

CHARLESTON OFFICE MARKET

ECONOMY ON TRACK FOR LONGEST EXPANSION

The U.S. economy has now officially entered the second-longest economic 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, a milestone set to occur July 2019. 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 that of 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 grew 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, grew by nearly 9.4% from April 2017 to April 2018. The fastest-growing sector was information. That sector, which includes most of the tech companies in Charleston, grew by 10.3% during the 12 months ending in April 2018.

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%

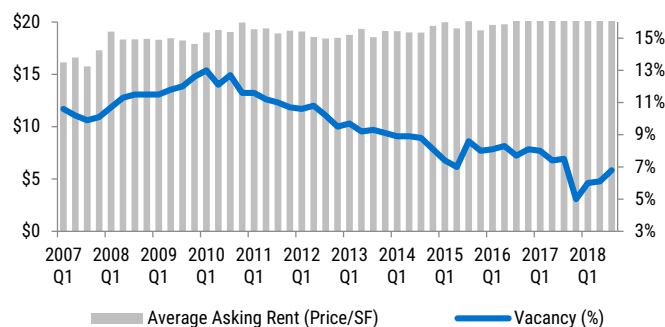
224,015 square feet was positively absorbed in the third quarter of 2018

CBD rates continue to rise, coming in at \$35.27/SF

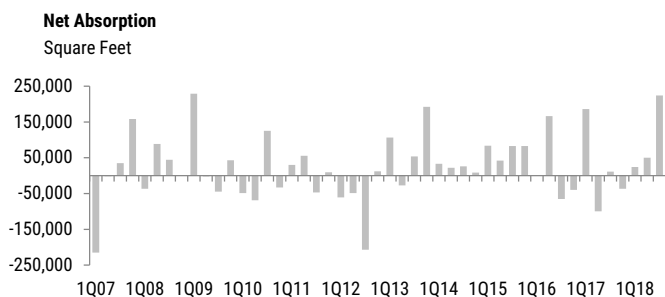
MARKET ANALYSIS

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	17.8 MSF	17.7 MSF	17.6 MSF	↑
Vacancy Rate	6.8%	6.1%	7.3%	↓
Quarterly Net Absorption	224,015	50,083	21,227	↑
Average Asking Rent	\$26.98	\$21.96	\$24.32	↑

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	691,969	6.6%	7.2%	3,806	-11,246	\$20.98	-	\$20.98
Downtown (CBD)	4,018,660	4.1%	3.0%	-12,691	-8,509	\$35.01	\$36.72	\$35.27
E Charleston/Mt. Pleasant	2,168,309	8.9%	7.3%	-5,429	-35,848	\$26.64	\$28.00	\$26.88
Greater Charleston	3,148,730	13.6%	10.9%	-111,828	-43,868	\$26.10	\$23.15	\$25.59
James Island	140,716	-	-	-	-	-	-	-
North Charleston	6,655,537	8.3%	7.1%	336,079	308,547	\$26.17	\$20.79	\$25.93
Outlying Berkeley County	985,981	10.8%	6.4%	14,078	142,909	\$28.50	-	\$28.50
Suburban Total	13,791,242	9.6%	7.9%	236,706	360,494	\$26.29	\$23.69	\$25.98
CBD Total	4,018,660	4.1%	3.0%	-12,691	-8,509	\$35.01	\$36.27	\$35.27
Total Market	17,809,902	8.4%	6.8%	224,015	351,985	\$27.19	\$25.42	\$26.98

LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Ingevity	4401 Belle Oaks	North Charleston	Renewal	25,449
Charleston Executive Offices	201 Sigma Dr	Outlying Berkeley County	New	9,928

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
496 Bramson Ct	Mt. Pleasant	\$2,525,000	\$239.96	11,120

*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

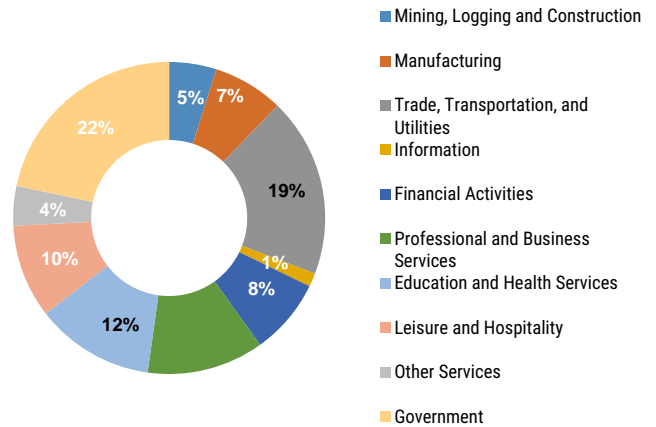
Unemployment in South Carolina remains low at 3.4% as of August 2018, even lower than the national unemployment which came in at 3.9%. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

As South Carolina approaches full employment, labor shortages constitute the largest hurdle to continued expansion. Various workforce training programs exist to promote workforce development in the state. One such program, readySC, offers customized training for new or expanding businesses in South Carolina at little or no cost to qualifying companies.

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

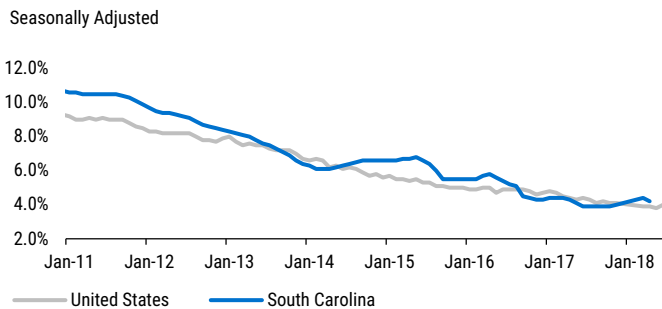
South Carolina, 2017



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

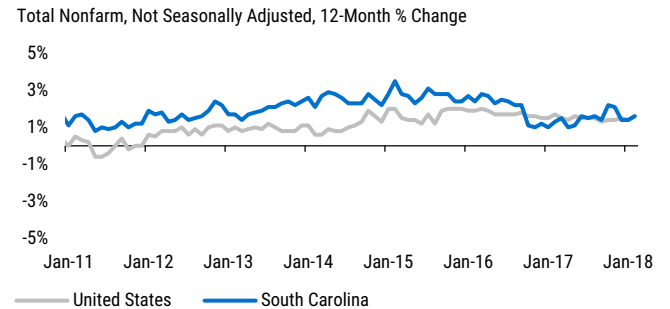
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

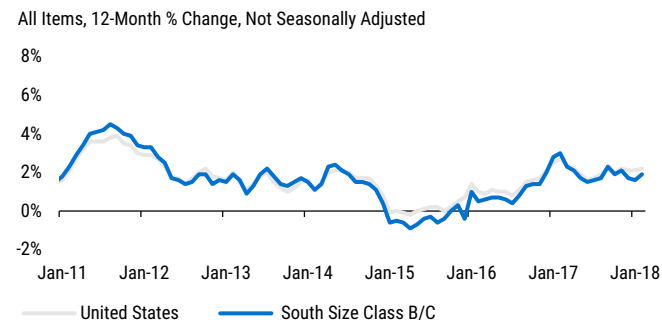
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

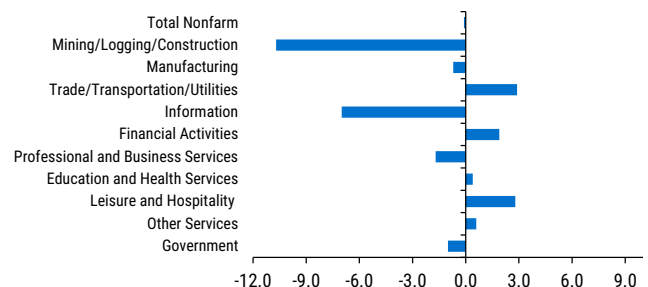
All Items, 12-Month % Change, Not Seasonally Adjusted



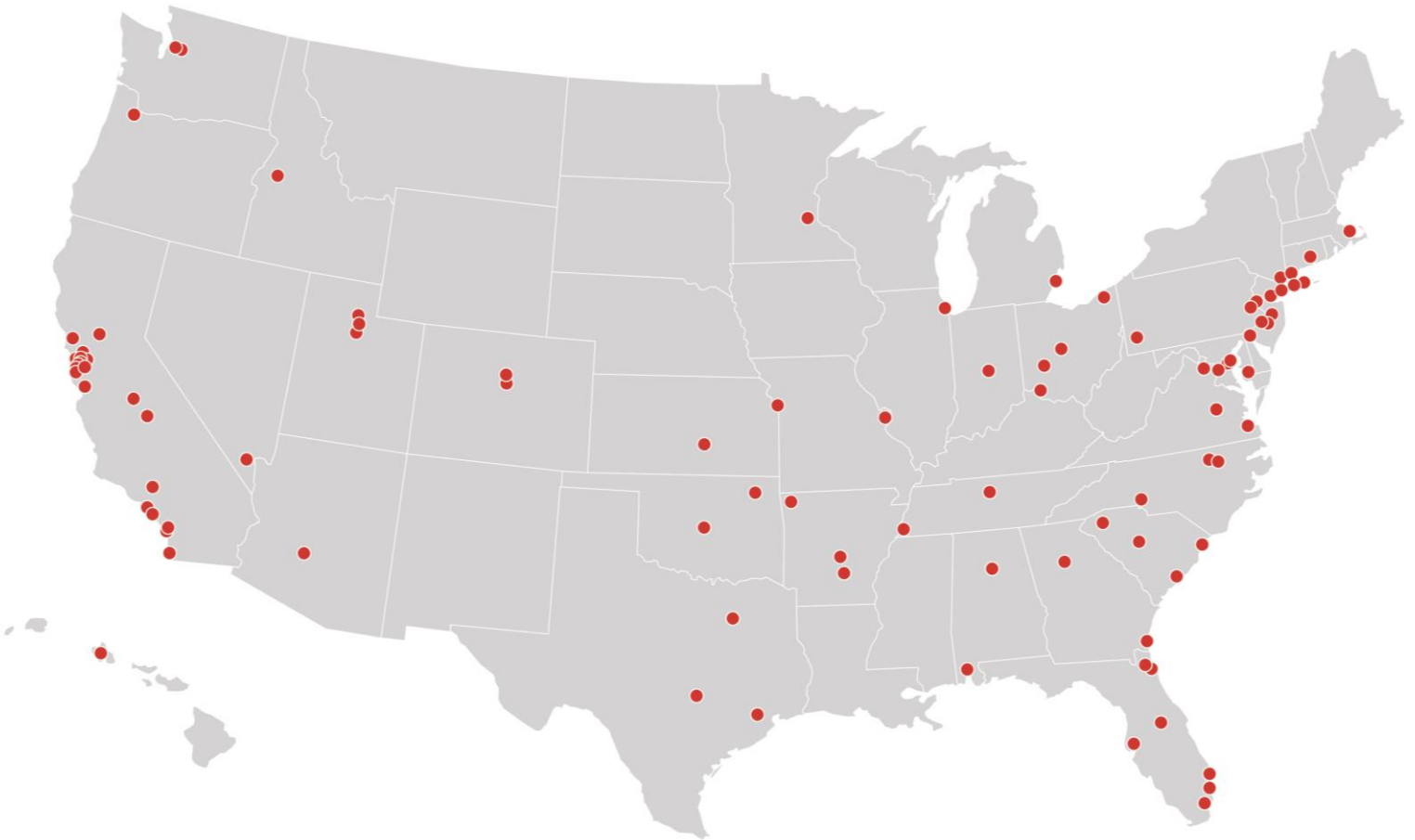
Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

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



Source: U.S. Bureau of Labor Statistics



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