



# Year-End Industrial Market

Q4 | 2007



## Port of Charleston

Declines in the housing industry and broad based weakness across all South Atlantic trade lanes drove container volume down throughout the region. Charleston posted 5% lower volume at FYE 2007 compared to last year. The port received \$167 million in state funding for the new terminal access road and progress for the new Naval Base Terminal continues. The Port of Charleston's export/import balance and high productivity rate render it well positioned for an economic upturn.

Demand for private terminal space with deep water access remains very strong. The 40-acre Chevron plant sold for \$20,000,000 and the 100-acre Macalloy site sold for \$33,000,000.

## Manufacturing & Distribution

The positive impact of the MRAP (Mine Resistant Ambush Protected) vehicle manufacturing sector continues to be felt. Major suppliers including Pegasus Steel and Streit Armoring, USA absorbed a total of 350,000 SF during the year. Although Force Protection recently adjusted their sales forecasts downward, the new calculation reflects a business which has grown at a blistering pace over the past two years.

The Vought/ Alenia 787 Dreamliner production program has experienced mixed success. Although worldwide orders for the Dreamliner have exceeded expectations, the production delivery of the aircraft has fallen behind schedule. GE teamed up with SKF Engineering to form a joint venture called Venture Aerobearings to produce high precision steel bearings in the 127,000 SF spec building at Palmetto Commerce Park. Additional suppliers for the Dreamliner production facility should absorb additional industrial space in 2008.

Announced expansions include Dupont's \$500 million expansion to ramp up production of Kevlar vests, Weber Automotive Corporation's \$10 million expansion to meet the demand for its specialized engine parts and Robert Boshe Corporation's \$10 million expansion of their automotive brake production facility.

Jones Apparel Group's distribution facility laid off the bulk of its workforce and is currently subleasing its two 300,000 SF buildings on North Rhett Ave.

The Ashley Phosphate Road submarket was the recipient of much of this manufacturing supplier growth absorbing 500,000 SF with lease rates increasing \$.20 PSF overall. Vacancy of older metal buildings that were 50,000 SF and larger in this submarket is at approximately 5%.

Berkeley County, working in conjunction with several major industrial developers, is making progress on its plan to improve interstate and road access. Marketing commenced on Hillwood Development's first building of 400,000 SF (expandable to 652,000 SF) and delivery is expected in late 2008. Johnson Development Associates delivered their first 342,926 SF building in Jedburg Commerce Park and began site work for their next two buildings totaling 342,926 SF (expandable to 755,000 SF) and 260,000 SF.

Clements Ferry Road submarket saw the delivery of Childress Klein's 351,000 SF crossdock facility at Charleston Regional Business Center with 97,500 SF already absorbed. In addition, Childress Klein delivered a 112,000 SF front loaded facility that is designed for suppliers and logistics-based companies.

## MARKET INDICATORS

	Q1	Q2
OCCUPANCY	↑	↑
ABSORPTION	↑	↑
RENTAL RATE	↑	↑
LAND PRICES	↑	↑

## QUICK UPDATES

- DEMAND REMAINS STRONG FOR DEEP WATER SITES
- MANUFACTURING BASE STRENGTHENS CONSIDERABLY
- LEASE RATES AND LAND PRICES STABILIZE



	Zone	Total SF	Available SF	Vacancy	Lease Rate
E. Cooper	Warehouse	2,222,670	365,000	16.42%	\$4.75
	Flex	204,300	37,200	18.21%	\$7.62
	Submarket*	3,524,992	373,400	10.59%	\$4.99
Summerville	Warehouse	2,232,005	229,000	10.26%	\$3.73
	Flex	230,784	18,400	7.97%	\$4.56
	Submarket*	3,420,789	247,400	7.23%	\$3.81
W.Ashley	Warehouse	654,310	45,800	7.00%	\$4.68
	Flex	113,360	14,000	12.35%	\$5.77
	Submarket*	838,670	59,800	7.13%	\$4.84
N. Charleston	Warehouse	7,138,522	118,000	1.65%	\$4.13
	Flex	933,440	144,318	15.46%	\$5.30
	Submarket*	9,380,162	262,318	2.80%	\$4.26
Penninsula	Warehouse	732,877	30,000	4.09%	\$3.72
	Flex	150,119	13,500	8.99%	\$4.46
	Submarket*	882,996	43,500	4.93%	\$3.84
Berkeley	Warehouse	4,708,370	437,727	9.30%	\$4.17
	Flex	171,100	0	0.00%	\$5.18
	Submarket*	6,019,470	437,727	7.27%	\$4.20
Market	Warehouse	22,278,140	1,571,042	7.05%	\$4.14
	Flex	2,891,103	190,218	6.58%	\$5.31
	Market*	25,191,631	1,712,430	6.80%	\$4.27

\*Includes owner occupied properties

Gross absorption for 2007 was 1,354,789 SF for the year with net absorption of 1,089,789 SF. Inclusive of older buildings, average lease rates were \$4.15 NNN. While no large DC leases were executed in 2007, six lease transactions between 100,000 and 175,000 were executed primarily to credit tenants with five year lease terms or greater.

### Industrial Land

Many of the areas port proximate smaller parcels (10-20 Acre) in entitled parks sold this year in the \$125,000 per high ground acre range. A United Emirates company, Jazfa International, purchased a 1,322 acre parcel on Highway 95 to produce a regional distribution hub for long term development.

### Industrial Sales

Although interest is high in the Mikasa facility (603,124 SF), the Masisa facility (203,223 SF), the Agfa facility (348,000 SF), and the Carner Avenue buildings (127,000SF), these facilities remain available at year end. The Leeds Avenue Park facility sale (850,000 SF @ \$60 PSF) and the Johnson Development Portfolio sale (4,000,000 SF @ \$46 PSF) remain the areas industrial benchmark sale.

### Forecast

- Charleston is expected to draw at least two large DCs in 2008
- Delivery of new facilities will be delayed until existing buildings absorb
- Several Vought and Force Protection suppliers will fill smaller new construction space
- Lease rates and land prices stable
- Larger buildings will demise space into smaller units in order to capture credit tenants
- Re-trading of residential land tracts to industrial for infield projects
- Increasing demand for HVAC and fencing between tenants in large DCs
- The focus of MRAP production will shift to maintenance and component replacement and upgrade
- Continued foreign infusion of capital

## COLLIERS INTERNATIONAL

266 OFFICES IN 56 COUNTRIES  
ON 6 CONTINENTS

USA 98  
Canada 18  
Latin America 14

Asia Pacific 46  
EMEA 65

\$54B in annual transaction volume  
828M SF under management  
10,171 Professionals

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