

# Key land transactions show confidence in future Charleston, SC Industrial Market

▲ 1.81%

Vacancy Rate

▼ 1.1 M

SF Net Absorption

▼ 8.8 M

SF Construction

▲ \$8.48sf

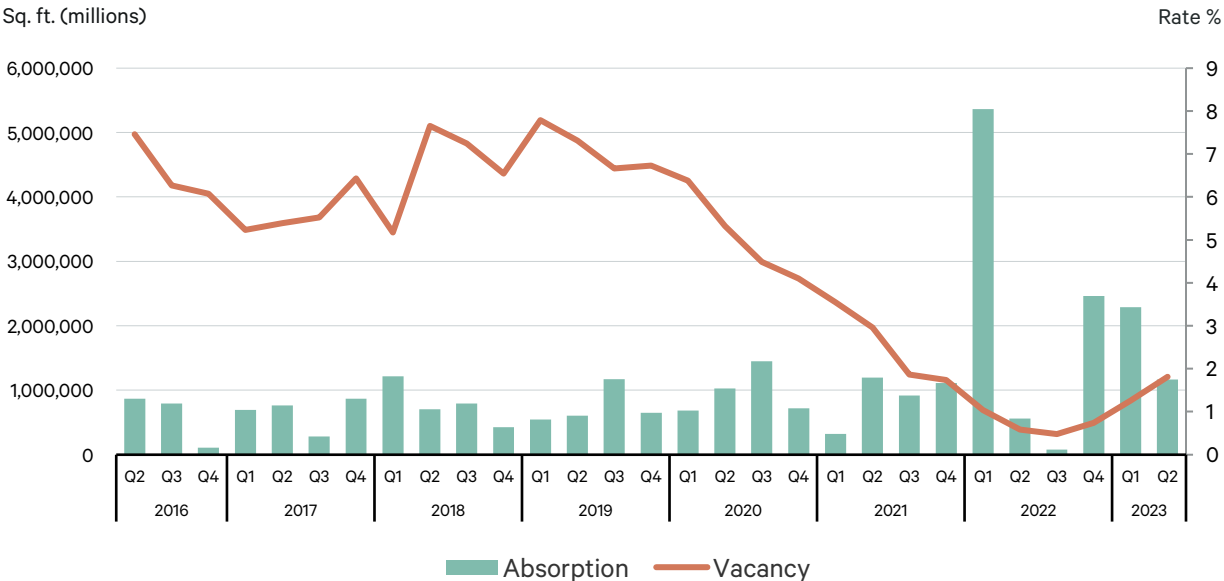
AVG Class A Warehouse Rate

Note: Arrows indicate change from previous quarter.

## KEY TAKEAWAYS

- +1.1-million sq. ft. absorbed in Q2, bringing the YTD total to approx. 3.5-mil. sq. ft.
- Charleston’s overall vacancy rate rose to 1.81% from 1.26% the prior quarter.
- The U.S. Industrial national overall vacancy is at 3.7%
- Despite national hesitancy surrounding capital markets and lending constraints, Charleston industrial land sale transactions remain consistent. Several large land transactions occurred in the first half of the year.
- Preleasing: greater than 60% of the product delivered in Q2 was preleased.
- 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 ended the fiscal year 2023 with a 10% decrease in Container volume beating the national average by +10%.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q2 2023

## Leasing Activity

Industrial leasing kept pace with the first quarter of 2023 totaling over 510,000 square feet of new leases signed in Q2 2023 (inclusive of preleases, existing facilities, etc.). The shallow bay product less than 100,000 sq. ft. carried most of the activity for the quarter. This is also taking place around the country for leasing activity with velocity in the 25,000 -50,000 sq. ft. range. Leasing opportunities for tenants are anticipated to increase as deliveries of warehousing and distribution space deliver, but availabilities are still scarce. Pre-leasing remains relevant as a dominant transaction type this quarter, over half of the construction deliveries were preleased.

*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 Q2 2023

Transaction Type	Tenant	Address	Size (sq. ft.)	Submarket
New	Leidos	Bldg 3 Ladson Industrial Park	148,594	Ladson
New	Alara Food Service	450 International Circle	55,000	I-26 North
New	Bell Equipment	1400 Garrott Ave	54,058	I-26 North

Source: CBRE Research, Q2 2023

## Capital Markets - Land Transactions

Several key capital market land transactions took place in the 2<sup>nd</sup> quarter overshadowing the lack of investment sale closings. With the current/future development coming online over the balance of the year the capital market investments sales are poised to grow in the second half.

There were 6 notable capital market land sales totaling over 500 acres collectively: (Rushmark, Pure Development, Equity Industrial, Portman, Knightswift and Magnus).

Investor interest remains consistent given the strength of the Charleston market fueled by the port, advance & light manufacturing (automotive, aerospace, defense) 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.

## Deliveries

Construction completions remained robust through the first two quarters of 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 1.2-million square feet of new inventory during the second quarter of 2023. Notably, over 60% of the 1.2-million sq. ft. had been preleased.

## Development Activity

The Charleston Industrial market is set to outpace 2022 with the existing and future product to deliver in the second half of 2023. There is currently 8.8-million sq. ft. of speculative industrial buildings under construction. While construction schedules are set to deliver most of that product by year-end, a portion of that will carry over into 2024. Even with the expected slowdown in the national economy, developers continue new construction starts as industrial demand in Charleston outpaces the national average. Charleston vacancies remain two basis points lower than the national average 3.7%, the newly delivered properties in Charleston are expected to be absorbed over the next few quarters.

FIGURE 3: Q2 2023 Notable SPEC Construction Completions

Building/Address	Size (sq. ft.)	Submarket
840 Dropoff Drive	343,150	I-26 North
Ladson Industrial Park Bldg 4	229,840	Ladson/North Charleston
9785 Palmetto Commerce Pkwy	209,045	Ladson/North Charleston
Crosspoint Bldg 2	182,000	Ladson/North Charleston

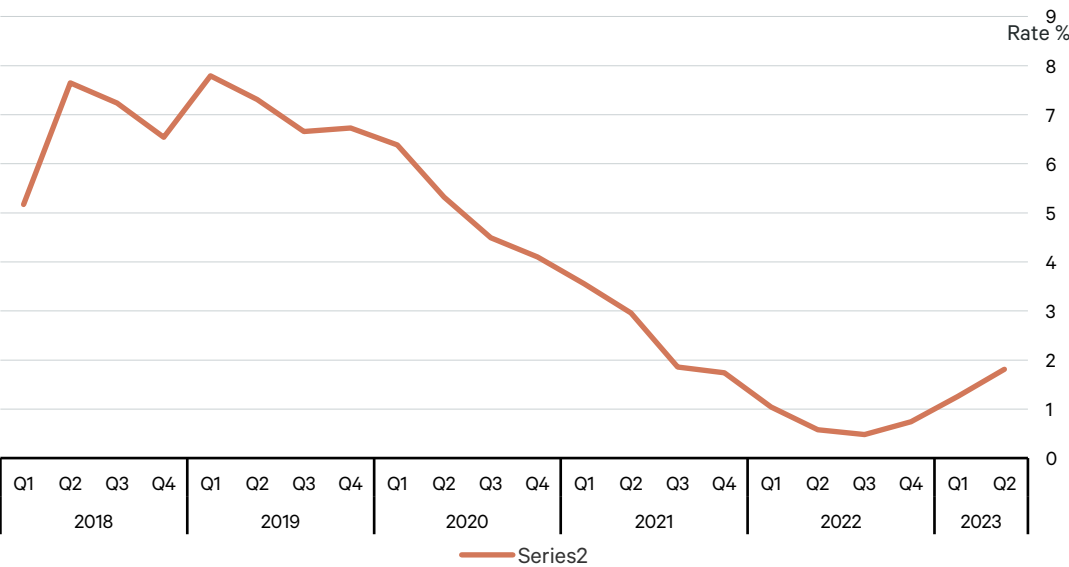
Source: CBRE Research, Q2 2023

### Vacancy

Newly-delivered space throughout the first half of the year and into Q2 has increased the overall vacancy rate to 1.81% during the second quarter of 2023. Charleston’s vacancy rate remains two basis points lower than the national industrial vacancy rate of 3.7%. The vacancy rate has fluctuated for the past four quarters due to new deliveries, however, there were 6 deliveries for a total of 1.2 million sq. ft. of which, 600,000 sq. ft. was preleased.

**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



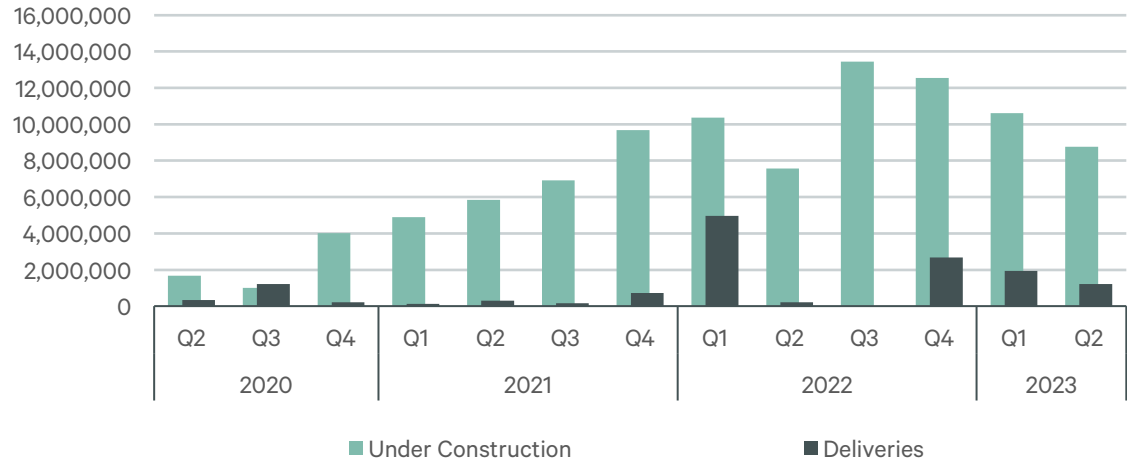
Source: CBRE Research, Q2 2023

### Market Outlook

**—Port of Charleston:** The Port ended the fiscal year with a 10% decrease in its container volume from the previous year. Comparing this with the national trend of 20% decreases, Charleston has fared much better than most other port cities. The fiscal year showed a total of 2.6 Million TEUs passing through the port and ended with a strong June with a handling of 203,091 TEUs. 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:** Q2 absorption was heavily weighted on preleases delivering to the market. This activity accounted for over 60% of the space absorbed during this period. Charleston is starting this year off with a steady transaction pace that should continue throughout the year. Pre-leasing activity is anticipated to remain consistent and will continue to account for a significant amount of the absorption posted each quarter. Given the amount of construction taking place along the I-26 North corridor, this submarket will increase its overall inventory and post the most net positive absorption going forward.

FIGURE 5: Construction and Deliveries by Quarter



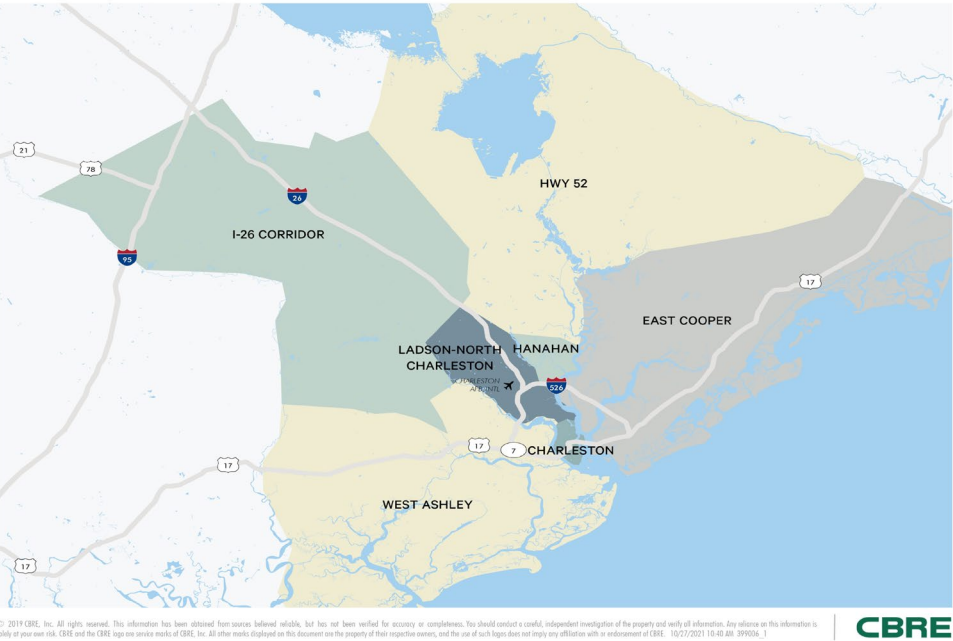
Source: CBRE Research, Q2 2023

FIGURE 6: Market Statistics

Submarket	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q2 2023 Net Absorption (SF)
Charleston	1,044,665	0.00	50,000	0	0
East Cooper	8,998,631	0.47	0	40,078	22,164
Hanahan	6,883,723	0.24	0	102,186	0
Hwy 52 North	6,364,966	2.55	0	0	0
I-26 North	25,399,839	4.78	8,984,024	2,859,336	406,811
North Charleston/Ladson	29,907,641	1.51	252,800	2,573,091	628,136
West Ashley	1,025,532	1.28	0	6,671	0
MARKET TOTAL	79,624,997	1.81	9,236,824	5,085,525	1,165,271
Asset Type	Building SF	Vacancy (%)	Under Construction	Last 4 Qtrs. Net Absorption	Q2 2023 Net Absorption (SF)
Manufacturing	24,693,065	0.13	0	575,085	10,765
R&D/Flex	2,385,476	4.15	0	69,884	29,084
Warehouse/Distribution	52,092,891	2.79	8,480,486	4,766,824	1,088,259
MARKET TOTAL	79,624,997	1.81	8,765,486	5,411,793	1,165,271

Source: CBRE Research, Q2 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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