

SOUTH CAROLINA | INDUSTRIAL

Q4 2019

Accelerating success.

Industrial market expands to accommodate ongoing demand

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Key Takeaways

- > A record-breaking 15.88 million square feet of industrial buildings were delivered throughout South Carolina in 2019; however, the vacancy rate still dropped 117 basis points from the fourth quarter of 2018 through year end 2019.
- > During the calendar year 2019, the South Carolina Ports Authority reached a record-breaking container volume.

2019 Industrial Annual Recap

During 2019, the South Carolina industrial market grew significantly- there were 77 new industrial buildings delivered to the market adding 15.88 million square feet, and there are currently 8.33 million square feet under construction. In addition, another 5.83 million square feet of industrial buildings are proposed to be built statewide. In addition to a record number of building deliveries during 2019, the South Carolina industrial market absorbed 20.03 million square feet. Therefore, the market vacancy rate dropped 117 basis points from the fourth quarter of 2018 down to 6.36% during this quarter. The overall average South Carolina industrial weighted rental rate rose from \$3.78 per square foot during the fourth quarter of last year to \$4.53 per square foot during the fourth quarter of 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

Summary Statistics

Q4 2019 Industrial	Market
Vacancy Rate	6.36%
Change From Q4 2018 (basis points)	-117
Quarterly Absorption (Million Square Feet)	2.43
New Construction (Million Square Feet)	5.11
Under Construction (Million Square Feet)	7.87

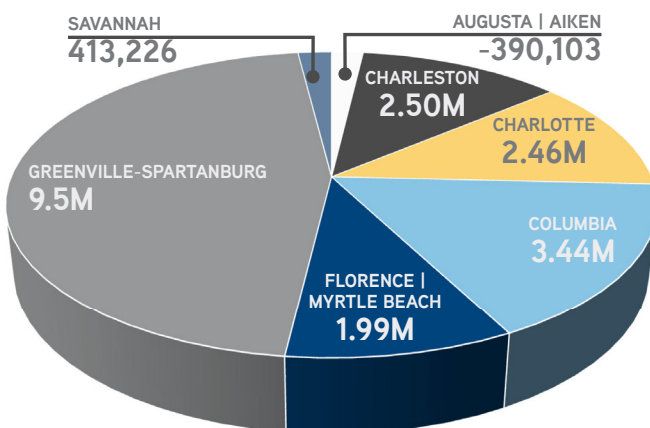
*New construction is newly delivered buildings

Asking Rents

NNN Per Square Foot Per Year

Market	\$4.53
Change From Q4 2018	+19.84%
Flex	\$7.78
Manufacturing	\$3.69
Warehouse	\$4.45

South Carolina 2019 Annual Absorption Chart



Quarterly Market Overview

The South Carolina industrial market is comprised of 442.03 million square feet within 6,935 buildings. From the third quarter through the fourth quarter of this year, the South Carolina market grew by twenty buildings which added approximately 5.11 million square feet. Due to the delivery of new industrial construction, the overall South Carolina market vacancy rate increased from 5.82% last quarter to 6.36% during the fourth quarter of this 2019. The South Carolina industrial markets absorbed approximately 2.43 million square feet during the fourth quarter of 2019 - the Greenville-Spartanburg market absorbed the most with 1.78 million square feet followed by the Columbia market with 1.11 million square feet of absorption. The average triple net South Carolina market rental rate for the remaining available industrial space increased to \$4.53 per square foot this quarter.

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. The Augusta | Aiken market absorbed 7,400 square feet during the fourth quarter of 2019 within two warehouses. There was no activity in the Flex/R&D sector, nor in the manufacturing sector during the fourth quarter of 2019. Consequently, the overall market vacancy rate decreased minimally from 15.68% during the third quarter of this year to 15.61% during the fourth quarter. The average weighted rental rate for the South Carolina portion of the Augusta | Aiken region decreased from \$2.99 per square foot during the third quarter to \$2.61 per square foot at year end.

Charleston

The Charleston industrial market has 57.20 million square feet of industrial inventory with approximately 2.82 million square feet under construction within 13 buildings. In addition, there are

approximately 13 buildings proposed to be built within the Charleston market which would add an additional 3.84 million square feet to the industrial inventory. There were five new buildings delivered to the market this quarter which added 867,783 square feet to the Charleston industrial inventory. The Charleston industrial market absorbed 453,503 square feet during the fourth quarter of 2019. Due to the large amount of construction delivery during the fourth quarter of 2019, the overall Charleston vacancy rate increased from 8.25% during the third quarter of 2019 to 8.87% this quarter. The overall market average triple net weighted rental rate increased this quarter to \$6.03 per square foot.

Charlotte (South Carolina portion)

The South Carolina portion of the Charlotte submarket has an industrial inventory totaling 39.74 million square feet, and there are currently 458,052 square feet of warehouse space currently under construction. Two warehouses and one flex building delivered to the Charlotte market during the fourth quarter of 2019 adding 390,372 square feet to the inventory in York County and all but 25,000 square feet of the new space was absorbed. However, the South Carolina portion of the Charlotte market still posted a negative absorption of 25,930 square feet during the fourth quarter of 2019. As a result, the overall quarterly market vacancy rate increased from 6.81% last quarter to 7.72% at year end. Average weighted rental rates for the remaining industrial space decreased from \$5.41 per square foot during the third quarter of 2019, to \$5.24 per square foot this quarter.

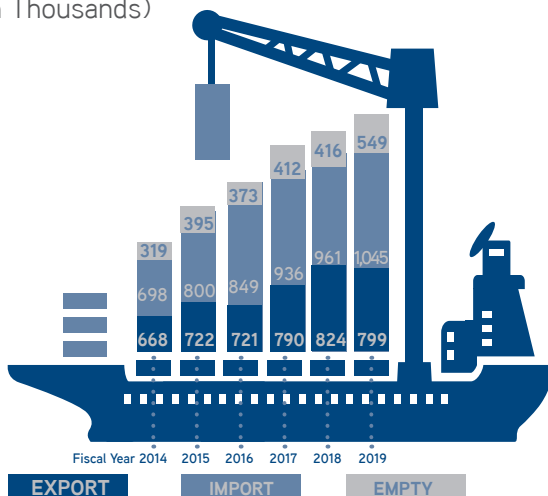
Columbia

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.

Florence | Myrtle Beach

The Florence | Myrtle Beach market is comprised of 38.28 million square feet of industrial properties and posted a negative absorption of 903,684 square feet during the fourth quarter of 2019. The negative absorption was almost split equally between warehouse and manufacturing space. No new buildings were delivered to the market during the fourth quarter of 2019, but construction continues on two warehouses which, upon completion, will add 309,400 square feet to the market. Due to the negative absorption, the vacancy rate increased to 7.44% and the overall Florence | Myrtle Beach weighted rental rates decreased to \$2.68 per square foot this quarter.

Port of Charleston
Annual Twenty-foot Equivalent Unit Volume
 (in Thousands)



Source: South Carolina Ports Authority

Greenville-Spartanburg

Comprised of approximately 210.76 million square feet, there are currently 3.99 million square feet among 17 buildings under construction and 15 additional proposed properties totaling 1.92 million square feet delivering throughout the Greenville-Spartanburg market. During the fourth quarter of 2019, 3.56 million square feet of industrial buildings were delivered and 1.78 million square feet were absorbed. Subsequently, the quarterly market vacancy rate increased from 4.59% to 5.36%.

Savannah (South Carolina portion)

The Savannah market within South Carolina has 10.32 million square feet of industrial space and absorbed 20,739 square feet during the fourth quarter of 2019 - the manufacturing sector absorbed 113,230 square feet this quarter; however, the warehouse sector posted a net negative absorption of 112,991 square feet. There is one 17,500-square-foot warehouse under construction and one 22,500-square-foot flex/R&D building delivered to the market during the fourth quarter of 2019. The overall quarterly vacancy rate remained at 5.66% this quarter and the average triple net weighted rental rate increased to \$5.20 per square foot.

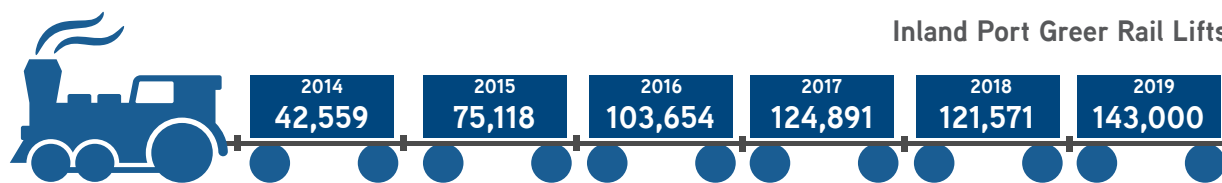
Significant Transactions

There were 120 industrial sale transactions reported through CoStar during the fourth quarter of 2019 to include a \$141.80 million, seven-property portfolio sale including a building within the Tyger River Industrial Park. There were 89 leases executed during the fourth quarter of 2019. Several sales involved sale-leaseback transactions.

South Carolina Ports

According to a 2019 economic impact study conducted by the University of South Carolina Darla Moore School of Business, the South Carolina Ports Authority are responsible for 224,963 jobs across South Carolina, or one in every 10 jobs; 52% of this impact is concentrated in the Upstate. In 2019, the South Carolina ports system produced \$63.4 billion in annual economic impact, generated more than \$12.8 billion in labor income and \$1.1 billion in annual tax revenue.

The S.C. Ports Authority had its best calendar year in the history of its operations. There was a 5% increase year-over-year from 2018 to 2019 and the ports handled 2.44 million twenty-foot equivalent container units (TEUs). In addition, the Inland Port Dillon and Inland



Sources: South Carolina Ports Authority, Colliers International

Q4 2019 Statewide Sales Transactions (+100,000 SF)

NAME	ADDRESS	COUNTY	SIZE (SF)	PRICE PRICE PSF	BUYER	DATE
Tyger River Industrial Park (part of portfolio)	6135 Anderson Mill Road	Spartanburg	708,067	\$141.80M \$200.26	Veyron & Co., LLC	12-19
The Cubes at Inland 85	223 Genoble Road A	Greenville	1,318,680	\$98.4M \$75.00	Lexington Realty Trust	12-19
TBC Building	400 Trade Zone Boulevard	Berkeley	1,100,235	\$73M \$66.00	LBA Realty	11-19
- (part two-property portfolio)	4041 Pleasant Road	York	776,702	\$56.4M \$73.00	W.P. Carey, Inc.	12-19
-	1000 Technology Drive	Lexington	450,000	\$34.3M \$76.00	STAG Industrial, Inc.	11-19
- (part of 16-property portfolio)	4011 Highway 417	Spartanburg	432,120	\$34.2M \$79.00	LBA Realty	11-19
Spartan Ridge Logistic Center	2010 Nazareth Church Road	Spartanburg	273,000	\$19M \$70.00	STAG Industrial, Inc.	12-19
Apple Valley Industrial Park (two-property portfolio)	231 & 235 Apple Valley Road	Spartanburg	196,000 & 177,320	\$32.27M \$86.44	Lexington Realty Trust	10-19
-(part of two-property portfolio)	670 Industrial Drive	Lexington	212,978	\$14.6M \$69.00	W.P. Carey, Inc.	10-19
S.C. Technology & Aviation Center	1301 Perimeter Road	Greenville	125,000	\$12.3M \$98.00	Susquehanna Holdings Company	12-19

Q4 2019 Statewide Lease Transactions (+200,000 SF)

ADDRESS	COUNTY	SIZE (SF)	TENANT	DATE
Tyger River Industrial Park 6135 Anderson Mill Road	Spartanburg	708,067	Keurig	12-19
874 Paragon Way	York	277,290	Exel, Inc.	10-19
670 Industrial Drive	Lexington	212,978	Apex Tool Group	10-19
805 Victory Trail Road	Cherokee	208,000	Suminoe Textile	10-19
101 Harrison Bridge Road	Greenville	204,952	Michelin North America, Inc.	11-19

Source: Colliers International, CoStar

Port Greer also increased activity by 41% from 2018 to 2019, breaking previous records with a 190,539 combined rail moves.

The South Carolina Ports Authority President and CEO Jim Newsome stated,

"We enter 2020 with a great decade of growth behind us, during which we doubled our volumes, tripled our asset base and added more than 200 people to our team. Our cargo growth and efficient terminals are only made possible through the dedication of our team and the broader maritime community."

According to the South Carolina Ports Annual Report, by 2021 the first phase of the Leatherman terminal is set to open and the Wando terminal will have 15 155-foot-tall ship-to-shore cranes with the ability to manage three 14,000-TEU ships concurrently.

Market Forecast

The South Carolina industrial market will benefit from the recently negotiated U.S.-China Trade Deal and USMCA. 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. These changes will lead to an increase in imports and exports. The Port of Charleston is already performing exceedingly well, reporting record-breaking numbers in 2019. Since the Port of Charleston is the gateway to the South Carolina logistics pipeline, the demand for industrial space will continue to climb through 2020. An expansive industrial pipeline is expected to deliver in the next few quarters and be quickly absorbed due to increasing statewide industrial demand. Average rental rates are on the rise due to high-quality new buildings forcing the rent upward.

2019 Q4 Industrial Construction Pipeline | South Carolina

PROPERTY NAME LOCATION	BUILDING SF	COUNTY
COMPLETIONS (+100,000 SF)		
Cubes at Inland 85 Building A Genoble	1.32M	Spartanburg
Victor Hill Commerce Center Building B 1359 Victor Hill Road	545,127	Spartanburg
Fort Prince Commerce One Fort Prince Road	439,360	Spartanburg
Crosspoint Building 7 4289 Crosspoint Drive	364,000	Charleston
Augusta Grove 1700 Old Grove Road	300,645	Greenville
Summerville Distribution Complex Deming Way	250,000	Dorchester
5500 Highway 76	250,000	Anderson
Woods Chapel Crossing Woods Chapel Road	243,380	Spartanburg
Apple Valley Phase III 406 Apple Valley Road	236,500	Spartanburg
Southchase Industrial Park 218 Wilson Bridge Road	219,054	Greenville
Riverwalk Business Park D 700 Paragon Way	216,000	York
Midway Logistics IV	200,000	Lexington
Lakemont Logistics Center I 3436 Stateview Boulevard	149,732	York
180 Trade Center Parkway	136,500	Berkeley
7771 Palmetto Commerce Parkway	106,500	Charleston
UNDER CONSTRUCTION (+200,000 SF)		
Keurig Green Mountain	708,067	Spartanburg
IFA Rotorion Building	622,677	Berkeley
A & R Logistics Gaillard Road	615,000	Berkeley
Clarius Park	551,670	Greenville
Inland 85 Logistics Center Building C	504,060	Spartanburg
Camp Hall Building 3	504,010	Berkeley
Ladson Industrial Park Ladson & Stoney Road	420,888	Charleston
Apple Valley Phase IV Building I	327,670	Spartanburg
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
Palmetto Trade Center Phase II 7755 Palmetto Commerce Parkway	229,320	Berkeley
Camp Hall Buildings 1 & 2	220,775 each	Berkeley
85 Logistics Building 1 Berry Shoals Road	201,600	Spartanburg
Florence I-95 Logistics Center 2570 Florence Harlee Boulevard	200,200	Florence

Q4 2019 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	764,851	-	764,851	8.40%	-	-
Warehouse	80	4,461,958	1,356,912	-	1,356,912	30.41%	7,400	\$2.61
Augusta Aiken Total	122	13,594,531	2,121,763	-	1,121,763	15.61%	7,400	\$2.61
CHARLESTON								
Flex/R&D	110	4,400,219	251,203	1,000	252,203	5.73%	-51,755	\$9.60
Manufacturing	137	11,074,446	527,452	-	527,452	4.76%	144,400	\$5.83
Warehouse	845	41,725,286	4,286,775	8,000	4,294,775	10.29%	350,075	\$5.20
Charleston Total	1,092	57,199,951	5,065,430	9,000	5,074,430	8.87%	442,720	\$5.45
CHARLOTTE (SOUTH CAROLINA PORTION)								
Flex/R&D	14	593,052	250,118	-	250,118	42.17%	18,363	\$5.75
Manufacturing	108	12,023,516	214,219	256,210	470,339	3.91%	35,532	\$6.98
Warehouse	325	27,121,350	2,248,822	100,000	2,348,822	8.66%	-79,825	\$4.92
Charlotte Total	447	39,737,918	2,713,069	356,210	3,069,279	7.72%	-25,930	\$5.24
COLUMBIA								
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	947	45,331,133	1,674,857	-	1,674,857	3.69%	794,506	\$4.05
Columbia Total	1,305	72,508,400	3,124,009	-	3,124,009	4.31%	1,106,603	\$4.03
FLORENCE MYRTLE BEACH								
Flex/R&D	11	136,423	17,950	-	17,950	13.16%	-10,000	\$8.10
Manufacturing	118	15,540,347	1,672,768	-	1,672,768	10.76%	-466,230	\$2.16
Warehouse	531	22,603,723	1,166,732	-	1,166,732	5.16%	-427,454	\$3.49
Florence Myrtle Beach Total	660	38,280,493	2,857,450	-	2,857,450	7.46%	-903,684	\$2.68
GREENVILLE SPARTANBURG								
Flex/R&D	160	5,416,697	404,390	3,100	407,490	7.52%	67,245	\$8.54
Manufacturing	332	21,354,001	1,050,500	-	1,050,500	4.92%	-149,500	\$5.51
Warehouse	2,572	183,992,390	9,259,908	580,608	9,840,516	5.35%	1,861,460	\$3.81
Greenville Spartanburg Total	3,064	210,763,088	10,714,798	583,708	11,298,506	5.36%	1,779,205	\$4.19
SAVANNAH (SOUTH CAROLINA PORTION)								
Flex/R&D	13	244,664	22,000	-	22,000	8.99%	500	\$11.25
Manufacturing	35	4,946,658	139,537	-	139,537	2.82%	133,230	\$3.50
Warehouse	197	5,125,294	372,720	50,000	422,720	8.25%	-112,991	\$4.57
Savannah Total	245	10,316,616	534,257	50,000	584,257	5.66%	20,739	\$5.20
STATEWIDE MARKET TOTALS								
Flex/R&D	394	13,140,458	1,259,407	4,100	1,263,507	9.62%	27,766	\$7.78
Manufacturing	1,044	98,889,405	5,504,643	256,210	5,760,853	5.82%	6,116	\$3.69
Warehouse	5,497	329,991,134	20,366,726	738,608	21,105,334	6.40%	2,393,171	\$4.45
MARKET TOTALS	6,935	442,030,997	27,130,776	998,918	28,129,694	6.36%	2,427,053	\$4.53

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 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.**

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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