

Industrial Market Overview

The overall Charleston Industrial market experienced negative net absorption of -82,544 square feet during fourth quarter. The Flex sector saw positive net absorption of 6,930 square feet while the Warehouse sector had negative net absorption of -89,474. This is the second consecutive quarter of negative net space demand; however, it was not as severe as the -700,811 square feet experienced during third quarter.

The Charleston submarkets that had significant move-outs during fourth quarter were the Outlying Berkeley County submarket with Stanley Inc. moving out of 151,602 square feet in the 7410 Magi Road building and the Greater Charleston submarket with Touchstone TV moving out of 75,000 square feet in the 1505 King Street Ext building.

Vacancies continued to rise for the third consecutive quarter and closed out the year at 8.8 percent, equivalent to over 5.5 million square feet of unoccupied industrial space. One of the largest tenants moving out of the area in 2013 was American LaFrance LLC, whose 450,000 square feet of space off of Jedburg Road was quickly backfilled by Husqvarna as a new distribution center.

The year ended with asking rates averaging \$4.71 per square foot, remaining relatively flat compared to third quarter. However, when compared to fourth quarter 2012, the quoted rates have increased \$0.14 from \$4.57 per square foot. Overall asking rates continue to be much higher in Mount Pleasant and E Charleston County than any other Charleston submarkets averaging \$9.87 per square foot and \$14.40 per square foot respectively.

Boeing continued to bring good news to the Charleston Market. In the fourth quarter, the company expanded their North Charleston presence by acquiring 468 acres of expansion land surrounding their current 787 production facility. The company plans to begin construction on a 230,000 square foot paint facility in the first quarter of 2014. Earlier in the year Boeing also announced plans for a 225,000 square foot facility at Palmetto Commerce Parkway. The company's local expansion in 2013 led the promise of an additional \$1.1 billion to be invested back into the economy as well as the addition of 2,000 more jobs.

If rental rates continue to rise, it is expected that the greater Charleston Industrial market will see more speculative development of Class A space in 2014. Demand for new space will increase supply throughout the market and we will likely have vacancy rates remain high as companies slowly absorb new industrial space being developed in the area. With the expansion of Charleston's port underway in 2014, we can expect a surge in industrial companies moving into the region.

MARKET STATISTICS

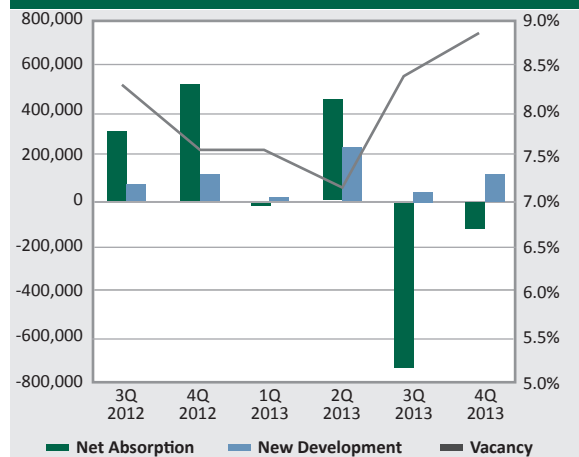
| | 3Q 2013 | 4Q 2013 | FORECAST |
|-------------------------------------|------------|------------|----------|
| Market Supply (SF) | 62,798,735 | 62,935,838 | ▲ |
| Vacancy (SF) | 5,300,266 | 5,519,913 | ▲ |
| Total Vacancy (%) | 8.4% | 8.8% | ▲ |
| Total Net Absorption (SF) (734,473) | (82,544) | | ▲ |
| Average Asking Rent | \$4.72 | \$4.71 | ▼ |

“ Port expansion and Boeing’s commitment are both catalysts for the Industrial market. ”

Mike Ferrer, CCIM

Vice President of Office & Industrial Brokerage

HISTORICAL VACANCY & NET ABSORPTION



PROPERTY SPOTLIGHT



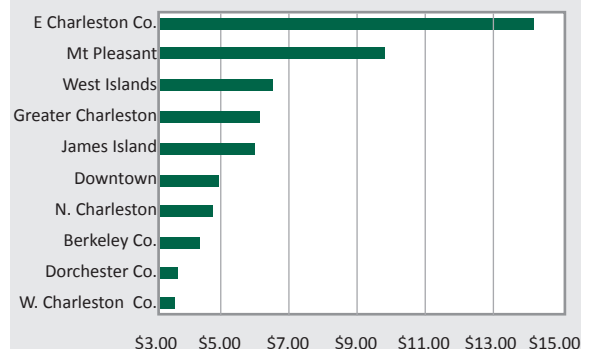
For Lease
1028 LeGrand Blvd
Charleston, SC 29492

Unit A - 60,000 sf
\$4.25psf /NNN

Entire Building - 84,416 sf
\$4.25psf /NNN

This concrete Warehouse was built in 1996 and is located in the closest commerce park to the Wando Terminal. It is less than a half mile off of 526 and less than five miles from I-26.

SUBMARKET ASKING RATES - 4Q 2013



Source: CoStar; Lincoln Harris Research

INDUSTRIAL MARKET STATISTICS

| | Buildings | Inventory | Vacant Space | Vacancy Rate | YTD 2013 Absorption | Asking Rent (PSF) |
|--------------------------|--------------|-------------------|------------------|--------------|---------------------|-------------------|
| DORCHESTER COUNTY | 301 | 5,862,153 | 1,064,451 | 18.2% | 116,315 | \$3.44 |
| DOWNTOWN CHARLESTON | 42 | 1,092,077 | 272,800 | 25.0% | 35,498 | \$4.95 |
| E CHARLESTON COUNTY | 4 | 48,566 | 2,500 | 5.1% | (2,500) | \$14.40 |
| EAST ISLANDS/MT PLEASANT | 105 | 881,688 | 94,265 | 10.7% | 33,165 | \$9.87 |
| GREATER CHARLESTON | 460 | 7,732,402 | 725,482 | 9.4% | (253,562) | \$6.40 |
| JAMES ISLAND/FOLLY BEACH | 80 | 722,077 | 8,004 | 1.1% | 11,642 | \$6.10 |
| NORTH CHARLESTON | 1,145 | 27,090,277 | 1,415,454 | 5.2% | 609,204 | \$4.89 |
| OUTLYING BERKELEY COUNTY | 400 | 18,742,441 | 1,835,948 | 9.8% | (967,092) | \$4.30 |
| W CHARLESTON COUNTY | 31 | 246,435 | 82,173 | 33.3% | 24,726 | \$3.43 |
| WEST ISLANDS | 45 | 517,722 | 18,836 | 3.6% | 16,880 | \$6.56 |
| MARKET TOTALS | 2,613 | 62,935,838 | 5,519,913 | 8.8% | (375,724) | \$4.71 |

INDUSTRIAL STATISTICS BY TYPE

| Building Class | Buildings | Inventory | Vacant Space | Vacancy Rate | YTD 2013 Absorption | Asking Rent (PSF) |
|----------------------|--------------|-------------------|------------------|--------------|---------------------|-------------------|
| Flex | 529 | 5,403,969 | 522,899 | 9.7% | 4,011 | \$10.41 |
| Warehouse | 2,084 | 57,531,869 | 4,997,014 | 8.7% | (379,735) | \$4.32 |
| MARKET TOTALS | 2,613 | 62,935,838 | 5,519,913 | 8.8% | (375,724) | \$4.71 |

RECENT INVESTMENT SALES

| Building | Submarket | RBA | Sale Price | Price/SF |
|--------------------------|-------------|---------|--------------|----------|
| Charleston Regional Pkwy | Charleston | 200,000 | \$10,600,000 | \$53.00 |
| 219 Varnfield Drive | Summerville | 50,765 | \$2,137,500 | \$42.11 |
| 450 Deanna Lane | Charleston | 30,726 | \$1,850,000 | \$60.21 |

SIGNED LEASE TRANSACTIONS

| Building | Submarket | Size | Asking Price/ SF |
|----------------------------|------------------|---------|------------------|
| 2440 Clements Ferry Road | Charleston | 203,223 | \$4.25 |
| 324 Deming Way | Summerville | 170,000 | \$2.65 |
| 925 Commerce Circle | Hanahan | 50,400 | \$3.90 |
| 3550 Ashley Phosphate Road | North Charleston | 22,000 | \$2.75 |
| 4115 Dorchester Road | North Charleston | 20,000 | \$5.95 |
| 7171 Bryhawke Circle | North Charleston | 15,000 | \$6.00 |
| 1105 Thunderbolt Road | Walterboro | 10,000 | \$2.65 |
| 483 Long Point Road | Mt Pleasant | 8,000 | \$6.00 |

About Lincoln Harris

Lincoln Harris, an affiliate of Lincoln Property Company, is a full-service corporate real estate company focused on development, commercial brokerage, corporate real estate services, retail services, land services, project services, property management and asset management. Based in Charlotte, NC, Lincoln Harris has twenty-three service offices across the country.

Source: CoStar; Lincoln Harris Research

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