



# Charleston industrial market report

Q1 2024

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**AVISON  
YOUNG**

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# Charleston industrial market trends

## 2.5 msf

### New inventory breaking ground in 2024

The boom in construction starts seen in 2022 has subsided, with only around 2.5 million square feet of industrial space anticipated to break ground in 2024. The slowdown in new inventory should allow demand to catch up with the rapidly growing supply. Outlying Berkley County is experiencing the highest vacancies, having received 61% of all development activity in the market over the past two years.

## -515k sf

### Net absorption (YTD)

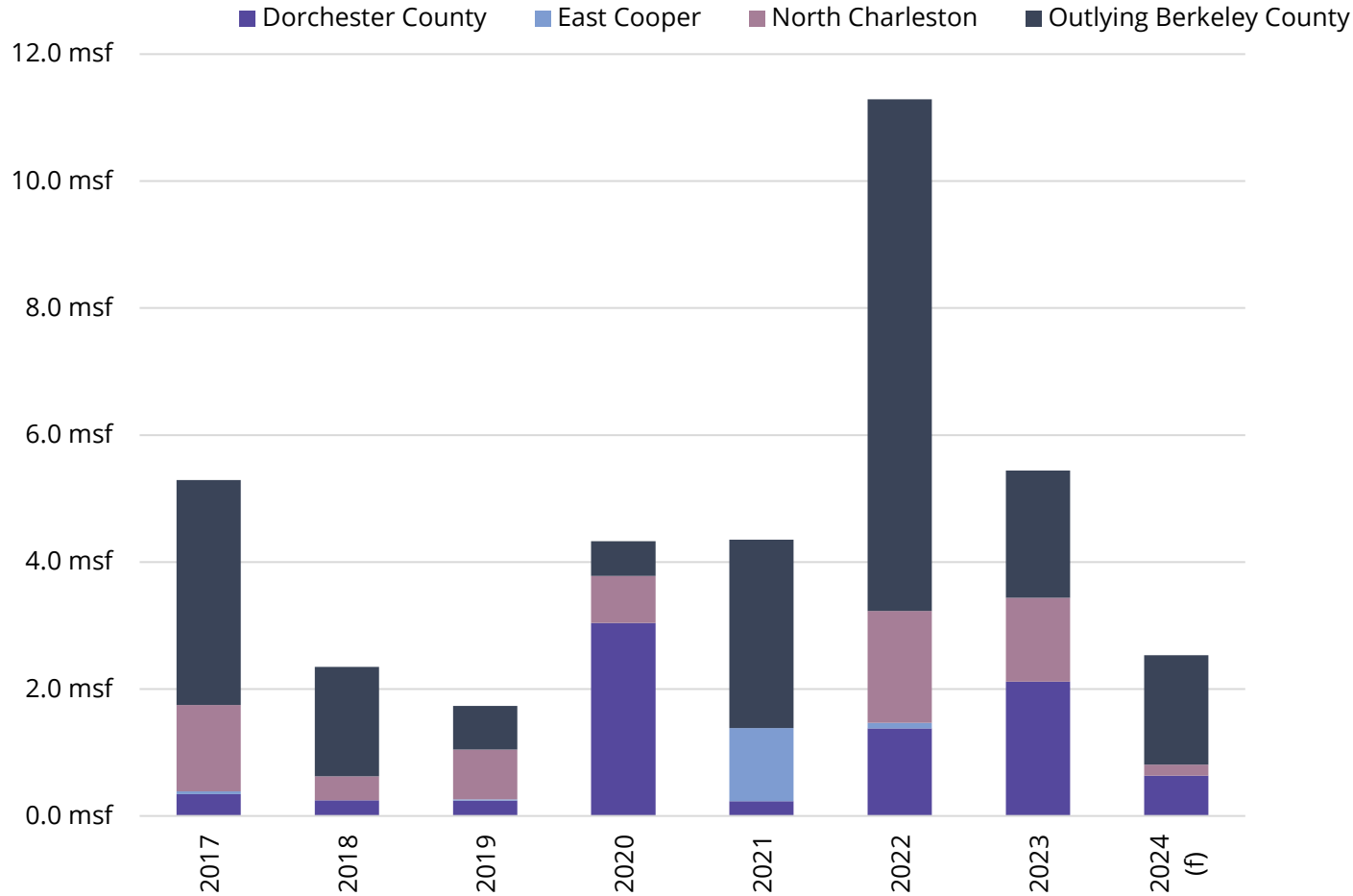
The Charleston industrial market saw negative absorption for the first time since 2020. However, there has been a significant increase in tenant tours in Q1 2024, and this should be reflected in the market's Q2 and Q3 leasing volumes. The only category that encountered positive absorption this quarter was buildings greater than 500k sf, with a positive 390k sf.

## \$8.89

### Average base rent rate (psf/NNN)

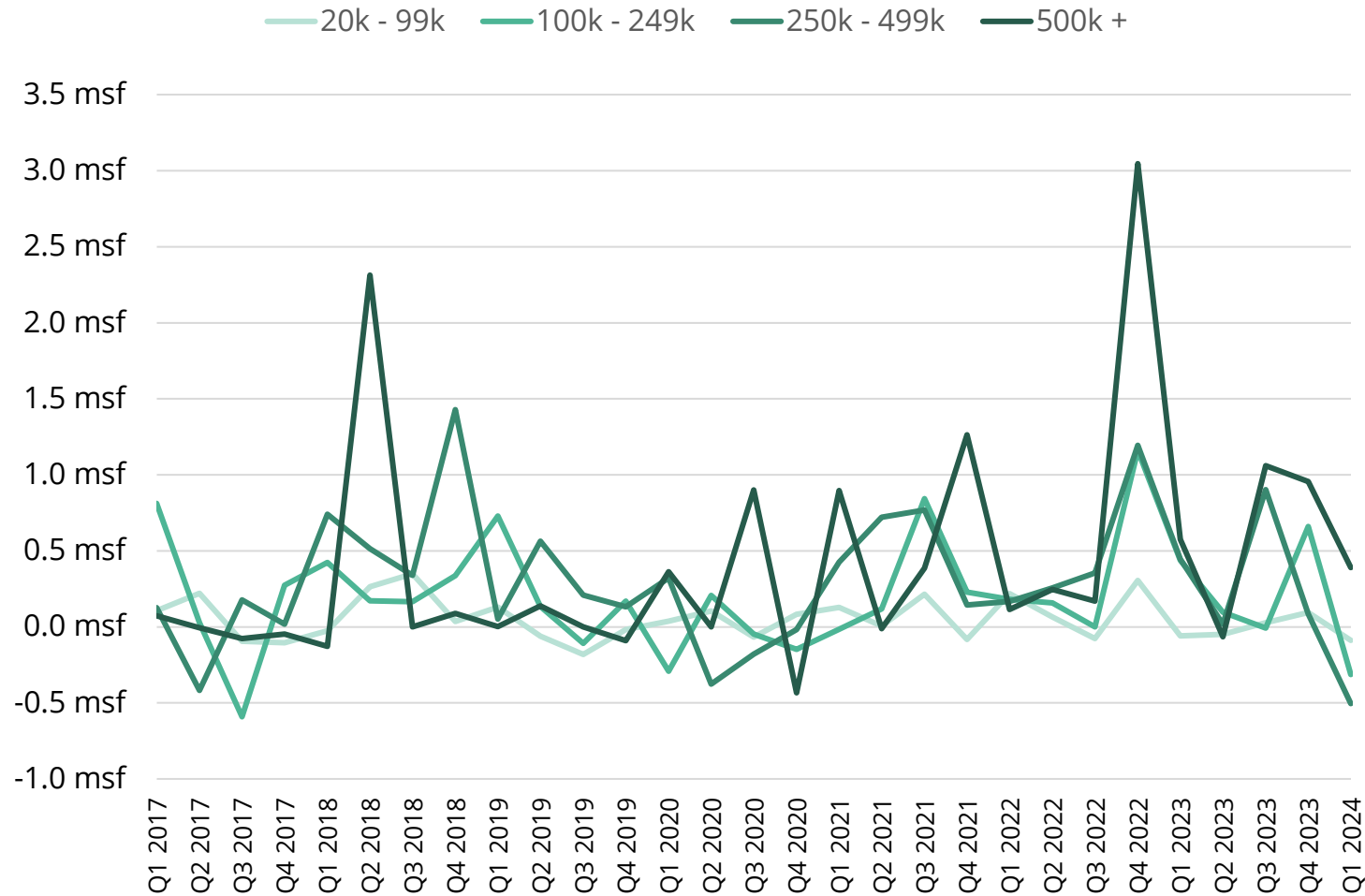
The average base rent for year-to-date 2024 is trending down by 6.0% compared to 2023, although it is still significantly greater than the average asking rate of \$7.94. The decline in rent growth may be attributed to the saturation of new inventory introduced over the past two quarters, with the addition of 5.9 million sf.

# Construction starts by submarket



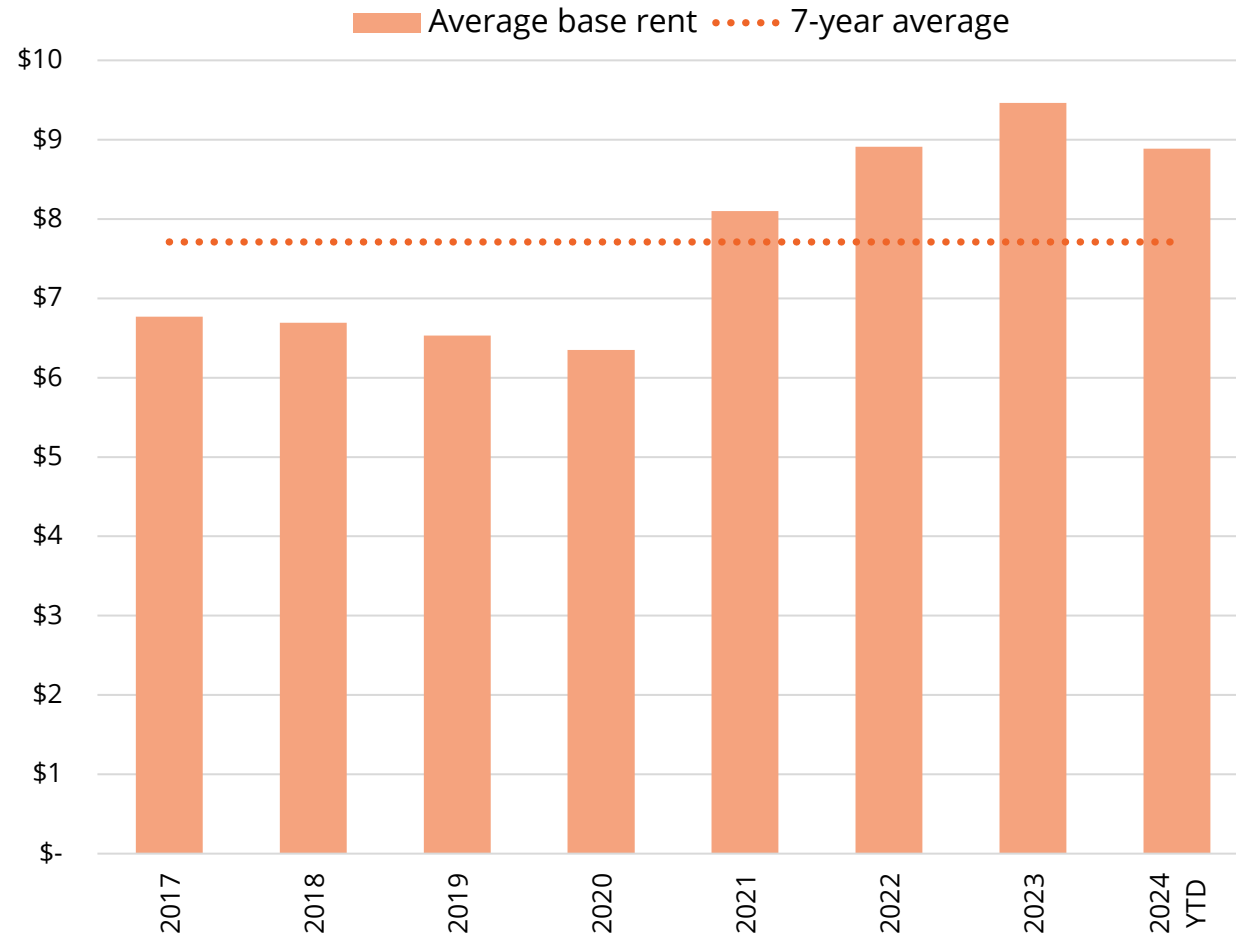
In 2024, Charleston's industrial construction starts are expected to recede to the levels observed before 2020. Over the past four years, Outlying Berkeley and Dorchester Counties have received most of the new development activity in the market. Consequently, these submarkets now have the highest percentage of available space.

# Quarterly net absorption by building size



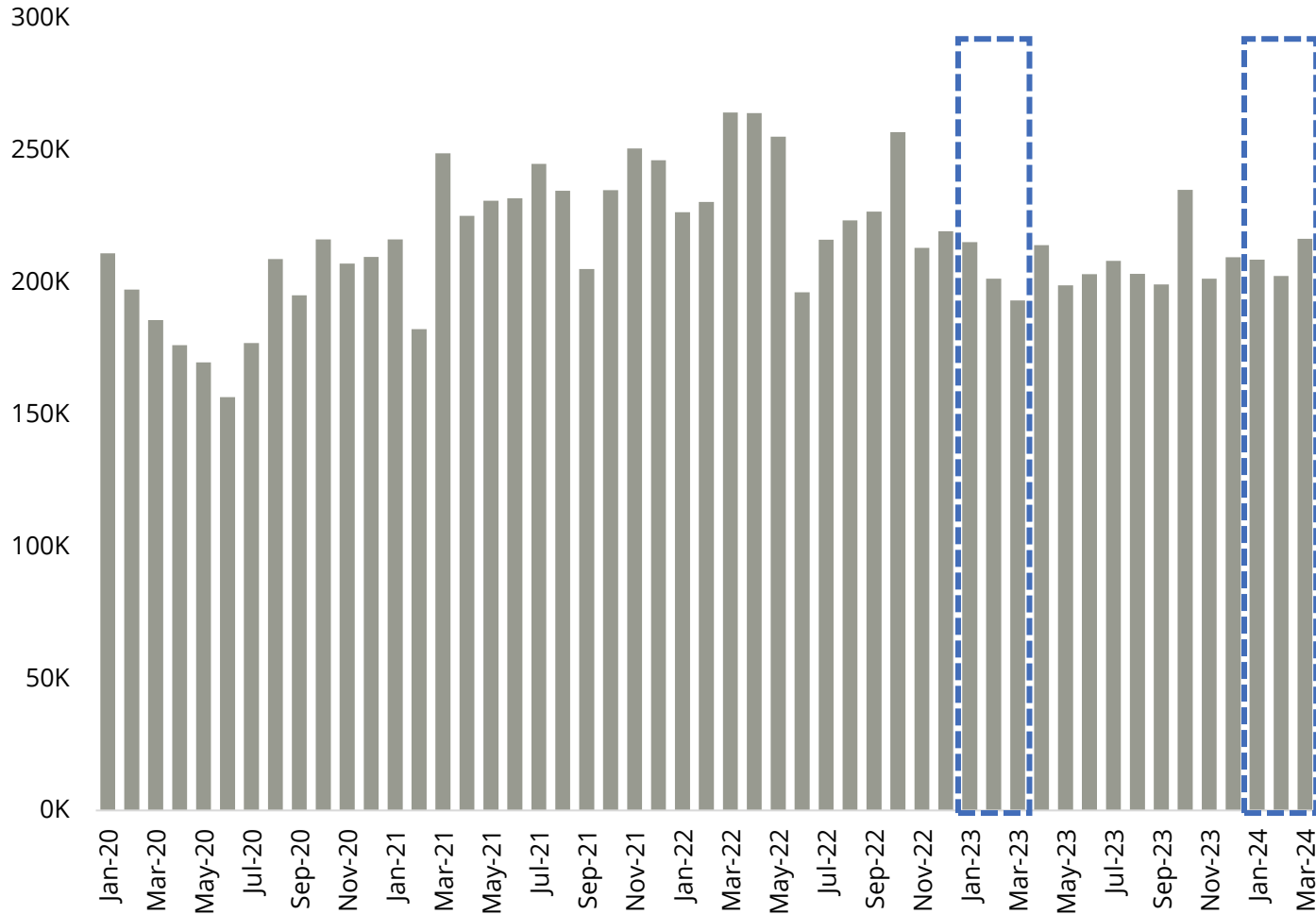
The market's leasing volume experienced a slight increase from Q4 2023 to Q1 2024, but the rise in activity wasn't sufficient to offset the negative absorption observed this quarter. Midsize industrial properties ranging from 100k to 499k sf saw a notable difference between vacated and leased space, with a net absorption of -817k sf.

# Historical base rent averages



At the start of 2024, average base rents have declined but remain 15% above the 7-year average. The average base rent is trending downward for the first time since 2020. Base rents should increase throughout the year as demand catches up with supply.

# SC Ports TEU History



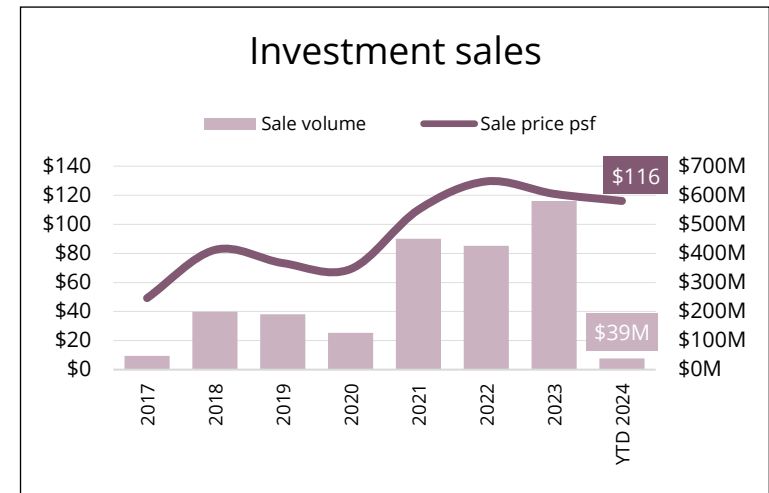
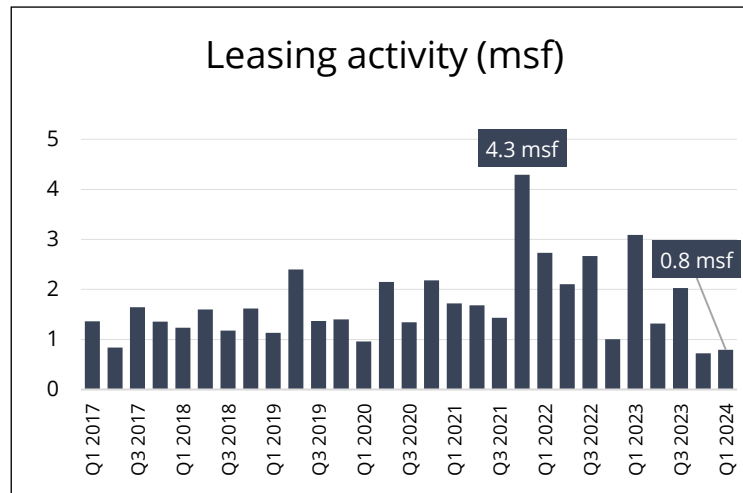
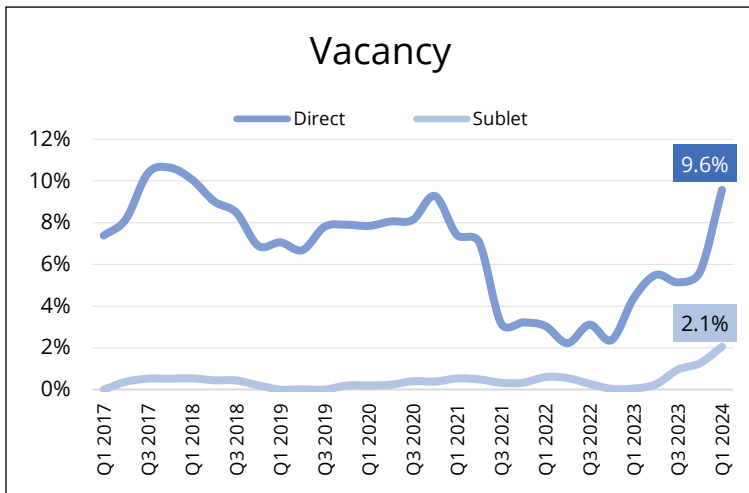
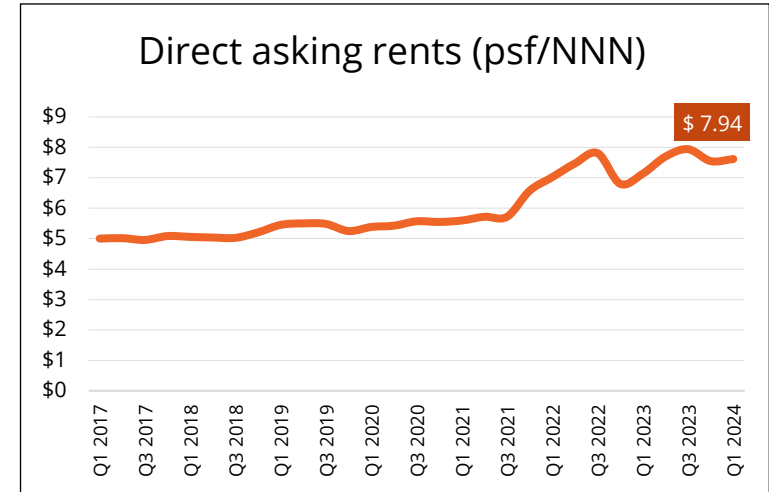
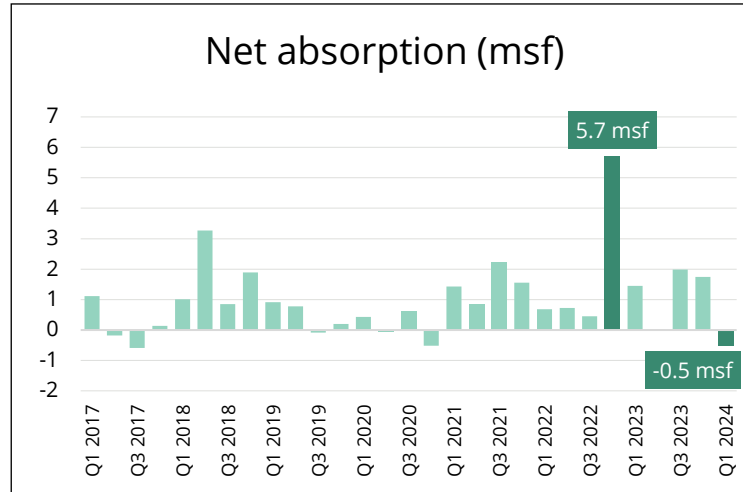
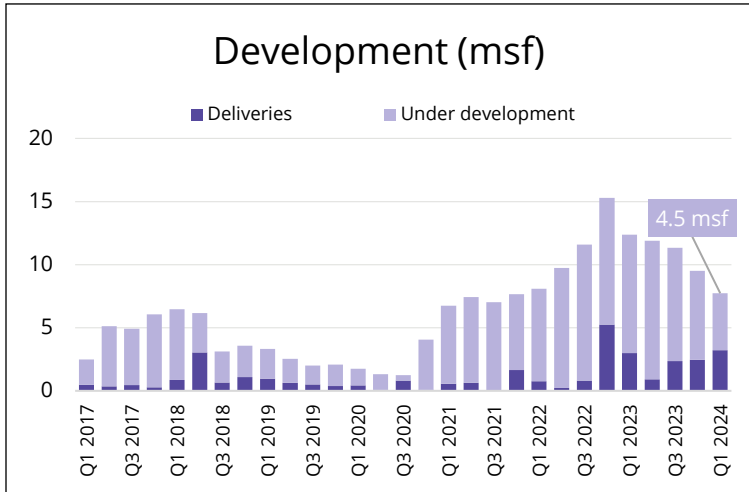
South Carolina Port volumes are up 2.9% compared to the first quarter of last year. Port activity is expected to further increase with the expansion of the North Charleston Terminal onto the previously owned WestRock Paper Mill site.

The United States' top trading partners through the Port of Charleston include Northeast Asia, Northern Europe, and Southeast Asia.

# Appendix



# Charleston industrial market indicators





# Charleston industrial market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Quantix Supply Chain Solutions	4500 Goer Dr	North Charleston	Jan 2024	203,000	Renewal	Direct
Tri Star Freight System	7054 Weber Dr	North Charleston	Mar 2024	62,400	New	Direct
CLN Solutions	1930 Hanahan Rd	North Charleston	Jan 2024	40,340	Renewal	Direct

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
International Intimates	2266 Volvo Car Dr	Feb 2024	219,055	\$30,000,000	\$137	Portman Holdings
GFI Partners	10186 Bellwright Rd - Building 1 & 2	Mar 2024	65,000	\$5,005,000	\$77	Andrew Wright
David Williams	311 Port City Centre Dr	Mar 2024	50,400	\$4,895,000	\$97	Bridgeview Properties

## Top projects under development

Building	Submarket	Delivery date	Building size sf	% Preleased	Developer
Palmetto Logistics Center	North Charleston	Q2 2024	1,321,840	0%	Dalfen Industrial
Charleston Global Crossing	North Charleston	Q2 2025	635,000	0%	Robinson Weeks
Camp Hall Campus 5 Building 2	Outlying Berkeley County	Q3 2024	545,000	0%	RL Cold

# Charleston industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Dorchester County	11,707,411	1,512,201	1,895,920	12.0%	0.0%	12.0%	438,621	3.7%	\$ 7.71
Downtown Charleston	606,918	-	-	3.3%	0.0%		-	0.0%	-
East Cooper	4,571,294	-	-	1.4%	2.1%	3.5%	(56,800)	(1.2%)	\$ 15.91
North Charleston	22,411,491		1,376,840	4.4%	2.2%	6.6%	(6,719)	0.0%	\$ 8.67
Outlying Berkeley County	34,733,903	1,712,880	1,235,483	13.4%	2.8%	16.1%	(889,621)	(2.6%)	\$ 7.35
West Ashley	655,048	-	-	4.6%	0.0%	4.6%	-	0.0%	-
<b>Market total</b>	<b>40,436,586</b>	<b>3,225,081</b>	<b>4,508,243</b>	<b>9.6%</b>	<b>2.1%</b>	<b>11.6%</b>	<b>(514,519)</b>	<b>(0.7%)</b>	<b>\$7.62</b>

# Industrial insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

\*Tracking class A, B, & C Industrial buildings 20,000 sf and up

## Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

## Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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