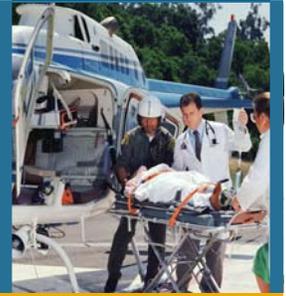




# Colliers Keenan 2005 Year-End Medical Office Market Charleston, SC



January 2006

## Total Medical Office Market

	Total	Available	Sublet	Avg. Rate	Vacancy	Proposed
Downtown Charleston	284,442	15,100	0	\$23.56	5.30%	10,000
North Charleston	414,858	24,284	0	\$22.57	5.90%	126,600
West Ashley/James Island	618,957	51,848	3,000	\$21.08	8.40%	113,507
East Cooper	536,502	23,453	0	\$23.68	4.40%	96,000
<b>Total Market</b>	<b>1,854,759</b>	<b>114,685</b>	<b>3,000</b>	<b>\$22.72</b>	<b>6.00%</b>	<b>346,107</b>

## Market Trends

Charleston's medical office market kept the momentum going in the last half of 2005. Overall absorption remained positive and across the market performance was not due to new practices but mainly to the expansion of existing practices combined with former medical office space being withdrawn from the medical market and converted to general office space. Contributing factors to the expansion of these practices are job growth and population inflow, which have continued driving Charleston's already significant growth rate. The overall Charleston medical market decreased by approximately 24,000 square feet from 1,878,559 to 1,854,759 square feet. This drove East Cooper's vacancy rate down from 10.9% to 4.4%, giving East Cooper the lowest vacancy rate in the Charleston market. As Downtown Charleston remains limited in new growth, the market size remained at 284,442 square feet and vacancy remained low at 5.3%. With North Charleston's addition of medical space to the market, vacancy increased from 4.4% to 5.9% while the West Ashley and James Island submarket had a decrease in vacancy from 9.6% to 8.4%, due to the expansion of existing practices and the formation of new groups.

## Downtown Charleston

As development opportunities remain limited Downtown, few Medical Office Building (MOB) projects are either proposed or under construction, other than the Roper Hospital expansion and the MUSC Hospital Replacement Project. The newest Class "A" MOB in the Downtown submarket, 163

Rutledge Avenue, is nearing completion and the first physician practice will take occupancy in March. MUSC's College of Health Professions occupied the approximately 80,000 square foot Charleston High School project on Rutledge Avenue mid-year 2005, while MUSC's Hospital Replacement Project continues to progress with steel and tilt concrete structures being erected and altering the skyline forever. The Downtown submarket continues to remain strong with a 94.7% occupancy rate, keeping overall rental rates strong at an average of \$23.56 per square foot.

## North Charleston

The North Charleston submarket is the only submarket in Charleston to see a true increase in vacancy, which rose from 4.4% in July to 5.9% by year end 2005. Several projects with an increase in vacancy included Trident Executive Village and two buildings located on Medical Plaza Drive. Construction continues on University Place, across University Boulevard from the North Charleston medical office community. The new non-profit Charleston Breast Center has acquired a building on Charlie Hall Boulevard and is scheduled for a late February opening.

As the overall Charleston medical office market continues to strengthen and grow, several medical groups located in the North Charleston submarket look to expand service coverage and are evaluating new opportunities in the West Ashley and East Cooper submarkets.

As University Place nears completion, one floor has been purchased for a non-medical use, and another commitment is out for the remaining two floors for use as medical space.

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## Projects Proposed and Under Construction

Building Name	Address	Submarket	Approximate SF	Class
Southeastern Spine Institute	Chuck Dawley Blvd.	East Cooper	21,000	A
WingoWay Medical	Wingo Way	East Cooper	69,000	A
University Place	University Blvd.	North Charleston	39,000	A
University Place	University Blvd	North Charleston	6,000	A
Roper Hospital	Calhoun Street	Downtown	245,000	A
163 Rutledge Avenue	163 Rutledge Avenue	Downtown	14,000	A
MUSCs Hospital Replacement	Bee Street/Courtney	Downtown	518,000	A

### West Ashley / James Island

The West Ashley submarket remains the fastest growing medical office submarket in the Lowcountry. As available freestanding MOB's or medical office condominiums (MOC's) for purchase become more and more scarce, physicians continue the trend of pursuing land for construction of their facilities. As physician's needs arise, we continue to see opportunities and activity around the general vicinity of St. Francis Hospital, with physicians groups anticipating strong growth in this area positioning themselves for the future. Vacancy decreased from 9.6% to 8.4%, and rental rates for Class "A" and "B" space remained strong at \$22.29 per square foot. As the remaining parcels on Charlie Hall Boulevard are secured and purchased, existing physicians must continue to study the market and search for other suitable locations.



163 Rutledge, at the corner of Rutledge Avenue and Doughty Street.

### East Cooper

With the highest average rental rates in the greater Charleston medical market averaging \$23.68 per square foot, the East Cooper submarket has overcome all others with the lowest vacancy rate of 4.4%, down from 10.9% in Mid-Year 2005. As Prevacare vacated the Four Corners Building on Daniel Island, approximately 30,000 square feet of former medical space is being converted to general office space due to the demand for general office users looking to relocate to Daniel Island. Several blocks of space in the East Cooper submarket remain vacant, including Roper Mount Pleasant Medical Center and Daniel Island Medical Center. The Medical Center of East Cooper, now having approximately 6,000 square feet available, may see another block of space available as Southeastern Spine Institute builds its new facility on Chuck Dawley Boulevard.

### Forecast

The Greater Charleston Medical Office Market saw no activity in the second half of 2005 that resulted in any change in Colliers Keenan's medical market outlook. During 2006, we expect to see further acquisition of land by physician groups for the construction of their own facilities in and around the cluster areas at the hospitals in each of the submarkets. We expect to see further absorption be flat because of new facilities being built and practices moving from older properties to newer ones. Rental rates through the first half of 2006 should remain strong as vacancy remains low.

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