

FIGURES | COLUMBIA INDUSTRIAL | Q3 2023

Columbia Market Remains Active Despite Capital Market Stress

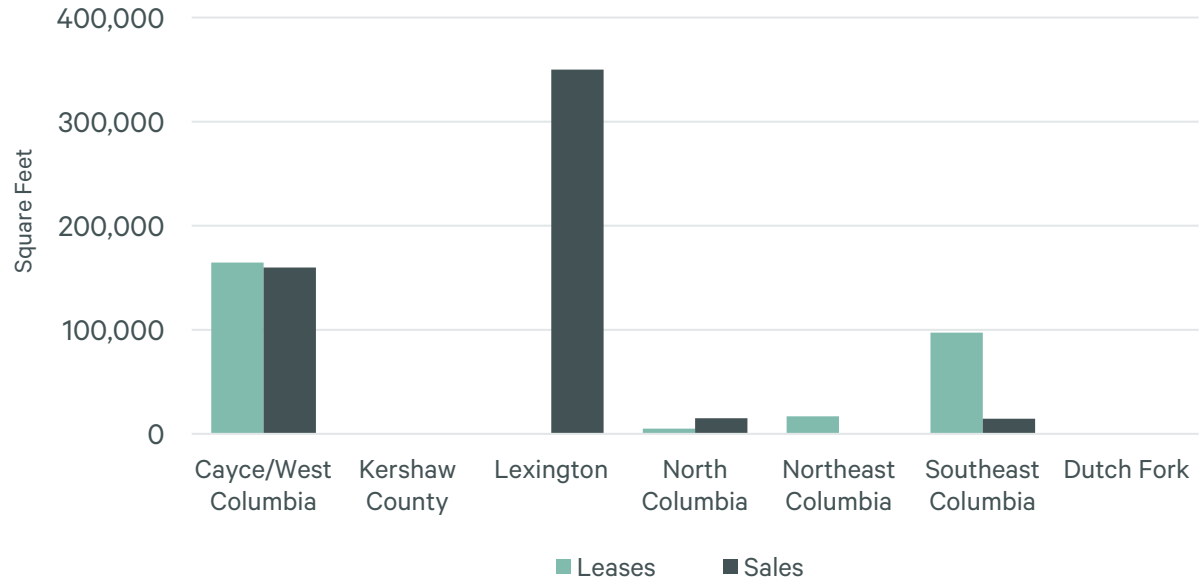


Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- The Columbia industrial market shows posted strong leasing activity and construction growth. Overall leasing activity consisted of nine new leases, two renewals, one sublease, and a lease option, totaling 283,689 sq. ft. Property sales were steady despite ongoing lending constraints and the potential of a minor recession.
- Columbia industrial submarkets posted 947,481 sq. ft. net absorption.
- Four buildings are under construction, which will add nearly 867,140 sq. ft. to the Lexington and Southeast Columbia submarkets. Four buildings delivered adding over 1-million sq. ft. to the market which led to an increase in the vacancy rate.
- The Columbia industrial market maintains a stronger investment interest position than other tertiary markets nationwide due to strong market fundamentals and increasing interest following the Scout announcement. The U.S. economy is resilient despite challenges, and while economic growth may slow down, valuations are expected to stabilize in 2024.

FIGURE 1: Square Feet of Leases and Sales in Q3



Source: CBRE Research, Q3 2023

Leasing Activity

Leasing activity was comprised of nine new leases, two renewals, one sublease and one lease option totaling 283,689 sq. ft., nearly half of the transactions were over under 10,000 sq. ft. The vacancy rate is 2.4%; therefore, there are few options in the market for direct deals. However, sublease space is being leased each quarter which, even though not reflected in absorption numbers, helps in balancing the market. During the third quarter of 2023 the Columbia industrial market posted 947,481 sq. ft. net absorption.

FIGURE 3 Key Leasing Transactions

Transaction Type	Tenant	Location	Size (sq. ft.)	Submarket
Sublease	Confidential	610 Kelsey Court	126,000	Cayce/West Columbia
Lease Option	Bell South	1517 Key Road	30,000	Southeast Columbia
Lease Renewal	Associated Materials	1231 Bluff Road	25,760	Southeast Columbia
New Lease	Carolina Power	1901 Dixiana	25,000	Cayce/West Columbia

Pricing and Availability*

The third quarter of 2023 saw a stable average direct asking rate in the Columbia MSA at \$5.08 per square foot per annum. The Dutch Fork submarket had the highest rate at \$8.38 per square foot per annum on a triple net basis. The Cayce/West Columbia submarket followed with \$6.07 per sq. ft. per annum. Other submarket pricing varied from \$3.25 per sq. ft. in Fairfield County to \$5.87 per sq. ft. in Northeast Columbia.

Development Activity

There are four buildings under construction in the Columbia industrial market totaling approximately 867,140 sq. ft. in the Lexington and Southeast Columbia submarkets. Four buildings delivered this quarter to the Columbia market adding over 1-million sq. ft. this quarter. In addition, there were four industrial warehouses delivered in outlying markets year-to-date within Florence, Pageland and Sumter totaling 423,620 sq. ft.

Source: CBRE Research, Q3 2023

Capital Markets

The third quarter of 2023 saw steady property sales, despite a potential minor recession and slower transactions compared to previous years. Five properties were sold, the largest of which was a 350,000 sq. ft. building in the Lexington submarket. The average sale size was 107,889 sq. ft. The Columbia industrial market, a target industrial-user market in the Southeast, maintains a stronger investment interest position than other tertiary markets nationwide due to key long-term market fundamentals. The addition of Scout is expected to further drive the interest of supporting manufacturing and logistics companies in the capital market in the upcoming years.

Employment and Economic Outlook

The U.S. economy has demonstrated resilience despite stringent credit conditions and banking sector write-downs, largely due to the impact of the Chips and IRA Acts on the construction sector, Federal Reserve and FDIC's support to banks, and strong consumer balance sheets and incomes. However, challenges such as rising oil prices, the resumption of student loan payments, and a weakening global economy are emerging in the face of high-interest rates. The Federal Reserve's predicted end to its tightening cycle could benefit real estate capital markets. Although economic growth may slow down, valuations are expected to stabilize by the first half of 2024. The Midlands region may face additional stressors like increasing sublease space and lease give-backs but this creates opportunities for new companies due to the availability of larger blocks of space which are currently non-existent.

FIGURE 4 YTD Outlying Market Deliveries

Park Name	Location	Size (sq. ft.)	City	Delivery Date
Marlboro	2955 N. Williston Rd.	117,180	Florence	Q2 2023
Sumter County Spec Building	2160 Hwy 521	106,000	Sumter	Q2 2023
Lynches River Industrial Park	1901 Hwy 601	100,440	Pageland	Q3 2023
Scranton Spec Building	150 Partnership Way	100,000	Florence	Q2 2023

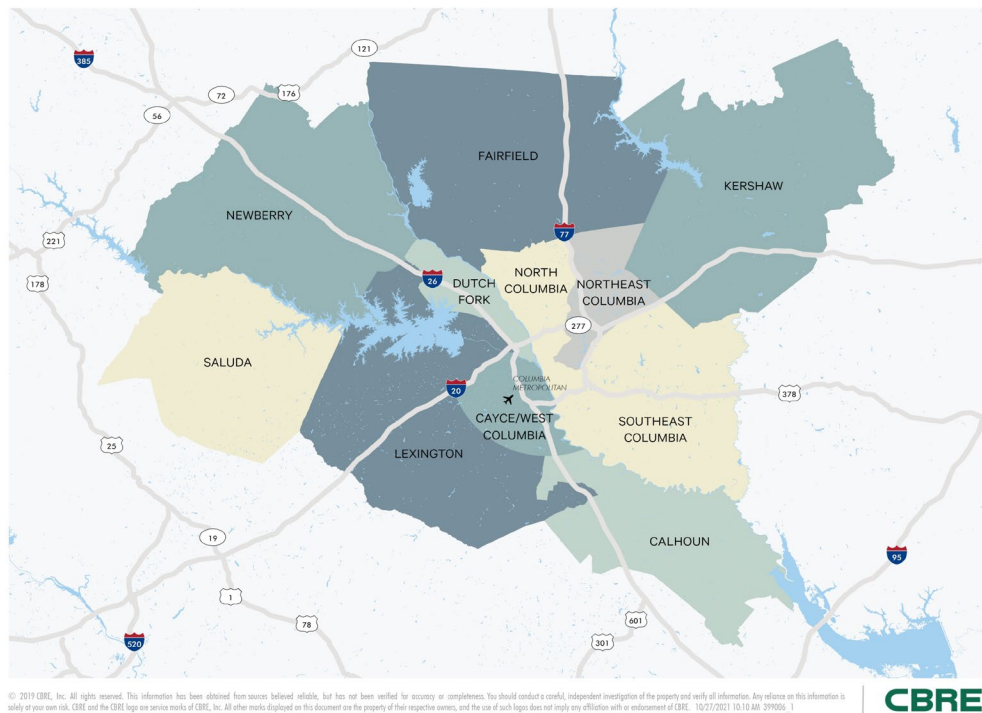
**Disclaimer: Average rental rates may be lower than current actual deal strike rates. Many higher quality rental rates are undisclosed and lower quality building rental rates are skewing the overall average lower than actual market rates.*

FIGURE: Market Statistics

Submarket	Building SF	Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/NNN)	Under Construction
Calhoun	1,234,281	0	24.3	5.45	-
Cayce-West Columbia	15,573,502	2.5	1.3	6.07	-
Dutch Fork	1,101,549	4.3	5.2	8.38	-
Fairfield	2,166,416	0	0	3.25	-
Kershaw	6,788,168	3.0	7.5	3.76	-
Lexington	8,165,626	1.9	2.1	5.17	410,000
Newberry	1,774,554	18.4	18.4	3.50	-
North Columbia	3,718,756	0.2	1.1	4.47	-
Northeast Columbia	9,869,406	1.0	1.2	5.87	-
Saluda County	476,181	0	0	0	
Southeast Columbia	16,195,747	2.4	3.5	4.89	457,140
MARKET TOTAL	67,064,186	2.4	3.4	5.08	867,140

Source: CBRE Research, Q3 2023

Market Area Overview



Survey Criteria

The CBRE, Inc. Columbia Industrial MarketView report provides statistics based on a revised set of inventory consisting of industrial properties in the following submarkets: Calhoun, Cayce-West Columbia, Dutch Fork, Fairfield, Kershaw, Lexington, Newberry, North Columbia, Northeast Columbia and Southeast Columbia. All properties are industrial properties greater than 10,000 sq. ft. Absorption is counted when a building delivers, not when the lease is signed and is based on physical occupancy. 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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