

THE UPSTATE OFFICE MARKET



COMMERCIAL REAL ESTATE DEMAND UNAFFECTED BY ECONOMIC UNCERTAINTY

Despite global uncertainty surrounding trade policy, a slowing growth in payroll employment, a drop-off in business investment, and a general volatility in the global market, base fundamentals indicate that the US commercial real estate market remains on strong footing. National rental growth has increased and vacancy levels have decreased across property types. In November, US commercial property prices rose at the fastest annual rate since early 2018, with the industrial market leading the way at a heightened growth of 13.6% year-over-year (compared to CBD office space which grew at a rate of 6.7% and retail at a rate of 3.4%).

The Upstate office market reflected this national trend, reporting lower vacancy rates and higher rents by the end of 2019. The market vacancy rate dropped to a low 7.1% during fourth-quarter 2019 from 15.99% during the same period in 2015. Heightened demand caused by a dwindling supply has pushed rents up more than 23% - from \$15.99/SF to \$19.72/SF - in just three years.

The Upstate office market positively absorbed slightly more than 230,000 SF in 2019. Absorption in Spartanburg was negative, both for the fourth-quarter and year-to-date, reflecting the dividing factor of Spartanburg trending toward industrial use and Greenville trending more toward office.

During the fourth quarter, 56 leases were signed totaling 297,813 SF. One building totaling 11,000 SF at 433 SE Main St. in Mauldin delivered in October and is fully leased. No notable office properties are currently under construction going into 2020.

CURRENT CONDITIONS

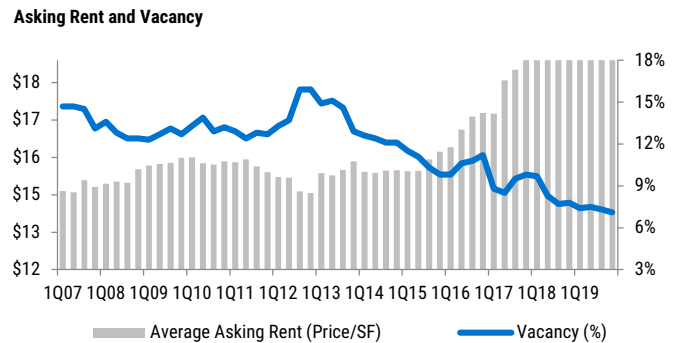
Vacancy is down to 7.1% from 8.0% one year ago

Rates have increased more than 23% since 2015, when office base rents averaged \$15.99/SF

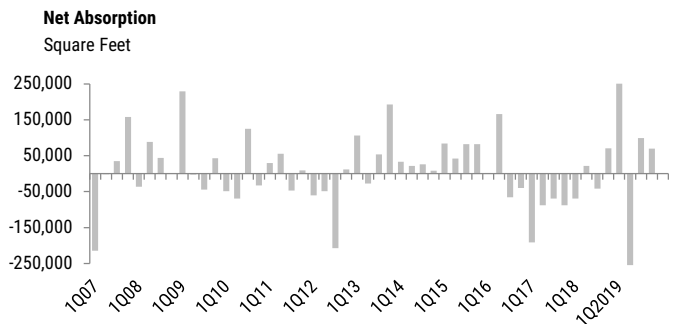
Leasing activity topped off at 438,523 square feet for the quarter

MARKET ANALYSIS

Asking Rent and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	26.6 MSF	26.6 MSF	26.6 MSF	↔
Vacancy Rate	7.1%	7.3%	7.8%	DOWN
Quarterly Net Absorption	69,973	55,480	50,867	↑
Average Asking Rent	\$19.79	\$19.26	\$19.04	↑

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)
Greenville County	18,972,798	8.3%	6.6%	126,186	280,328	\$20.97	\$16.85	\$20.84
Greenville CBD	4,506,741	8.1%	11.9%	8,556	149,492	\$26.08	\$17.77	\$25.58
Spartanburg County	4,290,653	4.9%	6.9%	-33,950	-27,792	\$15.41	\$16.00	\$15.43
Spartanburg CBD	1,804,719	5.8%	6.1%	-20,152	556	\$18.70	\$16.00	\$18.52
Market	26,666,058	7.1%	8.0%	69,973	230,466	\$20.00	\$16.83	\$19.79

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Elliott Davis	423 S Main St	Greenville CBD	New	78,000
Gordian	30 Patewood Dr	Pelham Road	Renewal	13,773

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
200 Smith Hines Rd	Woodruff/I-385	\$3,525,000	\$235.00	15,000
508 Rhett St	West End	\$3,500,000	\$292.00	12,000

ECONOMIC CONDITIONS

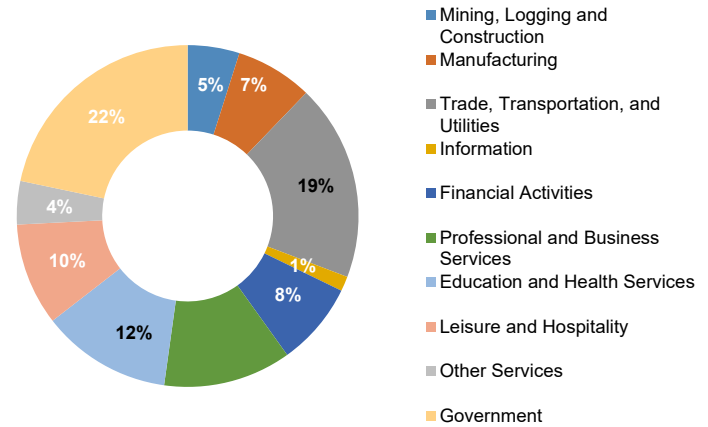
Unemployment in South Carolina remains below the national employment rate of 3.5% at 2.3% as of December 2019. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

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

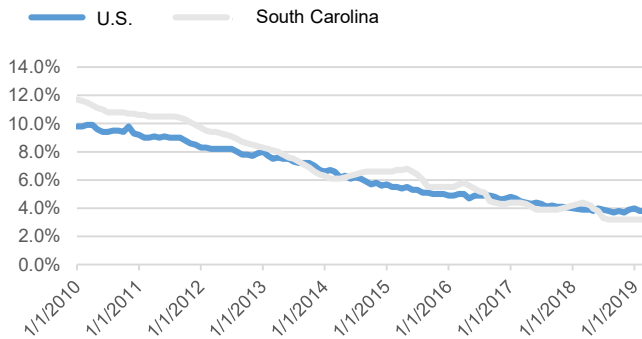
South Carolina, 2018



Source: U.S. Bureau of Labor Statistics

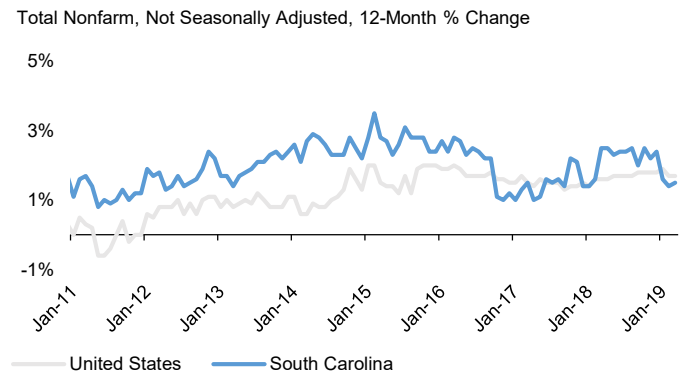
UNEMPLOYMENT RATE

Not Seasonally Adjusted



PAYROLL EMPLOYMENT

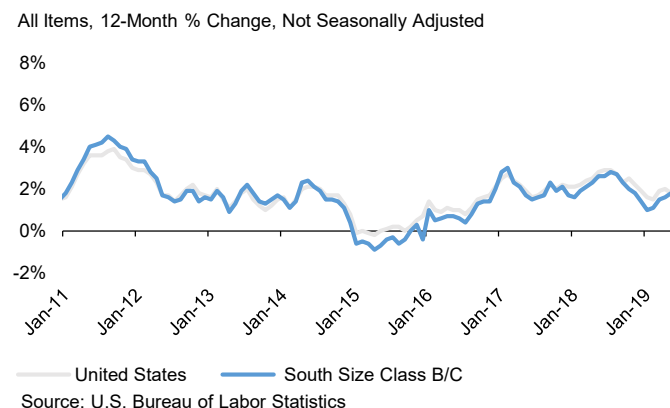
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

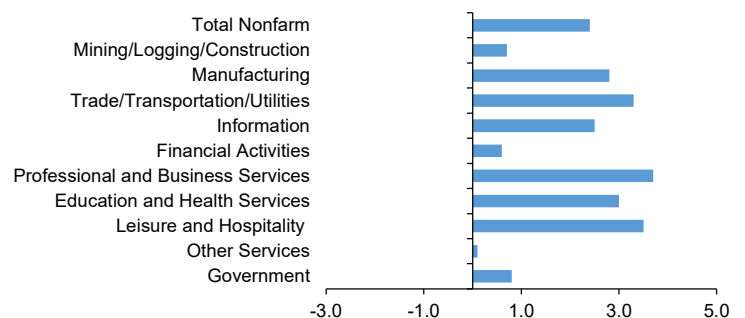
All Items, 12-Month % Change, Not Seasonally Adjusted



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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