

GREENVILLE OFFICE MARKET

ECONOMY ON TRACK FOR LONGEST EXPANSION

The U.S. economy has now officially entered the second-longest economic expansion on record. In fact, the stimulus of federal tax reform has increased the probability that this economic upturn will result in the longest expansion in history, a milestone set to occur in July 2019. Market fundamentals are strong, and commercial real estate is performing well. The latest forecasts predict that the cycle will not turn until as late as 2020 or 2021.

On a national level and across all commercial property types, investors are looking to value-add opportunities and site redevelopment in lieu of new construction. Nationally, construction costs have risen 4.2% year-over-year. As tariffs increase the cost of many key construction materials, such as steel and aluminum, contractors will have to assume much of the cost. A tight market for skilled labor with an increase in demand for various materials will further drive up construction costs across the U.S.

Vacancy has held steady in Greenville's Central Business District for the past 12 months, while rents have increased 9.2% year-over-year to \$25.47/SF, an all-time high. Thirty-three office leases were signed in the CBD so far this year. This is a slight slowdown from the past three years, when an average of 58 leases were signed per year.

Notable sales this quarter:

- HCP, Inc. purchased 16 Greenville Health System-leased properties with a total of 856,179 SF for \$285 million (\$332.00/SF).
- Dominion Realty purchased the 61,047-square-foot Ogletree building at 300 N Main St. for \$11.42 million (\$187/SF)

Notable leases this quarter:

- ARCpoint Occupational Services leased 6,504 SF at 131 Falls Street in Greenville's CBD
- Agilis Engineering signed a 6,414-square-foot lease at 37 Villa Rd. in the Pelham Road submarket

CURRENT CONDITIONS

Vacancy across the market holds steady at 10.5%

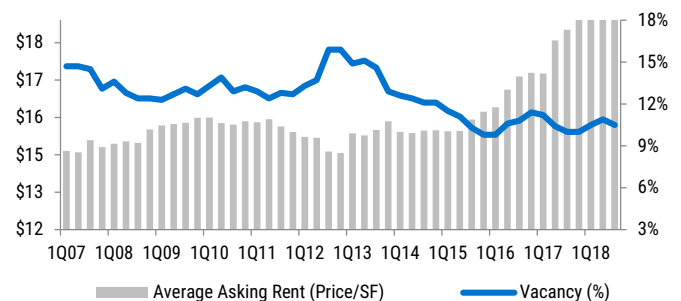
Average rents across the market have risen 5.1% in the last twelve months

Greenville CBD rents have risen to \$25.47/SF

MARKET ANALYSIS

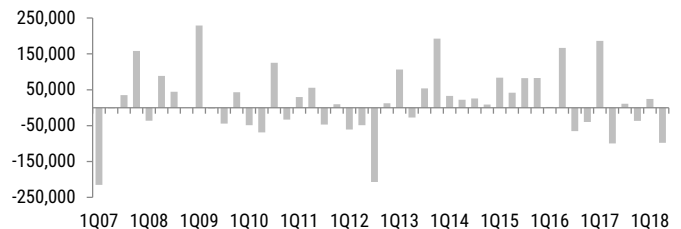
Asking Rent and Vacancy

Asking Rent and Vacancy



Net Absorption (SF, Millions)

Net Absorption
Square Feet



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	18.9 MSF	18.9 MSF	18.9 MSF	↑
Vacancy Rate	10.5%	10.9%	9.9%	↓
Quarterly Net Absorption	7,935	-97,682	79,451	↑
Average Asking Rent	\$19.68	\$19.39	\$18.72	↑

SUBMARKET STATISTICS

	Total Inventory (SF)	Total Availability Rate	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Greenville County	15,677,472	14.4%	11.5%	387	-106,963	\$22.06	\$16.51	\$21.32
Greenville CBD	4,096,252	14.5%	11.7%	-56,242	-90,406	\$24.95	\$19.15	\$25.47
Spartanburg County	3,247,185	7.7%	5.8%	7,548	34,515	\$21.64	\$18.44	\$20.17
Spartanburg CBD	1,284,480	9.7%	8.0%	8,421	13,022	\$16.92	\$18.44	\$18.01
Market	18,924,657	13.3%	10.5%	7,935	-72,448	\$22.05	\$16.74	\$19.68

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Arcpoint Occupational Services	131 Falls St	Greenville CBD	New	6,504
Agilis Engineering	37 Villa Rd	Pelham Road	New	6,414

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Greenville Health System Portfolio	Marketwide	\$285,000,000	\$332.00	856,179
Ogletree Building – 300 N Main St	Greenville CBD	\$11,420,000	\$187.00	61,047

ECONOMIC CONDITIONS

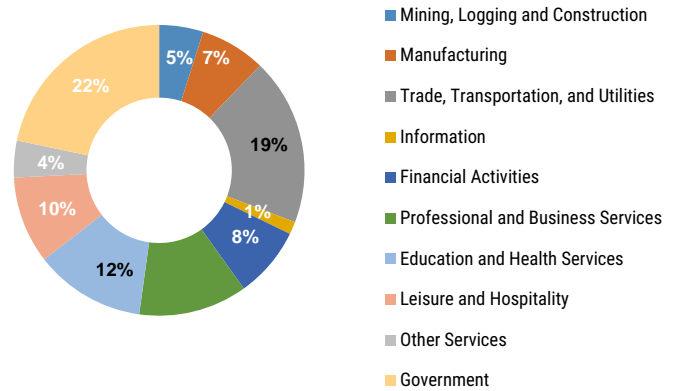
Unemployment in South Carolina remains low at 3.4% as of August 2018, even lower than the national unemployment which came in at 3.9%. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

As South Carolina approaches full employment, labor shortages constitute the largest hurdle to continued expansion. Various workforce training programs exist to promote workforce development in the state. One such program, readySC, offers customized training for new or expanding businesses in South Carolina at little or no cost to qualifying companies.

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

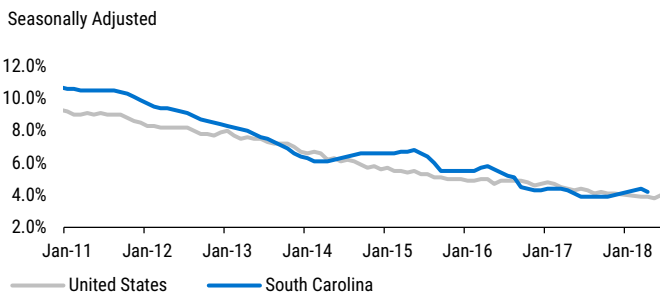
South Carolina, 2017



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

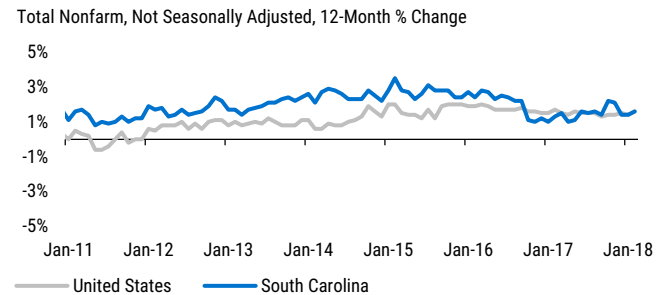
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

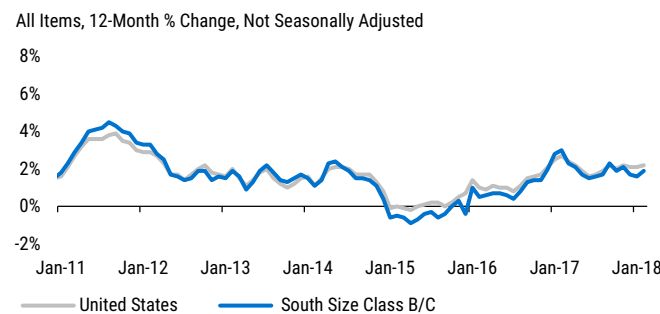
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

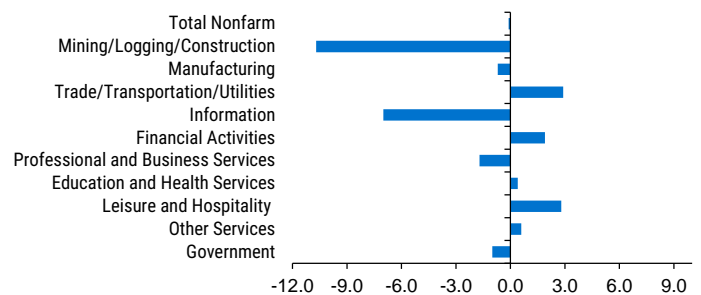
All Items, 12-Month % Change, Not Seasonally Adjusted



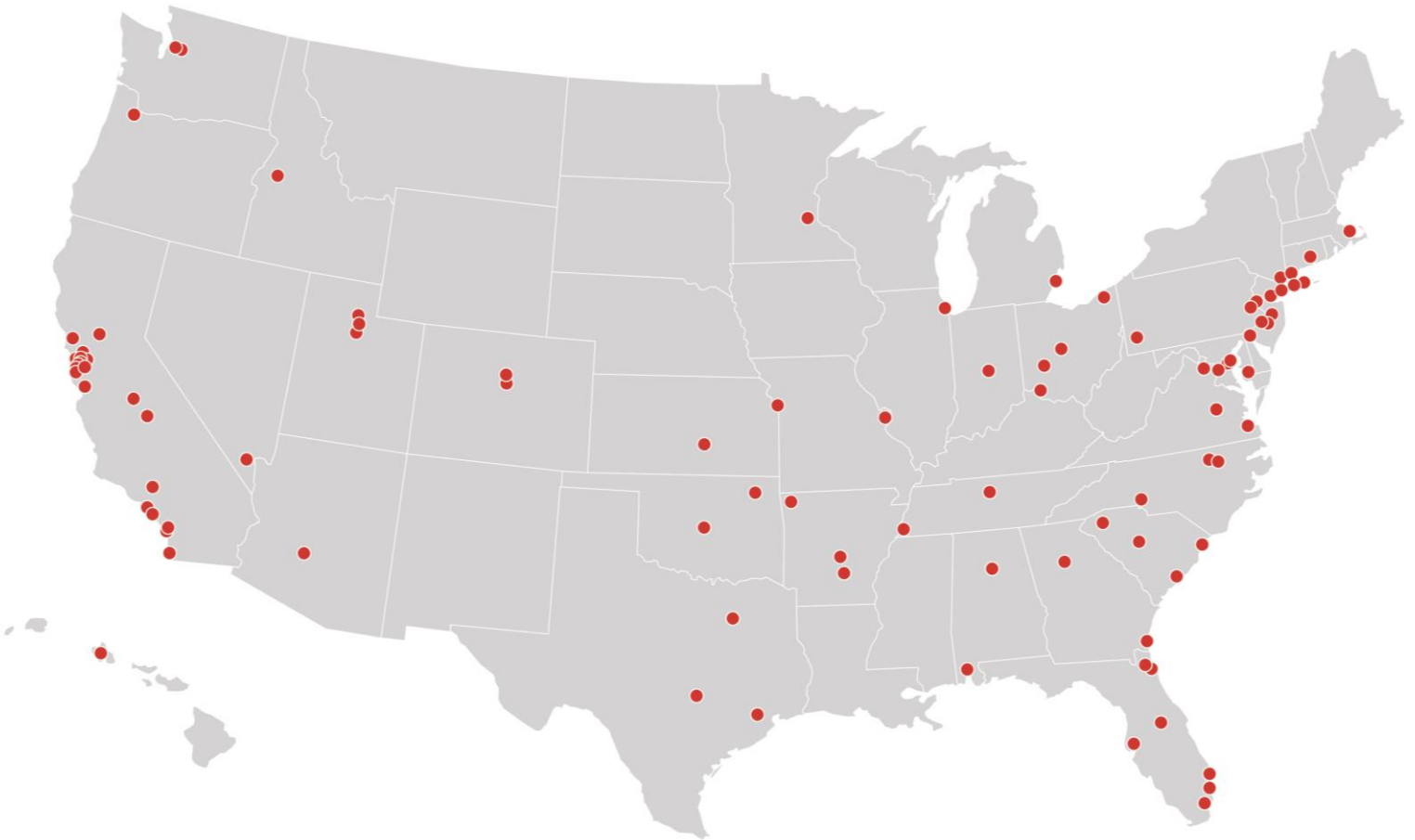
Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

Columbia, April 2018, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics



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