



COLUMBIA, SOUTH CAROLINA RESEARCH & FORECAST REPORT



Stagnant Economy Results in a Flat Office Market, Strong Gains Likely for 2013

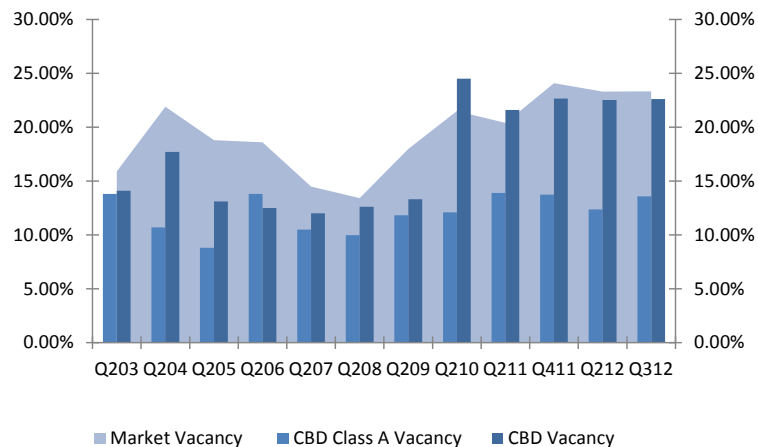
MARKET OVERVIEW

Leasing activity in the Columbia office market remained active but the third quarter ended with a slight increase in vacancy of 0.02%, reflecting a negative absorption of 1,341 square feet. The CBD and Suburban submarkets ended the third quarter with vacancy rates of 22.61% and 24.04%, respectively. However Class A vacancies in the CBD are 13.59% while the Class A market in the suburban market stands at 13.77% vacant. Rental rates remained unchanged in the market. Uncertainty in the direction of the economy's future has made businesses reluctant to engage in transactions and long term investments as they await the outcome of the presidential election.

CURRENT CONDITIONS

While the outlook of the market is optimistic, the pace of improvement was slow in the third quarter. Columbia's unemployment rate remained steady at 8.4% in August, 1.2% lower than South Carolina's rate. In comparison, the national unemployment rate dropped to 7.8% in September, falling below 8% for the first time since January 2009. Part of the decrease in unemployment rate came from the surge in part time jobs caused by the lack of demand for full time employees.

Q2-2003 TO Q3-2012 VACANCY RATES



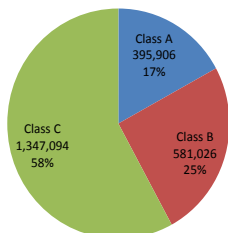
MARKET INDICATORS

	Q3 2012	Forecast
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	—	—
RENTAL RATE	—	↑

QUICK UPDATES

- Active market despite slight 0.02% increase in vacancy
- Flat Rental Rates
- Unemployment rate steady at 8.4%

Q3 | VACANT SPACE BY CLASS



MARKET UPDATES	Buildings	Inventory	Direct Vacant	Direct Vacancy Rate	Sublease	Total Vacant	Q3 Absorption	Average Asking Rate
CBD								
A	11	1,926,914	261,909	13.59%	27,475	289,384	(21,229)	\$19.20
B	16	1,649,059	192,121	11.65%	28,500	220,621	15,046	\$16.28
C	30	1,370,554	664,290	48.47%	-	664,290	1,418	\$15.55
Total	57	4,946,527	1,118,320	22.61%	55,975	1,174,295	(4,765)	\$16.53

SUBURBAN SECTION:								
CAYCE/WEST COLUMBIA								
A	2	63,000	14,300	22.70%	-	14,300	-	\$17.80
B	4	152,770	12,993	8.50%	-	12,993	(4,512)	\$17.53
C	9	311,047	50,942	16.38%	-	50,942	-	\$10.44
Total	15	526,817	78,235	14.85%	-	78,235	(4,512)	\$12.96

EAST COLUMBIA (DEVINE STREET)								
Total	5	86,183	42,792	49.65%	-	42,792	-	\$12.50

FOREST ACRES								
A	1	23,700	-	-	-	-	-	-
B	7	305,725	87,690	28.68%	-	87,690	400	\$15.78
C	11	546,495	119,074	21.79%	-	119,074	24,381	\$13.87
Total	19	875,920	206,764	23.61%	-	206,764	24,781	\$14.68

NORTHEAST								
A	9	482,760	53,854	11.16%	-	53,854	(1,598)	\$16.43
B	8	408,385	92,799	22.72%	-	92,799	3,525	\$14.73
C	9	348,312	113,164	32.49%	-	113,164	(10,363)	\$11.39
Total	26	1,239,457	259,817	20.96%	-	259,817	(8,436)	\$13.63

ST. ANDREWS								
A	5	403,729	65,843	16.31%	-	65,843	-	\$16.91
B	12	670,832	195,423	29.13%	-	195,423	(22,332)	\$14.56
C	22	1,213,320	356,832	29.41%	-	356,832	13,923	\$12.98
Total	39	2,287,881	618,098	27.02%	-	618,098	(8,409)	\$13.93

SUBURBAN TOTAL								
A	17	973,189	133,997	13.77%	-	133,997	(1,598)	\$16.81
B	31	1,537,712	388,905	25.29%	-	388,905	(22,919)	\$14.98
C	56	2,505,357	682,804	27.25%	-	682,804	27,941	\$12.32
Total	104	5,016,258	1,205,706	24.04%	-	1,205,706	3,424	\$13.68

MARKET TOTAL								
A	28	2,900,103	395,906	13.65%	27,475	423,381	(22,827)	\$18.39
B	47	3,186,771	581,026	18.23%	28,500	609,526	(7,873)	\$15.41
C	86	3,875,911	1,347,094	34.76%	-	1,347,094	29,359	\$13.92
Total	161	9,962,785	2,324,026	23.33%	55,975	2,380,001	(1,341)	\$15.05

This indicates that employers are still reluctant to expand due to the U.S. and global economies, year-end spending cuts, tax increases and the upcoming presidential election. Despite limited absorption, there is still considerable leasing activity occurring in the market as tenants continue to look for options but are slow to execute transactions in this environment.

Contrary to the negative absorption in Q3, the market is seeing renewed investment activity among larger office towers. In September, Commonwealth REIT purchased the Meridian office building from Holder Properties for \$60 million. Meridian, located at 1320 Main Street, is a 17-story class A office building with an occupancy rate of over 92%. Additionally, the announcement

by AgFirst Farm Credit Bank to purchase the Bank of America Plaza and relocate to the Plaza into 100,000 square feet will have a significant impact on the market during 2013.

IN THE MONTHS AHEAD

The fourth quarter will remain sluggish due to state and national elections and the holiday season. However, the first quarter of 2013 is anticipated to be much stronger in terms of positive absorption in the CBD with growth soon to follow in the suburban markets. Additionally, rental rates in the CBD are anticipated to increase rapidly during 2013 as quality vacant space becomes limited. Rental rates in the suburban markets will remain flat during 2013 as competition for tenants remains strong.

522 offices in 62 countries on 6 continents

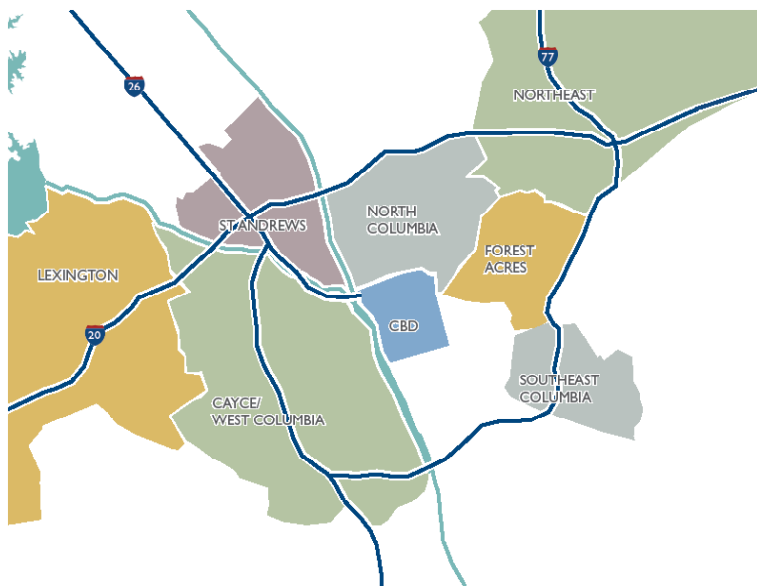
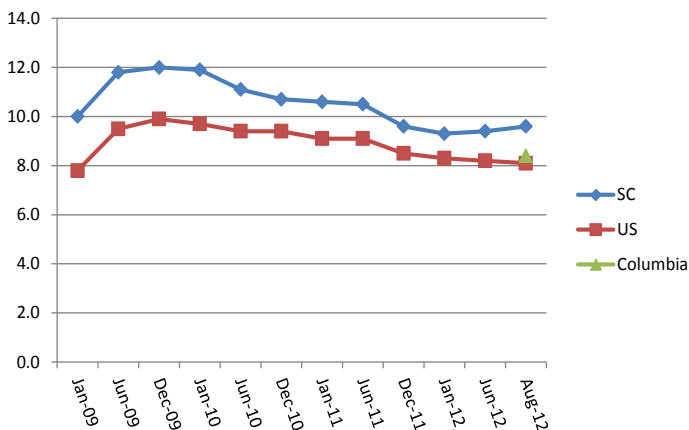
- \$1.8 billion in annual revenue
- 1.25 billion square feet under management
- Over 125,300 professionals
- 73,972 Lease/Sale Transactions
- \$59.6 Billion Total Transaction Value

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UNEMPLOYMENT RATE TRENDS*



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*SOURCE: BUREAU OF LABOR STATISTICS