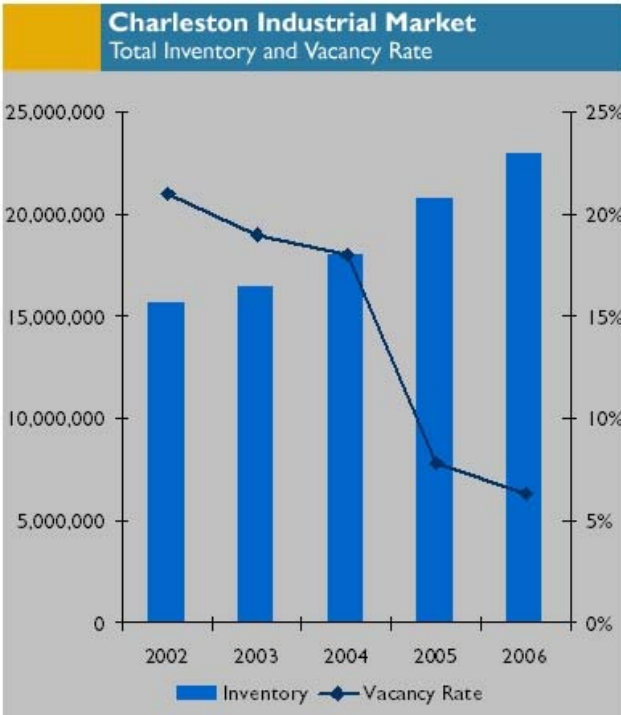




# Colliers Keenan 2006 Mid-Year Industrial Market Charleston, SC



July 2006



and larger bulk warehouses are being developed to satisfy growing demand from this sector of users. Carolinks is in the process of setting up a privately owned rail served shipping terminal intended to rail containers to inland distribution center parks. The impending completion of the Global Aeronautica facility for the construction of the Boeing 787 fuselage section is creating interest from aviation industry suppliers nationally and internationally. With an overall market vacancy rate of 6.33%, moves are being made by regional and national industrial developers to tie up large land tracts in order to master plan new industrial parks. Contemplated development includes several million square feet of new product. With a tighter market and increased costs of land and construction, overall rental rates have continued to climb. Additionally, increases in taxes, insurance and maintenance have made occupancy costs that much higher.

## Market Overview

Growing inventory, decreasing vacancy and stiffening rental rates summarize the bustling Greater Charleston industrial market. Activity stems from traffic through the Port of Charleston, development of the area as a larger distribution market and progression in the establishment of the aviation industry. Surveyed inventory grew from year-end 2005 by approximately 2.5 million square feet, mostly from bulk warehouse properties. Third party logistics providers continue to expand to handle merchandise,

## Bulk Warehouse

Bulk warehouse product continues to grow and be the largest component of the industrial market. With more than sixty properties containing at least 100,000 square feet, this market segment has been transformed into a realistic and competitive distribution location. Although much of the bulk development over the past few years was in Charleston Regional Business Center and along North Rhett Boulevard, where Johnson Development is constructing a 315,000 square foot building, more of the recent and proposed development is occurring further out I-26 in upper Charleston, Dorchester and Berkeley Counties. Notable developments are Fruit of the Loom, East

	Product Type Statistics			
	Total Feet	Vacant	Vacancy Rate	Lease Rate
<b>Total Market</b>	<b>23,005,353</b>	<b>1,456,200</b>	<b>6.33%</b>	<b>\$4.38</b>
Bulk Warehouse	14,793,085	981,834	6.64%	\$3.63
Distribution	5,522,343	362,816	6.57%	\$4.19
Flex Space	2,689,925	111,500	4.15%	\$5.10



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Coast Molding and the planned American LaFrance facility. Although bulk rental rates have largely remained steady in recent months, increasing land and construction costs will couple with low vacancy to create higher rates in that product size. New developments will generally be looking to come to market in the \$4.15 triple net range. The addition of new developments to the market will increase the current overall bulk average rate of \$3.63. New development will move towards the intersection of I-26 and I-95 over the coming months and years, producing a much larger and accommodating market.

## Distribution

The distribution class of industrial product grew by approximately 500,000 square feet from year-end 2005. Where the greatest percentage of vacant space once resided in the distribution segment, this product size has rebounded and been absorbed by expanding flex tenants and coastal market distributors. The average rental rate was down for the first half of 2006, but 6.57% vacancy and the cost of new product will raise average rates closer to \$4.50 per square foot. Much of the distribution inventory remains in the North Charleston sub-market, but newer development is occurring in the Summerville and Dorchester County sub-market. This area is becoming more central to end destinations and offers easy highway access for deliveries. New construction will continue to occur in

North Charleston, Dorchester County and Berkeley County, both in and around industrial parks along major access corridors.

## Flex

The flex product inventory was stable through the first half of 2006, with sold properties being replaced by new construction. Some projects, developed as flex industrial properties, have been built out with more office than warehouse space and been converted through to flex office product. Inventory was stable, but vacancy fell from 9.29% at year-end 2005 to 4.15% at the time of this survey. With some properties converted and dropped from the industrial survey, the average rental rate fell from \$5.19 to \$5.10 per square foot. New product will push the flex average closer to \$5.50 per square foot. Flex projects will continue to buffer bulk industrial buildings and attract smaller industrial users and construction related retailers and suppliers. New development will occur across the market in both in-fill sites and as part of mixed-used projects.

## Manufacturing

The South Carolina Department of Commerce and the Charleston Regional Development Alliance continue to recruit industry to the Greater Charleston area. Two of the most major projects are Global Aeronautica and American LaFrance. Global Aeronautica is set to begin construction in its new facility by the end of 2006. Related manufacturers will come to the market to support this endeavor. American LaFrance, though being relocated from Palmetto Commerce Park, is surveying the market for sites to have a new facility constructed. Chemical and textile concerns appear to be stable, while boat manufacturing in the market is booming.

## Forecast

The forecast for the balance of 2006 is continued growth, development and absorption. Significant land acquisitions and speculative development will create short-term excess space, which will be absorbed in relative short order. National developers will stake claims in the market through acquisition and new development. Rental rates for new bulk product will be in the range of \$4.15 per square foot, with rates for existing product following closely behind. Distribution inventory will grow and be absorbed, while rental rates will rise to around \$5.50 per square foot. Sales activity will continue to be reasonably good among this product size. Increases in taxes, insurance and maintenance will continue to push overall costs higher, particularly in parks with common areas to maintain.

*NOTE: Permission is granted to quote from this publication only when Colliers Keenan is credited as the source. All information contained herein was compiled utilizing data from sources deemed reliable. It is submitted without warranty. Statistical data was collected as of June 2006 and encompasses industrial buildings 10,000 square feet and greater.*

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