

ECONOMY: Expansion Continues as Employment Recovers

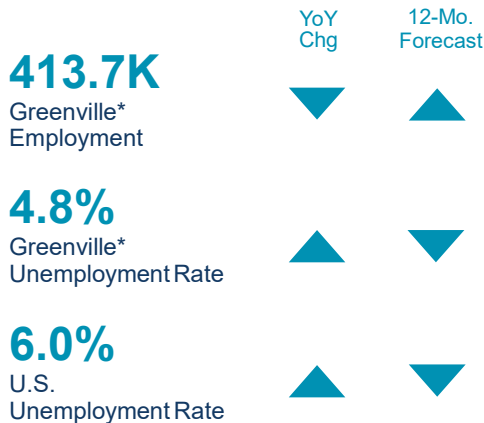
The local economy in Greenville/Spartanburg and the statewide South Carolina (SC) economy boasted a healthy Q1 2021. Key economic indicators, especially within employment and housing, suggest that outlook figures are flat month-over-month within Q1 but are still up significantly year-over-year (YOY). Unemployment rates in Greenville and Spartanburg metros are 4.6% and 5.1% respectively, while rapid growth in the housing market suggests that the labor pool continues to expand. The steady presence of sublease space along with turnover in the hard hit retail and hospitality sectors indicate that COVID-19 still has a role to play, but the Upstate seems poised to rebound from pandemic losses.

SUPPLY and DEMAND: Investment and Back-To-Office Plans Drive Demand

Low interest rates and favorable financing terms for owner-occupiers continue to incentivize users to purchase real estate. The market supply of office for sale is currently outweighed by demand from owner-occupiers and investors. There is one 160,000 square foot (sf) office building that began construction this past quarter at 798 South Church Street in Greenville and it is expected to deliver in 2023. This building is a part of the Greenville County Square redevelopment just outside of downtown and it is where the Greenville County Administrative Offices will be located.

Greenville leasing activity continues to pick up with companies crafting their back-to-office plans. There will not be a one-size-fits-all approach as plans are dependent on industry and company culture. Leasing activity to start off the year included the Wyche Law firm leasing 28,584 sf at 200 E Broad St in the Central Business District (CBD) and TTI leasing 19,246 sf at 1 Research Drive in CU-ICAR in the suburbs. The market vacancy rate ticked up slightly in the past quarter to 10.3% from 10.2% the previous quarter.

ECONOMIC INDICATORS Q1 2021



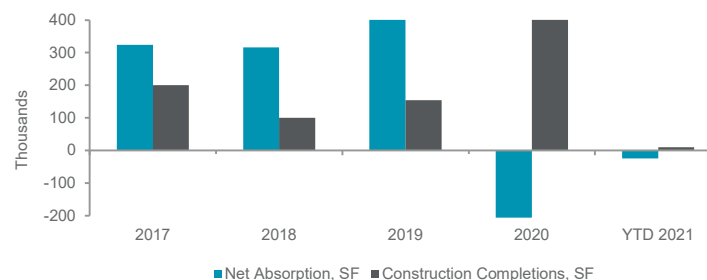
Source: BLS

*Does not include Spartanburg MSA

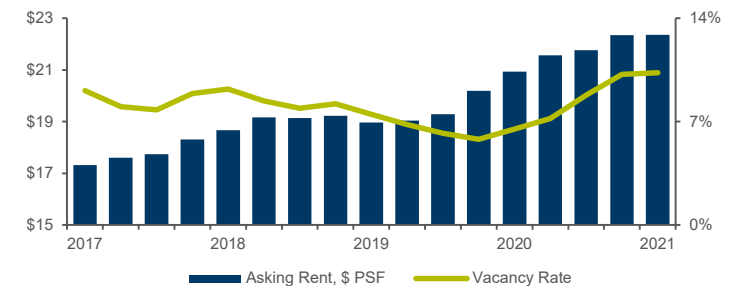
PRICING: Rates Stabilizing

Although transaction velocity has slowed, office sales prices have remained stable. Recent sales activity can be highlighted by the sales of the 19,005-sf office building at 601 E McBee Avenue that sold for \$2,750,000 and the 10,856-sf office building at 501 Roper Mountain Road that sold for \$2,000,000. Office rental rates are stabilizing after the introduction of new supply to the market. The overall average asking rent for the market held steady at \$22.36 per square foot (psf). With the rise in vacancies over the past year, landlord concessions have increased market-wide. Rent abatement and tenant improvement allowances are signaling an incentivized tenant market as companies weigh their return to the office.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Anderson County	1,796,682	0	14,782	0.8%	6,577	6,577	1,100	0	\$17.40	N/A
Greenville CBD	6,054,474	77,502	691,587	12.7%	-9,868	-9,868	54,894	160,000	\$25.03	\$26.20
Greenville Suburban	13,140,790	205,325	1,236,835	11.0%	37,623	37,623	55,871	0	\$20.32	\$22.67
Pickens County	893,625	0	74,685	8.4%	-1,100	-1,100	0	0	\$9.00	N/A
Spartanburg CBD	1,925,217	20,480	202,078	11.6%	-14,021	-14,021	6,378	0	\$22.92	\$23.74
Spartanburg Suburban	2,637,686	0	200,947	7.6%	-43,640	-43,640	0	0	\$16.07	\$18.00
MARKET TOTALS	26,448,474	303,307	2,420,914	10.3%	-24,429	-24,429	118,243	160,000	\$22.36	\$24.70

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
200 E Broad Street	Greenville CBD	Wyche Professional Association	28,584	New Lease
200 E Broad Street	Greenville CBD	Crossroads Treatment Centers	20,824	New Lease
1 Research Drive	Greenville Suburban (Woodruff/I-385 Corridor)	TTI	19,246	New Lease
3 Research Drive	Greenville Suburban (Woodruff/I-385 Corridor)	Sage	9,561	New Lease
3 Research Drive	Greenville Suburban (Woodruff/I-385 Corridor)	Zetronix Corp	6,000	New Lease
6000 Pelham Road	Greenville Suburban (Pelham/I-85)	Vessel Medical	4,133	New Lease

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
501 Roper Mountain Road	Greenville Suburban (Pelham Road)	Entegra Bank / unknown	10,856	\$2M / \$184.23
601 E McBee Avenue	Greenville CBD (Pettigru)	Ben Leaphart / Kaplan Early Learning Company	19,005	\$2.75M / \$144.70

KEY METRIC YOY COMPARISON

QUARTER	INVENTORY	OVERALL VACANCY	FULL SERVICE ASKING RENTS	OVERALL NET ABSORPTION	NEW LEASING ACTIVITY (SF)	COMPLETIONS	UNDER CONSTRUCTION
Q1 2020	26,178,613	6.5%	\$20.93	292,155	108,248	231,000	269,861
Q1 2021	26,448,474	10.3%	\$22.36	-24,429	57,854	10,351	160,000

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