

Mid-Year Office Market

Q2 | 2009



MARKET INDICATORS

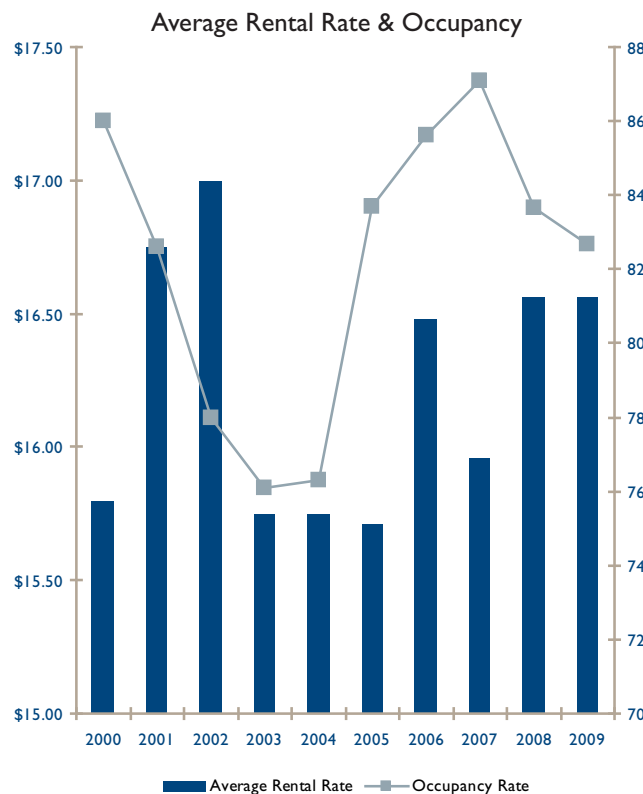
	Q1	Q2
OCCUPANCY	↓	↓
ABSORPTION	↔	↔
RENTAL RATE	↓	↓
CONSTRUCTION	↔	↔

QUICK UPDATES

- MARKET EXPERIENCES SLIGHT UPTICK IN ABSORPTION
- RENTAL RATES DECLINE DUE TO PERCEPTION OF "BUYERS MARKET"
- UNEMPLOYMENT RATE DECLINES AT END OF SECOND QUARTER

MARKET SUMMARY

The office market in Greenville, South Carolina, experienced a modest amount of activity during the first half of 2009 posting a positive absorption of 12,485 square feet. Although inventory



decreased ever so slightly, the amount of sublease space available to the market continued to impact rental rates as it created the perception of a "buyers market". Average asking rental rates declined from \$16.56 per square foot at year-end 2008 to \$16.39 per square foot at mid-year 2009.

The amount of sublease space available to the market totaled 302,851 square feet at mid-year 2009, but the majority of this was limited to large blocks of space including IMI's 52,631-square-foot office in the SunTrust Building on McBee Avenue, Lockheed Martin's 76,249-square-foot building on Brookfield Parkway and Infor's 120,000-square-foot block of space at Data Stream Plaza. Each of these blocks represents a unique situation and is not indicative of the market as a whole. For example, IMI, which

performs marketing for resort properties, was forced to downsize due to the collapse of the real estate markets in major resort destinations. Additionally, Lockheed Martin consolidated their operations with more than four years left on their lease and Infor combined regional operations due to a corporate merger.

During the first half of 2009, many tenants used the perceived softness in the market to renegotiate existing and future lease terms. Landlords weary of future economic conditions were much more likely to offer concessions such as free rent in exchange for lease renewals. This trend may dissipate as we get closer to 2010 should economic conditions rebound.



	Total Feet	Occupied	Vacant	Occupancy Rate	Absorption (Six Month)	Average Rate	Class A Rate	Class B Rate	Class C Rate
Total Market	7,625,052	6,305,430	1,319,622	82.69%	12,485	\$16.39	\$19.02	\$15.21	\$13.65
CBD	3,295,032	2,726,057	568,975	82.73%	57,159	\$18.32	\$21.01	\$16.22	\$15.97
Suburbs	4,330,020	3,579,373	750,647	82.66%	-44,674	\$14.93	\$18.73	\$14.21	\$12.79

Although businesses are learning to operate in less space than in years past, and many are downsizing when the option is available, there is still growth in the market. The education sector has continued to expand in a struggling economy as displaced workers look for advanced training. This resulted in Brown Mackie College leasing space in Liberty Square II and Webster University leasing space at Bonaventure II. Additionally, there has been talk of Clemson University's MBA program and a culinary school looking for space in the Greenville CBD.

The Main @ Broad development remained under construction at mid-year 2009 and was scheduled for completion in January 2010. As of mid-year, the 64,280-square-foot office/retail building had lease commitments on one 8,029-square-foot restaurant space. This development will also include a 135-room Courtyard by Marriott and 240-space parking garage.

While the CBD continued to experience development and leasing activity, the suburban market experienced 44,674 square feet of negative absorption. As many tenants have become value conscious, the space that became available was more expensive space than that previously on the market, which actually caused the asking rate to increase over this six-month period.

FORECAST

The end of the second quarter may have signaled the beginning of economic recovery as prices have started stabilizing and landlords are thinking harder on concessions and rent abatement. Unemployment rates increased continuously throughout the first half of the year, but experienced a 0.6% decline from June 2009 to July 2009, from 10.7% to 10.1%. While there are new tenants looking for space in the market, most range in size from 3,000 to 5,000 square feet. We do not expect significant growth or large new tenant prospects to reappear and scout the market until at least 2010.

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\$1.6B in Revenue
1.1B SF Under Management
12,749 Professionals

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