Mid-Year Office Market

Q2 | 2008

MARKET INDICATORS

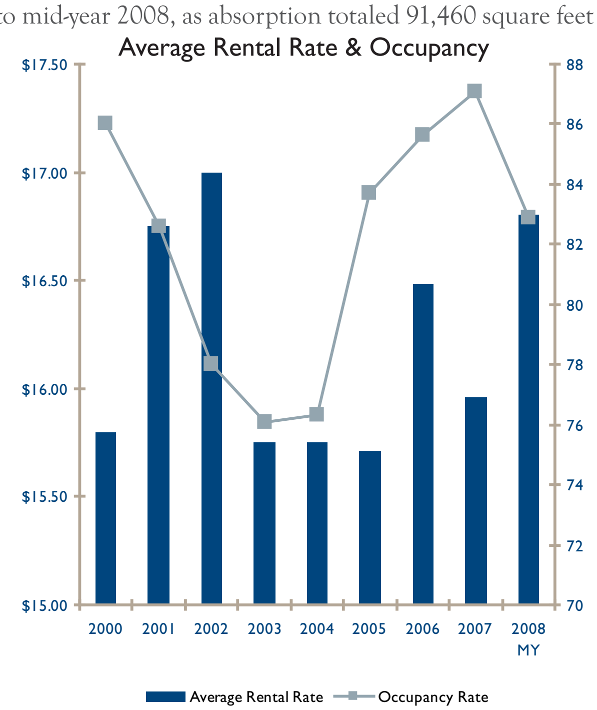
	Q1	Q2
Occupancy	↓	↓
Absorption	↑	↑
Rental Rate	↑	↑
Construction	↑	↑

QUICK UPDATES

- SUBURBAN MARKET EXPERIENCES RECORD ABSORPTION
- CBD GROWTH SLOWS
- LIMITED NEW PRODUCT EXPECTED
- RENTAL RATES LIKELY TO RISE IN 2008

MARKET SUMMARY

The Greenville, South Carolina, office market continued to show signs of expansion from year-end 2007 to mid-year 2008, as absorption totaled 91,460 square feet during this six month period. Although the market posted positive absorption, overall occupancies experienced a downturn due to an increase in total market size. The multi-tenanting of buildings at the Liberty Life Campus added 436,189 square feet to the Greenville office market, which resulted in a decline in market occupancy from 87.08% at year-end 2007 to 83.22% at mid-year 2008.



As the amount of occupied office space in the Greenville market increased over the first half of 2008, so did average asking rental rates. At year-end 2007 asking rental rates averaged $15.96 per square foot; average asking rents increased to $16.80 per square foot at mid-year 2008. Market demand can partially be attributed to this increase in rates, but the ever-increasing cost of construction also contributed to rising rental rates as landlords looked to recoup expenses from tenant improvements as well as the cost to construct new office properties.

CENTRAL BUSINESS DISTRICT

Greenville's downtown area experienced a slight decline in total occupancy as of mid-year 2008 with negative absorption totaling 9,288 square feet. The decrease resulted in an occupancy rate of 83.70% at mid-year 2008. This negative absorption was largely experienced in the Class B and Class C markets, as older buildings in the CBD are in dire need of updating in order to remain competitive. Tenants relocated from Class B and Class C properties to Class A properties in the CBD, and due to the tight supply of available Class A properties in the CBD, to Class A properties in the suburban market as well. The Class A market posted an occupancy of 89.10% at mid-year 2008, while the Class B and Class C markets posted occupancies of 77.14% and 62.67%, respectively.

Rental rates in the CBD continued to climb during the first six months of

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	Total Feet	Occupied	Vacant	Occupancy Rate	Absorption (Six Month)	Sublease Space	Average Rate	Class A Rate
Total Market	7,476,053	6,221,477	1,254,576	83.22%	91,460	156,583	$16.80	$20.52
CBD	3,143,532	2,631,251	512,281	83.70%	-9,288	36,583	$18.64	$21.92
Suburbs	4,332,521	3,590,226	742,295	82.87%	100,748	120,000	$15.26	$19.08

2008, principally in the Class A market. The highest quoted rental rate in the CBD was $25.75 per square foot at mid-year 2008, with Class A rents averaging $20.52 per square foot – up substantially from the average rent of $19.14 per square foot at year-end 2007. This increase in asking rental rates can be largely attributed to the fact that new projects, such as Riverplace and the Field House at West End, have broken the price ceiling previously experienced in Greenville's CBD.

Greenville's downtown area continued to draw attention from both planners and developers over the first six months of 2008, with a new master plan adopted in June 2008. As of mid-year 2008, there were also two mixed-use projects underway along Main Street. A 60,000 square foot office/retail development which will be adjacent to a Marriott hotel had commenced construction, and a 200,000 square foot office/retail project on the former Woolworth site was in the final planning stages. This development is also planned to contain a hotel component adjacent to the office/retail space.

SUBURBAN MARKET

The suburban market experienced across-the-board absorption, totaling 100,748 square feet, during the first six months of 2008. As market demand continued to increase in the suburbs, landlords became more confident, thus increasing average asking rental rates. Rental rates for Class A space increased at a greater rate than Class B and C properties from year-end 2007 to mid-year 2008. With an increase of 10.6% over this six month period, the average asking rental rate for Class A space was $19.08 per square foot mid-year 2008.

FORECAST

Looking forward to the end of 2008 and into 2009 the market could experience negative absorption as corporations either move into owner-occupied space or consolidate operations. In the long-term however, the Greenville office market should continue to grow at a robust pace. The two developments underway at mid-year 2008 will continue to push the price ceiling on average asking rental rates. A portion of the former Greenville Mall site is expected to be redeveloped into 100,000 square feet of office space by late 2009. As the upstate area continues to attract and retain employment opportunities on a global basis, we should continue to expect a steady growth within the office market.

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293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18

Asia Pacific 95
EMEA 62

$2.0B in Revenue
868M SF Under Management
11,000 Professionals

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