



THE LOOP

CBC Atlantic Newsletter

COLDWELL BANKER
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MARCH
2023



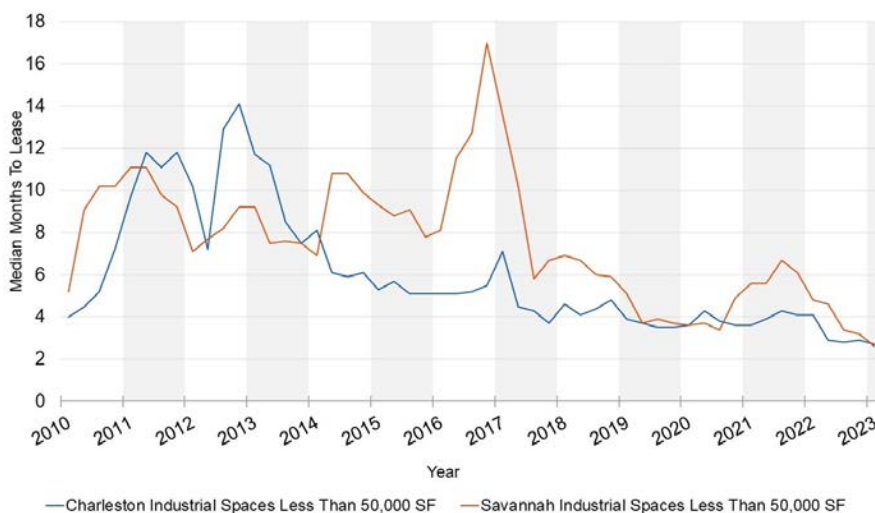
CBC Atlantic's Month of MARCH

Small Blocks of Industrial Space Scarce Near Southeastern Ports

Average Time To Lease Falls to Less Than Three Months in
Charleston and Savannah

Written by Chuck McShane - CoStar Analytics

Small Industrial Spaces Near Southeast Ports Lease in Record Time



Source: CoStar, March 2023



Slowing consumer spending and declining import volumes have weighed on industrial leasing in early 2023. And with a surge in new construction, vacancy rates are beginning to creep up from record lows.

However, one industrial property segment remains tighter than ever and is unlikely to face supply-related pressures anytime soon — those measuring 50,000 square feet or less. These smaller properties are continuing to lease at a brisk pace.

That's particularly true in the Southeastern port markets of Charleston, South Carolina, and Savannah, Georgia, where the median time to lease these smaller properties has fallen to an all-time low of less than three months. The Charleston properties leased in 2.7 months, roughly two months faster than the first quarter of 2018, and the Savannah properties took about 2.6 months to lease, down from nearly seven months over the same period.

MARKET WATCH

COMMERCIAL LEASE NEW RETAIL SHOPPING CENTER DEVELOPMENT



5301 Indigo Fields Blvd
North Charleston, SC 29418
1,951 SF - 30,034 SF
\$25 PSF NNN

Newly developed Shopping Center fronting Dorchester Road with traffic counts above 40,400 vehicles per day. This Center is right next to the intersection of Ashley Phosphate & Dorchester Road and close proximity and easy access to I-26 & I-526. Incredible visibility and access off Dorchester Road with a multitude of uses available ranging from Retail, Office, Medical and Flex. Opportunity for large restaurant user with patio with Dorchester Road visibility.

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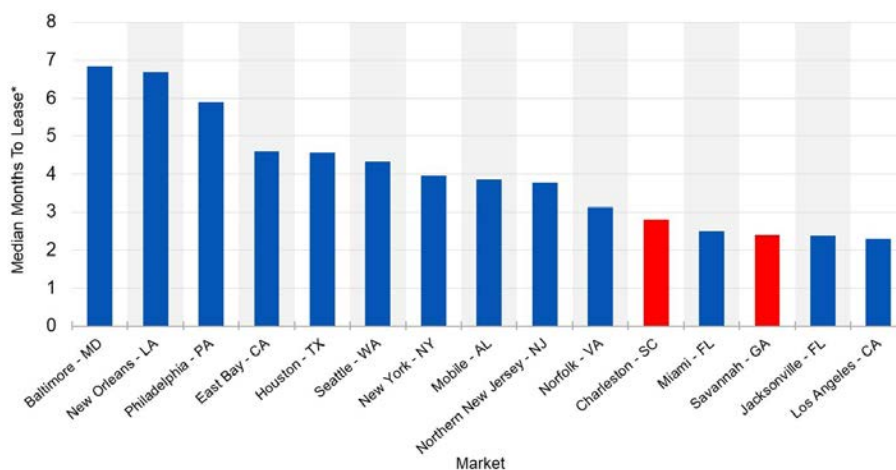
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Small Bay Spaces Lease Up Quickly in Southeastern Port Markets



Source: CoStar, March 2023
*Measures median months on market for industrial spaces smaller than 50,000 square feet and leased within the past 12 months.



Among the 15 largest port markets in the United States, Savannah ranked third-fastest behind Los Angeles and Jacksonville, Florida, while Charleston ranked fifth, behind Miami. Five of the six port markets with the fastest lease times are in the Southeast.

Since the onset of the coronavirus pandemic, Charleston and Savannah have been two of the most active markets for new construction. This has been driven by the population growth in the Southeast, completed infrastructure investments and the surge in import volumes. Total port traffic, as measured by twenty-foot equivalent units, or TEUs, increased by 25% between 2017 and 2022 in Charleston and 45% in Savannah, according to state data sources.

The demand for space pushed vacancies in these relatively small markets to record lows over the past few years, at times even dipping under 1%. Developers scrambled to complete new construction to absorb the demand. Despite inventory expansions of 15% in Savannah and 9% in Charleston over the past year alone, vacancy rates are still below 3% in both markets.

A combination of continued construction and normalized port activity could lift vacancies in 2023. Developers are underway on a 22% expansion of Savannah's inventory, and in Charleston, projects representing a 13% inventory expansion are set to come on line over the next two years. Traffic at both ports has begun to level off and fell in February 2023 from the records reached in 2022. Charleston was down 12% and Savannah was down 14% compared to February 2022.

MARKET WATCH

THE RUNWAY EXECUTIVE OFFICES: NOW LEASING



3300 W Montague Ave Suite 200
North Charleston, SC
58 - 14,000 SF
runway3300.com

This office building is under new ownership and can be renovated to meet a tenant's needs. Total building is 16,000 SF and can accommodate a tenant up to 14,000 SF split on two floors. In addition, there will be small office suites available for short or long term leases. Additional parking has been negotiated to accommodate any tenant needs. Location can't be beat. 3300 W. Montague has easy access to both I-26 and I-526 and is also located near North Charleston Convention Center, Coliseum, Boeing, Charleston International Airport, Centre Pointe, and numerous restaurants, retail, lodging, and other amenities.

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Still, the 201,418 TEUs that came through Charleston in February 2023 and the 394,793 TEUs handled in Savannah were more than any previous February except 2022. And most of the new space under construction is in larger properties. Less than 1% of under-construction properties in Savannah are 50,000 square feet or smaller, and only 2% of Charleston construction fits that category.

With little new availability, rents in these smaller spaces command a premium. For Charleston deals completed so far this year, properties less than 50,000 square feet average \$12.04 per square foot on a triple-net basis compared to an average of \$7.01 per square foot in properties larger than 50,000 square feet. In Savannah, smaller properties lease for \$11.88 per square foot compared to \$6.09 per square foot in larger properties.

While e-commerce operations have sought larger spaces with higher ceilings at a lower per-square-foot price, more locally oriented distributors, service providers and manufacturers provide the tenant base for these smaller buildings. While these smaller operators are not immune to the potential economic downturn, limited new supply will likely keep fundamentals for smaller industrial buildings tight, even in Southeastern port markets undergoing rapid supply expansion.

Source: <https://product.costar.com/home/news/993122017>

GDP, Inflation, and Interest Rate Forecasts

by Steve Slifer | Mar 17, 2023 | <https://numbertomics.com/forecasts/>

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP	2.7%	2.0%	1.0%	0.8%	0.9%	-1.0%	-0.8%	2.3%	2.7%
Consumer Spending	1.4%	2.8%	0.0%	1.0%	1.0%	-1.0%	-1.2%	2.7%	3.0%
Durables	-1.5%	1.9%	1.5%	0.9%	0.9%	-1.0%	-1.0%	2.0%	2.0%
Nondurables	0.2%	2.0%	1.5%	0.9%	0.9%	-1.0%	-2.0%	2.0%	2.0%
Services	2.3%	3.1%	2.1%	1.0%	1.0%	-1.0%	-1.0%	3.0%	3.5%
Investment Spending	3.6%	3.2%	-3.4%	-0.1%	0.5%	0.2%	0.8%	5.2%	5.9%
Nonresidential	3.2%	5.0%	0.7%	0.9%	0.0%	0.0%	0.0%	5.9%	5.9%
Structures	8.3%	-0.5%	-1.0%	0.0%	0.0%	-3.0%	-3.0%	2.0%	2.0%
Equipment	-3.2%	3.5%	0.0%	2.0%	2.0%	1.0%	1.0%	5.0%	5.0%
Intellectual Property	7.4%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	8.0%
Residential	-25.9%	1.0%	2.0%	2.0%	2.0%	-2.0%	-2.0%	2.0%	3.0%
Inventory Change	\$147.4	\$100.0	\$60.0	\$50.0	\$45.0	\$50.0	\$60.0	\$60.0	\$65.0
Trade	-\$1,238.4	-\$1,251.0	-\$1,263.8	-\$1,276.6	-\$1,289.5	-\$1,322.1	-\$1,341.9	-\$1,276.6	-\$1,422.6
Exports	-1.6%	1.0%	1.0%	1.0%	1.0%	1.0%	3.0%	3.0%	3.0%
Imports	-4.2%	2.0%	2.0%	2.0%	2.0%	4.0%	0.0%	6.0%	6.0%
Government	3.6%	1.7%	1.9%	1.9%	1.9%	1.6%	1.6%	1.6%	1.6%
Federal - Defense	2.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Federal - Nondefense	10.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
State & Local	2.3%	1.5%	1.5%	1.5%	1.5%	1.0%	1.0%	1.0%	1.0%
Final Sales	1.2%	3.2%	1.8%	1.0%	1.0%	-1.1%	-1.0%	2.3%	2.6%
Gross Domestic Purchase	2.1%	1.4%	1.7%	1.1%	1.1%	-0.5%	-0.6%	2.9%	3.2%
Final Sales of Domes.	0.7%	3.1%	1.9%	3.3%	3.3%	-0.5%	-0.6%	3.3%	3.3%
Inflation									
CPI	6.4%	5.4%	4.0%	4.5%	4.8%	4.4%	4.1%	3.6%	3.0%
Core CPI	5.7%	5.6%	5.1%	4.7%	4.8%	4.4%	4.1%	3.6%	3.0%
Unemployment Rate	3.5%	3.6%	3.7%	3.8%	3.9%	4.3%	4.6%	4.4%	4.1%
Fed Funds Rate	4.10%	5.00%	5.50%	6.00%	6.00%	5.00%	4.50%	3.50%	3.00%
10-year Treasury	3.62%	3.60%	4.65%	5.15%	5.15%	5.40%	5.00%	4.30%	4.00%
Yield Curve	-0.48%	-1.40%	-0.85%	-0.85%	-0.85%	0.40%	0.50%	0.80%	1.00%
30-year Mortgage Rate	6.5%	6.8%	6.7%	7.1%	7.0%	7.3%	6.7%	6.0%	5.7%

	2022	2023	2024
	Q4	Q1	Q2
Real GDP	0.9%	1.2%	0.8%
Consumer Spending	1.8%	1.7%	0.8%
Durables	0.5%	1.3%	0.5%
Nondurables	-1.7%	1.3%	0.2%
Services	3.2%	4.0%	4.0%
Investment Spending	-4.0%	0.0%	3.0%
Nonresidential	4.3%	1.9%	3.0%
Structures	-3.3%	-0.4%	-0.5%
Equipment	4.0%	2.4%	3.0%
Intellectual Property	8.5%	1.5%	4.0%
Residential	-19.0%	1.8%	0.2%
Inventory Change	\$137.5	\$63.8	\$58.8
Trade	5.2%	1.0%	2.5%
Exports	1.8%	2.0%	5.1%
Imports	0.8%	1.9%	1.6%
Government	-0.2%	3.0%	3.0%
Federal - Defense	0.5%	1.7%	2.0%
Federal - Nondefense	1.3%	1.5%	1.0%
State & Local	1.3%	1.7%	0.7%
Final Sales	0.6%	1.4%	1.2%
Gross Domestic Purchase	0.9%	1.8%	1.3%
Final Sales of Domes.			
Inflation			
CPI	6.4%	4.8%	3.0%
Core CPI	5.7%	4.8%	3.0%
Unemployment Rate	3.5%	3.9%	4.1%
Fed Funds Rate	4.10%	6.00%	3.00%
10-year Treasury	4.00%	5.15%	4.00%
Yield Curve	-0.48%	-0.85%	1.00%
30-year Mortgage Rate	6.3%	7.00%	5.70%

MARKET WATCH

YEAMANS HALL SHOPPING CENTER FOR LEASE



1268 Yeaman's Hall Road
Hanahan, SC 29410
720 - 4,300 SF
Starting at \$25 PSF NNN

Yeaman's Hall Shopping Center For Lease – Come be a part of the exciting new chapter of Yeaman's Hall Shopping Center, the gateway to Hanahan. The property sits at the most highly-trafficked intersection in town, with access and visibility from both Remount Rd. and Yeaman's Hall Rd. New tenants will join a roster of thriving local businesses including a Charleston classic, Piggly Wiggly. Several different suite sizes and layouts are available for a variety of uses.

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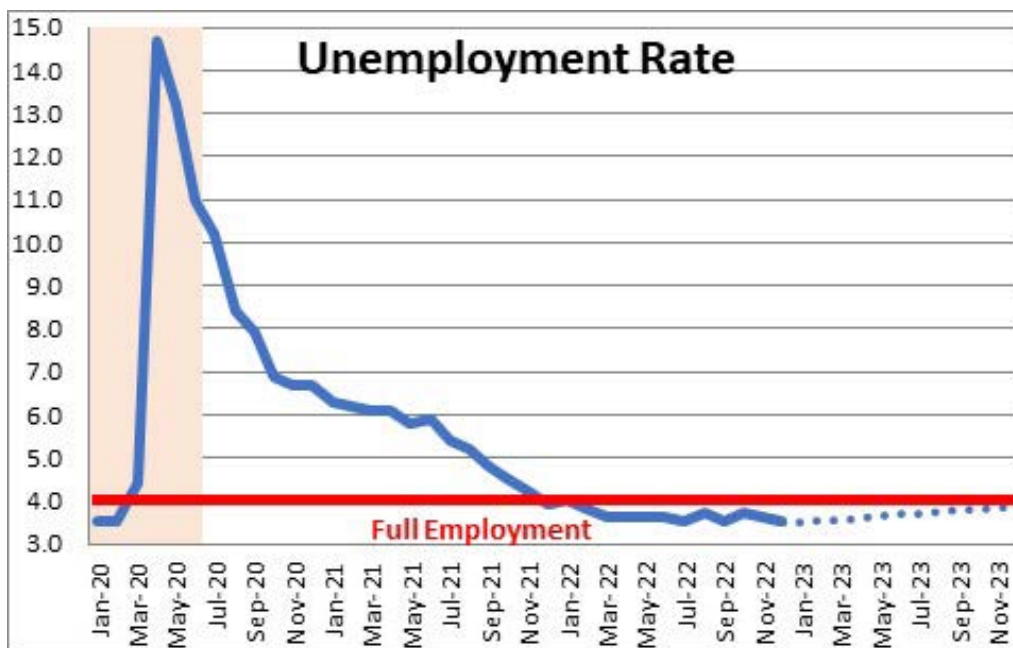
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GDP growth rose 3.2% in the third quarter and 2.7% in the fourth quarter. We expect GDP growth in the first quarter to be 2.0% and January data were surprisingly strong. We also anticipate GDP growth for the year to be 1.2% in 2023 even though the Fed continues to push rates higher because the economy continues to create jobs, wages keep rising, and real interest rates will remain negative through midyear. The current financial crisis should be contained with only minimal damage to the economy, largely through reduced credit availability to the tech sector.

Given the GDP forecast above, we expect the unemployment rate to rise 0.3% to 3.9% by the end of 2023. As the Fed keeps tightening the economy will slip into recession in the first quarter of 2024. As that occurs the unemployment rate will peak at 4.6% by mid-2024 before retreating to 4.1% by the end of that year.



Given the rapid increase in money supply growth, the core CPI inflation rate rose 5.7% in 2021. It now seems likely that the core inflation rate will slow to 4.8% in 2023. Slower inflation but still not even close to the Fed's 2.0% objective. Once the economy enters recession in the first quarter of 2024 the inflation rate should subside quickly and slip to 3.0% by the end of that year.

TRANSACTIONS

03.01.2023 - Brent Case and Jing (Julia) Donovan of Coldwell Banker Commercial Atlantic represented the landlord Windsor Hill Flex, LLC in the lease of Retail/Flex/Office space at Suite 4 at 8210 Windsor Hill Blvd in North Charleston, SC. Hannah Kamba of Coldwell Banker Commercial Atlantic represented the tenant La Hacienda of West Ashley, LLC.

03.06.2023 - Kip Bowman and Sara Bodell of Coldwell Banker Commercial Atlantic represented the landlord Mt. Pleasant Partners, LLC in the lease of 1,500 SF of retail space at Suite 104 at 4958 Centre Pointe Drive in North Charleston, SC. Josh Stamps of Keller Williams represented the tenant Elevated Brands, LLC.

03.06.2023 - Kip Bowman and Sara Bodell of Coldwell Banker Commercial Atlantic represented the landlord Hollywood of SC, LLC in the lease of 6,000 SF of Warehouse space at 5360 Hwy 165 in Hollywood, SC. The tenant is Lowcountry Valet, LLC.

03.08.2023 - James A. Dingle of Coldwell Banker Commercial Atlantic represented the seller Ganesh Gardens, LLC in the sale of office space for \$935,000 at 2102 Otranto Blvd in North Charleston, SC.



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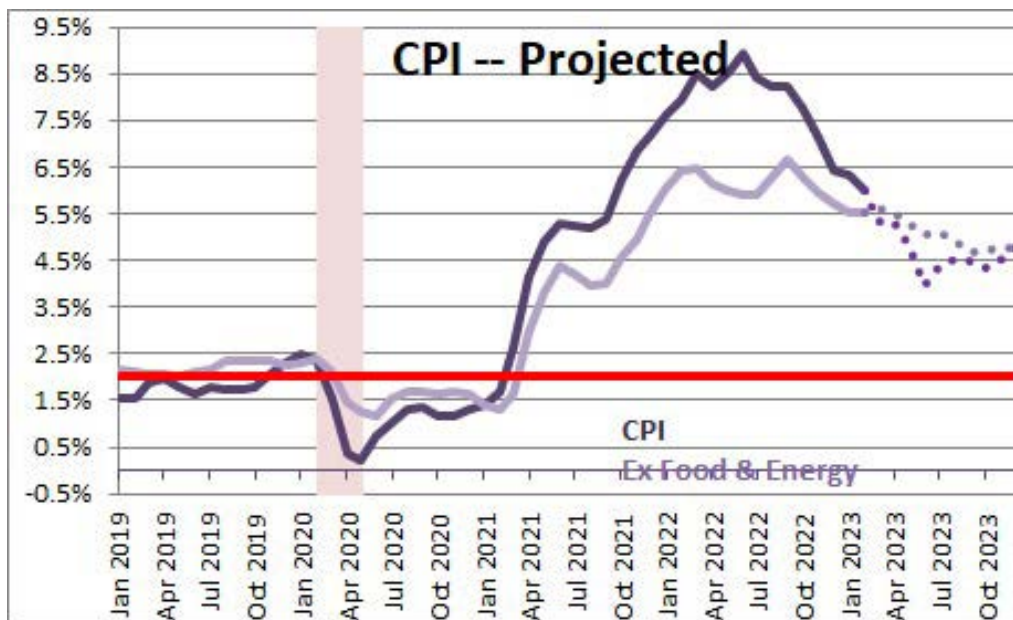
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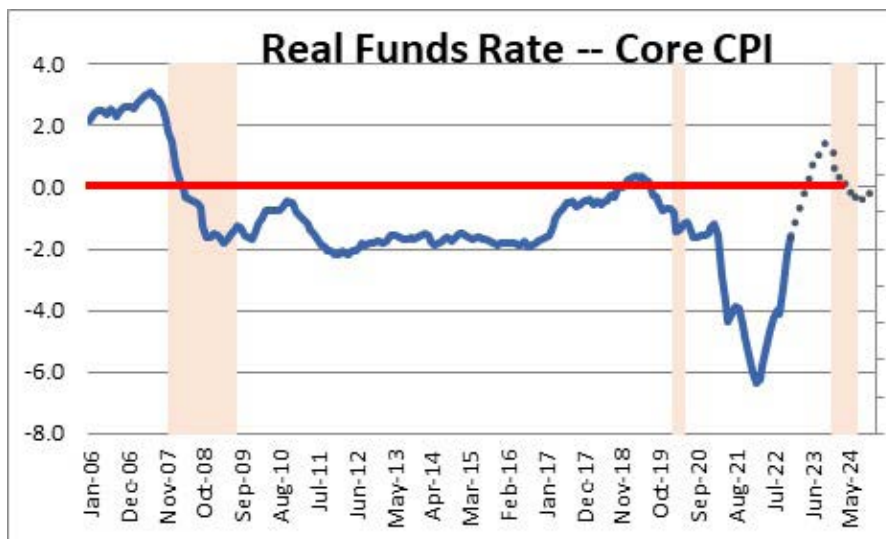
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We expect the real funds rate to rise to 6.0% by September. For the first time in four years the real funds rate would be positive 1.4% (6.0% funds rate less 4.6% inflation) which would finally give the Fed a chance to slow the economy enough to reduce inflation and bring it closer to the 2.0% target. We expect a real funds rate of that magnitude will cause the economy to slip into recession in the first half of 2024, but then recover in the final two quarters of that year.



TRANSACTIONS

03.08.2023 - Trey Davis of Coldwell Banker Commercial Atlantic represented the landlord 3300 W Montague, LLC in the lease of office space at Suite 200 at 3300 W Montague Ave in North Charleston, SC. Steve Hund of Coldwell Banker Commercial Atlantic represented the tenant Breeze Airways.

03.16.2023 - Kristen Krause of Coldwell Banker Commercial Atlantic represented the seller in the sale of 2,500 SF on 1.29 acres of Commercial Redevelopment at 1905 Old Trolley Road in Summerville, SC for \$1,500,000. Michael Silverman of TSCG represented the buyer.

03.20.2023 - Kip Bowman and Sara Bodell of Coldwell Banker Commercial Atlantic represented the tenant Aspen Fencing, LLC in the lease of 4,533 SF of Industrial Warehouse space at 4509 Savannah Hwy in Ravenel, SC. Joseph Tecklenburg of CCTRE represented the landlord 1667 Meeting Street, LLC.

03.23.2023 - James A. Dingle of Coldwell Banker Commercial Atlantic represented the seller in the sale of 12,400 SF of industrial space for \$925,000 at 8610 Farrow Road in Columbia, SC.

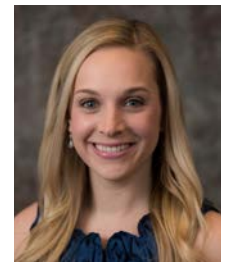
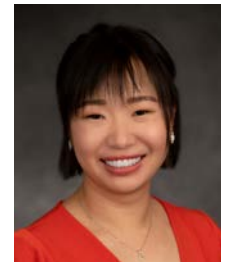
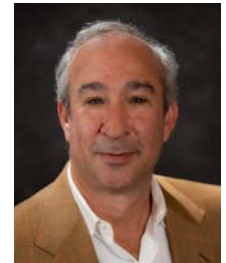


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