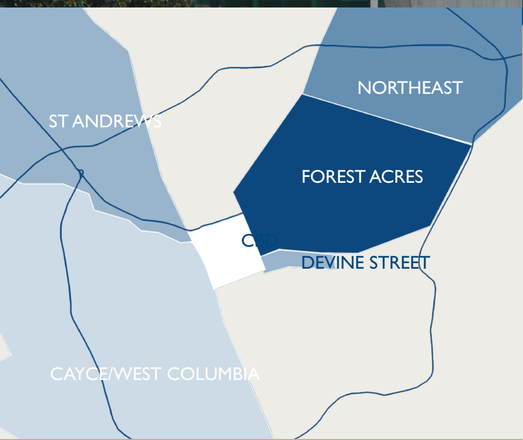
COLLIERS KEENAN I COLUMBIA, SOUTH CAROLINA

Mid-Year Office Market

Q2 I 2008



MARKET INDICATORS

	Q1	Q2
OCCUPANCY	↑	↑
ABSORPTION	↑	↑
RENTAL RATE	↑	↑
JOB GROWTH	↑	↑

QUICK UPDATES

- MARKET EXPERIENCES SUBSTANTIAL INCREASE IN ASKING RENTAL RATES
- LOCAL ECONOMY REMAINS STABLE; GROWTH MODERATE
- STRONG ECONOMIC DEVELOPMENT ACTIVITY

Market Summary

The Columbia, South Carolina, office market continued to grow during the first six months of 2008. As the vitality of the national economy remained in question, the local market continued to expand absorbing 68,419 square feet of office space from December 31, 2007 to June 30, 2008. This expansion in the local office market, coupled with growth in local employment, demonstrates the long-term stability of the Columbia economy.

Projected numbers through the first five months (January through May) of 2008 show that service-based employment in Columbia, South Carolina, increased by 1.62%, adding 5,100 jobs to the local market. Even in a time of a credit crunch and falling stock prices in the financial sector, the local market has thus far weathered the storm.

As service-based employment continued to expand in the Columbia market, office occupancy increased from 85.71% at year-end 2007 to 86.58% at mid-year 2008. In addition to an increase in occupancy, the market also experienced a significant increase in average asking rental rates over the first six months of 2008. Average market rents rose from $14.89 per square foot at year-end 2007 to $15.43 per square foot at mid-year 2008.

The 3.6% increase in rental rates is the most significant across-the-board increase experienced in recent years and is indicative of both political and economic forces that are now impacting the Columbia market. In 2007, the South Carolina State Legislature revised the state property tax structure, allowing for a point-of-sale assessment at full sales price, thereby increasing property taxes for commercial properties which are sold. Additionally, rising energy prices are affecting all aspects of building operating costs, from heating and air bills to the costs associated with maintenance workers providing site visits. These two factors have worked in tandem to increase required rental rates as landlords look for ways to recoup increasing operating costs.

CBD

Columbia's Central Business District (CBD) absorbed 37,721 square feet during the first half of 2008, bringing occupancy up by nearly one full percentage point to 87.39% from year-end 2007. Along with this increase in occupancy came an increase in development activity. The new Gervais & Main project, which was in the final pre-construction stages at mid-year 2008, will be fully occupied upon completion. Additional development activity in the CBD has also continued to take shape, with several developers seeking commitments from anchor tenants prior to the start of construction.

Average rental rates in the CBD increased from $16.28 per square foot at year-end 2007 to $16.50 per square foot at mid-year 2008. More importantly, downtown Class A average rental rates increased to over $20.00 per square foot for the first time in the Columbia market, averaging $20.23 per square foot at mid-year 2008.

Suburban Markets

Columbia's suburban markets experienced moderate growth as of mid-year 2008, collectively posting 30,698 square feet of absorption. The **Cayce/ West Columbia** market accounted for the majority of this growth, absorbing

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	Total	Occupied	Vacant	Occupancy	Six Month Absorption	Average Rate	Class A Occupancy	Class A Rate
Total Market	8,950,384	7,749,525	1,200,859	86.58%	68,419	15.43	89.29%	19.28
CBD	4,421,054	3,863,674	557,380	87.39%	37,721	16.50	90.03%	20.23
Suburbs	4,529,330	3,885,851	643,479	85.79%	30,698	14.50	87.74%	17.67
Cayce/West Columbia	492,082	411,999	80,083	83.73%	21,236	13.61	37.50%	17.00
East Columbia	89,700	87,651	2,049	97.72%	-849	12.00	-	-
Forest Acres	730,003	656,583	73,420	89.94%	16,528	16.14	84.81%	17.00
Northeast	1,172,355	1,010,900	161,455	86.23%	-6,556	15.71	91.50%	19.38
St. Andrews	2,045,190	1,718,718	326,472	84.04%	339	13.77	84.77%	16.91

21,236 square feet during the first six months of the year. It is interesting to note that this market, which posted an occupancy of 83.73% at mid-year 2008, was 51% occupied at mid-year 2006. This substantial gain in occupancy can partially be attributed to the shift in ideology to the Cayce/West Columbia market being viewed as more of an extension of Columbia's CBD rather than a true suburban market, as several CBD businesses have relocated to Cayce over the past twenty-four months.

The **Forest Acres** market, which can be considered an "in-town" market, posted positive absorption of 16,528 square feet over the six months prior to mid-year 2008, bringing market occupancy to 89.94%. In a period of moderate growth in Columbia, tenants are looking for the convenience of a CBD location with the amenities often offered by suburban properties, such as free parking and interstate access.

Although the Columbia market has been largely sheltered from the impact of a potential recession in the national economy, some markets are feeling the effects as tenants become more budget conscious. In the **St. Andrews** market, absorption was flat over the first half of 2008, but there was a large amount of activity as many tenants moved from Class A and B space into less expensive Class C space. The Class A and B markets experienced negative absorption of 1,594 and 16,259 square feet, respectively, while the Class C market absorbed 18,192 square feet from year-end 2007 to mid-year 2008.

The **Northeast** market in Columbia is the only market that experienced true negative absorption during the six months prior to mid-year 2008; the impact of this negative absorption on the market was nominal as total occupied space decreased by only 6,556 square feet. Over the previous two years, an expansion in the housing and retail markets brought with it an expansion in corporate office tenants to the Northeast. The occupancy rate for this market increased from 72.1% at mid-year 2006 to 86.23% at mid-year 2008. Thus, with the downturn in the housing market across the nation and with national homebuilders leaving the Columbia market, it is reasonable to expect a slight decline in office occupancy.

Forecast

Just as at year-end 2007, the forecast for the remainder of 2008 is moderate, sustainable office absorption. New projects will take longer to come out of the ground as office tenants become more cautious about increasing overhead costs. Rental rates will continue to rise as energy prices escalate through the end of the year. A slowdown can also be expected in the sale of investment properties until the State of South Carolina reevaluates the tax system in 2009. The most positive aspect to note is that economic development officials are seeing a great deal of activity, which should further stimulate the office economy towards the end of 2008 and into 2009.

COLLIERS INTERNATIONAL

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18

Asia Pacific 95
EMEA 62

$2.0B in Revenue
868M SF Under Management
11,000 Professionals

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