



CBD UPDATE

OFFICE | Q3 | 2008



OFFICE MARKET REMAINS STABLE

The office market in Columbia, South Carolina's central business district maintained stable occupancy during the third quarter of 2008 with occupancy rates near 87%. The financial crisis in the national economy has had little impact on the Columbia office market, with the exception of a limited number of financial-sector tenants that have scaled back, including IndyMac Bank, which vacated its space on Main Street after being placed into conservatorship by the FDIC in July 2008. On an even more positive note, Columbia's suburban office market absorbed approximately 80,000 square feet of space during the third quarter of 2008.

Average asking rental rates continued to increase during the third quarter of 2008, predominately in Class B and Class C properties, welcome news to owners of office properties. Rental rates in the central business district for Class B and Class C office space average \$16.12 per square foot and \$13.03 per square foot, respectively, at mid-year 2008. During the third quarter, asking rents increased in some buildings by as much as \$0.50 per square foot. An increase in Class B and Class C rental rates signals that demand is tightening for this space and that office users in the Columbia market are becoming more value conscious.

Job creation in the Columbia market has remained strong during the third quarter, contrasting what has occurred in the national market. In August 2008, the service-based sector of the economy added 1,400 new jobs, representing a 0.40% increase.

Construction has commenced on the new Main & Gervais office tower. Holder Properties is developing the 19-story, \$60 million project, which will be anchored and by McNair Law Firm, Edens & Avant and NBSC. The three anchors and Holder Properties will all have ownership in the development. When completed in 2009, these firms will relocate from a range of Class A and B office and retail space within the CBD, creating opportunities for other firms to move into the Main Street office market.

The City of Columbia began construction on the second phase of the Main Street streetscaping project during the third quarter of 2008. This beautification project of the 1500 and 1600 blocks of Main Street has garnered the attention of investors and developers who are now looking for the next phase of commercial construction in Columbia.

FOURTH QUARTER - WHAT TO EXPECT

Although a contraction in occupancy rates has been predicted for the national office market through the end of 2008, Columbia's office market should remain stable due to an insulated and well-diversified economy. Construction and beautification projects on Main Street will increase the attractiveness of the area, directly impacting occupancy and rental rates of the CBD.

MARKET INDICATORS

	Q3 2008	NEXT QTR
OCCUPANCY	↔	↑
NET ABSORPTION	↔	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

QUICK UPDATES

- OCCUPANCY RATES REMAIN STABLE AMIDST NATIONAL ECONOMIC TURMOIL
- LIMITED AVAILABILITY RESULTS IN RENTAL RATE INCREASES IN ALL CLASSES
- JOB CREATION ON THE RISE IN THE MIDLANDS



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About Columbia's Central Business District



Columbia's Central Business District (CBD), bordered by the Congaree River on the west, Harden Street on the east, Elmwood Avenue on the north and Blossom Street on the south, is home to the largest office concentration in the Columbia region, consisting of nearly 4.5 million square feet of office space. Also located in the CBD are the University of South Carolina, with over 20,000 students, the South Carolina State Capitol and two of the region's largest healthcare facilities, Palmetto Health Richland and Palmetto Health Baptist. The CBD has experienced extensive redevelopment over the past several years, with warehouses in the Vista area being converted to restaurants and shops. Main Street retail stores and Class C office buildings are being converted to residential condominiums and apartments. In conjunction with the national trend of downtown revitalization, Columbia's CBD is currently experiencing over \$40 million in streetscaping and beautification projects funded by the City of Columbia.

AT A GLANCE: MAIN STREET

Columbia's Main Street is home to the largest office concentration in South Carolina. Nearly 25% of Columbia's office supply is located along Main Street, with an additional 25% located in the surrounding Central Business District. The South Carolina State Capitol anchors Columbia's Main Street, with support-ing state employees occupying a vast majority of the office buildings nearby. At the corner of Main and Hampton Street is the Columbia Museum of Art, which brings in 74,000 tourists per year. Residential developments have also experi-enced resurgence along Main Street. Starting with the renovation of the Historic Tapp's Department Store, there are now over 200 residential units on Columbia's Main Street.



Main Street Projects:

- Meridian Building - \$72 Million, Completed 2003
- First Citizens Headquarters - \$60 Million, Completed 2006
- Marriott Renovation - \$10 Million, Completed Summer 2006
- Barringer Building Renovation/Residential Conversion - \$9 Million, Completed December 2006
- Sheraton Hotel/Palmetto Building Historic Rehabilitation - \$20 Million, Completed Fall 2008
- Streetscape Beautification Project - \$9 Million, Expected Completion 2009

ABOUT COLLIERS KEENAN

Colliers Keenan is South Carolina's largest commercial brokerage and third-party property management firm, and the only commercial real estate company with offices in Charleston, Columbia and Greenville. More than sixty Colliers Keenan professionals are engaged in sales, leasing, property management, consulting and corporate real estate services. Colliers Keenan also provides construction management through its affiliate, LCK Construction Services.



COLLIERS INTERNATIONAL

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18

Asia Pacific 95
EMEA 62

\$2.0B in Revenue
868M SF Under Management
11,000 Professionals

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