

FIGURES | CHARLESTON INDUSTRIAL SECTOR | Q3 2024

# South Carolina Open For Business

▲ 10.59%

Vacancy Rate

▲ 493,751 SF

SF Net Absorption

▲ 3.7 M

SF Construction

▲ \$7.63 SF

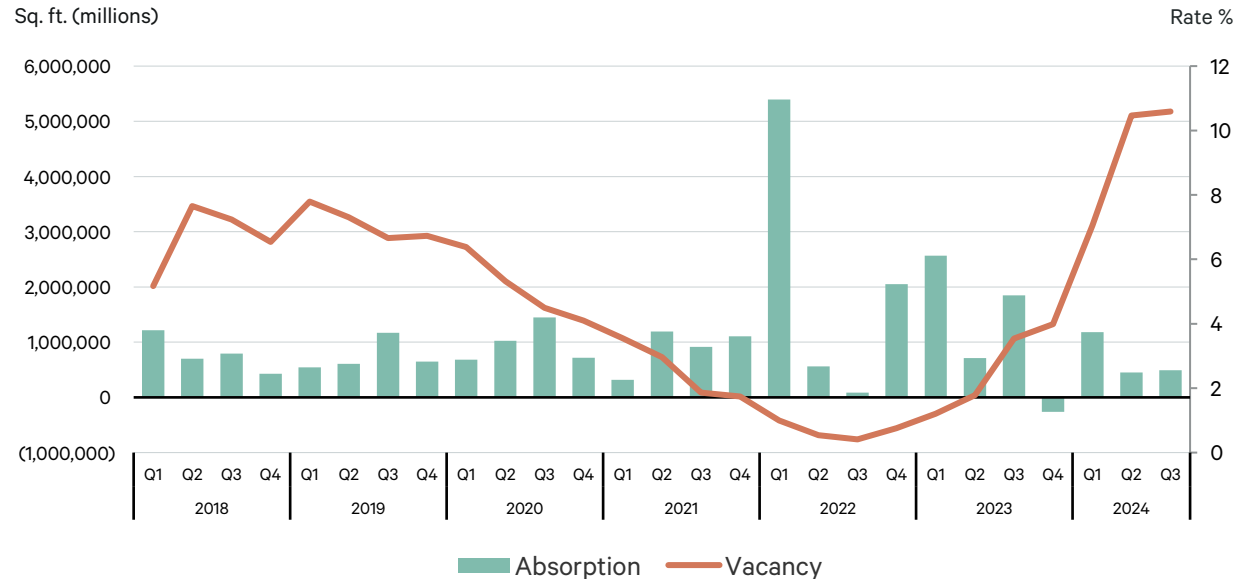
AVG Class A Warehouse Rate

Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- Hugh Leatherman Terminal re-opened for business, the first marine terminal to open within the last decade.
- A tentative agreement has been reached between the ILA and the USMX keeps strike at bay.
- Vacancy increased to 10.59% due to assets over 300K sq. ft.
- The development pipeline currently includes over 3.7M sq. ft., with 25% already preleased, which consists of both speculative (SPEC) and build-to-suit (BTS) projects.
- Construction starts of just over 1M sq. ft. This includes a 260K sq. ft. BTS at Shipyard Creek, while Rushmark Properties starts 2 SPEC builds totaling 773K sq. ft.
- Net absorption aligns with Q2 2024, approaching positive gains of nearly half a million.
- Leasing has remained consistent with previous quarters, totaling 1.4M sq. ft.
- Capital Markets are demonstrating activity with the \$50 million sale of the former Fruit of the Loom distribution site.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q3 2024

## Leasing Activity

In Q3 2024, leasing activity totaled 1,439,538 sq. ft., with 4 renewals, 11 new leases, and 1 sublease. Renewals accounted for 36% of leasing activity, totaling 523,653 Sq. Ft., while new leases made up 30%, totaling 438,165 sq. ft. and subleasing contributed 33%, totaling 477,720 sq. ft.. The largest renewal noted was SAIC's at 7310 Magi Road, with significant activity concentrated in the Hanahan Submarket. In contrast, the previous quarter had more new leases, which comprised 52% of the total, amounting to 590,542 sq. ft., leading to an overall nearly 35% increase in leasing activity. The North Charleston/Ladson Submarket maintained its prominence, with the highest total of leasing activity at 635,955 sq. ft. from 9 leases. This comparison highlights a shift towards more renewals and subleases in Q3, while Q2 focused more on new leasing expansions. Rental rates in Q3 rose to \$7.97 from \$7.42, while Class A improved to \$7.63 from \$7.09, though it still lags behind overall rates.

FIGURE 2: Notable Lease Transactions in Q3 2024

Transaction Type	Tenant	Address	Size (sq. ft.)	Submarket	Type
Renewal	SAIC	7413 Magi Rd	315,650	Hanahan	Renewal
New Lease	East Coast Warehouse & Distribution	2040 Sewanee Rd	259,200	North Charleston - Ladson	BTS
Renewal	PanaSystems US	4280 Pace St	155,603	North Charleston - Ladson	Renewal
Renewal	Harbor Logistics	925 Commerce Cir	50,400	Hanahan	Renewal

Source: CBRE Research, Q3 2024

## Development Activity

New Construction starts has reached just over one million square feet, encompassing a 260,000-square-foot build-to-suit (BTS) project, while Rushmark Properties initiates two speculative (SPEC) builds of 505,000 square feet and 268,000 square feet. Currently, there are 18 projects in the development pipeline, totaling 3.7 million square feet, with deliveries expected through 2025. Within the Charleston industrial pipeline, approximately 925,000 square feet is preleased, including 755,000 square feet of BTS product and 169,000 square feet leased within SPEC construction. Notably, 15 of these properties are below 300,000 square feet, collectively accounting for 54%—or 2 million square feet—of the total under construction. The remaining 1.7 million square feet is distributed among three larger buildings, ranging from 505,000 to 635,000 square feet. This surge in construction is primarily concentrated in the I-26 Corridor, with the majority of developments initiated in 2022 and 2023.

## Capital Markets - Investment Sales

Charleston's capital markets hold steady through the third quarter, with a notable \$74.6 million transaction volume (Q2: \$61.2 million). The standout transaction was the \$50 million sale of the former Fruit of the Loom distribution center in Summerville, SC. The new owner intends to demise the former 750,000 sq. ft. distribution center into a multi-tenant facility with multiple loading configurations to allow for flexibility. Fundamental demand drivers still hold true for the Charleston MSA, population growth, supply chain diversification, and strong employment trends. Despite turbulent capital markets throughout the year, investor interest remains robust, supported by the port and the region's strengths in advanced manufacturing, particularly in electric vehicles (EVs) and alternative energy. While institutional transactions for forward sales are limited, there is ongoing activity in industrial outdoor storage (IOS), land, and Class B properties.

FIGURE 3: Q3 2024 Notable Capital Markets Transactions

Building/Address	Size (sq. ft.)	Submarket	Sale Price	Activity
1116 Business Park Dr	753,222	I-26 North	\$50,000,000	User Sale
3801 Meeting Street Rd	28,997	North Charleston – Ladson	\$2,200,000	Investor Sale
7269 Cross Park Drive	22,800	North Charleston – Ladson	\$3,175,000	Investor Sale

## Deliveries

For the first time in several quarters, there was a lapse in Class A deliveries. Alternatively, the Charleston market delivered one of the first spec Industrial Outdoor Storage products. The local developer has delivered a spec 21,750 sq. ft. with approximately 2 additional acres of yard with great visibility along I-26 in the Ladson area. Looking ahead, we anticipate an impressive 1,171,076 sq. ft. of deliveries in Q4, contingent on scheduled construction completion timelines.

### Industrial Storage Facility with Yard – Speculative Delivery

FIGURE 4: Q3 2024 Notable SPEC Construction Completions

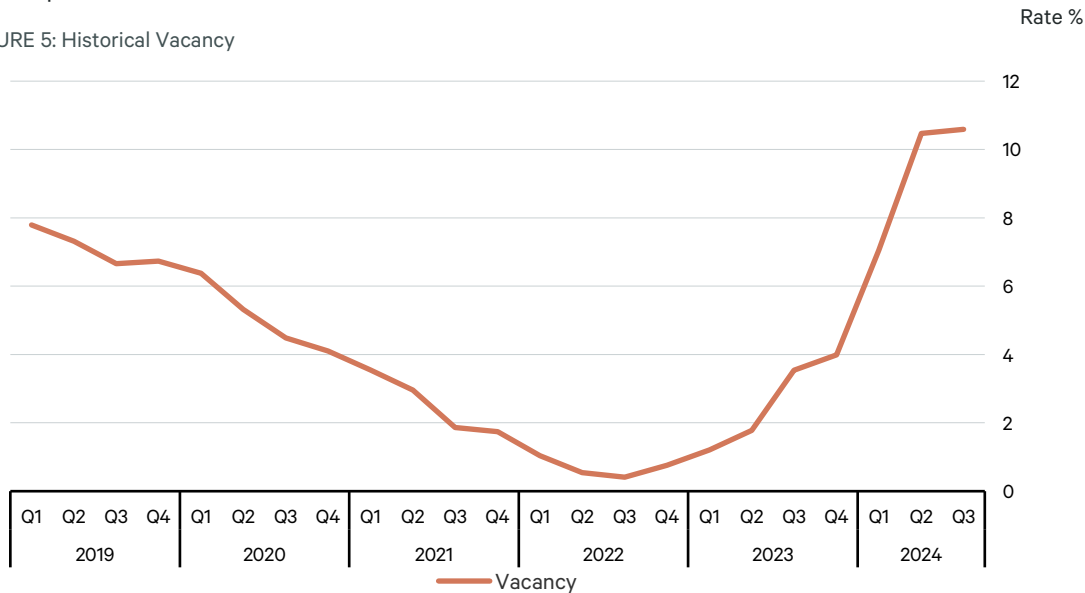
Building/Address	Size (sq. ft.)	Submarket	Activity
186 Acres Dr	21,750	North Charleston/ Ladson	Delivery – Vacant

Source: CBRE Research, Q3 2023

## Vacancy

Since the beginning of 2024, Charleston has seen a significant uptick in industrial vacancy, adding nearly 3.5 million square feet of speculative space. This has driven the vacancy rate to 10.47% at the end of Q3. Notably, bulk assets greater than 300,000 square feet carry most of the vacancy (15.51%), while smaller assets less than 300,000 square feet maintain a much more favorable vacancy rate of 5.99%. While vacancy in Class A assets continues to grow, Class B and C assets represent 3.29% of the overall market vacancy. The record number of new construction deliveries, coupled with increased supply from larger buildings and weaker tenant demand, has complicated the leasing landscape. Additionally, the evolving demand dynamics have prompted developers to pivot towards smaller demising sizes; for instance, a 250,000 square foot multi-tenant rear load space may now prioritize leasing approximately 50,000 square feet, instead of holding out for larger contiguous spaces. This trend underscores the necessity for adaptability in market strategies amidst a shifting industrial landscape.

FIGURE 5: Historical Vacancy



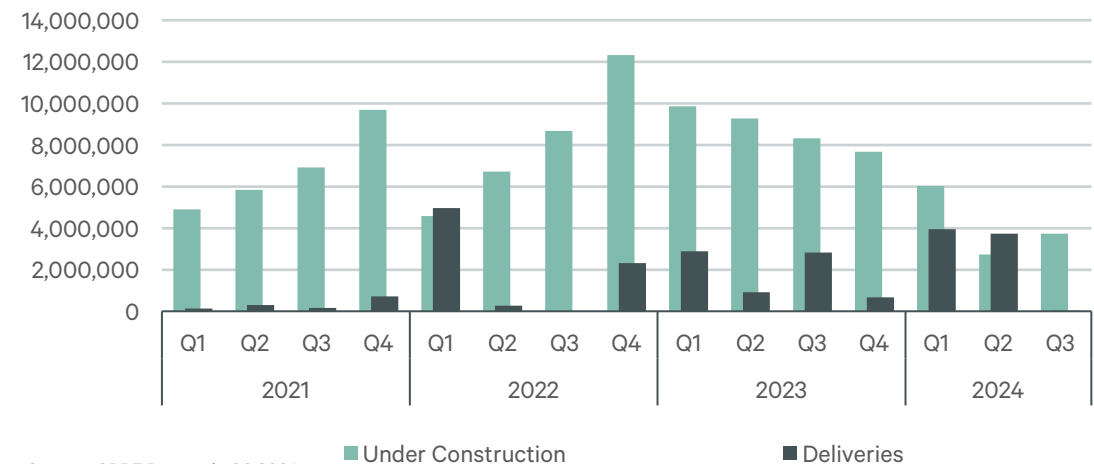
Source: CBRE Research, Q3 2024

## Market Outlook

**—Port of Charleston:** During Q3, the South Carolina Ports Authority celebrated the reopening of the Hugh K. Leatherman terminal, marking a significant milestone in expanding port capacity. The terminal now benefits from a new weekly service by ZIM, introducing the first in-Asia service to the region. This development is poised to enhance the terminal's capacity by an additional 700,000 TEUs (Twenty-foot Equivalent Units), contributing to a total capacity of 2.4 million TEUs annually once fully constructed. Spanning 286 acres, the terminal is set to play a pivotal role in facilitating trade. Additionally, the South Carolina Ports Authority has initiated plans for phase 2 of the project, with completion projected as early as 2028, further solidifying its position as a critical hub in port logistics.

**—Absorption:** In the third quarter, positive absorption reached 493,751 Sq. Ft., bringing the year-to-date total to 2,121,369 Sq. Ft.. Nearly one-third of signed leases were renewals, which are not counted in the positive absorption numbers. Among the tracked submarkets, the I-26 area led with 507,267 Sq. Ft. of positive absorption. Class A buildings experienced a total of 653,442 Sq. Ft. in positive absorption.

FIGURE 6: Construction and Deliveries by Quarter



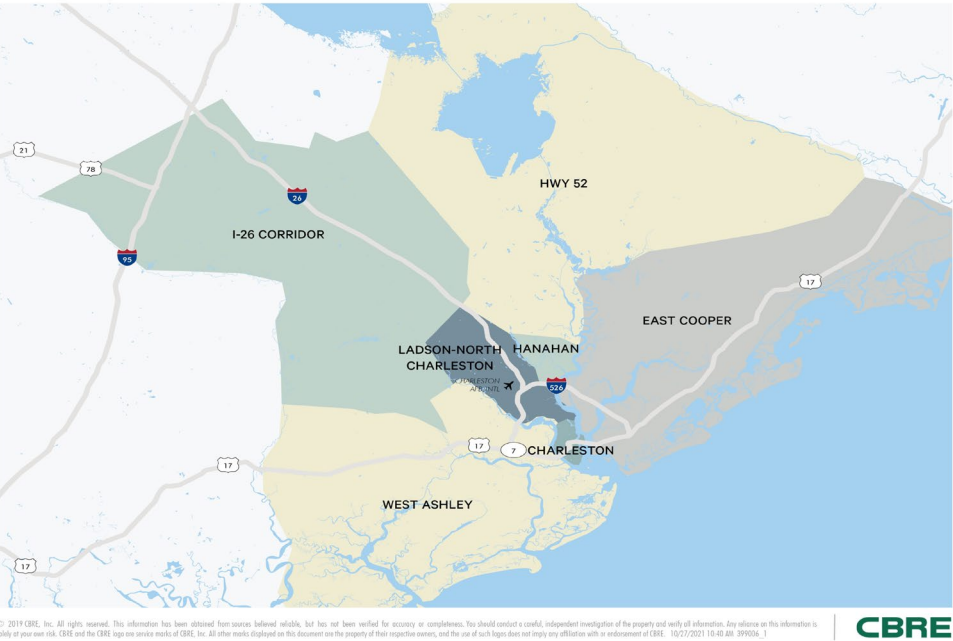
Source: CBRE Research, Q3 2024

FIGURE 7: Market Statistics

Submarket	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2024 Net Absorption (SF)
Charleston	948,665	0.00	0	0	0
East Cooper	8,751,717	1.60	483,696	-93,362	-8,057
Hanahan	6,809,169	0.00	0	25,000	0
Hwy 52 North	6,265,105	0.29	0	79,480	0
I-26 North	34,529,877	20.92	1,764,059	1,457,791	507,267
North Charleston/Ladson	31,651,361	6.76	1,484,174	333,137	-5,459
West Ashley	1,047,382	1.25	0	0	0
MARKET TOTAL	90,003,276	10.59%	3,731,929	1,862,046	493,751
Asset Type	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2024 Net Absorption (SF)
Manufacturing	24,545,157	1.62	150,000	73,177	0
R&D/Flex	2,115,030	1.46	0	47,523	5,768
Warehouse/Distribution	63,176,489	14.37	3,320,150	1,653,826	487,983
MARKET TOTAL	90,003,276	10.59%	3,731,929	1,862,046	493,751

Source: CBRE Research, Q3 2024

Market Area Overview



Survey Criteria

The CBRE, Inc. Industrial MarketView report provides statistics based on a revised set of inventory consisting of industrial properties in the following submarkets: Charleston, East Cooper, Hanahan, Hwy 52 North, I-26 North, North Charleston/Ladson and West Ashley. All properties are industrial properties greater than 10,000 sq. ft. Absorption is counted when the lease is signed and is not based on physical occupancy; when a building delivers, preleases are counted as absorption in the quarter of delivery. Historical data is reflective of the current set of inventory rather than previously published report figures and is subject to revision as additional information becomes available.

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