

COLUMBIA, SOUTH CAROLINA RESEARCH & FORECAST REPORT



Office Market Continues to Strengthen.

The Columbia, South Carolina, office market continued to make positive gains during the first quarter of 2011 as the local economy showed signs of post-recessionary improvement. Tenants demonstrated a renewed interest for new office space and increased leasing activity resulted in 23,061 square feet of absorption during the first three months of the year. The activity experienced in the first quarter of 2011 marks three consecutive quarters of positive absorption, indicating that the Columbia office market has indeed entered an economic up-cycle.

Columbia's Main Street was the first area to experience a resurgence of leasing activity, meaning that large blocks of quality office space in the CBD were more scarce during the first quarter of 2011 than twelve months prior. Concessions given by landlords of CBD properties were much less substantial than concessions given in the past, and rental rates are expected to stabilize in the coming months as demand for office space continues to increase.

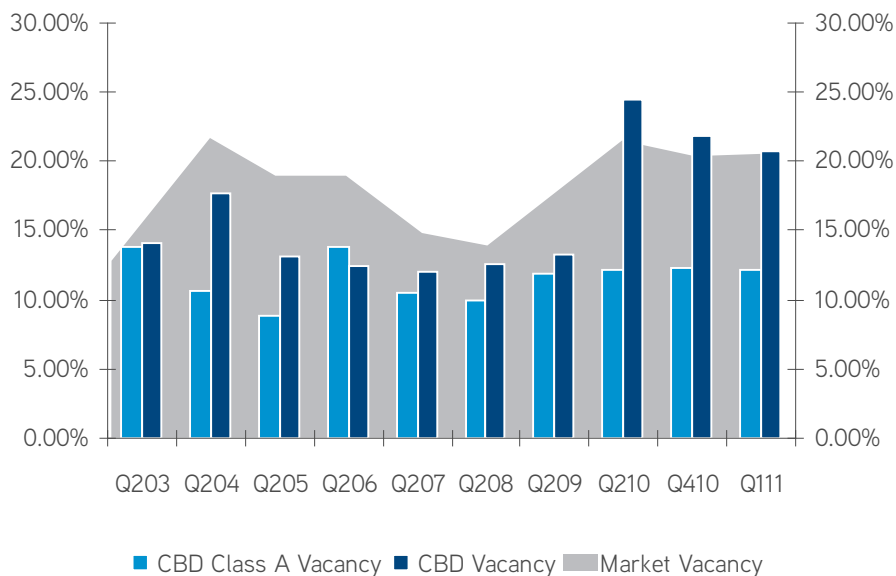
MARKET INDICATORS

	Q1 2011	Forecast
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	—	—
RENTAL RATE	↑	↑

QUICK UPDATES

- MARKET EXPERIENCES THREE CONSECUTIVE QUARTERS OF POSITIVE ABSORPTION
- LANDLORDS ARE SCALING BACK ON CONCESSIONS
- TENANTS ARE LOOKING FOR BETTER AND MORE EFFICIENT SPACE

2003 - 2011 Vacancy Rates



MARKET UPDATES	Buildings	Inventory	Direct Vacant	Direct Vacancy Rate	Sublease	Total Vacant	Q1 Absorption	Average Asking Rate
CBD								
A	13	2,193,956	266,868	12.2%	12,617	279,485	2,182	\$19.50
B	15	1,451,718	151,794	10.5%	42,620	194,414	33,775	\$16.50
C	28	1,340,224	620,877	46.3%	-	620,877	10,020	\$14.59
Total	56	4,985,898	1,039,539	20.8%	55,237	1,094,776	45,977	\$17.17

SUBURBAN SECTION:**CAYCE/WEST COLUMBIA**

A	2	63,000	20,300	32.2%	-	20,300	2,937	\$19.64
B	8	296,928	32,137	10.8%	-	32,137	-	\$13.75
C	5	147,889	41,863	28.3%	-	41,863	(3,200)	\$12.65
Total	15	507,817	94,300	18.6%	-	94,300	363	\$14.53

**EAST COLUMBIA
(DEVINE STREET)**

Total (Class C Only)	6	104,483	22,638	24.6%	-	22,638	3,013	\$11.40
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FOREST ACRES

A	1	23,700	1,750	7.4%	-	1,750	-	\$17.00
B	7	305,725	96,503	31.6%	-	96,503	(6,482)	\$15.79
C	11	393,632	56,148	14.3%	-	56,148	3,463	\$14.12
Total	19	723,057	154,401	21.4%	-	154,401	(3,019)	\$15.20

NORTHEAST

A	8	399,292	58,215	14.6%	-	58,215	9,428	\$16.98
B	9	595,113	93,135	15.6%	20,679	113,814	(6,578)	\$15.97
C	7	209,967	48,868	23.3%	-	48,868	(1,551)	\$10.97
Total	24	1,204,372	200,218	16.6%	20,679	220,897	1,299	\$15.04

ST ANDREWS

A	5	402,472	64,745	16.1%	-	64,745	(4,107)	\$17.00
B	20	1,089,298	197,661	18.1%	-	197,661	(20,297)	\$13.72
C	16	855,169	239,067	28.0%	-	239,067	3,471	\$13.51
Total	41	2,346,939	501,473	21.4%	-	501,473	(20,933)	\$14.04

SUBURBAN TOTAL

A	16	888,464	145,010	16.3%	-	145,010	34,658	\$17.36
B	44	2,287,064	419,436	18.3%	20,679	440,115	(33,357)	\$14.70
C	45	1,606,657	385,946	24.0%	-	385,946	2,183	\$13.18
Total	105	4,782,185	950,392	19.9%	20,679	971,071	3,484	\$14.49

MARKET TOTAL

A	29	3,082,420	411,878	13.4%	12,617	424,495	10,440	\$18.75
B	59	3,738,782	571,230	15.3%	63,299	634,529	418	\$15.18
C	73	2,946,881	1,006,823	34.2%	-	1,006,823	12,203	\$13.66
Total	161	9,768,083	1,989,931	20.4%	75,916	2,065,847	23,061	\$15.42

Tenants remained value-conscious in searching for office space and worked to create more efficient space, thereby reducing square footage requirements and rental expenses. However, along with increased efficiencies, tenants have started requesting higher quality finishes in their respective space. This has resulted in the need for increased tenant improvement allowances from landlords, which in turn has resulted in longer lease commitments from tenants.

While leasing activity remained largely concentrated in the Central Business District during the first quarter of 2011, activity migrated toward downtown buildings offering free parking. Tenants such as Computer Sciences Corporation, AFLAC and Eagle Eye Analytics executed leases in the Congaree Vista in office properties that offer free surface parking.

Columbia's suburban markets finally showed signs of improvement during the first three months of the year, largely due to the fact that suburban office properties remained aggressively priced as CBD landlords lessened concessions. Activity in the suburban markets will increase throughout the remainder of 2011 as the CBD market further tightens.

The number of regional law firms and national tenants that demonstrated interest in the Columbia market during the first quarter of the year was much greater than has been previously experienced. As expansion in the local economy continues sustained growth in the office market is anticipated. The State of South Carolina, however, remains challenged by budgetary issues and has mandated that Requests for Proposals be issued on all lease renewals. Over 350,000 square feet of state leases will expire in the next fiscal year (2011-2012) which could result in continued downsizing and relocations by state agencies in order to reduce costs.

The remainder of the year should bring increased activity, and, with the exception of Palmetto Center, vacancy rates should begin to resemble pre-recessionary levels by year-end. Landlords will be much more conservative with lease concessions than in 2010 as they look to execute leases with credit tenants and longer terms.

480 offices in 61 countries on 6 continents

United States: 135
Canada: 39
Latin America: 17
Asia Pacific: 194
EMEA: 95

- \$1.6 billion in annual revenue
- 672.9 million square feet under management
- Over 15,000 professionals

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