

COLUMBIA OFFICE MARKET



THE IMPACT OF THE GLOBAL HEALTH CRISIS ON COMMERCIAL OFFICE SPACE

The global health crisis caused by the COVID-19 pandemic continues to impact almost all aspects of daily life going into the third quarter of the year. Most states have gradually started to loosen stay-at-home orders, allowing the re-entry of many workers into the national economy and resulting in significant declines in unemployment nationwide. In April, South Carolina saw the unemployment rate sharply decline from 12.1% to 8.7%, and in June, after gaining nearly 63,000 jobs in just one month, unemployment fell to 6.3%, its lowest rate since the pandemic began.

Columbia, being a tertiary market and lacking the density of major cities, appears to be faring better than many markets in the U.S., but the office real estate market, and the workplace itself, is undergoing a rapid transformation. The new behaviors adopted during the COVID-19 health crisis, namely working from home, have greatly altered the vision of the post-pandemic workplace.

Though the future of the workplace is unclear, there are several emerging trends that stand out. The long-standing trends toward densification, open-plan layouts, and coworking are expected to 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.

(cont'd)

CURRENT CONDITIONS

The Columbia market saw a vacancy rate over 9.0% for the first time since 2013

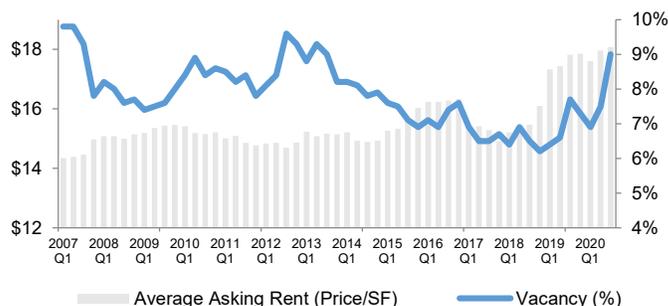
Vacancy rate in the CBD is up to 7.8% from 5.5% last quarter and 6.3% one year ago. Rents are up too, though, both in the CBD and overall market. This is possibly due to landlords trying recoup lost income.

Vacancy rate in Lexington is up to 5.1% from 1.8% last quarter, though it is still lower than the 6.1% rate twelve months ago

MARKET ANALYSIS

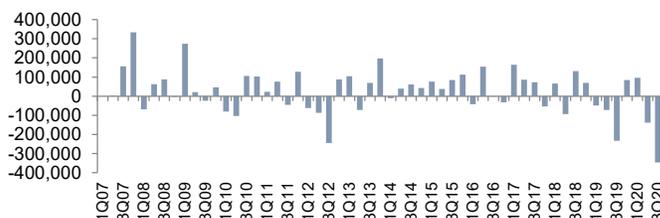
Asking Rent and Availability

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	24.1 MSF	24.1 MSF	24.1 MSF	↔
Vacancy Rate	9.0%	7.5%	7.8%	↑
Quarterly Net Absorption	-347,224	-137,880	-233,989	↔
Average Asking Rent	\$18.08	\$17.96	\$17.81	↑

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	8.8%	10.6%	-4,363	-28,589	\$19.35	-	\$19.35
Downtown (CBD)	8,142,240	7.8%	10.1%	-186,499	-98,576	\$21.44	\$22.45	\$21.64
Dutch Fork / Irmo	673,610	6.6%	6.8%	-	-1,400	\$19.90	-	\$19.90
Forest Acres	1,571,699	18.5%	18.8%	-57,266	-51,402	\$16.44	\$21.00	\$16.53
Lexington	722,814	5.1%	5.6%	-23,598	7,039	\$14.62	-	\$14.62
North Columbia	1,831,497	3.0%	3.3%	-	969	\$20.11	-	\$20.11
Northeast Columbia	3,716,745	13.4%	15.3%	5,805	-139,013	\$17.59	\$13.42	\$17.43
Saint Andrews	4,100,815	9.6%	11.1%	-87,704	-47,608	\$16.54	\$17.86	\$16.57
Southeast Columbia	1,393,243	3.3%	8.3%	6,400	-12,681	\$15.23	\$17.00	\$16.21
Suburban Total	15,958,361	9.6%	11.3%	-160,725	-272,685	\$17.14	\$16.59	\$17.11
CBD Total	8,142,240	7.8%	10.1%	-186,499	-98,576	\$21.44	\$22.45	\$21.64
Market	24,100,601	9.0%	10.9%	-347,224	-643,946	\$18.03	\$18.77	\$18.08

SELECT LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Michael Baker International	700 Huger St	CBD	Renewal	40,825
CDM Smith	317 Zimalcrest Dr	Saint Andrews	New	17,339

SELECT SALES TRANSACTIONS

Building	Submarket(s)	Sale Price	Price/SF	Square Feet
1801 Charleston Hwy	Cayce/West Columbia	\$1,400,000	\$32.07	43,648
905 Old Cherokee	Lexington	\$583,000	\$152.22	3,830

ECONOMIC CONDITIONS

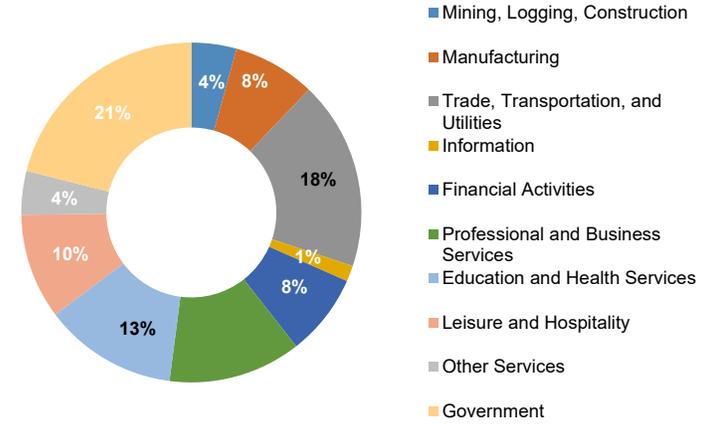
Unemployment in South Carolina reached a record-breaking 12.1% in April due to the impact of the global health crisis on the national labor force, up from a historic low of 3.2% just one month prior.

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. In August, South Carolina dropped to its lowest unemployment rate since the COVID-19 pandemic began, gaining nearly 63,000 jobs in just one month and dropping 2.4 percentage points to 6.3%.

South Carolina currently leads the nation in the percentage of jobs linked to non-U.S.-based companies. 8.2% 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 pandemic has on the countries that have established operations in the state.

EMPLOYMENT BY INDUSTRY

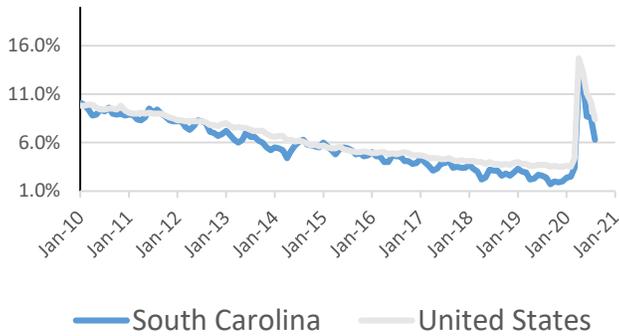
South Carolina, 2019



Source: U.S. Bureau of Labor Statistics

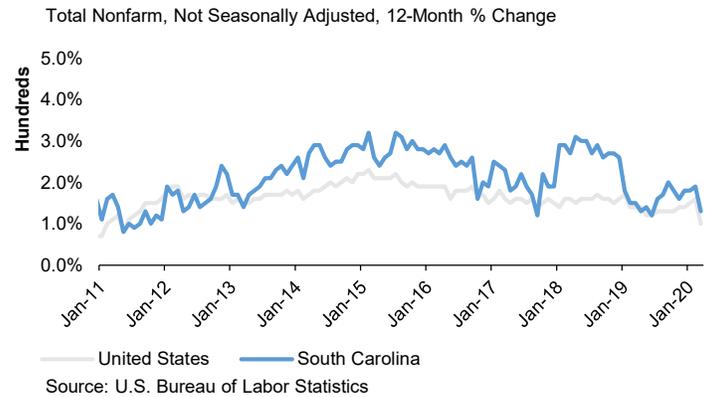
UNEMPLOYMENT RATE

Seasonally Adjusted



PAYROLL EMPLOYMENT

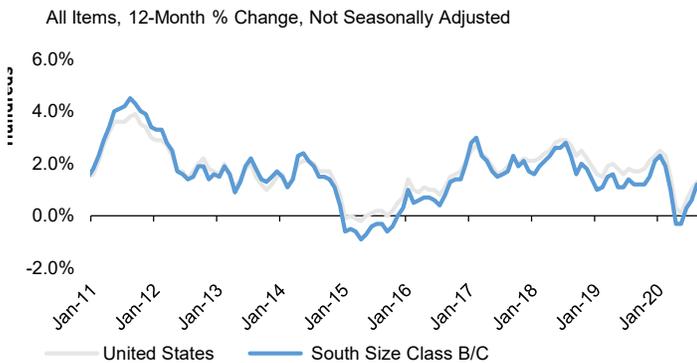
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

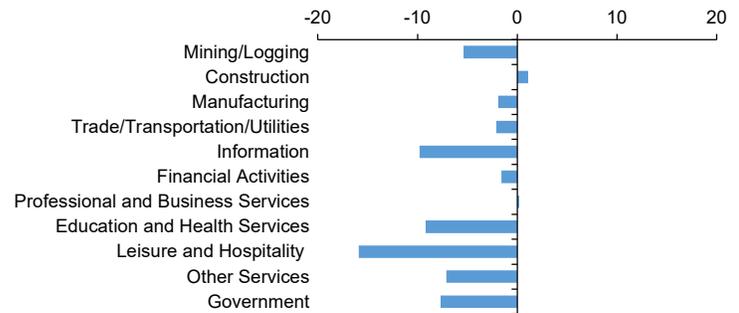
All Items, 12-Month % Change, Not Seasonally Adjusted



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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