

FIGURES | GREENVILLE-SPARTANBURG - OFFICE | Q1 2024

Transaction Activity Increases as Tenants Renew, Expand and Return to a Uniquely Tight Office Market

▼10.4%

Direct Vacancy Rate

▲124,764 sq. ft.

Q1 2024 Net Absorption

▼17.3%

Total Availability Rate

▲\$23.75

Average Direct Rate (PSF/Full Service)

Note: Arrows indicate change from previous quarter.

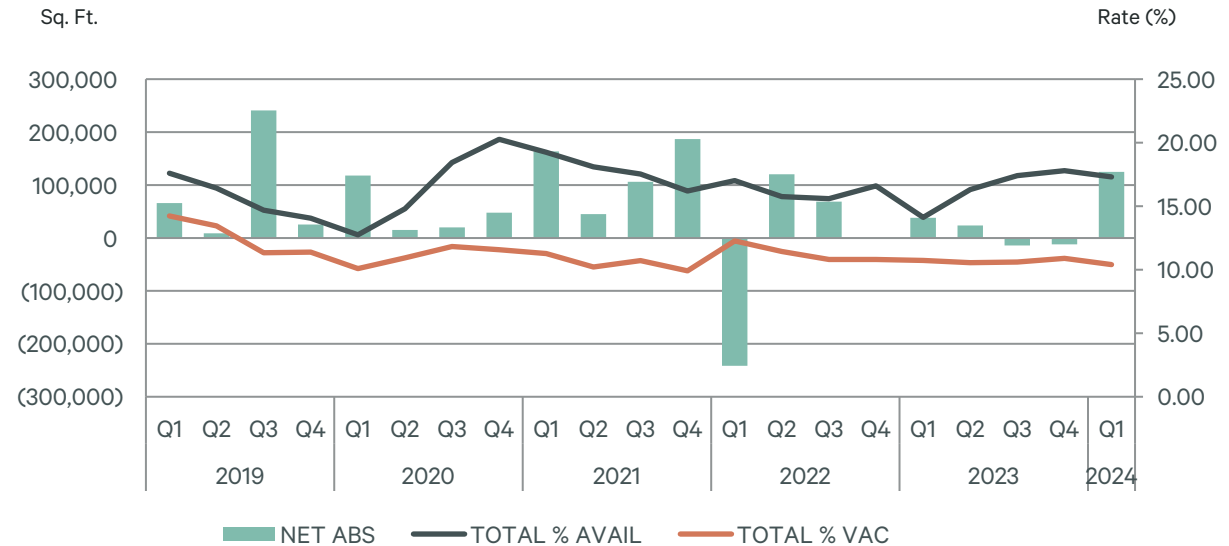
KEY TAKEAWAYS

- Market vacancy rate decreased to 10.4%, while overall rental rates increased slightly to \$23.75 per sq. ft.
- Net absorption was 124,764 sq. ft. during the first quarter of 2024.
- In addition to substantial positive absorption in Q1, 13 renewals accounted for 92,413 sq. ft. of additional market activity during the period.

Market Overview

Office activity has rebounded as larger users return to market, tenants renew at a higher frequency and quality givebacks are absorbed before they are truly vacated. In Q1 2024, there were 37 office lease deals, totaling 210,422 sq. ft. 13, of which, were renewals accounting for 92,413 sq. ft. Greenville-Spartanburg tenants are often finding themselves in the position of having to remain in their current offices due to the scarcity of quality relocation options. Rental rates have increased 3% over the past year. While Class A rental rates increased 2.2%, Class B rental rates are now also on the rise; up nearly 5% from Q1 of 2023. With ongoing positive absorption and stable rental rates, the Greenville-Spartanburg office markets is proving to be slightly isolated from the ongoing economic struggles other U.S. office markets are seeing.

FIGURE 1: Historical Supply & Demand Dynamics

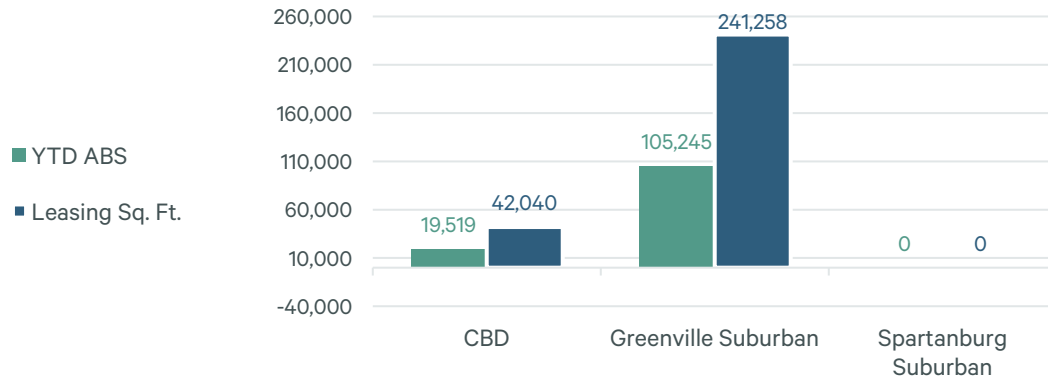


Source: CBRE Research, Q1 2024

Leasing Activity

A total of 37 office leases were recorded with a volume of 210,422 sq. ft. The renewals accounted for nearly 44% of the leasing volume resulting in 124,764 sq. ft. of absorption for the market as a whole; 72,876 RSF of the absorption was for education use. Infrastructure growth in response to population growth continues to drive activity among B buildings.

FIGURE 2: YTD Net Absorption & Leasing by Submarket



Sources: CBRE Research, Q1 2024

Vacancy

Vacant spaces are often vacated and leased within the same quarter as tenants focus on higher quality, move in ready spaces with less functional obsolescence. Challenging spaces that have been vacant for a long period of time require investment to attract Tenants which is difficult on Landlords in the current lending environment. These factors result in lower net absorption rates and decreases to vacancy despite healthy activity. Class A buildings have seen a decrease in vacancy rates to 8.6%, and in the Central Business District (CBD), the rate has dropped to 3.1% with vacancies in only six buildings. A 130,000 sq. ft. Class A building is under construction in the CBD at 301 University Ridge and is expected to be completed in 2025 but will deliver mostly occupied. With very little new vacancy on the horizon, rates will continue to increase.

Capital Markets

Despite the economic stress caused by high interest rates and constrained lending, two office sales worth \$5.8 million were recorded in the Greenville-Spartanburg market in Q1. The subdued activity is anticipated to improve in the latter half of the year as interest rate cuts are anticipated. These cuts could potentially offer more investment opportunities and enable portfolio restructuring. Much like other U.S. office markets, the capital market sector is still slow to recover. The Greenville office market maintains its appeal to buyers due to its relative affordability, low-risk profile, and high quality of life.

Asking Rates

The market rental rates increased slightly to \$23.75 per sq.ft. up 2% from Q4 2023. Class A central business district's rental rates has held steady at \$31.69 per sq.ft. for the last two quarters. Class A Suburban Greenville and Spartanburg rental rates also remained stable at around \$24.59 per sq. ft., and \$27.87 per sq.ft, respectively. Class B rental rates have increased nearly 5% over the last year due to this type of space becoming more desirable due to scarcity of space available in the Class A sector. Class C office space rental rates will remain unchanged until upgrades are made to lower-class suites.

Economic Trends & Outlook

The U.S. economy is on track for a 'soft landing' due to continued economic growth and a more accommodating policy from the Federal Reserve. GDP growth is expected to be less than half of the rate in 2023 when it exceeded 3%. The slowdown is due to a more cautious consumer and a significant drop in hiring, especially in interest rate-sensitive sectors like tech start-ups. However, when the economy takes an upturn office, users will need space to accommodate for worker return to the office on a regular basis several days a week. This will boost office demand further and push rental rates higher. The Federal Reserve is expected to make three cuts of 25 basis points this year, which is causing a downward pressure on long-term rate expectations, but it could provide some optimism for real estate capital markets. However, the recovery will only start after the first rate cut is delivered. The better-than-expected growth over the past 18 months has helped keep real estate vacancy rates low. The U.S. economy is predicted to have a 'soft landing' with continued economic growth. The Federal Reserve is projected to make three cuts of 25 basis points this year, potentially offering optimism for real estate capital markets.

Sources: Federal Reserve | CNBC.com, Business Insider

FIGURE 5: Historical Statistics

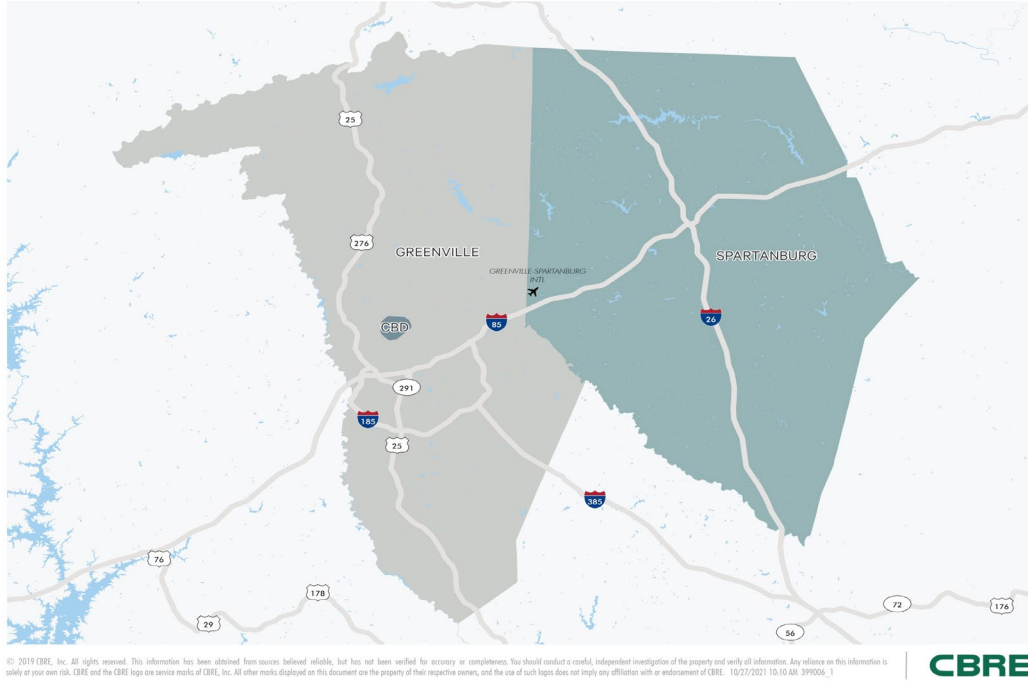
Submarket	Building SF	Direct Vacancy (%)	Total Availability (%)	Avg Asking Lease Rate (PSF/Full-Service)	Under Construction	Last 4 Qtrs. Net Absorption	Q1 2024 Net Absorption (SF)
CBD	3,896,638	11.1%	17.7%	\$27.14	103,000	(47,127)	19,519
Suburban	6,979,670	10.0%	17.2%	\$20.86		81,531	105,245
MARKET TOTAL	10,876,308	10.4%	17.4%	\$23.75	103,000	34,404	124,764

Submarket by Class	Building SF	Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/Full-Service)	Under Construction	Last 4 Qtrs. Net Absorption	Q1 2024 Net Absorption (SF)
CBD Class A	2,039,449	3.1%	5.3%	\$32.32	103,000	(442)	3,038
CBD Class B	1,857,189	10.9%	31.3%	\$24.83	-	(46,685)	16,481
Greenville Suburban Class A	2,888,826	13.0%	24.1%	\$24.58		(26,026)	27,613
Greenville Suburban Class B	2,633,681	9.5%	15.8%	\$19.59	-	106,333	77,632
Spartanburg Class A	448,737	4.5%	5.8%	\$27.87	-	18,900	-
Spartanburg Class B	856,631	3.5%	4.7%	\$18.88	-	(11,798)	-
TOTAL (Class A & B)	10,724,513	10.3%	17.4%	\$23.75	103,000	40,283	124,764

Class	Building SF	Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/Full-Service)	Under Construction	Last 4 Qtrs. Net Absorption	Q1 2024 Net Absorption (SF)
Class A	5,377,012	8.6%	15.5%	\$25.97	103,000	(7,567)	30,651
Class B	5,347,501	12.2%	19.4%	\$22.61	-	47,850	94,113
TOTAL (Class A & B)	10,724,513	10.3%	17.4%	\$23.75	103,000	40,283	124,764

Source: CBRE Research, Q1 2024

Market Area Overview



Survey Criteria

The CBRE, Inc. Office Figures report provides statistics based on a revised set of inventory consisting of office properties in the following submarkets: the CBD, Greenville Suburban, and Spartanburg Suburban. All properties are greater than 20,000 sq. ft. and are not owner occupied. Historical data is reflective of the current set of inventory rather than previously published report figures and is subject to revision as additional information becomes available.

Definitions:

Availability Rate- spaces being marketed for lease; occupied spaces that are available for lease in addition to all vacant spaces.

Vacancy Rate- spaces being marketed for lease that are not occupied.

Net Absorption- the sum of all leasing activity minus move-outs in the quarter.

Average Direct Rate- the weighted average of available space for lease and the full-service asking rate, excluding the sublease rate.

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