



Colliers Keenan 2006 Year-End Industrial Market Columbia, South Carolina



January 2007

Market Overview

During the course of 2006, industrial prospects looking to lease or purchase industrial property in the midlands found it difficult due to very tight and competitive market conditions. Over the previous twelve months, the market experienced 479,330 square feet of new construction, with 539,459 square feet of net absorption, demonstrating the overall demand for Class A space in the market.

From 2005 to 2006, end of year occupancy levels rose from 94.9% to 95.36%. However, even with an increase in the overall occupancy level, the market experienced a decline in absorption from the record levels of 2004 and 2005. Due to a lack of available space in the market, many tenants and users were forced to either locate in other markets or postpone their plans to enter the market or expand.

Although there remained a consistent demand for quality industrial product in the Columbia area, the recent increases in construction costs and interest rates slowed new speculative construction almost to a standstill in 2006. Sales in the area were significantly impacted by a shortage of available user properties, particularly in the 20,000 to 50,000 square foot range.

Along with moderate absorption, the midlands industrial economy also experienced moderate job growth. Although manufacturing jobs declined by 700 jobs from December 2005 to December 2006, the transportation, trade and warehousing sectors that impact the industrial market experienced an increase of 1,800 jobs during this same period.

Market Forecast

Over the next 12 to 24 months, the industrial market should experience growth both in terms of speculative building and build-to-suit construction. The average lease rates across the industrial market have remained stable over the past several years, but with a shortage of premium space, Class A rates are beginning to rise. Current rates quoted for new product are in the \$4.50 per square foot range. This, together with

Total Inventory*	33,939,994
Occupied	32,364,832
Vacant	1,575,162
Occupancy Rate	95.36%
2004 Net Absorption	1,253,357
2005 Net Absorption	1,744,871
2006 Net Absorption	539,459
Rental Rate**	\$3.66

continued demand for quality product, should support some new construction of speculative space in 2007.

As the industrial market in Columbia expands, we would expect new development to move away from traditional existing regional concentrations. The historical industrial area along Bluff Road will see more and more conversion into non-industrial uses as growth and changes continue adjacent to USC's Williams-Brice Stadium. Lexington County has plans to develop an industrial park near the intersection of I-26 and I-77 and is exploring the possibility of tax incentives for speculative developments. Kershaw County is more actively recruiting industry. As Columbia's northeast continues to grow, we should expect expansion of the industrial market into Kershaw County.

In the long-term, the industrial market in Columbia should experience substantial and sustainable growth. The University of South Carolina's research campus, of which the first phase is under development, is expected to attract research related industry to the Columbia area. This should have long-term positive benefits on the local industrial market. In addition, the State of South Carolina is expected to experi-

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ence both increased capital and population growth over the next decade. South Carolina continues to boast the lowest unionization rate in the nation, while ranking the sixth lowest in the nation for cost of doing business, and is also in the top 10 states in the nation for new residential construction per 1,000 residences. These incentives, combined with five major interstates and the second busiest port on the Eastern Seaboard, will lead to a long-term vitality in the Columbia industrial market.

2006 Notable Transactions

- Ahlstrom Corporation purchased the 116,250 square foot former King (Mestek) facility in Lee County for \$2.8 million with plans to invest a total of \$16 million in Lee County for a new paper filtration plant.
- Allied Air Enterprises Inc, a subsidiary of Lennox Corp broke ground on a 70,000 square foot corporate headquarters, research and development facility in the CAE Enterprise Park in Lexington County. The transaction was a build to suit by a local developer. In addition, Allied announced plans to expand its 350,000 square foot manufacturing plant in Orangeburg, SC by 238,000 square foot. Both developments are expected to add 300 jobs in the near term.
- Gira Steel purchased the 234,000 square foot former American Tower Plant (Kline Iron and Steel) in West Columbia for \$700,000.00 as part of an expansion of its structural steel manufacturing operation.
- JJ Haines Company opened a new 20,000 square foot distribution facility for its national floor covering operation on Bluff Road in Columbia.
- Howell's Motor Freight opened a new 27,500 square foot freight and distribution hub on Key Road in Columbia.

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**Total inventory numbers include the addition of roughly three million square feet that were not previously tracked by Colliers Keenan Inc.*

***The methodology in calculating average rental rates has been revised to account for vast differences in property size and reflect a more accurate synopsis of the total industrial market.*

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