

MARKETBEAT

OFFICE SNAPSHOT

CHARLESTON, SC

A Cushman & Wakefield Research Publication

Q4 2013



ECONOMIC OVERVIEW

The Charleston office market continued to make significant improvement in Q4 2013. Vacancy rates dropped from 9.2% in Q3 2013 to 8.8% in Q4 2013, led by a 0.7% drop in non-CBD properties. The overall Charleston

economy has continued to strengthen. Boeing leads the way in the acquisition of over 460 acres at its Charleston campus for the expansion of its existing operations. The completion of the Clemson University SCE&G Energy Innovation Center on the former Navy Base is attracting global attention from a number of wind turbine manufacturers and is estimated to create over 20,000 direct and indirect jobs in the next 10 years. Commercial construction starts are still being led by multi-family projects and hospitality projects and have added 500 jobs over the 12-month period. Residential homes sales in the region are up 7% over 2012 with foreclosures down 18% and the median sales price up 2.7%. Charleston's diverse economy will positively impact the commercial office market heading into 2014.

MAJOR TRANSACTIONS

The College of Charleston leased 50,000 square feet (sf) in a currently under construction office building in North Charleston that broke ground in November. Molina Healthcare leased 40,000 sf in Faber Pointe in North Charleston. Benefitfocus announced its plans to build a 145,000-sf, four-story customer support office on Daniel Island that will be completed in 2015. Another 145,000-sf building could start in 2015 as well. Benefitfocus total investment could reach \$60M and 1,200 new jobs.

OUTLOOK

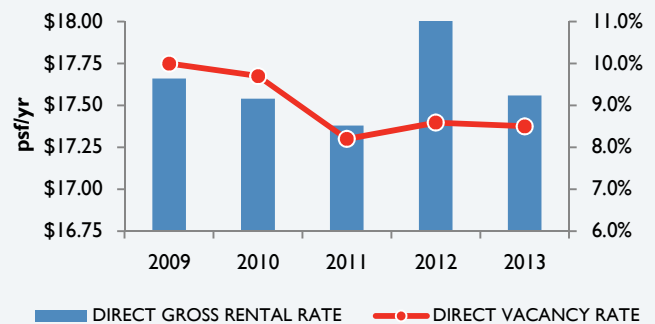
The East Bay, North Morrison Drive, North Charleston and Summerville markets should see continued activity. Downtown Charleston remains very tight as the Charleston region remains on many investor and developer radars. We continue to see a lack of inventory in many submarkets which is lowering the number of transactions and increasing average transaction cost. With that being said, several submarkets are primed for new office development. We are also beginning to see many office users looking to purchase as opposed to lease while banks are offering well qualified owner-

occupants very attractive financing. The defense industry should have continued expansion and contraction overall as contracts shift. Additional flex space will likely be delivered in North Charleston. Look for additional medical office product to deliver as well.

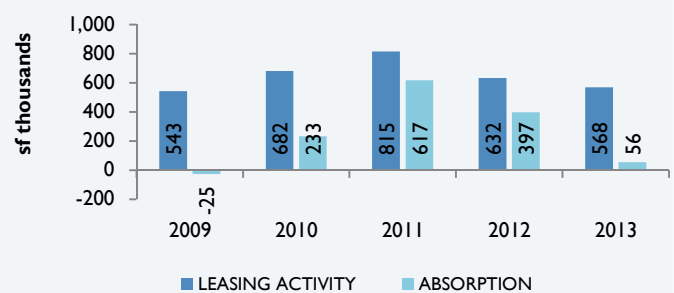
STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.6%	8.8%	0.2pp	▲
Direct Asking Rents (psf/yr)	\$18.64	\$17.56	-5.8%	▼
YTD Leasing Activity (sf)	632,144	568,145	-10.1%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. ABSORPTION



CHARLESTON, SC

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION**	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	3,555,515	4.7%	4.4%	74,445		73,232	2,930	470	\$28.47	\$30.75
Dorchester County	253,961	4.2%	4.2%	1,199	9,891	0	470	(17,480)	\$17.50	N/A
E Charleston County	28,000	0.0%	0.0%	0		0	0	0	\$0.00	N/A
E Islands/Mt Pleasant	1,686,397	3.3%	4.3%	53,646		1,426	58,754	58,754	\$22.92	\$23.70
Greater Charleston	2,077,907	12.3%	12.6%	181,533	9,728	6,018	24,354	24,354	\$19.62	\$19.43
James Islld/Folly Beach	96,739	3.5%	1.8%	0		0	870	(715)	\$0.00	N/A
North Charleston	5,284,144	10.8%	10.7%	215,430	24,380	102,534	46,828	45,253	\$12.85	\$19.7
Outlying Berkeley Cty	474,292	25.1%	25.1%	6,892	100,000	2,579	(54,383)	(54,383)	\$20.64	\$14.48
West Islands	49,234	0.0%	0.0%	0		0	0	0	\$10.00	N/A
TOTALS	13,506,189	8.8%	8.5 %	533,145	143,999	185,789	79,823	56,253	\$17.86	\$23.14

* RENTAL RATES REFLECT ASKING \$PSF/YEAR **REVISED

MARKET HIGHLIGHTS

SIGNIFICANT 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Faber Pointe	North Charleston	Molina Healthcare	A	42,000
125 Fairchild St	Greater Charleston	Benefitfocus.com Inc.	A	26,755
Ashley Center	North Charleston	MeadWestvaco	A	20,057
4500 Goer Dr	North Charleston	N/A	A	17,673
Fountain Walk	Downtown Charleston	N/A	A	13,000
SIGNIFICANT 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3003 Reeves Rd (Bulk Sale)	Multi	WPT Industrial REIT	\$435,701,000/\$50	8,662,428
3950 Faber Place Dr	North Charleston	Easterly Partners	\$32,013,185/\$370	86,609
1201 NE Lloyd Blvd (Bulk Sale)	Multi	Saban Capital Group, Inc.	\$28,000,000/\$27	1,053,632
25 Calhoun St	Downtown Charleston	CMB Properties, LLC	\$24,025,000/\$370	65,000
1671 Belle Isle Ave – Bldg 2	East Islands/Mt Pleasant	Spott Investments, LLC	\$8,250,000/\$226	36,524
SIGNIFICANT 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Faber Pointe	North Charleston	Molina Healthcare	Q1 2013	75,000
174 Meeting St	Downtown Charleston	Certus Bank	Q3 2013	60,000
2695 Elms Plantation Blvd	North Charleston	Pain Specialists of Charleston	Q3 2013	19,000
466 King St	Downtown Charleston	People Matter	Q1 2013	13,232
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
201 Sigma – NEXTON Office Campus	Outlying Berkeley County	Undisclosed	Q1 2014	100,000
2424 City Hall Lane	North Charleston	American Red Cross	Q1 2014	14,880
330 Midland Pky	Dorchester County	Undisclosed	Q1 2014	9,891