



Office

Colliers Keenan 2005 Mid-Year Office Market Columbia, SC



July 2005

Rediscovering Columbia's CBD



- Streetscaping currently underway on Main Street, Five Points and Lady Street
- CBD had 55,380 square foot of absorption
- Class A occupancy in CBD reaches 91.3%
- CBD Class A produces an average rental rate of \$19.95 per square foot

Market Summary

The Columbia office market continues to show strong signs of improvement as the local economy rebounds. As job creation grew (4,300 net new jobs to date) and unemployment rates fell, from 6.8% in January 2005 to 5.1% in May 2005, Columbia experienced positive absorption of office space and leasing activity in the overall office market.

Over the first half of 2005, the Columbia office market absorbed 240,000 square feet, bringing the total amount of occupied space from 7.35 million at 2004 year-end to 7.62 million at mid-year 2005. Total occupancy rate rose slightly to 81.2%, including all available sublease space. Average rental rates rose from \$13.56 to \$13.80 per square foot during this six-month period.

Class A office space in Columbia consisted of 3.3 million square feet, or roughly one-third of the overall market. The occupancy rate at mid-year 2005 was 89.0%, up notably from 85.5% at year end. The Class A market had 54,000 square feet of absorption and brought an average rent of \$18.72 per square foot.

Forecast

The Columbia office market continues to climb after dramatic downturns in 2003 and the beginning of 2004. The most robust markets, the CBD, the Northeast and the St. Andrews markets, are expected to continue growing over the remainder of 2005. As streetscaping progresses in the CBD, it is anticipated that many tenants will have a renewed interest in this market. As demand in these areas strengthens, it is likely we will see new developments come online, in addition to the projects currently underway. The Northeast market continues to be a Mecca for population growth; and, as projects such as Lake Carolina and Village at Sandhills develop, new office properties will subsequently develop. Although the St. Andrews area has little room for future expansion, its convenient location along I-20 and I-26 will make it a prime location for continued office absorption in the future.

Central Business District

The CBD continued to gain momentum in the first half of 2005 with a net absorption of over 55,000 square feet. Of this, Class A space accounted for nearly 15,000 square feet and produced an average rent of \$19.95 per square foot. The Class A occupancy rate rose to 91.2% over the previous six months. The majority of space leased in the CBD during the first half of 2005 was in smaller Class C properties, which have struggled in recent years.

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	Total Feet	Occupied	Absorption	Vacant	Occupancy Rate	Average Rent	Class A Rates	Class B Rates	Class C Rates
Total Market	9,320,672	7,565,251	240,873	1,755,421	81.2%	\$13.80	\$18.72	\$14.14	\$10.41
CBD	4,490,336	3,901,104	55,380	589,232	86.9%	\$15.19	\$19.95	\$15.47	\$10.77
Cayce/West Columbia	652,155	434,640	-37,633	217,515	66.6%	\$9.76	-	\$12.99	\$8.74
E. Columbia (Devine Street)	88,802	82,652	-2,250	6,150	93.1%	\$11.55	-	-	\$11.55
Forest Acres	711,671	547,586	-23,562	164,085	76.9%	\$13.99	-	\$14.24	\$12.74
Northeast Columbia	1,328,490	1,010,173	101,921	318,317	76.0%	\$13.60	\$16.27	\$13.28	\$9.86
St. Andrews	2,049,218	1,589,096	147,017	460,122	77.5%	\$14.60	\$17.54	\$14.90	\$12.02

CBD (-continued-)

Overall, the CBD market appears to be gaining strength, with occupancy rates now at 86.9%. The market is quickly absorbing the new space that came online in 2004, which resulted in occupancy rates falling to 81.7% at mid-year 2004.

The First Citizens corporate headquarters is well underway on the 1200 Block of Main Street and plans are being finalized for a 360,000 square foot office building at the former Kline Iron & Steel Site.

St. Andrews

The St. Andrews market is the largest suburban market in the Columbia area, consisting of over 2 million square feet of office space. This market made great strides in rebounding from downturns that occurred in 2004. Total occupancies rose from 72.3% at year end 2004 to 77.5% at mid year 2005. This market saw 147,017 square feet of absorption in the past six months, with the greatest increase being made in the Class C market. Overall rental rates in this market rose from \$14.02 per square foot to \$14.60 per square foot. Class A properties saw an average rate of \$17.54 and accounted for 32,351 square feet of absorption.

Northeast Columbia

As Northeast Columbia continues to boom in residential and retail development, so does the growing office market. This area had over 100,000 square feet of positive absorption in the first part of 2005.

Total occupied space in the Northeast is now just over 1 million square feet. The Class C market currently has the greatest occupancy rate of 81.6%, but had a slight decrease in absorption by 1,696 square feet. Class B properties experienced the greatest activity, absorbing 96,714 square feet over the first six months of 2005. This large amount of absorption can be attributed to the reclassification of retail space to office space. Average Class B rental rates fell slightly to \$13.28, increasing the consumer demand for these properties. Class A rates fell slightly from \$16.48 per square foot at year end to \$16.27 per square foot and accounted for only about 7,000 square feet of total absorption in this market.

Forest Acres

The Forest Acres area continued to experience a decline in occupancy rates over the first half of 2005, with the total occupied space being just 76.9% of the market. This is a compound result of declines in occupancy over the last several quarters. We are beginning to see that properties in this market that are not within Forest Acres proper are near 100% occupancy; many businesses are relocating from within the corporate limits of Forest Acres due to higher business taxes.

Cayce/West Columbia

The Cayce/West Columbia market is one of the smallest in the area, consisting of just over 650,000 square feet. Over half of the market is Class C space, which had only 1,500 square feet of absorption over the first half of the year. Class B space underwent negative absorption of 39,174, giving rise to the idea that businesses are leaving this older office market for properties of similar cost and condition, but more convenient locations such as Class C properties in the CBD and St. Andrews area. The average rental rates in this market were \$9.76 per square foot, while occupancy was at 66.6%.

East Columbia (Devine Street)

The office market along Devine Street is only 88,802 square feet and is predominately Class C space. The market continued to perform well with a 93.1% occupancy rate, the highest in the Columbia market. Average rental rates for this Class C market were \$11.55 per square foot.

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Columbia, SC Office Market
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