

Bentley Commercial LLC/CORFAC INTERNATIONAL OFFICE MARKET REPORT

GREENVILLE, SC

2009 MID-YEAR REPORT



MARKET OVERVIEW

By Brent L. Freeman

The Greenville, SC office market consists of 20,407,000 SF in the CBD and Suburban markets. During the first six months of 2009, the market continued to experience the effects of the lingering recession/financial crisis. This resulted in the availability rate rising to 15.9% on 6/30/09 from 14.6% at year end 2008. Net absorption for the period was <256,161> SF while the average asking PSF rental rate fell to \$14.49 PSF from \$14.74 at year end 2008 as landlords adjusted asking rental rates to better reflect the softening market.

Many consider the vitality of Class A space to be the true barometer of the office market. This statistic deteriorated in the CBD as the Class A availability rate increased to 23.8% from 18.7% on 12/30/08 while it improved slightly in the Suburban market. The Class A Suburban availability rate stood at 14.2% at 6/30/09 down from 15.7% at 12/31/08.

Major lease signings for the first six months of 2009 were Brown Mackie College leasing 25,000 SF at Two Liberty (CBD), **McNair Law Firm taking 15,111 SF in Poinsett Plaza (CBD)**, **Dixon Hughes taking 9,400 SF at 320 E. Main Street (Spartanburg CBD)**, and Greenville Hospital System taking 11,193 SF at 1 Independence Pointe. Other significant lease signings include the US Census Bureau taking 6,825 SF at 850 S. Pleasantburg Drive, **Greenville Family Partnership taking 4,000 SF at 200 Mills Avenue and David C. Poole Co. taking 3,000 SF at 17 Caledon Court. (Bentley Commercial LLC transactions)**

The office market received news that was a mixed blessing when Carolina First (The South Group) announced it would not be moving its corporate headquarters out of 100,000 SF in Poinsett Plaza in the CBD to its new corporate campus in the suburbs. Carolina First purchased 60 acres in the Suburbs along I-85 and the campus was envisioned as a complex of 10 office buildings and construction is nearing completion on three office buildings consisting of 127,000 SF, 107,000 SF and 41,000 SF.

Instead, Carolina First will occupy 50,000 SF in the new corporate campus with back office operations and leave its corporate headquarters in the CBD. This was good news for the CBD as keeping Carolina First headquarters in the CBD will help the ongoing development of Greenville's vibrant downtown business community as well as taking 100,000 SF of sublease space off the market in the CBD. The negative news is that there is now 225,000 SF of vacant Class A on the market for lease or sale in the suburbs. Carolina First announced it would sell the three buildings and the undeveloped land. There may be a silver lining in this in that Greenville now has the capability to accommodate a relocation of a major corporate headquarters or major office user to Greenville with visibility from I-85.

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Source: CoStar Property Data and Bentley Commercial, LLC.



OFFICE INVENTORY AND VACANCY RATES

AS OF JUNE 30, 2009

	Central Business District		Suburban		Total Market
	Class A	Total	Class A	Total	
Total Inventory	1,646,808	5,637,145	3,236,661	14,769,808	20,406,953
Direct Vacant SF	246,591	768,734	380,023	2,108,411	2,877,145
Sub-lease SF	145,388	202,317	78,547	159,651	361,968
Availability Rate	23.8%	17.2%	14.2%	15.4%	15.9%
Y-T-D Net Absorption	(46,116)	(82,378)	(41,512)	(173,783)	(256,161)
YTD New Product	0	0	0	85,700	85,700
SF Under Construction	114,500	114,500	270,000	270,000	384,500
Average Asking Rate/SF	\$19.65	\$16.35	\$20.25	\$14.00	\$14.49



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One bright spot in the Suburbs was Phil Hughes of Hughes Investments delivering an 80,000 SF fully leased office building in the spring. Samsung has a call/service center in the building and this project should bring many new, high paying jobs to Greenville. The building is expandable to 130,000 SF to accommodate future growth.

Greenville Hospital System announced it will sell and then leaseback 855,000 SF of medical office space in 16 buildings for \$161,600,000 or \$189 PSF. The purchase agreement was recently executed and the transaction is scheduled to close in September. Another important office transaction was the sale of Independence Corporate Park in the suburbs. This 300,135 SF office park sold for \$35,000,000 or \$117 PSF in January of 2009.

CENTRAL BUSINESS DISTRICT

The CBD availability rate continued to rise hitting 17.2%, up from 13.6% at 12/31/08. Class A space fared even worse rising to 23.8% from 18.7% at year end 2008. Net absorption was <82,378 SF> for the CBD overall with Class A absorption being <46,116 SF>. There is 54,500 SF of Class A office space under construction at Main@Broad that will be delivered in the second half of 2009 that is un-leased. Average asking lease rates fell to \$16.35 PSF from \$16.99 at 12/31/08 with Class A average asking lease rates falling to \$19.65 from \$19.81 at year end 2008.

It is significant to note that there are now two large contiguous blocks of Class A space that could accommodate a corporate headquarters or large office user. The most interesting is 54,500 SF of Class A office space at Main@Broad. Windsor-Aughtry will complete this mixed use project in late 2009 and includes a Courtyard Marriott, retail space, an onsite parking garage, Rick Erwin's Nantucket Seafood Grill and also has a residential component. In the heart of downtown Greenville next to City Hall, it offers cutting edge architecture and is within easy walking distance of restaurants, The Peace Center for the Performing Arts, and the thriving and bustling Reedy River area including Falls Park. There is also 70,000 SF of Class A space available at the Bowater Building and this space offers views of the Reedy River and Falls Park and includes an onsite parking garage.

Another bright spot is Bob Hughes of Hughes Development Corp. is nearing completion of his Next project. He has taken a warehouse located at the intersection of Church St and University Ridge and turned it into a high-tech office space that is an incubator for high tech businesses. The Next Building has shared conference rooms and shared services such as secretarial service, copying machines and printing. It features movable walls, Wii rooms and tenants can lease office space, single offices or even a single cubicle at reasonable rental rates. The Next Building is 60,000 SF and will be delivered in the third quarter with 36,000 SF pre-leased and all the cubicles pre-leased.

SUBURBAN MARKET

The suburban availability rate rose slightly to 15.4% from 15% at 12/31/08. It is important to note that the Class A availability rate dropped to 14.2% from 15.7% at 12/31/08. The suburban market experienced net absorption of <173,783 SF> while Class A space had net absorption of <41,512 SF> for the period. The average asking rate fell to \$14.00 PSF from 14.23 a year end 2008 while the Class A rate rose slightly to \$20.25 PSF from \$20.21 at year end 2008.

The office space at the Carolina First Corporate Campus is not in the above numbers and when added will put an additional 225,000 SF of Class A office space on the suburban market. Combine this with 216,758 SF of Class A space for lease or for sale at 1200 Brookfield Boulevard and the 76,248 SF available at 400 Brookfield Parkway and the suburban market now has three large contiguous blocks of Class A space that can accommodate a corporate headquarters or large office user.

SELECT OFFICE BUILDING SALES

BUILDING	ADDRESS	LOCATION	SIZE (SF)	SALE DATE	SALE PRICE	PRICE PSF
Eastside Medical Center	10 Enterprise Boulevard	Sub	45,200	5/6/2009	\$ 3,425,000	\$ 76
106 Whitsett Street	106 Whitsett Street	CBD	1,232	4/30/2009	\$ 200,000	\$162
419 Vardry Street	419 Vardry Street	CBD	2,792	4/15/2009	\$ 254,571	\$ 91
210 W. Poinsett Street	210 W. Poinsett Street	Sub	3,000	4/7/2009	\$ 325,000	\$108
400 Pelham Road	400 Pelham Road	Sub	6,500	4/6/2009	\$ 1,400,000	\$215
940 Grove Road	940 Grove Road	Sub	13,504	3/11/2009	\$ 775,000	\$ 57
704 E. McBee Avenue	704 E. McBee Avenue	CBD	4,435	2/23/2009	\$ 800,000	\$180
215 Batesville Road	215 Batesville Road	Sub	5,700	2/9/2009	\$ 858,000	\$151
80 Villa Road	80 Villa Road	Sub	8,410	1/30/2009	\$ 825,000	\$ 98
Independence Corporate Park	1 Independence Point	Sub	300,135	1/22/2009	\$35,000,000	\$117