

NAR Commercial Real Estate Metro Market Report | 2021.Q2

Charleston-North Charleston, SC

Core-Based Statistical Area Code: 16700

The Charleston-North Charleston, SC commercial real estate market is stronger compared to the overall U.S. market.
NAR Commercial Real Estate Market Conditions Index* 68.2

Overall economic conditions are stronger than nationally.
The apartment property market is stronger than nationally.
The office property market is about the same than nationally.
The industrial property market is stronger than nationally.
The retail property market is stronger than nationally.
The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

I. Economic and Demographic

| Economic | Charleston-North Charleston, SC | | | U.S. | | | |
|---|---------------------------------|----------|----------|----------|----------|----------|---|
| | 2021 Q2 | 2021 Q1 | 2020 Q2 | 2021 Q2 | 2021 Q1 | 2020 Q2 | |
| Total non-farm employment ('000) | 369 | 361 | 345 | 146,603 | 143,315 | 138,501 | |
| Y/Y chg.in nonfarm payroll employment ('000) | 24 | (14) | (34) | 8,102 | (6,637) | (13,215) | |
| Y/Y % chg. in nonfarm payroll employment | 7.0% | -3.8% | -9.0% | 5.8% | -4.4% | -8.7% | Job creation is stronger than nationally |
| Unemployment rate (%) | 3.6% | 4.4% | 7.6% | 5.9% | 6.0% | 11.1% | Unemployment rate is lower than nationally |
| Average weekly wages | \$994 | \$1,001 | \$983 | \$1,059 | \$1,046 | \$1,016 | |
| Wage growth, year-over-year (data are as of last month of the quarter) | 1.1% | 4.9% | 7.2% | 4.3% | 6.7% | 5.6% | Wages are rising at a slower pace than nationally |
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | |
| GDP growth (%) | 3.0% | 3.9% | 3.6% | 2.3% | 2.9% | 2.3% | |
| Median household income | \$70,505 | \$64,283 | \$60,546 | \$87,470 | \$84,423 | \$81,284 | |
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | |
| Demographic | | | | | | | |
| Net domestic migration ('000) | 11.1 | 10.4 | 8.7 | 0 | 0 | 0 | Area is experiencing net domestic in-migration |
| Population ('000) | 820 | 805 | 790 | 329,484 | 328,330 | 326,838 | |
| Population growth (%) | 1.82% | 1.89% | 1.67% | 0.35% | 0.46% | 0.53% | Population is growing faster than nationally |

II. Multifamily

| Demand indicators | Charleston-North Charleston, SC | | | U.S. | | | |
|--|---------------------------------|-----------|----------|------------|------------|------------|---|
| | 2021 Q2 | 2021 Q1 | 2020 Q2 | 2021 Q2 | 2021 Q1 | 2020 Q2 | |
| Vacancy rate | 7.8% | 9.0% | 11.8% | 4.2% | 4.7% | 5.5% | The area has a higher vacancy rate than nationally |
| Absorption of units over the quarter | 1,960 | 1,688 | 532 | 226,871 | 169,053 | 78,282 | The area has a faster pace of absorption than nationally |
| Absorption of units in past 12 months | 5,797 | 4,369 | 1,215 | 603,925 | 455,336 | 255,168 | |
| Market asking rent per unit | \$1,408 | \$1,308 | \$1,256 | \$1,004 | \$978 | \$953 | |
| Market asking rent per unit, y/y % chg | 12.2% | 4.5% | 0.3% | 6.1% | 3.9% | 1.8% | |
| Effective rent per unit | \$1,397 | \$1,291 | \$1,225 | \$1,000 | \$972 | \$945 | |
| Effective rent per unit, y/y % chg | 14.1% | 4.4% | 0.3% | 6.4% | 3.7% | 2.3% | Rents are rising faster than nationally |
| Rent as a percent of 2-person annual wage income | 16.2% | 14.8% | 14.3% | 10.9% | 10.7% | 10.7% | The rent to income ratio is higher than nationally |
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | |
| Supply indicators | | | | | | | |
| Inventory | 57,419 | 56,005 | 53,443 | 17,259,876 | 17,168,283 | 16,881,961 | |
| Net delivered units in past 12 months | 3,976 | 3,321 | 2,496 | 377,954 | 387,779 | 389,240 | Relatively more units are being delivered than nationally |
| Net delivered units, as % of inventory | 6.9% | 5.9% | 4.7% | 2.2% | 2.3% | 2.3% | |
| Units under construction | 3388 | 4282 | 5413 | 578,162 | 609,682 | 681,731 | |
| Units under construction, as % of inventory | 5.9% | 7.6% | 10.1% | 3.3% | 3.6% | 4.0% | Construction activity is more robust than nationally |
| 12-month total: 5+ unit building permits | 2,377 | 1,890 | 1,870 | 463,443 | 435,217 | 452,345 | |
| 12-month total: all building permits | 8,819 | 8,126 | 6,618 | 1,642,586 | 1,574,266 | 1,361,395 | Building permits are rising faster than nationally |
| Ratio of jobs created to permits | 2.7 | (1.7) | (5.1) | 4.9 | (4.2) | (9.7) | |
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | |
| Sales transactions | | | | | | | |
| Total investment acquisitions (in million \$) | \$276.5 | \$43.9 | \$73.9 | \$41,291.4 | \$28,735.4 | \$13,346.3 | Sales transactions are rising faster than nationally |
| Transaction sales price per unit | \$188,101 | \$105,156 | \$68,202 | \$100,508 | \$98,594 | \$80,364 | Prices are rising faster nationally |
| Cap rate | 5.6% | 7.8% | 7.8% | 6.4% | 6.6% | 6.6% | Cap rates are lower than nationally |

III. Office

| Demand indicators | Charleston-North Charleston, SC | | | U.S. | | | |
|--|---------------------------------|------------|------------|----------------|----------------|----------------|---|
| | 2021 Q2 | 2021 Q1 | 2020 Q2 | 2021 Q2 | 2021 Q1 | 2020 Q2 | |
| Vacancy rate | 9.1% | 9.4% | 7.5% | 6.1% | 9.4% | 7.5% | The area has a higher vacancy rate than nationally |
| Absorption in sq.ft. over the quarter | 171,409 | 49,507 | 105,734 | (9,309,111) | (51,131,309) | (13,966,267) | The area has a faster pace of absorption than nationally |
| Absorption in sq.ft. over 12 months | 44,533 | (21,142) | (224,670) | (140,700,116) | (145,357,270) | 19,961,128 | |
| Asking rent per sq.ft. | \$27.8 | \$27.9 | \$27.8 | \$18.9 | \$18.9 | \$18.8 | |
| Asking rent growth, y/y % chg. | -0.1% | -0.7% | 1.5% | 0.3% | 0.0% | 1.3% | Rent growth is slower than nationally |
| Leasing activity in sq.ft. | 308,556 | 237,750 | 292,140 | 100,568,800 | 81,175,252 | 81,276,145 | Leasing volume is not rising as fast than nationally |
| Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter) | 1 | (4) | (6) | 1,260 | (501) | (1,715) | The area has stronger office job creation than nationally |
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | |
| Supply indicators | | | | | | | |
| Inventory in sq. ft. | 32,953,950 | 32,880,878 | 32,364,289 | 12,454,676,333 | 12,428,381,226 | 12,364,751,288 | |
| Net delivered over 12 months, in sq.ft. | 589,661 | 742,108 | 509,026 | 87,967,591 | 76,138,970 | 78,991,496 | Relatively more units are being delivered than nationally |
| Net delivered units, as % of inventory | 1.8% | 2.3% | 1.6% | 0.7% | 0.6% | 0.6% | |
| Under construction in sq.ft. | 526,512 | 489,584 | 877,680 | 177,275,188 | 186,528,025 | 209,268,041 | |
| Under construction, as % of inventory | 1.6% | 1.5% | 2.7% | 1.4% | 1.5% | 1.7% | Construction activity is more robust than nationally |
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | |
| Sales transactions | | | | | | | |
| Total investment acquisitions (in million \$) | \$54.8 | \$83.1 | \$26.5 | \$23,909.8 | \$21,181.7 | \$11,269.3 | Sales transactions are not rising as fast than nationally |
| Transaction sale price per sq.ft. | \$176 | \$245 | \$226 | \$108 | \$106 | \$105 | Prices are not rising as fast than nationally |
| Cap rate | 5.6% | 7.8% | 7.8% | 6.4% | 6.6% | 6.6% | Cap rates are lower than nationally |

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IV. Industrial

| | Charleston-North Charleston, SC | | | U.S. | | | |
|---|---------------------------------|------------|------------|----------------|----------------|----------------|--|
| | 2021 Q2 | 2021 Q1 | 2020 Q2 | 2021 Q2 | 2021 Q1 | 2020 Q2 | |
| Demand indicators | | | | | | | |
| Vacancy rate | 5.2% | 5.7% | 5.7% | 4.2% | 5.7% | 5.7% | <i>The area has higher vacancy rate than nationally</i> |
| Absorption in sq.ft. over the quarter | 760,741 | 896,818 | 265,708 | 146,182,325 | 119,411,326 | 56,883,324 | <i>The area has faster pace of absorption than nationally</i> |
| Absorption in sq.ft. over 12 months | 2,308,202 | 1,813,169 | 987,328 | 437,432,148 | 348,133,148 | 231,052,238 | |
| Asking rent per sq.ft. | \$7.7 | \$7.5 | \$7.3 | \$6.5 | \$6.4 | \$6.1 | |
| Asking rent growth, y/y % chg. | 5.5% | 4.4% | 4.1% | 5.2% | 4.4% | 4.1% | <i>Rents are rising faster than nationally</i> |
| Leasing activity in sq.ft. | 1,842,283 | 1,690,661 | 2,139,631 | 319,474,044 | 296,163,970 | 254,024,482 | <i>Leasing volume is not rising as fast than nationally</i> |
| Supply indicators | | | | | | | |
| Inventory in sq. ft. | 88,809,386 | 88,502,677 | 86,923,250 | 26,553,663,022 | 26,461,805,496 | 26,166,021,757 | |
| Net delivered over 12 months, in sq.ft. | 1,886,136 | 1,898,531 | 1,716,137 | 385,387,457 | 398,260,005 | 382,527,483 | <i>Relatively more units are being delivered than nationally</i> |
| Net delivered units, as % of inventory | 2.1% | 2.1% | 2.0% | 1.5% | 1.5% | 1.5% | |
| Under construction in sq.ft. | 6,623,882 | 5,486,309 | 1,773,448 | 567,307,627 | 521,498,024 | 452,528,658 | |
| Under construction, as % of inventory | 7.5% | 6.2% | 2.0% | 2.1% | 2.0% | 1.7% | <i>Construction activity is more robust than nationally</i> |
| Sales transactions | | | | | | | |
| Total investment acquisitions (in million \$) | \$22.0 | \$167.0 | \$45.2 | \$27,261.9 | \$21,600.7 | \$13,713.9 | <i>Sales transactions are not rising as fast than nationally</i> |
| Transaction sale price per sq.ft. | \$75 | \$86 | \$46 | \$61 | \$56 | \$54 | <i>Prices are rising faster nationally</i> |
| Cap rate | 0.0% | 5.7% | 7.2% | 7.4% | 5.7% | 7.2% | <i>Cap rates are lower than nationally</i> |

V. Retail

| | Charleston-North Charleston, SC | | | U.S. | | | |
|---|---------------------------------|------------|------------|----------------|----------------|----------------|--|
| | 2021 Q2 | 2021 Q1 | 2020 Q2 | 2021 Q2 | 2021 Q1 | 2020 Q2 | |
| Demand indicators | | | | | | | |
| Vacancy rate | 5.2% | 4.8% | 3.2% | 4.3% | 4.5% | 4.2% | <i>The area has a higher vacancy rate than nationally</i> |
| Absorption in sq.ft. over the quarter | (134,453) | 177,907 | (15,005) | 26,554,046 | 6,829,628 | (12,969,003) | <i>The area has a faster pace of absorption than nationally</i> |
| Absorption in sq.ft. over 12 months | (539,764) | (420,316) | 49,268 | 12,853,280 | (26,669,769) | 5,842,298 | |
| Asking rent per sq.ft. | \$20.7 | \$20.6 | \$20.4 | \$14.5 | \$14.5 | \$14.3 | |
| Asking rent growth, y/y % chg. | 1.5% | 1.3% | 1.5% | 1.4% | 1.0% | 1.5% | <i>Rents are rising faster than nationally</i> |
| Leasing activity in sq.ft. | 245,331 | 336,341 | 223,730 | 65,144,289 | 60,598,011 | 44,924,273 | <i>Leasing volume is not rising as fast than nationally</i> |
| Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter) | 5.00 | (2.00) | 2.10 | 822.30 | (1,100.50) | (245.60) | <i>The area has stronger retail trade job creation than nationally</i> |
| Supply indicators | | | | | | | |
| Inventory in sq. ft. | 47,328,849 | 47,289,631 | 46,934,733 | 15,772,300,571 | 15,764,713,778 | 15,724,204,780 | |
| Net delivered over 12 months, in sq.ft. | 389,760 | 436,524 | 342,484 | 46,178,397 | 47,102,191 | 58,535,237 | <i>Relatively more units are being delivered than nationally</i> |
| Net delivered units, as % of inventory | 0.8% | 0.9% | 0.7% | 0.3% | 0.3% | 0.4% | |
| Under construction in sq.ft. | 269,451 | 308,669 | 373,798 | 55,829,483 | 58,628,746 | 71,303,691 | |
| Under construction, as % of inventory | 0.6% | 0.7% | 0.8% | 0.4% | 0.4% | 0.5% | <i>Construction activity is more robust than nationally</i> |
| Sales transactions | | | | | | | |
| Total investment acquisitions (in million \$) | \$132.6 | \$50.2 | \$39.5 | \$20,811.7 | \$15,469.2 | \$8,857.2 | <i>Sales transactions are rising faster than nationally</i> |
| Transaction sale price per sq.ft. | \$596 | \$332 | \$307 | \$134 | \$136 | \$134 | <i>Prices are rising faster nationally</i> |
| Cap rate | 8.2% | 6.5% | 7.0% | 6.6% | 6.6% | 6.7% | <i>Cap rates are higher than nationally</i> |

VI. Hotel/Lodging

| | Charleston-North Charleston, SC | | | U.S. | | | |
|--|---------------------------------|---------|---------|----------|-----------|-----------|---|
| | 2021 Q2 | 2021 Q1 | 2020 Q2 | 2021 Q2 | 2021 Q1 | 2020 Q2 | |
| Leisure and hospitality payroll workers ('000) | 46.6 | 41.5 | 39.4 | 15,395.0 | 13,448.0 | 12,637.0 | |
| Y/Y change ('000) | 7.2 | (7.1) | (13.9) | 2,758.0 | (2,297.0) | (4,590.0) | <i>Job creation in the leisure industry is stronger than nationally</i> |
| % share to nonfarm payroll employment | 12.6% | 11.5% | 11.4% | 10.5% | 9.4% | 9.1% | <i>The area has a larger share of leisure jobs than nationally</i> |

*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g. employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.