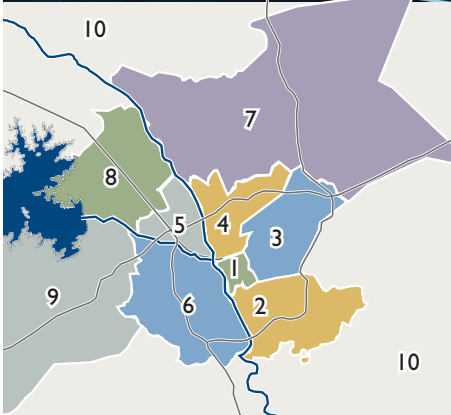




# Year-End Industrial Market

Q4 | 2007



## MARKET INDICATORS

	Q3	Q4
OCCUPANCY	↑	↑
ABSORPTION	↑	↑
RENTAL RATE	↑	↑
CONSTRUCTION	↑	↑

## QUICK UPDATES

- MARKET VACANCY AT HISTORICAL LOWS
- SPECULATIVE CONSTRUCTION NEEDED TO FILL MARKET DEMAND
- CONSTRUCTION COSTS AND DEMAND WILL CONTINUE TO PUSH RENTAL RATES UPWARDS

## Market Overview

The Columbia, South Carolina industrial market posted record absorption over the course of 2007. The market tightened to a point that the most difficult challenge was locating quality space for the number of prospective tenants in the market. While the market expanded by 358,614 square feet during 2007, the square footage absorbed was more than twice that number. After absorbing 752,848 square feet during 2007, the industrial market finished the year with a vacancy rate of 2.40%.

Very little speculative construction occurred in the Midlands market during 2007. A number of developers are however currently investigating the market to determine the feasibility of building new speculative industrial space, with several others proceeding to move forward with new developments.

Many challenges face developers in getting speculative projects financed in 2008. Nationwide sub-prime lending difficulties have caused many financial institutions to tighten their underwriting practices. This will make developing new projects more difficult and potentially curb what would have otherwise been a significant increase in new industrial development in Columbia in 2008.

## Industrial Zones

With the market absorbing newer space at a record pace during 2007, older Class C space faced challenges in attracting new tenants. The North Columbia industrial zone posted the highest vacancy rate in the Columbia market at year-end 2007, finishing the year with a vacancy of 8.13%. Of the 146,191 square feet of currently available space in this zone, only 27,000 square feet is Class A space. This newly developed space should be quickly absorbed in the first quarter of 2008.

The largest industrial zone in Columbia is the Bluff Road corridor, which contained 7,292,050 square feet of industrial space at year-end 2007. This market has experienced substantial conversion and demolition of older industrial space during 2006 and 2007, as condominiums and parking facilities were developed around Williams-Brice Stadium. As the older space was taken offline and the displaced tenants relocated into other vacant space in the area, this submarket tightened to a vacancy rate of 1.89%.

The Lexington industrial area posted the most dramatic change in occupancy over the course of 2007, with vacancy decreasing from 12.34% at year-end 2006 to only 0.51% at year-end 2007. The growth that occurred in this market can largely be attributed to a quickly expanding residential population, which commands increased warehouse and distribution space to supply the growing retail markets and employment base. Another factor in this area is the fact that no significant new construction or vacancies of existing space occurred in 2007.

The West Columbia and Northeast industrial zones were of the most interest to developers during 2007, largely due to interstate connectivity and proximity to the Charlotte and Charleston markets. In West



	Square Feet	Vacant Space	Vacancy Rate
Zone 1	2,668,742	60,000	2.25%
Zone 2	7,292,050	137,500	1.89%
Zone 3	1,806,380	73,248	4.05%
Zone 4	1,797,752	146,191	8.13%
Zone 5	571,377	18,675	3.27%
Zone 6	3,768,386	132,850	3.53%
Zone 7	4,437,056	176,850	3.99%
Zone 8	811,560	20,000	2.46%
Zone 9	4,325,226	22,000	0.51%
Zone 10	6,810,079	35,000	0.51%
Total Market	34,288,608	822,314	2.40%

Columbia, Lexington County has delayed plans to begin development of the proposed 600-acre Saxe Gotha Industrial Park at the juncture of I-77 and I-26 due to interest in the property shown by several national and international manufacturing prospects. In the Northeast, Michigan based developer, Kirco, announced plans to acquire and develop a 126-acre parcel in the Carolina Pines Industrial Park. The project will begin with the construction of an 184,000 square foot speculative building and will ultimately total 2,000,000 square feet at final build-out.

## Forecast

As 2008 commenced, there were approximately 20 prospects in the Columbia market looking for spaces ranging from 20,000 square feet to 300,000 square feet, with an approximate overall aggregate space requirement of in excess of 1,225,000 square feet. A continued shortage of quality industrial space to meet this demand is the key factor which may hinder our market in 2008. With very little product currently under construction, it is unlikely the market will see any significant new space come online until the second or third quarter of 2008.

Any absorption that occurs in the first two quarters of 2008 will largely be due to turnover of existing tenants. Properties occupied by weaker businesses may also create an opportunity for others as downsizing and consolidation continues.

On a very positive note, the Dubai-based company, Jafza International, which has purchased 1,322 acres in Orangeburg County along I-95 near Santee, SC, and has announced plans to develop both industrial and distribution space. Although final plans have not been announced, it is anticipated that it could take several years before this project sees any actual vertical development. When underway, this project could potentially have a very positive impact on both the Columbia and Charleston markets.

Average rental rates in the Midlands area should continue to rise as new space is brought on line in 2008 and 2009. A rate spread will continue to grow between existing Class A space, currently averaging \$3.95 per square foot and new Class A space, averaging \$4.50 per square foot, at year-end 2007. This divergence is largely due to both increases in market demand as well as universal escalation in construction costs.

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