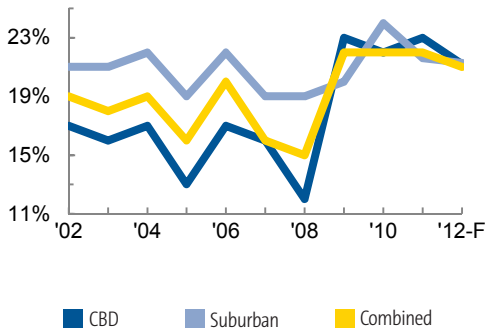


**Vacancy Rate**

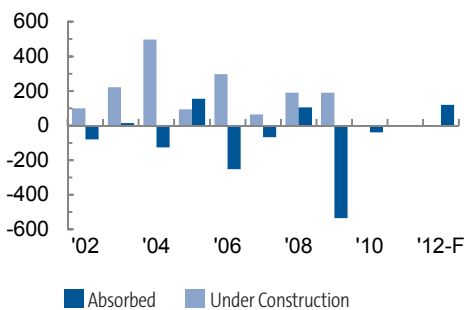


# Heavy Leasing Volume will Lead to Positive Absorption

Activity in the office market in 2011 was strong. There were a number of tenants looking for space or renegotiating their current deals. Many negotiations led to leases, and a number of tenants moved or have signed leases to move. Despite all of the activity, when everything was added up, there was only 1,600 square feet of absorption in 2011.

The State Government had an active year, primarily in the suburban submarkets. Over the last two years, the amount of space leased by the state government in private office buildings has declined by six percent. It was announced that in 2012, the Department of Revenue will be consolidating its operations in the Market Pointe Center at Bush River Road and I-20. In the meantime, the Department of Labor Licensing and Regulation (LLR) will move from its location in the Synergy Business Park to the space being vacated by the Department of Revenue in the State Museum Building downtown. This will leave an entire 71,000 square foot building vacant in the Synergy Business Park.

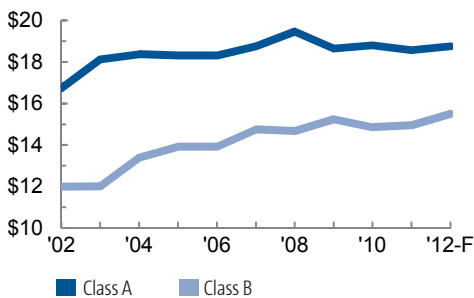
**Under Construction vs. Absorption**  
(in Thousands of SF)



Many tenants have used the recessionary market as an opportunity to combine and consolidate operations. Examples include the state government as mentioned above. Also, Price Waterhouse Coopers will be relocating to the former Verizon Call Center in Richland Mall from two downtown office towers bringing its office space together in a building more conducive to the firm's use.

Tenants have also been upgrading their spaces to higher quality spaces that have become more affordable in the market downturn. This has left large blocks of vacant space in the Class B and C markets, mostly benefitting the Class A markets.

**Asking Rental Rates**  
(\$/SF/Yr. Full Service)



(CONTINUED ON PAGE 2)

**KEY TRANSACTIONS FOR 2011**

<p><b>Price Waterhouse Coopers</b> leased 71,500 SF at 3400 Forest Drive Columbia, SC from Spirit SPE Columbia, LLC</p>	<p><b>South Carolina Student Loan Corporation*</b> purchased 8906 Two Notch Road Columbia, SC from Markstein-Two Notch for \$3.0 Million</p>	<p><b>AFLAC</b> leased 28,000 SF at 400 Laurel Street Columbia, SC from 400 Laurel, LLC</p>
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\* Transaction Represented by Grubb & Ellis

## OFFICE MARKET REVIEW AND FORECAST

	2010	2011	2012 Forecast
Vacancy Rate	23.7%	22.2%	21.25%
Class A Rental Rate <sup>1</sup>	\$18.06	\$18.57	\$18.65
Class B Rental Rate <sup>1</sup>	\$15.18	\$14.94	\$14.90
Net Absorption	-229,924	1,595	120,000
Space Completed	0	0	0

*1. Asking rate per square foot per year full service*

**(CONTINUED FROM PAGE 1)**

By 2010, after SCANA moved to its new corporate headquarters in Cayce, Vacancy rates were 18.2 percent for Class A, 28 percent for Class B and 20.9 percent for Class C. However, in 2011 after tenants had the chance to explore opportunities within the markets, vacancy rates were 12.2 percent for Class A, 27.3 percent for Class B and 23.7 percent for Class C buildings. This demonstrates that each class is pulling tenants from the class below, and even the Class C market, where the vacancy rate hovers around 20 percent in good times and in bad, has been hurt as rates in Class B buildings have fallen.

This activity and shifting among classes of property has also been reflected in the pricing of office space. Overall average asking rates for office space have been declining since their peak in 2008. It appears that pricing for Class A space reached the bottom in 2010 at \$18.06 per square foot and has begun to increase slightly since then, rising 282 basis points to \$18.57 per square foot in 2011. This rate still remains below the peak of \$19.96 in 2008. Because their average asking rates were already lower, rates for Class B and Class C space did not begin to decline until 2009. As a result, those rates have not yet reached the bottom. Rates for Class B space fell 158 basis points since 2010 to \$14.94 per square foot, while rates for Class C space tumbled 578 basis points to \$11.57 in 2011 from \$12.28 per square foot in 2010.

Another major factor in Columbia's office market is the availability of sublease and shadow space. Sublease spaces are those that have been leased by a tenant that no longer needs the space and is now actively offering that space to the market to recoup some of the cost. Usually this space is being offered at below-market rates.

**(CONTINUED ON PAGE 3)**

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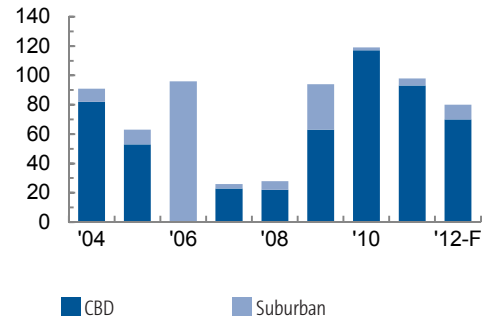
Shadow spaces are spaces, such as empty offices and cubicles in existing office spaces, that are not necessarily being marketed, but are still available to accommodate growth either by the existing tenant, or by a subtenant. Palmetto Health Hospital signed a lease for 15,000 square feet of sublease being offered by Healthport at 1401 Main Street. Nelson Mullins Law Firm is leasing approximately 10,000 square feet of office and data center space on a short-term basis in the Palmetto Center at 1426 Main Street. Currently 98,832 square feet of sublease space is available for lease in the market with 93,832 square feet of that space available in the Central Business District. Much of this space will have to be absorbed before there can be significant growth in rental rates.

**2012 FORECAST**

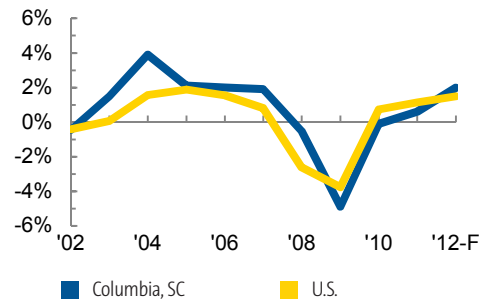
Looking ahead into 2012, expect modest absorption due to increasing jobs in the professional and financial services industries. Over the last year, jobs have increased 1.8 percent in the financial services sector and 4.8 percent in the professional services sector. As shown by the flat absorption in 2011, these jobs have been helping to reduce existing shadow space, but as these spaces decline, firms will begin to expand once more. Because of the lack of new speculative construction, this absorption will likely occur in existing buildings and cause the vacancy rate to decline. Prices in 2012 are likely to remain flat. Modest growth in Class A asking rates is expected, but Class B and C asking rates will stay near their current levels.

Construction of new office space will stay at a minimum. Because of the availability of space at below constructions costs, there is not demand for new office space. However, it is possible that some firms will build their own property rather than lease in a multi-tenant space. Additionally, the University of South Carolina is working to attract a developer to the Innovista campus. In any case, no new speculative space will be built without significant pre-leasing.

**Sublease Space**



**Annual Payroll Job Change**  
Percentage Change



Office Trends Report—Fourth Quarter 2011  
Columbia, SC



By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		Class A	Class B
Downtown	5,641,052	1,295,511	23.0%	23.5%	(15,525)	(31,743)	-	\$19.64	\$16.66
<b>CBD Total</b>	<b>5,641,052</b>	<b>1,295,511</b>	<b>23.0%</b>	<b>23.5%</b>	<b>(15,525)</b>	<b>(31,743)</b>	-	<b>\$19.64</b>	<b>\$16.66</b>
Cayce/West Columbia	678,835	131,655	19.4%	19.4%	42,858	48,216	-	\$16.84	\$11.38
Dutch Fork/Irmo	117,987	25,245	21.4%	21.4%	5,540	7,240	-	-	\$15.45
Forest Acres	1,156,328	301,183	26.0%	28.7%	84,520	(10,767)	-	-	\$14.21
Lexington	135,828	42,211	31.1%	31.1%	7,540	6,625	-	\$15.00	\$17.06
North Columbia	69,406	33,706	48.6%	48.6%	-	-	-	-	\$8.50
Northeast Columbia	1,495,951	304,334	20.3%	20.7%	(68,124)	(31,016)	-	\$15.81	\$14.26
Outside Metro Area	72,313	13,580	18.8%	18.8%	(8,415)	(8,415)	-	-	-
Saint Andrews	2,492,121	520,859	20.9%	23.8%	(68,877)	(9,611)	-	\$17.69	\$13.69
Southeast Columbia	280,186	31,551	11.3%	11.3%	21,000	31,066	-	-	\$12.20
<b>Suburban Total</b>	<b>6,498,955</b>	<b>1,404,324</b>	<b>21.6%</b>	<b>23.3%</b>	<b>16,042</b>	<b>33,338</b>	-	<b>\$16.46</b>	<b>\$13.81</b>
<b>Totals</b>	<b>12,140,007</b>	<b>2,699,835</b>	<b>22.2%</b>	<b>23.4%</b>	<b>517</b>	<b>1,595</b>	-	<b>\$18.57</b>	<b>\$14.94</b>

By Class	Total SF	Vacant SF	Vacant %	Available %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	3,647,484	445,059	12.2%	12.2%	42,128	2,496	-	22,256	-
Class B	6,633,180	1,807,672	27.3%	29.3%	(54,506)	(62,313)	-	71,576	5,000
Class C	1,773,103	419,597	23.7%	23.7%	21,310	69,827	-	-	-
Medical	72,313	13,580	18.8%	18.8%	(8,415)	(8,415)	-	-	-
Unclassified	13,927	13,927	100.0%	100.0%	-	-	-	-	-
<b>Totals</b>	<b>12,140,007</b>	<b>2,699,835</b>	<b>22.2%</b>	<b>23.4%</b>	<b>517</b>	<b>1,595</b>	-	<b>93,832</b>	<b>5,000</b>

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OFFICE TERMS AND DEFINITIONS

**Total SF:** Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

**Office Building Classifications:** Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where

all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

*\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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