



# Colliers Keenan 2006 Year-End Office Market Columbia, South Carolina



December 2006

## Market Overview

Total absorption in the Columbia, South Carolina office market surpassed 200,000 square feet during 2006. Absorption totaled 17,836 square feet from January to June of 2006 and increased by more than tenfold to 191,087 during the second half of the year. Even with such a stellar performance in the office market from July to December, we still feel that, over the next few months, the best is yet to come.

The office market climbed from an 81.4% occupancy rate at mid-year 2006 to 84.01% at year-end 2006. This increase is reflective of activity occurring in all submarkets and can be attributed to both the expansion of existing tenants, as well as new arrivals in the market. The market vitality was evident in all classes of office space, with Class A space absorbing 42,623 square feet, Class B space absorbing 80,541 square feet and Class C space absorbing 67,923 square feet of office space over the previous six months.

The job market in Columbia posted positive gains over 2006. Year-over-year changes from October 2005 to October 2006 show that the total employment increased by 2.9% or 10,300 jobs. Among the sectors that affect the office market, the services sector increased by 3.20%, information related jobs experienced an increase of 4.90% and the financial sector grew by 1.10%. With the amount of activity that occurred over the second half of the year, fourth quarter employment numbers, soon to be released, should continue this trend and show greater increases in employment, particularly in the information and financial sectors.

## Forecast

With the level of activity that occurred in the late months of 2006, the forecast for January and February of 2007 is to "hold your breath", because there is even more to come. In the last weeks of December, new tenants were in the market looking for space. Transactions are now being negotiated that could not be completed before year-end. We anticipate that in the short term, this should have a major impact on the market.

Job growth in the first six months of 2007 should remain strong. The unemployment rate in Columbia at 5.8%, remains lower than the state unemployment rate of 6.6%. South Carolina's unemployment rate is abnormally high due to a rapidly increasing population and growing labor

market, rather than a decrease in the supply of jobs. As corporate expansion continues in Columbia, employers should expect a copious labor market from both the Columbia MSA and surrounding areas. Continued growth in the job market should also contribute to Columbia's growing population.

The Northeast and St. Andrews submarkets will continue to perform well during 2007, with the possibility of the expansion of the office market through new construction. The Class A market in Northeast Columbia currently stands at 93.13% occupied. With such a small supply of high-end space, the Northeast may be poised for the next office development in Columbia.

The Cayce/West Columbia submarket may also be ready for a new Class A development. Both the continued expansion of Columbia's CBD and growth along the western bank of the Congaree River are slowly turning attention towards Cayce/West Columbia for development opportunities. Combine this with the lack of Class A space in the area and the affordability of land in comparison to the CBD, and new office development may be on the horizon in this area. As Cayce/West Columbia attracts new developments, particularly along the river, this submarket may be viewed as an extension of the CBD rather than a secondary submarket.

In the short term, Columbia's office market looks optimistic at the very least. Looking outward, however, it is unclear what will happen along Main Street at the end of 2009 when SCANA vacates the Palmetto Center and relocates to Cayce. As reflected in the Colliers Keenan 2006 3rd Quarter Office Market Report, this will result in a 10% drop in the current office vacancy in the CBD submarket. It should be noted that even with the current energy in the office market, a long-term plan is needed from the City of Columbia and a commitment from current corporate tenants along Main Street to maintain the advances experienced over the past few years.

For further information contact:  
David Lockwood, Senior Vice President,  
at (803) 401-4211 or  
[dockwood@collierskeenan.com](mailto:dockwood@collierskeenan.com)  
or

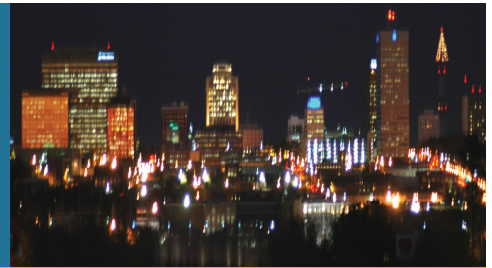
Ryan Hyler, Director of Research,  
at (803) 401-4269 or  
[ryhyler@collierskeenan.com](mailto:ryhyler@collierskeenan.com)

**COLLIERS  
KEENAN**

**collierskeenan.com**  
Colliers Keenan  
1301 Gervais Street  
Suite 600  
Columbia, SC 29201 USA  
Tel: (803) 254-2300  
Fax: (803) 252-4532



# Colliers Keenan 2006 Year-End Office Market Columbia, South Carolina



December 2006

	Total Feet	Occupied	Vacant	Occupancy Rate	Absorption (Six Month)	Average Rate	Class A Occupancy	Class A Rate
Total Market	8,978,743	7,543,082	1,435,661	84.01%	191,087	\$14.38	87.78%	\$19.14
CBD	4,461,175	3,906,123	555,052	87.56%	33,392	\$16.41	87.04%	\$19.66
Suburbs	4,517,568	3,636,959	880,609	80.51%	157,695	\$13.72	89.38%	\$17.76
Cayce/West Columbia	435,785	260,634	175,151	59.81%	38,089	\$12.17	-	-
East Columbia (Devine St)	97,300	92,240	5,060	94.80%	-2,750	\$12.34	-	-
Forest Acres	750,923	640,076	110,847	85.24%	26,525	\$14.89	83.78%	\$17.00
Northeast Columbia	1,119,905	879,427	240,478	78.53%	37,468	\$14.27	93.13%	\$17.93
St. Andrews	2,113,655	1,764,582	349,073	83.48%	58,363	\$13.77	87.08%	\$17.78

Note: These numbers do not include transitional properties such as operations and call centers.

## Central Business District

Columbia's CBD posted positive absorption of 33,392 square feet during the second half of 2006, bringing year-end occupancy to 87.56%. Occupancy was at 86.9% 18 months ago when the State of South Carolina vacated 40,000 square feet of office space, illustrating the amount of time needed for full recovery in the CBD.

The Class A market absorbed 21,737 square feet of office space in the second half of the year, bringing Class A occupancy to 87.04%. Increased demand has also resulted in an increase in average asking rents over the previous six months, rising from \$19.44 at mid-year 2006 to \$19.66 at year-end 2006. With only 243,058 square feet of available Class A space, the rise in average asking rates is best explained by the fact that lower priced Class A space is being absorbed more quickly than more expensive space.

The Class B market experienced a decline in occupancy, from 94.66% at mid-year 2006 to 91.05% at year-end 2006, due to negative absorption of 25,406 square feet. Average asking rents in the Class B declined from \$16.00 per square foot to \$15.38 per square foot over this same period. As tenants in higher-end Class B space move into Class A space and as Class A rents increase, we can expect more of a divergence between Class A & Class B asking rates.

Colliers Keenan is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with offices throughout more than 50 countries worldwide.

## Suburbs

The suburban office market in Columbia experienced, as a whole, 157,695 square feet of absorption over the previous six months. Even with an increase in demand, asking rents remained fairly stable due to flat demand over the first six months of 2006. As the first six months of the year were defined by predominately lateral moves between existing tenants, the latter half of 2006 was defined by an influx of new tenants to the market and expansion of existing tenants. Twelve months ago, any expansion by existing tenants was done within existing space, but as the economy continues to improve, tenants are absorbing additional space to accommodate internal growth.

Substantial absorption occurred in the Cayce/West Columbia submarket, bringing occupancy from 51.0% at mid-year 2006 to 59.81% at year-end 2006. This submarket, which is absent of any Class A space, has the lowest average asking rent in the Columbia market.

The area along Devine Street, which consists of only 97,300 square feet, remains completely stable at 94.80% occupied. There is currently only 5,060 square feet of Class C space available in this area with an average asking rent of \$12.34 per square foot.

Forest Acres posted positive absorption bringing total occupancy up from 82.3% at mid-year 2006 to 85.24% at year-end 2006. Although average asking rental rates in this

submarket average \$1-\$2 per square foot lower than the CBD, properties in Forest Acres proper remain lesser occupied than properties not incorporated due to higher business taxes.

With Northeast Columbia being the fastest growing area in Columbia, Class A properties remained upwards of 90% at year-end, while Class B & C properties posted occupancies of 70.73% and 74.10%, respectively. The Class B market posted a lower occupancy due to large blocks of vacant office space that will likely be filled as new tenants come to the market. The Class C market experienced no activity over the previous six months. Many of these properties are older buildings and are due for conversion or renovation.

The St. Andrews office market experienced the most activity over the past six months with 58,363 square feet of absorption. Occupancy in the Class A market increased from 81.2% at mid-year 2006 to 87.08% at year-end 2006.

*Permission is granted to quote from this publication only when Colliers Keenan Inc. is credited as the source. All information contained herein was compiled utilizing data from sources deemed reliable. It is submitted without warranty. Data was collected as of December 2006 and encompasses all multi-tenant office buildings 10,000 square feet and greater.*



**collierskeenan.com**  
Colliers Keenan  
1301 Gervais Street  
Suite 600  
Columbia, SC 29201 USA  
Tel: (803) 254-2300  
Fax: (803) 252-4532