

# Bentley Commercial LLC/CORFAC INTERNATIONAL OFFICE MARKET REPORT



## GREENVILLE, SC

## 2009 YEAR-END REPORT

### MARKET OVERVIEW

By Brent L. Freeman & Andrew R. Mitchell

The Greenville, SC office market consists of 21,063,000 SF in the CBD and Suburban markets. During 2009, the market continued to experience the effects of the lingering recession/financial crisis with the availability rate (vacant space available from landlords plus sublease space) rising from 14.6% at YE 2008 to 16.4% at YE 2009. Greenville's vacancy rate (not including sublease space) stood at 14.7% at YE 2009, slightly higher than the US office market vacancy rate of 13.1% as reported by CoStar. While net absorption for 2009 was 8,676 SF, the availability rate rose due to Carolina First putting 275,000 SF of Class A space on the rental market instead of occupying the space. The average asking PSF rental rate remained steady at \$14.75 PSF.

Many consider the vitality of Class A space to be the true barometer of the office market. This statistic deteriorated in both the CBD and Suburban markets. The CBD Class A availability rate rose from 18.7% at YE 2008 to 22.2% at YE 2009 while the Suburban Class A rate rose from 15.7% at YE 2008 to 22.3% at YE 2009.

Major lease signings for 2009 were Samsung taking 80,000 SF at 356 Center Pointe Boulevard, Bowater Inc. taking 20,000 SF of sublease space at 10 South Academy Street, **Dixon Hughes signing a new lease of 19,904 SF at 11 Brendan Way, and the McNair Law Firm taking 15,260 SF at 104 South Main Street (Poinsett Plaza).** Other significant lease signings include Greenville Hospital System taking 15,165 SF at the Patewood Administration Building, New Spring Church taking 11,000 SF at 81 Rocky Slope Road, **PBMS, Inc. taking 5,467 SF at the ECPI building and Greenville Family Partnership taking 4,000 SF at 200 Mills Avenue. (Bentley Commercial office lease transactions)**

The office market received news that was a mixed blessing when Carolina First (The South Group) announced it would not be moving its corporate headquarters out of 100,000 SF in Poinsett Plaza in the CBD to its new corporate campus in the suburbs. Carolina First purchased 60 acres in the Suburbs along I-85 and the campus was envisioned as a complex of 10 office buildings and construction is now complete on three office buildings consisting of 127,000 SF, 107,000 SF and 41,000 SF.

Instead, Carolina First will occupy 50,000 SF in the new corporate campus with back office operations and leave its corporate headquarters in the CBD. This was good news for the CBD as keeping Carolina First headquarters in the CBD will help the ongoing development of Greenville's vibrant downtown business community as well as taking 100,000 SF of sublease space off the market in the CBD. The negative news is that there is now 225,000 SF of vacant Class A space on the market for lease or sale in the suburbs. Carolina First announced it would sell or lease the three buildings and the undeveloped land.

One bright spot in the Suburbs was Phil Hughes Investments delivering an 80,000 SF fully leased office building in the spring. Samsung has a call/service center in the building and this project should bring many new, high paying jobs to Greenville. The building is expandable to 130,000 SF to accommodate future growth. Another positive statistic is there is only 107,280 SF of office space under construction at YE 2009. The Greenville office market has avoided overbuilding that has plagued other markets, and should be poised to take advantage of the recovery, which many think has already started.

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Source: CoStar Property Data and Bentley Commercial, LLC.



**CAROLINA FIRST CAMPUS**

### OFFICE INVENTORY AND VACANCY RATES

AS OF DECEMBER 31, 2009

	Central Business District		Suburban		Total Market
	Class A	Total	Class A	Total	
<b>Total Inventory</b>	1,796,720	5,746,582	3,288,410	15,316,230	21,062,812
<b>Direct Vacant SF</b>	244,653	817,971	654,203	2,318,033	3,136,004
<b>Sub-lease SF</b>	136,197	164,024	78,547	158,314	322,338
<b>Availability Rate</b>	22.2%	17.1%	22.3%	16.2%	16.4%
<b>Y-T-D Net Absorption</b>	0	<15,520>	<21,053>	24,196	8,676
<b>YTD New Product</b>	0	0	324,795	404,795	404,795
<b>SF Under Construction</b>	64,280	64,280	43,000	43,000	107,280
<b>Average Asking Rate/SF</b>	\$ 19.36	\$ 16.71	\$ 20.73	\$ 14.07	\$ 14.75



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## CENTRAL BUSINESS DISTRICT

The CBD availability rate continued to rise hitting 17.1%, up from 13.6% at YE 2008. Class A space fared even worse rising to 22.2% from 18.7% at YE 2008. Net absorption was <15,520> for the CBD overall with Class A space being zero (0) for the period. Average asking rates fell from \$16.99 PSF at YE 2008 to \$16.71 PSF with Class A average asking lease rates falling to \$19.36 PSF from \$19.81 at YE 2008.

Two announcements during 2009 will help Greenville CBD continue to be one of the most progressive and prosperous downtowns of its size in the U.S. Carolina First announced its corporate headquarters would remain in the CBD and the corporate campus would be available for lease or sale. This announcement took 73,000 SF of sublease space off the market and kept the headquarters in the CBD. In addition, Clemson University announced it will move its MBA program, located now at the University Center in the Suburbs, to downtown Greenville in the Bowater Building next to the Liberty Bridge along the Reedy River. Currently 270 students are in the MBA program and this will now move to the CBD. The University also plans to put a professional and continuing education program in the building, as well as support programs for small businesses and entrepreneurs.

## SUBURBAN MARKET

The suburban availability rate rose slightly to 16.2% from 15% at YE 2008 while the Class A availability rate stood at 22.3% at YE 2009, up from 15.7% at YE 2008. This is due primarily to Carolina First putting 275,000 SF of Class A space on the lease market. Average asking rates fell from \$14.23 PSF at YE 2008 to \$14.07 at YE 2009 with the Class A asking lease rates falling slightly to \$14.07 from \$14.23 at YE 2008.

Mid-year, Carolina First announced that it would not move its corporate headquarters from the CBD to its corporate campus in the Suburbs. The company announced the campus was now for lease or sale, including the remaining acreage. This change put 275,000 SF of Class A space on the market, driving up the Suburban Class A availability rate. There may be a sliver lining in this development in that Greenville now has the capability to accommodate the relocation of a major corporate headquarters or major office user to Greenville with visibility from I-85.

## OFFICE BUILDING SALES ACTIVITY

The most significant sale of 2009 was the \$162,820,000 sale/leaseback between Greenville Hospital System and Healthcare Trust of America. This transaction included 16 properties at \$190.17 PSF and closed in September of 2009. This combined with the \$35,000,000 sale of Independence Corporate Park, completed in January of 2009, caused total Office property sales in 2009 to show an increase compared to that of 2008 sales levels. Other significant transactions and their details are noted on the table below. According to Costar, cap rates for office properties have been higher in 2009, averaging 8.55% compared to 2008 where they averaged 8.34%. Some attribute this increase to tighter lending practices by banks, as they perceive more risk in the marketplace.

### SELECT OFFICE BUILDING SALES

BUILDING	ADDRESS	LOCATION	SIZE (SF)	SALE DATE	SALE PRICE	PRICE PSF
114 Williams Street	114 Williams Street	CBD	3,290	11/30/2009	\$ 323,500	\$ 98.33
704 Congaree	704 Congaree	Sub	9,000	10/23/2009	\$ 725,000	\$ 80.56
GHS Sale/Leaseback	(16 Properties)	Sub	856,179	9/18/2009	\$162,820,000	\$ 190.17
204 Whitsett Street	204 Whitsett Street	CBD	2,355	9/11/2009	\$ 295,500	\$ 125.48
215 W. Stone Ave.	215 W. Stone Ave.	CBD	6,000	9/1/2009	\$ 813,500	\$ 135.58
2 Whitsett Street	2 Whitsett Street	CBD	2,928	8/31/2009	\$ 385,000	\$ 131.49
535 W. Butler Road	535 W. Butler Road	Sub	4,700	6/5/2009	\$ 802,500	\$ 170.74
40 Creekview Court	40 Creekview Court	Sub	3,608	5/6/2009	\$ 727,000	\$ 201.50
Eastside Medical Center	10 Enterprise Blvd.	Sub	45,200	5/6/2009	\$ 3,425,000	\$ 75.77
400 Pelham Road	400 Pelham Road	Sub	6,500	4/6/2009	\$ 1,400,000	\$ 215.38
80 Villa Road	80 Villa Road	Sub	8,410	1/30/2009	\$ 825,000	\$ 98.10
Independence Corporate Park	(7 Properties)	Sub	300,135	1/22/2009	\$ 35,000,000	\$ 116.61