

# Mid-Year Industrial Market

Q2 | 2009



The sluggish economy has affected the Charleston Industrial Market through lower import velocity at the port, reduced demand for traditional warehousing and reduced space demands by logistics providers. Despite the sluggish economy, site visits from out of state prospects increased in recent months.

The first six months of 2009 saw lease terms begin to normalize to three- to five-year lease terms for credit tenants, and rental concessions continued to increase in order to preserve building pro-forma rates. Local logistics providers have realized significant reductions in revenues and many sought rent reductions in return for lease term extensions. In the second quarter, most of the lease activity was in the 30,000-square-foot to 50,000-square-foot range.

## Manufacturing

Boeing's recent acquisition of the Vought Aircraft Industries plant in North Charleston provided direct control of manufacturing for major components of the 787 Dreamliner, which has set records for advanced orders for a commercial aircraft. High demand for this aircraft could lead to a second assembly plant or other aircraft production facilities in the near future.

American La France consolidated production of fire truck bodies from two other states into its Jedburg headquarters, thereby, increasing the Charleston plant's capability to include vocational, emergency, and military vehicles.

Force Protection's local growth has leveled. The company has expanded its customer base to include armored vehicle contracts for Hungary and the United Kingdom and has focused on growing its overseas-based vehicle maintenance programs. This increased activity has not led to growth in the local market.

The Medical University of South Carolina (MUSC) research capabilities continue to grow. This has led to the expansion of medical manufacturing companies such as Berchtold and Trumpf Medical. MUSC was ranked this year as one of the top 50 hospitals in the nation in six categories by U.S. News and World Report and was recently awarded a \$ 20 million grant from the National Institutes on Health. With such high levels of recognition research dollars should continue, which could lead to further growth in the manufacturing arena.

## Port and Distribution

Reflecting a national trend, port volume is down 20 % from 2008. Although numbers are down, the Port added the National Shipping Company of Saudi Arabia to its customer base, thereby solidifying its position as the Southeastern gateway for Indian goods, particularly textiles. Mediterranean Shipping Company recently occupied its new 45,000-square-foot South Atlantic corporate headquarters, and added a weekly call to Charleston. Maersk continued to reduce its presence in Charleston, dropping weekly calls from seven to four, but negotiations to retain Maersk are ongoing.

Large West Coast logistics providers continue to consider operations in Charleston in anticipation of the 2014 Panama Canal widening. Charleston's 45-foot draft and exceptionally high bridge will make Charleston extremely attractive at the onset of the arrival of deep-draft Post Panamax (7,500 TEU) ships.

Moulton Logistics, historically a West Coast business, leased the former

## MARKET INDICATORS

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

## QUICK UPDATES

- PORT LANDS SAUDI ARABIAN CONTRACT
- BOEING ACQUIRES VOUGHT FACILITY
- DEVELOPMENT ACTIVITY AT JEDBURG PARK AND NORTH POINTE INDUSTRIAL PARK

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		Total SF	Available SF	Vacancy	Lease Rate
E. Cooper	Warehouse	2,207,593	365,000	16.53%	\$4.76
	Flex	170,300	33,200	19.50%	\$8.22
	Submarket*	4,069,643	398,200	16.75%	\$6.08
Summerville	Warehouse	2,585,510	531,200	20.55%	\$3.69
	Flex	230,784	18,400	7.97%	\$4.56
	Submarket*	3,879,294	549,600	19.52%	\$4.20
W. Ashley	Warehouse	683,310	75,000	10.98%	\$4.25
	Flex	113,360	14,000	12.35%	\$5.77
	Submarket*	867,670	89,000	11.17%	\$5.09
N. Charleston	Warehouse	9,083,966	523,000	7.02%	\$4.26
	Flex	885,902	79,355	8.96%	\$5.22
	Submarket*	11,711,251	602,355	6.04%	\$4.70
Peninsula	Warehouse	1,956,877	105,000	5.37%	\$3.78
	Flex	150,119	13,500	8.99%	\$4.46
	Submarket*	2,106,996	118,500	5.62%	\$5.20
Berkeley	Warehouse	7,176,304	1,204,460	16.78%	\$4.17
	Flex	171,100	0	0.00%	\$5.18
	Submarket*	8,164,854	1,204,460	14.75%	\$4.36
Market	Warehouse	23,693,560	2,803,660	12.29%	\$4.18
	Flex	1,721,565	125,255	7.28%	\$5.40
	Market Total*	30,799,708	2,962,115	11.65%	

\*Includes owner occupied properties

Masisa facility off Clements Ferry Road (203,000 square feet). Performance Team Freight was awarded a key account and expanded into a 170,000-square-foot facility in Goose Creek.

### Military

BAE Systems combined three facilities into a 75,000-square-foot facility in order to perform electronics engineering work in support of SPAWAR and homeland defense missions. Other military contractors, such as UEC, continued to absorb industrial space in the Charleston market.

### Development

Mead Westvaco and Rockefeller broke ground at their 400-acre Jedburg Park, and Lauth completed their first 390,000-square-foot building at North Pointe Industrial Park. Construction continued on Hillwood's access road, and construction of the connector from Ladson Road through the Palmetto Commerce Parkway was underway at mid-year 2009.

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294 OFFICES IN 61 COUNTRIES  
ON 6 CONTINENTS

USA 94  
Canada 22  
Latin America 17

Asia Pacific 97  
Europe, Middle East & Africa 64

\$1.6B in Revenue  
1.1B SF Under Management  
12,749 Professionals

### CONTACT INFORMATION

For More Information:

Hagood Morrison, CCIM, SIOR  
Director of Industrial Brokerage  
(843) 723-1202  
hmorrison@collierskeen.com

Simons Johnson, CCIM  
(843) 723-1202  
sjohnson@collierskeen.com

Amanda Kitchen  
(843) 723-1201  
akitchen@collierskeen.com

#### COLUMBIA

1301 Gervais Street, Suite 600  
Columbia, SC 29201  
Tel: 803.254.2300  
Fax: 803.252.4532

#### CHARLESTON

151 Meeting Street, Suite 350  
Charleston, SC 29401  
Tel: 843.723.1202  
Fax: 843.577.3837

#### GREENVILLE

201 E. McBee Avenue, Suite 201  
Greenville, SC 29601  
Tel: 864.297.4950  
Fax: 864.527.5444

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