Rising Class A Rates Correlate with Continued Decline in Vacancy

▼ 11.10%
Direct Vacancy Rate

▼ 54,785 sq. ft.
Q2 2025 Direct Net Absorption

▼ 17.65%
Total Availability Rate

▲ $34.13
Class A CBD Average Direct Rate (PSF/FSG)

Note: Arrows indicate change from previous quarter.

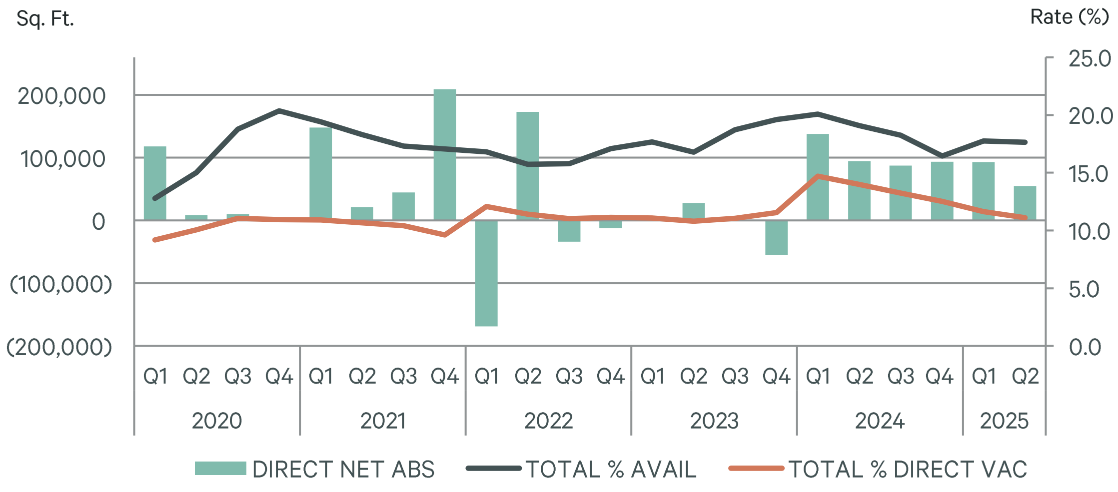
KEY TAKEAWAYS

- New leasing performed well, indicating willingness among businesses to expand or establish a presence in the market.
- is experiencing a supply-demand imbalance, particularly for Class A space in the downtown area, leading to a landlord's market and the need for new construction.
- The downtown Greenville office market is experiencing a divergence in rental rate trends, with Class A rents remaining high due to limited availability, while Class B rents are declining due to increased vacancies, all within a context of economic challenges that are likely to exacerbate these trends.
- Rental rates are rising across Class A spaces, with downtown Class A commanding the highest rates on average of $33.90 due to limited supply and strong demand. Class A+ asset rates are in the high $30.00 and low $40.00 range.

MARKET OVERVIEW

The Greenville-Spartanburg office market in Q2 2025 shows promising signs of growth. Despite some caution among tenants, new lease activity remains strong, fueled by a healthy economic outlook and an improved capital market. The robust demand for Class A space downtown, coupled with a key suburban sale, indicates strong investor confidence. With a projected GDP growth and a stable commercial real estate environment, the market is poised for continued positive performance and potential expansion in the coming quarters.

FIGURE 1: Historical Supply & Demand Dynamics

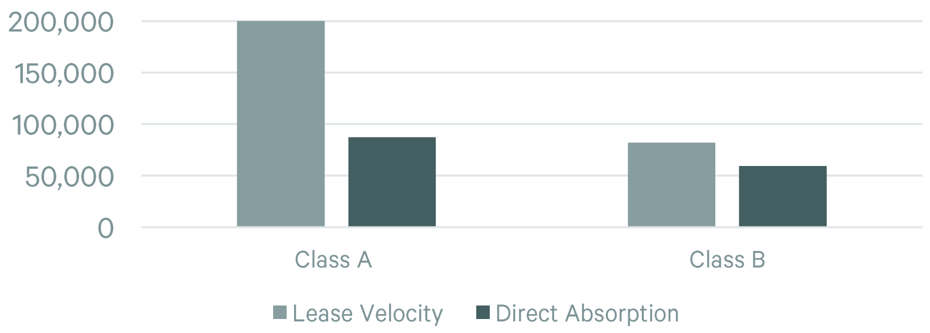


Source: CBRE Research, Q2 2025

Leasing Activity

In Q2 2025, the Greenville-Spartanburg office market recorded 38 lease transactions, totaling 190,070 square feet. The average lease size was approximately 4,204 square feet. The largest lease of the quarter was a 14,235-square-foot expansion by an existing tenant at 7 Independence Point. A noticeable trend this quarter was a decline in lease renewals, though a trend for tenants continue to adopt a “wait and see” approach amid ongoing economic uncertainty. This quarter did contain a stronger showing for new leases, totaling 103,308 square feet. Of largest new leases was a 12,868-square-foot lease signed by Harper General Contractors at 617 E McBee Avenue. Direct absorption for the quarter reached 54,785 square feet, down from 74,816 square feet in Q2 2024. The suburban market contained 52,787 square feet of absorption with Class-B Suburban reflecting 35,193 square feet of the total.

FIGURE 2: Annual Net Absorption & Direct Leasing by Class



Sale Transactions

During Q2 2025, suburban Greenville recorded a key office sale, reinforcing investor confidence in the region’s commercial real estate market. The transaction involved a 32,000-square-foot office property at 127 Tanner Road, which sold for $1.8 million. This sale highlights continued demand for large-scale office assets and underscores Greenville’s resilience as well as the increasing attractiveness of suburban office investments amid shifting workplace dynamics.

Vacancy

The low direct vacancy rate for Class A offices in downtown Greenville is 4.64%, with only 132,648 sq. ft. available, pushing tenants to consider Class A suburban locations. The direct vacancy rate in Class B CBD office space is 18.79%, compared to 9.33% for Class B in the suburbs, where rental rates are lower. While suburban areas offer more availability, much of the vacancy consists of large blocks of space, creating a scarcity for tenants seeking under 20,000 sq. ft. Overall, the shortage of high-quality space cements Greenville as a landlord's market; however, tenant improvements are increasing to meet rising quality expectations in both Class A and B offices. As a result, Greenville’s office vacancy rate remains notably lower than other Southeast markets at 11.1%, compared to Charlotte at 25.7%, Atlanta at 26.6%, and Raleigh-Durham at 17.8%, further underscoring the urgent need for new construction.

Asking Rates

Class A rental rates in Downtown Greenville remain the highest at $31.54 per square foot, holding relatively steady year-over-year and sitting over $7.00 higher than suburban Class A space. Limited availability has pushed average Class A rents up from $26.69 in Q2 2024 to $27.34 in Q2 2025. Meanwhile, Class B rents have increased by 2%, from $22.89 to $23.35 per square foot, as landlords become more aggressive in pricing to fill vacancies. With high interest rates, rising construction costs, and tight lending conditions, vacancy is expected to continue falling—likely driving rental rates even higher in the coming quarters.

Economic Trends & Outlook

Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including office. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-Q2 2025 levels.

Sources: Federal Reserve | CBRE Research

FIGURE 3: Market Statistics

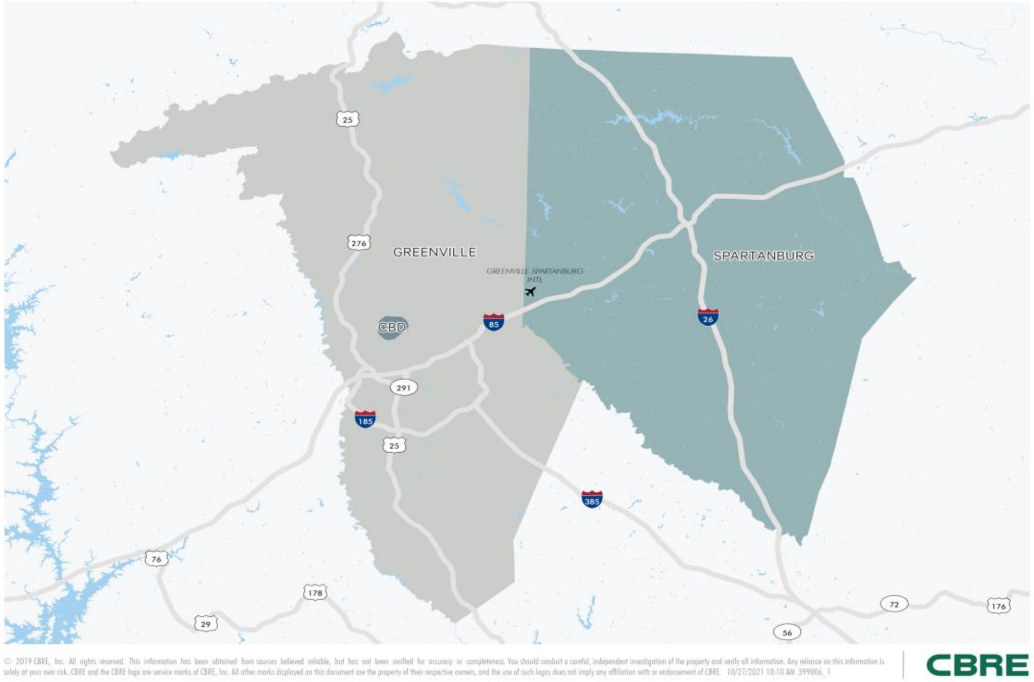
Submarket	Building SF	Direct Vacancy (%)	Total Availability (%)	Avg Asking Lease Rate (PSF/FSG)	Under Construction	YTD Net Direct Absorption	Q2 2025 Net Direct Absorption (SF)
CBD	3,834,813	10.78	14.27	$28.26	0	38.892	2,370
Suburban	5,565,106	12.65	22.13	$23.77	0	115,478	52,787
MARKET TOTAL	10,524,408	11.10%	17.65%	$25.00	0	147,963	54.785

Submarket by Class	Building SF	Direct Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/FSG)	Under Construction	YTD Net Direct Absorption	Q2 2025 Net Direct Absorption (SF)
CBD Class A	2,171,807	4.64	6.37	$34.13	0	43,147	10,812
CBD Class B	1,663,006	18.79	24.59	$23.31	0	(4,255)	(8,442)
Greenville Suburban Class A	3,181,191	15,37	28.18	$25.61	0	47,867	17,594
Greenville Suburban Class B	2,260,798	9.33	14.63	$19.62	0	66,411	35,193
Spartanburg Class A	448,737	3.40	7.85	$28.97	0	(3,706)	0
Spartanburg Class B	592,978	4.17	4.58	$23.85	0	(2,701)	(372)
TOTAL *(Class A & B)*	10,318,517	11.17%	17.8%	$24.34	0	146,763	54,785

Class	Building SF	Direct Vacancy (%)	Total Availability (%)	Avg Asking Lease Rate (PSF/FSG)	Under Construction	YTD Net Direct Absorption	Q1 2025 Net Direct Absorption (SF)
Class A	5,801,735	10.43	18.44	$27.34	0	87,308	28,406
Class B	4,516,782	12.13	16.98	$23.35	0	59,455	26,379
TOTAL *(Class A & B)*	10,318,517	11.17%	17.8%	$24.34	0	146,763	54,785

Source: CBRE Research, Q2 2025

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 10,000 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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