Columbia Industrial Market Sees Highest Growth of the Year Rounding Out 2015

By: Nick Stomski, SIOR

The Columbia industrial market continues to strengthen, closing out 2015 with declining vacancy, climbing rental rates, and the largest quarterly net absorption of the year. From the third to fourth quarters, average rental rates rose from $3.46/SF triple net to $3.56/SF triple net, showing steady and competitive growth. Net absorption spiked to a positive 257,643 square feet, compared to positive absorption of 12,949 in the third quarter. The Columbia Industrial market was fortunate to see positive absorption in all four quarters in 2015. Vacancy rates continued to shrink throughout the year, opening 2015 at 10.3% and finishing off the year at 10.0%. The promising vacancy rate is primarily led by the demand for warehouse space. During the fourth quarter, deliveries featured a Lexington County speculative building on Old Wire Road in West Columbia, completing an approximately 120,000 square foot Class-A industrial shell space. Calhoun County has plans to construct a 50,000 square foot speculative building within its Park with expansion capability to 100,000 square feet. Orangeburg economic development is also planning a 75,000 square foot industrial building that will be expandable to 150,000 SF. Other significant construction related projects include Republic National Distributing Co. (wine and liquor distributor) expanding by ±127,000 square feet in Lexington County. Over in Richland County, Boyd Management delivered their second phase industrial building in the third quarter comprising approximately 60,300 square feet (construction started entirely speculative and 100% leased at completion) in Shop Grove Commerce Park. Just up Shop Road at Pineview Drive, Richland County assembled this past year 500 acres of prime industrial land available named Pineview Industrial Park.

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Market Indicators

Survey Summary

<table>
<thead>
<tr>
<th>Building Type</th>
<th>Flex and Industrial</th>
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<tbody>
<tr>
<td>Building Size</td>
<td>25,000 SF &amp; Up</td>
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<tr>
<td>Occupancy</td>
<td>Single &amp; Multi-Tenant</td>
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<td>Result: Total RBA in SF</td>
<td>47.4 M SF</td>
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Warehouse Vacancy by Class

- Class A: 6.6 MSF 7.9%
- Class B: 21.5 MSF 5.4%
- Class C: 17.5 MSF 16.7%
- Overall: 47.4 MSF 10.1%

Rental Rate by Type

- Flex Buildings (NNN) $8.21
- Industrial Buildings $3.44

Warehouse Rental Rate by Class

- Class A (NNN) $3.90
- Class B (NNN) $3.59
- Class C (NNN) $3.21
- Overall Average (NNN) $3.56

Contact our experienced industrial specialists for more details on the statistics offered in this report.

Looking back over the third and fourth quarters, the Columbia Metropolitan Statistical Area (MSA), or just on the outskirts, benefited from a number of major investments or expansions. A major Chinese manufacturer will expand their already massive operation in Camden. In a $72 million deal, Haier America will double the size of its existing 300,000 square foot operation and add 400 more jobs. They are not alone in their plans to expand in the Central South Carolina area. In a $500 million deal, plans are underway to add ±720,000 square feet to Continental Tire's Sumter Plant. This will double the plants’ production capacity. The potential for continued industrial growth is strong with an unidentified company code-named “Project Oro” considering the I-77 corridor for a project that would invest at least $400 million in exchange for tax reductions in Richland County.

Additional Major Investments or Expansions Include:

- Shaw Industries invested $45 million in its carpet fiber plant in Lexington County to expand its capacity for production. In the past two years, Shaw has committed more than $600 million in capital investments to enhance its operations. The Lexington County site, acquired in 2005, is one of seven plants statewide.
- Akebono Brake Corp. will spend more than $40 million to expand its West Columbia plant.
- Okonite Company is investing $19.5 million to expand their Orangeburg facility.
- Bennett Distribution Services leased 200,000 square feet at 1080 Jenkins Brother Road in Northeast Columbia.
- Cypress Creek Renewable, a company that specializes in the ownership development of long-term solar energy projects, is establishing two new operations in Lexington County reflecting a $20.4 million investment.

South Carolina closed out the year with a low unemployment of 5.5% and record-setting year-over-year job growth (78,500 jobs gained in 2015.) Overall, the U.S. economy struggled to grow in the fourth quarter (0.7% GDP 4th quarter growth with GDP for all of 2015 grew at 2.4%) as business investment, consumer spending and exports slipped. Despite global weakness, many economists expect growth to accelerate on the strength of healthy job gains, solid consumer spending and housing fundamentals. Looking into 2016 we will continue to see intense demand in particular for quality space. The demand for new product is justified by vacancy levels, but the cost of construction in relation to market lease rates cannot support the investment for flex and smaller industrial projects. With the lack of existing product, this will continue to hinder projects and will put some strain on users looking to invest in the Midlands. Large vacant product opportunities such as the former Bose (470,000 square foot facility in Blythewood) and Knauf (680,000 square feet in Fairfield County) ensure the Columbia MSA will remain competitive with this segment of the market in which large blocks of existing industrial space are harder to find. With interest rates remaining low, lenders aggressively seeking good loan opportunities, and continued demand, rates will increase over the next 12 months to align with new deliveries.
**Columbia MSA**
**INDUSTRIAL MARKET REPORT**
**4th QTR 2015**

### Significant Transactions

**SOLD**
Northeast Columbia

**CAROLINA PINES**
**1001 CAROLINA PINES DRIV, BLYTHEWOOD**

Buyer: Becknell Industrial  
Price: $9,292,000

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**SOLD**
Columbia

**180 HOBART ROAD, BLYTHEWOOD**

±105,700 SF CLASS B INDUSTRIAL BUILDING

Buyer: Marlton Realty Trust  
Price: $5,200,000

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HIGH BAY FULLY CONDITIONED MANUFACTURING BUILDING

3280 General Williams W. Drive
Florence, SC

±244,087 SF building sitting on ±54.81 acres
Expansion capabilities: ±234,000 SF
Sales Price: $6,250,000