

FIGURES | CHARLESTON INDUSTRIAL SECTOR | Q1 2023

Charleston industrial posts strong Q1 results

▲ 1.26%

Vacancy Rate

▲ 2.86M

SF Net Absorption

▼ 10.6M

SF Construction

▲ \$8.07/sq. ft.

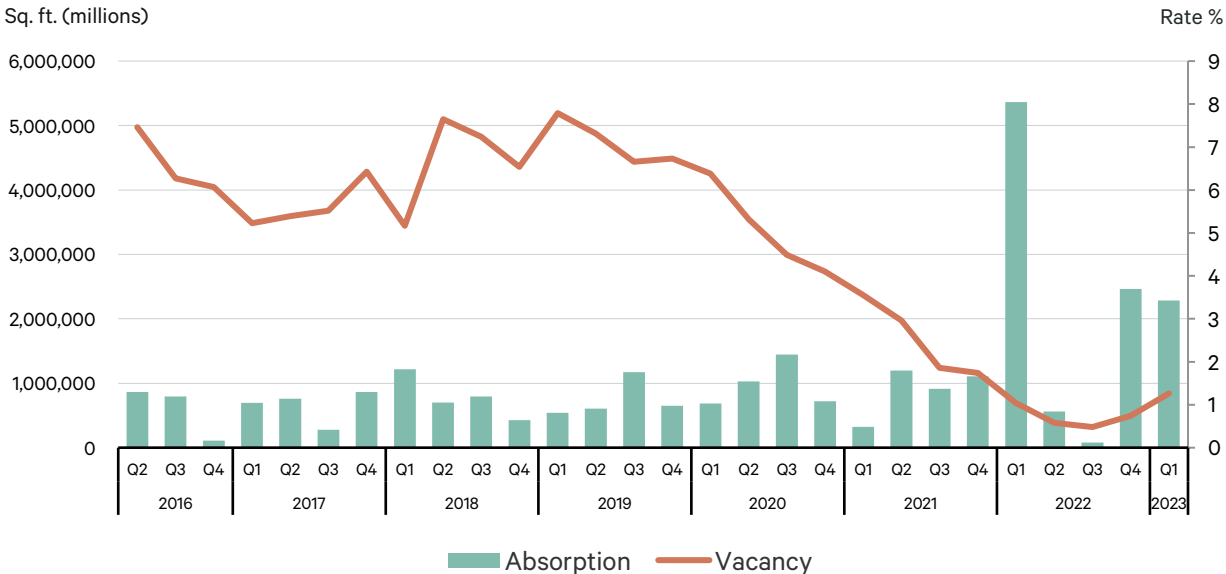
AVG Class A Warehouse Rate

Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- With 2.86-million sq. ft. absorbed in Q1, Charleston’s industrial market continues to post strong positive absorption quarter-over-quarter.
- Charleston’s overall vacancy rate of 1.26% follows the national trend of buildings delivering rapidly to meet demand.
- Despite national hesitancy surrounding capital markets and lending constraints, Charleston industrial sale transactions increased this quarter. Investors continue to show interest in this market due to strong market drivers, increasing population, and diverse industries continuing to locate here.
- The South Carolina State Ports Authority continues to grow its costumer base, bolstering its position as a leading East Coast Port.
- Manufacturing expansion continues throughout the Carolinas. (Redwood Materials, EV automotive & battery plants, life sciences, Scout Motors.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q1 2023

Leasing Activity

Industrial leasing sped-up significantly compared to the fourth quarter of 2022 with an increase in both transaction number and volume. During the first quarter there were 22 transactions totaling just over 2.2-million square feet. Leasing activity remains strong across all size ranges. Pre-leasing has again been one of the dominant transaction types furthering tightening the market, despite the anticipated deliveries of warehousing and distribution space.

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 Q1 2023

Transaction Type	Tenant	Address	Size (sq. ft.)	Submarket
Pre-Lease	Volvo	2272 Volvo Car Road	1,120,000	I-26 North
Sale-Leaseback	Gildan	1980 Clements Ferry	603,214	East Cooper
Lease	GXO	8060 Commerce Center Rd	305,760	Ladson/North Charleston
Lease	FSN	168 Portside Park Drive	127,000	I-26 North

Source: CBRE Research, Q1 2023

Capital Markets

During the first quarter of 2023, sale volume was 1.26-million sq. ft. within 8 properties, a vast increase over last quarter’s temporary lull in transactions. The largest sale transaction occurred at 1980 Clements Ferry Road; Edgewater Ventures purchased a 603,000 sq. ft. distribution center. The current economic climate has raised nationwide concerns; however, investor interest is still peaked by the strength of the Charleston market fueled by the automotive and aerospace industries, as well as ongoing record-breaking port activity. Electric vehicle manufacturing is becoming a key industry throughout South Carolina, Charleston can expect to reap the benefits of investors interested in setting up shop in the region.

Deliveries

Charleston is starting the year of strong with delivering a total of 1.9-million square feet of space in the first quarter of 2023. This is a slow-down from the previous quarter having 8 projects completed. For 2022, just over 7.9-million square feet of space delivered to the market, smashing previous records. Notably, over 90% of this space was preleased in 2022, and just under half of the total inventory added was speculative. The first quarter of 2023 is continuing this trend of robust preleasing activity, as industrial expansion continues at an astounding pace. Most of this expansion has taken place in the past five years.

Development Activity

Even with the record amount of space delivered last year, development activity remains strong in Charleston. There are currently 10.6-million sq. ft. of speculative industrial buildings under construction. The buildings under construction are anticipated to deliver by the end of this year, but oversupply is not a concern as pre-leasing continues to be high each quarter. Even with the expected slowdown in the national economy, developers willing to take on the risk of new construction will benefit from industrial demand in Charleston. The vacancies in the newly delivered properties are expected to be absorbed in the next few quarters.

FIGURE 3: Q1 2023 Notable SPEC Construction Completions

Building/Address	Size (sq. ft.)	Submarket
Berk CHS Tradeport Blvd	574,790	I-26 North
2260 Volvo Car Drive	504,010	I-26 North
1130 Newtown Way	262,600	I-26 North
8060 Commerce Center Rd	305,760	I-26 North

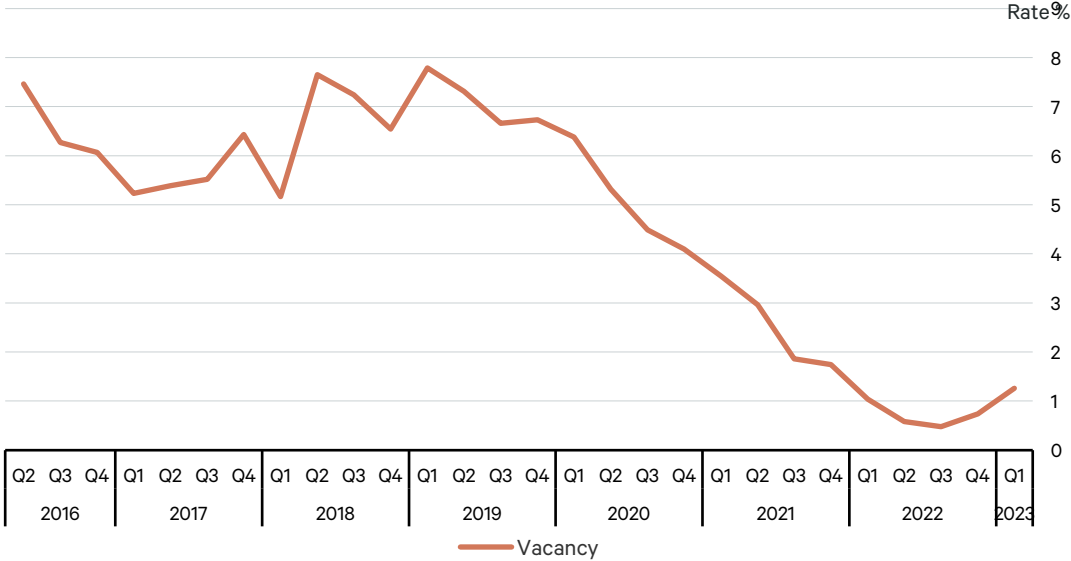
Source: CBRE Research, Q1 2023

Vacancy

Newly-delivered space increased the overall vacancy rate to 1.26% during the first quarter of 2023 which follows the national industrial trend. The vacancy rate has fluctuated for the past four quarters due to new deliveries, but this is an indication of the strength of the market. As new deliveries hit the market, demand quickly catches up to supply signifying there is not an oversupply of inventory and demand remains strong.

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 4: Historical Vacancy



Source: CBRE Research, Q1 2023

Market Outlook

—Port of Charleston: The port showed a 15% decrease in the first quarter year over year. A record amount of container volume took place at the Port of Charleston in 2022 as nearly 2.8 million TEUs were handled at the port. 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. South Carolina Ports’ Authority anticipates yet another robust year of activity in 2023 which bodes well for the overall outlook for the industrial market here.

—Absorption: Q1 absorption was heavily weighted on preleases delivering to the market. This activity accounted for over 60% of the space absorbed during this period. Together with the record Q4 absorption in the previous year, Charleston is starting this year off with a steady transaction pace that should continue throughout the year. Preleasing will account for an increase in absorption posted each quarter as most of the current speculative buildings under construction are expected to be leased upon delivery. Given the amount of construction taking place along the I-26 North corridor, this submarket will increase inventory and post the most absorption going forward.

FIGURE 5: Construction and Deliveries by Quarter



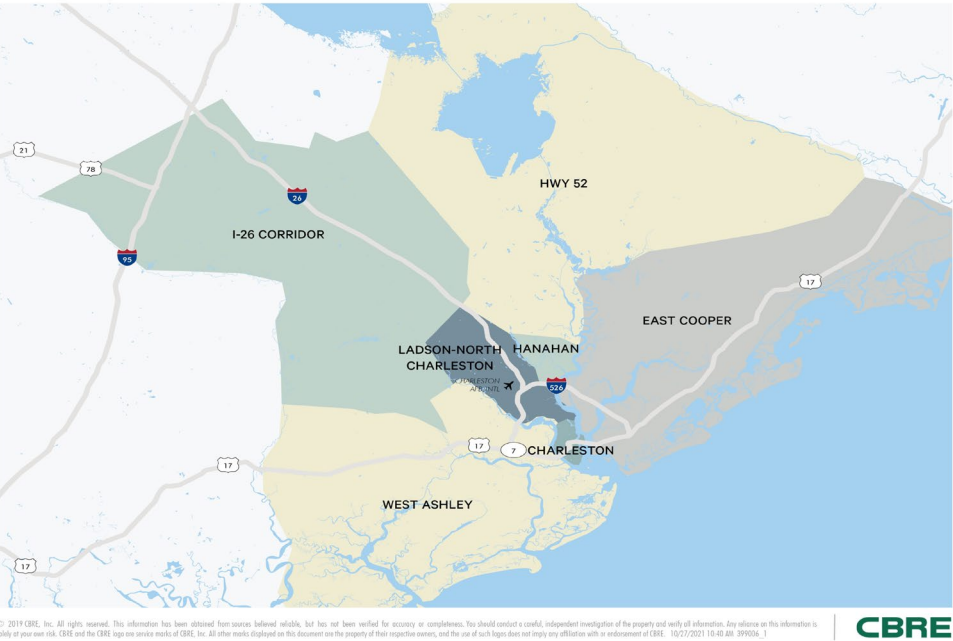
Source: CBRE Research, Q1 2023

FIGURE 6: Market Statistics

Submarket	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q1 2023 Net Absorption (SF)
Charleston	1,044,665	0.00	50,000	0	0
East Cooper	8,998,631	0.47	0	101,126	-16,344
Hanahan	6,883,723	0.24	0	295,398	60,634
Hwy 52 North	6,094,566	0.00	135,200	32,000	0
I-26 North	24,931,448	3.02	9,798,811	2,242,525	1,785,697
North Charleston/Ladson	29,059,921	0.4	620,885	2,197,805	456,071
West Ashley	1,025,532	1.28	0	6,671	0
MARKET TOTAL	78,038,486	1.26	10,604,898	5,085,525	2,286,058
Asset Type	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q1 2023 Net Absorption (SF)
Manufacturing	24,692,920	0.3	0	564,320	0
R&D/Flex	2,385,476	3.6	0	0	0
Warehouse/Distribution	50,360,090	1.1	10,604,898	4,476,416	2,286,058
MARKET TOTAL	78,038,486	1.26	10,604,898	5,085,525	2,286,058

Source: CBRE Research, Q1 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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