

### Office Market Overview

The overall Charleston office market continues to tighten as total net absorption during fourth quarter was positive 123,560 square feet. The Tricounty has experienced two straight years of positive net absorption. Though 2014 showed healthy trends, the net space demand was greater during 2013. Year to date net absorption was 249,027 during 2014, but only about 57 percent of the net space demand of the prior year. Vacancy has continued to decline since the beginning of 2013 when vacancy rates were at 12.2 percent. Presently, vacancy rates are at 9.0 percent, a decline of 320 basis points which equates to approximately 430,000 square feet.

In the Tricounty area, over 250,000 square feet of leases have been signed in the last six months alone. The largest new transaction was in Downtown Charleston at 174 Meeting Street where ATLATL leased 14,500 square feet on the third floor. They occupied the space in December. Palmetto Primary Care signed a lease in August and will be moving into 12,000 square feet in the newly constructed 201 Sigma Drive building in March on the Nexton Office Campus in Outlying Berkeley County. The building still has a 55,712 square foot block of contiguous space available - the largest contiguous block of Class A space in the Tricounty area.

The North Charleston submarket had the most space demand during 2014. Net absorption was positive 37,879 square feet during fourth quarter and year to date net absorption was positive 61,452 square feet. In the last six months, Carealliance Health Services moved into 7,169 square feet in the 3955 Faber Place Drive building, Fernhall Baptist Church took two suites totaling nearly 5,000 square feet at 2154 N Center Street in Northwoods Center, and Beazer Homes and MEC Inc., together, moved into approximately 12,000 square feet at 4401 Belle Oaks Drive in Ashley Center.

As vacancy declines, asking rental rates are increasing around the Tricounty area. Direct asking rental rates have increased \$0.89 per square foot over the last year and the trend is expected to continue. Downtown Charleston demands the highest asking rental rates among all of the submarkets at \$27.34 per square foot. Properties along Meeting Street are quoted as high as \$36.00 for a full service office lease.

Currently there are more than \$1 billion of projects across several property types under construction on the Charleston peninsula, including multifamily, student housing and hotels. There are several hotels set to be developed for 2015, including the Hyatt House, Hyatt Place at Midtown, and the Hotel Dewberry on Meeting Street. With all of this activity, the one thing that is lacking is speculative office product. There is not one spec building currently under construction and some believe that this is crucial in order to lure new companies to the area and strengthen the local economy.

One large development project that is anticipated is the Evening Post Industries' redevelopment of 12 acres around the Post & Courier's downtown building. The redevelopment, Courier Square, is scheduled to break ground in 2015, and will include 63,400 square feet of office on floors two through five, 19,400 square feet of retail/office on the ground floor, and 225 apartments. The development is scheduled for completion within 18 months.

Source: CoStar 12.17.14; Charleston Regional Business Journal; Lincoln Harris Research

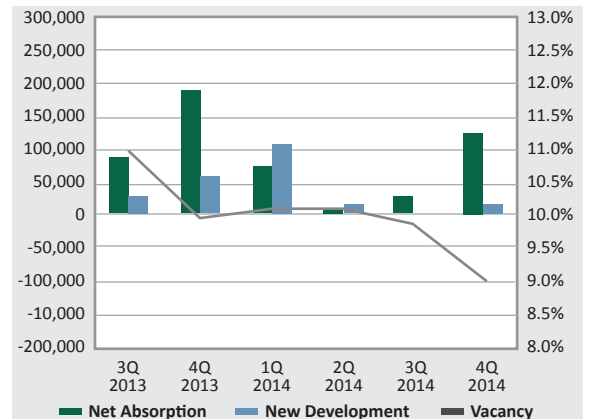
### MARKET STATISTICS

	4Q 2014	3Q 2014	FORECAST
Market Supply (SF)	14,240,779	14,240,779	▲
Vacancy (SF)	1,260,266	1,383,826	▼
Total Vacancy (%)	9.0%	9.8%	▼
Total Net Absorption (SF)	123,560	33,431	▲
Direct Asking Rent	\$19.33	\$19.38	▲

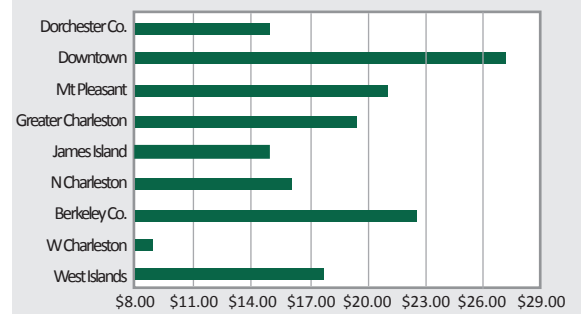
“Technology start ups and incubators continue to drive development in the new “NoMo” district on the upper peninsula.”

Mike Ferrer, CCIM  
Vice President of Office & Industrial Brokerage

### HISTORICAL VACANCY & NET ABSORPTION



### SUBMARKET ASKING RATES - 4Q 2014



## OFFICE MARKET STATISTICS

	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
DOWNTOWN CHARLESTON	97	2,689,733	179,406	6.7%	33,335	\$27.28
DORCHESTER COUNTY	67	715,154	86,155	12.0%	10,406	\$14.75
EAST ISLANDS/MT PLEASANT	173	2,616,553	92,206	3.5%	29,617	\$21.72
GREATER CHARLESTON	134	2,557,497	253,620	9.9%	56,550	\$19.48
JAMES ISLAND/FOLLY BEACH	15	195,267	5,035	2.6%	6,510	\$14.76
NORTH CHARLESTON	168	4,654,830	505,204	10.9%	61,452	\$16.31
OUTLYING BERKELEY COUNTY	36	497,704	133,060	26.7%	45,959	\$22.89
WEST CHARLESTON	3	18,556	4,940	26.6%	0	\$9.00
WEST ISLANDS	9	128,485	640	0.5%	5,198	\$17.52
<b>MARKET TOTALS</b>	<b>702</b>	<b>14,073,779</b>	<b>1,260,266</b>	<b>9.0%</b>	<b>249,027</b>	<b>\$19.49</b>

## OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	64	4,139,674	379,816	9.2%	133,498	\$24.23
Class B	490	7,847,552	737,941	9.4%	105,561	\$17.69
Class C	148	2,086,553	142,509	6.8%	9,968	\$13.80
<b>MARKET TOTALS</b>	<b>702</b>	<b>14,073,779</b>	<b>1,260,266</b>	<b>9.0%</b>	<b>249,027</b>	<b>\$19.49</b>

## RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
134 Meeting Street	Downtown	70,100	\$19,550,000	\$278.89
1350 Ashley River Road	Greater Charleston	14,200	\$1,025,000	\$72.18
119 Springhall Drive	Outlying Berkeley	6,850	\$1,150,000	\$167.88
887 Johnnie Dodds Boulevard	Mount Pleasant	3,778	\$1,015,000	\$268.66
498 Meeting Street	Downtown	3,200	\$490,000	\$153.13

## SIGNED LEASE TRANSACTIONS

Building	Submarket	Size	Asking Price/ SF
2408 Ashley River Drive	Greater Charleston	31,625	\$9.00
7301 Rivers Avenue	North Charleston	19,474	\$19.00
100 Calhoun Street	Downtown	7,629	\$29.00
3955 Faber Place Drive	North Charleston	5,972	\$25.00
2154 N Center Street	North Charleston	4,964	\$12.00

## 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.

Source: CoStar 12.17.14; Lincoln Harris Research

## CONTACT INFORMATION

### Chip Mark

Senior Vice President - South Carolina  
843.952.2070  
[chip.mark@lincolnharris.com](mailto:chip.mark@lincolnharris.com)

### Mike Ferrer, CCIM

Vice President, Office & Industrial Brokerage  
843.952.2062  
[mike.ferrer@lincolnharris.com](mailto:mike.ferrer@lincolnharris.com)

### John Nash

Brokerage  
843.952.2064  
[john.nash@lincolnharris.com](mailto:john.nash@lincolnharris.com)

### Christine Majernik

Administrative Assistant  
843.952.2060  
[christine.majernik@lincolnharris.com](mailto:christine.majernik@lincolnharris.com)

### Ryan Ramey

Research Coordinator  
704.714.7639  
[ryan.ramey@lincolnharris.com](mailto:ryan.ramey@lincolnharris.com)

### Lincoln Harris

126 Seven Farms Drive, Suite 160  
Charleston, SC 29492  
843.952.2060  
[lincolnharris.com](http://lincolnharris.com)

