

CHARLESTON, SC

JULY 2004

2004 MID-YEAR OFFICE MARKET

MARKET OVERVIEW

TOTAL OFFICE MARKET

MARKET	TOTAL	AVAILABLE	SUBLET	AVG. RATE	VACANCY	PROPOSED
West Ashley	925,120	173,385	0	\$15.63	18.74%	124,000
Lower N. Charleston	1,703,322	378,090	12,240	\$15.19	22.92%	820,000
Upper N. Charleston	1,376,585	211,774	1,974	\$13.35	15.53%	0
East Cooper	1,591,247	128,876	24,021	\$17.10	9.61%	689,900
Downtown Charleston	1,968,204	253,335	5,300	\$20.16	13.14%	335,000
Total Market	7,564,478	1,145,460	43,535	\$16.29	15.72%	1,968,900

CLASS "A" OFFICE MARKET

MARKET	TOTAL	AVAILABLE	SUBLET	AVG. RATE	VACANCY	PROPOSED
West Ashley	319,251	26,584	0	\$19.75	8.33%	124,000
Lower N. Charleston	574,540	56,950	6,300	\$19.39	11.01%	820,000
Upper N. Charleston	261,000	68,556	0	\$14.25	26.27%	0
East Cooper	925,237	68,566	21,285	\$20.57	9.71%	689,900
Downtown Charleston	971,219	127,786	5,300	\$24.64	13.70%	335,000
Total Market	3,051,247	348,442	32,885	\$19.72	12.50%	1,968,900

MARKET TRENDS

Is the glass half full or half empty? On the one hand, we must consider that we are living in a robust economy, with great gains in the real estate industry. On the other hand, we must recognize the fragility of the times, with continued unrest in the Middle East, skittish stock market reactions, high rates of personal bankruptcies and a sure to be heated presidential election campaign. For the Greater Charleston Office Market, the glass seems half full, with lowered vacancies, strong tenant and buyer activity, solid investment acquisitions and announcements of planned speculative development.

DOWNTOWN CHARLESTON

Abounding with strong tenant and buyer activity, great amenities and high barriers for new development, downtown Charleston is the classic submarket with which to be associated. Vacancy among existing buildings will continue to shrink and rental rates will rise as limited new product is developed. In addition to the

100 Calhoun Street office building, projects should break ground and get underway at Charleston Gateway Center and at the intersection of Meeting and Wentworth Streets, effectively adding an approximate 120,000 square feet to the Class "A" inventory. Much of the space being developed has commitments from prospective users.

EAST COOPER

From a dismal 26% vacancy, the Mt. Pleasant submarket rises like a phoenix, with positive absorption driving the vacancy rate down to 9.71% and developments being announced that will mirror Downtown Charleston rental rates and sale prices on a per square foot basis. This 24-month growth and absorption cycle has given rise to speculative plans for 1.1 million square feet of new development in a 1.6 million square foot submarket. Obviously, even

OFFICE MARKET

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CHARLESTON, SC

JULY 2004



247 Offices Worldwide

137 Americas

105 United States

17 Canada

15 Latin America

72 Europe, Middle East & Africa

38 Greater Asia

United States Cities

Akron, OH	Minneapolis, MN
Allentown, PA	Nashville, TN
Atlanta, GA	New Haven, CT
Austin, TX	New Jersey, NJ
Bakersfield, CA	New York, NY
Baltimore, MD	Oakland, CA
Beachwood, OH	Ogden, UT
Bellevue, WA	Orlando, FL
Boise, ID	Palo Alto, CA
Boston, MA	Park City, UT
Carlsbad, CA	Philadelphia, PA
Charleston, SC	Phoenix, AZ
Charlotte, NC	Pittsburgh, PA
Chicago, IL	Pleasanton, CA
Cincinnati, OH	Plymouth Meeting, PA
Clearwater, FL	Portland, OR
Cleveland, OH	Provo, UT
Columbia, SC	Raleigh, NC
Dallas/Ft. Worth, TX	Reno, NV
Dayton, OH	Roseville, CA
Denver, CO	Sacramento, CA
Detroit, MI	Salt Lake City, UT
Fairfield, CA	San Diego, CA
Ft. Lauderdale, FL	San Francisco, CA
Ft. Myers, FL	San Jose, CA
Fresno, CA	San Mateo, CA
Gilroy, CA	Scottsdale, AZ
Greenville, SC	Seattle, WA
Hartford, CT	St. Charles, MO
Honolulu, HI	St. Louis, MO
Houston, TX	St. Paul, MN
Indianapolis, IN	Stamford, CT
Jacksonville, FL	Stockton, CA
Kansas City, MO	Sun Valley, ID
Las Vegas, NV	Tacoma, WA
Los Angeles, CA	Tampa, FL
Louisville, KY	Walnut Creek, CA
Memphis, TN	Washington, DC
Miami, FL	Wilmington, DE
Milwaukee, WI	

the strongest absorption in a submarket this size would not be able to handle this much new product expeditiously, but there is little chance of all 1.1 million square feet coming to market at once. New projects should break ground and get underway at Offices at Belle Hall, with a possibility of development beginning in the Oakland Plantation property. Combined, these phased projects could add approximately 350,000 square feet of inventory.

LOWER NORTH CHARLESTON

Limited opportunities remain for the corporate tenant in this submarket, with healthy absorption in Class "A" product. Class "B" product is being similarly absorbed primarily by defense contractors. Though the Lower North Charleston submarket has a current overall vacancy rate of 18.97%, including the 38,000 square feet of contiguous space in Ashley Corporate Center, a few potentially significant transactions could absorb a major portion of the remaining vacancy, leaving few good opportunities for additional users in the submarket.

UPPER NORTH CHARLESTON

The Upper North Charleston submarket, though typified by lack of new office development, higher vacancy rates and lower rental rates, has begun to turn the corner toward positive absorption and rising rental rates. Though new development remains minimal, existing office product is beginning to be absorbed and is being reconditioned in the process. The

completion of some of the major road improvement projects is also helping to remove many of the previous objections to office locations in the submarket. Numerous small defense contractors and insurance tenants are moving into the market and driving the vacancy down.

WEST ASHLEY

The West Ashley submarket continues to struggle with office viability as the smallest office submarket in terms of total inventory. With greater interest in residential development of large land tracts, West Ashley may lead the way to greater office needs in the submarket. Increased demand will be needed to reduce current vacancy and grow rental rates

FORECAST

The overall Greater Charleston office market shows great promise for the coming 24 months in both continued absorption and increasing rates. During that time frame, new office projects will emerge and others will be announced. The market will see increased costs of construction passed through in the form of rent and, regardless of the level of activity, the market will cast its focus on the presidential election in November and feel the impact of the outcome.

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