

COLUMBIA OFFICE MARKET



THE IMPACT OF THE GLOBAL HEALTH CRISIS ON COMMERCIAL OFFICE SPACE

Despite international uncertainty surrounding trade policy and a general volatility in the global market, base fundamentals indicated that US commercial real estate would remain on strong footing through 2020.

Economists seemed to echo a mantra about the “sturdiness” of the economy during their fourth-quarter economic forecasts, consistently adding that an unforeseen catastrophic event, namely a war with China, would effectively invalidate any prediction of continued expansion. The global COVID-19 pandemic, which by the end of March has seen 2.6 billion people across the world living in some sort of lockdown or quarantine, proved to be one of those disastrous events, though certainly not one that was to be expected.

Developments continue to be extremely fluid and tremendous uncertainty remains as to how widely the virus will spread and what its ultimate impact will be on economic growth, as well as the impact it will have on both financial and real estate markets, though a few truths are beginning to emerge.

April unemployment numbers were up significantly as the national unemployment rate rose 1,030 basis points in just one month, rising from 4.4% in March to 14.7% in April. No sector has been untouched, but some sectors were hit harder than others as government-ordered closures or restrictions to limit the spread of the virus affected some industries more than others.

More than one quarter (26.8%) of the job losses came from bars and restaurants that were directly affected by closure orders. For sectors where sheltering employees had the option of continuing to work from home – as is the case with a significant number of office users – the job losses were much less.

Nevertheless, a notable shift toward telework could have major implications for office demand soon. (cont'd)

CURRENT CONDITIONS

Average rental rates have risen more than 17%, from \$15.26/SF to \$17.96/SF since first-quarter 2015

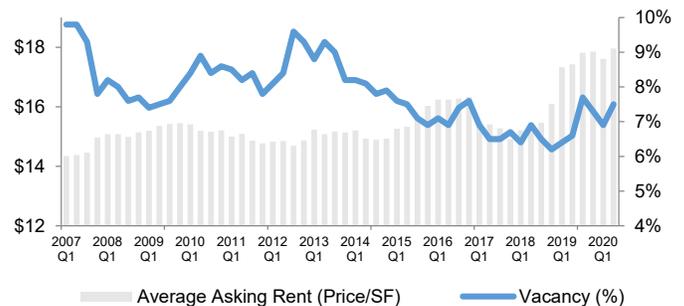
Asking rents in Irmo and North Columbia are creeping up to \$20.00 PSF, while the CBD average asking rate is averaging \$20.67

Just one office building over 10,000 SF is currently under construction - the 78,500-square-foot office building in the Otter Point development at 1001 Clovis Point Way in Cayce is expected to deliver December 2020

MARKET ANALYSIS

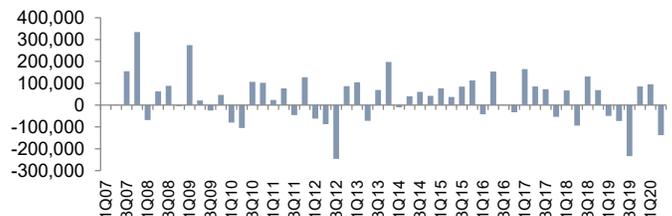
Asking Rent and Availability

Asking Rent and Vacancy



Net Absorption (SF)

Net Absorption
Square Feet



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	24.2 MSF	24.2 MSF	24.2 MSF	↔
Vacancy Rate	7.5%	7.0%	6.7%	↑
Quarterly Net Absorption	-137,880	113,943	-69,407	↔
Average Asking Rent	\$17.97	\$17.64	\$17.39	↓

For one, the long-standing trends toward densification, open-plan layouts, and coworking may reverse sharply due to the success of remote working and the pervasive public health concerns that call for more space per employee.

A recent survey by Gartner of more than 250 chief financial officers found that three quarters of firms have intentions of shifting at least some workers to permanent work-from-home status following reentry. Overall, only about 35% in the survey said they would like to return to their regular work schedule and nearly three-quarters of the CFOs polled said they plan to shift at least 5% of previously on-site employees to permanently remote positions.

Facebook, Amazon, and Google each initially announced that employees would be allowed to work remotely for the remainder of the year. Facebook and Twitter later went one step further in announcing plans to shift to a *permanent* work-from-home model, with Facebook transitioning approximately 45,000 of its employees by the end of the next decade and Twitter allowing a majority of its 4,500-plus workers to continue to work out of their home office.

Post-coronavirus, employee health concerns will also likely become a driving force for office users following reentry. As companies decreased spending following the Great Recession, standard space per office worker declined nearly 17% from the 1990s to 2019 - from 250 square feet to 214 square feet per worker. These crowded workplaces do not allow for six feet of separation between employees, thus requiring a staggering of work schedules and potentially more remote workers.

coworking space – one of the most pervasive office trends of the last decade - has been hard-hit by the social distancing measures that are slowly becoming standard preference. By early April, WeWork's valuation plummeted to \$2.9 billion, a 94% decrease from its high point of \$47 billion early last year, as its office tenants emptied the company's 800 plus location. As a result, the company's occupancy rate fell to roughly 64 percent.

Overall, the trajectory of the office market will be molded by the ability of federal, state, and local governments and financial institutions to manage the ongoing crisis, as well as by the potential emergence of structural and operational changes to how office space is utilized. The possible incorporation of lower employee density and deployment of remote-working options will also help mold the future of the U.S. workplace.



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	1,947,938	8.6%	10.3%	-682	-24,226	\$18.74	\$18.00	\$18.73
Downtown (CBD)	8,164,583	5.5%	9.4%	32,214	87,923	\$20.57	\$22.85	\$20.67
Dutch Fork / Irmo	673,610	6.6%	6.8%	-1,400	-1,400	\$19.90	-	\$19.90
Forest Acres	1,571,699	14.9%	15.9%	4,846	5,863	\$16.47	\$21.00	\$16.58
Lexington	707,414	1.9%	5.6%	112	30,637	\$13.73	-	\$13.73
North Columbia	1,920,252	2.6%	2.9%	6,131	969	\$20.11	-	\$20.11
Northeast Columbia	3,706,106	13.5%	15.5%	-124,902	-144,718	\$17.48	\$13.00	\$17.34
Saint Andrews	4,083,703	7.5%	10.9%	-23,825	40,906	\$16.52	\$17.80	\$16.54
Southeast Columbia	1,393,243	3.8%	9.1%	-19,081	-19,081	\$15.23	\$17.00	\$16.21
Suburban Total	16,003,959	8.6%	10.9%	-170,094	-111,860	\$17.14	\$16.57	\$17.10
CBD Total	8,164,583	5.5%	9.4%	32,214	87,923	\$20.57	\$22.85	\$20.67
Market	24,168,548	7.5%	10.4%	-137,880	-23,937	\$17.97	\$17.81	\$17.96

SELECT LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Bank of America	Tower at 1301 Gervais	CBD	Renewal	27,748
Southeastern Esthetics Institute	Tapp's Building - 1644 Main St	CBD	New	23,486

SELECT SALES TRANSACTIONS

Building	Submarket(s)	Sale Price	Price/SF	Square Feet
400 Otarre Pky	Cayce/West Columbia	\$4,739,250	\$9.48	500,000
201 Executive Center Dr	Saint Andrews	\$3,550,000	\$128.26	74,069

ECONOMIC CONDITIONS

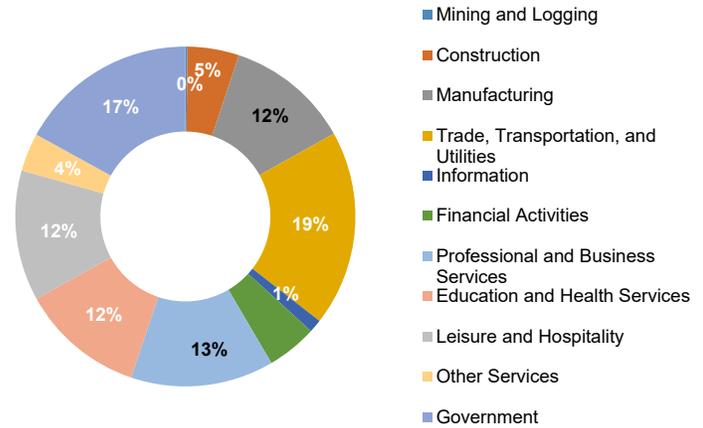
Unemployment in South Carolina reached a record-breaking 12.1% in April due to the impact of the Global Health Crisis on the national labor force, up from a historic low of 3.2% just one month prior.

By June, though, as stay-at-home orders started to loosen on the county level, 105,714 people gained employment, bringing the rate of unemployment back down to 8.7% in just one month.

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. As a result, South Carolina will be more affected than most by any disruption to the global markets, or any impact the global health crisis may have on the countries that have established operations in the state.

EMPLOYMENT BY INDUSTRY

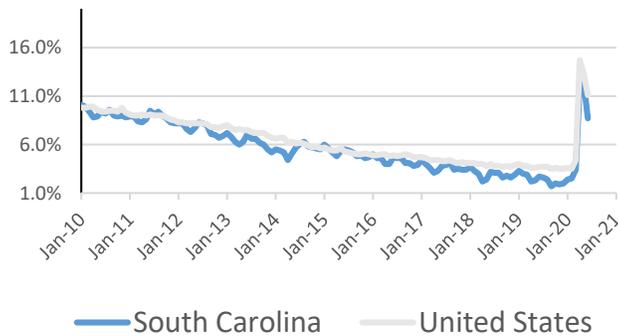
South Carolina, 2019



Source: U.S. Bureau of Labor Statistics

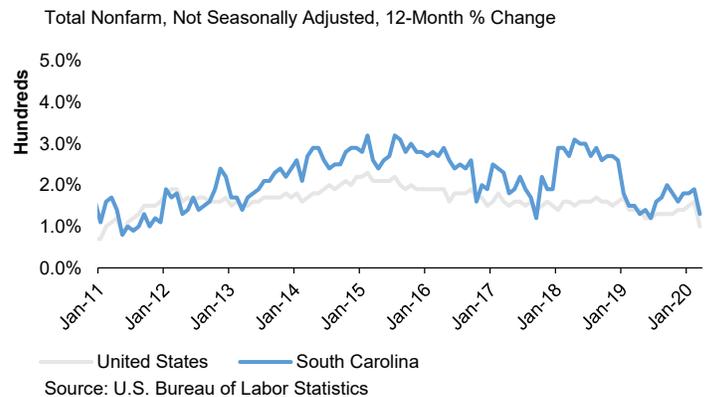
UNEMPLOYMENT RATE

Seasonally Adjusted



PAYROLL EMPLOYMENT

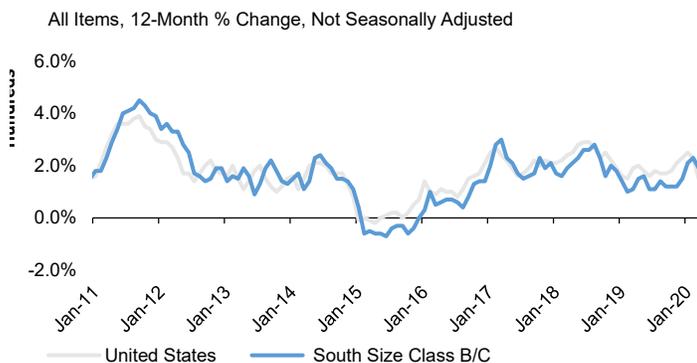
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

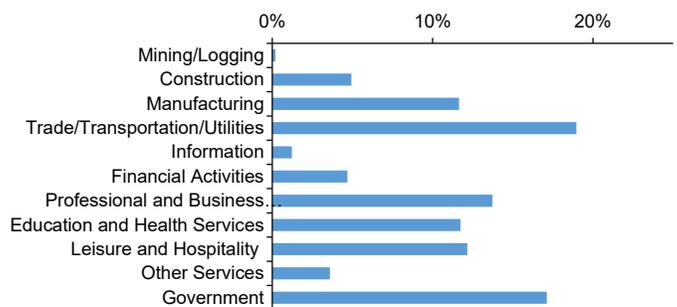
All Items, 12-Month % Change, Not Seasonally Adjusted



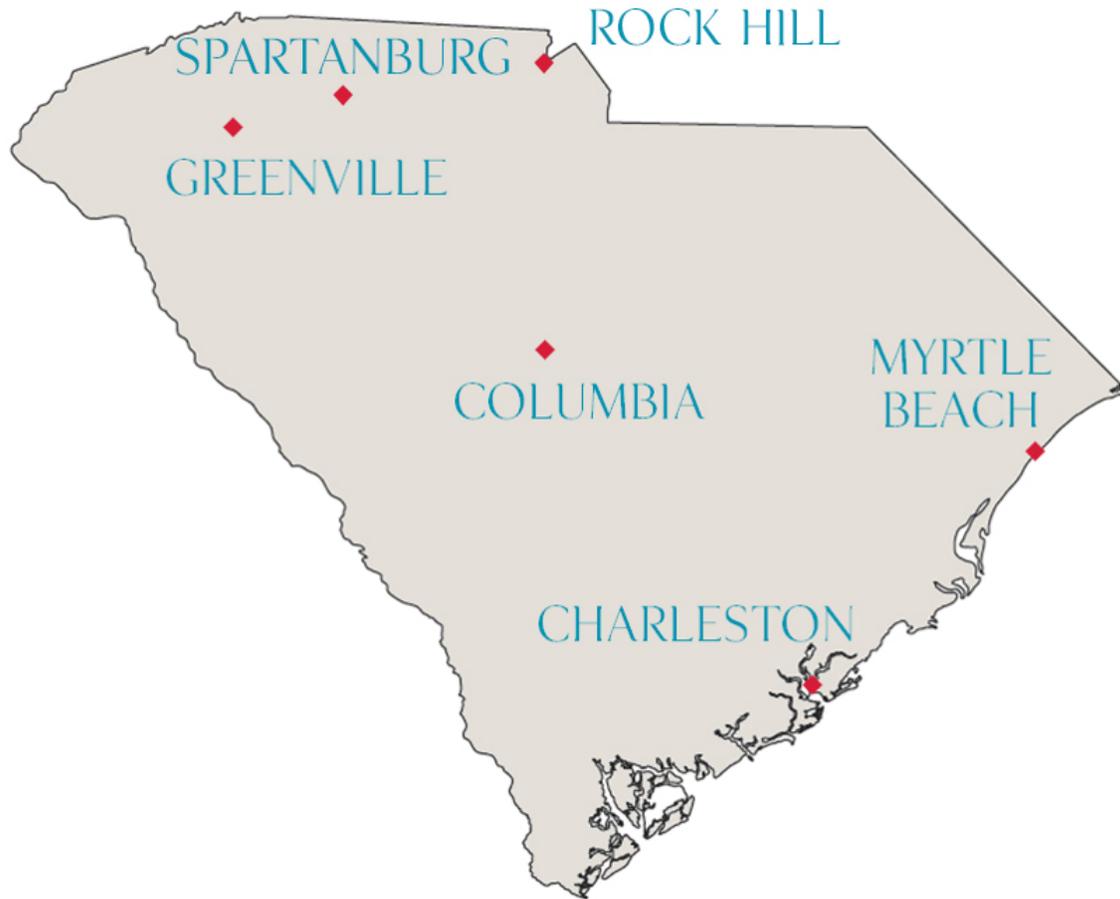
Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

South Carolina, 2019, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics



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