

Awaiting construction completions, few spaces are available

Crystal Baker Research Coordinator | South Carolina

Key Takeaways

- Until new construction is delivered to the market, there are few available space options; the overall vacancy rate dropped to 7.57% this quarter.
- The Charleston market absorbed 300,005 square feet during the third quarter of 2019; the positive absorption was within the warehouse sector of the industrial market.
- Robotics are shifting much of the industrial workforce from physical labor to technology and automation-based training in order to remain efficient.

Robotics have changed the nature of warehousing and manufacturing

The nature of warehouse and manufacturing employment training has changed drastically over the last ten years. The knowledge areas have shifted from heavy manual labor and mechanical skills to technology-based knowledge. It is necessary to attract employees with the appropriate knowledge in order to run a business efficiently. Another way warehouse and manufacturing has changed over the years is the addition of robotics in order to minimize mistakes and automate some aspects of production. Robotics do not have to look like the traditional image of complex, human-like robots. According to Conveyco.com, listed below are several types of robotics in use everyday.

- **Automated Storage and Retrieval Systems (AS/RS):** these systems are used to retrieve items using a preset route either on a fixed track or using a crane arm to locate, remove and replace an object once it has been used appropriately.
- **Goods-to-Person Technology (G2P):** this system is similar to AS/RS listed above; however, once the item is retrieved, it is then given to a person who uses it or fills an order with the goods delivered.
- **Automated Guided Vehicles (AGVs):** these vehicles are used for large loads and are often guided by magnetic strips or tracks and predetermined routes within the warehouse or manufacturing facility.

Market Indicators

Relative to prior period

	Q3 2019	Q4 2019*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↔

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

Summary Statistics

Q3 2019 Charleston Industrial Market

Industrial

Vacancy Rate	7.36%
Change From Q3 2018 (basis points)	-129
Absorption (Thousand Square Feet)	300.00
New Construction (Thousand Square Feet)	283.76
Under Construction (Million Square Feet)	3.74

*New construction is newly delivered buildings

Asking Rents

Per Square Foot Per Year NNN

Market	\$6.18
Change from Q3 2018	+16.17%
Flex	\$8.28
Warehouse	\$5.20
Manufacturing	\$6.24

- **Automated Guided Carts (AGCs):** these vehicles are used for smaller loads and are often guided by magnetic strips or tracks and predetermined routes within the warehouse or manufacturing facility.
- **Autonomous Mobile Robots (AMRs):** these robots are useful in fulfillment environments because they are able to navigate without human intervention due to a complex system of onboard sensors, maps and computers.
- **Articulated Robotic Arms:** this robot is essentially a multi-jointed limb used for the purpose of: receiving and storage, picking and packing, shipping and production.

While robotics are taking the place of many functions within the warehouse/manufacturing sector, they are allowing people to fill technology-based jobs operating these robots. Therefore, the heavy lifting and physical strains of many industrial jobs are being replaced by robots, thus improving efficiency and removing the physical strain previously placed on warehouse and manufacturing employees.

Market Overview

Overall Charleston industrial market

The Charleston industrial market has 56.33 million square feet of industrial inventory with approximately 3.74 million square feet under construction within 20 buildings. In addition, there are approximately 13 buildings proposed to be built within the Charleston market which would add an additional 3.88 million square feet to the industrial inventory. There were three new buildings delivered to the market this quarter which added 283,760 square feet to the Charleston industrial inventory. The Charleston industrial market absorbed 300,005 square feet during the third quarter of 2019. Because new construction deliveries surpassed absorption during the third quarter of 2019, the overall vacancy rate increased slightly from 7.49% during the second quarter of 2019 to 7.36% during this quarter. The overall market average triple net weighted rental rate increased this quarter to \$6.18 per square foot.

Warehouse/Distribution

The Charleston industrial market warehouse/distribution sector is comprised of 40.85 million square feet within 840 buildings and comprises 72.52% of the Charleston industrial market. There are 17 warehouses totaling 2.88 million square feet under construction throughout the Charleston market, and an additional 11 warehouses totaling 3.34 million square feet are proposed to be built. Warehouses throughout Charleston absorbed 328,434 square feet this quarter; the Summerville submarket led the way and absorbed 265,997 square feet this quarter due to 1334 Drop Off Drive leasing 371,600 square feet this quarter. The warehouse/distribution sector vacancy rate only decreased to 8.25% this quarter due to construction deliveries. The average triple net weighted warehouse rental rate increased marginally from \$6.22 per square foot last quarter to \$6.24 per square foot this quarter.

Manufacturing

Manufacturing is primarily used to assemble goods for sale and distribution. There are approximately 11.09 million square feet of manufacturing space within the Charleston market. There are two buildings under construction which, upon completion, will add 851,997 square feet of inventory to the market. In addition, there is one 520,000-square-foot building proposed to be built within the Summerville submarket. There are a few available manufacturing spaces left within the Charleston market and because of this, there was no absorption during the third quarter of 2019. Therefore, the overall manufacturing vacancy rate remains unchanged at 5.29%. The average triple net weighted rental rate during the third quarter of this year is \$5.20 per square foot.

Flex/R&D

Flex/R&D space is defined as industrial space where more than 30% of the building is utilized for office space. The Charleston flex/R&D market is comprised of approximately 4.39 million square feet. One 10,783-square-foot flex building is under construction at 2467

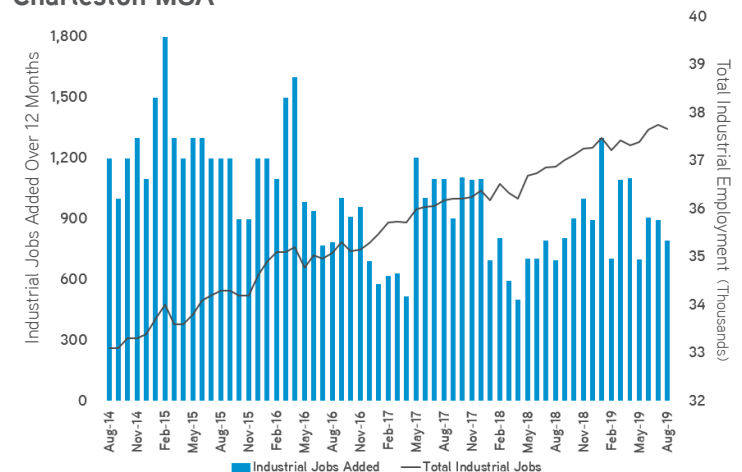
South Carolina Ports



Three new ship-to-shore cranes arrived in Charleston. According to the South Carolina Ports Authority, once the cranes are assembled, they will be in use at the Wando Welch Terminal in Mount Pleasant and will have 155 feet of lift height. By 2020, the Wando Welch Terminal will have 11 cranes with 155 feet of lift height and one crane with 115 feet of lift height. The increased number of cranes will allow the South Carolina ports to move large containers back and forth on 14,000-TEU-and-above ships and continue to increase the container volume year-over-year. The South Carolina ports system are "worth more than \$63 billion in annual economic impact and generate more than \$1.1 billion in tax revenue annually," according to the South Carolina Port Authority.

Source: South Carolina Ports Authority

Industrial Employment | Charleston MSA



Source: Bureau of Labor Statistics, Colliers International
 *From February 2019 on, the data is not seasonally adjusted.

Charleston Highway and one 17,500-square-foot flex building is currently proposed to be built within the Clements Ferry submarket. The flex/R&D sector posted a negative absorption of 28,429 square feet this quarter largely due to the Limehouse Product building located at 4791 Trade Street posting a negative absorption of 21,521 square feet. Due to the negative absorption, the vacancy rate increased from 3.67% during the second quarter of this year to 4.32% during the third quarter of 2019. The average triple net weighted rental rate was \$8.28 per square foot this quarter.

Capital Investment & Employment

There have been \$202.95 million of new capital investments within the Charleston industrial market during 2019. The capital investments produced 1,125 jobs, with the types of investors including brewing and distilleries of craft beers, manufacturing and logistics. Also, according to the Federal Reserve data through August of 2019, there have been 7,300 jobs added in the Charleston metropolitan statistical area, 792 of which were industrial jobs. The manufacturing sector of industrial employment added 600 jobs and while the number of jobs being added is less than it previously was, the employment rate is 97.5%. Overall non-farm employment totals 373,400 and has increased 2.1% from August 2018 through August 2019.

Significant Transactions

There were 15 Charleston industrial sales reported by CoStar during the third quarter of 2019. Leasing activity decreased from the second quarter to the third quarter, according to CoStar; however, there were still 22 industrial leases executed from July 2019 through September 2019. There were four leases over 100,000 square feet signed by undisclosed tenants in the Charleston market. In addition, a \$94.39 million, 10-property portfolio was also purchased including one Charleston industrial property.

Sales

- > The Medical University of South Carolina (MUSC) purchased the 106,500-square-foot industrial building located at 7771 Palmetto Commerce Parkway for \$28 million.
- > The manufacturing facility located at 105 East Port Lane was purchased by STAG Industrial, Inc. for \$7.1 million.

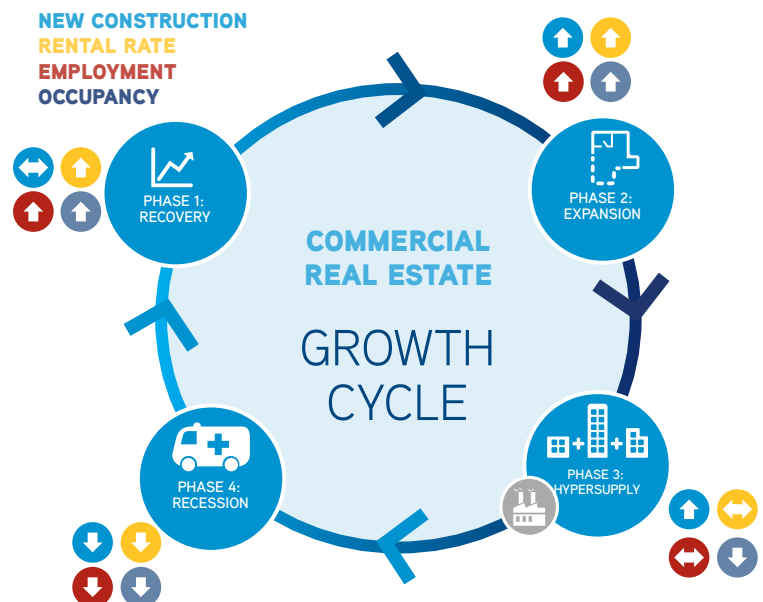
Market Forecast

The warehouse sector of the Charleston industrial market is expected to continue posting positive absorption due to the industrial growth within the region and thanks to continual record-breaking shipments at the Port of Charleston. Until new construction is delivered to the market, there will be very few options remaining for industrial tenants to choose from. Charleston has a positive workforce environment with employment trending upward; therefore, future growth within the industrial market is anticipated. Robotics are changing the nature of warehouse and manufacturing employment throughout the world; therefore, Charleston will also see more robots working within the industrial sector in the future.

2019 Q3 Industrial Construction Pipeline | Charleston (+100,000 SF)

PROPERTY NAME LOCATION	BUILDING SF	COUNTY
COMPLETIONS		
Palmetto Trade Center Phase I 7755 Palmetto Center Parkway	140,760	Charleston
Eastport Commerce Center 104 Pinnacle Way	128,000	Dorchester
UNDER CONSTRUCTION (+100,000 SF)		
IFA Rotorion Building 479 Trade Center	622,677	Berkeley
Camp Hall Building 3 Volvo Car Road & Fish Road	504,010	Berkeley
Ladson Industrial Park Ladson & Stoney Road	420,888	Charleston
4289 Crosspoint Drive	364,000	Charleston
Summerville Distribution Complex Deming Way	250,000	Dorchester
Palmetto Trade Center Phase II 7755 Palmetto Commerce Parkway	229,320	Berkeley
Camp Hall Building 1 Volvo Car Road & Fish Road	220,775	Berkeley
Camp Hall Building 2 Volvo Car Road & Fish Road	220,775	Berkeley
Portside Distribution Center Trade Center Parkway	189,410	Berkeley
Port City Centre Port City Centre & Jedburg Road	117,000	Berkeley
180 Trade Center Parkway	115,500	Berkeley
7771 Palmetto Commerce Parkway	106,500	Charleston

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



Q3 2019 Industrial Market Summary Statistics | Charleston, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE (NNN)
BERKELEY COUNTY								
Manufacturing	6	95,349	-	-	-	0.00%	-	-
Warehouse	7	654,262	-	-	-	0.00%	15,700	-
Berkeley County Total	13	749,611	-	-	-	0.00%	15,700	-
CLEMENTS FERRY								
Flex/R&D	17	405,749	40,457	9,731	50,188	12.37%	8,017	\$11.40
Manufacturing	10	472,980	-	-	-	0.00%	0	-
Warehouse	79	4,814,935	146,000	-	146,000	3.03%	-13,000	\$5.91
Clements Ferry Total	106	5,639,664	186,457	9,731	196,188	3.45%	-4,983	\$7.04
GOOSE CREEK/ MONCKS CORNER								
Flex/R&D	15	1,452,694	-	-	-	0.00%	-	-
Manufacturing	13	2,883,367	240,000	-	240,000	8.32%	-	\$1.50
Warehouse	45	1,905,028	1,600	-	1,600	0.08%	7,010	-
Goose Creek / Moncks Corner Total	73	6,241,089	241,600	-	241,600	3.87%	7,010	\$1.50
HANAHAN/ NORTH RHETT								
Flex/R&D	3	71,379	-	-	-	0.00%	0	-
Manufacturing	6	753,309	-	-	-	0.00%	-	-
Warehouse	37	3,838,184	254,000	-	254,000	6.62%	90,846	\$5.75
Hanahan / North Rhett Total	46	4,662,872	254,000	-	254,000	5.45%	90,846	\$5.75
NORTH CHARLESTON								
Flex/R&D	44	1,238,092	32,477	-	32,477	2.62%	-20,946	\$8.81
Manufacturing	50	2,821,360	228,959	-	228,959	8.12%	0	\$8.79
Warehouse	420	17,217,123	1,443,751	-	1,443,751	8.39%	-310,191	\$7.68
North Charleston Total	514	21,276,575	1,705,187	-	1,705,187	8.01%	-331,137	\$7.87
SUMMERVILLE								
Flex/R&D	8	451,654	-	-	-	0.00%	0	-
Manufacturing	37	2,473,301	117,568	-	117,568	4.75%	0	\$5.75
Warehouse	133	9,787,410	1,154,916	-	1,154,916	11.80%	265,997	\$4.95
Summerville Total	178	12,712,365	1,272,484	-	1,272,484	10.01%	265,997	\$5.00
OTHER SUBMARKETS								
Flex/R&D	22	769,021	107,000	-	107,000	13.91%	-15,500	\$7.02
Manufacturing	15	930,729	-	-	-	0.00%	0	-
Warehouse	119	2,493,644	488,312	-	488,312	19.58%	11,312	\$7.57
Other Submarket Total	156	4,193,394	595,312	-	595,312	14.20%	-4,188	\$7.32
MARKET TOTALS								
Flex/R&D	109	4,388,589	179,934	9,731	189,665	4.32%	-28,429	\$8.28
Manufacturing	138	11,090,395	586,527	-	586,527	5.29%	0	\$5.20
Warehouse	840	40,851,346	3,488,579	-	3,488,579	8.54%	208,434	\$6.24
Market Total	1,087	56,033,330	4,255,040	9,731	4,264,771	7.57%	180,005	\$6.18

Source: CoStar, Colliers International

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 of both 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.**

400 offices in
68 countries on
6 continents

\$3.3

billion in
annual revenue

2

billion square feet
under management

17,000+

professionals
and staff



FOR MORE INFORMATION:

Liz H. McCary
Vice President, Marketing | South Carolina
+1 803 401 4269
Liz.McCary@colliers.com

James R. (Jim) Garrett, Jr., MCR
Market President | Charleston
+1 843 723 1202
James.Garrett@colliers.com

Crystal Baker, CPRC
Research Coordinator | South Carolina
+1 803 401 4230
Crystal.Baker@colliers.com

CHARLESTON INDUSTRIAL PROFESSIONALS:

Mark Erickson, SIOR
Vice President
+1 843 720 7501
Mark.Erickson@colliers.com

Matt Pickard
Brokerage Associate
+1 843 720 7506
Matt.Pickard@colliers.com

Colliers International | Charleston
40 Calhoun Street, Suite 460
Charleston, South Carolina | USA
+1 843 723 1202

About Colliers International

Colliers International (NASDAQ, TSX: CIGI) is a leading global real estate services and investment management company. With operations in 68 countries, our 14,000 enterprising people work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 20 years, our experienced leadership team, owning more than 40% of our equity, have delivered industry-leading investment returns for shareholders. In 2018, corporate revenues were \$2.8 billion (\$3.3 billion including affiliates), with more than \$26 billion of assets under management.

Learn more about how we accelerate success at corporate.colliers.com, [Twitter@Colliers](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers-international).

www2.colliers.com

Copyright © 2018 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.