



Charleston industrial market report

Q2 2024

**AVISON
YOUNG**

Charleston industrial market trends

3.4%

High demand for small-bay industrial

Charleston's small-bay industrial properties show resilience amid rising vacancy rates, but demand has lessened for big boxes. Since 2022, nearly 80% of the new inventory delivered has been big boxes (250k+ square feet (sf)), and a mere 2% of it has been small bay (20k to 99k sf). These smaller spaces have a total vacancy rate of 3.4%, while the market's overall vacancy rate sits at 13.8%.

3.3 msf

Spike in new inventory

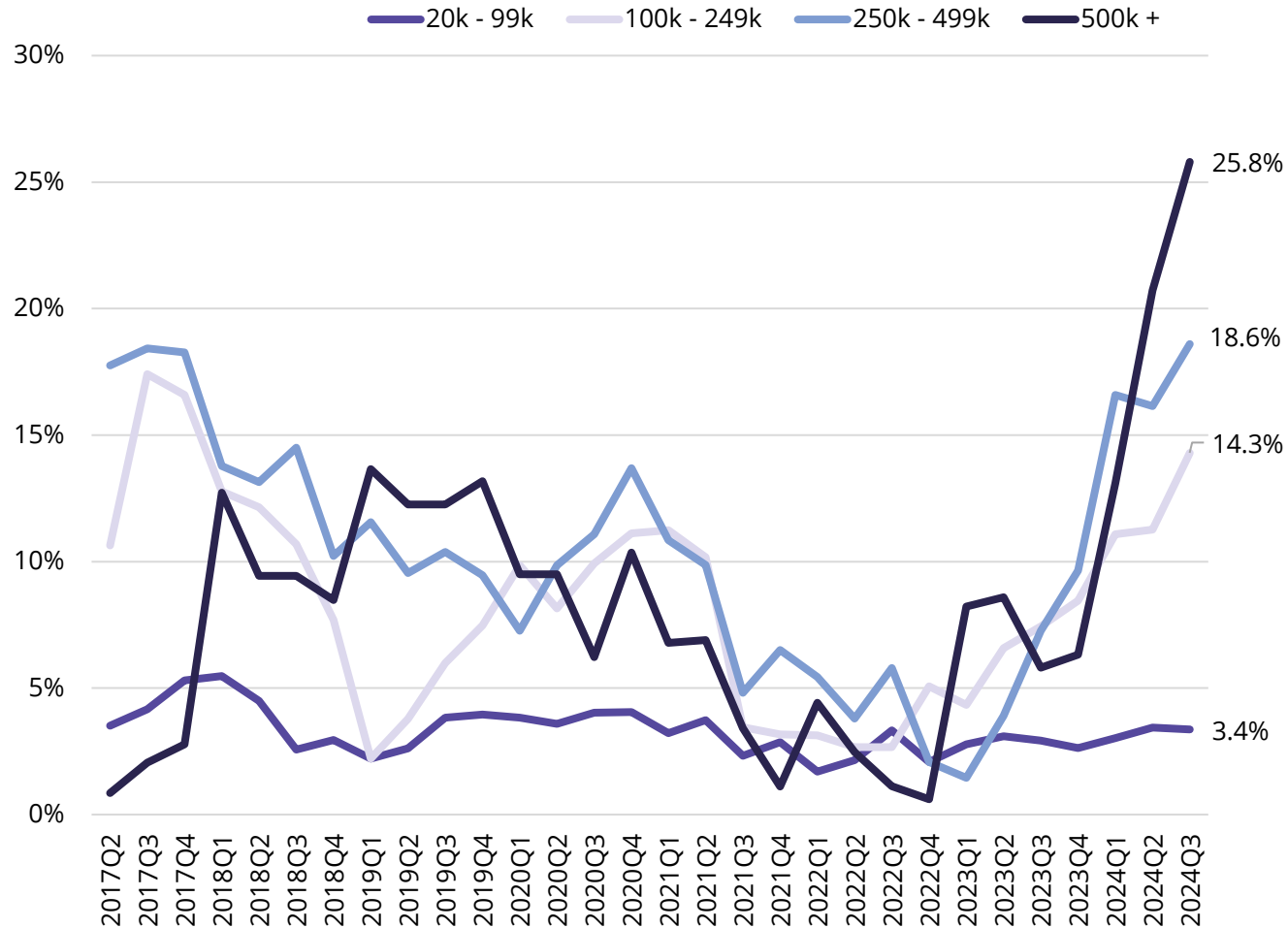
In Q2 2024, Charleston received the greatest addition of industrial inventory since Q4 2022. About 1.3 of the 3.3 million square feet (msf) of newly delivered space consists of the largest speculative build in market history. The distribution facility, which delivered 100% vacant in April, negatively affected the overall market vacancy. Next quarter's deliveries are forecasted to be half the volume seen in Q2, creating less competition for available new inventory.

30.8%

Growth in manufacturing sector

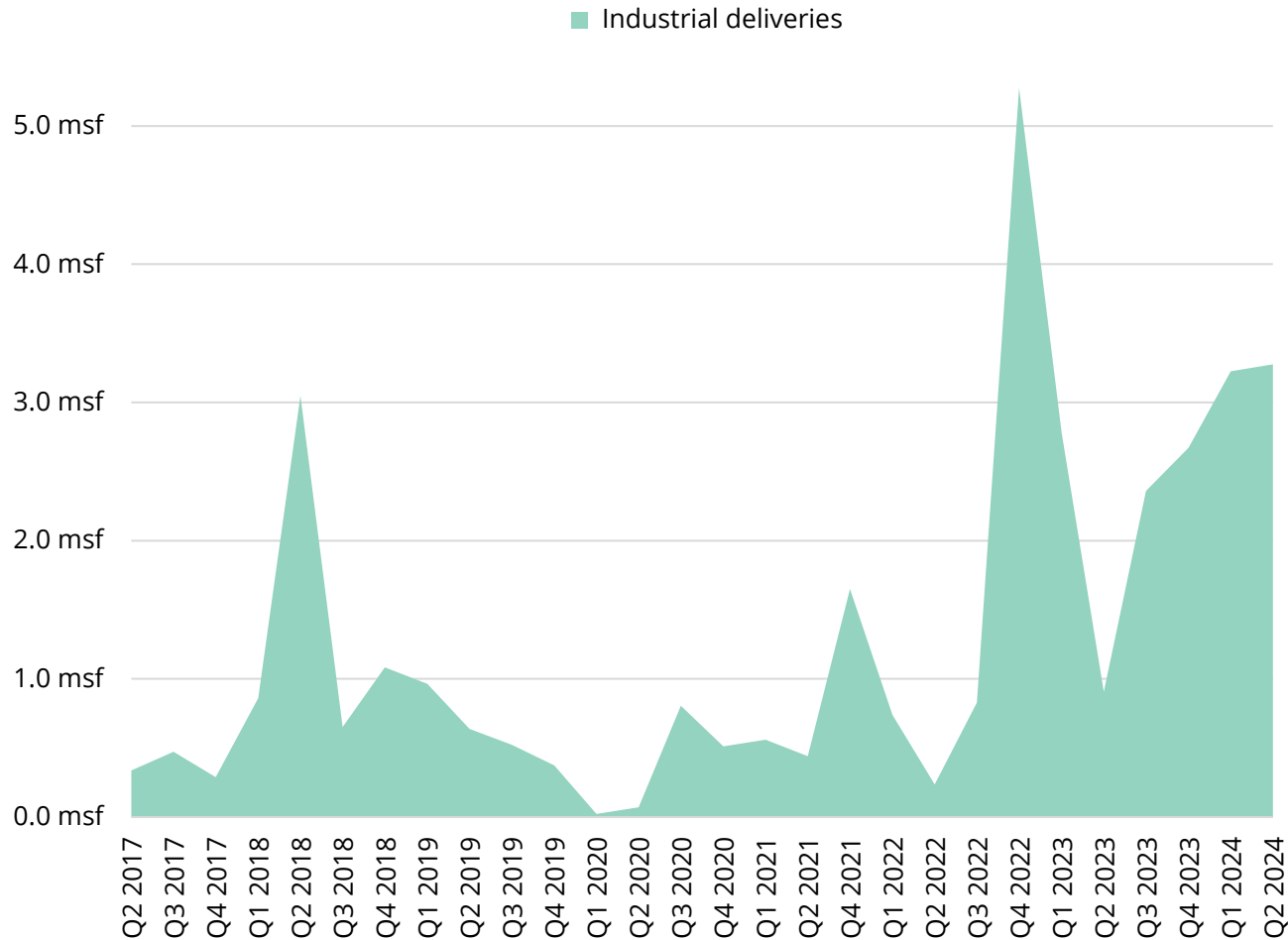
The market's manufacturing labor pool has expanded by 30.8% over the past seven years, with around 34,600 employees. As a result, the industrial property subtype has thrived. Charleston is notably one of the top-growing manufacturing markets in the U.S., with the automotive & transportation industry as the driving sector.

Vacancy rate by building size



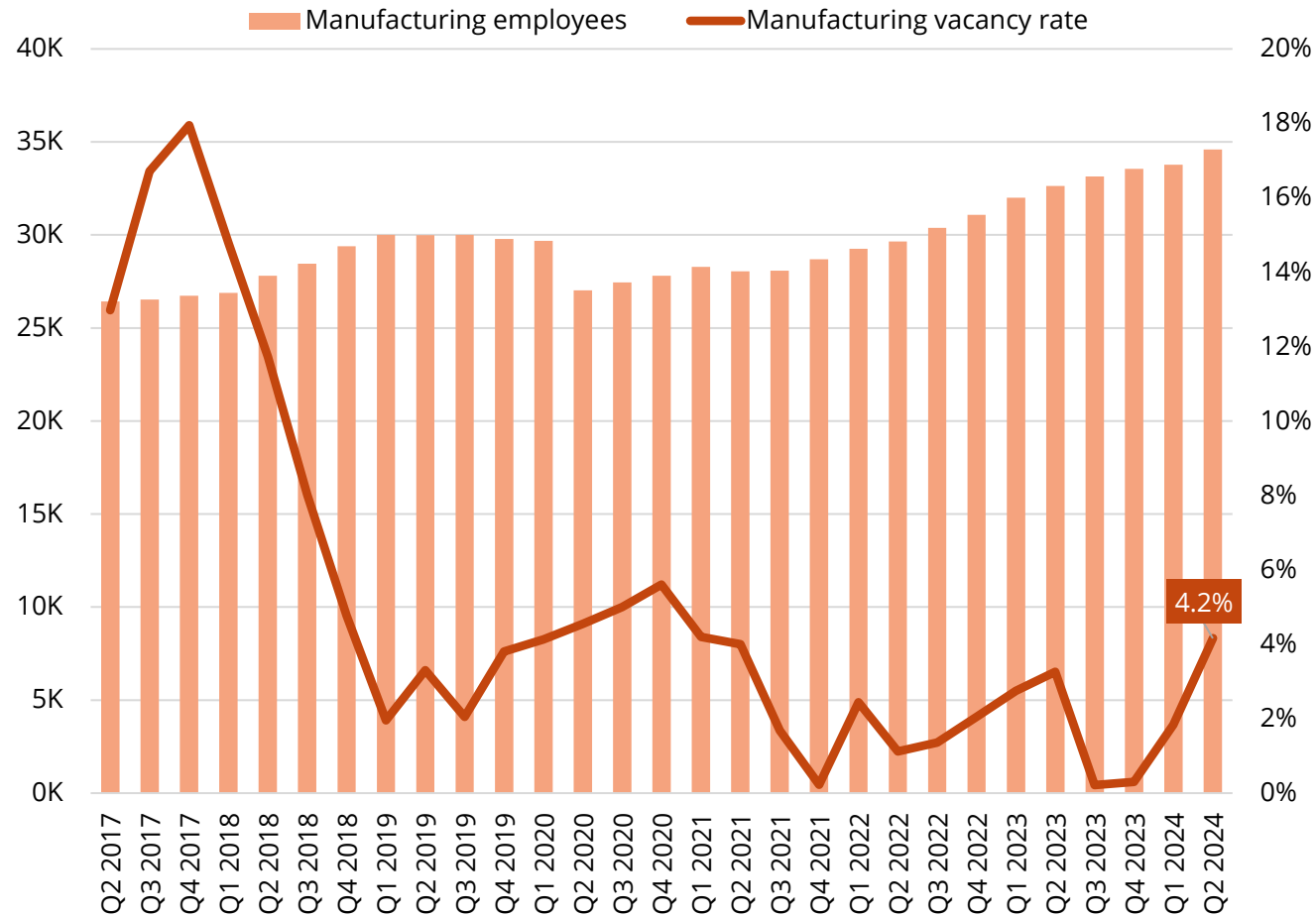
Small-bay industrial space in the market has performed well historically, with vacancy remaining below 5% over the past five years. Other product types are more cyclical. In Q4 2022, properties greater than 500k sf had a vacancy of 0.5%. Now there is a surplus of vacant space—25.8%—in buildings of that size threshold.

Historical delivery trends



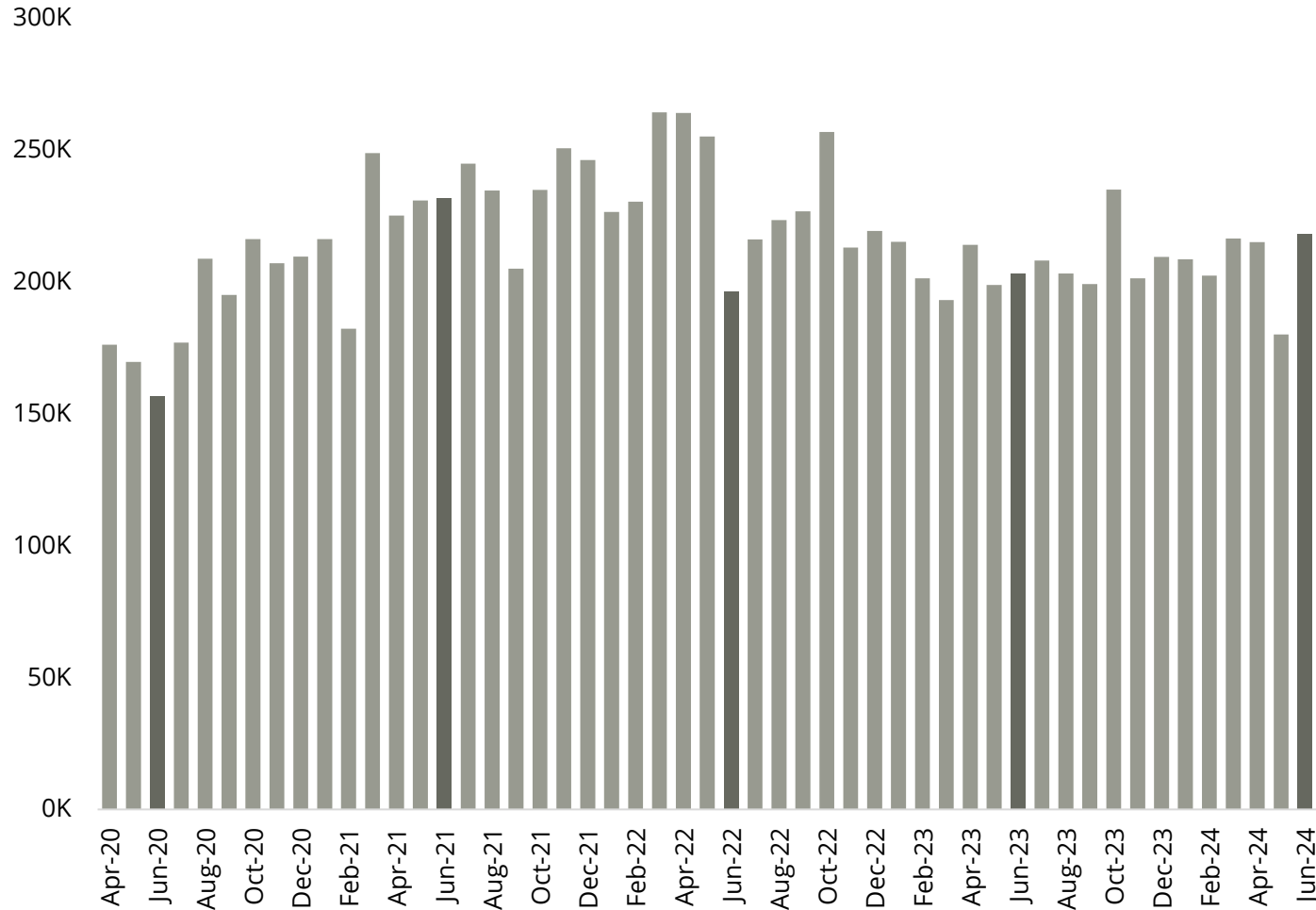
This quarter, Charleston witnessed another cyclical peak in industrial deliveries, with an expected decline to follow next quarter. Most of the recently delivered product broke ground in 2023 just as market availability began to rise. Now, product built in the first half of 2024 has an average vacancy rate of around 73%.

Manufacturing growth



Charleston’s manufacturing subtype sits in a favorable position, with a vacancy rate of 4.2%. The region is home to over 65 automotive OEM companies and component manufacturers driving activity, including Volvo, Mercedes-Benz, Bosch, and Cummins.

SC ports TEU history

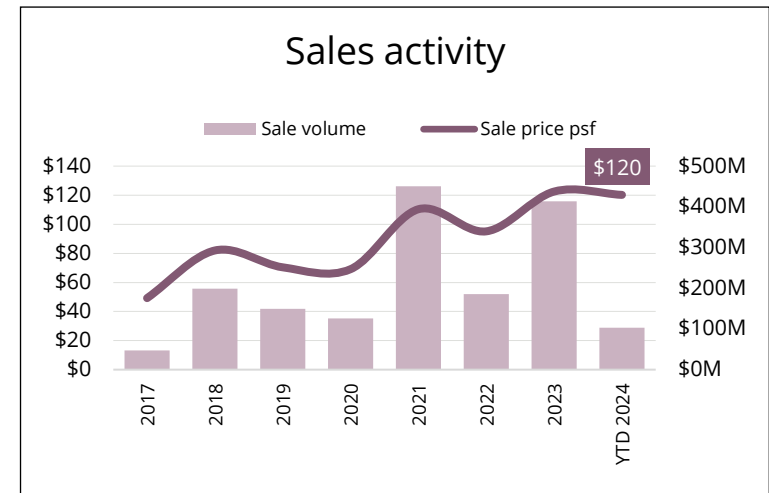
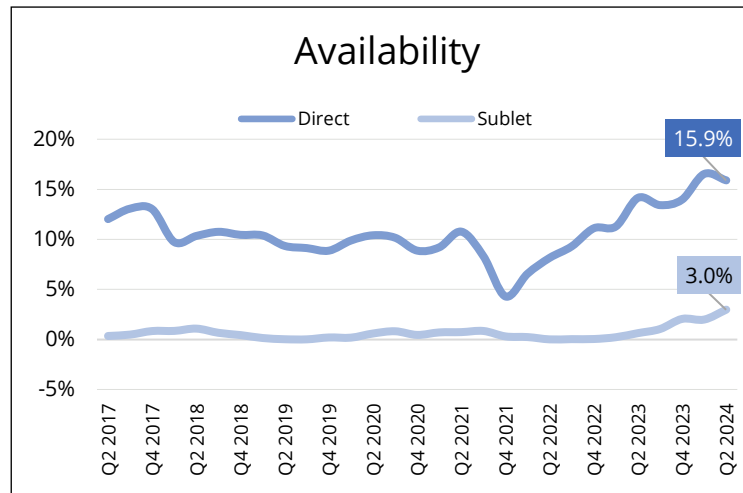
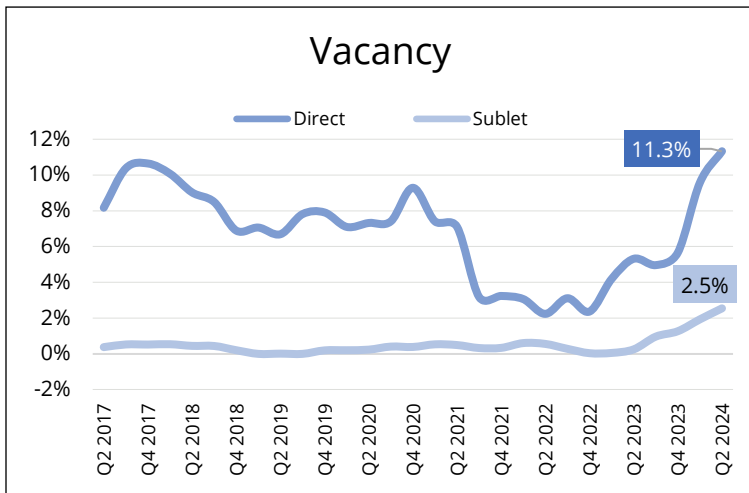
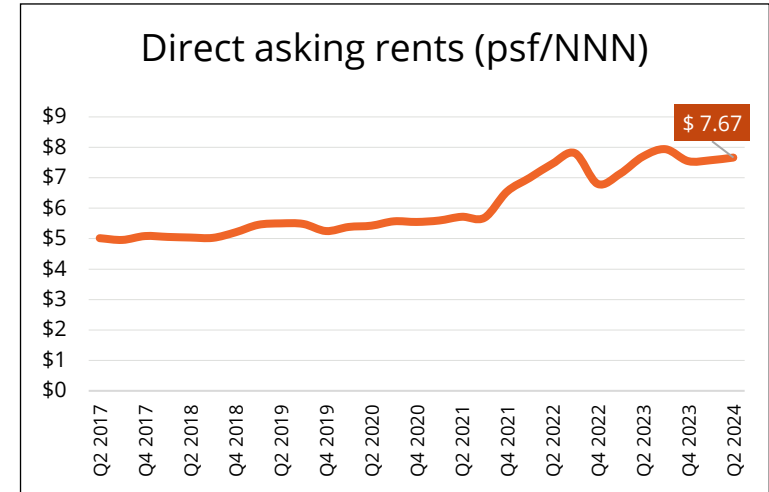
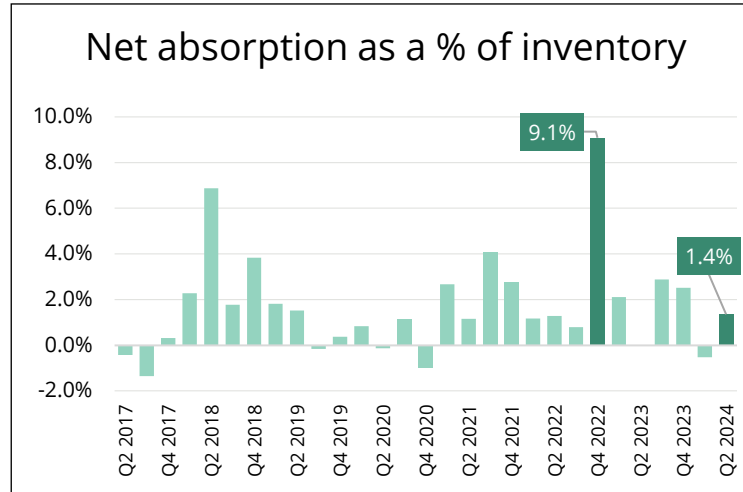
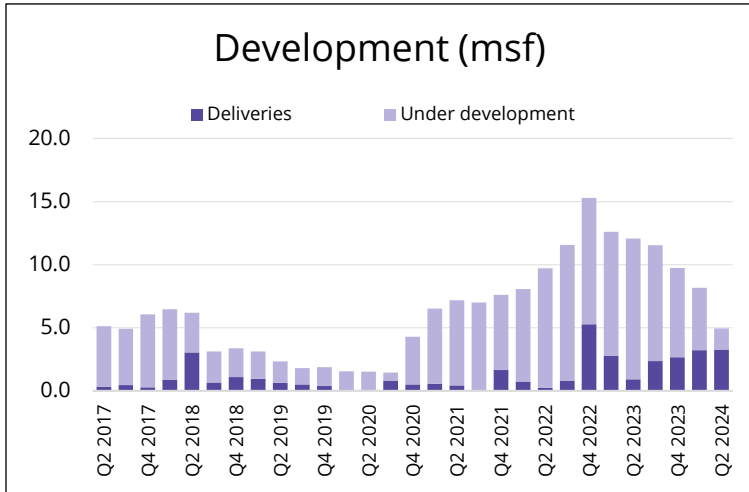


In June 2024, South Carolina ports handled 218,115 TEUs and 121,267 pier containers, marking the second-highest June on record. Loaded imports increased by 10%, while loaded exports rose by 5%, indicating overall strength in the Southeast market.

Appendix



Charleston industrial market indicators



Charleston industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Pacific Asiana	840 Drop Off Dr	Outlying Berkeley County	May 2024	228,772	New	Direct
Amazon	237 Jedburg Rd	Dorchester County	April 2024	158,340	New	Direct
Unknown Tenant	334 Port City Center Dr	Outlying Berkeley County	May 2024	155,688	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Fundrise	130 Hodge Rd - 2 Property Portfolio	April 2024	534,081	\$64,089,720	\$120	Foundry Commercial

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
Charleston Global Crossing	North Charleston	Q2 2025	635,000	0%	Robinson Weeks
Camp Hall Campus 5 Building 2	Outlying Berkeley County	Q4 2024	545,000	0%	RL Cold
Shipyards Creek Logistics Center	North Charleston	Q4 2024	160,250	0%	Capital Development

Charleston industrial market stats by property subtype

	Existing inventory sf	Deliveries sf	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Dorchester County	12,905,555	1,263,564	635,328	15.7%	0.7%	16.3%	993,950	7.7%	\$ 7.64
Downtown Charleston	606,918	-	-	3.6%	0.0%	3.6%	-2,000	-0.3%	\$ 10.81
East Cooper	4,554,900	-	-	2.8%	2.1%	5.0%	-121,800	-2.7%	\$ 7.95
North Charleston	23,812,376	1,321,840	493,852	9.7%	2.8%	12.4%	-169,050	-0.7%	\$ 9.07
Outlying Berkeley County	35,284,952	690,839	544,644	12.2%	3.2%	15.4%	-34,602	-0.1%	\$ 7.35
West Ashley	590,048	-	-	5.1%	0.0%	5.1%	-	0.0%	-
Market total	77,754,749	3,276,243	1,673,824	11.3%	2.5%	13.8%	666,498	0.9%	\$7.67



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

*Tracking class A, B, & C Industrial buildings 20,000 sf and up

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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