

CHARLESTON OFFICE MARKET

Economy Enters the Second-Longest Expansion on Record

As the midpoint of 2018 approaches, the economy has just passed a significant milestone: This is now officially the second-longest expansion on record. In fact, the stimulus of federal tax reform has increased the probability that this economic upturn could result in the longest expansion in history. Market fundamentals are strong and commercial real estate is performing well this year, but caution still abounds. The latest forecasts predict that the cycle will not turn until as late as 2020 or 2021.

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 has reached an all-time low of 3.0%.

According to the Bureau of Labor Statistics, Charleston's office-using sectors of employment, which include professional and business services, information, financial activities, other services and government, have grown by nearly 9.4% from April 2017 to April 2018. The largest area of growth in Charleston can be seen in the information sector—where most tech companies would be categorized—which grew by 10.3% during that same period.

Charleston has quietly become the number-one mid-sized U.S. metro area for IT job growth, adding 4,000 new tech jobs in the past five years, according to the Bureau of Labor Statistics. Silicon Harbor is home to more than 250 companies employing 11,000 people. Tech jobs account for 5.0% of the market's payroll and about 3.0% of jobs in the region.

Blackbaud, the leading provider of software and services for the global philanthropic community and the world's 24th largest software company, unveiled phase one of its new world headquarters on Daniel Island in June. The 172,000-square-foot, state-of-the-art workplace and innovation center is located at the intersection of Fairchild Street and Central Island Street and is LEED certified. The largest publicly traded software company headquartered in South Carolina, Blackbaud had announced plans in 2016 to create 300 additional high-tech jobs over the next five years.

CURRENT CONDITIONS

Charleston's CBD office vacancy has reached an all-time low of 3.0%

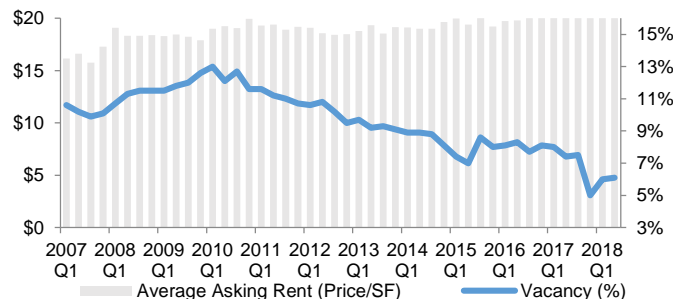
50,083 square feet was positively absorbed in the second quarter of 2018

Charleston's office-using sectors have grown nearly 9.4% from April 2017 to April 2018, with the information sector seeing the most growth

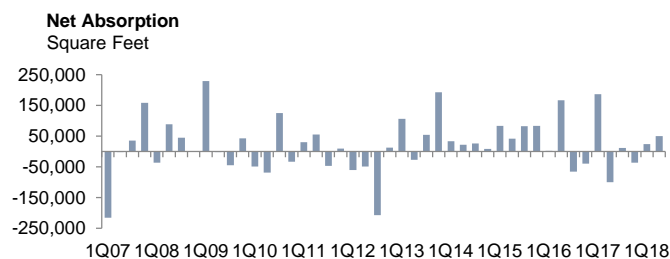
MARKET ANALYSIS

Asking Rent and Availability

Asking Rent and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	17.7 MSF	17.6 MSF	17.5 MSF	↑
Vacancy Rate	6.1%	6.3%	7.0%	↓
Quarterly Net Absorption	50,083	-130,881	211,125	↑
Average Asking Rent	\$21.96	\$21.88	\$22.47	↑

SUBMARKET STATISTICS

	Total Inventory (SF)	Total Availability Rate	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Dorchester	710,269	9.4%	8.4%	-8,220	-18,052	\$18.69	-	\$18.69
Downtown (CBD)	4,057,573	3.9%	3.0%	38,585	-3,662	\$33.67	\$36.58	\$33.89
E Charleston/Mt. Pleasant	2,200,309	8.1%	6.7%	-4,874	-37,245	\$27.00	\$25.00	\$27.12
Greater Charleston	3,032,594	10.6%	9.5%	-53,899	-76,276	\$23.11	\$23.11	\$23.16
James Island	140,716	-	-	-	-	-	-	-
North Charleston	6,616,653	8.2%	6.7%	-19,508	-43,558	\$18.86	\$21.37	\$18.89
Outlying Berkeley County	973,136	12.1%	11.1%	97,999	97,995	\$19.72	-	\$19.72
Suburban Total	13,673,677	9.0%	9.0%	11,498	-77,136	\$20.39	\$23.34	\$20.59
CBD Total	4,057,573	3.9%	3.0%	38,585	-3,662	\$33.67	\$36.58	\$33.89
Total Market	17,731,250	7.8%	6.1%	50,083	-80,798	\$21.73	\$25.00	\$21.96

LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
	4401 Belle Oaks	North Charleston	New	21,105
Infrastructure Consulting & Engineering	115 Fairchild Street	Greater Charleston	New	11,640
Student Transportation of America	880 Island Park Drive	Greater Charleston	New	11,000
Motley Rice	28 Bridgeside Boulevard	East Islands/Mt Pleasant	New	10,800

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
838 Morrison Drive*	Downtown Charleston	\$9,100,000	\$1,078.33	8,439
735 Johnnie Dodds Boulevard	East Islands/Mt Pleasant	\$7,800,000	\$260.00	30,000
1200 Two Islands Court	East Islands/Mt Pleasant	\$5,000,000	\$412.75	12,114

*The 8,439-square-foot building on ±7.2 acres was previously owned by the State Ports Authority and will be redeveloped into a hotel

Economic Conditions

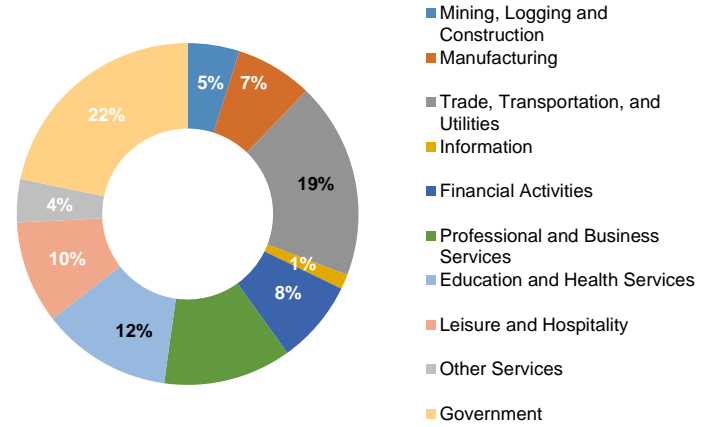
Unemployment in South Carolina remains low at 4.2% as of April 2018. The national average for unemployment currently sits at 3.9%. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

South Carolina was ranked Business Facilities' 2017 State of the Year. The magazine cited Samsung's new, \$380.0 million home appliance plant in Newberry County as well as BMW's 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. 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

South Carolina, 2017

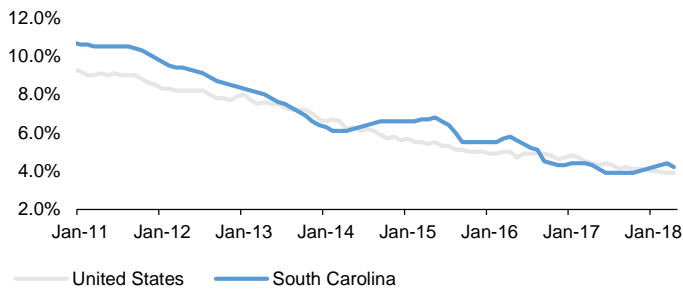


Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

Not Seasonally Adjusted

Seasonally Adjusted

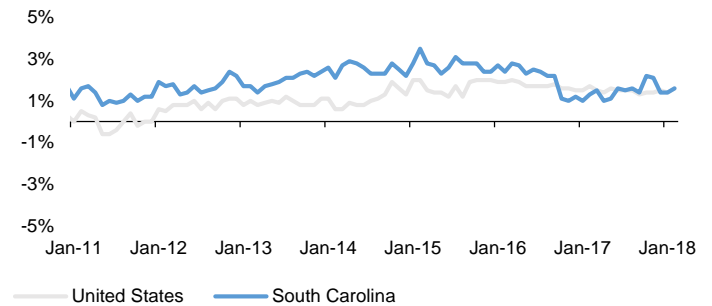


Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

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

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

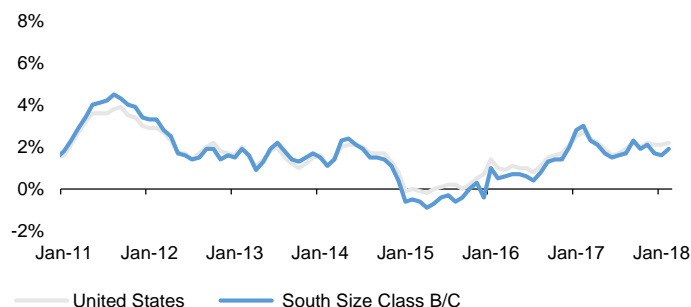


Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

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

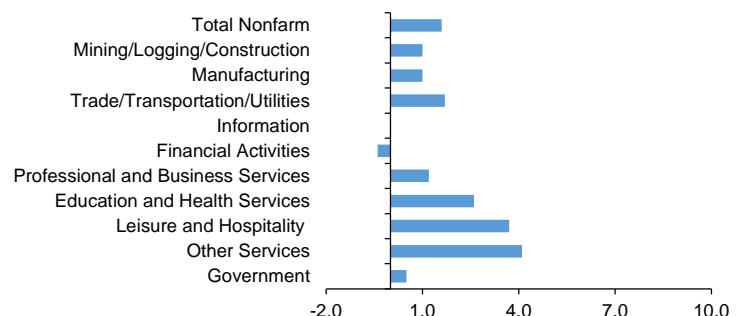
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

South Carolina, April 2018, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics



ALYSE HOWARD

Marketing & Research Director

803.255.8611

Alyse.howard@wilsonkibler.com

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