



# Colliers Keenan 2004 Year-End Office Market Columbia, SC



January 2005

## COLUMBIA OFFICE MARKET IMPROVES

- **POSITIVE ABSORPTION AFTER TWO YEARS OF NEGATIVE ABSORPTION**
- **CBD RENTS BEGIN TO RISE**
- **STRONGER ECONOMY LEADS TO POSITIVE JOB GROWTH IN 4TH QUARTER**
- **CLASS A SPACE BEST PERFORMER**
- **COLUMBIA OFFICE MARKET POISED FOR SOLID REBOUND**
- **CBD: 170,000 SF FIRST CITIZENS BUILDING UNDERWAY AND 360,000 SF VISTA DEVELOPMENT ANNOUNCED**

## Market Summary

The Columbia office market began to improve in the second half of 2004 following almost eight quarters of decline resulting from a lack of job creation and due to newly constructed office space remaining unleased. As the job market improved in Columbia in the last two quarters, absorption of office space in most of the Columbia markets also began to improve. Restrained construction is now providing a window for absorption to bring the market back to healthier times. Overall occupancies improved from 78.1% as of mid-year 2004, to 81.1% at year-end 2004. Ironically, this is the same occupancy as of year-end 2003. Class A properties are performing the best, with an 85.5% occupancy rate, proving that corporate America is again expanding.

OFFICE INVENTORY YEAR-END 2004				
Submarket	Inventory	Occupied	Vacant	Occupancy
MSA	9,499,544	7,704,130	1,795,414	81.1%
CBD	4,590,822	3,929,743	661,079	85.6%
Suburban	4,908,722	3,755,172	1,153,550	76.5%
St. Andrews	2,017,537	1,458,679	558,858	72.3%
Northeast	1,399,850	1,056,887	342,963	75.5%
Forest Acres	805,513	660,524	144,989	82.0%
Cayce/West Columbia	656,794	554,990	101,804	84.5%

The suburban markets improved slightly during the second half of 2004. As of December 31, 2004, occupancies in the suburban market improved to 76.5%, up from 73.6% at year-end 2003. Although leasing activity increased in the suburban market, positive gains were offset during the second half of the year as some downsizing of tenants unexpectedly placed additional space on the market. Suburban Class A occupancy was 77.9% at year-end 2004. This low occupancy level was a result of newly constructed office buildings in the market still in their initial lease-up period. However, as of year-end 2004, activity in the suburban Class A market was very strong.

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## Central Business District

The most positive developments in Columbia's office market in 2004 occurred in the CBD. These included the completion of Meridian in April, the start of construction of the new First Citizens Building and the announcement of a new mixed use development in the Vista. Meridian added 350,000 square feet of space to the market, while the First Citizens Building, scheduled for completion in 2006, will contain 170,000 square feet of space. The newly announced Vista development will contain up to 360,000 square feet of office space when completed.

As of year-end 2004, CBD occupancies increased from 82.3% at mid-year 2004 to 85.6% at year-end 2004. Class A occupancies in the CBD stood at 89.3%, while Class B occupied space was 85.1%. Class C properties continued to weaken the market with 25% of all Class C space being vacant as of year-end 2004. Average downtown rents surpassed \$16.00 per square foot, up substantially from \$15.14 per square foot at year-end 2003 as a result of higher rents being achieved in Class A properties.

## St. Andrews

The St. Andrews submarket, consisting of more than two million square feet, is the largest suburban market in Columbia. Occupancies in the St. Andrews market declined further in the second half of 2004 to 72.3%, down from 74.6% at mid-year 2004. Leasing activity during the second half of the year was primarily

focused on Class A properties, which improved to 72.1% at 2004 year-end. The market is anticipated to benefit directly from an improving economy and job creation resulting from expanding companies in the market. As of year-end 2004 there was a significant amount of activity, indicating a strengthening of the St. Andrews market in 2005.

## Northeast

The Northeast submarket contains nearly 1.4 million square feet of multi-tenant office space. This area of Columbia has been the location of considerable population growth over the past several years, which should support growth in the area's retail and office markets. Occupancies over the second half of the year remained unchanged from mid-year 2004 at 75.5%. However, for the year occupancies increased slightly from 74.9% at year-end 2003. The bulk of the available space was in the Class B market, which was less than 65.0% occupied at year-end 2004. Class A occupancies stood at 82.1%, virtually unchanged from 82.7% at the end of the 2003. Average rents currently stood at \$14.37 per square foot with average Class A rents increasing slightly to \$16.48 per square foot.

## Forest Acres/East Columbia

The Forest Acres/East Columbia submarket contains less than one million square feet of total space. Occupancies in this submarket, which consisted largely of smaller, non Class A properties, rose to 83.3% in the first half of 2004 and then declined to 82.0% at year-end 2004. The weak market was attributed to several larger tenants that vacated the Forest Acres market. The Forest Acres/East Columbia market continued to compete

with the Northeast and CBD markets where newer Class A space is available at very competitive lease rates. Average full service rents in this submarket were among the lowest in the MSA at \$13.62 per square foot.

## Cayce/West Columbia

The Cayce/West Columbia office market experienced a turnaround as occupancies began to increase. This submarket consists of just over 650,000 square feet and more than half of the inventory is considered Class C. Occupancies increased from 73.3% at mid-year 2004 to 84.5% at year-end 2004, driven primarily by higher occupancies in the single-level office/flex market. The low occupancy of Class C space continued to weaken the market as Class C space was 77.7% occupied. Average full-service rental rates in the Cayce/West Columbia area continued to decline to an average of \$13.18 per square foot despite the positive absorption of space.

## Forecast

The Columbia office market appears to be on the verge of a solid rebound after two years of steady decline. Leasing activity is robust in the market, particularly in the Class A sector, thereby driving average rents to a higher level. Certain markets, such as the CBD and St. Andrews segments, are improving at a much brisker pace than other markets. In addition, very little new construction is underway in the market. Positive absorption fueled by a stronger economy will be critical to continued strengthening during 2005.

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Columbia, SC Office Market  
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