

# COLUMBIA INDUSTRIAL MARKET

## HESITANCY IN THE ECONOMY CONTINUES WHILE COLUMBIA MARKET SEES GROWTH

Following a drop in GDP Growth from 4% in the second quarter of 2018 to 2.2% in the fourth quarter, the U.S. economy seemed to have rebounded as GDP estimates for 2019's first quarter reflected 3.2% growth. By the end of the second quarter, forecasters started to offer less optimistic predictions following the release of national market data, including reports of lower industrial production and retail sales in April. Further, the Federal Reserve's industrial index dropped for the third time in recent months. Uncertainty about the economy and recent tariffs, as well as an extremely tight labor market, have investors operating with hesitancy, often spending on necessary operation costs while forgoing larger investment projects— at least for the time being.

As one of the top eight states most affected by tariffs levied by the U.S. and China, SC is particularly interested in international trade relations and tariffs. The Palmetto State is America's fourteenth-largest exporter, shipping \$34.6 billion of goods around the globe in 2018— a 7.6% increase from 2017 to 2018. The state's exported products represented 14.8% of the state's total economic output or real Gross Domestic Product the same year. This translates to roughly \$6,800 for every resident. China, the chief target of U.S. tariffs, is the number one destination for SC exports.

Further, SC leads the nation in the percentage of jobs linked to non-U.S. based enterprises at 8.2%. More than 710 international employers and nearly 1,200 operations exist across the state. These companies employ nearly 132,000 residents in jobs that typically pay, on average, 26% more than the national private-sector average. 74,600 of those workers— 53% of all foreign direct investor jobs in the state— are in the manufacturing sector.

Through the end of May, the SC Commerce Department announced 14 advanced manufacturing investments in the state on its website – 10 new businesses and four expansions— compared to 32 announcements by the agency during the same period in 2018.

Several projects in the Columbia market are on hold, including the fiberglass manufacturer China Jushi's plan to create a second production line. The company cited the inability to get equipment needed without incurring additional cost as the reason for delaying 400 related jobs "possibly indefinitely." The company continues to request tariff exemptions from the U.S. Trade Department for the necessary equipment.

Columbia-neighbor Orangeburg County has reported that site selectors are still doing prep work so they'll be ready to go if and when the tariffs are repealed, with several of those investments topping \$100 million. Interest in Orangeburg County, overall, has been positive so far this year, in spite of recent hurdles. The County has seen a 52% increase in economic development interest so far this year, when compared to 2018.

### CURRENT CONDITIONS

Vacancy down to 5.1% compared to 7.1% one year ago

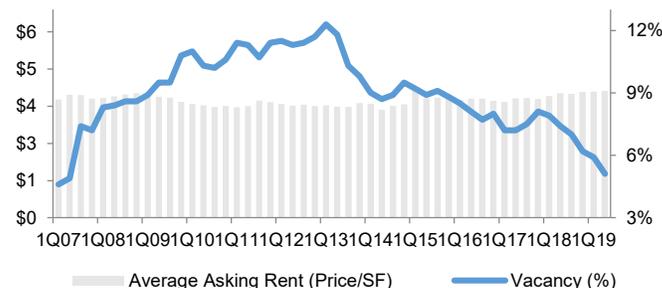
Quarterly absorption was a positive 446,250 SF, bringing the year-to-date absorption up to 645,382 SF

Average rents have risen 11.23% in the last three years, up to \$4.26 from \$3.83 in the second quarter of 2016.

### MARKET ANALYSIS

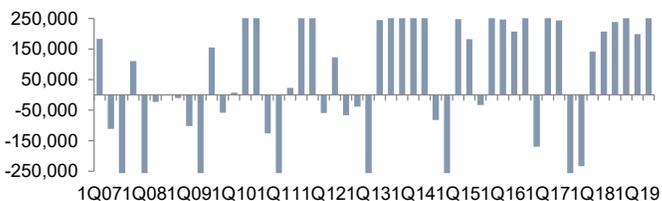
#### Asking Rent and Availability

Asking Rent and Vacancy



#### Net Absorption (SF, Millions)

Net Absorption Square Feet



### MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	62.4 MSF	62.4 MSF	62.2 MSF	↑
Vacancy Rate	5.1%	5.9%	7.1%	↔
Quarterly Net Absorption	463,250	199,132	451,276	↔
Average Asking Rent	\$4.26	\$4.24	\$4.19	↑

Businesses that are already faced with full employment and a lack of skilled workers – the local economy’s largest hurdle to economic growth– will continue to wait out trade disputes and uncertainty in the White House. This hesitancy isn’t necessarily a bad thing. One large factor in creating a downturn is a glut in speculative investment. Economists and investors will continue to watch market fundamentals and indicators closely for the time being.

Despite trade concerns, the Columbia industrial market continues to reflect growth at the end of the second quarter.

Vacancy is down to 5.1% compared to 7.1% one year ago and average rents have risen nearly 11.23% since 2016. New construction remains low at a mere 45,000 SF in the last three quarters, as the market continues to face a shortage of construction workers and the state of the economy remains uncertain. In a sign of resiliency, though, nearly 645,382 SF has been positively absorbed so far this year. In May, Juul Labs, Inc., an electronic cigarette and vapor refill manufacturer headquartered in San Francisco, announced a capital investment of \$125,000,000 and 500 jobs in Lexington County, proving the market is still on the radar to large manufacturers and distributors, both domestic and international.

## 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	16,304,081	3.6%	3.5%	151,038	250,364	\$4.89	\$5.84	\$4.94
Downtown (CBD)	605,953	7.3%	7.3%	-44,100	-39,100	\$4.25	\$13.80	\$5.22
Dutch Fork / Irmo	1,219,274	4.0%	4.0%	1,650	-10,085	\$5.25	\$7.00	\$6.39
Fairfield County	2,391,323	5.7%	4.5%	657,732	657,732	\$3.26	-	\$3.26
Forest Acres	168,142	0.0%	0.0%	-	-	-	-	-
Kershaw County	7,012,906	3.0%	3.4%	-2,000	-90,250	\$2.82	\$4.50	\$3.03
Lexington	5,990,193	2.4%	3.5%	-114,331	-118,869	\$4.85	\$7.75	\$5.69
North Columbia	3,808,578	7.0%	8.3%	-31,356	-26,861	\$4.21	\$6.50	\$4.24
Northeast Columbia	8,734,693	13.2%	16.1%	-138,534	-278,928	\$3.77	\$6.96	\$4.17
Saluda County	600,931	12.5%	12.5%	-	-	\$1.95	-	\$1.95
Southeast Columbia	13,571,232	2.9%	4.3%	-15,704	310,704	\$3.86	\$6.93	\$4.01
Saint Andrews	1,689,811	4.6%	6.8%	-21,900	-16,080	-	\$5.66	\$5.66
<b>Market</b>	<b>62,498,713</b>	<b>5.1%</b>	<b>6.0%</b>	<b>463,250</b>	<b>662,382</b>	<b>\$4.01</b>	<b>\$6.71</b>	<b>\$4.26</b>

## SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Nelson Mullins Riley & Scarborough	103 Vantage Point Dr	Cayce/West Columbia	New	40,000
Rochester Precast	1057 Columbia Rd	Fairfield County	New	28,025

## SELECT SALES TRANSACTIONS

Building	Submarket	Sales Price	Price/SF	Square Feet
4400 12 <sup>th</sup> Street Ext – Amazon Fulfillment Center	Cayce/West Columbia			1,016,148
1087-1115 Shop Rd – Colonial Warehouse	Southeast Columbia	\$4,587,500	\$17.21	266,488

## Economic Conditions

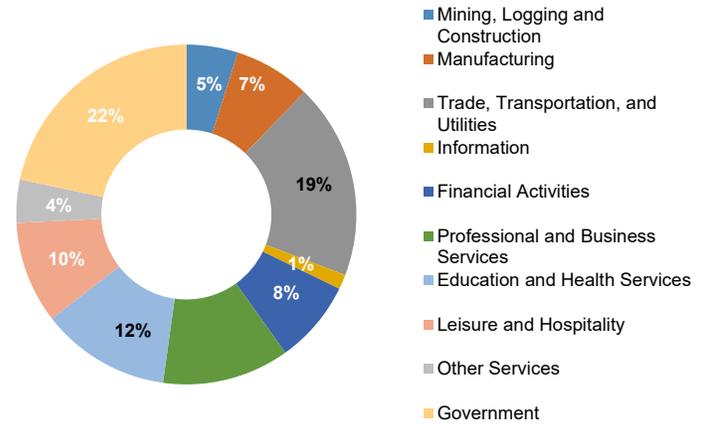
Unemployment in South Carolina remains below the national employment rate of 3.7% at 3.5% as of July 2019. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

South Carolina currently leads the nation in the percentage of jobs linked to non-U.S.-based companies. 8.2 percent of total private sector employment in South Carolina is due to foreign direct investment. In fact, foreign direct investment in South Carolina has grown 21% in the last five years, while the private sector has only seen 14% growth.

Recent newcomers to South Carolina from outside the U.S. include: Fuyao North America, Inc., one of the largest automotive glass producers worldwide, which is investing \$16.1 million in a new processing center in Greenville County; Miwon Specialty Chemical Co. USA plans to invest \$19.5 million in new production operations in Richland County; and The Quality Model Group of companies plans to expand its plastic injection molding operations in Orangeburg County in another \$9.5-million capital investment.

## EMPLOYMENT BY INDUSTRY

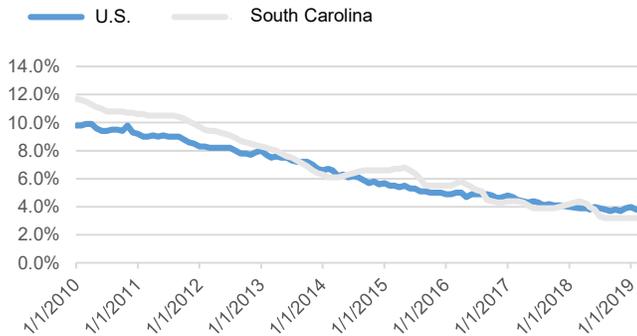
### South Carolina, 2018



Source: U.S. Bureau of Labor Statistics

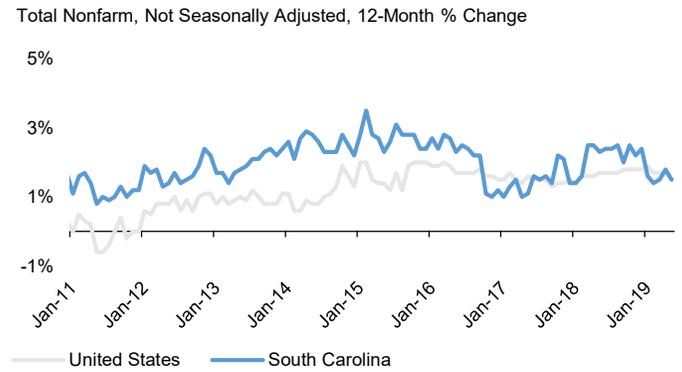
## UNEMPLOYMENT RATE

### Not Seasonally Adjusted



## PAYROLL EMPLOYMENT

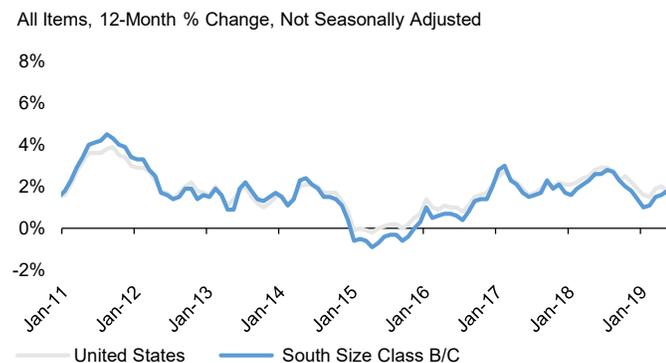
### Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## CONSUMER PRICE INDEX (CPI)

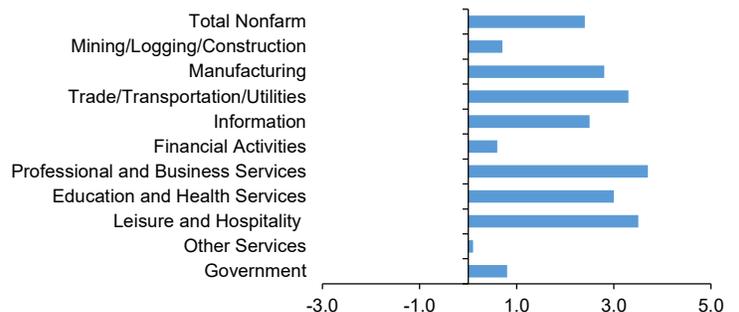
### All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## EMPLOYMENT GROWTH BY INDUSTRY

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



Source: U.S. Bureau of Labor Statistics



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