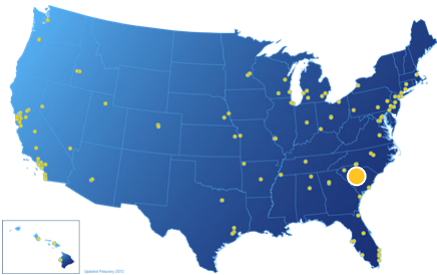




# COLUMBIA, SOUTH CAROLINA RESEARCH & FORECAST REPORT



## Improved Leasing & Sales Activity for the Office Market

### MARKET OVERVIEW

The third quarter of 2013 brought further improvements to the Columbia, SC office market which ended the quarter with a vacancy rate of 18.8%, 134 basis points lower than the 2013 second quarter rate and 197 basis points lower than one year ago. Lease activity increased resulting in the absorption of approximately 126,000 square feet of office space throughout the Columbia market during the quarter. This rate of absorption has not been evident in the Columbia market in nearly a decade.

Due to a low vacancy rate of 11.41% coupled with the limited availability of quality space in Columbia's Central Business District (CBD), tenants turned to the suburban submarkets, lowering the vacancy rate of 25.43% at the end of the third quarter.

As anticipated, average overall rental rates climbed to \$15.12 per square foot per year for the market as quality space became increasingly limited. Class A rental rates averaged \$18.65 per square foot per year, Class B rental rates averaged \$15.43 and Class C rental rates averaged \$13.22 per square foot per year for the entire market.

### MARKET INDICATORS

	Q3 2013	Forecast
VACANCY	↓	↓
NET ABSORPTION	↑	↑
RENTAL RATES	↑	↑
CONSTRUCTION	↔	↑

### COLUMBIA OFFICE MARKET Q3-2013 Summary of Statistics

Total Vacancy Rate: **18.80%**  
 CBD: **11.41%**  
 Suburban: **25.43%**

Under Construction: **0 SF**

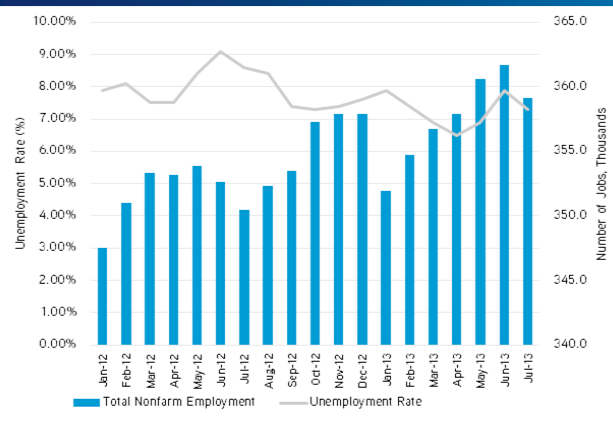
Average Asking Rate Per Square Foot:  
 Class A: **\$18.65**  
 Class B: **\$15.43**  
 Class C: **\$13.22**

Overall Rental Rates: **\$15.12**

CBD Class A: **\$20.61**  
 Suburban Class A: **\$16.54**

Q3-2013 Absorption: **126,524 SF**

### ECONOMIC UPDATE – COLUMBIA, SC



- > The unemployment rate in Columbia, SC was 7.3% in July 2013, down from 7.9% in June 2013 and 8.6% in July 2012. The national unemployment rate was down to 7.4% in July 2013 and the statewide unemployment rate for South Carolina was at 8.1%.
- > Columbia, SC reported 358,900 total nonfarm jobs in August 2013, accounting for approximately 19% of South Carolina's total nonfarm employment of 1,890,200 jobs.

MARKET UPDATES	Buildings	Inventory	Direct Vacant	Sublease	Total Vacant	Total Vacancy Rate	Q3 Absorption	Average Asking Rate
<b>CBD</b>								
A	11	1,926,914	178,327	12,029	190,356	9.88%	(17,103)	\$20.61
B	16	1,650,023	137,375	-	137,375	8.33%	35,224	\$16.99
C	28	894,336	175,685	6,719	182,404	20.40%	32,805	\$14.75
Total	55	4,471,273	491,387	18,748	510,135	11.41%	50,926	\$17.68
<b>SUBURBAN SUBMARKETS:</b>								
<b>CAYCE/WEST COLUMBIA</b>								
A	2	63,000	14,300	-	14,300	22.70%	-	\$17.59
B	4	152,770	28,056	-	28,056	18.36%	16,156	\$17.25
C	9	306,584	53,767	-	53,767	17.54%	4,304	\$12.73
Total	15	522,354	96,123	-	96,123	18.40%	20,460	\$14.77
<b>EAST COLUMBIA (DEVINE STREET)</b>								
C	5	86,183	30,993	-	30,993	35.96%	-	\$12.43
<b>FOREST ACRES</b>								
A	1	23,700	-	-	-	0.00%	-	-
B	7	305,725	92,151	-	92,151	30.14%	(4,697)	\$15.72
C	11	547,843	107,188	-	107,188	19.57%	(5,536)	\$14.27
Total	19	877,268	199,339	-	199,339	22.72%	(10,233)	\$14.94
<b>NORTHEAST</b>								
A	10	512,760	124,716	-	124,716	24.32%	1,127	\$16.55
B	8	408,385	98,888	-	98,888	24.21%	2,121	\$14.63
C	9	351,750	187,616	-	187,616	53.34%	6,983	\$11.00
Total	27	1,272,895	411,220	-	411,220	32.31%	10,231	\$14.30
<b>ST. ANDREWS</b>								
A	5	403,729	30,102	7,361	37,463	9.28%	8,224	\$15.98
B	12	670,832	186,450	-	186,450	27.79%	(5,947)	\$14.29
C	20	1,150,120	305,828	-	305,828	26.59%	52,863	\$12.94
Total	37	2,224,681	522,380	7,361	529,741	23.81%	55,140	\$13.59
<b>SUBURBAN TOTAL</b>								
A	18	1,003,189	169,118	7,361	176,479	17.59%	9,351	\$16.54
B	31	1,537,712	405,545	-	405,545	26.37%	7,633	\$14.90
C	54	2,442,480	685,392	-	685,392	28.06%	58,614	\$12.83
Total	103	4,983,381	1,260,055	7,361	1,267,416	25.43%	75,598	\$14.10
<b>MARKET TOTAL</b>								
A	29	2,930,103	347,445	19,390	366,835	12.52%	(7,752)	\$18.65
B	47	3,187,735	542,920	-	542,920	17.03%	42,857	\$15.43
C	82	3,336,816	861,077	6,719	867,796	26.01%	91,419	\$13.22
Total	158	9,454,654	1,751,442	26,109	1,777,551	18.80%	126,524	\$15.12



Main Street, Columbia, SC

### CBD SUBMARKET

Columbia's CBD continued to excel during the third quarter of 2013 dropping 114 basis points from the previous quarter to a vacancy rate of 11.41%. The overall average rental rates increased 73 cents per square foot to \$17.68 per square foot per year with Class A average rental rates reaching \$20.61 and Class B rental rates averaging \$16.99 per square foot per year. Rental rates have spiked over the past year with Class A rental rates increasing 7.3% and Class B rates climbing 4.4% since the third quarter of 2012. Overall CBD rental rates are 4.4% higher than a year ago when the average rate was \$16.94 per square foot per year.

### SUBURBAN SUBMARKET

The suburban submarket, comprised of Cayce/West Columbia, East Columbia, Forest Acres, Northeast Columbia and St. Andrews submarkets, experienced the greatest decrease in vacancy rate, dropping 152 basis points to 25.43%. Despite state agencies downsizing earlier in the year, the suburban submarkets absorbed approximately 75,000 square feet of office space in the third quarter with overall rental rates increasing to \$14.10 per square foot per year. This is the first strong quarter for Columbia's suburban submarkets since the recession.

St. Andrews, the largest suburban submarket experienced the greatest change in the quarter absorbing over 55,000 square feet with a vacancy rate of 23.81%.

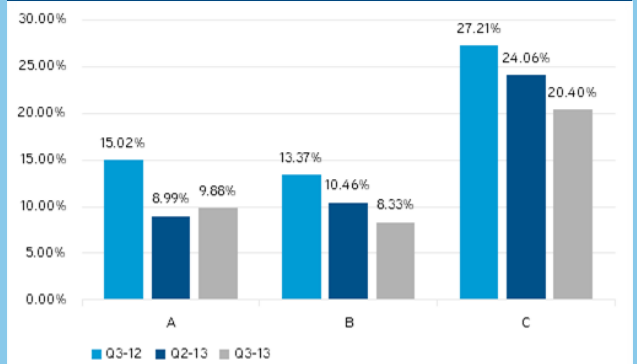
The Forest Acres submarket, consisting of over 877,268 square feet of office space, has been adversely affected throughout the year by the downsizing of state agencies and ended the quarter with a vacancy rate of 22.72% and net negative absorption of approximately 10,000 square feet. The age and quality of the submarket's inventory presents an ongoing struggle for landlords as they have difficulty leasing office space to new tenants. Renovations and redevelopments of existing office buildings will prove helpful to tenants but the cost of such renovations require higher than average rental rates which tenants may not be willing to be pay at this point. As available space continues to tighten in other submarkets, the proximity of Forest Acres to the CBD and other submarkets may provide an opportunity for landlords to receive higher rates provided they invest in their buildings and provide competitive environments.

### SALES TRANSACTIONS

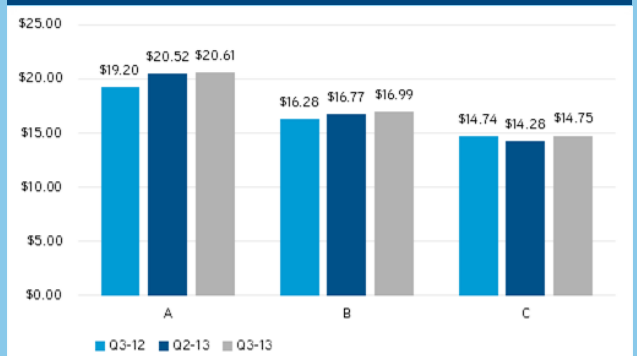
Increased sales activity was apparent throughout Columbia during the third quarter of 2013 as interest rates remained low and economic recovery continued.

- > The Columbia Metropolitan Airport was involved in the quarter's largest sales transaction. The Richland-Lexington Airport District Commission purchased three buildings in Foreign Trade Zone 127 for \$4.6 million. The buildings totaling 90,000 square feet of flex space are adjacent to the Columbia Metropolitan Airport in the Cayce/West Columbia submarket.
- > A significant sale in the CBD was that of the Keenan Building at Sumter and Lady Streets. The 121,682 square foot office building at 1310 Lady Street was sold to Patel, Lewis, Pournaras LLC. The partnership is in the process of renovating and repurposing the building into a mixed-use facility to include apartments, retail space and offices.
- > A 44,908 square foot office building located at 2611 Forest Drive in the Forest Acres submarket also sold in the third quarter.

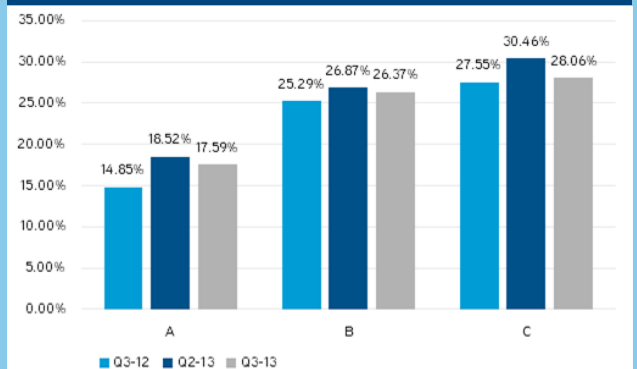
#### CBD Vacancy Rate



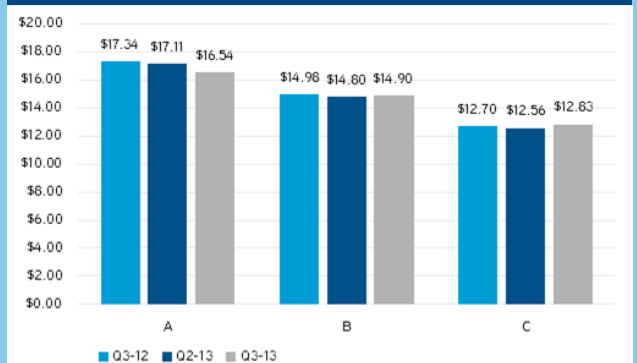
#### CBD Rental Rate



#### Suburban Vacancy Rate



#### Suburban Rental Rate



## IN THE MONTHS AHEAD

Continued success is anticipated for the Columbia office market through the remainder of 2013 and into 2014. As quality space becomes even more scarce in the CBD, the suburban submarkets have the potential to support redevelopment projects and the repurposing of historic and Class C buildings which currently have high vacancy rates. The suburban submarkets will see positive absorption in future quarters as the spillover effect from the CBD carries on. Rental rates will climb even further throughout the market in oncoming quarters.

For some time now people have wondered when and where the next new office building will be built. It is still unclear when exactly construction on a new office building will begin but it is anticipated that build to suit opportunities will exist, likely in the suburbs, followed by speculative construction in the CBD. Successful leasing of a speculative office building will have the potential to spur further construction projects. An ongoing challenge continues to be the high lease rate required to generate a return on a newly constructed office building. As rental rates continue to increase, the large gap between current average asking rates and those required for newly constructed buildings will narrow, making new construction more feasible.

## AROUND THE STATE

Quality office space is becoming increasingly difficult to find throughout South Carolina spurring new construction projects in Charleston and Greenville office markets.

### CHARLESTON, SOUTH CAROLINA

2013 has been an active year thus far for the Charleston office market with new construction projects, low vacancy rates and spiking average rental rates.

- > 174 Meeting Street, a 52,000 square foot Class A office building, delivered to the market providing approximately 30,000 square feet of available quality space.
- > Construction continued during the third quarter on Building I at Nexton Office Campus which is expected to deliver in the fourth quarter. The 100,000 square foot class A office building is being developed by MeadWestvaco Corp. and Colliers International is the leasing agent for the building.

### GREENVILLE, SOUTH CAROLINA

- > Construction on ONE Greenville is nearing completion. The 395,000 square foot Class A mixed use project in Greenville's central business district is home to the Graduate School of Business for Clemson University. The building also offers 75,000 square feet of office space and 50,000 square feet of street level retail space.

## 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

### FOR MORE INFORMATION:

David C. Lockwood, III, CCIM, SIOR  
Senior Vice President  
South Carolina  
1301 Gervais Street  
Suite 600  
Columbia, South Carolina 29201  
TEL +1 803 401 4211  
EMAIL [david.lockwood@colliers.com](mailto:david.lockwood@colliers.com)

Liz H. McCary  
Director of Marketing  
South Carolina  
1301 Gervais Street  
Suite 600  
Columbia, South Carolina 29201  
TEL +1 803 401 4269  
EMAIL [liz.mccary@colliers.com](mailto:liz.mccary@colliers.com)

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

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Building I at Nexton Office Campus, Charleston, South Carolina



ONE, Greenville, South Carolina

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