

## NEWS REAL ESTATE

# Region's office space market showing signs of rebound

Midyear real estate reports from two Charleston commercial brokerages show encouraging signs for the state of the region's long-sluggish office-leasing business.

"Market activity has dramatically increased," said **Chris Fraser**, broker in charge of Charleston-based **barkleyfraser.com**. "It appears we've turned the corner."

Citing figures compiled by brokers **Jeremy Willits** and **Jon Chalfie**, Fraser said the amount of vacant office space in the region dropped 1 point to 14.8 percent in the second quarter, ending an unsettling two-year climb. "It was getting old and painful, frankly," he said.

The submarket that showed the strongest improvement was Mount Pleasant, where vacancies plunged to a healthy 12 percent from 20 percent a year ago.

"There's nothing under 15,000 square feet available there now," Fraser said.

The only major market where vacancies rose was downtown Charleston, largely because of new space that is being marketed in the **RBC Centura** regional headquarters building, which is under construction at 100 Calhoun St.

The large North Charleston office market held steady at 23 percent, despite the addition of 150,000 square feet of new prod-



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uct in the former **Montgomery Ward** department store site on Mall Drive. Vacancies in West Ashley edged down to 14 percent from 17 percent.

The tightest market in the region is Daniel Island, where all but 9 percent of the office space is leased. "That's where landlords are in the strongest position," Fraser said.

Leasing trends are considered an important economic indicator because they help gauge whether the massive services sector is expanding, shrinking or holding steady. Activity in Charleston practically dried up in 2001 as a glut of new office properties threw the supply-and-demand curve out of whack. At the same time, hesitant businesses began to cut spending in response to the national recession and the Sept. 11, 2001 terrorist attacks.

Brokers said the commercial real estate recovery is being fueled partly by companies that had

been downsizing but now need more room because they are adding workers. Also, rising interest rates are helping landlords by making it more difficult for businesses to buy or build their own offices.

One tell-tale sign of a turnaround is that fewer building owners are offering incentives, such as free rent for a few months, than a year ago.

While the figures differed slightly, **Colliers Keenan's** Charleston office came up with nearly identical findings in its midyear market report.

Of the roughly 7.5 million square feet of office space in the region, 15 percent is vacant, down from 16.5 percent at midyear 2003, according to **Colliers Keenan's** review of properties with at least 10,000 square feet. The rate for the smaller "Class A" market, which commands the highest rents, is at 11 percent.

## FREIGHT FORWARD

A cargo-handling company that leases about 120,000 square feet of warehouse space in Hanahan has completed a six-month transition to local ownership.

Houston-based **Palmer Logistics** recently sold its Charleston unit to **Hal Burton**, its former top local executive. As part of the changeover, Burton has renamed the Commerce Circle business **Premier Logistics Solu-**

**tions**, which like its predecessor handles all sorts of inbound and outbound port-related freight, from stout beer shipped in from Ireland to paper exports to chemical shipments.

As part of a restructuring, **Burton** determined that some of the North Charleston warehouse space that **Palmer** had been using on Ashley Phosphate Road and upper King Street didn't fit into his business plan. For the moment, **Premier** works out of two properties on Commerce Circle, the larger being the only privately owned warehouse in the region with a public truck scale. Also, its loading dock is served by a **CSX Transportation** rail line.

As part of its growth strategy, **Premier** is now mulling some acquisition opportunities, which **Burton** said would be "rollups of smaller companies."

**Palmer Logistics** expanded to Charleston in the late 1990s as **Hermann Logistics** after a customer complained of rail problems and higher port costs in Houston. **Palmer** went on to acquire Hanahan-based **Commercial Bonded Warehouse** in 2001 from **Atlantic Services Group Inc.** **Burton** said he still maintains a referral relationship with his former company.

## ODDS & ENDS

The **Noisette Co.** plans to unveil a new interactive Web site

this week at [www.noisettesc.com](http://www.noisettesc.com). The developer, which is spearheading a major urban renewal project on and around the former Navy base in North Charleston, said the new site designed by **Blue Ion** will include interactive features that allow North Charleston residents to participate in the redevelopment process. Separately, **Noisette** top executive **John L. Knott Jr.** has been named one of **Interiors & Sources** magazine's 25 "environmental champions" for 2004. The list was determined by a national panel of judges, including Chicago Mayor **Richard Daley**. ... The state **Housing Finance & Development Authority** is accepting nominations for its annual **South Carolina Housing Achievement Awards**. Now in its 10th year, the program recognizes individuals and organizations for exceptional contributions in providing and advancing affordable housing in the state. Nominations must be received by Nov. 1, and forms can be completed online at [www.schousing.com/awards.html](http://www.schousing.com/awards.html). The honorees will be announced at the annual **Palmetto Affordable Housing Forum** scheduled for Jan. 25-26 in Columbia.

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