

Office Market Trends Greenville-Spartanburg

Grubb & Ellis Research
Third Quarter 2008

 **The Furman Co.**
Property Solutions Worldwide

The sublease space available in the Greenville-Spartanburg market is especially troubling because it is concentrated among the best spaces in the top locations.

Greenville Office Market Trends is a newsletter published quarterly by Grubb & Ellis|The Furman Co. To obtain additional copies or other Grubb & Ellis|The Furman Co. publications, please contact:

Brian Reed, AICP
Research Manager
E-mail: breed@furmanco.com

Grubb & Ellis|The Furman Co.
PO Box 2487
Greenville, South Carolina 29602
Phone: 864.242.5151
E-mail: breed@furmanco.com
Internet: www.furmanco.com
Independently Owned and Operated

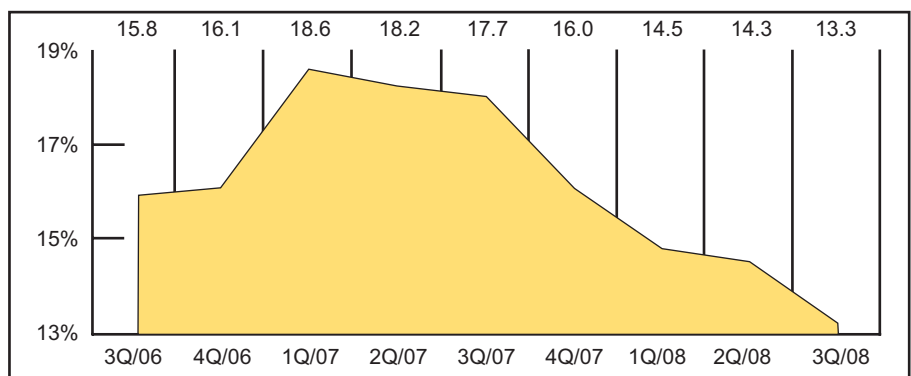
The subleases are coming!

Absorption in the Greenville-Spartanburg market was positive for the sixth consecutive quarter, bringing vacancy down to what should be a strong 13.3 percent. However, the increasing amount of sublease space available in the market is belying the absorption and vacancy trends. Since the second quarter of 2007, the amount of sublease space available has quadrupled, with almost half hitting the market in the last quarter.

In general, increasing amounts of sublease space available in the market are a concern because they indicate that existing tenants have more space than they need with little expectation of that changing in the next few years. It is one of the key indicators of a softening market. The sublease space in the Greenville-Spartanburg market is especially troubling because it is concentrated among the best spaces in the top locations. Specifically, there is almost twice as much Class A sublease space available in the CBD than there is direct space available space. This condition typically fuels a soft market and keeps rents from rising; with effective rents possibly moving downward as competition increases

The most significant spaces now available for sublease are 75,000 square feet at the Bowater Building in the CBD, 71,000 square feet at Poinsett Plaza in the CBD, and 75,000 square feet at 400 Brookfield Parkway in the Greenville Suburban submarket. All three are Class A properties and account for 60 percent of the sublease space available in the market.

In addition to the large amounts of sublease space available in the market, over 130,000 square feet of new office space is now under construction, and Cousins Properties and TIC Properties recently announced Washington Square, which is slated to bring an additional 200,000 square feet of Class A space to the Greenville CBD. New construction and proposed projects will be faced with the challenge of finding tenants in a market that has enough space available to accommodate over three years of typical Class A absorption.



Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Greenville-Spartanburg Third Quarter 2008

| By Submarket (All Classes) | Total SF(1) | Vacant SF(2) | Vacant % | Net Absorption | | Under Construction (3) | Asking Rent(4) | |
|-------------------------------|-------------------|------------------|--------------|----------------|----------------|---------------------------|------------------------|----------------|
| | | | | Current Qtr. | Year-to-date | | Class A | Class B |
| CBD | 3,194,579 | 441,874 | 13.8% | 5,724 | (3,457) | 55,000 | \$19.53 | \$17.04 |
| CBD Total | 3,194,579 | 441,874 | 13.8% | 5,724 | (3,457) | - | \$19.53 | \$17.04 |
| Greenville Suburban | 5,550,262 | 661,909 | 11.9% | 102,229 | 181,887 | - | \$17.71 | \$13.43 |
| Spartanburg | 1,369,577 | 246,-58 | 18.0% | (10,335) | 63,686 | 81,839 | \$19.47 | \$14.74 |
| Suburban Total | 6,919,839 | 907,967 | 13.1% | 91,894 | 245,573 | 81,839 | \$17.95 | \$13.82 |
| Totals | 10,114,418 | 1,349,841 | 13.3% | 97,618 | 242,116 | 136,839 | \$18.47 | \$14.82 |
| By Class (All Submarkets) | | | | | | | Available for Sublease | |
| | | | | | | | CBD | Suburban |
| Class A | 5,038,301 | 347,515 | 6.9% | (6,604) | 86,850 | 136,839 | 214,157 | 129,934 |
| Class B | 4,940,017 | 949,896 | 19.2% | 112,222 | 163,266 | - | 12,499 | 51,868 |
| Totals | 10,114,418 | 1,349,841 | 13.3% | 97,618 | 242,116 | 136,839 | 226,656 | 181,802 |

(1) Inventory includes multi-tenant and single tenant buildings with at least 20,000 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|The Furman Co. statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Office Market Terms & 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.

Office Building Classifications: Grubb & Ellis|The Furman Co. adheres to the Building Owners and Managers Association 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.

Vacancy: The vacancy rate is the amount of physically vacant space 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.

Office Advisors

Stephen B. Smith, SIOR
Executive Vice President
Managing Principal
ssmith@furmanco.com

Douglas H. Webster
Office Group
dwebster@furmanco.com

Charles D. Gouch, CCIM
Office Group
cgouch@furmanco.com

Alan M. Kirby
Office Group
akirby@furmanco.com

Thomas O. Molin, CCIM
Office Group
tommymolin@furmanco.com

Heather G. Hardman
Office/Medical Group
hhardman@furmanco.com