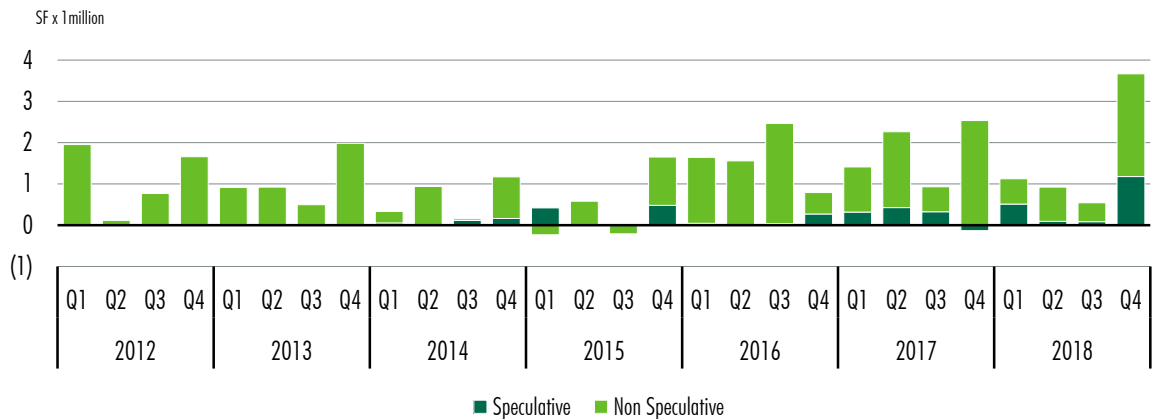


Greenville-Spartanburg Industrial & Logistics, Q4 2018

Speculative success drives record absorption figures

▲ Vacancy Rate 7.1%
▶ Availability Rate 11.2%
▲ Net Absorption 3,666,800 SF
▶ Asking Rate \$3.34 PSF NNN
▲ Under Construction 4,689,885 SF

Figure 1. Speculative and Non-Speculative Deliveries



Source: CBRE Research, Q4 2018

During the fourth quarter of 2018, the Greenville-Spartanburg industrial market continued its positive net absorption streak for the fourteenth consecutive quarter with a record 3.7 million sq. ft. of net absorption. More than 4.5 million sq. ft of industrial product is currently under construction with roughly 35% having been classified as Class A speculative development. Recent successes of large speculative developments suggest absorption should remain strong in 2019.

Consistent absorption and growing asking rates for Class A warehouse have bolstered developer interests in the market, helping to usher in a period of unprecedented speculative development. While the space is getting absorbed quickly, the size of product being delivered is significantly

larger than has been delivered in the past. The majority of new speculative product currently available or under construction is larger than 200,000 sq. ft., indicating that tenants interested in smaller Class A facilities do not have as many options as the market dynamics would suggest.

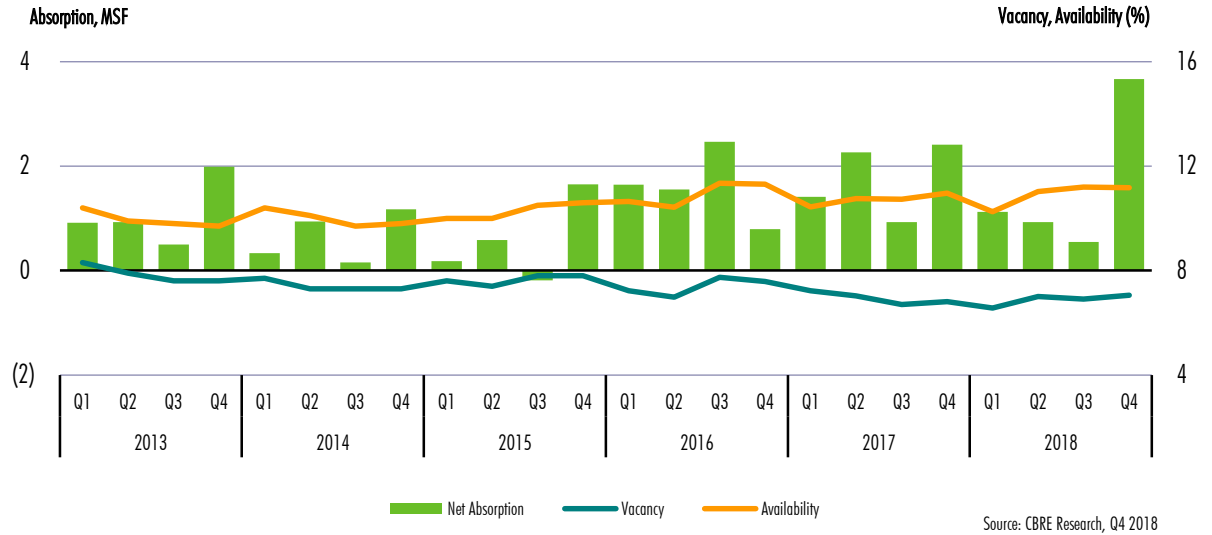
In response to the shift toward larger speculative development, the availability of smaller Class A warehouse facilities has diminished. Depending upon users' needs and space requirements, large speculative projects are often above and beyond the needs of mid-size industrial users. Vacancy should continue to decrease for mid-size industrial product even with the completion of several new speculative projects in the coming quarters.

Figure 2. Market Statistics

Market	Rentable Area (SF)	Vacancy Rate (%)	Total Availability (%)	Avg Asking Dr Rate (\$ PSF/YR)	Under Construction (SF)	Net Absorption Last 4 Qtrs (SF)	Net Absorption Current Qtr (SF)
Anderson	23,953,954	8.1	9.8	2.84	200,000	853,840	870,000
Anderson County	23,953,954	8.1	9.8	2.84	200,000	853,840	870,000
Central Greenville	16,457,713	7.9	12.1	2.85	-	586,184	102,470
I-385 South	22,099,871	6.1	13.6	3.45	-	490,721	109,343
I-85 East	14,304,724	9.2	13.0	5.15	-	(193,303)	(260,427)
I-85 West	19,159,549	5.0	9.9	3.15	360,000	919,033	137,610
Taylors-Greer	8,322,618	12.6	17.0	3.34	-	(61,244)	(35,100)
Travelers Rest	3,661,519	6.5	6.5	3.31	-	(7,140)	-
Greenville County	84,005,994	7.4	12.4	3.60	360,000	1,734,251	53,896
Spartanburg East	23,057,174	8.6	11.4	2.64	34,925	218,640	171,680
Spartanburg West	52,344,404	5.3	9.8	3.26	4,094,960	3,453,227	2,571,224
Spartanburg County	75,401,578	6.3	10.3	3.04	4,129,885	3,671,867	2,742,904
MARKET TOTAL	183,361,526	7.1	11.2	3.34	4,689,885	6,259,958	3,666,800
Development Type							
Manufacturing	94,977,003	5.1	7.8	3.06	259,925	1,216,079	769,143
R&D/Flex	7,587,122	12.4	16.0	5.65	-	87,627	52,970
Warehouse/Distribution	80,797,401	8.8	14.7	3.19	4,429,960	4,956,252	2,844,687
Class A (50k SF+)	23,767,873	4.1	6.1	4.57	1,998,927	3,863,154	2,581,304
Class B (50k SF+)	18,274,978	8.4	17.7	3.17	-	171,947	(23,895)
MARKET TOTAL	183,361,526	7.1	11.2	3.34	4,689,885	6,259,958	3,666,800

Source: CBRE Research, Q4 2018

Figure 3. Vacancy, Availability and Absorption



In spite of the considerable new construction underway, the market continues to demonstrate a superior ability to quickly absorb large quantities of industrial product. For example, BMW recently leased Scannell Properties’ newly completed 400,000 sq. ft. speculative facility located in the Spartanburg West submarket.

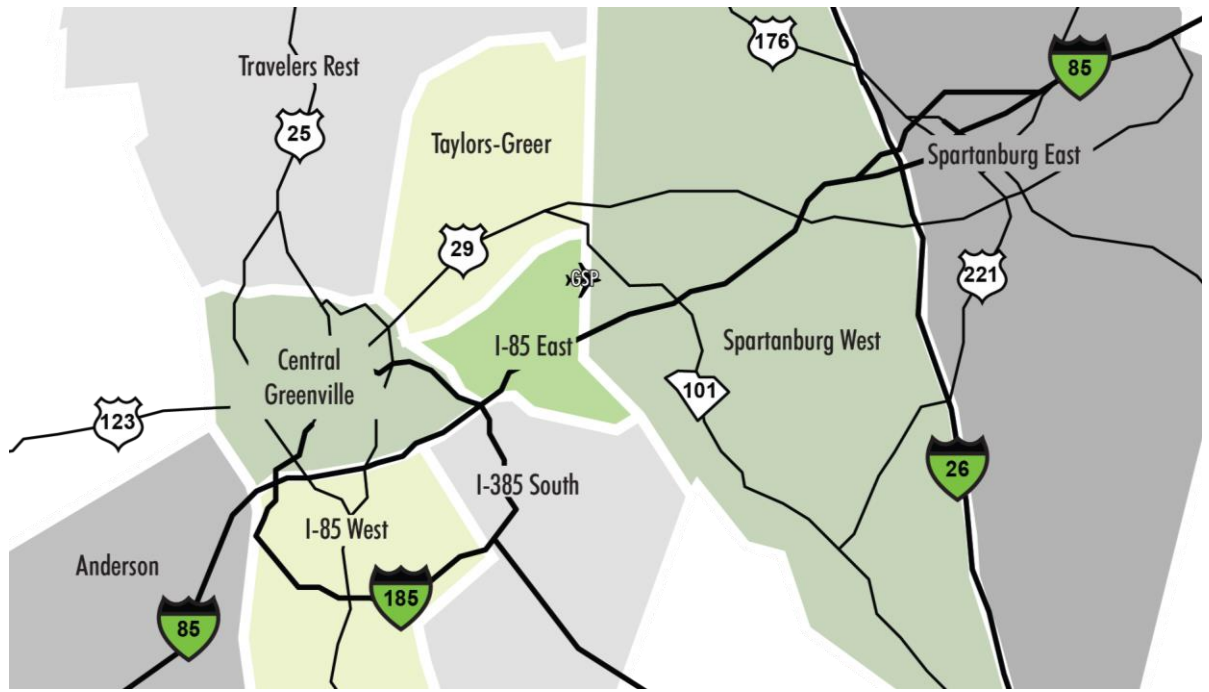
One of the greatest challenges facing developers, owners and tenants is the growing cost of new construction. In response to widespread industrial development across the U.S., both building materials and qualified labor are in short supply; the effects of which are especially magnified given Greenville-Spartanburg’s tightened labor supply. Additionally, there is still some uncertainty as to the long-term ramifications of global trade tariffs.

Competition for labor is not just complicating development; it presents a challenge for industrial users as well. In order to help attract and retain talent, there is now an increased focus placed on the amenities included with new development. These amenities include stronger office finishes and the more frequent provision of air conditioning in warehouse spaces. When combined with previous trends in the market, these cost conditions serve as a driving force in support of one thing: rising asking rents. This

surge in leasing costs is expected to have a substantial impact on both new construction and existing industrial product.

Speculative development continues to diversify the region’s industrial tenant-base. While historically the Upstate market has most commonly been associated with industrial manufacturing, development in the region is now shifting to include major distribution as a significant industrial occupier.

Much of Greenville-Spartanburg’s industrial growth may be attributed to the market’s geographic location and close proximity to both the Port of Charleston as well as the Inland Port of Greer. Opened in 2013, the Greer Inland Port has exceeded its highest expectations, warranting the opening of a second inland port in Dillon, South Carolina. In addition, Georgia state officials recently announced that construction on the Inland Port of Gainesville would begin in 2019, affording yet another economic incentive to the Greenville-Spartanburg industrial market.



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