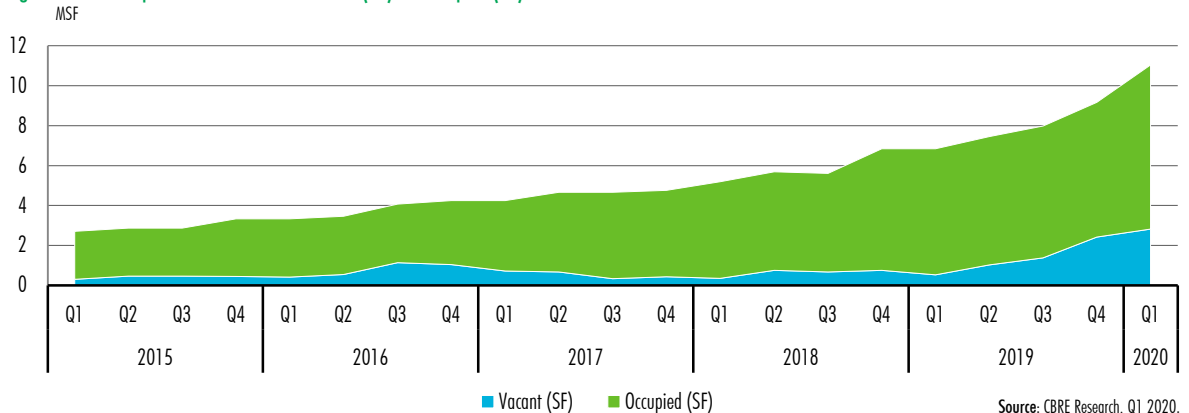


Greenville-Spartanburg Industrial & Logistics, Q1 2020

Spartanburg continues to dominate market growth and leasing activity

▲ Vacancy Rate 8.1%
▲ Availability Rate 12.4%
▼ Net Absorption 1,874,705 SF
▲ Average Direct Rate \$3.50 PSF NNN
▼ Under Construction 3,465,017 SF

Figure 1. Class A Speculative Warehouse Vacant (SF) vs. Occupied (SF)



The Greenville-Spartanburg industrial market posted 1.9 million sq. ft. of positive absorption in Q1 2020. Charlotte based home improvement retailer, Lowe’s expanded into a total of 1.3 million sq. ft. at CRG’s speculative facility, the Cubes at Inland 85. Additionally, 6.8 million sq. ft. of new product has delivered to the market since Q1 2019 with speculative deliveries accounting for 70% of new product. Due to the volume delivered, vacancy saw an increase of 20 basis points.

Spartanburg County specifically has propelled absorption numbers as 17.8 million sq. ft. has been absorbed in Spartanburg County since Q1 2016, accounting for 71% of all industrial space absorbed in the Greenville-Spartanburg industrial market. Spartanburg County also boasts the most construction activity with 2.8 million sq. ft. under construction.

The Greenville-Spartanburg industrial market remains attractive to investors, developers, and both national and international occupiers alike due to the fundamentals such as an extensive transportation infrastructure network, an educated workforce, and a

favorable tax environment. The Greenville-Spartanburg market remains strong and is expected to be among the markets that lead the way out of this downturn.

COVID-19 PANDEMIC

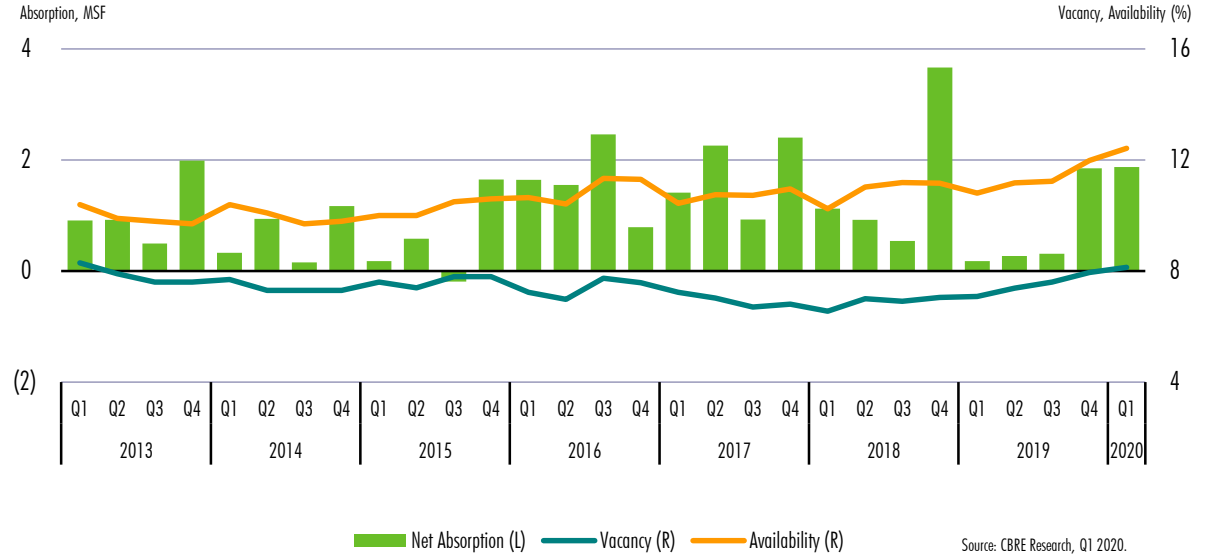
The COVID-19 pandemic has forced some state governments to impose strict stay-at-home orders that are adversely affecting many industries. This is leading the US economy into a recession that will result in very sharp declines in GDP for H1 2020 and in job losses, particularly in the retail, food & beverage, and transportation sectors. Office-using employment may be less negatively affected than in recent recessions. But the unique nature of this downturn should result in an unusually swift recovery that could begin as early as Q3 2020. Assuming the coronavirus peaks this summer in the U.S. – mirroring China’s experience – the U.S. government’s fiscal and monetary stimulus will begin to bear fruit. This will be paired with pent-up private demand that could help the U.S. economy return to growth by year-end and drive stronger than previously expected growth in 2021.

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	24,238,701	9.9	12.7	3.29	50,000	142,864	84,000
Anderson County	24,238,701	9.9	12.7	3.29	50,000	142,864	84,000
Central Greenville	16,483,713	8.0	11.3	2.95	-	102,333	140,509
I-385 South	23,007,240	5.4	14.3	3.31	463,403	761,098	111,989
I-85 East	14,201,422	9.7	13.1	5.02	136,500	(83,430)	(21,600)
I-85 West	19,460,194	5.8	10.2	3.45	-	171,405	142,405
Taylors-Greer	8,069,177	12.3	17.5	3.34	-	50,000	(10,000)
Travelers Rest	3,661,519	6.5	6.5	3.31	-	-	-
Greenville County	84,883,265	7.4	12.5	3.62	599,903	1,001,406	363,303
Spartanburg East	22,911,174	8.0	14.3	2.57	180,360	142,504	4,822
Spartanburg West	58,612,048	8.5	11.4	3.77	2,634,754	3,026,292	1,422,580
Spartanburg County	81,523,222	8.4	12.2	3.39	2,815,114	3,168,796	1,427,402
MARKET TOTAL	190,645,188	8.1	12.4	3.50	3,465,017	4,313,066	1,874,705

Development Type	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)
Manufacturing	95,517,358	5.5	8.1	3.10	50,000	143,510	95,500
R&D/Flex	7,373,820	11.4	15.3	5.58	-	(4,201)	(26,269)
Warehouse/Distribution	87,754,010	10.8	16.9	3.45	3,415,017	4,173,757	1,805,474
Class A (50k SF+)	29,448,065	9.9	15.3	4.44	3,229,697	3,492,377	1,586,085
Class B (50k SF+)	20,436,147	9.5	15.7	3.48	-	367,352	102,400
MARKET TOTAL	190,645,188	8.1	12.4	3.50	3,465,017	4,313,066	1,874,705

Figure 3. Vacancy, Availability and Absorption

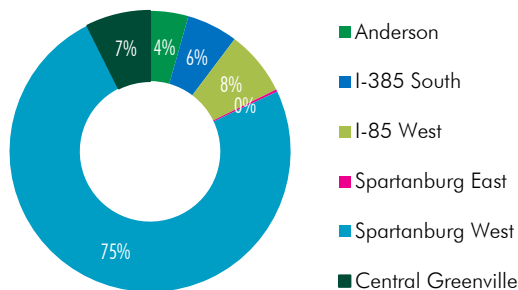


LEASING ACTIVITY AND ABSORPTION

Leasing activity was healthy, despite no Class A leases being executed. Prior to COVID-19, there were 14 million sq. ft. of requirements in the market. Even if the market sees a decrease in activity, it is expected for 2020 to finish strong. Further, 50% of all deals executed were relocations within the market. It should be noted that average lease rates for industrial space increased \$0.22/SF year-over-year to \$3.50 per sq. ft. annum on a triple net basis. Three notable Q1 2020 transactions include:

- ThyssenKrupp, an elevator manufacturing company, inked a 102,500 sq. ft. deal in the Landmark Center at 160 National Avenue.
- Bakery operation The Muffin Mam, Inc., executed their prelease in Q1 2019, but took occupancy in Q1 2020 upon delivery of the 100,000 sq. ft. build-to-suit expansion at 830 Hunter Industrial Park Road.
- Yanfeng, an automotive interiors manufacturer signed a new 80,000 sq. ft. lease at 700 N. Woods Drive.

Figure 3: Q1 2020 Gross Absorption by Submarket(Share by SF)



Source: CBRE Research, Q1 2020.

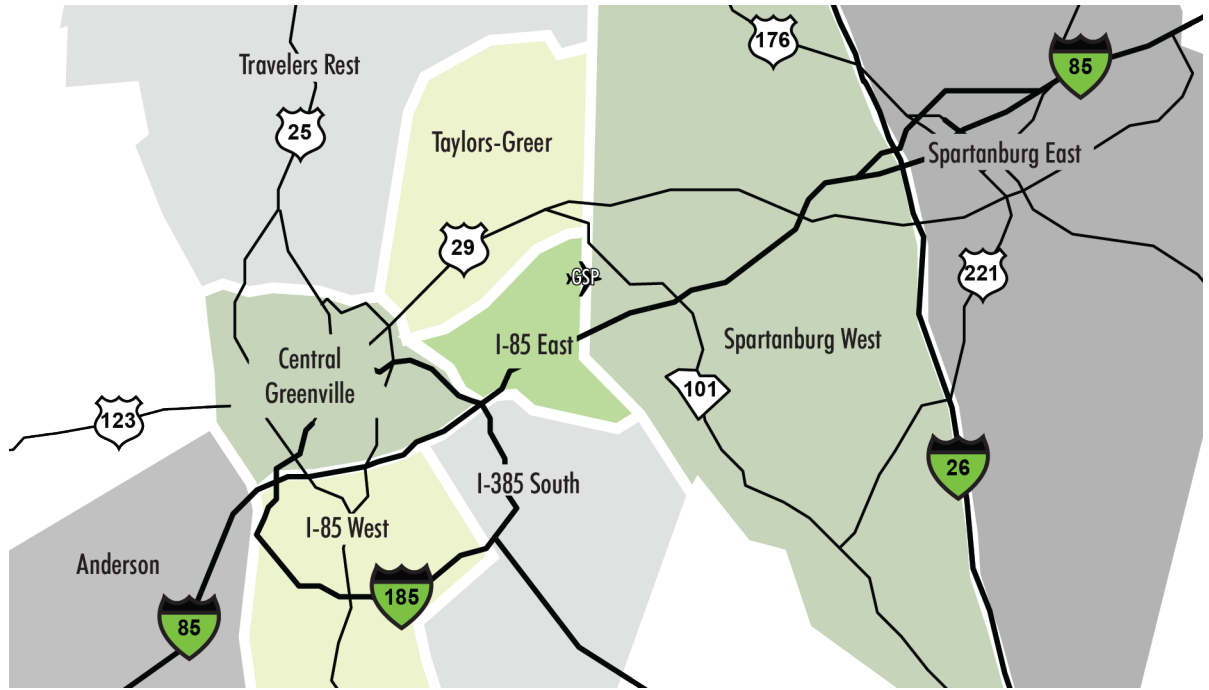
DEVELOPMENT & INVESTMENT ACTIVITY

Two new assets delivered in Q1 2020. Augusta Grove delivered a 300,000 sq. ft. Class A speculative with 48% preleased to the ORBIS Corporation, a Wisconsin based reusable packaging tenant. The second was Lowe’s 1.3 million sq. ft. warehouse and distribution facility at the Cubes at Inland 85. Lexington Realty Trust purchased the newly delivered asset from CRG, a Midwest based developer, for \$98.4 million or \$76 per sq. ft.

There is approximately 3.6 million sq. ft. under construction in the Greenville-Spartanburg industrial market, with 3.5 million sq. ft. of that being speculative space. Even with the uncertainty in the market due to COVID-19, projects that are under construction have largely been unaffected, as 2.5 million sq. ft. is on track to deliver in the second quarter of 2020. Further construction in the immediate future is to yet to be determined.

OTHER KEY TAKEAWAYS

Immediate impact is yet to be determined. However, manufacturers reshoring to the U.S. and anticipated increased demand driven largely from e-commerce sales and companies increasing their inventory is likely going to drive absorption and construction in the near future. CBRE predicts that markets, like Greenville-Spartanburg, with strong transportation infrastructure, available labor, and available land/existing industrial product will attract much of this future growth.



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