



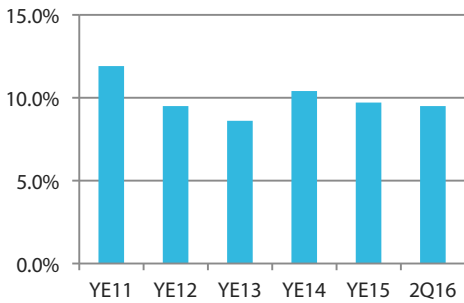
SECOND QUARTER 2016

Greenville/Spartanburg Office Report

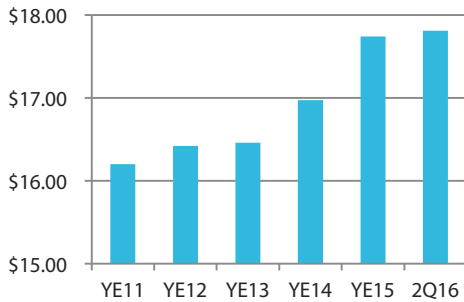
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MARKET FACTS

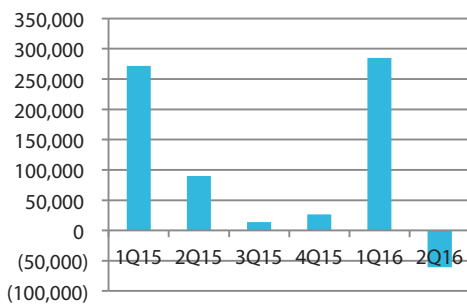
Vacancy Rates



Asking Base Rents



Net Absorption



Market Takeaway

Office Market Remains Strong

The Greenville/Spartanburg office market remains strong even though vacancy rates edged higher by 0.2% from the end of the second quarter of 2015, to the end of the second quarter of 2016. Asking rents increased slightly over the quarter from \$17.50 psf to \$17.81 psf.

The asking rental rate for Class A space continues to climb, especially in the Central Business District (CBD). The increase in tenant demand combined with low vacancy rates especially in the class A and B markets has created an opportunity for landlords to push rental rates higher. This trend should continue throughout 2016, or until sufficient new or remodeled spaces come on line.

Investment:

Because of increasing rental rates, low interest rates, and a limited availability of on-market properties, investors are looking to build or redevelop properties for office to meet the demand.

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, upgrading amenities and increasing rents, leading to lower cap rates.

Growth:

Class A space: As the Upstate continues to attract more regional and national tenants, combined with the organic growth of existing tenants, demand for higher quality and new space is accelerating. Current construction projects, the Erwin Penland and Falls Park Place buildings, will add 112,000 sf of space in the CBD by late 2016 or early 2017. Several large tenants will abandon their current location and move to these new locations.

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. Demand for updated class B space is outpacing availability, causing landlords to modernize in order to attract tenants and increase rental rates. The drive for convenience and quality bodes well for this suburban market segment.

Outlook:

Baring unforeseen political, global, and local economic uncertainty; the Upstate's strong state of economy, low cost of living, and high quality of life continues to attract re-locators and new business to the area. This trend will drive higher rental rates and decline in vacancies. This combined with attractive financing, continues to drive development. The market is poised for record growth in the office sector during 2016, while future addition of new office space and sub lease options could put some pressure on rates, strong absorption is expected to continue.

Growth risks:

- The availability of skilled, qualified and educated work force
- Lack of city infrastructure to support growth

Trends to Watch

- Stable vacancy rates
- Higher rental rates
- Growth and low interest rates drive projects



Market Indicators

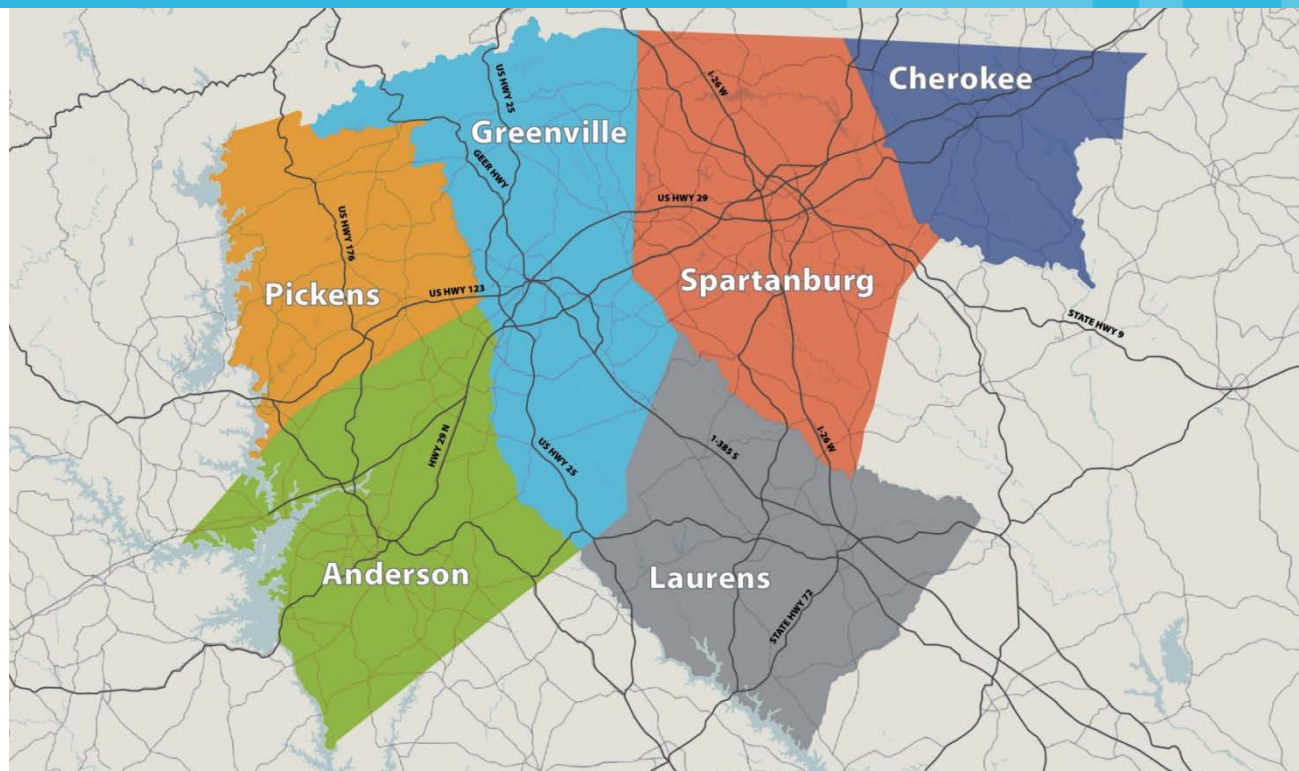
Anderson County	2Q16	1Q16	4Q15	3Q15	2Q15
Inventory	1,085,290	1,085,290	1,085,290	1,085,290	1,085,290
Vacancy Rate	4.2%	4.1%	4.2%	3.8%	3.9%
Available Rate	5.5%	5.8%	5.9%	5.9%	5.8%
Direct Base Rent	\$10.34	\$10.34	\$10.28	\$9.37	\$9.37
Cherokee County	2Q16	1Q16	4Q15	3Q15	2Q15
Inventory	61,597	61,597	61,597	61,597	61,597
Vacancy Rate	0.0%	0.0%	0.0%	0.0%	0.3%
Available Rate	0.0%	0.0%	0.0%	0.0%	0.3%
Direct Base Rent	-	-	-	-	-
Greenville County	2Q16	1Q16	4Q15	3Q15	2Q15
Inventory	15,160,260	15,160,260	15,090,260	14,965,466	14,965,466
Vacancy Rate	10.2%	9.8%	10.8%	9.5%	9.6%
Available Rate	11.3%	12.1%	13.0%	12.5%	12.7%
Direct Base Rent	\$18.32	\$17.98	\$18.29	\$17.46	\$17.37
Laurens County	2Q16	1Q16	4Q15	3Q15	2Q15
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	2Q16	1Q16	4Q15	3Q15	2Q15
Inventory	207,328	207,328	137,328	137,328	137,328
Vacancy Rate	1.4%	1.4%	2.2%	2.2%	0.0%
Available Rate	1.4%	1.4%	35.2%	1.4%	0.0%
Direct Base Rent	-	-	-	-	-
Spartanburg County	2Q16	1Q16	4Q15	3Q15	2Q15
Inventory	3,092,467	3,092,467	3,092,467	3,092,467	3,092,467
Vacancy Rate	8.6%	8.7%	8.6%	10.2%	10.2%
Available Rate	14.9%	14.6%	14.6%	14.7%	10.6%
Direct Base Rent	\$15.56	\$15.55	\$13.83	\$13.88	\$13.92



Market Indicators

Greenville/Spartanburg	2Q16	1Q16	4Q15	3Q15	2Q15
Inventory	19,697,888	19,697,888	19,697,888	19,363,094	19,363,094
Vacancy Rate	9.5%	9.2%	10.0%	9.2%	9.3%
Available Rate	11.3%	11.9%	13.0%	12.3%	11.8%
Direct Base Rent	\$17.81	\$17.50	\$17.48	\$16.73	\$16.66
Net Absorption	(60,410)	284,983	26,351	13,755	89,926

Greenville/Spartanburg Submarket Clusters



Second Quarter 2016 Lease Transaction

Tenant	Type	Address	Market	SF
AY SC, LLC	Original	1320 Hampton Avenue	Greenville County	1,800
Brown & Brown Insurance	Renewal	10 Falcon Crest Dr	Greenville County	4,955
Chris Brank Films, LLC	Original	241 N Main St	Greenville County	6,400
Livwell Greenville	Original	1320 Hampton Avenue	Greenville County	2,400
Louis Berger	Original	80 International Dr	Greenville County	7,086
Movement Mortgage, LLC	Original	5 Independence Pt	Greenville County	8,040
OB Hospital Group, Inc.	Original	401 Brookfield Pky	Greenville County	8,322
TBA	Original	1 Research Dr	Greenville County	23,000



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.

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