

# Bentley Commercial LLC/CORFAC INTERNATIONAL OFFICE MARKET REPORT

GREENVILLE, SC

2008 MID-YEAR REPORT



## MARKET OVERVIEW

In spite of strong leasing activity of 417,857 SF, the Greenville, SC office market turned in a weak performance for the first six months of 2008 with net absorption of only 7,252 SF. Hopefully the last half of the year will be strong so the office market can come close to matching 2007 net absorption of 107,582 SF. The good news is the Suburban market has come on strong in recent years. With the Class A vacancy rate standing at only 2.5%, it is impossible to find large contiguous blocks of Class A space in the suburbs. This fact has placed upward pressure on Class A suburban asking rates. The suburban Class A asking rate is \$18.23 PSF, just under the CBD rate of \$18.58 PSF.

All major leases signed during the first half of 2008 were in the suburbs. The largest lease signed was ICAR taking 46,710 SF at the 124 Verdae Boulevard. Other major leases include Virginia University taking 45,000 SF at the Global Trade Center, Asset Point taking 10,432 SF at 770 Pelham Rd (**Bentley Commercial represented the landlord**) and Kestrel Horizons taking 5,462 SF at 84 Villa Road (**Bentley Commercial LLC represented the landlord**).

## IMPORTANT NEWS

Construction began on Main@Broad in the CBD. Next to City Hall, this mixed use project is being developed by Windsor-Aughtry of Greenville and 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. This is major news for the Greenville office market as it includes cutting edge architecture and design, is across the street from the Peace Center for The Performing Arts, and is near Falls Park. Many projects have been announced over the past few years in the CBD but this is the only one under construction at this point. With a parking garage onsite, it offers office users a unique environment in which to live, work, and play.

Carolina First started construction on two 100,000 SF office buildings at its corporate campus on I-85 in the suburbs. This is a large office development for the Greenville area and Carolina First will move some operations from its headquarters building downtown while maintaining its corporate headquarters in the CBD. Menin Development announced two 187,500 SF office buildings at the old Greenville Mall site but construction will not begin until an acceptable level of pre-leasing is completed.

The old Bowater headquarters building of 100,000 SF is being quietly offered for sublease and is not included in the totals below. Bowater closed its corporate headquarters when it was purchased and this was a major blow to the CBD and Greenville's economy. It is difficult to replace that many high paying corporate jobs. The Bowater building is a Class A building and has an attached parking garage. It is located in the epicenter of the CBD near Falls Park and has views of the Reedy River.



FOR MORE INFORMATION ABOUT THE GREENVILLE, SC OFFICE MARKET, CONTACT:

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Source: CoStar Property Data and Bentley Commercial, LLC.

PLEASE SEE PAGE 2 FOR MORE INFORMATION



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## FORECAST

With recession clouds looming, it is difficult to forecast what will happen in the Greenville office market. The Greenville, SC office market was named one of the top 10 markets to watch for the upcoming years by a major national real estate firm. This was due to the improved fundamentals over the last three years. The remarkable market turnaround from the lows in 2005 is due primarily to companies already in the area expanding. One problem the office market has suffered from over the last five years is the lack of significant in-migration of call centers and corporate headquarters. The Greenville office market is also still feeling the effect of losing the Bowater and Ryan's Family Steakhouse corporate headquarters. Those high paying white collar jobs are difficult to replace. Corporate headquarters and call centers bring high paying white collar jobs to the area that significantly stimulate the local economy.

A downtown group has taken the bull by the horns and put together a non-profit to recruit these types of business to downtown Greenville. These efforts often take years to make a significant impact. There are also rumors that a major international corporation will locate a 130,000 SF call center in the suburban market. They have been actively in the market looking. If this happens, this will be exciting positive news for the office market and will be a huge boost to the Greenville economy. With absorption relatively weak thus far 2008 and with recession talk in the air, most office buildings owners are nervous at this point. Some positive news in the second half of the year could go a long way to restore confidence in the market and hopefully we can live up to the prediction that we are truly one of the top ten markets in the US to watch going forward.

## OFFICE INVENTORY AND VACANCY RATES AS OF July 31, 2008\*

	Central Business District		Suburban		Total Market
	Class A	Total	Class A	Total	
<b>Total Inventory</b>	1,843,952 SF	5,635,668 SF	2,816,540 SF	13,395,015 SF	19,030,683 SF
<b>Direct Vacant SF</b>	202,123 SF	530,251 SF	69,228 SF	1,589,693 SF	2,119,944 SF
<b>Sub-lease SF</b>	21,124 SF	45,439 SF	0	224,317 SF	269,756 SF
<b>Availability Rate</b>	12.1%	10.2%	2.5%	13.5%	12.6%
<b>Y-T-D Net Absorption</b>	(545) SF	123 SF	8,347 SF	7,129 SF	7,252 SF
<b>YTD New Product</b>	0	0	0	13,750 SF	13,750 SF
<b>Under Construction</b>	54,500 SF	54,500 SF	0	0	54,500 SF
<b>Average Asking Rate/SF</b>	\$18.58	\$16.17	\$18.23	\$13.52	\$13.97

\*Source: CoStar