

**CHARLESTON
4Q17 OFFICE MARKET**

DEVELOPMENT ON THE RISE IN THE UPPER PENINSULA AND MOUNT PLEASANT

The Southeast has experienced double-digit population growth and positive job growth during the previous five years. In Charleston County, that trend follows with population growth at 11.0% and the job growth rate at a staggering 26.2% (compared to Greenville County's 9.0% population growth and 8.3% job growth).

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 Central Business District where vacancy holds steady at 3.1%.

Office users facing CBD rates averaging \$33.21/SF are choosing to move beyond the traditionally popular area south of Calhoun Street into the Upper Peninsula and across the Cooper River into Mount Pleasant. Investors and commercial developers are attracted to the more flexible zoning on the Upper Peninsula, which allows for taller and denser properties, in addition to the more affordable rental rates as compared to those further south. Currently, there are nine mixed-use developments in the works in the area bounded by Spring, King, Huger and East Bay Streets.

The Midtown project on King Street, which was completed in 2015, led the way for much of the current development in the Upper Peninsula. Just a block over from Midtown, the first phase of Courier Square is a mixed-use project that is well underway. The first phase of the development will consist of 226 apartments, 19,000 square feet of retail space and 70,000 square feet of office space.

Further down Huger Street and in the center of "Silicon Harbor," a three-story shell office building at 229 Huger Street is being converted into what is being dubbed the "Anniston Building." The building will feature ±11,025 square feet of office space and is set to deliver in April 2018.

Addressing growing demand in the Mount Pleasant submarket for more office options with onsite parking and easy access, real estate developers Durlach Associates and Landmark Enterprises broke ground on the Gateway Mount Pleasant project at 235 Magrath Darby Boulevard this quarter. The four-story, 65,000-square-foot office building is conveniently located at the base of the Arthur Ravenel Jr. Bridge. The project is expected to complete in October 2018.

Notable Transactions this quarter included:

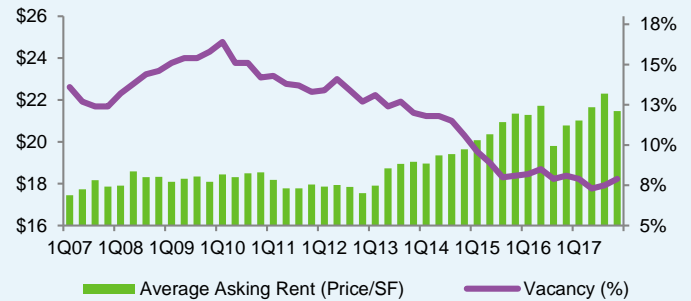
- The 8,439-square-foot office building at 838 Morrison Drive sold to the South Carolina Ports Authority for \$9,100,000 (\$1,078.33/SF)
- The 8,630-square-foot live/work office building at 284 King Street sold for \$5,055,000 (\$585.75/SF)

Current Conditions

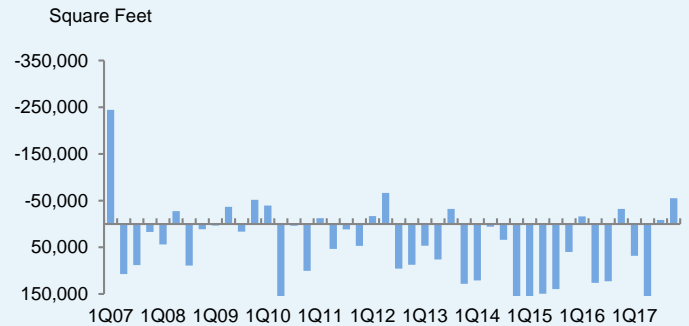
- Class A vacancy: 5.7% - \$28.37/SF
- Class B vacancy: 11.2% - \$18.83/SF
- Class C vacancy: 1.5% - \$16.80/SF
- CBD rates up to \$33.21/SF
- Asking rates hold steady at \$21.47/SF overall

Market Analysis

Asking Rent and Vacancy



Net Absorption



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	17.4MSF	17.4MSF	17.3MSF	↑
Vacancy Rate	7.9%	7.5%	8.1%	↓
Quarterly Net Absorption	-55,034	-8,480	174,750	↑
Average Asking Rent	\$21.47	\$21.13	\$20.61	↑

CHARLESTON 4Q17 OFFICE MARKET

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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	712,353	5.8%	8.0%	11,167	14,141	\$19.57	-	\$19.57
Downtown - CBD	4,065,363	3.1%	4.4%	-9,151	31,309	\$33.14	\$27.48	\$33.21
E Charleston / Mt. Pleasant	2,181,061	4.5%	9.2%	2,223	21,082	\$28.02	\$27.19	\$27.85
Greater Charleston	3,142,345	9.9%	13.6%	-93,893	-10,071	\$24.99	\$23.00	\$24.75
North Charleston	6,393,660	10.8%	11.8%	23,555	102,899	\$16.71	\$22.61	\$16.83
Outlying Berkley County	948,136	11.2%	11.2%	11,065	20,150	\$18.88	-	\$18.88
Suburban Total	13,377,555	9.3%	11.5%	-45,883	148,201	\$19.82	\$24.17	\$20.08
CBD Total	4,065,363	3.1%	4.4%	-9,151	31,309	\$33.14	\$27.48	\$33.21
Market	17,442,918	7.9%	9.9%	-55,034	179,510	\$21.30	\$24.86	\$21.47

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
	5895 Core Rd	North Charleston	Move-In	23,136
	5965 Core Rd	North Charleston	Move-In	22,626
	2170 Ashley Phosphate Rd	North Charleston	Move-In	9,554
	3290 Ashley Phosphate Rd	North Charleston	Move-In	8,220

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
3600 Rivers Ave	North Charleston	\$33,000,000	\$73.23	450,608
838 Morrison Dr	Downtown Charleston	\$9,100,000	\$1,078.33	8,439
284 King St	Downtown Charleston	\$5,055,000	\$585.75	8,630
8720 Dorchester Rd	Dorchester County	\$3,250,000	\$505.68	6,427

SOUTH CAROLINA
4Q17 LABOR STATISTICS

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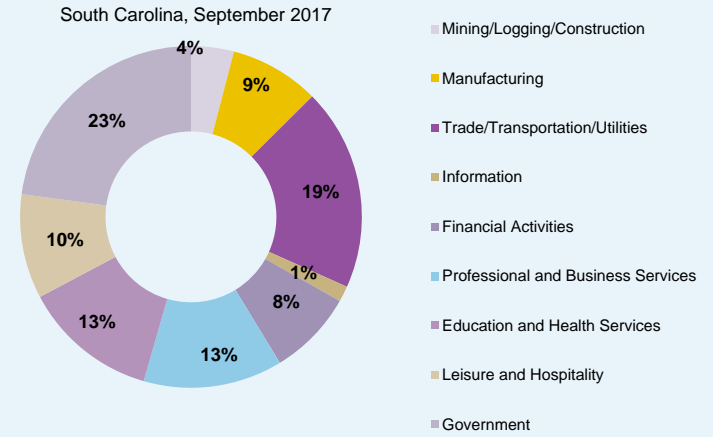
ECONOMIC CONDITIONS

Unemployment in South Carolina has reached an all-time low of 3.9% as of August 2017. The national average for unemployment is currently at 4.1%. 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 projects represent the creation of more than 2,300 new jobs and nearly \$1.0 billion in capital investment.

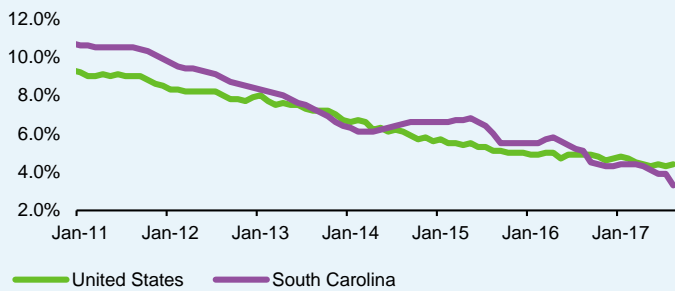
Employment By Industry



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

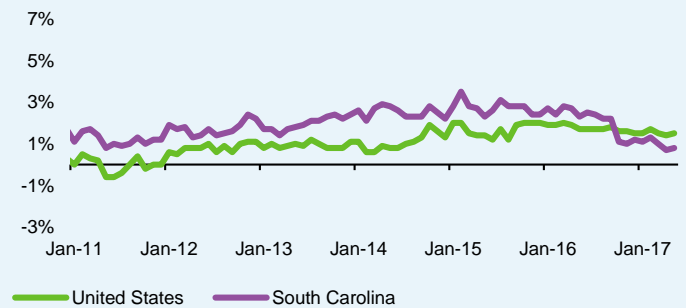
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

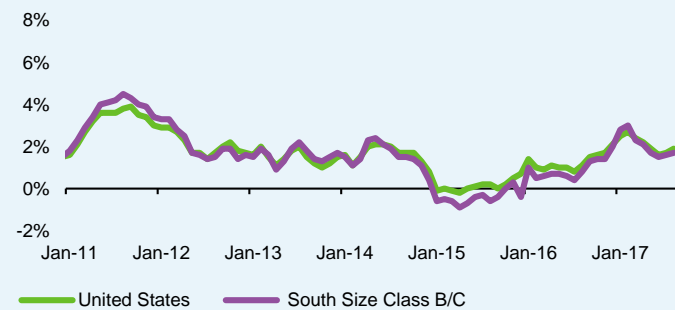
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

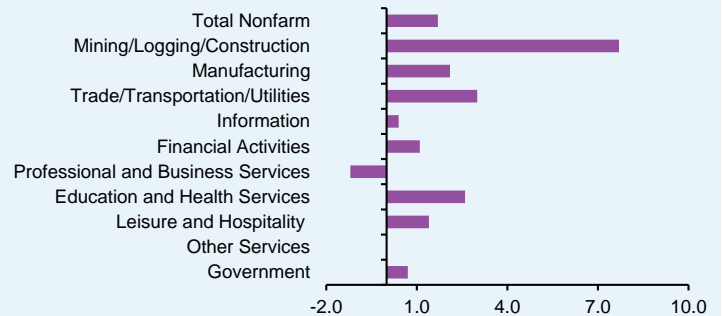
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

South Carolina, 2016, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

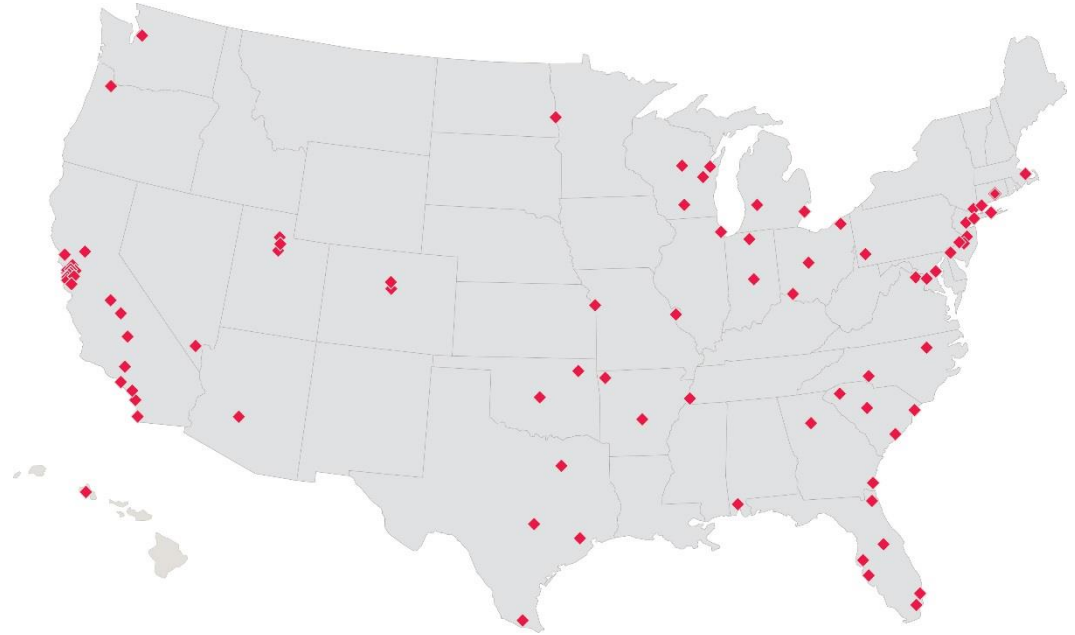
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