



Year-End Office Market

Q4 | 2007



Market Summary

The Charleston, South Carolina, office market absorbed 250,000 square feet of space during 2007, which brought the total market vacancy to 13.8% at year-end 2007. The market continued to absorb space over the course of the year, albeit at a much lower rate than previously experienced. In the past four to five years, the market has absorbed roughly 450,000 square feet of space per year. This decrease in market absorption, coupled with the construction of new space in 2007, resulted in an increase in market vacancy from the roughly 12% historically experienced.

Office space on the Charleston Peninsula remained in limited supply over the twelve months prior to year-end 2007, as the total market size increased by only 19,000 square feet. With very limited new construction, the occupancy rate remained the highest in the market at year-end 2007, finishing the year at 94.14%. The Class A market ended 2007 at a 95.13% occupancy rate and commanded the highest rental rates in the State.

Rental rates in the market have increased continuously over the past several years, resulting in a market average of \$19.67 per square foot at year-end 2007. Downtown Class A rates averaged \$29.00 to \$30.00 per square foot, and suburban Class A rates reached a new high of \$26.00 per square foot largely due to the amount of new construction occurring in the market.

The new tax change that was implemented in 2007 has pushed a significant burden on both non-personal residential property and commercial properties. As commercial projects are sold, tax rates are increasing by as much as 30% to 40%, which in turn has been passed on directly to tenants.

Forecast

Just as the residential real estate market has become a buyer's market, we expect to see great opportunity for tenants looking for space in 2008. This opportunity will be a direct effect of the downturn in the residential market, which experienced a 24% decrease from 2006 to 2007. As such, the homebuilding industry and related occupiers of space are expected to give up as much as 100,000 square feet of commercial office space in the first part of 2008. With an increase in vacancy, tenants will have the ability to negotiate more competitive rates and find very attractive sublet space.

The downtown market should experience a resiliency in rental rates through 2008, along with other submarkets such as East Cooper (specifically Mount

MARKET INDICATORS

	Q1	Q2
OCCUPANCY	↓	↓
ABSORPTION	↓	↓
RENTAL RATE	↑	↑
CONSTRUCTION	↑	↑

QUICK UPDATES

- TOTAL MARKET SIZE CONTINUES TO GROW
- CHARLESTON EMPLOYMENT BASE EXPANDS SIGNIFICANTLY
- RENTAL RATES INCREASE
- SUBURBAN MARKETS EXPAND GEOGRAPHICALLY



TOTAL OFFICE MARKET

Market	Total	Available	Sublet	Avg. Rate	Vacancy	Occupied Space
West Ashley	973,917	158,067	2,700	\$17.98	16.51%	813,150
Lower North Charleston	2,193,070	361,818	69,925	\$18.79	19.69%	1,761,327
Upper North Charleston	1,658,805	210,936	0	\$16.85	12.72%	1,447,869
East Cooper	2,378,496	310,712	40,717	\$21.26	14.78%	2,027,067
Downtown Charleston	2,063,704	120,886	0	\$23.55	5.86%	1,942,818
Total Market	9,267,992	1,162,419	113,342	\$19.69	13.77%	7,992,231

CLASS "A" OFFICE MARKET

Market	Total	Available	Sublet	Avg. Rate	Vacancy	Occupied Space
West Ashley	422,848	27,323	2,700	\$22.78	7.10%	392,825
Lower North Charleston	959,288	257,240	60,000	\$22.80	33.07%	642,048
Upper North Charleston	577,000	122,471	0	\$19.93	21.23%	454,529
East Cooper	1,544,520	242,587	32,000	\$26.49	17.78%	1,269,933
Downtown Charleston	1,031,219	42,600	0	\$28.00	4.13%	988,619
Total Market	4,534,875	692,221	94,700	\$24.00	17.35%	3,747,954

Pleasant and Daniel Island). The Lower North Charleston office market will most likely struggle with vacancy and rental rates, as a significant amount of new product was delivered in 2007.

Although the market experienced a significant amount of new construction in 2007, we expect this to continue in specific submarkets in 2008. Lower North Charleston will continue to see new office projects, with 715,000 square feet of office projects slated for development or redevelopment in the near future.

Downtown, Upper North Charleston and the Summerville area are of immediate attention due to traffic congestion and housing growth. While there are four sizable office projects under consideration in Summerville, no projects have commenced as of year-end 2007.

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COLLIERS INTERNATIONAL

266 OFFICES IN 56 COUNTRIES
ON 6 CONTINENTS

USA 98
Canada 18
Latin America 14

Asia Pacific 46
EMEA 65

\$54B in annual transaction volume
828M SF under management
10,171 Professionals

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