

Charleston, SC



Quick Stats

16.8 msf

Inventory

1Q20 16.4 msf

15.6%

Vacancy

1Q20 11.5%

(101,220) sf

Net Absorption

1Q20 (144,091) sf

120,000 sf

Deliveries

1Q20 0 sf

645,013 sf

Under Construction

1Q20 909,838 sf

\$26.37 psf

Average Asking Rents

1Q20 \$26.13 psf

5.2%

Unemployment

1Q20 3%

It's an Office Tenant's World

The tide has turned from a landlord-driven market to a solid tenant's market, but it has not peaked yet. Expect it to swing further in favor of tenants, giving them the upper hand for years to come. In this tenant's market, they will benefit from more choices, declining lease rates, enhanced tenant improvement allowances and rent abatement.

Through 2018 and into 2019, Charleston peaked in terms of record high lease rates and low vacancy, giving landlords a strong, favorable position in negotiation. Before the COVID-19 lockdowns began, there was already a softening in the leasing market due to new product being added by developers. The pandemic has accelerated trends that were predicted beforehand, notably due to construction remaining an essential service and through companies' and workers' new proficiency in a 'work from home' environment.

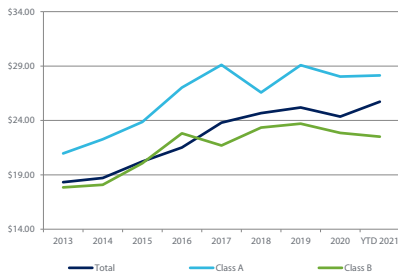
While office developers have been adding space to our market notably since 2017, in 2019 some buildings were planned and financed without tenants committing preconstruction, 100% spec development. Notably, over 600,000 sf of Class A office was in planning in the NoMo area of Charleston's upper peninsula before anyone heard the term COVID-19. Construction never slowed on these buildings and others which are approaching completion now. It would take years to fill these even in a healthy market without a pandemic.

While physical offices were closed entirely and travel cancelled in the initial lockdown, employees continued to do their work remotely. Through necessity, staff turned to technology, like video conferencing, to communicate and continue their work. As users became more proficient, many have found greater satisfaction and efficiency working from home, some of whom will not be returning to the office, at least not every day. Therefore, businesses are reevaluating how much space they need with many deciding less. This is a retraction we would not have seen without the pandemic.

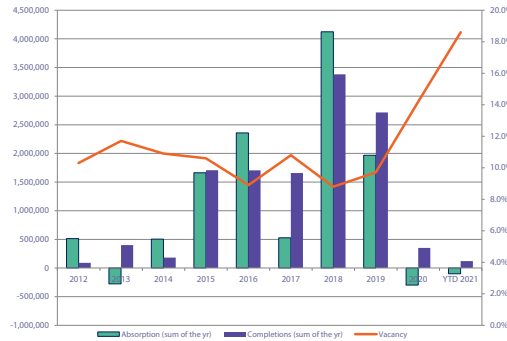
Another metric illustrating the dramatic swing to a tenant market is the magnitude of sublet space. When companies commit to a lease term, they take into account the possibility of needing more or less space before the end of their commitment. Space available for sublease has typically been less than one percent of our market pre-pandemic. Now over 4% of our total office market, 7.5% of Class A space, is available for sublease, creating more choices for tenants looking for space.

For those businesses moving into or growing within Charleston the choices are plentiful and terms favorable. While faced with challenges in the near future, employers and investors alike continue to choose Charleston to locate and grow. People want to live and work in Charleston. Fortunately, Charleston enjoys a stature as a lifestyle choice for employers seeking a location to attract and retain employees seeking a great place to live.

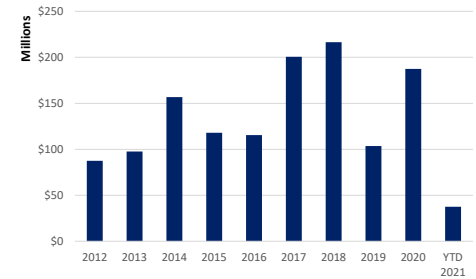
Average asking rental rate
(psf/year/FS)



Quarterly absorption



Office investment sales



Select 1Q 2021 Lease Transactions

Tenant	Address	Type	Submarket	SF
MUSC	1280 Hospital Dr	Renewal	East Island/Mount Pleasant	23,379
Parker Poe Adams & Bernstein	850 Morrison Dr	New	Downtown	12,000
Undisclosed	116 Chance Ln	New	Dorchester	10,000
Charleston Hospitality Group	229 Huger St	New	Downtown	7,534
Angela and William Blackwell	1014 Saint Andrews Blvd	New	Dorchester	6,543
Undisclosed	7 Radcliffe St	New	Downtown	6,000

Select 1Q 2021 Sale Transactions

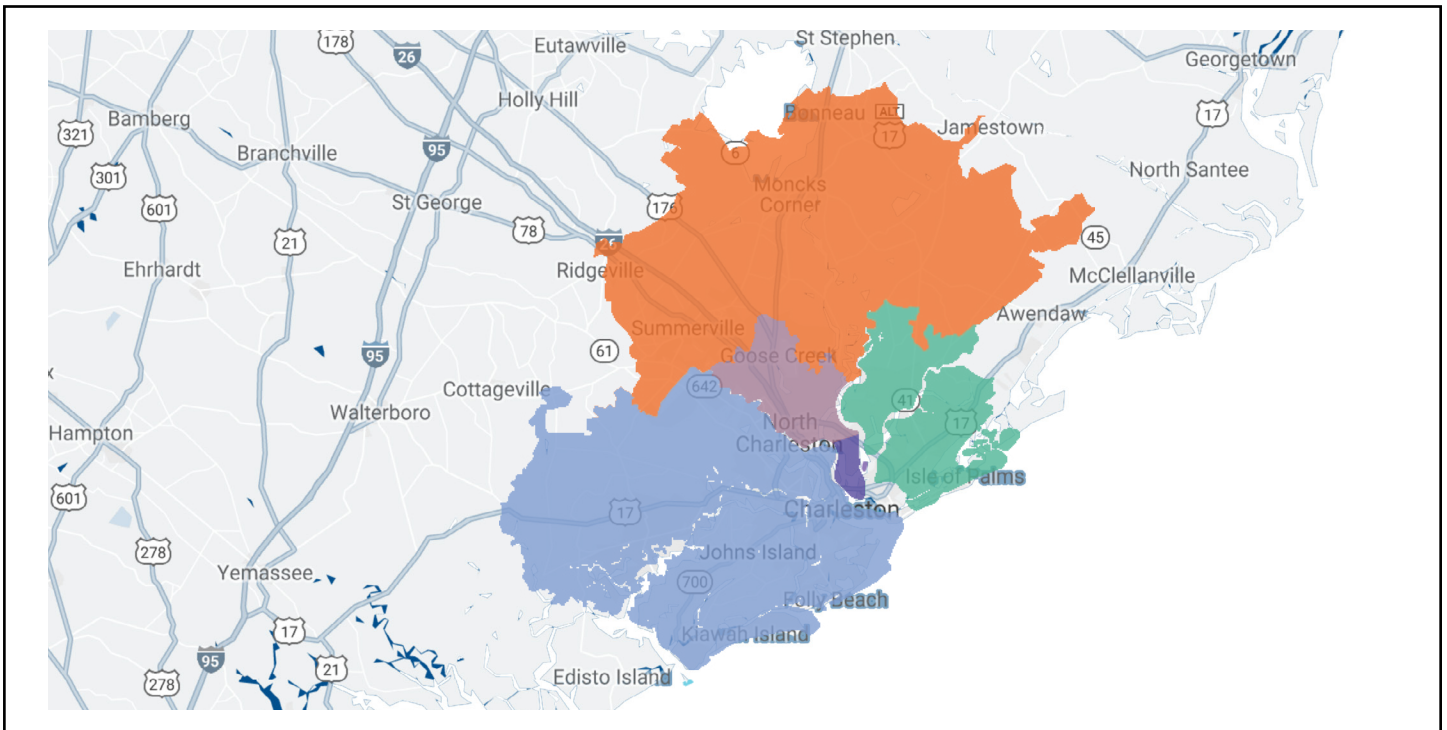
Property	Submarket	Buyer	Total sf	Purchase price	Price/sf
201 Sigma Dr	Summerville	LMHT Capital	97,448	\$26,125,000	\$268.09
3800 Paramount Dr	North Charleston	ECPI University	50,000	\$8,250,000	\$165.00
89 Old Trolley Rd	Summerville	John D Steele	14,251	\$1,954,457	\$137.15

Select Construction Projects

Property	Submarket	Project status	Total sf	Asking Rents
850 Morrison Dr - Morrison Yard	Downtown Charleston	Under Construction	135,000	\$30.00 NNN
1080-1090 Morrison Dr - The Morris	Downtown Charleston	Under Construction	115,000	\$42.00 FS
1940 Algonquin Rd - The Quin	Downtown Charleston	Under Construction	110,000	\$30.00 FS
997 Morrison Dr	Downtown Charleston	Under Construction	93,000	\$39.25 NNN
677 King St	Downtown Charleston	Under Construction	80,000	\$40.00 FS
302 Wingo Way	East Islands/Mt Pleasant	Under Construction	36,400	\$38.00 FS
741 Meeting St	Downtown Charleston	Under Construction	29,985	Undisclosed
877 Island Park Dr	Daniel Island	Under Construction	19,840	\$33.00 FS

Market by the numbers

By submarket	Inventory	Total Vacancy	Net Absorption	SF Under Construction	Average Asking Rent
Downtown	3,594,192	13.0%	103,888	575,485	\$33.12
East Suburbs	4,870,019	21.0%	-51,976	56,240	\$27.64
North Charleston	7,814,158	15.3%	-37,596	123,288	\$22.88
North Suburbs	1,890,763	3.9%	-2,822	0	\$21.67
West Suburbs	1,632,946	8.2%	-11,431	0	\$24.88
Total Market	16,839,149	15.6%	-101,220	645,013	\$26.37



Charleston Submarket Map

- Downtown Charleston
- North Suburbs
- North Charleston
- East Suburbs
- West Suburbs

Get more market information

LaChrisha LaSane
 Research Analyst
 843 343 2680
 lachrisha.lasane@avisonyoung.com



avisonyoung.com

