Despite sluggish office recovery, average asking rate rebounds with users seeking quality space

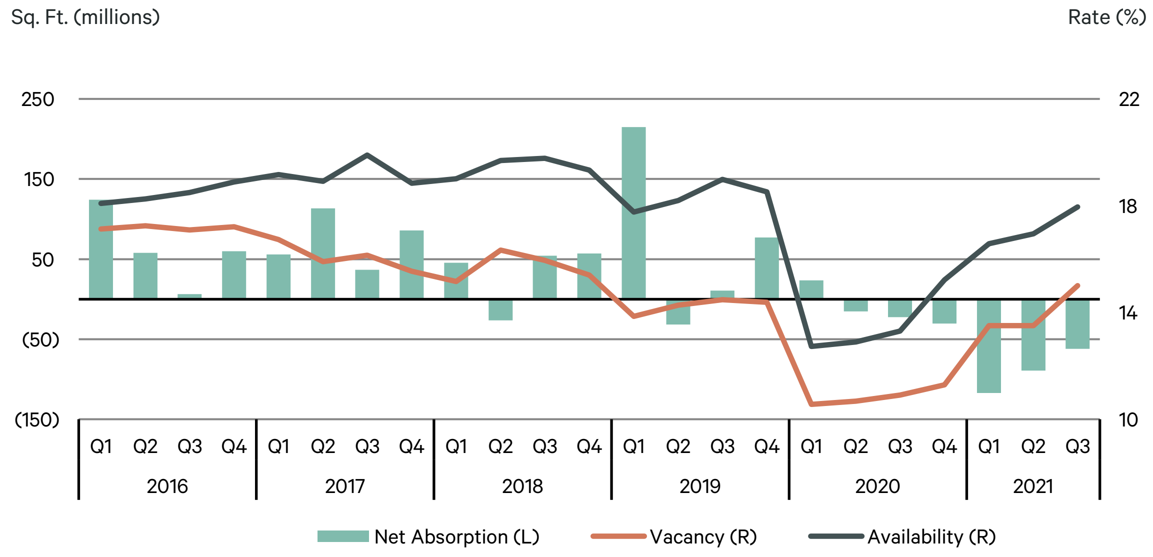
▸ 15.01%	▲ (62,250) sq. ft.	▼ 17.96%	▲ $18.00
Vacancy Rate	SF Net Absorption	Availability Rate	Average Direct Rate (PSF/Full Service)

Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- Quality office space continues to attract users as Class A product in the CBD submarket posted a positive absorption in Q3 2021 and it is expected to make a strong comeback in the coming quarters
- The Midlands' office market continues to experience impacts from the COVID-19 Pandemic as users continue to evaluate their footprint in the coming months. The majority of the negative net absorption was attributed to back-office operations vacating their spaces
- With access to quality labor, and a prime geographical location, the area is primed to accommodate office users as they relocate to the area or expand their operations
- Supply and demand fundamentals remained weak going into Q3 2021, but it is worth noting that rate of deterioration has slowed significantly. On the national scale the CBRE report *Q3 Shows Signs of Budding Office Market Recovery* documented that "negative net absorption in Q3 was the lowest negative amount since the start of the downturn in Q2 2020."

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q3 2021

Economy and Covid-19 Outlook

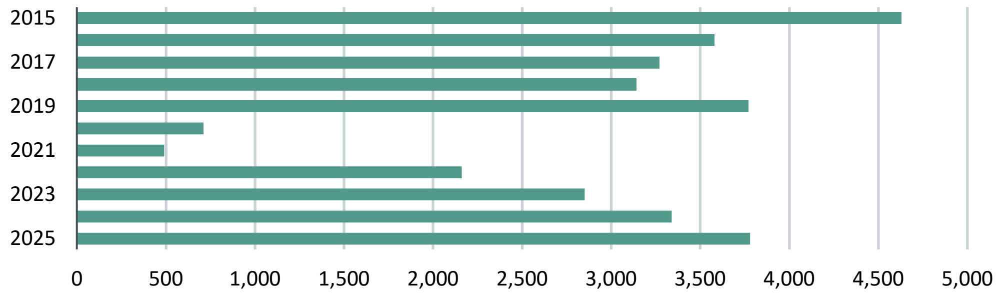
Key economic inputs ranging from raw materials to microchips pushed consumer prices up by 5% year-on-year. Some supply bottlenecks have proven transitory and annual price increases are stalling. Inflation should ultimately settle into the low-2% range next year. The Fed is responding to these labor market and price developments by announcing it might begin tapering its quantitative easing program as soon as this November.

A plausible outlook is that waves of COVID-19 continue but the U.S. economy and health system learn to manage these disruptions. This will allow room for 5% GDP growth in 2022, as business investment and consumer activity normalize. Upside risks include the prospect of greater infrastructure spending, albeit the political dynamics are fluid. Also, the construction of more housing units to correct a historic shortage—estimated at 3.8 million units, per FreddieMac—would also be material tailwind for growth.

INBOUND MIGRATION TO THE PALMETTO STATE

In the wake of the COVID-19 pandemic, many peoples' and businesses plans to move were accelerated. While the rate of inbound growth slowed in the height of the Pandemic, the outlook is favorable for the area. The Columbia area is attractive due to a variety of factors such as the availability of quality office product, the business-friendly climate, access to an educated workforce and lower cost of living. Per Oxford Economics, the Columbia area is primed to benefit from a positive net migration in the coming years and is expected to net roughly 13,000 people to the area.

Figure 2: Historical & Anticipated Net Migrations



Source: CBRE Research, Q3 2021 & Oxford Economics

Leasing Activity

Leasing velocity saw more new leases or expansions signed in Q3, but the overall amount of space leased was not as robust as prior quarters. Users with a strong presence in the Columbia office market helped to negate what would have been a larger negative net absorption due to back-office users vacating their spaces. Furthermore, 32,000 sq. ft. of space leased in Q3 2021 was expansion space. Due to the quality of office space currently available in the Columbia market coupled with attractive average asking rates has led to established users increasing their footprints. Some notable deals inked in Q3 2021 include:

FIGURE 3: Notable Q3 2021 Transactions

Transaction Type	Tenant	Location	Size (sq. ft.)	Sub-Market
Renewal/Expansion	ECPI	250 Berrryhill Rd	24,938	Saint Andrews
Renewal	S.C. Technical College System	111 Executive Center Dr	23,831	Saint Andrews
New Sublease	Fleet Financial	1001 Pinnacle Point Dr	13,740	Northeast Columbia

Source: CBRE Research, Q3 2021

Pricing: Asking Rate and Taking Rate Growth

While office markets across the country faced profound uncertainty during the midst of the COVID-19 pandemic, the sunbelt region has begun to see signs of recovery. In the Columbia office market specifically, the average direct rate has rebounded to $18.00 per sq. ft. per annum on a full-service basis. Office space in the CBD has posted the most robust gains of average direct rate as it has increased nearly 7.5% since the start of the Pandemic in Q3 2018. Suburban submarkets including Saint Andrews, Southeast Columbia, and Forest Acres have also seen impressive rate growth attributed to some users seeking more space to be able to maximize distancing between employees.

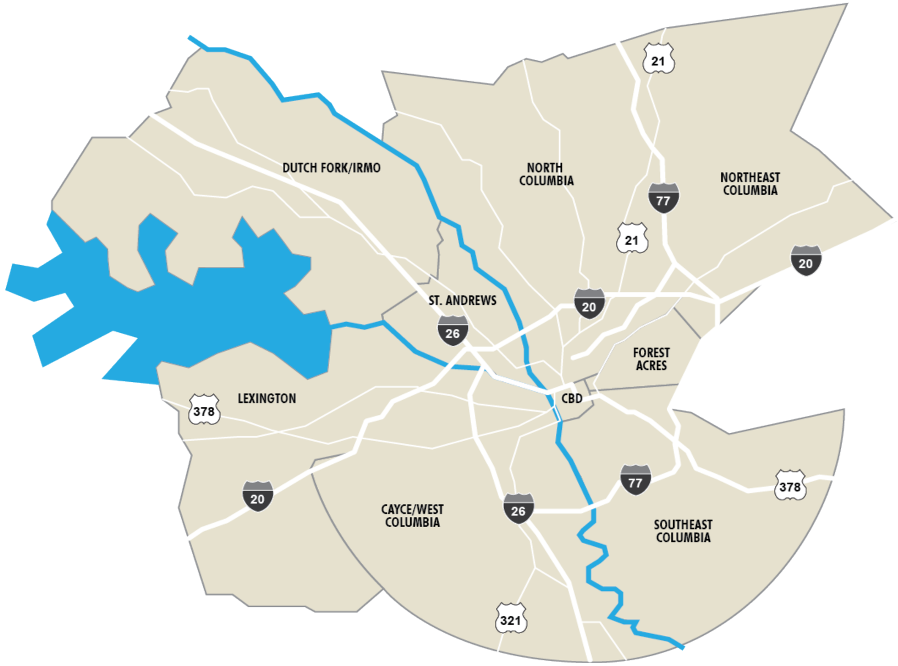
FIGURE 5: Historical Statistics

Submarket	Building SF	Availability (%)	Availability (%)	Avg Asking Lease Rate (PSF/NNN)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2021 Net Absorption (SF)
CBD	5,177,133	11.4	13.8	21.59	75,000	43,918	(7,399)
Dutch Fork/Irmo	111,358	7.5	34.9	17.06	-	-	-
Forest Acres	1,090,602	20.4	22.4	15.47	-	(50,567)	(6,566)
Lexington	180,598	4.2	4.2	12.96	-	14,290	2,159
Northeast Columbia	2,105,790	28.0	32.4	16.51	-	(158,690)	(21,295)
Saint Andrews	3,434,510	11.8	14.6	16.97	-	(55,943)	(39,864)
Southeast Columbia	589,145	26.7	29.0	16.64	-	-	-
West Columbia/Cayce	799,704	5.7	7.7	15.03	-	(2,299)	-
MARKET TOTAL	13,488,840	15.0	18.0	18.00	-	(242,494)	(54,851)

Asset Type	Building SF	Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/NNN)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2021 Net Absorption (SF)
Class A	4,357,348	16.2	20.4	20.11	75,000	(214,798)	(43,140)
Class B	7,132,253	15.1	17.1	17.29	-	(104,392)	(43,140)
MARKET TOTAL	11,489,601	15.0	18.0	18.00	75,000	(321,445)	(62,250)

Source: CBRE Research, Q3 2021

Market Area Overview



Survey Criteria

The CBRE, Inc. Columbia Office Figures report provides statistics based on a revised set of inventory consisting of office properties in the following submarkets: the CBD, Dutch Fork/Irmo, Forest Acres, Lexington, Northeast Columbia, Saint Andrews, Southeast Columbia, and West Columbia/Cayce. 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 move-in and move-out activity in quarter and is based on physical occupancy. Average direct rate- the weighted average of available space for lease and the full-service asking rate.

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