



Greenville is a tenant's market

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Key Takeaways

- > Large blocks of available space are prompting landlords to offer competitive leasing concessions.
- > Vacancy rates are expected to temporarily rise over the next few quarters as new construction is added to the market.

Landlords compete

Greenville is currently a tenant's market. Due to large blocks of available office space, landlords must compete in order to gain or retain office tenants. A successful way to sway a tenant's final location decision is by offering the best concessions that will incentivize a tenant to choose one space over another. The concessions should be catered to the tenant's specific needs, offering a unique deal; this will not only assist the tenant with their move and/or decision, it may also make the tenant feel appreciated. A few concessions being offered in Greenville now are:

- > **Free rent**—the amount of free rent varies, but it may be up to a full year of free rent for large, long-term tenants.
- > **Moving allowance**—a moving allowance is funded by the landlord and the tenant may use it to offset any moving fees incurred due to the move. The average Greenville moving allowance ranges from \$3.00 per square foot to \$5.00 per square foot; however, in some special cases, usually with larger tenants, a landlord will offer the tenant a lump sum amount to be used during the relocation process.
- > **FF&E allowance**—a FF&E allowance is for funding new furniture or equipment for the tenant upon their move. It is usually given in a lump sum upon the signing of a new lease.
- > **TI conversion**—This type of concession allows unused tenant improvement allowance money to be converted in order to offset rent or to fund tenant's furniture or equipment.

Market Indicators

Relative to prior period	Q2 2018	Q3 2018*
VACANCY	↑	↑
NET ABSORPTION	—	+
CONSTRUCTION	↑	↔
RENTAL RATE**	↑	↔

Note: Construction is the change in Under Construction.

*Projected

**Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

Summary Statistics

Q2 2018 Greenville Office Market	Market	CBD	Suburban
Vacancy Rate	11.87%	13.08%	11.47%
Change From Q2 2017 (basis points)	+47	+126	+22
Absorption (Thousand Square Feet)	3.9	15.2	-11.3
New Construction* (Thousand Square Feet)	-	-	-
Under Construction (Thousand Square Feet)	231.5	161.2	70.3

*New construction is buildings delivered

Asking Rents

Per Square Foot Per Year			
Overall	\$20.43	\$24.65	\$18.89
Change From Q2 2017	5.75%	2.37%	8.44%
Class A	\$23.06	\$25.90	\$21.69
Change From Q2 2017	0.35%	-1.41%	3.63%

There are other types of concessions that may be offered by landlords, but currently, in the Greenville-Spartanburg-Anderson region, these are the most frequently-used concessions that are proving to be successful. Due to these concessions, vacancy is expected to eventually decline as tenants fill large blocks of space currently being offered with valuable lease incentives.

Market Conditions

The Greenville-Spartanburg-Anderson market consists of 398 office buildings within five submarkets, which total 16,694,614 square feet. The vacancy rate during the second quarter of 2018 was 11.87%, slightly lower than last quarter's 11.89% vacancy rate. The Greenville-Spartanburg-Anderson office market absorbed 3,910 square feet this quarter, and no new office buildings completed construction within the region. The average full service weighted rental rate is on the rise and was \$20.43 per square foot during the second quarter, 1.34% higher than the first quarter rental rate of \$20.16 per square foot.

Central Business District (CBD) Conditions

The Greenville-Spartanburg-Anderson central business district has 66 office buildings totaling 4,167,000 square feet. The vacancy rate during the second quarter of 2018 was 13.08%, which is lower than the first quarter vacancy rate of 13.44%. The CBD absorbed 15,228 square feet of office space this quarter, 14,833 square feet of which was within Class B office buildings. The full service average weighted rental rate dipped slightly this quarter and was \$24.65 per square foot, marginally lower than the first quarter 2018 rental rate of \$24.84 per square foot. There are currently three central business district office buildings under construction, which, when complete, will add 161,217 square feet to the CBD office market.

Suburban Conditions

The Greenville-Spartanburg-Anderson suburban office market has 332 buildings consisting of 12,527,614 square feet. The suburban market posted a net negative absorption of 11,318 square feet and office vacancy rose to 11.47% during the second quarter of 2018, up from 11.38% last quarter. The full service average weighted rental rate in the suburbs was \$18.89 per square foot this quarter, up from \$18.54 per square foot during the first quarter of 2018; likewise, Class A suburban rent also rose slightly from \$21.60 per square foot during the first quarter to \$21.69 per square foot during the second quarter. There are currently four buildings under construction within the suburban markets, which will eventually add 70,340 square feet of office space to the suburban markets.

Significant Transactions

This quarter there were 39 sale transactions, according to CoStar, the majority of which were buildings under 10,000 square feet. CoStar reported a robust leasing quarter, with 111 leases signed; most of the leases were between 1,000 and 3,000 square feet.

Sales

- › The Jacobs Building located at 1041 East Butler Street in Greenville was purchased for \$24,300,000.
- › The Ogletree Building located at 300 North Main Street was purchased for \$11,420,000.
- › 3 Caledon Court, a 15,300-square-foot office building within Caledon Wood Professional Park, was purchased for \$1,725,000
- › A 15,634-square-foot office building located at 155 Deacon Tiller Court in Duncan was purchased for \$1,100,000.

Leases

- › A 46,011-square-foot office was leased by OBHG Management Services at 535 North Pleasantburg Drive.

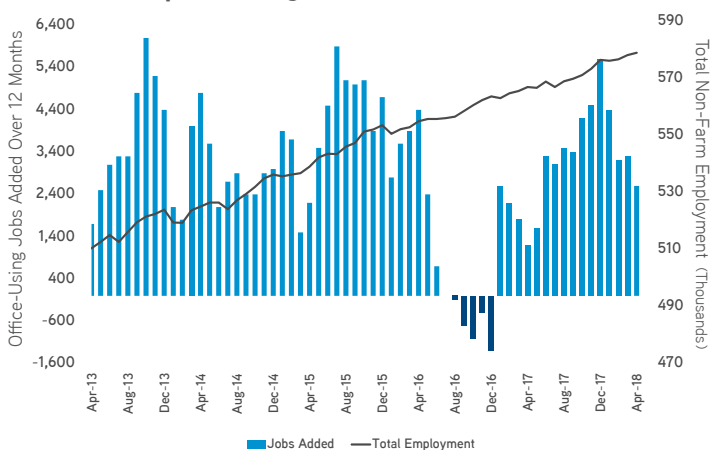
Construction Pipeline

Construction activity remains brisk in the Greenville market; there are currently 231,557 square feet under construction.

Under Construction

- › 125,000 square feet of office space is under construction at Camperdown, located at 305 S. Main Street in downtown Greenville.
- › A 60,000-square-foot Class B office building is under construction on Marue and is expected to deliver at the end of this year.

Office-Using Employment | Greenville-Spartanburg-Anderson, MSAs



Source: Bureau of Labor Statistics, Colliers International

- › A 26,567-square-foot Class A office building is under construction at 615 Congaree Road and the delivery date has been pushed back to November of 2018.
- › Plush Mill at 200 Easley Bridge Road is a 23,500 square feet under construction.
- › Located at 485 North Main Street in Mauldin is a 18,333-square-foot Class B office building expected to deliver in July of 2018.
- › A 14,000-square-foot Class B office building is under construction at 340 Business Parkway.
- › 110 North Markley Street has a projected completion date of December of 2018 and will be a 12,717-square-foot, Class B mixed-use office/residential building in Greenville.

Office-Using Employment

Office-using employment, those jobs related to the professional and business services, financial activities and information sectors, is growing within the combined Greenville-Spartanburg-Anderson Combined Statistical Area (CSA). According to the most recent April 2018 data from the Bureau of Labor Statistics, there has been an increase of 2,600 office-using jobs over the last 12 months, which is a 2.2% annual increase. Non-farm employment in the Greenville-Spartanburg-Anderson market has increased by 12,000 jobs over the last year.

Market Forecast

As landlords compete for tenants in the Greenville-Spartanburg-Anderson market, tenants will receive lease concessions to offset the cost of moving fees, space upfits and rent. Due to new office construction expecting to deliver within the next few quarters, the vacancy rate will rise temporarily; however, landlords offering enticing lease concessions will help counterbalance the rise in vacancy as more office space is leased. Weighted rental rates are expected to continue trending upward due to the high quality of the available space within the market.

145 North Church Street | Spartanburg, South Carolina



Source: CoStar

110 East Court Street | Greenville, South Carolina



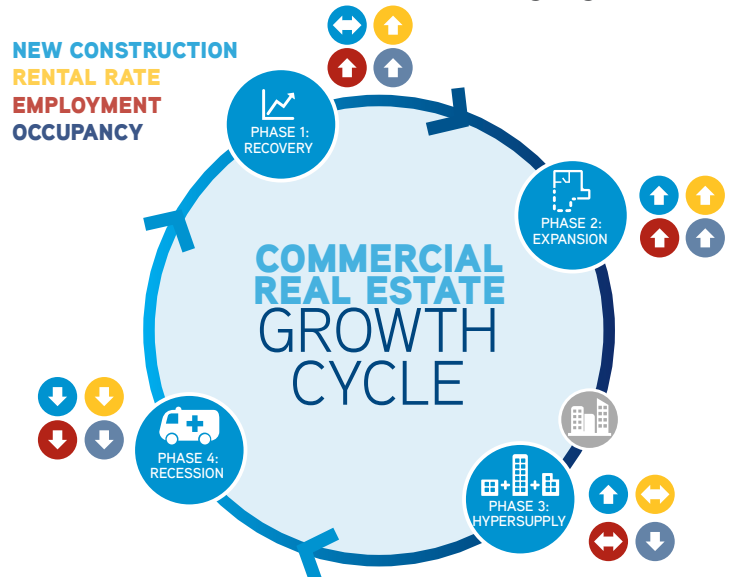
Source: CoStar

200 Verdae Boulevard | Greenville, South Carolina



Source: CoStar

Commercial Real Estate Growth Cycle: Where the market stands and where it is going



Q2 2018 Office Market Summary Statistics

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	AVERAGE ASKING RENTAL RATE (SF/YR)
ANDERSON COUNTY								
Class A	4	102,403	8,225	-	8,225	8.03%	2,239	\$11.59
Class B	11	145,863	4,046	2,963	7,009	4.81%	-	-
Class C	14	188,959	3,701	-	3,701	1.96%	1,819	\$11.13
Anderson County Total	29	437,225	15,972	2,963	18,935	4.33%	4,058	\$11.48
CENTRAL BUSINESS DISTRICT								
Class A	27	2,420,274	340,248	11,300	351,548	14.53%	5,724	\$25.90
Class B	24	1,351,536	146,764	-	146,764	10.86%	14,833	\$24.20
Class C	15	395,190	46,572	-	46,572	11.78%	-5,329	\$18.84
CBD Total	66	4,167,000	533,584	11,300	544,884	13.08%	15,228	\$24.65
I-385/I-85								
Class A	54	4,157,097	560,205	8,298	568,503	13.68%	20,124	\$21.85
Class B	96	3,249,769	336,400	125,705	462,105	14.22%	-31,436	\$19.36
Class C	74	1,765,778	214,650	-	214,650	12.16%	3,403	\$12.95
I-385/85 Total	224	9,172,644	1,111,255	134,003	1,245,258	13.58%	-7,909	\$19.63
PICKENS COUNTY								
Class A	4	84,213	-	-	-	-	-	-
Class B	5	90,600	24,854	-	24,854	27.43%	-	\$10.83
Class C	5	54,338	16,248	-	16,248	29.90%	-1,157	\$14.02
Pickens County Total	14	299,151	41,102	-	41,102	17.94%	-1,157	\$11.47
SPARTANBURG COUNTY								
Class A	9	464,941	17,452	14,980	32,432	6.98%	-8,805	\$22.00
Class B	26	1,203,850	62,682	-	62,682	5.21%	-4,968	\$14.15
Class C	30	1,019,803	36,290	-	36,290	3.56%	-1,342	\$13.48
Spartanburg County Total	65	2,688,594	1,818,337	163,246	1,981,583	11.87%	3,910	\$20.43
SUBURBAN MARKETS TOTAL								
Class A	71	4,808,654	585,882	23,278	609,160	12.67%	22,363	\$21.69
Class B	138	4,690,082	427,982	128,668	556,650	11.87%	-36,404	\$17.91
Class C	123	3,028,878	270,889	-	270,889	8.94%	2,723	\$13.02
Suburban Total	332	12,527,614	1,284,753	151,946	1,436,699	11.47%	-11,318	\$18.89
MARKET TOTAL								
Class A	98	7,228,928	926,130	34,578	960,708	13.29%	28,087	\$23.06
Class B	162	6,041,618	574,746	128,668	703,414	11.64%	-21,571	\$19.19
Class C	138	3,424,068	317,461	-	317,461	9.27%	-2,606	\$14.19
Market Total	398	16,694,614	1,818,337	163,246	1,981,583	11.87%	3,910	\$20.43

In January 2018, Colliers International benchmarked its office data set for South Carolina. The new standard includes: all office buildings 10,000 square feet or larger, except medical office and government-owned buildings; all single tenant office buildings; buildings in an expanded geography; data for all quarters beginning in Q4 2008; and excluding office condominiums. In addition, the submarkets are separated by class levels A, B and C (A being the highest quality space and C being of lesser quality), and are also divided into 2 divisions: **Central Business District (CBD)** and **Suburban**. The Central Business District submarket consists of a highly-populated business area with infrastructure and an office building/high-rise environment, which is often accompanied by heavy daytime foot traffic. A Suburban submarket is an area or town existing as a mixed-use community within commuting distance of a larger city. Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.

400 offices in
69 countries on
6 continents

\$2.7

billion in
annual revenue

2

billion square feet
under management

15,400

professionals
and staff

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