GREENVILLE, SC OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Greenville Employment	415k	422k	▲
Greenville Unemployment	3.7%	3.7%	▬
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; May 2018 data used to represent Q2 2018

Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	8.1%	8.2%	▲
Net Absorption (sf)	352k	-88k	▼
Under Construction (sf)	1m	143k	▼
Average Asking Rent	$17.63	$19.25	▲

*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent
4-QTR TRAILING AVERAGE

Economy

Encouraged by stable market conditions, inflation nearing its 2% target, and a healthy labor market, the Federal Reserve Bank approved another increase in the fed funds benchmark rate to 2.00% from 1.75%. Although the U.S. is experiencing the second-largest economic expansion on record, this rate hike signaled a cautious optimism for the U.S. economy. Rising interest rates coupled with the recent federal tax reform should enhance investor appetite and lead to a further increase in market activity throughout 2018.

Market Overview

In the Greenville office market, the continued performance and growth of the financial and professional services sectors have contributed to leasing activity remaining robust. Overall office vacancy was at 8.2% as 88,000 square feet (sf) was negatively absorbed. Average asking rent experienced a 9.2% increase from last year at $19.25 per square foot (psf). The average rent for office space in Greenville CBD reached a historic all-time high at $25.00 psf. Current large block availabilities in both CBD and suburban markets have led landlords to increase free rent and other market incentives in order to attract new tenants in such a competitive environment. Jacobs Engineering leased 201,126 sf at 1041 E Butler Rd in the Woodruff/I-385 submarket.

Sales transaction volume is currently trending nearly 50% more than the historical average due to investors taking note of Greenville's strong fundamentals and their expectation of future growth. Dominion Realty Partners out of Virginia entered the market in June and purchased 300 N Main St. (also known as The Ogletree Building) for just over $11,420,000 or $187.07 psf. In April, ElmTree Funds, an investor based out of Missouri, acquired 1041 E Butler Rd in Brookfield Park for $24,300,000 or $115.64 psf.

Outlook

Greenville's office market fundamentals will remain tight in 2018. Investors should be keen to capitalize on the benefits from changes in the tax policy before another increase in interest rates. Tenants in market should pay close attention to the oversupply of inventory as competitive leasing environments can lead to significant cost-saving opportunities such as free rent and tenant improvement allowances given by landlords who are desperate to lease their space.

Cushman & Wakefield | Thalhimer
Wells Fargo Center
15 South Main St. Suite 502
Greenville, SC 29601
www.thalhimer.com

For more information, contact:
Brian Young
Tel: +1 804 370 8087
brian.young@thalhimer.com