



**CHARLESTON
3Q17 OFFICE MARKET**

HIGH RENTS, PARKING CONSTRAINTS HAVE TENANTS LOOKING TO SUBURBAN MARKET ALTERNATIVES

Charleston was voted the Number One City in the World in 2016 and Number Two in 2017 by Travel + Leisure, the first domestic locale to earn the coveted number-one spot. According to the U.S. Census Bureau, the Charleston MSA has grown at a rate of three times that of the U.S. average. A steady stream of well-educated, talented individuals continue to flock to the area for its desirable location and well-paying jobs in areas such as healthcare, technology and business support services.

Charleston's economy has grown at a faster rate this decade than any other South Carolina metropolitan area, although it trails Columbia and Greenville in terms of size. In terms of Gross Domestic Product, the Charleston economy has grown 15.2% between 2011 and 2016. This growth has caused vacancy in the office market to decline quarter after quarter, namely in the CBD where vacancy currently sits at 3.1%.

Rates in the CBD currently average \$30.71/SF, reflecting a 3.0% increase in just one year. Commercial developers have responded by seeking nontraditional office space and looking to areas not typically viewed as commercially popular. Many companies are leaving Charleston and Mount Pleasant for other submarkets, seeking available space at lower rents with more available parking options.

One such example of this migration is the 25,000-square-foot Albermarle School in West Ashley, which recently underwent a \$1.6 million renovation that converted the building into 20 office spaces. The site, which is now aptly called The Schoolhouse, is already 100% leased.

The mixed-use Nexton development, located just off of I-26 and east of the new Volvo Cars manufacturing plant in Berkeley County, represents a prime opportunity for office users looking beyond traditional locales without forgoing downtown amenities. Nexton Square, the 140,000-square-foot dining-anchored center, will feature Charleston staples Taco Boy and Halls Chophouse. Volvo, SCPA and WestRock are among the first employers to join the new development.

The largest lease signings of the quarter included:

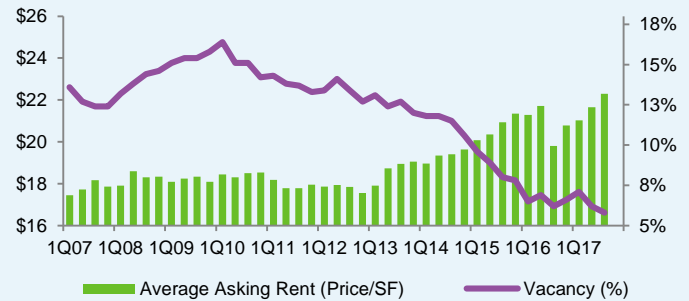
- The 126,423-square-foot lease signed by T-Mobile at 8571 Rivers Avenue in the North Charleston submarket

Current Conditions

- Class A vacancy: 5.4% - \$30.42/SF
- Class B vacancy: 7.9% - \$20.22/SF
- Class C vacancy: 2.1% - \$15.42/SF
- Total vacancy has dropped to 5.8%
- Asking rates up to \$22.30/SF overall

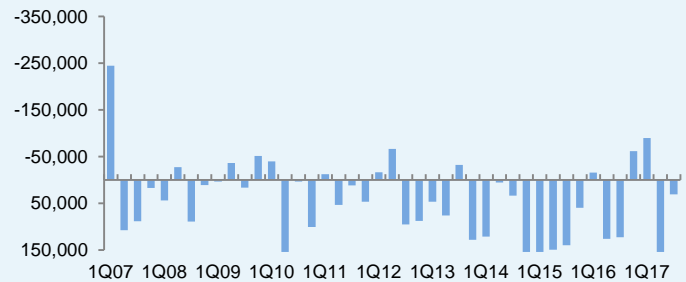
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	27.7MSF	27.5MSF	27.3MSF	↑
Vacancy Rate	5.8%	5.9%	6.0%	↓
Quarterly Net Absorption	31,044	212,334	174,045	↑
Average Asking Rent	\$22.30	\$21.22	\$20.33	↑



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- The 25,293-square-foot lease signed by Benefitfocus, Inc. at 5935 Rivers Avenue in the North Charleston submarket

Submarket Statistics

	Total Inventory (SF)	Total Vacancy Rate	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Dorchester	1,906,785	4.4%	5.6%	-18,121	29,783	\$17.51	-	\$17.51
Downtown - CBD	5,779,817	3.1%	7.6%	-9,234	9,754	\$30.83	\$27.84	\$30.71
E Charleston / Mt. Pleasant	3,810,738	3.4%	6.0%	133,048	149,064	\$30.88	\$24.25	\$30.55
Greater Charleston	4,798,745	5.7%	7.5%	-10,417	114,234	\$21.60	\$23.00	\$21.78
North Charleston	9,242,199	8.9%	9.7%	-11,209	76,774	\$18.94	\$22.79	\$19.07
Outlying Berkley County	2,116,595	5.9%	10.4%	-53,023	-20,037	\$17.23	\$26.50	\$17.46
Suburban Total	21,875,062	6.5%	8.4%	40,278	349,818	\$20.96	\$23.33	\$21.11
CBD Total	5,779,817	3.1%	7.6%	-9,234	9,754	\$30.83	\$27.84	\$30.71
Market	27,654,879	5.8%	8.2%	31,044	359,572	\$22.15	\$24.78	\$22.30

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
T-Mobile	8571 Rivers Ave.	North Charleston	Move-In	126,423
Benefitfocus Inc.	Aviation Center – 5935 Rivers Ave.	North Charleston	Move-In	25,293
Charleston County Assessor's Office	3875 Faber Place Dr.	North Charleston	Move-In	19,669
	1056 King St.	Downtown Charleston	Move-In	16,000

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
8085 Rivers Ave	North Charleston	\$14,750,000	\$93.01	158,583
4221 Faber Place Dr	North Charleston	\$11,331,443	\$236.07	48,000
1481 Tobias Gadson Blvd	Greater Charleston	\$3,950,000	\$223.29	17,690
95 Cannon St	Downtown Charleston	\$3,050,000	\$396.52	7,692
510 Albemarle Rd	Greater Charleston	\$2,800,000	\$353.71	7,916



**SOUTH CAROLINA
3Q17 LABOR STATISTICS**

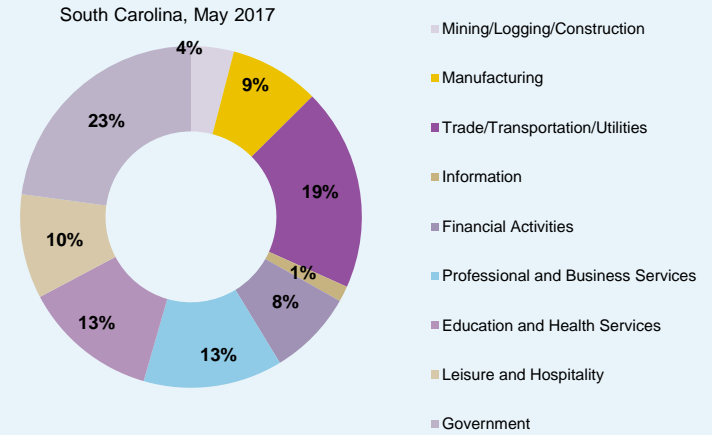
ECONOMIC CONDITIONS

Unemployment in South Carolina has reached an all-time low of 3.9% as of May 2017. The national average for unemployment is currently at 4.3%. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

South Carolina was ranked fourth for business in Chief Executive's 13th annual Best and Worst States for Business survey, an advancement of three spots from last year and its highest position yet. Additionally, South Carolina was ranked third for manufacturing and fifth for technology. The rankings, which capture current CEO perceptions of South Carolina's business climate, are considered a good gauge of the state's ability to attract and retain business investment.

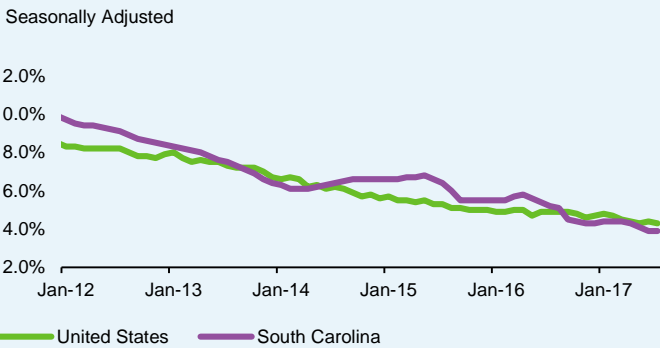
This year alone, 60 projects were announced in 25 different counties in the state, according to the South Carolina Department of Commerce. In June, three major projects were announced: BMW's expansion in Spartanburg; Samsung's new facility in Newberry; and T-Mobile US's expansion into North Charleston. These developments represent the creation of more than 2,300 new jobs and nearly \$1.0 billion in capital investment.

Employment By Industry



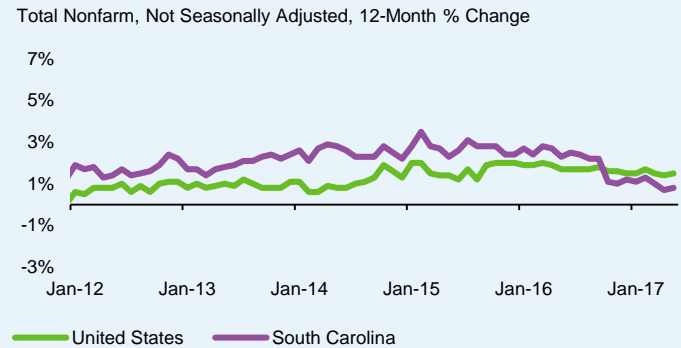
Source: U.S. Bureau of Labor Statistics

Unemployment Rate



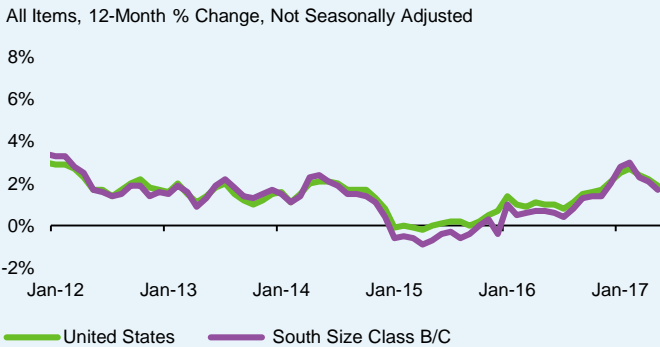
Source: U.S. Bureau of Labor Statistics

Payroll Employment



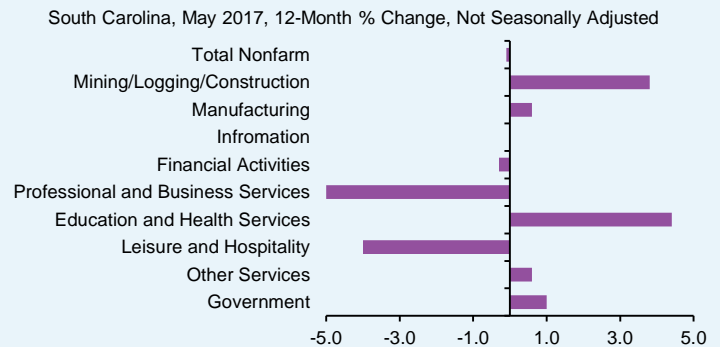
Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry



Source: U.S. Bureau of Labor Statistics



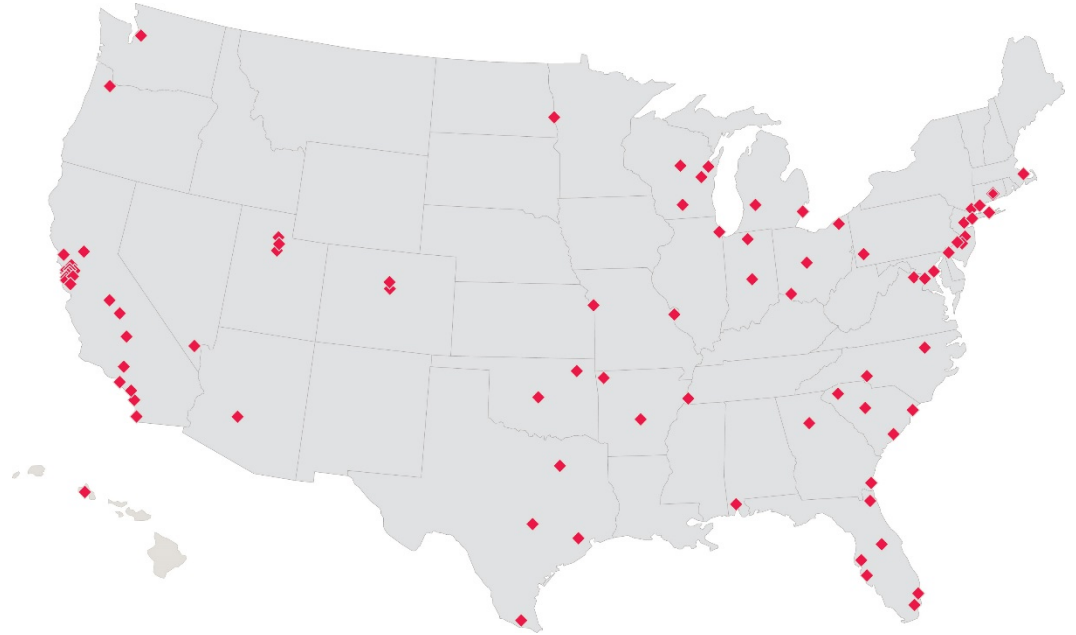
Columbia, SC

1111 Laurel Street
Columbia, SC 29201
803.779.8600
www.wilsonkibler.com

Alyse Cousins

Research Director
803.779.8600
Alyse.cousins@wilsonkibler.com

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