



# Colliers Keenan 2005 Year-End Office Market Charleston, SC



January 2006

## TOTAL OFFICE MARKET

Market	Total	Available	Sublet	Avg. Rate	Vacancy	Proposed
West Ashley	933,917	204,428	0	\$16.23	21.89%	102,000
Lower N.Charleston	1,733,322	122,287	6,740	\$17.38	7.44%	602,000
Upper N.Charleston	1,447,805	105,987	0	\$15.61	7.32%	200,000
East Cooper	1,861,247	187,412	24,163	<b>\$23.87</b>	11.37%	972,660
Downtown Charleston	2,044,704	233,794	1,800	\$24.47	11.52%	332,804
<b>Total Market</b>	<b>8,020,995</b>	<b>853,908</b>	<b>32,703</b>	<b>\$19.66</b>	<b>11.05%</b>	<b>2,209,464</b>

## CLASS "A" OFFICE MARKET

Class "A" Market	Total Inventory		Sublease Space		Avg. Rate	Vacancy	Proposed
	Inventory	Available	Space	Space			
West Ashley	382,848	35,171	0	0	\$23.47	9.19%	102,000
Lower N.Charleston	634,540	27,998	0	0	\$21.93	4.41%	602,000
Upper N.Charleston	376,000	3,181	0	0	\$18.50	0.85%	200,000
East Cooper	1,161,237	127,242	14,000	14,000	\$26.16	12.16%	972,660
Downtown Charleston	1,031,219	132,714	1,800	1,800	\$27.44	13.04%	332,804
<b>Total Market</b>	<b>3,585,844</b>	<b>326,306</b>	<b>15,800</b>	<b>15,800</b>	<b>\$25.29</b>	<b>9.54%</b>	<b>2,209,464</b>

## Market Overview

The year 2005 was tragic in terms of national disasters and loss of human life with the tsunami in Thailand, earthquake in Pakistan and Hurricane Katrina on the gulf coast. The long-term economic effects of these disasters is unknown, but 2005 was a banner year for the real estate market in the Greater Charleston area, with record sales prices and lease rates being achieved for all sectors, including land, industrial, retail and office. In all areas of this market, we saw continued growth and significant change. Recent announcements in the local Charleston newspapers cited the Charleston Region as having in excess of 113,000 new rooftops approved or proposed for the Greater Charleston area. This amount of potential growth in the population will fuel future growth for the real estate market, both residential and commercial.

## Downtown Charleston

Another consistent quarter for the downtown market caused positive absorption and a slight increase in rental rates. Opportunity for new development in an otherwise tight sub-market is being created with the completion of the New Cooper River Bridge and the demolition of the older structures. The resulting open space will provide for new residential and mixed use developments. The redevelopment of the "neck" area of Downtown Charleston, with notable projects such as the Magnolia master planned development and The Ginn Company's new residential developments, will all be on the horizon for 2006. The scope and magnitude of these projects will continue development for years to come.

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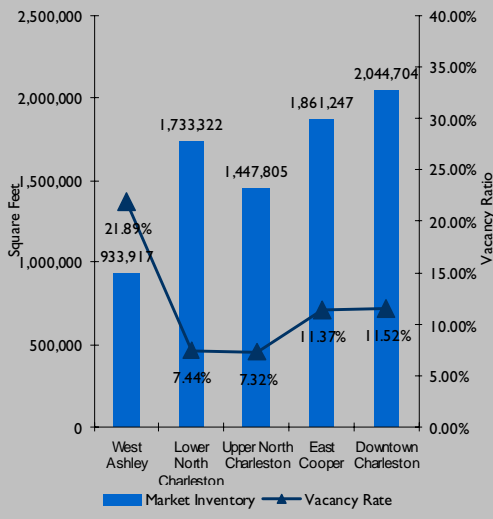
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Office

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CHARLESTON OFFICE MARKET  
TOTAL MARKET INVENTORY AND VACANCY



## Lower North Charleston

A tremendous rebound occurred in 2005 for this sub-market, with a significant amount of absorption, bringing vacancy to an all time low, as well as setting new highs for rental rates. New products that are under construction include Ashley Overlook, a new 105,000 square foot Class "A" office project on the Ashley River, slated for completion in August 2006, and Aviation Business Park which will break ground on two new 50,000 square foot flex projects in its 3<sup>rd</sup> phase of development. The prospects for this market have continued to be Fortune 1000 tenants and defense contractors, which have been consistently expanding their presence for the past four years.

the caliber of the existing projects. With repositioning of existing product and new office development on the horizon, this will be a great market in the next few years.

## Forecast

On the whole, 2005 was a banner year for the local office market, with rising rental rates, rising land prices and record sales prices. Even though the stock market did not prove it, the economy remained robust for the region with expansion in almost all sectors – housing, finance, legal, defense, etc. Our prediction is that the market will continue to absorb space and that 2006 will be the year the region delivers a record number of new and exciting office developments, with development continuing through 2007.

## East Cooper

This exciting sub-market is directly competing with Downtown Charleston for the highest quoted office rental rates. The largely residential communities of Mt. Pleasant and Daniel Island are achieving record sales prices for office space, with rental rates close to \$30.00 per square foot full service. Demand and limited supply of office product in the market continue and competition for fewer office land opportunities remains fierce. New office developments in the sub-market include The Offices at Belle Hall, Benefit Focus Headquarters and two new office developments on Wando Park Boulevard.

## Upper North Charleston

North Charleston, under the direction of Mayor Keith Simney, is enjoying a re-emergence as a top business city in the region, with large corporate announcements that include Boeing, Daimler Chrysler, BEHR Heat Transfer and Shimano, to name a few. In addition, residential re-development throughout the City of North Charleston is creating growth for new jobs, as well as affordable housing. Because of its centralized location and lack of good office product, Upper North Charleston needs new office projects in the western parts of the City to handle demand and to help redirect and alleviate traffic congestion. This is a market that will continue to shine for the next few years.

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For further information on the  
Charleston, SC Office Market

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## West Ashley

The West Ashley office market is on the verge of a turnaround. Momentum for land sales to accommodate new development for both residential and commercial will help this market take off. The current high vacancies and low rental rates are not an indication of this market's potential, only of



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