

FIGURES | CHARLESTON INDUSTRIAL SECTOR | Q4 2023

Positive Year End Absorption Charleston Positioned For Future Growth

▲ 3.52%

Vacancy Rate

▲ 399,799

SF Net Absorption

▼ 7.1 M

SF Construction

▲ \$8.43sf

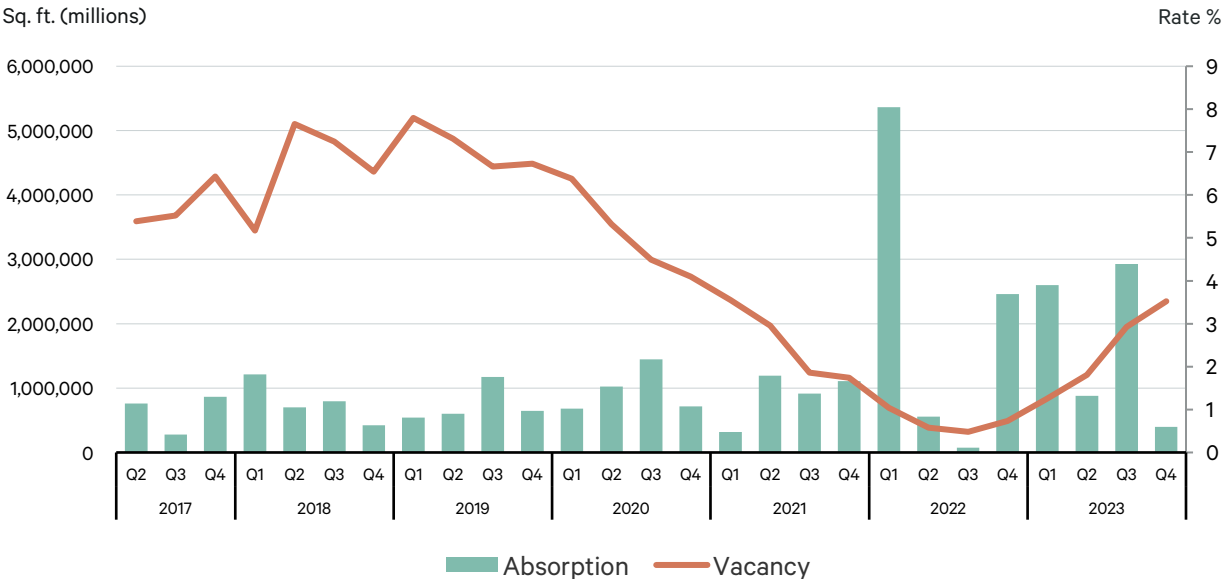
AVG Class A Warehouse Rate

Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- \$9.22 Billion in capital investment announced for economic activity across South Carolina in 2023
- Investors continue to show interest in the Charleston market due to strong market drivers, increasing population, and diverse industries continuing to locate here.
- Port Capacity: The South Carolina State Ports Authority continues to invest in critical infrastructure: Navy Base Intermodal Yard under construction
- +400K sq. ft. absorbed in Q4, bringing the YTD total to approx. 6.9-mil. sq. ft.
- Charleston’s overall vacancy rate rose to 3.52% from 2.93% the prior quarter.
- The U.S. Industrial national overall vacancy for Q4 is anticipated to rise through the EOY.
- Charleston vacancies hold 1.7% below the national vacancy of 5.2%
- High profile IOS land acquisitions continue given high barriers to entry for the port market
- Under Construction pipeline expected to increase vacancy in first half of 2024

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q4 2023

Leasing Activity

With economic tailwinds, leasing activity remained positive at 593K SF, down from 1.6-million SF in Q3. The third quarter leasing activity was driven by 3PL expansions in the market with close proximity to the port, flight to quality for the consumer goods industry, companies supporting the data center growth as well as existing OEMs growing their off-campus third-party leased space. Tenants are evaluating renewals to remain in place over near-term expansion while continuing to plan future growth in 2024/2025.

NOTE: Absorption does not reflect preleasing demand or activity. Per CBRE Research, transactions are not reflected or counted towards absorption until they are delivered. All prelease activity will be counted towards absorption in the quarter in which the building delivers.

FIGURE 2: Notable Lease Transactions in Q4 2023

| Transaction Type | Tenant | Address | Size (sq. ft.) | Submarket | Type |
|------------------|--------------------|-----------------------|----------------|--------------|-------------------|
| New | COSCO Shipping | 2453 King Street Ext. | 121,400 | N Charleston | Expansion |
| New | Softex | 412 Port City Centre | 150,000 | I-26 North | Flight-to-Quality |
| New | Cleveland Electric | 1400 Garrot Ave. | 81,120 | I-26 North | Expansion |
| New | KION | 410 Tradeport Blvd | 175,000 | I-26 North | Expansion |

Source: CBRE Research, Q4 2023

Development Activity

Charleston continues to see new construction starts in Q4 2023 leading into 2024. Contrary to the limited number of new construction starts across the country, year over year new starts are down 90% amount in Charleston, and year over year starts are down 46% nationally. The development pipeline remains robust with the ability to deliver 7+ million square feet in 2024. We anticipate having additional spec announcements throughout 2024 into 2025 as demand, interest rates, and pricing stabilizes.

Capital Markets - Investment Sales/Expansions

E-commerce, population growth, supply chain diversification, and strong employment will continue to be the dominant demand drivers for the sector. Investor interest remains consistent given the strength of the Charleston market fueled by the port, advance & light manufacturing (automotive, aerospace, defense, Electric Vehicles (EV) and EV Batteries, and Alternative Energy and Fuels) industries. Electric vehicle manufacturing is becoming a key industry throughout the Southeast and Charleston is positioned to reap the benefits of reshoring with companies setting up shop in the region.

FIGURE 3: Q4 2023 Notable Capital Markets Transactions

| Building/Address | Size (sq. ft.) | Submarket | Activity |
|--------------------------|----------------|------------|---------------|
| 558 Omni Industrial Blvd | 360,320 | I-26 North | Build-to-Suit |
| 562 Omni Industrial Blvd | 364,700 | I-26 North | Vacant |
| 566 Omni Industrial Blvd | 606,880 | I-26 North | Leased |

Deliveries

Construction completions remained robust throughout 2023. The Charleston market has undergone tremendous industrial growth overall with a balance of product across all asset classes and size facilities. The industrial market added a total of 7.9-million square feet of new inventory during 2023.

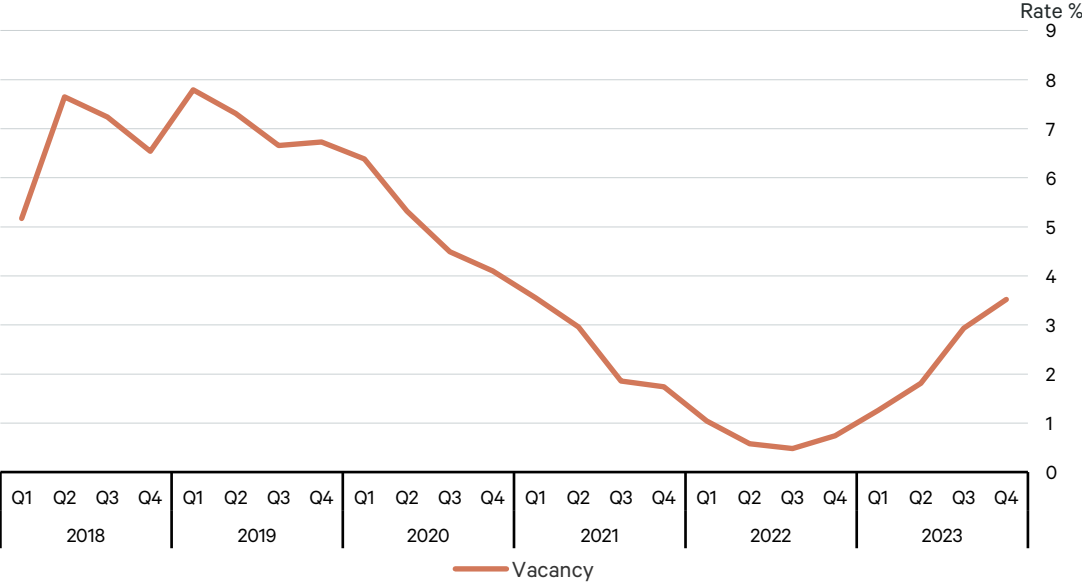
FIGURE 3: Q4 2023 Notable SPEC Construction Completions

| Building/Address | Size (sq. ft.) | Submarket | Activity |
|---------------------------------|----------------|------------|----------|
| 157 Belgium Way | 322,400 | I-26 North | Vacant |
| 334 Port City Centre Building 3 | 168,480 | I-26 North | Vacant |
| 334 Port City Center Building 2 | 165,750 | I-26 North | Vacant |

Vacancy

Newly-delivered space throughout the year has increased the overall vacancy rate to 3.52%. Charleston vacancies remain 1.7% less than the 5.2% national average. The vacancy rate has fluctuated for the past four quarters due to new deliveries and will continue to increase into 2024 as the spec supply delivers. Large bulk assets, +300,00 sq. ft. and particularly 500,000 sq. ft. and above have seen the greatest increase in availability. While Q4 2023 deliveries decreased quarter over quarter, a wave of supply will hit the market in the first half of 2024 causing vacancy rates to increase. While bulk assets are carrying the majority of that increase small assets are also impacted by demand and will see an increase in vacancy. Overall market fundamentals that attract both occupier and developers will keep Charleston a low-risk long term.

FIGURE 4: Historical Vacancy



Source: CBRE Research, Q4 2023

Market Outlook

—Port of Charleston: The Port ended the year with an 11.1% decrease in its container volume year over year from 2022 to 2023. The total TEU volume in 2023 was 2.4 million compared to 2022’s 2.8 million passing through the port. Although there was a contraction, this is following the national trend of a 12.8% decrease year over year. The Fiscal Year Infrastructure investments are ongoing at the port, including the near-dock rail yard underway at the Navy Base Intermodal Facility which will allow the port to enhance capacity. A notable project in the Fiscal year is the completion of the Charleston Harbor deepening to 52 feet to become the deepest harbor on the East Coast. The Port of Charleston’s continuous improvement plan has proven beneficial contributing to several large economic development announcements throughout South Carolina in 2023.

—Absorption: 2023 finished the year on a positive note with 6.9-million of positive absorption. Charleston finished the year at steady pace through economic tailwinds and we anticipate a slight decline in absorption with the wave of bulk supply delivering in the first half of 2024.

FIGURE 5: Construction and Deliveries by Quarter



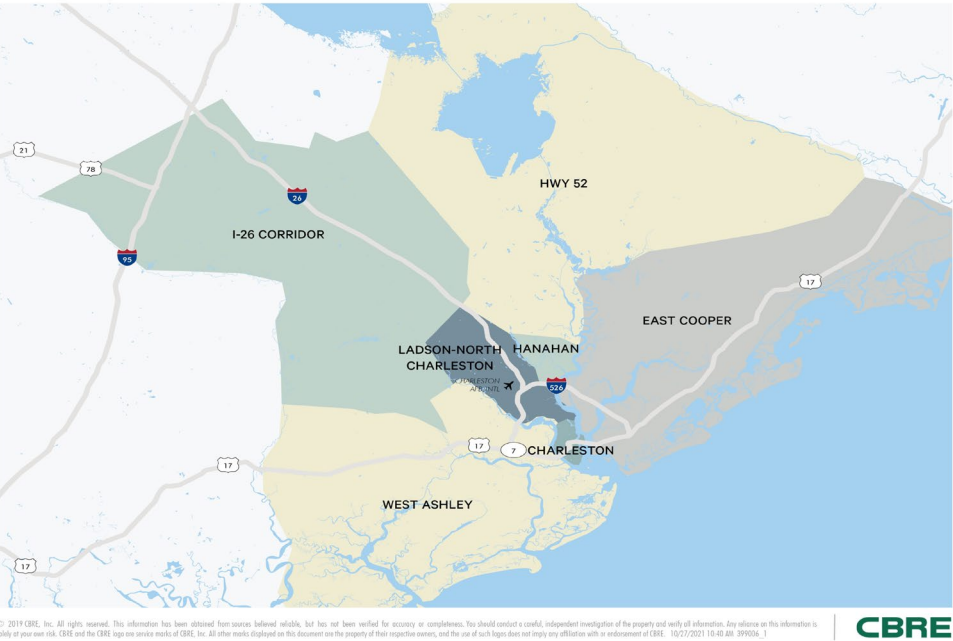
Source: CBRE Research, Q4 2023

FIGURE 6: Market Statistics

| Submarket | Building SF | Vacancy (%) | Under Construction | Last 4 Qtrs. Net Absorption | Q4 2023 Net Absorption (SF) |
|-------------------------|-------------|-------------|--------------------|-----------------------------|-----------------------------|
| Charleston | 1,044,665 | 0.00 | 0 | 0 | 0 |
| East Cooper | 8,773,595 | 0.50 | 0 | 9,620 | 4,440 |
| Hanahan | 7,010,922 | 0.34 | 0 | 180,096 | 0 |
| Hwy 52 North | 6,246,266 | 0.11 | 0 | 145,055 | 90,975 |
| I-26 North | 28,831,498 | 9.80 | 5,854,907 | 5,112,518 | 315,850 |
| North Charleston/Ladson | 30,182,594 | 2.50 | 1,343,590 | 1,424,324 | -11,426 |
| West Ashley | 1,047,382 | 1.25 | 0 | 25,722 | 0 |
| MARKET TOTAL | 83,136,922 | 3.52 | 7,198,497 | 6,897,335 | 399,799 |
| | | | | | |
| Asset Type | Building SF | Vacancy (%) | Under Construction | Last 4 Qtrs. Net Absorption | Q4 2023 Net Absorption (SF) |
| Manufacturing | 24,663,949 | 0.0 | 0 | 128,553 | 0 |
| R&D/Flex | 2,400,476 | 4.16 | 0 | 22,378 | -8,150 |
| Warehouse/Distribution | 56,072,497 | 4.26 | 6,913,497 | 6,746,404 | 407,949 |
| MARKET TOTAL | 83,136,922 | 3.52 | 7,198,497 | 6,897,335 | 399,799 |

Source: CBRE Research, Q4 2023

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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