



Colliers Keenan Goldsmith 2005 Mid-Year Office Market Greenville, SC



July 2005

Greenville Office Market On The Upswing

- CONTINUED POSITIVE ABSORPTION
- CBD REMAINS STRONG WHILE SUBURBS BEGIN TO TURN AROUND
- RIVERPLACE, PHASE I, OFFICE BUILDING COMPLETED
- HUBBELL LIGHTING ANNOUNCED EXPANSION AND MORE NEW JOBS BEFORE THEY BROKE GROUND
- OFFICE CONDOMINIUM DEVELOPMENT IS STILL ON THE RISE

Market Overview

The Greenville office market is experiencing continued marked improvement for the first half of 2005. The total office absorption of 163,027 SF is up 43% from 2004 totals. This resulted in an overall market vacancy rate of 18.6%, down significantly from YE 2004 of 23.7%.

Class A space continued to be the star performer in our market. The market posted Class A net absorption of 99,369 SF. As a result, the Class A vacancy rate fell to 7.1% in the CBD from 8.7% at YE 2004. Suburban Class A rates dropped from 25.8% at YE 2004 to 20.6% for mid year 2005.

Class B and C properties continue to struggle. The overall average asking rental rates for all classes have only slightly increased to \$16.28 PSF, up from the YE 2004 level of \$15.75 PSF. While the most softness in the market is in the suburbs, even those properties are enjoying an increase in leasing activity.

OFFICE INVENTORY AND PERCENT VACANCY RATES MID YEAR 2005					
	Central Business District		Suburban		Total Market
	Class A	Total	Class A	Total	
Total Inventory	1,917,199	2,989,545	1,812,114	3,837,287	6,826,832
Direct Vacant SF	116,837	371,729	373,266	900,237	1,271,966
Sub-lease SF	6,397	6,397	4,000	4,000	10,397
Direct Vacancy Rate	7.1%	12.4%	20.6%	23.5%	18.6%
Availability Rate (Direct and Sublease)	7.4%	12.6%	20.8%	23.6%	18.8%
Y-T-D New Product	87,000	87,000	0	0	87,000
Y-T-D Net Absorption	84,854	84,854	14,515	78,173	163,027
SF Under Construction	0	0	29,000	29,000	29,000
Average Asking Rental Rate/SF	\$19.75	\$17.67	\$16.88	\$15.11	\$16.28

MARKET FORECAST

During the first half of 2005, the Greenville office market experienced marked improvement in all measurements. With occupancies this high, it is expected that new properties will be brought online to meet the rising demand. Class A CBD office space will continue to be our strongest market leader. As new Class A buildings are delivered in the CBD, tenants are leasing them to update their environment. Key hubs such as RiverPlace, ICAR, and the Federal Courthouse will attract new cluster development linked by our major traffic arteries.

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Market Spotlight

◆ Central Business District

Optimism is on the rise in the downtown office market demonstrated by the strong performance in the occupancy rate increasing to 88.6%, a 4.9% increase over YE 2004. All of the incentives the City of Greenville has put in place to encourage mixed-use development are paying off. In the downtown market, the \$55 million RiverPlace mixed-use project, a 5-story office building located on Main Street, lead by developer Bob Hughes, now has Marsh USA, Inc., as a tenant. Marsh occupies 1/3 of the 87,000 square foot building, which will become fully leased upon completion as the Womble Carlyle law firm and other tenants occupy the remaining space.

The Pinnacle on Main, a new mixed-use project, being developed by Bob Ellis on North Main Street, will offer retail space on the ground level and penthouse residential condominiums on the upper level. The six floors in between will contain up to 6,912 SF of office condominium space per floor offered for sale above \$200 PSF. Several units have pre-sold. Office condominium development is a new niche being created in the downtown market.

On February 1, 2005, it was announced that TIC Properties purchased the Bank of America Plaza for over \$12 million. The Plaza, a 15-story, 192,000 SF office building, was 85% occupied at the time of the sale. A total redevelopment of the site is planned which will include renovated bank facilities, its own parking garage, and retail space. This building was constructed in the 1970's and is one of last major office buildings within the CBD to be redesigned.

The General Services Administration ("GSA") just announced plans to purchase the former Memorial Auditorium site,

also known as Greenville Gateway Site for the new 250,000 SF Federal Courthouse. If Congress approves funding, groundbreaking could occur as early as January 2007 and will promote new office development in the downtown market.

A 20-story tower, The Tower at Falls and Broad, will be the tallest of three announced new towers downtown and will bring 200,000 SF of new space. This mixed-use development being planned by Ron Vergnolle of PHC Communities has created the office condominium concept in the suburbs and is bringing it downtown.

◆ Suburban Market

The Suburban Market experienced continued growth in occupancy to 76.5%, with occupancy rates 5.3% over YE 2004.

The ICAR project continues to attract prospects. BMW, Microsoft, Michelin and IBM are partnering with Clemson University at ICAR. The first multi-story building is under construction for the graduate school of engineering. There continues to be development efforts by Rosen Associates who control the adjacent 532 acres known as the Millennium Park.

Hubbell Lighting broke ground on their new headquarters facility and will move another division from Connecticut to the area over the next 6 months adding 50

more jobs to their total Upstate employment for a total of 400 employees. Hubbell plans to invest more than \$36 million in a new facility to be completed in late 2006. Rosen officials are meeting with several groups in the next few months to develop pieces of adjacent property.

In May, the Hollingsworth Funds, Inc., announced a long-range development project of 1,100 acres of pristine land within Greenville's city limits. The first phase will include parks and residential areas. Future plans include hotels, corporate offices, professional services, and retail and civic services. The development is being planned as a live, work and relax community, similar to Daniel Island in Charleston, SC.

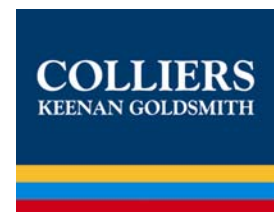
Liberty Properties Trust has just kicked off construction on a new 29,000 SF office building on a pad site in Independence Corporate Park located at I-85 and I-385.

Several new office condominium projects are coming on line in the suburbs, about 30+ units off Pelham Road near I-85, 80+ units off Woodruff Road and I-385, and several smaller parks in Mauldin off I-385. This seems to be a popular option for businesses wanting to own rather than lease. It remains to be seen what effect this will have on future office space vacancy.

NOTE: 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. Statistical data was collected as of June 30, 2005, and encompasses all office buildings 10,000 square feet and greater.

For further information
on the
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