

GREENVILLE-SPARTANBURG OFFICE MARKET



CONSTRUCTION COSTS HAVE INVESTORS LOOKING TO REDEVELOPMENT AND VALUE-ADD OPPORTUNITIES

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. 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 are having to assume much of the additional cost. A tight market for skilled labor, combined with an increase in demand for various materials, will further drive up construction costs across the country.

Vacancy has held steady in Greenville’s Central Business District (CBD) for the past 12 months, while rents have increased 8.9% year-over-year to \$24.24/SF. Twenty eight-leases have been signed in the CBD by the midpoint of 2019. This reflects a slight slowdown from the past three years, when an average of 58 leases were signed per year.

Notable sales this quarter:

- Greenville City Council leased 118,208 square feet at 350 Halton Rd.
- World Acceptance Corporation leased 47,243 square feet in the Poinsett Building at 104 S Main St. in Greenville’s CBD
- Prisma Health leased 5,344 square feet at 1809-1815 Wade Hampton Blvd.

Notable leases this quarter:

- The National Council of Examiners for Engineering and Surveying (NCEES) purchased the 70,600-square-foot office building at 200 Verdae Blvd. for \$13.5 million and plan to occupy the space

CURRENT CONDITIONS

Vacancy across the market increases to 9.9% after dropping below 9% last quarter for the first time since 4Q2017

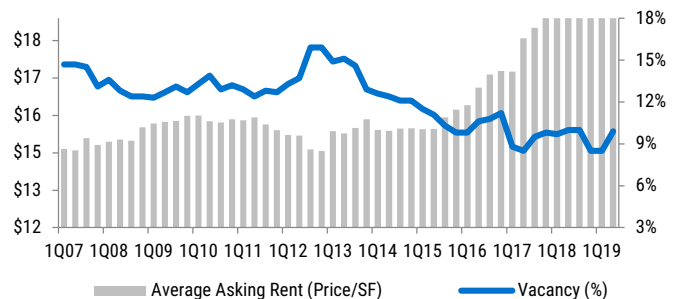
Average rents across the market have increased 7.9% in two years

30,201 SF remain Under Construction after 10,057 SF at 3455 Highway 153 were delivered this quarter

MARKET ANALYSIS

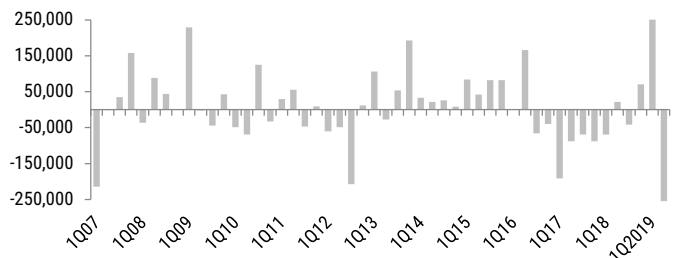
Asking Rent and Vacancy

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	23.5 MSF	23.5 MSF	23.4 MSF	↑
Vacancy Rate	9.9%	8.5%	9.7%	↑
Quarterly Net Absorption	-325,155	365,766	24,537	↑
Average Asking Rent	\$19.45	\$19.31	\$19.64	↑

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	19,188,128	12.5%	11.0%	-302,813	73,011	\$20.56	\$16.98	\$20.47
Greenville CBD	4,607,483	13.3%	13.1%	-28,323	36,535	\$24.52	\$20.15	\$24.24
Spartanburg County	4,398,467	7.7%	5.3%	-22,942	-31,900	\$14.11	\$13.42	\$14.04
Spartanburg CBD	1,804,719	7.2%	7.1%	11,522	-23,606	\$18.17	\$13.04	\$16.83
Market	23,533,126	9.9%	11.7%	-325,155	40,611	\$19.72	\$16.42	\$19.45

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Greenville City Council	350 Halton Road	Woodruff/I-385 Corridor	New	118,208
World Acceptance Corporation	104 S Main St – Poinsett Building	Greenville CBD	New	47,243
Prisma Health	1809-1815 Wade Hampton Blvd	Stone Ave/E North St Corridor	New	5,344

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
200 Verdae Blvd	Woodruff/I-385	\$13,525,000	\$191.57	70,600
Brookfield Plaza – 651 & 201 Brookfield Parkway	Woodruff/I-385 Corridor	\$17,720,619	\$74.92	24,537 (Total)
225 E Wood Street	Spartanburg CBD	\$3,200,000	\$395.26	8,096

Economic Conditions

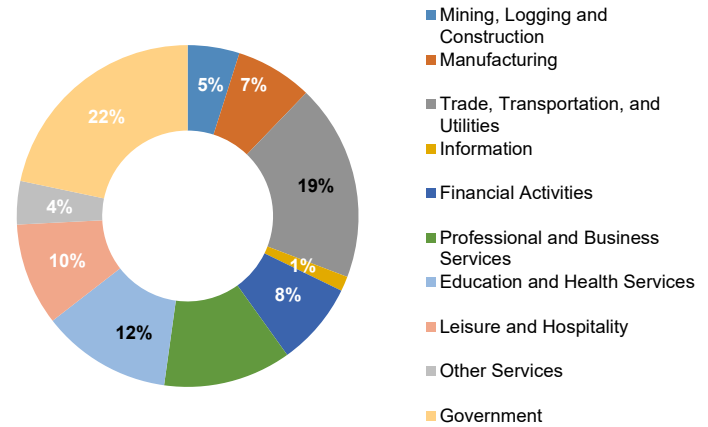
Unemployment in South Carolina remains below the national employment rate of 3.7% at 3.5% as of July 2019. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

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

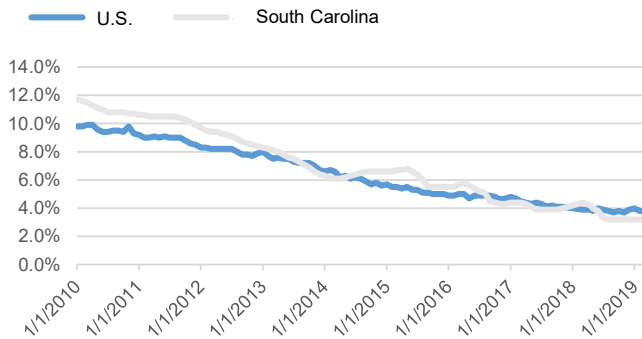
South Carolina, 2018



Source: U.S. Bureau of Labor Statistics

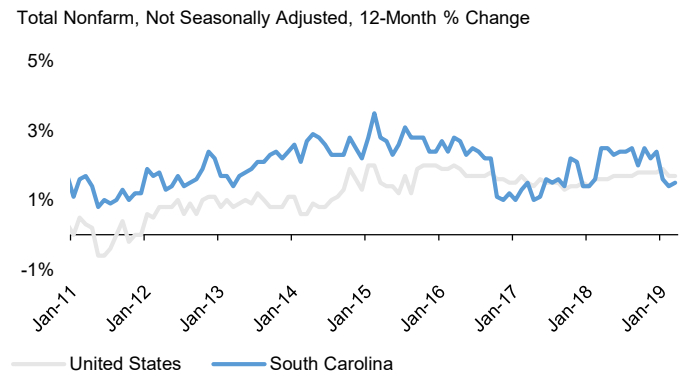
UNEMPLOYMENT RATE

Not Seasonally Adjusted



PAYROLL EMPLOYMENT

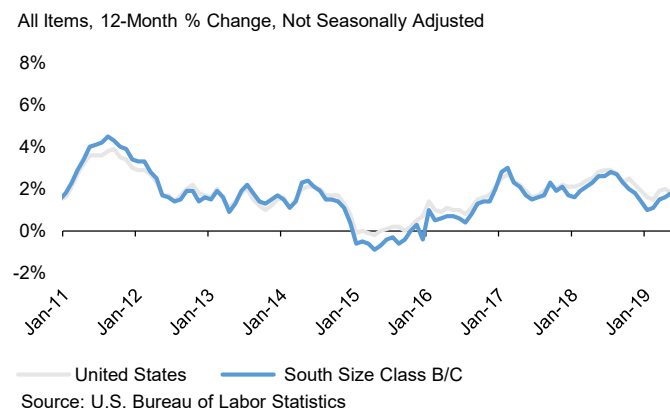
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

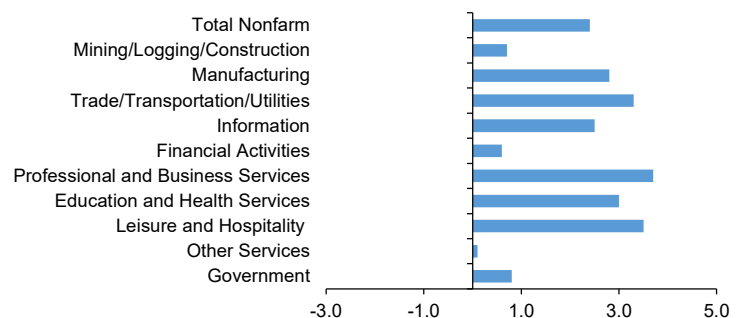
All Items, 12-Month % Change, Not Seasonally Adjusted



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



ALYSE HOWARD

Director of Marketing and Research

803.255.8611

Alyse.howard@wilsonkibler.com

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