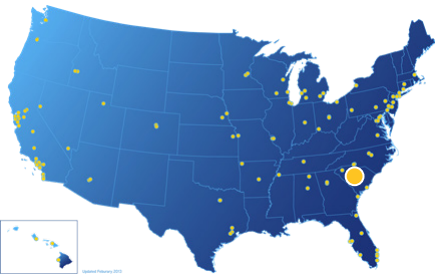




COLUMBIA, SOUTH CAROLINA RESEARCH & FORECAST REPORT



Tenants Turn to Suburban Submarkets

MARKET OVERVIEW

The new year is off to a slow yet promising start for the Columbia, South Carolina office market which ended the first quarter of 2014 with a total vacancy rate of 17.52%, a slight decrease of 3 basis points from year-end 2013 and 247 basis points lower than it was a year ago. Overall average asking rental rates were up 10 cents per square foot from year-end 2013 to \$15.44 per square foot for the market.

CBD SUBMARKET

The Central Business District (CBD) experienced an increase in vacancy for the first time in over a year reaching a vacancy rate of 12.11% at the end of the quarter. Despite the slight increase, the vacancy rate remains below the first quarter 2013 level of 12.72%. The negative absorption was caused by low leasing velocity coupled with a large block of space at 1901 Assembly Street becoming available to the market. The recently vacated 42,000 square feet is the result of BB&T relocating to Capitol Center located at 1201 Main Street.

MARKET INDICATORS

	Q1 2014	Forecast
VACANCY	↓	↓
NET ABSORPTION	↑	↑
RENTAL RATES	↑	↑
CONSTRUCTION	↔	↑

COLUMBIA OFFICE MARKET Q1-2014 Summary of Statistics

Total Market Vacancy Rate: **17.52%**
 CBD: **12.11%**
 Suburban: **22.62%**

Under Construction: **0 SF**

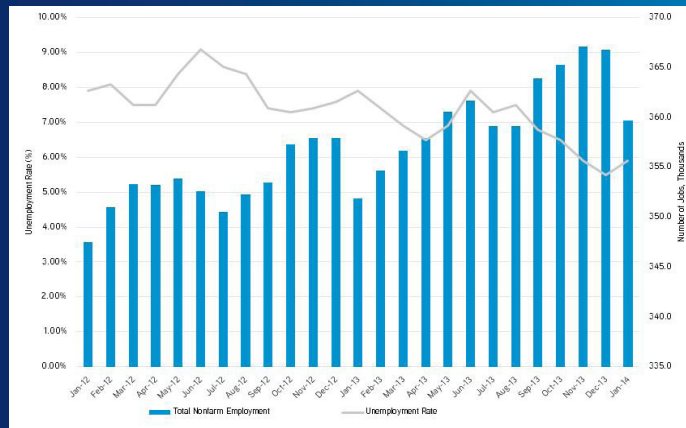
Average Asking Rate Per Square Foot:
 Class A: **\$18.90**
 Class B: **\$15.51**
 Class C: **\$13.38**

Overall Rental Rate: **\$15.44**

CBD Class A: **\$20.60**
 Suburban Class A: **\$17.12**

Absorption: **2,570 SF**

ECONOMIC UPDATE – COLUMBIA, SC



> The unemployment rate in Columbia, SC was up to 5.9% in January 2014 from 5.5% in December 2013. Despite the 40 basis point increase over the month, the unemployment rate remains well below the January 2013 unemployment rate of 7.9%. The South Carolina unemployment rate was 6.4% in January 2014. Greenville and Charleston MSAs had unemployment rates of 5.4% and 5.6%, respectively.

MARKET UPDATES	Buildings	Inventory	Direct Vacant	Sublease	Total Vacant	Total Vacancy Rate	Q1 Absorption	Average Asking Rate
CBD								
A	12	2,131,068	188,373	52,279	240,652	11.29%	(51,906)	\$20.60
B	16	1,650,023	150,197	-	150,197	9.10%	(5,596)	\$16.93
C	28	897,336	173,166	2,399	175,565	19.57%	7,103	\$15.40
Total	56	4,678,427	511,736	54,678	566,414	12.11%	(50,399)	\$17.92
SUBURBAN SUBMARKETS:								
CAYCE/WEST COLUMBIA								
A	2	63,000	15,500	-	15,500	24.60%	-	\$17.35
B	4	152,770	18,831	-	18,831	12.33%	9,225	\$16.00
C	9	306,584	44,212	-	44,212	14.42%	3,630	\$12.95
Total	15	522,354	78,543	-	78,543	15.04%	12,855	\$14.55
EAST COLUMBIA (DEVINE STREET)								
C	5	86,183	15,538	-	15,538	18.03%	15,455	\$11.36
FOREST ACRES								
A	1	23,700	-	-	-	0.00%	-	-
B	7	305,725	92,151	-	92,151	30.14%	-	\$15.56
C	11	547,843	99,179	-	99,179	18.10%	5,145	\$14.30
Total	19	877,268	191,330	-	191,330	21.81%	5,145	\$14.91
NORTHEAST								
A	10	512,760	123,819	5,775	129,594	25.27%	-	\$17.20
B	8	408,385	66,840	-	66,840	16.37%	1,553	\$14.21
C	9	336,750	192,592	-	192,592	57.19%	(8,245)	\$10.44
Total	27	1,257,895	383,251	5,775	389,026	30.93%	(6,692)	\$14.20
ST. ANDREWS								
A	5	402,309	39,432	-	39,432	9.80%	(9,604)	\$16.78
B	12	670,832	159,602	-	159,602	23.79%	10,281	\$14.62
C	20	1,150,120	250,038	-	250,038	21.74%	25,529	\$13.14
Total	37	2,223,261	449,072	-	449,072	20.20%	26,206	\$13.98
SUBURBAN TOTAL								
A	18	1,001,769	178,751	5,775	184,526	18.42%	(9,604)	\$17.12
B	31	1,537,712	337,424	-	337,424	21.94%	21,059	\$14.87
C	54	2,427,480	601,559	-	601,559	24.78%	41,514	\$12.80
Total	103	4,996,961	1,117,734	5,775	1,123,509	22.62%	52,969	\$14.26
MARKET TOTAL								
A	30	3,132,837	367,124	58,054	425,178	13.57%	(61,510)	\$18.90
B	47	3,187,735	487,621	-	487,621	15.30%	15,463	\$15.51
C	82	3,324,816	774,725	2,399	777,124	23.37%	48,617	\$13.38
Total	159	9,645,388	1,629,470	60,453	1,689,923	17.52%	2,570	\$15.44



Main Street, Columbia, SC

Even with the additional available space, the CBD remains in short supply of high quality office space. Class A and B vacancy rates were just 11.29% and 9.10%, respectively, while class C vacancy was much higher at 19.57% at the end of the first quarter of 2014. Much of the class C space remains in a condition that may not warrant leasing until significant renovations are completed. Renewals and expansions made by existing tenants in the CBD make it obvious that a significant increase in class A and B vacancy is not likely to happen.

The scarcity of quality space motivated redevelopment and renovation projects last year, but speculative construction remained absent from the market. For speculative construction to occur, the market needs to experience increasing rental rates and larger tenants willing to commit to long term leases. These two requirements are not evident in the current market.

The University of South Carolina (USC) recently announced that Holder Properties will build an approximately 130,000 square foot research office building. The new \$25 million office building will be located at the corner of Blossom and Assembly Streets and has a projected completion date of July 31, 2017. Significant positive economic impacts are anticipated if USC attracts tenants such as IBM and Fluor which have been rumored to be likely tenants. The presence of such companies in the Columbia market will likely attract more companies to the region increasing the demand for office space.

Average asking rental rates in the CBD dropped slightly to \$17.92 per square foot at the end of the first quarter. Class A and B average asking rental rates were \$20.60 and \$16.93, respectively.

SUBURBAN SUBMARKET

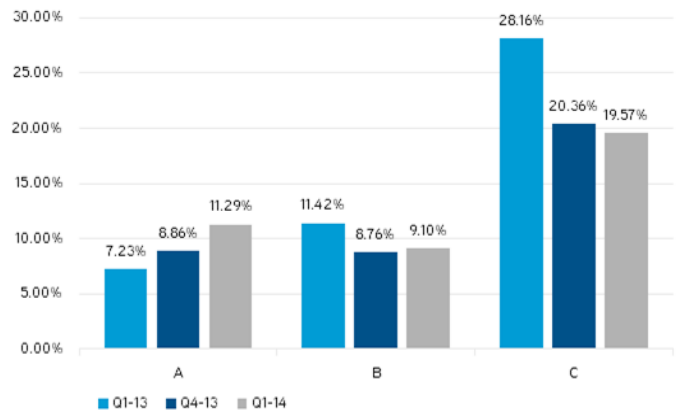
The suburban submarket led the way for Columbia's office market during the first quarter of 2014 by absorbing approximately 53,000 square feet of office space and reducing the vacancy rate to 22.62%, down 107 basis points from the previous quarter. Abundant parking, higher quality of available inventory and lower asking rates lured tenants to the suburban submarkets. This is a significant change from the market's traditional behavior in which activity is normally focused on the CBD. Landlords in the suburban submarkets welcome the activity but understand the suburban submarket is very competitive. Property owners who are investing in their properties with upgrades will be the beneficiary of relocating tenants.

The St. Andrews submarket experienced the greatest change and absorbed approximately 26,000 square feet of office space.

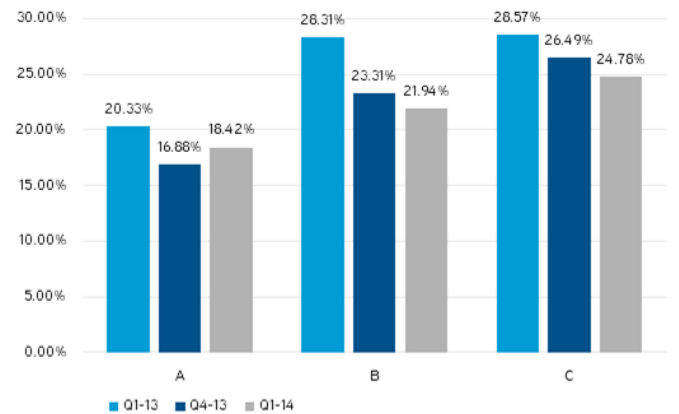
IN THE MONTHS AHEAD

The quality of available space may result in low leasing volume in 2014, but is likely to be offset by increased investments and building acquisitions. Lower volume of activity is expected during the second quarter but is anticipated to increase in the third and fourth quarters of the year. Vacancy rates are expected to decline further with rental rates increasing as a result. As the vacancy rate of Class A and B space in the CBD declines, prospective tenants are likely to turn to the suburban submarkets for office space. Redevelopments and repurposing of Class C office buildings is projected to continue. Speculative construction will be supported in the future by friendlier lending environments and higher average asking rental rates.

CBD Vacancy Rate



Suburban Vacancy Rate



UNIVERSITY OF SOUTH CAROLINA AND HOLDER PROPERTIES

- > LOCATED AT THE CORNER OF BLOSSOM AND ASSEMBLY STREETS
- > 130,000 SQUARE FOOT RESEARCH OFFICE BUILDING
- > ANTICIPATED COMPLETION DATE OF JULY 31, 2017

AROUND THE STATE

CHARLESTON, SOUTH CAROLINA

Construction projects are on the rise throughout the Charleston, SC office market as available Class A space diminishes and asking rental rates climb.

- › The South Carolina Research Authority's new home in the Nexton Office Campus is under construction. SCRA will occupy 60,000 square feet of the 80,000 square foot office building.
- › Benefitfocus began construction on its \$60 million dollar expansion at its Daniel Island campus. Phase 1 of the expansion consists of a 4-story 145,000 square foot office building to hold 600 new hires and is anticipated to complete early in 2015. Upon completion of the expansion, Benefitfocus plans to have 500,000 square feet of office space on a 40 acre campus.
- › A new 50,000 square foot office building is under construction in North Charleston. The building, being developed by Holder Properties, will offer lobby space, administrative offices and classroom areas for the College of Charleston North Campus and Lowcountry Graduate Center.
- › Charleston Midtown, which will feature approximately 37,000 square feet of office and retail space, is under construction and anticipated to deliver early in 2015.

2014 is believed to be the year for construction in Charleston, SC, not only for office development, but across all sectors including hotel, multifamily, retail and medical. Competition among the various uses and limited available sites will drive costs upwards.

GREENVILLE, SOUTH CAROLINA

Greenville's Central Business District is transforming into a work and play environment.

- › ONE Greenville, the newest class-A office building in the CBD, pre-leased successfully and is home to major tenants such as Clemson University's MBA program, Haynesworth Sinkler Boyd, P.A. and Smith Moore Leatherwood.
- › A multi-million dollar renovation to the Bank of America Tower recently began and will include lobby renovations, elevator upgrades and a new glass façade for the building. The first floor of the building is to include retail space. Hughes Development Corp. acquired the 196,000 square foot building for \$9.8 million during the first quarter of 2013. The office building is next to a new 474 parking garage and 144-room Aloft Hotel.
- › Several multifamily projects are under construction and in the pipeline in Greenville's CBD.
 - › Phoenix-based Alliance Residential Co. plans to build a 4-story 257 unit apartment complex at the former site of Greenville Memorial Auditorium at North Church Street, East North Street and Beattie Place.
 - › Michigan-based Edward Rose Associates plans to develop a 330 unit apartment complex at Forest Way and Wenwood Road.
 - › The Beach Company broke ground on South Ridge, a 360 unit multifamily complex, at South Church Street and University Ridge. They also plan to build a mixed-use development at Stone Avenue and Main Street.



South Carolina Research Authority, Charleston, South Carolina



South Ridge, Greenville, South Carolina

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482 offices in 62 countries on 6 continents

- \$2 billion in annual revenue
- 1.12 billion square feet under management
- Over 13,500 professionals
- 78,000 Lease/Sale Transactions
- \$71 Billion Total Transaction Value

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Sources: Bureau of Labor Statistics, Colliers International Research, CoStar Group

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