

Office Market Overview

The overall Charleston office market experienced positive net absorption of 93,738 square feet in first quarter 2014 - the fourth consecutive quarter of positive net gain. While vacancy increased 10 basis points over the previous quarter to 11.0 percent, rates were actually down 240 basis points when compared to a year ago. With 63 buildings totaling over 4 million square feet, Class A office product drove the trends in the market this quarter with positive net absorption of 58,813 square feet. This positive net absorption, combined with the delivery of a 100,000 square foot office building on the Nexton Office Campus located at 201 Sigma Drive, pushed vacancy up 80 basis points. This newly developed building delivered in February 2014 and is currently 25 percent leased.

North Charleston had the highest net absorption of the Charleston submarkets at positive 43,829 square feet mainly due to recent moves by Boeing as the company leased space for their new IT Center of Excellence. Boeing took the entire 40,000 square foot building located at 4340 Corporate Road and also moved into 20,000 square feet at 3860 Faber Place Drive in January. All of this is part of Boeing's plan to reorganize its IT operations and add about 600 information technology jobs in North Charleston over the next three years. The Greater Charleston and Outlying Berkeley County submarkets also experienced significant net absorption during first quarter as Benefitfocus moved into nearly 27,000 square feet at 125 Fairchild Street in Daniel Island and MeadWestvaco's community development group moved into 25,000 square feet on the fourth floor of the newly constructed Building I at 201 Sigma Drive in Summerville.

Over 110,000 square feet in leases were executed in the Charleston office market during first quarter 2014. Leasing activity was solid, but it was the first time since third quarter 2012 that lease transactions did not surpass 200,000 square feet. The largest lease transaction this quarter was a 19,000 square foot renewal in North Charleston with Labinal Inc. at the 6209 Rivers Avenue building. Also in North Charleston, ECS Carolinas, LLC signed a lease for nearly 6,000 square feet and The Boeing Company signed a lease for 4,600 square feet both at 3820 Faber Place Drive. The Greater Charleston and Mount Pleasant submarkets also experienced significant leasing activity. Both Charleston Trident Urban League and EMO Transport signed three year leases at 1064 Gardner Road in Fairfield Park totaling nearly 6,000 square feet and the Medical University Hospital Authority took the entire first floor of the East Cooper Medical Arts Center at 1280 Hospital Drive.

There are two office buildings currently under construction in the North Charleston submarket totaling 33,500 square feet. The largest of the two buildings is a 24,000 square foot Class A medical office condominium building delivering in September of this year. The latest office building to be delivered to the market was a 100,000 square foot office building in the Nexton Office Campus in Berkeley County. Palmetto Primary Care Physicians have recently announced their plans for the Nexton community - the development of a state of the art medical campus. Phase one of the 35 acre campus will be to create two 150,000 square foot medical office buildings. This area is seeing tremendous growth and several developments are planned for the U.S. Highway 17A corridor. The three biggest - Cane Bay, Carnes Crossroads and Nexton, together - total more than 11,000 acres and real estate professionals see this as a great opportunity.

Source: CoStar; Lincoln Harris Research

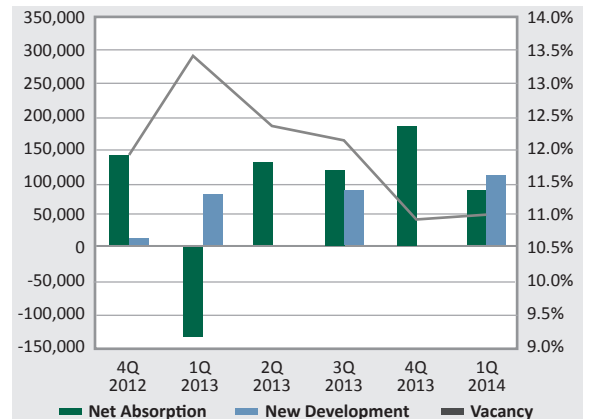
MARKET STATISTICS

	1Q 2014	4Q 2013	FORECAST
Market Supply (SF)	14,158,509	14,043,629	▲
Vacancy (SF)	1,552,813	1,531,671	▼
Total Vacancy (%)	11.0%	10.9%	▼
Total Net Absorption (SF)	93,738	176,450	▲
Direct Asking Rent	\$17.32	\$17.09	▲

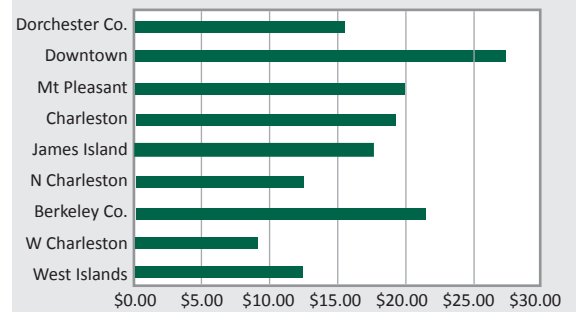
“ Increased development of Medical Office Space along the Hwy 17 corridor will be a source of relief to the current demand. ”

Mike Ferrer, CCIM
Vice President of Office & Industrial Brokerage

HISTORICAL VACANCY & NET ABSORPTION



SUBMARKET ASKING RATES - 1Q 2014



OFFICE MARKET STATISTICS

	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
DOWNTOWN CHARLESTON	98	2,632,422	222,484	8.5%	(6,941)	\$27.40
DORCHESTER COUNTY	65	690,555	96,825	14.0%	(6,741)	\$15.74
EAST ISLANDS/MT PLEASANT	174	2,641,820	106,223	4.0%	15,600	\$19.99
GREATER CHARLESTON	136	2,543,933	267,660	10.5%	27,744	\$18.50
JAMES ISLAND/FOLLY BEACH	15	195,267	10,345	5.3%	1,200	\$17.01
NORTH CHARLESTON	172	4,810,642	678,526	14.1%	43,829	\$13.40
OUTLYING BERKELEY COUNTY	36	496,479	159,972	32.2%	19,047	\$21.46
WEST CHARLESTON	3	18,556	4,940	26.6%	0	\$9.00
WEST ISLANDS	9	128,835	5,838	4.5%	0	\$12.78
MARKET TOTALS	708	14,158,509	1,552,813	11.0%	93,738	\$17.55

OFFICE STATISTICS BY TYPE

Building Class	Buildings	Inventory	Vacant Space	Vacancy Rate	YTD 2014 Absorption	Asking Rent (PSF)
Class A	63	4,046,204	443,216	11.0%	58,813	\$23.39
Class B	495	7,860,168	777,929	9.9%	43,060	\$17.47
Class C	150	2,252,137	331,668	14.7%	(8,135)	\$8.06
MARKET TOTALS	708	14,158,509	1,552,813	11.0%	93,738	\$17.55

RECENT INVESTMENT SALES

Building	Submarket	RBA	Sale Price	Price/SF
3875 Faber Place Drive	N Charleston	62,384	\$9,600,000	\$154.00
26-28 Broad Street	Downtown	17,120	\$3,800,000	\$219.00
808 Wappoo Road	Greater Charleston	12,800	\$875,000	\$68.36
1102 Morrison Drive	Greater Charleston	6,928	\$560,000	\$80.83
285 Meeting Street	Downtown	6,919	\$1,800,000	\$260.15

SIGNED LEASE TRANSACTIONS

Building	Submarket	Size	Asking Price/ SF
4340 Corporate Road	N Charleston	40,000	\$14.00
3860 Faber Place Drive	N Charleston	20,000	\$12.00
1064 Gardner Road	Greater Charleston	5,553	\$10.05
510 Mill Street	Mt Pleasant	4,162	\$18.00
5900 Core Avenue	N Charleston	3,964	\$19.50

About Lincoln Harris

Lincoln Harris, an affiliate of Lincoln Property Company, is a full-service corporate real estate company focused on development, commercial brokerage, corporate real estate services, retail services, land services, project services, property management and asset management. Based in Charlotte, NC, Lincoln Harris has twenty-three service offices across the country.

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