

FIGURES | CHARLESTON INDUSTRIAL SECTOR | Q1 2024

Charleston Leads the Nation in Job Growth and Population

▲ 7.69%

Vacancy Rate

▲ 677,319

SF Net Absorption

▼ 5.7 M

SF Construction

▼ \$8.36sf

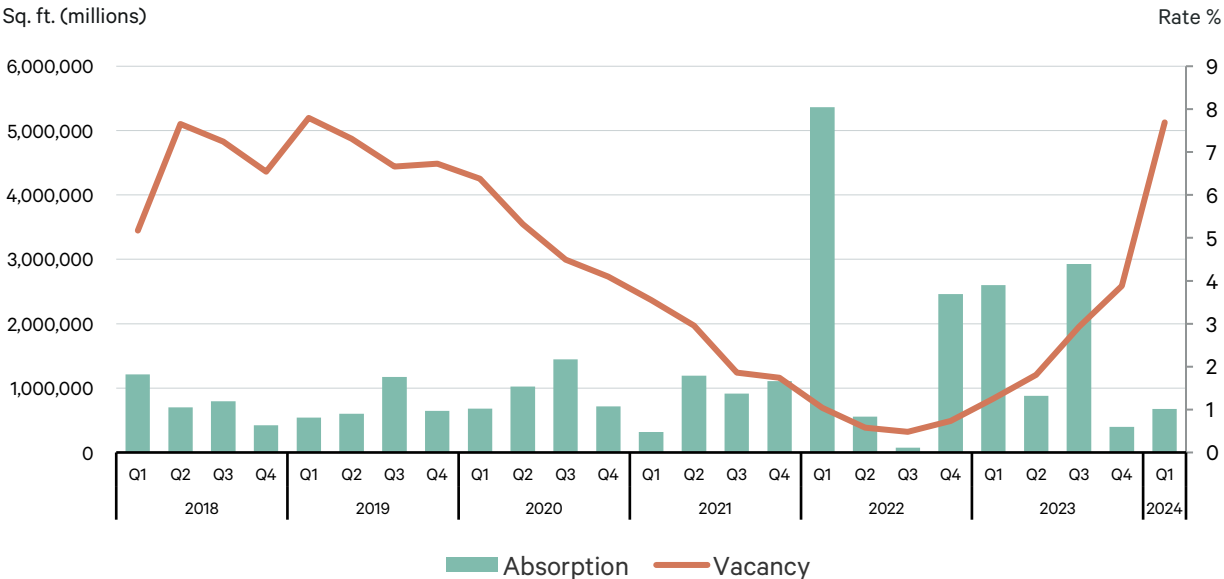
AVG Class A Warehouse Rate

Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- Charleston leads the country in job growth with a 4.1% increase.
- The population of Charleston is growing by 44 new individuals per day over the past year.
- Investors continue to show interest in the Charleston market due to strong market drivers, increasing population, and diverse industries continuing to locate here.
- Port Activity: Announcement of port expansion through purchase of the 280-acre former WestRock Ingevity papermill with planning for future growth.
- Record number of deliveries expected to push the vacancy higher during first half of 2024.
- Availabilities have increased due to the number of deliveries, lower than normal leasing activity and rise in sublease space.
- Charleston’s overall vacancy rate rose to 7.69% from 3.88% the prior quarter.
- The U.S. Industrial national overall vacancy for Q1 is anticipated to rise through the first half of 2024.
- High profile IOS land interest continues given high barriers to entry for the port market.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q1 2024

Leasing Activity

Leasing activity remained positive at 677K SF, up from 400K SF in Q4. Just over 40% of leases signed in Q1 were renewals, a 25% increase from the previous quarter. This follow a national trend of an overall increase in renewals taking place. The class-A rental rate showed its first decreased year over by year by 2.3% from \$8.56 to \$8.36. This is a result space coming available from large number of deliveries and the slowdown in leasing activity. Tenants are evaluating renewals to remain in place over near-term expansion while continuing to plan future growth in 2024/2025.

FIGURE 2: Notable Lease Transactions in Q1 2024

Transaction Type	Tenant	Address	Size (sq. ft.)	Submarket	Type
New Lease	Arcadia Cold Storage	Ridgeville Industrial Campus	262,000	I-26 North	New Lease
Renewal	Quantix	4500 Goer	200,003	N Charleston	Expansion
New Lease	Amazon	237 Jedburg Rd	158,340	I-26 North	New Lease
New Lease	Tri-Star Freight	7054 Weber Blvd	62,400	Ladson/North Charleston	New Lease

Source: CBRE Research, Q1 2024

Development Activity

Charleston continues to see new construction starts in Q1 2024. The development pipeline remains robust with the ability to deliver another 5.7 million square feet in 2024. Q1 also saw just over 2M SF in constructions starts, the most reported since Q4 2021. We anticipate having additional spec announcements throughout 2024 into 2025 as demand, interest rates, and pricing stabilizes. Although development activity is robust, land has become scarce in the Charleston area and pushing investment activity up the I-26 corridor north of Ladson and into Summerville through Ridgeville, SC.

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: Q1 2024 Notable Capital Markets Transactions

Building/Address	Size (sq. ft.)	Submarket	Sale Price	Activity
2266 Volvo Car Dr. Building A	219,055	I-26 North	\$30,000,000	User Purchase
311 Port City Centre Dr.	50,400	I-26 North	\$4,895,000	Investment
7131 Bryhawke Cir	15,063	North Charleston	\$2,400,000	Sale Leaseback

Deliveries

Construction completions had a strong first quarter of 2024 with adding a total of 4.1-million square. 13 Buildings we constructed with 3 being larger than 500K SF+. Outside of the larger completions, the 10 other completions were sub-350K SF. Charleston market has undergone tremendous industrial growth overall with a balance of product across all asset classes and size facilities.

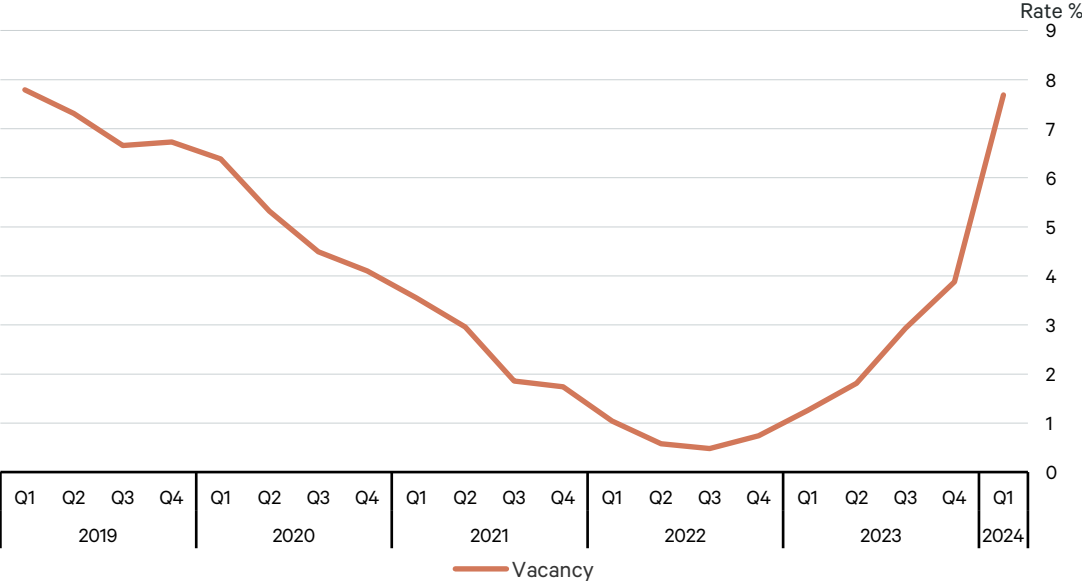
FIGURE 4: Q1 2024 Notable SPEC Construction Completions

Building/Address	Size (sq. ft.)	Submarket	Activity
1125 Camp Hall Blvd.	971,302	I-26 North	Vacant
420 Strathmore Rd.	846,711	I-26 North	Vacant
241 Jedburg Rd.	621,920	I-26 North	Vacant

Vacancy

Newly-delivered space during the first quarter has increased the overall vacancy rate to 7.69%. The vacancy rate has trended upward for the past four quarters and will continue to increase during the first half of 2024. Large bulk assets, particularly 500,000 sq. ft. and above have seen the greatest increase in availability. Lower activity/tenant demand has driven developers to consider smaller demising sizes. Ex: 250,000 SF multi-tenant rear load will now consider ±50,000 SF for the initial lease where previously they would likely hold out for half the building on the first transaction. While bulk assets are carrying most of the increase in vacancy, 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 5: Historical Vacancy



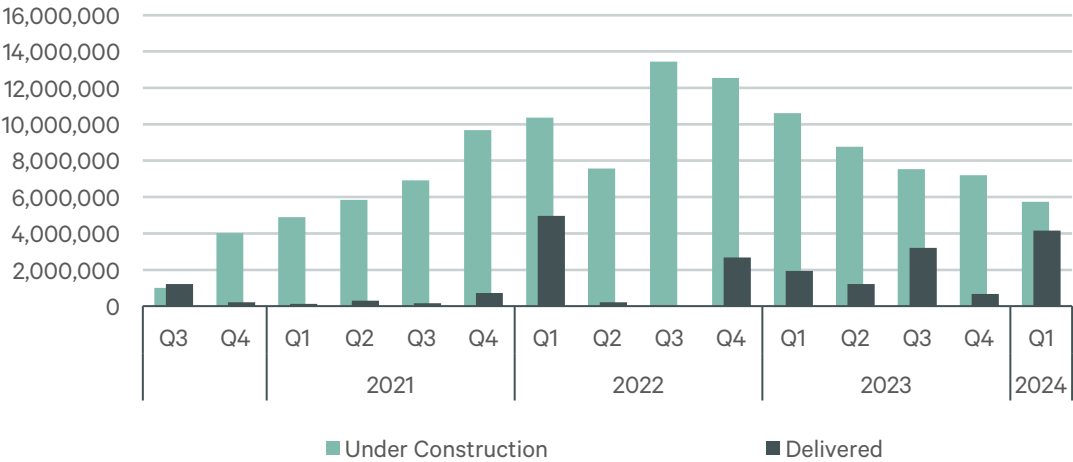
Source: CBRE Research, Q1 2024

Market Outlook

—Port of Charleston: The Port ended the year with a 12% increase in its container volume year over year with a handling of 627,197 TEUs during the first quarter. 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 14.3% decrease year over year. The States Port Authority (SPA) recently announced the future acquisition of a 280-acre former West Rock plant, expanding the capacity of the North Charleston Terminal to 5 Million containers annually. In addition to this, the SCDOT announced funding for the replacement of the Don Holt bridge connecting Daniel Island and North Charleston from 155 feet to 186 feet. This increase will allow the North Charleston Terminal to handle larger container ships. Lastly, the SPA has settled a labor dispute with the Longshoreman’s Association and activity at the Leatherman now has a path moving forward.

—Absorption: Q1 started the year on a positive note with 677K SF of positive absorption. This is carried by new leases being signed and the delivering of leased spaces. While the absorption rate has slowed down, it is anticipated that going forward, net absorption should remain positive with new leases being signed as the market stabilizes.

FIGURE 6: Construction and Deliveries by Quarter



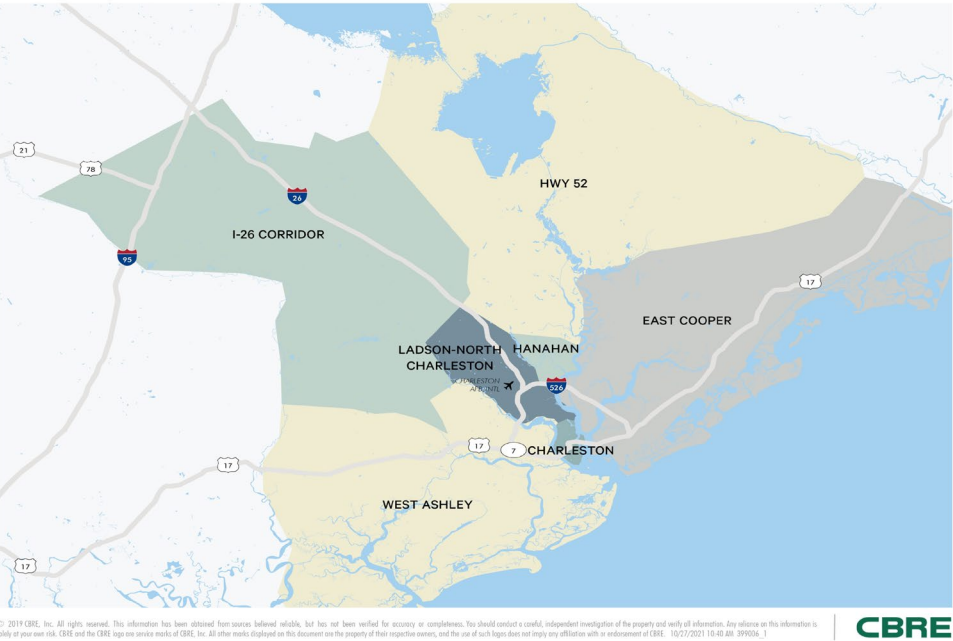
Source: CBRE Research, Q1 2024

FIGURE 7: Market Statistics

Submarket	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q1 2024 Net Absorption (SF)
Charleston	1,023,665	0.00	0	0	0
East Cooper	8,751,974	2.16	483,696	-104,541	-130,505
Hanahan	7,010,922	3.56	25,000	-164,174	-225,803
Hwy 52 North	6,261,066	0.29	0	134,560	-11,495
I-26 North	33,140,129	16.85	2,893,774	3,189,150	892,596
North Charleston/Ladson	30,534,713	2.24	2,331,090	1,014,821	152,526
West Ashley	1,059,382	2.37	0	25,722	0
MARKET TOTAL	87,781,851	7.69	5,733,560	4,095,538	677,319
Asset Type	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q4 2023 Net Absorption (SF)
Manufacturing	24,643,789	0.24	0	19,899	-56,116
R&D/Flex	2,358,160	3.34	25,000	49,535	14,980
Warehouse/Distribution	60,579,902	10.59	5,708,560	4,025,144	718,455
MARKET TOTAL	87,781,851	7.69	5,733,560	4,095,538	677,319

Source: CBRE Research, Q1 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.

Charleston Office

1080 Morrison Drive, Suite 140
Charleston, SC 29403

Contacts

Steve Smith	Joseph Velazquez	Bob Barrineau	Brendan Redeyoff, SIOR	Tim Raber, SIOR
Managing Director	Field Research Analyst	Senior Vice President	Senior Vice President	Vice President
+1 864 527 6030	+1 843 720 3556	+1 843 577 1157	+1 843 577 1167	+1 843 720 3555
steve.smith@cbre.com	joseph.velazquez@cbre.com	robert.barrineau@cbre.com	brendan.redeyoff@cbre.com	tim.raber@cbre.com

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE’s current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE’s control. In addition, many of CBRE’s views are opinion and/or projections based on CBRE’s subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE’s current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE’s securities or of the performance of any other company’s securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

