

FIGURES | CHARLESTON INDUSTRIAL SECTOR | Q4 2024

# Charleston Remains Resilient Throughout 2024

▲ 12.18%

Vacancy Rate

▲ 716,812 SF

SF Leased

▲ 3.8 M

SF Construction

▲ \$7.76 SF

AVG Class A Warehouse Rate

Note: Arrows indicate change from previous quarter.

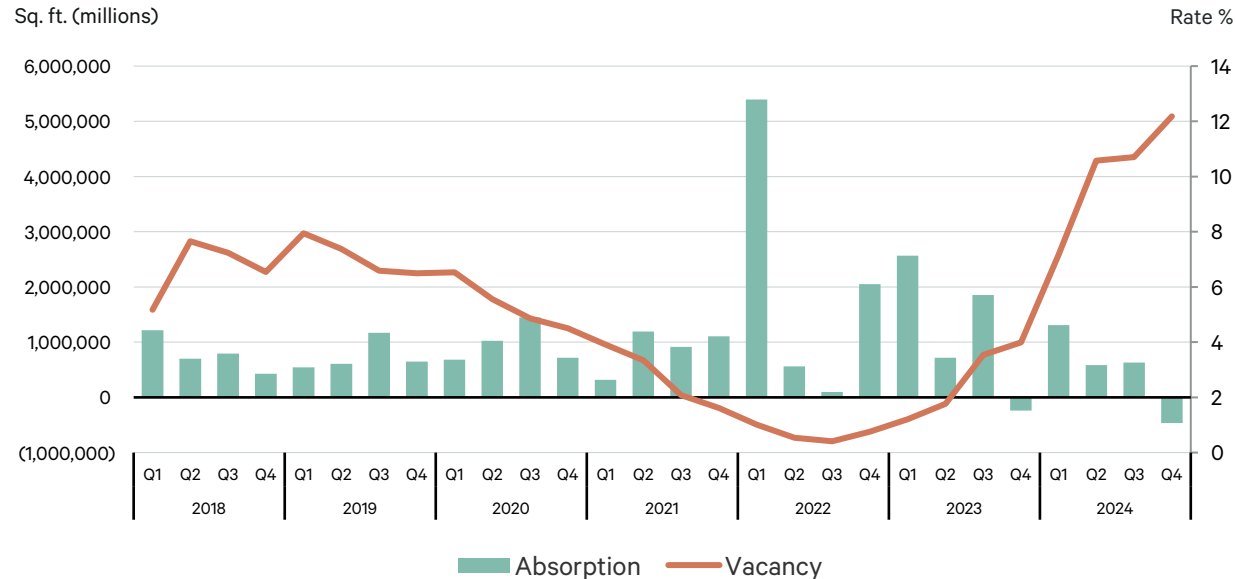
Key Takeaways

- Boeing announced an expansion plan with a \$1 Billion investment, creating 500 new jobs.
- Overall vacancy rate rose to 12.18% from 10.69% the prior quarter.
- High profile IOS land interest continues given high barriers to entry for the port market.
- Total Net Absorption totaled near 2.2 million sq. ft., down from 2023s total of near 5 million.
- Capital markets peaked in Q4 totaling near \$250 million.
- Charleston leads the country in job growth with a 4.1% increase.

Market Overview

The Charleston market concluded the year positively, with net absorption of 2.2 million sq. ft. and 2.8 million sq. ft. in overall leasing activity. The fourth quarter saw a slowdown in speculative construction, marked by two new building starts totaling 549,000 sq. ft. and deliveries reaching 988,858 sq. ft. While these projects will add to future supply, it is anticipated that leasing activity will gradually reduce vacancy rates over the coming year.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q4 2024

### Leasing Activity

In Q4 2024, leasing activity totaled 716,812 sq. ft., encompassing 22 new leases, one of which was a sublease, with no new renewals. The sublease accounted for 110,760 sq. ft., or 15% of the leasing volume, while new leases totaled 606,052 sq. ft. The largest new lease was Perfection Clutch, which took 145,803 sq. ft. at 1023 Northpoint Industrial Rd. In contrast, the previous quarter had fewer new leases but a higher overall leased area of 1.4 million sq. ft., representing a decrease of nearly 50%. The North Charleston/Ladson submarket maintained its prominence, leading with the highest leasing activity at 192,807 sq. ft. from seven leases. Rental rates in Q4 saw a slight decrease from \$7.78 to \$7.76, while Class A asking rates improved from \$7.49 to \$7.56, although they still lag behind the overall rates.

FIGURE 2: Notable Lease Transactions in Q4 2024

Transaction Type	Tenant	Address	Size (sq. ft.)	Submarket	Type
New Lease	Perfection Clutch	1023 Northpointe	145,803	I-26 North	New Lease
New Lease	Confidential Tenant	8060 Commerce	110,760	Hanahan	Sublease
New Lease	Yusen Logistics	2000 Charleston Regional Pkwy	89,000	East Cooper	New Lease
New Lease	Coastal Forest Products	264 Deming Way	65,625	I-26 North	New Lease

Source: CBRE Research, Q4 2024

### Development Activity

New Construction starts decreased from the prior quarter to 549,000 sq. ft., nearly 50% decrease in starts. Portman started construction on a 313,000 and a 236,000 sq. ft. SPEC development in the I-26 North submarket. Both have an anticipated Q4 2025 delivery date. Currently, there are 17 projects under construction, totaling 3.8 million sq. ft., with deliveries expected through 2025. Within the Charleston industrial pipeline, approximately 1,212,744 sq. ft. is preleased, including 1,042,979 sq. ft. of BTS product and 169,765 sq. ft. leased within SPEC construction. Notably, 13 of these properties are below 300,000 sq. ft., collectively accounting for 53%—or 2 million sq. ft.—of the total under construction. The remaining 1.8 million sq. ft. is distributed among three larger buildings, ranging from 313,000 to 635,000 sq. ft., This surge in construction is primarily concentrated in the I-26 Corridor, with the majority of developments initiated in 2022 and 2023. Key land sites that are currently under contract and set to close in 2025 for future development as well as developers looking for future opportunities.

### Capital Markets - Investment Sales

Charleston's capital markets experienced a significant jump in the fourth quarter, with transaction volume increasing to \$226.88 million (up from \$74.6 million in Q3) and four sizable transactions recorded. The largest transaction was the \$121 million sale of a distribution center in Summerville, SC, fully leased to a global car manufacturer. Additionally, Alterra, an institutional owner of industrial outdoor space (IOS), purchased 38 acres at 2398 Aviation Ave. as a pure land play for \$32.5 million. This acquisition strengthens their position as the largest IOS owner in the market as they continue to expand their national market share in this asset class. Lastly, a portfolio sale involving 4750-4760 Goer and 4275 Arco Ln was purchased by an out-of-market buyer paying close to \$50 million. These transactions indicate that the fundamentals remain strong in the Charleston MSA, driven by population growth, supply chain diversification, and robust employment trends.

FIGURE 3: Q4 2024 Notable Capital Markets Transactions

Building/Address	Size (sq. ft.)	Submarket	Sale Price	Activity
2272 Volvo Car Dr	1,128,120	I-26 North	\$121,000,000	Investor Sale
4750-4760 Goer and 4275 Arco Ln	246,000 & 60,640	North Charleston – Ladson	\$48,130,000	Investor Sale
237 Jedburg Rd	158,380	I-26 North	\$25,250,000	Investor Sale

### Deliveries

After a slower-than-normal third quarter for deliveries, the market rebounded in the last quarter of 2024 with several large speculative (SPEC) projects and a significant build-to-suit (BTS) project. In total, 988,858 sq. ft. was delivered, including 732,474 sq. ft. of vacant SPEC space. The largest of these was Realty Link's 545,000 sq. ft. SPEC build in Camp Hall, followed by Shipyard Creek Building 1, which added 160,250 sq. ft. of SPEC transload space. On the BTS side, Bosch completed its expansion at 1124 Newton Way in Summerville, contributing an additional 244,384 sq. ft. to the existing 342,926 sq. ft. building. The market also saw the delivery of smaller class B flex, multi-tenant, and single-tenant buildings. Overall, 2024 deliveries totaled 8.9 million sq. ft., nearly 2 million more than the 7.1 million sq. ft. delivered in 2023.

FIGURE 4: Q4 2024 Notable SPEC Construction Completions

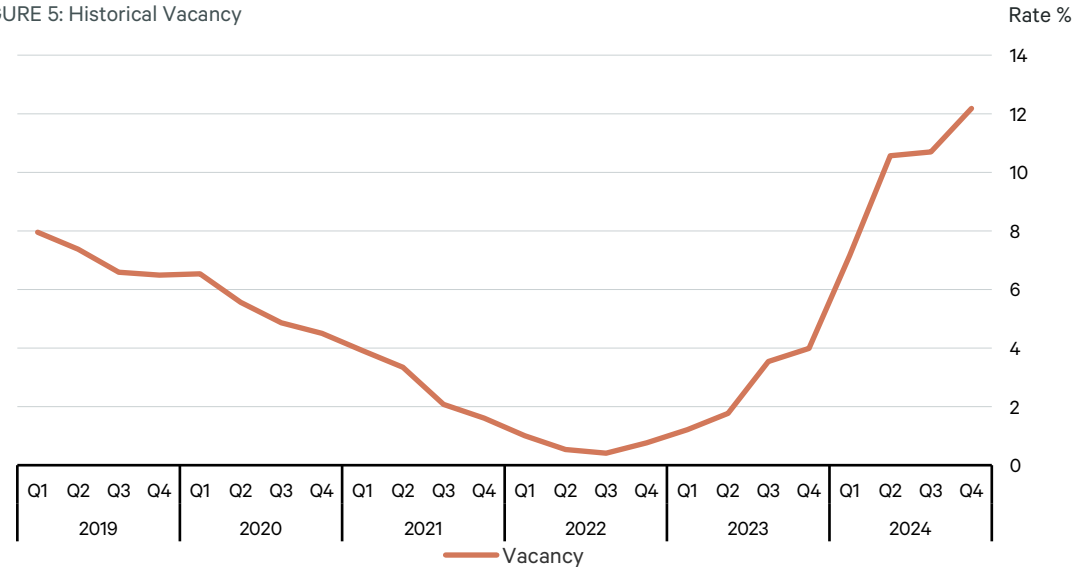
Building/Address	Size (sq. ft.)	Submarket	Activity
759 Autonomous Dr	545,000	I-26 North	Delivery – Vacant
1800 Pittsburgh Ave	160,250	North Charleston/Ladson	Delivery – Vacant
1124 Newton Way	244,384	I-26 North	Expansion - Occupied

Source: CBRE Research, Q4 2024

## Vacancy

Since the beginning of 2024, Charleston has seen a significant uptick in industrial vacancy, adding nearly 7.3 million sq. ft. of speculative space. This has driven the vacancy rate to 12.18% at the end of Q4. Notably, bulk assets greater than 300,000 sq. ft. carry most of the vacancy (18.21%), while smaller assets less than 300,000 sq. ft. maintain a much more favorable rate of 6.23%. While vacancy in Class A assets continues to grow, Class B and C assets represent approx. 1.1 million sq. ft. of the overall vacancy. The record number of new construction deliveries, coupled with increased supply from larger buildings and weaker tenant demand, has impacted the leasing landscape. Additionally, the evolving demand dynamics have prompted developers to pivot towards smaller demising sizes; for instance, a 250,000 sq. ft. multi-tenant rear load space may now prioritize leasing approximately 50,000 sq. ft., 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, Q4 2024

## Market Outlook

Boeing's recent announcement of a \$1 billion investment in its North Charleston plant is a significant boost for the local economy, promising to create 500 jobs and enhance the production capacity of the 787 Dreamliner over the next five years. This investment signals Boeing's commitment to expanding its operations in South Carolina, which could foster further economic development and attract additional aerospace-related businesses to the region. Simultaneously, the South Carolina Ports Authority's acquisition of the former WestRock plant in North Charleston, along with the planned expansion of the terminal and the continuation of the Leatherman Terminal's phase 2 development, is set to enhance logistics and shipping capabilities in the area. This expansion will likely improve supply chain efficiency for local manufacturers, including Boeing, and position the Port of Charleston as a critical hub for trade on the east coast. The port of CHS remains a top 10 U.S. port.

## Absorption

The full-year absorption for 2024 indicates a positive outcome, totaling 2,199,722 sq. ft. while total leasing velocity was 2.8 million sq. ft., though this is a decrease from just under 5 million sq. ft. in 2023. Since the peak of industrial leasing in 2022, during the pandemic, absorption has slowed due to changing tenant demands, with many opting to lease less space or placing their existing space on the market. In Q4, Charleston experienced a slight negative absorption of -320,330 sq. ft., primarily driven by the move-out and availability of 1116 Business Park Rd., which alone accounted for a negative absorption of 750,000 sq. ft.

FIGURE 6: Construction and Deliveries by Quarter

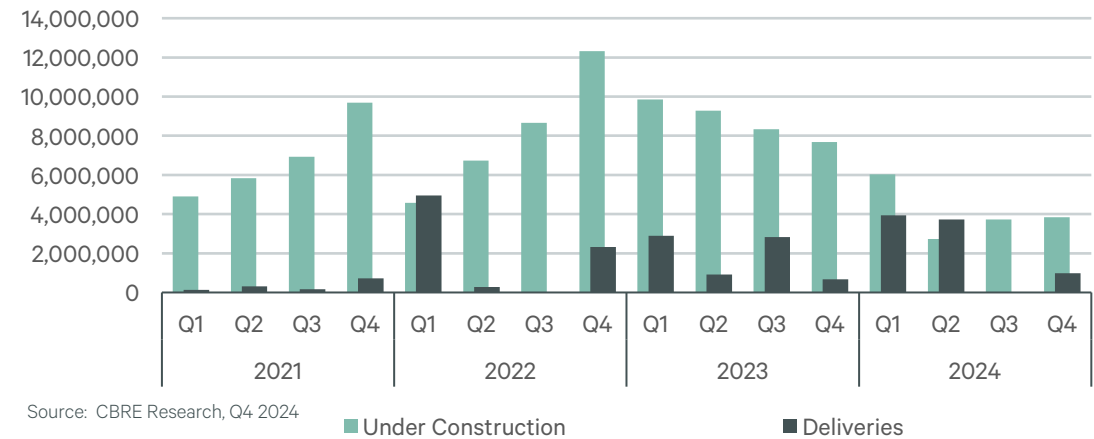
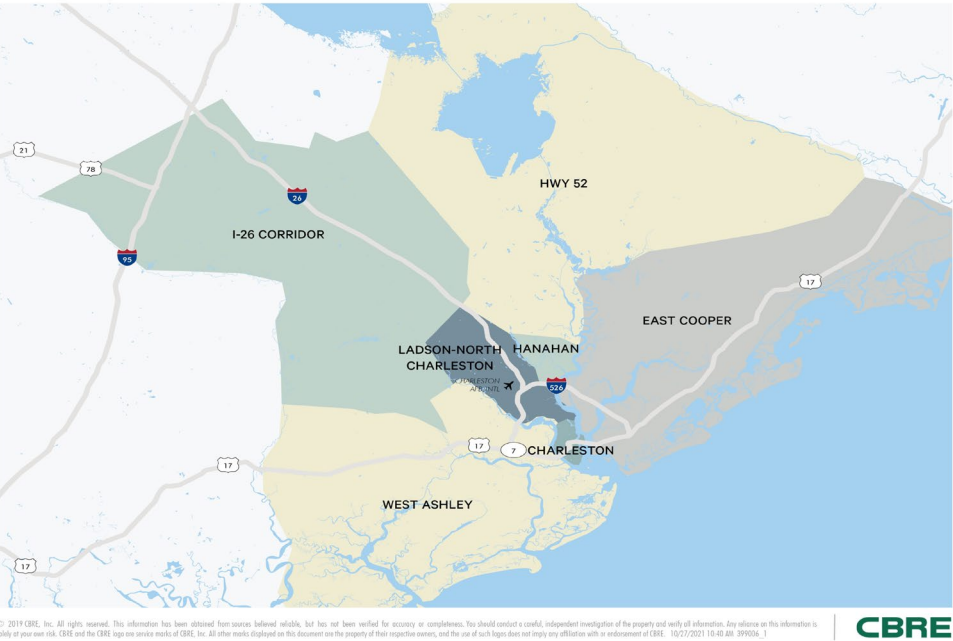


FIGURE 7: Market Statistics

Submarket	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q4 2024 Net Absorption (SF)
Charleston	941,092	3.16	0	-29,729	-29,729
East Cooper	8,751,717	1.86	583,696	-33,249	65,153
Hanahan	6,809,169	0.00	0	24,700	0
Hwy 52 North	6,265,105	0	0	18,645	30,140
I-26 North	34,529,877	23.69	1,948,059	1,884,411	-322,602
North Charleston/Ladson	31,651,361	7.49	1,296,700	338,695	-58,901
West Ashley	1,047,382	0.72	0	-3,751	-3751
MARKET TOTAL	90,966,711	12.18%	3,828,455	2,199,722	-320,330
Asset Type	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2024 Net Absorption (SF)
Manufacturing	24,560,157	1.68	438,000	75,137	1,960
R&D/Flex	2,127,030	1.36	0	60,122	4,449
Warehouse/Distribution	64,279,524	16.6	3,136,678	2,064,463	-326,739
MARKET TOTAL	90,966,711	12.18%	3,828,455	2,199,722	-320,330

Source: CBRE Research, Q4 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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