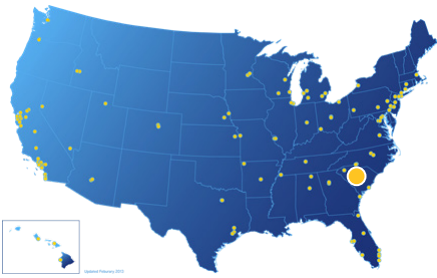


COLUMBIA, SOUTH CAROLINA RESEARCH & FORECAST REPORT



CBD Success has Positive Impact on Suburban Office Market

MARKET OVERVIEW

The office market in Columbia, SC ended another successful quarter with the market's overall vacancy rate dipping just below 20% after two years. Absorbing over 59,000 square feet during the second quarter of 2013, the market vacancy was reduced to 19.71%, 64 basis points lower than the previous quarter. As anticipated, Columbia's Central Business District (CBD) experienced further tightening in available space achieving a low vacancy rate of 12.55% compared to last quarter's 13.31%. With quality space in the CBD becoming increasingly difficult to find, a spillover effect occurred in the suburban submarket as tenants looked for alternative space in the suburbs yielding positive absorption for the second quarter. The overall suburban market's vacancy rate dropped 51 basis points to 26.18% during the second quarter. Overall average rental rates declined slightly to \$14.63 per square foot per year (PSF) for the Columbia office market. Overall class A average rental rates spiked to \$18.64 PSF, class B rates remained steady at \$15.40 PSF and class C rates declined to \$12.90 PSF. The decline in class C average asking rates is a result of the poor quality of available class C space primarily in the suburban markets.

MARKET INDICATORS

	Q2 2013	Forecast
VACANCY	↓	↓
NET ABSORPTION	↑	↑
RENTAL RATES	↓	↑
CONSTRUCTION	↔	↑

COLUMBIA OFFICE MARKET Q2-2013 Summary of Statistics

Total Vacancy Rate: **19.71%**
 CBD: **12.55%**
 Suburban: **26.18%**

Under Construction: **0 SF**

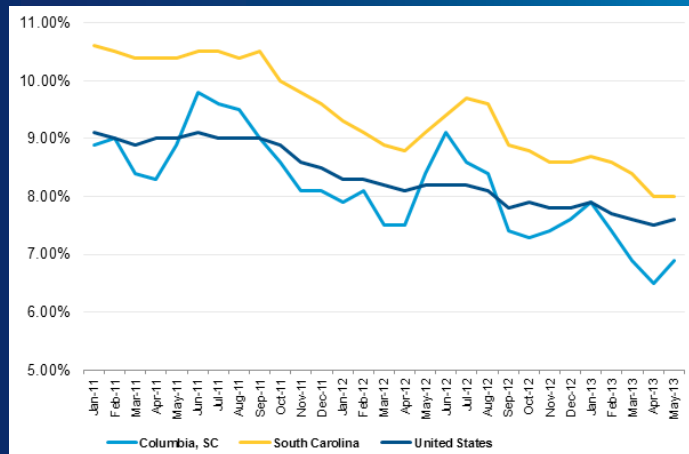
Average Asking Rate Per Square Feet:
 Class A: **\$18.64**
 Class B: **\$15.40**
 Class C: **\$12.90**

Overall Rental Rates: **\$14.63**

CBD Class A: **\$20.52**
 Suburban Class A: **\$16.72**

Q2-2013 Absorption: **59,533 SF**

ECONOMIC OVERVIEW – COLUMBIA, SC



> The unemployment rate in Columbia, SC was 6.9% in May 2013 compared to the state unemployment rate of 8.0% and the national unemployment rate of 7.6% in May. While the unemployment rate in Columbia is lower than the state and national rate, it is slightly higher than that of Greenville and Charleston which were 6.5% and 6.4%, respectively in May 2013.

MARKET UPDATES	Buildings	Inventory	Direct Vacant	Sublease	Total Vacant	Total Vacancy Rate	Q2 Absorption	Average Asking Rate
CBD								
A	11	1,926,914	146,418	26,835	173,253	8.99%	(19,150)	\$20.52
B	16	1,650,023	172,599	-	172,599	10.46%	15,887	\$16.77
C	28	894,336	210,845	4,364	215,209	24.06%	37,456	\$14.28
Total	55	4,471,273	529,862	31,199	561,061	12.55%	34,193	\$16.95
SUBURBAN SUBMARKETS:								
CAYCE/WEST COLUMBIA								
A	2	63,000	14,300	-	14,300	22.70%	-	\$17.59
B	4	152,770	44,212	-	44,212	28.94%	(26,150)	\$15.26
C	9	311,047	58,071	-	58,071	18.67%	13,550	\$12.65
Total	15	526,817	116,583	-	116,583	22.13%	(12,600)	\$14.08
EAST COLUMBIA (DEVINE STREET)								
Total	5	86,183	30,993	-	30,993	35.96%	3,725	\$12.26
FOREST ACRES								
A	1	23,700	-	-	-	0.00%	5,800	-
B	7	305,725	87,454	-	87,454	28.61%	3,323	\$15.77
C	11	547,843	101,652	-	101,652	18.55%	(44,388)	\$13.95
Total	19	877,268	189,106	-	189,106	21.56%	(35,265)	\$14.76
NORTHEAST								
A	9	482,760	83,343	-	83,343	17.26%	27,633	\$16.48
B	8	408,385	101,009	-	101,009	24.73%	34,375	\$14.81
C	9	348,312	191,161	-	191,161	54.88%	(16,745)	\$11.11
Total	26	1,239,457	375,513	-	375,513	30.30%	45,263	\$13.30
ST. ANDREWS								
A	5	403,729	45,687	-	45,687	11.32%	11,853	\$16.89
B	12	670,832	180,503	-	180,503	26.91%	15,428	\$14.29
C	20	1,150,120	358,691	-	358,691	31.19%	(3,064)	\$12.95
Total	37	2,224,681	584,881	-	584,881	26.29%	24,217	\$13.67
SUBURBAN TOTAL								
A	17	973,189	143,330	-	143,330	14.73%	45,286	\$16.72
B	31	1,537,712	390,073	-	390,073	25.37%	50,081	\$14.79
C	54	2,443,505	740,568	-	740,568	30.31%	(46,922)	\$12.56
Total	102	4,954,406	1,273,971	-	1,273,971	25.71%	48,445	\$13.70
MARKET TOTAL								
A	28	2,900,103	289,748	26,835	316,583	10.92%	26,136	\$18.64
B	47	3,187,735	585,777	-	585,777	18.38%	42,863	\$15.40
C	82	3,337,841	951,413	4,364	955,777	28.63%	(9,466)	\$12.90
Total	157	9,425,679	1,826,938	31,199	1,858,137	19.71%	59,533	\$14.63



Main Street, Columbia, SC

CBD SUBMARKET

Columbia's Central Business District (CBD), with a total vacancy rate of 12.5%, 76 basis points lower than the previous quarter and 4.19 percentage points lower than it was a year ago, continues to drive the Columbia office market. Overall CBD average rental rates increased to \$16.95 PSF from \$16.43 PSF, a 3.16% increase, during the second quarter of 2013. Available class A and B space is limited having vacancy rates of only 8.99% and 10.46%, respectively. The tightening of class A space is reflected in asking rental rates which averaged \$20.52 PSF at the end of the second quarter, 25 cents higher than last quarter's average. This is a 5.8% increase from the mid-year 2012 average rental rate of \$19.39. Class B rates remained steady at \$16.77 PSF while class C average rates increased to \$14.28 PSF.

SUBURBAN SUBMARKET

The suburban submarket, comprised of Cayce/West Columbia, East Columbia, Forest Acres, Northeast Columbia and St. Andrews submarkets, experienced an overall decrease in vacancy dropping to 26.18% from the first quarter rate of 26.69%. While the suburban submarket as a whole had a successful quarter, Cayce/West Columbia and Forest Acres submarkets experienced negative absorption and increased vacancy rates.

Downsizing by tenants in Forest Acres resulted in a vacancy rate of 21.56% for the submarket, 4.02 percentage points higher than the first quarter. The increased vacancy yielded average rental rates of \$14.76 PSF, 39 cents lower than the previous quarter.

Northeast Columbia, despite its high vacancy rate of 30.30%, improved during the second quarter of 2013. The Northeast submarket continues to be negatively influenced by downsizing of state government which left 8911 Farrow Road vacant resulting in a class C vacancy rate of 54.88% for the submarket.

The St. Andrews submarket ended the quarter on a high note resulting from improvements in class A and B occupancy.

- > Center Point I, a class A office building, was 90% occupied at the end of the quarter.
- > The Atrium at Stoneridge, a class B office building located at 140 Stoneridge Drive is experiencing excellent lease activity as a result of planned building renovations.

Overall average rental rates declined to \$13.72 PSF for the entire suburban market. Class A average rates were up to \$16.72 PSF at the end of the quarter, class B rates averaged \$14.80 PSF, slightly lower than the previous quarter, and class C average rates were steady at \$12.56 PSF at the end of the quarter.

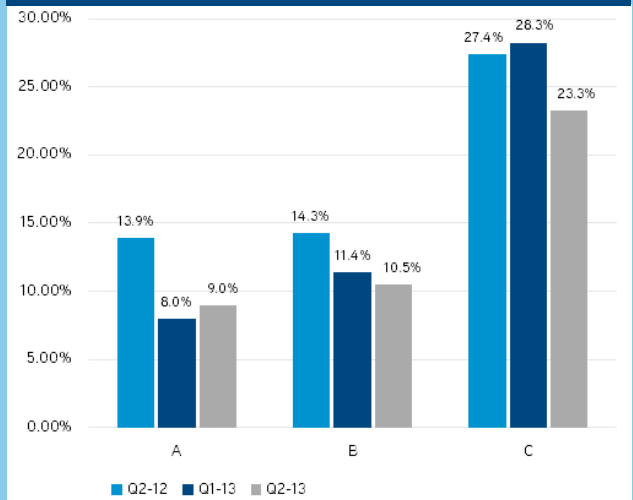


Center Point I, St. Andrews Submarket

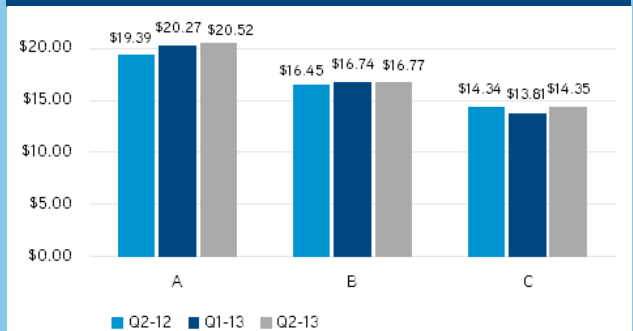


Atrium at Stoneridge, St. Andrews Submarket

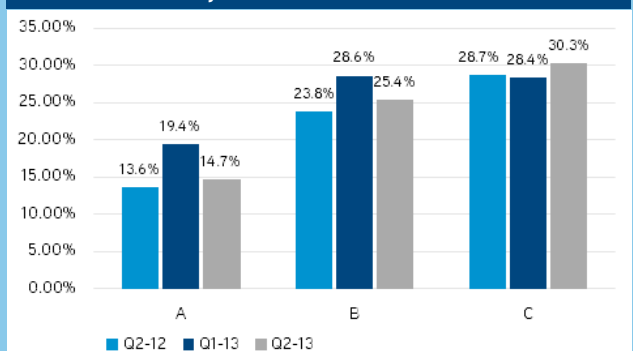
CBD Vacancy Rate



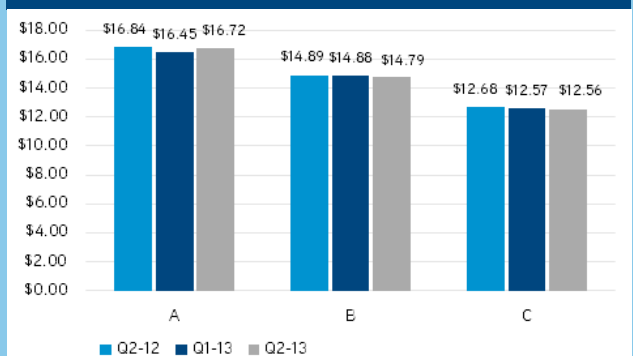
CBD Rental Rate



Suburban Vacancy Rate



Suburban Rental Rate



IN THE MONTHS AHEAD

Without the delivery of new office space or any new construction taking place, vacancy rates are expected to further decline and average rental rates are anticipated to increase. The CBD will continue to attract tenants but as space becomes more costly and difficult to find, tenants will search for alternative space in suburban submarkets. Building renovations of existing inventory will prove beneficial to landlords as tenants will likely seek out the renovated space leaving functionally obsolete space behind. The market will also experience a significant amount of activity in repurposing older obsolete structures, many of which have been predominantly vacant for years.

AROUND THE STATE

Like Columbia, other major cities in the state, such as Charleston and Greenville, are experiencing lower vacancy rates and scarcity in quality office space. Developers in Charleston and Greenville are responding with new construction of office buildings to meet the increased demand of tenants.

CHARLESTON, SOUTH CAROLINA

- › Faber Pointe, a four-story, 75,000 square foot class A office building delivered in the first quarter of 2013.
- › 174 Meeting Street, a 52,000 square foot class A office building is anticipated to deliver to the market in the third quarter of 2013. Approximately 20,000 square feet of the building has been pre-leased.
- › Construction continued during the second quarter on Building I at Nexton Office Campus which is expected to deliver in November 2013. 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 continues on ONE Greenville, 395,000 square foot class A mixed use project in Greenville's central business district. Phase I of the project is nearing completion and phase II is anticipated to complete in late 2013.

High pre-leasing activity supports the notion that a demand is present for new office space throughout the state of South Carolina. Although new construction is currently not present in Columbia, it is promising for the market that nearby cities are successfully delivering and leasing new office buildings.

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

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

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



Building I at Nexton Office Campus, Charleston, South Carolina



ONE, Greenville, South Carolina

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www.colliers.com/greenville/insights and www.colliers.com/charleston/insights

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