



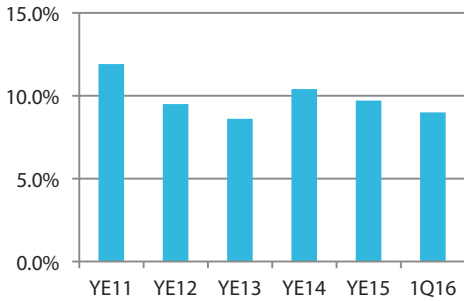
FIRST QUARTER 2016

Greenville/Spartanburg Office Report

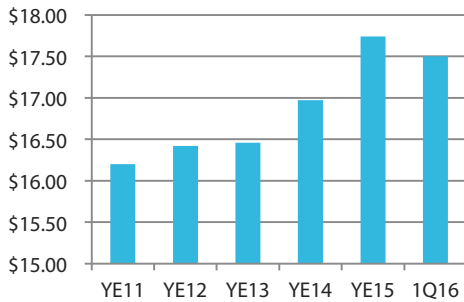
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MARKET FACTS

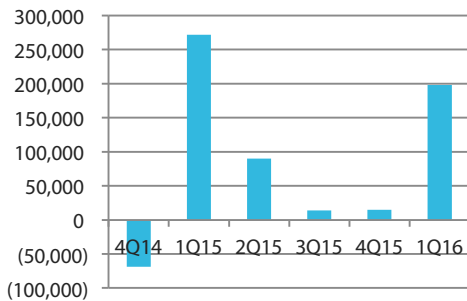
Vacancy Rates



Asking Base Rents



Net Absorption



Market Takeaway

Office Market Remains Strong

The Greenville/Spartanburg office market remains strong with vacancy rates dropping from 9.7% at end of the fourth quarter of 2015 to 9.0% at the end of the first quarter of 2016. This was despite an uptick of 0.3% in the sublease vacancy rate.

The market saw net positive absorption of 197,913 square feet (sf), according to CoStar. Gross rents dropped slightly over the quarter from \$17.74 per square foot (psf) to \$17.50 psf. Nevertheless, the first quarter of 2016 rents were higher than the first, second and third quarters of 2015.

Investment:

With the foreseen favorable market conditions, investor interest is expected to remain active in class A and B space. Because of the strong rental rates combined with the limited availability of on-market properties, investors are looking to buy while opportunities remain.

Older class B and C space with interior brick walls, high ceilings, exposed beams, concrete or hardwood floors are considered desirable and in high demand. Owners are retrofitting and increasing rents, leading to lower cap rates.

Growth:

Class A space: As the Upstate continues to attract more regional and national tenants, demand for additional space in this sector, combined with growth of existing clients, should push demand for higher quality, newer space. Current construction is not keeping pace with demand.

Class B and C space: This market segment is tightening due to lower vacancy levels in the CBD. The suburban market is being propelled by the availability of parking and lower rents though the CBD remains the "hot" place to be.

Outlook: Baring unforeseen economic uncertainty, the current positive trend should continue, with some potential hiccups along the way. Greenville is poised for record growth in the office market. This trend will drive higher rental rates and a decline in vacancies. In recent quarters, there has been a stronger emphasis on multi-family and hospitality construction, in the CBD. New office construction projects have been slow to market, in part because several large class A vacancies of late.

Drivers: Positive press received by Upstate as a great place to locate. A strong state of local economy, low cost of living, and high quality of life, have spurred re-locators and new businesses to the area. This combined with attractive financing, has driven development.

Drags on Growth: Deteriorating road systems, challenges with the availability of educated and skilled work force, and a lack of city infrastructure to support growth.

Trends to Watch

- Office market to remain strong
- Vacancy rates continue to drop
- Growth to drive higher rental rates



Market Indicators

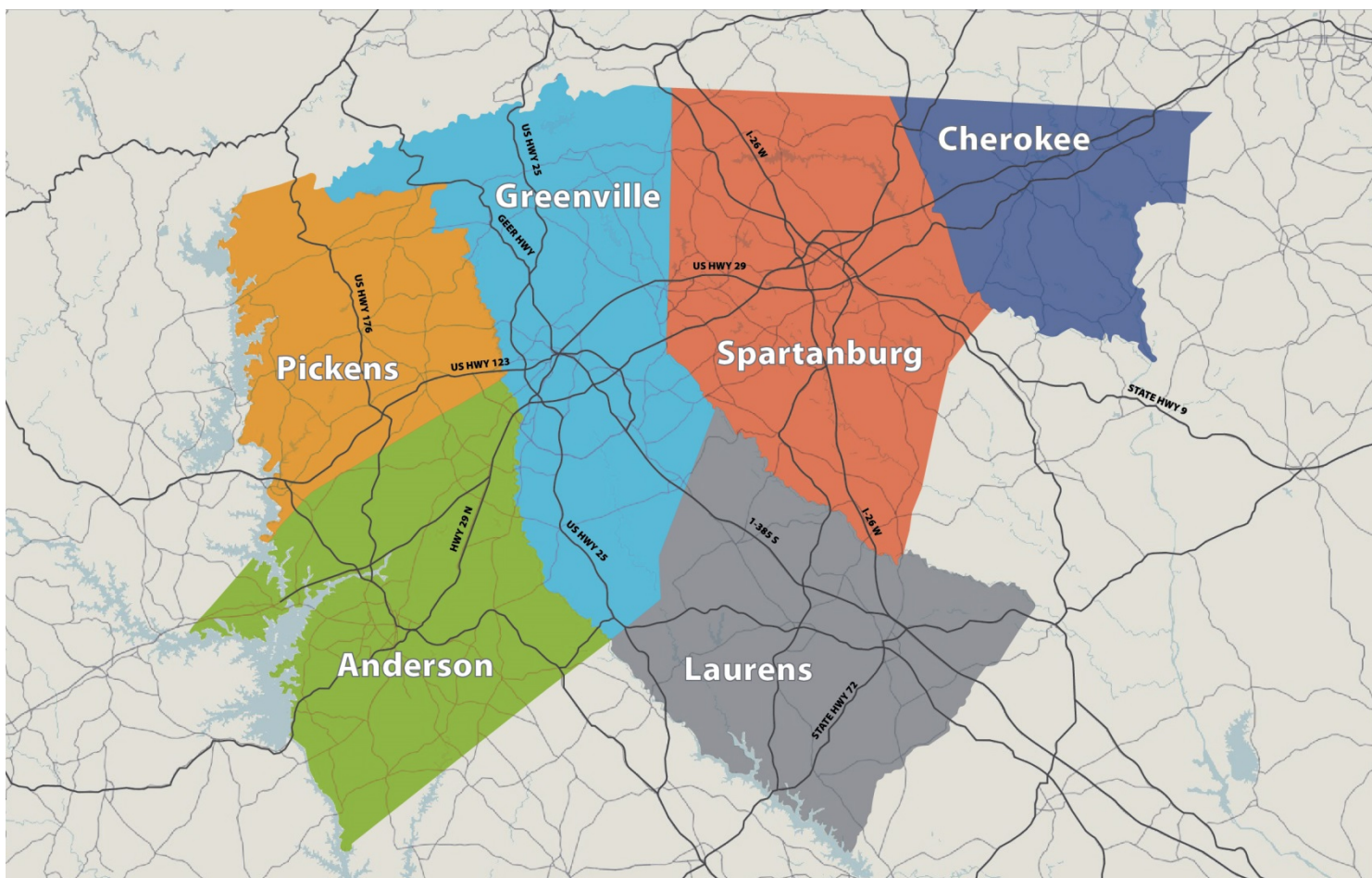
| Anderson County | 1Q16 | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
|--------------------|------------|------------|------------|------------|------------|
| Inventory | 1,085,290 | 1,085,290 | 1,085,290 | 1,085,290 | 1,085,290 |
| Vacancy Rate | 4.1% | 4.2% | 3.8% | 3.9% | 4.3% |
| Available Rate | 5.8% | 5.9% | 5.9% | 5.8% | 6.4% |
| Direct Base Rent | \$10.34 | \$10.28 | \$9.37 | \$9.37 | \$9.75 |
| Cherokee County | 1Q16 | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
| Inventory | 61,597 | 61,597 | 61,597 | 61,597 | 61,597 |
| Vacancy Rate | 0.0% | 0.0% | 0.0% | 0.3% | 3.9% |
| Available Rate | 0.0% | 0.0% | 0.0% | 0.3% | 3.9% |
| Direct Base Rent | - | - | - | - | - |
| Greenville County | 1Q16 | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
| Inventory | 15,193,388 | 15,193,388 | 15,071,027 | 15,071,027 | 15,071,027 |
| Vacancy Rate | 9.7% | 10.5% | 9.4% | 9.5% | 9.8% |
| Available Rate | 12.2% | 12.9% | 12.5% | 12.6% | 13.6% |
| Direct Base Rent | \$17.98 | \$18.29 | \$17.47 | \$17.38 | \$17.44 |
| Laurens County | 1Q16 | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
| Inventory | 90,946 | 90,946 | 90,946 | 90,946 | 90,946 |
| Vacancy Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Available Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Direct Base Rent | - | - | - | - | - |
| Pickens County | 1Q16 | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
| Inventory | 207,328 | 137,328 | 137,328 | 137,328 | 137,328 |
| Vacancy Rate | 1.4% | 2.2% | 2.2% | 0.0% | 0.0% |
| Available Rate | 1.4% | 35.2% | 1.4% | 0.0% | 0.0% |
| Direct Base Rent | - | - | - | - | - |
| Spartanburg County | 1Q16 | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
| Inventory | 3,046,969 | 3,046,969 | 3,046,969 | 3,046,969 | 3,046,969 |
| Vacancy Rate | 8.5% | 8.5% | 8.6% | 8.6% | 8.3% |
| Available Rate | 14.5% | 14.5% | 14.6% | 10.4% | 10.1% |
| Direct Base Rent | \$15.55 | \$15.47 | \$15.60 | \$15.61 | \$15.49 |



Market Indicators

| Greenville/Spartanburg | 1Q16 | 4Q15 | 3Q15 | 2Q15 | 1Q15 |
|------------------------|------------|------------|------------|------------|------------|
| Inventory | 19,685,518 | 19,685,518 | 19,423,157 | 19,423,157 | 19,359,157 |
| Vacancy Rate | 9.0% | 9.7% | 8.9% | 9.0% | 9.1% |
| Available Rate | 12.0% | 12.9% | 12.2% | 11.7% | 12.4% |
| Direct Base Rent | \$17.50 | \$17.74 | \$17.01 | \$16.93 | \$16.96 |
| Net Absorption | 197,913 | 14,850 | 13,755 | 89,926 | 271,923 |

Greenville/Spartanburg Submarket Clusters



First Quarter 2016 Lease Transaction

| Tenant | Type | Address | Market | SF |
|---------------------------------------|----------|----------------------------|-------------------|--------|
| Laboratory Corporation of America | Renewal | 25 Woods Lake Road | Greenville County | 2,480 |
| Southerlin Family Optical, LLC | Renewal | 2084 Woodruff Road | Greenville County | 1,693 |
| HPLP, LLC | Original | 1204 A E Washington Street | Greenville County | 1,883 |
| Tempus Marketing & Media | Original | 101 N Main Street | Greenville County | 2,151 |
| Kelmardan International, Inc. | Renewal | 5 Century Drive | Greenville County | 434 |
| Tapestry Church of Greenville, LLC | Renewal | 25 Woods Lake Road | Greenville County | 2,263 |
| UCW Logistics | Original | 325 W McBee Avenue | Greenville County | 4,628 |
| Hospice Care of South Carolina | Original | 1003 Grove Road | Greenville County | 1,614 |
| Vine Community Church | Original | 1400-B Wade Hampton Blvd | Greenville County | 3,500 |
| Midcountry Financial | Original | 30 Patewood Drive | Greenville County | 4,951 |
| Greenville Health Systems | Original | 10 Patewood Drive | Greenville County | 7,519 |
| Cervis | Original | 50 International Drive | Greenville County | 19,277 |
| PrimeLending, a PlainsCapital Company | Renewal | 142 Milestone Way | Greenville County | 2,800 |
| Ciena Capital, LLC | Original | 5 Independence Pt | Greenville County | 8,425 |
| Clemson University | Original | Watt Ctr | Pickens County | 70,000 |
| Chase Harbin Law Firm | Original | 102 Pendleton Street | Pickens County | 950 |
| Endeavor | Original | 1 N Main Street | Greenville County | 20,000 |

Market Snapshot



Gordon Anderson of Avison Young represented the City of Greenville, South Carolina in the leasing of a 2340 sf office space located at 307 B Falls Street Greenville, South Carolina, from Design Development, LLC. M.S. Shore of M.S. Shore Company, Inc represented the landlord.



Office Terms & Definitions

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least two stories containing 20,000 square feet.

Office Building Classifications: Avison Young adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country. Office rents are reported as base rent. The asking rent for each building in the market is weighted by the amount of available space in the building.

Submarkets: Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within.

Researcher Comments

Market research data and lease transaction information provided by CoStar.

Avison Young 2016 Offices



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