

# Office Market Trends Greenville-Spartanburg

Grubb & Ellis Research  
First Quarter 2009



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## Sublease Cloud is Brewing

With negative absorption for each of the last two consecutive quarters, the Greenville-Spartanburg office market has officially changed course from its relatively successful period of the previous 24 months. As is often the case with negative absorption (a decrease in total occupied space), the first quarter ushered in a higher vacancy rate, which is now up to 14.7 percent. Based upon the increasing amounts of available sublease space, vacancy is expected to climb further in the next few quarters.

If all of the approximately 500,000 square feet of sublease space now available were to be vacated, the vacancy rate would increase by 390 basis points overall and 930 basis points in Greenville's CBD. This will present a huge challenge to developers of new office space, as they must now deal not only with a sluggish economy, but also with competition from the best spaces in the market. While the data does not reflect it yet, the large amounts of availability will likely put pressure on owners to drop their rates in the short-term to remain competitive.

The largest deal of the quarter involved the Nexsen Pruet law firm's sublease of 25,000 square feet of space in the Bowater Building, a property that is perfectly situated to take advantage of its location adjacent to Falls Park, one of the anchors of downtown Greenville's revitalization.

Another headline for the quarter is the completion of Johnson Development's new 80,000 square foot building in Spartanburg. Fortunately for the developer, there is minimal sublease space competition in Spartanburg to contend with. Tenants occupying the building include accounting firm Dixon Hughes and Smith Barney. However, more than 60,000 square feet remains available at the property.

For the market as a whole, there is a bright side. For several years, one significant factor limiting the amount of growth in the office market has been the immediate availability of large contiguous blocks of space, something that is much more common in larger regional markets such as Charlotte and Atlanta. When the economy turns, the Greenville market should be able to compete with larger markets more effectively.

### Greenville Office Market Trends

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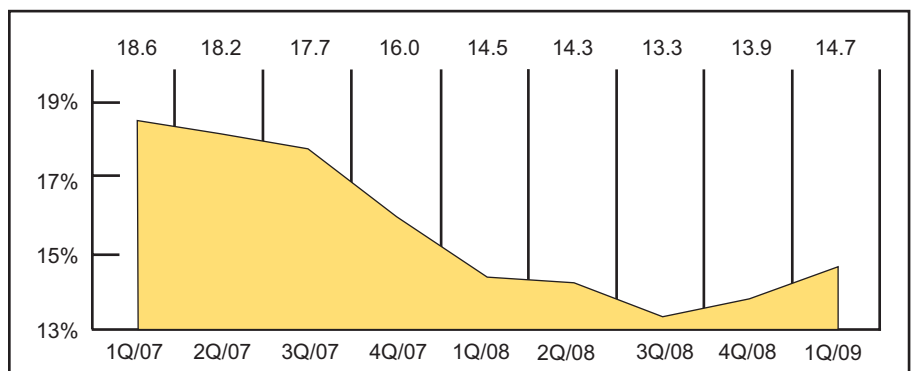
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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Greenville-Spartanburg First Quarter 2009

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	3,139,769	505,833	16.1%	(32,463)	(32,463)	115,000	\$19.57	\$16.85
<b>CBD Total</b>	<b>3,139,769</b>	<b>505,833</b>	<b>16.1%</b>	<b>(32,463)</b>	<b>(32,463)</b>	<b>115,000</b>	<b>\$19.57</b>	<b>\$16.85</b>
Greenville Suburban	5,534,506	698,214	12.6%	(30,367)	(30,367)	80,000	\$18.25	\$13.43
Spartanburg	1,451,416	286,159	19.7%	31,530	31,350	-	\$20.45	\$12.62
<b>Suburban Total</b>	<b>6,985,922</b>	<b>984,373</b>	<b>14.1%</b>	<b>1,163</b>	<b>1,163</b>	<b>80,000</b>	<b>\$18.99</b>	<b>\$13.19</b>
<b>Totals</b>	<b>10,125,691</b>	<b>1,490,206</b>	<b>14.7%</b>	<b>(31,300)</b>	<b>(31,300)</b>	<b>195,000</b>	<b>\$19.16</b>	<b>\$14.50</b>
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	5,155,140	457,995	8.9%	(8,933)	(8,933)	115,000	323,425	82,939
Class B	4,834,451	981,431	20.3%	(22,367)	(22,367)	80,000	21,999	50,939
<b>Totals</b>	<b>10,125,691</b>	<b>1,490,206</b>	<b>14.7%</b>	<b>(31,300)</b>	<b>(31,300)</b>	<b>195,000</b>	<b>345,424</b>	<b>133,878</b>

(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 amount of available space in the building.

\*Grubb & Ellis|The Furman Co. 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.

**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:** As part of our annual data benchmarking procedures, G&E has adjusted the methodology we use to weight average office asking rental rates. When calculating the average asking rate for a market or submarket, we previously weighted the asking rate in each building by the size of the building. Beginning Q1 2009, we are weighting the rate in each building by the amount of available space in the building. All historic rental rate data has been re-weighted to create a consistent trend line for the rent graphs appearing in this report. However, the rental rate data in this report will not be comparable to the rental rate data in our previously published reports due to this change in our methodology.

**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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