

Industrial Market Trends Charleston

Grubb & Ellis Research

Third Quarter 2008



Market Mirrors Economy

Booming exports and a growing Charleston Defense Industry Cluster have not been enough to insulate the Charleston Industrial Market from the global economic downturn. After vacancy reached multi-year lows in the fourth quarter of 2007, industrial vacancy rates recently marked a 3 year high as new product came online and older space remained empty.

Asking rents are currently stable, but landlords have begun to give concessions in order to secure tenants. In almost all industrial spaces, tenants are seeking shorter-term leases in order to limit their exposure to the changing economic tides. Sales of existing properties have slowed dramatically as buyers find limited options to finance purchases. We expect that this will lead to lower per square foot sales prices, as there are fewer qualified buyers in the market.

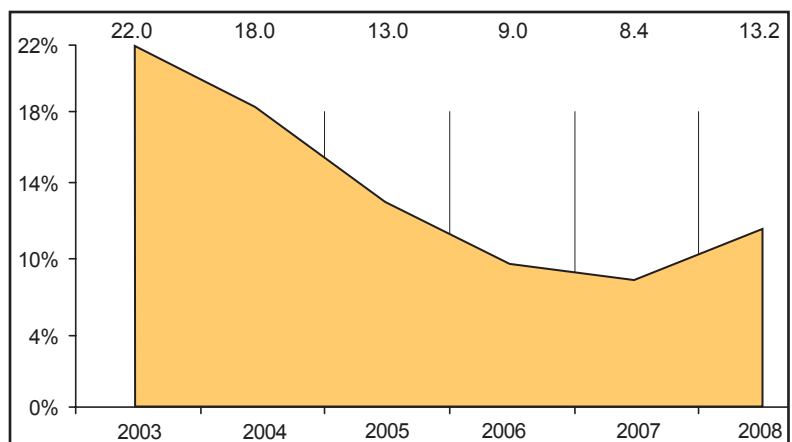
Industrial land has largely not changed hands as speculators remain on the sideline and current asking land prices reflect 2007 highs. Current asking prices are above what developers can afford pay in order to justify vertical development in this leasing environment. Absent a dramatic turnaround in the global economy or a significant drop in construction/development costs, we expect that industrial land selling prices are likely to mark a significant correction if raw land is going to change hands in the near term.

The local manufacturing sector has benefited from the weak dollar. Although exports nationally have started to slow due to weakening global demand, the Charleston Defense Industry Cluster and its associated contractors continue to absorb warehousing and manufacturing space. Thankfully, the South Carolina State Ports Authority reports that total loaded containers in the first two months of the fiscal year (Jul-Aug) are up 3 percent from the same period last year.

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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Charleston Third Quarter 2008

| By Submarket (All Property Types) | Total (1) | Vacant (2) | Vacant % | Net Absorption | | Under Const. (3) | Asking Rent (4) | |
|--|-------------------|------------------|--------------|------------------|------------------|------------------|--------------------|---------------|
| | SF | SF | | Current Qtr | Year To Date | SF | WH/Dist | R&D/Flex |
| Berkeley | 8,737,727 | 480,320 | 5.5% | 55,000 | 110,758 | - | \$5.50 | \$7.78 |
| Downtown | 2,710,148 | 206,760 | 7.6% | (71,960) | 928,787 | - | \$4.62 | \$9.32 |
| East Cooper | 3,531,890 | 1,243,875 | 35.2% | (1,692) | (732,192) | 351,000 | \$5.02 | \$10.97 |
| North Charleston | 13,031,906 | 1,387,019 | 10.6% | (242,857) | (656,834) | 193,288 | \$4.73 | \$6.50 |
| Summerville | 5,053,760 | 1,021,715 | 20.2% | 64,500 | (7,310) | 73,200 | \$3.87 | \$6.94 |
| West Ashley | 734,460 | 129,073 | 17.6% | (54,111) | (47,671) | - | \$4.69 | \$7.53 |
| Suburban Total | 33,799,891 | 4,468,762 | 13.2% | (251,120) | (404,462) | 617,488 | \$4.64 | \$7.29 |
| Totals | 33,799,891 | 4,468,762 | 13.2% | (251,120) | (404,462) | 617,488 | \$4.64 | \$7.29 |
| By Property Type (All Submarkets) | | | | | | | Asking Rent | |
| General Industrial | 68,229 | 15,500 | 22.7% | - | 5,600 | 50,000 | \$8.00 | |
| R&D/Flex | 3,662,676 | 466,544 | 12.7% | (4,602) | (6,295) | 414,088 | \$7.29 | |
| Warehouse/Distribution | 30,068,986 | 3,986,718 | 13.3% | (246,518) | (403,767) | 153,400 | \$4.64 | |
| Totals | 33,799,891 | 4,468,762 | 13.2% | (251,120) | (404,462) | 617,488 | \$4.98 | |

(1) Inventory includes multi-tenant, single-tenant, and owner-occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot, per year, triple net. Rates for each building are weighted by the amount of available space within the building.

*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

*Due to statistical auditing of property type, many buildings were reclassified from general industrial to warehouse/distribution.

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Industrial Terms and Definitions:

Inventory: Industrial inventory includes all multi-tenant, single-tenant and owner-occupied buildings of at least 10,000 square feet.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, and R&D/flex based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suit size, type of loading and typical uses.

Net Absorption: The net change in physically occupied space over a period of time.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and other selected markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.



Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis|Barkley Fraser. Grubb & Ellis|Barkley Fraser makes no warranties or representations as to the completeness or accuracy thereof.

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