

### Office Market Overview

The overall Charleston office market experienced net absorption of 172,947 square feet in the fourth quarter, a significant jump from the 29,469 square feet reported during third quarter. There was a positive net gain in both Class A and Class B buildings. Class A buildings reported net absorption of 98,356 and Class B reported net absorption of 50,195. Both of these absorption totals were an increase over the previous quarter. Overall vacancy rates dropped slightly from 7.9 percent to 7.2 percent quarter over quarter. Both Class A and Class B buildings had a decline in vacancy - Class A vacancy moved from 10.5 percent to 8.5 percent and Class B vacancy moved from 8.2 percent to 7.7 percent.

North Charleston had the highest net absorption of the Charleston submarkets at 85,184 square feet for fourth quarter. Molina Healthcare moved into 42,000 square feet at the 4105 Faber Place Drive building at Faber Pointe at the end of October and South Carolina Bank and Trust took 19,200 square feet at the First Federal Corporate Center building located at 2430 Mall Drive. Greater Charleston and Mount Pleasant also had positive net absorptions of 49,858 square feet and 34,529 respectively. In Greater Charleston, the office building at 125 Fairchild Street is now 100 percent leased after 24,917 square feet was occupied in October. Mount Pleasant had some movement in medical office buildings that contributed to the absorption numbers as East Cooper OBGYN took 9,700 square feet at 1280 Hospital Drive and Medical University of South Carolina expanded into 12,000 square feet in their 1200 Innovation Way building.

The largest lease signed in the Charleston market during fourth quarter was a renewal with MUSC Health at 2125 Charlie Hall Boulevard in Greater Charleston. In North Charleston, The Boeing Company signed a lease for 20,000 square feet at Executive Park at Faber Place and will plan to occupy the space in January. Also, ITT Technical Institute renewed their lease for almost 20,000 square feet in Building VII at Aviation Business Park.

The Nexton Office Campus at 201 Sigma Drive was completed in December 2013 making it the first LEED Certified office complex over 100,000 square feet in Charleston, SC. Up to 75,000 square feet is currently available at \$25.50 per square foot full service.

Benefitfocus, Inc. also announced its plans to expand their campus on Daniel Island, SC in Berkeley County. The company, currently using a 13-acre campus, will be tripling its size to 40 acres and adding 1,200 jobs over the next year. The company was founded in 2000 and moved to Daniel Island in 2006. Benefitfocus, Inc. went public in the third quarter of 2013.

Average asking rental rates in the overall Charleston market have moved from \$17.14 to \$17.53 to close out fourth quarter 2013. This is a \$.40 increase after rates were quoted at \$17.14 and \$17.13 throughout much of the year. The biggest factor is that Class B rates jumped from \$16.63 to \$17.66 quarter over quarter.

It is expected that the region's key market drivers (Boeing, Port, Medical & Technology sectors) will continue to bring new businesses to the region in 2014. This surge of new business to the region and demand for space will lead to a dramatic decrease in supply and vacancy rates in 2014, especially in the North Charleston submarket where rental prices are half the price of downtown space. Absorption will rise as new companies quickly occupy new buildings and we will see rental rates rise throughout the region.

Source: CoStar; Lincoln Harris Research

### MARKET STATISTICS

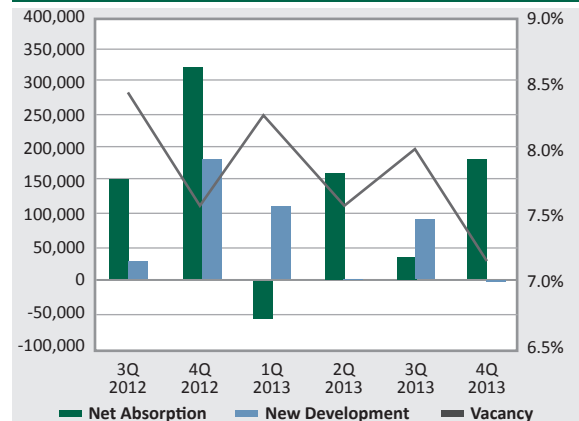
	3Q 2013	4Q 2013	FORECAST
Market Supply (SF)	25,859,130	25,837,355	▲
Vacancy (SF)	2,050,867	1,856,145	▼
Total Vacancy (%)	7.9%	7.2%	▼
Total Net Absorption (SF)	29,469	172,947	▲
Direct Asking Rent	\$17.14	\$17.53	▲

“Nexton continues to lead the way for speculative office development.”

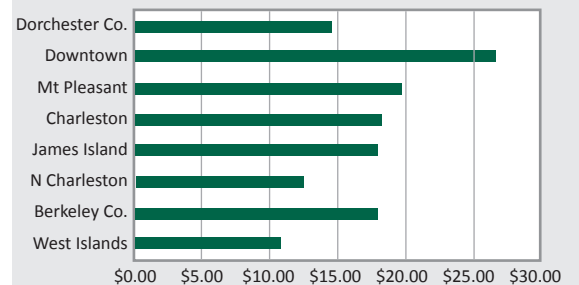
Mike Ferrer, CCIM

Vice President of Office & Industrial Brokerage

### HISTORICAL VACANCY & NET ABSORPTION



### SUBMARKET ASKING RATES - 4Q 2013



## OFFICE MARKET STATISTICS

	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2013 Absorption	Asking Rent (PSF)
DORCHESTER COUNTY	364	1,710,090	120,974	7.1%	(7,568)	\$14.73
DOWNTOWN CHARLESTON	430	5,506,580	246,531	4.5%	37,424	\$26.38
E CHARLESTON COUNTY	3	35,233	2,500	7.1%	0	\$0.00
EAST ISLANDS/MT PLEASANT	389	3,599,054	152,775	4.2%	125,396	\$19.72
GREATER CHARLESTON	535	4,229,447	360,006	8.5%	68,353	\$18.84
JAMES ISLAND/FOLLY BEACH	126	494,196	11,665	2.4%	9,399	\$18.59
NORTH CHARLESTON	693	8,248,499	764,903	9.3%	109,734	\$13.44
OUTLYING BERKELEY COUNTY	299	1,690,762	176,280	10.4%	(42,879)	\$18.80
W CHARLESTON COUNTY	23	67,525	9,789	14.5%	1,151	\$9.54
WEST ISLANDS	60	255,969	10,722	4.2%	719	\$11.70
<b>MARKET TOTALS</b>	<b>2,922</b>	<b>25,837,355</b>	<b>1,856,145</b>	<b>7.2%</b>	<b>198,185</b>	<b>\$17.53</b>

## OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2013 Absorption	Asking Rent (PSF)
Class A	76	4,844,918	412,410	8.5%	177,364	\$23.30
Class B	1,263	13,206,816	1,019,008	7.7%	218,652	\$17.66
Class C	1,583	7,785,621	424,727	5.5%	(94,287)	\$8.70
<b>MARKET TOTALS</b>	<b>2,922</b>	<b>25,837,355</b>	<b>1,856,145</b>	<b>7.2%</b>	<b>301,729</b>	<b>\$17.53</b>

## RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
2420 Mall Drive	North Charleston	33,460	\$3,000,000	\$89.66
1812 Savannah Highway	Charleston	10,874	\$805,000	\$74.03
1629 Meeting Street Road	Charleston	8,620	\$875,000	\$101.51
1124 Park West Blvd	Mt Pleasant	6,920	\$800,000	\$115.61
414 Whilden Street	Mt Pleasant	3,856	\$575,000	\$149.12

## SIGNED LEASE TRANSACTIONS

Building	Submarket	Size	Asking Price/ SF
955 Houston Northcutt Blvd	Mt Pleasant	18,724	\$15.00
2284 Clements Ferry Road	Charleston	8,553	\$12.75
1280 Hospital Dr	Mt Pleasant	5,740	\$19.75
40 Calhoun Street	Charleston	4,419	\$32.50
1671 Belle Isle Avenue	Mt Pleasant	2,287	\$27.50

## About Lincoln Harris

Lincoln Harris, an affiliate of Lincoln Property Company, is a full-service corporate real estate company focused on development, commercial brokerage, corporate real estate services, retail services, land services, project services, property management and asset management. Based in Charlotte, NC, Lincoln Harris has twenty-three service offices across the country.

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