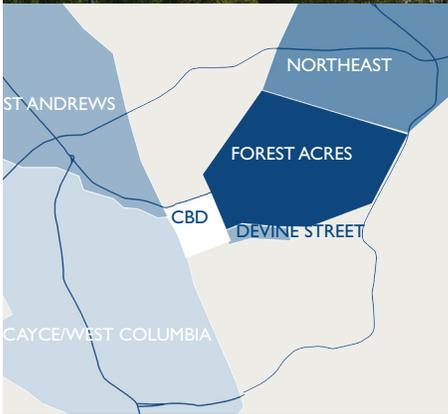


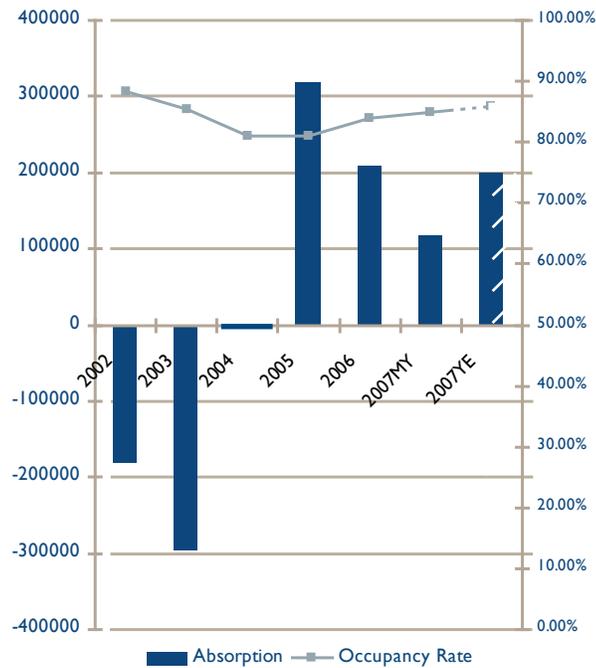
Mid-Year Office Market

Q2 | 2007



Market Summary

The Columbia South Carolina office market experienced robust activity in the first half of 2007. The second quarter was not as active as the first quarter, but overall the market managed to absorb 118,650 square feet during the six-month period, bringing overall occupancy to 85.51% at mid-year 2007. This level of activity is very high for the Columbia market and can be largely attributed to new national tenants moving into the market. Among the largest new tenant was the Staples operations center, located at Fontaine Business Center, which leased 85,000 square feet of vacant space.



As available space in the market grew tighter over the first half of the year, asking rental rates moved upwards as well. The average asking rental rate across the market increased to \$14.95 per square foot at mid-year 2007, up from \$14.38 per square foot six months earlier.

The Class A office market continued to expand from January to June 2007. The South Carolina Department of Insurance relocated to the CBD, which contributed to the 47,661 square feet of Class A absorption experienced in the CBD. Rental rates for Class A space continued to climb as well, with rents averaging \$19.42 per square foot across the market, and \$20.27 per square foot in the CBD.

As occupancies and correlated market values continued to rise over the first two quarters of 2007, over 20% of the multi-tenant office market is believed to be in the process of being sold in 2007. This level of investment sales activity will attract new investors to the market and may cause the reassessment of several properties. It could be speculated that eager landlords may attempt to increase asking rental rates in properties with higher than market occupancy rates.

Employment in the Columbia market continued to increase in 2007. The job market added an additional 6,400 jobs over 2006 job levels. In those sectors impacting the office market, service-oriented jobs increased by 2,500 and government jobs increased by 2,500 as well, while the banking and insurance sectors remained flat. Technology occupations downsized slightly, losing 100 jobs over 2006 levels.

MARKET INDICATORS

	Q1	Q2
OCCUPANCY	↑	↑
ABSORPTION	↑	↑
RENTAL RATE	↑	↑
JOB GROWTH	↑	↑

QUICK UPDATES

- RAPID MARKET ABSORPTION
- RENTAL RATES CONTINUE TO CLIMB
- SPECULATIVE DEVELOPMENT UNDERWAY
- RUMORS OF ADDITIONAL OFFICE DEVELOPMENTS



	Total Feet	Vacant	Occupancy Rate	Absorption (Six Month)	Average Rate	Class A Occupancy	Class A Rate
Total Market	8,770,852	1,270,876	85.51%	118,650	\$14.95	89.21%	\$19.42
CBD	4,341,065	521,445	87.99%	38,213	\$16.39	89.50%	\$20.27
Suburbs	4,429,787	749,431	83.08%	80,437	\$13.95	88.56%	\$17.70
Cayce/West Columbia	388,452	115,892	70.17%	24,429	\$13.63	N/A	N/A
Devine St	89,700	1,570	98.25%	3,490	\$12.00	N/A	N/A
Forest Acres	751,983	116,234	84.54%	-5,387	\$14.70	84.81%	\$17.00
Northeast Columbia	1,131,914	166,928	85.25%	63,639	\$14.02	94.53%	\$18.35
St. Andrews	2,067,738	348,807	83.13%	-5,734	\$13.77	84.15%	\$17.56

Forecast

The forecast for the Columbia office market over the remainder of 2007 is for continued, steady expansion, albeit at a slower rate than was seen over the first half of 2007. National service firms will continue to open branch locations in Columbia as the metropolitan area continues to grow.

Over the next one to three calendar years, the forecast for the office market is questionable. There are several factors that will impact the market, but to what extent is yet to be determined. A weakening national economy has quickly slowed the expansion of already existing service-oriented businesses such as law firms and accounting practices. The effects of this slow down were not directly felt during the first part of 2007 due to new tenants moving into the market, but it is worth noting as a future concern as Columbia has historically relied on these businesses as a source of market growth.

The impending vacancy of Palmetto Center is also a concern. Landlords are becoming more and more aggressive in leasing any existing available space in anticipation of a weakening CBD market in 2009.

On a more positive note, the Class A market has tightened to a point where speculative development is taking place in the market. In the Northeast, where the Class A market is 94.53% occupied, the 40,000 square foot Matrix Building is under construction at Pinnacle Office Park. In the CBD, USC has two multi-tenant buildings under construction in Innovista and rumors are circulating of two additional multi-tenant office developments possibly slated for Main Street or the Vista. With this level of speculative Class A development, the market will need to attract new tenants looking for large blocks of space to prevent an oversupply of Class A space, especially with the pending vacancy in Palmetto Center.

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Latin America 14

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EMEA 65

\$54B in annual transaction volume
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10,171 Professionals

CONTACT INFORMATION

For More Information:

David Lockwood, CCIM, SIOR
Senior Vice President
(803) 401-4211
dlockwood@collierskeenan.com

Ryan Hyler
Director of Research & Marketing
(803) 401-4269
ryhyler@collierskeenan.com

COLUMBIA
1301 Gervais Street, Suite 600
Columbia, SC 29201
Tel: (803) 254-2300
Fax: (803) 252-4532

CHARLESTON
151 Meeting Street, Suite 350
Charleston, SC 29401
Tel: (843) 723-1202
Fax: (843) 577-3837

GREENVILLE
201 E. McBee Avenue, Suite 201
Greenville, SC 29601
Tel: (864) 297-4950
Fax: (864) 527-5444

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