

SOUTH CAROLINA | INDUSTRIAL

Q2 2020

Accelerating success.

South Carolina industrial construction delivers despite the pandemic

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Key Takeaways

- › Despite predictions of construction delays, the South Carolina industrial market had 3.01 million square feet of construction completions during the second quarter of 2020.
- › Vacancy rate increased this quarter due to speculative construction deliveries; however, these vacancies are expected to be absorbed by year-end.
- › Tertiary markets are becoming popular for new residents; therefore, submarkets throughout the state may see an increase in demand for housing. New residents will be positive for the workforce shortage.

Quarterly S.C. Market Overview

The South Carolina industrial market is comprised of 447,47 million square feet within 6,960 buildings. During the second quarter of 2020, construction activity completed despite the pandemic and the market added 14 buildings totaling approximately 3.01 million square feet throughout South Carolina. Also, there are 19 buildings totaling 4.12 million square feet, in addition to 35 buildings proposed to be built which will add approximately 6.66 million throughout the state upon completion. The South Carolina industrial markets absorbed 1.64 million square feet this quarter led by Columbia's absorption of 479,072 square feet. Due to the vast amount of construction deliveries throughout South Carolina, the vacancy rate increased from 7.09% last quarter to 7.35% this quarter. The South Carolina triple net market rental rate for the remaining available industrial space averaged \$4.20 per square foot during the second quarter of 2020.

Augusta | Aiken (South Carolina portion)

The South Carolina portion of the Augusta | Aiken market is comprised of 13.59 million square feet, over half of which is manufacturing space. No new industrial buildings were delivered

Market Indicators

Relative to prior period	Q2 2020	Q3 2020*
VACANCY	↑	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE	↓	↑

Note: Construction is the change in Under Construction.
*Projected

Summary Statistics

Q2 2020 Industrial	Market
Vacancy Rate	7.35%
Change From Q2 2019 (basis points)	+106
Quarterly Absorption (Million Square Feet)	1.64
New Construction (Million Square Feet)	3.01
Under Construction (Million Square Feet)	4.13

*New construction is newly delivered buildings

Asking Rents

NNN Per Square Foot Per Year

Market	\$4.20
Change From Q2 2019	-3.00%
Flex	\$7.17
Manufacturing	\$3.17
Warehouse	\$4.29

In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

to this market; however, the 40,000-square-foot AmbioPharm expansion continued construction. Augusta | Aiken submarkets absorbed 26,826 square feet during the second quarter of 2020, most of the absorption was in manufacturing space. The vacancy rate decreased slightly from 13.93% last quarter to 13.73% due to the small amount of positive absorption. The weighted rental rate for the South Carolina portion of the Augusta | Aiken region averaged \$2.91 per square foot during the second quarter of 2020.

Charleston

The Charleston industrial market has 58.05 million square feet of industrial inventory with 1.67 million square feet under construction. In addition, there are approximately 18 buildings proposed to be built within the Charleston market which would add an additional 4.70 million square feet to the industrial inventory. The Charleston submarkets posted a negative absorption of 154,849 square feet because there were two nearly-vacant industrial buildings totaling 545,000 square feet delivered within the Charleston market. Due to new construction deliveries, the overall market vacancy rose from 8.85% last quarter to 9.97% this quarter. The overall market average triple net weighted rental rate decreased this quarter to \$5.95 per square foot.

Charlotte (South Carolina portion)

The South Carolina portion of the Charlotte submarket has an industrial inventory totaling 40.17 million square feet, and there are currently 87,500 square feet of warehouse space currently

under construction. Two warehouses totaling 182,089 square feet were delivered to the Charlotte market during the second quarter of 2020. The Charlotte market absorbed 416,427 square feet, 315,360 square feet of the positive absorption was within warehouse space. As a result, the overall quarterly market vacancy rate decreased from 10.17% during the first quarter to 9.54% during the second quarter of 2020. Average weighted rental rates for the remaining industrial space averaged \$4.43 per square foot at mid-year 2020.

Columbia

The Columbia industrial market is comprised of 73.10 million square feet. During the second quarter of 2020, the market absorbed 479,072 square feet. Orangeburg County was the submarket with the highest absorption of 200,720 square feet followed by Northeast Columbia where 146,735 square feet was absorbed. One 200,720-square-foot building located at 145 Millennium Drive was delivered to the Orangeburg submarket, and there are two buildings under construction which, upon completion, will add 245,000 square feet to the market. Due to positive absorption, the quarterly vacancy rate dropped from 4.86% during the first quarter of 2020 to 4.47% this quarter. The overall average market rental rate for available industrial space was \$4.12 per square foot this quarter.

Florence | Myrtle Beach

The Florence | Myrtle Beach market is comprised of 38.37 million square feet of industrial properties and absorbed 465,938 square feet during the second quarter of 2020, all of the positive absorption

Q2 2020 Statewide Sales Transactions (+100,000 SF)

NAME	ADDRESS	COUNTY	SIZE (SF)	PRICE PRICE PSF	BUYER	DATE
-	2550 West 5th North Street	Dorchester	577,400	\$25.11M \$25.11	GFI Partners, LLC	06-20
-	2500 Rowesville Road	Orangeburg	388,000	\$7.5M \$19.33	Reman LLC	05-20
-	6801 Augusta Road	Greenville	149,550	\$6.92M \$46.27	Dexter Companies LLC	04-20

Q2 2020 Statewide Lease Transactions (+150,000 SF)

ADDRESS	COUNTY	SIZE (SF)	TENANT	DATE
120 Orion Street	Greenville	647,785	Custom Goods LLC	06-20
2500 Rowesville Road	Orangeburg	388,000	Aco Distribution & Warehousing, Inc.	05-20
537 Omni Industrial Boulevard	Berkeley	316,140	3G Distribution Services	06-20
175 McQueen Boulevard	Dorchester	281,000	BAE Systems	04-20
145 Millennium Drive	Orangeburg	200,720	Allied Air	05-20
154 Metro Court	Greenville	150,000	JIDA Industrial Solutions, Inc.	06-20

Source: Colliers International, CoStar

occurred within manufacturing space. No new buildings were delivered to the market during the second quarter of 2020, but construction continues on two warehouses which, upon completion, will add 309,400 square feet to the market. Due to the positive absorption this quarter, the vacancy rate decreased from 7.95% last quarter to 6.73% this quarter. The overall Florence | Myrtle Beach weighted rental rates increased to \$3.34 per square foot at mid-year.

Greenville-Spartanburg

Comprised of approximately 213.86 million square feet, there are currently 1.76 million square feet among 9 buildings under construction and approximately 1.97 million square feet proposed to begin construction throughout the Greenville-Spartanburg market. During the second quarter of 2020, the market absorbed 117,104 square feet; however, there were 2.08 million square feet delivered to the market. Subsequently, the quarterly vacancy rate rose from 6.20% last quarter to 7.11% during the second quarter of this year. The overall weighted rental rate during the second quarter of 2020 decreased slightly from last quarter and averaged \$3.61 per square foot.

Savannah (South Carolina portion)

The Savannah market within South Carolina has 10.32 million square feet of industrial space and the market absorbed 231,274 square feet- manufacturing and warehouse space both absorbed

over 100,000 square feet. There is one 17,500-square-foot warehouse under construction, however, no new buildings delivered to the market during the second quarter of 2020. Due to positive absorption, the overall quarterly vacancy rate decreased from 5.72% last quarter to 3.47% this quarter. Savannah's triple net weighted rental rate averaged \$4.72 per square foot during the second quarter of 2020.

Market Forecast

Thanks to the rising popularity of locating to tertiary markets and affordable housing options throughout the state, demand will likely increase due to new residents in South Carolina. In addition, an influx of new residents will be positive for the labor pool, adding more employees to fill jobs. Industrial construction deliveries were completed this quarter despite the Coronavirus; demand for the speculative space is strong enough to post positive absorption and lower vacancy rates throughout year-end. In addition, the delivery of high-quality space throughout the market will push the average rental rate up throughout South Carolina markets. While this all appears positive for the industrial sector, the true effects of the pandemic will not be evident for several quarters.

2020 Q2 Industrial Construction Pipeline | South Carolina

PROPERTY NAME LOCATION	BUILDING SF	COUNTY
COMPLETIONS (+200,000 SF)		
Carius Park	551,760	Greenville
Inland 85 Logistics Center Building C	504,060	Spartanburg
Ladson Industrial Park Ladson & Stoney Road	420,888	Charleston
Apple Valley Phase IV Building I	327,670	Spartanburg
85 Logistics Building 1 Berry Shoals Road	201,600	Spartanburg
145 Millennium Drive	200,720	Orangeburg
UNDER CONSTRUCTION (+ 190,000 SF)		
IFA Rotorion Building	622,677	Berkeley
A & R Logistics Gaillard Road	615,000	Berkeley
Carolina Commerce Center Harvey Road	327,139	Spartanburg
Exchange Logistics 1800 Highway 86	289,173	Anderson
Spartan Ridge Logistics Center 2000 Nazareth Church Road	286,000	Spartanburg
Florence I-95 Logistics Center 2570 Florence Harlee Boulevard	200,200	Florence
Portside Distribution Center Trade Center Parkway	190,000	Berkeley

Source: Colliers International, CoStar

Q2 2020 Industrial Market Summary Statistics South Carolina								
SUBMARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE (PSF/YR)
AUGUSTA AIKEN (SOUTH CAROLINA PORTION)								
Flex/R&D	2	25,500	-	-	-	0.00%	-	-
Manufacturing	40	9,107,073	670,351	-	670,351	7.36%	25,500	\$2.38
Warehouse	80	4,461,958	1,196,811	-	1,196,811	26.82%	1,326	\$3.26
Augusta Aiken Total	122	13,594,531	1,867,162	-	1,867,162	13.73%	26,826	\$2.91
CHARLESTON								
Flex/R&D	112	4,458,919	276,474	1,000	277,474	6.22%	-9,264	\$8.97
Manufacturing	138	11,303,766	1,066,710	-	1,066,710	9.44%	-556,743	\$439
Warehouse	847	42,289,484	4,311,783	133,100	4,444,883	10.51%	411,158	\$6.04
Charleston Total	1,097	58,052,169	5,654,967	134,100	5,789,067	9.97%	-154,849	\$5.95
CHARLOTTE (SOUTH CAROLINA PORTION)								
Flex/R&D	14	593,052	245,945	-	245,945	41.47%	-8,562	\$5.31
Manufacturing	108	12,023,516	731,741	-	731,741	6.09%	109,629	\$3.29
Warehouse	327	27,557,202	2,853,200	-	2,853,200	10.35%	315,360	\$5.03
Charlotte Total	449	40,173,770	3,830,866	-	3,830,866	9.54%	416,427	\$4.43
COLUMBIA								
Flex/R&D	85	2,524,623	301,458	-	301,458	11.94%	213,132	\$6.68
Manufacturing	276	25,144,313	1,451,294	-	1,451,294	5.77%	151,980	\$3.18
Warehouse	947	45,429,041	1,513,535	-	1,513,535	3.33%	113,960	\$4.33
Columbia Total	1,308	73,097,977	3,266,287	-	3,266,287	4.47%	479,072	\$4.12
FLORENCE MYRTLE BEACH								
Flex/R&D	12	209,423	2,450	-	2,450	1.17%	-	\$8.32
Manufacturing	118	15,540,347	1,265,390	-	1,265,390	8.14%	508,457	\$2.26
Warehouse	532	22,624,648	1,316,455	-	1,316,455	5.82%	-42,519	\$4.16
Florence Myrtle Beach Total	662	38,374,418	2,584,295	-	2,584,295	6.73%	465,938	\$3.34
GREENVILLE SPARTANBURG								
Flex/R&D	162	5,441,573	458,553	9,280	467,833	8.60%	16,214	\$7.68
Manufacturing	337	23,164,568	2,260,121	-	2,260,121	9.76%	-22,837	\$4.67
Warehouse	2,578	185,250,775	11,535,939	939,655	12,475,594	6.73%	177,727	\$3.50
Greenville Spartanburg Total	3,077	213,856,916	14,254,613	948,935	15,203,548	7.11%	171,104	\$3.61
SAVANNAH (SOUTH CAROLINA PORTION)								
Flex/R&D	13	244,664	5,000	-	5,000	2.04%	20,000	\$13.20
Manufacturing	35	4,946,658	31,592	-	31,592	0.64%	107,945	\$3.50
Warehouse	197	5,125,294	271,857	50,000	321,857	6.28%	103,329	\$4.69
Savannah Total	245	10,316,616	308,449	50,000	358,449	3.47%	231,274	\$4.72
STATEWIDE MARKET TOTALS								
Flex/R&D	400	13,497,754	1,289,880	10,280	1,300,160	9.63%	231,520	\$7.17
Manufacturing	1,052	101,230,241	7,477,199	-	7,477,199	7.39%	323,931	\$3.17
Warehouse	5,508	331,738,402	22,999,580	1,122,755	24,122,335	7.25%	1,080,341	\$4.29
MARKET TOTALS	6,960	447,466,397	31,766,659	1,133,035	32,899,694	7.35%	1,635,792	\$4.20

Source: Colliers International, CoStar

In January 2017, Colliers International benchmarked its industrial data set statewide. The new standard for collection is all industrial buildings 10,000 square feet or larger that can be readily adapted to an alternative industrial use. All properties were placed into a revised set of markets and submarkets and divided into three categories. **Warehouse/Distribution**, a facility primarily used for the storage or distribution or both of materials, goods and merchandise. **Manufacturing**, a facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods. **Flex/R&D**, a building designed to be used in a variety of ways with at least 30% of the rentable building area used as office. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more. **Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.**

400 offices in
68 countries on
6 continents

\$3.3

billion in
annual revenue

2

billion square feet
under management

17,000+

professionals
and staff

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