

# Bentley Commercial LLC/CORFAC INTERNATIONAL OFFICE MARKET REPORT

GREENVILLE, SC

2008 YEAR END REPORT



## MARKET OVERVIEW

By Brent L. Freeman

During 2008 the fundamentals of the Greenville, SC office market began to realize the effects of the recession/financial crisis that had earlier hit the US economy. The availability rate at December 31, 2008 was 14.6%, up from 12% at year end 2007. The increase was fueled primarily by a dramatic increase in sublease space of 239,000 SF, mostly Class A, and the addition of 668,625 SF to the survey of office buildings with vacancies. Net absorption was a respectable 192,606 SF while the average asking rental rate increased from \$14.25 PSF at year end 2007 to \$14.74 at year end 2008. The increase was primarily due to the addition of Class A sublease space to the market.

Many consider the vitality of Class A space to be the true barometer of the office market. This statistic also deteriorated during 2008 with the Class A CBD availability rate increasing from 11.9% at year end 2007 to 18.7% at year end 2008. In the Suburbs, the Class A availability rate increased from 3.9% at year end 2007 to 15.7% at year end 2008.

Major lease signings during 2008 were General Electric taking 27,370 SF at 201 Brookfield Parkway (Suburban), Nexsen Pruet law firm taking 27,000 SF of sublease space at 55 E. Camperdown Way (CBD) and Ahold taking 13,300 SF at the IBM Building (Suburban). Other significant lease signings were **Asset Point, LLC taking 10,432 SF in 770 Pelham Rd. (Suburban)**, **Kestrel Horizons, LLC taking 5,462 SF at 84 Villa Rd. (Suburban)** and **Ameris Bank taking 3,200 SF at Overlook Executive Park (Suburban)**. (Bentley Commercial, LLC Transactions)

Construction is progressing nicely on Main@Broad in the CBD. This is a major mixed use project next to City Hall being developed by Windsor-Aughtry. It includes a Courtyard by Marriott, 54,500 SF of office space, retail space, Rick Erwin's Nantucket Seafood Grill and also has a residential component. Delivery is scheduled for summer of 2009. Cousins Properties and TIC Properties announced Washington Square that includes 200,000 SF of Class A office space located at Main St. and Washington St in the CBD. This project will need significant pre-leasing before construction can begin.

In the Suburbs, Phil Hughes of Hughes Investments Inc is developing a build to suit service/call center for a major international company. The building is 80,000 SF expandable to 130,000 SF with delivery scheduled for April of 2009. This project should bring many new, high paying jobs to Greenville. Carolina First is nearing completion of two, 100,000 SF office buildings at it's corporate campus. They will begin vacating space in Poinsett Plaza in the CBD by mid-year as they move to the new corporate campus in the Suburbs.

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Source: CoStar Property Data and Bentley Commercial, LLC.



## OFFICE INVENTORY AND VACANCY RATES

AS OF DECEMBER 31, 2008

	Central Business District		Suburban		Total Market
	Class A	Total	Class A	Total	
<b>Total Inventory</b>	1,823,152	5,722,297	2,961,400	13,672,918	19,395,215
<b>Direct Vacant SF</b>	223,284	635,342	387,738	1,818,817	2,454,159
<b>Sub-lease SF</b>	117,205	143,712	78,547	234,308	378,020
<b>Availability Rate</b>	18.7%	13.6%	15.7%	15%	14.6%
<b>Y-T-D Net Absorption</b>	(33,393)	(9,096)	13,009	201,702	192,606
<b>YTD New Product</b>	0	0	0	43,558	43,558
<b>SF Under Construction</b>	54,500	54,500	280,000	304,935	359,435
<b>Average Asking Rate/SF</b>	\$19.81	\$16.99	\$20.21	\$14.23	\$14.74



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## MARKET OVERVIEW CONTINUED

There may be a silver lining to all the Class A sublease space coming on the market. Greenville now has four large blocks of contiguous Class A space, three in the CBD and one in the Suburbs, that could accommodate a corporate headquarters or a large company moving to the area from the outside. Hopefully the quality of life the Greenville area offers will attract a major office tenant from outside the Greenville area.

## CENTRAL BUSINESS DISTRICT

The CBD availability rate rose to 13.6% at the year end 2008, up from 9% at year end 2007. The Class A availability rate rose to 18.7% at year end 2008, up from 11.9% at year end 2007. The increase was due primarily to Class A sublease space coming on the market. A significant block of contiguous Class A space came on the market as Carolina First put 72,850 SF of sublease space on the market in Poinsett Plaza as the company plans to move to their new suburban office campus.

This drove up the average asking lease rate to \$16.99, from \$15.88 at year end 2007 and drove up the Class A average asking rate to \$19.81 from \$18.38 at year end 2007. Net absorption for the CBD during 2008 was (9,096) SF with the Class A net absorption being (33,393) SF.

Two properties have sublease space that came on the market after the data was compiled that is shown on page 1. There is 70,000 SF of contiguous space available in the Bowater Building at 55 E. Camperdown Way and 19,631 SF in the SunTrust Building located at 300 E. McBee Ave. All of this space is Class A. With 54,500 SF of contiguous Class A space under construction at Main @ Broad scheduled for delivery during 2009, there is a total of 484,620 SF of Class A space available in the CBD. Adding these spaces to the data on page 1 results in the Class A availability rate of 25.8%.

It is significant to note that there are now three large contiguous Class A spaces available in the CBD, Poinsett Plaza (72,850 SF), the Bowater Building (70,000 SF), and Main @ Broad (54,500 SF). These spaces could accommodate a corporate headquarters or a large company relocating from outside the Greenville area.

## SUBURBAN MARKET

The suburban availability rate rose to 15% from 13.4% at year end 2007. This was due to adding 788,340 SF to the survey that had vacancies and the addition of sublease space. The Class A availability rate rose to 15.7% from 3.9% due to the addition of Class A space to the survey with vacancies and Lockheed putting 76,248 SF of contiguous space on the sublease market at 400 Brookfield Parkway.

The suburban average asking rate rose to \$14.23 PSF from \$13.88 at year end 2007 while the Class A average asking rental rate rose to \$20.21 from \$18.00 at year end 2007. Net absorption was a strong 201, 702 SF with 13,009 SF of this coming from Class A space.

With two 100,000 SF office buildings under construction at the Carolina First campus and 80,000 SF under construction by Hughes Commercial, Inc. for a call/service center, the suburbs will deliver 280,000 SF of fully occupied Class A office space during 2009. In addition, Lockheed has 76,248 SF of contiguous Class A office space on the sublease market. This space could accommodate a large corporate headquarters or a large company relocating from outside the Greenville area.

### SELECT OFFICE BUILDING SALES

BUILDING	ADDRESS	LOCATION	SIZE (SF)	SALE DATE	SALE PRICE	PRICE PSF
Verizon Building	701 Brookfield Pkwy	Sub	184,680	12/12/2007	\$25,000,000	\$135
522 N. Church St	522 N. Church St	CBD	5,589	1/15/2008	\$ 900,000	\$161
First Savers Bank	310 Roper Mountain Rd	Sub	11,000	3/1/2008	\$ 3,142,857	\$286
11 Caledon Court	11 Caledon Ct	Sub	12,500	4/22/2008	\$ 1,300,000	\$104
110 Williams Street	110 Williams St	CBD	3,334	5/20/2008	\$ 700,000	\$210
605 North Main Street	605 North Main St	CBD	4,154	5/30/2008	\$ 550,000	\$132
Ogletree Operations Building	918 S. Pleasantburg Dr	Sub	20,846	6/11/2008	\$ 3,250,000	\$156
9 Caledon Court	9 Caledon Ct	Sub	10,060	6/25/2008	\$ 900,000	\$ 89
3505 Pelham Road	3505 Pelham Rd	Sub	8,000	10/10/2008	\$ 900,000	\$113
3 Caledon Court	3 Caledon Ct	Sub	15,300	12/1/2008	\$ 1,000,000	\$ 65