

SOUTH CAROLINA | INDUSTRIAL

Q3 2020

Accelerating success.

Pandemic shopping trends boost South Carolina industrial demand

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Key Takeaways

- › The South Carolina industrial market absorbed 1.95 million square feet during the third quarter of 2020, dropping the vacancy rate to 6.97%.
- › There are 26 buildings totaling 4.33 million square feet under construction and 32 buildings proposed to be built which will add approximately 6.57 million square feet throughout the state upon completion.

Quarterly S.C. Market Overview

The South Carolina industrial market is comprised of 447.97 million square feet within 6,961 buildings. During the third quarter of 2020, the market absorbed 1.95 million square feet, 1.86 million square feet was absorbed within warehouse space. Due to the positive absorption, the overall vacancy rate in South Carolina industrial properties decreased significantly from 7.18% during the second quarter of 2020 to 6.97% this quarter. There are also 26 buildings totaling 4.33 million square feet under construction and 32 buildings proposed to be built which will add approximately 6.57 million square feet throughout the state upon completion. The South Carolina triple net weighted market rental rate for the remaining available industrial space increased 5% over last quarter and averaged \$4.25 per square foot during the third quarter of 2020.

Augusta | Aiken (South Carolina portion)

The South Carolina portion of the Augusta | Aiken market is comprised of 13.59 million square feet, over half of which is manufacturing space. No new industrial buildings were delivered to this market; however, the 40,000-square-foot AmbioPharm expansion continued construction. Augusta | Aiken submarkets

Market Indicators

Relative to prior period	Q3 2020	Q4 2020*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↔

Note: Construction is the change in Under Construction.

*Projected

Summary Statistics

Q3 2020 Industrial	Market
Vacancy Rate	6.97%
Change From Q3 2019 (basis points)	+90
Quarterly Absorption (Million Square Feet)	+1.95
New Construction (Square Feet)	440,200
Under Construction (Million Square Feet)	4.33

*New construction is newly delivered buildings

Asking Rents

NNN Per Square Foot Per Year

Market	\$4.25
Change From Q3 2019	-1.39%
Flex	\$7.01
Manufacturing	\$3.59
Warehouse	\$4.22

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stalled during the third quarter of 2020 and posted no absorption; therefore, the vacancy rate remained 13.14%. The weighted rental rate for the South Carolina portion of the Augusta | Aiken region averaged \$2.91 per square foot during the second quarter of 2020.

Charleston

The Charleston industrial market has 58.51 million square feet of industrial inventory with 954,630 square feet under construction. In addition, there are approximately 18 buildings proposed to be built within the Charleston market which would add an additional 4.69 million square feet to the industrial inventory. The Charleston submarkets absorbed 561,249 square feet during the third quarter of 2020 led by the North Charleston and Summerville submarkets. Due to the high amount of positive absorption, the overall market vacancy decreased from 9.28% last quarter to 9.14% this quarter. The overall market average triple net weighted rental rate increased this quarter to \$5.99 per square foot.

Charlotte (South Carolina portion)

The South Carolina portion of the Charlotte submarket has an industrial inventory totaling 40.03 million square feet, and there

are currently 87,500 square feet of warehouse space currently under construction. No new industrial buildings were delivered in the South Carolina portion of Charlotte this quarter. The Charlotte market absorbed 39,123 square feet, all of which was within warehouse space. As a result, the overall quarterly market vacancy rate decreased marginally from 9.86% during the second quarter of 2020 to 9.76% this quarter. Average weighted rental rates for the remaining industrial space averaged \$3.90 per square foot during the third quarter of 2020.

Columbia

The Columbia industrial market is comprised of 73.18 million square feet. During the third quarter of 2020, the industrial market absorbed 229,640 square feet led by the warehouse sector. No new industrial buildings were delivered to the Columbia market during the third quarter; however, one building is currently under construction at 397 Millennium Drive in Orangeburg which, upon completion, will add 65,000 square feet to the market. Due to positive absorption, the quarterly vacancy rate dropped from 4.24% during the second quarter of 2020 to 3.93% during the third quarter of 2020. The overall average market rental rate for available industrial space was \$4.31 per square foot during the third quarter of this year.

Q3 2020 Significant Statewide Sales Transactions

NAME	ADDRESS	COUNTY	SIZE (SF)	PRICE PRICE PSF	BUYER
Eight-property portfolio sale	Duncan & Greer	Spartanburg	1.08M	\$87.5M \$80.84	Sealy & Company
Three property portfolio at Legacy Park East	State Route 50	York	654,550	\$35.96M \$53	The Silverman Group
-	5 Alliance Drive	Berkeley	167,144	\$5.39M \$32.22	Textron Systems Corp.
Lakemont Business Park	600 Greenway Industrial Drive	York	102,124	\$6.6M \$64.63	Unique Loom
-	5001 Lacross Road	Charleston	95,750	\$4.94M \$51.6	Capital Peak Partners
-	9516 Hamburg Road	Charleston	36,000	\$2.94M \$81.53	Brookwood Capital Partners
-	121 South Woodside Parkway	Lexington	55,134	\$2.6M \$47.16	Spirit Realty Capital

Q3 2020 Significant Statewide Lease Transactions (+150,000 SF)

ADDRESS	COUNTY	SIZE (SF)	TENANT
440 Ridgeville Road	Dorchester	3M	Walmart Distribution Center
Clarius Omni 1 537 Omni Industrial Boulevard	Dorchester	316,140	3G Distribution
Ladson Industrial Park Building 1	Charleston	310,128	Daye North America
1100 & 1102 Piedmont Highway	Greenville	300,000	Fabri-Kal
2 Greentree Road	Anderson	121,000	Electrolux
250 Broadcast Drive	Spartanburg	115,000	Contec, Inc.

Source: Colliers International, CoStar

Florence | Myrtle Beach

The Florence | Myrtle Beach market is comprised of 38.57 million square feet of industrial properties and absorbed 94,400 square feet during the third quarter of 2020; 75,650 square feet was absorbed within warehouse space, while 18,750 square feet was leased within manufacturing space. No new buildings were delivered to the market during the third quarter of 2020, but construction continues on one warehouse which, upon completion, will add 109,200 square feet to the market. Due to the minimal positive absorption and vacant 200,200-square-foot warehouse completing, the vacancy rate increased from 6.80% last quarter to 7.03% during the third quarter of 2020. The overall Florence | Myrtle Beach weighted rental rates increased to \$4.18 per square foot this quarter.

Greenville-Spartanburg

Comprised of approximately 214 million square feet, there are approximately 1.97 million square feet among 10 buildings under construction and approximately 1.26 million square feet proposed to begin construction throughout the Greenville-Spartanburg market. There were no new buildings delivered to the market this quarter. During the third quarter of 2020, the market absorbed 965,135 square feet. Consequently, the quarterly vacancy rate decreased from 7.12% last quarter to 6.69% during the third quarter of this year. According to Costar, the overall weighted rental rate during the third quarter of 2020 decreased slightly from last quarter and averaged \$3.43 per square foot.

Savannah (South Carolina portion)

The Savannah market within South Carolina has approximately 10.32 million square feet of industrial space and the market absorbed 63,750 square feet, most of which was within warehouse space. There is one 17,500-square-foot warehouse under construction, however, no new buildings delivered to the market during the third quarter of 2020. Due to positive absorption, the overall quarterly vacancy rate decreased marginally from 3.50% last quarter to 2.88% this quarter. Savannah's triple net weighted rental rate averaged \$4.10 per square foot during the third quarter of 2020.

Market Forecast

Pandemic shopping trends has led to an escalation of e-commerce and is boosting the need for cold storage facilities near logistic pipelines. In addition, positive port activity and enhanced logistics continue to shift toward the East Coast from the West Coast; therefore, an increase in the number of new companies moving into South Carolina is anticipated. Construction of speculative industrial buildings will likely increase the vacancy rate throughout the South Carolina market; however, demand is expected to eventually catch up to the new deliveries and absorb vacant buildings. Thus, South Carolina is a prime spot for growth leading to increased activity throughout the state into next year.

2020 Q3 Industrial Construction Pipeline | South Carolina

PROPERTY NAME LOCATION	BUILDING SF	COUNTY
COMPLETIONS (+100,000 SF)		
Florence I-95 Logistics Center 2570 Florence Harlee Boulevard	200,200	Florence
Portside Distribution Center Trade Center Parkway	190,000	Berkeley
UNDER CONSTRUCTION (+ 200,000 SF)		
IFA Rotorion Building	622,677	Berkeley
A & R Logistics Gaillard Road	615,000	Berkeley
Carolina Commerce Center Harvey Road	327,139	Spartanburg
Exchange Logistics 1800 Highway 86	289,173	Anderson
Spartan Ridge Logistics Center 2000 Nazareth Church Road	286,000	Spartanburg
Berkeley Charleston Transport Jedburg Road	247,830	Berkeley
859 Victor Hill Road	228,900	Greenville
1630 Easley Highway	212,500	Anderson
Frontage Road	210,000	Greenville
189 Milacron	206,410	Greenville

Source: Colliers International, CoStar

Q3 2020 Industrial Market Summary Statistics South Carolina								
SUBMARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE (PSF/YR)
AUGUSTA AIKEN (SOUTH CAROLINA PORTION)								
Flex/R&D	2	25,500	-	-	-	0.00%	-	-
Manufacturing	40	9,107,073	670,351	-	670,351	7.36%	-	\$4.38
Warehouse	80	4,461,958	1,116,137	-	1,116,137	25.01%	-	\$3.81
Augusta Aiken Total	122	13,594,531	1,786,488	-	1,786,488	13.14%	-	\$3.98
CHARLESTON								
Flex/R&D	112	4,458,919	257,606	13,111	270,717	6.07%	-17,826	\$8.16
Manufacturing	138	11,303,779	741,385	-	741,385	6.56%	-	\$5.98
Warehouse	848	42,744,619	4,113,293	220,360	4,333,653	10.14%	579,075	\$5.82
Charleston Total	1,098	58,509,317	5,112,284	233,471	5,345,755	9.14%	561,249	\$5.99
CHARLOTTE (SOUTH CAROLINA PORTION)								
Flex/R&D	14	593,052	216,000	5,062	221,062	37.28%	-	\$4.65
Manufacturing	108	12,023,516	731,741	-	731,741	6.09%	-	\$2.50
Warehouse	326	27,414,702	2,954,065	-	2,954,065	10.78%	39,123	\$5.08
Charlotte Total	448	40,031,270	3,901,806	5,062	3,906,868	9.76%	39,123	\$3.90
COLUMBIA								
Flex/R&D	83	2,494,623	287,347	-	287,347	11.52%	-2,938	\$7.71
Manufacturing	277	24,324,313	1,235,748	-	1,235,748	4.88%	10,800	\$3.18
Warehouse	946	45,365,841	1,353,093	-	1,353,093	2.98%	221,778	\$4.74
Columbia Total	1,306	73,184,777	2,876,188	-	2,876,188	3.93%	229,640	\$4.31
FLORENCE MYRTLE BEACH								
Flex/R&D	12	209,423	2,450	-	2,450	1.17%	-	\$8.32
Manufacturing	118	15,540,347	1,246,640	-	1,246,640	8.02%	18,750	\$2.87
Warehouse	533	22,824,848	1,447,305	17,000	1,464,305	6.42%	75,650	\$4.30
Florence Myrtle Beach Total	663	38,574,618	2,696,395	17,000	2,713,395	7.03%	94,400	\$4.18
GREENVILLE SPARTANBURG								
Flex/R&D	162	5,441,573	431,849	9,280	441,129	8.11%	12,798	\$7.84
Manufacturing	338	23,294,978	1,992,327	-	1,992,327	8.55%	65,828	\$6.33
Warehouse	2,579	184,988,183	10,752,295	1,093,763	11,846,058	6.40%	886,509	\$3.28
Greenville Spartanburg Total	3,079	213,724,734	13,176,471	1,103,043	14,279,514	6.68%	965,135	\$3.43
SAVANNAH (SOUTH CAROLINA PORTION)								
Flex/R&D	13	244,664	3,000	-	3,000	1.23%	2,000	\$12.00
Manufacturing	35	4,946,658	31,592	-	31,592	0.64%	-	\$3.50
Warehouse	197	5,125,294	262,857	-	262,857	5.13%	61,750	\$4.06
Savannah Total	245	10,316,616	297,449	-	297,449	2.88%	63,750	\$4.10
STATEWIDE MARKET TOTALS								
Flex/R&D	398	13,467,754	1,198,252	27,453	1,225,705	9.10%	-5,966	\$7.01
Manufacturing	1,054	101,542,664	6,649,784	-	6,649,784	6.55%	95,378	\$3.59
Warehouse	5,509	332,925,445	21,999,045	1,131,123	23,330,168	7.01%	1,863,885	\$4.22
MARKET TOTALS	6,961	447,935,863	29,847,081	1,358,576	31,205,657	6.97%	1,953,297	\$4.25

Source: Colliers International, CoStar

In January 2017, Colliers International benchmarked its industrial data set statewide. The new standard for collection is all industrial buildings 10,000 square feet or larger that can be readily adapted to an alternative industrial use. All properties were placed into a revised set of markets and submarkets and divided into three categories. **Warehouse/Distribution**, a facility primarily used for the storage or distribution of both of materials, goods and merchandise. **Manufacturing**, a facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods. **Flex/R&D**, a building designed to be used in a variety of ways with at least 30% of the rentable building area used as office. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more. **Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.**

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