

GREENVILLE / SPARTANBURG
4Q17 OFFICE MARKET

PARKING CONSTRAINTS AND HIGHER RENTS HAVE SOME OFFICE TENANTS LOOKING BEYOND DOWNTOWN

The Greenville/Spartanburg office market ended the fourth quarter of 2017 with a vacancy of 9.4%, down from 10.7% in fourth-quarter 2016. Greenville's Central Business District continues to tighten and achieve premium rents compared with other submarkets. This quarter, rents in the CBD continued to increase and are now at an all-time high of \$23.78/SF.

Desire to be near Downtown Greenville's vast array of retailers, restaurants and attractions has led to a shortage of large blocks of space and much higher asking rates, as well as a shortage of parking. Parking constraints are furthered by residential population growth. The residential population in the CBD is expected to reach 2,500 in 2019, nearly four and a half times that of 2012.

In December, city officials completed an eight-month-long parking study that revealed major deficits, namely in the supply of short-term parking. The study highlighted the need for more parking meters and additional parking infrastructure Downtown. Public investment in parking infrastructure is costly and takes time, but will ultimately attract further private investment in the area. Greenville City Council will vote on these potential parking initiatives in January.

In light of the CBD's rising rental rates, parking constraints and lack of available space, some companies are choosing to locate elsewhere in the metro. For example, the demand for commercial space in the Pettigru Historic District, just east of Downtown, is on the rise. The number of businesses in Pettigru increased by 7% in just the last year, according to city licensing data.

Babcock Investment Co. recently scrapped original plans to convert The Hayne School in Pettigru into condos and townhomes in order to build office space. The Florida-based developer cited a desire to address growing demand for Downtown alternatives that still lie in close proximity to the traditionally popular areas of the market as the reason for the switch.

Notable Transactions for 4Q2017:

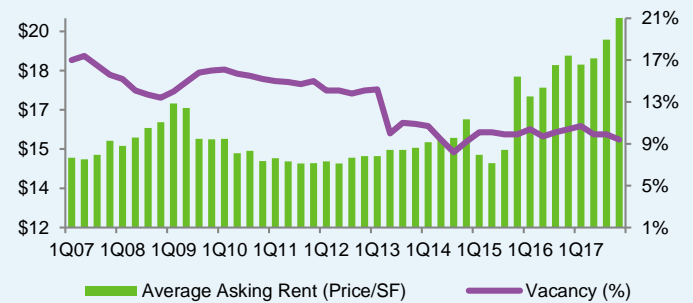
- 55 East Camperdown Way in the Greenville CBD sold for \$27 million
- Day & Zimmerman leased 42,618 square feet at 80 International Drive in the Pelham Road submarket

Current Conditions

- Vacancy rate down to 9.4% from 10.7% one year ago
- Class A vacancy: 11.1% - \$23.24/SF
- Class B vacancy: 9.2% - \$18.67/SF
- Class C vacancy: 6.6% - \$18.56/SF

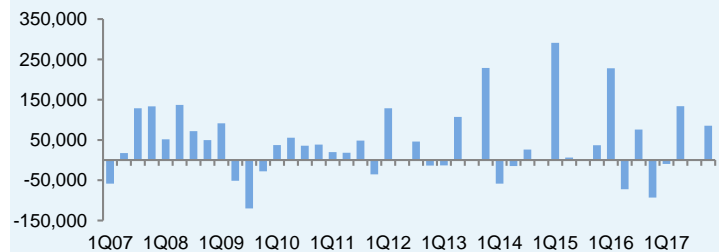
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	17.2MSF	17.2MSF	17.2MSF	↔
Vacancy Rate	9.4%	9.9%	10.6%	↓
Quarterly Net Absorption	85,479	1,431	-92,905	↑
Average Asking Rent	\$20.71	\$19.18	\$18.29	↑

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Submarket Statistics

	Total Inventory (SF)	Total Vacancy Rate	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Greenville County	15,561,776	9.8%	13.4%	85,984	209,163	\$19.80	\$18.92	\$19.72
Greenville CBD	3,970,946	9.6%	14.4%	3,063	72,204	\$24.32	\$21.71	\$23.81
Spartanburg County	1,284,573	8.1%	11.1%	4,818	16,514	\$14.77	\$19.36	\$14.06
Spartanburg CBD	2,196,972	6.1%	8.5%	1,226	1,573	\$15.77	\$19.36	\$14.77
Market	18,839,647	9.4%	12.9%	85,479	210,909	\$21.16	\$18.93	\$20.71

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Day & Zimmermann	80 International Dr	Pelham Road	New	42,618
	22 S Main St	Woodruff/I-385 Corridor	New	10,510
	33 Villa Rd	Pelham Road	New	8,500

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
55 E Camperdown Way	Greenville CBD	\$27,000,000	\$273.20	98,828
920 Woodruff Road	Woodruff/I-385 Corridor	\$6,200,000	\$323.35	19,174
112 Haywood Road	Woodruff/I-385 Corridor	\$2,878,500	\$205.61	14,000

**SOUTH CAROLINA
4Q17 LABOR STATISTICS**

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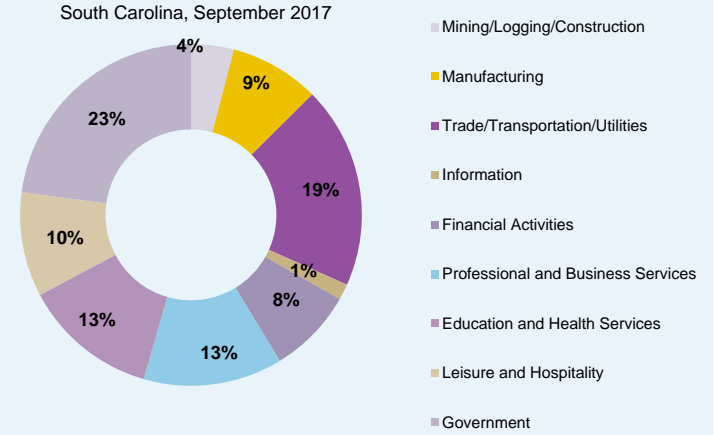
ECONOMIC CONDITIONS

Unemployment in South Carolina has reached an all-time low of 3.9% as of August 2017. The national average for unemployment is currently at 4.1%. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

South Carolina was ranked fourth for business in Chief Executive's 13th annual Best and Worst States for Business Survey, an advancement of three spots from last year and its highest position yet. Additionally, South Carolina was ranked third for manufacturing and fifth for technology. The rankings, which capture current CEO perceptions of South Carolina's business climate, are considered a good gauge of the state's ability to attract and retain business investment.

This year alone, 60 projects were announced in 25 different counties in the state, according to the South Carolina Department of Commerce. In June, three major projects were announced: BMW's expansion in Spartanburg; Samsung's new facility in Newberry; and T-Mobile US's expansion into North Charleston. These projects represent the creation of more than 2,300 new jobs and nearly \$1.0 billion in capital investment.

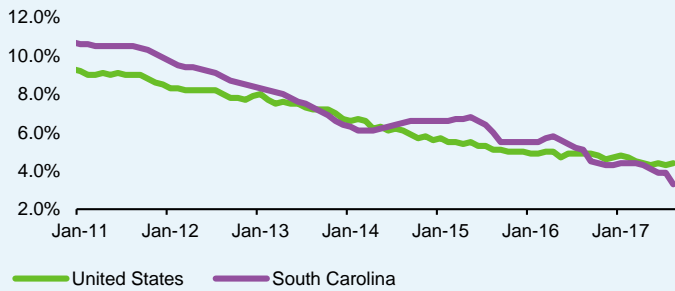
Employment By Industry



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

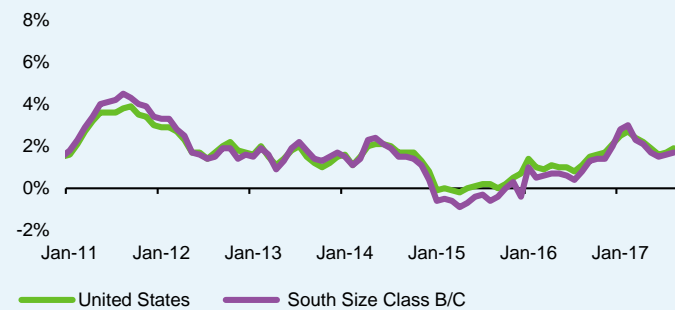
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

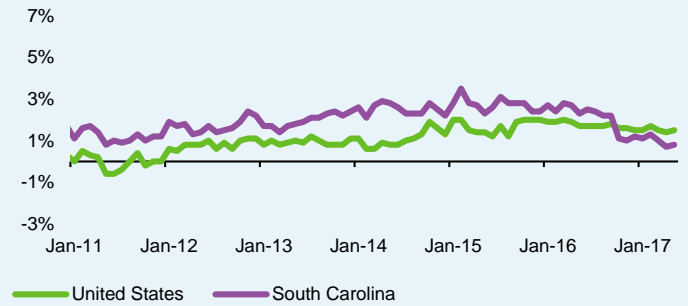
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

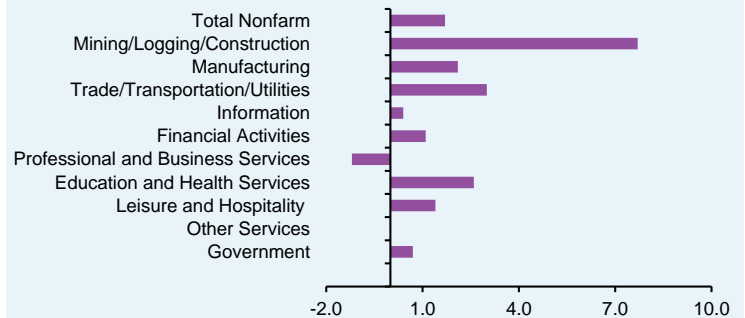
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

South Carolina, October 2017, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

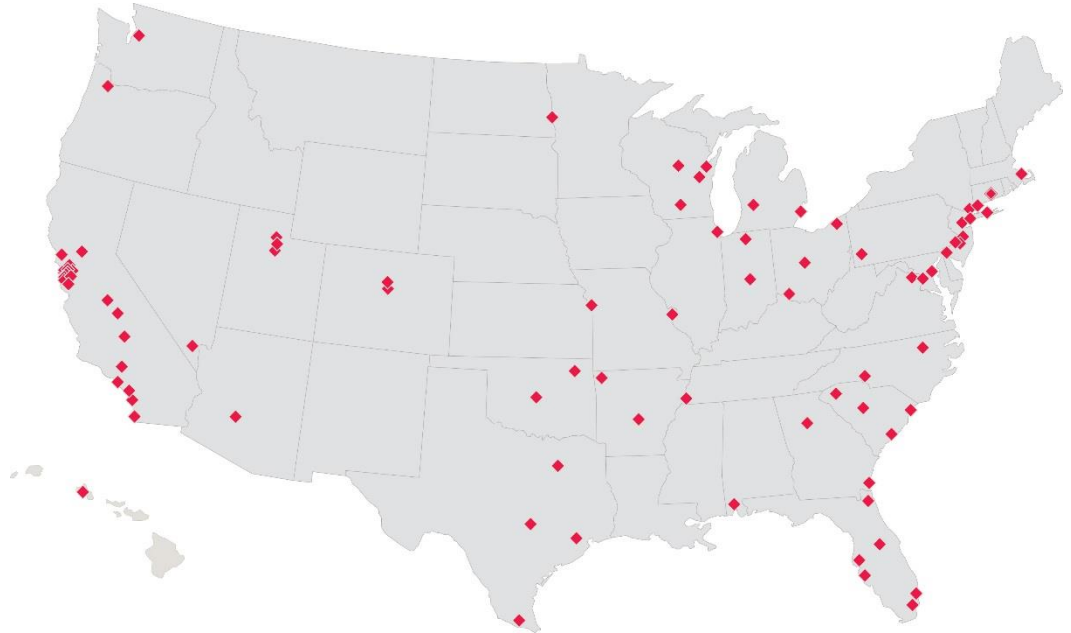
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