

INVESTMENT FORECAST

Office
Charleston Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Charleston's Expanding Suburbs Reshape Broader Retail Market, While Downtown Leads Investment

Population growth sustains retailer demand. Charleston ranked fifth among East Coast port cities in the net absorption-to-inventory ratio last year, reflecting retailer confidence in the metro. Sustained in-migration and expanding suburbs continue to drive tenant demand, especially in outlying areas. Retailers have followed residential growth into Outlying Berkeley and Dorchester counties, where vacancy has held below 3 percent for three straight years. Moving forward, new supply will be limited here and elsewhere across the market. Concurrently, the number of homes brought online is anticipated to rise after single-family permit activity surged to an 18-year high in mid-2024. As new households move into these homes, consumer demand for nearby retail is anticipated to rise. This dynamic should support strong leasing momentum that allows metro availability to compress in 2025. This tightening will aid property owners, as the metro's average asking rate will climb while tenants compete for a shrinking pool of quality storefronts in high-growth suburbs and the urban core.

Downtown dominance persists as investors navigate shifting conditions. Though trading picked up in the suburbs last year, some of that was due to debt assumptions. Downtown Charleston dictated deal flow for the fifth straight year, and with 3,500 multifamily units arriving in 2025, this trend will likely continue, as a potential increase in local consumers aids underperforming retail properties. Meanwhile, cost-conscious buyers favored Outlying Berkeley County, where more than half of 2024 deals closed below the metro's average sale price of roughly \$460 per square foot. Looking ahead, revived hospitality and office sectors should amplify midweek foot traffic, sustaining potential for retail assets near office hubs and tourist destinations.

2025 MARKET FORECAST

+1.8%



EMPLOYMENT: Charleston will add 8,000 jobs in 2025, which is above the historical average of roughly 6,000 positions. By year-end, total employment will be 62,000 roles ahead of the 2019 level.

150,000
sq. ft.



CONSTRUCTION: Deliveries in 2025 will fall below 200,000 square feet for just the fifth time since 2007. Summerville is expected to receive the only project over 50,000 square feet.

-20 bps



VACANCY: Vacancy declines for the fourth time in five years to reach 3.0 percent. This rate is 140 basis points below the metro's long-term average.

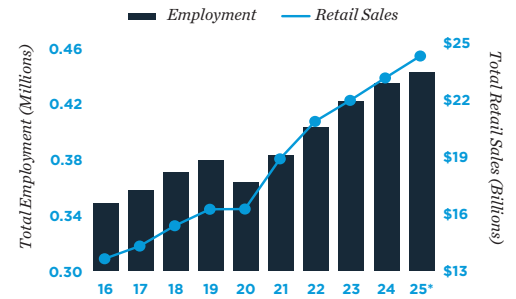
+2.5%



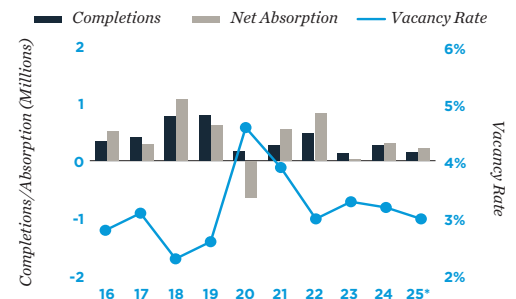
RENT: Marketed rents will continue to grow at a steady pace in Charleston, as 2025 represents the fourth straight year of annual gain. The overall average will climb to \$27.90 per square foot.

INVESTMENT: Vacancy in James Island-Folly Beach has held below 4 percent for 13 straight years. Competition in other submarkets and an asking rent gain of over 15 percent since 2023 may lead buyers to target this area.

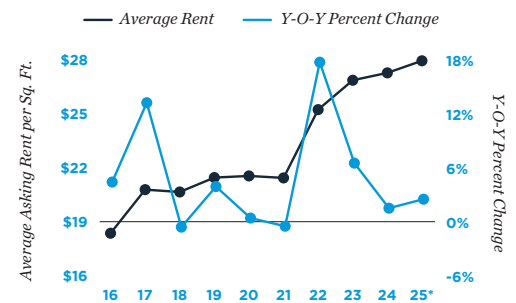
Economic Trends



Supply and Demand



Rent Trends



* Forecast

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.