

CHARLESTON
1Q18 OFFICE MARKET

CHARLESTON ECONOMY HAS GROWN AT FASTER RATE THAN ANY OTHER SC METROPOLITAN AREA

The Southeast has experienced double-digit population growth and positive job growth in the past five years. In Charleston County, that trend follows with a population growth of 11.0% and a staggering job growth rate of 26.2%, (compared with 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, particularly in the Central Business District, where vacancy holds steady at 4.0%.

Office users facing CBD rates averaging \$36.32/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 with 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. The first phase delivered this quarter.

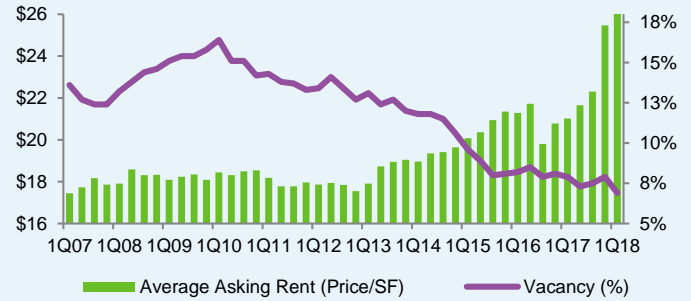
Further down Huger Street and in the center of "Silicon Harbor," a three-story shell office building at 229 Huger Street is being converted into what is being dubbed the "Anniston Building." The building will feature 11,025 square feet of office space and is set to deliver in April. In response to growing 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 last quarter on the Gateway Mount Pleasant project at 235 Magrath Darby Boulevard. 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 third-quarter 2018.

Current Conditions

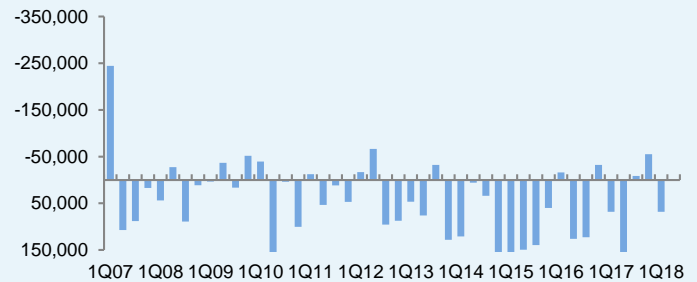
- Class A vacancy: 8.9% - \$27.79/SF
- Class B vacancy: 7.5% - \$24.37/SF
- Class C vacancy: 1.5% - \$26.85/SF
- CBD direct asking rates up to \$36.32/SF
- Asking rates continue to rise at \$27.40/SF across classes

Market Analysis

Asking Rent and Vacancy



Net Absorption
Square Feet



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	17.8MSF	17.4MSF	17.3MSF	↑
Vacancy Rate	6.9%	7.9%	7.9%	↓
Quarterly Net Absorption	300,610	-55,034	68,274	↑
Average Asking Rent	\$27.40	\$25.47	\$21.02	↑

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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	7.5%	10.0%	-12,312	-12,312	\$26.22	-	\$26.22
Downtown - CBD	4,092,853	4.0%	3.9%	-30,061	-30,061	\$37.61	\$25.35	\$35.41
E Charleston / Mt. Pleasant	2,249,438	6.7%	9.7%	-15,651	-15,651	\$29.41	\$28.00	\$29.21
Greater Charleston	3,145,543	9.6%	13.2%	961	961	\$26.27	\$23.00	\$25.80
North Charleston	6,627,923	6.4%	6.8%	378,927	378,927	\$24.49	\$22.13	\$24.36
Outlying Berkley County	948,136	11.2%	11.2%	-	-	\$19.91	-	\$19.91
Suburban Total	13,683,393	7.6%	9.3%	351,921	351,921	\$25.04	\$23.95	\$24.92
CBD Total	4,092,853	4.0%	3.9%	-30,061	-30,061	\$37.61	\$25.35	\$35.41
Market	17,776,246	6.8%	8.0%	321,860	321,860	\$27.74	\$24.41	\$27.36

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Synter Resource Group	5935 Rivers Ave.	North Charleston	Renewal	27,906
	4401 Leeds Place W	North Charleston	Move-In	25,000
Peoplease Corporation	210 Wingo Way	Mount Pleasant	Renewal	17,559
	3955 Faber Place Dr.	North Charleston	Move-In	8,998

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
4400 Leeds Ave.	North Charleston	\$36,400,000	\$291.20	125,000
3600 Rivers Ave.	North Charleston	\$33,000,000	\$73.23	450,608
3450 Ingleside Blvd.	North Charleston	\$21,100,000	\$263.75	80,000
284 King St.	Downtown Charleston	\$5,055,000	\$585.75	1,832

SOUTH CAROLINA
1Q18 LABOR STATISTICS

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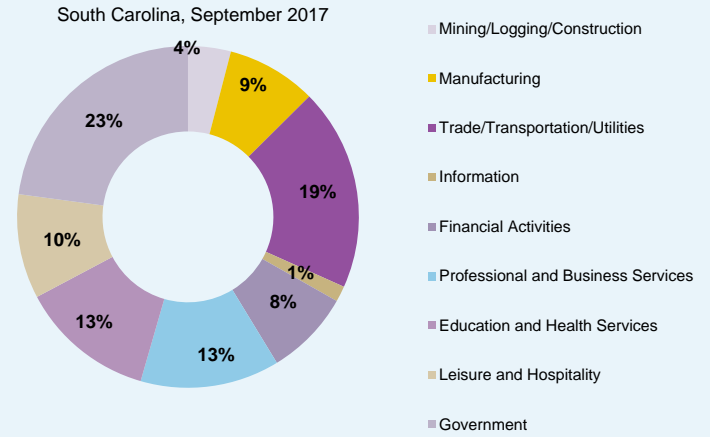
ECONOMIC CONDITIONS

Unemployment in South Carolina has risen 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, as companies continue to migrate into and grow with South Carolina.

South Carolina was ranked *Business Facilities* magazine's 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 million home appliance plant in Newberry County, along with BMW and Volvo's expansions that have catapulted South Carolina to one of the top places to do business in the country.

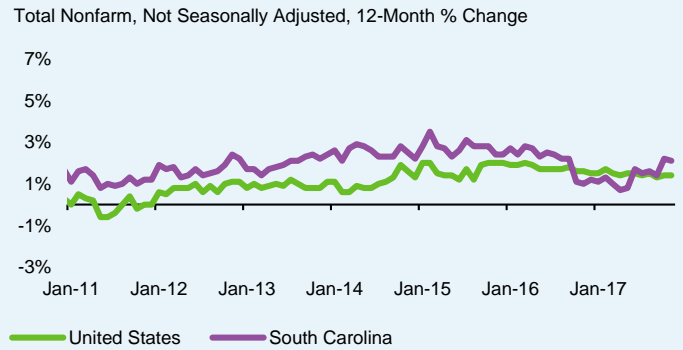
South Carolina brought in 157 economic development projects and \$5.2 billion in capital investment in 2017. This was also the state's eighth consecutive year of record-setting total export sales. The SC Export Incentives Program, which reimburses small and midsize businesses that participate in trade missions and exhibitions, has been credited with encouraging the state's steady export growth, 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.

Employment By Industry



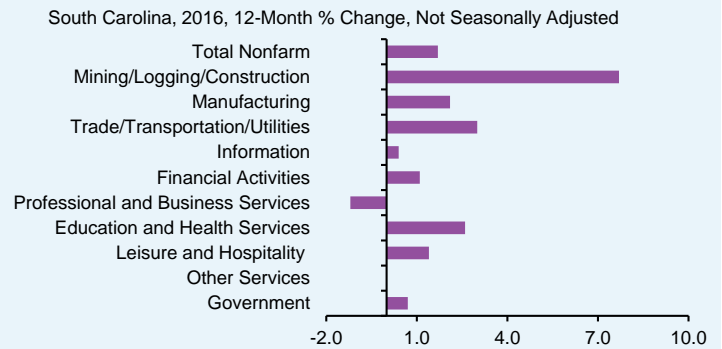
Source: U.S. Bureau of Labor Statistics

Payroll Employment



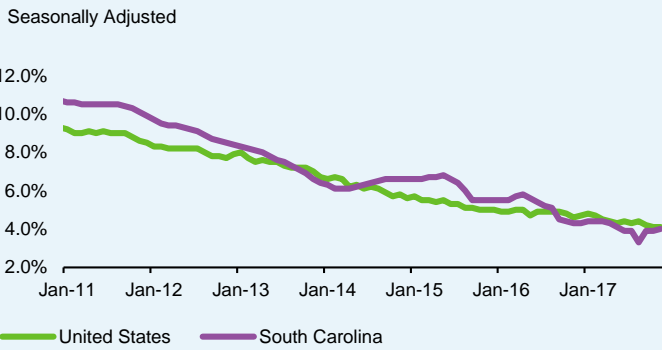
Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry



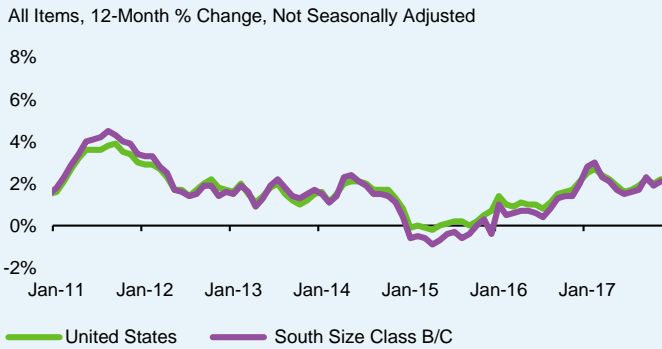
Source: U.S. Bureau of Labor Statistics

Unemployment Rate



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)



Source: U.S. Bureau of Labor Statistics

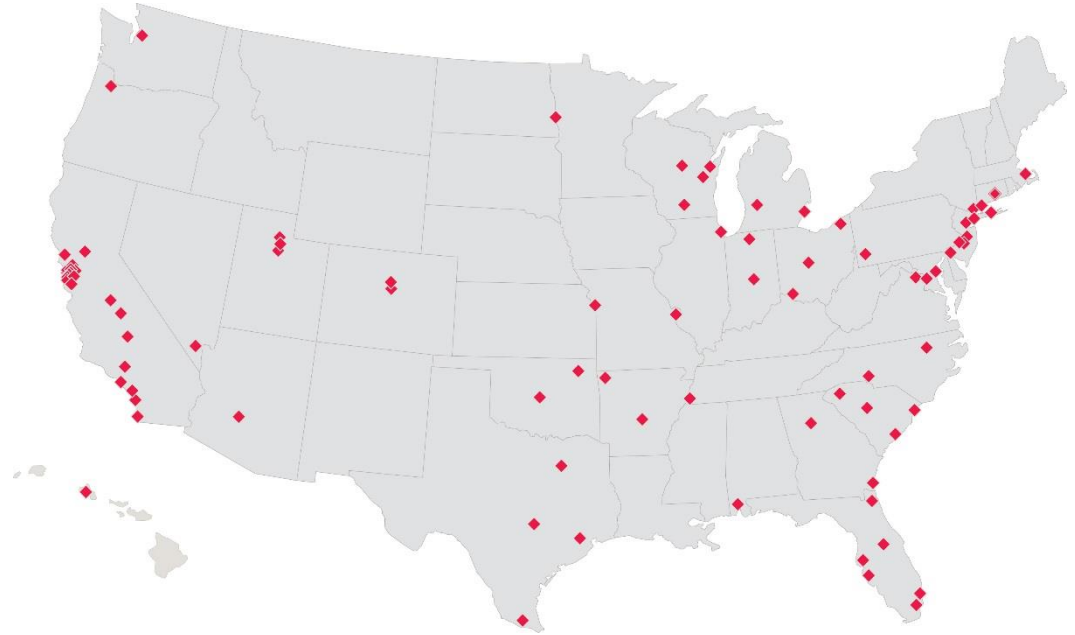
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