

3Q17: Columbia Office Market Report

CBD Most Desired, Tightest on Space

The Columbia office market saw a vacancy of 10.8% at the close of the third quarter 2017, increasing slightly from 10.3% at the end of the second quarter 2017. Overall rental rates rose as expected to \$17.42, following \$17.18 in 2Q17. This rate matches a previous 9 year high.

The Central Business District (CBD) continues to see the most activity for both new and existing tenants. Tenants are not only looking for flexible and efficient space to fit changing work styles, they are pursuing intriguing, amenity-rich space that helps attract and retain talent. The demand to have a “live-work-play” lifestyle is credited with driving much of the urban immigration. Downtown Columbia closed the quarter with an exceptionally low vacancy rate of 8.3% compared to a suburban office vacancy of 14.2%. The CBD proves to be office seekers first choice for office space, followed by St. Andrews, then Northeast Columbia. The St. Andrews submarket led in absorption posting a positive 30,882 square feet (SF) in the third quarter. This quarter, the net absorption was negative 9,567 SF in the CBD primarily due to a lack of available space. The Columbia office market is reaching a peak in occupancy and tenants looking for 10,000 SF or more have the fewest options. Class A CBD rates are currently \$22.19 per SF and vacancy will continue to tighten. The speculative “ground up” pipeline is non-existent and with surging construction costs, as well as rising land costs, we do not envision speculative new product for the foreseeable future. Rates for new speculative product would likely have to command rates north of \$30.00 per SF which is too much of a bridge to gap from current top market rates. Because of the limited availability of quality, sizable space in the CBD, experts suggest tenants may become more comfortable with suburban options as they will have lower full-service rates plus free parking.

Tenants are also encouraged to explore renewing their leases early. The main reason: to take advantage of lease rates before they rise. Rates are on the rise for two reasons: the high demand for quality space (which is expected to continue) and increased operating

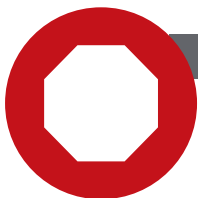
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VACANCY

10.8%

Increased from 10.3% in 2Q17



NET ABSORPTION

-1,045 SF

-131,046 SF in 2Q17



OVERALL RENTAL RATE

\$17.42

Matches previous 9-year high



VACANCY: CBD

8.3%

9.3% St. Andrews; 13.9% NE Cola



RENTAL RATES: CBD

\$20.29

\$22.19 Class A; \$18.40 Class B

Broker Insight Continued

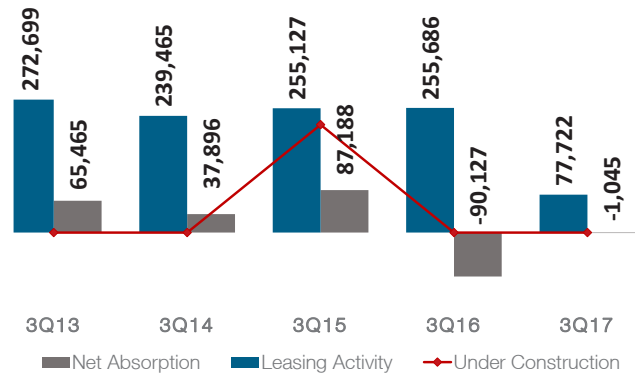
expenses. Landlords must find a way to recover the extra expense they are burdened with from these escalating costs and the answer is higher starting rents. In addition, with the increase in construction activity pulling subcontractors to larger multi-tenant projects, the costs for office upfit has gone up significantly in the last year. Landlords are becoming less able to offer tenant improvement allowances that cover the turnkey delivery costs. "Landlords are now working with a cap," says NAI Avant senior broker Macon Lovelace, SIOR. "Now, it's far more likely that tenants are going to have to come out of pocket to upfit new space." In short, if a tenant is pleased with their current office space, there may be compelling reasons for them to stay where they are so they aren't faced with the potential tenant improvement (TI) contribution in addition to standard relocation expenses associated with furniture, fixtures and equipment as well as IT/Data systems.

In Columbia, investment activity in Class A CBD office towers has been brisk. Main Street's newest office building sold for \$65 million in August which equates to a record shattering \$348.00 per SF. The Main & Gervais building, an 18-story Class A office building built in 2009, sold to California's KBS Realty Advisors. The glass and steel building located at the corner of Main and Gervais is considered one of South Carolina's most prestigious business addresses with a spectacular view of the State Capital.

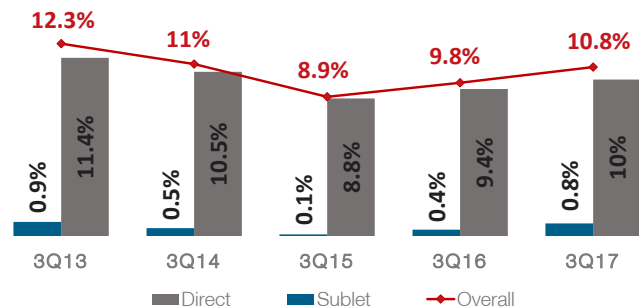
In addition, The Tower at 1301 Gervais sold to RealOp Investments LLC of Greenville in September. The firm acquired the ±298,926 SF Class A office building from Morning Calm Management for \$28,125,000. The tower is currently 80% occupied.

It was also announced at the close of this quarter that a New York equity firm, Hamilton Equity Partners, purchased the Capitol Center building at 1201 Main Street comprising approximately ±528,487 SF. This sale marks the fourth office tower in the CBD to trade this year, a sign of remarkable deep pocket out of state investors zeroing in on Columbia. Investors are chasing higher returns than can be obtained in major markets (i.e. Atlanta, Charlotte, etc.) and are aggressively pursuing secondary markets such as Columbia with solid market fundamentals. In many of the major markets throughout the country, the Class A office towers have been extensively picked over at this stage of the real estate cycle.

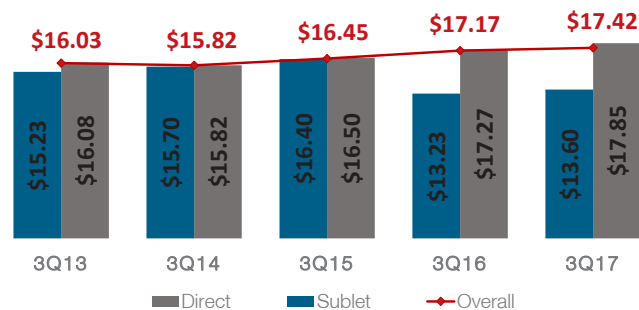
NET ABSORPTION



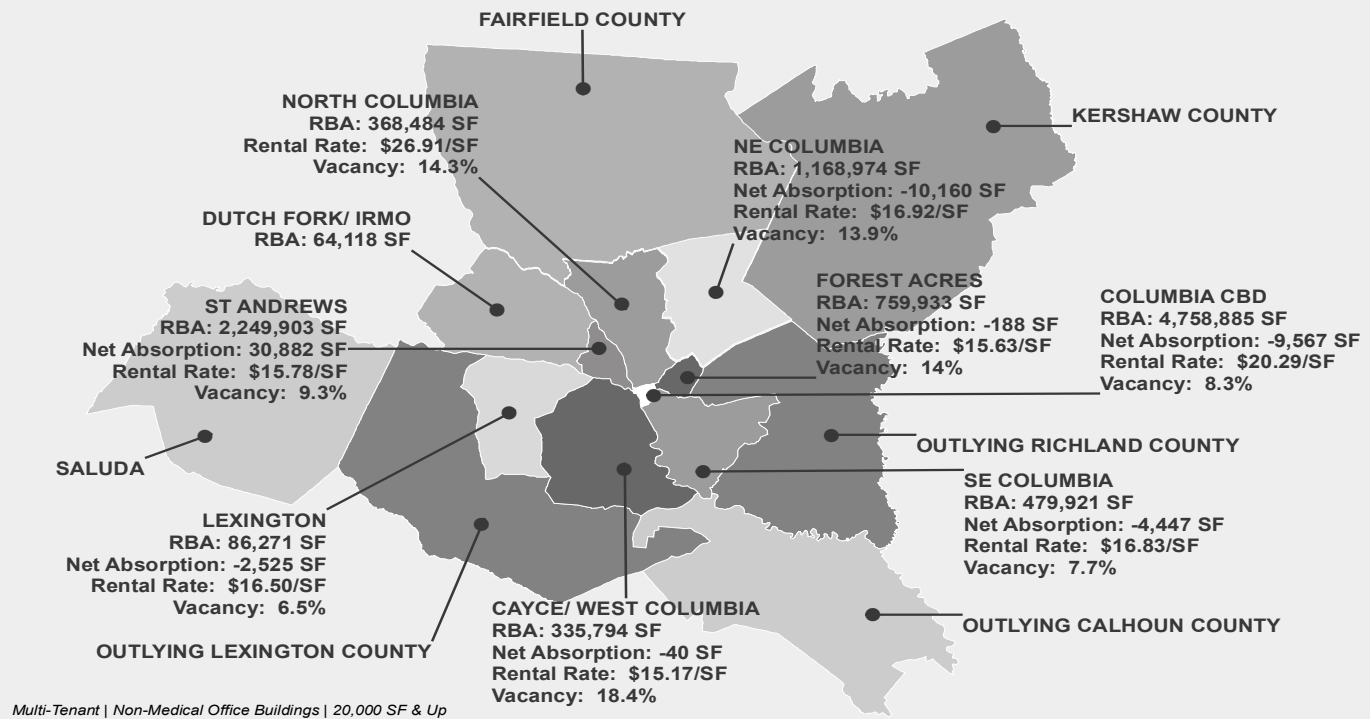
VACANCY



RENTAL RATES



Submarket Statistics



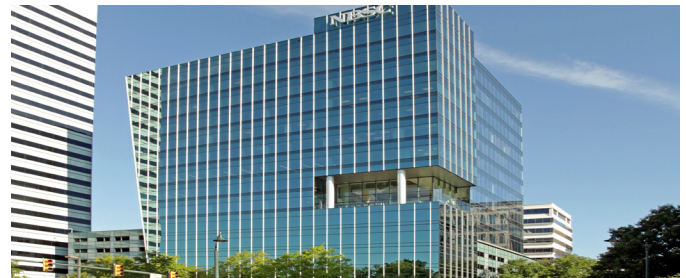
Significant Transactions



**SOLD
CBD**

**CAPITOL CENTER
1201 MAIN STREET
±528,489 SF SOLD**

Price: \$43,000,000



**SOLD
CBD**

**TOWER AT MAIN AND GERVAIS
1221 MAIN STREET
±186,605 SF SOLD**

Price: \$65,000,000

NAI Avant, At A Glance

Realizing Potential, Delivering Results



For more than 50 years, the NAI Avant team has excelled in delivering superior service and performance for its commercial real estate clients. Through dedicated and knowledgeable professionals backed by quality research, our institutional, corporate, small business and individual clients have achieved maximum results.

As a full-service company, headquartered in Columbia SC, our brokerage, development, management and consulting services are tailor-made to meet the specific needs of each assignment, from single transactions to coordinating the delivery of multiple services over broad geographic areas. As a spin-off of the over \$6 billion EDENS (formerly Edens & Avant), NAI Avant traces its roots back to 1966.

Through our professional and network affiliations, we effectively and efficiently deliver our services at the local, regional, national and global levels.

Creativity and experience combined with quality research and support, have been the hallmark of NAI Avant's brokerage staff that has been South Carolina's leading performer for nearly three consecutive decades.

Our Depth of Experience Includes

- Investment Sales
- Healthcare Real Estate Services
- Retail Sales and Leasing
- Property and Project Management Services
- Office Sales and Leasing
- Industrial Sales and Leasing
- Special Asset and Receivership Services
- Tenant Representation
- Corporate Advisory Services
- Site Selection and Land Sales
- Fee Development and Build-to-Suit Services
- Mixed-Use Urban Infill

NAI GLOBAL

NAI Avant is a member of the NAI Global premier network, the largest independent commercial real estate service provider worldwide. NAI Global member firms span worldwide, with 400 offices and more than 7,000 local market experts on the ground. NAI Avant is a recipient of NAI Global's prestigious Eagle Award, recognizing the top firm in the U.S. secondary markets demonstrating the highest levels of achievement through a combination of leadership, capital resources, commitment to quality and global vision.

NAI Global is a wholly owned subsidiary of C-III Capital Partners, LLC (C-III). C-III Capital Partners is a leading commercial real estate services company engaged in a broad range of activities, including primary and special loan servicing, loan origination, fund management and principal investment. C-III is the primary servicer for approximately \$15 billion and the named special servicer for approximately \$160 billion of commercial real estate loans. At NAI Global, we uniquely combine an agile platform with experienced real estate teams, backed by the institutional strength of one of the world's leading property investment companies.

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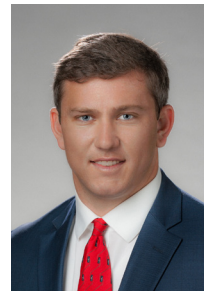
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Featured Listing



700 HUGER STREET

Three-Story, Class A Office Building
Columbia, SC

±54,081 SF, 100% Pre-Leased

Sales Price: \$10,700,000