

Accelerating success.

SOUTH CAROLINA | INDUSTRIAL Q1 2019

Demand drives robust S.C. industrial activity

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Key Takeaways

- > Vigorous statewide industrial activity continued into the first quarter of this year; South Carolina industrial properties absorbed 4.81 million square feet during the first quarter of 2019.
- > The South Carolina industrial market can expect strong market activity and steady demand throughout 2019.
- > 13.37 million square feet of industrial properties are currently under construction; as quality space is delivered to the market, rental rates will increase.

Market Overview

Accessibility to domestic and global markets is becoming a primary factor in site selection for businesses. South Carolina's efficient logistics provide companies quick access to suppliers and customers through its ports, rail lines and interstates. Global trade is rapidly expanding within South Carolina. The region is booming with industrial activity due to imports/exports transporting through the Port of Charleston - the deepest eastern seaport - and Greenville-Spartanburg becoming an industrial hub with incredible inland port logistics and a manufacturing business base.

The South Carolina industrial market is comprised of 426.19 million square feet within 6,829 buildings. From the fourth quarter of last year through the first quarter of 2019, the South Carolina market grew by 15 buildings which added approximately 3.34 million square feet. Despite the delivery of new industrial construction, the South Carolina industrial markets absorbed approximately 4.81 million square feet during the first quarter of 2019 and the overall South Carolina market vacancy rate dropped from 7.58% during the fourth quarter of 2018 to 7.13% this quarter. The average triple net South Carolina market rental rate for the remaining available industrial space increased slightly to \$3.83 per square foot during the first quarter of 2019.

Market Indicators
Relative to prior periodQ1 2019Q2 2019*VACANCYImage: ConstructionImage: ConstructionImage: ConstructionCONSTRUCTIONImage: ConstructionImage: ConstructionImage: ConstructionRENTAL RATEImage: ConstructionImage: ConstructionImage: Construction

Note: Construction is the change in Under Construction. *Projected

Summary Statistics

Q1 2019 Industrial	Market
Vacancy Rate	7.13%
Change From Q1 2018 (basis points)	-96
Quarterly Absorption (Million Square Feet)	4.81
New Construction (Million Square Feet)	3.34
Under Construction (Million Square Feet)	13.37

*New construction is newly delivered buildings

Asking Rents

NNN Per Square Foot Per Year

Market	\$3.83
Change From Q1 2018	+5.22%
Flex	\$8.52
Manufacturing	\$2.71
Warehouse	\$3.92

Augusta | Aiken (South Carolina portion)

The South Carolina portion of the Augusta | Aiken market grew to 13.58 million square feet during the first quarter of 2019, over half of which is manufacturing space. No new industrial buildings were delivered to this market; however, there is a 40,000-square-foot manufacturing building currently under construction. This Augusta | Aiken market absorbed 185,679 square feet this quarter; while warehouse space posted a net negative absorption of 219,121 square feet, manufacturing space absorbed 404,800 square feet. Due to the positive overall absorption, the vacancy rate dropped from 12.88% at the end of last year to 11.51% this quarter. The average weighted rental rate for the South Carolina portion of the Augusta | Aiken region increased from \$2.46 per square foot during the fourth quarter of 2018 to \$2.60 per square foot this quarter.

Charleston

The Charleston industrial market has approximately 54.20 million square feet of industrial inventory within 1,072 buildings. There were six new buildings delivered to the Charleston market this quarter, which added 217,431 square feet. There are also 19 buildings currently under construction totaling 3.51 million square feet. The Charleston industrial market absorbed 654,951 square feet during the first quarter of 2019, led by the North Charleston submarket absorption of 419,490 square feet. The overall market vacancy rate decreased from 8.95% during the fourth quarter of last year to 8.09% this quarter. The average triple net market weighted rental rate continues to increase quarter over quarter, and it rose from \$4.95 per square foot last quarter to \$5.21 per square foot during the first quarter of 2019.

Charlotte (South Carolina portion)

The South Carolina portion of the Charlotte submarket has a total industrial inventory totaling 37.62 million square feet, and one warehouse was delivered to this sector of the South Carolina market: Lakemont Business Park at 547 Kings Ridge Drive added 217,606 square feet. There are currently six warehouses under construction in this region, which, upon completion, will add 1.44 million square feet to the South Carolina portion of the Charlotte market. This market absorbed 113,089 square feet this quarter, causing the vacancy rate to drop from 10.17% last quarter to 10.39% during the first quarter of this year. The overall average weighted rental rate for the remaining industrial space in this region was \$4.88 per square foot.

Columbia

The Columbia industrial market is comprised of 69.83 million square feet within 1,293 buildings throughout 17 submarkets. The overall Columbia industrial market absorbed 505,830 square feet in the first quarter of 2019. The Southeast Columbia submarket saw the highest absorption of 387,506 square feet, followed closely by the Cayce/West Columbia submarket, which absorbed 229,011 square feet. Construction completed on a 46,000-square-foot build-to-suit warehouse in southeast Columbia. Construction began on at Midway Logistics IV, a 200,000-square-foot warehouse in West Columbia, and continued on the 818,056-square-foot manufacturing facility in the Southeast Columbia submarket. The overall industrial market vacancy rate dropped 95 basis points from 7.93% during the fourth quarter of 2018 to 6.98% during the first quarter of 2019; however, the average weighted rental rates decreased from \$3.86 per square foot last quarter to \$3.74 per square foot during the first quarter of 2019.

Florence | Myrtle Beach

The Florence | Myrtle Beach market has 37.94 million square feet of industrial inventory. No new buildings were delivered to the market during the first quarter of 2019. There are, however, two warehouses currently under construction that will add 210,700 square feet to the Florence | Myrtle Beach market. This region posted a net negative absorption of 21,392 square feet overall; the manufacturing sector posted a net negative absorption of 38,052 square feet, while warehouse absorbed 16,600 square feet. The negative market absorption raised the vacancy rate to 12.18%, slightly higher than last quarter. The triple net average weighted rental rate increased to \$2.70 per square foot during the first quarter of 2019, 1.5% higher than it was during the fourth quarter of 2018.

Greenville | Spartanburg

The Greenville-Spartanburg industrial market is comprised of approximately 202.94 million square feet. During the first quarter of 2019, 2.84 million square feet of new industrial space were delivered. Ten proposed warehouse/distribution buildings and two proposed flex/R&D buildings will add 2.29 million square feet to the region when completed. Due to the ongoing high demand for industrial space within this region, the market absorbed 3.40 million square feet of industrial space this quarter, and the overall market vacancy rate dropped from 5.36% during the fourth quarter of 2018 to 5.01% during the first quarter of 2019. Market rental rates remain consistent for both manufacturing and warehouse space in the market.

Over 100,000 square feet

In general, Class A warehouse space ranged from \$4.35 per square foot, triple net, to \$4.75 per square foot, triple net during the first quarter of 2019. Manufacturing space depended heavily on the user's required improvements and ranged from \$4.75 per square foot, triple net, to \$5.50 per square foot, triple net. Class B warehouse and manufacturing space ranged from \$3.50 per square foot, triple net, to \$4.35 per square foot, triple net. Class C space was the most variable in terms of rate and business terms. These spaces are typically older, with some form of functional obsolescence, such as clear ceiling height under 18', metal or masonry shell, deferred building maintenance, etc. Rates on these spaces typically averaged under \$3.50 per square foot, triple net, and in some cases were offered as modified gross leases.

Savannah (South Carolina portion)

The Savannah market within South Carolina has 10.01 million square feet of industrial space, and one 10,000 square foot flex/ R&D building was delivered to the market during the first quarter of 2019. In addition, there are three industrial buildings under construction which will add 56,800 square feet to the region upon completion. This market posted a net negative absorption of 26,572 square feet this quarter and the vacancy rate increased from 8.28% during the fourth quarter of 2018 to 8.64% this quarter. In the South Carolina portion of the Savannah market, the triple net weighted rental rate remained relatively the same this quarter at \$2.00 per square foot. The region has a low rent average because there are no vacant flex/R&D availabilities; therefore, there are no higher flex space rates to average in - which often raise the overall rental average.

Significant Transactions

There were 130 industrial sale transactions reported through CoStar during the first quarter of 2019. These sales included a 16-property multi-state portfolio sale, with 7 properties purchased in Spartanburg, for a total portfolio sale of 2.74 million square feet at a purchase price of \$194.25 million.

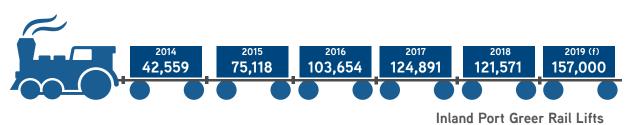
There were 85 lease transactions during the first quarter of 2019, most of which were signed by undisclosed tenants.

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



Q1 2019 Statewide Sales Transactions (+100,000 SF)							
NAME	ADDRESS	COUNTY	SIZE (SF)	PRICE PRICE PSF	BUYER	DATE	
TTI Distribution Center	100 Ryobi Drive	Anderson	1,327,022	\$79,300,000 \$59.76	One World Technologies, Inc.	01-19	
Gerber Children's Wear	6 Corporate Parkway	Berkeley	526,316	\$32,000,000 \$60.80	Sycamore Partners	01-19	
Gaffney Distribution Center	34 Commerce Drive	Cherokee	546,683	\$30,000,000 \$54.88	One World Technolgies, Inc.	03-19	
Lakemont77	160 Steele Point Drive	York	370,000	\$25,850,000 \$69.86	Invesco Advisers, Inc.	02-19	
Augusta Grove #17	1610 Old Grove Road	Greenville	331,845	\$24,100,000 \$72.62	STAG Industrial, Inc.	03-19	

Source: Colliers International, CoStar



Sources: South Carolina Ports Authority, Colliers International

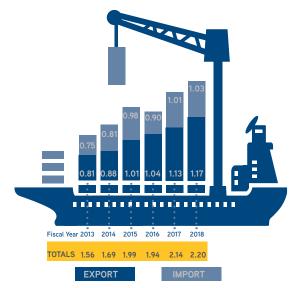
Market Forecast

South Carolina has robust import/export port activity and efficient logistics leading to national transport supported by a vigorous manufacturing business base. Employment is healthy throughout the state and the cost of living is low; therefore, it is a popular destination for the relocation of new businesses and residents. Manufacturers and distribution hubs are locating throughout South Carolina in order to accommodate the uptick in demand and developers are building facilities to meet these needs.

The Greenville-Spartanburg market is being seen by many users and logistics providers as an emerging alternative to regional competitors like Atlanta & Charlotte. The Charleston industrial market plays a large role in the logistics chain due to the continued construction of the deepest eastern seaport in the U.S., and the Columbia region, with its central location, has seen development and speculative construction growth. Due to population growth, a healthy economy and industrial business to support continued business development and construction, the South Carolina industrial market can expect healthy market activity and intensified demand in the next few quarters.

Port of Charleston

Annual Twenty-foot Equivalent Unit (TEU) Volume (*in Millions*)



Source: South Carolina Ports Authority

South Carolina is connected. Various modes of transportation provide for efficient logistics and access to global and domestic markets.



2019 Q1 Industrial Construction Pipeline South Carolina					
PROPERTY NAME LOCATION	BUILDING SF	COUNTY			
COMPLETIONS					
Michelin Highway 101	2,500,000	Spartanburg			
2010 Nazareth Church Road, Building 1	273,000	Spartanburg			
Lakemont Business Park 547 Kings Ridge Drive	217,606	York			
Samet Building 1 635 Omni Industrial Boulevard	117,568	Berkeley			
126 Atlas Court	46,000	Richland			
1270 Drop Off Drive	25,000	Berkeley			
Landmark Building 300 9551 Palmetto Commerce Pkwy	24,300	Charleston			
7035 Cross Country Drive	20,250	Charleston			
6655 Jet Park Drive	16,313	Charleston			
2154 North Center Street, Building 500	14,000	Charleston			
360 Mayfield Road	25,200	Spartanburg			
512 John Ross Court	21,939	Anderson			
510 John Ross Court	12,000	Anderson			
121 Pine Road, Building 1	12,000	Anderson			
6986 North Okatie Highway	10,000	Jasper			
PROPERTY NAME LOCATION	BUILDING SF				
UNDER CONSTRUCTION (+200,000 SF)					
China Jushi 146 Pineview Drive	818,056	Richland			
Electrolux 101 Masters Boulevard	800,000	Anderson			
Keurig Doctor Pepper Tyger River Industrial Park	708,067	Spartanburg			
479 Trade Center	622,677	Berkeley			
GSP Logistics Parkway	567,630	Spartanburg			
FTZ Building 1 1334 Drop Off Drive	561,600	Dorchester			
1359 Victor Hill Road	545,127	Spartanburg			
Inland 85 Logistic Center	500,280	Spartanburg			
Legacy Park East Phase II	460,800	York			
Fort Prince Commerce Center	436,800	Spartanburg			
Ladson Industrial Park Ladson & Stoney Road	420,888	Charleston			
Smith Farms Industrial Park 7870 Reidville Road, Building 11A	396,073	Spartanburg			
Lakemont 77	370,000	York			
4289 Crosspoint Drive	364,000	Charleston			
Carolina Commerce Center Harvey Road	327,139	Spartanburg			
Augusta Grove 1700 Old Grove Road	300,645	Greenville			
1359 Victor Hill Road, Building B	285,240	Spartanburg			
River Park @ 77 Celriver Road	275,963	York			
Apple Valley Phase II	275,400	Spartanburg			
Xebec Building Patriot Drive	262,080	Charleston			
Arthrex 5500 Highway 76	250,000	Anderson			
Summerville Distribution Complex Deming Way	250,000	Dorchester			
Woods Chapel Crossing	243,380	Spartanburg			
Apple Valley Phase III	236,500	Spartanburg			
Spartan Exchange 1032 Tyger Lake Road	213,200	Spartanburg			
Smith Farms Industrial Park 7820 Reidville Road, Building 11B	210,821	Spartanburg			

SUBMARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE (PSF/YR)
AUGUSTA AIKEN (SOUTH CARC	LINA PORTIO		(SF)			KATE (%)	ABSORPHOR (SF)	
Flex/R&D	2	25,500	_	_	-	-	-	_
Manufacturing	40	9,107,073	790,124	_	790,124	8.68%	404,800	\$2.21
Warehouse	79	4,446,958	772,957	_	772,957	17.38%	-219,121	\$3.02
Augusta Aiken Total	121	13,579,531	1,563,081	-	1,563,081	11.51%	185,879	\$2.60
CHARLESTON								
Flex/R&D	108	4,317,476	265,690	9,731	275,421	6.38%	68,571	\$8.93
Manufacturing	135	10,712,204	779,014	20,625	799,639	7.46%	26,024	\$3.76
Warehouse	829	39,167,975	3,210,516	101,276	3,311,792	8.46%	560,356	\$5.39
Charleston Total	1,072	54,197,655	4,255,220	131,632	4,386,852	8.09%	654,951	\$5.21
CHARLOTTE (SOUTH CAROLINA I	PORTION)			11				
Flex/R&D	13	377,052	95,181	-	95,181	25.24%	-20,000	\$12.14
Manufacturing	105	11,324,992	856,400	340,622	1,197,022	10.57%	-	-
Warehouse	317	25,921,468	2,617,458	-	2,617,458	10.10%	133,089	\$4.93
Charlotte Total	435	37,623,512	3,569,039	340,622	3,909,661	10.39%	113,089	\$5.20
COLUMBIA							1	
Flex/R&D	83	2,365,432	294,912	-	294,912	12.47%	31,133	\$7.74
Manufacturing	270	23,256,488	1,829,841	240,000	2,069,841	8.90%	87,812	\$2.86
Warehouse	940	44,205,673	2,507,110	-	2,507,110	5.67%	386,885	\$3.89
Columbia Total	1,293	69,827,593	4,631,863	240,000	4,871,863	6.98%	505,830	\$3.74
FLORENCE MYRTLE BEACH				· · · · · · · · · · · · · · · · · · ·				
Flex/R&D	9	104,840	3,500	-	3,500	3.34%	-	\$8.33
Manufacturing	115	15,444,147	2,432,391	-	2,432,391	15.75%	-38,052	\$2.17
Warehouse	525	22,388,568	2,183,946	-	2,183,946	9.75%	16,660	\$3.50
Florence Myrtle Beach Total	649	37,937,555	4,619,837	-	4,619,837	12.18%	-21,392	\$2.70
GREENVILLE SPARTANBURG								1
Flex/R&D	157	5,295,828	573,616	-	573,616	10.83%	74,408	\$8.30
Manufacturing	317	18,702,513	508,056	-	508,056	2.72%	4,300	\$3.72
Warehouse	2,548	178,939,636	8,817,239	265,806	9,083,045	5.08%	3,318,624	\$3.37
Greenville Spartanburg Total	3,022	202,937,977	9,898,911	265,806	10,164,717	5.01%	3,397,332	\$3.61
SAVANNAH (SOUTH CAROLINA P	ORTION)							
Flex/R&D	9	182,164	-	-	-	0.00%	10,000	-
Manufacturing	35	4,946,658	458,027	-	458,027	9.26%	-	\$1.51
Warehouse	192	4,955,043	412,828	-	412,828	8.33%	-36,572	\$4.33
Savannah Total	237	10,083,865	870,855	-	870,855	8.64%	-26,572	\$2.00
STATEWIDE MARKET TOTALS								
Flex/R&D	382	12,668,292	1,232,899	9,731	1,242,630	9.81%	164,112	\$8.52
Manufacturing	1,017	93,494,075	7,653,853	601,247	8,255,100	8.83%	484,884	\$2.71
Warehouse	5,430	320,025,321	20,522,054	367,082	20,889,136	6.53%	4,159,921	\$3.92
MARKET TOTALS	6,829	426,187,688	29,408,806	978,060	30,386,866	7.13%	4,808,917	\$3.83

Source: Colliers International, CoStar

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.

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\$3.3

billion in annual revenue

2

billion square feet under management

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