Office Market Trends Greenville

Grubb & Ellis Research
First Quarter 2007

Grubb & Ellis | The Furman Co.
Property Solutions Worldwide

New Class A Space in Downtown Spartanburg

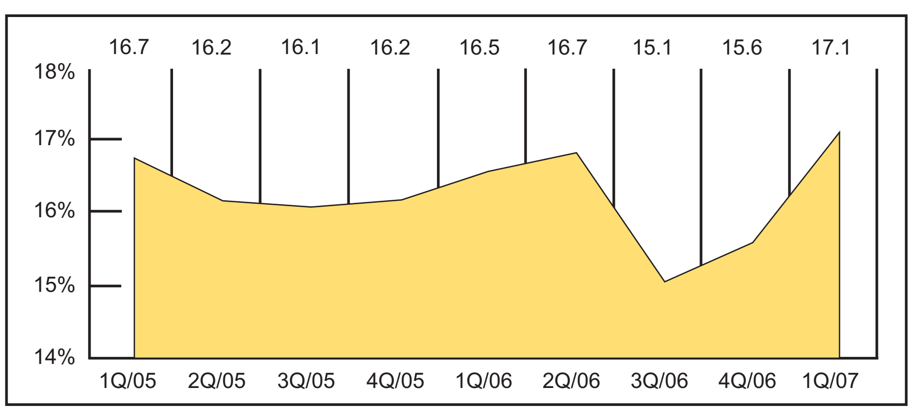
There is a demand for new Class A space, as evidenced by an 8.2 percentage point spread in vacancy between Class A and Class B properties, one of the largest gaps in the country.

The first quarter closed with minimal activity in the office sector. The highlight of the quarter was Johnson Development's completion of the 65,000 square-foot Carolina First building. In addition to housing the offices of Johnson Development, the building also serves as the Spartanburg headquarters of Carolina First Bank.

While the new building was 100 percent pre-leased at the time of completion, it impacted vacancy at the nearby Bell Hill Office Park, which impacted more than just the Spartanburg submarket, helping to increase Class A market vacancy from 10.0 percent to 11.3 percent.

The trends in the Spartanburg office submarket are comparable to the trends in the remainder of the Upstate office market: there is a demand for new Class A space, as evidenced by an 8.2 percentage point spread in vacancy between Class A and Class B properties, one of the largest gaps in the country. This may have been a factor in Johnson Development's announcement for yet another 80,000 square-foot building in downtown Spartanburg.

Up to this point, existing Class A properties in the market have been safeguarded from the struggles experienced by Class B building owners in luring tenants. However, if Class B vacancy rates remain high and more Class A space is added in the coming quarters, it may present a challenge to existing Class A properties as Class B owners will be pressured to lure tenants with attractive deals.



Office Vacancy Rate*
** All Classes of Space*

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Office Market Snapshot Greenville First Quarter 2007

By Submarket				Net Absorption		Under	Asking Rent(4)	
(All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Current Qtr.	Year-to-date	Construction (3)	Class A	Class B
CBD	3,174,873	455,468	14.3%	(1,718)	(1,718)	50,000	$19.41	$16.82
CBD Total	3,174,873	455,468	14.3%	(1,718)	(1,718)	50,000	$19.41	$16.82
Greenville Suburban	5,503,298	953,636	17.3%	(10,359)	(10,359)	129,500	$16.02	$13.52
Spartanburg	1,369,577	310,578	22.7%	13,185	13,185	-	$18.00	$13.81
Suburban Total	6,872,875	1,264,214	18.4%	2,826	2,826	129,500	$16.26	$13.63
Totals	10,047,748	1,719,682	17.1%	1,108	1,108	179,500	$17.49	$14.65

By Class							Available for Sublease	
(All Submarkets)							CBD	Suburban
Class A	4,896,801	554,787	11.3%	38,295	38,295	132,500	13,534	49,292
Class B	5,048,980	984,579	19.5%	(37,187)	(37,187)	47,000	5,700	38,665
Totals	10,047,748	1,719,682	17.1%	1,108	1,108	179,500	19,234	79,292

(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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