

COLUMBIA INDUSTRIAL MARKET

HIGH DEMAND, LACK OF PRODUCT, AND COST OF CONSTRUCTION CREATE UNIQUE DILEMMA

The economy passed a significant milestone this year; 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 will actually result in the longest expansion in history, a milestone set to occur in July 2019. The Federal Reserve has expressed confidence in the economy by raising interest rates three times this year after keeping them at record lows to encourage growth following the financial crisis. Although the Fed must raise rates to prevent the economy from overheating as a result of the tax stimulus, it must raise them gradually in order to prevent inflation.

Several factors are leading many economists to speculate that the next downturn could happen as early as the end of 2019. The yield curve, a chart showing the interest rate paid on bonds of different maturities, has started to flatten. An inverted yield curve, which occurs when short-term interest rates are higher than long-term rates, tends to signal an upcoming recession, although it is by no means definitive or causal. Continued Federal Reserve tightening, soft credit demand and the uncertainty accompanying tariffs and the ongoing trade war are some of the factors that could encourage a downturn in the not-so-distant future.

Currently, though, market fundamentals are strong, and commercial real estate has been performing well this year. Unemployment remains near cyclical lows at 3.9% nationally and 3.4% statewide. As South Carolina approaches full employment, labor shortages constitute one of the largest hurdles to continued expansion, and many sectors, particularly construction, continue to struggle to find workers. Eighty percent of construction firms are struggling to fill the hourly positions that employ the bulk of the workforce. After the recession, many construction workers left the profession and did not return. Now, too few new people are entering the industry, and many of the workers are starting to age out.

The Columbia market currently faces a unique dilemma: users are looking to purchase while the economy is still positive, while owners would prefer to find long-term tenants. Construction costs are at an all-time high because of the aforementioned worker shortage, with new construction costing as much as \$91/SF for a 20,000-square-foot

CURRENT CONDITIONS

Vacancy is down to 7.0%

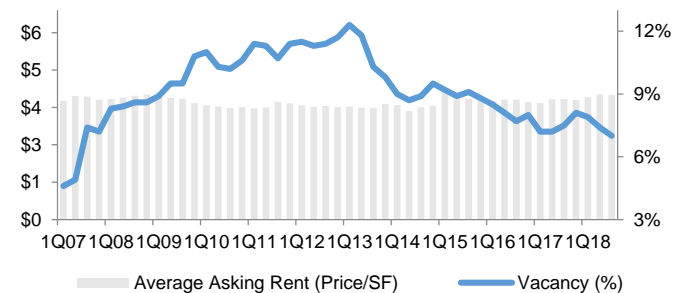
200,866 square feet positively absorbed in third-quarter 2018

Average asking rates across the market are up 5.5% from last year

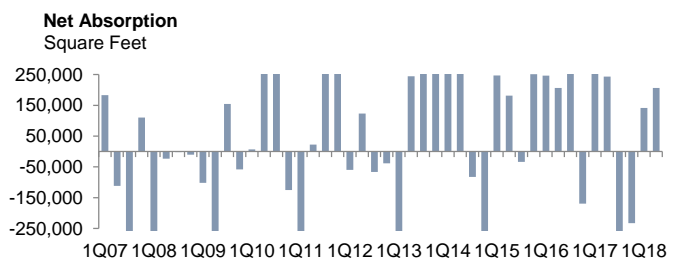
MARKET ANALYSIS

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	61.03 MSF	61.03 MSF	60.75 MSF	↑
Vacancy Rate	7.0%	7.4%	7.4%	↓
Quarterly Net Absorption	200,866	206,685	-236,677	↑
Average Asking Rent	\$4.17	\$4.19	\$3.94	↑

warehouse. The cost of new construction is stifling, even in light of current demand. The 200,000-square-foot Midway Logistics III building in the Cayce/West Columbia was the only significant delivery of the quarter. The building is now fully leased.

The lack of speculative construction would certainly work in the market's favor if the economy were to turn in the near future, thereby avoiding an oversupply like that of the Great Recession.

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)
Cayce/West Columbia	16,117,086	4.8%	6.0%	79,158	-214,398	\$4.70	\$3.87	\$4.54
Downtown (CBD)	697,321	9.7%	11.0%	-	7,337	\$4.45	\$15.31	\$5.75
Dutch Fork / Irmo	1,218,178	2.4%	3.8%	-	17,555	\$5.78	\$6.79	\$6.37
Fairfield County	2,465,303	41.5%	48.6%	-	27,550	\$2.37	-	\$2.37
Forest Acres	161,618	0.0%	0.0%	-	-	-	-	-
Kershaw County	6,982,365	1.5%	2.0%	-	282,087	\$2.53	-	\$2.53
Lexington	5,967,825	0.8%	1.2%	-16,300	-8,592	\$5.40	\$6.34	\$5.62
North Columbia	3,795,583	6.0%	8.4%	24,460	53,530	\$4.14	\$5.02	\$4.21
Northeast Columbia	8,484,457	12.9%	13.0%	87,178	-95,141	\$3.85	\$6.16	\$4.07
Saluda County	600,931	14.7%	14.7%	-	-13,200	-	-	-
Southeast Columbia	12,854,748	6.0%	8.4%	13,200	760,928	\$3.93	\$7.50	\$4.00
Saint Andrews	1,688,691	3.4%	4.3%	13,170	2,775	-	\$6.93	\$6.93
Market	61,034,106	7.0%	8.5%	200,866	820,431	\$4.06	\$5.04	\$4.17

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Garden State Lumber	Midway Logistics II – 810 Bistline	Cayce/West Columbia	New	170,000
Belk, Inc.	Carolina Pines II – 110 Belk Ct	Northeast Columbia	New	151,200

SELECT SALES TRANSACTIONS

Building	Submarket	Sales Price	Price/SF	Square Feet
7 Sunbelt Ct	North Columbia	\$1,350,000	\$39.47	34,200
751 Old Clemson Rd	Northeast Columbia	\$750,000	\$14.07	53,286
104 N Shorecrest	Southeast Columbia	\$425,000	\$37.28	11,400

Economic Conditions

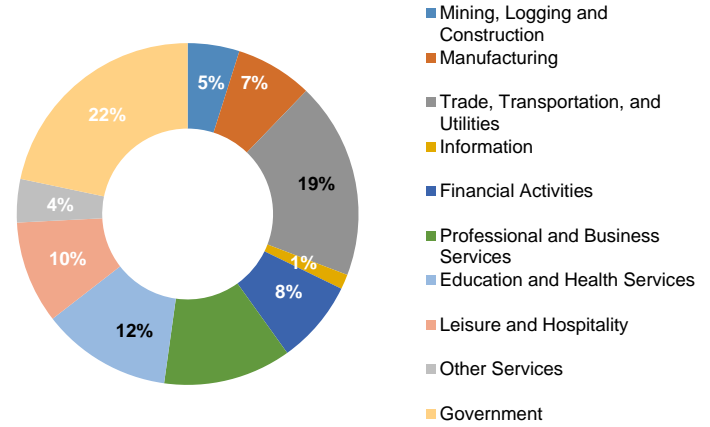
Unemployment in South Carolina remains low at 3.4% as of August 2018. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

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.

South Carolina brought in \$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

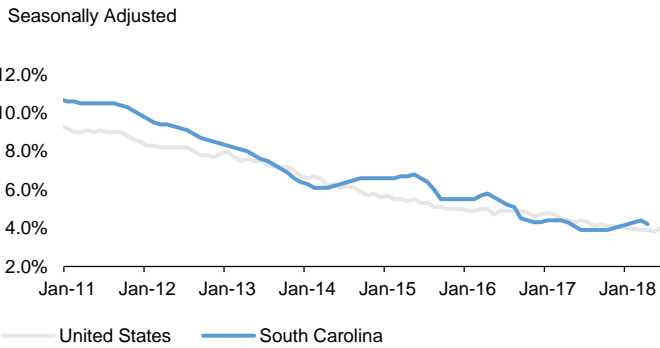
South Carolina, 2017



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

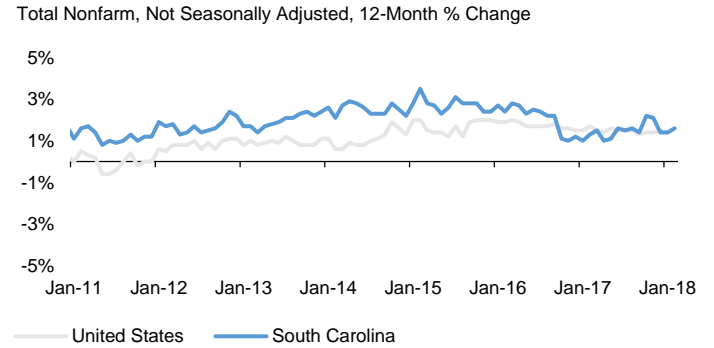
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

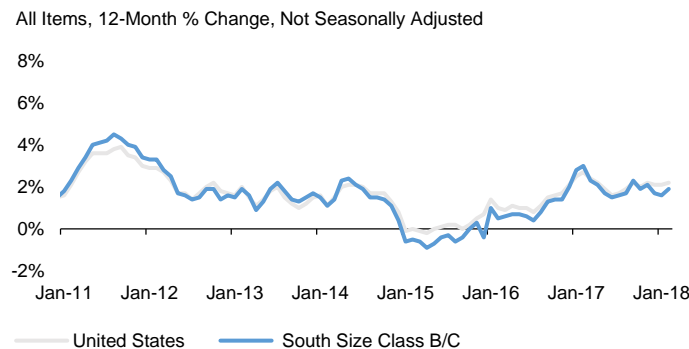
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

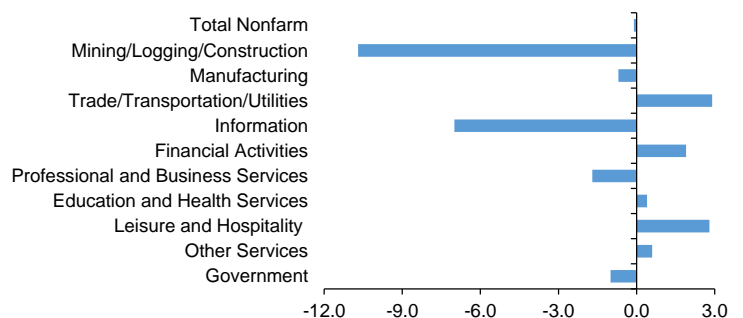
All Items, 12-Month % Change, Not Seasonally Adjusted



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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