

# MARKETBEAT

# Greenville, SC

Industrial Q4 2017



## GREENVILLE INDUSTRIAL

### Economic Indicators

|                         | Q4 16 | Q4 17 | 12-Month Forecast |
|-------------------------|-------|-------|-------------------|
| Greenville Employment   | 411k  | 416k  | ▲                 |
| Greenville Unemployment | 4.0%  | 3.5%  | ▼                 |
| U.S. Unemployment       | 4.7%  | 4.1%  | ▼                 |

### Economy

2017 saw strong asset price escalation as the Dow was up 25%, the S&P was up 19% and real estate continued to see higher returns with rising rents and falling cap rates. Greenville/Spartanburg mirrored the national economy for job growth, declining unemployment and rising rental rates and lower cap rates. We believe the market will continue to expand and create solid returns for investors. We also expect the tax reform will have a positive impact on corporations and occupiers in the long-term.

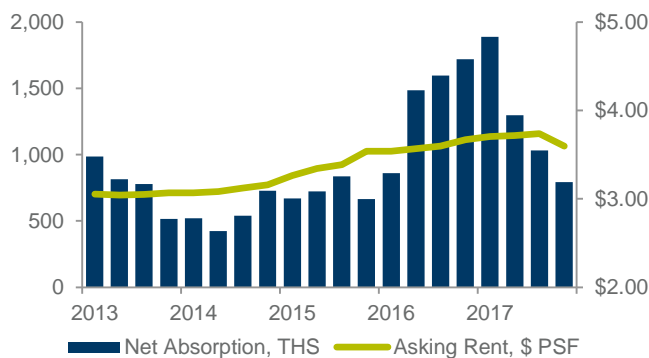
### Market Indicators (Overall, All Product Types)

|                             | Q4 16  | Q4 17  | 12-Month Forecast |
|-----------------------------|--------|--------|-------------------|
| Overall Vacancy             | 6.6%   | 5.8%   | ▼                 |
| Net Absorption (sf)         | 1.4M   | 395k   | ▼                 |
| Under Construction (sf)     | 3.2M   | 5.2M   | ▲                 |
| Overall Average Asking Rent | \$4.16 | \$3.60 | ▼                 |

### Market Overview

The overall absorption for 2017 remained positive, with just under positive 400,000 square feet (sf) being absorbed in Q4 2017. Based on the amount of square feet under construction, of which about half is speculative, we expect to see a slight softening in the absorption number for 2018. This is very good news for the market. With vacancy at 5.8% end-of-year 2017, and rental rates are up 5% to 10% since the end of 2016, the market very much needs some new space brought online. As such, we are tracking about 3.0 million square feet (msf) of speculative space that is currently proposed, under construction or has recently been delivered. Despite its status as a tertiary market, Greenville-Spartanburg has the attention in the nation. There has also been continued influx of new national developers planting their flags, closing on land for both speculative and build-to-suit construction projects.

### Overall Net Absorption/Overall Rent 4-QTR TRAILING AVERAGE



Several of the investment transactions in 2017 traded with sub 6% cap rates and additional transactions below this threshold are expected in 2018. As developers have acquired or tied up land, we have also made two interesting observations: Firstly, the price has doubled for readily developable industrial land sites since the start of 2014. Secondly, the market will need to address utility infrastructure needs, including water, sewer and natural gas, to continue progress for industrial demand as supply of large tracts that have all utilities in place is dwindling.

### Outlook

It is expected that 2018 will start out with several lease transactions that will take a significant amount of space off the market. Additional large investment sales are likely to place continued downward pressure on cap rates. Rental rates should stabilize this year as a welcome addition of new space is added to the market. The strengthening national and global economies will be reflected in the Greenville-Spartanburg market via continued new investment and growth of existing industries.

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| SUBMARKET                             | TOTAL BLDGS  | INVENTORY (SF)     | YTD LEASING ACTIVITY (SF) | OVERALL VACANCY RATE | OVERALL NET ABSORPTION (SF) | OVERALL AVERAGE NET RENT (MF) | OVERALL AVERAGE NET RENT (OS) | OVERALL AVERAGE NET RENT (WD) |
|---------------------------------------|--------------|--------------------|---------------------------|----------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Anderson                              | 317          | 23,056,486         | 394,623                   | 4.1%                 | -66,292                     | \$3.82                        | \$5.74                        | \$3.26                        |
| Northern Spartanburg                  | 526          | 41,647,297         | 1,344,449                 | 9.0%                 | 43,847                      | \$3.82                        | \$5.74                        | \$3.26                        |
| Southern Spartanburg                  | 180          | 12,538,038         | 48,000                    | 6.1%                 | -206,490                    | \$3.82                        | \$5.74                        | \$3.26                        |
| Greer                                 | 271          | 16,725,912         | 865,857                   | 2.1%                 | 24,120                      | \$3.82                        | \$5.74                        | \$3.26                        |
| Hwy. 290 Corridor                     | 85           | 8,913,199          | 420,548                   | 4.6%                 | -1,967                      | \$3.82                        | \$5.74                        | \$3.26                        |
| Northern Greenville                   | 395          | 22,694,805         | 331,115                   | 8.0%                 | -18,885                     | \$3.82                        | \$5.74                        | \$3.26                        |
| I-85 East Greenville                  | 222          | 9,583,787          | 296,893                   | 3.7%                 | 96,992                      | \$3.82                        | \$5.74                        | \$3.26                        |
| West Greenville                       | 121          | 3,591,712          | 48,992                    | 3.3%                 | -1,533                      | \$3.82                        | \$5.74                        | \$3.26                        |
| Southern Greenville                   | 503          | 34,918,312         | 621,413                   | 7.0%                 | -180,040                    | \$3.82                        | \$5.74                        | \$3.26                        |
| Outlying Cherokee   Laurens   Pickens | 237          | 16,494,296         | 544,949                   | 10.1%                | 705,230                     | \$3.82                        | \$5.74                        | \$3.26                        |
| <b>GREENVILLE TOTALS</b>              | <b>2,857</b> | <b>190,163,844</b> | <b>4,916,839</b>          | <b>5.8%</b>          | <b>394,982</b>              | <b>\$3.82</b>                 | <b>\$5.74</b>                 | <b>\$3.26</b>                 |

\*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Services/Flex W/D = Warehouse/Distribution

### Key Lease Transactions Q4 2017

| PROPERTY                | SF      | TENANT                 | TRANSACTION TYPE | SUBMARKET                  |
|-------------------------|---------|------------------------|------------------|----------------------------|
| 6410 Augusta Road       | 100,000 | Pratt Industries       | Lease            | Outlying Anderson Co. Ind. |
| 4421 N. 81 Highway      | 76,000  | Bosch Corporation      | Lease            | Pelham Road Ind.           |
| 2819 Wade Hampton Blvd. | 52,000  | Hartness International | Lease            | Rt. 29 Rutherford Rd Ind.  |
| 1801 Rutherford Road    | 50,000  | Playground Equipment   | Lease            | Rt. 29 Rutherford Rd Ind.  |
| 1801 Rutherford Road    | 33,000  | Bob Jones University   | Lease            | Rt. 29 Rutherford Rd Ind.  |
| 130 Sunbelt Court       | 26,075  | Black Diamond Energy   | Lease            | Pelham Road Ind.           |
| 2980 Green Road         | 24,570  | Famous Supply          | Lease            | Rt. 101 Corridor Ind.      |

### Key Sales Transactions Q4 2017

| PROPERTY                          | SF      | SELLER / BUYER  | PRICE / \$PSF       | SUBMARKET                 |
|-----------------------------------|---------|---|---------------------|---------------------------|
| 1649 Pearman Dairy Road           | 530,751 | Broadway Capital LLC / Industrial Warehouse Services    | \$5,200,000 / \$10  | Outlying Anderson Co Ind. |
| 141 Southchase Blvd.              | 264,385 | STAG Industrial / Patillo                               | Undisclosed         | I-385/Simpsonville Ind.   |
| 199 Black Hawk Road               | 271,094 | DCHG Investments, LLC / Godley Realty                   | \$2,700,000 / \$10  | West Greenville Ind.      |
| 3052 Moore Duncan Hwy.   Hwy. 290 | 240,000 | United Salad Co.   Suncap Property Group                | \$18,453,016 / \$77 | Rt. 290 Corridor          |
| 110 Milacron Drive                | 182,534 | ARE Holdings, LLC / United Tool and Mold                | \$5,400,000 / \$30  | I-385/Simpsonville Ind.   |
| 103 – 105 Shaw Street             | 130,000 | Orders Realty, Inc. / Enigma Corporation                | \$2,900,676 / \$22  | West Greenville Ind.      |
| 556 Perry Avenue                  | 63,356  | Foothills Properties, LLC / Perry Avenue Investors, LLC | \$2,150,000 / \$34  | West Greenville Ind.      |
| 25 Chrome Drive                   | 34,080  | RIR Investments, LLC / Baa LLC                          | \$1,450,000 / \$43  | I-385/Woodruff Rd/Hwy 14  |

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