

CHARLESTON
1Q18 INDUSTRIAL MARKET

HARBOR DEEPENING PROJECT
HIGHLIGHTS BRIGHT FUTURE FOR
CHARLESTON'S INDUSTRIAL MARKET

This year, the current economic expansion in the United States will become the second longest in the nation's history. Economists continue to echo the sentiment that expansions do not die of old age. An old expansion like the current one is not more likely to enter a recession than a young expansion, and South Carolina's economy is in a very good position moving into 2018.

A testament to the state's steady economic holding, South Carolina's total export sales set a record for the eighth consecutive year in 2017. The SC Export Incentives Program, which reimburses small and midsize businesses that participate in trade missions and exhibitions, has been credited with encouraging the steady export growth in the state from \$24.7 billion in 2011 to \$32.0 billion in 2017. Vehicle exports dominated at \$11.0 billion, followed by aircraft at \$6.0 billion and machinery at nearly \$4.0 billion.

Since July 1, when the maritime agency's 2018 fiscal year began, the South Carolina Ports Authority has reported a 1.1% increase in the Total TEUs (20-foot equivalent container units) to about 796,000 cargo boxes at its two main terminals in Mount Pleasant and North Charleston. Inland Port Greer continues to see record volumes, handling 4.8% more rail moves than in fiscal year-2017 over the same period. The SCPA's second inland port, Inland Port Dillon, located within a 3,400-acre industrial site just off US Highway 501, is set to open in April.

The official launch of the \$558.0 million harbor deepening project began in March. The dredge project is set to deepen the inner harbor of the Port of Charleston to 52 feet during low tide, allowing the post-Panamax vessels (large carriers capable of handling more than 10,000 TEUs) on the East Coast to enter and exit the harbor at all hours. One day prior, the SCPA delivered two new ship-to-shore post-Panamax cranes to the Wando Welch Terminal, which will eventually have a total of nine cranes capable of lifting containers 155 feet above deck.

In February, the highly anticipated Volvo Cars expansion in Berkeley County started producing prototypes of its new S60 sedan in order to prepare for full production by the end of this year. Last quarter, Volvo announced plans to make a second vehicle at the site, the new XC90 SUV model. Production of the second model is set to begin three years after the first S60 rolls off production lines, thus prompting the company to double its workforce and capital investment in the state. By 2021, Volvo will have invested \$1.0 billion and hired nearly 4,000 employees.

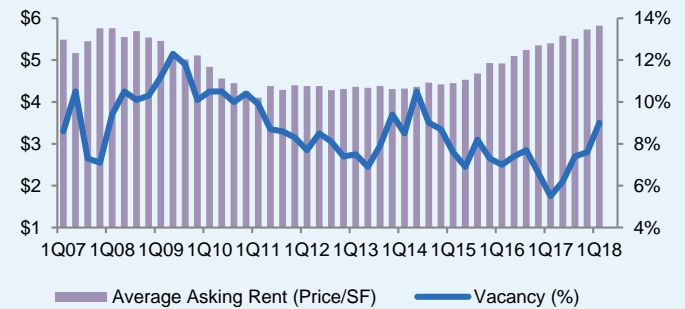
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Current Conditions

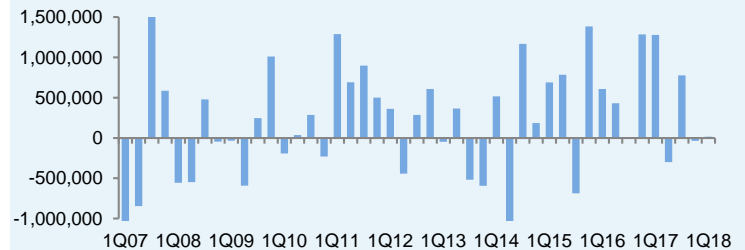
- 5 buildings and a total of 875,570 SF delivered 1Q2018 with an average asking rate of \$5.83/square foot NNN
- Industrial rates: \$5.19/SF, Flex rates: \$13.38/SF
- Overall rates up to \$5.82/SF from \$5.40/SF 1Q17

Market Analysis

Asking Rent and Vacancy



Net Absorption
Square Feet



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	72.6 MSF	70.7 MSF	69.1MSF	↑
Vacancy Rate	9.0%	7.6%	6.2%	↔
Quarterly Net Absorption	15,637	-35,654	1,228,734	↑
Average Asking Rent	\$5.82	\$5.73	\$5.40	↑

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The Mercedes-Benz Vans expansion, which was first announced in 2015, is also set to open by the middle of this year. The expansion will feature an additional 1.0 million square feet and more than double the size of the existing assembly and administration building. The facility will be fully operational by 2020, with a workforce of over 1,300 capable of producing Sprinter vans from start to finish for North American customers, thus eliminating the need to assemble the vans twice.

Submarket Statistics

	Total Inventory (SF)	Total Vacancy Rate	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	INDUSTRIAL Asking Rent (Price/SF)	FLEX Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Dorchester	7,804,772	4.6%	4.2%	112,640	112,640	\$10.56	\$13.04	\$11.45
Downtown (CBD)	789,154	6.4%	6.9%	-	-	\$15.00	\$35.00	\$16.55
East Charleston / Mt. Pleasant	1,295,898	2.2%	4.0%	-18,943	-18,943	\$10.97	-	\$10.97
Greater Charleston	8,040,408	5.3%	6.9%	19,784	19,784	\$6.87	\$12.27	\$7.46
James Island	616,948	13.9%	13.9%	-11,500	-11,500	\$16.00	-	\$16.00
North Charleston	29,750,512	9.6%	10.2%	-252,519	-252,519	\$5.41	\$14.87	\$6.41
Outlying Berkeley County	23,612,309	11.6%	12.3%	157,555	157,555	\$4.52	\$9.50	\$4.64
West Charleston	773,903	0.5%	0.5%	8,620	8,620	\$10.50	\$14.55	\$12.72
Total Market	72,683,904	9.0%	9.8%	15,637	15,637	\$5.19	\$13.38	\$5.82

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
	9801 US-78 Hwy	North Charleston	Move-In	250,000
East Light Academy	2325 Charleston Regional Pky	Greater Charleston	Move-In	50,000
Idea, LLC	4450 Goer Dr	North Charleston	Move-In	43,855

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
2550 Highway 52	Outlying Berkeley County	\$9,000,000	\$44.67	201,500
2144 Melbourne St	North Charleston	\$1,400,000	\$21.54	65,000

**SOUTH CAROLINA
1Q18 LABOR STATISTICS**

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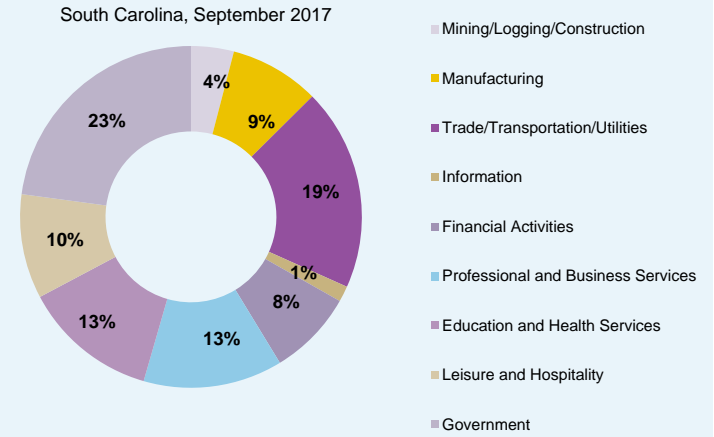
ECONOMIC CONDITIONS

Unemployment in South Carolina has increased from 3.9% in August 2017 to 4.3% in January 2018. The national average for unemployment has held steady at 4.1%. Trade, government and professional services continue to dominate the state's employment sectors.

South Carolina was ranked Business Facilities' 2017 State of the Year. The magazine, which has targeted corporate site selectors and economic development professionals for more than 50 years, cited Samsung's new \$380.0-million home appliance plant in Newberry County, along with BMW and Volvo's expansions, which have catapulted South Carolina to one of the top places to do business in the country.

South Carolina brought in 157 economic development projects and \$5.2 billion in capital investment in 2017. This was also the state's eighth consecutive year of record-setting total export sales.

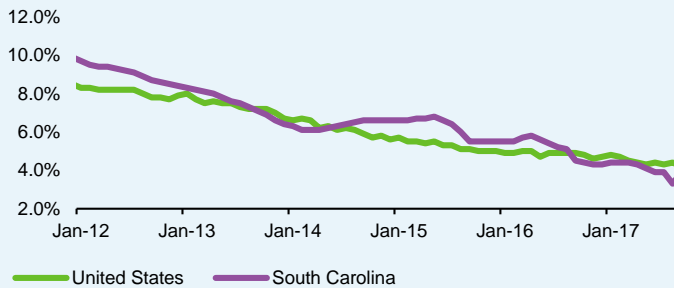
Employment By Industry



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

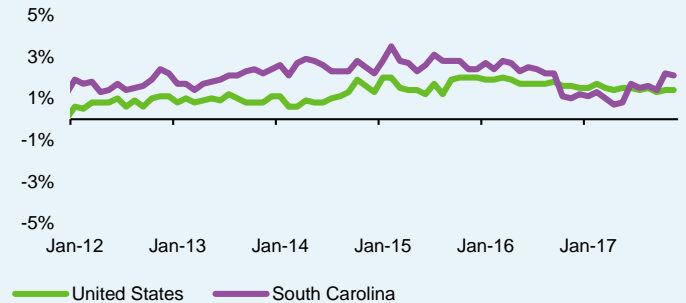
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

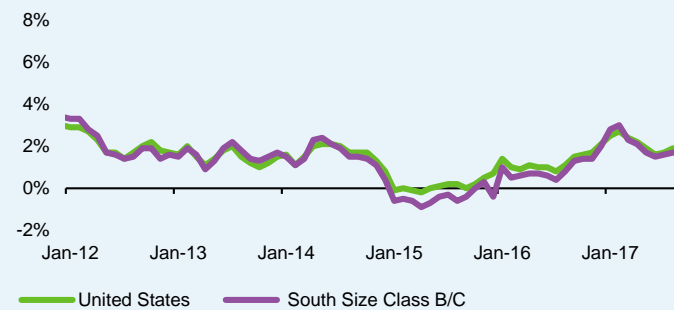
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

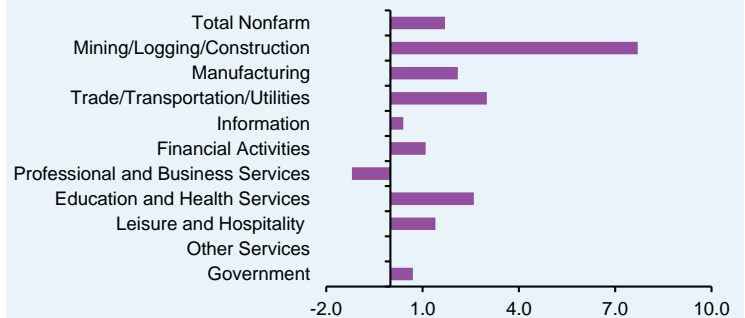
All Items, 12-Month % Change, Not Seasonally Adjusted



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

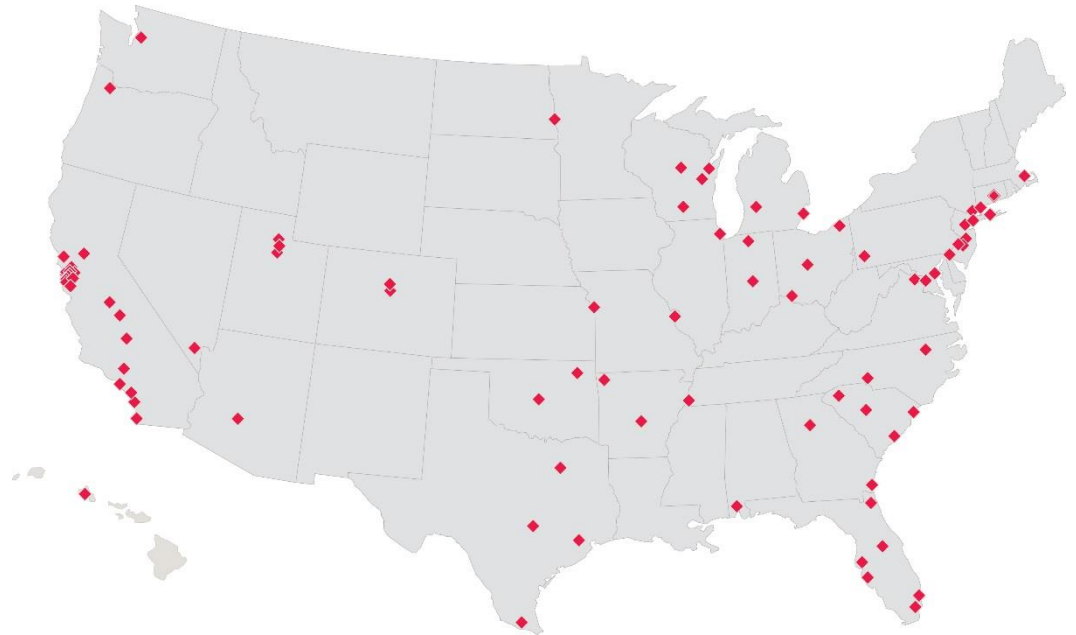
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