

Office Market Trends Greenville

Grubb & Ellis Research
Third Quarter 2006



“The disparity between downtown and suburban office markets has been supplanted with a new gap indicating a lack of quality office space.”

Dealing with the gaps

In the second quarter of 2005, the vacancy rates of the Greenville CBD and Suburban markets were separated by 707 basis points. While the gap gradually decreased in the five quarters since, Fluor Corporation's lease of over 160,000 square feet of office space at Patewood Plaza and the sale-leaseback deal of approximately 340,000 square feet of office space at the RBC/Liberty Life campus, both in the third quarter, helped drop the gap to 305 basis points, with CBD and suburban office vacancy rates at 13.0 and 16.0 percent, respectively.

The disparity between downtown and suburban office markets has been supplanted with a new market gap indicating a lack of quality office space. Class A vacancy is at 7.1 percent downtown and 11.7 percent in the suburbs. Class B vacancy is approximately twice as high across the board, 19.9 percent downtown and 19.3 percent in the suburbs. While all other office market sectors have experienced an increase in asking rates, Class B suburban asking rates have dropped over \$1 per square foot in the past five quarters to \$13.26.

A significant causal factor in the combination of high vacancy rates and declining asking rates for Class B space is the proliferation of suburban office condos. While owner-occupied space is not included in the market numbers, the sheer quantity of office condo space in the market cannot be ignored. Because office condos compete directly with smaller Class B spaces, the 300,000 square feet of vacant office condo space in the suburban market is making it difficult for Class B property owners to find or retain tenants.

Property owners stuck in the office condo doldrums should look to differentiate their properties to avoid competing with them directly. Two good options for owners to consider would be to upgrade their buildings and market the flexibility of being in a larger multi-tenant building.

Greenville Office Market Trends

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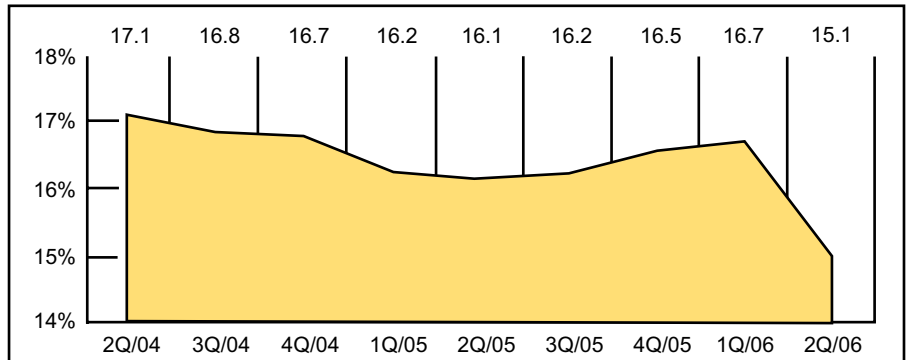
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Independently Owned and Operated



Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Greenville Third Quarter 2006

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		Class A	Class B
CBD	3,151,589	409,081	13.0%	(4,796)	(34,404)	50,000	\$19.69	\$16.66
Greenville Suburban	5,459,741	828,298	15.2%	456,152	464,403	197,100	\$16.87	\$13.74
Spartanburg	1,192,947	238,199	20.0%	9,000	1,016	65,000	\$19.75	\$12.23
CBD Total	3,151,589	409,081	13.0%	(4,796)	(34,404)	50,000	\$19.69	\$16.66
Suburban Total	6,652,688	1,066,497	16.0%	465,152	465,419	262,100	\$17.06	\$13.26
Totals	9,804,277	1,475,578	15.1%	460,356	431,015	312,100	\$17.94	\$14.48
							Available for Sublease	
By Class (All Submarkets)							CBD	Suburban
Class A	4,696,897	471,959	10.0%	107,224	95,421	312,100	14,551	79,040
Class B	5,048,980	984,579	19.5%	357,932	341,634	-	2,834	18,995
Totals	9,804,277	1,475,578	15.1%	460,356	431,015	312,100	17,385	98,035

(1) Inventory includes multi-tenant and single tenant buildings with at least 20,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year full service. Rates for each building are weighted by the size of the building.

*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Office Market Terms & Definitions

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis|The Furman Co. adheres to the Building Owners and Managers Association 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: The vacancy rate is the amount of physically vacant space 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 and dollars per square foot per month in areas of California and selected other markets. Office rents are reported as full service where all costs of operation are paid by the landlord up to a base year or expense stop.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the building size.

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