

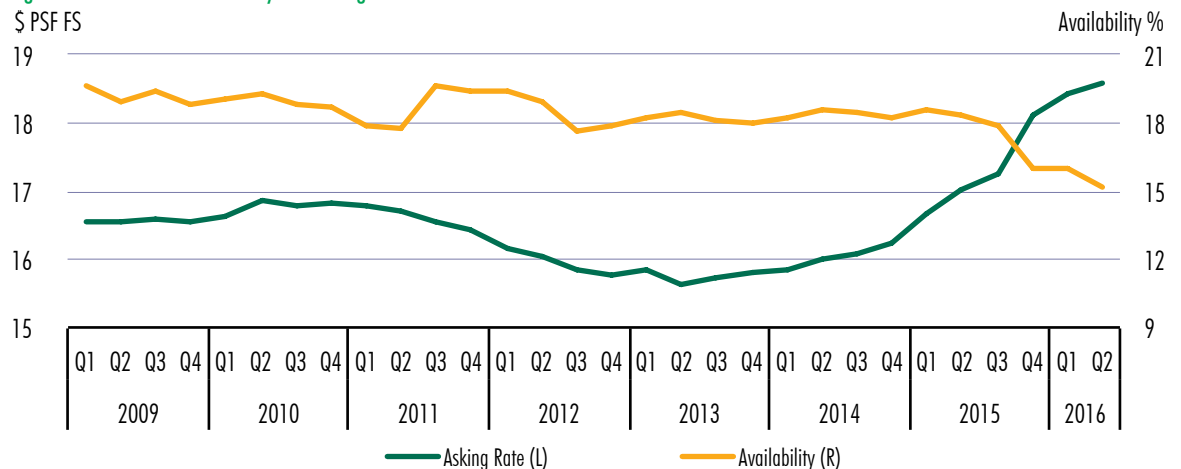
Greenville-Spartanburg Office, Q2 2016

Little speculation despite record low availability rates and record high asking rates

▶ Vacancy Rate 12.4%
▼ Availability Rate 15.1%
▲ Net Absorption 205,208 SF
▲ CBD Class A Asking \$24.55 PSF FS
▶ New Construction 153,000 SF

*Arrows indicate change from previous quarter.

Figure 1: Total Market Availability and Asking Rate



Source: CBRE Research, Q2 2016.

The rapid growth of the Greenville-Spartanburg market, and the resultant lack of available office space, is beginning to present a challenge to economic development. The market now has a record low level of availability despite the migration of a major tenant to a new facility. Since the start of 2015, availability has declined by over 340 basis points. As would be expected, asking rates continue their ascent, with Class A rates hitting new record highs in all submarkets.

The largest movement of the quarter involved the migration of CH2M from a 125,000 sq.ft. facility in the Spartanburg Suburban submarket to a newly constructed 75,000 sq.ft facility in the Greenville Suburban submarket. The move allows the company to upgrade their facility and operate more efficiently. More importantly, it is an effective tool to attract and retain talent.

Figure 2: Market Statistics

Market	Market Rentable Area (SF)	Vacancy Rate (%)	Total Availability (%)	Avg Asking Dr Rate (\$ PSF FS)	Under Construction (SF)	Net Absorption Last 4 Qtrs (SF)	Net Absorption Q2 2016 (SF)
Greenville CBD Class A	2,369,821	11.7	15.9	24.55	153,000	33,746	8,490
Greenville CBD Class B	1,139,502	11.8	13.1	18.07	-	57,959	69,737
Downtown	3,600,528	11.8	15.0	22.27	153,000	95,785	79,627
Greenville Suburban Class A	2,699,928	7.2	9.1	21.86	-	185,853	105,101
Greenville Suburban Class B	3,134,527	14.1	18.0	16.27	-	352,103	106,482
Spartanburg Suburban Class A	448,737	2.9	2.9	22.50	-	(3,661)	-
Spartanburg Suburban Class B	916,695	14.0	27.9	15.06	-	(15,482)	3,554
Suburban	7,412,707	12.7	15.2	16.81	-	417,707	125,581
MARKET TOTAL	11,013,235	12.4	15.1	18.57	153,000	513,492	205,208

Class	Market Rentable Area (SF)	Vacancy Rate (%)	Total Availability (%)	Avg Asking Dr Rate (\$ PSF FS)	Under Construction (SF)	Net Absorption Last 4 Qtrs (SF)	Net Absorption Q2 2016 (SF)
Class A	5,518,486	8.8	11.8	23.37	153,000	210,881	110,125
Class B	5,234,724	15.9	18.5	15.77	-	284,863	93,683
MARKET TOTAL	11,013,235	12.4	15.1	18.57	153,000	513,492	205,208

Source: CBRE Research, Q2 2016.

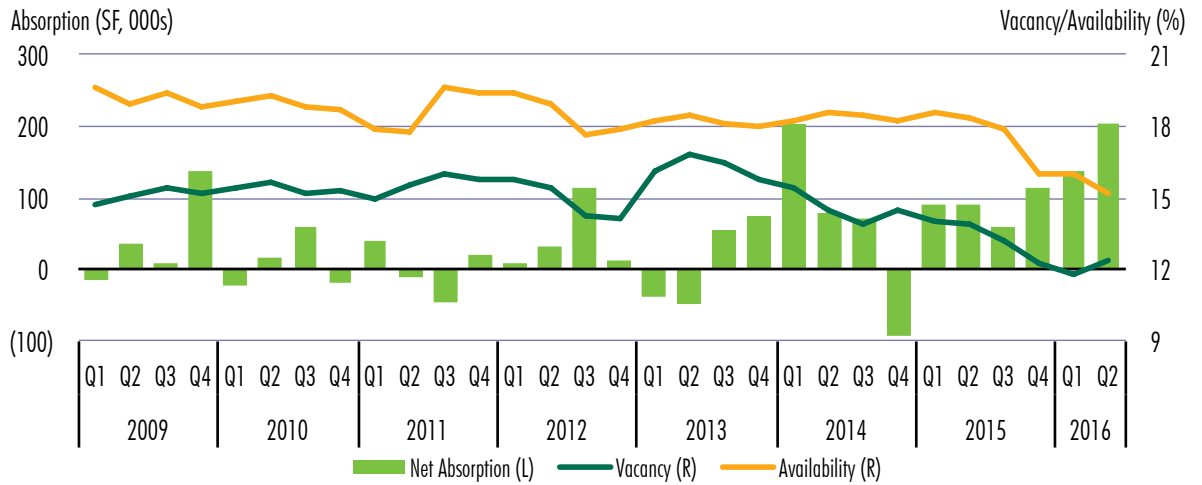
While the downsizing of CH2M did lift vacancy by over 60 basis points from its record low last quarter to 12.4%, the market still absorbed over 200,000 sq.ft. of space in the market, fueled largely by new leases by ChartSpan, Regional Management and Sitel. Combined the three companies leased over 175,000 sq.ft.

ChartSpan is of particular note because it is the largest company borne out of the market's co-work space. ChartSpan originally established operations as one of twelve tenants at the NEXT Innovation Center, and is now expanding to lease 80,000 sq.ft.

of space in market. The NEXT Innovation Center accounts for 60,000 sq.ft. of the market's 210,000 sq.ft. of co-work space. Co-work space ranges from open-concept entrepreneurial hangouts to private executive suites with shared amenities that can be reserved with flexible terms.

While the departure of CH2M does lift vacancy in the Spartanburg submarket, as the only office vacancy in the market larger than 50,000 sq.ft., the property presents the market with a unique opportunity to attract a large user, particularly those from out-of-market.

Figure 3: Total Market Vacancy, Availability and Net Absorption



Source: CBRE Research, Q2 2016.

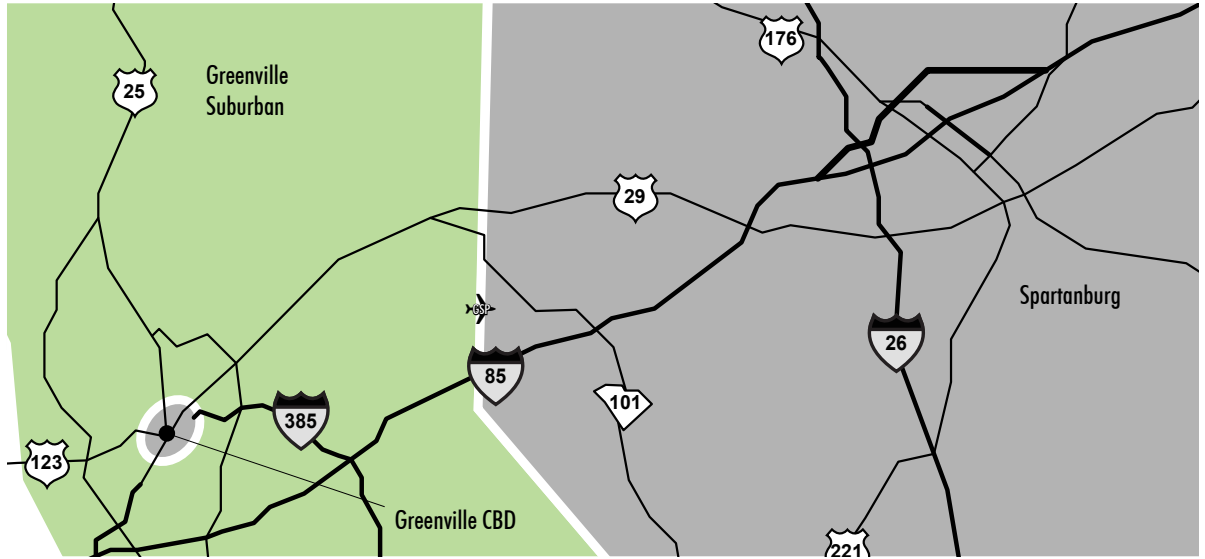
In the development pipeline, the first building at the new Camperdown project has started construction. This first building will consist of 28,000 sq.ft. of Class A space, the majority of which will be occupied by The Greenville News. Overall, the Camperdown is expected to feature over 170,000 sq.ft. of Class A office space.

In the last three years, the overarching story of the Greenville-Spartanburg office market has been consistent: rapid growth with declining vacancy and rising asking rates, both of which have hit record levels in recent quarters. In spite of this, development of new availability has been slow to materialize. This is especially acute in the Greenville Suburban submarket, where asking rates for Class A product have risen 16% in the last five quarters to \$21.86 per sq.ft. on a full service basis, which is similar to the Class A asking rate for CBD product in Q4 2014.

While tenants have demonstrated a willingness and desire to lease new space, and developers are interested in responding to that demand, the challenge appears to be related to a lending environment that is risk averse. In the absence of new development, landlords will be able to

maintain their strong leverage over tenants as they lift asking rents. As availability dwindles, the economic competitiveness of the market will be challenged. Given the fact that new Class A office space typically has a construction timeline of 18 months, expect vacancy to decline and asking rates to rise further until 2018.

While the need for new space is apparent, it is possible to envision infrastructure challenges in attempting to accommodate new office development. While securing funding for new office space is challenging, funding for multi-family and hospitality development has proven less so. As such there is a construction boom for both sectors, drawn largely by the vibrancy of downtown Greenville, the magnet which makes office development attractive as well. While every market has infrastructure challenges, the amount of development occurring in the CBD is raising concerns about the market's ability to provide for additional development.



CONTACTS

Brian Reed, AICP

Research Manager

+1 864 527 6073

brian.reed@cbre.com

@BrianReedCRE

Steve Smith, SIOR

Managing Director

+1 864 527 6030

steve.b.smith@cbre.com

CBRE

101 North Main Street

Suite 1400

Greenville, SC 29601

@CBRE_SC

OFFICE SERVICES

Charles Gouch, CCIM, SIOR

Senior Vice President

+1 864 527 6073

charles.gouch@cbre.com

Blaine Hart, SIOR

Vice President

+1 864 527 6054

blaine.hart@cbre.com

@BlaineHart86

Doug Webster

Senior Associate

+1 864 527 6033

doug.webster@cbre.com

@DougWebster21

Ryan Clark

Senior Associate

+1 864 527 6036

ryan.clark@cbre.com

@RSClark

Shelby Dodson, LEED AP

Senior Associate

+1 864 527 6022

shelby.dodson@cbre.com

Joe Cummings

Associate

+1 864 527 6023

joe.cummings@cbre.com

@jcummings19

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/researchgateway.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.