

COLUMBIA OFFICE MARKET



MARKET CONTINUES TO TIGHTEN DUE TO THE LACK OF NEW, QUALITY OFFICE SPACE

The economy passed a significant milestone this year: This is now officially the second-longest expansion on record. Market fundamentals are strong, and commercial real estate is performing well this year, but caution still abounds. The latest forecasts predict that the cycle will not turn until as late as 2020 or 2021, yet caution still abounds. In turn, lenders in most markets are wary of extending seven- or 10-year loans and are particularly restrained in the issuance of construction loans. Uncertainty about the economy and recent tariffs, as well as an extremely tight labor market, have investors operating with hesitancy, often spending on necessary operation costs while forgoing larger investment projects— at least for the time being.

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. In the office sector, owners have responded to fierce competition by offering site improvements in order to lure tenants.

Rates across the Columbia office market have increased to \$17.50/SF from \$16.67/SF one year ago, a 5.2% increase in just one year. In the Central Business District, rates still hover around the \$20/SF mark. The cost of construction continues to drive up rates, as landlords must contend with increasing labor costs in order to complete tenant improvements and upfits upon lease executions and renewals. Nationally, construction costs increased 2.64% from December 2018 to January 2019. 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., which are expected to continue to increase but at a slower pace than in previous months.

Due to the lack of new, quality office space, vacancy is down across the market to 7.1% from 7.5% one year ago and 8.0% during second-quarter 2017.

30,000 square feet at 100 Corporate Blvd. was delivered late in the quarter, and no new space above 10,000 square feet is currently under construction. The current rental rates simply do not justify the cost of new construction at this time.

CURRENT CONDITIONS

Marketwide vacancy down to 7.1% from 7.5% last quarter

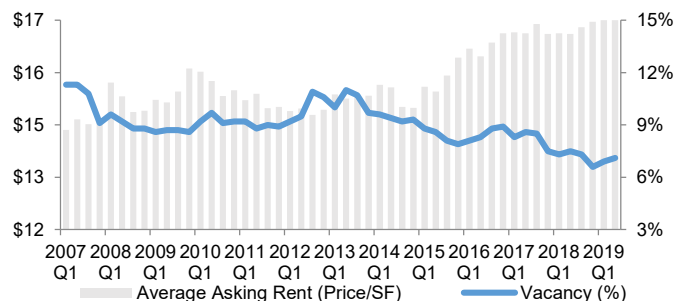
Net absorption for the quarter was -69,063, though CBD absorption remained positive

Average rents remain around \$17.50/SF while CBD rents continue to hover around \$20/SF

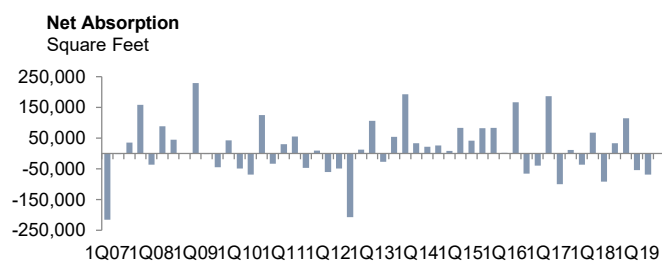
MARKET ANALYSIS

Asking Rent and Availability

Asking Rent and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	23.88 MSF	23.85 MSF	23.68 MSF	↔
Vacancy Rate	7.1%	6.9%	7.5%	DOWN
Quarterly Net Absorption	-69,036	-53,899	-21,616	DOWN
Average Asking Rent	\$17.54	\$17.76	\$16.67	↑

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	1,997,811	4.3%	3.4%	240	292	\$11.73	\$18.00	\$11.96
Downtown (CBD)	8,042,140	6.7%	8.5%	3,830	-15,689	\$20.28	\$20.76	\$19.95
Dutch Fork / Irmo	652,216	2.6%	5.8%	-13,206	-13,206	\$21.27	-	\$21.27
Forest Acres	1,492,983	15.4%	16.7%	8,521	-66,030	\$15.67	\$21.00	\$15.73
Lexington	683,665	6.4%	6.4%	14,728	18,728	\$11.22	-	\$11.22
North Columbia	1,918,651	4.8%	5.3%	-2,000	-14	\$21.77	-	\$21.77
Northeast Columbia	3,647,094	10.8%	13.2%	-89,194	-62,202	\$17.05	\$11.47	\$16.71
Saint Andrews	4,045,270	7.0%	10.4%	5,272	5,861	\$17.02	-	\$17.02
Southeast Columbia	1,401,125	0.9%	3.5%	2,746	12,746	\$14.03	-	\$14.03
Suburban Total	15,838,815	7.3%	9.4%	-72,893	-107,273	\$16.43	\$12.70	\$16.30
CBD Total	8,042,140	6.7%	8.5%	3,830	-15,689	\$20.28	\$20.76	\$19.95
Market	23,850,955	7.1%	9.1%	-69,063	-122,962	\$17.50	\$17.54	\$17.50

LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Baker Donelson Bearman	TD Bank Building - 1501 Main St	CBD	New	27,340
Dot Charter School	2015 Marion St	CBD	New	21,580
CDM Smith, Inc	Wells Fargo Building - 1441 Main St	CBD	New	14,920
SCCB Financial Group	1122 Lady St	CBD	New	14,193

SELECT SALES TRANSACTIONS

Building	Submarket(s)	Sale Price	Price/SF	Square Feet
Market Pointe Centre - 300 Outlet Pointe Blvd (Multi-property Sale)	St. Andrews	\$21,000,000	\$112.90	186,000
IKON Building - 7 Technology Circle	Northeast Columbia	\$6,250,000	\$71.02	88,000 SF
Brown Building - 1730 Main St	CBD	\$2,167,000	\$169.00	12,813 SF

Economic Conditions

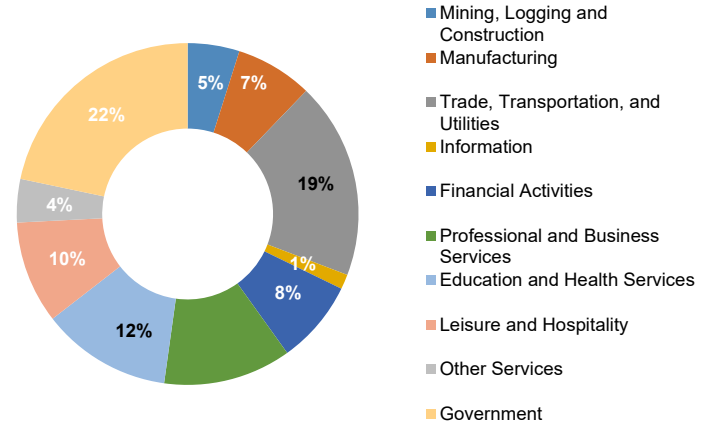
Unemployment in South Carolina remains below the national employment rate of 3.7% at 3.5% as of July 2019. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

South Carolina currently leads the nation in the percentage of jobs linked to non-U.S.-based companies. 8.2 percent of total private sector employment in South Carolina is due to foreign direct investment. In fact, foreign direct investment in South Carolina has grown 21% in the last five years, while the private sector has only seen 14% growth.

Recent newcomers to South Carolina from outside the U.S. include: Fuyao North America, Inc., one of the largest automotive glass producers worldwide, which is investing \$16.1 million in a new processing center in Greenville County; Miwon Specialty Chemical Co. USA plans to invest \$19.5 million in new production operations in Richland County; and The Quality Model Group of companies plans to expand its plastic injection molding operations in Orangeburg County in another \$9.5-million capital investment.

EMPLOYMENT BY INDUSTRY

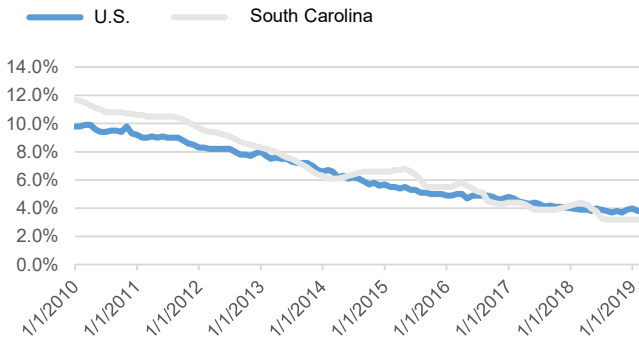
South Carolina, 2018



Source: U.S. Bureau of Labor Statistics

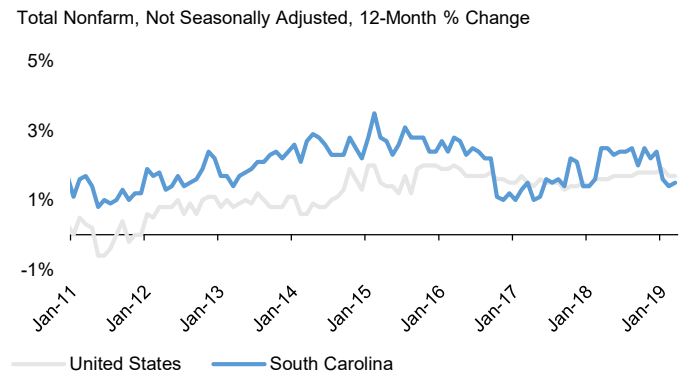
UNEMPLOYMENT RATE

Not Seasonally Adjusted



PAYROLL EMPLOYMENT

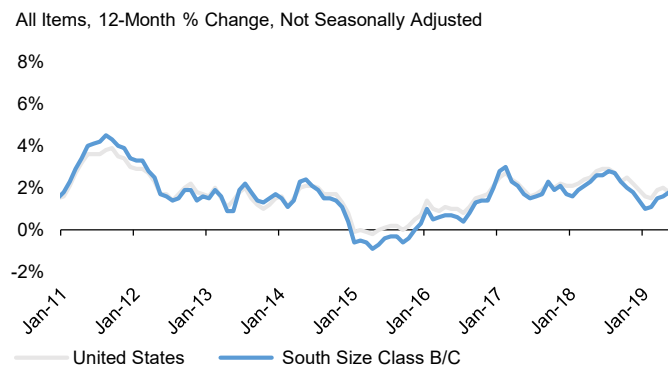
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

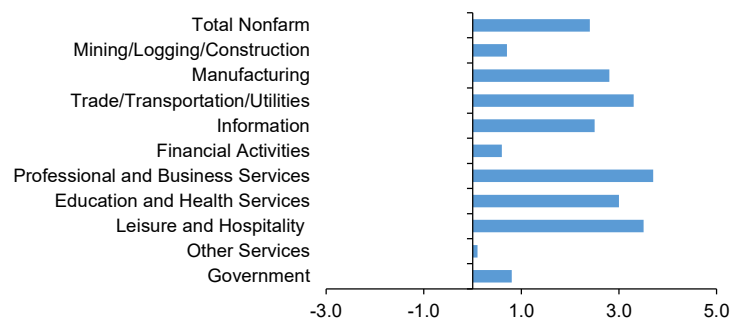
All Items, 12-Month % Change, Not Seasonally Adjusted



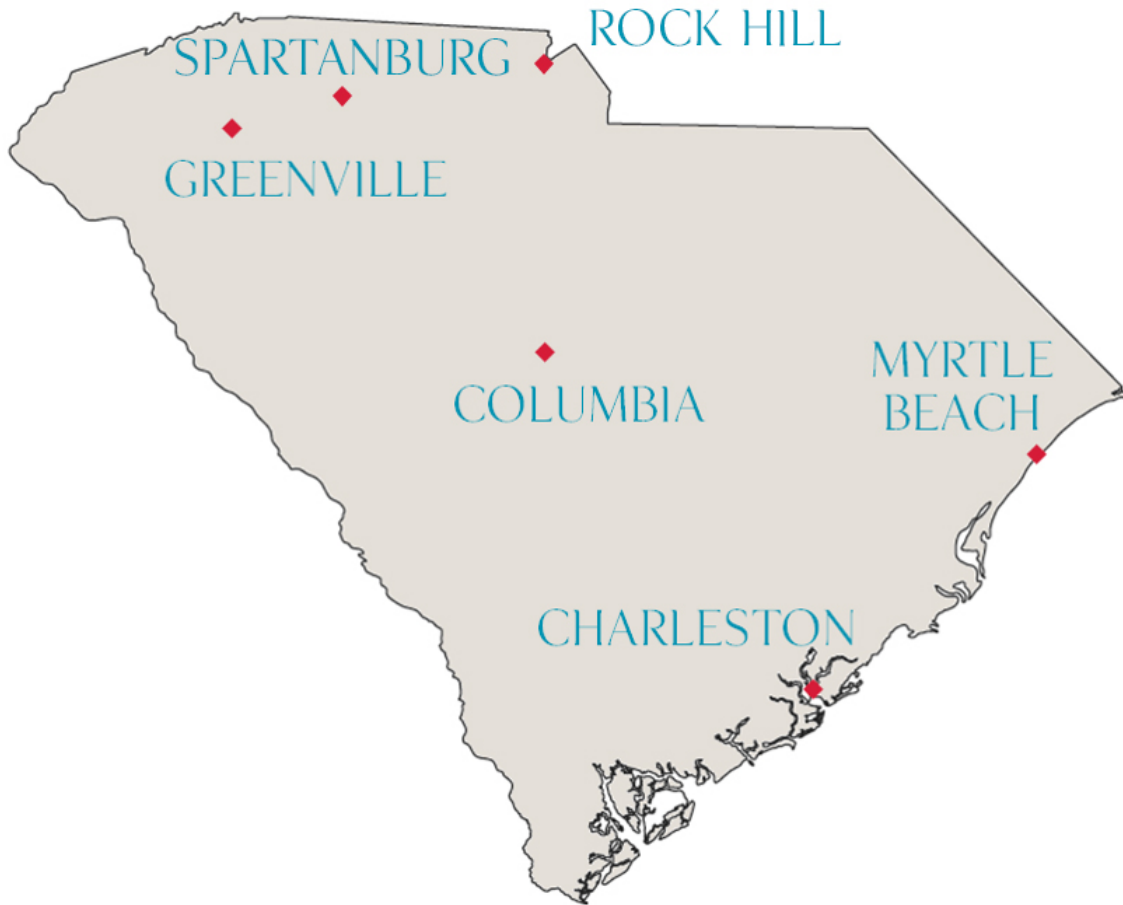
Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

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



Source: U.S. Bureau of Labor Statistics



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