

Office Market Trends Charleston

Grubb & Ellis Research

Third Quarter 2008



Office Market Slows Down

There is little doubt that the ongoing downturn in the housing market and overall economy continues to affect the office market. And while not dramatic, the decreases in occupancy continue across all areas, with 4 of the 5 Charleston submarkets at or exceeding a 20 percent vacancy.

In response, Landlords are increasing incentives in the form of rent abatements and more generous tenant improvements to attract tenants who are seeking cost cutting measures and greater value. Additionally, quoted lease rates are continuing to decline.

Another trend that is emerging is shorter term leases and renewals. Because of the recent upheaval and uncertainty surrounding the outlook for the economy, many tenants are seeking the greater flexibility that comes with a shorter commitment.

Aside from some municipal and civic projects, new development and speculative projects have all but stopped. This is due to a lack of available capital and dwindling demand. Fortunately, developers had reduced growth over the past 18 months in response to the lowering absorption, adding little to the already growing inventory. However, until the housing market improves and business owners feel the economy is on a positive trajectory, demand for new development will remain flat.

Once demand resumes and positive absorption returns, those office property owners with a low cost basis and competitive operating expenses will begin to enjoy a recovery.

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Charleston Office Market Trends

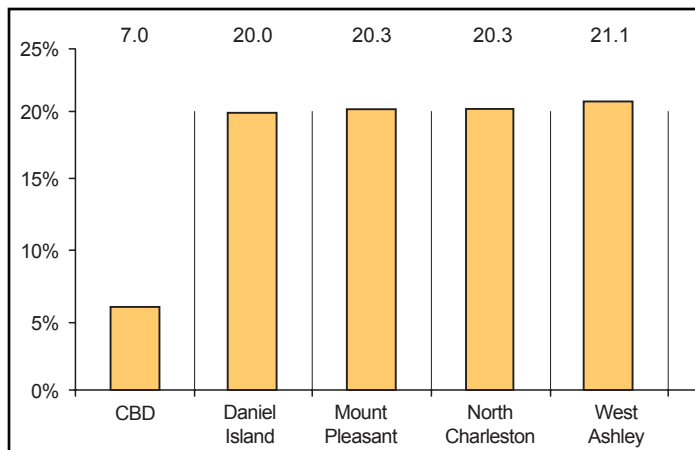
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Taylor Massey

Director of Marketing

E-mail: tmassey@barkleyfraser.com

Grubb & Ellis|Barkley Fraser
1483 Tobias Gadson Boulevard
Suite 109
Charleston, SC 29407
Phone: 843.725.7200
Internet: www.barkleyfraser.com
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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Charleston Third Quarter 2008

By Submarket (All Classes)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current Qtr	Year To Date	SF	Class A	Class B
Downtown	1,744,845	122,480	7.0%	260	8,451	35,000	\$28.60	\$26.63
CBD Total	1,744,845	122,480	7.0%	260	8,451	35,000	\$28.60	\$26.63
Daniel Island	1,044,779	208,741	20.0%	(9,791)	(31,190)	76,120	\$24.99	\$22.85
Mount Pleasant	1,522,254	309,503	20.3%	18,708	44,514	-	\$25.40	\$23.99
North Charleston	3,357,642	682,783	20.3%	22,073	37,459	390,098	\$22.24	\$20.00
West Ashley	1,096,469	231,760	21.1%	(11,678)	(20,413)	26,800	\$24.39	\$21.60
Suburban Total	7,021,144	1,432,787	20.4%	19,312	30,370	493,018	\$24.01	\$21.51
Totals	8,765,989	1,555,267	17.7%	19,572	38,821	528,018	\$25.42	\$22.19
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	4,150,638	846,188	20.4%	44,188	52,494	528,018	-	60,000
Class B	2,170,957	253,908	11.7%	(12,494)	(5,549)	-	-	14,790
Class C	2,444,394	455,171	18.6%	(12,122)	(8,124)	-	-	1,949
Totals	8,765,989	1,555,267	17.7%	19,572	38,821	528,018	-	76,739

(1) Inventory includes multi-tenant and single-tenant buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year, full service. Rates for each building are weighted by the size of the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures

For more information on the Charleston Office Market, contact one of our specialists:

Chris Fraser, CCIM President & Managing Principal cfraser@barkleyfraser.com 843.725.7200	Jon Chalfie Senior Vice President & Principal, Office Services jchalfie@barkleyfraser.com 843.725.7200	Jeremy Willits Senior Vice President & Principal, Office Services jwillits@barkleyfraser.com 843.725.7200	Gregg Legerton Associate, Office Services - Medical glegerton@barkleyfraser.com 843.725.7200
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Office Market Definitions:

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area... Class B properties compete for a wide range of users with rents in the average range for the area... Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported as full service where all costs of operation are paid by the landlord up to a base year or expense stop.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the building size.



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