

# Central business district has high-quality space available

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## Key Takeaways

- > Columbia's office market posted a positive absorption of 42,283 square feet due to the healthy suburban market activity during the second quarter.
- > Weighted rental rates rose this quarter as a result of higher-priced, quality available space within the central business district.
- > A variance in tax burdens is creating a competitive environment between Richland County and Lexington County.

## Creating competition between counties

Property taxes are often a deciding factor for new businesses interested in locating within a business district. Before moving, business owners will ask questions about how high the property taxes are within the district and if there are tax breaks for business owners. The answers to these questions will either assist or deter the region's efforts to draw new businesses.

According to the Tax Foundation, property tax is the principal source of revenue for localities. Taxes are imposed on business owners in every region; however, some counties have higher tax millage charges than others. A multitude of local political subdivisions such as counties, school boards and other agencies have specific millage charges as well. For this reason, the tax burden is less in Lexington County than it is in Richland County, creating a competitive, rather than cooperative, business environment between the two counties. As an example, below are office buildings from each county and the property taxes per square foot charged for each building and the millage rate.

Lexington County	Per SF	Millage Rate	Richland County	Per SF	Millage Rate
100 Executive Center Dr.	\$1.22	437.067	3700 Forest Dr.	\$1.46	535.500
440 Knox Abbott Dr.	\$1.42	437.067	1301 Gervais St.	\$2.00	595.300
220 Executive Center Dr.	\$1.45	437.067	1201 Main St.	\$2.20	559.700
111 Executive Center Dr.	\$1.55	437.067	1901 Main St.	\$2.21	559.700
250 Berryhill Rd.	\$1.58	374.790	1501 Main St.	\$2.22	559.700

## Market Indicators

Relative to prior period	Q2 2019	Q3 2019
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↔	↔
RENTAL RATE**	↑	↔

Note: Construction is the change in Under Construction.

\*Projected

\*\*Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

## Summary Statistics

Q2 2019 Columbia Office Market	Market	CBD	Suburban
Vacancy Rate	10.97%	10.29%	11.38%
Change From Q1 2018 (basis points)	+8	-49	+35
Absorption (Thousand Square Feet)	+42.28	-33.41	+75.69
New Construction (Thousand Square Feet)	0	0	0
Under Construction (Thousand Square Feet)	30.00	0	30.00

\*Note: New construction is buildings delivered.

## Asking Rents

Full-Service Per Square Foot Per Year	Market	CBD	Suburban
Overall	\$17.08	\$21.43	\$15.49
Change From Q2 2018	+3.81%	+4.25%	+2.99%
Class A	\$21.79	\$22.29	\$20.35
Change From Q2 2018	+3.07%	-0.13%	+6.94%

In January 2018, Colliers International benchmarked its office data set for South Carolina. The new standard includes: all office buildings 10,000 square feet or larger, except medical office and government-owned buildings; all single tenant office buildings; buildings in an expanded geography; data for all quarters beginning in Q4 2008; and excluding office condominiums. In addition, the submarkets are separated by class levels A, B and C (A being the highest quality space and C being of lesser quality), and are also divided into 2 divisions: **central business district (CBD)** and **suburban**. The central business district submarket consists of a highly-populated business area with infrastructure and an office building/high-rise environment, which is often accompanied by heavy daytime foot traffic. A Suburban submarket is an area or town existing as a mixed-use community within commuting distance of a larger city. Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.

As shown in the previous chart, the property tax charges are higher in Richland County. Of course, businesses desiring a downtown location may be willing to pay higher rates. However, due to parking struggles and a shortage of available space within the Columbia central business district, business owners may begin to locate in Lexington County more often than Richland County due to a lower level of property tax burden per square foot. The counties need to work in cooperation with one another in order to bring new businesses to both regions, instead of shuffling tenants from one region to the other.

## Market Overview

### Overall Columbia Market: Positive absorption lowers weighted rental rates

The Columbia office market is comprised of 16.12 million square feet of office properties within 8 submarkets. Construction continues on a 30,000-square-foot office building within the Cayce/West Columbia submarket. The overall market absorbed 42,283 square feet, and the vacancy rate dropped from 11.21% during the first quarter of 2019 to 10.97% this quarter. Also, due to higher quality space absorption throughout many submarkets, the overall market weighted rental rates dropped slightly from \$17.73 per square foot last quarter to \$17.08 per square foot during the second quarter of 2019.

### Columbia Business District (CBD): Quality space is available

The Columbia central business district consists of 5.56 million square feet and construction activity will remain at a standstill due to the high cost of new construction, lack of downtown parking and few downtown development options. Downtown office buildings posted a net negative absorption of 33,406 square feet; therefore, the central business district market vacancy rate rose from 9.62% during the first quarter of this year to 10.29% this quarter. In addition, the overall downtown weighted rental rates rose to \$21.43 per square foot during the second of 2019 due to high quality space availabilities at: First Citizens Bank at 1230 Main Street; 1441 Main; Meridian at 1320 Main Street; 700 Gervais and Capitol Center at 1201 Main Street.

### Suburban: High demand for suburbs continues

The Columbia suburban markets consist of 10.51 million square feet of office properties and there is one building under construction at 100 Corporate Boulevard in the Cayce/West Columbia submarket. The suburbs absorbed 75,689 square feet overall. Northeast Columbia absorbed 42,000 square feet with a large portion of that being attributable to the absorption of 25,007 square feet at 7909 Parklane Road. The Forest Acres submarket absorbed 38,656 square feet. The suburban vacancy rate dropped from 12.10%

during the first quarter of 2019 to 11.38% this quarter, the Cayce/West Columbia submarket had the lowest vacancy rate of 3.60% followed by East Columbia's vacancy rate of 3.72%, even though these submarkets are two of the smallest in the market, there is a high demand to locate there. The suburban market average weighted rental rates dropped from \$16.48 per square foot during the first quarter of 2019 to \$15.49 per square foot this quarter.

## Significant Transactions

This quarter there were 28 sale transactions, according to CoStar. During the second quarter of 2019, there were also 51 leases, most were signed by undisclosed tenants or were smaller than 10,000 square feet.

### Sales

- Boyd Watterson GSA REIT purchased the 186,000-square-foot office located at 300 Outlet Pointe Boulevard in Columbia for \$21 million.
- The Brown Building, a 12,813-square-foot office located at 1730 Main Street in Columbia, was purchased for \$2.17 million.

### Significant Leases

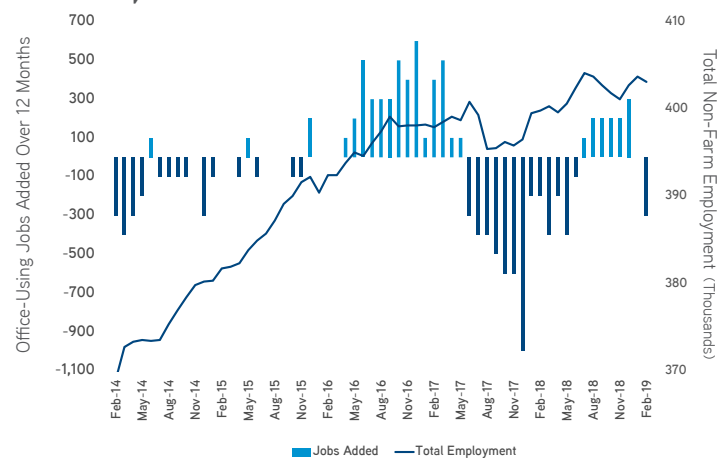
- Dot Charter School leased the entire 21,580-square-foot office building located at 2015 Marion Street in Columbia.

## Construction Pipeline

### Under Construction

- Construction continues at 100 Corporate Boulevard, a soon-to-be 30,000-square-foot office building within the Cayce/West Columbia submarket.

## Office-Using Employment | Columbia, MSAs



Source: Bureau of Labor Statistics, Colliers International

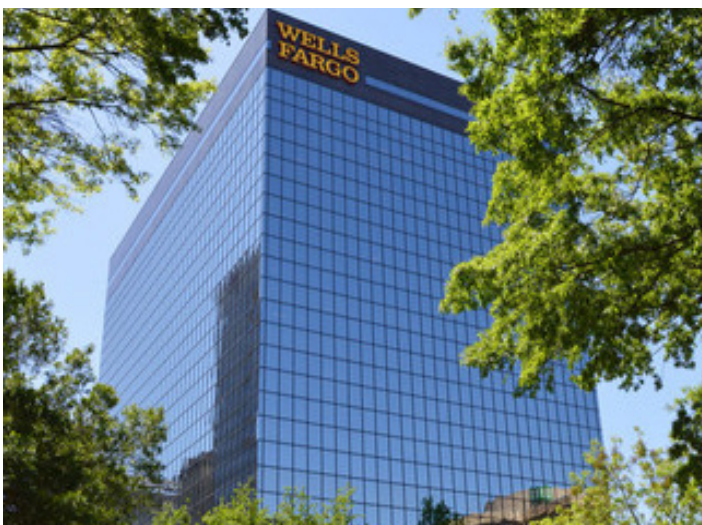
## Employment

Office-using employment are those jobs related to the professional and business services, financial activities and information sectors. According to the most recent February 2019 data from the Bureau of Labor Statistics, within the Columbia Metro Statistical Area (MSA) there were 300 less jobs during February of this year than there were in February 2018. However, there were 3,300 total jobs added over the past twelve months, raising the total non-farm employment to 403,100. The Columbia unemployment rate continues to drop and was at 2.8% as of April 2019. Manufacturing and construction jobs have posted the most employment growth during the second quarter of 2019.

## Market Forecast

Columbia’s central business district is undergoing a lull in office market activity; however, the suburban submarkets have piqued the interest of office tenants due to the submarket’s ample free parking, close proximity to residential areas and lower rental costs. Office development is not a viable option within the central business district because of rising construction costs. In addition, the central business district is situated in Richland County where there is a higher tax burden than the surrounding counties. Owners and tenants will continue to locate within Lexington County submarkets. Quality offices within the central business district will likely be absorbed in the coming quarters which will cause the weighted rental rates to decrease; absorption in suburban markets will be positive for the next few quarters.

### 1441 Main 1441 Main Street | Columbia, South Carolina



Source: Colliers International

## Around South Carolina

### Charleston, South Carolina

- > Charleston’s office market is positioned for continued growth and improvement throughout 2019 - vacancy will tighten as tenants compete for available space.
- > Suburban Charleston submarkets are rapidly growing and gaining new office development - the Upper Peninsula is becoming the desirable area to locate.
- > There are currently 832,819 square feet of office buildings under construction or renovation within the Charleston office market, which will eventually cause the market rental rates to rise as new product delivers.

### Greenville-Spartanburg, South Carolina

- > Class A office space accounts for 112,228 square feet of the central business district absorption.
- > Large leases drop the vacancy rate to 11.75% and the trend is expected to continue until the big blocks of office space are no longer available.
- > The average weighted rental rate is expected to drop in the next few quarters, until new office product delivers to the market.

### Commercial Real Estate Growth Cycle: Where the market stands and where it is going



## Q2 2019 Office Market Summary Statistics

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	AVERAGE ASKING RENTAL RATE (SF/YR)
<b>CAYCE/WEST COLUMBIA</b>								
Class A	4	665,024	-	-	-	0.00%	-	-
Class B	4	117,588	-	-	-	0.00%	-	-
Class C	19	771,498	55,970	-	55,970	7.25%	-8,946	\$12.00
<b>Cayce/West Columbia Total</b>	<b>27</b>	<b>1,544,110</b>	<b>55,970</b>	<b>-</b>	<b>55,970</b>	<b>3.60%</b>	<b>-8,946</b>	<b>\$12.00</b>
<b>EAST COLUMBIA</b>								
Class A	-	-	-	-	-	-	-	-
Class B	2	52,176	12,364	-	12,364	23.70%	-	\$19.00
Class C	24	611,027	12,294	-	12,294	2.01%	-3,924	\$15.89
<b>East Columbia Total</b>	<b>26</b>	<b>663,203</b>	<b>24,658</b>	<b>-</b>	<b>24,658</b>	<b>3.72%</b>	<b>-3,924</b>	<b>\$17.06</b>
<b>FOREST ACRES</b>								
Class A	-	-	-	-	-	-	-	-
Class B	6	305,840	50,633	-	50,633	16.56%	-3,725	\$16.35
Class C	22	826,203	147,777	-	147,777	17.89%	42,381	\$15.08
<b>Forest Acres Total</b>	<b>28</b>	<b>1,132,043</b>	<b>198,410</b>	<b>-</b>	<b>198,410</b>	<b>17.53%</b>	<b>38,656</b>	<b>\$15.33</b>
<b>IRMO/CHAPIN</b>								
Class A	-	-	-	-	-	-	-	-
Class B	3	77,009	-	-	-	0.00%	-	-
Class C	10	120,405	9,411	-	9,411	7.82%	-	\$17.00
<b>Irmo/Chapin Total</b>	<b>13</b>	<b>197,414</b>	<b>9,411</b>	<b>-</b>	<b>9,411</b>	<b>4.77%</b>	<b>-</b>	<b>\$17.00</b>
<b>LEXINGTON</b>								
Class A	3	167,028	2,362	-	2,632	1.41%	728	\$14.00
Class B	8	170,040	41,594	-	41,954	24.46%	-	\$11.26
Class C	8	125,364	-	-	-	0.00%	-	-
<b>Lexington Total</b>	<b>19</b>	<b>462,432</b>	<b>43,956</b>	<b>-</b>	<b>43,956</b>	<b>9.51%</b>	<b>728</b>	<b>\$11.41</b>
<b>NORTHEAST COLUMBIA</b>								
Class A	11	643,287	48,682	32,742	81,424	12.66%	34,050	\$20.41
Class B	19	1,851,465	171,370	-	171,370	9.26%	-1,236	\$16.99
Class C	15	485,925	140,221	-	140,221	28.86%	9,629	\$16.07
<b>Northeast Columbia Total</b>	<b>45</b>	<b>2,980,677</b>	<b>360,273</b>	<b>32,742</b>	<b>395,015</b>	<b>13.19%</b>	<b>42,443</b>	<b>\$17.11</b>
<b>ST. ANDREWS</b>								
Class A	7	513,032	119,371	-	119,371	23.27%	-2,982	\$21.50
Class B	25	1,624,850	87,780	-	87,780	5.40%	5,588	\$16.86
Class C	38	1,426,757	263,129	-	263,129	18.44%	4,126	\$14.22
<b>St. Andrews Total</b>	<b>70</b>	<b>3,564,639</b>	<b>470,280</b>	<b>-</b>	<b>470,280</b>	<b>13.19%</b>	<b>6,732</b>	<b>\$14.79</b>
<b>SUBURBAN SUBMARKETS</b>								
Class A	25	1,988,371	170,415	32,742	203,157	10.22%	31,796	\$20.35
Class B	65	4,153,968	363,741	-	363,741	8.76%	627	\$15.90
Class C	136	4,367,179	628,802	-	628,802	14.40%	43,266	\$14.77
<b>Suburban Submarkets Total</b>	<b>227</b>	<b>10,509,518</b>	<b>1,162,958</b>	<b>32,742</b>	<b>1,195,700</b>	<b>11.38%</b>	<b>75,689</b>	<b>\$15.49</b>
<b>COLUMBIA CBD SUBMARKET</b>								
Class A	13	2,305,367	205,101	31,161	236,262	10.25%	-11,555	\$22.29
Class B	26	1,818,300	241,200	2,427	243,627	13.40%	-5,529	\$20.78
Class C	57	1,437,652	92,469	120	92,589	6.44%	-16,322	\$19.32
<b>CBD Submarket Total</b>	<b>96</b>	<b>5,561,319</b>	<b>538,770</b>	<b>33,708</b>	<b>572,478</b>	<b>10.29%</b>	<b>-33,406</b>	<b>\$21.43</b>
<b>OVERALL MARKET</b>								
Class A	38	4,293,738	375,516	63,903	439,419	10.23%	20,241	\$21.79
Class B	93	6,017,268	604,941	2,427	607,638	10.09%	-4,902	\$17.14
Class C	193	5,804,831	721,271	120	721,391	12.43%	26,944	\$15.15
<b>Market Totals</b>	<b>324</b>	<b>16,115,837</b>	<b>1,701,728</b>	<b>66,450</b>	<b>1,768,178</b>	<b>10.97%</b>	<b>42,283</b>	<b>\$17.08</b>

Source: Colliers International, CoStar

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**400** offices in  
**68** countries on  
**6** continents

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**\$3.3**

billion in  
annual revenue

**2**

billion square feet  
under management

**17,000+**

professionals  
and staff

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