



Colliers Keenan Goldsmith 2005 Year-End Office Market Greenville, SC



January 2006

Greenville Office Market Strengthens

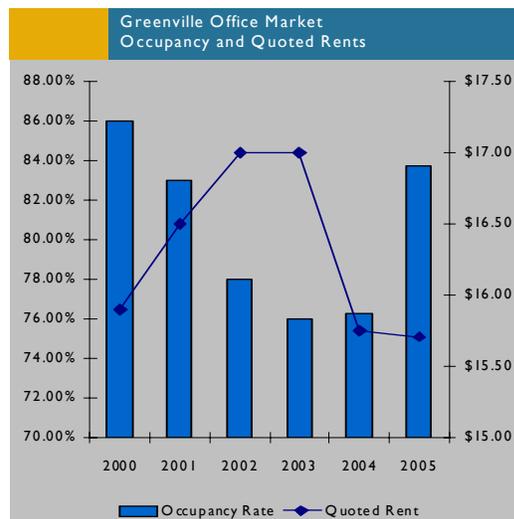
- **CONTINUED POSITIVE ABSORPTION, FLAT RENTAL RATES**
- **BOTH CBD AND SUBURBS HAVE NEW CONSTRUCTION ACTIVITY**
- **RIVERPLACE, PHASE II, OFFICE BUILDING CONSTRUCTION UNDERWAY**
- **TIMKEN ANNOUNCES NEW FACILITY AT CU-ICAR**
- **LEASE RATES REMAINED STABLE BUT ARE LIKELY TO INCREASE OVER 2006**

Market Summary

The Greenville office market continued to strengthen throughout 2005. Central Business District (“CBD”) occupancies increased 1.9% since mid-year. The struggling suburban office market occupancies increased 2.6% during the same time period. Large office vacancies experienced in the early 2000’s were being absorbed with new and expanding tenants, fueled partially by increased employment and interest rates. Increased building and land costs make it more difficult for office users to construct their own buildings.

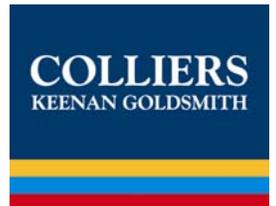
With Greenville’s attractive business climate, new companies have emerged, expanding and filling up large, dark spaces. Reported rental rates remained relatively flat, while occupancy rates rose. The total market average quoted rental rates from 2005 mid-year to year-end remained unchanged at \$15.71.

From mid-year 2005 to year-end 2005, overall occupancy rates increased from 81.2% to 83.7%, a 2.5% jump and a 7.4% rise from a year ago. Given the pace of growing leasing activity, Class A property landlords gave fewer tenant concessions in the form of free rent and tenant improvement allowances. Class B properties showed an improvement in occupancy rates but still used generous incentives to drive prospect activity.



Methodology

We have refined our methodology from prior years with the rental rates shown being average quoted rents in proportion to the amount of space available in each building, so that smaller spaces do not disproportionately skew the total average rental rates. The average quoted rents, therefore, become a “weighted average.” We have also reclassified some of the CBD Class A buildings, representing an inventory decrease of 280,600 square feet.



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	Inventory	Occupied Square Feet	Occupancy Rate	Y-T-D New Product	Y-T-D Absorption	SF Under Construction	Average Quoted Rent
Central Business District	3,268,645	2,917,566	89.26%	87,000	101,486	36,000	\$17.19
Class A	1,636,599	1,521,478	92.97%	87,000	82,014	36,000	\$18.91
Suburban	3,837,287	3,029,954	78.96%	29,000	106,722	235,000	\$15.08
Class A	1,812,114	1,483,013	81.84%	29,000	63,819	235,000	\$16.73
Total Market	7,105,932	5,947,520	83.70%	116,000	208,208	261,000	\$15.71

Central Business District

The CBD rental rates at year-end remained relatively flat at \$17.19 average asking rental rate, while occupancy increased from 87.4% to 89.26% during the same period.

The CBD saw the beginning of Phase II of the RiverPlace development. The 5th building, known as the Terrace at RiverPlace, will consist of 130,000 SF to include 27 luxury condominiums, 36,000 SF of new office space and restaurants next to the Hampton Inn and Suites.

Liberty Properties Trust has nearly completed the plaza construction between One and Two Liberty Square. The company started a \$3 million revitalization of the plaza in 2004 to include a pavilion with restaurant, sheltered walkways, gardens and seating area to encourage outdoor enjoyment.

Two planned developments will bring additional office space to Downtown Greenville:

- McBee Station, a 14-acre development that will bring a new Publix, office supply store, residential condominiums, office space and retail space.
- The Field House at West End will be built beside the new Greenville Drive baseball stadium. The project includes two residential condominium buildings that will also house 55,000 SF of office and retail space.

Suburbs

The suburbs experienced much needed positive absorption from 76.5% occupancy at mid-year to 78.96% at year-end. Again, the rental rates remained flat from \$15.11 PSF at mid-year to \$15.08 PSF at year-end.

Clemson University's International Center for Automotive Research Park ("CU-ICAR") continues to attract national credit tenants. As a unique, mixed-use, research and academic community, CU-ICAR will provide a full range of facilities, equipment and support to its occupants and visitors. Organized into five planned "technology neighborhoods" anchored by multi-disciplinary research facilities, CU-ICAR will provide over 3 million SF of developed building space across 250 acres of prime property in Greenville. Announced development activity associated with CU-ICAR's Technology Neighborhood One includes:

- A phased 160,000-SF facility for Timken, a Canton, Ohio-based automotive operation which will occupy 117,000 SF for their automotive power-train engineering resources, combining product and process engineering from Torrington, Connecticut and Norcross, Georgia.
- A private developer took options on two additional, 4-story multi-tenant 75,000 SF office buildings planned for Technology Neighborhood One. The resulting 25-acre complex will complete the first of five "technology neighborhoods" by year-end 2007.

During the later half of 2005, over 113,000 SF of inventory was leased and/or purchased by companies relocating their operations. In September 2005, Parthenon Realty inked large new leases in Park East, representing positive absorption of 137,000 SF of vacancy within Park East's buildings, which comprise 403,900 SF.

The 74-acre Global Trade Park continued to gain momentum. The Park received a General Purpose Foreign Trade Zone designation, open for any type of duty-free trade. Recently announced activity and inventory within the Trade Park includes 40,000 SF of office and exhibit space being absorbed, inventory consisting of 440,000 SF is available for conversion to office or warehouse space.

2006 Forecast

Nationally, leasing and investment markets are expected to have above average performance. Greenville will likely see rental rates begin to rise in the first half of 2006 as the office market continues to strengthen. Landlords' costs will increase and have to be passed along to their tenants. Smaller Class B and C tenants will try to move into better Class A properties before the rental rates go up. The pendulum will continue to swing back in favor of the landlords as the favorable economy and business climate improve.

NOTE: Permission is granted to quote from this publication only when Colliers Keenan Goldsmith LLC is credited as the source. All information contained herein was compiled utilizing data from sources deemed reliable. It is submitted without warranty. Statistical data was collected as of December 31, 2005, and encompasses all office buildings 20,000 square feet and greater.

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