

Absorption predicted to surpass previous years

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Key Takeaways

- > 1.20 million square feet is currently under construction and expected to deliver within the next two quarters.
- > Absorption reached 757,094 square feet during the second quarter of 2019 and the overall market vacancy rate dropped to 5.82%.

Absorption has increased exponentially

Absorption within the Columbia industrial market has fluctuated over the last several years, however, overall demand has grown exponentially in the last two years. Annual absorption during 2015 was 919,796 square feet and during 2016 the market actually posted a net negative absorption of 401,718 square feet. Conversely, the 2017 annual absorption total was 2.57 million square feet and last year it was 1.52 million square feet. During the first two quarters of 2019, absorption reached 1.22 million square feet and is predicted to be positive through year-end due to an increase in industrial demand caused by intensifying industrial activity throughout South Carolina. With 1.2 million square feet currently under construction, and 76% of it already pre-leased; the robust Columbia industrial market activity shows no signs of slowing.

Market Overview

Overall Columbia industrial market: New construction will be quickly absorbed

The Columbia industrial market is comprised of 71.29 million square feet of industrial space. There are approximately 1.20 million square feet under construction within six buildings. The Columbia industrial market absorbed 757,094 square feet this quarter, led by the Orangeburg County submarket which absorbed 317,203 square feet. The overall market vacancy rate dropped from 6.88% during the first quarter of 2019 to 5.82% this quarter. Also, the overall average market rental rate for the remaining available space increased from \$3.85 per square foot last quarter to \$3.92 per square foot during the second quarter of 2019.

Market Indicators

Relative to prior period

Q2 2019

Q3 2019*

VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE**	↑	↑

Note: Construction is the change in Under Construction.

*Projected

**Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

Summary Statistics

Q2 2019 Columbia Industrial

Market

Vacancy Rate	5.82%
Change From Q2 2018 (basis points)	-257
Absorption (Thousand Square Feet)	757.09
New Construction (Thousand Square Feet)	-
Under Construction (Million Square Feet)	1.12

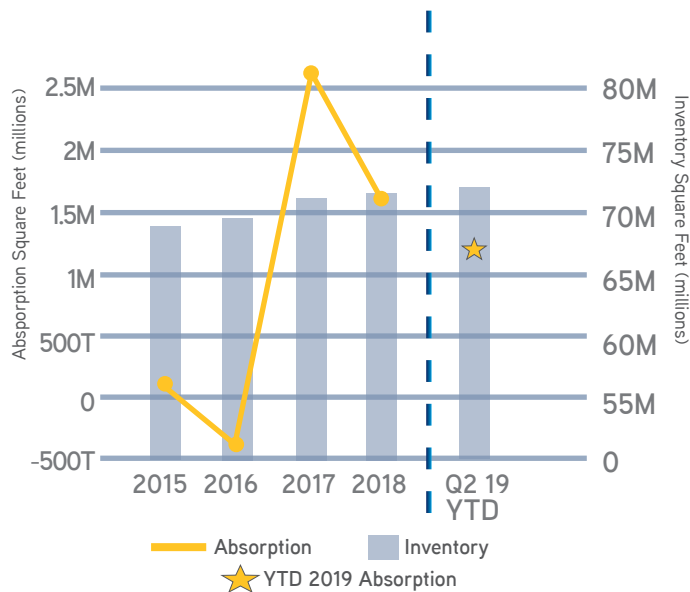
*New construction is newly delivered buildings

Asking Rents

NNN Per Square Foot Per Year

Market	\$3.92
Change From Q2 2018	+9.83%
Flex	\$8.12
Manufacturing	\$3.23
Warehouse	\$4.12

Columbia Industrial Absorption & Market Inventory 2015-YTD 2019



Warehouse/Distribution: Postive absorption and rising rental rates

The warehouse/distribution sector comprises the largest portion of the Midlands industrial market, with approximately 44.71 million square feet. This sector absorbed 432,628 square feet this quarter and the quarterly vacancy rate dropped from 6.88% to 4.65%. There are three warehouses under construction in the Columbia market: Midway Logistics IV, a 200,000-square-foot warehouse within the Cayce/West Columbia submarket, a 67,000-square-foot, build-to-suit warehouse within the Lexington Industrial Park and Shop Grove Commerce Park located at 101 Sparkman Drive, a 45,000-square-foot warehouse in the Southeast Columbia submarket. The overall average weighted rent for warehouses increased slightly from \$3.98 per square foot during the last quarter to \$4.12 per square foot during the second quarter of 2019.

Manufacturing: New construction expected by year-end

The manufacturing sector in the Midlands has 24.22 million square feet and there are currently two manufacturing facilities under construction that, upon completion (which is predicted to be by the end of this year) will add 725,135 square feet to the inventory. The manufacturing sector absorbed 268,229 square feet of space this quarter, led by Fairfield County and Orangeburg County. Due to the high positive absorption, the manufacturing vacancy rate dropped from 8.61% during the first quarter of 2019 to 7.50% this quarter. In addition to space leasing quickly within this sector, the average weighted rental rate rose from \$2.97 per square foot during the first quarter of 2019 to \$3.23 per square foot during the second quarter of 2019.

Flex/R&D: Minimal, but positive activity

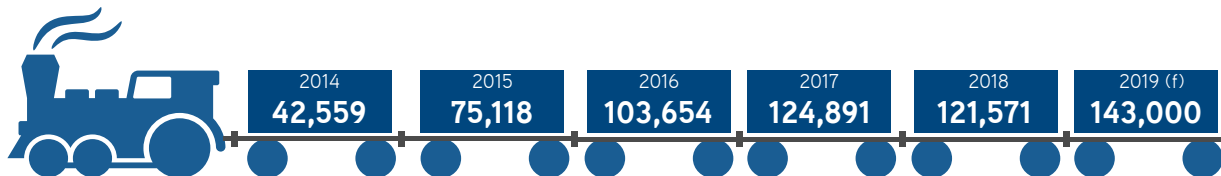
The Flex/R&D sector in the Midlands has 2.37 million square feet within its submarkets, with one 70,000-square-foot flex/R&D property currently under construction within the Southeast Columbia submarket. This sector absorbed 56,237 square feet during the second quarter of 2019 and the quarterly vacancy rate decreased from 13.19% to 10.82%. Flex/R&D average weighted rental rate for the remaining availabilities rose from \$7.74 per square foot last quarter to \$8.12 per square foot during the second quarter of 2019.

Significant Transactions

According to CoStar, there were 14 industrial sale transactions and 17 industrial leases signed during the second quarter of 2019, the largest of which, was a 150,000 square feet lease at 825 Bistline Drive in West Columbia by an undisclosed tenant.

Sales

- > VEREIT, Inc. purchased the Amazon fulfillment center located in the Saxe Gotha Industrial Park at 4400 12th Street extension in West Columbia as part of a \$407.52 million, six-property portfolio sale.



According to the South Carolina Ports Authority, during the month of May, the port handled its highest monthly container volume with 15,563 total rail moves—a 45%+ increase versus the same month last year.

Inland Port Greer Rail Lifts

Sources: South Carolina Ports Authority, Colliers International

Construction Pipeline

Under Construction

- > Construction at the 660,135-square-foot China Jushi manufacturing facility in southeast Columbia continues.
- > Construction continued on the fourth Midway Logistics building, which will be 200,000 square feet.
- > Construction broke ground at 105 Sparkman Drive, a 70,000-square-foot flex/R&D building.
- > Construction began in Orangeburg County on a 65,000-square-foot manufacturing facility located at 397 Millennium Drive.
- > Construction continued on a 45,000-square-foot warehouse at 101 Sparkman Drive in the Southeast Columbia submarket.

Capital Investment & Employment

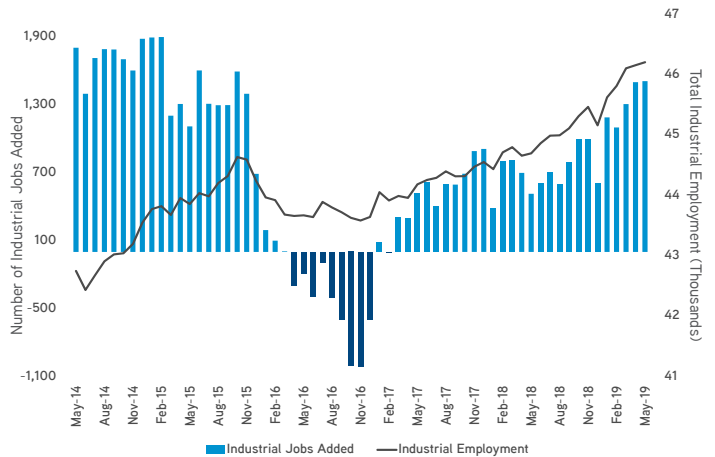
During the first two quarters of 2019 there have been \$185.5 million in new capital investments and \$9.5 million in capital investment expansions, accounting for 562 jobs announced within the Columbia region. Most of the jobs will be within the new JUUL assembly facility announced in Lexington County. Other types of investors range from plastic injection molding to solar energy and solar farms to a chemical manufacturer. Of the capital investments announced, 75% of them were manufactures of some kind. According to the Federal Reserve data through May 2019, industrial employment comprises 11.4% of Columbia’s total employment, or about 46.2 million jobs in the Midlands region. There were 1,509 industrial jobs added during the past 12 months ending May 2019. The Columbia industrial market proves appealing to investors on the employment front, with industrial jobs accounting for 48.7% of all jobs added during the past 12 months.

Market Forecast

Port activity is setting records in the Port of Charleston, as well as, the Inland Port Dillon and Inland Port Greer; therefore, industrial activity throughout the state will continue on a positive trajectory. New manufacturing and distribution tenants are drawn to the region thanks to its central location and convenient access logistically to the entire state and the rest of the nation. As South Carolina moves toward becoming an industrial hub, the Columbia industrial market vacancy rate will continue to drop, despite new construction delivery in the next two quarters. Average weighted rental rates for available industrial space will increase with new, higher-quality deliveries; however, because they will be absorbed quickly, the increase may be short-lived. This year’s absorption, throughout the Columbia market, is set to surpass previous years.

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 or 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.**

Industrial Employment | Columbia MSA



Source: Bureau of Labor Statistics, St. Louis Federal Reserve, Colliers International

Commercial Real Estate Growth Cycle: Where the market stands and where it is going.



Q2 2019 Industrial Market Summary Statistics | Columbia, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE
CALHOUN COUNTY								
Flex/R&D	1	10,800	-	-	-	0.00%	-	-
Manufacturing	5	383,493	-	-	-	0.00%	30,000	-
Warehouse/Distribution	5	409,673	-	-	-	0.00%	-	-
Calhoun County Total	11	803,966	-	-	-	0.00%	30,000	-
CAYCE/WEST COLUMBIA								
Flex/R&D	20	471,084	30,785	-	30,785	6.53%	19,544	\$8.46
Manufacturing	44	3,149,630	13,500	-	13,500	0.43%	1,200	-
Warehouse/Distribution	194	9,264,543	229,634	-	229,634	2.48%	128,021	\$5.10
Cayce/West Columbia Total	258	12,885,257	273,919	-	273,919	2.13%	148,765	\$5.77
CLARENDON COUNTY								
Manufacturing	9	722,117	22,560	-	22,560	3.12%	-	-
Warehouse/Distribution	10	426,532	82,960	-	82,960	19.45%	-82,960	\$3.00
Clarendon County Total	19	1,148,649	105,520	-	105,520	9.19%	-82,960	\$3.00
COLUMBIA-CBD								
Flex/R&D	4	309,925	4,877	-	4,877	1.57%	-	-
Manufacturing	3	60,505	-	-	-	0.00%	-	-
Warehouse/Distribution	41	1,010,195	62,550	-	62,550	6.19%	-15,340	\$5.06
Columbia-CBD Total	48	1,380,625	67,427	-	67,427	4.88%	-15,340	\$5.06
EAST COLUMBIA								
Flex/R&D	11	309,567	60,783	-	60,783	19.63%	-1,201	\$6.43
Manufacturing	3	265,205	-	-	-	0.00%	-	-
Warehouse/Distribution	49	1,232,400	276,492	-	276,492	22.44%	-135,892	\$4.63
East Columbia Total	63	1,807,172	337,275	-	337,275	18.66%	-137,093	\$5.07
FAIRFIELD COUNTY								
Manufacturing	9	740,487	41,828	-	41,828	5.65%	206,988	\$3.42
Warehouse/Distribution	9	988,176	23,200	-	23,200	2.35%	28,025	\$2.75
Fairfield County Total	18	1,728,663	65,028	-	65,028	3.76%	235,013	\$3.27
IRMO/CHAPIN								
Flex/R&D	4	85,500	16,000	-	16,000	18.71%	-	-
Manufacturing	6	353,113	-	-	-	0.00%	-	-
Warehouse/Distribution	31	610,327	30,735	-	30,735	5.04%	-10,085	\$6.69
Irmo/Chapin Total	41	1,048,940	46,735	-	46,735	4.46%	-10,085	\$6.69
KERSHAW COUNTY								
Manufacturing	18	1,561,896	169,366	-	169,366	10.84%	-80,000	\$2.80
Warehouse/Distribution	40	4,396,899	32,724	-	32,724	0.74%	-18,900	\$4.50
Kershaw County Total	58	5,958,795	202,090	-	202,090	3.39%	-98,900	\$3.03
LEE COUNTY								
Manufacturing	6	708,115	117,865	-	117,865	16.64%	4,640	\$3.50
Warehouse/Distribution	5	172,740	-	-	-	0.00%	-	-
Lee County Total	11	880,855	117,865	-	117,865	13.38%	4,640	\$3.50
LEXINGTON								
Flex/R&D	4	99,821	19,044	-	19,044	19.08%	-2,885	-
Manufacturing	24	1,631,922	201,277	-	201,277	12.33%	-96,277	\$2.00
Warehouse/Distribution	64	2,560,268	25,800	-	25,800	1.01%	-13,800	-
Lexington Total	92	4,292,011	246,121	-	246,121	5.73%	-112,962	\$2.00

Q2 2019 Industrial Market Summary Statistics | Columbia, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE
NEWBERRY COUNTY								
Flex/R&D	1	15,000	-	-	-	0.00%	-	-
Manufacturing	5	1,479,744	189,600	-	189,600	12.81%	-	\$3.75
Warehouse/Distribution	20	906,316	58,235	-	58,235	6.43%	-15,000	\$3.25
Newberry County Total	26	2,401,060	247,835	-	247,835	10.32%	-15,000	\$3.66
NORTH COLUMBIA								
Flex/R&D	3	98,107	40,551	-	40,551	41.33%	-	\$10.60
Manufacturing	6	168,768	73,488	-	73,488	43.54%	-	\$4.25
Warehouse/Distribution	55	1,384,528	96,500	-	96,500	6.97%	160,750	\$4.76
North Columbia Total	64	1,651,403	210,539	-	210,539	12.75%	160,750	\$6.11
NORTHEAST COLUMBIA								
Flex/R&D	12	396,904	40,679	-	40,679	10.25%	21,084	\$5.34
Manufacturing	25	3,303,756	-	200,000	200,000	6.05%	-	\$3.85
Warehouse/Distribution	45	3,460,307	106,915	-	106,915	3.09%	7,029	\$4.16
Northeast Columbia Total	82	7,160,967	147,594	200,000	347,594	4.85%	28,113	\$4.06
NORTHWEST COLUMBIA								
Flex/R&D	10	190,157	36,056	-	36,056	18.96%	16,195	\$10.78
Manufacturing	4	272,248	3,000	-	3,000	1.10%	-	-
Warehouse/Distribution	13	508,536	35,500	-	35,500	6.98%	-18,000	\$5.88
Northwest Columbia Total	27	970,941	74,556	-	74,556	7.68%	-1,805	\$8.59
ORANGEBURG COUNTY								
Flex/R&D	3	81,223	-	-	-	0.00%	-	-
Manufacturing	38	4,607,413	531,900	-	531,900	11.54%	106,710	\$2.76
Warehouse/Distribution	86	5,650,697	590,634	-	590,634	10.45%	210,493	\$3.97
Orangeburg County Total	127	10,339,333	1,122,534	-	1,122,534	10.86%	317,203	\$3.29
SALUDA COUNTY								
Manufacturing	2	150,929	-	-	-	0.00%	-	-
Warehouse/Distribution	3	271,550	75,000	-	75,000	27.62%	-	\$1.95
Saluda County Total	5	422,479	75,000	-	75,000	17.75%	-	\$1.95
SOUTHEAST COLUMBIA								
Flex/R&D	9	192,744	7,100	-	7,100	3.68%	3,500	\$12.00
Manufacturing	40	2,351,469	64,865	-	64,865	2.76%	15,800	\$3.00
Warehouse/Distribution	223	7,786,467	281,037	-	281,037	3.61%	48,637	\$3.95
Southeast Columbia Total	272	10,330,680	353,002	-	353,002	3.42%	67,937	\$3.91
SUMTER COUNTY								
Flex/R&D	1	104,600	-	-	-	0.00%	-	-
Manufacturing	26	2,312,419	188,163	-	188,163	8.14%	79,168	\$3.40
Warehouse/Distribution	50	3,659,569	69,266	-	69,266	1.89%	157,650	\$2.24
Sumter County Total	77	6,076,588	257,429	-	257,429	4.24%	236,818	\$3.26
MARKET TOTAL								
Flex/R&D	83	2,365,432	255,875	-	255,875	10.82%	56,237	\$8.12
Manufacturing	273	24,223,229	1,617,412	200,000	1,817,412	7.50%	268,229	\$3.23
Warehouse/Distribution	943	44,699,723	2,077,182	-	2,077,182	4.65%	432,628	\$4.12
Market Total	1,299	71,288,384	3,950,469	200,000	4,150,469	5.82%	757,094	\$3.92

Source: CoStar, Colliers International

400 offices in
68 countries on
6 continents

\$3.3
billion in
annual revenue

2
billion square feet
under management

17,000+
professionals
and staff



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