

COLUMBIA INDUSTRIAL MARKET

THE IMPACT OF THE GLOBAL HEALTH CRISIS ON INDUSTRIAL REAL ESTATE

Despite international uncertainty surrounding trade policy and a general volatility in the global market, base fundamentals indicated that US commercial real estate would remain on strong footing through 2020.

Economists seemed to echo a mantra about the “sturdiness” of the economy during their fourth-quarter economic forecasts, consistently adding that an unforeseen catastrophic event, namely a war with China, would effectively invalidate any prediction of continued expansion. The global COVID-19 pandemic, which by the end of March has seen 2.6 billion people across the world living in some sort of lockdown or quarantine, proved to be one of those disastrous events, though certainly not one that was to be expected.

Developments continue to be extremely fluid and tremendous uncertainty remains as to how widely the virus will spread and what its ultimate impact will be on economic growth, as well as the impact it will have on both financial and real estate markets, though a few truths are beginning to emerge.

The national stay-at-home order has shifted much of the country into a delivery model as offices, restaurants, hotels, and most other retailers have been forced to close their doors to avoid overwhelming the nation’s healthcare system. Online sales soared nearly 10 percent year over year in March as consumers utilized deliveries to purchase essentials and set up home offices. Amazon subsequently announced 175,000 new positions, mostly for fulfillment and delivery, while Walmart added 200,000 employees across its supply chain to meet demand at fulfillment and distribution centers.

E-commerce deliveries were already on the rise prior to the national quarantine, growing at a rate of 14.4% annually from 2012 to 2017, according to the US Census Bureau. Largely as a result of increased online penetration rates, demand for industrial space increased 57.1% during the same time.

CURRENT CONDITIONS

Vacancy is 4.0%, up slightly from 3.9% in the previous quarter, but still significantly lower than one-year ago when the market-wide rate was at 5.8%

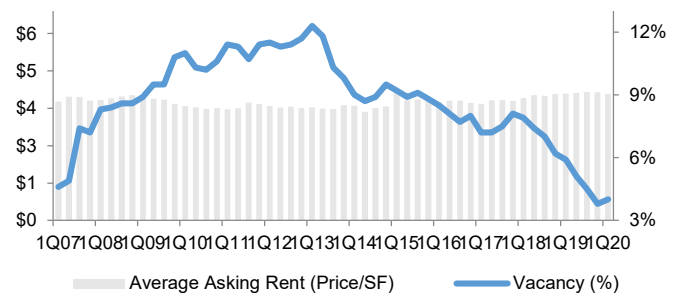
Net absorption is negative for the first time since Q4 2017

At \$4.23 PSF, average rents are largely unaffected by the end of the first quarter of 2020 and comparable to average rents one year ago, which were \$4.24 PSF.

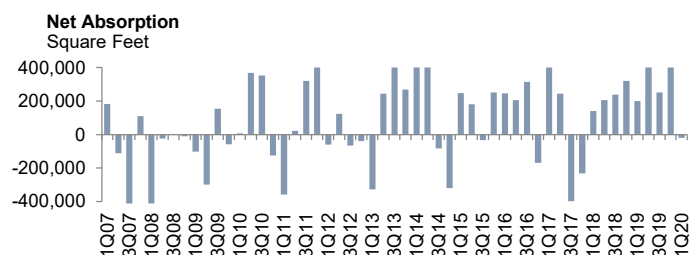
MARKET ANALYSIS

Asking Rent and Availability

Asking Rent and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	63.01 MSF	62.97 MSF	62.19 MSF	↔
Vacancy Rate	4.0%	3.9%	5.8%	↑
Quarterly Net Absorption	-20,505	1,142,137	227,601	DOWN
Average Asking Rent	\$4.23	\$4.21	\$4.22	DOWN

The “new normal” created by this unprecedented – and still-developing – global health crisis has accelerated trends already on the rise in the logistics sector, including increased online penetration rates, expansion of online grocery, and a major shift to omni-channel retailing, all of which fare well for the industrial real estate market.

As of April, US REIT property indices are up 14% for industrial property, while most other asset types have seen a significant decline, with Hospitality (-53%) and Retail (-48%) REITs showing the greatest drop in returns. As large retailers like Walmart announce plans to roll out subscription delivery services to accommodate the shift away from brick-and-mortar retail during the unfolding global health crisis, the need for warehouse and distribution space throughout the supply chain will increase.

SUBMARKET STATISTICS

	Total Inventory (SF)	Total Vacancy Rate	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	INDUSTRIAL Asking Rent (Price/SF)	FLEX Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Cayce/West Columbia	16,704,895	2.7%	3.0%	41,440	41,440	\$5.09	\$6.94	\$4.90
Downtown (CBD)	628,227	7.0%	7.0%	4,600	4,600	\$4.95	-	\$4.95
Dutch Fork / Irmo	1,287,270	3.4%	18.8%	-5,000	5,000	\$5.25	\$7.00	\$6.39
Fairfield County	2,379,119	2.7%	9.9%	28,025	770,656	\$2.84	-	\$2.84
Kershaw County	7,019,206	2.6%	3.1%	-91,677	-91,677	\$3.20	\$4.50	\$3.23
Lexington	6,007,121	2.7%	3.9%	-1,339	-1,339	\$4.08	\$7.06	\$4.73
North Columbia	3,820,881	4.2%	4.5%	-20,699	-20,699	\$4.17	\$8.50	\$4.26
Northeast Columbia	8,736,541	11.3%	12.4%	-14,350	-14,350	\$3.59	\$4.87	\$3.76
Southeast Columbia	14,022,970	2.5%	3.6%	209,805	405,675	\$4.06	\$6.28	\$4.23
Saint Andrews	1,715,111	5.2%	5.8%	-525	-525	-	\$9.09	\$9.09
Market	63,018,032	4.0%	5.4%	-20,505	-20,505	\$4.05	\$6.09	\$4.23

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Shiyu Electronics USA	128 McQueen St	Cayce/West Columbia	New	54,312
Snider Fleet	1020 Idlewide Blvd	Southeast Columbia	Renewal	24,500
NG Bostic Enterprises	739 Old Clemson Rd	Northeast Columbia	New	24,235
Palmetto Specialty Transfer	1674-1680 Lake Murray Blvd	Dutch Fork/Irmo	New	17,000

SELECT SALES TRANSACTIONS

Building	Submarket	Sales Price	Price/SF	Square Feet
2588 Two Notch Rd	Lexington	\$11,928,575	\$160.47	74,334

ECONOMIC CONDITIONS

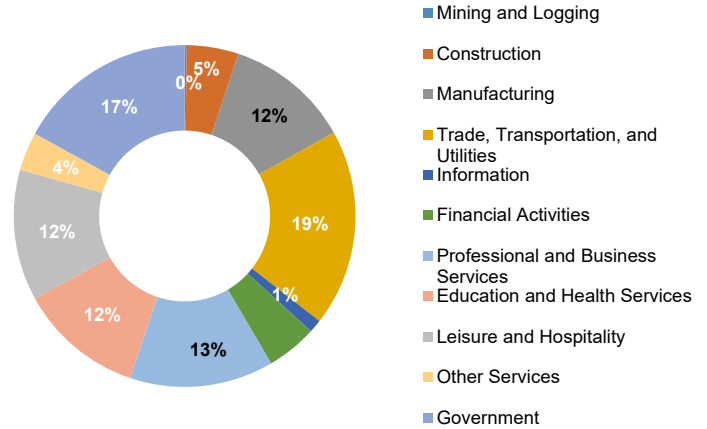
Unemployment in South Carolina remains below the national employment rate of 4.4% at 2.5% as of March 2020. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

South Carolina currently leads the nation in the percentage of jobs linked to non-U.S.-based companies. 8.2 percent of total private sector employment in South Carolina is due to foreign direct investment. In fact, foreign direct investment in South Carolina has grown 21% in the last five years, while the private sector has only seen 14% growth. As a result, South Carolina will be more affected than most by any disruption to the global markets, or any impact the global health crisis may have on the countries that have established operations in the state.

Recent newcomers to South Carolina from outside the U.S. include: Fuyao North America, Inc., one of the largest automotive glass producers worldwide, which is investing \$16.1 million in a new processing center in Greenville County; Miwon Specialty Chemical Co. USA plans to invest \$19.5 million in new production operations in Richland County; and The Quality Model Group of companies plans to expand its plastic injection molding operations in Orangeburg County in another \$9.5-million capital investment.

EMPLOYMENT BY INDUSTRY

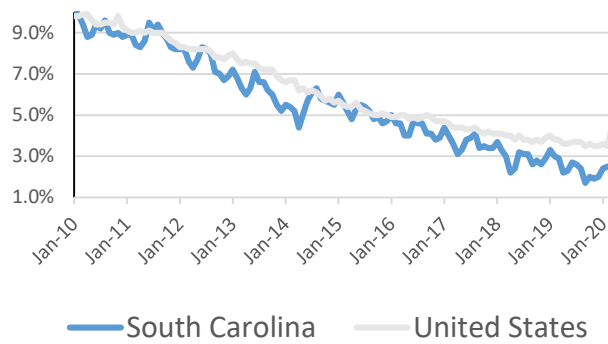
South Carolina, 2019



Source: U.S. Bureau of Labor Statistics

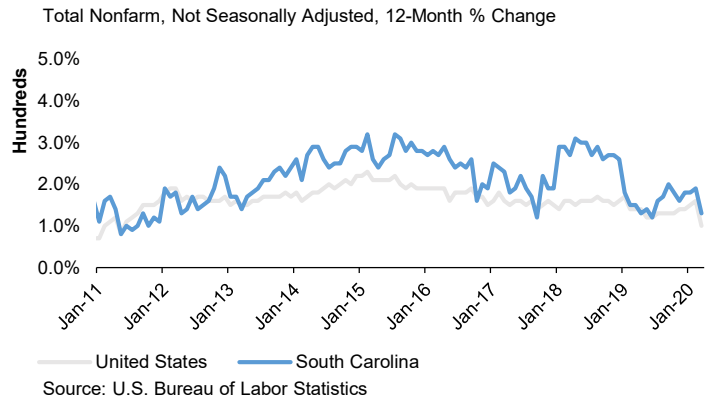
UNEMPLOYMENT RATE

Seasonally Adjusted



PAYROLL EMPLOYMENT

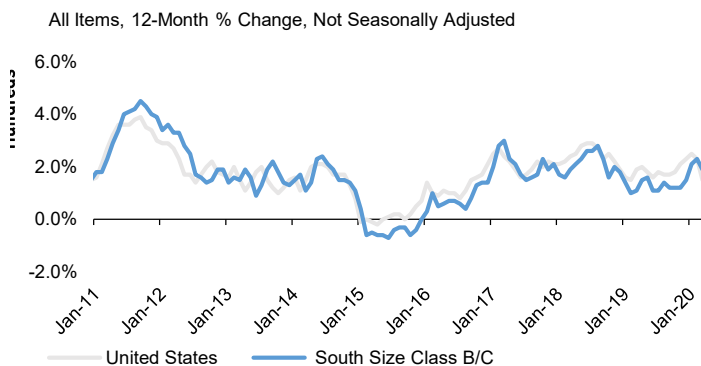
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

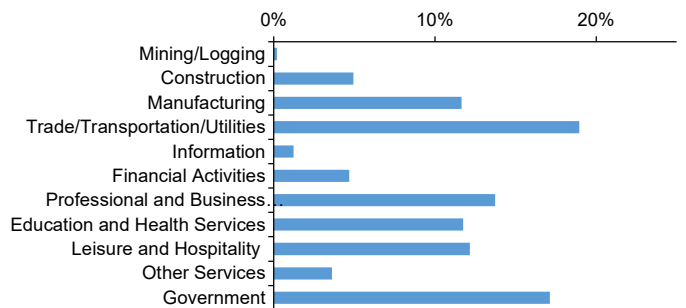
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

South Carolina, 2019, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics



ALYSE HOWARD

Marketing & Research Director
803.255.8611
Alyse.howard@wilsonkibler.com

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