



# COLUMBIA, SOUTH CAROLINA RESEARCH & FORECAST REPORT



## Fourth Quarter Game-Changers for the Central Business District

### MARKET OVERVIEW

The Columbia office market closed 2012 with significant positive changes occurring in the Central Business District. Continued job growth in the finance, insurance and technology sectors created strong interest in Columbia's CBD resulting in a year-end total vacancy rate of 14.21% in the CBD and 20.23% overall in the Columbia office market. The Columbia market absorbed 36,970 square feet of office space in the fourth quarter resulting in the absorption of 55,534 square feet in 2012. Overall market rental rates in the entire market declined in 2012 and are down \$0.32 from the third quarter of 2012. This overall decline is largely attributed to the decline in Class C rental rates of almost \$1.00. Class A and B rental rates remained stable in the fourth quarter for the Columbia market but showed significant increases in the CBD with a 3.9% spike in Class A CBD rental rates due to significant tightening in the Class A CBD market.

### MARKET INDICATORS

	Q4 2012	One Year Ago	Q1-2013 Forecast
VACANCY	↓	↑	↓
NET ABSORPTION	↑	↓	↑
RENTAL RATES	↓	↔	↑
CONSTRUCTION	↔	↔	↔

### COLUMBIA OFFICE MARKET Q4-2012 Summary of Statistics

Total Vacancy Rate: **20.23%**  
 CBD: **14.21%**  
 Suburban: **25.61%**

Under Construction: **0 SF**

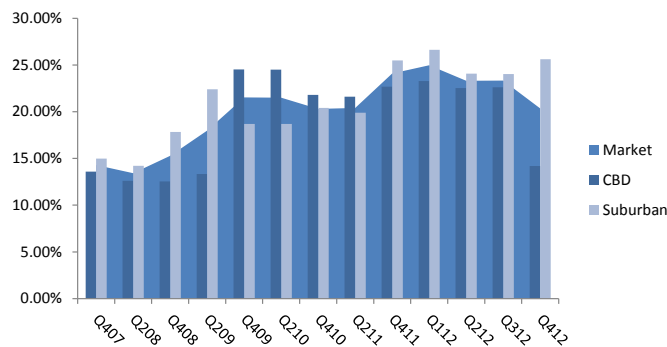
Average Asking Rate Per Square Feet:  
 Class A: **\$18.44**  
 Class B: **\$15.40**  
 Class C: **\$12.99**  
 Overall Rental Rates: **\$14.73**

CBD Class A: **\$19.94**  
 Suburban Class A: **\$16.55**

Q4-2012 Absorption: **36,970 SF**  
 2012 Absorption: **55,534 SF**

### QUICK UPDATES

#### VACANCY RATE TRENDS



- CBD CLASS A RENTAL RATES SPIKE 3.9% FROM THE PREVIOUS QUARTER
- SUBURBAN RENTAL RATES REMAIN FLAT AND ARE EXPECTED TO REMAIN UNCHANGED THROUGH 2013
- INVESTMENT SALES STRONG IN COLUMBIA

MARKET UPDATES	Buildings	Inventory	Direct Vacant	Sublease	Total Vacant	Total Vacancy Rate	Q4 Absorption	Average Asking Rate
<b>CBD</b>								
A	11	1,926,914	183,139	12,029	195,168	10.13%	94,216	\$19.94
B	16	1,649,059	186,379	-	186,379	11.30%	34,242	\$16.24
C	29	914,336	256,623	-	256,623	28.07%	(12,333)	\$14.02
Total	56	4,490,309	626,141	12,029	638,170	14.21%	116,125	\$16.53

<b>SUBURBAN SECTION:</b>								
<b>CAYCE/WEST COLUMBIA</b>								
A	2	63,000	14,300	-	14,300	22.70%	-	\$17.80
B	4	152,770	9,339	-	9,339	6.11%	3,654	\$17.41
C	9	311,047	49,102	-	49,102	15.79%	1,840	\$10.27
Total	15	526,817	72,741	-	72,741	13.81%	5,494	\$13.11

<b>EAST COLUMBIA (DEVINE STREET)</b>								
Total	5	86,183	36,039	-	36,039	41.82%	6,753	\$12.30

<b>FOREST ACRES</b>								
A	1	23,700	5,800	-	5,800	24.47%	(5,800)	\$14.00
B	7	305,725	91,683	-	91,683	29.99%	(3,993)	\$15.73
C	11	546,495	118,141	-	118,141	21.62%	933	\$13.95
Total	19	875,920	215,624	-	215,624	24.62%	(8,860)	\$14.70

<b>NORTHEAST</b>								
A	9	482,760	62,433	-	62,433	12.93%	(8,579)	\$16.56
B	8	408,385	107,862	-	107,862	26.41%	(15,063)	\$15.66
C	9	348,312	188,845	-	188,845	54.22%	(75,681)	\$12.25
Total	26	1,239,457	359,140	-	359,140	28.98%	(99,323)	\$14.04

<b>ST. ANDREWS</b>								
A	5	403,729	62,768	-	62,768	15.55%	3,075	\$16.50
B	12	670,832	200,776	-	200,776	29.93%	(5,353)	\$14.24
C	22	1,213,320	337,773	-	337,773	27.84%	19,059	\$12.74
Total	39	2,287,881	601,317	-	601,317	26.28%	16,781	\$13.66

<b>SUBURBAN TOTAL</b>								
A	17	973,189	145,301	-	145,301	14.93%	(11,304)	\$16.55
B	31	1,537,712	409,660	-	409,660	26.64%	(20,755)	\$15.02
C	56	2,505,357	729,900	-	729,900	29.13%	(47,096)	\$12.66
Total	104	5,016,258	1,284,861	-	1,284,861	25.61%	(79,155)	\$13.88

<b>MARKET TOTAL</b>								
A	28	2,900,103	328,440	12,029	340,469	11.74%	82,912	\$18.44
B	47	3,186,771	596,039	-	596,039	18.70%	13,487	\$15.40
C	85	3,419,693	986,523	-	986,523	28.85%	(59,429)	\$12.99
Total	160	9,506,567	1,911,002	12,029	1,923,031	20.23%	36,970	\$14.73

## CBD SUBMARKET

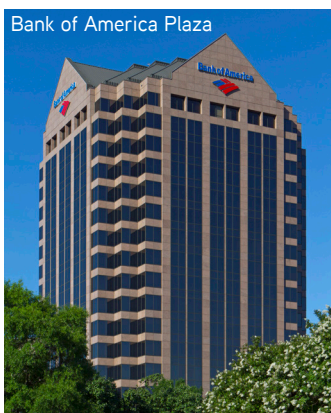
The CBD's attractiveness to investors became increasingly apparent with the investment sale of the Meridian office building in the third quarter. The purchase was just the beginning of what have become referred to as several "game-changing" transactions.



› AgFirst Farm Credit Bank purchased the Bank of America Plaza at 1901 Main Street in the fourth quarter of 2012 with plans to occupy 100,000 square feet of space bringing the Class A office building to full occupancy.

› Class A total vacancy rate of 10.13% is 4.9 percentage points lower than that of the third quarter and is expected to decline further in the first quarter of 2013.

› With the decrease in available space, the Class A average rental rate spiked 3.9% to \$19.94 per square foot in the fourth quarter alone and will continue to increase in 2013.



› Excessively high Class C vacancy from the vacant Palmetto Center was resolved in the fourth quarter of 2012 when the Palmetto Center was sold to Core Campus LLC for conversion into 800 student apartments.

› Palmetto Center redevelopment is significant in that it removes 450,000 square feet of Class C office space from the Columbia office inventory.

› The Class C CBD vacancy rate is down to 28.07% from last quarter's vacancy rate of 48.47%. Even at a 28.07% vacancy, there are a number of Class C buildings included which are functionally obsolete.

## SUBURBAN SUBMARKET

In contrast to the increased activity present in the CBD, the suburban submarkets witnessed a quiet fourth quarter.

› The suburban submarkets experienced net negative absorption of over 70,000 square feet.

› The State of South Carolina continues to downsize with the reduction of its occupancy in Northeast Columbia by 68,000 square feet.

› The total vacancy rate for the suburban submarkets increased by 1.57 percentage points, but average rental rates remained stable in the fourth quarter.

## IN THE MONTHS AHEAD

The outlook for the Columbia office market in 2013 is very promising. As quality available space in the CBD remains scarce, it is likely that Class A average rental rates will continue to rise rapidly and concessions will be greatly reduced. Leasing activity is projected to decline in the CBD as vacancy rates tighten and Class A space remains limited. Additionally, limited new construction and repurposing projects may commence selectively in the CBD market.

Activity is anticipated to increase in the suburban submarkets, however, the associated rental rates are expected to remain low through 2013 as competition for tenants remains strong among landlords.

## 522 offices in 62 countries on 6 continents

- \$1.8 billion in annual revenue
- 1.25 billion square feet under management
- Over 125,300 professionals
- 73,972 Lease/Sale Transactions
- \$59.6 Billion Total Transaction Value

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