

GREENVILLE, SOUTH CAROLINA

## RESEARCH &amp; FORECAST REPORT



## Summer Slowdown Affects the Upstate.

Tenant activity in the Greenville, South Carolina, office market slowed during the second quarter of 2011 due to the traditional summer slowdown experienced in the Upstate. This downturn in activity resulted in a net decline in occupancy by 19,968 square feet, which resulted in an 18.4% vacancy rate at mid-year 2011. This negative absorption was due to the downsizing of several existing firms that predominately operate in the engineering sector.

Although the market experienced negative absorption during the second quarter, there were several economic development-related announcements that occurred in the market that will bring momentum in the coming months. A new project at Washington and Main Streets in the Central Business District called "One" will be comprised of a mixture of office and retail tenants. Haynsworth Sinkler Boyd, Certus Bank and Anthropologie were among the first tenants to execute leases for this development. Construction for this project will begin in the third quarter of 2011 and it is rumored that a second phase may follow shortly thereafter.

Additionally, an in-fill mixed-use project was under construction at Riverplace at mid-year 2011. The project, which is being developed by Hughes Investments, Inc., will be a mixture of apartments, office and retail. The commercial space was designed as speculative and had no tenant commitments as of mid-year.

Average asking rental rates increased across the market from \$15.37 per square foot at the end of the first quarter to \$16.48 per square foot at mid-year 2011. Increases in Class A space were the predominant cause of this market rate increase and were brought on by the tightening of the Class A market that occurred during the last half of 2010 and beginning of 2011. Twelve months ago Class A space was priced much more competitively and perceived by tenants to be the best value in the market. As this market tightened, landlords started to increase asking rates to pre-recessionary levels. Therefore, the Class B and Class C markets experienced absorption during the second quarter as tenants continued to look for perceived value in the market.

Although the Class A market experienced negative absorption during the second quarter, the Class A market in the CBD remained extremely healthy, posting a vacancy rate of 9.1% at mid-year 2011. It has become increasingly difficult for tenants to find large blocks of quality, Class A space in downtown Greenville, which further resulted in Class B absorption. Class B landlords that can creatively structure deals and tenant improvement packages may be able to attract activity from traditional, downtown Class A tenants.

### MARKET INDICATORS

	Q2 2011	Forecast
VACANCY	↓	↑
NET ABSORPTION	↓	↑
CONSTRUCTION	↑	↑
RENTAL RATE	↑	—

### QUICK UPDATES

- MARKET EXPERIENCES A NET DECLINE IN OCCUPANCY
- NEW CONSTRUCTION TO BRING MOMENTUM TO THE UPSTATE
- PRE-RECESSIONARY ASKING RATES RETURNING IN CLASS A MARKET
- CLASS B & CLASS C OFFICE SPACE SEES POSITIVE ABSORPTION

	Buildings	Inventory	Direct Vacant	Direct Vacancy Rate	Sublease	Total Vacant	Q2 Absorption	Average Asking Rate
<b>CBD</b>								
A	23	1,916,225	175,220	9.1%	44,455	219,675	-17,387	\$20.26
B	14	1,080,325	310,785	28.2%	11,954	322,730	18,568	\$17.35
C	6	187,306	41,775	22.3%	150	41,925	13,401	\$14.65
Total	43	3,183,856	527,780	16.6%	56,550	584,330	14,582	\$18.25

<b>SUBURBAN MARKET</b>								
A	29	1,930,772	396,726	20.5%	11,013	407,739	-42,828	\$18.07
B	24	2,058,396	383,354	18.6%	120,161	503,515	10,589	\$13.98
C	9	570,641	113,355	19.9%	0	113,355	-18,867	\$12.80
Total	62	4,559,809	893,435	19.6%	131,174	1,024,609	34,550	\$15.47

<b>MARKET TOTALS</b>								
A	52	3,846,997	571,946	14.9%	55,468	627,414	-60,215	\$18.82
B	38	3,138,721	694,139	22.1%	132,106	826,245	7,979	\$15.30
C	15	757,947	155,130	20.5%	150	155,280	32,268	\$13.30
Total	105	7,743,665	1,421,215	18.4%	187,724	1,608,939	(19,968)	\$16.48

The suburban market experienced a downturn during the second quarter due to downsizing among tenants. At mid-year 2011 there was an abundance of space options ranging from 1,000 square feet to 75,000 square feet. Future absorption of large blocks of Class A space in the suburbs will be largely dependent upon new businesses locating to the region, rather than the traditional expansion of existing businesses experienced in Greenville.

## FORECAST

The remainder of 2011 will bring continued activity in the Class A and Class B markets. Tenants will remain value conscious, but landlords are becoming increasingly less likely to provide the concessions experienced during the past two years. Without substantial job growth the market will not see large blocks of space taken down, but rather slow and steady absorption through the end of the year. Class A rental rates will remain steady during the remainder of 2011, particularly due to the substantial increases experienced during the second quarter. The Class B market will see rates increase slightly, both as a result of increased activity and higher tenant improvement packages required by tenants. The Class C market will experience less activity as the economy continues to improve. Class C landlords will need to provide greater concessions and larger tenant improvement packages in order to attract tenants.

## 480 offices in 61 countries on 6 continents

United States: 135  
Canada: 39  
Latin America: 17  
Asia Pacific: 194  
EMEA: 95

- \$1.6 billion in annual revenue
- 672.9 million square feet under management
- Over 15,000 professionals

### FOR MORE INFORMATION:

Bob Shaw  
Principal  
201 E. McBee Street  
Suite 201  
Greenville, South Carolina 29603  
TEL +1 864 297 4950  
FAX +1 803 527 5444

Ryan Hyler  
Vice President | Research & Marketing  
South Carolina  
1301 Gervais Street  
Suite 600  
Columbia, South Carolina 29201  
TEL +1 803 401 4269  
FAX +1 803 401 4269

This market report is a research document of Colliers International. Information herein has been deemed reliable and no representation is made as to the accuracy thereof. Colliers International South Carolina, Inc., and certain of its subsidiaries, is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 480 offices throughout more than 61 countries worldwide.



Accelerating success.