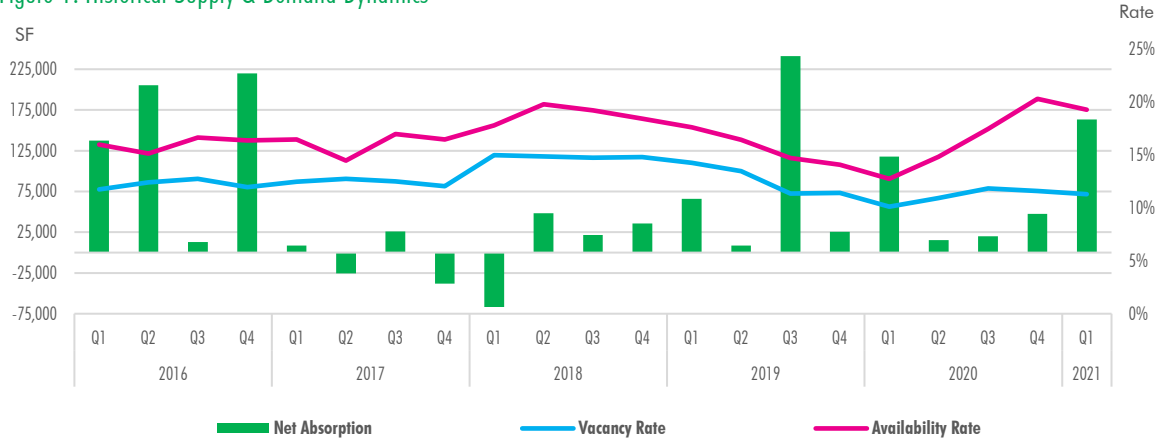


Greenville's CBD fuels market fundamentals in Q1

▼ Overall Vacancy 11.3%
▼ Direct Vacancy 10.5%
▼ Avg. Asking Rates \$21.36 FS
▲ Class A Asking Rates \$24.13 FS
▲ Net Absorption 163,465 SF
▶ Construction 97,084 SF

*Arrows indicates quarterly change

Figure 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q1 2021

Steady demand, declining sublease availability, and new job announcements demonstrate the market's resiliency a year into the COVID-19 pandemic and economic setbacks that followed. Greenville-Spartanburg ended Q1 2021 with 164,000 sq. ft. of positive net absorption, the twelfth consecutive quarter of positive demand. Since the first full quarter of the COVID-19 pandemic (Q2 2021), the Upstate has recorded 62,000 sq. ft. of occupancy growth quarterly. As vaccines become more readily available to the public and employees return to the workplace, the Greenville-Spartanburg region will continue to rank high for future investment activity, occupiers, and residents in the Southeast.

The Upstate's vacancy rate decreased 30 basis points (BPS) to 11.3% in Q1 2021. Minimal upticks in sublease vacancy and uncommitted office product coming online from new construction has allowed the market vacancy rate to stabilize over the last four quarters. Additionally, the market's availability rate decreased 110 basis points to 19.2% in Q1 2021.

Greenville's CBD fueled market fundamentals contributing 173,000 sq. ft. of positive net absorption in Q1 2021. Over the last three years, the Greenville CBD has accounted for over 45% of all demand in the market while making up only a third of the market's inventory. Competitive asking rates, Class A availability, and concentration of talent has kept the Greenville CBD desirable for growth.

COVID-19 Q1 2021 RESPONSE

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

A reopening of the economy would support near 7% GDP growth this year—the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor. Indeed, consumers, particularly high earners, have plenty of ‘dry powder’ in the form of elevated savings accrued during the pandemic. This will be paired with over \$800 billion of transfer payments to low and middle-income households via the American Recovery Plan.

As social distancing measures subside, much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality). Overall, we think the U.S. economy will create upward of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve’s traditional 2% target, but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.

LEASING VELOCITY

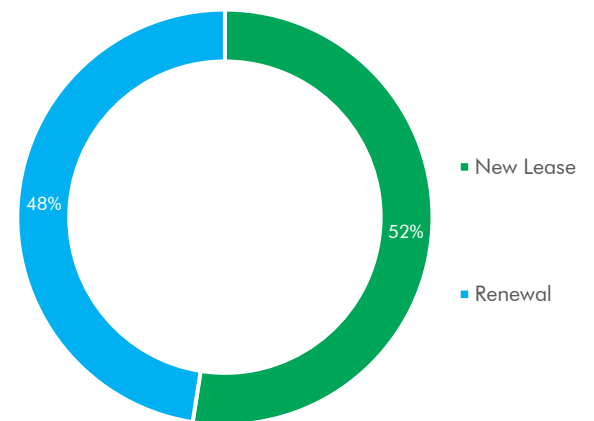
Leasing activity continued to improve in Q1 2021 in Greenville-Spartanburg. Five leases over 10,000 sq. ft. were signed this quarter, all new leases. Three of the most notable deals include:

- Wyche Law Firm signed a 29,000 sq. ft. lease at 200 E. Broad Street in the Greenville CBD. The Class A asset was renovated in 2019.
- Resurgent Capital Services, LP inked a 24,000 sq. ft. deal at Falls Tower at 355 S. Main Street.
- TTI, a manufacturing company based in Dallas/Fort Worth, TX, signed a 19,000 sq. ft. lease at 1 Research Drive.

Over 87% of the deals in Greenville-Spartanburg in Q1 2021 were new leases. Although COVID-19 has delayed some tenant’s space decisions, many tenants in the market have decided to either relocate or expand their footprint. Since Q2 2020, the first full quarter impacted by COVID-19, more than 50% of all market transactions were relocations, new subleases, or tenants expanding their footprint.

Leasing activity has accelerated in Greenville-Spartanburg’s contract base leasing market. The flexibility and availability of move-in ready space or spec suites continues to grow in popularity due to the pronounced effects of COVID-19, rise in construction costs, and confined demand.

Figure 2: Quarterly Leasing by Type (Q2 2020 – Q1 2021)



Source: CBRE Research, Q1 2021

ASKING RATES

Overall asking rates closed the quarter at \$21.36 per sq. ft. per annum on a full-service basis. Greenville-Spartanburg’s Class A asking rates slightly increased to \$24.13 per sq. ft. per annum on a full-service basis. Although rent growth has slowed due to economic disruptions caused by COVID-19, overall asking and Class A rates have slightly increased since Q1 2020. Overall Asking rates have increased 16% since Q1 2016 (\$18.42 FS).

Figure 3: Pricing

Class	Rent Per SF (\$) (FS)	Y-o-Y Change (%)
Class A	\$24.13	0.5%
Class B	\$18.87	0.2%
Overall	\$21.36	1.0%

Source: CBRE Research, Q1 2021

DEVELOPMENT ACTIVITY

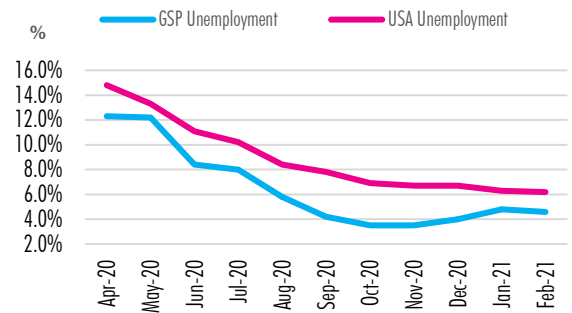
Falls Tower, located at 355 S. Main Street, delivered this quarter 100% preleased. Centennial American Properties’ 184,000 sq. ft. asset in the Greenville CBD is fully occupied. The main tenants include Bank of America, Elliott Davis, CBRE, Resurgent Capital Services, and Spaces.

Development activity has increased in Greenville-Spartanburg over the last year as 314,000. ft. of office product has delivered since Q3 2020 with an additional 97,000 sq. ft. under redevelopment. Although construction costs have increased over the last 20 years per CBRE National Research, Greenville’s steady demand and plentiful workforce makes the market desirable for development.

ECONOMIC OUTLOOK

From April to May 2020, over 57,000 jobs were lost in the Upstate due to COVID-19. Although the effects of the pandemic continue to reverberate throughout the market, 69% of jobs lost during COVID-19 have returned. Subsequently, Greenville-Spartanburg’s unemployment rate ended February 2021 at 4.6%, 770 basis points lower than the peak level of 12.3% in April 2020.

Figure 4 The Upstate vs. U.S. Unemployment Rate



Source: BLS, Q1 2021

Greenville-Spartanburg’s growth over the last five years has benefited from the influx of new migrants. Since 2016, over 84,000 people have relocated to Greenville-Spartanburg, 7% of the market’s total population. Furthermore, CBRE’s recent report on *COVID-19 Migration Patterns*, indicated the Sun Belt region recorded an acceleration in net migration in 2020.

United Community Bank announced plans to relocate its headquarters to Greenville this quarter. The southeastern bank will invest \$25 million in the market and create approximately 227 jobs. As the market continues to see migrants move to the market for new career opportunities, more regional and national occupiers will pursue the market for talent.

Figure 5: Q1 2021 Market Statistics

Submarket	Total RBA	Total Vacancy	Total Availability	Overall Rate (FS)	Q1 2021 Net Absorption	2020 Net Absorption	Construction
Greenville CBD Class A	2,821,084	9.8%	17.5%	\$25.36	173,210	55,734	97,084
Greenville CBD Class B	1,208,257	16.2%	20.2%	\$20.84	-	16,250	-
Greenville CBD Total	4,120,546	11.5%	17.9%	\$23.78	173,210	74,284	97,084
Greenville Suburban Class A	2,584,719	8.4%	25.2%	\$22.61	(6,793)	87,865	-
Greenville Suburban Class B	2,703,152	15.4%	21.7%	\$18.03	(2,592)	55,207	-
Spartanburg Class A	448,737	4.6%	4.6%	\$22.87	-	(5,466)	-
Spartanburg Class B	856,631	8.2%	8.2%	\$17.98	-	(12,551)	-
Suburban Total	6,762,059	11.1%	20.0%	\$18.62	(9,745)	126,518	-
Market Total	10,882,605	11.3%	19.2%	\$21.36	163,465	200,804	97,084

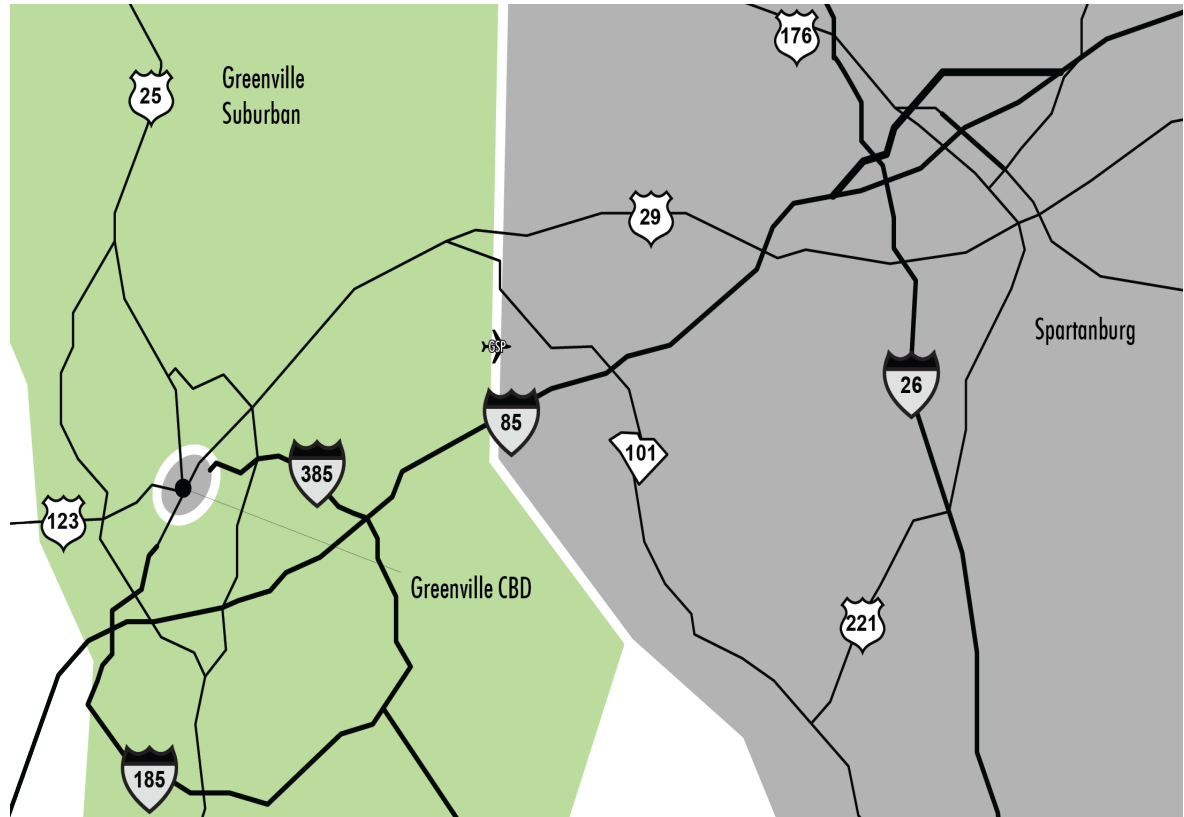
Asset Class	Total RBA	Total Vacancy	Total Availability	Overall Rate (FS)	Q1 2021 Net Absorption	2020 Net Absorption	Construction
Class A	5,854,540	8.8%	19.9%	\$24.13	166,417	137,593	97,084
Class B	4,768,040	14.3%	18.9%	\$18.87	(2,592)	58,906	-
Market Total	10,882,605	11.3%	19.2%	\$21.36	163,465	200,804	97,084

Source: CBRE Research, Q1 2021

Figure 6: Notable Q1 2021 Lease Transactions

Occupier	Building Address	Industry	SF	Lease Type	Submarket
Wyche	200 E. Broad Street	Legal	28,584	New Lease	Greenville CBD
Resurgent Capital Services, LP	355 S. Main Street	Financial Services	23,500	New Lease	Greenville CBD
Crossroads Treatment Centers	200 E. Broad Street	Healthcare	20,824	New Lease	Greenville CBD
TTI	1 Research Drive	Manufacturing	19,246	New Lease	Greenville Suburban
Vetronix	3 Research Drive	Manufacturing	9,561	New Lease	Greenville Suburban

Source: CBRE Research, Q1 2021



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