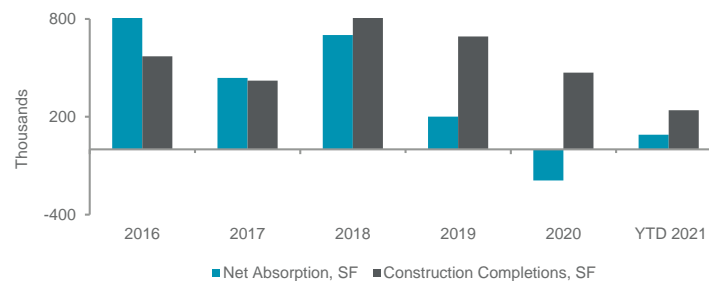
SUPPLY AND DEMAND: Positive Absorption Likely Temporary

The Charleston region recorded positive absorption in Q2, but several projects expected to deliver later this year will likely reverse that trend. Leasing activity has increased over the past quarter as more companies are willing to make long term commitments now that the pandemic appears to be in our past, but with over 600,000 square feet (sf) still under construction, it remains to be seen how that space will be absorbed. Investors remain optimistic on Charleston as the Southeast continues its tremendous growth, but there will likely need to be several large corporations migrating to Charleston from out of market to avoid a significant increase in the vacancy rate moving forward. There will certainly be movement within the market from existing tenants with so many new options, but the pandemic has also caused some firms to rethink their office footprints. The overall vacancy rate has now escalated to nearly 10% and that number could approach 15% by the end of the year due to the amount of scheduled new deliveries.

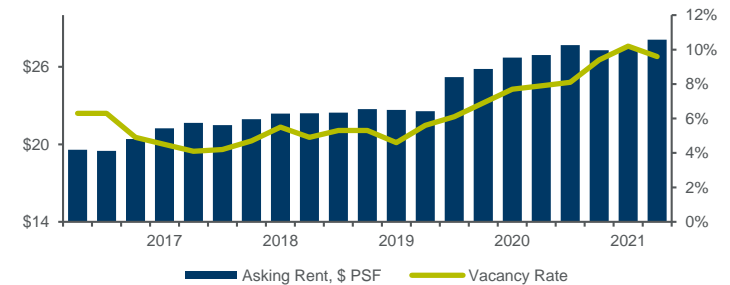
PRICING: Higher Construction Costs Equal Record Rental Rates

Extremely high land costs combined with constantly rising construction prices has resulted in record high rental rates in several submarkets in Charleston. Downtown rental rates are now over \$40.00 per square foot (psf) plus parking, with some projects quoting closer to \$42.00 psf. In North Charleston and Summerville rates are in the low \$30s psf at several properties. As growth in the region continues to move from the peninsula to the northern suburbs, new projects are being announced that will not deliver for several years, but each will demand record setting prices to justify the building costs. It remains to be seen if these projects in the suburbs, as well as the substantial amount of space already under construction will attract enough interest from tenants to drastically affect vacancy rates for years to come or if developers will need to rethink their rental rates to achieve acceptable occupancy levels.

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	270,256	167,764	20.9%	30,119	25,375	72,407	19,840	\$26.07	\$25.59
Dorchester County	1,369,881	2,622	39,423	3.1%	105	-6,431	10,528	0	\$24.95	-
Downtown Charleston	6,695,198	44,514	407,498	6.8%	44,943	105,136	119,187	369,283	\$33.80	\$34.37
E Charleston County	35,000	0	0	0.0%	0	0	0	0	-	-
East Islands/Mt Pleasant	3,884,474	79,998	239,616	8.2%	3,805	-33,747	78,126	44,779	\$28.57	\$31.07
James Island/Folly Beach	286,487	0	20,024	7.0%	1,259	1,768	7,135	0	\$27.00	\$27.00
North Charleston	9,406,496	148,638	1,064,174	12.9%	25,632	-5,381	130,166	25,288	\$25.48	\$28.93
Outlying Berkeley County	2,152,381	36,657	52,429	4.4%	-21,085	3,515	75,198	138,722	\$24.44	\$24.52
W Charleston County	58,975	0	2,568	4.4%	0	-2,568	0	0	-	-
West Ashley	1,972,130	0	113,517	5.8%	12,353	-11,507	21,832	0	\$27.81	\$30.82
West Islands	175,488	0	8,384	4.8%	0	11,792	2,531	5,000	\$26.01	\$26.01
CHARLESTON TOTALS	28,136,855	582,685	2,115,397	9.9%	97,131	92,798	517,110	602,912	\$28.10	\$30.31

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5880 Rivers Ave	North Charleston	Premier Medical	8,867	New
1501 Belle Isle Ave	East Islands/Mt Pleasant	Unlisted	5,151	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
4340 Corporate Rd	North Charleston	Bridgeview Properties LLC / Undisclosed	40,000	\$7,500,000/\$188
201 E Luck Ave	Dorchester County	Pineland Services Inc. / 201 E Luke Avenue LLC	15,528	\$2,700,000/\$174

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
997 Morrison Dr	Downtown Charleston	Charleston Digital Corridor	93,000	City of Charleston / Unlisted
1247 Nexton Pky	Outlying Berkeley County	Home Telecom	20,000	Home Telecom Business Sales / Unlisted

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