

COLUMBIA
1Q18 OFFICE MARKET

LACK OF NEW SPACE LEADS TO ALL-TIME HIGH RENTAL RATES

Rental rates continue to rise across the market. In the Central Business District, rents have reached an all-time high of \$20.84/SF. Market-wide rates have increased to \$17.17/SF from \$16.09/SF two years ago.

All three office classes have seen rate increases over the past quarter, with the average Class A office space fetching nearly \$20.00/SF. While Main Street addresses command rates of around \$25.00/SF, off-main and suburban Class A spaces feature much lower asking rates while offering many of the same amenities. For some time now, landlords have been reaping the benefits of a lack of new office construction and receding space by increasing rental rates quarter after quarter.

No new office construction of significant size has been announced for the Columbia market in 2018. In light of current construction costs, sizeable new office construction likely will not take place until rental rates rise significantly higher. The few spaces coming to market are largely located within mixed-use developments around the perimeter of Columbia proper, such as the two riverfront developments, Sola Station in Columbia and the Brookland Development in West Columbia, which are set to deliver this summer.

As vacancy continues to decline and construction lags, Columbia office users could find themselves at a crossroads as to whether their desire to stay in the market is worth the rising asking rates. Rates are expected to continue to rise, but only as far as the market will allow before companies decide to move elsewhere or new office space is built.

In the meantime, office users continue to redevelop existing nontraditional spaces in order to meet their needs. In December, Richland County announced plans for its “Richland Renaissance,” which entails relocating its current operations to Columbia Place Mall. The county plans to utilize three of the four anchor tenant spaces for its county operations. It had hoped to purchase the fourth anchor space, currently home to a functioning Macy’s, but was unsuccessful in making a deal.

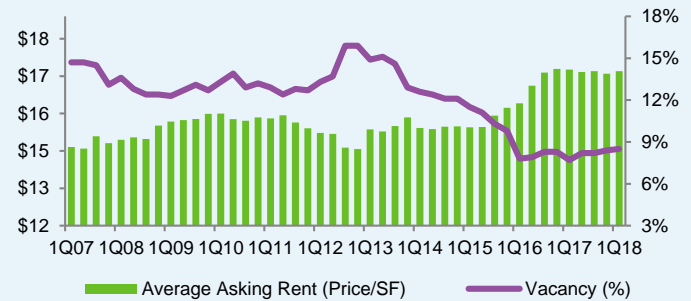
The long-term goal of the “Richland Renaissance” is to address areas of long-term vacancy and encourage revitalization of neglected areas throughout the county by repurposing forgotten commercial space, much of which is either retail or industrial space that has remained vacant for months or years. This space will continue to be adopted by office users seeking an alternative to what is currently available.

Current Conditions

- Class A vacancy: 12.4% (from 11.1%) - \$19.66/SF
- Class B vacancy: 7.9% (from 8.2%) - \$16.06/SF
- Class C vacancy: 5.4% (from 5.6%) - \$15.45/SF
- Rates in the CBD continue to rise, coming in at an average of \$20.84/SF across classes with Class A space leasing at \$22.06/SF

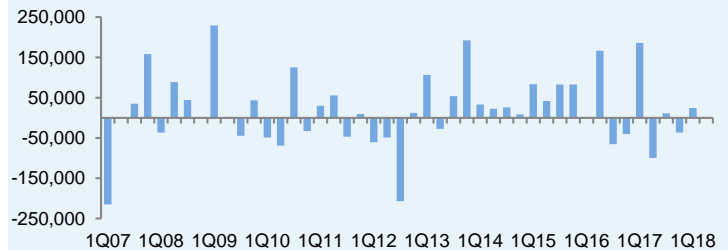
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	18.9 MSF	18.9 MSF	18.8 MSF	↔
Vacancy Rate	8.5%	8.4%	7.7%	↔
Quarterly Net Absorption	24,357	-36,493	186,160	↑
Average Asking Rent	\$17.17	\$17.08	\$17.22	↑

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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)
Cayce / West Columbia	1,214,098	9.3%	13.1%	-42,160	-42,160	\$17.50	-	\$17.50
Downtown - CBD	6,936,507	7.2%	9.9%	9,068	9,068	\$20.94	\$20.15	\$20.84
Dutch Fork / Irmo	631,516	1.7%	1.7%	-	-	\$17.75	-	\$17.75
Forest Acres	1,286,560	12.8%	17.0%	3,391	3,391	\$16.01	\$16.25	\$16.01
Lexington	527,407	9.6%	9.6%	3,196	3,196	\$17.00	-	\$17.00
North Columbia	1,624,996	5.3%	6.3%	-5,000	-5,000	\$19.59	-	\$19.59
Northeast Columbia	2,359,345	14.1%	17.8%	-31,105	-31,105	\$15.29	\$14.08	\$15.13
Saint Andrews	3,394,695	9.3%	14.9%	69,463	69,463	\$15.88	\$14.75	\$15.83
Southeast Columbia	1,009,390	3.4%	4.7%	17,504	17,504	\$16.76	-	\$16.76
Suburban Total	12,048,007	9.2%	12.6%	15,289	15,289	\$15.72	\$14.26	\$15.61
CBD Total	6,936,507	7.2%	9.9%	9,068	9,068	\$20.94	\$20.15	\$20.84
Market	18,984,514	8.5%	11.6%	24,357	24,357	\$17.24	\$16.54	\$17.17

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Department of Juvenile Justice	220 Executive Center Dr.	Saint Andrews	Move-In	52,034
Bank of America	1301 Gervais St.	CBD	Renewal	19,140
	1556 Man St.	CBD	Move-In	6,322

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
19 Technology Cir.	Northeast Columbia	\$1,600,000	\$126.96	12,996
1911 Gadsden St.	CBD	\$950,000	\$95.00	10,000
140 Dutchman Blvd.	Dutch Fork/Irmo	\$550,000	\$73.33	58,806

**SOUTH CAROLINA
1Q18 LABOR STATISTICS**

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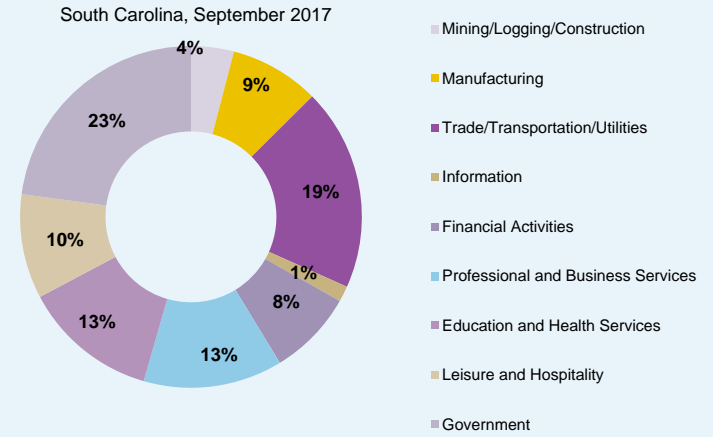
ECONOMIC CONDITIONS

Unemployment in South Carolina has risen from 3.9% in August 2017 to 4.3% in January 2018. The national average for unemployment has held steady 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 Business Facilities magazine's 2017 state of the year. The magazine, which has targeted corporate site selectors and economic development professionals for more than 50 years, cited Samsung's new \$380 million home appliance plant in Newberry County, along with BMW and Volvo's expansions that have catapulted South Carolina to one of the top places to do business in the country.

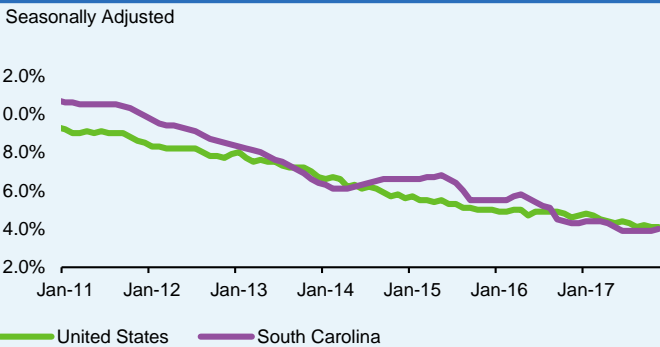
South Carolina brought in 157 economic development projects and \$5.2 billion in capital investment in 2017. This was also the state's eighth consecutive year of record-setting total export sales. The SC Export Incentives Program, which reimburses small and midsize businesses that participate in trade missions and exhibitions, has been credited with encouraging the state's steady export growth, from \$24.7 billion in 2011 to \$32.0 billion in 2017. Vehicle exports dominated at \$11.0 billion, followed by aircraft at \$6.0 billion and machinery at nearly \$4.0 billion.

Employment By Industry



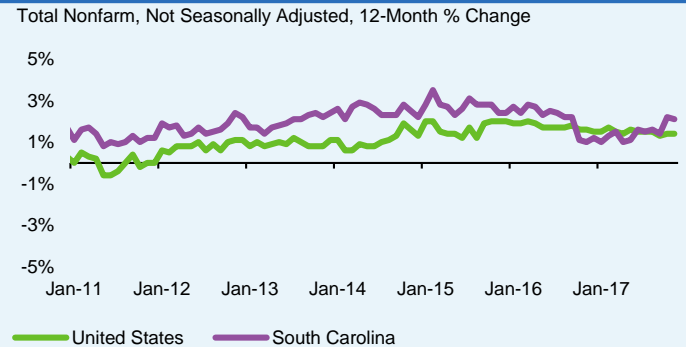
Source: U.S. Bureau of Labor Statistics

Unemployment Rate



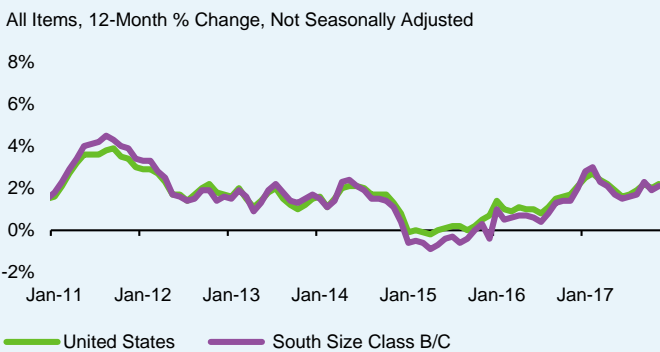
Source: U.S. Bureau of Labor Statistics

Payroll Employment



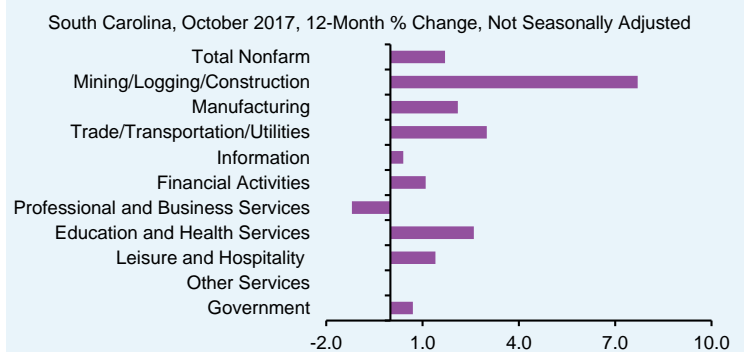
Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry



Source: U.S. Bureau of Labor Statistics

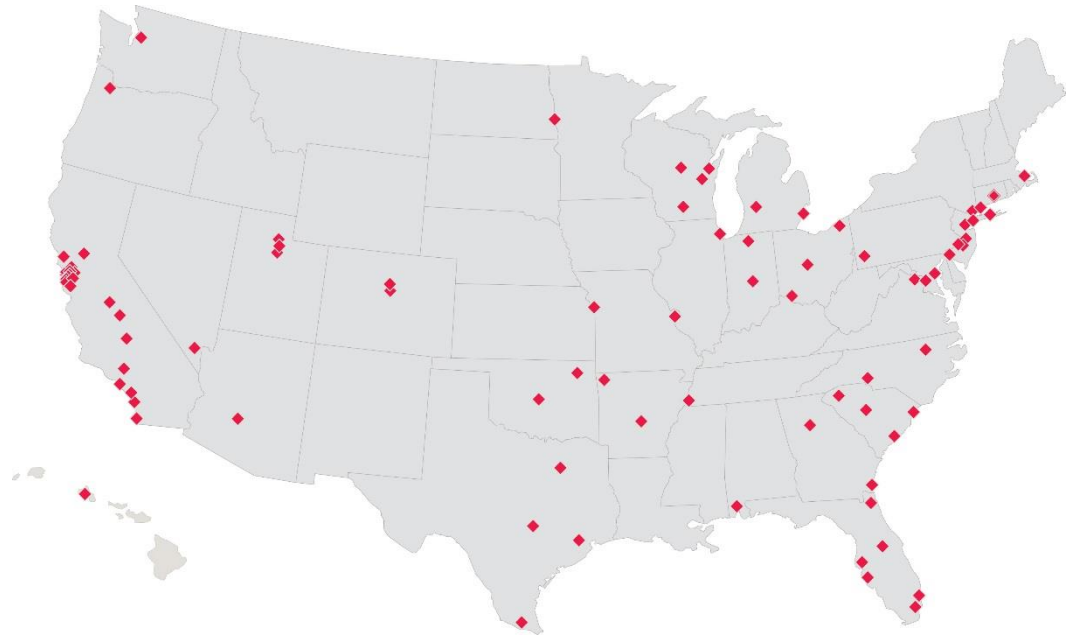
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