



Mid-Year Industrial Market

Q2 | 2008



Port of Charleston

In a time when the vitality of the national economy remains in questions industry consolidations have resulted in a slowdown in container throughput, most notably with Maersk Lines. In the twelve months prior to mid-year 2008 the Port experienced a year-over-year decrease of container traffic. While an upswing is expected in 2009, this projected growth of 2.0% will still put net volume well below 2007 levels.

In the long term, however, the Port of Charleston should continue to experience considerable growth, as the Southeastern ports are expected to increase container throughput by 4.0% per year over the next twenty years. It should be noted that this estimate is conservative due to the fact that increases in fuel and trucking costs will push more vessel traffic through water routes on the East Coast. The Port of Charleston will also be attractive to future shipping firms as many are shifting to higher capacity ships in an effort to reduce fuel prices per container, which plays into the strengths of Charleston given its deeper natural draft as well as crane and handling capability.

Construction was underway on the new Naval Base Terminal at mid-year 2008, and the 25-acre expansion of the Wando Welch terminal is expected to be operational in late 2008. With dockside productivity recently measured at 41 moves per hour, this terminal continues to lead the industry in productivity.

The Georgia Ports Authority and South Carolina Ports Authority recently signed an inter-governmental agreement to acquire, develop and operate a 1,500-acre site as the future Jasper Ocean Terminal.

Manufacturing and Distribution

Military related manufacturing in the Charleston, South Carolina, market continued to expand over the first half of 2008, and has been the major growth factor thus far in the manufacturing and distribution sector of the industrial market. Force Protection competes successfully for contracts for protected vehicles for the United States and foreign militaries. Force Protection's Cheetah series is positioned to be an interim replacement vehicle for the Humvee. Local SPAWAR contractors have been awarded contracts for the installation of electronics and weapons components. Military contract growth has boosted industrial warehouse occupancy throughout the Charleston market. Stanley, Inc. has leased 150,000 square feet at the Jones Apparel Group Facility on North Rhett, which was previously offered for sublease. Additional military growth is reflected in the recent DuPont plant ground breaking. This site will be developed into a \$500 million facility to produce a new synthetic fiber used in bulletproof vests and helmets.

Construction on the Vought plant, which will manufacture the fuselage for Boeing's 787 Dreamliner, had commenced at mid-year 2008, although Boeing has delayed launch of this product line. Venture Aerobearings also commenced production of 787 bearings in a building developed by Pattillo Construction in Palmetto Commerce Park in North Charleston.

Continental Terminals, a Starbucks Thirds Party Logistics Provider (3PL), received its first coffee bean shipment at their newly construction 250,000 square foot distribution center in Jedburg during the first half of 2008. This 3PL will provide beans to the Starbucks roasting facility in St. Mathews, South Carolina, just south of Columbia. The importation of coffee beans and related products should develop into an expanding line of business for the Port of Charleston.

Industrial Construction Activity

The availability of Class A bulk space in the Charleston Market is limited to either Charleston Regional Business Center's 253,500 square foot facility or the 303,000 square foot Jones Apparel Group subleased space. Lauth Property Group has purchased land on North Rhett Avenue for approximately \$ 125,000 per acre. The first of two 390,000 square foot facilities was under construction at mid-year 2008. Lauth has intentions of completing this by February of 2009 in



MARKET INDICATORS

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

QUICK UPDATES

- VIRTUALLY ALL LAND WITH PORT PROXIMITY ABSORBED
- DEFENSE CONTRACTS CONTINUE TO DRIVE MARKET
- EXPANSION OF PORT ACTIVITY EXPECTED OVER LONG-TERM
- GEOGRAPHY OF MARKET CONTINUES TO STRETCH NORTHWARD

		Total SF	Available SF	Vacancy	Lease Rate
Summerville	Warehouse	2,154,370	565,000	26.23%	\$4.79
	Flex	170,300	39,200	23.02%	\$8.22
	Submarket*	3,549,942	604,200	25.99%	\$6.09
E. Cooper	Warehouse	2,112,005	331,000	15.67%	\$3.81
	Flex	230,784	18,400	7.97%	\$4.56
	Submarket*	3,405,789	349,400	14.91%	\$4.36
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	7.79%	\$5.30
N. Charleston	Warehouse	8,508,420	175,000	2.55%	\$4.16
	Flex	933,440	144,318	15.46%	\$5.30
	Submarket*	10,928,060	319,318	3.38%	\$4.66
Peninsula	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%	\$5.16
Berkeley	Warehouse	4,675,920	552,000	11.81%	\$4.31
	Flex	171,100	0	0.00%	\$5.18
	Submarket*	6,064,470	552,000	9.10%	\$4.55
Market	Warehouse	18,837,902	1,698,800	7.17%	\$4.23
	Flex	1,769,103	190,218	10.75%	\$5.43
	Market Total*	25,669,927	1,889,018	9.17%	\$4.33

*Includes owner occupied properties

order to meet the tenant demand for such facilities. While site work had begun at mid-year 2008, building construction had not yet commenced on the industrial facilities planned in the Jedburg submarket by Hillwood Properties, Rockefeller Group Development Corporation or Trammel Crow Company.

Land and Building Sales

Lauth purchased land along North Rhett Avenue during the first part of 2008, which absorbed much of the remaining land that had port proximity. After several consecutive quarters of escalating land prices, the price per acre has stabilized at \$125,000 per acre for ten to thirty acre parcels. Pricing for smaller parcels remains much higher. As the majority of acreage with port proximity has either been sold or placed under contract, prices remained flat and sales velocity was slow at mid-year 2008.

Jafza International's plans to develop a 1,300-acre logistics, distribution and manufacturing center east of Interstate 95 near U.S. Highway 301 in Orangeburg County have continued to progress. As Orangeburg County markets itself as a locale for global logistics, available land at the Ridgeville exit will likely become the next nexus of industrial opportunity before Orangeburg.

Industrial Availability

The Charleston, South Carolina, market remained fairly tight at mid-year 2008, with only two facilities in consideration for most major distribution centers. Lauth's project on North Rhett Avenue will add 390,000 square feet to the market, increasing market availability by the end of 2008.

Forecast

- Two additional major bulk distribution user leases in 2008
- Absorption exceeding 2007
- Increased focus on LEED certification of industrial facilities;
- Lease rates stable with owners offering more leasing concessions
- Manufacturing will remain stable with modest growth

COLLIERS INTERNATIONAL

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18

Asia Pacific 95
EMEA 62

\$2.0B in Revenue
868M SF Under Management
11,000 Professionals

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