

COLUMBIA INDUSTRIAL MARKET

THE IMPACT OF THE GLOBAL HEALTH CRISIS ON INDUSTRIAL REAL ESTATE

The Global Health Crisis caused by the COVID-19 pandemic continues to impact almost all aspects of daily life going into the second half of the year. By the end of the second quarter, most states gradually started to loosen stay-at-home orders, allowing the re-entry of many workers into the national economy and resulting in significant declines in unemployment nationwide.

In South Carolina, it is estimated that nearly 211,653 people became unemployed during the month of March – the largest ever increase in unemployment in just one month. The rate of unemployment increased to a record-breaking 12.1% in April from a historic low of 3.2% just one month prior. By June, though, as stay-at-home orders started to loosen on the county level, 105,714 people gained employment, bringing the rate down considerably to 8.7%, again, in just one month.

As public spaces continue to reopen, social distancing measures are still hailed as the most significant means of preventing the spread of the virus. Several large retailers, including Walmart, Staples, and Lowe's, have enacted their own rules requiring face masks in their stores, while many retailers continue to encourage six feet of separation between customers via floor decals or by implementing one-way aisles. As a result, consumers are faced with a new normal that, for some, can be overwhelming and at times uncomfortable, as everyone tries to adapt to the everchanging social guidelines. The effect of these social distancing measures on consumer behavior continues to accelerate trends already on the rise in the logistics sector, including increased e-commerce sales and the expansion of online grocery.

By the end of first-quarter 2020, consumers spent \$146.47 billion online with U.S. retailers, an increase of 14.5% year-over-year, according to the U.S. Department of Commerce data. As the effects of the pandemic began to normalize, e-commerce sales grew 49% the first three weeks of April compared with March, according to Adobe Analytics. (cont'd on next page)

CURRENT CONDITIONS

Columbia's industrial market ended the first full quarter of the pandemic with a vacancy rate of merely 3.4%, which is the lowest rate the market has seen in more than 13 years, if not ever.

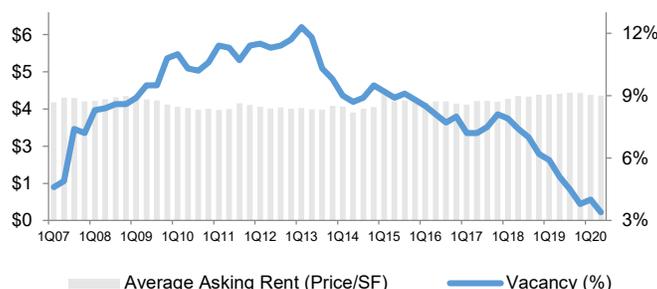
251,598 square feet were positively absorbed by the market during Q2, though the 227,638-square-foot sublease signed by China Jushi in Northeast Columbia weighed heavily on the market's overall absorption.

At \$4.20 PSF, average rents remain largely unaffected by the end of the second quarter.

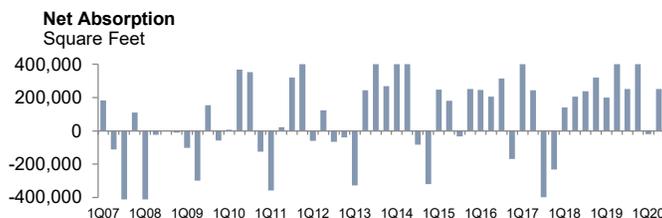
MARKET ANALYSIS

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	62.86 MSF	62.82 MSF	62.15 MSF	↔
Vacancy Rate	3.4%	4.0%	5.0%	↑
Quarterly Net Absorption	251,198	-20,405	456,716	↓
Average Asking Rent	\$4.20	\$4.23	\$4.19	↔

This shift away from brick-and-mortar retail to online sales has a direct, positive impact on the industrial real estate market, as companies require more warehouse space to accommodate growing fulfillment and distributions operations.

National property indices have reflected the direct impact e-commerce has on the industrial market, as well. In April, US REIT property indices grew 14% for industrial property, while most other asset saw a significant decline, with Hospitality (-53%) and Retail (-48%) REITs showing the greatest drop in returns.

Also in April, Senator Lindsey Graham, R-S.C., introduced legislation being hailed as the U.S. Made Act of 2020, which aims to decrease U.S. dependence on countries like China for personal protective equipment (PPE) for health care providers. This push toward on-shoring operations will have a major impact on South Carolina due to the bearing the Port of Charleston has on the state's economy and industrial market.

As we reach the half-point of the year in South Carolina, it seems that if the health crisis remains just that, a health crisis, and not a true global recession, the industrial real estate market may well come out on top both on a national and local level.

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	16,569,935	3.4%	5.2%	-41,440	-882	\$4.91	\$9.74	\$5.07
Downtown (CBD)	628,227	7.0%	7.9%	-	4,600	\$4.95	-	\$4.95
Dutch Fork / Irmo	1,287,270	3.6%	19.5%	-3,000	8,000	\$5.25	\$7.00	\$6.39
Fairfield County	2,380,809	1.8%	11.8%	-	-	\$2.85	-	\$2.85
Kershaw County	7,098,067	2.6%	3.0%	-	-91,677	\$3.20	\$4.50	\$3.23
Lexington	6,007,121	2.3%	4.0%	19,173	17,834	\$4.65	\$8.00	\$4.91
North Columbia	3,820,881	4.0%	5.0%	9,424	-11,275	\$4.54	\$8.50	\$4.63
Northeast Columbia	8,536,437	7.4%	7.1%	336,573	322,223	\$3.60	\$4.67	\$3.74
Southeast Columbia	14,651,412	2.1%	3.7%	-75,850	-8,705	\$3.96	\$6.55	\$4.17
Saint Andrews	1,697,222	4.2%	5.3%	7,200	6,675	-	\$12.50	\$12.50
Market	62,860,649	3.4%	5.3%	251,198	230,793	\$3.98	\$6.38	\$4.20

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Jushi USA	1080 Jenkins Brothers Road	Northeast Columbia	Sublease	227,638
DSV Solutions	825 Garland Street	Southeast Columbia	Direct	67,000
<i>Confidential</i>	636 Rosewood Drive	Southeast Columbia	Direct	23,000

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

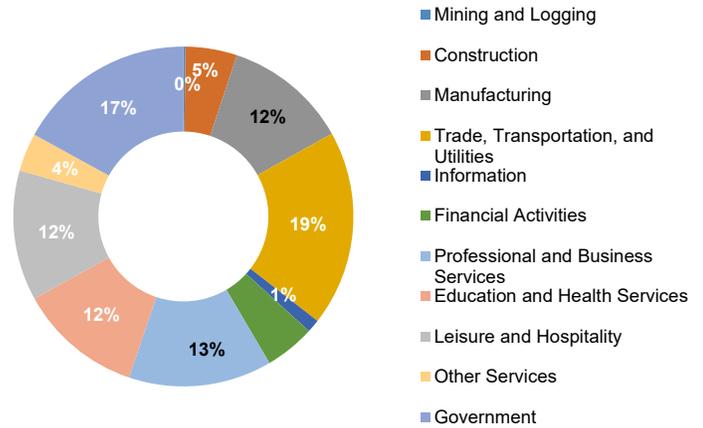
Unemployment in South Carolina reached a record-breaking 12.1% in April due to the impact of the Global Health Crisis on the national labor force, up from a historic low of 3.2% just one month prior.

By June, though, as stay-at-home orders started to loosen on the county level, 105,714 people gained employment, bringing the rate of unemployment back down to 8.7% in just one month.

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.

EMPLOYMENT BY INDUSTRY

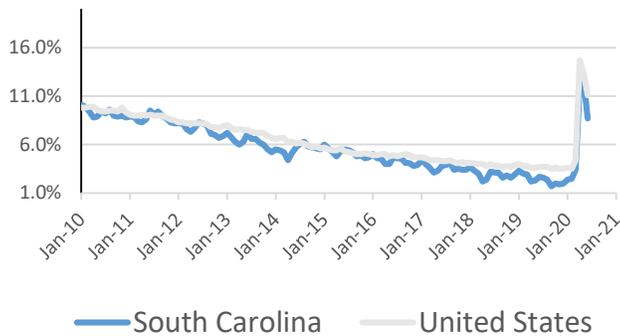
South Carolina, 2019



Source: U.S. Bureau of Labor Statistics

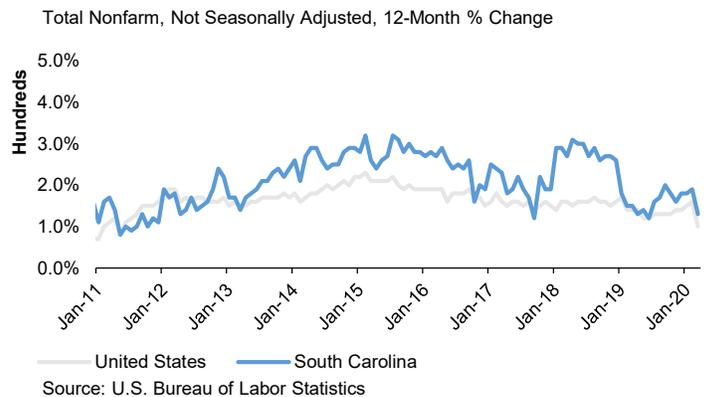
UNEMPLOYMENT RATE

Seasonally Adjusted



PAYROLL EMPLOYMENT

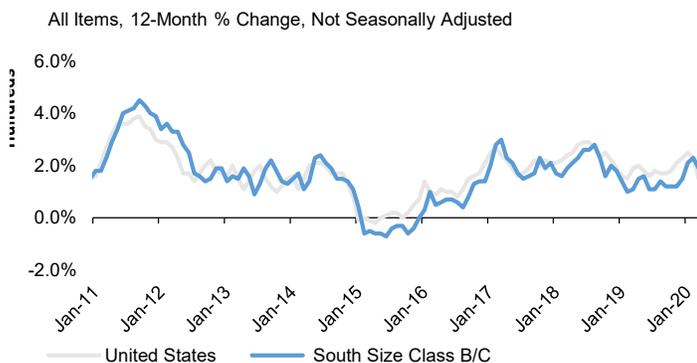
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

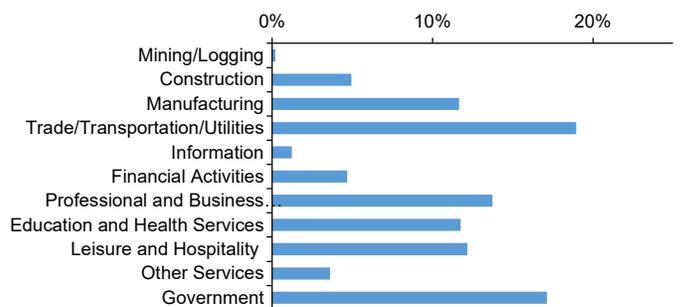
All Items, 12-Month % Change, Not Seasonally Adjusted



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



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