

Charleston, SC



Quick Stats

16.7 msf

Inventory

3Q19 16.4 msf

13.4%

Vacancy

3Q19 9.3%

(222,915) sf

Net Absorption

3Q19 52,990 sf

76,000 sf

Deliveries

3Q19 12,868 sf

826,000 sf

Under Construction

3Q19 951,838 sf

\$25.38 psf

Average Asking Rents

3Q19 \$24.68 psf

6.8%

Unemployment

3Q19 2.4%

The Charleston office market stumbled in the third quarter as the market experienced negative absorption of 222,915 square feet (sf). This negative absorption is due in part to the vacating of Blackbaud's office at 2000 Daniel Island Drive for their new Headquarters located at 64 Fairchild St in the East Suburbs submarket. The move left 200,000 sf vacant and currently available for sublease. Additionally, two properties delivered totaling 76,000 sf. The combination of the new product and negative absorption increased the vacancy rate from 11.6% last quarter to 13.4% in the third quarter of 2020.

Sales in the Charleston office market were slow again with just two transactions in the third quarter. However, the total of those two sales (\$100,022,000) were greater than sales for the previous 12 months combined (\$53,485,000). The Downtown Charleston submarket flexed its muscles as 134 Meeting Street traded for the second time in 6 years. This five-story property lies at the heart of the city and was 93% leased at the time of sale. Please see below for additional information on this quarter's notable transactions.

Leasing activity outpaced the previous quarter with 59 deals completed compared to 57 deals in the second quarter. The East Suburbs submarket captured a majority of those deals with 23 for the quarter. There is a trend of steadily declining leasing activity in the North Charleston and Downtown Charleston submarkets. In the past year both markets have experienced declining leasing activity with each passing quarter and leases are down 50% year-over-year.

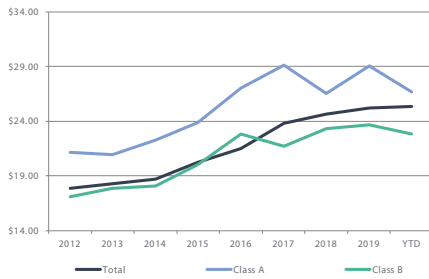
The Charleston flexible office market continues to grow as Serendipity Labs prepares to open its first South Carolina office at 75 Port City Landing

in the East Suburbs market. The new \$325 million portside property is 100% leased and Serendipity Labs will be occupying 20,372 sf of it. Just over 20% of their footprint has been pre-leased by a mix of tenants such as financial wealth managers and information technology startups.

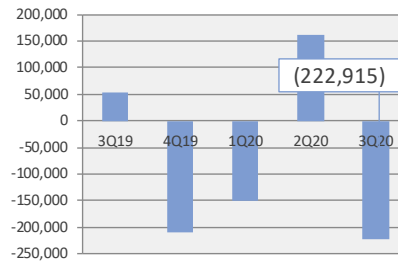
As some companies begin to return to the office, it will be interesting to see how they adapt. Will they increase their footprints due to needing more space for their employees to socially distance or will they downsize due to work from home strategies that have been put in place? KPMG released a survey saying that 68% of large company CEOs plan to decrease their office footprint. If that thought extends into the Charleston market, we could expect pressure on occupancy and rates over the next few years. This downward pressure comes at a time when the market is to have 826,000 sf of new product deliver in the next 12-24 months. The one idea that does seem to be more concrete than the rest is that the office is still core to employees. The social interaction, culture, and cohesion cannot be built over a Zoom call.

The Charleston market is unique in many ways and is continually growing at a steady rate. Charleston added 1,343 new multifamily units from January to June of this year. The survey conducted by RentCafe ranks Charleston 13th in the nation for new apartments added and was ahead of Orlando, Seattle, and Atlanta. With 32 people moving to Charleston a day, those apartments shouldn't have an issue filling up. Along with the growth of the Charleston Port and continued efforts of the Department of Commerce, Charleston remains poised to rebound, grow and prosper well into the future.

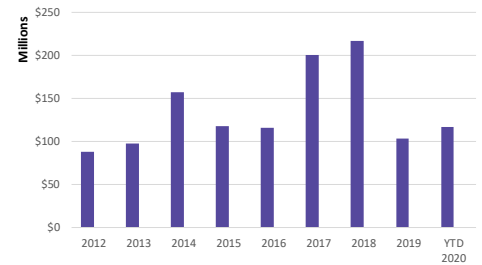
Average asking rental rate (psf/year/FS)



Quarterly absorption



Office investment sales



Select 3Q 2020 Lease Transactions

Tenant	Address	Type	Submarket	SF
Nolan Transportation Group	4401 Leeds Ave	New	North Charleston	22,258
Alcami	4390 Belle Oaks Dr	New	North Charleston	16,660
Undisclosed	453 Jessen Ln	New	East Suburbs	12,000
Undisclosed	7410 Northside Dr	New	North Charleston	10,942
MUSC	2 S Park Cir	New	West Suburbs	10,791
Undisclosed	8084 Rivers Ave	New	North Charleston	9,600

Select 3Q 2020 Sale Transactions

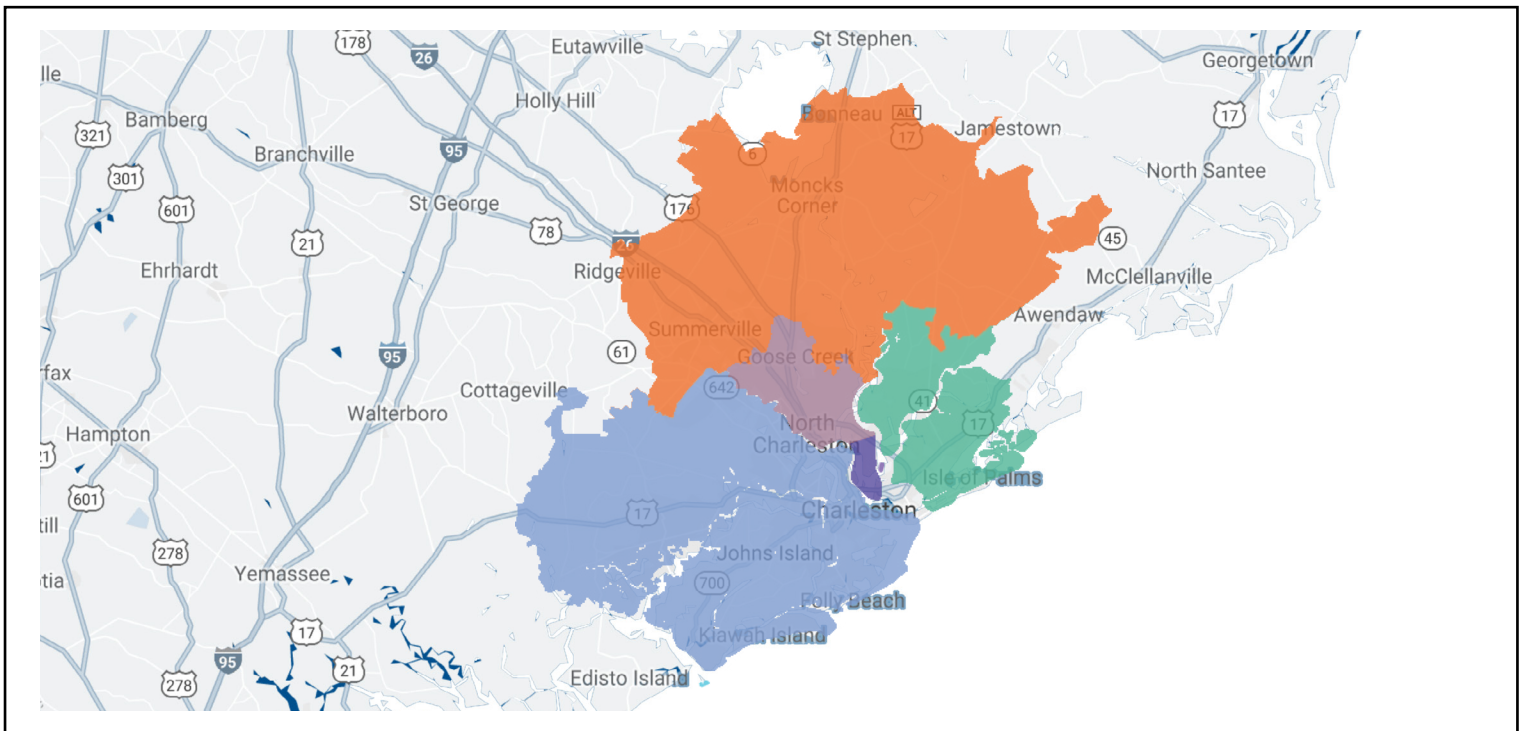
Property	Submarket	Buyer	Total sf	Purchase price	Price/sf
65 Fairchild St	East Suburbs	Blackbaud	172,000	\$76,272,484	\$443.44
134 Meeting St	Downtown Charleston	Highland Ventures	71,947	\$23,750,000	\$330.10

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	Proposed	115,000	\$42.00 FS
1940 Algonquin Rd - The Quin	Downtown Charleston	Under Construction	110,000	\$30.00 FS
4920 O'Hear Ave - Ingevity	North Suburbs	Under Construction	110,000	Undisclosed
3520 W Montague Ave	North Charleston	Proposed	100,000	\$29.75 FS
96 President St	Downtown Charleston	Proposed	100,000	Undisclosed
997 Morrison Dr - Charleston Tech Center	Downtown Charleston	Under Construction	93,000	Undisclosed

Market by the numbers

By submarket	Inventory	Vacancy			Net Absorption		SF Under	Average Asking Rent		
		Total	Class A	Class B	3Q20	YTD	Construction	Total	Class A	Class B
Downtown	3,375,342	11.6%	13.1%	9.7%	-18,411	35,859	598,000	\$31.64	\$33.68	\$26.91
East Suburbs	4,352,150	14.4%	17.9%	11.0%	-238,432	-230,012	19,840	\$26.51	\$27.45	\$25.69
North Charleston	6,229,397	16.3%	24.7%	9.9%	-120,682	-120,682	1,682,288	\$22.51	\$23.79	\$20.73
North Suburbs	1,198,705	6.9%	12.6%	4.7%	40,296	40,296	30,000	\$20.49	\$28.06	\$16.32
West Suburbs	1,538,419	7.4%	13.6%	6.1%	60,696	60,696	10,000	\$25.67	\$31.48	\$22.54
Total Market	16,694,013	13.4%	18.4%	9.6%	-222,915	-213,843	826,128	\$25.38	\$26.67	\$22.85



Charleston Submarket Map

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

Get more market information

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