

Interest from out-of-town users will increase absorption

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Key Takeaways

- › Rental rates are increasing due to available high-quality office space delivering to the market; this will also cause the vacancy rate to rise.
- › Interest from out-of-town prospects is intensifying.
- › Owners are preparing office availabilities for a quick turnaround by creating open-air, lease-ready suites.

Increasing interest from out-of-town

There are a multitude of reasons businesses from regions outside of the Greenville-Spartanburg-Anderson area are currently expanding or relocating to the market. According to the most recently posted U.S. Census Bureau data, the Greenville population increased 12.33% from July 2010 through July 2017. This rise in population can be attributed to a robust economy, low unemployment rate, a high livability standard and a thriving business climate. The Greenville-Spartanburg-Anderson unemployment rate is 2.9%, lower than the national average, while the Greenville-Spartanburg-Anderson cost of living is in line with the national U.S. average. In addition to the general living conditions of the region drawing interest from out-of-town users, the market can accommodate a variety of tenant needs and wants. Due to construction deliveries and an uptick in vacancy within the suburban markets, a tenant is able to pick and choose the type and/or size of suites available to them. However, while there are many choices currently available, they will be leased quickly due to landlords proactively upgrading suites to be open-air and tenant-ready. Many office availabilities are already an "office spec" type of suite; therefore, tenants are able to move in within less than six months, even if specific upgrades are requested.

Market Indicators

Relative to prior period

Q1 2019

Q2 2019*

VACANCY	↑	↑
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE**	↑	↑

Note: Construction is the change in Under Construction.

*Projected

**Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

Summary Statistics

Q1 2019 Greenville Office Market

Market

CBD

Suburban

Vacancy Rate	12.72%	13.94%	12.31%
Change From Q1 2018 (basis points)	+84	+57	+93
Absorption (Thousand Square Feet)	+62.04	+2.30	+59.74
Q1 2019 New Construction* (Thousand Square Feet)	40.57	0	40.57
Under Construction (Thousand Square Feet)	298.33	268.00	30.33

*New construction is buildings delivered

Asking Rents

Per Square Foot Per Year

Overall	\$20.95	\$25.38	\$19.80
Change From Q1 2018	+2.15%	+1.12%	+5.32%
Class A	\$23.20	\$26.31	\$22.25
Change From Q1 2018	+0.17%	-1.46%	+3.30%

Market Conditions

The Greenville-Spartanburg-Anderson market consists of 402 office buildings within five submarkets, which total 16,820,747 square feet. The market absorbed 62,040 square feet during the first quarter of 2019 and two new buildings totaling 40,567 square feet were delivered to the market. There are also four office buildings under construction which, when completed, will add 298,333 square feet to the Greenville-Spartanburg-Anderson market, and eight proposed buildings that, if constructed, will add 381,720 square feet throughout the market. The Greenville-Spartanburg-Anderson office market vacancy rate dropped slightly from last quarter to 12.72%; likewise, the Class A office vacancy dropped from 14.76% during the last quarter of 2018 to 14.46% during the first quarter of 2019. The rental rates increased in every area except in Class A central business district office space, which was 1.46% lower than last quarter. The overall average full service weighted market rental rate increased from \$20.19 per square foot during the fourth quarter of 2018 to \$20.95 per square foot during the first quarter of this year. As more high quality construction is delivered to the market, the rental rate should continue to climb before it levels out.

Central Business District (CBD) Conditions

The Greenville-Spartanburg-Anderson central business district has 67 office buildings totaling 4,209,861 square feet. The central business district absorbed 2,298 square feet during the first quarter of 2019. The downtown vacancy rate dropped slightly from 13.99% last quarter to 13.94% this quarter. Nevertheless, in addition to 515,695 square feet of direct space available in the central business district, there was an increase in available sublease space; 71,115 square feet of office sublease space is currently for sublease. Furthermore, 268,000 square feet of office construction is underway in the Greenville central business district, so the vacancy rate will likely rise in the next few quarters as new construction is delivered to the market. The overall average full service weighted downtown rental rate was \$25.38 per square foot during the first quarter of 2019, higher by 8.83% from the average weighted rental rate during the fourth quarter of 2018.

Suburban Conditions

The Greenville-Spartanburg-Anderson suburban office market has 335 buildings consisting of 12,610,886 square feet. The suburban market absorbed 59,742 square feet of office space, largely due to 61,112 square feet of absorption in the I-385/85 submarket. The suburban market vacancy rate dropped from 12.51% during the fourth quarter of 2018 to 12.31% during the first quarter of 2019. The overall average full service weighted market rental rate within the suburbs continues to rise quarter-over-quarter, and during the first quarter of 2019, the rental rate was \$19.80 per square foot.

Significant Transactions

This quarter, according to CoStar, there were 35 office sale transactions and 88 reported leases signed within the Greenville-

Spartanburg-Anderson submarkets; most of the leases over 10,000 square feet were undisclosed.

Sales

- The Kessler Collection purchased the 43,164-square-foot office property located at 44 East Camperdown Way for \$3.85 million.
- Powderhorn LLC purchased the 9,343-square-foot office building at 16 Powderhorn Road in Simpsonville for \$1.56 million.
- For \$1.5 million, Tindall Corporation purchased the office at 1320 Howell Road in Duncan.
- For \$1.03 million, North and West Grove Properties, LLC purchased a 158,993-square-foot North Grove Medical Park office building located at 1330 Boiling Springs Road.

Leases

- Cambridge Group Properties, LLC leased 10,800 square feet at 88 Villa Road in Greenville.

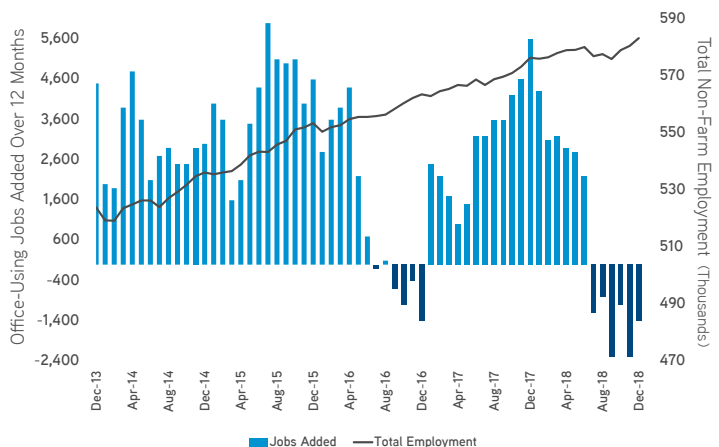
Construction Pipeline

Construction activity is active, with 298,333 square feet currently under construction in the downtown Greenville and I-385/85 submarkets.

Delivered

- 615 Congaree Road in Greenville is the site of a Class A, 26,567-square-foot office building in the I-385/I-85 submarket.
- In Spartanburg, 411 Industrial Court is the site of a completed 14,000-square-foot Class B office building.

Office-Using Employment | Greenville-Spartanburg-Anderson, MSAs



Source: Bureau of Labor Statistics, Colliers International

Under Construction

- In downtown Greenville, 305 South Main Street is the site of a 150,000-square-foot Class A office currently under construction in the Camperdown mixed-use development.
- Construction continues on an 18,333-square-foot Class A office building located at 485 North Main Street.
- Carolina Square at 433 Southeast Main Street in Greenville has a 12,000-square-foot Class A office building under construction.

Office-Using Employment

Office-using employment is those jobs related to the professional and business services, financial activities and information sectors, within the combined Greenville-Spartanburg-Anderson Combined Statistical Area (CSA). According to the most recent December 2018 data from the Bureau of Labor Statistics, there are a total of 120,900 office-using jobs in the Greenville-Spartanburg-Anderson submarket, and while that is 1,400 fewer jobs than in December of 2017, total non-farm employment in the Greenville-Spartanburg-Anderson market has increased by 6,900 jobs over the last year. In addition, according to the Bureau of Labor Statistics, the unemployment rate in both the Spartanburg MSA and the Greenville-Mauldin-Easley MSA is 2.9%, the lowest it has been in 10 years.

Market Forecast

The Greenville-Spartanburg-Anderson office market is in high demand. Out-of-town users are beginning to tour the office buildings and, due to the livability rating, low cost of living and overall positive economy and business climate of the region, these prospects are likely to land deals in the next few quarters. High quality office space is available and more is on the way, with new buildings under construction and proposed. Therefore, the rental rate for available office space is likely to rise again before it stabilizes.

44 East Camperdown Way | Greenville, South Carolina

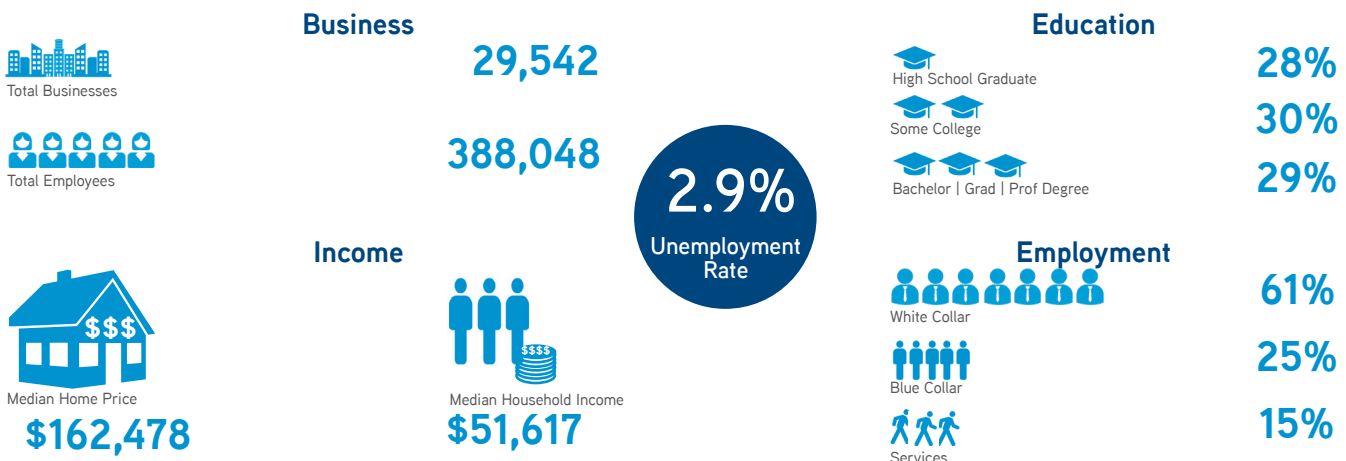


Source: CoStar

Commercial Real Estate Growth Cycle: Where the market stands and where it is going



Greenville-Spartanburg-Mauldin Infographic



Source: ESRI Business Analyst, Bureau of Labor Statistics

Q1 2019 Office Market Summary Statistics

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	AVERAGE ASKING RENTAL RATE (SF/YR)
ANDERSON COUNTY								
Class A	4	102,403	-	-	-	0.00%	-	-
Class B	10	134,312	-	5,926	5,926	4.41%	-	-
Class C	13	177,408	1,100	-	1,100	0.62%	1,568	\$14.80
Anderson County Total	27	414,123	1,100	5,926	7,026	1.70%	1,568	\$14.80
I-385/I-85								
Class A	55	4,184,367	618,556	53,500	672,056	16.06%	40,948	\$22.24
Class B	99	3,317,433	357,200	70,527	427,727	12.89%	23,883	\$19.74
Class C	74	1,765,778	273,304	-	273,304	15.48%	-3,719	\$15.33
I-385/I-85 Total	228	9,267,578	1,249,060	124,027	1,373,087	14.82%	61,112	\$20.12
PICKENS COUNTY								
Class A	4	84,213	-	-	-	0.00%	-	-
Class B	5	90,600	3,770	-	3,770	4.16%	-2,020	\$15.00
Class C	5	54,338	10,783	-	10,783	19.84%	-	\$13.80
Pickens County Total	14	229,151	14,553	-	14,553	6.35%	-2,020	\$14.63
SPARTANBURG COUNTY								
Class A	9	464,941	17,468	-	17,468	3.76%	-	\$23.32
Class B	27	1,215,290	66,909	4,327	71,236	5.86%	-463	\$16.26
Class C	30	1,019,803	49,002	20,480	69,482	6.81%	-455	\$12.87
Spartanburg County Total	66	2,700,034	133,379	24,807	158,186	5.86%	-918	\$15.34
GREENVILLE CBD								
Class A	28	2,463,135	337,829	28,100	365,929	14.86%	3,399	\$26.31
Class B	24	1,351,536	152,099	40,292	192,391	14.23%	-12,814	\$24.83
Class C	15	395,190	25,767	2,723	28,490	7.21%	11,713	\$20.61
Greenville CBD Total	67	4,209,861	515,695	71,115	586,810	13.94%	2,298	\$25.38
SUBURBAN MARKETS TOTAL								
Class A	72	4,835,924	636,024	53,500	689,524	14.26%	40,948	\$22.25
Class B	141	4,757,635	427,879	80,780	508,659	10.69%	21,400	\$19.38
Class C	122	3,017,327	334,189	20,480	254,669	11.75%	-2,606	\$14.99
Suburban Total	335	12,610,886	1,398,092	154,760	1,552,852	12.31%	59,742	\$19.80
MARKET TOTAL								
Class A	100	7,299,059	973,853	81,600	1,055,453	14.46%	44,347	\$23.20
Class B	165	6,109,171	579,978	121,072	701,050	11.48%	8,586	\$20.73
Class C	137	3,412,517	359,956	23,203	383,159	11.23%	9,107	\$15.44
Market Total	402	16,820,747	1,913,787	225,875	2,139,662	12.72%	62,040	\$20.95

In January 2018, Colliers International benchmarked its office data set for South Carolina. The new standard includes: all office buildings 10,000 square feet or larger, except medical office and government-owned buildings; all single tenant office buildings; buildings in an expanded geography; data for all quarters beginning in Q4 2008; and excluding office condominiums. In addition, the submarkets are separated by class levels A, B and C (A being the highest quality space and C being of lesser quality), and are also divided into 2 divisions: **Central Business District (CBD)** and **Suburban**. The Central Business District submarket consists of a highly-populated business area with infrastructure and an office building/high-rise environment, which is often accompanied by heavy daytime foot traffic. A Suburban submarket is an area or town existing as a mixed-use community within commuting distance of a larger city. Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.

400 offices in
69 countries on
6 continents

\$2.7

billion in
annual revenue

2

billion square feet
under management

15,400

professionals
and staff



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