COLLIERS KEENAN
MARKET REPORT

COLUMBIA, SC

JULY 2004

OFFICE MARKET

2004 MID-YEAR OFFICE MARKET

MARKET TRENDS

The Columbia office market declined in the first half of 2004 as a result of a weak job market in 2003 and the first quarter of 2004. Overall occupancies declined to 78.9% as of mid-year 2004, down from 81.1% at the end of 2003. Class A properties performed the best, with an 84.5% occupancy rate, while Class B and Class C properties were the weakest at 75.5% and 77.2%, respectively. Columbia's office employment is now beginning to improve, adding more than 3,000 jobs during the 12-month period which ended May 31, 2004. As a result, the outlook for the office market for the remainder of the year is much more optimistic.

The office market experienced negative absorption of 62,535 square feet in the first half of 2004. This was fueled by a large drop in occupied space in the CBD's Class C market. However, absorption was strong for Class A space in the CBD, totaling over 200,000 square feet, much of which was attributed to the completion of Meridian, Columbia's newest high-rise office tower.

Overall, speculative construction has been dramatically reduced across the Columbia area, as the prospects of filling new space are weak. Most projects that are under construction or in the planning phase are small, ranging from 5,000 square feet to 10,000 square feet.

The suburban markets improved slightly during the first half of 2004. As of June 30, 2004, occupancies stood at 76.3%, up from 73.6% at year-end 2003. Demand in the suburban market has been weak over the past few years, as most tenants have shown a preference for space in the CBD. Suburban Class A occupancy was at 78.5% at mid-year 2004, compared to 79.5% at year-end 2003. In the coming twelve months, occupancies will recover, but it will take some time to see a sizable shift in market fundamentals.

Submarket	Inventory	Occupied	Vacant	Occupancy	Sublease	6 Month Absorption	Asking Rent
MSA	9,470,516	7,473,968	1,996,548	78.9%	61,161	(62,535)	$14.84
CBD	4,590,822	3,751,498	839,324	81.7%	42,348	(134,577)	$16.09
Suburban	4,879,694	3,722,470	1,157,224	76.3%	18,813	72,042	$13.98
Cayce/West Columbia	656,794	481,530	175,264	73.3%	12,000	15,861	$13.18
Forest Acres	805,513	670,851	134,662	83.3%	0	12,407	$13.62
Northeast	1,399,850	1,065,196	334,654	76.1%	0	17,274	$14.37
St. Andrews	2,017,537	1,504,893	512,644	74.6%	6,813	26,500	$14.14

CENTRAL BUSINESS DISTRICT

The most positive developments in Columbia's CBD have been the completion of Meridian in April and the announcement that First Citizens Bank plans to build a 170,000 square foot building on Main Street. Occupancies dropped to 81.7% at mid-year 2004, down from 89.7% at year-end 2003. This was a direct result of new space added to the market that was in the lease-up phase. Class A occupancies were at 87.0%, while Class B space was 81.8% occupied. Average CBD rental rates surpassed $16.00 per square foot, up substantially from $15.14 per square foot at year-end 2003.

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247 Offices Worldwide

137 Americas
105 United States
17 Canada
15 Latin America
72 Europe, Middle East & Africa
38 Greater Asia

United States Cities

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

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ST. ANDREWS

The St. Andrews submarket is the largest suburban market, consisting of more than two million square feet. Occupancies declined further in the first half of 2004 to 74.6% from 75.3% at year-end 2003. Heavy construction over the past few years has negatively impacted this submarket. However, St. Andrews has the largest amount of Class A space (more than 500,000 square feet) outside of the CBD and a recovery for this submarket should come at a much brisker pace than for other suburban markets. Average Class A rental rates were just over $16.50 per square foot, the second highest in the metropolitan area. Overall, the average rental rate for St. Andrews was $14.14 per square foot.

NORTHEAST

The Northeast submarket contains nearly 1.4 million square feet of multi-tenant office space. This submarket has been the location of considerable population growth over the past several years, which should support growth in the area's retail and office markets. Occupancies increased modestly in the Northeast, reaching 76.1% as of mid-year 2004 from 74.9% at year-end 2003. Most of the available space is in the Class B market, which was less than 65.0% occupied. Class A occupancies stood at 83.7%, up from 82.7% at the end of the 2003. Class C properties remained extremely tight at 92.2%. Average rental rates were at $14.37/SF, with average Class A rents at $16.37/SF.

FOREST ACRES

The Forest Acres submarket has less than one million square feet. Occupancies in this submarket rose to 83.3% in the first half of 2004, from 81.8% at year-end 2003. This market had weakened dramatically in 2003 as a result of a number of tenants vacating this market. Just over 12,000 square feet was absorbed over the past six months, which is an indication that demand is picking up in this submarket. Average rental rates were among the lowest in the MSA, at $13.62/SF.

CAYCE/WEST COLUMBIA

This Cayce/West Columbia submarket consists of just over 650,000 square feet. More than half of the inventory is considered Class C. Occupancies were among the lowest in the Columbia area, at 73.3%, but rose significantly from 70.9% at year-end 2003. Absorption totaled almost 16,000 square feet, a strong indicator that demand is picking up in the lower priced properties of the suburban markets. Rental rates averaged $13.18/SF at mid-year 2004.

FORECAST

Despite lower occupancies there is reason for optimism for office properties in Columbia. The CBD is undergoing a revitalization that should accelerate a recovery over the next 12-18 months. In addition, growth in office employment, which is the strongest driver of office demand, has turned positive for the first time in over a year. Demand is improving in the suburban markets and should continue to strengthen through the remainder of 2004. New construction will remain muted over the near term, as current occupancy levels do not warrant speculative development. Most new projects will be either build-to-suit or less than 20,000 square feet until market conditions improve.

**For further information on the Columbia, SC office market contact:
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