

Columbia warehouse space in high demand

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Key Takeaways

- Trade negotiations between U.S. and China will likely benefit Columbia through increasing imports and exports; therefore, raising demand from out-of-market users seeking a location in Columbia due to its central location and accessibility to logistics.
- Over the past year the Columbia industrial market has absorbed 3.30 million square feet and the vacancy rate decreased 311 basis points to 4.52% at year end.
- There were five industrial buildings delivered during 2019 adding 1.02 million square feet to the Columbia industrial market.
- Columbia warehouse space is being absorbed as soon as it is delivered to the market; the Orangeburg County submarket warehouse sector alone absorbed 417,817 square feet during the fourth quarter of 2019.

2019 Industrial Recap

The Columbia industrial market had a phenomenal year absorbing 3.30 million square feet. There were five buildings delivered to the market during 2019, four of them were delivered to the Southeast Columbia submarket: China Jushi located at 1460 Pineview Drive is a new 660,135-square-foot manufacturing facility, 105 Sparkman Drive is the site of a new 70,000-square-foot flex/R&D building, 126 Atlas Court is a new 46,000-square-foot warehouse and Shop Grove Commerce Park located at 101 Sparkman Drive is the site of a new 45,000-square-foot warehouse. There was also one 200,000-square-foot warehouse delivered to the Cayce/West Columbia submarket at Midway IV. The Columbia overall market vacancy rate decreased from 7.79% during the fourth quarter of 2018 to 4.52% during the fourth quarter of 2019. The average market weighted rental rate has increased from \$3.78 per square foot at the end of 2018 to \$4.03 per square foot at year end 2019.

Market Indicators

Relative to prior period

	Q4 2019	Q1 2020*
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

Q4 2019 Columbia Industrial

	Market
Vacancy Rate	4.52%
Change From Q4 2018 (basis points)	-311
Absorption (Thousand Square Feet)	956.60
New Construction (Thousand Square Feet)	270.00
Under Construction (Thousand Square Feet)	65.00

*New construction is newly delivered buildings

Asking Rents

NNN Per Square Foot Per Year

Market	\$4.03
Change From Q4 2018	+6.61%
Flex	\$7.12
Manufacturing	\$3.17
Warehouse	\$4.05

Market Overview

Overall Columbia

The Columbia industrial market is comprised of 72.51 million square feet. During the fourth quarter of 2019 the market absorbed 956,603 square feet, over half of which was absorbed within the warehouse sector. Orangeburg County was the submarket with the highest absorption of 417,817 square feet, followed by Northeast Columbia with 209,500 square feet of absorption. There is currently one building under construction which, upon completion, will add 65,000 square feet to the market. Two buildings were delivered to the market during the fourth quarter of 2019 adding 270,000-square-foot to the Columbia market. The quarterly vacancy rate dropped from 5.48% during the third quarter of 2019 to 4.52% at year end. The overall average market rental rate for available industrial space rose from \$3.95 per square foot during the third quarter of 2019 to \$4.03 per square foot at the end of 2019.

Warehouse/Distribution

The warehouse/distribution sector comprises the largest portion of the Midlands industrial market, with approximately 45.33 million square feet. One 200,000-square-foot warehouse was delivered at Midway Logistics IV, within the Cayce/West Columbia submarket, and one 67,000-square-foot warehouse is proposed to be built within the Lexington submarket. This sector absorbed 644,506 square feet during the fourth quarter of 2019, 446,967 square feet were absorbed within Orangeburg warehouses. The quarterly warehouse vacancy rate drastically decreased from 5.03% during the third quarter of 2019 to 4.03% at year end—there are six submarkets with a vacancy rate of less than 1%. The overall average weighted rent for warehouses rose to \$4.05 per square foot during the fourth quarter of this year due to warehouse rental rates ranging from \$1.00 per square foot in the Orangeburg submarket to \$10.00 per square foot in the Northwest Columbia submarket.

Manufacturing

The manufacturing sector in the Midlands has 24.85 million square feet and there is currently one manufacturing facility under construction that, upon completion will add 65,000 square feet to the inventory. The manufacturing sector absorbed 308,684 square feet during the fourth quarter of 2019, mostly within the Northeast Columbia submarket at 1080 Jenkins Brothers Road. Due to the positive leasing activity, the manufacturing vacancy rate decreased from 5.81% last quarter to 4.57% during the fourth quarter of 2019. The weighted rental rate for available manufacturing space averaged \$3.17 per square foot at year end.

Flex/R&D

The Flex/R&D sector in the Midlands has 2.32 million square feet within its submarkets. One 70,000-square-foot flex/R&D property was delivered to the Southeast Columbia submarket during the fourth quarter of 2019. This sector absorbed 3,413 square feet; however, the vacancy rate increased due the 70,000-square-foot new construction becoming available, in addition to the other building vacancies. The quarterly vacancy rate increased from 10.97% to 13.50%. Flex/R&D average weighted rental rate for the remaining availabilities decreased from \$8.31 per square foot during the third quarter of 2019 to \$7.12 per square foot at year end.

Significant Transactions

According to CoStar, there were 30 industrial sale transactions, and 17 industrial leases signed during the fourth quarter of 2019.

Sales

- For \$34.3 million, STAG Industrial, Inc. purchased the 450,000-square-foot manufacturing facility at 1000 Technology Drive in West Columbia and negotiated a sale | leaseback with Flextronics.
- For \$14.6 million, W.P. Carey, Inc. purchased the 212,978-square-foot distribution center located at 670 Industrial Drive, in Lexington, as part of a portfolio sale. The new owner negotiated a sale | leaseback with Apex Tool Group, LLC for this space.
- For \$4.1 million, Lee & Associates purchased a 70,757-square-foot warehouse at Carolina Pines III located at 116 Belk Court and negotiated a sale | leaseback with Hodell-Natco Industries, Inc.

Leases

- As mentioned above, Apex Tool Group leased 212,978 square feet at 670 Industrial Drive in the Lexington submarket.
- Jushi USA Fiberglass Co. Ltd. leased 122,419 square feet at 209 Flintlake Road in the Northeast Columbia submarket.

2019 Q4 Industrial Construction Pipeline Columbia		
PROPERTY NAME LOCATION	BUILDING SF	COUNTY
DELIVERED		
Midway Logistics IV	200,000	Lexington
105 Sparkman Drive	70,000	Richland
UNDER CONSTRUCTION		
397 Millennium Drive	65,000	Orangeburg

Source: Colliers International, CoStar

- › Jemison Metals leased 70,568 square feet at 2630 Hwy 15 South in the Sumter County submarket.
- › Husqvarna Consumer Outdoor Products NA Inc. leased 54,043 square feet at 3130 Bluff Road in the Southeast Columbia submarket.

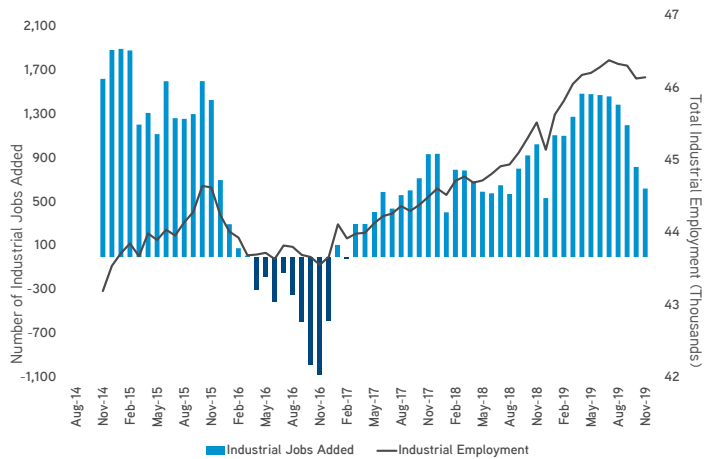
Capital Investment & Employment

Through the fourth quarter of 2019 there have been \$230.90 million in new capital investments and \$79.10 million in capital investment expansions, accounting for 967 jobs announced within the Columbia region. The types of investors include chemical manufacturing, advanced manufacturing | fabrication, energy production and marine manufacturing. According to the Federal Reserve data through November 2019, industrial employment comprises 11.4% of Columbia’s total employment, or about 46.2 million jobs in the Midlands region. There were 3,300 non-farm jobs added to the market during the past 12 months ending November 2019, and industrial employment made up approximately 18.9% of the total jobs added or 625 jobs.

Market Forecast

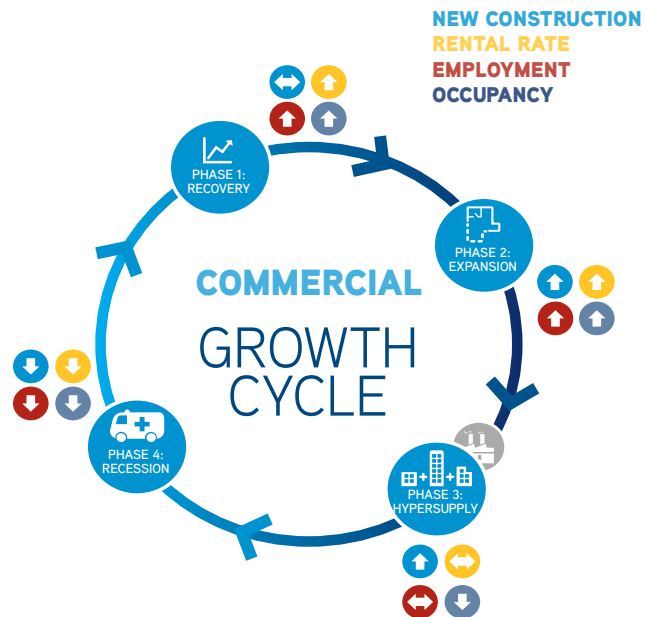
The South Carolina industrial markets will benefit from the recently negotiated U.S.-China Trade Deal. The two most pertinent aspects of the deal affecting South Carolina industrial markets promote increased purchases of American products and tariff relief on Chinese products; thus, leading to an increase in imports and exports. Therefore, the demand for out-of-market industrial powerhouses to locate throughout South Carolina is expected to rise in 2020. With increased demand, new construction will likely be necessary within the Columbia warehouse sector, because the occupancy rate is already 95.97% and is predicted to continue on an upward trajectory. In addition, with increasing imports and exports; manufacturers will seek locations within areas convenient to trade logistics; therefore, Columbia’s central location may draw new manufacturers to the region next year. Rental rates are expected rise in 2020 due to limited space availabilities and new construction deliveries.

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.



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.**

Q4 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%	-	-
Warehouse/Distribution	5	409,673	-	-	-	0.00%	-	-
Calhoun County Total	11	803,966	-	-	-	0.00%	-	-
CAYCE/WEST COLUMBIA								
Flex/R&D	21	476,084	16,007	-	16,007	3.36%	14,778	\$8.94
Manufacturing	44	3,149,630	13,500	-	13,500	0.43%	-	-
Warehouse/Distribution	195	9,465,629	387,855	-	387,855	4.10%	6,846	\$4.31
Cayce/West Columbia Total	260	13,091,343	417,362	-	417,362	3.19%	21,462	\$4.77
CLARENDON COUNTY								
Manufacturing	9	722,117	-	-	-	0.00%	-	-
Warehouse/Distribution	10	426,532	82,960	-	82,960	19.45%	-	\$3.00
Clarendon County Total	19	1,148,649	82,960	-	82,960	7.22%	-	\$3.00
COLUMBIA-CBD								
Flex/R&D	4	309,925	-	-	-	0.00%	4,877	-
Manufacturing	3	60,505	-	-	-	0.00%	-	-
Warehouse/Distribution	41	988,597	46,210	-	46,210	4.67%	-	\$4.90
Columbia-CBD Total	48	1,359,027	46,210	-	46,210	3.40%	4,877	\$4.90
EAST COLUMBIA								
Flex/R&D	11	312,068	64,059	-	64,059	20.53%	-	\$8.67
Manufacturing	3	265,205	-	-	-	0.00%	-	-
Warehouse/Distribution	48	1,211,175	250,715	-	250,715	20.70%	-12,573	\$4.13
East Columbia Total	62	1,788,448	314,774	-	314,774	17.60%	-12,573	\$5.40
FAIRFIELD COUNTY								
Manufacturing	9	710,487	41,828	-	41,828	5.89%	-	\$3.59
Warehouse/Distribution	9	988,176	23,200	-	23,200	2.35%	-	\$2.75
Fairfield County Total	18	1,698,663	65,028	-	65,028	3.83%	-	\$3.29
IRMO/CHAPIN								
Flex/R&D	4	85,500	6,000	-	6,000	7.02%	-	-
Manufacturing	6	353,113	-	-	-	0.00%	-	-
Warehouse/Distribution	31	610,327	19,000	-	19,000	3.11%	10,085	\$7.00
Irmo/Chapin Total	41	1,048,940	25,000	-	25,000	2.38%	10,085	\$7.00
KERSHAW COUNTY								
Manufacturing	18	1,561,896	89,366	-	89,366	5.72%	-	\$2.90
Warehouse/Distribution	40	4,392,699	-	-	-	0.00%	13,824	-
Kershaw County Total	58	5,954,595	89,366	-	89,366	1.50%	13,824	\$2.90
LEE COUNTY								
Manufacturing	6	708,115	-	-	-	0.00%	-	-
Warehouse/Distribution	6	187,740	-	-	-	0.00%	-	-
Lee County Total	12	895,855	-	-	-	0.00%	-	-
LEXINGTON								
Flex/R&D	4	99,655	5,044	-	5,044	5.06%	-	-
Manufacturing	24	1,631,922	105,000	-	105,000	6.43%	-	\$2.00
Warehouse/Distribution	64	2,560,268	24,000	-	24,000	0.94%	13,800	\$4.95
Lexington Total	92	4,291,845	134,044	-	134,044	3.12%	13,800	\$2.55

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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	-	-	-	0.00%	58,235	-
Newberry County Total	26	2,401,060	189,600	-	189,600	7.90%	58,235	\$3.75
NORTH COLUMBIA								
Flex/R&D	3	98,386	38,393	-	38,393	39.02%	-	\$11.00
Manufacturing	6	168,768	15,000	-	15,000	8.89%	-4,800	\$3.95
Warehouse/Distribution	55	1,384,068	101,250	-	101,250	7.32%	-5,000	\$4.67
North Columbia Total	64	1,651,222	154,643	-	154,643	9.37%	-9,800	\$5.93
NORTHEAST COLUMBIA								
Flex/R&D	11	292,761	48,162	-	48,162	16.45%	9,500	\$4.65
Manufacturing	25	3,303,756	-	-	-	0.00%	200,000	-
Warehouse/Distribution	46	3,524,417	170,115	-	170,115	4.83%	-	\$3.97
Northeast Columbia Total	82	7,120,934	218,277	-	217,277	3.07%	209,500	\$4.09
NORTHWEST COLUMBIA								
Flex/R&D	10	175,157	36,931	-	36,931	21.08%	3,408	\$11.06
Manufacturing	4	272,248	3,000	-	3,000	1.10%	-	\$16.00
Warehouse/Distribution	13	508,536	17,500	-	17,500	3.44%	18,887	\$10.00
Northwest Columbia Total	27	955,941	57,431	-	57,431	6.01%	22,295	\$11.25
ORANGEBURG COUNTY								
Flex/R&D	3	81,223	29,150	-	29,150	35.89%	-29,150	\$3.50
Manufacturing	38	4,607,413	573,400	-	573,400	12.45%	-	\$3.07
Warehouse/Distribution	86	5,650,697	361,047	-	361,047	6.39%	446,967	\$3.96
Orangeburg County Total	127	10,339,333	963,597	-	963,597	9.32%	417,817	\$3.53
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	10	262,744	70,000	-	70,000	26.64%	-	-
Manufacturing	41	3,011,604	-	-	-	0.00%	42,965	\$3.00
Warehouse/Distribution	224	8,099,964	248,441	-	248,441	3.07%	93,417	\$4.69
Southeast Columbia Total	275	11,374,312	318,441	-	318,441	2.80%	136,382	\$5.08
SUMTER COUNTY								
Flex/R&D	1	104,600	-	-	-	0.00%	-	-
Manufacturing	26	2,312,419	104,712	-	104,712	4.53%	70,519	\$3.25
Warehouse/Distribution	51	3,744,769	17,564	-	17,564	0.47%	-	\$2.03
Sumter County Total	78	6,161,788	122,276	-	122,276	1.98%	70,519	\$3.12
MARKET TOTAL								
Flex/R&D	84	2,323,903	313,746	-	313,746	13.50%	3,413	\$7.12
Manufacturing	274	24,853,364	1,135,406	-	1,135,406	4.57%	308,684	\$3.17
Warehouse/Distribution	947	45,331,133	1,824,857	-	1,824,857	4.03%	644,506	\$4.05
Market Total	1,305	72,508,400	3,274,009	-	2,274,009	4.52%	956,603	\$4.03

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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