

CHARLESTON, SC

JANUARY 2003

YEAR-END 2002 OFFICE MARKET

MARKET OVERVIEW

TOTAL OFFICE MARKET

| MARKET | TOTAL | AVAILABLE | SUBLET | AVG.RATE | VACANCY | PROPOSED |
|---------------------|-----------|-----------|--------|----------|---------|----------|
| West Ashley | 885,820 | 181,786 | 9,336 | \$15.77 | 21.58% | 115,000 |
| Lower N. Charleston | 1,418,150 | 226,075 | 0 | \$14.71 | 15.94% | 70,000 |
| Upper N. Charleston | 1,291,585 | 159,176 | 4,474 | \$13.76 | 12.67% | 0 |
| East Cooper | 1,161,516 | 146,715 | 38,730 | \$17.40 | 15.97% | 423,500 |
| Downtown Charleston | 1,825,400 | 175,138 | 13,032 | \$19.85 | 10.31% | 208,000 |
| Total Market | 6,582,471 | 888,890 | 65,572 | \$16.30 | 14.50% | 816,500 |

CLASS "A" OFFICE MARKET

| MARKET | TOTAL | AVAILABLE | SUBLET | AVG.RATE | VACANCY | PROPOSED |
|---------------------|-----------|-----------|--------|----------|---------|----------|
| West Ashley | 317,251 | 77,709 | 9,336 | \$20.58 | 27.44% | 115,000 |
| Lower N. Charleston | 574,540 | 68,433 | 1,600 | \$19.25 | 12.19% | 70,000 |
| Upper N. Charleston | 176,000 | 20,207 | 0 | \$15.50 | 22.48% | 0 |
| East Cooper | 614,436 | 61,823 | 35,995 | \$20.23 | 15.92% | 423,500 |
| Downtown Charleston | 934,719 | 77,445 | 13,032 | \$24.38 | 9.68% | 208,000 |
| Total Market | 2,616,946 | 305,617 | 59,963 | \$19.99 | 13.97% | 816,500 |

MARKET TRENDS

Economic unrest, corporate infidelity and pending military conflicts in the Middle East make 2002 a year not to be relived for the nation. The impact on the Charleston office market made for sluggish first and second quarters, belt tightening intra-market moves in the third quarter, and finally optimistic expansions and relocations in the fourth quarter. On the strength of third and fourth quarter activity, the overall Charleston market experienced increased inventory, decreased rates, increased concessions, decreased vacancy and positive absorption.

DOWNTOWN CHARLESTON

The completion of renovations to the Charleston County Courthouse complex and subsequent relocation of court related offices back downtown created a positive absorption on the strength of legal and government tenants. The market continues to grow with the construction of two significant Class A user properties and the anticipation of other speculative development of underutilized parcels. Greater vacancy will occur in the market in the second and third quarters as anchor/owners move from existing buildings

into the newly constructed buildings. The resulting vacancies will likely be back-filled by service sector tenants including legal, accounting, insurance, financial and real estate interests.

EAST COOPER

The East Cooper office market saw the greatest amount of positive absorption during 2002 with beginning vacancy of 27% with sublease space dropping to a year-end vacancy with sublease space of 15.97%. A large portion of the absorption was based on office condominium sales and corporate subleases. Absorption could also be credited to the relocation of tenants from the Downtown Charleston and Lower North Charleston sub-markets and the continued development of the master-planned Daniel Island office market. Growth of the East

OFFICE MARKET



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United States Cities

| | |
|-----------------------|----------------------|
| Akron, OH | Las Vegas, NV |
| Allentown, PA | Los Angeles, CA |
| Anaheim, CA | Louisville, KY |
| Atlanta, GA | Memphis, TN |
| Austin, TX | Miami, FL |
| Bakersfield, CA | Milwaukee, WI |
| Baltimore, MD | Minneapolis, MN |
| Bellevue, WA | Nashville, TN |
| Boise, ID | New York, NY |
| Boston, MA | Oakland, CA |
| Carlsbad, CA | Orlando, FL |
| Charleston, SC | Palo Alto, CA |
| Charlotte, NC | Philadelphia, PA |
| Cherry Hill, NJ | Phoenix, AZ |
| Chicago, IL | Pittsburgh, PA |
| Cincinnati/Dayton, OH | Pleasanton, CA |
| Cleveland, OH | Portland, OR |
| Columbia, SC | Provo, UT |
| Dallas/Ft. Worth, TX | Raleigh, NC |
| Denver, CO | Reno, NV |
| Detroit, MI | Sacramento, CA |
| Fairfield, CA | St. Louis, MO |
| Ft. Lauderdale, FL | Salt Lake City, UT |
| Ft. Myers/Naples, FL | San Diego, CA |
| Fresno, CA | San Francisco, CA |
| Gilroy, CA | San Jose, CA |
| Greenville, SC | Seattle, WA |
| Hartford, CT | Somerset, NJ |
| Honolulu, HI | St. Paul, MN |
| Houston, TX | Stamford, CT |
| Indianapolis, IN | Tampa/Clearwater, FL |
| Irvine, CA | Walnut Creek, CA |
| Jacksonville, FL | Washington, DC |
| Kansas City, MO | |

Cooper market has tremendous long-term opportunity, with land dedicated and zoned for office and economic development uses in Mount Pleasant and on Daniel Island providing the ability to triple the total office inventory of this market.

LOWER NORTH CHARLESTON

Access to the Charleston International Airport and the intersection of major interstate highways continued to make this market a preferred location by national credit tenants. The general office vacancy remained steady at 15.94%; however, the Class A inventory experienced a 3% decline in vacancy from 15.19% to 12.19% on the strength of intra-market moves and upgrades. Opportunities for significant growth in this market are expected in Faber Place, the only master-planned office park in the market with developable land, and at the Trident Research Center on Airport Authority property.

UPPER NORTH CHARLESTON

Ongoing long-term improvements to highway and secondary road infrastructure hampered the Upper North Charleston office market but will ultimately improve the market as congestion is eliminated. Vacancy in this market decreased from 18.21% to 12.67%, due to relocations and expansions of existing market tenants. Most of the activity occurred in the newer properties of the market. Higher vacancy in Class B projects will begin to be absorbed in 2003, and long-term prospects for growth in the market remain good with land available for development, a growing retail base and the distinction as one of the four major retail destination locations for the overall region.

WEST ASHLEY

The West Ashley office market has the smallest amount of total office product of the sub-markets in the area, but it has great potential to add Class A product. Numerous existing parcels are adjacent to I-526 and offer developer opportunities for build-to-suit tenants. The overall market is depicted by a large Class B base of projects and a general lack of significant properties. In 2002, weakness in the market caused overall vacancy to climb from 18.53% to 21.58%. Growth opportunity in this market will lie in smaller projects and a few significant Class A projects.

FORECAST

The 2003 forecast for the overall Charleston Office Market is positive and based on the continued ability of the Charleston area to attract new businesses. Economic incentives available through state, regional and local authorities will continue to enable Charleston to compete for businesses both within and outside of the state. Quality of life, coupled with the stabilized economic bases of tourism, medical industry and port related industries, will help to provide a competitive edge. Inventory should continue to grow but at a slower pace than in 2002. Vacancy should continue to shrink overall, with pockets of increases perhaps in the Downtown Charleston and East Cooper markets. Rates will be stable, firm up, then begin to increase by year-end.

For further information on the
Charleston, SC office market
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